

**Report of  
Bank Pekao S.A. Group  
for the three quarters of  
2016**



# **Report on the activities of Bank Pekao S.A. Group for the third quarter of 2016**



**Warsaw, November 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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# Report on the activities of Bank Pekao S.A. Group for the third quarter of 2016

## 1 Highlights of Bank Pekao S.A. Group

	3 QUARTERS OF 2016	3 QUARTERS OF 2015	2015	2014
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Operating income	5,585.7	5,290.8	7,058.6	7,345.7
Operating costs	(2,418.1)	(2,421.1)	(3,219.7)	(3,285.8)
Operating profit	3,167.6	2,869.7	3,838.9	4,060.0
Profit before income tax	2,250.5	2,298.5	2,831.1	3,359.7
Net profit for the period attributable to equity holders of the Bank	1,784.6	1,854.1	2,292.5	2,714.7
Net profit excluding tax on certain financial institutions <sup>(*)</sup>	2,106.1	-	-	-
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE)	10.2%	10.4%	9.7%	11.5%
Return on assets (ROA)	1.5%	1.5%	1.4%	1.8%
Net interest margin	2.8%	2.8%	2.8%	3.1%
Non-interest income / operating income	40.6%	40.3%	40.0%	38.3%
Cost / income	43.3%	45.8%	45.6%	44.7%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Total assets	163,252.7	170,791.6	168,785.6	167,625.0
Net loans and advances to customers <sup>(**)</sup>	121,306.8	115,111.5	117,299.4	109,189.0
Amounts due to customers <sup>(***)</sup>	126,546.2	124,640.7	124,398.9	120,629.6
Debt securities issued	1,626.1	3,627.6	2,903.2	3,857.0
Equity	22,739.2	22,862.4	23,424.2	24,045.7
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Net loans <sup>(**)</sup> / total assets	74.3%	67.4%	69.5%	65.1%
Securities / total assets	17.3%	17.8%	13.2%	15.0%
Deposits <sup>(****)</sup> / total assets	78.5%	75.1%	75.4%	74.3%
Net loans <sup>(**)</sup> / deposits <sup>(****)</sup>	94.6%	89.7%	92.1%	87.7%
Equity / total assets	13.9%	13.4%	13.9%	14.3%
Total capital ratio (Basel III)	18.1%	17.7%	17.7%	17.3%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees	17,994	18,471	18,327	18,765
Number of outlets	942	992	975	1,034
Number of ATMs	1,754	1,767	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 321.6 million in the three quarters 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 Omontowice, took over by Bank Pekao S.A. following decision of The Polish Financial Supervision Authority on December 5, 2014.

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

## 2 Highlights of Bank Pekao S.A.

	3 QUARTERS OF 2016	3 QUARTERS OF 2015	2015	2014
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;">(in PLN million)</span>				
Operating income	5,382.0	5,145.0	6,792.0	7,034.7
Operating costs	(2,253.6)	(2,257.1)	(2,992.6)	(3,086.6)
Operating profit	3,128.4	2,887.9	3,799.4	3,948.1
Profit before income tax	2,268.2	2,333.0	2,791.6	3,270.1
Net profit	1,825.1	1,917.7	2,290.4	2,662.3
Net profit excluding tax on certain financial institutions (*)	2,146.7	-	-	-
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE)	10.7%	11.3%	10.1%	11.6%
Return on assets (ROA)	1.5%	1.6%	1.4%	1.8%
Net interest margin	2.8%	2.8%	2.7%	3.1%
Non-interest income / operating income	38.4%	37.4%	37.4%	36.2%
Cost / income	41.9%	43.9%	44.1%	43.9%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;">(in PLN million)</span>				
Total assets	160,095.5	167,837.7	165,760.7	164,322.8
Net loans and advances to customers(**)	117,714.0	111,532.7	113,753.2	105,600.1
Amounts due to customers(***)	126,814.2	124,982.0	124,788.1	121,124.9
Debt securities issued	338.1	2,424.2	1,668.7	2,819.7
Equity	22,151.3	22,299.0	22,794.4	23,387.2
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Net loans(**) / total assets	73.5%	66.5%	68.6%	64.3%
Securities / total assets	17.5%	18.0%	13.3%	15.3%
Deposits(***) / total assets	79.4%	75.9%	76.3%	75.4%
Net loans(**) / deposits(***)	92.6%	87.5%	90.0%	85.2%
Equity / total assets	13.8%	13.3%	13.8%	14.2%
Total capital ratio (Basel III)	18.6%	18.2%	18.2%	17.1%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees	16,100	16,501	16,387	16,914
Number of outlets	942	992	975	1,034
Number of ATMs	1,754	1,767	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 321.6 million in the three quarters 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 three quarters of 2016 amounted to PLN 1,784.6 million allowing return on average capital (ROE) at the level of 10.2% achieved with a strong capital base reflected by TCR at 18.1% (Basel III).

Net profit of Bank Pekao S.A. Group for the three quarters of 2016 excluding tax on certain financial institutions in the amount of PLN 321.6 million would amount to PLN 2,106.1 million, higher by PLN 252.0 million, i.e. 13.6% in comparison to the three quarters 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 three quarters of 2016 a significant growth in loan volumes was reported in the area of retail loans (an increase of 8.4% year on year) and a 2.8% 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 11.6% year on year.

The solid liquidity structure of Bank Pekao S.A. Group is reflected by net loans to deposits ratio at 94.6% as at the end of September 2016. This, together with high equity level, enables for further sound and stable development of the Group's activities.

### Main P&L items

In the three quarters of 2016, the Group's operating income amounted to PLN 5,585.7 million, an increase of PLN 294.9 million, i.e. 5.6% in comparison to the three quarters of 2015 with the following trends:

- total net interest income, dividend income and income from equity investments in the three quarters of 2016 amounted to PLN 3,315.4 million and was higher by PLN 154.2 million, i.e. 4.9% compared to the three quarters of 2015 driven by higher volumes,
- the Group's net non-interest income in the three quarters of 2016 amounted to PLN 2,270.3 million, higher by PLN 140.7 million, i.e. 6.6% in comparison with the three quarters of 2015 thanks to higher trading result supported also by gains on settlement of the transaction of the acquisition of Visa Europe Limited by Visa Inc. and by higher net other operating income supported by disposal of loans, with net fee and commission income lower by 2.9% compared to the three quarters of 2015 mainly due to some pressure observed on capital market related fees.

The operating costs amounted to PLN 2,418.1 million in the three quarters of 2016. They were lower by PLN 3.0 million, i.e. 0.1% as compared with the three quarters of 2015.

Guarantee funds charges in the three quarters of 2016, amounted to PLN 196.8 million, a decrease of PLN 9.1 million, i.e. 4.4% in comparison with the three quarters of 2015.

On February 1, 2016 tax on certain financial institutions under the Act on tax on certain financial institutions was introduced. In the three quarters of 2016, it amounted to PLN 321.6 million.

The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 394.5 million in the three quarters of 2016, a decrease of PLN 2.7 million, i.e. 0.7% as compared with the three quarters of 2015.

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## Volumes

As at the end of September 2016, loans and advances at nominal value and securities issued by non-monetary entities amounted to PLN 127,234.3 million, an increase of PLN 6,244.2 million, i.e. 5.2% in comparison to the end of September 2015 with significant growth in key strategic areas.

- As at the end of September 2016, the volume of retail loans amounted to PLN 56,824.0 million, an increase of PLN 4,396.1 million, i.e. 8.4% in comparison to the end of September 2015,
- The volume of corporate loans, non-quoted securities and securities issued by non-monetary entities increased by PLN 1,848.1 million, i.e. 2.7% as compared to the end of September 2015 and amounted to PLN 70,410.3 million as at the end of September 2016.

As at the end of September 2016, there were no reverse repo transactions. As of September 30, 2015, reverse repo transactions amounted to PLN 8,551.1 million.

As of September 30, 2016, the ratio of impaired receivables to total receivables excluding reverse repo transactions amounted to 6.4% as compared to 6.7% as at the end of September 2015.

As at the end of September 2016, the total amounts due to the Group's customers and debt securities issued amounted to PLN 128,172.3 million, a decrease of PLN 96.0 million, i.e. 0.1% in comparison to the end of September 2015.

- The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 67,590.1 million as at the end of September 2016, an increase of PLN 6,951.6 million, i.e. 11.5% in comparison to the end of September 2015,
- The total volume of corporate deposits, Certificates of Deposit, Pekao Bank Hipoteczny S.A. covered bonds, interest and other amounted to PLN 60,582.2 million as at the end of September 2016, a decrease of PLN 7,047.6 million, i.e. 10.4% as compared to the end of September 2015 reflecting selective pricing approach and focus on securing liquidity needs of the Group.

Repo transactions amounted to PLN 418.9 million as at the end of September 2016, a decrease by PLN 3,541.0 million, i.e. 89.4% in comparison to the end of September 2015.

The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,750.9 million as at the end of September 2016, a decrease of PLN 185.3 million, i.e. 1.1% in comparison to the end of September 2015, under the pressure of situation on capital markets.

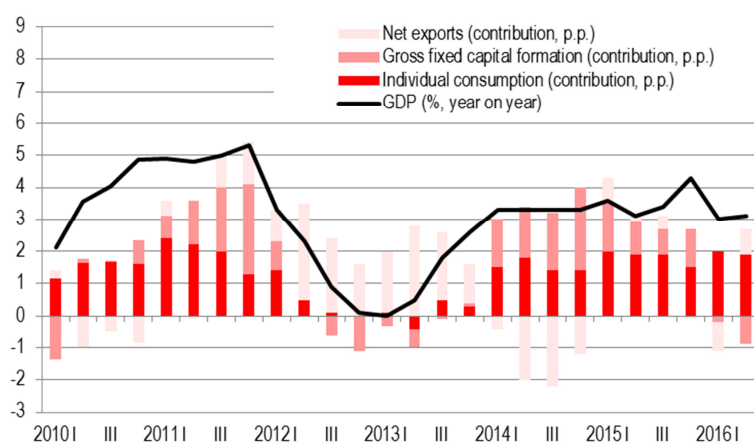
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## 4 External Activity Conditions

### Economic growth

In the second quarter of 2016, Polish economic growth amounted to 3.1% year on year as compared with the GDP growth of 3.0% year on year in the first quarter. Seasonally adjusted data indicate that the GDP expanded by +0.9% quarter on quarter after a decline of -0.1% quarter on quarter in the first quarter. Pace of growth of domestic demand declined in the second quarter of 2016 to 2.4% year on year vs. 4.1% year on year growth reported in the previous quarter. Slower demand growth was mainly a consequence of further deepening of decline in fixed investments which decreased by -4.9% year on year in the second quarter of 2016 after a decline of -1.8% year on year in the first quarter. At the same time in the second quarter households consumption increased at a similar level to the first quarter (3.3% year on year vs. 3.2% year on year), despite continued improvement in the labour market conditions and the beginning of child benefits payments (by the end of June beneficiaries received nearly PLN 5 billion from Family 500 plus Program). Change in inventories and foreign trade were also supporting the GDP growth in the second quarter. Change in inventories contributed 0.5 p.p. and net exports 0.8 p.p. to the GDP growth last quarter. Exports of goods and services increased by +10.9% year on year, while imports increased by +9.9% year on year in the second quarter of 2016 as compared with +6.9% year on year and +9.3% year on year respectively in the previous quarter. Faster rise in exports as compared to imports translated into higher foreign trade surplus compared to the second quarter of 2015.

High-frequency data indicate that in the third quarter the annual growth of the GDP was slower than in the previous two quarters, what means that in 2016 as a whole economic growth is likely to slow below 3%. Sharp deterioration in construction activity suggests deeper declines in gross fixed capital investment in the third quarter. Uncertainties linked to the planned exit of the United Kingdom from the European Union and the outcome of presidential elections in the United States are among risk factors that could negatively influence investment and exports in the coming quarters.



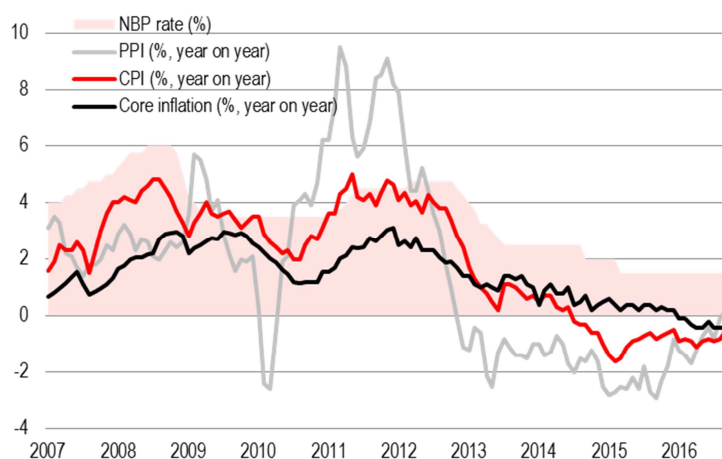


# Report on the activities of Bank Pekao S.A. Group for the third quarter of 2016

## Inflation and monetary policy

The CPI inflation amounted to -0.5% year on year in September 2016 and was lower than the lower limit of deviations from the inflation target of the National Bank of Poland (NBP) of +1.5%. The low level of inflation in September was mainly the result of fall in prices of clothing and footwear (by -4.9% year on year), transport (by -2.5% year on year), recreation and culture (by -2.1% year on year) and housing and energy (by -0.5% year on year).

In the third quarter of 2016, the Monetary Policy Council kept interest rates unchanged and the NBP reference rate amounted to 1.50% and Lombard rate amounted to 2.50% as at the end of September. In the Council's opinion, the scale of deflation will continue to decrease in the coming months. Higher price growth will be supported by the stable GDP growth, amid accelerating wage growth and higher child benefits. In the coming quarters, investment growth should also rise, supported by good financial standing of enterprises, growing capacity utilization of firms and a gradual increase in absorption of EU funds. The sources of uncertainty for expected economic activity and price developments are risks of a deterioration in global economy and a fall in commodity prices. The Council confirms its assessment 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.



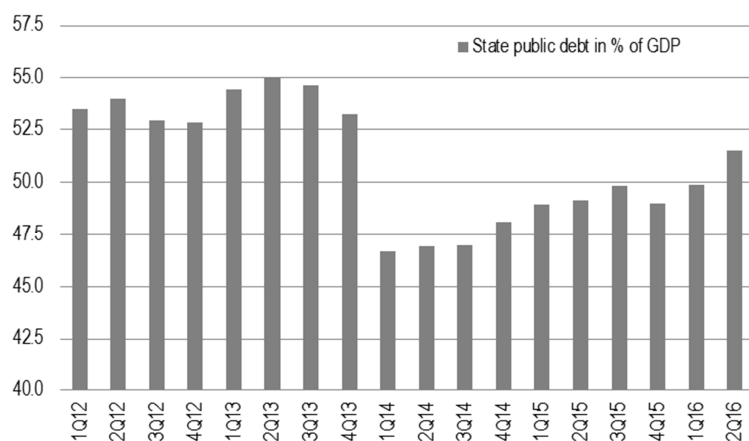
# Report on the activities of Bank Pekao S.A. Group for the third quarter of 2016

## Fiscal policy

After September the state budget deficit (cash basis) amounted to PLN 20.6 billion, i.e. 37.7% of the annual limit envisaged in the 2016 budget act at PLN 54.7 billion. In the updated budget execution plan the deficit after first nine months of this year was expected at PLN 35.5 billion (64.8% of the annual plan). The state budget revenues totaled PLN 238.6 billion (up by +13.6% year on year) and expenditures reached PLN 259.2 billion (up by +7.5% year on year). After September non-tax revenues were PLN 14.7 billion higher than in the corresponding period of the previous year as a result of higher payment from the NBP profit. In July 2016, the state budget received PLN 7.9 billion from the NBP profit for 2015, whereas in 2015 the budget did not receive any payments from the NBP profit. At the same time tax revenues were PLN 14.0 billion higher than after September 2015 mainly on the back of higher VAT revenues (up by +6.8% year on year after September). In the 2017 budget draft bill the Ministry of Finance estimates the 2016 deficit at PLN 42.0 billion vs. an annual limit of PLN 54.7 billion. According to the Ministry of Finance 2016 tax revenues should be ca. PLN 4 billion higher than envisaged in the 2016 budget act and expenditures are to be over PLN 8 billion lower than planned.

In the 2017 budget draft bill the government plans 2017 deficit at the record-high level of PLN 59.3 billion. Despite that the general government deficit is expected to remain below 3% of the GDP. In 2017, the net borrowing needs are seen at PLN 79.0 billion and gross borrowing needs at PLN 178.5 billion as compared with PLN 64.7 billion and PLN 174.3 billion respectively estimated for 2016.

At the end of the second quarter of 2016, the state public debt amounted to PLN 936.9 (51.5% of the GDP) vs. PLN 877.3 billion (49.0% of the GDP) at the end of 2015. Domestic debt rose by PLN 44.3 billion and foreign debt increased by PLN 15.3 billion. The general government debt stood at PLN 977.8 billion (53.8% of the GDP) at the end of June 2016 as compared with PLN 920.1 billion (51.4% of the GDP) at the end of 2015.

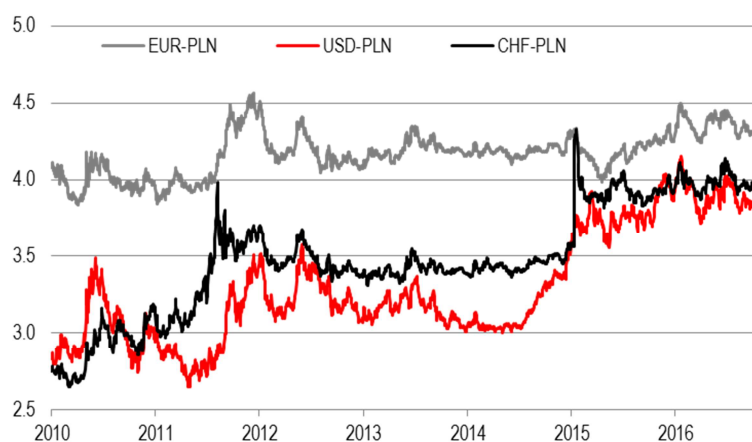


# Report on the activities of Bank Pekao S.A. Group for the third quarter of 2016

## Exchange rate

In the third quarter of 2016, the dollar trimmed part of gains earned in the second quarter of 2016 against the basket of currencies. The EUR-USD exchange rate was moving within a wide range of 1.1000-1.1350 and anchored close to a key barrier of 1.12 at the end of September 2016. A series of weaker macroeconomic data from the US and lack of interest hikes by the Federal Reserve limited demand for the greenback. On the other hand the prospect of more monetary stimulus in the euro area affected the single currency. That's why there was no clear trend on the main currency pair chart in mixed market environment. It is more likely to shift EUR-USD in 1.09-1.12 range in the coming weeks due to expected the Fed's monetary policy tightening in December 2016. The EUR-USD is likely to test targets above 1.12 on profit taking on the dollar at the end of the year.

The zloty outperformed the currency basket in the third quarter of 2016. The exchange rate would test even the strongest levels since March 2016 (4.24/EUR) if no pressure due to the Moody's rating revision. The agency, however, did not perform the review of the credit rating, which reduced uncertainty on the market. The central banks were key market drivers apart from domestic factors. A relatively "dovish" Fed's bias maintained a positive mood across the emerging markets. The zloty gained 3.0% vs. EUR, 3.9% against the USD and 3.1% vs. CHF in the period of July-September 2016. The zloty is moving close to a key technical barrier of 4.31/EUR. There is the risk of a test of weaker targets during the fourth quarter of 2016 due to likely unfavorable signals from the economy. However, in baseline scenario it is expected that the zloty may consolidate close to 4.30/EUR at the end of December 2016.



## Banking sector

According to the Financial Supervision Authority (KNF) data, in the period of January-September 2016 net profit of the banking sector amounted to PLN 11.5 billion and was higher by +0.4% compared to the corresponding period of 2015. In the last months, pace of sector's profits was improved (after the first quarter of 2016 it had been -23% year on year), but it was mainly due to one-off event, which was the sale of Polish banks' shares in Visa Europe Ltd. to American Visa Inc. in June this year. In the first 9 months of 2016, result on banking activity rose by +9.6% year on year, but the costs grew even faster (+13.8% year on year). Solid growth of result on banking activity was mainly driven by +43.8% year on year increase of other income (where profits from Visa transaction were accounted for), but solid pace of net interest income (+8.8% year on year) also contributed positively. Together they have more than offset diminishing result on fees and commissions (-5.7% year on year). Rising costs were in turn influenced primarily by growth of general and administrative expenses, which is a consequence of introduction of the so called bank levy in February this year. However, staff expenses were going up as well. Risk costs (impairments on assets and other reserves) grew by +14.7% year on year and had additional negative impact on the banking sector's result.

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

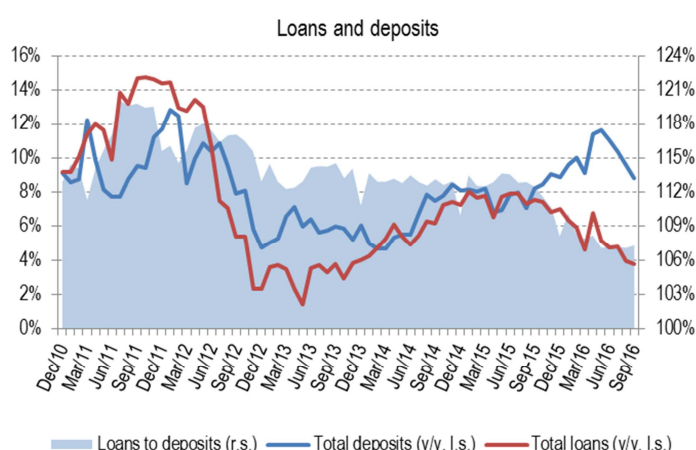
According to the KNF data, as at the end of September 2016 banking sector assets amounted to PLN 1,669.7 billion, which meant a growth of +3.8% year on year. Loans to non-financial sector increased by +5.0% year on year, while deposits of that sector increased by +9.2% year on year.

According to the NBP data, as at the end of September 2016, the nominal volume of loans to households was higher by +4.8% compared to the end of September 2015. Taking into consideration favorable macro environment (the GDP and salaries increase and lower unemployment rate) as well as low interest rates, it should be regarded as a moderate growth rate. Loans to enterprises grew in the same period by +4.8% and the pace was slower than in previous months.

Mortgage loans have still adverse impact on growth of households' loans. This may be related, among others, to the unfavorable regulatory environment (e.g. higher down-payment requirements in case of mortgages). However, relatively high growth rate is attained by consumer loans, which might result from higher creditworthiness of individuals thanks to favorable situation on labour market. In case of enterprises, a high growth rate is being maintained by investment loans, even though the underlying investment expenses of firms are moderate. However, the growth rate of loans on current account is decreasing.

As at the end of September 2016, the volume of deposits of households increased by +9.8% year on year. Relatively high pace of growth, despite low interests on deposits (as a result of the NBP's monetary policy), may be influenced by three factors. Firstly, favorable macroeconomic and labour market conditions have a positive influence on households' liquidity. Secondly, households are now benefiting from the Family 500 plus government Program. Thirdly, attractiveness of alternative investment strategies (e.g. investments into shares) is currently limited.

Concerning corporate deposits, the volume increased by +5.4% year on year as at the end of September 2016. Growth is being maintained mainly thanks to positive business climate, which supports financial results and liquidity surplus of enterprises. Possible influence stems also from uncertainty as regards current and future regulatory environment, which might withhold new investments. Inflow of funds from abroad to foreign-owned local subsidiaries may also influence growth in corporate deposits – enterprises temporarily place such funds in local banking system before financing operating activities and/or investments with them.



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

## 5 Internal Factors

### 5.1 Description of the Group

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

#### **Opening of liquidation of the company**

On July 21, 2016 the Extraordinary Shareholders Meeting of Pekao Fundusz Kapitałowy Sp. z o. o. (a subsidiary of the Bank) took the resolution on starting liquidation procedure of the Company.

#### **Termination of liquidation procedure**

In connection with termination of liquidation procedure of Pekao Leasing Holding S.A. (in liquidation), on September 20, 2016 the Company was removed from the National Court Register.

Termination of liquidation procedure of Pekao Leasing Holding S.A. was preceded by the transfer of shares of Pekao Leasing Sp. z o.o. held by the Company to the Bank. Currently, the Bank holds directly 100% share in the capital and votes in the General Meeting of Pekao Leasing Sp. z o.o.

#### **Transfer of asset management directly to Pioneer Pekao TFI S.A.**

On September 30, 2016, Pioneer Pekao Investment Management S.A. (PPIM) made an agreement with Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. (TFI) on transfer of organized part of the enterprise being, in the internal organizational structure of PPIM, separate organizationally, financially and functionally set of tangibles, intangibles and liabilities designed to perform business activities within the scope of portfolios management which include one or more numbers of financial instruments. Transfer of the organized part of the enterprise was conducted on October 1, 2016 as a contribution in kind to cover shares acquired by PPIM in the increased share capital of TFI.

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

## 5.3 Changes in the Statutory Bodies of the Bank

### Supervisory Board

On June 16, 2016, the Management Board of Bank Pekao S.A. informed in the current report No. 10/2016 that, taking into account the fulfillment of suitability assessment, the Ordinary General Meeting of the Bank on June 16, 2016 appointed Mr. Dariusz Filar, Mr. Massimiliano Fossati, Ms. Katarzyna Majchrzak, Mr. Gianni Papa, Mr. Leszek Pawłowicz, Ms. Laura Penna, Ms. Wioletta Rosołowska, Ms. Doris Tomanek and Mr. Jerzy Woźnicki as Members of the Supervisory Board of the Bank for the three-year joint term of office, starting on June 17, 2016.

Composition of the Supervisory Board:

SEPTEMBER 30, 2016	DECEMBER 31, 2015
Jerzy Woźnicki Chairman of the Supervisory Board (*)	Jerzy Woźnicki Chairman of the Supervisory Board
Gianni Papa Deputy Chairman of the Supervisory Board (*)	Roberto Nicastro Deputy Chairman of the Supervisory Board
Leszek Pawłowicz Deputy Chairman of the Supervisory Board (*)	Leszek Pawłowicz Deputy Chairman of the Supervisory Board
Massimiliano Fossati 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

(\*) The Supervisory Board of the Bank elected at the meeting held on July 22, 2016 Mr. Jerzy Woźnicki as Chairman of the Supervisory Board, Mr. Gianni Papa as Deputy Chairman of the Supervisory Board, Mr. Leszek Pawłowicz as Deputy Chairman of the Supervisory Board and Mr. Massimiliano Fossati as Secretary of the Supervisory Board.

### Management Board of the Bank

As of September 30, 2016 the composition of the Management Board had not changed compared to December 31, 2015 and was as follows:

SEPTEMBER 30, 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

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

## 5.4 The Bank's shareholding structure

As of September 30, 2016, the share capital of Bank Pekao S.A. amounted to PLN 262,470,034 and it was divided into 262,470,034 shares.

In the current report No. 17/2016, the Management Board of Bank Pekao S.A. informed that on July 18, 2016 received the notification from UniCredit S.p.A. according to which, UniCredit S.p.A. sold 26,247,003 shares of Bank as a result of the execution on July 13, 2016 of the block trades concluded as a result of the accelerated book-building process. The transactions were settled on July 15, 2016.

Prior to the disposal, the UniCredit S.p.A. owned 131,497,488 shares in the Bank, constituting 50.10% of capital share of the Bank and corresponding to the same number and percentage share of votes at the General Meeting of the Bank.

After the transaction, the UniCredit S.p.A. holds 105,250,485 shares in the Bank, constituting 40.10% of capital share of the Bank and corresponding to the same number and percentage share of votes at the General Meeting of the Bank.

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	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 THE DATE OF SUBMITTING THE REPORT FOR THE THIRD QUARTER OF 2016		AS OF SEPTEMBER 30, 2016		AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST HALF OF 2016		AS OF JUNE 30, 2016	
UniCredit S.p.A.	105,250,485	40.10%	105,250,485	40.10%	105,250,485	40.10%	131,497,488	50.10%
Other shareholders (below 5%)	157,219,549	59.90%	157,219,549	59.90%	157,219,549	59.90%	130,972,546	49.90%
<b>Total</b>	<b>262,470,034</b>	<b>100.00%</b>	<b>262,470,034</b>	<b>100.00%</b>	<b>262,470,034</b>	<b>100.00%</b>	<b>262,470,034</b>	<b>100.00%</b>

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

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

## 5.5 Financial credibility ratings

### 5.5.1 Bank Pekao S.A. financial credibility ratings

Bank Pekao S.A. co-operates with three leading credit rating agencies: Fitch Ratings, S&P Global Ratings, 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 of September 30, 2016, Bank Pekao S.A. had assigned following financial credibility ratings:

<b>FITCH RATINGS</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
Long-term rating (IDR)	A-	A-
Short-term rating	F2	F2
Viability rating	a-	-
Support rating	2	-
Outlook	Stable	Stable
<b>S&amp;P GLOBAL RATINGS</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
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
<b>MOODY'S INVESTORS SERVICE (UNSOLICITED RATING)</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
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/Negative <sup>(*)</sup>	Negative

<sup>(\*)</sup> Stable for liabilities in domestic currency, Negative for liabilities in foreign currencies

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 S&P Global Ratings, the highest Baseline Credit Assessment as well as long- and short-term counterparty risk ratings assigned by Moody's Investors Service.

