

Report of Bank Pekao S.A. Group for the first quarter of 2019



Warsaw, May 2019

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019



Warsaw, May 2019

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1 Highlights of Bank Pekao S.A. Group

The Group has adopted International Financial Reporting Standard 9 “Financial Instruments” (IFRS 9) with a date of transition of 1 January 2018. The Group decided to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

	1 QUARTER 2019	1 QUARTER 2018	2018	2017
INCOME STATEMENT- SELECTED ITEMS				
<i>(in PLN million)</i>				
Operating income	1,949.4	1,851.8	7,757.1	7,350.4
Operating costs	(858.7)	(851.5)	(3,444.4)	(3,263.3)
Gross operating profit	1,090.7	1,000.3	4,312.7	4,087.1
Profit before income tax	436.4	563.4	3,047.3	3,153.0
Net profit for the period attributable to equity holders of the Bank	242.3	392.3	2,287.2	2,475.1
PROFITABILITY RATIOS				
Return on average equity (ROE)	4.2%	6.9%	10.2%	11.0%
Return on assets (ROA)	0.5%	0.9%	1.3%	1.4%
Net interest margin	2.9%	2.8%	2.8%	2.8%
Non-interest income / operating income	33.3%	34.9%	35.4%	36.7%
Cost / income	44.0%	46.0%	44.4%	44.4%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS				
<i>(in PLN million)</i>				
Total assets	196,640.0	182,744.1	191,089.8	185,465.6
Customers' financing ^(*)	143,079.8	131,930.1	140,032.3	132,300.4
Amounts due to customers ^(**)	150,684.6	140,824.8	149,143.4	145,397.8
Debt securities issued and subordinated liabilities	7,418.1	4,750.2	7,243.3	2,771.4
Equity	23,094.9	23,009.8	22,808.2	23,267.8
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Customers' financing ^(*) / total assets	72.8%	72.2%	73.3%	71.3%
Securities / total assets	17.8%	17.5%	15.0%	20.8%
Deposits ^(***) / total assets	80.4%	79.7%	81.8%	80.6%
Customers' financing ^(*) / deposits ^(***)	90.5%	90.6%	89.5%	88.5%
Equity / total assets	11.7%	12.6%	11.9%	12.5%
Total capital ratio	17.1%	17.1%	17.4%	17.1%
EMPLOYEES AND NETWORK				
Total number of employees	16,815	17,456	16,714	17,339
Total number of outlets	816	845	818	843
Number of ATMs	1,690	1,722	1,708	1,745

(*) Including net investments in financial leases to customers, non-treasury debt securities and excluding reverse repo transactions.

(**) Excluding repo transactions and lease liabilities.

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

Note: Since 2017, the financial data include results of Pekao Investment Management S.A. (ex. Pioneer Pekao Investment Management S.A.) and Dom Inwestycyjny Xelion Sp. z o.o. for eleven months of 2017 under the equity method and for December 2017 under full method.

Income statement data included in the table above and other notes to the Report on activities were presented according to income statement in a presentation form, which differs from the long form of the income statement presented in the Financial statements of the Group. Reconciliation of income statement in the presentation form and the long form is in the point 6.8 of the Report on activities.

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2 Highlights of Bank Pekao S.A.

The Bank has adopted International Financial Reporting Standard 9 'Financial Instruments' with a date of transition of 1 January 2018. The Bank decided to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

	1 QUARTER 2019	1 QUARTER 2018	2018	2017
INCOME STATEMENT – SELECTED ITEMS <i>(in PLN million)</i>				
Operating income	1,855.9	1,795.1	7,396.9	7,085.3
Operating costs	(771.9)	(773.2)	(3,119.0)	(3,024.5)
Gross operating profit	1,084.1	1,021.9	4,278.0	4,060.8
Profit before income tax	440.9	594.8	3,020.8	2,727.8
Net profit	259.3	434.7	2,310.6	2,088.1
PROFITABILITY RATIOS				
Return on average equity (ROE)	4.7%	8.0%	10.7%	9.6%
Return on assets (ROA)	0.6%	1.0%	1.3%	1.2%
Net interest margin	2.9%	2.8%	2.8%	2.8%
Non-interest income / operating income	31.7%	34.5%	30.7%	34.0%
Cost / income	41.6%	43.1%	42.2%	42.7%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS <i>(in PLN million)</i>				
Total assets	189,494.1	178,519.8	184,347.2	182,077.0
Customers' financing (*)	135,706.7	127,434.9	133,085.1	128,873.2
Amounts due to customers (**)	151,301.8	141,489.9	149,784.4	146,109.9
Debt securities issued and subordinated liabilities	3,910.7	2,806.9	3,745.1	2,727.2
Equity	22,126.9	22,061.5	21,821.9	22,258.5
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Customers' financing (*) / total assets	71.6%	71.4%	72.2%	70.8%
Securities / total assets	18.4%	17.9%	15.5%	21.1%
Deposits (***) / total assets	81.9%	80.8%	83.3%	81.7%
Customers' financing (*) / deposits (***)	87.4%	88.3%	86.7%	86.6%
Equity / total assets	11.7%	12.4%	11.8%	12.2%
Total capital ratio	18.4%	18.3%	18.7%	18.4%
EMPLOYEES AND NETWORK				
Total number of employees	14,591	15,366	14,569	15,316
Total number of outlets	816	845	818	843
Number of ATMs	1,690	1,722	1,708	1,745

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

(**) Excluding repo transactions and lease liabilities.

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

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

3 Summary of Performance

Net profit of Bank Pekao S.A. Group attributable to equity holders of the first quarter of 2019 amounted to PLN 242,3 million and was lower by PLN 150,0 million, than net profit for the first quarter of 2018, due to regulatory charges (increase of the fee for contribution to resolution fund of banks by PLN 228,2 million). Underlying net profit of Bank Pekao S.A. Group i.e. excluding regulatory charges would be higher by 13,7% than comparable net profit achieved in 2018, with net operating profit higher by PLN 107.6 million (i.e. 12.3% from net operating profit achieved in the first quarter of 2018). The growth was a result of further development of commercial activities of the Group driving the growth of customers' financing by 8.5% year on year, as well as amounts due to customers by 7.0% (of which retail deposits by 13.2%).

The Group maintained the solid capital base (TCR amounted to 17.1% as at the end of March 2019) and the safe liquidity profile reflected by net loans to deposits ratio at 90.5% as at the end of March 2019. This, together with high level of capital, enables for further sound and stable development of the Group's activities.

Main P&L items

In the first quarter of 2019, the Group's operating income amounted to PLN 1,949.4 million and was higher by 5.3% year on year than operating income in the first quarter of 2018, with the following trends:

- Net interest income in the first quarter of 2019, amounted to PLN 1,300.4 million and was higher by PLN 94.7 million, i.e. 7.9% compared to the first quarter of 2018, mainly driven by higher volumes of loans and deposits as well as higher margin.
- The Group's net fee and commission income in the first quarter of 2019, amounted to PLN 603.6 million and was higher by 2.6% compared to the first quarter of 2018, mainly due to higher commission on loans, cards and higher income on margins on foreign exchange transactions with clients.
- The other income amounted to PLN 45.4 million and was lower by PLN 12.7 million as compared to the first quarter of 2018, mainly due to lower gains on disposal of AFS assets.

The operating costs amounted to PLN 858.7 million in the first quarter of 2019. They were higher by PLN 7.2 million, i.e. 0.8% as compared to the first quarter of 2018, mainly due to the double higher financial supervision authority fee. Excluding growth of that fee, operating expenses would be lower by PLN 5.4 million, i.e. 0.6% compared to the first quarter of 2018.

The Group's net impairment losses on financial assets and off-balance sheet commitments amounted to PLN 109.7 million in the first quarter of 2019, an decrease of PLN 17.2 million, i.e. 13.6% as compared with the first quarter of 2018, thanks to realized result on the sale of loans in amount PLN 19.6 million.

Bank Guarantee Fund fee in the first quarter of 2019, amounted to PLN 393.2 million, a increase of PLN 218.9 million, i.e. compared to the first quarter of 2018, due to the increase the fee for contribution to resolution fund of banks. Tax on certain financial institutions in the first quarter of 2019, it amounted to PLN 148,9 million and was higher by PLN 10.6 million, i.e. 7.7% compared to the first quarter of 2018, due to an increase in Group's assets by 7.6%.

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Volumes

As at the end of March 2019, loans and advances at nominal value amounted to PLN 148,111.5 million, an increase of PLN 11,296.6 million, i.e. 8.3% in comparison to the end of March 2018 with the volume of retail loans growing by 10.5% and corporate loans including non-treasury debt securities growing by 6.2% year on year.

As at the end of March 2019, amounts due to the Group's customers and debt securities issued amounted to PLN 158,102.7 million, an increase of PLN 12,527.7 million, i.e. 8.6% in comparison to the end of March 2018.

The value of net assets of investment funds managed by Pekao TFI S.A. (ex. Pioneer Pekao TFI S.A.) amounted to PLN 20,033.5 million as at the end of March 2019, an increase of PLN 1,283.3 million, i.e. 6.8% in comparison to the end of March 2018.

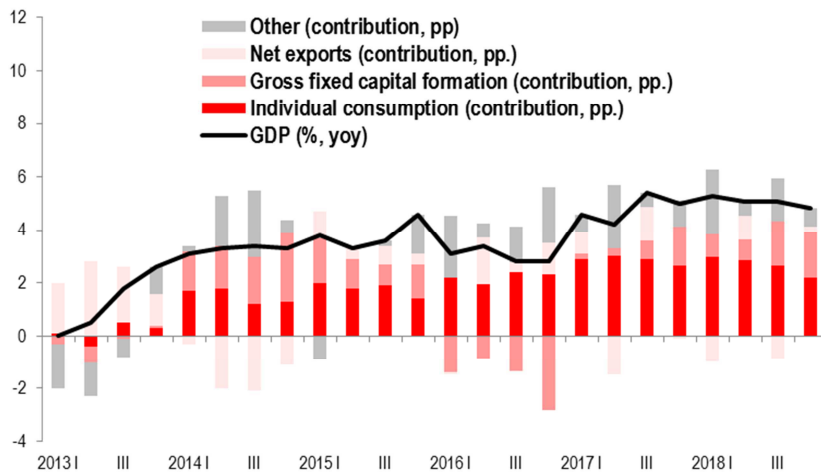
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4 External Activity Conditions

Economic growth

In the fourth quarter of 2018 the economic growth amounted to 4.9% year on year (the lowest growth rate since mid-2017) as compared with the Gross Domestic Product (GDP) growth of 5.2% year on year in the third quarter of the year. Seasonally adjusted data indicate that in the final quarter of 2018 Polish growth slowed to 0.4% quarter on quarter from 1.4% quarter on quarter growth posted in the previous quarter. Domestic demand expanded by 4.8% year on year as compared with 6.1% yoy increase in the third quarter, while foreign trade contributed 0.3 p.p. from the annual growth rate. Households consumption continued growing at a solid pace (up by 4.2% year on year), but it was somewhat slower than in the previous six quarters. Private consumption growth was supported by a rapid growth of households disposable income and positive consumer confidence. At the same time the final quarter of 2018 brought a relatively moderate growth of investment. Gross fixed capita formation increased by 8.2% year on year, after expanding by 11.3% year on year in the third quarter of 2018.

In 2019 economic growth is expected to slow to about 4% amid less favourable external environment (slower GDP growth on the main exports markets, especially in Germany). Households consumption should continue rising buoyantly due to a boost from proposed fiscal package (higher budget spending, lower tax burden).

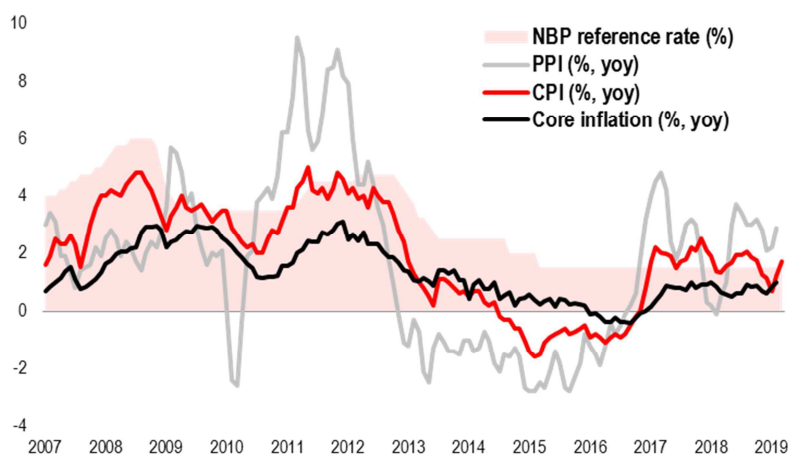


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Inflation and monetary policy

According to the Central Statistical Office (GUS) data in March 2019 consumer prices increased by 1.7% year on year and was running above the lower bound of acceptable deviations from the National Bank of Poland (NBP) target of 2.5% (+/- 1.0 percentage point) for the first time since October 2018. In March consumer inflation was predominantly driven by an increase in food and non - alcoholic beverages prices (up by 2.6% year on year) and higher cost of fuels (up by 7.3% year on year) that contributed 0.65 p.p. and 0.39 p.p. respectively to the annual CPI growth. In the first quarter of 2019 consumer prices went up by 1.2% year on year after rising by 1.4% year on year in the fourth quarter of 2018.

The Monetary Policy Council (MPC) kept the main policy rates unchanged in the first quarter of 2019. The National Bank of Poland reference rate stood at 1.50%, the lombard rate at 2.50% and the deposit rate at 0.50%. According to the MPC in the monetary policy transmission horizon inflation will remain close to the inflation target and the current level of interest rates is conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.



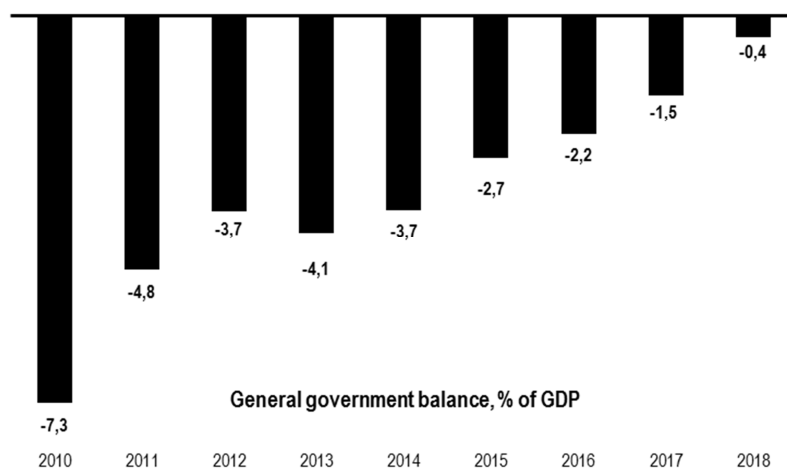
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Fiscal policy

After March 2019 the state budget posted a deficit of PLN 4.5 billion, while the budget act envisages an annual deficit limit of PLN 28.5 billion. Budget revenues totaled PLN 90.3 billion and were PLN 1.8 billion higher than in the corresponding period of 2018, whereas budget expenditures amounted to PLN 94.8 billion and were PLN 9.4 billion higher than in the first three months of 2018. After March VAT revenues were 0.6% lower than in the first three months of 2018 and excise duty collections declined by 3.0%. The first three months of 2019 brought solid direct taxes collections – CIT revenues jumped up by 10.1% year on year and PIT revenues increased by 6.0% year on year. Substantial increase in expenditures was among others linked to higher subsidy to the Social Security Fund and high contribution payment to the EU budget.

In 2018 the general government deficit moderated to 0.4% of GDP vs. 1.5% of GDP in 2017 (data revised). Central budget posted a deficit of 0,6%, while local government had a negative gap of 0,3% of GDP. At the same time social security funds had a surplus of 0,6% of GDP.

At the end of 2018 the state public debt amounted to PLN 984.3 billion and was PLN 22.4 billion lower than at the end of 2017. In 2018 the domestic debt increased by PLN 25.7 billion, while foreign debt declined by PLN 3.3 billion. In relation to GDP the state public debt moderated to 46.5% in 2018 from 48.4% in 2017. At the end of 2018 the debt of general government sector stood at PLN 1,033.6 billion i.e. 48.8% of GDP.

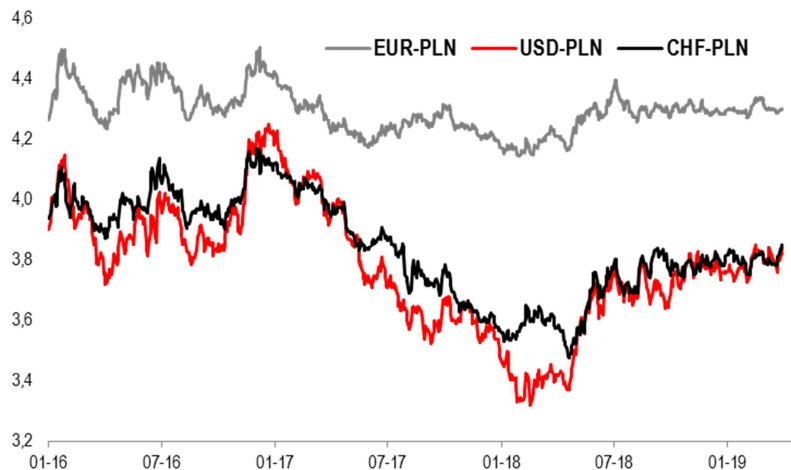


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Currency market

The US dollar fell due to unexpected „dovish” Fed’s rhetoric after an interest rate hike in mid-December 2018. However, EUR-USD increase towards a multi-week high above 1.15 was only a short-lived tendency. The Federal Reserve policymakers’ concerns about more severe than anticipated global economic slowdown, is also a key risk factor for the European Central Bank. As a consequence, the common currency trimmed earlier gains due to poor prospects for the Eurozone. A series of weaker macroeconomic data, including German figures, as well as the ECB’s monetary decisions including extending the horizon of the declared rate stabilization till the end of 2019 and the announcement of the third series of targeted longer-term refinancing operations, sent EUR-USD to the lowest level since June 2017 (1.1180) in the first quarter of 2019 (the exchange rate fell by some 2% in this period). The risk balance seems to be relatively equal at the moment, suggesting longer consolidation near current levels. However, should the exchange rate decline below a key support zone of 1.1180-1.1200, we cannot rule out a test of targets around 1.10 in the short term.

The zloty was quite stable against the euro in the first quarter 2019 despite volatile global currency market. If not an elevated volatility and wider range in February, the exchange rate would hover within 4.2750-4.3100/EUR. The PLN anchored in a narrow range of 4.29-4.30/EUR at the end of March. At the same time it fell by almost 2% against the dollar during this period and stood close to the weakest levels since mid-2017 (3.86/USD). Should the greenback outperform the currency basket and uncertainty on financial markets prevail, we cannot rule a gradual weakening of the zloty in the coming weeks. The prospect of fiscal stimulus, which should limit the risk of a severe economic slowdown in the coming quarters, may support the zloty in the long-term. Therefore, we remain positive regarding the zloty and expect its appreciation towards 4.25/ EUR in the second half of 2019.