On October 18, 2016, S&P Global Ratings reviewed the ratings of Bank Pekao S.A. and decided to affirm them at unchanged levels.

On November 9, 2016, Fitch Ratings reviewed and affirmed Bank Pekao S.A. ratings at unchanged levels. The affirmation of the Bank's ratings is underpinned by its sound fundamental credit quality and by the absence of any major changes in its financial metrics over the last 12 months.

At the same time Fitch placed the Bank's Support rating on Rating Watch Negative. Placing the Bank's Support rating on Rating Watch Negative reflects potential sale of the Bank by UniCredit to PZU S.A. and the Polish Development Fund (Polski Fundusz Rozwoju) and Fitch's assessment of the new controlling shareholders' ability and propensity to provide extraordinary support would be lower than at present.



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

## 5.5.2 Pekao Bank Hipoteczny S.A. financial credibility ratings

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. The reasons underlying the Agency's decision included the high rating assigned to Pekao Bank Hipoteczny S.A. (A-), legal regulations pertaining to the covered bonds collateral register and the excess of collateral over the volume of bonds in issue, as declared by the bank.

The high rating assigned to the covered bonds confirms Pekao Bank Hipoteczny's ability to issue securities offering a high level of security and raise long-term capital to fund its lending activity. In July 2016, during revision of the ratings, outlook of the covered bonds was changed from Rating Watch Positive to Negative. In August 2016, Fitch Ratings agency upgraded the national long-term rating of Pekao Bank Hipoteczny S.A. from "AA(pol)" to "AA+(pol)" maintaining a stable outlook.

On November 9, 2016, Fitch Ratings reviewed and affirmed Pekao Bank Hipoteczny S.A. ratings at unchanged levels.

## 5.6 Achievements of Bank Pekao S.A.

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

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

	30.09.2016	30.09.2015
Total number of outlets	942	992
Total number of own ATMs	1,754	1,767

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

As at the end of September 2016, the Bank maintained 5,434.6 thousand PLN-denominated current accounts, 323.5 thousand mortgage loan accounts and 574.3 thousand "Pożyczka Ekspresowa" (Express Loan) loan accounts.

(in thousand)

	30.09.2016	30.09.2015
Total number of PLN current accounts <sup>(*)</sup>	5,434.6	5,279.3
of which packages	4,024.4	3,936.0
Number of mortgage loans accounts <sup>(**)</sup>	323.5	302.5
of which PLN mortgage loans accounts	288.7	265.9
Number of "Pożyczka Ekspresowa" loan accounts <sup>(***)</sup>	574.3	575.2

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

(\*\*) Retail customers accounts.

(\*\*\*) "Pożyczka Ekspresowa", Pożyczka Ekspresowa Biznes.

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

## Individual clients

### Individual clients service

In the third quarter of 2016, Bank Pekao S.A. consequently realized the strategy of growth in retail customer segment providing services for individual clients and small and micro enterprises.

The total value of new key loans, including cash and PLN mortgage loans granted to individual clients in the third quarter of 2016 amounted to over PLN 3.9 billion and was higher by 11.3% in comparison with the third quarter of 2015. It is the highest quarterly value of new granted key loans in the history.

The value of retail deposits placed in the Bank increased by the amount of PLN 7.0 billion during the last 12 months which resulted in an increase in the total balance of retail deposits by 11.6% in comparison with September 2015.

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.

The functionality of a new tablet application „Pekao24 na tablety” offered to clients in the first quarter of 2016 is systematically developed. In the third quarter of 2016, the customers were provided with opportunity to manage access to Pekao24 services and SMS notifications. The application users can also review registered operations in the Pekao24 electronic banking.

### Loans

In the third quarter of 2016, the value of cash loans granted reached the record-high level and amounted to nearly PLN 2.1 billion. In the three quarters of 2016, the Bank granted nearly PLN 5.4 billion loans, i.e. by 11.2% higher year on year.

This growth was realized thanks to consistent implementation of activities aiming at ensuring the clients transparent offer of Pożyczka Ekspresowa (Express Loan) and 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 conducted promotional campaign of Express Loan in the main TV channels with the largest coverage and thematic channels as well as on the Internet portals, including YouTube and Facebook.

In the third quarter of 2016, the Bank maintained its strong market position in the area of mortgage loans, granting the loans in the amount of nearly PLN 1.9 billion what translated into 10.7% of increase of PLN mortgage loans volume year on year and secured 18.1% of the market share as at the end of September 2016 vs. 17.7% as at the end of September 2015. 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 through 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 third quarter of 2016, the Bank focused on promotion of multicurrency debit card and Flexia credit card, which are the most popular card products chosen by the Bank's customers. The effectiveness of the Bank is confirmed by increasing number of payment cards in circulation, higher by 276.4 thousand (7.5%) in comparison to the end of September 2015. The Bank's share in the payment cards market as at the end of June 2016 amounted to 10.9% and was higher by 0.5 p.p. in comparison with the end of June 2015.

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

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. In the third quarter of 2016, the Bank conducted multicurrency debit card promotion on popular Internet portals as well as through posting in magazines cyclical newsletters „Pieniądze na wakacje” (“Money for holiday”), where the issue related to effective cash management during travel was discussed.

Flexia credit card is an innovative solution, that combines the advantages of a credit card with the ability to reschedule selected payments for purchases. Growing share of Flexia cards in total number of credit cards issuance confirms that this card meets the customer's expectations in terms of financing of expenditures and cheap and easy access to additional funds.

## **Savings and investment products**

Thanks to a wide range of deposit products of the Bank, during the last 12 months deposits volume of individual customers increased by 12.3% in comparison to September 30, 2015.

In the third quarter of 2016, the Bank introduced to its offer a new Kontakt Premium (Contact Premium) service. The service allows customers, among others, to purchase the majority of products from the Bank's offer during a phone conversation with a dedicated Personal Advisor. Kontakt Premium service increases significantly customer service standards in the area of affluent client. Currently, the service is available in several largest cities, and in the next year it will be expanded to another branches with the Premium Personal Banking service.

## **Brokerage activity**

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

As at the end of September 2016, the retail brokerage entities of the Group maintained 343.4 thousand investment accounts and offered to its clients an electronic service of investment accounts allowing them to buy and sell all instruments listed on the Warsaw Stock Exchange (WSE) and on the BondSpot market via the Internet. As at the end of September 2016, the Group's brokerage entities were serving 183.2 thousand accounts with an active access to services through remote channels.

As of September 30, 2016, the total value of assets deposited on investment accounts run by the Group's retail brokerage entities amounted to PLN 23.0 billion.

In the third quarter of 2016, activities of the Group's brokerage entities focused on improving the quality of service offered to customers: there were implemented new functionalities related to evaluation of services and increasing safety of the use of capital market products.

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

## **Private Banking**

Private Banking of Bank Pekao S.A. is the market leader in Private Banking area in terms of the value of assets. Client service model is based on cooperation with dedicated Relationship Managers, who provide customers with product solutions tailored to their individual needs and market situation. A group of Relationship Managers consists of experienced employees who hold certificates of European Financial Planning Association. Relationship Managers are supported by assistants and product specialists teams what, combined with a unique experience and knowledge of local market allows, to maintain high level of services and to develop an offer for the most demanding customer segment.

In the third quarter of 2016, the activity in the area of Private Banking covered intensive development of the offer, especially investment solutions as well as new clients acquisition.

Investment Advisory was very popular among customers – this service covered clients assets with total value amounting to nearly PLN 2 billion as at the end of September 2016.

Since June 2016, Private Banking customers can benefit from the offer of investment funds managed by Goldman Sachs Asset Management (GSAM). The Bank's cooperation with GSAM brought a very high customers' interest in newly implemented investment solutions. The greatest attention of customers attracted the investment funds recommended within Investment Advisory service.

In July 2016, the offer of investment funds was further expanded with 3 new closed-ended investment funds of Union Investment absolute return strategy: UniAbsolute Return Global FIZ, UniAbsolute Return Akcyjny FIZ and UniAbsolute Return Dłużny FIZ.

In the third quarter of 2016, investment offer was enriched with a new product group - structured certificates without capital protection. This product, the result of which is dependent on carefully selected base instrument, was addressed to Private Banking clients accepting higher level of risk. The issuer of certificates is German UniCredit Bank AG, one of the leaders of the European market for structured products. Experts from UniCredit Bank AG as well as from Bank Pekao S.A. and CDM determine base instrument and basic parameters of the product, ensuring the highest probability of above-average profit for customers (at least 2-3 times higher than bank deposits interest rates).

In the third quarter of 2016, a series of investment meetings was continued, during which experts from the Bank and selected Investment Funds were presenting the directions and trends in the financial markets to the customers. Private Banking customers also had the opportunity to participate in events sponsored by the Bank, such as the Champions League and the European League, Film and Art Festival Dwa Brzegi and Pekao Szczecin Open Tennis Tournament. The Bank was also a partner of the Congress CFO of the Year organized by Rzeczpospolita magazine and the Silesian Gala of Business Center Club.

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

In the third quarter of 2016, within the framework of loan granting process „na klik” (“by click”), mobile application users of the Bank were provided with opportunity of flexible choice of cash loan or credit card offer, which previously was available through the Internet service. Within the scope of offer Klik Gotówka, loan disbursement on customer's account is processed in 30 seconds and card is sent to the indicated address. The offer is available for selected group of clients.

As at the end of September 2016, the number of individual users with an access to the Pekao24 system amounted to 3,089.1 thousand and was higher by 232.6 thousand as compared to the end of September 2015. In the third quarter of 2016, 1,670.3 thousand individual users logged in to the electronic banking services.

As at the end of September 2016, the number of individual users with an access to mobile banking amounted to 1,367.4 thousand and was higher by 478.2 thousand as compared to the end of September 2015. In the third quarter of 2016, 632.1 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)

	30.09.2016	30.09.2015
Number of individual users with an access to electronic banking Pekao24 as at the end of period	3,089.1	2,856.5
Number of individual users actively using electronic banking Pekao24 (*)	1,670.3	1,523.0
Number of individual users with an access to mobile banking as at the end of period (**)	1,367.4	889.2
Number of individual users actively using mobile banking (***)	632.1	398.0

(\*) 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.

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

## Small and micro enterprises (SME)

In the third quarter of 2016, the Bank focused its activity on long-term loans through campaigns addressed to clients with positive credit history.

The Bank continued special promotional campaigns of loans „SLK - szybko dostępny limit kredytowy” (“SLK – quickly available credit limit”) addressed to the selected customers with dedicated short term loans offer and credit and charge cards limits available in simplified loans granting process.

The Bank continued also its activity in financing customers from AGRO sector, including individual farmers. Credit actions conducted in the third quarter of 2016, were focused on financing purchase of means of agricultural production as well as activities related to cultivation of cereals, fruits, vegetables and root plants.

In the third quarter of 2016, enriching payment cards offer, the Bank implemented a new credit card MasterCard Business DUO Komfort for SME customers with the ability to reschedule the whole or a part of debt due to purchases. Additional advantage of the card is the ability to choose graphics of payment card by selecting from the catalogue, which consists of 72 images, tailored to needs and expectations of the customers.

Important part of the Bank’s activity is the area of payment cards acceptance. Clients, who have account and POS terminal in Bank Pekao S.A. are provided with faster settlement of transactions from POS terminal and access to funds on their accounts. In the third quarter of 2016, the Bank has implemented dedicated offers for micro and small retail stores as well as for start-ups within the framework of supporting new businesses, which would like to start with cards acceptance in their shops.

## 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 dla firm system” (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 September 2016, 254.9 thousand business users had an access to the electronic banking systems, of which 168.8 thousand were active users. The number of business users with an access to the electronic banking systems increased by 9.5 thousand compared to the end of September 2015.

(in thousand)

	30.09.2016	30.09.2015
Number of business users (SME) with an access to the electronic banking systems as at the end of period	254.9	245.4
Number of business users (SME) actively using electronic banking systems <sup>(*)</sup>	168.8	162.4

<sup>(\*)</sup> User actively using electronic banking is a user who logged in to the systems at least once during the last quarter.

As at the end of September 2016, 20.9 thousand business users had an access to the mobile banking application, of which 12.0 thousand were active users. The number of business users with an access to the mobile banking application increased by 4.0 thousand compared to the end of September 2015.

(in thousand)

	30.09.2016	30.09.2015
Number of business users (SME) with an access to the mobile banking as at the end of period	20.9	16.9
Number of business users (SME) actively using the mobile banking <sup>(*)</sup>	12.0	10.6

<sup>(\*)</sup> User actively using mobile banking is a user who logged in to the system at least once during the last quarter.

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

## **Corporate customers**

Bank Pekao S.A. is a leading corporate bank in Poland financing the most important, strategic projects. A wide range of products offer, innovative solutions and individual approach ensure comprehensive financial service of corporates, institutions and public sector units.

The Bank is available for the clients at every stage of the business activity, from supporting the processes of financial management of the production and sales network to automation of manual processes, financing the development of the products and services offer, as well as advisory services and the provision of funds for investments and international expansion.

“Tailor-made” solutions of Bank Pekao S.A. corporate banking are recognized both in Poland and internationally. The safety and convenience of on-line services, trading in Treasury securities, custodian business, trade finance and foreign exchange, cash management and other transactional banking services, as well as the financing of commercial property are the areas of corporate banking appreciated by clients and independent, local and international experts. The market also recognizes the solutions used by the Bank to improve the service and support relations with clients, such as the Digital Gate – Pekao General Agreement.

Participation in the most difficult and most prestigious transactions, strong position in the corporate banking market and numerous awards are the proof of confidence in the expertise and experience of specialists and the value that the Bank creates for its clients.

## **Transactional services**

In the third quarter of 2016, the Bank strengthened its position in the area of servicing domestic and foreign settlements, measured by dynamic year on year increase in the number of outgoing, incoming and SEPA transfers by 15%, 12%, 16% respectively as well as increase in the number of realized domestic payments by 41%.

## **Electronic banking**

Bank Pekao S.A. provides to corporate clients quick and easy access to financial products and services via electronic channels. In the third quarter of 2016, in the area of electronic banking it was intensified the use of marketing tool to conduct profiled campaigns encouraging users to remote and simple activation of new products and additional services. Wider use of the PekaoBiznes24 functionalities by clients leads to increased revenues from additional services and higher customer loyalty to the Bank Pekao S.A.

In the third quarter of 2016, the Bank's clients were provided with an original solution that enables to convert electronic statements downloaded from the PekaoBiznes24 into the required by regulations, unified JPK structure, within the framework of the obligation imposed under the Tax Code. The solution eliminates the need for costly customization of client's financial and accounting systems and enables statement conversion for any period specified by client.

Bank Pekao S.A. strengthened its top market position in terms of the number of available solutions integrating the financial systems of enterprises with the Bank and the volume of transactions executed via these channels. In the third quarter of 2016, the Bank executed over 6 million of orders through alternative channels (Pekao Connect, PekaoInMail, web service), i.e. sevenfold increase year on year.

## **Correspondent banking - cooperation with international and domestic financial institutions**

In the third quarter of 2016, the Bank acquired 5 new banks for co-operation and service within the scope of PLN clearing.

The Bank maintains very high STP rate (Straight Through Processing) of processing customers and interbank transactions at the level of 98%.

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

## **Investment banking, structured finance and commercial real estates**

The Bank consistently supports development of companies and infrastructure through financing, arranging and hedging the transactions. The Bank's specialists fit for a project and client's needs its services in the area of project financing, structured finance as well as commercial real estate projects financing.

The strong position of the Bank after three quarters of 2016 in the area of financing is confirmed, among others, by total issuance of mid-term bonds in the amount of PLN 3.5 billion and total financing of housing developers in the amount of ca. PLN 600 million.

In the third quarter of 2016, the Bank participated, among others, in the following investment projects of institutional clients:

- PLN 580 million - refinancing of the shopping center in one of the biggest Polish cities,
- PLN 250 million - financing of the activity in Agro segment: wholesale of agricultural products,
- PLN 250 million - financing of investments in the segment of the production of paper and paper products,
- PLN 150 million - participation in syndicated loan in the biofuel sector.

## **Financial markets and commercial debt instruments**

Bank Pekao S.A. took the first place on corporate bonds and corporate revenue bonds market (with maturities over 365 days) with a market share of nearly 25% as of September 30, 2016 (based on the Rating & Market Bulletin published by Fitch Poland).

In the third quarter of 2016, the Bank conducted, among others, the following transactions of commercial debt securities issuance:

- PLN 200 million - issue of 5-year secured bonds for the leading hotel operator in Poland and the region,
- PLN 100 million - issue of 5-year bonds for a stock exchange listed company from the developers industry,
- PLN 100 million - issue of 4-year bonds for a bank operating in Poland,
- PLN 50 million - issue of 6,5-year mortgage bonds for a mortgage bank.

Additionally, the Bank signed 4 new contracts for bond issues of local government units for a total amount of nearly PLN 60 million.

## **Cooperation with international clients**

In the third quarter of 2016, the Bank continued cooperation within the UniCredit project "Internationalization" aimed at maximizing the use of potential of UniCredit Group derived from its international position in the European countries. Within the project, the Bank strengthens the relationship with existing international clients of the Group as well as acquires new customers, working closely with the Group's advisors, senior bankers and employees of international banks' outlets which are part of UniCredit Group.



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

## **Comprehensive services for the public finance sector**

The Bank continues the strategy to maintain significant share in financing the Polish local government authorities and renders full range of services dedicated to their budgets.

In the third quarter of 2016, the Bank participated in financing of the local government infrastructural projects, among others, in the area of culture and recreation:

- financing in the form of a bond issue program for the modernization of Łódź zoo and its development of a modern orientarium. The value of the bonds issue program amounts to PLN 323 million,
- financing in the form of a bond issue program for the amount of PLN 105 million for the Municipal Sports and Recreation Centre in Radom Sp. z o.o. to build a new football stadium, a new sport and entertainment hall, tennis courts and a modern system of urban bike.

## **Awards**

### **Panattoni Europe: award for Bank Pekao S.A. in the category of the Best Financial Institution 2016**

Panattoni Europe, the recognised developer and the undisputed leader in industrial real estate, honoured Bank Pekao S.A. with the title of the Best Financial Institution 2016 for its professional approach and confidence over many years.

### **Najwyższa Jakość Quality International: Digital Gate - Bank Pekao S.A. General Agreement awarded with the Gold Emblem of Quality International**

Digital Gate – Bank Pekao S.A. General Agreement, dedicated to corporate clients, won a prestigious title of the Highest Quality Service in the Quality International 2016 competition in QI Services category.

The Chapter of the Program, for the consecutive time, appreciated quality of services offered by Bank Pekao S.A. The Gold Emblem for the General Agreement is an acknowledgement of the Bank's involvement in the improvement of quality of services provided to its clients.

Najwyższa Jakość Quality International competition is held under the auspices of the Polish Agency for Enterprise Development, Polski Komitet Normalizacyjny (Polish Standard) and Katedra Zarządzania Jakością Uniwersytetu Ekonomicznego w Kraków (Department of Quality Management in Cracow University of Economics).

# Report on the activities of Bank Pekao S.A. Group for the third 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 Group's performance will be influenced mainly by the economic events in Poland and international outlooks that have an impact on the Polish economy.

The upcoming data as well as the short-term forecasts suggest economic growth slowdown in the second half of 2016, which is mostly the result of weakness of investments (both public as well as private). That will translate into the GDP dynamic below 3% in the second half of the year (it is anticipated 2.8% year on year in the third quarter of 2016 and 2.5% year on year in the fourth quarter of 2016), which will push the 2016 whole-year figure towards 2.7% year on year.

The situation in the labor market remains positive (rising wages and employment), and that remains the key growth engine behind private consumption growth, which is the biggest GDP component. Positive situation in the labor market should continue also in the coming year: demand for labor remains high, and limited supply of labor (due to demographic changes) will mean rising wages. A rebound in investments should also be seen next year: funds from new EU perspective should finally start entering the economy, it can be expected higher investments of the state-controlled enterprises, while lowering of the general level of uncertainty regarding economic plans of the government should translate into higher level of private sector investments.

On February 1, 2016, Act on tax on certain financial institutions came into force. From this month, banks (with the exception of institutions, which were specified in the Act), are obliged to pay the so-called "bank levy". It is estimated that in 2016, the amount of levy paid by the banks will be approximately PLN 3.4 billion.

Also, higher minimum capital requirements are still going to have significant impact on the operations of banks. Some banks have to assure extra capital buffers, which are imposed individually. This will probably keep the growth in loans limited also in the coming months of the year.

Due to fulfillment of guarantee condition to Bank Spółdzielczy in Nadarzyn as at the end of October 2016, the Bank Guarantee Fund applied to banks for payment of guarantee funds in the amount of ca. PLN 140 million. It cannot be ruled out that in the coming months of 2016, there will be another need to support the Bank Guarantee Fund due to problems of other banks. Such situation would lead to an increase in operating costs and have negative impact on banks' results.

Monetary policy is constantly an important factor influencing the banks' results. Currently stabilization of the NBP rates seem to be the most likely scenario, however global situation may force the MPC to change the interest rate path.

In August 2016, a new presidential proposal regarding restructuring of the CHF mortgages was put forward. The project provides refund of the so called currency spreads paid in excess by the borrowers. Costs of such refunds for banks are estimated to reach several billion zloty. In addition, the presentation of the project included a proposal to introduce incentives (e.g. further increase of capital requirements for banks with currency mortgage portfolio and effectively higher costs of maintaining such a portfolio) that would encourage banks to independently approach the borrowers with a mortgage restructuring proposition. If no response is observed, obligatory conversion of these loans to zloty by law cannot be ruled out. The CHF mortgages issue may thus be a source of additional costs for banks in upcoming future. However, taking into account the relatively minor share of these loans in the 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 potential agreed upon solutions should not affect significantly the financial standing of the Group.

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

## 6 Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 30 September, 2016 and 2015 respectively is presented in the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2016.

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

### The Bank's share in transaction of acquisition of Visa Europe Ltd. by Visa Inc.

In accordance with an agreement signed between Visa Europe Ltd. and Visa Inc. on November 2, 2015, on takeover of Visa Europe Ltd. by Visa Inc., in the second quarter of 2016, Bank Pekao S.A. as one of the beneficiaries of the transaction received payment resulting from the transaction settlement in the amount of EUR 43.6 million and 15,818 preferred shares series C of Visa Inc. After three years of completion of the transaction, the Bank will receive deferred payment in cash.

More detailed information on the Bank's share in transaction of acquisition of Visa Europe Ltd. by Visa Inc. is included in the Note 30 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2016.

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

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of September 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	30.09.2016		30.09.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	3,996.0	2.4%	3,589.3	2.1%	11.3%
Loans and advances to banks <sup>(*)</sup>	3,290.3	2.0%	3,765.3	2.2%	(12.6%)
Loans and advances to customers <sup>(**)</sup>	121,306.8	74.3%	115,111.5	67.4%	5.4%
Reverse repo transactions	-	x	8,551.6	5.0%	x
Securities <sup>(***)</sup>	28,318.4	17.3%	30,444.1	17.8%	(7.0%)
Investments in associates	127.3	0.1%	138.3	0.1%	(8.0%)
Property, plant and equipment and intangible assets	1,983.0	1.2%	2,102.3	1.2%	(5.7%)
Other assets	4,230.9	2.7%	7,089.2	4.2%	(40.3%)
<b>Total assets</b>	<b>163,252.7</b>	<b>100.0%</b>	<b>170,791.6</b>	<b>100.0%</b>	<b>(4.4%)</b>

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

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

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

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

EQUITY AND LIABILITIES	30.09.2016		30.09.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	6.1	0.0%	0.9	0.0%	> 100%
Amounts due to other banks	5,500.2	3.4%	7,864.6	4.6%	(30.1%)
Amounts due to customers	126,546.2	77.5%	124,640.7	73.0%	1.5%
Debt securities issued	1,626.1	1.0%	3,627.6	2.1%	(55.2%)
Repo transactions	418.9	0.3%	3,959.9	2.3%	(89.4%)
Other liabilities	6,416.0	3.9%	7,835.5	4.6%	(18.1%)
Total equity, including	22,739.2	13.9%	22,862.4	13.4%	(0.5%)
non-controlling interests	14.8	0.0%	15.7	0.0%	(5.7%)
<b>Total equity and liabilities</b>	<b>163,252.7</b>	<b>100.0%</b>	<b>170,791.6</b>	<b>100.0%</b>	<b>(4.4%)</b>

## Customers' Financing

### Customer structure of loans and advances

(in PLN million)

	30.09.2016	30.09.2015	CHANGE
<b>Loans and advances at nominal value<sup>(1)</sup></b>	<b>126,364.2</b>	<b>120,062.5</b>	<b>5.2%</b>
Loans <sup>(2)</sup>	113,798.0	108,849.7	4.5%
Retail	56,824.0	52,427.9	8.4%
Corporate	56,974.0	56,421.8	1.0%
Non-quoted securities	12,566.2	11,212.8	12.1%
Other <sup>(3)</sup>	643.3	549.7	17.0%
Nominal value adjustment	319.2	228.3	39.8%
<b>Impairment losses</b>	<b>(6,019.9)</b>	<b>(5,729.0)</b>	<b>5.1%</b>
<b>Total net receivables</b>	<b>121,306.8</b>	<b>115,111.5</b>	<b>5.4%</b>
Securities issued by non-monetary entities <sup>(4)</sup>	870.1	927.6	(6.2%)
Reverse repo transactions	-	8,551.1	x
<b>Total customers' financing<sup>(5)</sup></b>	<b>127,234.3</b>	<b>129,541.2</b>	<b>(1.8%)</b>
<b>Total customers' financing excluding reverse repo transactions</b>	<b>127,234.3</b>	<b>120,990.1</b>	<b>5.2%</b>

(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 September 2016, loans and advances at nominal value and securities issued by non-monetary entities amounted to PLN 127,234.3 million, an increase of PLN 6,244.2 million, i.e. 5.2% in comparison to the end of September 2015 with significant growth in key strategic areas.

As at the end of September 2016, the volume of retail loans amounted to PLN 56,824.0 million, an increase of PLN 4,396.1 million, i.e. 8.4% in comparison to the end of September 2015, with growth of consumer loans and PLN mortgage loans volumes at the level of 10.5% in this period.

The volume of corporate loans, non-quoted securities and securities issued by non-monetary entities increased by PLN 1,848.1 million, i.e. 2.7% as compared to the end of September 2015 and amounted to PLN 70,410.3 million as at the end of September 2016.

As at the end of September 2016, there were no reverse repo transactions. As of September 30, 2015, reverse repo transactions amounted to PLN 8,551.1 million.

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

## Receivables and impairment losses

(in PLN million)

	30.09.2016	30.09.2015	CHANGE
<b>Gross receivables<sup>(*)</sup></b>	<b>126,742.2</b>	<b>120,352.9</b>	<b>5.3%</b>
Not impaired	118,637.5	112,259.6	5.7%
Impaired	8,104.7	8,093.3	0.1%
Impairment losses	(6,019.9)	(5,729.0)	5.1%
Interest	584.5	487.6	19.9%
<b>Total net receivables</b>	<b>121,306.8</b>	<b>115,111.5</b>	<b>5.4%</b>

(\*) 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 of September 30, 2016, the ratio of impaired receivables to total receivables excluding reverse repo transactions amounted to 6.4% as compared to 6.7% as at the end of September 2015.

Impairment losses as at the end of September 2016 amounted to PLN 6,019.9 million.

## Loans and advances to customers by currency<sup>(\*)</sup>

	30.09.2016		30.09.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	104,072.5	81.7%	99,094.1	82.0%	5.0%
Denominated in foreign currencies <sup>(**)</sup>	23,254.2	18.3%	21,746.4	18.0%	6.9%
<b>Total</b>	<b>127,326.7</b>	<b>100.0%</b>	<b>120,840.5</b>	<b>100.0%</b>	<b>5.4%</b>
Impairment losses	(6,019.9)	x	(5,729.0)	x	5.1%
<b>Total net</b>	<b>121,306.8</b>	<b>x</b>	<b>115,111.5</b>	<b>x</b>	<b>5.4%</b>

(\*) 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 September 2016, their share was 81.7%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (64.8%), CHF (20.3%) and USD (14.2%).

## Loans and advances to customers by contractual maturities<sup>(\*)</sup>

	30.09.2016		30.09.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	15,804.0	12.4%	14,060.4	11.6%	12.4%
1 to 3 months	4,947.5	3.9%	4,622.8	3.8%	7.0%
3 months to 1 year	11,090.3	8.7%	11,275.0	9.3%	(1.6%)
1 to 5 years	39,366.4	30.9%	39,345.2	32.6%	0.1%
Over 5 years	55,475.2	43.6%	50,987.4	42.2%	8.8%
Other	643.3	0.5%	549.7	0.5%	17.0%
<b>Total</b>	<b>127,326.7</b>	<b>100.0%</b>	<b>120,840.5</b>	<b>100.0%</b>	<b>5.4%</b>
Impairment losses	(6,019.9)	x	(5,729.0)	x	5.1%
<b>Total net</b>	<b>121,306.8</b>	<b>x</b>	<b>115,111.5</b>	<b>x</b>	<b>5.4%</b>

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

As at the end of September 2016, loans and advances with maturity over 5 years represents 43.6% of total loans and advances (mainly attributed to mortgage loans and receivables for which the maturity date already passed).