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Banking sector

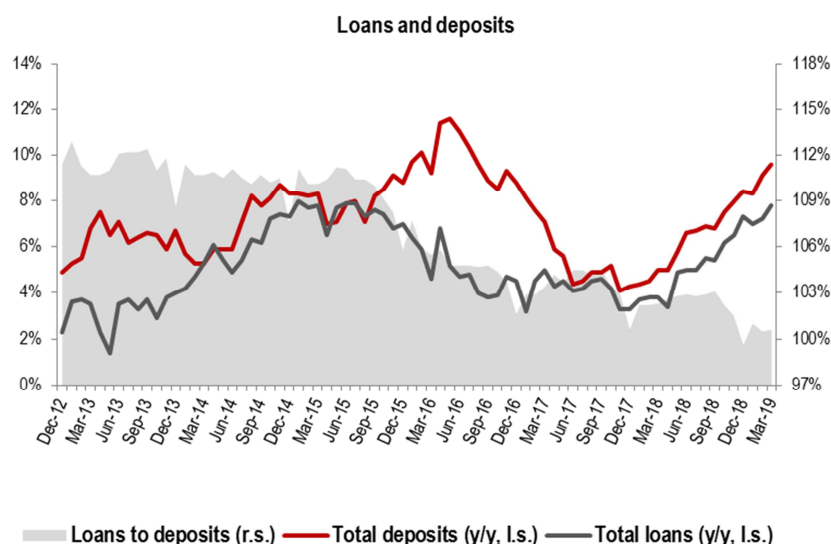
According to the Financial Supervision Authority (KNF) data, in the period of January - February 2019 net profit of the banking sector amounted to PLN 1.14 billion and fell by 30.6% in comparison to corresponding period of 2018.

Total net operating income of banks in the first two months of the year increased by 8.0%, while the trends were continuation of those observed in 2018. In particular, net fees and commission income ended up weaker (-4.2% year on year), but net interest income rose at double-digit pace (+10.0% year on year), additionally supported by other income (+21.1% year on year). Simultaneously, however, a strong increase on the cost side was recorded: operating costs rose by 11.4% year on year (to a large extent driven by substantially higher regulatory costs) and cost of risk by 29.5% year on year.

At the of February 2019 total assets of the banking sector amounted to PLN 1,921 billion and increased by 7.2% year on year compared to the end of February 2018. Total receivables from the non-financial sector grew by 6.1% year on year and total deposits from this sector by 9.3% year on year.

According to the NBP, at the end of March 2019 the nominal volume of households' loans increased by 6.9% year on year compared to year before. Growth pace remains at relatively high levels observed towards 2018 year-ending (circa 6-7% year on year), pointing to maintained consumer confidence. In case of enterprises sector, loans' growth pace was at 6.1% year on year.

The growth of household deposits volume in 2019 has continued to accelerate, reaching double-digit pace (+11.2% year on year at the end March). The pace was lower for corporate deposits, where growth of 5.7% year on year was recorded (vs. +4.3% year on year at the end of 2018).



Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

5 Important Events and Achievements

5.1 Description of the Group

The composition of Bank Pekao S.A. Group is presented in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2019.

5.2 Changes in the Group' structure

Opening of liquidation of the company

On March 1, 2019, the Extraordinary General Meeting of Shareholders of Pekao Property S.A. took the resolution to dissolve the company and to open its liquidation from that date. Currently, the company will operate under the name Pekao Property S.A. in liquidation.

5.3 Changes in the Statutory Bodies of the Bank

Supervisory Board

As of March 31, 2019, the composition of the Supervisory Board of Bank Pekao S.A. has not changed in comparison with December 31, 2018 and it was as follows:

MARCH 31, 2019	DECEMBER 31, 2018
Paweł Surówka Chairman of the Supervisory Board	Paweł Surówka Chairman of the Supervisory Board
Joanna Błaszczuk Deputy Chairman of the Supervisory Board	Joanna Błaszczuk Deputy Chairman of the Supervisory Board
Stanisław Ryszard Kaczoruk Deputy Chairman of the Supervisory Board	Stanisław Ryszard Kaczoruk Deputy Chairman of the Supervisory Board
Paweł Stopczyński Secretary of the Supervisory Board	Paweł Stopczyński Secretary of the Supervisory Board
Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board
Justyna Głębiowska-Michalak Member of the Supervisory Board	Justyna Głębiowska-Michalak Member of the Supervisory Board
Grzegorz Janas Member of the Supervisory Board	Grzegorz Janas Member of the Supervisory Board
Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board
Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board

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Management Board of the Bank

On March 6, 2019, the Management Board of Bank Pekao S.A. informed in the current report no. 6/2019 that on March 6, 2019, the Bank's Supervisory Board, taking into consideration suitability assessment, appointed Mr Piotr Wetmański and Mr Grzegorz Olszewski to the Banks' Management Board for the current term of office and entrusted them with the position of Management Board Members of the Bank. The appointment is effective as of 7 March 2019 in case of Mr Piotr Wetmański and 1 April 2019 in case of Grzegorz Olszewski. Additionally, Mr Grzegorz Olszewski was appointed Member of the Management Board for the new three-year joint term of office, effective as of the day following holding of the Ordinary General Meeting approving the financial statements of Bank for the financial year 2018.

According to the submitted statement Mr Piotr Wetmański does not conduct any business competitive to that of the Bank and he is not involved in a competitive business as a shareholder or partner in a civil law company or partnership or a corporation or as a member of a corporate body of a competitive legal person, is not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS (National Court Register) Act of 20 August 1997.

According to the submitted statement Mr Grzegorz Olszewski is not involved in a competitive business as a shareholder or partner in a civil law company or partnership or a corporation or as a member of a corporate body of a competitive legal person and declared termination of professional activity with respect to entities of the PZU Group before effective appointment as a Member of the Management Board. Mr Grzegorz Olszewski is not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS (National Court Register) Act of 20 August 1997.

As of March 31, 2019, the composition of the Management Board of Bank Pekao S.A. has changed in comparison with December 31, 2018 and it was as follows:

MARCH 31, 2019	DECEMBER 31, 2018
Michał Krupiński President of the Management Board	Michał Krupiński President of the Management Board
Tomasz Kubiak Vice President of the Management Board	Tomasz Kubiak Vice President of the Management Board
Michał Lehmann Vice President of the Management Board	Michał Lehmann Vice President of the Management Board
Marek Lusztyn Vice President of the Management Board	Marek Lusztyn Vice President of the Management Board
Tomasz Styczyński Vice President of the Management Board	Tomasz Styczyński Vice President of the Management Board
Marek Tomczuk Vice President of the Management Board	Marek Tomczuk Vice President of the Management Board
Piotr Wetmański Member of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board
Magdalena Zmitrowicz Vice President of the Management Board	

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5.4 The Bank's share capital and share ownership structure

As at March 31, 2019, the share capital of Bank Pekao S.A. amounted to PLN 262,470,034 and remained unchanged until the date of submitting the report. The share capital of the Bank consisted of 262,470,034 shares of the following series:

- 137,650,000 Series A bearer shares with a par value of PLN 1.00 per share,
- 7,690,000 Series B bearer shares with a par value of PLN 1.00 per share,
- 10,630,632 Series C bearer shares with a par value of PLN 1.00 per share,
- 9,777,571 Series D bearer shares with a par value of PLN 1.00 per share,
- 373,644 Series E bearer shares with a par value of PLN 1.00 per share,
- 621,411 Series F bearer shares with a par value of PLN 1.00 per share,
- 603,377 Series G bearer shares with a par value of PLN 1.00 per share,
- 359,840 Series H bearer shares with a par value of PLN 1.00 per share,
- 94,763,559 Series I bearer shares with a par value of PLN 1.00 per share.

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.

Shareholders of Bank Pekao S.A., holding directly or indirectly, through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Bank, are as follows:

SHAREHOLDER'S NAME	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2019		AS AT THE DATE OF SUBMITTING THE REPORT FOR THE YEAR 2018	
Powszechny Zakład Ubezpieczeń S.A.	52,494,007	20.00%	52,494,007	20.00%
Polski Fundusz Rozwoju S.A.	33,596,166	12.80%	33,596,166	12.80%
UniCredit S.p.A.	16,430,000	6.26%	16,430,000	6.26%
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	13,357,769	5.09%	13,357,769	5.09%
Other shareholders (below 5%)	146,592,092	55.85%	146,592,092	55.85%
Total	262,470,034	100.00%	262,470,034	100.00%

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

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

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 March 31, 2019, Bank Pekao S.A. had assigned following financial credibility ratings:

FITCH RATINGS	BANK PEKAO S.A.	POLAND
Long-term rating (IDR)	BBB+	A-
Short-term rating	F2	F2
Viability rating	bbb+	-
Support rating	5	-
Support rating factor	No floor	-
Outlook	Stable	Stable
S&P GLOBAL RATINGS	BANK PEKAO S.A.	POLAND
Long-term rating in foreign currencies	BBB+	A-
Long-term rating in domestic currency	BBB+	A
Short-term rating in foreign currencies	A-2	A-2
Short-term rating in domestic currency	A-2	A-1
Stand-alone credit profile	bbb	-
Outlook	Stable	Stable
S&P GLOBAL RATINGS (RESOLUTION COUNTERPARTY RATING)	BANK PEKAO S.A.	POLAND
Long - term RCR in foreign currencies	A-	-
Short - term RCR in foreign currencies	A-2	-
Long - term RCR in domestic currency	A-	-
Short - term RCR in domestic currency	A-2	-
MOODY'S INVESTORS SERVICE (UNSOLICITED RATING)	BANK PEKAO S.A.	POLAND
Long-term foreign-currency deposit rating	A2	A2
Short-term deposit rating	Prime-1	Prime-1
Baseline Credit Assessment	baa1	-
Long-term counterparty risk assessment	A1(cr)	-
Short-term counterparty risk assessment	Prime-1(cr)	-
Outlook	Stable	Stable
Long-term Counterparty Risk Rating (CRR)	A1	-
Short-term Counterparty Risk Rating (CRR)	Prime-1	-

5.5.2 Pekao Bank Hipoteczny S.A. financial credibility ratings

At the end of March 2019 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 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. The Fitch Ratings rating agency assigned to Pekao Bank Hipoteczny S.A. BBB + long-term assessment with a "stable" perspective.

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5.6 Bank Pekao S.A. on the Polish banking market

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

Distribution channels

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

	31.03.2019	31.03.2018
Total number of outlets	816	845
own outlets	739	775
partner branches	77	70
Total number of own ATMs	1,690	1,722

The number of accounts

As at the end of March 2018, the Bank maintained 6,021.7 thousand PLN-denominated current accounts, 382.2 thousand mortgage loan accounts and 688.3 thousand "Pożyczka Ekspresowa" (Express Loan) loan accounts.

(in thousand)

	31.03.2019	31.03.2018
Total number of PLN current accounts ^(*)	6,021.7	5,739.0
of which packages	4,403.9	4,139.1
Number of mortgage loans accounts ^(**)	382.2	362.6
of which PLN mortgage loans accounts	350.1	329.7
Number of "Pożyczka Ekspresowa" loan accounts ^(***)	688.3	637.5

(*) Number of accounts including accounts of prepaid cards.

(**) Retail customers accounts.

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

Individual clients

Individual clients service

In the first quarter of 2019, the Bank continued initiatives launched under the strategy for 2018-2020 "Strength of the Polish Bison". The bank dynamically developed customer acquisition, expansion in the area of consumer loans as well as a range of products dedicated to retail segment customers. These objectives were implemented through using the potential of gaining customers in the Internet channel applying the latest biometrics solutions, automating the credit process for cash loans and strengthening cooperation with the PZU Group in the area of insurance and investment products. Consistent implementation of the strategy translated into an increase in income in the Retail Banking area in the first quarter of 2019 by 12.1% year on year.

As part of the "Strength of the Polish Bison" strategy, the Bank uses the potential to acquire new customers, in the first quarter of 2019 the Bank opened 113 thousand new accounts for individual clients which translated into a 40% increase compared to the first quarter of 2018, while the sale of a multi-currency card amounted PLN 130 thousand items and was higher compared to the same period by 33%. The sale of the Konto Przekorzystne and the multi-currency card was supported both through broad marketing campaigns on TV, cinemas, public transport, social media and the internet, as well as through various promotional campaigns, among other: customers who until the end of April 2019 open an Konto Przekorzystne can get an additional bonus of PLN 100.

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Bank Pekao S.A. strengthened the leading position among banks focused on young customers. The largest growth in the number of clients concerned young people aged 13-17. In the first quarter of 2019, the number of newly acquired customers aged 13-17 was 57% higher compared to the first quarter of 2018.

For young customers who open an Konto Przekorzystne another edition of the OK, GO online development program has been launched with free access to selected online training organized by ICAN Institute, publisher of Harvard Business Review Polska.

Bank Pekao S.A. occupies a leading position in the field of servicing foreigners, the largest group among foreigners using banking services in Poland are Ukrainian citizens for whom the Bank has prepared a wide range of products and services, including infoline in Ukrainian, the Bank's regulations in Ukrainian, PeoPay mobile banking and m.Pekao24.pl, Konto Przekorzystne, multicurrency card with the option of free withdrawals from ATMs abroad, including in Ukraine, attractive exchange rates available both in branches as well as in remote channels and free of charges transfers in EUR and USD to Ukraine. In the first quarter of 2019, the Bank's offer was also promoted in Ukraine.

In addition, in the first quarter of 2019, the Bank, in cooperation with the European Fund for the Development of Polish Villages, began another edition of an educational project addressed to primary school children from rural areas, aimed at developing the knowledge, entrepreneurial attitude and developing banking skills.

In the first quarter of 2019, the Bank consistently continued its efforts to build a leading position on the consumer goods financing market. Sales of cash loans in the first quarter of 2019 amounted to PLN 1.4 billion and the portfolio of cash loans increased by 14.8% year on year to the level of PLN 12.7 billion.

The sale of cash loans was supported by a competitive offer, individual loan offers using CRM tools and a successive increase in the availability of credit offers as part of the "click" process. In the first quarter of 2019, the sales volume of cash loans through electronic channels increased by 35% year on year. A fast and fully automatic process that allows to get a loan without leaving your home - it is available to customers via the internet service and PeoPay mobile applications. In the "click" process the Bank already provides 36% of cash loans. In addition, for customers with a cash loan, the Bank expanded the product offer with new PZU insurance packages available in branches.

In the first quarter of 2019, the sale of housing loans amounted to PLN 2.3 billion, which translated into growth of the loan portfolio by 10.9% year on year. The Bank's share in the housing loan market, despite the ending of the government program "Mieszkanie dla Młodych" (Mdm) remains above 18%.

The Bank's activities in the first quarter of 2019 were also focused on the implementation of new processes aimed at increasing the efficiency of operations. The Bank is implementing a new system for handling loan applications, which shortens by more than half the waiting time of the customer for the payment of the loan. The new solutions at the same time ensure the highest quality of loans granted. As part of the implementing Mortgage Project - the possibility of automatically generating a mortgage loan agreement has also been introduced, which will shorten the time of preparation of the loan agreement. In addition, the Bank provided a tool to support sales conversations with clients: Quick Installment Calculator, enabling efficient transmission of information on the estimated loan installment.

Private Banking

The first quarter of 2019 in Private Banking began with intense activities aimed at acquiring new clients and optimization in the area of asset management of existing customers.

As part of Private Banking, 148 new customers were acquired for service, and the value of purchase of investment products was PLN 259 million.

In the first quarter of 2019, a new version of investment advisory services was launched using a new internet application. Thanks to the multi-task optimization algorithm, the client receives investment recommendations in a shorter time, more personalized and taking into account more investment criteria.

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Private Banking Customers using the offer of Centralny Dom Maklerski Pekao S.A. in the first quarter of 2019, received access to the public offer of structured certificates without a guarantee of capital issued by UniCredit Bank AG, which will be listed on the Warsaw Stock Exchange. The underlying asset for these certificates was Deutsche Telekom AG.

In addition, the investment advisory service has been enriched with open investment funds from the Investors TFI and Schroders.

The bank also finalized the first tailor-made account agreement for the whole Private Banking (clients from the top list of the most affluent) – it is an agreement on individually determined rules for the disposal of collected funds by customers.

Support for achieving the goals were events dedicated to affluent clients - current and potential, with the participation of Private Banking representatives. The event of special significance, both for image and relationship reason, creating an excellent opportunity to meet new clients and strengthen relationships with existing clients, was a meeting organized by the publisher of the prestigious Forbes magazine, related to the publication the list of the 100 richest Poles. The bank was a partner of this meeting for the sixth time. Private Banking customers also took part in the New Year's meeting with the Bank's Management Board and in the jubilee Gala on the occasion of the 90th anniversary of the Bank.

Business clients

In the first quarter of 2019 Bank Pekao S.A. provided a new special offers for entrepreneurs who did not have a payment terminal for the last year. Under the offer, the customer may receive up to 3 payment terminals without paying for the lease for 18 months, release from the commission up to PLN 100,000 turnover, as well as additional free services, including terminal installation, service and staff training.

Bank Pekao S.A. launched in the first quarter of 2019 the process of distribution of payment terminals through a network of 265 branches that serve customers of the Business Segment. Now, the customer can sign a payment terminal agreement within a few minutes and leave the branch with the device, which then activates based on the received SMS code.

The number of payment terminals issued to business clients in the first quarter of 2019 was 4 times higher as compared to the first quarter of 2018.

Since the beginning of 2019, the Bank extended the credit offer for micro-enterprises based on guarantee programs. Customers can expect to increase the overdraft limit to 30% of annual revenues secured by the BGK de minimis guarantee. Customers from the Śląskie voivodship can benefit from preferential financing under the ESIF Silesia line, in which costs are incurred only from half of the loan granted. The implementation of the EFI COSME program makes it possible to finance investments with own contribution reduced to 10%.

The "OK, GO Biznes!" - training and education portal has been made available to the bank's new business customers In cooperation with Harvard Business Review Poland, the portal offers the business customers free 3 modules of online training, obtaining the prestigious certificate of ICAN Institute, HBRP and Bank Pekao SA for completed training, 3-month free access to the digital subscription of the magazine Harvard Business Review Polska.

Saving and investment products

In the first quarter of 2019, the Bank opened 32.2 thousand new savings accounts. The total balance of deposits of retail customers increased in the first quarter by PLN 3.0 billion (+ 13.4% year on year).

The bank consistently developed the offer of investment products. In the first quarter of 2019, the Bank extended the offer of structured products by three new issues (EURPLN accumulator, EURPLN2 accumulator, EURPLN3 accumulator) based on the EUR / PLN exchange rate change. The offer of the Super Basket Program has been extended with a new portfolio (Conservative Portfolio), which includes funds with low investment risk.

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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 Dom Inwestycyjny Xelion Sp. z o.o. (DI Xelion).

In the first quarter of 2019, activities of the Group's brokerage entities focused on clients service on the secondary market, acquisition of new customers through public offers as well as development of tools and scope of services rendered through remote channels.

As at the end of March 2019, the retail brokerage entities of the Group maintained 268.4 thousand investment accounts. The Group's brokerage entities were serving 173,0 thousand accounts with an active access to services through remote channels, in particular through the Internet and mobile applications. As at the end of March 2019, direct service of individual customers was conducted through nationwide network of 431 points of brokerage services.