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

## Credit exposures towards Ukraine

In the period from 1 January to 30 September 2016 the Group exposure towards Ukraine in the form of interbank placements were repaid in full. As at September 30, 2016, the net balance sheet value of remaining exposures towards Ukraine refer mainly to two international corporate clients and amounts to PLN 161 million (which constitutes 0.1% of the total Group exposures), less by PLN 467 million in comparison to the end of September 2015.

The Group is strictly monitoring evolution of the situation in the country, however the nature of these exposures do not pose any threat in the overall quality of the Group's assets

## External sources of financing

(in PLN million)

	30.09.2016	30.09.2015	CHANGE
Amounts due to Central Bank	6.1	0.9	> 100%
Amounts due to other banks	5,500.2	7,864.6	(30.1%)
Amounts due to customers	126,546.2	124,640.7	1.5%
Debt securities issued	1,626.1	3,627.6	(55.2%)
Repo transactions	418.9	3,959.9	(89.4%)
<b>Total external sources of financing</b>	<b>134,097.5</b>	<b>140,093.7</b>	<b>(4.3%)</b>

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

## Total customer savings

(in PLN million)

	30.09.2016	30.09.2015	CHANGE
<b>Corporate deposits</b>	<b>59,036.7</b>	<b>64,196.1</b>	<b>(8.0%)</b>
Non-financial entities	45,721.3	48,745.1	(6.2%)
Non-banking financial entities	6,999.4	8,694.8	(19.5%)
Budget entities	6,316.0	6,756.2	(6.5%)
<b>Retail deposits</b>	<b>66,983.4</b>	<b>60,010.3</b>	<b>11.6%</b>
Other (*)	526.1	434.3	21.1%
<b>Amounts due to customers(**)</b>	<b>126,546.2</b>	<b>124,640.7</b>	<b>1.5%</b>
<b>Debt securities issued, of which</b>	<b>1,626.1</b>	<b>3,627.6</b>	<b>(55.2%)</b>
Structured Certificates of Deposit (SCD)	169.2	254.6	(33.5%)
Certificates of Deposit	167.0	2,153.0	(92.2%)
Pekao Bank Hipoteczny S.A. covered bonds	1,281.6	1,197.0	7.1%
Interest	8.3	23.0	(63.9%)
<b>Amounts due to customers and debt securities issued, total(**)</b>	<b>128,172.3</b>	<b>128,268.3</b>	<b>(0.1%)</b>
Repo transactions	418.9	3,959.9	(89.4%)
<b>Investment funds of Pioneer Pekao TFI</b>	<b>16,750.9</b>	<b>16,936.2</b>	<b>(1.1%)</b>
Bond and money market funds	12,048.0	11,454.0	5.2%
Balanced funds	2,457.4	2,897.2	(15.2%)
Equity funds	2,245.5	2,585.0	(13.1%)
including distributed through the Group's network	16,424.8	16,590.2	(1.0%)

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

(\*\*) Excluding repo transactions.

As at the end of September 2016, the total amounts due to the Group's customers and debt securities issued amounted to PLN 128,172.3 million, a decrease of PLN 96.0 million, i.e. 0.1% in comparison to the end of September 2015.

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

The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 67,590.1 million as at the end of September 2016, an increase of PLN 6,951.6 million, i.e. 11.5% in comparison to the end of September 2015.

The total volume of corporate deposits, Certificates of Deposit, Pekao Bank Hipoteczny S.A. covered bonds, interest and other amounted to PLN 60,582.2 million as at the end of September 2016, a decrease of PLN 7,047.6 million, i.e. 10.4% as compared to the end of September 2015 reflecting selective pricing approach and focus on securing liquidity needs of the Group.

Repo transactions amounted to PLN 418.9 million as at the end of September 2016, a decrease by PLN 3,541.0 million, i.e. 89.4% in comparison to the end of September 2015.

The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,750.9 million as at the end of September 2016, a decrease of PLN 185.3 million, i.e. 1.1% in comparison to the end of September 2015, under the pressure of situation on capital markets.

## Amounts due to customers by currency<sup>(\*)</sup>

	30.09.2016		30.09.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	103,075.4	81.5%	103,147.9	82.8%	(0.1%)
Denominated in foreign currencies	23,470.8	18.5%	21,492.8	17.2%	9.2%
<b>Total</b>	<b>126,546.2</b>	<b>100.0%</b>	<b>124,640.7</b>	<b>100.0%</b>	<b>1.5%</b>

<sup>(\*)</sup> 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 September 2016 amounted to 81.5%. The majority of amounts due to customers denominated in foreign currencies were in EUR (62.5%) and USD (32.1%).

## Amounts due to customers by contractual maturities<sup>(\*)</sup>

	30.09.2016		30.09.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	74,417.8	59.1%	62,341.2	50.2%	19.4%
Term deposits	51,602.3	40.9%	61,865.2	49.8%	(16.6%)
<b>Total deposits</b>	<b>126,020.1</b>	<b>100.0%</b>	<b>124,206.4</b>	<b>100.0%</b>	<b>1.5%</b>
Interest accrued	217.5	x	184.2	x	18.1%
Funds in transit	308.6	x	250.1	x	23.4%
<b>Total</b>	<b>126,546.2</b>	<b>x</b>	<b>124,640.7</b>	<b>x</b>	<b>1.5%</b>

<sup>(\*)</sup> Excluding repo transactions.

# Report on the activities of Bank Pekao S.A. Group for the third 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 three quarters of 2016 amounted to PLN 1,784.6 million allowing return on average capital (ROE) at the level of 10.2% achieved with a strong capital base reflected by TCR at 18.1% (Basel III).

Net profit of Bank Pekao S.A. Group for the three quarters of 2016 excluding tax on certain financial institutions in the amount of PLN 321.6 million would amount to PLN 2,106.1 million, higher by PLN 252.0 million, i.e. 13.6% in comparison to the three quarters 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 three quarters of 2016 a significant growth in loan volumes was reported in the area of retail loans (an increase of 8.4% year on year) and a 2.8% 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 11.6% year on year.

The solid liquidity structure of Bank Pekao S.A. Group is reflected by net loans to deposits ratio at 94.6% as at the end of September 2016. This, together with high equity level, enables for further sound and stable development of the Group's activities.

### The consolidated income statement – presentation form

(in PLN million)

	3 QUARTERS OF 2016	3 QUARTERS OF 2015	CHANGE
Net interest income	3,269.2	3,106.1	5.3%
Dividend income and income from equity investments	46.2	55.1	(16.2%)
<b>Total net interest income, dividend income and other income from equity investments</b>	<b>3,315.4</b>	<b>3,161.2</b>	<b>4.9%</b>
Net fee and commission income	1,458.4	1,501.6	(2.9%)
Trading result	635.6	479.7	32.5%
Net other operating income and expenses	176.3	148.3	18.9%
<b>Net non-interest income</b>	<b>2,270.3</b>	<b>2,129.6</b>	<b>6.6%</b>
<b>Operating income</b>	<b>5,585.7</b>	<b>5,290.8</b>	<b>5.6%</b>
<b>Operating costs</b>	<b>(2,418.1)</b>	<b>(2,421.1)</b>	<b>(0.1%)</b>
<b>Gross operating profit</b>	<b>3,167.6</b>	<b>2,869.7</b>	<b>10.4%</b>
Net impairment losses on loans and off-balance sheet commitments	(394.5)	(397.2)	(0.7%)
<b>Net operating profit</b>	<b>2,773.1</b>	<b>2,472.5</b>	<b>12.2%</b>
Net result on other provisions	(9.4)	(30.4)	(69.1%)
Guarantee funds charges	(196.8)	(205.9)	(4.4%)
Tax on certain financial institutions	(321.6)	-	x
Net result on investment activities	5.2	62.3	(91.7%)
<b>Profit before tax</b>	<b>2,250.5</b>	<b>2,298.5</b>	<b>(2.1%)</b>
Income tax expense	(465.6)	(443.7)	4.9%
<b>Net profit</b>	<b>1,784.9</b>	<b>1,854.8</b>	<b>(3.8%)</b>
<b>Attributable to equity holders of the Bank</b>	<b>1,784.6</b>	<b>1,854.1</b>	<b>(3.7%)</b>
Attributable to non-controlling interest	0.3	0.7	(57.1%)
<b>Net profit excluding tax on certain financial institutions</b>	<b>2,106.1</b>	<b>1,854.1</b>	<b>13.6%</b>



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

## Operating income

In the three quarters of 2016, the Group's operating income amounted to PLN 5,585.7 million, an increase of PLN 294.9 million, i.e. 5.6% in comparison to the three quarters of 2015 thanks to both higher net interest income, dividend income and income from equity investment and higher net non-interest income.

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

(in PLN million)

	3 QUARTERS OF 2016	3 QUARTERS OF 2015	CHANGE
Interest income	4,073.7	4,086.9	(0.3%)
Interest expense	(804.5)	(980.8)	(18.0%)
<b>Net interest income</b>	<b>3,269.2</b>	<b>3,106.1</b>	<b>5.3%</b>
Dividend income	16.6	13.6	22.1%
Income from equity investments	29.6	41.5	(28.7%)
<b>Total net interest income, dividend income and income from equity investments</b>	<b>3,315.4</b>	<b>3,161.2</b>	<b>4.9%</b>

Total net interest income, dividend income and income from equity investments in the three quarters of 2016 amounted to PLN 3,315.4 million and was higher by PLN 154.2 million, i.e. 4.9% compared to the three quarters of 2015 driven by higher volumes.

## Net non-interest income

(in PLN million)

	3 QUARTERS OF 2016	3 QUARTERS OF 2015	CHANGE
Fee and commission income	1,673.3	1,806.2	(7.4%)
Fee and commission expense	(214.9)	(304.6)	(29.4%)
<b>Net fee and commission income</b>	<b>1,458.4</b>	<b>1,501.6</b>	<b>(2.9%)</b>
Trading result	635.6	479.7	32.5%
of which gains on disposal of AFS assets	276.0	171.1	61.3%
Net other operating income and expense	176.3	148.3	18.9%
<b>Net non-interest income</b>	<b>2,270.3</b>	<b>2,129.6</b>	<b>6.6%</b>

The Group's net non-interest income in the three quarters of 2016 amounted to PLN 2,270.3 million, higher by PLN 140.7 million, i.e. 6.6% in comparison with the three quarters of 2015 thanks to higher trading result supported also by gains on settlement of the transaction of the acquisition of Visa Europe Limited by Visa Inc. and by higher net other operating income supported by disposal of loans, with net fee and commission income lower by 2.9% compared to the three quarters of 2015 mainly due to some pressure observed on capital market related fees.

The Group's net fee and commission income in the three quarters of 2016 amounted to PLN 1,458.4 million and was lower by PLN 43.2 million, i.e. 2.9% in comparison with the three quarters of 2015 mainly due to lower net fee and commission income on mutual funds.

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

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

(in PLN million)

	3 QUARTERS OF 2016	3 QUARTERS OF 2015	CHANGE
<b>Net fee and commission income</b>	<b>1,458.4</b>	<b>1,501.6</b>	<b>(2.9%)</b>
on loans	389.0	371.2	4.8%
on cards	279.3	275.2	1.5%
on mutual funds	186.1	228.6	(18.6%)
other	604.0	626.6	(3.6%)

## Operating costs

The operating costs amounted to PLN 2,418.1 million in the three quarters of 2016. They were lower by PLN 3.0 million, i.e. 0.1% as compared with the three quarters of 2015.

(in PLN million)

	3 QUARTERS OF 2016	3 QUARTERS OF 2015	CHANGE
Personnel expenses	(1,414.0)	(1,436.7)	(1.6%)
Other administrative expenses	(747.6)	(737.7)	1.3%
Depreciation and amortization	(256.5)	(246.7)	4.0%
<b>Operating costs</b>	<b>(2,418.1)</b>	<b>(2,421.1)</b>	<b>(0.1%)</b>

In the three quarters of 2016, cost / income ratio amounted to 43.3% in comparison with 45.8% in the three quarters of 2015.

As of September 30, 2016, the Group employed 17,994 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 18,471 employees as at the end of September 2015.

As of September 30, 2016, the Bank employed 16,100 employees as compared to 16,501 employees as at the end of September 2015.

## Guarantee funds charges

Guarantee funds charges in the three quarters of 2016, amounted to PLN 196.8 million, a decrease of PLN 9.1 million, i.e. 4.4% in comparison with the three quarters 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 three quarters of 2016, it amounted to PLN 321.6 million.

# Report on the activities of Bank Pekao S.A. Group for the third 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)

	3 QUARTERS OF 2016	3 QUARTERS OF 2015	CHANGE
<b>Net profit of Bank Pekao S.A.</b>	<b>1,825.1</b>	<b>1,917.7</b>	<b>(4.8%)</b>
<b>Entities consolidated under full method</b>			
Pekao Leasing Sp. z o.o.	27.4	37.1	(26.1%)
Pekao Investment Banking S.A.	20.2	9.8	> 100%
Centralny Dom Maklerski Pekao S.A.	18.2	33.4	(45.5%)
Pekao Faktoring Sp. z o.o.	6.6	6.5	1.5%
Pekao Bank Hipoteczny S.A.	6.2	6.6	(6.1%)
Pekao Financial Services Sp. z o.o.	5.9	6.2	(4.8%)
Centrum Bankowości Bezpośredniej Sp. z o.o.	1.8	1.4	28.6%
Pekao Pioneer PTE S.A.	0.9	2.1	(57.1%)
Centrum Kart S.A.	0.4	0.7	(42.9%)
Pekao Leasing Holding S.A. w likwidacji(*)	0.4	61.2	(99.3%)
Pekao Fundusz Kapitałowy Sp. z o.o.	0.3	0.1	> 100.0%
FPB "Media" Sp. z o.o.	0.1	0.2	(50.0%)
Pekao Property S.A.	(0.2)	-	x
<b>Entities valued under the equity method</b>			
Pioneer Pekao Investment Management S.A.	28.1	34.7	(19.0%)
Dom Inwestycyjny Xelion sp. z o.o.	1.5	1.3	15.4%
Krajowa Izba Rozliczeniowa S.A. (**)	-	5.5	x
<b>Exclusions and consolidation adjustments(***)</b>	<b>(158.3)</b>	<b>(270.4)</b>	<b>(41.5%)</b>
<b>Net profit of the Group attributable to equity holders of the Bank</b>	<b>1,784.6</b>	<b>1,854.1</b>	<b>(3.7%)</b>

(\*) On September 20, 2016 Pekao Leasing Holding S.A. w likwidacji was removed from the National Court Register. The result of Pekao Leasing Holding S.A. w likwidacji for the three quarters of 2015 includes mainly 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 third 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)

	3 QUARTERS OF 2016	3 QUARTERS OF 2015	CHANGE
Net interest income	3,182.3	3,011.3	5.7%
Dividend income	132.5	210.6	(37.1%)
Total net interest income and dividend income	3,314.8	3,221.9	2.9%
Net non-interest income	2,067.2	1,923.1	7.5%
<b>Operating income</b>	<b>5,382.0</b>	<b>5,145.0</b>	<b>4.6%</b>
<b>Operating costs</b>	<b>(2,253.6)</b>	<b>(2,257.1)</b>	<b>(0.2%)</b>
<b>Gross operating profit</b>	<b>3,128.4</b>	<b>2,887.9</b>	<b>8.3%</b>
Net impairment losses on loans and off-balance sheet commitments	(385.8)	(396.7)	(2.7%)
<b>Net operating profit</b>	<b>2,742.7</b>	<b>2,491.2</b>	<b>10.1%</b>
Net result on other provisions	(9.6)	(30.3)	(68.3%)
Guarantee funds charges	(195.2)	(204.8)	(4.7%)
Tax on certain financial institutions	(321.6)	-	x
Net result on investment activities	51.9	76.9	(32.5%)
<b>Profit before tax</b>	<b>2,268.2</b>	<b>2,333.0</b>	<b>(2.8%)</b>
<b>Net profit</b>	<b>1,825.1</b>	<b>1,917.7</b>	<b>(4.8%)</b>
<b>Net profit excluding tax on certain financial institutions</b>	<b>2,146.7</b>	<b>1,917.7</b>	<b>11.9%</b>

In the three quarters of 2016, the Bank's net profit amounted to PLN 1,825.1 million, a decrease of PLN 92.6 million, i.e. 4.8% in comparison to the three quarters of 2015.

Net profit of Bank Pekao S.A. for the three quarters of 2016 excluding tax on certain financial institutions would amount to PLN 2,146.7 million, higher by PLN 229.0 million, i.e. 11.9% in comparison to the three quarters of 2015.

The main Bank's financial information are as follows:

	30.09.2016	30.09.2015	CHANGE
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS (in PLN million)</b>			
Loans and advances at nominal value <sup>(*)</sup>	122,624.5	116,335.8	5.4%
Securities issued by non-monetary entities <sup>(**)</sup>	870.1	927.6	(6.2%)
Reverse repo transactions	-	8,551.1	x
Amounts due to customers	126,814.2	124,982.0	1.5%
Structured Certificates of Deposit	169.2	254.6	(33.5%)
Certificates of Deposit	167.0	2,153.0	(92.2%)
Repo transactions	418.9	3,959.9	(89.4%)
Total assets	160,095.5	167,837.7	(4.6%)
Investment funds distributed through the Bank's network	15,539.3	15,579.7	(0.3%)
<b>SELECTED RATIOS</b>			
Impaired receivables to total receivables in % <sup>(***)</sup>	6.2%	6.5%	(0.3) p.p.
TCR (Basel III) in %	18.6%	18.2%	0.4 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 third quarter of 2016

As at the end of September 2016, loans and advances at nominal value and securities issued by non-monetary entities amounted to PLN 123,494.6 million, an increase of PLN 6,231.2 million, i.e. 5.3% in comparison to the end of September 2015. As at the end of September 2016, the volume of retail loans amounted to PLN 55,903.6 million and the volume of corporate loans, non-quoted securities and securities issued by non-monetary entities amounted to PLN 67,590.9 million.

As at the end of September 2016, the amounts due to the customers, Structured Certificates of Deposit and Certificates of Deposit amounted to PLN 127,150.4 million, a decrease of PLN 239.2 million, i.e. 0.2% in comparison to the end of September 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 15,539.3 million as at the end of September 2016, a decrease of PLN 40.4 million, i.e. 0.3% in comparison to the end of September 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 three quarters of 2016, consolidated net profit of PPIM amounted to PLN 57.4 million compared with PLN 70.8 million in the three quarters of 2015. The Bank's share in the company's profit was **PLN 28.1 million**. The result of the three quarters 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 three quarters of 2016, Pekao Leasing reported a net profit of **PLN 27.4 million** compared with PLN 37.1 million in the three quarters of 2015. Pekao Leasing result for 2015 included positive impact of VAT related settlements.

### ***Pekao Investment Banking S.A. – PIB***

In the three quarters of 2016, PIB reported net profit of **PLN 20.2 million** compared with PLN 9.8 million in the three quarters of 2015 mainly thanks to completion of several transactions within the scope of advisory in processes of acquiring and disposal of companies, shares and bonds offering as well as realization on behalf of a customer the tender offer for the sale of shares of the company listed on the Warsaw Stock Exchange.

### ***Centralny Dom Maklerski Pekao S.A. – CDM***

In the three quarters of 2016, net profit of CDM amounted to **PLN 18.2 million** compared with PLN 33.4 million profit earned in the three quarters of 2015, influenced by situation on capital markets, lower turnover on the Warsaw Stock Exchange and lower revenues on mutual funds.

### ***Pekao Faktoring Sp. z o.o. – Pekao Faktoring***

In the three quarters of 2016, Pekao Faktoring reported a net profit of **PLN 6.6 million** and it was at a similar level to the net profit achieved in the three quarters of 2015.

### ***Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny***

In the three quarters of 2016, Pekao Bank Hipoteczny reported a net profit of **PLN 6.2 million** compared with PLN 6.6 million in the three quarters of 2015.

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

In the three quarters of 2016, PFS reported a net profit in the amount of **PLN 5.9 million** compared with PLN 6.2 million in the three quarters of 2015.

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

## 6.4 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
<b>Total provisions</b>	<b>499.3</b>	<b>465.1</b>	<b>499.7</b>	<b>464.5</b>
of which:				
provisions for off-balance sheet commitments	182.8	117.2	189.3	122.9
provisions for liabilities to employees	298.5	307.7	295.7	304.6
other provisions	18.0	40.2	14.7	37.0
<b>Deferred tax liabilities</b>	<b>5.2</b>	<b>5.0</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets</b>	<b>985.5</b>	<b>996.8</b>	<b>764.3</b>	<b>761.3</b>

## 6.5 Net impairment losses

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	3 QUARTERS OF 2016	3 QUARTERS OF 2015	3 QUARTERS OF 2016	3 QUARTERS OF 2015
Impairment losses on loans	(332.5)	(383.2)	(321.1)	(379.7)
Impairment losses on off-balance sheet commitments	(62.0)	(14.0)	(64.7)	(17.0)
<b>Total</b>	<b>(394.5)</b>	<b>(397.2)</b>	<b>(385.8)</b>	<b>(396.7)</b>

The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 394.5 million in the three quarters of 2016, a decrease of PLN 2.7 million, i.e. 0.7% as compared with the three quarters of 2015.

The Bank's net impairment losses on loans and off-balance sheet commitments amounted to PLN 385.8 million in the three quarters of 2016, a decrease of PLN 10.9 million i.e. 2.7% as compared with the three quarters of 2015.

## 6.6 Off-balance sheet items

(in PLN million)

	30.09.2016	30.09.2015	CHANGE
Contingent liabilities granted and received	57,470.0	57,385.4	0.1%
Liabilities granted:	44,942.3	44,507.9	1.0%
financial	32,658.8	30,136.2	8.4%
guarantees	12,283.5	14,371.7	(14.5%)
Liabilities received:	12,527.7	12,877.5	(2.7%)
financial	1,632.2	664.9	> 100%
guarantees	10,895.5	12,212.6	(10.8%)
Derivative financial instruments	194,776.6	240,743.2	(19.1%)
interest rate transactions	96,163.0	141,595.3	(32.1%)
transactions in foreign currency and in gold	97,962.1	98,483.9	(0.5%)
transactions based on commodities and equity securities	651.5	664.0	(1.9%)
<b>Total off-balance sheet items</b>	<b>252,246.6</b>	<b>298,128.6</b>	<b>(15.4%)</b>

# Report on the activities of Bank Pekao S.A. Group for the third 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 August 5, 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 KNF<sup>1</sup>. As at the end of September 2016, for Bank Pekao S.A. Group, total capital ratio amounted to 18.1% 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 Bank Pekao S.A. Group capital adequacy as of September 30, 2016, December 31, 2015 and September 30, 2015 according to regulation which were in force at those dates.

(in PLN thousand)

CAPITAL REQUIREMENT	30.09.2016	31.12.2015	30.09.2015
Credit risk	8,203,196	8,202,427	8,047,814
Exceeding large exposure limits	-	-	-
Market risk	41,595	63,578	61,257
Counterparty credit risk including CVA	212,712	325,240	333,280
Operational risk	504,367	564,787	677,855
<b>Total capital requirement</b>	<b>8,961,870</b>	<b>9,156,032</b>	<b>9,120,206</b>
<b>OWN FUNDS</b>			
Common Equity Tier I Capital	20,238,201	20,209,595	20,175,632
<b>Own funds for total capital ratio</b>	<b>20,238,201</b>	<b>20,209,595</b>	<b>20,175,632</b>
<b>Common Equity Tier I Capital ratio (%)</b>	<b>18.1%</b>	<b>17.7%</b>	<b>17.7%</b>
<b>Total capital ratio (%)</b>	<b>18.1%</b>	<b>17.7%</b>	<b>17.7%</b>

Total Capital Ratio as at the end of September 2016 compared with September 2015 increased by 0.4 p.p. Total capital requirement decreased during this period by 1.7% and own funds increased by 0.3%.

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

<sup>1</sup> 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 third quarter of 2016

## 6.8 Reconciliation of income statement – presentation form and long form

### Consolidated income statement for the three quarters of 2016

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	3 QUARTERS OF 2016	COMMENTS
Net interest income		<u>3,269,194</u>	
Dividend income and income from equity investments		<u>46,235</u>	
	Dividend income	16,562	
	Gains (losses) on subsidiaries and associates	29,673	
<b>Total net interest income, dividend income and other income from equity investments</b>		<b>3,315,429</b>	
Net fee and commission income	Net fee and commission income	<u>1,458,430</u>	
Trading result		<u>635,570</u>	
	Result on financial assets and liabilities held for trading	363,548	
	Result on fair value hedge accounting	(3,952)	
	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	276,033	
	(Gains) losses on disposal of financial liabilities	(59)	
Net other operating income and expenses		<u>176,269</u>	
	Net other operating income and expenses	22,522	
	less - Refunding of administrative expenses	(1,973)	/1
	Gains (losses) on disposal of loans and other financial receivables	155,720	
<b>Net non-interest income</b>		<b>2,270,269</b>	
<b>Operating income</b>		<b>5,585,698</b>	
Operating costs		<u>(2,418,099)</u>	
	Personnel expenses	(1,414,000)	
	Other administrative expenses	(1,267,984)	
	less –Guarantee funds charges	196,848	
	less – tax on certain financial institutions	321,571	
	Refunding of administrative expenses	1,973	/1
	Depreciation and amortization	(256,507)	
<b>Gross operating profit</b>		<b>3,167,599</b>	
Net impairment losses on loans and off-balance sheet commitments		<u>(394,450)</u>	
	Net impairment losses on loans	(332,498)	
	Net impairment provision for off-balance sheet commitments	(61,952)	
<b>Net operating profit</b>		<b>2,773,149</b>	
Net result on other provisions	Net result on other provisions	<u>(9,481)</u>	
Guarantee funds charges	Guarantee funds charges	(196,848)	
Tax on certain financial institutions	Tax on certain financial institutions	(321,571)	
Net result on investment activities		<u>5,241</u>	
	Gains ( losses) on disposal of property, plant and equipment and intangible assets.	5,261	
	Impairment losses on subsidiaries and associates	-	
	Gains (losses) on disposal of subsidiaries and associates	(20)	
<b>Profit before income tax</b>		<b>2,250,490</b>	
Income tax expense	Income tax expense	<u>(465,610)</u>	
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b>1,784,880</b>	
<b>Attributable to equity holders of the Bank</b>	<b>Attributable to equity holders of the Bank</b>	<b>1,784,563</b>	
Attributable to non-controlling interest	Attributable to non-controlling interest	317	

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



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

## Consolidated income statement for the three quarters of 2015

(in PLN thousand)

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

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

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

## 7 Quarterly Income Statement

### 7.1 Consolidated income statement – long form

Consolidated income statement for 2016 and 2015 - Provided for comparability purposes.