As of March 31, 2019, the total value of assets deposited on investment accounts run by the Group's retail brokerage entities amounted to PLN 21.3 billion.

The Group's brokerage entities, depends on individual business decisions, served:

- 3 sales offers of Structured Certificates under Trzeci Program Emisji Strukturyzowanych Certyfikatów Depozytowych issued by Bank Pekao S.A., registering records for the total amount of PLN 193 million (Dom Maklerski),
- 3 public bond offers, registering records for the total amount of PLN 36.1 million (Dom Maklerski, CDM),
- 2 offers for the sale of non-public Investment Certificates of Zamknięte Investment Funds, registering records for the total amount of PLN 34.8 million (CDM),

Additionally, Dom Maklerski acted as the Offering entity for the issue of Investment Certificates of PZU FIZ Akord for the AB and AC series.

In the first quarter of 2019, CDM introduced to its offer modern investment platform eTrader Pekao, which basic advantage is to gather all the most important elements of the client's investment process in one place - from access to stock quotes and information from the market, through analyzes and data on companies, to full transactional service. eTrader Pekao platform is equipped with advanced functions allowing for planning, analysis and control of investments, and the intuitive interface and wide personalization options ensures comfort of service.

In March, CDM expanded the availability of investment advisory services by lowering the minimum value of assets required to issue recommendations and extending the number of Service Points where the service is provided.

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Electronic banking for Individuals

In the first quarter of 2019, the Bank provided the process of independent online opening of the account by the client. Identity verification is carried out using facial biometrics and an identity card. The service is available online for 24h / 7 days.

The Bank provides modern PeoPay mobile banking which is both an application for banking operations and payments. The PeoPay application offers innovative solution in the market such as biometric technology for payments authorization: fingerprint and Face ID, payments for online shopping in mobile phone without logging into Internet banking, scanning banking account number directly from invoice instead of rewrite it to the application. In addition, the application gives the opportunity to pay by mobile phone also abroad (or a foreign online store) directly from the account held in the foreign currency without any additional fees and commissions for currency conversion. New PeoPay application, enables execution of transactions in PLN as well as in selected foreign currencies without FX conversion thanks to connection with corresponding currency accounts. The PeoPay application is available for devices with Android and iOS operational systems. Thanks to the PeoPay application it is possible to make payments in over 741 thousand of terminals in Poland (NPB data as at the end of the third quarter of 2018) i.e. ca. 99% of total number of POS and in ca. 6 million terminals abroad as well as in majority of on-line shops in Poland and on-line shops with Apple Pay or Masterpass logo abroad.

In the PeoPay mobile banking is offered 24 hours a day foreign currency service as well as management of payment cards that allows customers to activate or cancel payment card and change withdrawal and card payment limits. The user of the application can also set on the PeoPay main screen information about the amount of the account balance before logging in (the amount or percentage). Thanks to the PeoPay application, it is also possible to verify the client during a conversation with a banking consultant. In the PeoPay application, BLIK codes are available for cash withdrawals from ATMs, deposits in all cash deposit machines of Planet Cash and Euronet, payments in POS terminals and online. In 2019 Bank implemented BLIK recurring payments, i.e. quick and simplified payments made with BLIK, for example payment of invoices, subscriptions, and payments for utilities. The service is available only in 2 banks. With the PeoPay application since 2019, customers can also contactlessly withdraw from contactless ATMs in Poland.

Bank as one of the first banks in Poland provided Apple Pay service and as only one institution in Poland offers to its customers a possibility to connect Apple Pay with personal account through the PeoPay mobile banking without having payment card. Both customers with individual and company accounts can use the PeoPay application and the BLIK system to deposit cash into their accounts at the ATMs of two networks of payment networks - Euronet and Planet Cash. The Bank released the Ukrainian version of PeoPay.

In the first quarter of 2019, all the e-banking services of Pekao24 were changed in the scope of assigning names to defined transfers. Currently, the names of defined transfers may contain more than one word, Polish letters and special characters.

The number of individual clients actively using mobile banking increased by 30% year on year.

(in thousand)

	31.03.2019	31.03.2018
Number of individual users with an access to electronic banking Pekao24 as at the end of period ^(*)	2,087.7	1,894.4
Number of individual users actively using electronic banking Pekao24 as at the end of period ^(**)	1,899.2	1,510.2
Number of individual users with an access to mobile banking as at the end of period ^(***)	1,288.9	989.1

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

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

(***) Unique users of the Bank's mobile applications and the mobile service light m.pekao24.pl who logged in to the mobile banking in the fourth quarter (when using different mobile channels, the customer counts only once).

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Small and micro enterprises (SME)

In the first quarter of 2019, the Bank has been consistently implementing the growth strategy in the Small and Medium Enterprises segment. The dedicated Business Centres allow clients to receive the support of qualified Advisors supported by Product Specialists (in the scope of FX transaction, leasing and factoring service, or EU Funds). Thanks to them Bank offered to customers modern products, solutions and specialist knowledge which supports their development at every stage of their business.

The bank optimized the processes, adapting them to the needs and specificity of these customer groups. Initiatives are being undertaken in order to simplify, facilitate and accelerate processes related to financing tailored to the needs of the company.

In order to ensure the highest service quality for SME the Bank strengthening teams, their competences, while ensuring comprehensive offer and providing innovative financial solutions as well as improving flexibility in communication with the Bank.

In the first quarter 2019, the Bank signed an agreement with the European Investment Bank (EIB). The obtained funds will allow refinancing projects related to increasing the energy efficiency of small and medium-sized enterprises in the Kujawsko-Pomorskie voivodship.

Moreover, during the conference organized in Warsaw, the Bank presented the ninth edition of the "Report on the situation of micro and small enterprises". In 2019, the Report was prepared not only on the basis of the study of micro and small companies but also medium-sized enterprises employing up to 249 people. The special subject of this edition was the foreign expansion of Polish companies, especially exports. For the first time, the Report was presented in a digitized form - an interactive on-line tool that allows you to compare results and study trends in the situation of companies from the last 9 years.

Electronic banking for business customers

SME customers of the Bank use the PekaoBiznes24 system (with extensive Internet banking and fully transactional mobile application) and the Pekao24 dla firm system (the Pekao24 system for entrepreneurs) with the PeoPay application. Both systems are an integral part of Konto Przekorzystne Biznes and Pakiety Mój Biznes (My Business Packages).

Within of the Pekao24 electronic banking the business customers have access to the most modern in the country mobile banking application PeoPay which is both an application for banking operations and payments. The PeoPay application offers innovative solution in the market such as biometric technology for payments authorization, payments for online shopping in mobile phone without logging into Internet banking, BLIK and Apple Pay payment, scanning banking account number directly from invoice instead of rewrite it to the application. In addition, the application gives the opportunity to pay by mobile phone also abroad (or a foreign online store) directly from the account held in the foreign currency without any additional fees and commissions for currency conversion.

As at the end of March 2019, 192.7 thousand business users had an access to the electronic banking, and 138.2 thousand are active users.

As at the end of March 2019, 53.3 thousand business users had an access to the mobile banking application for SME clients, and 33.7 thousand were active users. The number of business users with an access to the mobile banking application increased by 19 thousand compared to the end of March 2018.

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Corporate customers

Market position and main directions of the activities

Bank Pekao S.A., in accordance with the adopted strategy, remains the first choice Bank for corporate clients providing both the comprehensive services of a universal bank and all the other financial services available on the Polish market (including leasing, factoring and investment advisory in, among others, M&A area).

The Bank's services are used by every second large company in Poland. The Corporate Banking and MIB Division is currently servicing nearly 13 thousand of entities, including c.a. 2.5 thousand foreign clients and over 2.5 thousand local government units and municipal companies.

The Bank maintains its position of a leading corporate bank and the leader in innovative product solutions for enterprises and institutions. A wide range of products, innovative solutions and an individual approach ensure comprehensive financial services to enterprises, institutions and public sector units.

The Bank is available to clients at every stage of their business activity. The Bank supports the financial management processes of the production and sales network, automation of service processes, finances the development of products and services and provides advisory and funds for investments and international expansion. "Tailor-made" solutions of Bank Pekao S.A. for corporate banking are recognized both in Poland and internationally. Specialized knowledge and experience in the arrangement and financing of investments, trading in Treasury securities, custodian business and a depository bank, trade finance or real estate finance are the areas of corporate banking appreciated by clients and a group of independent, national and international experts.

Participation in the most challenging and most prestigious transactions, leading position in the corporate banking market and numerous awards are a proof of confidence in the expertise and experience of the Bank's specialists and the value that the Bank creates for the clients.

Transactional services

The Bank strengthens a leading market position within the scope of the comprehensive transactional products offer for corporate clients. Apart from the PekaoBiznes24 Internet platform, which offers the widest range of products and financial services, and is the most commonly chosen electronic banking system for companies in Poland, the Bank provides also the Pekao Connect – a high-tech solution integrating financial-accounting systems of client with the Bank system, which enables automation of payment orders process and receiving feedback information on banking operations.

Key achievements in the area of the Bank's transactional banking in the first quarter of 2019 include:

- an increase in the number and volume of domestic transfers by 9% and 4% year on year respectively,
- processing within the framework of Pekao Collect service (mass payments identification) over 38 million transactions with the total volume of PLN 50 billion, i.e. an increase by nearly 6% and 14% year on year respectively,
- an increase in volumes of foreign incoming and outgoing transfers by 15% and 17% year on year respectively and an increase in the number of foreign incoming and outgoing transfers by 17% and 6% year on year.

In March, corporate clients were given the opportunity to use the Apple Pay service. Users of MasterCard corporate payment cards (excluding prepaid cards and debit cards in EUR) using Apple devices can add payment cards to the Wallet application and they can make card payments with the use of this application.

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Trade finance

In the first quarter of 2019, the Bank recorded a significant increase in turnover and involvement in the area of financed receivables, as compared to the first quarter of 2018. Turnover increased by 30% q/q, whereas commitment grew by 21% q/q. The Bank also registered the 22% growth of commitment in the area of extended guarantees and the 5% increase of commitment resulting from import LCs q/q. Achieving such results was possible thanks to the continuous adjustment of trade finance products to the needs of clients and the increasing automation of processes.

In the first quarter of 2019, Bank Pekao S.A. continued cooperation with Bank Gospodarstwa Krajowego regarding participation in the Export Letters of Credit Program, which allows the Bank to confirm and discount export letters of credit from countries with higher risk, having executed consecutive deals supporting Polish companies in their expansion on foreign markets.

In the first quarter of 2019, the Bank executed the first deals within the framework of the Open Financing Platform (OFP). The platform provides comprehensive, fully electronic service of the financing process and purchase of receivables. It enables to process and manage invoices both from the issuer's and recipient's side. Large corporations, medium and small-sized enterprises as well as the persons running a sole proprietorship business activity can benefit from the OPF. The platform will significantly accelerate the processes of handling the receivables of current and potential clients. In addition, thanks to the solutions applied, the platform will allow reaching the contractors of the Bank's clients who have not cooperated with the Bank so far. The Bank financed over 400 invoices with volume exceeding PLN 13 million.

Cooperation with international clients

The Department of International Banking and Export Financing, established at the Bank's Head Office in 2018, has the mission of supporting export plans of the Polish companies present on foreign markets or considering expansion abroad. Companies operating in Poland are provided in the Bank with the package of the most advantageous financial solutions adapted to the business model.

A key element of support, and at the same time a condition for strengthening the presence of domestic entities on foreign markets, is providing the clients with more attractive products offer for financing foreign contracts.

In the first quarter of 2019, the Bank signed a Cooperation Agreement with the PolChambers, associating more than 5 thousand companies on five continents. Thanks to this Agreement the Bank will gain an easier access to companies operating worldwide and will be able to provide them with a wide range of services, including a special offer for financing exports from Poland.

Investment banking, structured finance and commercial real estates

The Bank consistently supports the development of enterprises and infrastructure through financing, organizing and securing the transactions. It offers clients a wide range of services in the field of project financing, structured financing and commercial real estate project financing.

The Bank finances projects aimed at redevelopment of brownfield sites in order to improve common space. The Bank provides financing allowing the activity and development of enterprises operating on the Polish market, and at the same time, participates in transactions executed abroad by companies from Poland.

In the first quarter of 2019, the Bank participated, among others, in the following financing projects for corporate clients:

- syndicated financing for an entity from the wood processing industry, total loan amount: EUR 230 million,
- syndicated financing for the manufacturer of products made of wood, total loan amount ca. EUR 200 million,
- financing the activity of one of the leading producers in the FMCG industry, total loan amount PLN 250 million,
- financing for a cable TV operator in the amount of ca. PLN 200 million,
- financing the buyout of shareholder for a pharmaceutical company, total loan amount ca. PLN 200 million,
- financing the activity of a company from the media industry, total loan amount PLN 120 million,
- financing the activity of suppliers of retail chain networks in the amount of PLN 100 million.

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In the first quarter 2019, new loans for financing commercial real estate amounted to nearly PLN 400 million and included, among others, the following transactions:

- participation in financing the construction of the biggest office building complex in Poland, the total loan amount EUR 350 million,
- loan for financing the development of the leader of the Polish mining industry, the total loan amount USD 220 million,
- loan for financing the construction of a logistics park granted to a leading developer operating on the Polish market, in the amount of nearly PLN 110 million,
- participation in the transaction concerning the financing of maritime infrastructure.

Issuance of debt instruments

In the area of arrangement and management of commercial debt securities, as at 31 March 2019, Bank Pekao S.A. has 19% market share (the 2nd place), including 19% market share in arrangement of corporate bonds issues, 18% in the segment of bank debt securities and 24% market share in arrangement of municipal bonds issues.

In the first quarter 2019, non-treasury debt securities (of enterprises, banks and municipal units) were issued through the Bank for a total amount of approximately PLN 3.2 billion, of which the following transactions of debt securities issue deserve special attention.

In the first quarter 2019, the Bank issued non-Treasury debt securities (of corporates, banks and local governments) for the total amount of ca. PLN 3.2 billion, including in particular the following transactions of debt securities issue:

- issue of six series of bonds with maturity up to 1 year for a company from the leasing industry in the total amount of nearly PLN 2 billion,
- issue of two series of 3-year bonds for a company from the developer sector for the total amount of PLN 190 million,
- issue of three series of bonds with maturity of up to 3 years for a leasing company belonging to the international financial group for the total amount of PLN 150 million.

Cooperation with international and domestic financial institutions

Bank Pekao S.A. maintains correspondent relations with 1.6 thousand Polish and foreign banks (according to the number of swift keys).

As at 31 March 2019, the Bank maintains 75 nostro accounts with 47 banks in 26 countries; it runs 222 loro accounts for 202 foreign clients (banks and other financial institutions) from 48 countries and 48 current accounts for 41 foreign financial institutions.

The Bank also intermediates in the execution of transactions on behalf of clients of other domestic banks, running 35 loro accounts for 13 Polish banks and maintaining 6 nostro accounts with 1 Polish bank.

The Bank also renders services for Polish banks and branches of foreign banks in Poland in terms of purchase and sale of foreign and domestic currency.

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Comprehensive service of the public sector finances

In the first quarter 2019, Bank Pekao S.A. maintained the position of a leading bank in the area of ongoing service and financing of the Polish public sector. Bank Pekao S.A. is recognizable and effective both in cooperation with metropolises and smaller municipalities as well as with communal companies, co-creating and developing Polish infrastructure.

In that period, the Bank provided financing in the amount of over PLN 778 million for the public sector's development projects, including about PLN 300 million for the public transport sector. The Bank's participation in financing different areas of municipal economy has contributed to a significant improvement in the life quality of local communities.

The most important transactions of the Bank concluded in the first quarter 2019 are as follows:

- increasing the current bond issue program of Port Lotniczy Gdańsk Sp. z o.o. by PLN 363 million for implementation of the project aimed at developing a passenger terminal at the airport together with the construction of two office buildings as part of the Airport City Gdańsk – the first such project in Poland,
- signing an annex to the agreement of revenue bonds issue program of Gdańskie Autobusy i Tramwaje Sp. z o.o. for the amount of nearly PLN 160 million for implementation of the investment based on purchasing a new rolling stock and the investment in transport infrastructure,
- bond issue program of Gdańskie Autobusy i Tramwaje Sp. z o.o. for the amount of PLN 125 million to be used for pre-financing of the EU subsidy and VAT financing related to the investment in new rolling stock and transport infrastructure,
- bond issue program of Zarząd Komunalnych Zasobów Lokalowych Sp. z o.o. for the amount of PLN 117 million aimed at financing the construction of new municipal houses,
- signing an annex worth over PLN 14 million extending the bond issue program of Łódzka Kolej Aglomeracyjna Sp. z o.o. intended for investments in transport infrastructure.

EU Funds and Public Programs

As part of the implementation of the strategy providing for development of cooperation of the Pekao Group with small and medium-sized companies, the Bank signed an agreement with the European Investment Bank worth almost PLN 150 million. The obtained funds will allow refinancing projects related to increasing the energy efficiency of small and medium-sized enterprises in the Kujawsko-Pomorskie voivodship. Within 5 years, Bank Pekao is planning to grant investment loans on preferential terms even to as many as 100 small and medium enterprises in the region. The funds come from the EU funds for the years 2014-2020 (EFSI program), and Bank Pekao is the only bank with such an offer.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

5.7 Awards

The activity of Bank Pekao S.A. has been appreciated by clients, industry experts, the market and media for years, which translates into many awards and distinctions received both in Poland and on international arena. The measures aimed at providing clients with the highest quality products and services and the innovation of proposed solutions have gained professional recognition. The selected major awards and distinctions received in the first quarter of 2019.

Bank Pekao S.A. for the consecutive time Best Trade Finance Provider in Poland

For the fourth consecutive time, Bank Pekao S.A. was awarded with the title of the "Best Trade Finance Provider in Poland 2018" according to the survey organized by prestigious Euromoney magazine. The Bank received the titles of Market Leader in Poland and Best Services in Poland.

Award is granted base on a survey in which the customers selected the best trade finance solutions in three banks where they use trade finance products. Bank Pekao S.A. again received the most votes among banks operating in Poland.

WSE: Bank Pekao S.A. as the largest organizer of bonds issues on Catalyst market

The Bank was awarded by the Management Board of the Warsaw Stock Exchange for the highest value non-treasury debt securities arranged and introduced in 2018 on the Catalyst market. In 2018 the value of issues issued through Bank Pekao is over PLN 17 billion. Bank Pekao S.A. it has been the leader of the DCM market in Poland for over a dozen years.

The Best Investment Bank in Poland for the third time in a row

Bank Pekao S.A. was ranked the "The Best Investment Bank in Poland" in the prestigious competition of the international Global Finance magazine.

The award was granted by a group of industry experts taking into account the reported deals completed in the past year. The opinion of financial circles, scope of provided advice and service and the institution's ability to structure transactions were also analysed in addition to the applications submitted for the competition. Other criteria included bank's market share, distribution network, pricing as well as the ability to respond to market needs, innovation and reputation.

The best bank financing mergers and acquisitions

Bank Pekao S.A. was once again honoured with the prestigious title of the Bank of the Year in the CEE M&A Awards 2019 competition.

Private Equity fund managers, international experts on mergers and acquisitions recognized the leading role of Bank Pekao S.A. in arranging acquisition financing for transactions that were completed in 2018 in Central and Eastern Europe.

The highest note for Private Banking services

Private Banking has already received the highest note for the third time - a prestigious five-star rating in private banking services, carried out by the Polish edition of the Forbes magazine. The quality of private banking offers is assessed by a representative group using private banking services, with special emphasis on solutions that correspond to market trends.

The title of „Instytucji Roku 2018" awarded by the MojeBankowanie.pl

The Bank received the title of the institution of the year in two categories:

- The best quality of business customer service,
- Friendly opening of a company account.

The Bank's activities aimed at achieving the position of an efficiency and quality expert on the market were appreciated.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

5.8 Factors which will affect the results of the Group

The activity of Bank Pekao S.A. and the Group's companies is in majority conducted on the Polish territory, hence the Group's performance will be mainly affected by economic situation in the country and international events that have influence on domestic economy.

In 2019 Polish GDP growth is expected to slow to 4% from high dynamics posted in 2017 and 2018. Such developments will be mainly driven by external factors, in particular expected deterioration in global economic conditions, in particular weaker demand on the main export markets. Main risks of even slower growth are linked to potential further negative impact of the United Kingdom leaving the European Union (Brexit) and increase in trade tensions between the U.S. and its main trading partners (so-called trade wars). The scale of the slowdown will be curbed by the proposed fiscal package (higher budget spending and tax cuts).

In 2019 tax and regulatory environment invariably plays key role. In particular, this includes tax on certain financial institutions, high capital requirements, growing contributions to Bank Guarantee Fund (BFG), costs of further adjustment to a number of regulatory solutions (MIFID II, RODO, PSD II, MREL, among others), as well as introduction in Poland of cap on asset management fees. Maintained strict tax and regulatory environment may constrain banks' credit expansion and impact their financial results.

Monetary policy has major impact on banks' results. With moderate inflationary pressure and expected economic slowdown, the probability of interest rate hike in Poland in 2019 is low, which is unfavourable for financial results of the sector.

Household deposits growth pace in 2019 should remain relatively high, though may decelerate towards the end of the year and finish with slightly slower pace than at the end of 2018. This is due to, among others, somewhat weaker growth of wage bill in economy. In terms of corporate deposits a further increase in pace – from relatively low levels – can be expected. Announced fiscal stimulus is going to have a substantial impact (favourable for growth pace) on whole deposit base.

As for household loans, a slowdown can be expected in 2019. Somewhat weaker activity on housing market may have an impact on new mortgage loans' growth pace, while portfolio of FX mortgages is steadily diminishing (such loans are now virtually not being given in Poland) and existing loans portfolio repayments are growing in size. Moreover, slightly subdued consumer sentiment may translate into weaker growth of consumer loans (especially taking into consideration high activity and therefore base from 2018). These effects may be however partially offset by mentioned fiscal stimulus. Given the slowdown in GDP growth, risks in some of the economy's branches and persistent regulatory uncertainty, a rather flat growth pace of corporate loans can be expected.

Taking into consideration the fact, that 2019 is election year, regulations on FX mortgages can have substantial impact. The Polish Parliament has received four regulatory proposition on the subject, including two presidential, which are being under analysis of sub-commission specifically designated for this purpose. Presidential project, which has comparatively highest probability of implementation proposes, among others, extended opportunities and lower requirements for getting aid by troubled credit holders, as well as introduction of special Conversion Fund with fees gathered from banks (the contribution may cost sector up to PLN 2.5 billion per year). The entry into force of this or one of the other considered regulations may have a strong negative impact on the financial performance of banks with a significant portfolio of foreign currency denominated mortgages. However, taking into account the relatively minor share of these loans in the total assets of the Bank (almost entirely acquired as a result of the merger of the spun-off part of Bank BPH SA in 2007), Bank Pekao S.A. assesses that potentially taken solutions should not materially affect the financial standing of the Group.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

6 Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 31 March, 2019 and 2018 respectively is presented in the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2019.

The Report on activities of Bank Pekao S.A. Group for 2019 includes statement of financial position in a short form and income statement in a presentation form as well as the key, selected items from these statements are discussed.

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

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of March 2019, the total assets of Bank Pekao S.A. constitutes 96.4% of the total assets of the whole Group.

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

ASSETS	31.03.2019		31.03.2018		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	7,443.9	3.8%	8,046.5	4.4%	(7.5%)
Loans and advances to banks ^(*)	3,109.3	1.6%	4,203.5	2.3%	(26.0%)
Customers' financing ^(**)	143,079.8	72.8%	131,930.1	72.2%	8.5%
Securities ^(***)	35,067.2	17.8%	32,006.4	17.5%	9.6%
Property, plant and equipment and intangible assets	3,502.6	1.8%	2,887.5	1.6%	21.3%
Other assets	4,437.2	2.2%	3,670.1	2.0%	20.9%
Total assets	196,640.0	100.0%	182,744.1	100.0%	7.6%

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

(**) Including net investments in financial leases to customers and non-treasury debt securities.

(***) Including financial assets held for trading, other financial instruments at fair value through profit and loss and excluding non-treasury debt securities.

EQUITY AND LIABILITIES	31.03.2019		31.03.2018		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	5.0	0.0%	6.0	0.0%	(16.7%)
Amounts due to other banks	6,987.5	3.6%	5,486.2	3.0%	27.4%
Amounts due to customers	150,684.6	76.6%	140,824.8	77.1%	7.0%
Debt securities issued	5,389.1	2.7%	3,482.8	1.9%	54.7%
Subordinated liabilities	2,029.0	1.0%	1,267.4	0.7%	60.1%
Repo transactions	421.0	0.2%	1,688.3	0.9%	(75.1%)
Lease liabilities	547.3	0.3%	-	x	x
Other liabilities	7,481.6	3.9%	6,978.8	3.8%	7.2%
Total equity, including	23,094.9	11.7%	23,009.8	12.6%	0.4%
non-controlling interests	10.9	x	-	x	x
Total equity and liabilities	196,640.0	100.0%	182,744.1	100.0%	7.6%

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

Customers' Financing Customer structure of loans and advances

(in PLN million)

	31.03.2019	31.03.2018 ^(*)	CHANGE
Loans and advances at nominal value	148,111.5	136,814.9	8.3%
Loans and investments in financial leases	138,020.8	124,947.6	10.5%
Retail	72,406.9	65,501.0	10.5%
Corporate	65,613.9	59,446.6	10.4%
Non-treasury debt securities	10,090.7	11,867.3	(15.0%)
Other ^(**)	1,295.6	1,460.4	(11.3%)
Impairment allowances	(6,327.3)	(6,345.2)	(0.3%)
Customers' financing	143,079.8	131,930.1	8.5%

^(*) Data after reclassified, methodology unified for all periods with restricted interests, written off in June 2018.

^(**) Including interest and receivables in transit.

As at the end of March 2019, loans and advances at nominal value amounted to PLN 148,111.5 million, an increase of PLN 11,296.6 million, i.e. 8.3% in comparison to the end of March 2018 with significant growth in key strategic areas.

As at the end of March 2019, the volume of retail loans amounted to PLN 72,406.9 million, an increase of PLN 6,905.9 million, i.e. 10.5% in comparison to the end of March 2018.

As at the end of March 2019, corporate loans and non-treasury debt securities amounted to PLN 75,704.6 million, an increase of PLN 4,390.7 million, i.e. 6.2% in comparison to the end of March 2018.

Receivables and impairment losses^(*)

(in PLN million)

	31.03.2019	31.03.2018 ^(**)	CHANGE
Gross receivables	149,407.1	138,275.3	8.1%
Stage 1	120,663.3	109,089.6	10.6%
Stage 2	20,800.0	21,428.1	(2.9%)
Stage 3	7,943.8	7,757.6	2.4%
Impairment allowances	(6,327.3)	(6,345.2)	(0.3%)
Stage 1	(390.0)	(388.1)	0.5%
Stage 2	(680.2)	(764.6)	(11.0%)
Stage 3	(5,257.1)	(5,192.5)	1.2%
Total net receivables	143,079.8	131,930.1	8.5%

^(*) Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

^(**) Data after reclassified, methodology unified for all periods with restricted interests, written off in June 2018.

As at the end of March 2019 the ratio of impaired receivables (stage 3) to the gross receivables amounted 5.3%.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

Loans and advances to customers by currency^(*)

	31.03.2019		31.03.2018 ^(**)		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	123,411.6	82.6%	115,302.8	83.4%	7.0%
Denominated in foreign currencies ^(**)	25,995.5	17.4%	22,972.5	16.6%	13.2%
Total	149,407.1	100.0%	138,275.3	100.0%	8.1%
Impairment allowances	(6,327.3)	x	(6,345.2)	x	(0.3%)
Total net	143,079.8	x	131,930.1	x	8.5%

(*) Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

(**) Data after reclassified, methodology unified for all periods with restricted interests, written off in June 2018.

(**) Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish zloty; as at the end of March 2019, their share was 82.6%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (76.7%), CHF (13.0%) and USD (9.5%).

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

	31.03.2019		31.03.2018 ^(**)		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	17,627.4	11.8%	15,686.4	11.3%	12.4%
1 to 3 months	4,956.8	3.3%	5,112.5	3.7%	(3.0%)
3 months to 1 year	14,422.3	9.7%	11,001.8	8.0%	31.1%
1 to 5 years	46,759.3	31.3%	43,490.2	31.5%	7.5%
Over 5 years	64,345.7	43.1%	61,524.0	44.5%	4.6%
Other	1,295.6	0.9%	1,460.4	1.1%	(11.3%)
Total	149,407.1	100.0%	138,275.3	100.0%	8.1%
Impairment allowances	(6,327.3)	x	(6,345.2)	x	(0.3%)
Total net	143,079.8	x	131,930.1	x	8.5%

(*) Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

(**) Data after reclassified, methodology unified for all periods with restricted interests, written off in June 2018.

As at the end of March 2019, loans and advances with maturity over 5 years represents 43.1% of total loans and advances (mainly attributed to mortgage loans and receivables for which the maturity date already passed).

Information on loan concentration is included in the Note 26 and 27 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2019.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

External sources of financing

(in PLN million)

	31.03.2019	31.03.2018	CHANGE
Amounts due to Central Bank	5.0	6.0	(16.7%)
Amounts due to other banks	6,987.5	5,486.2	27.4%
Amounts due to customers	150,684.6	140,824.8	7.0%
Debt securities issued	5,389.1	3,482.8	54.7%
Subordinated liabilities	2,029.0	1,267.4	60.1%
Repo transactions	421.0	1,688.3	(75.1%)
Total external sources of financing	165,516.2	152,755.5	8.4%

Amounts due to customers amounted to PLN 150,684.6 million, an increase by 7.0% to significant extent contributed to dynamic increase in loans.

The deposit base is widely diversified and is 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.

Amounts due to customers and debt securities issued

(in PLN million)

	31.03.2019	31.03.2018	CHANGE
Corporate deposits	63,035.1	63,322.2	(0.5%)
Non-financial entities	43,245.3	45,777.8	(5.5%)
Non-banking financial entities	7,149.4	6,269.3	14.0%
Budget entities	12,640.4	11,275.1	12.1%
Retail deposits	87,194.0	77,020.6	13.2%
Other ⁽¹⁾	455.5	482.0	(5.5%)
Amounts due to customers⁽²⁾	150,684.6	140,824.8	7.0%
Debt securities issued, of which	7,418.1	4,750.2	56.2%
Structured Certificates of Deposit (SCD)	709.0	423.3	67.5%
Certificates of Deposit (CD)	1,160.4	1,105.1	5.0%
Subordinated bonds	2,000.0	1,250.0	60.0%
Pekao Bank Hipoteczny S.A. covered bonds	1,416.1	1,165.2	21.5%
Pekao Bank Hipoteczny S.A. bonds	299.8	-	x
Pekao Leasing Sp. z o.o. bonds	1,786.1	773.2	>100%
Interest	46.7	33.4	39.8%
Amounts due to customers and debt securities issued⁽³⁾	158,102.7	145,575.0	8.6%
Repo transactions	421.0	1,688.3	(75.1%)
Lease liabilities	547.3	-	x
Amounts due to customers and debt securities issued, total⁽⁴⁾	159,071.0	147,263.3	8.0%
Investment funds of Pekao TFI S.A. (ex. Pioneer Pekao TFI)	20,033.5	18,750.2	6.8%
Bond and money market funds	15,955.1	13,968.9	14.2%
Balanced funds	2,237.3	2,559.0	(12.6%)
Equity funds	1,841.1	2,222.3	(17.2%)
including distributed through the Group's network	19,667.4	18,452.6	6.6%

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

(2) Excluding repo transactions and lease liabilities.

(3) Including repo transactions and lease liabilities.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

As at the end of March 2019, amounts due to the Group's customers and debt securities issued amounted to PLN 158,102.7 million, an increase of PLN 12,527.7 million, i.e. 8.6% in comparison to the end of March 2018.

The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 88,315.7 million as at the end of March 2019, an increase of PLN 10,427.4 million, i.e. 13.4% in comparison to the end of March 2018.

The total volume of corporate deposits, Certificates of Deposit, subordinated bonds, Pekao Bank Hipoteczny S.A. covered bonds and bonds, Pekao Leasing Sp. z o.o. bonds, interest and other amounted to PLN 69,787.0 million as at the end of March 2019, an increase of PLN 2,100.3 million, i.e. 3.1% as compared to the end of March 2018.

Repo transactions amounted to PLN 421.0 million as at the end of March 2019, a decrease by PLN 1,267.3 million, i.e. 75.1% as compared to the end of March 2018.

The value of net assets of investment funds managed by Pekao TFI S.A. (ex. Pioneer Pekao TFI S.A.) amounted to PLN 20,033.5 million as at the end of March 2019, an increase of PLN 1,283.3 million, i.e. 6.8% in comparison to the end of March 2018.

Amounts due to customers by currency⁽¹⁾

	31.03.2019		31.03.2018		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	124,227.0	82.4%	115,588.8	82.1%	7.5%
Denominated in foreign currencies	26,457.6	17.6%	25,236.0	17.9%	4.8%
Total	150,684.6	100.0%	140,824.8	100.0%	7.0%

⁽¹⁾ Including interest and amounts due in transit and excluding repo transactions and lease liabilities.

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of March 2019 amounted to 82.4%. The majority of amounts due to customers denominated in foreign currencies were in EUR (63.1%) and USD (30.3%).

Amounts due to customers by contractual maturities⁽¹⁾

	31.03.2019		31.03.2018		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	95,544.2	63.6%	84,042.8	59.9%	13.7%
Term deposits	54,684.9	36.4%	56,300.0	40.1%	(2.9%)
Total deposits	150,229.1	100.0%	140,342.8	100.0%	7.0%
Interest accrued	189.2	x	165.5	x	14.3%
Funds in transit	266.3	x	316.5	x	(15.9%)
Total	150,684.6	x	140,824.8	x	7.0%

⁽¹⁾ Excluding repo transactions and lease liabilities.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

6.2 The consolidated income statement – presentation form

Net profit of Bank Pekao S.A. Group attributable to equity holders of the first quarter of 2019 amounted to PLN 242.3 million and was lower by PLN 150.0 million, than net profit for the first quarter of 2018, due to increase of the fee for contribution to resolution fund of banks by PLN 228.2 million, with net operating profit higher by PLN 107.6 million i.e. 12.3% from net operating profit achieved in the first quarter of 2018.

The consolidated income statement – presentation form

(in PLN million)

	1 QUARTER OF 2019	1 QUARTER OF 2018	CHANGE
Net interest income	1,300.4	1,205.7	7.9%
Net fee and commission income	603.6	588.1	2.6%
Dividend income	0.4	0.2	100.0%
Trading result	28.1	44.3	(36.6%)
Net other operating income and expenses	16.9	13.6	24.3%
Net non-interest income	649.0	646.2	0.4%
Operating income	1,949.4	1,851.8	5.3%
Operating costs	(858.7)	(851.5)	0.8%
Gross operating profit	1,090.7	1,000.3	9.0%
Net impairment losses on financial assets and off-balance sheet commitments	(109.7)	(126.9)	(13.6%)
Net operating profit	981.0	873.4	12.3%
Net result on other provisions	(4.7)	(0.3)	>100%
Bank Guarantee Fund fee	(393.2)	(174.3)	125.6%
Tax on certain financial institutions	(148.9)	(138.3)	7.7%
Net result on investment activities	2.1	2.9	(27.6%)
Profit before tax	436.3	563.4	(22.6%)
Income tax expense	(193.3)	(171.1)	13.0%
Net profit	243.0	392.3	(38.1%)
Attributable to equity holders of the Bank	242.3	392.3	(38.2%)
Attributable to non-controlling interest	0.7	-	x

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

Operating income

In the first quarter of 2019, the Group's operating income amounted to PLN 1,949.4 million and was higher by 5.3% year on year than operating income in the first quarter of 2018.

Total net interest income

(in PLN million)

	1 QUARTER OF 2019	1 QUARTER OF 2018	CHANGE
Interest income	1,598.0	1,478.6	8.1%
Interest expense	(297.6)	(272.9)	9.1%
Net interest income	1,300.4	1,205.7	7.9%

Net interest income, in the first quarter of 2019, amounted to PLN 1,300.4 million and was higher by PLN 94.7 million, i.e. 7.9% compared to the first quarter of 2018, mainly driven by higher volumes of loans and deposits as well as higher margin.

In the first quarter of 2019, the interest income amounted to PLN 1,598.0 million and was higher by PLN 119.4 million year on year thanks to higher income from loans and advances to customers by PLN 117.6 million, as a result of an increase in loan volumes by 8.3% year on year.

In the first quarter of 2019, the interest expense amounted to PLN 297.6 million and was higher by PLN 24.7 million year on year, mainly due to the increase in expenses related to debt securities issued due to the issuance of subordinated bonds in October 2018, with slightly lower costs related to deposits, despite an increase in deposit volumes by 7.0% year on year.

Lower interest expenses related to deposits resulted from the changes of term structure towards current deposit and changes of segment structure towards retail deposit.

The interest margin achieved in the first quarter of 2019 amounted to 2.86% and was higher by 0.04 p.p.

Net non-interest income

(in PLN million)

	1 QUARTER OF 2019	1 QUARTER OF 2018	CHANGE
Fee and commission income	684.9	675.4	1.4%
Fee and commission expense	(81.3)	(87.3)	(6.9%)
Net fee and commission income	603.6	588.1	2.6%
Dividend income	0.4	0.2	100.0%
Trading result	28.1	44.3	(36.6%)
of which gains on disposal of AFS assets	11.6	23.9	(51.5%)
Net other operating income and expense	16.9	13.6	24.3%
Net non-interest income	649.0	646.2	0.4%

The Group's net fee and commission income in the first quarter of 2019, amounted to PLN 603.6 million and was higher by PLN 15.5 million, i.e. 2.6% compared to the first quarter of 2018, mainly due to higher commission on loans growing by 15.4% year on year, higher on cards, and higher income on margins on foreign exchange transactions with clients.