(in PLN thousand)

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Interest income	1,382,257	1,338,188	1,353,216	1,369,470	1,365,004	1,323,599	1,398,296
Interest expense	(264,806)	(256,183)	(283,478)	(308,959)	(317,370)	(308,104)	(355,366)
<b>Net interest income</b>	<b>1,117,451</b>	<b>1,082,005</b>	<b>1,069,738</b>	<b>1,060,511</b>	<b>1,047,634</b>	<b>1,015,495</b>	<b>1,042,930</b>
Fee and commission income	559,541	575,789	538,030	582,260	606,051	616,307	583,905
Fee and commission expense	(69,592)	(70,648)	(74,690)	(78,351)	(98,251)	(103,057)	(103,338)
<b>Net fee and commission income</b>	<b>489,949</b>	<b>505,141</b>	<b>463,340</b>	<b>503,909</b>	<b>507,800</b>	<b>513,250</b>	<b>480,567</b>
Dividend income	151	16,410	1	1	297	13,336	1
<b>Result on financial assets and liabilities held for trading</b>	<b>117,300</b>	<b>125,406</b>	<b>120,842</b>	<b>124,074</b>	<b>103,916</b>	<b>94,931</b>	<b>105,127</b>
Result on fair value hedge accounting	1,449	(2,533)	(2,868)	529	(223)	3,007	2,234
Net result on other financial instruments at fair value through profit and loss	-	-	-	-	-	-	-
<b>Gains (losses) on disposal of:</b>	<b>7,811</b>	<b>273,500</b>	<b>150,383</b>	<b>58,476</b>	<b>16,162</b>	<b>2,019</b>	<b>152,944</b>
loans and other financial receivables	-	5,796	149,924	132	-	58	344
available for sale financial assets and held to maturity investments	7,862	267,707	464	58,486	16,350	2,089	152,626
financial liabilities	(51)	(3)	(5)	(142)	(188)	(128)	(26)
<b>Operating income</b>	<b>1,734,111</b>	<b>1,999,929</b>	<b>1,801,436</b>	<b>1,747,500</b>	<b>1,675,586</b>	<b>1,642,038</b>	<b>1,783,803</b>
<b>Net impairment losses on financial assets and off-balance sheet commitments:</b>	<b>(133,882)</b>	<b>(131,179)</b>	<b>(129,389)</b>	<b>(120,277)</b>	<b>(130,067)</b>	<b>(130,082)</b>	<b>(137,132)</b>
loans and other financial receivables	(131,532)	(72,740)	(128,226)	(117,113)	(147,171)	(89,181)	(146,890)
off-balance sheet commitments	(2,350)	(58,439)	(1,163)	(3,164)	17,104	(40,901)	9,758
<b>Net result on financial activity</b>	<b>1,600,229</b>	<b>1,868,750</b>	<b>1,672,047</b>	<b>1,627,223</b>	<b>1,545,519</b>	<b>1,511,956</b>	<b>1,646,671</b>
<b>Administrative expenses</b>	<b>(895,948)</b>	<b>(911,446)</b>	<b>(874,590)</b>	<b>(1,043,824)</b>	<b>(795,962)</b>	<b>(797,373)</b>	<b>(789,433)</b>
personnel expenses	(469,837)	(472,983)	(471,180)	(471,865)	(484,565)	(480,167)	(471,922)
other administrative expenses (*)	(426,111)	(438,463)	(403,410)	(571,959)	(311,397)	(317,206)	(317,511)
Depreciation and amortization	(85,037)	(85,677)	(85,793)	(84,808)	(81,888)	(83,031)	(81,738)
<b>Net result on other provisions</b>	<b>(6,628)</b>	<b>(2,024)</b>	<b>(829)</b>	<b>1,587</b>	<b>(3,714)</b>	<b>(767)</b>	<b>(25,872)</b>
<b>Net other operating income and expenses</b>	<b>12,010</b>	<b>3,971</b>	<b>6,541</b>	<b>10,635</b>	<b>22,843</b>	<b>117,895</b>	<b>9,623</b>
<b>Operating costs</b>	<b>(975,603)</b>	<b>(995,176)</b>	<b>(954,671)</b>	<b>(1,116,410)</b>	<b>(858,721)</b>	<b>(763,276)</b>	<b>(887,420)</b>
Gains (losses) on subsidiaries and associates	9,862	9,788	10,003	10,622	72,426	14,599	15,556
Gains (losses) on disposal of property, plant and equipment, and intangible assets	3,617	363	1,281	11,171	628	(54)	628
<b>Profit before income tax</b>	<b>638,105</b>	<b>883,725</b>	<b>728,660</b>	<b>532,606</b>	<b>759,852</b>	<b>763,225</b>	<b>775,435</b>
Income tax expense	(117,330)	(193,098)	(155,182)	(93,960)	(149,008)	(143,806)	(150,866)
<b>Net profit for the period</b>	<b>520,775</b>	<b>690,627</b>	<b>573,478</b>	<b>438,646</b>	<b>610,844</b>	<b>619,419</b>	<b>624,569</b>
<b>Attributable to equity holders of the Bank</b>	<b>520,654</b>	<b>690,513</b>	<b>573,396</b>	<b>438,364</b>	<b>610,469</b>	<b>619,209</b>	<b>624,417</b>
Attributable to non-controlling interest	121	114	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 three quarters of 2016 include tax on certain financial institutions and guarantee funds charges.

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

## 7.2 Consolidated statement of comprehensive income

### Consolidated statement of comprehensive income for 2016 and 2015

(in PLN thousand)

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
<b>Net profit</b>	<b>520,775</b>	<b>690,627</b>	<b>573,478</b>	<b>438,646</b>	<b>610,844</b>	<b>619,419</b>	<b>624,569</b>
<b>Attributable to equity holders of the Bank</b>	<b>520,654</b>	<b>690,513</b>	<b>573,396</b>	<b>438,364</b>	<b>610,469</b>	<b>619,209</b>	<b>624,417</b>
Attributable to non-controlling interest	121	114	82	282	375	210	152
<b>Other comprehensive income</b>							
<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	17,670	(313,460)	29,099	98,833	191,550	(441,980)	(85,527)
Change in fair value of cash flow hedges	4,712	(6,281)	40,075	41,738	(26,197)	(52,662)	(56,220)
Income tax expense on other comprehensive income	(4,253)	60,751	(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)	-	-	-
<b>Other comprehensive income (net)</b>	<b>18,129</b>	<b>(258,990)</b>	<b>56,031</b>	<b>123,184</b>	<b>133,926</b>	<b>(400,679)</b>	<b>(114,809)</b>
<b>Total comprehensive income</b>	<b>538,904</b>	<b>431,637</b>	<b>629,509</b>	<b>561,830</b>	<b>744,770</b>	<b>218,740</b>	<b>509,760</b>
<b>Attributable to equity holders of the Bank</b>	<b>538,783</b>	<b>431,523</b>	<b>629,427</b>	<b>561,548</b>	<b>744,395</b>	<b>218,530</b>	<b>509,608</b>
Attributable to non-controlling interest	121	114	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 Wolomin and one-off contribution to the Borrowers Support Fund.

Net profit for the three quarters of 2016 includes tax on certain financial institutions.

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

## 7.3 Consolidated income statement – presentation form

### Consolidated income statement for 2016 and 2015

(in PLN thousand)

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	1,117,451	1,082,005	1,069,738	1,060,511	1,047,634	1,015,495	1,042,930
Dividend income and income from equity investments	10,033	26,198	10,004	10,623	11,666	27,935	15,502
<b>Total net interest income, dividend income and other income from equity investments</b>	<b>1,127,484</b>	<b>1,108,203</b>	<b>1,079,742</b>	<b>1,071,134</b>	<b>1,059,300</b>	<b>1,043,430</b>	<b>1,058,432</b>
Net fee and commission income	489,949	505,141	463,340	503,909	507,800	513,250	480,567
Trading result	126,560	390,577	118,433	182,947	119,855	99,899	259,961
Net other operating income and expenses	11,351	9,095	155,823	9,784	21,814	117,369	9,131
<b>Net non-interest income</b>	<b>627,860</b>	<b>904,813</b>	<b>737,596</b>	<b>696,640</b>	<b>649,469</b>	<b>730,518</b>	<b>749,659</b>
<b>Operating income</b>	<b>1,755,344</b>	<b>2,013,016</b>	<b>1,817,338</b>	<b>1,767,774</b>	<b>1,708,769</b>	<b>1,773,948</b>	<b>1,808,091</b>
<b>Operating costs</b>	<b>(793,841)</b>	<b>(812,143)</b>	<b>(812,115)</b>	<b>(798,613)</b>	<b>(808,475)</b>	<b>(811,221)</b>	<b>(801,363)</b>
<b>Gross operating profit</b>	<b>961,503</b>	<b>1,200,873</b>	<b>1,005,223</b>	<b>969,161</b>	<b>900,294</b>	<b>962,727</b>	<b>1,006,728</b>
Net impairment losses on loans and off-balance sheet commitments	(133,882)	(131,179)	(129,389)	(120,277)	(130,067)	(130,082)	(137,132)
<b>Net operating profit</b>	<b>827,621</b>	<b>1,069,694</b>	<b>875,834</b>	<b>848,884</b>	<b>770,227</b>	<b>832,645</b>	<b>869,596</b>
Net result on other provisions	(6,628)	(2,024)	(829)	1,587	(3,714)	(767)	(25,872)
Guarantee funds charges	(65,758)	(64,104)	(66,986)	(68,487)	(68,346)	(68,599)	(68,972)
One-off charges related to bankruptcy of SBRIr in Wolomin and Borrowers Support Fund	-	-	-	(260,549)	-	-	-
Tax on certain financial institutions	(120,727)	(120,204)	(80,640)	-	-	-	-
Net result on investment activities	3,597	363	1,281	11,171	61,685	(54)	683
<b>Profit before income tax</b>	<b>638,105</b>	<b>883,725</b>	<b>728,660</b>	<b>532,606</b>	<b>759,852</b>	<b>763,225</b>	<b>775,435</b>
Income tax expense	(117,330)	(193,098)	(155,182)	(93,960)	(149,008)	(143,806)	(150,866)
<b>Net profit for the period</b>	<b>520,775</b>	<b>690,627</b>	<b>573,478</b>	<b>438,646</b>	<b>610,844</b>	<b>619,419</b>	<b>624,569</b>
<b>Attributable to equity holders of the Bank</b>	<b>520,654</b>	<b>690,513</b>	<b>573,396</b>	<b>438,364</b>	<b>610,469</b>	<b>619,209</b>	<b>624,417</b>
Attributable to non-controlling interest	121	114	82	282	375	210	152
<b>Net profit excluding tax on certain financial institutions</b>	<b>641,381</b>	<b>810,717</b>	<b>654,036</b>	<b>438,364</b>	<b>610,469</b>	<b>619,209</b>	<b>624,417</b>

# Report on the activities of Bank Pekao S.A. Group for the third 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 at the date of submitting this report, the Members of the Bank's management and supervisory bodies held 73,535 shares of Bank Pekao S.A.

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

	AS AT THE DATE OF SUBMITTING THE REPORT		
	FOR THE THIRD QUARTER OF 2016	FOR THE FIRST HALF OF 2016	CHANGE
Luigi Lovaglio	64,035	64,035	0
Diego Biondo	9,500	9,500	0
<b>Total</b>	<b>73,535</b>	<b>73,535</b>	<b>0</b>

### 8.3 Related party transactions

In the third 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 third 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 three quarters 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 169.2 million (principal value) as at the end of September 2016. There are 4 issues of Structured Certificates of Deposit open in PLN with the maturity date on February 5, 2018. Those liabilities that mature in 2017 and 2018 account for 48.2%, and 51.8% of its total value, respectively.

# Report on the activities of Bank Pekao S.A. Group for the third 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 167.0 million (principal value) as at the end of September 2016. There are 3 issues of Certificates of Deposit, and the maturity date up to 3 months accounts for 1.2%, and up to 6 months accounts for 98.8% of its total value.

## ***Pekao Bank Hipoteczny S.A. covered bonds***

The total value of liabilities due to covered bonds amounted to PLN 1,347.1 million as at the end of September, 2016. The liabilities under covered bonds with maturity date up to 1 year account for 6.0%, with maturity date from 1 up to 3 years account for 30.9%, with maturity date from 3 up to 5 years account for 37.2% and with maturity date from 5 up to 10 years account for 25.9% of the total nominal value.

## **8.7 Pending litigations**

In the third 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 570 with the total value amounting to PLN 798.8 million. The number of legal proceedings in respect of receivables was 12,441 with the total value of PLN 1,314.1 million.

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

## **8.8 Subsequent events**

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

# **Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2016**



**Warsaw, November 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	III QUARTER 2016 PERIOD FROM 01.07.2016 TO 30.09.2016	3 QUARTERS 2016 PERIOD FROM 01.01.2016 TO 30.09.2016	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015
Interest income	9	1 382 257	4 073 661	1 365 004	4 086 899
Interest expense	9	(264 806)	(804 467)	(317 370)	(980 840)
<b>Net interest income</b>		<b>1 117 451</b>	<b>3 269 194</b>	<b>1 047 634</b>	<b>3 106 059</b>
Fee and commission income	10	559 541	1 673 360	606 051	1 806 263
Fee and commission expense	10	(69 592)	(214 930)	(98 251)	(304 646)
<b>Net fee and commission income</b>		<b>489 949</b>	<b>1 458 430</b>	<b>507 800</b>	<b>1 501 617</b>
<b>Dividend income</b>	11	<b>151</b>	<b>16 562</b>	<b>297</b>	<b>13 634</b>
<b>Result on financial assets and liabilities held for trading</b>	12	<b>117 300</b>	<b>363 548</b>	<b>103 916</b>	<b>303 974</b>
<b>Result on fair value hedge accounting</b>	29	<b>1 449</b>	<b>(3 952)</b>	<b>(223)</b>	<b>5 018</b>
<b>Gains (losses) on disposal of:</b>	13	<b>7 811</b>	<b>431 694</b>	<b>16 162</b>	<b>171 125</b>
loans and other financial receivables		-	155 720	-	402
available for sale financial assets and held to maturity investments		7 862	276 033	16 350	171 065
financial liabilities		(51)	(59)	(188)	(342)
<b>Operating income</b>		<b>1 734 111</b>	<b>5 535 476</b>	<b>1 675 586</b>	<b>5 101 427</b>
<b>Net impairment losses on financial assets and off-balance sheet commitments</b>	17	<b>(133 882)</b>	<b>(394 450)</b>	<b>(130 067)</b>	<b>(397 281)</b>
loans and other financial receivables		(131 532)	(332 498)	(147 171)	(383 242)
off-balance sheet commitments		(2 350)	(61 952)	17 104	(14 039)
<b>Net result on financial activity</b>		<b>1 600 229</b>	<b>5 141 026</b>	<b>1 545 519</b>	<b>4 704 146</b>
<b>Administrative expenses</b>	14	<b>(895 948)</b>	<b>(2 681 984)</b>	<b>(795 962)</b>	<b>(2 382 768)</b>
personnel expenses		(469 837)	(1 414 000)	(484 565)	(1 436 654)
other administrative expenses		(426 111)	(1 267 984)	(311 397)	(946 114)
<b>Depreciation and amortization</b>	15	<b>(85 037)</b>	<b>(256 507)</b>	<b>(81 888)</b>	<b>(246 657)</b>
<b>Net result on other provisions</b>		<b>(6 628)</b>	<b>(9 481)</b>	<b>(3 714)</b>	<b>(30 353)</b>
<b>Net other operating income and expenses</b>	16	<b>12 010</b>	<b>22 522</b>	<b>22 843</b>	<b>150 361</b>
<b>Operating costs</b>		<b>(975 603)</b>	<b>(2 925 450)</b>	<b>(858 721)</b>	<b>(2 509 417)</b>
<b>Gains (losses) on subsidiaries and associates</b>	18	<b>9 862</b>	<b>29 653</b>	<b>72 426</b>	<b>102 581</b>
<b>Gains (losses) on disposal of property, plant and equipment, and intangible assets</b>	19	<b>3 617</b>	<b>5 261</b>	<b>628</b>	<b>1 202</b>
<b>Profit before income tax</b>		<b>638 105</b>	<b>2 250 490</b>	<b>759 852</b>	<b>2 298 512</b>
<b>Income tax expense</b>	20	<b>(117 330)</b>	<b>(465 610)</b>	<b>(149 008)</b>	<b>(443 680)</b>
<b>Net profit for the period</b>		<b>520 775</b>	<b>1 784 880</b>	<b>610 844</b>	<b>1 854 832</b>
1. Attributable to equity holders of the Bank		520 654	1 784 563	610 469	1 854 095
2. Attributable to non-controlling interests		121	317	375	737
<b>Earnings per share (in PLN per share)</b>	21				
basic for the period		1.98	6.80	2.32	7.06
diluted for the period		1.98	6.80	2.32	7.06

Notes to the financial statements presented on pages 19 - 94 constitute an integral part of the consolidated financial statements.

# Consolidated statement of comprehensive income

(in PLN thousand)

	NOTE	III QUARTER 2016 PERIOD FROM 01.07.2016 TO 30.09.2016	3 QUARTERS 2016 PERIOD FROM 01.01.2016 TO 30.09.2016	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015
<b>Net profit for the period</b>		<b>520 775</b>	<b>1 784 880</b>	<b>610 844</b>	<b>1 854 832</b>
1. Attributable to equity holders of the Bank		520 654	1 784 563	610 469	1 854 095
2. Attributable to non-controlling interests		121	317	375	737
<b>Other comprehensive income</b>					
<b>Item that are or may be reclassified subsequently to profit or loss:</b>					
Foreign currency translation differences		-	-	(10)	(23)
Change in fair value of available-for-sale financial assets		17 670	(266 691)	191 550	(335 957)
Change in fair value of cash flow hedges	29	4 712	38 506	(26 197)	(135 079)
Tax on items that are or may be reclassified subsequently to profit or loss	20	(4 253)	43 355	(31 417)	89 497
<b>Items that will never be reclassified to profit or loss:</b>					
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	-	-	-	-
<b>Other comprehensive income (net of tax)</b>		<b>18 129</b>	<b>(184 830)</b>	<b>133 926</b>	<b>(381 562)</b>
<b>Total comprehensive income</b>		<b>538 904</b>	<b>1 600 050</b>	<b>744 770</b>	<b>1 473 270</b>
1. Attributable to equity holders of the Bank		538 783	1 599 733	744 395	1 472 533
2. Attributable to non-controlling interests		121	317	375	737

Notes to the financial statements presented on pages 19 - 94 constitute an integral part of the consolidated financial statements.

# Consolidated statement of financial position

(in PLN thousand)

	NOTE	30.09.2016	31.12.2015	30.09.2015
<b>ASSETS</b>				
Cash and due from Central Bank	23	3 996 010	7 881 607	3 589 337
Bill of exchange eligible for rediscounting at Central Bank		-	70	205
Loans and advances to banks	24	3 289 041	7 314 724	3 760 615
Financial assets held for trading	25	978 207	1 126 792	2 246 027
Derivative financial instruments (held for trading)	26	1 982 411	3 206 447	3 361 343
Loans and advances to customers	27	117 489 075	118 555 199	120 322 127
Receivables from finance leases	28	3 818 961	3 503 979	3 345 512
Hedging instruments	29	335 138	421 640	394 178
Investments (placement) securities	30	27 340 168	21 181 723	28 198 118
1. Available for sale		24 384 107	17 813 299	24 820 482
2. Held to maturity		2 956 061	3 368 424	3 377 636
Assets held for sale	31	48 168	45 302	37 129
Investments in associates		127 295	148 965	138 325
Intangible assets	32	585 040	636 717	634 460
Property, plant and equipment	33	1 397 938	1 460 652	1 467 860
Investment properties		25 177	30 221	34 079
Income tax assets		989 729	991 804	997 334
1. Current tax assets		4 238	76 600	518
2. Deferred tax assets		985 491	915 204	996 816
Other assets		850 343	2 279 725	2 264 978
<b>TOTAL ASSETS</b>		<b>163 252 701</b>	<b>168 785 567</b>	<b>170 791 627</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Amounts due to Central Bank	23	6 065	914	910
Amounts due to other banks	35	5 500 160	5 958 449	7 864 570
Financial liabilities held for trading	25	498 530	611 442	329 528
Derivative financial instruments (held for trading)	26	2 066 992	3 204 328	3 344 837
Amounts due to customers	36	126 965 080	128 867 691	128 600 641
Hedging instruments	29	1 663 189	1 702 759	1 685 449
Debt securities issued	37	1 626 090	2 903 233	3 627 650
Income tax liabilities		9 462	6 649	40 722
1. Current tax liabilities		4 269	1 713	35 747
2. Deferred tax liabilities		5 193	4 936	4 975
Provisions	38	499 275	425 374	465 112
Other liabilities		1 678 638	1 680 535	1 969 846
<b>TOTAL LIABILITIES</b>		<b>140 513 481</b>	<b>145 361 374</b>	<b>147 929 265</b>
<b>Equity</b>				
Share capital		262 470	262 470	262 470
Other capital and reserves		20 697 688	20 869 976	20 746 792
Retained earnings and net profit for the period		1 764 310	2 275 783	1 837 419
<b>Total equity attributable to equity holders of the Bank</b>		<b>22 724 468</b>	<b>23 408 229</b>	<b>22 846 681</b>
Non-controlling interests		14 752	15 964	15 681
<b>TOTAL EQUITY</b>		<b>22 739 220</b>	<b>23 424 193</b>	<b>22 862 362</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>163 252 701</b>	<b>168 785 567</b>	<b>170 791 627</b>

Notes to the financial statements presented on pages 19 - 94 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 30 September 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
<b>Equity as at 1.01.2016</b>	<b>262 470</b>	<b>20 869 976</b>	<b>9 137 221</b>	<b>1 975 415</b>	<b>9 092 740</b>	<b>283 597</b>	<b>-</b>	<b>381 003</b>	<b>2 275 783</b>	<b>23 408 229</b>	<b>15 964</b>	<b>23 424 193</b>
<b>Management options</b>	-	-	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	-	-	-	-	-	-	-	-	-	-	-
<b>Comprehensive income</b>	-	<b>(184 830)</b>	-	-	-	<b>(184 830)</b>	-	-	<b>1 784 563</b>	<b>1 599 733</b>	<b>317</b>	<b>1 600 050</b>
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(216 020)	-	-	-	(216 020)	-	-	-	(216 020)	-	(216 020)
Revaluation of hedging financial instruments (net of tax)	-	31 190	-	-	-	31 190	-	-	-	31 190	-	31 190
Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	1 784 563	1 784 563	317	1 784 880
<b>Appropriation of retained earnings</b>	-	<b>12 547</b>	-	<b>6 909</b>	-	-	-	<b>5 638</b>	<b>(2 296 036)</b>	<b>(2 283 489)</b>	<b>(1 529)</b>	<b>(2 285 018)</b>
Dividend paid	-	-	-	-	-	-	-	-	(2 283 489)	(2 283 489)	(1 529)	(2 285 018)
Profit appropriation to other reserves including consolidation adjustments	-	12 547	-	6 909	-	-	-	5 638	(12 547)	-	-	-
<b>Other</b>	-	<b>(5)</b>	-	-	<b>(5)</b>	-	-	-	-	<b>(5)</b>	-	<b>(5)</b>
Other	-	(5)	-	-	(5)	-	-	-	-	(5)	-	(5)
<b>Equity as at 30.09.2016</b>	<b>262 470</b>	<b>20 697 688</b>	<b>9 137 221</b>	<b>1 982 324</b>	<b>9 092 735</b>	<b>98 767</b>	<b>-</b>	<b>386 641</b>	<b>1 764 310</b>	<b>22 724 468</b>	<b>14 752</b>	<b>22 739 220</b>

Notes to the financial statements presented on pages 19 - 94 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											
	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					
<b>Equity as at 1.01.2015</b>	<b>262 470</b>	<b>20 990 344</b>	<b>9 137 221</b>	<b>1 937 850</b>	<b>9 002 629</b>	<b>540 806</b>	<b>1 169</b>	<b>370 669</b>	<b>2 764 875</b>	<b>24 017 689</b>	<b>28 043</b>	<b>24 045 732</b>
<b>Management options</b>	-	-	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	-	-	-	-	-	-	-	-	-	-	-
<b>Comprehensive income</b>	-	<b>(258 378)</b>	-	-	-	<b>(257 209)</b>	<b>(1 169)</b>	-	<b>2 292 459</b>	<b>2 034 081</b>	<b>1 019</b>	<b>2 035 100</b>
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
<b>Appropriation of retained earnings</b>	-	<b>161 860</b>	-	<b>37 565</b>	<b>113 961</b>	-	-	<b>10 334</b>	<b>(2 781 551)</b>	<b>(2 619 691)</b>	<b>(13 098)</b>	<b>(2 632 789)</b>
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)	-
<b>Other</b>	-	<b>(23 850)</b>	-	-	<b>(23 850)</b>	-	-	-	-	<b>(23 850)</b>	-	<b>(23 850)</b>
Acquisition of Pekao Investment Banking S.A.	-	(23 850)	-	-	(23 850)	-	-	-	-	(23 850)	-	(23 850)
<b>Equity as at 31.12.2015</b>	<b>262 470</b>	<b>20 869 976</b>	<b>9 137 221</b>	<b>1 975 415</b>	<b>9 092 740</b>	<b>283 597</b>	-	<b>381 003</b>	<b>2 275 783</b>	<b>23 408 229</b>	<b>15 964</b>	<b>23 424 193</b>

Notes to the financial statements presented on pages 19 - 94 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 30 September 2015

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

Notes to the financial statements presented on pages 19 - 94 constitute an integral part of the consolidated financial statements.

# Consolidated cash flow statement

(in PLN thousand)

	NOTE	III QUARTER 2016 PERIOD FROM 01.07.2016 TO 30.09.2016	3 QUARTERS 2016 PERIOD FROM 01.01.2016 TO 30.09.2016	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015
<b>Cash flow from operating activities – indirect method</b>					
<b>Net profit for the period</b>		<b>520 654</b>	<b>1 784 563</b>	<b>610 469</b>	<b>1 854 095</b>
<b>Adjustments for:</b>		<b>(2 023 901)</b>	<b>(178 454)</b>	<b>(4 437 354)</b>	<b>(4 487 235)</b>
Depreciation and amortization	15	85 037	256 507	81 888	246 657
Share of profit (loss) of associates	18	(9 862)	(29 653)	(11 369)	(41 524)
(Gains) losses on investing activities		(11 426)	(280 933)	(16 935)	(172 101)
Net interest income	9	(1 117 451)	(3 269 194)	(1 047 634)	(3 106 059)
Dividend income	11	(151)	(16 562)	(297)	(13 634)
Interest received		1 345 384	3 980 865	1 078 739	3 850 093
Interest paid		(301 963)	(824 645)	(306 609)	(990 869)
Income tax		298 364	595 980	185 166	413 780
Income tax paid		(184 950)	(424 911)	(151 750)	(466 570)
Change in loans and advances to banks		325 973	444 957	(139 951)	173 290
Change in financial assets held for trading		1 351 260	148 180	(978 493)	(1 794 227)
Change in derivative financial instruments (assets)		274 736	1 224 036	(121 374)	1 086 632
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank		(971 855)	1 184 469	(2 663 438)	(8 252 546)
Change in receivables from finance leases		(8 518)	(314 982)	(117 731)	(233 464)
Change in investment (placement) securities		(121 602)	(717 847)	(43 383)	(638 217)
Change in other assets		(183 031)	1 407 026	283 968	810 627
Change in amounts due to banks		518 881	(452 310)	(1 003 982)	2 517 890
Change in financial liabilities held for trading		(287 503)	(112 912)	248 658	(261 783)
Change in derivative financial instruments (liabilities)		(218 067)	(1 137 336)	128 218	(1 072 869)
Change in amounts due to customers		105 788	(1 900 041)	3 270 080	2 997 279
Change in debt securities issued		(7 501)	3 175	48 608	41 137
Change in provisions		8 557	73 901	(8 789)	22 656
Change in other liabilities		(2 914 001)	(16 224)	(3 150 944)	396 587
<b>Net cash flows from operating activities</b>		<b>(1 503 247)</b>	<b>1 606 109</b>	<b>(3 826 885)</b>	<b>(2 633 140)</b>
<b>Cash flow from investing activities</b>					
<b>Investing activity inflows</b>		<b>5 771 892</b>	<b>69 262 540</b>	<b>52 306 313</b>	<b>188 904 688</b>
Sale of associates		-	-	75 000	75 000
Sale of investment securities		5 474 345	68 564 369	52 139 613	188 341 573
Sale of intangible assets and property, plant and equipment		8 983	12 898	2 012	4 785
Dividend received	11	151	16 562	297	13 634
Other investing inflows		288 413	668 711	89 391	469 696
<b>Investing activity outflows</b>		<b>(6 450 626)</b>	<b>(74 784 251)</b>	<b>(52 715 265)</b>	<b>(192 271 867)</b>
Acquisition of shares in subsidiary, net of cash acquired		-	-	-	(274 329)
Acquisition of investment securities		(6 384 744)	(74 634 373)	(52 659 237)	(191 803 541)
Acquisition of intangible assets and property, plant and		(65 882)	(149 878)	(56 028)	(193 997)
<b>Net cash flows from investing activities</b>		<b>(678 734)</b>	<b>(5 521 711)</b>	<b>(408 952)</b>	<b>(3 367 179)</b>

Notes to the financial statements presented on pages 19 - 94 constitute an integral part of the consolidated financial statements.

# Consolidated cash flow statement (cont.)

(in PLN thousand)

	NOTE	III QUARTER 2016 PERIOD FROM 01.07.2016 TO 30.09.2016	3 QUARTERS 2016 PERIOD FROM 01.01.2016 TO 30.09.2016	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015
<b>Cash flows from financing activities</b>					
<b>Financing activity inflows</b>		<b>50 000</b>	<b>1 129 733</b>	<b>1 223 982</b>	<b>3 645 586</b>
Issue of debt securities	37	50 000	1 129 733	1 223 982	3 645 586
<b>Financing activity outflows</b>		<b>(499 271)</b>	<b>(4 676 761)</b>	<b>(1 613 498)</b>	<b>(6 534 508)</b>
Redemption of debt securities	37	(499 271)	(2 393 272)	(1 613 498)	(3 909 807)
Dividends and other payments to shareholders		-	(2 283 489)	-	(2 624 701)
<b>Net cash flows from financing activities</b>		<b>(449 271)</b>	<b>(3 547 028)</b>	<b>(389 516)</b>	<b>(2 888 922)</b>
<b>Total net cash flows</b>		<b>(2 631 252)</b>	<b>(7 462 630)</b>	<b>(4 625 353)</b>	<b>(8 889 241)</b>
including: effect of exchange rate fluctuations on cash and cash equivalents held		(95 989)	5 951	(31 553)	48 492
<b>Net change in cash and cash equivalents</b>		<b>(2 631 252)</b>	<b>(7 462 630)</b>	<b>(4 625 353)</b>	<b>(8 889 241)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>9 682 017</b>	<b>14 513 395</b>	<b>11 292 296</b>	<b>15 556 184</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>7 050 765</b>	<b>7 050 765</b>	<b>6 666 943</b>	<b>6 666 943</b>

Notes to the financial statements presented on pages 19 - 94 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.

	III QUARTER 2016 PERIOD FROM 01.07.2016 TO 30.09.2016	3 QUARTERS 2016 PERIOD FROM 01.01.2016 TO 30.09.2016	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015
Interest income	1 347 824	3 969 047	1 327 056	3 970 255
Interest expense	(259 001)	(786 761)	(311 412)	(958 980)
<b>Net interest income</b>	<b>1 088 823</b>	<b>3 182 286</b>	<b>1 015 644</b>	<b>3 011 275</b>
Fee and commission income	493 937	1 495 421	544 017	1 618 572
Fee and commission expense	(71 806)	(225 467)	(98 999)	(303 737)
<b>Net fee and commission income</b>	<b>422 131</b>	<b>1 269 954</b>	<b>445 018</b>	<b>1 314 835</b>
Dividend income	-	132 552	-	210 609
<b>Result on financial assets and liabilities held for trading</b>	<b>113 304</b>	<b>351 031</b>	<b>103 843</b>	<b>298 746</b>
<b>Result on fair value hedge accounting</b>	<b>1 449</b>	<b>(3 952)</b>	<b>(223)</b>	<b>5 018</b>
<b>Gains (losses) on disposal of:</b>	<b>7 811</b>	<b>431 694</b>	<b>16 162</b>	<b>171 125</b>
loans and other financial receivables	-	155 720	-	402
available for sale financial assets and held to maturity investments	7 862	276 033	16 350	171 065
financial liabilities	(51)	(59)	(188)	(342)
<b>Operating income</b>	<b>1 633 518</b>	<b>5 363 565</b>	<b>1 580 444</b>	<b>5 011 608</b>
<b>Net impairment losses on financial assets and off-balance sheet commitments:</b>	<b>(133 229)</b>	<b>(385 777)</b>	<b>(132 518)</b>	<b>(396 687)</b>
loans and other financial receivables	(129 483)	(321 136)	(147 465)	(379 698)
off-balance sheet commitments	(3 746)	(64 641)	14 947	(16 989)
<b>Net result on financial activity</b>	<b>1 500 289</b>	<b>4 977 788</b>	<b>1 447 926</b>	<b>4 614 921</b>
<b>Administrative expenses</b>	<b>(845 531)</b>	<b>(2 530 174)</b>	<b>(748 340)</b>	<b>(2 233 812)</b>
personnel expenses	(421 217)	(1 267 505)	(438 087)	(1 295 245)
other administrative expenses	(424 314)	(1 262 669)	(310 253)	(938 567)
<b>Depreciation and amortization</b>	<b>(80 625)</b>	<b>(243 337)</b>	<b>(77 140)</b>	<b>(232 013)</b>
<b>Net result on other provisions</b>	<b>(6 671)</b>	<b>(9 621)</b>	<b>(3 731)</b>	<b>(30 253)</b>
<b>Net other operating income and expenses</b>	<b>12 449</b>	<b>21 653</b>	<b>13 438</b>	<b>137 242</b>
<b>Operating costs</b>	<b>(920 378)</b>	<b>(2 761 479)</b>	<b>(815 773)</b>	<b>(2 358 836)</b>
<b>Gains (losses) on subsidiaries and associates</b>	<b>46 853</b>	<b>46 853</b>	<b>73 437</b>	<b>75 827</b>
<b>Gains (losses) on disposal of property, plant and equipment, and intangible assets</b>	<b>3 327</b>	<b>5 080</b>	<b>483</b>	<b>1 062</b>
<b>Profit before income tax</b>	<b>630 091</b>	<b>2 268 242</b>	<b>706 073</b>	<b>2 332 974</b>
<b>Income tax expense</b>	<b>(108 895)</b>	<b>(443 144)</b>	<b>(137 117)</b>	<b>(415 243)</b>
<b>Net profit for the period</b>	<b>521 196</b>	<b>1 825 098</b>	<b>568 956</b>	<b>1 917 731</b>
<b>Earnings per share (in PLN per share)</b>				
basic for the period	1.98	6.95	2.17	7.31
diluted for the period	1.98	6.95	2.17	7.31

# Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

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

	III QUARTER 2016 PERIOD FROM 01.07.2016 TO 30.09.2016	3 QUARTERS 2016 PERIOD FROM 01.01.2016 TO 30.09.2016	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015
<b>Net profit for the period</b>	<b>521 196</b>	<b>1 825 098</b>	<b>568 956</b>	<b>1 917 731</b>
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences	-	-	(10)	(23)
Change in fair value of available-for-sale financial assets	17 610	(266 553)	191 946	(335 611)
Change in fair value of cash flow hedges	4 712	38 506	(26 197)	(135 079)
Tax on items that are or may be reclassified subsequently to profit or loss	(4 241)	43 329	(31 493)	89 431
<b>Items that will never be reclassified to profit or loss:</b>				
Remeasurements of the defined benefit liabilities	-	-	-	-
Tax on items that will never be reclassified to profit or loss	-	-	-	-
<b>Other comprehensive income (net of tax)</b>	<b>18 081</b>	<b>(184 718)</b>	<b>134 246</b>	<b>(381 282)</b>
<b>Total comprehensive income</b>	<b>539 277</b>	<b>1 640 380</b>	<b>703 202</b>	<b>1 536 449</b>

# Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

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

	30.09.2016	31.12.2015	30.09.2015
<b>ASSETS</b>			
Cash and due from Central Bank	3 945 450	7 881 598	3 589 330
Bill of exchange eligible for rediscounting at Central Bank	-	70	205
Loans and advances to banks	3 484 493	7 512 226	4 016 402
Financial assets held for trading	957 456	1 116 993	2 232 666
Derivative financial instruments (held for trading)	2 030 877	3 254 117	3 406 790
Loans and advances to customers	117 713 958	118 508 582	120 084 104
Hedging instruments	335 138	421 640	394 178
Investment (placement) securities	27 115 952	20 989 942	28 005 656
1. Available for sale	24 226 203	17 699 881	24 707 784
2. Held to maturity	2 889 749	3 290 061	3 297 872
Assets held for sale	48 168	45 302	31 979
Investments in subsidiaries	1 063 050	1 099 654	1 123 654
Investments in associates	27 552	27 552	27 552
Intangible assets	559 345	611 620	608 922
Property, plant and equipment	1 380 007	1 443 757	1 448 739
Investment properties	12 828	17 317	23 033
Income tax assets	764 326	759 559	761 279
1. Current tax assets	-	75 935	1
2. Deferred tax assets	764 326	683 624	761 278
Other assets	656 883	2 070 741	2 083 229
<b>TOTAL ASSETS</b>	<b>160 095 483</b>	<b>165 760 670</b>	<b>167 837 718</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Amounts due to Central Bank	6 065	914	910
Amounts due to other banks	4 100 735	4 553 114	6 460 489
Financial liabilities held for trading	498 530	611 442	329 528
Derivative financial instruments (held for trading)	2 064 620	3 201 798	3 340 396
Amounts due to customers	127 233 107	129 256 866	128 941 939
Hedging instruments	1 663 189	1 702 759	1 685 449
Debt securities issued	338 084	1 668 706	2 424 194
Income tax liabilities	2 042	-	34 490
1. Current tax liabilities	2 042	-	34 490
2. Deferred tax liabilities	-	-	-
Provisions	499 750	422 930	464 491
Other liabilities	1 538 067	1 547 738	1 856 840
<b>TOTAL LIABILITIES</b>	<b>137 944 189</b>	<b>142 966 267</b>	<b>145 538 726</b>
<b>Equity</b>			
Share capital	262 470	262 470	262 470
Other capital and reserves	20 063 726	20 241 535	20 118 791
Retained earnings and net profit for the period	1 825 098	2 290 398	1 917 731
<b>TOTAL EQUITY</b>	<b>22 151 294</b>	<b>22 794 403</b>	<b>22 298 992</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>160 095 483</b>	<b>165 760 670</b>	<b>167 837 718</b>

# 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 30 September 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		
<b>Equity as at 1.01.2016</b>	262 470	20 241 535	9 137 221	1 975 415	8 612 550	283 222	-	233 127	2 290 398	22 794 403
<b>Management options</b>	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	-	-	-	-	-	-	-	-	-
<b>Comprehensive income</b>	-	(184 718)	-	-	-	(184 718)	-	-	1 825 098	1 640 380
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(215 908)	-	-	-	(215 908)	-	-	-	(215 908)
Revaluation of hedging financial instruments (net of tax)	-	31 190	-	-	-	31 190	-	-	-	31 190
Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	1 825 098	1 825 098
<b>Appropriation of retained earnings</b>	-	6 909	-	6 909	-	-	-	-	(2 290 398)	(2 283 489)
Dividend paid	-	-	-	-	-	-	-	-	(2 283 489)	(2 283 489)
Profit appropriation	-	6 909	-	6 909	-	-	-	-	(6 909)	-
<b>Equity as at 30.09.2016</b>	262 470	20 063 726	9 137 221	1 982 324	8 612 550	98 504	-	233 127	1 825 098	22 151 294

# 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		
<b>Equity as at 1.01.2015</b>	<b>262 470</b>	<b>20 462 508</b>	<b>9 137 221</b>	<b>1 937 850</b>	<b>8 612 550</b>	<b>540 591</b>	<b>1 169</b>	<b>233 127</b>	<b>2 662 266</b>	<b>23 387 244</b>
<b>Management options</b>	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	-	-	-	-	-	-	-	-	-
<b>Comprehensive income</b>	-	<b>(258 538)</b>	-	-	-	<b>(257 369)</b>	<b>(1 169)</b>	-	<b>2 290 398</b>	<b>2 031 860</b>
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
<b>Appropriation of retained earnings</b>	-	<b>37 565</b>	-	<b>37 565</b>	-	-	-	-	<b>(2 662 266)</b>	<b>(2 624 701)</b>
Dividend paid	-	-	-	-	-	-	-	-	(2 624 701)	(2 624 701)
Profit appropriation	-	37 565	-	37 565	-	-	-	-	(37 565)	-
<b>Equity as at 31.12.2015</b>	<b>262 470</b>	<b>20 241 535</b>	<b>9 137 221</b>	<b>1 975 415</b>	<b>8 612 550</b>	<b>283 222</b>	-	<b>233 127</b>	<b>2 290 398</b>	<b>22 794 403</b>

# Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2015 to 30 September 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		
<b>Equity as at 1.01.2015</b>	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
<b>Management options</b>	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	-	-	-	-	-	-	-	-	-
<b>Comprehensive income</b>	-	(381 282)	-	-	-	(381 259)	(23)	-	1 917 731	1 536 449
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(271 845)	-	-	-	(271 845)	-	-	-	(271 845)
Revaluation of hedging financial instruments (net of tax)	-	(109 414)	-	-	-	(109 414)	-	-	-	(109 414)
Foreign currency translation differences	-	(23)	-	-	-	-	(23)	-	-	(23)
Net profit for the period	-	-	-	-	-	-	-	-	1 917 731	1 917 731
<b>Appropriation of retained earnings</b>	-	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)	-
<b>Equity as at 30.09.2015</b>	262 470	20 118 791	9 137 221	1 975 415	8 612 550	159 332	1 146	233 127	1 917 731	22 298 992

# Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

## Unconsolidated cash flow statement of Bank Pekao S.A.

	III QUARTER 2016 PERIOD FROM 01.07.2016 TO 30.09.2016	3 QUARTERS 2016 PERIOD FROM 01.01.2016 TO 30.09.2016	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015
<b>Cash flow from operating activities – indirect method</b>				
<b>Net profit for the period</b>	<b>521 196</b>	<b>1 825 098</b>	<b>568 956</b>	<b>1 917 731</b>
<b>Adjustments for:</b>	<b>(2 101 132)</b>	<b>(330 869)</b>	<b>(4 547 409)</b>	<b>(4 521 690)</b>
Depreciation and amortization	80 625	243 337	77 140	232 013
(Gains) losses on investing activities	(11 171)	(280 796)	(16 793)	(172 056)
Net interest income	(1 088 823)	(3 182 286)	(1 015 644)	(3 011 275)
Dividend income	-	(132 552)	-	(210 609)
Interest received	1 309 622	3 868 768	1 048 225	3 792 968
Interest paid	(295 702)	(806 747)	(300 063)	(970 409)
Income tax	288 626	562 408	168 689	415 893
Income tax paid	(179 065)	(409 268)	(147 299)	(452 354)
Change in loans and advances to banks	327 170	444 093	(265 059)	47 956
Change in financial assets held for trading	1 356 189	159 132	(964 074)	(1 716 241)
Change in derivative financial instruments (assets)	282 357	1 223 240	(110 463)	1 058 104
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank	(1 136 755)	912 965	(2 741 153)	(8 497 083)
Change in investment (placement) securities	(119 089)	(706 790)	(28 444)	(627 434)
Change in other assets	(155 909)	1 427 816	165 962	535 219
Change in amounts due to banks	580 294	(446 504)	(1 129 846)	3 327 872
Change in financial liabilities held for trading	(287 503)	(112 912)	248 658	(261 783)
Change in derivative financial instruments (liabilities)	(217 492)	(1 137 178)	129 995	(1 081 896)
Change in amounts due to customers	70 181	(2 020 586)	3 442 503	2 570 055
Change in debt securities issued	546	(993)	10 685	4 744
Change in provisions	10 091	76 820	(4 502)	27 539
Change in other liabilities	(2 915 324)	(12 836)	(3 115 926)	467 087
<b>Net cash flows from operating activities</b>	<b>(1 579 936)</b>	<b>1 494 229</b>	<b>(3 978 453)</b>	<b>(2 603 959)</b>
<b>Cash flow from investing activities</b>				
<b>Investing activity inflows</b>	<b>5 769 947</b>	<b>69 297 620</b>	<b>52 362 721</b>	<b>189 080 601</b>
Sale of investment securities	-	-	75 000	75 000
Sale of intangible assets and property, plant and equipment	5 474 241	68 540 387	52 139 240	188 325 720
Dividend received	8 759	10 810	1 301	2 778
Other investing inflows	-	132 552	-	210 609
<b>Investing activity outflows</b>	<b>286 947</b>	<b>613 871</b>	<b>147 180</b>	<b>466 494</b>
Acquisition of subsidiary	<b>(6 443 651)</b>	<b>(74 710 318)</b>	<b>(52 678 978)</b>	<b>(192 207 102)</b>
Acquisition of investment securities	-	-	-	(274 334)
Acquisition of intangible assets and property, plant and equipment	(6 384 743)	(74 577 295)	(52 626 779)	(191 749 654)
<b>Net cash flows from investing activities</b>	<b>(58 908)</b>	<b>(133 023)</b>	<b>(52 199)</b>	<b>(183 114)</b>
	<b>(673 704)</b>	<b>(5 412 698)</b>	<b>(316 257)</b>	<b>(3 126 501)</b>

# Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

	III QUARTER 2016 PERIOD FROM 01.07.2016 TO 30.09.2016	3 QUARTERS 2016 PERIOD FROM 01.01.2016 TO 30.09.2016	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015
<b>Cash flows from financing activities</b>				
<b>Financing activity inflows</b>	-	1 079 733	1 213 585	3 514 289
Issue of debt securities	-	1 079 733	1 213 585	3 514 289
<b>Financing activity outflows</b>	(499 271)	(4 676 761)	(1 613 498)	(6 534 508)
Redemption of debt securities	(499 271)	(2 393 272)	(1 613 498)	(3 909 807)
Dividends and other payments to shareholders	-	(2 283 489)	-	(2 624 701)
<b>Net cash flows from financing activities</b>	(499 271)	(3 597 028)	(399 913)	(3 020 219)
<b>Total net cash flows</b>	(2 752 911)	(7 515 497)	(4 694 623)	(8 750 679)
including: effect of exchange rate fluctuations on cash and cash equivalents held	(99 238)	5 936	(30 187)	45 859
<b>Net change in cash and cash equivalents</b>	(2 752 911)	(7 515 497)	(4 694 623)	(8 750 679)
<b>Cash and cash equivalents at the beginning of the period</b>	9 805 836	14 568 422	11 497 285	15 553 341
<b>Cash and cash equivalents at the end of the period</b>	7 052 925	7 052 925	6 802 662	6 802 662



# 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 30 September 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	
			30.09.2016	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	100.00	36.49
Pekao Investment Banking S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Leasing Holding S.A. (in liquidation), including:	Warsaw	Deleted from the registry	-	100.00
<i>Pekao Leasing Sp. z o.o.</i>	Warsaw	Leasing services	-	63.51
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Pekao Pioneer Powszechnie Towarzystwo Emerytalne S.A.	Warsaw	Pension fund management	65.00	65.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Transferable agent	100.00	100.00
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Pekao Property S.A., including:	Warsaw	Real estate development	100.00	100.00
<i>FPB - Media Sp. z o.o.</i>	Warsaw	Real estate development	100.00	100.00
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	Warsaw	Business consulting	100.00	100.00

As at 30 September 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	
			30.09.2016	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 30 September 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.

### The deletion of Pekao Leasing Holding S.A. (in liquidation) from the Registry

On 20 September 2016 Pekao Leasing Holding S.A. (in liquidation) was deleted from the Registry. In the course of the liquidation process of the Company, the transfer of ownership of 69 746 shares in Pekao Leasing Sp. z o.o. to Bank Pekao S.A. has been made. The Bank now holds 100% shares in the share capital and in the votes in the General Meeting of Pekao Leasing Sp. z o.o.

## 3. Business combinations

In the three quarters 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.

## Notes to financial statements (cont.)

(in PLN thousand)

### 4. Statement of compliance

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

These financial statements do not include all information required for annual financial statements, and shall be read in conjunction with the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 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](http://www.pekao.com.pl)

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

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

These condensed consolidated interim financial statements were authorized for issue by the Management Board on 9 November 2016.

# Notes to financial statements (cont.)

(in PLN thousand)

## 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 three quarters 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 assets, an impairment model for credit allowances based on 'expected loss' and a reformed approach to general hedge accounting.

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).

# Notes to financial statements (cont.)

(in PLN thousand)

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
<b>Amendments to IFRS 10</b> 'Consolidated Financial Statements', <b>IFRS 12</b> 'Disclosure of interests in other entities' and <b>IAS 28</b> '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.
<b>IFRS 11 (amendment)</b> '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.
<b>IAS 1 (amendment)</b> '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.
<b>IAS 16 (amendment)</b> 'Property, Plant and Equipment' and <b>IAS 38 (amendment)</b> '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.
<b>IAS 16 (amendment)</b> 'Property, Plant and Equipment' and <b>IAS 41 (amendment)</b> '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.
<b>IAS 19 (amendment)</b> '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.
<b>IAS 27 (amendment)</b> '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.
<b>Improvements to IFRS 2010-2012</b>	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.
<b>Improvements to IFRS 2012-2014</b>	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"> <li>• new categorisation of financial assets,</li> <li>• new criteria of assets classification to the group of financial assets measured at amortized cost,</li> <li>• new impairment model – expected credit losses model,</li> <li>• new principles for recognition of changes in fair value measurement of capital investment in financial instruments,</li> <li>• elimination of the necessity to separate embedded derivatives from financial assets.</li> </ul> <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>	<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.</p>
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, the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.</p>	<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.</p>
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>	<p>The Group is currently assessing the impact of the IFRS 15 application on its financial statements.</p>
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>	<p>The Group is currently assessing the impact of the IFRS 15 application on its financial statements.</p>

# Notes to the financial statements (cont.)

(in PLN thousand)

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
<b>IFRS 10 (amendment)</b> 'Consolidated Financial Statements' and <b>IAS 28 (amendment)</b> '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.
<b>IAS 7 (amendment)</b> '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.
<b>IAS 12 (amendment)</b> '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.
<b>IFRS 2 (amendment)</b> 'Share-based Payment'	The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Date of application: annual periods beginning on or after 1 January 2018.	The Group is currently analyzing the impact of those changes on the financial statements.
<b>IFRS 4 (amendment)</b> 'Insurance Contracts'	The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that the Board is developing for IFRS 4. Date of application: effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time.	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.

## 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 nine months period ended 30 September 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	30.09.2016		31.12.2015	
		CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
1	0.00% <= PD < 0.06%	11 170 600	26.0%	10 532 502	25.9%
2	0.06% <= PD < 0.19%	6 346 744	14.8%	5 936 116	14.6%
3	0.19% <= PD < 0.35%	17 301 983	40.2%	16 303 771	40.1%
4	0.35% <= PD < 0.73%	5 439 673	12.6%	5 213 593	12.8%
5	0.73% <= PD < 3.50%	1 456 173	3.4%	1 393 240	3.4%
6	3.50% <= PD < 14.00%	620 242	1.4%	651 234	1.6%
7	14.00% <= PD < 100.00%	686 668	1.6%	652 160	1.6%
<b>Total</b>		<b>43 022 083</b>	<b>100.0%</b>	<b>40 682 616</b>	<b>100.0%</b>

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

RATING CLASS	RANGE OF PD	30.09.2016		31.12.2015	
		CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
1	0.00% <= PD < 0.34%	658 298	7.8%	573 469	7.4%
2	0.34% <= PD < 0.80%	943 332	11.2%	805 937	10.3%
3	0.80% <= PD < 1.34%	1 424 624	16.9%	1 390 763	17.8%
4	1.34% <= PD < 2.40%	2 547 245	30.2%	2 393 959	30.6%
5	2.40% <= PD < 4.75%	1 764 953	20.9%	1 594 636	20.4%
6	4.75% <= PD < 14.50%	728 161	8.6%	673 978	8.6%
7	14.50% <= PD < 31.00%	180 652	2.1%	187 224	2.4%
8	31.00% <= PD < 100.00%	192 087	2.3%	194 052	2.5%
<b>Total</b>		<b>8 439 352</b>	<b>100.0%</b>	<b>7 814 018</b>	<b>100.0%</b>

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

RATING CLASS	RANGE OF PD	30.09.2016		31.12.2015	
		CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
1	0.00% <= PD < 0.15%	515 340	3.5%	357 910	2.4%
2	0.15% <= PD < 0.27%	2 193 105	14.7%	1 887 596	12.5%
3	0.27% <= PD < 0.45%	1 798 773	12.0%	2 348 388	15.6%
4	0.45% <= PD < 0.75%	2 302 921	15.4%	2 304 203	15.3%
5	0.75% <= PD < 1.27%	2 350 535	15.7%	3 136 094	20.8%
6	1.27% <= PD < 2.25%	2 415 586	16.1%	1 935 237	12.8%
7	2.25% <= PD < 4.00%	1 198 911	8.0%	1 043 523	6.9%
8	4.00% <= PD < 8.50%	1 935 559	12.9%	1 898 162	12.6%
9	8.50% <= PD < 100.00%	253 559	1.7%	165 709	1.1%
<b>Total</b>		<b>14 964 289</b>	<b>100.0%</b>	<b>15 076 822</b>	<b>100.0%</b>

## 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	30.09.2016		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%	18	0.0%	1 243 315	24.2%
8	0.0691% <= PD < 0.1208%	4 321	0.1%	645 108	12.6%
9	0.1208% <= PD < 0.2091%	1 468 754	29.5%	629 490	12.3%
10	0.2091% <= PD < 0.3581%	321 403	6.5%	375 435	7.3%
11	0.3581% <= PD < 0.6132%	1 817 894	36.5%	81 377	1.6%
12	0.6132% <= PD < 1.0807%	5 592	0.1%	93 303	1.8%
13	1.0807% <= PD < 1.9599%	923 841	18.6%	-	0.0%
14	1.9599% <= PD < 3.5545%	336 653	6.8%	2 063 695	40.2%
15	3.5545% <= PD < 7.6705%	16	0.0%	-	0.0%
16	7.6705% <= PD < 19.6959%	95 547	1.9%	16	0.0%
17	19.6959% <= PD < 100.0000%	-	0.0%	-	0.0%
<b>Total</b>		<b>4 974 039</b>	<b>100.0%</b>	<b>5 131 739</b>	<b>100.0%</b>

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

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

SUPERVISORY CATEGHORY	30.09.2016		31.12.2015	
	CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
High	3 633 839	43.1%	1 647 122	25.0%
Good	3 529 301	41.9%	4 185 156	63.4%
Satisfactory	1 219 188	14.5%	720 513	10.9%
Low	42 025	0.5%	43 078	0.7%
<b>Total</b>	<b>8 424 353</b>	<b>100.0%</b>	<b>6 595 869</b>	<b>100.0%</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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

	30.09.2016	31.12.2015
<b>Loans with no impairment:</b>	<b>118 625 005</b>	<b>119 349 516</b>
<b>Loans to individuals:</b>	<b>54 482 911</b>	<b>51 611 229</b>
Covered by internal rating model:	51 461 435	48 496 634
Mortgage loans	43 022 083	40 682 616
Consumer loans	8 439 352	7 814 018
Other, not covered by internal rating model	3 021 476	3 114 595
<b>Loans to corporates:</b>	<b>64 142 094</b>	<b>67 738 287</b>
Covered by internal rating model:	19 938 328	20 208 561
Clients with income not exceeding EUR 500 million	14 964 289	15 076 822
Clients assessed by central model with income exceeding EUR 500 million	4 974 039	5 131 739
Specialized lending exposures	8 424 353	6 595 869
Debt securities, not covered by internal rating model	12 596 863	12 330 221
Repo transactions, not covered by internal rating model	-	4 755 472
Other, not covered by internal rating model	23 182 550	23 848 164
<b>Impaired loans</b>	<b>2 681 772</b>	<b>2 705 410</b>
<b>Total loans and advances to customers (*)</b>	<b>121 306 777</b>	<b>122 054 926</b>

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

**Offsetting financial assets and financial liabilities**

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting agreements or similar agreements, irrespective of whether they are offset in the statement of financial position.

The netting agreements concluded by the Group are:

- ISDA agreements and similar master netting agreements on derivatives,
- GMRA agreements on repo and reverse-repo transactions.

The netting agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the one of the counterparty. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives,
- repo and reverse-repo transactions.

Such collateral is subject to standard industry terms. The collateral in the form of cash stems from an ISDA Credit Support Annex (CSA).

The securities received/given as collateral on repo and reverse-repo transaction can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

## Notes to financial statements (cont.)

(in PLN thousand)

Financial assets and financial liabilities subject to enforceable master netting agreements and similar agreements and which may be potentially offset in the statement of financial position.

30.09.2016	CARRYING AMOUNT OF FINANCIAL ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	AMOUNT OF POTENTIAL OFFSETTING		NET AMOUNT
		FINANCIAL INSTRUMENTS (INCLUDING RECEIVED COLLATERAL IN THE FORM OF SECURITIES)	CASH COLLATERAL RECEIVED	
<b>FINANCIAL ASSETS</b>				
Derivatives	2 021 547	(1 542 314)	(247 908)	231 325
<b>TOTAL</b>	<b>2 021 547</b>	<b>(1 542 314)</b>	<b>(247 908)</b>	<b>231 325</b>

30.09.2016	CARRYING AMOUNT OF FINANCIAL LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	AMOUNT OF POTENTIAL OFFSETTING		NET AMOUNT
		FINANCIAL INSTRUMENTS (INCLUDING PLEDGED COLLATERAL IN THE FORM OF SECURITIES)	CASH COLLATERAL PLEDGED	
<b>FINANCIAL LIABILITIES</b>				
Derivatives	3 393 838	(1 542 314)	(1 693 063)	158 461
Repo transactions	317 278	(317 095)	-	183
<b>TOTAL</b>	<b>3 711 116</b>	<b>(1 859 409)</b>	<b>(1 693 063)</b>	<b>158 644</b>

31.12.2015	CARRYING AMOUNT OF FINANCIAL ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	AMOUNT OF POTENTIAL OFFSETTING		NET AMOUNT
		FINANCIAL INSTRUMENTS (INCLUDING RECEIVED COLLATERAL IN THE FORM OF SECURITIES)	CASH COLLATERAL RECEIVED	
<b>FINANCIAL ASSETS</b>				
Derivatives	3 628 087	(3 012 327)	(295 762)	319 998
<b>TOTAL</b>	<b>3 628 087</b>	<b>(3 012 327)</b>	<b>(295 762)</b>	<b>319 998</b>

31.12.2015	CARRYING AMOUNT OF FINANCIAL LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	AMOUNT OF POTENTIAL OFFSETTING		NET AMOUNT
		FINANCIAL INSTRUMENTS (INCLUDING PLEDGED COLLATERAL IN THE FORM OF SECURITIES)	CASH COLLATERAL PLEDGED	
<b>FINANCIAL LIABILITIES</b>				
Derivatives	4 907 087	(3 012 327)	(1 339 417)	555 343
Repo transactions	963 829	(962 346)	-	1 483
<b>TOTAL</b>	<b>5 870 916</b>	<b>(3 974 673)</b>	<b>(1 339 417)</b>	<b>556 826</b>

The carrying amount of financial assets and financial liabilities disclosed in the above tables have been measured in the statement of financial position on the following bases:

- derivatives – fair value,
- assets and liabilities resulting from repo and reverse-repo transactions – amortized cost.