In the first quarter of 2019, other income amounted to PLN 45.4 million and was lower by PLN 12.7 million as compared to the first quarter of 2018, mainly due to lower gains on disposal of AFS assets.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

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

(in PLN million)

	1 QUARTER OF 2019	1 QUARTER OF 2018	CHANGE
Net fee and commission income	603.6	588.1	2.6%
on loans	115.6	100.2	15.4%
on cards	87.6	75.6	15.9%
on mutual funds	107.8	109.9	(1.9%)
on brokerage activate	15.3	29.7	(48.5%)
on margins on foreign exchange transactions with clients	115.5	104.5	10.5%
other	161.8	168.2	(3.8%)

Operating costs

The operating costs amounted to PLN 858.7 million in the first quarter of 2019. They were higher by PLN 7.2 million, i.e. 0.8% as compared to the first quarter of 2018, mainly due to the double higher financial supervision authority fee. Excluding growth of that fee, operating expenses would be lower by PLN 5.4 million, i.e. 0.6% compared to the first quarter of 2018.

On January 1, 2019, the Group has adopted International Financial Reporting Standard No.16, as a result of which the operating cost structure changed by increasing depreciation costs while reducing other administrative expenses.

(in PLN million)

	1 QUARTER OF 2019	1 QUARTER OF 2018	CHANGE
Personnel expenses	(479.4)	(500.3)	(4.2%)
Other administrative expenses	(250.6)	(263.4)	(4.9%)
of which Financial supervision authority fee (KNF)	(24.7)	(12.1)	>100%
Depreciation and amortization	(128.7)	(87.8)	46.6%
Operating costs	(858.7)	(851.5)	0.8%

In the first quarter of 2019, cost / income ratio amounted to 44.0% in comparison with cost / income ratio of 46.0% in the first quarter of 2018.

As of March 31, 2019, the Group employed 16,815 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 17,456 employees as at the end of March 2018.

As of March 31, 2019, the Bank employed 14,591 employees as compared to 15,366 employees as at the end of March 2018.

Bank Guarantee Fund fee

Bank Guarantee Fund fee in the first quarter of 2019, amounted to PLN 393.2 million, a increase of PLN 218.9 million, i.e. in comparison with the first quarter of 2018 due to the increase the fee for contribution to resolution fund of banks.

Tax on certain financial institutions

Tax on certain financial institutions in the first quarter of 2019, it amounted to PLN 148,9 million and was higher by PLN 10.6 million, i.e. 7.7% in comparison with the first quarter of 2018, due to an increase in Group's assets by 7.6%.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

6.3 The structure of the net profit

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

(in PLN million)

	1 QUARTER OF 2019	1 QUARTER OF 2018	CHANGE
Net profit of Bank Pekao S.A.	259.3	434.7	(40.3%)
Entities consolidated under full method			
Pekao Investment Management S.A.	30.4	20.9	45.5%
Pekao Leasing Sp. z o.o.	13.0	8.6	51.2%
Centralny Dom Maklerski Pekao S.A.	5.7	7.6	(25.0%)
Pekao Faktoring Sp. z o.o.	3.8	3.1	22.6%
Pekao Financial Services Sp. z o.o. ^(*)	2.2	1.5	46.7%
Pekao Powszechne Towarzystwo Emerytalne S.A. w likwidacji(d. Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.) ^(**)	0.2	1.8	(88.9%)
Pekao Fundusz Kapitałowy Sp. z o.o. w likwidacji	0.1	0.1	0.0%
Dom Inwestycyjny Xelion Sp. z o.o.	0.1	1.1	(90.9%)
Centrum Bankowości Bezpośredniej Sp. z o.o.	0.0	1.5	x
FPB "MEDIA" Sp. z o.o.	0.0	0.3	x
Centrum Kart S.A.	0.0	(0.3)	x
Pekao Property S.A. w likwidacji ^(***)	0.0	0.1	x
Pekao Investment Banking S.A.	(1.7)	7.5	x
Pekao Bank Hipoteczny S.A.	(1.9)	0.3	x
Exclusions and consolidation adjustments ^(****)	(68.9)	(96.5)	(28.6%)
Net profit of the Group attributable to equity holders of the Bank	242.3	392.3	(38.2%)

^(*) On June 4, 2018, the District Court registered the increase of share capital of Pekao Financial Services Sp. z o.o. related to the transaction of the takeover by the Company, pursuant to art. 529 § 1 point 4 of the Code of Commercial Companies (division by separation) of an organized part of the enterprise separated from PZU Centrum Operacji S.A. As a result, a new shareholder of the Company, PZU SA, was disclosed in the National Court Register, which took up shares in the increased share capital in the amount of 4,534 with the total value of PLN 2,267,000. At present, the share capital of the Company amounted to PLN 6,767,000. Bank Pekao S.A. holds 66.50% of votes and capital of the Company, while PZU S.A. holds 33.50%.

^(**) On April 24, 2018, the Polish Financial Supervision Authority issued a consent for PTE PZU S.A. to take over the management of Pekao Otwarty Fundusz Emerytalny (Pekao OFE) and Dobrowolny Fundusz Emerytalny Pekao (DFE Pekao), previously managed by Pekao PTE S.A. As a result of this decision, from May 19, 2018, PTE PZU S.A. has taken over the management of Pekao OFE and DFE Pekao funds. The transaction was classified as an intra-group transaction and the result of this transaction was recognized in the Group's equity.

On June 1, 2018, the Extraordinary General Meeting of Pekao PTE S.A. adopted a resolution to dissolve the Company and to open its liquidation as of that date. Currently, the Company operates under the name Pekao PTE S.A. in liquidation.

^(***) On March 1, 2019 the Extraordinary General Meeting of Shareholders of Pekao Property S.A. took the resolution to dissolve the company and to open its liquidation from that date. Currently, the company will operate under the name Pekao Property SA. in liquidation.

^(****) Includes, among others, transactions within the Group (including dividends from subsidiaries for the previous years), gain related to acquisition of shares of Pekao Investment Management S.A. (ex. Pioneer Pekao Investment Management S.A.) and Dom Inwestycyjny Xelion Spółka z o.o. and net profit attributable to non-controlling interest.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

The results of Bank Pekao S.A.

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

(in PLN million)

	1 QUARTER OF 2019	1 QUARTER OF 2018	CHANGE
Net interest income	1,267.4	1,175.2	7.8%
Net non-interest income	588.4	619.9	(5.1%)
Operating income	1,855.9	1,795.1	3.4%
Operating costs	(771.9)	(773.2)	(0.2%)
Gross operating profit	1,084.1	1,021.9	6.1%
Net impairment losses on financial assets and off-balance sheet commitments	(101.1)	(117.4)	(13.9%)
Net operating profit	983.0	904.5	8.7%
Net result on other provisions	(4.7)	(0.7)	>100%
Bank Guarantee Fund fee	(390.5)	(173.6)	>100%
Tax on certain financial institutions	(148.9)	(138.3)	7.7%
Net result on investment activities	2.0	2.9	(31.0%)
Profit before tax	440.9	594.8	(25.9%)
Net profit	259.3	434.7	(40.3%)

Net profit of the Bank for the first quarter of 2019 amounted to PLN 259.3 million and was lower by PLN 175.4 million, i.e. 40.3% than net profit achieved in the first quarter of 2018, due to increase of the fee for contribution to resolution fund of banks by PLN 226,6 million, with net operating profit higher by PLN 78.5 million i.e. 8.7% from net operating profit achieved in the first quarter of 2018.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

The main Bank's financial information are as follows:

	31.03.2019	31.03.2018	CHANGE
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS (in PLN million)			
Loans and advances at nominal value ^(*)	140,647.9	132,198.4	6.4%
Amounts due to customers	151,301.8	141,489.9	6.9%
Structured Certificates of Deposit	709.0	423.3	67.5%
Certificates of Deposit	1,160.4	1,105.1	5.0%
Subordinated bonds	2,000.0	1,250.0	60.0%
Repo transactions	421.0	1,688.3	(75.1%)
Total assets	189,494.1	178,519.8	6.1%
Investment funds distributed through the Bank's network	18,704.0	17,599.9	6.3%
Total capital ratio in %	18.4%	18.3%	0.1 p.p.

(*) Including loans and non-treasury debt securities.

As at the end of March 2019, loans and advances at nominal value amounted to PLN 140,647.9 million, an increase of PLN 8,449.5 million, i.e. 6.4% in comparison to the end of March 2018. As at the end of March 2019, the volume of retail loans amounted to PLN 71,422.4 million and the volume of corporate loans amounted to PLN 59,134.8 million.

As at the end of March 2019, the amounts due to customers, Structured Certificates of Deposit, Certificates of Deposit and subordinated bonds amounted to PLN 155,171.2 million, an increase of PLN 10,902.9 million, i.e. 7.6% in comparison to the end of March 2018.

The value of net assets of investment funds managed by Pekao TFI S.A. (ex. Pioneer Pekao TFI S.A.) distributed through the Bank's network amounted to PLN 18,704.0 million as at the end of March 2019, an increase of PLN 1,104.1 million, i.e. 6.3% in comparison to the end of March 2018.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

Results of the Bank's major related entities

Pekao Investment Management S.A. – Pekao IM

In the first quarter of 2019, consolidated net profit of Pekao IM amounted to **PLN 30.4 million** compared with PLN 20.9 million in the first quarter of 2018. The higher result is related to the increase in net assets of investment funds managed by Pekao TFI S.A. by ca. 6.8% compared to the end of March 2018 as well as changes in the remuneration method for distributors of TFI units adjusted to MIFID regulatory requirements.

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

In the first quarter of 2019, Pekao Leasing reported a net profit of **PLN 13.0 million** compared with PLN 8.6 million in the first quarter of 2018. In the first quarter of 2019, Pekao Leasing signed over 3.6 thousand new agreements, i.e. 29.9% increase year on year, while the value of leased assets was higher by 45.5% year on year and amounted to PLN 832.5 million.

Centralny Dom Maklerski Pekao S.A. – CDM

In the first quarter of 2019, net profit of CDM amounted to **PLN 5.7 million** compared with PLN 7.6 million profit earned in the first quarter of 2018, influenced by lower turnover on the WSE, caused by less favourable situation on capital markets.

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

In the first quarter of 2019, Pekao Faktoring reported a net profit of **PLN 3.8 million** compared with PLN 3.1 million in the first quarter of 2018, influenced by an increasing factoring commitment (increase by 58.7% year on year) and favourable situation on factoring market.

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

In the first quarter of 2019, PFS reported a net profit in the amount of PLN 2.2 million (the Bank's share in the company's was **PLN 1.5 million**) compared with PLN 1.5 million in the first quarter of 2018. The results of the quarter 2019, was influenced by the acquisition of the PZU Centrum Operacji S.A. by PFS on second quarter of 2018. This transaction allowed possible to take over PTE PZU S.A. and TFI PZU S.A. within the scope of the transfer agent service and extending the scope of service to PZU Życie S.A.

Pekao Powszechne Towarzystwo Emerytalne S.A. w likwidacji – Pekao PTE

In the first quarter of 2019, Pekao PTE reported net profit of **PLN 0,2 million** compared with PLN 1.8 million in the first quarter of 2018. Pekao PTE is in liquidation from June 1, 2018 and does not conduct activities.

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

In the first quarter of 2019, DI Xelion reported a net profit in the amount of **PLN 0.1 million** compared with PLN 1.1 million in the first quarter of 2018, caused by less favourable situation on capital markets.

Centrum Bankowości Bezpośredniej Sp. z o.o. – CBB

In the first quarter of 2019, CBB reported a net profit in the amount of **PLN 0.02 million** compared with PLN 1.5 million in the first quarter of 2018, influenced by the smaller number of marketing and sales campaigns and the increasing pressure on telemarketers' salaries.

Pekao Investment Banking S.A. – Pekao IB

In the first quarter of 2019, PIB reported a loss of **PLN 1.7 million** compared with PLN 7.5 million in the first quarter of 2018. The result of the current period was influenced by a smaller number of investment advisory transactions.

Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny

In the first quarter of 2019, Pekao Bank Hipoteczny reported a loss of **PLN 1.9 million** compared with PLN 0.3 million in the first quarter of 2018, mainly as a result of the higher level of the fee for contribution to resolution fund of banks.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

6.4 Net impairment losses

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	1 QUARTER OF 2019	1 QUARTER OF 2018	1 QUARTER OF 2019	1 QUARTER OF 2018
financial assets measured at amortized cost	(83.9)	(140.9)	(75.1)	(128.9)
financial assets measured at fair value through other comprehensive income	(17.7)	7.9	(17.4)	7.8
financial liabilities measured at amortized cost	(8.1)	6.1	(8.6)	3.7
Net impairment losses on financial assets and off-balance sheet commitments	(109.7)	(126.9)	(101.1)	(117.4)

The Group's net impairment losses on financial assets and off-balance sheet commitments amounted to PLN 109.7 million in the first quarter of 2019, an decrease of PLN 17.2 million, i.e. 13.6% as compared with the first quarter of 2018.

The Bank's net impairment losses on financial assets and off-balance sheet commitments amounted to PLN 101.1 million in the first quarter of 2019, an decrease of PLN 16.3 million i.e. 13.9% as compared with the first quarter of 2018.

6.5 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Total provisions	636.1	632.0	657.1	627.6
of which:				
provisions for off-balance sheet commitments	248.9	266.6	280.3	277.6
provisions for liabilities to employees	330.7	343.1	322.1	334.1
other provisions	56.5	22.3	54.7	15.9
Deferred tax liabilities	31.6	33.5	-	-
Deferred tax assets	1,169.6	1,049.5	864.8	800.5

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

6.6 Off-balance sheet items

Statement of Off-balance sheet items

(in PLN million)

	31.03.2019	31.03.2018	CHANGE
Contingent liabilities granted and received	66,502.9	60,817.4	9.3%
Liabilities granted:	45,932.3	45,965.6	(0.1%)
financial	33,234.9	34,156.0	(2.7%)
guarantees	12,697.4	11,809.6	7.5%
Liabilities received:	20,570.6	14,851.8	38.5%
financial	662.2	214.0	>100%
guarantees	19,908.4	14,637.8	36.0%
Derivative financial instruments	246,151.9	197,038.4	24.9%
interest rate transactions	146,663.6	103,938.6	41.1%
transactions in foreign currency and in gold	96,083.0	91,601.4	4.9%
transactions based on commodities and equity securities	3,405.3	1,498.4	>100%
Total off-balance sheet items	312,654.8	257,855.8	21.3%

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

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.

Capital ratios, capital requirements and own funds have been calculated in accordance with the above mentioned CRR Regulation using national options defined in article 171a of The Banking Act, Act of 5 August 2015 on macro-prudential supervision over financial system and crisis management in financial system (Act on macro-prudential supervision), as well as regulations of minister in charge of the finance.

According to law, Group is required to maintain minimal values of capital ratios resulting from Pillar I level (CRR Regulation), capital requirement of Pillar II resulting from The Banking Act and combined buffer requirement resulting from Act on macro-prudential supervision.

Minimal value of capital ratios on Pillar I level are:

- Total capital ratio (TCR) in amount of 8%,
- Tier I capital ratio (T1) in amount of 6%,
- Common Equity Tier I capital ratio (CET 1) in amount of 4.5%.

For Group, capital requirement of Pillar II, resulting from individual requirement imposed on Pekao Bank Hipoteczny, by KNF, amounts to:

- 0.01% for total capital ratio,
- 0.0075% for capital Tier I.

Combined buffer requirement consists of:

- Capital conservation buffer in amount of 2.50%,
- Countercyclical capital buffer in amount of 0.01%¹,
- Other systemically important institution buffer in amount of 0.75%,
- Systemic risk buffer in amount of 2.74%².

In total, Group is required to maintain:

- Total capital ratio (TCR) in amount of 14.01%,
- Capital ratio Tier I (T1) in amount of 12.00%,
- Common Equity Tier (CET 1) in amount of 10.50%.

As of March 31, 2019 for Group, total capital ratio amounted to 17.1% and Tier I ratio amounted to 15.5% The capital ratios were significantly above the minimum required by the law.

¹ Countercyclical capital buffer was calculated as of 31.03.2019 at the level 0.0074%

² The systemic risk buffer rate is 3% of the total risk exposure amount for all exposures located only on the territory of the Republic of Poland

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

The table below presents the basic information concerning the Group capital adequacy as of March 31, 2019, December 31, 2018 and March 31, 2018 according to regulation which were in force at those dates.

(in PLN thousand)

CAPITAL REQUIREMENT	31.03.2019	31.12.2018	31.03.2018
Credit risk	9,488,187	9,300,015	8,919,460
Exceeding the exposure concentration limit and large exposures limit			
Market risk	69,438	63,294	63,831
Counterparty credit risk including CVA	91,389	86,875	124,566
Operational risk	512,970	564,145	564,145
Total capital requirement	10,161,984	10,014,329	9,672,001
OWN FUNDS			
Common Equity Tier I Capital	19,743,939	19,796,894	19,391,206
Tier II Capital	2,000,000	2,000,000	1,250,000
Own funds for total capital ratio	21,743,939	21,796,894	20,641,206
Common Equity Tier I Capital ratio (%)	15.5%	15.8%	16.0%
Total capital ratio TCR (%)	17.1%	17.4%	17.1%

The level of Group Total Capital Ratio at the end of March 2019 was on the same level as at the end of March 2018.

Increase in own funds for total capital ratio calculation by 5.3% resulted from including in Tier II capital the amount of PLN 0.75 billion from the issue of subordinated bonds.

Total capital requirement increased by 5.1% mainly due to higher credit risk capital requirement resulting mainly from increase in loan volumes.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

6.8 Reconciliation of income statement – presentation form and long form

Consolidated income statement for the first quarter of 2019

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTER OF 2019
Net interest income		<u>1,300,396</u>
Net fee and commission income	Net fee and commission income	<u>603,579</u>
Dividend income	Dividend income	<u>386</u>
Trading result		<u>28,119</u>
	Net result on other financial instruments at fair value through profit and loss	17,663
	Result on fair value hedge accounting	(976)
	Gains (losses) on derecognition of debt securities not measured at fair value through profit or loss	11,556
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(124)
Net other operating income and expenses		<u>16,918</u>
Net non-interest income		649,002
Operating income		1,949,398
Operating costs		<u>(858,685)</u>
	Personnel expenses	(479,424)
	Other administrative expenses	(792,637)
	less – Bank Guarantee Fund fee	393,162
	less – Tax on certain financial institutions	148,861
	Depreciation and amortization	(128,647)
Gross operating profit		1,090,713
Net impairment losses on financial assets and off-balance sheet commitments	Net impairment losses on loans and off-balance sheet commitments	<u>(109,683)</u>
Net operating profit		981,030
Net result on other provisions	Net result on other provisions	<u>(4,729)</u>
Bank Guarantee Fund fee	Bank Guarantee Fund fee	(393,162)
Tax on certain financial institutions	Tax on certain financial institutions	(148,861)
Net result on investment activities		<u>2,108</u>
	(Gains) losses on disposal of property, plant and equipment and intangible assets.	2,108
	Impairment losses on subsidiaries and associates	-
	(Gains) losses on the sale of shares in subsidiaries and associates	-
Profit before income tax		436,386
Income tax expense	Income tax expense	<u>(193,321)</u>
Net profit for the period	Net profit for the period	243,065
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	242,341
Attributable to non-controlling interest	Attributable to non-controlling interest	724

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

Consolidated income statement for the first quarter of 2018

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTER OF 2018
Net interest income		1,205,690
Net fee and commission income	Net fee and commission income	588,054
Dividend income	Dividend income	157
Trading result		44,294
	Net result on other financial instruments at fair value through profit and loss	19,125
	Result on fair value hedge accounting	1,337
	Gains (losses) on disposal of available for sale financial assets and held to maturity investments	23,853
	(Gains) losses on disposal of financial liabilities	(21)
Net other operating income and expenses		13,625
Net non-interest income		646,130
Operating income		1,851,820
Operating costs		(851,480)
	Personnel expenses	(500,346)
	Other administrative expenses	(575,968)
	less – Bank Guarantee Fund fee	174,313
	less – tax on certain financial institution	138,301
	Depreciation and amortization	(87,780)
Gross operating profit		1,000,340
Net impairment losses on financial assets and off-balance sheet commitments	Net impairment losses on loans and off-balance sheet commitments	(126,961)
Net operating profit		873,379
Net result on other provisions	Net result on other provisions	(299)
Bank Guarantee Fund fee	Bank Guarantee Fund fee	(174,313)
Tax on certain financial institution	Tax on certain financial institution	(138,301)
Net result on investment activities		2,923
	Gains (losses) on disposal of property, plant and equipment and intangible assets.	2,923
	Impairment losses on subsidiaries and associates	-
	Gains (losses) on disposal of subsidiaries and associates	-
Profit before income tax		563,389
Income tax expense	Income tax expense	(171,064)
Net profit for the period	Net profit for the period	392,325
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	392,325
Attributable to non-controlling interest	Attributable to non-controlling interest	-

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

7 Quarterly Income Statement

7.1 Consolidated income statement – long form

Consolidated income statement for 2019 and 2018 - Provided for comparability purposes.

(in PLN thousand)

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Interest income	1,597,982	1,583,797	1,544,067	1,515,910	1,478,564
Interest expense	(297,586)	(289,047)	(286,078)	(280,373)	(272,874)
Net interest income	1,300,396	1,294,750	1,257,989	1,235,537	1,205,690
Fee and commission income	684,885	746,940	714,682	707,067	675,428
Fee and commission expense	(81,306)	(108,670)	(95,695)	(89,794)	(87,374)
Net fee and commission income	603,579	638,270	618,987	617,273	588,054
Dividend income	386	161	245	19,623	157
Result on financial assets and liabilities measured at fair value through profit or loss	17,663	12,249	26,507	16,539	19,125
Result on fair value hedge accounting	(976)	(2,435)	1,159	662	1,337
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	11,432	76,333	14,261	27,245	23,832
Operating income	1,932,480	2,019,328	1,919,148	1,916,879	1,838,195
Net impairment losses on financial assets and off-balance sheet commitments	(109,683)	(104,855)	(155,277)	(123,932)	(126,961)
Net result on financial activity	1,822,797	1,914,473	1,763,871	1,792,947	1,711,234
Administrative expenses	(1,272,061)	(921,453)	(922,069)	(980,579)	(1,076,314)
personnel expenses	(479,424)	(490,883)	(490,526)	(554,827)	(500,346)
other administrative expenses ^(*)	(792,637)	(430,570)	(431,543)	(425,752)	(575,968)
Depreciation and amortization	(128,647)	(101,076)	(92,672)	(89,893)	(87,780)
Net result on other provisions	(4,729)	406	(297)	(13,768)	(299)
Net other operating income and expenses	16,918	24,222	13,574	12,095	13,625
Operating costs	(1,388,519)	(997,901)	(1,001,464)	(1,072,145)	(1,150,768)
Gains (losses) on subsidiaries and associates	-	-	-	-	-
Gains (losses) on disposal of property, plant and equipment, and intangible assets	2,108	60,194	30,843	(6,863)	2,923
Profit before income tax	436,386	976,766	793,250	713,939	563,389
Income tax expense	(193,321)	(227,567)	(186,941)	(173,962)	(171,064)
Net profit for the period	243,065	749,199	606,309	539,977	392,325
Attributable to equity holders of the Bank	242,341	749,227	605,793	539,815	392,325
Attributable to non-controlling interest	724	(28)	516	162	-

^(*) Other administrative expenses includes tax on certain financial institutions and Bank Guarantee Fund fee.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

7.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for 2019 and 2018

(in PLN thousand)

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net profit	243,065	749,199	606,309	539,977	392,325
Other comprehensive income					
Item that are or may be reclassified subsequently to profit or loss:					
Change in fair value of financial assets measured at fair value through other comprehensive income	(9,750)	1,339	(43,433)	(51,033)	109,292
Profit or loss on fair value measurement	1,806	66,174	(29,511)	(23,939)	133,146
Profit or loss reclassification to income statement after derecognition	(11,556)	(64,835)	(13,922)	(27,094)	(23,854)
Change in fair value of cash flow hedges	64,768	94,773	(28,960)	(3,531)	(17,323)
Tax on items that are or may be reclassified subsequently to profit or loss	(10,453)	(18,261)	13,754	10,367	(17,474)
Items that will never be reclassified to profit or loss:					
Effects of the revaluation or sale of investments in equity instruments designated at fair value through other comprehensive	802	(11,786)	1,463	(13,940)	(5,431)
Remeasurements of the defined benefit liabilities	-	463	-	-	-
Tax on items that will never be reclassified to profit or loss	(152)	2,163	(279)	2,649	1,032
Other comprehensive income (net of tax)	45,215	68,691	(57,455)	(55,488)	70,096
Total comprehensive income	288,280	817,890	548,854	484,489	462,421
1. Attributable to equity holders of the Bank	287,556	817,925	548,338	484,327	-
2. Attributable to non-controlling interests	724	(35)	516	162	-

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

7.3 Consolidated income statement – presentation form

Consolidated income statement for 2019 and 2018

	(in PLN thousand)				
	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	1,300,396	1,294,750	1,257,989	1,235,537	1,205,690
Net fee and commission income	603,579	638,270	618,987	617,273	588,054
Dividend income	386	161	245	19,623	157
Trading result	28,119	86,147	41,927	44,446	44,294
Net other operating income and expenses	16,918	24,222	13,574	12,095	13,625
Net non-interest income	649,002	748,800	674,733	693,437	646,130
Operating income	1,949,398	2,043,550	1,932,722	1,928,974	1,851,820
Operating costs	(858,685)	(847,710)	(843,295)	(901,896)	(851,480)
Gross operating profit	1,090,713	1,195,840	1,089,427	1,027,078	1,000,340
Net impairment losses on financial assets and off-balance sheet commitments	(109,683)	(104,855)	(155,277)	(123,932)	(126,961)
Net operating profit	981,030	1,090,985	934,150	903,146	873,379
Net result on other provisions	(4,729)	406	(297)	(13,768)	(299)
Bank Guarantee Fund fee	(393,162)	(30,655)	(30,512)	(29,983)	(174,313)
Tax on certain financial institutions	(148,861)	(144,164)	(140,934)	(138,593)	(138,301)
Net result on investment activities	2,108	60,194	30,843	(6,863)	2,923
Profit before income tax	436,386	976,766	793,250	713,939	563,389
Income tax expense	(193,321)	(227,567)	(186,941)	(173,962)	(171,064)
Net profit	243,065	749,199	606,309	539,977	392,325
Attributable to equity holders of the Bank	242,341	749,227	605,793	539,815	392,325
Attributable to non-controlling interest	724	(28)	516	162	-

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

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 2019.

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

According to information available to the Bank as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019 and as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the year 2018 the Members of the Bank's management and supervisory bodies did not held shares of Bank Pekao S.A.

8.3 Related party transactions

In the first quarter of 2019 the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm's length.

In the first quarter of 2019 the Bank and its subsidiaries did not provide any sureties in respect of loans or advances or did not provide any guarantees to an entity or a subsidiary of such entity, which the total value would be significant.

Detailed information on related party transactions is included in Note 41 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2019.

8.4 Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in Note 5 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2019.

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 709.0 (principal value) as at the end of March 2019. There is 13 issuances of Structured Certificates of Deposit open in PLN with the maximum maturity date on August 16, 2021. The liabilities with the maturity date in 2019, 2020 and 2021 accounts for 49.5%, 43.5% and 7.0% of its total value respectively.

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 1,160.4 million (principal value) as at the end of March 2019. There are 5 issuances of Certificates of Deposit. The liabilities with the maturity dates up to 6 months and up to 1 year represent 59.5 and 40.5% of its total value respectively.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

Subordinated bonds

On 30 October 2017 the Bank issued 10 years subordinated bonds with a total nominal value of PLN 1.25 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 21 December 2017 – to increase the Bank's supplementary capital pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 15 October 2018 the Bank issued 10 years subordinated bonds with a total nominal value of PLN 0.55 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 16 November 2018 – to increase the Bank's supplementary capital pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 15 October 2018 the Bank issued 15 years subordinated bonds with a total nominal value of PLN 0.20 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 18 October 2018 – to increase the Bank's supplementary capital pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

Pekao Bank Hipoteczny S.A. covered bonds

The total value of the company's liabilities due to covered bonds amounted to PLN 1.416.1 million (principal value) as at the end of March, 2019. The liabilities under covered bonds with maturity date up to 1 year account for 9.0% with maturity date from 1 up to 5 years account for 60.0% and with maturity date from 5 up to 10 years account for 31.0% of the total nominal value.

Pekao Bank Hipoteczny S.A bonds

The total value of the company's liabilities under bonds with maturity date to 1 year amounted to PLN 299.8 million (principal value) as of March 31, 2019.

Pekao Leasing Sp. z o.o. bonds

The total value of the company's liabilities under bonds amounted to PLN 1.786.1 million (principal value) as of March 31, 2019. The liabilities with the maturity date up to 1 months, up to 3 months and up to 1 year accounts for 11.2%, 16.0% and 72.9% of its total value respectively.

8.7 Information on dividend and appropriation of profit achieved

The Management Board of Bank Pekao S.A. informed in the current report No. 4/2019 from February 25, 2019 that on February 25, 2019 the Bank's Management Board adopted the motion regarding distribution of net profit for the financial year 2018 assuming the allocation of:

- the amount of PLN 1,732,302,224.40 for dividend payment, which translates into a dividend payout ratio of 75% of the unconsolidated net profit for the financial year 2018 and
- the amount of PLN 578,297,347.77 for the Bank's reserve capital.

The proposed dividend per share amounts to PLN 6.60. The dividend day proposed by the Bank's Management Board is 10 July 2019 and the dividend payment date is 30 July 2019.

Simultaneously, the Bank's Management Board adopted a motion regarding the covering in the full amount from the Bank's reserve capital, undistributed losses from previous years in the amount of PLN 936,747,994.04 resulting from changes in accounting principles in connection with the application for the first time of International Financial Reporting Standard No. 9

On 25 February 2019 the Bank's Management Board motions regarding the proposed distribution of net profit for the financial year 2018 and the proposed method of covering the undivided loss from previous years were positively assessed by the Supervisory Board of the Bank. These motions will be submitted to the Ordinary General Meeting of the Bank.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019

The proposed dividend payout ratio of 75% of the unconsolidated net profit for the financial year 2018 is lower than the ratio presented in the guidelines regarding distribution of the Bank's net profit for 2018-2020 published in the current report No. 29/2018 dated 19 November 2018. The lower payout results from the inclusion by the Bank's Management Board of recommendations of the PFSA regarding the criteria of the Bank's dividend policy, which the Bank published in current report No. 2/2019 dated 21 January 2019, as well as from the inclusion of the PFSA's individual recommendation regarding dividend for 2018, which the Bank published in current report No. 3/2019 dated 25 February 2019.

8.8 Pending litigations

Information on significant legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of liabilities and receivables of the Bank and its subsidiaries is included in Note 39 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2019.

8.9 Subsequent events

Conclusion of an agreement with trade unions on collective redundancies

The Management Board of Bank Pekao S.A. informed in the current report No.8/2019 from April 4, 2019, that in accordance with the Act of 13 March 2003 on special rules of terminating employment contracts for reasons not attributable to the employees (unified text Journal of Laws 2018, position 1969), adopted a resolution on the intended collective redundancies and the start of the consultation procedure for collective redundancies.

On 4 April 2019 the Bank's Management Board informed company-level trade unions about the reason for the intended collective redundancies and asked them to join the consultation process. In addition the Bank's Management Board informed the labour office of the intended collective redundancies at the Bank.

The Management Board of Bank Pekao S.A. informed in the current report No.11/2019 from April 25,2019 in relation to the current report No. 8/2019 dated 4 April 2019, informs the Bank concluded an agreement defining the principles of collective redundancies with all trade unions operating at the Bank.

The parties to the agreement agreed, among others selection criteria for employees whose employment contracts will be terminated and whose terms and conditions of employment will be amended as part of collective redundancies, severance pay conditions and additional compensation and the scope of the assistance program for dismissed employees. It was also agreed that collective redundancies will be carried out from 26 April 2019 to 31 October 2019 and will cover not more than 900 employees in case of termination of employment contracts and not more than 620 employees in case of amendment of terms and conditions of employment.

The Bank estimates all the costs amount of termination of employment contracts and amendment of terms and conditions of employment the Bank's employees related to the collective redundancies for approx. PLN 70-90 million and due to this the appropriate provision will be created in the Bank's accounting books.

Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2019



Warsaw, May 2019

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

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Consolidated income statement

(in PLN thousand)

	NOTE	I QUARTER 2019 PERIOD FROM 01.01.2019 TO 31.03.2019	I QUARTER 2018 PERIOD FROM 01.01.2018 TO 31.03.2018
Interest income	9	1 597 982	1 478 564
Financial assets measured at amortized cost		1 377 505	1 259 881
Financial assets measured at fair value through other comprehensive income		159 844	188 651
Financial assets measured at fair value through other profit or loss		60 633	30 032
Interest expense	9	(297 586)	(272 874)
Net interest income		1 300 396	1 205 690
Fee and commission income	10	684 885	675 428
Fee and commission expense	10	(81 306)	(87 374)
Net fee and commission income		603 579	588 054
Dividend income	11	386	157
Result on financial assets and liabilities measured at fair value through profit or loss	12	17 663	19 125
Result on fair value hedge accounting	28	(976)	1 337
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	13	11 432	23 832
OPERATING INCOME		1 932 480	1 838 195
Net impairment losses on financial assets and off-balance sheet commitments	14	(109 683)	(126 961)
NET RESULT ON FINANCIAL ACTIVITY		1 822 797	1 711 234
Administrative expenses	15	(1 272 061)	(1 076 314)
Personnel expenses		(479 424)	(500 346)
Other administrative expenses		(792 637)	(575 968)
Depreciation and amortization	16	(128 647)	(87 780)
Net result on other provisions		(4 729)	(299)
Net other operating income and expenses	17	16 918	13 625
OPERATING COSTS		(1 388 519)	(1 150 768)
Gains (losses) on subsidiaries and associates		-	-
Gains (losses) on disposal of property, plant and equipment and intangible assets	18	2 108	2 923
PROFIT BEFORE INCOME TAX		436 386	563 389
Income tax expense	19	(193 321)	(171 064)
NET PROFIT		243 065	392 325
1. Attributable to equity holders of the Bank		242 341	392 325
2. Attributable to non-controlling interests		724	-
Earnings per share (in PLN per share)			
basic for the period	20	0.92	1.49
diluted for the period	20	0.92	1.49

Notes to the financial statements presented on pages 19 - 110 constitute an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

(in PLN thousand)

	NOTE	I QUARTER 2019 PERIOD FROM 01.01.2019 TO 31.03.2019	I QUARTER 2018 PERIOD FROM 01.01.2018 TO 31.03.2018
Net profit		243 065	392 325
Other comprehensive income			
Item that are or may be reclassified subsequently to profit or loss:		44 565	74 495
Change in fair value of financial assets measured at fair value through other comprehensive income:		(9 750)	109 292
Profit or loss on fair value measurement		1 806	133 146
Profit or loss reclassification to income statement after derecognition		(11 556)	(23 854)
Change in fair value of cash flow hedges	28	64 768	(17 323)
Tax on items that are or may be reclassified subsequently to profit or loss	19	(10 453)	(17 474)
Items that will never be reclassified to profit or loss:		650	(4 399)
Effects of the revaluation or sale of investments in equity instruments designated at fair value through other comprehensive		802	(5 431)
Remeasurements of the defined benefit liabilities		-	-
Tax on items that will never be reclassified to profit or loss	19	(152)	1 032
Other comprehensive income (net of tax)		45 215	70 096
Total comprehensive income		288 280	462 421
1. Attributable to equity holders of the Bank		287 556	462 421
2. Attributable to non-controlling interests		724	-

Notes to the financial statements presented on pages 19 - 110 constitute an integral part of the consolidated financial statements.