## Notes to financial statements (cont.)

(in PLN thousand)

Reconciliation of the carrying amount of financial assets and financial liabilities subject to enforceable master netting agreements and similar agreements to the amounts presented in the statement of financial position.

30.09.2016	NET CARRYING AMOUNT	ITEM IN STATEMENT OF FINANCIAL POSITION	CARRYING AMOUNT IN STATEMENT OF FINANCIAL POSITION	CARRYING AMOUNT OF TRANSACTIONS NOT IN SCOPE OF OFFSETTING DISCLOSURES	NOTE
<b>FINANCIAL ASSETS</b>					
Derivatives	1 926 993	Derivative financial instruments (held for trading)	1 982 411	55 418	26
	94 554	Hedging instruments	335 138	240 584	29
<b>FINANCIAL LIABILITIES</b>					
Derivatives	1 730 649	Derivative financial instruments (held for trading)	2 066 992	336 343	26
	1 663 189	Hedging instruments	1 663 189	-	29
Repo transactions	317 278	Amounts due to other banks	5 500 160	5 182 882	35

31.12.2015	NET CARRYING AMOUNT	ITEM IN STATEMENT OF FINANCIAL POSITION	CARRYING AMOUNT IN STATEMENT OF FINANCIAL POSITION	CARRYING AMOUNT OF TRANSACTIONS NOT IN SCOPE OF OFFSETTING DISCLOSURES	NOTE
<b>FINANCIAL ASSETS</b>					
Derivatives	3 134 367	Derivative financial instruments (held for trading)	3 206 447	72 080	26
	421 640	Hedging instruments	421 640	-	29
<b>FINANCIAL LIABILITIES</b>					
Derivatives	3 106 943	Derivative financial instruments (held for trading)	3 204 328	97 385	26
	1 702 759	Hedging instruments	1 702 759	-	29
Repo transactions	963 829	Amounts due to other banks	5 958 449	4 994 620	35

## 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 (*)	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
<b>GROSS CARRYING AMOUNT OF EXPOSURE INDIVIDUALLY IMPAIRED</b>				
- not past due	-	-	679 834	564 430
- up to 1 month	-	-	35 808	37 283
- between 1 month and 3 months	-	-	108 168	22 868
- between 3 months and 1 year	-	-	170 796	158 487
- between 1 year and 5 years	7 562	9 927	2 752 519	3 079 109
- above 5 years	-	-	1 645 109	1 429 845
<b>Total gross carrying amount</b>	<b>7 562</b>	<b>9 927</b>	<b>5 392 234</b>	<b>5 292 022</b>
<b>ALLOWANCE FOR IMPAIRMENT</b>				
- not past due	-	-	(262 594)	(238 852)
- up to 1 month	-	-	(5 925)	(7 530)
- between 1 month and 3 months	-	-	(27 461)	(5 206)
- between 3 months and 1 year	-	-	(94 688)	(52 140)
- between 1 year and 5 years	(7 562)	(9 927)	(1 667 522)	(1 738 572)
- above 5 years	-	-	(1 330 890)	(1 198 995)
<b>Total allowance for impairment</b>	<b>(7 562)</b>	<b>(9 927)</b>	<b>(3 389 080)</b>	<b>(3 241 295)</b>
<b>Net carrying amount of exposure individually impaired</b>	<b>-</b>	<b>-</b>	<b>2 003 154</b>	<b>2 050 727</b>
<b>GROSS CARRYING AMOUNT OF EXPOSURE COLLECTIVELY IMPAIRED</b>				
- not past due	-	-	176 074	120 069
- up to 1 month	-	-	49 199	42 559
- between 1 month and 3 months	-	-	59 368	47 688
- between 3 months and 1 year	-	-	288 943	303 072
- between 1 year and 5 years	-	-	1 342 683	1 359 720
- above 5 years	9 800	9 800	998 173	956 361
<b>Total gross carrying amount</b>	<b>9 800</b>	<b>9 800</b>	<b>2 914 440</b>	<b>2 829 469</b>
<b>ALLOWANCE FOR IMPAIRMENT</b>				
- not past due	-	-	(60 553)	(46 047)
- up to 1 month	-	-	(14 770)	(10 980)
- between 1 month and 3 months	-	-	(20 461)	(17 089)
- between 3 months and 1 year	-	-	(149 468)	(156 199)
- between 1 year and 5 years	-	-	(1 060 726)	(1 047 727)
- above 5 years	(9 800)	(9 800)	(929 844)	(896 744)
<b>Total allowance for impairment</b>	<b>(9 800)</b>	<b>(9 800)</b>	<b>(2 235 822)</b>	<b>(2 174 786)</b>
<b>Net carrying amount of exposure collectively impaired</b>	<b>-</b>	<b>-</b>	<b>678 618</b>	<b>654 683</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)			
	30.09.2016	31.12.2015	CORPORATE		RETAIL	
			30.09.2016	31.12.2015	30.09.2016	31.12.2015
<b>GROSS CARRYING AMOUNT OF EXPOSURE WITH NO IMPAIRMENT</b>						
- not past due	3 290 336	7 319 104	64 113 152	67 677 272	53 334 554	50 112 528
- up to 30 days	-	-	162 808	214 225	912 165	1 269 204
- between 30 days and 60 days	-	-	37 918	34 541	198 522	183 623
- above 60 days	-	-	89 705	89 848	171 180	194 520
<b>Total gross carrying amount</b>	<b>3 290 336</b>	<b>7 319 104</b>	<b>64 403 583</b>	<b>68 015 886</b>	<b>54 616 421</b>	<b>51 759 875</b>
<b>IBNR PROVISION</b>						
- not past due	(36)	(58)	(254 316)	(273 574)	(92 848)	(90 586)
- up to 30 days	-	-	(3 556)	(2 652)	(23 038)	(37 046)
- between 30 days and 60 days	-	-	(2 198)	(686)	(11 382)	(11 615)
- above 60 days	-	-	(1 419)	(687)	(6 242)	(9 399)
<b>Total IBNR provision</b>	<b>(36)</b>	<b>(58)</b>	<b>(261 489)</b>	<b>(277 599)</b>	<b>(133 510)</b>	<b>(148 646)</b>
<b>Net carrying amount of exposure with no impairment</b>	<b>3 290 300</b>	<b>7 319 046</b>	<b>64 142 094</b>	<b>67 738 287</b>	<b>54 482 911</b>	<b>51 611 229</b>

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

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
<b>IMPAIRED EXPOSURES</b>				
Gross carrying amount	17 362	19 727	8 306 674	8 121 491
Allowance for impairment	(17 362)	(19 727)	(5 624 902)	(5 416 081)
<b>Total net carrying amount</b>	<b>-</b>	<b>-</b>	<b>2 681 772</b>	<b>2 705 410</b>
Exposures with impairment triggers for which no impairment has been identified				
Gross carrying amount, in this:	-	-	100 665	78 166
<i>Exposure with collateral value included in expected discounted cash flow, in this:</i>	-	-	100 665	78 166
- <i>Past due exposures</i>	-	-	24 376	31 741
IBNR provision	-	-	(2 399)	(1 362)
<b>Total net carrying amount</b>	<b>-</b>	<b>-</b>	<b>98 266</b>	<b>76 804</b>
Exposures with no impairment triggers				
Gross carrying amount	3 290 336	7 319 104	118 919 339	119 697 595
IBNR provision	(36)	(58)	(392 600)	(424 883)
<b>Total net carrying amount</b>	<b>3 290 300</b>	<b>7 319 046</b>	<b>118 526 739</b>	<b>119 272 712</b>

(\*) 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 &amp; Poor's ratings as at 30 September 2016

RATING	DEBT SECURITIES				TOTAL
	HELD FOR TRADING	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS (*)	
A+ to A-	897 590	23 298 295	2 956 061	504 044	27 655 990
BBB+ to BBB-	8 252	-	-	-	8 252
no rating	59 864	934 997	-	-	994 861
<b>Total</b>	<b>965 706</b>	<b>24 233 292</b>	<b>2 956 061</b>	<b>504 044</b>	<b>28 659 103</b>

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

## Classification of exposures to debt securities according to Standard &amp; 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
<b>Total</b>	<b>1 124 717</b>	<b>17 517 884</b>	<b>3 368 424</b>	<b>6 520 122</b>	<b>28 531 147</b>

(\*) 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 &amp; Poor's ratings as at 30 September 2016

RATING	DERIVATIVES						TOTAL
	TRADING DERIVATIVES			DERIVATIVE HEDGING INSTRUMENTS			
	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	
AAA	20	-	-	2 607	-	-	2 627
AA+ to AA-	84 277	-	-	1 041	-	-	85 318
A+ to A-	603 551	163 572	-	45 087	-	-	812 210
BBB+ to BBB-	447 931	-	-	5 139	-	-	453 070
BB+ to BB-	-	-	289	-	-	-	289
no rating	358 860	48 565	275 346	37 698	243 566	-	964 035
<b>Total</b>	<b>1 494 639</b>	<b>212 137</b>	<b>275 635</b>	<b>91 572</b>	<b>243 566</b>	<b>-</b>	<b>2 317 549</b>

## Classification of exposures to derivative financial instruments according to Standard &amp; 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
<b>Total</b>	<b>2 639 346</b>	<b>325 194</b>	<b>241 907</b>	<b>416 953</b>	<b>3 938</b>	<b>749</b>	<b>3 628 087</b>



## Notes to financial statements (cont.)

(in PLN thousand)

**Forbearance measures**

The identifying process of Forborne exposures has not changed in relation to the one described in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2015.

Share of forborne exposures in the Group's loan portfolio

	30.09.2016	31.12.2015
<b>LOANS AND ADVANCES TO CUSTOMERS</b>		
<b>Exposures with no impairment, of which:</b>	<b>118 625 005</b>	<b>119 349 516</b>
forborne exposures	343 603	422 649
<b>Impaired exposures, of which:</b>	<b>2 681 772</b>	<b>2 705 410</b>
forborne exposures	1 519 331	1 537 735
<b>Total net carrying amount, of which:</b>	<b>121 306 777</b>	<b>122 054 926</b>
forborne exposures	1 862 934	1 960 384

The quality analysis of forborne exposures

	30.09.2016	31.12.2015
<b>Exposures with no impairment</b>		
Gross carrying amount	353 161	437 459
IBNR provisions	(9 558)	(14 810)
<b>Net carrying amount</b>	<b>343 603</b>	<b>422 649</b>
<b>Impaired exposures</b>		
Gross carrying amount, of which:	3 094 067	2 957 036
exposures individually impaired	2 779 363	2 745 545
exposures collectively impaired	314 704	211 491
Allowances for impairment, of which:	(1 574 736)	(1 419 301)
exposures individually impaired	(1 437 436)	(1 323 802)
exposures collectively impaired	(137 300)	(95 499)
<b>Net carrying amount</b>	<b>1 519 331</b>	<b>1 537 735</b>
<b>Total net carrying amount</b>	<b>1 862 934</b>	<b>1 960 384</b>

**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

	30.09.2016	31.12.2015
<b>Gross carrying amount, of which:</b>	<b>4 455 025</b>	<b>4 761 295</b>
- denominated in CHF	4 422 293	4 719 657
- indexed to CHF	32 732	41 638
<b>Impairment allowances, of which:</b>	<b>(81 757)</b>	<b>(78 963)</b>
- denominated in CHF	(81 457)	(78 616)
- indexed to CHF	(300)	(347)
<b>Net carrying amount, of which:</b>	<b>4 373 268</b>	<b>4 682 332</b>
- denominated in CHF	4 340 836	4 641 041
- indexed to CHF	32 432	41 291

# Notes to financial statements (cont.)

(in PLN thousand)

## Quality of CHF loans to individuals

	30.09.2016	31.12.2015
<b>Gross carrying amount of exposures with no impairment, of which:</b>	<b>4 272 153</b>	<b>4 599 473</b>
- not past due	4 021 028	4 251 469
- up to 30 days	191 302	277 566
- between 30 days and 60 days	45 615	41 226
- above 60 days	14 208	29 212
<b>IBNR provisions for exposures with no impairment, of which:</b>	<b>(9 876)</b>	<b>(13 479)</b>
- not past due	(4 883)	(5 144)
- up to 30 days	(2 964)	(4 898)
- between 30 days and 60 days	(1 576)	(1 542)
- above 60 days	(453)	(1 895)
<b>Gross carrying amount of impaired exposures, of which:</b>	<b>182 872</b>	<b>161 822</b>
- not past due	33 475	25 499
- up to 1 month	15 198	12 076
- between 1 month and 3 months	13 206	9 211
- between 3 months and 1 year	34 067	30 569
- between 1 year and 5 years	53 028	53 721
- above 5 years	33 898	30 746
<b>Allowances for impairment, of which:</b>	<b>(71 881)</b>	<b>(65 484)</b>
- not past due	(5 170)	(4 356)
- up to 1 month	(2 429)	(1 507)
- between 1 month and 3 months	(2 398)	(1 764)
- between 3 months and 1 year	(6 599)	(6 250)
- between 1 year and 5 years	(29 840)	(27 927)
- above 5 years	(25 445)	(23 680)
<b>Total net carrying amount</b>	<b>4 373 268</b>	<b>4 682 332</b>

The average LTV for CHF loans to individuals granted by the Group amounted as of 30 September 2016 to 55.2% (56.5% as of 31 December 2015), with an average LTV for the whole portfolio of 66.2% (66.4% as of 31 December 2015).

### Credit exposures towards Ukraine

In the period from 1 January to 30 September 2016 Group exposure towards Ukraine in the form of interbank placements were repaid in full. As at 30 September 2016, the net balance sheet value of remaining exposures towards Ukraine refer mainly to two international corporate clients and amounts to PLN 161 million (which constitutes 0.1% of total Group exposures), less by PLN 467 million in comparison to the end of September 2015.

The Group is strictly monitoring evolution of the situation in the country, however the nature of our exposures do not pose any threat 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

	30.09.2016	31.12.2015
<b>Balance sheet exposures</b>		
Loans and advances to banks	-	402 630
Loans and advances to customers	299 322	300 551
<b>Total gross carrying amount</b>	<b>299 322</b>	<b>703 181</b>
IBNR provision / Allowance for impairment	(138 677)	(110 605)
<b>Total net carrying amount</b>	<b>160 645</b>	<b>592 576</b>
<b>Off-balance sheet exposure</b>		
Credit lines granted	1 273	4 049
<b>Total gross carrying amount</b>	<b>1 273</b>	<b>4 049</b>
IBNR provision	(6)	(27)
<b>Total net carrying amount</b>	<b>1 267</b>	<b>4 022</b>

### 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 30 September 2016 and in 2015:

	30.09.2016	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	92	14	231	1 582
interest rate risk	1 164	804	1 105	1 554
Trading portfolio	1 109	866	1 149	1 693

	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.

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 30 September 2016 and as at 31 December 2015.

SENSITIVITY IN %	30.09.2016	31.12.2015
NII	(7.06)	(5.97)
EVE	0.11	(0.77)

## Notes to financial statements (cont.)

(in PLN thousand)

**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	30.09.2016	31.12.2015
Currencies total (*)	184	1 538

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

**Foreign currency position of the Group**

30.09.2016	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS- DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	20 295 826	18 467 320	12 732 105	14 561 097	(486)
USD	5 075 242	7 834 441	7 254 509	4 494 643	667
CHF	4 683 868	967 148	4 155 104	7 875 613	(3 789)
GBP	181 208	810 418	1 817 979	1 185 964	2 805
Other currencies	280 018	231 023	349 059	393 754	4 300
<b>TOTAL</b>	<b>30 516 162</b>	<b>28 310 350</b>	<b>26 308 756</b>	<b>28 511 071</b>	<b>3 497</b>

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
<b>TOTAL</b>	<b>30 515 868</b>	<b>27 712 297</b>	<b>22 245 886</b>	<b>24 897 411</b>	<b>152 046</b>

# 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

30.09.2016	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	33 784 982	6 818 642	21 532 128	50 292 596	50 824 353	163 252 701
Balance sheet liabilities	11 841 846	5 410 999	18 052 363	21 014 850	106 932 643	163 252 701
Off-balance sheet assets/liabilities (net)	(5 061 228)	(422 065)	257 639	2 683 488	1 284 719	(1 257 447)
<b>Periodic gap</b>	<b>16 881 908</b>	<b>985 578</b>	<b>3 737 404</b>	<b>31 961 234</b>	<b>(54 823 571)</b>	<b>(1 257 447)</b>
<b>Cumulated gap</b>	<b>-</b>	<b>17 867 486</b>	<b>21 604 890</b>	<b>53 566 124</b>	<b>(1 257 447)</b>	<b>-</b>

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)
<b>Periodic gap</b>	<b>16 389 830</b>	<b>(1 147 693)</b>	<b>7 438 959</b>	<b>32 945 299</b>	<b>(56 790 122)</b>	<b>(1 163 727)</b>
<b>Cumulated gap</b>	<b>-</b>	<b>15 242 137</b>	<b>22 681 096</b>	<b>55 626 395</b>	<b>(1 163 727)</b>	<b>-</b>

## Notes to financial statements (cont.)

(in PLN thousand)

## Structure of financial liabilities by contractual maturity

30.09.2016	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
<b>BALANCE SHEET LIABILITIES</b>						
Amounts due to banks (*)	2 280 569	12 345	64 855	1 546 001	1 652 187	5 555 957
Amounts due to customers	96 339 606	12 619 295	17 880 125	470 251	37 033	127 346 310
Debt securities issued	1 715	82 438	274 516	1 052 536	359 237	1 770 442
Financial liabilities held for trading	-	-	27 854	352 861	117 815	498 530
<b>Total</b>	<b>98 621 890</b>	<b>12 714 078</b>	<b>18 247 350</b>	<b>3 421 649</b>	<b>2 166 272</b>	<b>135 171 239</b>
<b>OFF-BALANCE SHEET COMMITMENTS (**)</b>						
Financial liabilities granted	32 658 771	-	-	-	-	32 658 771
Guarantees issued	12 283 498	-	-	-	-	12 283 498
<b>Total</b>	<b>44 942 269</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44 942 269</b>

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
<b>BALANCE SHEET LIABILITIES</b>						
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
<b>Total</b>	<b>98 299 803</b>	<b>14 313 596</b>	<b>18 676 785</b>	<b>4 981 528</b>	<b>2 899 474</b>	<b>139 171 186</b>
<b>OFF-BALANCE SHEET COMMITMENTS (**)</b>						
Financial liabilities granted	30 935 860	-	-	-	-	30 935 860
Guarantees issued	14 072 827	-	-	-	-	14 072 827
<b>Total</b>	<b>45 008 687</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45 008 687</b>

(\*) Including Central Bank.

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

# Notes to financial statements (cont.)

(in PLN thousand)

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

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

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

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

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

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

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
30.09.2016	6 104	17 900	135 307	1 349 490	645 782	2 154 583
31.12.2015	70 648	104 854	151 485	2 007 425	889 219	3 223 631

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

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
<b>30.09.2016</b>						
Inflows	22 421 429	5 313 543	6 039 899	7 847 734	3 119 239	44 741 844
Outflows	22 475 603	5 377 631	6 078 974	8 592 963	3 471 588	45 996 759
<b>31.12.2015</b>						
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.

# Notes to financial statements (cont.)

(in PLN thousand)

## Fair value of financial assets and liabilities

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

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

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

As of 30 September 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)

30.09.2016	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets:</b>	<b>23 217 200</b>	<b>4 073 659</b>	<b>389 004</b>	<b>27 679 863</b>
Financial assets held for trading	905 734	25 660	46 813	978 207
Derivative financial instruments, including:	84	1 982 327	-	1 982 411
- Banks	-	1 494 639	-	1 494 639
- Customers	84	487 688	-	487 772
Hedging instruments, including:	-	335 138	-	335 138
- Banks	-	91 572	-	91 572
- Customers	-	243 566	-	243 566
Securities available for sale	22 311 382	1 730 534	342 191	24 384 107
<b>Liabilities:</b>	<b>472 979</b>	<b>3 755 732</b>	<b>-</b>	<b>4 228 711</b>
Financial liabilities held for trading	472 977	25 553	-	498 530
Derivative financial instruments, including:	2	2 066 990	-	2 066 992
- Banks	-	1 494 459	-	1 494 459
- Customers	2	572 531	-	572 533
Hedging instruments, including:	-	1 663 189	-	1 663 189
- Banks	-	1 663 189	-	1 663 189
- Customers	-	-	-	-

31.12.2015	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets:</b>	<b>15 929 590</b>	<b>6 134 087</b>	<b>504 501</b>	<b>22 568 178</b>
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
<b>Liabilities:</b>	<b>611 443</b>	<b>4 907 086</b>	<b>-</b>	<b>5 518 529</b>
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

3 QUARTERS 2016	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE
<b>Opening balance</b>	<b>47 389</b>	<b>943</b>	<b>456 169</b>
Increases, including:	92 113	-	64 892
Reclassification	-	-	-
Derivatives transactions made in 2016	-	-	-
Acquisition	91 210	-	54 389
Settlement	-	-	-
Gains on financial instruments	903	-	10 503
recognized in the income statement	903	-	5 656
recognized in revaluation reserves	-	-	4 847
Decreases, including:	(92 689)	(943)	(178 870)
Reclassification	-	(943)	-
Settlement/redemption	(674)	-	(177 922)
Sale	(92 011)	-	-
Losses on financial instruments	(4)	-	(948)
recognized in the income statement	(4)	-	-
recognized in revaluation reserves	-	-	(948)
<b>Closing balance</b>	<b>46 813</b>	<b>-</b>	<b>342 191</b>
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>239</b>	<b>-</b>	<b>1 187</b>
Income statement:	239	-	2 135
net interest income	237	-	2 135
result on financial assets and liabilities held for trading	2	-	-
Other comprehensive income	-	-	(948)

2015	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE
<b>Opening balance</b>	<b>99 784</b>	<b>2 967</b>	<b>263 815</b>
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)	-
<b>Closing balance</b>	<b>47 389</b>	<b>943</b>	<b>456 169</b>
<b>Unrealized income from financial instruments held in portfolio until end of period, recognized in:</b>	<b>(63)</b>	<b>(108)</b>	<b>2 674</b>
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

# Notes to financial statements (cont.)

(in PLN thousand)

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

Transfers from Level 2 to 3 takes place if observable valuation parameter is changed to an unobservable one or if a new unobservable parameter is applied, provided the change results in significant impact on the valuation of instrument.

Transfer from Level 3 to Level 2 takes place if unobservable valuation parameter is changed to an observable one, or the impact of unobservable parameter becomes insignificant. The transfers between levels take place on date and at the end of the reporting period.

In the period from 1 January to 30 September 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 30 September 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 30 September 2016 there were transfers of interest rate and equity derivatives measured at fair value from Level 3 to Level 2.

The impact of estimated parameters on measurement of financial instruments for which the Group applies fair value valuation according to Level 3 as at 30 September 2016 and 31 December 2015 is as follows:

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 30.09.2016	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 30.09.2016	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Corporate debt securities	299 098	Discounted cash flow	Credit spread	0.4% - 1.1%	636	(790)

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)

# Notes to financial statements (cont.)

(in PLN thousand)

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

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

As of 30 September 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.

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.

## Notes to financial statements (cont.)

(in PLN thousand)

30.09.2016	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>Assets</b>					
Cash and due from Central Bank	3 996 010	3 996 010	2 464 486	1 531 524	-
Loans and advance to banks	3 289 041	3 287 136	-	1 310 242	1 976 894
Loans and advances to customers (*)	117 489 075	115 955 271	-	6 055 457	109 899 814
Receivables from financial leases	3 818 961	3 759 647	-	-	3 759 647
Debt securities held to maturity	2 956 061	2 962 441	2 962 441	-	-
<b>Total Assets</b>	<b>131 549 148</b>	<b>129 960 505</b>	<b>5 426 927</b>	<b>8 897 223</b>	<b>115 636 355</b>
<b>Liabilities</b>					
Amounts due to Central Bank	6 065	6 138	-	-	6 138
Amounts due to other banks	5 500 160	5 528 668	-	1 453 934	4 074 734
Amounts due to customers	126 965 080	126 615 118	-	418 928	126 196 190
Debt securities issued	1 626 090	1 675 785	-	1 675 785	-
<b>Total Liabilities</b>	<b>134 097 395</b>	<b>133 825 709</b>	<b>-</b>	<b>3 548 647</b>	<b>130 277 062</b>

31.12.2015	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>Assets</b>					
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	117 717 427	-	7 140 550	110 576 877
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	-
<b>Total Assets</b>	<b>140 624 003</b>	<b>139 858 692</b>	<b>5 460 641</b>	<b>18 243 092</b>	<b>116 154 959</b>
<b>Liabilities</b>					
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	-
<b>Total Liabilities</b>	<b>137 730 287</b>	<b>137 442 756</b>	<b>-</b>	<b>8 610 280</b>	<b>128 832 476</b>

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

# Notes to financial statements (cont.)

(in PLN thousand)

## 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 30 September 2016

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
<b>Total net interest income</b>	<b>1 792 312</b>	<b>34 063</b>	<b>1 224 751</b>	<b>264 303</b>	<b>3 315 429</b>
<b>Non-interest income</b>	<b>1 131 352</b>	<b>22 581</b>	<b>688 120</b>	<b>428 216</b>	<b>2 270 269</b>
<b>Operating income</b>	<b>2 923 664</b>	<b>56 644</b>	<b>1 912 871</b>	<b>692 519</b>	<b>5 585 698</b>
Personnel expenses	(835 792)	(18 745)	(187 277)	(372 186)	(1 414 000)
Other administrative expenses	(951 229)	(18 791)	(253 891)	476 319	(747 592)
Depreciation and amortisation	(133 860)	(1 370)	(17 111)	(104 166)	(256 507)
<b>Operating costs</b>	<b>(1 920 881)</b>	<b>(38 906)</b>	<b>(458 279)</b>	<b>(33)</b>	<b>(2 418 099)</b>
<b>Gross operating profit</b>	<b>1 002 783</b>	<b>17 738</b>	<b>1 454 592</b>	<b>692 486</b>	<b>3 167 599</b>
Net impairment losses on loans and off-balance sheet commitments	(214 847)	449	(194 357)	14 305	(394 450)
<b>Net operating profit</b>	<b>787 936</b>	<b>18 187</b>	<b>1 260 235</b>	<b>706 791</b>	<b>2 773 149</b>
Net result on other provisions	(3)	(100)	(395)	(8 983)	(9 481)
Guarantee funds charges	(74 432)	(474)	(115 702)	(6 240)	(196 848)
Tax on certain financial institutions	-	-	-	(321 571)	(321 571)
Net result on investment activities	(198)	-	379	5 060	5 241
<b>Profit before tax</b>	<b>713 303</b>	<b>17 613</b>	<b>1 144 517</b>	<b>375 057</b>	<b>2 250 490</b>
Income tax expense					(465 610)
<b>Net profit for the period</b>					<b>1 784 880</b>
<b>Attributable to equity holders of the Bank</b>					<b>1 784 563</b>
Attributable to non-controlling interest					317
Allocated assets	62 240 483	281 844	96 129 115	(3 937 627)	154 713 815
Unallocated assets					8 538 886
<b>Total assets</b>					<b>163 252 701</b>
Allocated liabilities	75 469 263	8 198 178	56 695 858	(4 878 402)	135 484 897
Unallocated liabilities					27 767 804
<b>Total liabilities</b>					<b>163 252 701</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
<b>Total net interest income</b>	<b>1 708 766</b>	<b>18 434</b>	<b>1 199 346</b>	<b>234 616</b>	<b>3 161 162</b>
<b>Non-interest income</b>	<b>1 155 394</b>	<b>24 606</b>	<b>823 598</b>	<b>126 048</b>	<b>2 129 646</b>
<b>Operating income</b>	<b>2 864 160</b>	<b>43 040</b>	<b>2 022 944</b>	<b>360 664</b>	<b>5 290 808</b>
Personnel expenses	(846 853)	(16 967)	(198 986)	(373 848)	(1 436 654)
Other administrative expenses	(925 951)	(19 824)	(254 988)	463 015	(737 748)
Depreciation and amortisation	(126 338)	(1 157)	(17 485)	(101 677)	(246 657)
<b>Operating costs</b>	<b>(1 899 142)</b>	<b>(37 948)</b>	<b>(471 459)</b>	<b>(12 510)</b>	<b>(2 421 059)</b>
<b>Gross operating profit</b>	<b>965 018</b>	<b>5 092</b>	<b>1 551 485</b>	<b>348 154</b>	<b>2 869 749</b>
Net impairment losses on loans and off-balance sheet commitments	(142 754)	(289)	(269 692)	15 454	(397 281)
<b>Net operating profit</b>	<b>822 264</b>	<b>4 803</b>	<b>1 281 793</b>	<b>363 608</b>	<b>2 472 468</b>
Net result on other provisions	(162)	(388)	(3 742)	(26 061)	(30 353)
Guarantee funds charges	(76 895)	(597)	(128 425)	-	(205 917)
Tax on certain financial institutions	-	-	-	-	-
Net result on investment activities	(113)	-	249	62 178	62 314
<b>Profit before tax</b>	<b>745 094</b>	<b>3 818</b>	<b>1 149 875</b>	<b>399 725</b>	<b>2 298 512</b>
Income tax expense					(443 680)
<b>Net profit for the period</b>					<b>1 854 832</b>
<b>Attributable to equity holders of the Bank</b>					<b>1 854 095</b>
Attributable to non-controlling interest					737
Allocated assets	57 900 220	257 884	104 881 594	(3 856 105)	159 183 593
Unallocated assets					11 608 034
<b>Total assets</b>					<b>170 791 627</b>
Allocated liabilities	67 516 653	8 011 708	70 341 187	(4 154 301)	141 715 247
Unallocated liabilities					29 076 380
<b>Total liabilities</b>					<b>170 791 627</b>