Consolidated statement of financial position

(in PLN thousand)

	NOTE	31.03.2019	31.12.2018
ASSETS			
Cash and due from Central Bank	22	7 443 921	13 026 584
Loans and advances to banks	23	3 109 232	2 268 422
Financial assets held for trading	24	1 406 333	762 712
Derivative financial instruments (held for trading)	25	1 582 492	1 451 662
Loans and advances to customers	26	127 357 253	123 970 055
1. Measured at amortised cost		125 422 135	122 156 323
2. Measured at fair value through profit or loss		284 415	302 630
3. Measured at fair value through other comprehensive income		1 650 703	1 511 102
Receivables from finance leases	27	5 601 861	5 326 667
Hedging instruments	28	384 902	313 565
Investments (placement) securities	29	43 781 652	38 586 995
1. Measured at fair value through profit or loss		99 324	65 408
2. Designated at fair value through profit or loss		-	-
3. Measured at fair value through other comprehensive income (debt securities)		32 402 187	27 032 827
4. Designated at fair value through other comprehensive income (equity instruments)		233 634	232 861
5. Measured at amortised cost		11 046 507	11 255 899
Assets held for sale	30	6 628	11 550
Investments in associates		-	-
Intangible assets	31	1 484 120	1 526 746
Property, plant and equipment	32	2 018 480	1 419 942
Investment properties		11 095	11 168
Income tax assets		1 171 696	1 132 416
1. Current tax assets		2 074	1 345
2. Deferred tax assets		1 169 622	1 131 071
Other assets		1 280 351	1 281 321
TOTAL ASSETS		196 640 016	191 089 805
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to Central Bank	22	5 001	5 067
Amounts due to other banks	34	6 987 461	5 615 631
Financial liabilities held for trading	24	807 104	102 429
Derivative financial instruments (held for trading)	25	2 025 959	1 913 046
Amounts due to customers	35	151 652 851	149 491 059
Hedging instruments	28	906 784	905 056
Debt securities issued	36	5 389 142	5 230 814
Subordinated liabilities	37	2 028 985	2 012 485
Income tax liabilities		299 744	244 534
1. Current tax liabilities		268 095	211 826
2. Deferred tax liabilities		31 649	32 708
Provisions	38	636 140	635 085
Other liabilities		2 805 897	2 126 382
TOTAL LIABILITIES		173 545 068	168 281 588
Equity			
Share capital		262 470	262 470
Other capital and reserves		20 914 367	20 865 916
Retained earnings and net profit for the period		1 907 211	1 668 340
Total equity attributable to equity holders of the Bank		23 084 048	22 796 726
Non-controlling interests		10 900	11 491
TOTAL EQUITY		23 094 948	22 808 217
TOTAL LIABILITIES AND EQUITY		196 640 016	191 089 805

Notes to the financial statements presented on pages 19 - 110 constitute an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2019 to 31 March 2019

	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	OTHER				
Equity as at 01.01.2019	262 470	20 865 916	9 137 221	1 982 459	9 137 113	202 663	406 460	1 668 340	22 796 726	11 491	22 808 217
Comprehensive income	-	45 215	-	-	24	45 191	-	242 341	287 556	724	288 280
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	(7 897)	-	-	-	(7 897)	-	-	(7 897)	-	(7 897)
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	650	-	-	24	626	-	-	650	-	650
Revaluation of hedging financial instruments (net of tax)	-	52 462	-	-	-	52 462	-	-	52 462	-	52 462
Net profit for the period	-	-	-	-	-	-	-	242 341	242 341	724	243 065
Appropriation of retained earnings	-	3 270	-	-	-	-	3 270	(3 270)	-	(1 214)	(1 214)
Dividend paid	-	-	-	-	-	-	-	-	-	(1 214)	(1 214)
Profit appropriation to other reserves including consolidation adjustments	-	3 270	-	-	-	-	3 270	(3 270)	-	-	-
Other	-	(34)	-	-	(34)	-	-	(200)	(234)	(101)	(335)
Other	-	(34)	-	-	(34)	-	-	(200)	(234)	(101)	(335)
Equity as at 31.03.2019	262 470	20 914 367	9 137 221	1 982 459	9 137 103	247 854	409 730	1 907 211	23 084 048	10 900	23 094 948

Notes to the financial statements presented on pages 19 - 110 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 2018 to 31 December 2018

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK								NON - CONTROLLING INTERESTS	TOTAL EQUITY	
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD			TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER				
Equity as at 01.01.2018	262 470	20 561 177	9 137 221	1 982 459	9 099 775	(56 528)	398 250	2 444 167	23 267 814	-	23 267 814
Initial application of IFRS 9	-	236 085	-	-	-	236 085	-	(965 681)	(729 596)	-	(729 596)
Equity as at 01.01.2018 - restated	262 470	20 797 262	9 137 221	1 982 459	9 099 775	179 557	398 250	1 478 486	22 538 218	-	22 538 218
Comprehensive income	-	25 851	-	-	1 070	24 781	-	2 287 160	2 313 011	643	2 313 654
Remeasurements of the defined benefit liabilities (net of tax)	-	381	-	-	-	381	-	-	381	(7)	374
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	13 093	-	-	-	13 093	-	-	13 093	-	13 093
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(24 040)	-	-	1 070	(25 110)	-	-	(24 040)	-	(24 040)
Revaluation of hedging financial instruments (net of tax)	-	36 417	-	-	-	36 417	-	-	36 417	-	36 417
Net profit for the period	-	-	-	-	-	-	-	2 287 160	2 287 160	650	2 287 810
Appropriation of retained earnings	-	23 793	-	-	15 583	-	8 210	(2 097 306)	(2 073 513)	-	(2 073 513)
Dividend paid	-	-	-	-	-	-	-	(2 073 513)	(2 073 513)	-	(2 073 513)
Profit appropriation to other reserves including consolidation adjustments	-	23 793	-	-	15 583	-	8 210	(23 793)	-	-	-
Other	-	19 010	-	-	20 685	(1 675)	-	-	19 010	10 848	29 858
Changes in non-controlling interests	-	(3 491)	-	-	(3 513)	22	-	-	(3 491)	10 848	7 357
Transfer of management of Pekao OFE and DFE Pekao funds	-	22 680	-	-	22 680	-	-	-	22 680	-	22 680
Other	-	(179)	-	-	1 518	(1 697)	-	-	(179)	-	(179)
Equity as at 31.12.2018	262 470	20 865 916	9 137 221	1 982 459	9 137 113	202 663	406 460	1 668 340	22 796 726	11 491	22 808 217

Notes to the financial statements presented on pages 19 - 110 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 2018 to 31 March 2018

	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	OTHER				
Equity as at 01.01.2018	262 470	20 561 177	9 137 221	1 982 459	9 099 775	(56 528)	398 250	2 444 167	23 267 814	-	23 267 814
Initial application of IFRS 9	-	236 085	-	-	-	236 085	-	(956 518)	(720 433)	-	(720 433)
Equity as at 01.01.2018 - restated	262 470	20 797 262	9 137 221	1 982 459	9 099 775	179 557	398 250	1 487 649	22 547 381	-	22 547 381
Comprehensive income	-	70 936	-	-	840	70 096	-	392 325	463 261	-	463 261
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	88 527	-	-	-	88 527	-	-	88 527	-	88 527
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(3 559)	-	-	840	(4 399)	-	-	(3 559)	-	(3 559)
Revaluation of hedging financial instruments (net of tax)	-	(14 032)	-	-	-	(14 032)	-	-	(14 032)	-	(14 032)
Net profit for the period	-	-	-	-	-	-	-	392 325	392 325	-	392 325
Appropriation of retained earnings	-	3 028	-	-	968	-	2 060	(3 028)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Profit appropriation to other reserves including consolidation adjustments	-	3 028	-	-	968	-	2 060	(3 028)	-	-	-
Other	-	(852)	-	-	841	(1 693)	-	-	(852)	-	(852)
Other	-	(852)	-	-	841	(1 693)	-	-	(852)	-	(852)
Equity as at 31.03.2018	262 470	20 870 374	9 137 221	1 982 459	9 102 424	247 960	400 310	1 876 946	23 009 790	-	23 009 790

Notes to the financial statements presented on pages 19 – 110 constitute an integral part of the consolidated financial statements.

Consolidated cash flow statement

(in PLN thousand)

	NOTE	I QUARTER 2019 PERIOD FROM 01.01.2019 TO 31.03.2019	I QUARTER 2018 PERIOD FROM 01.01.2018 TO 31.03.2018
Cash flow from operating activities – indirect method			
Net profit for the period		242 341	392 325
Adjustments for:		209 311	(4 867 080)
Depreciation and amortization	16	128 647	87 780
(Gains) losses on investing activities		(13 659)	(26 747)
Net interest income	9	(1 300 396)	(1 205 690)
Dividend income	11	(386)	(157)
Interest received		1 840 806	1 577 341
Interest paid		(261 986)	(262 549)
Income tax		193 321	171 064
Income tax paid		(192 802)	(160 309)
Change in loans and advances to banks		(424 226)	(302 914)
Change in financial assets held for trading		(624 724)	388 288
Change in derivative financial instruments (assets)		(130 830)	215 139
Change in loans and advances to customers		(3 468 897)	(1 382 200)
Change in receivables from finance leases		(275 194)	(176 934)
Change in investment (placement) securities		(326 135)	(77 171)
Change in other assets		(708 814)	(149 008)
Change in amounts due to banks		2 003 439	321 252
Change in financial liabilities held for trading		704 675	62 489
Change in derivative financial instruments (liabilities)		112 913	(396 265)
Change in amounts due to customers		2 192 826	(3 665 812)
Change in debt securities issued		(31 486)	(17 143)
Change in subordinated liabilities		16 500	10 262
Payments for short-term leases and leases of low-value assets		(6 995)	X
Change in provisions		1 055	(31 477)
Change in other liabilities		781 659	153 681
Net cash flows from operating activities		451 652	(4 474 755)
Cash flow from investing activities			
Investing activity inflows		61 896 587	59 078 191
Sale of investment securities		61 891 615	58 914 036
Sale of intangible assets and property, plant and equipment		4 586	7 694
Dividend received	11	386	157
Other investing inflows		-	156 304
Investing activity outflows		(67 014 232)	(51 413 279)
Acquisition of investment securities		(66 963 278)	(51 382 644)
Acquisition of intangible assets and property, plant and equipment		(50 954)	(30 635)
Net cash flows from investing activities		(5 117 645)	7 664 912

Notes to the financial statements presented on pages 19 - 110 constitute an integral part of the consolidated financial statements.

Consolidated cash flow statement (cont.)

(in PLN thousand)

	NOTE	I QUARTER 2019 PERIOD FROM 01.01.2019 TO 31.03.2019	I QUARTER 2018 PERIOD FROM 01.01.2018 TO 31.03.2018
Cash flows from financing activities	40		
Financing activity inflows		1 613 942	1 756 712
Due to loans and advances received from banks		294 323	529 989
Issue of debt securities		1 319 619	1 226 723
Financing activity outflows		(2 113 163)	(858 878)
Repayment of loans and advances received from banks		(917 228)	(345 449)
Redemption of debt securities		(1 160 237)	(513 429)
Payments for the principal portion of the lease liabilities		(35 698)	X
Net cash flows from financing activities		(499 221)	897 834
Total net cash flows		(5 165 214)	4 087 991
including effect of exchange rate fluctuations on cash and cash equivalents held		10 538	10 856
Net change in cash and cash equivalents		(5 165 214)	4 087 991
Cash and cash equivalents at the beginning of the period		15 239 266	7 345 040
Cash and cash equivalents at the end of the period	40	10 074 052	11 433 031

Notes to the financial statements presented on pages 19 - 110 constitute an integral part of the consolidated financial statements.

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated income statement of Bank Pekao S.A.

	I QUARTER 2019 PERIOD FROM 01.01.2019 TO 31.03.2019	I QUARTER 2018 PERIOD FROM 01.01.2018 TO 31.03.2018
Interest income	1 539 945	1 441 481
Financial assets measured at amortized cost	1 318 215	1 221 630
Financial assets measured at fair value through other comprehensive income	160 422	189 529
Financial assets measured at fair value through other profit or loss	61 308	30 322
Interest expense	(272 543)	(266 273)
Net interest income	1 267 402	1 175 208
Fee and commission income	567 187	558 147
Fee and commission expense	(80 335)	(81 877)
Net fee and commission income	486 852	476 270
Dividend income	64 352	89 427
Result on financial assets and liabilities measured at fair value through profit or loss	13 523	18 272
Result on fair value hedge accounting	(976)	1 337
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	11 211	23 832
OPERATING INCOME	1 842 364	1 784 346
Net impairment losses on financial assets and off-balance sheet commitments	(101 141)	(117 396)
NET RESULT ON FINANCIAL ACTIVITY	1 741 223	1 666 950
Administrative expenses	(1 194 266)	(1 005 251)
Personnel expenses	(413 845)	(438 067)
Other administrative expenses	(780 421)	(567 184)
Depreciation and amortization	(116 951)	(79 816)
Net result on other provisions	(4 719)	(742)
Net other operating income and expenses	13 578	10 752
OPERATING COSTS	(1 302 358)	(1 075 057)
Gains (losses) on subsidiaries and associates	-	-
Gains (losses) on disposal of property, plant and equipment, and intangible assets	2 013	2 903
PROFIT BEFORE INCOME TAX	440 878	594 796
Income tax expense	(181 555)	(160 063)
NET PROFIT	259 323	434 733
Earnings per share (in PLN per share)		
basic for the period	0.99	1.66
diluted for the period	0.99	1.66

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

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

	I QUARTER 2019 PERIOD FROM 01.01.2019 TO 31.03.2019	I QUARTER 2018 PERIOD FROM 01.01.2018 TO 31.03.2018
Net profit	259 323	434 733
Other comprehensive income		
Item that are or may be reclassified subsequently to profit or loss:	44 911	68 295
Change in fair value of financial assets measured at fair value through other comprehensive income:		
Profit or loss on fair value measurement	(9 323)	101 638
Profit or loss reclassified to income statement after derecognition	2 012	125 492
Profit or loss reclassified to income statement after derecognition	(11 335)	(23 854)
Change in fair value of cash flow hedges	64 768	(17 323)
Tax on items that are or may be reclassified subsequently to profit or loss	(10 534)	(16 020)
Items that will never be reclassified to profit or loss:	650	(4 334)
Effects of the revaluation or sale of investments in equity instruments designated at fair value through other comprehensive	802	(5 351)
Remeasurements of the defined benefit liabilities	-	-
Tax on items that will never be reclassified to profit or loss	(152)	1 017
Other comprehensive income (net of tax)	45 561	63 961
Total comprehensive income	304 884	498 694

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

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

	31.03.2019	31.12.2018
ASSETS		
Cash and due from Central Bank	7 428 991	12 972 575
Loans and advances to banks	3 435 872	2 508 553
Financial assets held for trading	1 490 936	890 339
Derivative financial instruments (held for trading)	1 584 054	1 455 976
Loans and advances to customers	125 585 889	122 349 115
1. Measured at amortised cost	123 465 661	120 349 597
2. Measured at fair value through profit or loss	284 415	302 630
3. Measured at fair value through other comprehensive income	1 835 813	1 696 888
Hedging instruments	384 902	313 565
Investment (placement) securities	43 506 513	38 333 179
1. Measured at fair value through profit or loss	79 011	65 408
2. Designated at fair value through profit or loss	-	-
3. Measured at fair value through other comprehensive income (debt securities)	32 233 829	26 904 574
4. Designated at fair value through other comprehensive income (equity instruments)	233 634	232 830
5. Measured at amortised cost	10 960 039	11 130 367
Assets held for sale	6 628	11 550
Investments in subsidiaries	1 682 756	1 682 756
Investments in associates	-	-
Intangible assets	594 450	633 165
Property, plant and equipment	1 906 572	1 384 203
Investment properties	11 095	11 168
Income tax assets	864 818	840 988
1. Current tax assets	-	-
2. Deferred tax assets	864 818	840 988
Other assets	1 010 654	960 044
TOTAL ASSETS	189 494 130	184 347 176
EQUITY AND LIABILITIES		
Liabilities		
Amounts due to Central Bank	5 001	5 067
Amounts due to other banks	3 939 073	2 921 955
Financial liabilities held for trading	807 104	102 429
Derivative financial instruments (held for trading)	2 032 283	1 919 394
Amounts due to customers	152 278 344	150 132 028
Hedging instruments	906 784	905 056
Debt securities issued	1 881 691	1 732 596
Subordinated liabilities	2 028 985	2 012 485
Income tax liabilities	258 385	187 938
1. Current tax liabilities	258 385	187 938
2. Deferred tax liabilities	-	-
Provisions	657 060	654 960
Other liabilities	2 572 538	1 951 270
TOTAL LIABILITIES	167 367 248	162 525 178
Equity		
Share capital	262 470	262 470
Other capital and reserves	20 231 237	20 185 676
Retained earnings and net profit for the period	1 633 175	1 373 852
TOTAL EQUITY	22 126 882	21 821 998
TOTAL LIABILITIES AND EQUITY	189 494 130	184 347 176

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 2019 to 31 March 2019

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
Equity as at 01.01.2019	262 470	20 185 676	9 137 221	1 982 459	8 627 858	205 011	233 127	1 373 852	21 821 998	
Comprehensive income	-	45 561	-	-	-	45 561	-	259 323	304 884	
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	(7 551)	-	-	-	(7 551)	-	-	(7 551)	
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	650	-	-	-	650	-	-	650	
Revaluation of hedging financial instruments (net of tax)	-	52 462	-	-	-	52 462	-	-	52 462	
Net profit for the period	-	-	-	-	-	-	-	259 323	259 323	
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	
Dividend paid	-	-	-	-	-	-	-	-	-	
Profit appropriation	-	-	-	-	-	-	-	-	-	
Equity as at 31.03.2019	262 470	20 231 237	9 137 221	1 982 459	8 627 858	250 572	233 127	1 633 175	22 126 882	

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 2018 to 31 December 2018

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
Equity as at 01.01.2018	262 470	19 907 935	9 137 221	1 982 459	8 612 550	(57 422)	233 127	2 088 129	22 258 534	
Initial application of IFRS 9	-	240 203	-	-	-	240 203	-	(936 748)	(696 545)	
Equity as at 01.01.2018 - restated	262 470	20 148 138	9 137 221	1 982 459	8 612 550	182 781	233 127	1 151 381	21 561 989	
Comprehensive income	-	22 922	-	-	692	22 230	-	2 310 600	2 333 522	
Remeasurements of the defined benefit liabilities (net of tax)	-	327	-	-	-	327	-	-	327	
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	10 102	-	-	-	10 102	-	-	10 102	
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(23 924)	-	-	692	(24 616)	-	-	(23 924)	
Revaluation of hedging financial instruments (net of tax)	-	36 417	-	-	-	36 417	-	-	36 417	
Net profit for the period	-	-	-	-	-	-	-	2 310 600	2 310 600	
Appropriation of retained earnings	-	14 616	-	-	14 616	-	-	(2 088 129)	(2 073 513)	
Dividend paid	-	-	-	-	-	-	-	(2 073 513)	(2 073 513)	
Profit appropriation	-	14 616	-	-	14 616	-	-	(14 616)	-	
Equity as at 31.12.2018	262 470	20 185 676	9 137 221	1 982 459	8 627 858	205 011	233 127	1 373 852	21 821 998	

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 2018 to 31 March 2018

	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			OTHER
Equity as at 01.01.2018	262 470	19 907 935	9 137 221	1 982 459	8 612 550	(57 422)	233 127	2 088 129	22 258 534
Initial application of IFRS 9	-	240 203	-	-	-	240 203	-	(936 748)	(696 545)
Equity as at 01.01.2018 - restated	262 470	20 148 138	9 137 221	1 982 459	8 612 550	182 781	233 127	1 151 381	21 561 989
Comprehensive income	-	64 801	-	-	840	63 961	-	434 733	499 534
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	82 327	-	-	-	82 327	-	-	82 327
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(3 494)	-	-	840	(4 334)	-	-	(3 494)
Revaluation of hedging financial instruments (net of tax)	-	(14 032)	-	-	-	(14 032)	-	-	(14 032)
Net profit for the period	-	-	-	-	-	-	-	434 733	434 733
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-
Equity as at 31.03.2018	262 470	20 212 939	9 137 221	1 982 459	8 613 390	246 742	233 127	1 586 114	22 061 523

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated cash flow statement of Bank Pekao S.A.