Reconciliations of operating income for reportable segments

	3 QUARTERS 2016	3 QUARTERS 2015
<b>Total operating income for reportable segments</b>	<b>5 585 698</b>	<b>5 290 808</b>
Share in gains (losses) from associates	(29 673)	(41 469)
Net other operating income and expenses	(22 522)	(150 361)
Refunding of administrative expenses	1 973	2 449
<b>Operating income</b>	<b>5 535 476</b>	<b>5 101 427</b>

**Geographical segment**

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



# Notes to financial statements (cont.)

(in PLN thousand)

## 9. Interest income and expense

### Interest income

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Loans and other receivables from customers	1 121 081	3 306 387	1 098 972	3 288 106
Interbank placements	17 557	60 512	23 609	79 589
Reverse repo transactions	11 878	38 767	19 744	57 070
Investment securities	192 805	553 426	181 695	527 852
Hedging derivatives	34 351	106 123	35 053	123 274
Financial assets held for trading	4 585	8 446	5 931	11 008
<b>Total</b>	<b>1 382 257</b>	<b>4 073 661</b>	<b>1 365 004</b>	<b>4 086 899</b>

### Interest expense

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Deposits from customers	(231 866)	(707 859)	(267 783)	(831 066)
Interbank deposits	(8 019)	(18 575)	(8 448)	(17 541)
Repo transactions	(12 610)	(33 596)	(15 649)	(43 707)
Loans and advances received	(2 432)	(8 401)	(4 056)	(15 908)
Debt securities issued	(9 879)	(36 036)	(21 434)	(72 618)
<b>Total</b>	<b>(264 806)</b>	<b>(804 467)</b>	<b>(317 370)</b>	<b>(980 840)</b>

## 10. Fee and commission income and expense

### Fee and commission income

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Accounts maintenance, payment orders and cash transactions	157 772	475 368	160 498	486 804
Payment cards	151 652	440 753	179 837	522 792
Loans and advances	104 638	337 169	114 296	332 659
Investment products sales intermediation	62 294	184 578	69 711	222 628
Securities operations	22 597	65 811	22 622	77 583
Custody activity	15 969	47 312	19 422	51 028
Pension and investment funds service fees	12 396	36 730	12 260	37 933
Guarantees, letters of credit and similar transactions	11 869	41 615	12 495	36 742
Other	20 354	44 024	14 910	38 094
<b>Total</b>	<b>559 541</b>	<b>1 673 360</b>	<b>606 051</b>	<b>1 806 263</b>

### Fee and commission expense

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Payment cards	(51 482)	(161 426)	(79 157)	(247 604)
Money orders and transfers	(4 845)	(15 073)	(5 117)	(16 469)
Securities and derivatives operations	(7 108)	(19 061)	(7 318)	(20 998)
Accounts maintenance	(1 293)	(3 569)	(1 096)	(2 754)
Custody activity	(3 323)	(11 059)	(3 707)	(10 694)
Pension funds management charges	(79)	(777)	(84)	(779)
Acquisition services	(1 028)	(2 750)	(842)	(2 442)
Other	(434)	(1 215)	(930)	(2 906)
<b>Total</b>	<b>(69 592)</b>	<b>(214 930)</b>	<b>(98 251)</b>	<b>(304 646)</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## 11. Dividend income

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Issuers of securities held for trading	108	125	253	529
Issuers of securities available for sale	43	16 437	44	13 105
<b>Total</b>	<b>151</b>	<b>16 562</b>	<b>297</b>	<b>13 634</b>

## 12. Result on financial assets and liabilities held for trading

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Foreign currency exchange result	106 032	316 207	89 429	266 002
Gains (losses) on derivatives	8 441	30 858	15 635	40 429
Gains (losses) on securities	2 827	16 483	(1 148)	(2 457)
<b>Total</b>	<b>117 300</b>	<b>363 548</b>	<b>103 916</b>	<b>303 974</b>

## 13. Gains (losses) on disposal

### Realized gains

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Loans and other financial receivables (*)	-	155 720	-	402
Available for sale financial assets – debt instruments	8 506	14 033	16 350	171 106
Available for sale financial assets – equity instruments (**)	-	262 827	-	-
Debt securities issued	1	1	3	4
<b>Total</b>	<b>8 507</b>	<b>432 581</b>	<b>16 353</b>	<b>171 512</b>

(\*) In the three quarters of 2016 the Bank sold loans with a total debt of PLN 1 863 million. The realized gross result on the transaction was PLN 149.9 million.

(\*\*) In June 2016 the Bank has received information about the closing of the acquisition of Visa Europe Limited by Visa Inc. The details of the transactions are presented in the Note 30.

### Realized losses

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Available for sale financial assets – debt instruments	(645)	(828)	-	(41)
Debt securities issued	(51)	(59)	(191)	(346)
<b>Total</b>	<b>(696)</b>	<b>(887)</b>	<b>(191)</b>	<b>(387)</b>
<b>Net realized profit</b>	<b>7 811</b>	<b>431 694</b>	<b>16 162</b>	<b>171 125</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## 14. Administrative expenses

### Personnel expenses

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Wages and salaries	(397 083)	(1 189 248)	(407 649)	(1 205 345)
Insurance and other charges related to employees	(70 805)	(216 270)	(73 497)	(220 651)
Share-based payments expenses	(1 949)	(8 482)	(3 419)	(10 658)
<b>Total</b>	<b>(469 837)</b>	<b>(1 414 000)</b>	<b>(484 565)</b>	<b>(1 436 654)</b>

### Other administrative expenses

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
General expenses	(236 118)	(706 719)	(233 743)	(692 626)
Taxes and charges	(10 010)	(31 391)	(8 869)	(29 731)
Bank Guarantee Fund fee	(65 392)	(196 780)	(68 762)	(206 285)
Financial supervision authority fee (KNF)	6 136	(11 523)	(23)	(17 472)
Tax on certain financial institutions (*)	(120 727)	(321 571)	-	-
<b>Total</b>	<b>(426 111)</b>	<b>(1 267 984)</b>	<b>(311 397)</b>	<b>(946 114)</b>

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

<b>Total administrative expenses</b>	<b>(895 948)</b>	<b>(2 681 984)</b>	<b>(795 962)</b>	<b>(2 382 768)</b>
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## 15. Depreciation and amortization

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Property, plant and equipment	(41 640)	(127 067)	(44 516)	(136 267)
Investment property	(271)	(913)	(413)	(1 240)
Intangible assets	(43 126)	(128 527)	(36 959)	(109 150)
<b>Total</b>	<b>(85 037)</b>	<b>(256 507)</b>	<b>(81 888)</b>	<b>(246 657)</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## 16. Net other operating income and expenses

### Other operating income

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Rental income	4 972	15 552	5 849	16 855
Miscellaneous income	3 608	8 720	2 188	11 834
Recovery of debt collection costs	3 146	9 918	4 291	12 290
Revenues from sale of products, goods and services	1 424	4 133	1 480	5 629
Excess payments, repayments	7 607	9 202	4 859	8 443
Compensation, penalty fees and fines received (including received compensations from damages in relation to fixed assets)	1 298	4 391	863	115 479
Revenues from leasing activity	436	1 590	8 061	8 866
Refunding of administrative expenses	659	1 973	1 029	2 449
Income from written off liabilities	58	228	3 898	4 173
Releases of impairment allowances for litigation and other assets	214	720	168	2 810
Gains on sale of leasing assets for third person and other assets	71	527	48	338
Credit insurance income	2	7	9	224
Other	1 335	3 569	1 720	4 404
<b>Total</b>	<b>24 830</b>	<b>60 530</b>	<b>34 463</b>	<b>193 794</b>

### Other operating expenses

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Costs related to leasing activity	(319)	(1 110)	(426)	(1 165)
Credit insurance expenses	(2 565)	(8 252)	(3 049)	(7 353)
Sundry expenses	(2 866)	(7 315)	(2 841)	(9 851)
Reimbursement and deficiencies	(269)	(1 901)	(950)	(3 464)
Costs from sale of products, goods and services	(806)	(1 888)	(341)	(1 944)
Customers complaints expenses	(261)	(1 382)	(508)	(1 758)
Impairment allowance for litigations and other assets	(720)	(3 254)	(420)	(7 718)
Costs of litigation and claims	(213)	(924)	(478)	(1 801)
Compensation, penalty fees and fines paid	(1 195)	(1 338)	(52)	(225)
Losses on disposal of leasing assets for third person and other	(66)	(466)	(37)	(508)
Other	(3 540)	(10 178)	(2 518)	(7 646)
<b>Total</b>	<b>(12 820)</b>	<b>(38 008)</b>	<b>(11 620)</b>	<b>(43 433)</b>
<b>Net other operating income and expenses</b>	<b>12 010</b>	<b>22 522</b>	<b>22 843</b>	<b>150 361</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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

3 QUARTERS 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 (*)		
<b>Impairment of financial assets and off-balance sheet commitments</b>								
Loans and advances to banks measured at amortized cost	19 774	622	803	-	(2 923)	(886)	17 390	2 301
Loans and advances to customers measured at amortized cost	5 678 633	798 413	67 909	(171 120)	(455 308)	(65 880)	5 852 647	(343 105)
Receivables from financial leases	163 704	13 708	2	(86)	(9 518)	(548)	167 262	(4 190)
Financial assets available for sale	122	-	-	-	-	(100)	22	-
Off-balance sheet commitments	120 771	118 200	74	-	(56 249)	-	182 796	(61 951)
<b>Total financial assets and off-balance sheet commitments</b>	<b>5 983 004</b>	<b>930 943</b>	<b>68 788</b>	<b>(171 206)</b>	<b>(523 998)</b>	<b>(67 414)</b>	<b>6 220 117</b>	<b>(406 945)</b>
<b>Impairment of other assets</b>								
Investments in associates	60	-	-	-	-	(60)	-	-
Intangible assets	10 961	-	-	(10 961)	-	-	-	-
Property, plant and equipment	8 451	-	-	(413)	-	-	8 038	-
Investment properties	8 682	-	-	(926)	-	(725)	7 031	-
Other	77 736	3 254	3 038	(243)	(720)	(1 433)	81 632	(2 534)
<b>Total impairment of other assets</b>	<b>105 890</b>	<b>3 254</b>	<b>3 038</b>	<b>(12 543)</b>	<b>(720)</b>	<b>(2 218)</b>	<b>96 701</b>	<b>(2 534)</b>
<b>Total</b>	<b>6 088 894</b>	<b>934 197</b>	<b>71 826</b>	<b>(183 749)</b>	<b>(524 718)</b>	<b>(69 632)</b>	<b>6 316 818</b>	<b>(409 479)</b>

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

(\*\*) 'Impairment of financial assets and off-balance sheet commitments' balance includes net impairment in the amount of PLN minus 406 945 thousand and proceeds from recovered bad debt in the amount of PLN 12 495 thousand, the total is PLN minus 394 450 thousand.

## Notes to financial statements (cont.)

(in PLN thousand)

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

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

(\*\*) 'Impairment of financial assets and off-balance sheet commitments' balance includes net impairment in the amount of PLN minus 404 720 thousand and proceeds from recovered bad debt in the amount of PLN 7 439 thousand, the total is PLN minus 397 281 thousand.

## Notes to financial statements (cont.)

(in PLN thousand)

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

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Share in gains (losses) from associates				
Dom Inwestycyjny Xelion Sp. z o.o	596	1 530	385	1 304
Pioneer Pekao Investment Management S.A.	9 286	28 143	10 984	34 688
Krajowa Izba Rozliczeniowa S.A.	-	-	-	5 477
<b>Total share in gains (losses) from associates</b>	<b>9 882</b>	<b>29 673</b>	<b>11 369</b>	<b>41 469</b>
<b>Gains (losses) on liquidation of subsidiaries</b>	<b>(20)</b>	<b>(20)</b>	<b>-</b>	<b>55</b>
<b>Gains (losses) on disposal of associates</b>	<b>-</b>	<b>-</b>	<b>61 057</b>	<b>61 057</b>
<b>Total gains (losses) from subsidiaries and associates</b>	<b>9 862</b>	<b>29 653</b>	<b>72 426</b>	<b>102 581</b>

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

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Gains (losses) on disposal of property, plant and equipment classified as assets held for sale	340	804	-	-
Gains (losses) on de-recognition of property, plant and equipment and intangible assets other than classified as assets held for sale	3 277	4 457	628	1 202
<b>Total gains (losses) on disposal of property, plant and equipment, and intangible assets</b>	<b>3 617</b>	<b>5 261</b>	<b>628</b>	<b>1 202</b>

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

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
<b>INCOME STATEMENT</b>				
<b>Current tax</b>	<b>(108 810)</b>	<b>(492 285)</b>	<b>(110 179)</b>	<b>(428 044)</b>
Current tax charge in the income statement	(109 159)	(491 809)	(109 639)	(440 739)
Adjustments related to the current tax from previous years	352	207	-	14 993
Other taxes (e.g. withholding tax, income tax relating to foreign branches)	(3)	(683)	(540)	(2 298)
<b>Deferred tax</b>	<b>(8 520)</b>	<b>26 675</b>	<b>(38 829)</b>	<b>(15 636)</b>
Occurrence and reversal of temporary differences	(8 520)	26 675	(38 829)	(15 636)
<b>Tax charge in the consolidated income statement</b>	<b>(117 330)</b>	<b>(465 610)</b>	<b>(149 008)</b>	<b>(443 680)</b>
<b>EQUITY</b>				
<b>Deferred tax</b>	<b>(4 253)</b>	<b>43 355</b>	<b>(31 417)</b>	<b>89 497</b>
Income and costs disclosed in other comprehensive income:				
revaluation of financial instruments - cash flows hedges	(895)	(7 316)	4 977	25 665
revaluation of available for sale financial assets – debt securities	(3 226)	12 860	(32 281)	70 843
revaluation of available for sale financial assets – equity securities	(132)	37 811	(4 113)	(7 011)
<b>Tax charge in other comprehensive income</b>	<b>(4 253)</b>	<b>43 355</b>	<b>(31 417)</b>	<b>89 497</b>
<b>Total charge</b>	<b>(121 583)</b>	<b>(422 255)</b>	<b>(180 425)</b>	<b>(354 183)</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## 21. Earnings per share

### Basic earnings per share

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

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Net profit	520 654	1 784 563	610 469	1 854 095
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Earnings per share (in PLN per share)	1.98	6.80	2.32	7.06

### Diluted earnings per share

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

As at 30 September 2016 there were no diluting instruments in the form of convertible bonds in the Group.

	III QUARTER 2016	3 QUARTERS 2016	III QUARTER 2015	3 QUARTERS 2015
Net profit	520 654	1 784 563	610 469	1 854 095
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 470 034	262 470 034	262 470 034	262 470 034
Diluted earnings per share (in PLN per share)	1.98	6.80	2.32	7.06

## 22. Dividend proposal

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

On 16 June 2016 the Ordinary General Meeting of Bank Pekao S.A. made the resolution regarding the dividend payment for year 2015. The dividend to the shareholders contributed an amount of PLN 2 283 489 295,80, wherein the amount of the dividend per one share was PLN 8.70. The dividend's day was fixed for 22 June 2016.

The payment of the dividend was on 6 July 2016.



## Notes to financial statements (cont.)

(in PLN thousand)

## 23. Cash and balances with Central Bank

Cash and due from Central Bank	30.09.2016	31.12.2015	30.09.2015
Cash	2 464 474	2 951 414	2 660 167
Current account at Central Bank	1 480 970	4 930 181	929 158
Other	50 566	12	12
<b>Total</b>	<b>3 996 010</b>	<b>7 881 607</b>	<b>3 589 337</b>

Amounts due to Central Bank	30.09.2016	31.12.2015	30.09.2015
Term deposits	6 065	914	910
<b>Total</b>	<b>6 065</b>	<b>914</b>	<b>910</b>

## Cash and balances with Central Bank by currency

30.09.2016	ASSETS	LIABILITIES
PLN	3 109 230	6 065
EUR	393 890	-
USD	267 222	-
CHF	48 015	-
Other currencies	177 653	-
<b>Total</b>	<b>3 996 010</b>	<b>6 065</b>

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

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

# Notes to financial statements (cont.)

(in PLN thousand)

## 24. Loans and advances to banks

### Loans and advances to banks by product type

	30.09.2016	31.12.2015	30.09.2015
Current accounts	163 649	89 553	152 822
Interbank placements	745 026	3 461 155	1 145 244
Loans and advances	33 734	59 224	35 105
Cash collaterals	1 693 758	1 675 589	1 714 985
Reverse repo transactions	504 409	1 757 063	475 557
Cash in transit	165 855	291 914	256 389
<b>Total gross amount</b>	<b>3 306 431</b>	<b>7 334 498</b>	<b>3 780 102</b>
Impairment allowances	(17 390)	(19 774)	(19 487)
<b>Total net amount</b>	<b>3 289 041</b>	<b>7 314 724</b>	<b>3 760 615</b>

### Loans and advances to banks by quality

	30.09.2016	31.12.2015	30.09.2015
Loans and advances to banks, including:			
non impaired (gross)	3 289 069	7 314 771	3 760 620
impaired (gross)	17 362	19 727	19 482
individual impairment allowances	(7 562)	(9 927)	(9 682)
collective impairment allowances (*)	(9 828)	(9 847)	(9 805)
<b>Total</b>	<b>3 289 041</b>	<b>7 314 724</b>	<b>3 760 615</b>

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

### Loans and advances to banks by contractual maturity

	30.09.2016	31.12.2015	30.09.2015
Loans and advances to banks, including:			
up to 1 month	3 225 909	6 919 511	3 313 428
between 1 and 3 months	217	11 481	26 222
between 3 months and 1 year	53 058	21 852	15 214
between 1 and 5 years	123	351 334	394 869
over 5 years	2	2	2
past due	27 122	30 318	30 367
<b>Total gross amount</b>	<b>3 306 431</b>	<b>7 334 498</b>	<b>3 780 102</b>
Impairment allowances	(17 390)	(19 774)	(19 487)
<b>Total net amount</b>	<b>3 289 041</b>	<b>7 314 724</b>	<b>3 760 615</b>

### Loans and advances to banks by currency

	30.09.2016	31.12.2015	30.09.2015
PLN	812 878	2 758 456	1 076 925
CHF	11 419	30 586	12 354
EUR	1 869 235	1 959 303	1 624 999
USD	486 305	2 214 880	885 017
Other currencies	109 204	351 499	161 320
<b>Total</b>	<b>3 289 041</b>	<b>7 314 724</b>	<b>3 760 615</b>

Changes in impairment allowances in the period from 1 January to 30 September 2016 and in the period from 1 January to 30 September 2015 are presented in the Note 17.

## Notes to financial statements (cont.)

(in PLN thousand)

## 25. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

	30.09.2016	31.12.2015	30.09.2015
<b>FINANCIAL ASSETS</b>			
Debt securities	965 706	1 124 717	2 238 638
Equity securities	12 501	2 075	7 389
<b>Total financial assets</b>	<b>978 207</b>	<b>1 126 792</b>	<b>2 246 027</b>
<b>FINANCIAL LIABILITIES</b>			
Debt securities	498 530	611 442	329 528
<b>Total financial liabilities</b>	<b>498 530</b>	<b>611 442</b>	<b>329 528</b>

Debt securities held for trading

	30.09.2016	31.12.2015	30.09.2015
<b>FINANCIAL ASSETS</b>			
Debt securities issued by State Treasury	897 590	1 003 007	2 030 279
T- bills	-	-	-
T- bonds	897 590	1 003 007	2 030 279
Debt securities issued by banks	14 398	45 590	96 687
Debt securities issued by business entities	53 718	76 120	110 226
Debt securities issued by local governments	-	-	1 446
<b>Total financial assets</b>	<b>965 706</b>	<b>1 124 717</b>	<b>2 238 638</b>
<b>FINANCIAL LIABILITIES</b>			
Debt securities issued by State Treasury	498 530	611 442	329 528
T- bonds	498 530	611 442	329 528
<b>Total financial liabilities</b>	<b>498 530</b>	<b>611 442</b>	<b>329 528</b>

Equity securities held for trading

	30.09.2016	31.12.2015	30.09.2015
Shares	12 501	2 075	7 389
<b>Total</b>	<b>12 501</b>	<b>2 075</b>	<b>7 389</b>

## Notes to financial statements (cont.)

(in PLN thousand)

## Debt securities held for trading by maturity

	30.09.2016	31.12.2015	30.09.2015
<b>FINANCIAL ASSETS</b>			
Debt securities, including:			
up to 1 month	143 968	39 222	571 722
between 1 and 3 months	-	23 294	43 102
between 3 months and 1 year	110 403	358 297	823 052
between 1 and 5 years	535 558	163 737	700 075
over 5 years	167 526	532 443	92 690
unspecified term	8 251	7 724	7 997
<b>Total financial assets</b>	<b>965 706</b>	<b>1 124 717</b>	<b>2 238 638</b>
<b>FINANCIAL LIABILITIES</b>			
Debt securities, including:			
up to 1 month	-	-	-
between 1 and 3 months	-	-	-
between 3 months and 1 year	27 854	170 729	3 736
between 1 and 5 years	352 861	382 663	288 294
over 5 years	117 815	58 050	37 498
<b>Total financial liabilities</b>	<b>498 530</b>	<b>611 442</b>	<b>329 528</b>

## Debt securities held for trading by currency

	30.09.2016	31.12.2015	30.09.2015
<b>FINANCIAL ASSETS</b>			
PLN	949 705	1 110 529	2 219 201
EUR	5 441	10 072	14 588
USD	10 560	4 116	4 849
<b>Total financial assets</b>	<b>965 706</b>	<b>1 124 717</b>	<b>2 238 638</b>
<b>FINANCIAL LIABILITIES</b>			
PLN	498 530	611 442	329 528
<b>Total financial liabilities</b>	<b>498 530</b>	<b>611 442</b>	<b>329 528</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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

## Fair value of trading derivatives

30.09.2016	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 751 727	1 760 007
Forward Rate Agreements (FRA)	403	191
Options	2 544	2 520
Other	205	166
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	43 529	94 868
Currency Forward Agreements	72 399	84 065
Currency Swaps (FX Swap)	55 903	63 582
Options for currency and gold	25 505	23 221
Transactions based on equity securities and stock indexes		
Options	5 298	5 324
Other	84	8 252
Transactions based on commodities and precious metals		
Options	3 602	3 702
Other	21 212	21 094
<b>Total</b>	<b>1 982 411</b>	<b>2 066 992</b>

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
<b>Total</b>	<b>3 206 447</b>	<b>3 204 328</b>

## Notes to financial statements (cont.)

(in PLN thousand)

## Fair value of trading derivatives

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

# Notes to financial statements (cont.)

(in PLN thousand)

## 27. Loans and advances to customers

### Loans and advances to customers by product type

	30.09.2016	31.12.2015	30.09.2015
Mortgage loans	53 610 598	49 231 194	46 707 549
Current accounts	11 699 552	11 230 205	12 860 305
Operating loans	14 351 950	15 070 467	14 703 458
Investment loans	15 988 623	17 071 901	17 948 254
Cash loans	9 923 840	9 087 671	-
Payment cards receivables	941 910	873 287	840 961
Purchased debt receivables	2 412 080	2 610 926	2 226 135
Other loans and advances	1 709 424	1 855 173	10 703 891
Debt securities	12 644 940	12 376 949	11 283 427
Reverse repo transactions	-	4 755 472	8 551 614
Cash in transit	58 805	70 587	62 122
<b>Total gross amount</b>	<b>123 341 722</b>	<b>124 233 832</b>	<b>125 887 716</b>
Impairment allowances	(5 852 647)	(5 678 633)	(5 565 589)
<b>Total net amount</b>	<b>117 489 075</b>	<b>118 555 199</b>	<b>120 322 127</b>

### Loans and advances to customers by customer type

	30.09.2016	31.12.2015	30.09.2015
Corporate	55 509 352	58 541 698	61 729 682
Individuals	57 089 960	54 155 797	52 642 243
Budget entities	10 742 410	11 536 337	11 515 791
<b>Total gross amount</b>	<b>123 341 722</b>	<b>124 233 832</b>	<b>125 887 716</b>
Impairment allowances	(5 852 647)	(5 678 633)	(5 565 589)
<b>Total net amount</b>	<b>117 489 075</b>	<b>118 555 199</b>	<b>120 322 127</b>

## Notes to financial statements (cont.)

(in PLN thousand)

## Loans and advances to customers by quality

	30.09.2016	31.12.2015	30.09.2015
Loans and advances to customers, including:			
non impaired (gross)	115 262 381	116 339 786	117 894 495
impaired (gross)	8 079 341	7 894 046	7 993 221
individual impairment allowances	(3 398 061)	(3 248 513)	(3 165 935)
collective impairment allowances (*)	(2 454 586)	(2 430 120)	(2 399 654)
<b>Total</b>	<b>117 489 075</b>	<b>118 555 199</b>	<b>120 322 127</b>

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

## Loans and advances to customers by contractual maturity

	30.09.2016	31.12.2015	30.09.2015
Loans and advances to customers, including:			
up to 1 month	15 891 053	17 494 117	22 686 126
between 1 and 3 months	4 751 021	4 172 392	4 447 461
between 3 months and 1 year	10 190 927	12 542 056	10 484 919
between 1 and 5 years	37 137 302	37 537 504	37 436 719
over 5 years	49 170 210	46 398 538	44 820 721
past due	6 201 209	6 089 225	6 011 770
<b>Total gross amount</b>	<b>123 341 722</b>	<b>124 233 832</b>	<b>125 887 716</b>
Impairment allowances	(5 852 647)	(5 678 633)	(5 565 589)
<b>Total net amount</b>	<b>117 489 075</b>	<b>118 555 199</b>	<b>120 322 127</b>

## Loans and advances to customers by currency

	30.09.2016	31.12.2015	30.09.2015
PLN	96 472 286	98 406 507	100 452 503
CHF	4 621 876	4 975 796	5 038 884
EUR	13 218 172	11 871 781	11 781 893
USD	3 026 618	3 198 687	2 967 792
Other currencies	150 123	102 428	81 055
<b>Total</b>	<b>117 489 075</b>	<b>118 555 199</b>	<b>120 322 127</b>

Changes in impairment allowances in the period from 1 January to 30 September 2016 and in the period from 1 January to 30 September 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:

30.09.2016	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 607 632	1 472 973
Between 1 and 5 years	2 401 972	2 242 517
Over 5 years	293 069	270 733
<b>Total</b>	<b>4 302 673</b>	<b>3 986 223</b>
Unearned finance income	(316 450)	
<b>Net leasing investment</b>	<b>3 986 223</b>	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 986 223	
Impairment allowances	(167 262)	
<b>Balance sheet value</b>	<b>3 818 961</b>	

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
<b>Total</b>	<b>3 905 566</b>	<b>3 667 683</b>
Unearned finance income	(237 883)	
<b>Net leasing investment</b>	<b>3 667 683</b>	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 667 683	
Impairment allowances	(163 704)	
<b>Balance sheet value</b>	<b>3 503 979</b>	

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

# Notes to financial statements (cont.)

(in PLN thousand)

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

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

## Receivables from financial leases from banks by quality

	30.09.2016	31.12.2015	30.09.2015
Receivables from financial leases from banks, including:			
non impaired (gross)	1 267	4 334	4 744
impaired (gross)	-	-	-
individual impairment allowances	-	-	(31)
collective impairment allowances (*)	(8)	(11)	-
<b>Total</b>	<b>1 259</b>	<b>4 323</b>	<b>4 713</b>

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

## Receivables from financial leases from clients by quality

	30.09.2016	31.12.2015	30.09.2015
Receivables from financial leases from clients, including:			
non impaired (gross)	3 757 623	3 435 904	3 268 613
impaired (gross)	227 333	227 445	235 633
individual impairment allowances	(32 352)	(31 556)	(32 891)
collective impairment allowances (*)	(134 902)	(132 137)	(130 556)
<b>Total</b>	<b>3 817 702</b>	<b>3 499 656</b>	<b>3 340 799</b>

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

## Receivables from financial leases by currency

	30.09.2016	31.12.2015	30.09.2015
PLN	2 390 208	2 227 320	2 126 580
CHF	1 634	2 390	2 721
EUR	1 426 581	1 270 687	1 212 031
USD	538	3 582	4 180
<b>Total</b>	<b>3 818 961</b>	<b>3 503 979</b>	<b>3 345 512</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## 29. Hedge accounting

As at 30 September 2016 the Group applies fair value hedge accounting and cash flow hedge accounting.

In the period from 1 January to 30 September 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 period from 1 January to 30 September 2016 the Group designated to the hedge accounting the hedging relationship and terminated the 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). Termination of the relationship resulted from settlement of transactions included in the hedging relationship. Last cash flows from hedged items occurred on 27 June 2016.

The table below presents the fair value of hedging derivatives

30.09.2016	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	-	330 272
Cross-currency interest rate swap (CIRS)	-	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	272 432	-
Cross-currency interest rate swap (CIRS)	-	1 329 069
FX Swaps	62 706	3 848
<b>Total</b>	<b>335 138</b>	<b>1 663 189</b>

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
<b>Total</b>	<b>421 640</b>	<b>1 702 759</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

	3 QUARTERS 2016	3 QUARTERS 2015
Revaluation reserves (deferral of fair value changes of hedging instruments related to the portions recognized as effective hedge - gross value)	83 788	3 543
Net interest income on hedging derivatives	160 735	165 485
Ineffective portions of changes in the fair value of hedging transactions recognized in the income statement	(788)	65

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

	3 QUARTERS 2016	3 QUARTERS 2015
<b>Opening balance</b>	<b>45 281</b>	<b>138 622</b>
Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge	38 590	(135 043)
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	(83)	(36)
<b>Closing balance</b>	<b>83 788</b>	<b>3 543</b>

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

TYPE OF GAINS/LOSSES	3 QUARTERS 2016	3 QUARTERS 2015
Gains/losses from revaluation of hedging instruments to fair value	(77 559)	30 769
Gains/losses from revaluation of hedged item associated with hedged risk to fair value	73 607	(25 751)
<b>Result on fair value hedge accounting</b>	<b>(3 952)</b>	<b>5 018</b>
Net interest income on hedging derivatives	(54 612)	(42 211)

## Notes to financial statements (cont.)

(in PLN thousand)

## 30. Investment (placement) securities

	30.09.2016	31.12.2015	30.09.2015
Debt securities available for sale (AFS)	24 233 292	17 517 884	24 695 380
Equity securities available for sale (AFS)	150 815	295 415	125 102
Debt securities held to maturity (HTM)	2 956 061	3 368 424	3 377 636
<b>Total</b>	<b>27 340 168</b>	<b>21 181 723</b>	<b>28 198 118</b>

## Debt securities available for sale (AFS)

	30.09.2016	31.12.2015	30.09.2015
Securities issued by State Treasury	23 298 295	15 954 349	17 848 168
T-bills	-	-	-
T-bonds	23 298 295	15 954 349	17 848 168
Securities issued by Central Banks	-	628 454	5 911 773
Securities issued by business entities	252 285	251 367	253 758
Securities issued by local governments	682 712	683 714	681 681
<b>Total</b>	<b>24 233 292</b>	<b>17 517 884</b>	<b>24 695 380</b>
including impairment of assets	-	-	-

## Equity securities available for sale (AFS)

	30.09.2016	31.12.2015	30.09.2015
Shares	150 815	295 415	125 102
<b>Total</b>	<b>150 815</b>	<b>295 415</b>	<b>125 102</b>
including impairment of assets	(22)	(122)	(122)

In June 2016 the Bank has received information about the closing of the acquisition of Visa Europe Limited by Visa Inc. As a result of the settlement of this transaction the Bank has recognized in the financial statements for the three quarters of 2016:

- the cash received in the amount of EUR 43.6 million, equivalent to PLN 191.4 million at the average NBP exchange rate as of 21 June 2016,
- 15 818 preferred shares of Visa Inc. Series C, whose value has been estimated by the Bank at EUR 12.7 million, which is equivalent to PLN 55.8 million according to the average NBP exchange rate as of 21 June 2016. The shares have been classified to the available for sale portfolio of securities. Preferred shares of Visa Inc. Series C will be converted into ordinary shares of Visa Inc. Conversion of all preferred shares will take place no later than 2028. Until then, the transfer of shares by the Bank is subject to restrictions. The current conversion of preferred shares into ordinary shares may be decreased until 2028, which depends on the compensation paid by Visa during this period,
- receivables from deferred payments in cash in the amount of EUR 3.8 million (ie. 16.5 million at the average NBP exchange rate as of 21 June 2016). This amount will be paid on the third anniversary of the closing date, ie. in the second quarter of 2019.

On the same time the Bank derecognised the share in Visa Europe, together with its valuation. The carrying value of the share amounted to EUR 40.9 million (PLN 179.5 million as of 21 June 2016).

As a result of the settlement, the Bank has recognized the gain of PLN 263.7 million (before tax) in the Income Statement.

# Notes to financial statements (cont.)

(in PLN thousand)

## Debt securities held to maturity (HTM)

	30.09.2016	31.12.2015	30.09.2015
Securities issued by State Treasury	2 956 061	2 497 324	2 490 000
T- bills	-	-	-
T- bonds	2 956 061	2 497 324	2 490 000
Securities issued by Central Banks	-	871 100	887 636
<b>Total</b>	<b>2 956 061</b>	<b>3 368 424</b>	<b>3 377 636</b>
including impairment of assets	-	-	-

## Investment debt securities according to contractual maturity

	30.09.2016	31.12.2015	30.09.2015
Debt securities, including:			
up to 1 month	2 248 257	1 499 554	7 366 948
between 1 and 3 months	-	443 644	-
between 3 months and 1 year	6 805 774	2 696 342	914 774
between 1 and 5 years	9 597 420	10 646 471	13 124 035
over 5 years	8 537 902	5 600 297	6 667 259
<b>Total</b>	<b>27 189 353</b>	<b>20 886 308</b>	<b>28 073 016</b>

## Investment debt securities by currency

	30.09.2016	31.12.2015	30.09.2015
PLN	23 438 348	17 835 368	24 222 616
EUR	2 771 634	2 635 034	2 287 980
USD	979 371	415 906	1 562 420
<b>Total</b>	<b>27 189 353</b>	<b>20 886 308</b>	<b>28 073 016</b>

## 31. Assets and liabilities held for sale

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

As at 30 September 2016 non-current assets classified as held for sale are as follows:

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

Assets held for sale are presented below.

	30.09.2016	31.12.2015	30.09.2015
<b>ASSETS HELD FOR SALE</b>			
Property, plant and equipment	25 594	22 787	14 614
Other assets	22 574	22 515	22 515
<b>Total assets</b>	<b>48 168</b>	<b>45 302</b>	<b>37 129</b>

The effect of disposal of other assets is as follows:

	3 Quarters 2016	2015	3 Quarters 2016
Sales revenues	3 315	5 150	-
Net carrying amount of disposed assets (including sale costs)	(2 511)	(5 150)	-
<b>Profit/loss on sale before income tax</b>	<b>804</b>	<b>-</b>	<b>-</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## 32. Intangible assets

	30.09.2016	31.12.2015	30.09.2015
Intangible assets, including:	529 520	581 197	578 940
research and development expenditures	4 252	7 948	9 117
licenses and patents	427 192	446 987	424 526
other	8 531	11 183	9 828
assets under construction	89 545	115 079	135 469
Goodwill	55 520	55 520	55 520
<b>Total</b>	<b>585 040</b>	<b>636 717</b>	<b>634 460</b>

In the period from 1 January to 30 September 2016 the Group acquired intangible assets in the amount of PLN 75 150 thousand (in 2015 – PLN 157 763 thousand).

In the period from 1 January to 30 September 2016 and in 2015 there have been no intangible assets whose title is restricted and pledged as security for liabilities.

### Contractual commitments

As at 30 September 2016 the contractual commitments for the acquisition of intangible assets amounted to PLN 66 243 thousand, whereas as at 31 December 2015 - PLN 49 487 thousand.

## 33. Property, plant and equipment

	30.09.2016	31.12.2015	30.09.2015
Non-current assets, including:	1 294 893	1 376 409	1 410 830
land and buildings	1 007 213	1 055 147	1 084 313
machinery and equipment	223 886	245 717	244 596
transport vehicles	26 717	34 170	39 099
other	37 077	41 375	42 822
Non-current assets under construction and prepayments	103 045	84 243	57 030
<b>Total</b>	<b>1 397 938</b>	<b>1 460 652</b>	<b>1 467 860</b>

In the period from 1 January to 30 September 2016 the Group acquired property, plant and equipment in the amount of PLN 74 727 thousand (in 2015 - PLN 137 843 thousand), while the value of property, plant and equipment sold amounted to PLN 7 574 thousand (in 2015 - PLN 7 717 thousand).

In the period from 1 January to 30 September 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 30 September 2016 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 33 901 thousand, whereas as at 31 December 2015 - PLN 57 012 thousand.

# Notes to financial statements (cont.)

(in PLN thousand)

## 34. Assets pledged as security for liabilities

As at 30 September 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	1 493 055	1 424 165	1 493 683
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	711 542	680 200	-
Lombard and technical loan	bonds	3 172 520	3 015 115	-
Other loans	bonds	391 769	388 500	326 054
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 714 205	1 716 367	1 288 006
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	41 288	40 515	-
Derivatives	bonds	44 990	46 133	21 773

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 Guarantee 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

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

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



# Notes to financial statements (cont.)

(in PLN thousand)

## 35. Amounts due to other banks

### Amounts due to other banks by product type

	30.09.2016	31.12.2015	30.09.2015
Current accounts	824 877	1 121 885	2 026 443
Interbank deposits and other liabilities	379 413	581 301	1 673 992
Loans and advances received	3 205 682	3 263 303	3 228 048
Repo transactions	1 074 755	963 830	894 208
Cash in transit	15 433	28 130	41 879
<b>Total</b>	<b>5 500 160</b>	<b>5 958 449</b>	<b>7 864 570</b>

### Amounts due to other banks by currency

	30.09.2016	31.12.2015	30.09.2015
PLN	2 108 805	1 379 402	4 352 313
CHF	706 859	744 746	734 211
EUR	2 626 587	3 774 189	2 664 796
USD	48 203	50 277	90 546
Other currencies	9 706	9 835	22 704
<b>Total</b>	<b>5 500 160</b>	<b>5 958 449</b>	<b>7 864 570</b>

## 36. Amounts due to customers

### Amounts due to customers by entity and product type

	30.09.2016	31.12.2015	30.09.2015
Amounts due to corporate, including:	52 760 107	55 167 425	57 487 898
current accounts	31 602 151	29 048 523	24 973 813
term deposits and other liabilities	21 157 956	26 118 902	32 514 085
Amounts due to budget entities, including:	6 317 728	5 610 623	6 758 707
current accounts	4 904 172	4 689 452	4 682 580
term deposits and other liabilities	1 413 556	921 171	2 076 127
Amounts due to individuals, including:	67 159 761	63 434 250	60 144 050
current accounts	37 911 847	33 827 209	32 685 272
term deposits and other liabilities	29 247 914	29 607 041	27 458 778
Repo transactions	418 928	4 468 820	3 959 927
Cash in transit	308 556	186 573	250 059
<b>Total</b>	<b>126 965 080</b>	<b>128 867 691</b>	<b>128 600 641</b>

### Amounts due to customers by currency

	30.09.2016	31.12.2015	30.09.2015
PLN	103 494 329	106 548 096	107 107 819
CHF	258 660	234 011	233 818
EUR	14 664 241	13 215 198	12 923 458
USD	7 538 663	8 013 651	7 552 386
Other currencies	1 009 187	856 735	783 160
<b>Total</b>	<b>126 965 080</b>	<b>128 867 691</b>	<b>128 600 641</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## 37. Debt securities issued

### Debt securities issued by type

	30.09.2016	31.12.2015	30.09.2015
Certificates of deposit	338 084	1 668 706	2 424 195
Mortgage bonds	1 288 006	1 234 527	1 203 455
<b>Total</b>	<b>1 626 090</b>	<b>2 903 233</b>	<b>3 627 650</b>

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

### Debt securities issued by currency

	30.09.2016	31.12.2015	30.09.2015
PLN	1 312 437	2 592 848	3 346 113
EUR	313 653	310 385	281 537
USD	-	-	-
<b>Total</b>	<b>1 626 090</b>	<b>2 903 233</b>	<b>3 627 650</b>

### Changes in debt securities issued

	3 QUARTERS 2016	2015	3 QUARTERS 2015
<b>Opening balance</b>	<b>2 903 233</b>	<b>3 857 043</b>	<b>3 857 043</b>
Increase (issuance)	1 129 733	3 966 098	3 645 586
Decrease (redemption)	(2 390 807)	(4 999 636)	(3 904 260)
Decrease (partial redemption)	(2 465)	(7 903)	(5 547)
Foreign currency exchange differences	3 692	(1 053)	(2 592)
Purchase	-	(33)	-
Sale	-	90 989	62 600
Other	(17 296)	(2 272)	(25 180)
<b>Closing balance</b>	<b>1 626 090</b>	<b>2 903 233</b>	<b>3 627 650</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## 38. Provisions

Changes in provisions in the reporting period

3 QUARTERS 2016	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
<b>Opening balance</b>	<b>10 608</b>	<b>268 858</b>	<b>120 771</b>	<b>25 137</b>	<b>425 374</b>
Provision charges/revaluation	3 013	19 682	118 200	16 278	157 173
Provision utilization	(2 693)	(11 604)	-	(11 187)	(25 484)
Provision releases	(1 559)	(24)	(56 249)	-	(57 832)
Foreign currency exchange differences	-	-	74	-	74
Other changes	-	-	-	(30)	(30)
<b>Closing balance</b>	<b>9 369</b>	<b>276 912</b>	<b>182 796</b>	<b>30 198</b>	<b>499 275</b>
Short term	2 625	9 584	66 336	8 032	86 577
Long term	6 744	267 328	116 460	22 166	412 698

2015	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
<b>Opening balance</b>	<b>37 873</b>	<b>267 991</b>	<b>102 386</b>	<b>34 206</b>	<b>442 456</b>
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)
<b>Closing balance</b>	<b>10 608</b>	<b>268 858</b>	<b>120 771</b>	<b>25 137</b>	<b>425 374</b>
Short term	4 113	21 180	67 527	145	92 965
Long term	6 495	247 678	53 244	24 992	332 409

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

### Provisions for litigation and claims

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

### Provisions for defined benefits plans

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

### Other provisions

Other provisions include in particular provisions for other employee benefits.

# Notes to financial statements (cont.)

(in PLN thousand)

## 39. Contingent commitments

In the third quarter of 2016 the total value of the litigation subject in the ongoing court proceedings against the Group was PLN 798 774 thousand (in the third quarter of 2015 it was PLN 1 060 348 thousand).

In the third 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 third 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 30 June 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 third quarter of 2016 was issued a judgment dismissing the appeal. The plaintiffs are entitled to a cassation appeal.

Moreover against the Group currently are pending the following essential litigations, in which the Bank – in the current factual and legal circumstances – assess the risk of outflow as possible :

- 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 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 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.

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 30 September 2016 is PLN 9 369 thousand (PLN 10 608 thousand as at 31 December 2015).

# Notes to financial statements (cont.)

(in PLN thousand)

## Financial commitments granted

### Financial commitments granted by entity

	30.09.2016	31.12.2015	30.09.2015
Financial commitments granted to:			
financial entities	1 355 683	700 755	1 173 781
non - financial entities	30 620 313	29 386 749	27 877 743
budget entities	682 775	848 356	1 084 704
<b>Total</b>	<b>32 658 771</b>	<b>30 935 860</b>	<b>30 136 228</b>

## Guarantees issued

### Guarantees issued by entity

	30.09.2016	31.12.2015	30.09.2015
Issued to financial entities:	1 107 886	1 311 490	984 706
guarantees	1 107 886	1 308 840	982 865
confirmed export letters of credit	-	2 650	1 841
Issued to non - financial entities	10 860 219	12 393 161	13 026 139
guarantees	6 852 783	7 510 192	6 897 390
securities' underwriting guarantees	3 969 218	4 806 284	6 064 213
sureties	38 218	76 685	64 536
Issued to budget entities:	315 393	368 176	360 851
guarantees	17 913	28 176	8 603
securities' underwriting guarantees	297 480	340 000	352 248
<b>Total</b>	<b>12 283 498</b>	<b>14 072 827</b>	<b>14 371 696</b>

## Off-balance sheet commitments received

### Off-balance sheet commitments received by entity

	30.09.2016	31.12.2015	30.09.2015
Financial received from:	1 632 169	285 084	664 924
financial entities	1 632 169	285 084	448 924
non - financial entities	-	-	216 000
budget entities	-	-	-
Guarantees received from:	10 895 522	11 674 503	12 212 530
financial entities	1 499 380	1 161 416	1 229 331
non - financial entities	8 504 580	9 759 234	10 232 763
budget entities	891 562	753 853	750 436
<b>Total</b>	<b>12 527 691</b>	<b>11 959 587</b>	<b>12 877 454</b>

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

# Notes to financial statements (cont.)

(in PLN thousand)

## 40. Related party transactions

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

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

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

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

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

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

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

## Notes to financial statements (cont.)

(in PLN thousand)

**Related party transactions**

Related party transactions as at 30 September 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	18 268	-	-	39	92 649	-	2 651
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	668 755	8 250	28 798	609	494 745	595 059	1 965
<b>Associates of Bank Pekao S.A. Group</b>							
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	-	3	27 166	-	75
Pioneer Pekao Investment Management S.A.	-	-	-	18	141 466	-	50
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	-	-	14 744	91 106	-	18
<b>Total Associates of Bank Pekao S.A. Group</b>	-	-	-	<b>14 765</b>	<b>259 738</b>	-	<b>143</b>
Key management personnel of the Bank and UniCredit S.p.A.	7 955	-	-	-	28 668	-	-
<b>Total</b>	<b>694 978</b>	<b>8 250</b>	<b>28 798</b>	<b>15 413</b>	<b>875 800</b>	<b>595 059</b>	<b>4 759</b>

## Notes to financial statements (cont.)

(in PLN thousand)

## Receivables from loans and placements by contractual maturity

30.09.2016	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	18 268	-	-	-	-	-	18 268
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	557 786	110 969	-	-	-	-	668 755
Associates of Bank Pekao S.A. Group	-	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	25	5 507	157	2 266	7 955
<b>Total</b>	<b>576 054</b>	<b>110 969</b>	<b>25</b>	<b>5 507</b>	<b>157</b>	<b>2 266</b>	<b>694 978</b>

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

## Liabilities from loans and deposits by contractual maturity

30.09.2016	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	2 525	90 124	-	-	-	-	92 649
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	74 860	11 053	304	1 398	407 130	-	494 745
Associates of Bank Pekao S.A. Group	20 334	107 284	132 120	-	-	-	259 738
Key management personnel of the Bank and UniCredit S.p.A.	10 307	1 520	1 788	15 053	-	-	28 668
<b>Total</b>	<b>108 026</b>	<b>209 981</b>	<b>134 212</b>	<b>16 451</b>	<b>407 130</b>	<b>-</b>	<b>875 800</b>

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



## Notes to financial statements (cont.)

(in PLN thousand)

## Receivables from loans and placements by currency

30.09.2016	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	9 016	9 252	-	-	-	18 268
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	542 479	30	7	100 005	26 234	668 755
Associates of Bank Pekao S.A. Group	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	7 955	-	7 955
<b>Total</b>	<b>551 495</b>	<b>9 282</b>	<b>7</b>	<b>107 960</b>	<b>26 234</b>	<b>694 978</b>

## Liabilities from loans and deposits by currency

30.09.2016	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	8 624	-	-	84 025	-	92 649
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	55 658	298	378 175	56 126	4 488	494 745
Associates of Bank Pekao S.A. Group	-	-	-	259 738	-	259 738
Key management personnel of the Bank and UniCredit S.p.A.	8 253	1 234	-	19 179	2	28 668
<b>Total</b>	<b>72 535</b>	<b>1 532</b>	<b>378 175</b>	<b>419 068</b>	<b>4 490</b>	<b>875 800</b>

## 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
<b>Associates of Bank Pekao S.A Group</b>							
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
<b>Total Associates of Bank Pekao S.A. Group</b>	-	-	-	<b>16 361</b>	<b>303 130</b>	-	<b>73</b>
Key management personnel of the Bank and UniCredit S.p.A.	8 568	-	-	-	22 180	-	-
<b>Total</b>	<b>1 729 119</b>	<b>7 724</b>	<b>55 861</b>	<b>21 809</b>	<b>1 833 785</b>	<b>653 064</b>	<b>3 454</b>

## 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
<b>Total</b>	<b>624 657</b>	<b>698 002</b>	<b>482</b>	<b>816</b>	<b>402 816</b>	<b>2 346</b>	<b>1 729 119</b>

(\*) 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
<b>Total</b>	<b>182 580</b>	<b>104 668</b>	<b>1 168 373</b>	<b>3 808</b>	<b>374 356</b>	<b>-</b>	<b>1 833 785</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

## Receivables from loans and deposits by currency

31.12.2015	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
<b>Total</b>	<b>841 867</b>	<b>754 836</b>	<b>7</b>	<b>86 647</b>	<b>45 762</b>	<b>1 729 119</b>

## 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
<b>Total</b>	<b>1 017 972</b>	<b>1 181</b>	<b>374 306</b>	<b>440 323</b>	<b>3</b>	<b>1 833 785</b>

## Notes to financial statements (cont.)

(in PLN thousand)

## Income and expenses from transactions with related parties for the period from 1 January to 30 September 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	(573)	(337)	732	(2 002)	434	(11 525)
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	12 172	(2 731)	6 922	(154)	13 995	(36 784)
<b>Associates of Bank Pekao S.A. Group</b>						
Dom Inwestycyjny Xelion Sp. z o.o.	-	(236)	33	(151)	245	-
Pioneer Pekao Investment Management S.A.	-	(1 447)	193	-	14	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(1 047)	141 585	-	-	-
<b>Total Associates of Bank Pekao S.A. Group</b>	<b>-</b>	<b>(2 730)</b>	<b>141 811</b>	<b>(151)</b>	<b>259</b>	<b>-</b>
Key management personnel of the Bank and UniCredit S.p.A.	177	(229)	11	-	-	-
<b>Total</b>	<b>11 776</b>	<b>(6 027)</b>	<b>149 476</b>	<b>(2 307)</b>	<b>14 688</b>	<b>(48 309)</b>

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

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

(\*) until sale's date 3 125 shares

# Notes to financial statements (cont.)

(in PLN thousand)

## Off-balance sheet financial commitments and guarantees as at 30 September 2016

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEES
UniCredit S.p.A. – the Bank's parent entity	263 407	279 095	-	150 152
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	196 528	595 711	19 285	397 330
<b>Associates of Bank Pekao S.A Group</b>				
Pioneer Pekao Investment Management S.A.	15	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	83	-	-	-
<b>Total Associates of Bank Pekao S.A. Group</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>-</b>
Key management personnel of the Bank and UniCredit S.p.A.	237	-	-	-
<b>Total</b>	<b>460 270</b>	<b>874 806</b>	<b>19 285</b>	<b>547 482</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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

30.09.2016	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
<b>FINANCIAL COMMITMENTS GRANTED</b>							
UniCredit S.p.A. – the Bank's parent entity	-	220 000	-	-	43 407	-	263 407
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	-	-	-	-	196 528	196 528
Associates of Bank Pekao S.A. Group	-	-	-	-	98	-	98
Key management personnel of the Bank and UniCredit S.p.A.	30	15	-	5	187	-	237
<b>Total</b>	<b>30</b>	<b>220 015</b>	<b>-</b>	<b>5</b>	<b>43 692</b>	<b>196 528</b>	<b>460 270</b>
<b>GUARANTEES ISSUED</b>							
UniCredit S.p.A. – the Bank's parent entity	-	-	-	137 088	29 924	112 083	279 095
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	9 005	6 753	98 291	322 317	159 345	595 711
<b>Total</b>	<b>-</b>	<b>9 005</b>	<b>6 753</b>	<b>235 379</b>	<b>352 241</b>	<b>271 428</b>	<b>874 806</b>
<b>FINANCIAL RECEIVED</b>							
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	19 285	-	-	-	-	-	19 285
<b>Total</b>	<b>19 285</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19 285</b>
<b>GUARANTEES RECEIVED</b>							
UniCredit S.p.A. – the Bank's parent entity	-	2 400	-	130 988	14 835	1 929	150 152
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	2 185	10 596	73 065	206 615	104 869	397 330
<b>Total</b>	<b>-</b>	<b>4 585</b>	<b>10 596</b>	<b>204 053</b>	<b>221 450</b>	<b>106 798</b>	<b>547 482</b>

## Notes to financial statements (cont.)

(in PLN thousand)

## Off-balance sheet financial commitments and guarantees granted by currency

30.09.2016	EUR	USD	CHF	PLN	INNE	TOTAL
<b>FINANCIAL COMMITMENTS GRANTED</b>						
UniCredit S.p.A. – the Bank's parent entity	23 407	-	-	240 000	-	263 407
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	96 040	38 558	-	61 580	350	196 528
Associates of Bank Pekao S.A. Group	-	-	-	98	-	98
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	237	-	237
<b>Total</b>	<b>119 447</b>	<b>38 558</b>	<b>-</b>	<b>301 915</b>	<b>350</b>	<b>460 270</b>
<b>GUARANTEES ISSUED</b>						
UniCredit S.p.A. – the Bank's parent entity	10 451	-	-	268 644	-	279 095
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	51 150	-	-	544 561	-	595 711
<b>Total</b>	<b>61 601</b>	<b>-</b>	<b>-</b>	<b>813 205</b>	<b>-</b>	<b>874 806</b>
<b>FINANCIAL RECEIVED</b>						
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	-	-	-	19 285	19 285
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19 285</b>	<b>19 285</b>
<b>GUARANTEES RECEIVED</b>						
UniCredit S.p.A. – the Bank's parent entity	43 757	-	-	106 395	-	150 152
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	104 233	-	-	293 097	-	397 330
<b>Total</b>	<b>147 990</b>	<b>-</b>	<b>-</b>	<b>399 492</b>	<b>-</b>	<b>547 482</b>



## 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
<b>Associates of Bank Pekao S.A Group</b>			
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	-	-
<b>Total Associates of Bank Pekao S.A. Group</b>	<b>2 067</b>	<b>-</b>	<b>-</b>
Key management personnel of the Bank and UniCredit S.p.A.	697	-	-
<b>Total</b>	<b>230 059</b>	<b>1 127 002</b>	<b>49 078</b>

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
<b>FINANCIAL COMMITMENTS GRANTED</b>							
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
<b>Total</b>	<b>30</b>	<b>515</b>	<b>5</b>	<b>209 320</b>	<b>189</b>	<b>20 000</b>	<b>230 059</b>
<b>GUARANTEES ISSUED</b>							
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
<b>Total</b>	<b>-</b>	<b>18 820</b>	<b>116 580</b>	<b>156 493</b>	<b>406 673</b>	<b>428 436</b>	<b>1 127 002</b>
<b>GUARANTEES RECEIVED</b>							
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
<b>Total</b>	<b>-</b>	<b>-</b>	<b>553</b>	<b>41 706</b>	<b>6 819</b>	<b>-</b>	<b>49 078</b>

## 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
<b>FINANCIAL COMMITMENTS GRANTED</b>						
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
<b>Total</b>	<b>105 995</b>	<b>-</b>	<b>-</b>	<b>124 064</b>	<b>-</b>	<b>230 059</b>
<b>GUARANTEES ISSUED</b>						
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
<b>Total</b>	<b>71 275</b>	<b>-</b>	<b>-</b>	<b>1 055 727</b>	<b>-</b>	<b>1 127 002</b>
<b>GUARANTEES RECEIVED</b>						
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
<b>Total</b>	<b>11 435</b>	<b>-</b>	<b>-</b>	<b>37 643</b>	<b>-</b>	<b>49 078</b>

# Notes to financial statements (cont.)

(in PLN thousand)

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

Short-term employee benefits related to the Management Board of the Bank in the third quarter of 2016 amounted to PLN 14 027 thousand, compared to PLN 12 679 thousand in the third 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 1 493 thousand in the third quarter of 2016, compared to PLN 1 749 thousand in the third quarter of 2015 and comprised of provisions for deferred bonus payments.

The expenses of the third quarter of 2016 included PLN 4 880 thousand in respect of share-based payments, compared to PLN 5 369 thousand in the third 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 837 thousand in the third quarter of 2016, compared to PLN 703 thousand in the third 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 30 September 2016 and in the period from 1 January to 30 September 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 10 911 thousand in the third quarter of 2016, compared to PLN 11 382 thousand in the third quarter of 2015.

Remuneration expenses of Supervisory Boards of Group's subsidiaries, comprising short-term employee benefits, amounted to PLN 220 thousand in the third quarter of 2016, compared to PLN 114 thousand in the third quarter of 2015.

## **41. Subsequent events**

There have been no significant subsequent events.

# Signatures of the Management Board Members

09.11.2016	Luigi Lovaglio	President of the Management Board CEO	
Date	Name/Surname	Position/Function	Signature
09.11.2016	Diego Biondo	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.11.2016	Andrzej Kopyrski	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.11.2016	Adam Niewiński	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.11.2016	Grzegorz Piwowar	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.11.2016	Stefano Santini	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.11.2016	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.