	I QUARTER 2019 PERIOD FROM 01.01.2019 TO 31.03.2019	I QUARTER 2018 PERIOD FROM 01.01.2018 TO 31.03.2018
Cash flow from operating activities – indirect method		
Net profit for the period	259 323	434 733
Adjustments for:	(173 554)	(4 075 936)
Depreciation and amortization	116 951	79 816
(Gains) losses on investing activities	(13 343)	(26 726)
Net interest income	(1 267 402)	(1 175 208)
Dividend income	(64 352)	(89 427)
Interest received	1 790 896	1 673 518
Interest paid	(240 296)	(258 856)
Income tax	181 555	160 063
Income tax paid	(150 128)	(132 759)
Change in loans and advances to banks	(253 121)	(323 266)
Change in financial assets held for trading	(581 700)	281 623
Change in derivative financial instruments (assets)	(128 078)	215 990
Change in loans and advances to customers	(3 326 220)	(587 479)
Change in investment (placement) securities	(311 782)	(109 187)
Change in other assets	(686 553)	(207 067)
Change in amounts due to banks	1 023 185	367 367
Change in financial liabilities held for trading	704 675	62 489
Change in derivative financial instruments (liabilities)	112 889	(397 768)
Change in amounts due to customers	2 175 949	(3 713 070)
Change in debt securities issued	(16 856)	(12 205)
Change in subordinated liabilities	16 500	10 262
Payments for short-term leases and leases of low-value assets	(3 666)	X
Change in provisions	2 100	(26 350)
Change in other liabilities	745 243	132 304
Net cash flows from operating activities	85 769	(3 641 203)
Cash flow from investing activities		
Investing activity inflows	61 796 639	59 143 803
Sale of investment securities	61 792 168	58 898 690
Sale of intangible assets and property, plant and equipment	4 471	828
Dividend received	-	89 427
Other investing inflows	-	154 858
Investing activity outflows	(66 854 778)	(51 402 173)
Acquisition of investment securities	(66 841 813)	(51 382 644)
Acquisition of intangible assets and property, plant and equipment	(12 965)	(19 529)
Net cash flows from investing activities	(5 058 139)	7 741 630

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

	I QUARTER 2019 PERIOD FROM 01.01.2019 TO 31.03.2019	I QUARTER 2018 PERIOD FROM 01.01.2018 TO 31.03.2018
Cash flows from financing activities		
Financing activity inflows	256 125	540 903
Due to loans and advances received from banks	7 000	-
Issue of debt securities	249 125	540 903
Financing activity outflows	(152 275)	(525 112)
Repayment of loans and advances received from banks	(11 053)	(53 768)
Redemption of debt securities	(103 796)	(471 344)
Payments for the principal portion of the lease liabilities	(37 426)	X
Net cash flows from financing activities	103 850	15 791
Total net cash flows	(4 868 520)	4 116 218
including effect of exchange rate fluctuations on cash and cash equivalents held	11 797	15 014
Net change in cash and cash equivalents	(4 868 520)	4 116 218
Cash and cash equivalents at the beginning of the period	15 232 770	7 293 707
Cash and cash equivalents at the end of the period	10 364 250	11 409 925

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.

According to IFRS 10 'Consolidated financial statements', the parent entity of Bank Pekao S.A. is Powszechny Zakład Ubezpieczeń S.A. (hereinafter 'PZU S.A.') with its registered office in Warsaw at Al. Jana Pawła II 24.

The condensed consolidated interim financial statements of Bank Pekao S.A. Group for the period from 1 January 2019 to 31 March 2019 contain financial information of the Bank and its subsidiaries (together referred to as the 'Group'), and the associates accounted for using equity method.

The financial statements have been prepared on a going concern basis on the assumption that the Group will continue its business operations substantially unchanged in scope for a period of at least one year from the balance sheet date.

The share ownership structure of the Bank is presented in the Note 5.4 of the Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019.

2. Group structure

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			31.03.2019	31.12.2018
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	100.00
Pekao Investment Banking S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Pekao Powszechne Towarzystwo Emerytalne S.A. (in liquidation)	Warsaw	Pension fund management	100.00	100.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Transferable agent	66.50	100.00
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Pekao Property S.A. (in liquidation), including:	Warsaw	Real estate development	100.00	100.00
<i>FPB - Media Sp. z o.o. (*)</i>	<i>Warsaw</i>	<i>Real estate development</i>	<i>100.00</i>	<i>100.00</i>
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	Warsaw	Business consulting	100.00	100.00
Dom Inwestycyjny Xelion Sp. z o.o.	Warsaw	Financial intermediary	100.00	100.00
Pekao Investment Management S.A., including:	Warsaw	Holding	100.00	100.00
<i>Pekao TFI S.A.</i>	<i>Warsaw</i>	<i>Asset management</i>	<i>100.00</i>	<i>100.00</i>

(*) From 11 April 2019 the company is known as FPB Media Sp. z o.o. (in bankruptcy).

As at 31 March 2019 and 31 December 2018 all subsidiaries of the Bank have been consolidated.

Notes to financial statements (cont.)

(in PLN thousand)

Associates

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			31.03.2019	31.12.2018
CPF Management	Tortola, British Virgin Islands	Financial brokerage – not operating	40.00	40.00

As at 31 March 2019, the Group held no shares in entities under joint control.

Proposed division of Centralny Dom Maklerski S.A.

It is planned to divide Centralny Dom Maklerski Pekao S.A. (hereinafter 'CDM') through a transfer of a part of its assets and liabilities to the Bank and Centrum Bankowości Bezpośredniej Sp. z o.o. (hereinafter 'CBB'). The division of CDM will be effected in accordance with the procedure specified in Art. 529 § 1.1 of the Commercial Companies Code, i.e. through:

- a transfer to the Bank of a part of the assets and liabilities and the rights and obligations of CDM in the form of an organised part of the enterprise of CDM connected with the provision of brokerage services, and
- a transfer to CBB of a part of the assets and liabilities and the rights and obligations of CDM in the form of an organised part of the enterprise of CDM connected with the provision of call center services.

Pursuant to Art. 530 § 1 of the Commercial Companies Code, CDM will be wound up without liquidation proceeding on the date, on which it is struck off the register, which will occur immediately upon the registration of the share capital increase of CBB in connection with the CDM division.

3. Business combinations

In the first quarter of 2019 there were no business combinations in the Group.

4. Statement of compliance

The condensed consolidated interim financial statements of Bank Pekao S.A. Group, which have been prepared for the period from 1 January to 31 March 2019, 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 2018, including changes caused by the implementation of International Financial Reporting Standard 16 'Leases' (IFRS 16) as of 1 January 2019 (described in Note 5.2).

The consolidated financial statements of Bank Pekao S.A. Group as at and for the year ended 31 December 2018 are available at the Bank's website www.pekao.com.pl

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 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 2018, item 757) the Bank is required to publish the financial report for the three months period ended 31 March 2019, 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.

These condensed consolidated interim financial statements were authorized for issue by the Management Board on 8 May 2019.

Notes to financial statements (cont.)

(in PLN thousand)

5. Significant accounting policies

5.1 Basis of preparation of Consolidated Financial Statements

General information

Condensed Consolidated Interim Financial Statements of the Group for the first quarter of 2019 have been prepared based on the following valuation methods:

- at fair value for derivatives, financial assets and liabilities held for trading, financial assets designated as measured at fair value through profit and loss at initial recognition, equity instruments, financial assets classified to business model whose objective is achieved by both collecting contractual cash flows and selling financial assets that do not meet SPPI criteria and financial assets that do not meet SPPI criteria,
- at amortized cost for financial assets, classified to business model whose objective is to hold financial assets in order to collect contractual cash and meeting SPPI criteria at the same time, for other financial liabilities,
- at historical cost for non-financial assets and liabilities,
- non-current assets (or disposal groups) classified as held for sale are measured at the lower of the carrying amount or the fair value less costs to sell.

In the first quarter of 2019 the Group did not amend its accounting policies in respect to valuation of assets and liabilities and profit measurement, except for the changes related to application of International Financial Reporting Standard 16 'Leases' (hereinafter 'IFRS 16') as described below. The accounting policies applied by the Group in these condensed consolidated interim financial statements, except for the changes resulting from IFRS 16, are the same as those applied in the Consolidated Financial Statements of Bank Pekao S.A. Group for the year ended on 31 December 2018. Those accounting policies have been applied uniformly to all presented reporting periods and by all entities of the Group.

IFRS 16

The application of IFRS 16 resulted in changes to the Group's accounting policy regarding the recognition, measurement and presentation of lease agreements. The Group decided to recognize right-of-use assets in the item of the statement of financial position 'Property, plant and equipment' and lease liabilities - in the item of the statement of financial position 'Amounts due to customers' or 'Amounts due to banks'.

The Group recognizes the lease contract as a component of the right-to-use assets and the corresponding lease liability on the date when the subject of the lease is available for use. Each lease payment is allocated between the liability and accrued interest on the liability. Interest expense is recognized in the income statement over the lease term to obtain a constant periodic interest rate on the remaining balance of the lease liability. The right-of-use asset is depreciated on a straight-line basis over the shorter of two periods: the useful life of the asset or the lease term.

On the date when the lease commences, the Group, as the lessee, measures the lease liability in the present value of lease payments outstanding as at that date. The leasing liability includes the current value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that depend on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if the rate can be readily determined, or the Group's incremental borrowing rate.

Notes to financial statements (cont.)

(in PLN thousand)

The right-to-use assets are measured at cost, including:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the lessee, and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located, whether the lessee incurs the obligation for those costs.

Short-term lease payments and payments for leases of low-value assets are recognized as an expense in the income statement on a straight-line basis. Short-term lease contracts are lease contracts that have a lease term of 12 months or less. Low-value assets include mainly lease of space (land) for ATMs.

In accordance with the transitional provisions included in IFRS 16, the Group decided to apply IFRS 16 retrospectively with the recognition of the potential, cumulative effect of the first application in the item 'Retained earnings' as at 1 January 2019.

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 2019, had no material impact on the Group's financial statements, with the exception of IFRS 16 (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,

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 2019

IFRS 16 'Leases'

As at the date of first application of IFRS 16, i.e as at 1 January 2019, the Group recognized new right-of-use assets of the Bank's Head Office, the Bank's branches buildings, perpetual usufruct rights and IT infrastructure. For these lease contracts, previously classified as operating leases in accordance with IAS 17, the Group recognized leases as leasing liabilities measured at the present value of remaining lease payments discounted using the Group's incremental borrowing rates and recognized the right-to-use assets in the amount equal to leasing liabilities, adjusted by the amount of any prepayments or accrued lease payments relating to these leases, recognized in the statement of financial position prior to the date of first application.

The impact of first application of IFRS 16 as at 1 January 2019 is presented the table below.

IMPACT OF FIRST APPLICATION OF IFRS 16 AS AT 01.01.2019	
Property, plant and equipment	613 854
Other assets	(35 807)
Amounts due to customers	578 047

Notes to financial statements (cont.)

(in PLN thousand)

The first application of IFRS 16 had no impact on the item 'Retained earnings'.

The incremental borrowing rates calculated by the Group and applied to the leasing liabilities on 1 January 2019 were in the range (depending on the duration of the contract):

- for contracts in PLN: from 2.03% to 4.20%,
- for contracts in EUR: from 0.16% to 2.39%,
- for contracts in USD: from 3.31% to 4.11%,
- for contracts in GBP: from 1.41% to 2.78%.

The reconciliation of operating lease liabilities disclosed in accordance with IAS 17 *Leases* and the lease liabilities recognized on the date of the first application of IFRS 16 is presented in the table below.

RECONCILIATION OF LEASING LIABILITIES	
Operating lease liabilities disclosed as at 31 December 2018	391 298
Discount effect using the above disclosed incremental borrowing rates on the date of first application	(21 101)
Financial lease liabilities recognized as at 31 December 2018	7 142
Recognition of new assets in the form of perpetual usufruct rights and IT infrastructure	218 324
(Less): short-term leases recognized on a straight-line basis as expense	(10 203)
(Less): low-value leases recognized on a straight-line basis as expense	(271)
Leasing liabilities recognized as at 1 January 2019	585 189

Applying IFRS 16 for the first time, the Group applied the following practical expedients permitted by the new standard:

- application of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- exclusion the initial direct costs from the measurement of the right-of-use assets,
- a lessee may use hindsight in determining the lease term, if the contract contains options to extend or terminate the lease.

Other standards, interpretations and amendments to published standards that have been approved and published by the European Union and entered into force from or after 1 January 2019.

Notes to financial statements (cont.)

(in PLN thousand)

STANDARD/ INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
IFRS 9 (amendment) 'Financial Instruments'	Amendments to IFRS 9 - Prepayment Features with Negative Compensation – modify the existing requirements regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.	The standard's amendments did not have a material impact on the financial statements in the period of its first application.
IAS 28 (amendment) 'Investments in Associates and Joint Ventures'	Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures - were introduced to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.	The standard's amendments did not have a material impact on the financial statements in the period of its first application.
IFRIC 23 'Uncertainty over Income Tax Treatments'	It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.	The interpretation did not have a material impact on the financial statements in the period of its first application.
IAS 19 (amendment) 'Employee Benefits'	Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement – require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.	The standard's amendments did not have a material impact on the financial statements in the period of its first application.
Improvements to IFRS 2015-2017	Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3), a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11), a company accounts for all income tax consequences of dividend payments in the same way (IAS 12), and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).	The standards amendments did not have a material impact on the financial statements in the period of its first application.

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

There are no new standards, interpretations and amendments to published standards that have been issued by the International Accounting Standards Board (IASB) and have been approved by the European Union, but are not yet effective.

Notes to financial statements (cont.)

(in PLN thousand)

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 17 'Insurance Contracts'	The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' and related interpretations while applied. Date of application: annual periods beginning on or after 1 January 2021.	The Group claims that the new standard will not have a material impact on the financial statements in the period of its first application.
IFRS 3 (amendment) 'Business combinations'	The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. Date of application: annual periods beginning on or after 1 January 2020.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
IAS 1 (amendment) 'Presentation of financial statements' and IAS 8 (amendment) 'Accounting policies, changes in accounting estimates and errors'	The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Date of application: annual periods beginning on or after 1 January 2020.	The Group is currently analyzing the impact of those changes on the financial statements.

6. Accounting estimates

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

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

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

During the three months period ended 31 March 2019 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.

The principles of estimating fair value of derivative instruments and unquoted debt securities measured at fair value did not change in relation to 31 December 2018.

7. Risk management

7.1 Credit risk

The process of credit risk management, credit risk mitigation methods and rating models did not change significantly compared to those described in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2018. The selected quantitative data in these areas are presented below.

Rating models

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

Notes to the financial statements (cont.)

(in PLN thousand)

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

RATING CLASS	RANGE OF PD	31.03.2019										% PORT-FOLIO	
		GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES						
		STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)			TOTAL
				INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
MORTGAGE LOANS													
1	0.00% <= PD < 0.06%	8 524 980	1 680 597		-	10 205 577	291 821	2 794			294 615	18.6%	
2	0.06% <= PD < 0.19%	3 880 124	1 311 355		-	5 191 479	308 705	1 045			309 750	9.8%	
3	0.19% <= PD < 0.35%	20 448 617	4 079 897		32	24 528 546	332 574	26 466			359 040	44.1%	
4	0.35% <= PD < 0.73%	7 561 368	3 252 731		-	10 814 099	184 944	32 839			217 783	19.6%	
5	0.73% <= PD < 3.50%	792 865	2 065 544		-	2 858 409	96 559	29 617			126 176	5.3%	
6	3.50% <= PD < 14.00%	28 882	642 332		-	671 214	8 295	63 133			71 428	1.3%	
7	14.00% <= PD < 100.00%	595	722 502		-	723 097	-	7 277			7 277	1.3%	
Total		41 237 431	13 754 958		32	54 992 421	1 222 898	163 171			1 386 069	100.0%	
CONSUMER LOANS													
1	0.00% <= PD < 0.09%	661 523	135 345		-	796 868	59	-			59	6.9%	
2	0.09% <= PD < 0.18%	1 470 450	174 679		1	1 645 130	231	-			231	14.3%	
3	0.18% <= PD < 0.39%	2 634 938	184 469		14	2 819 421	122	-			122	24.5%	
4	0.39% <= PD < 0.90%	2 568 638	111 151		101	2 679 890	162	-			162	23.3%	
5	0.90% <= PD < 2.60%	1 743 984	121 685		91	1 865 760	48	-			48	16.2%	
6	2.60% <= PD < 9.00%	847 691	199 730		97	1 047 518	26	4			30	9.1%	
7	9.00% <= PD < 30.00%	217 340	208 939		45	426 324	-	200			200	3.7%	
8	30.00% <= PD < 100.00%	25 228	208 811		105	234 144	-	6			6	2.0%	
Total		10 169 792	1 344 809		454	11 515 055	648	210			858	100.0%	
LIMITS													
1	0.00% <= PD < 0.02%	2 085	4 234		-	6 319	87 873	296 343			384 216	35.8%	
2	0.02% <= PD < 0.11%	15 254	31 841		-	47 095	90 267	243 106			333 373	34.9%	
3	0.11% <= PD < 0.35%	19 271	57 427		1	76 699	18 944	62 105			81 049	14.5%	
4	0.35% <= PD < 0.89%	8 796	44 920		-	53 716	3 888	19 387			23 275	7.1%	
5	0.89% <= PD < 2.00%	3 028	25 042		-	28 070	833	8 198			9 031	3.4%	
6	2.00% <= PD < 4.80%	1 385	21 547		1	22 933	671	6 041			6 712	2.7%	
7	4.80% <= PD < 100.00%	527	11 104		1	11 632	613	5 447			6 060	1.6%	
Total		50 346	196 115		3	246 464	203 089	640 627			843 716	100.0%	
Individual client segment - total		51 457 569	15 295 882		489	66 753 940	1 426 635	804 008			2 230 643		

Notes to the financial statements (cont.)

(in PLN thousand)

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

		31.12.2018											
RATING CLASS	RANGE OF PD	GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES					% PORT-FOLIO	
		STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)			TOTAL
				INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT	GROUP ASSESSME		
MORTGAGE LOANS													
1	0.00% <= PD < 0.06%	8 666 275	1 780 996			-	10 447 271	287 264	2 208			289 472	19.4%
2	0.06% <= PD < 0.19%	3 938 029	1 370 048			-	5 308 077	309 139	2 864			312 003	10.2%
3	0.19% <= PD < 0.35%	19 489 854	4 889 979			33	24 379 866	303 131	27 983			331 114	44.7%
4	0.35% <= PD < 0.73%	7 122 393	3 187 017			-	10 309 410	179 126	29 801			208 927	19.0%
5	0.73% <= PD < 3.50%	687 410	1 546 084			-	2 233 494	100 814	29 487			130 301	4.3%
6	3.50% <= PD < 14.00%	34 579	586 560			-	621 139	9 470	60 148			69 618	1.2%
7	14.00% <= PD < 100.00%	554	668 569			-	669 123	19	5 094			5 113	1.2%
Total		39 939 094	14 029 253			33	53 968 380	1 188 963	157 585			1 346 548	100.0%
CONSUMER LOANS													
1	0.00% <= PD < 0.09%	655 592	142 190			-	797 782	194	-			194	7.1%
2	0.09% <= PD < 0.18%	1 453 915	189 229			-	1 643 144	335	-			335	14.7%
3	0.18% <= PD < 0.39%	2 531 257	208 958			15	2 740 230	53	-			53	24.5%
4	0.39% <= PD < 0.90%	2 440 988	126 235			94	2 567 317	42	-			42	23.0%
5	0.90% <= PD < 2.60%	1 676 831	124 991			39	1 801 861	209	-			209	16.1%
6	2.60% <= PD < 9.00%	818 889	182 305			207	1 001 401	339	-			339	9.0%
7	9.00% <= PD < 30.00%	204 291	194 604			112	399 007	-	201			201	3.6%
8	30.00% <= PD < 100.00%	19 002	205 128			75	224 205	-	7			7	2.0%
Total		9 800 765	1 373 640			542	11 174 947	1 172	208			1 380	100.0%
LIMITS													
1	0.00% <= PD < 0.02%	2 883	5 200			-	8 083	94 494	329 639			424 133	38.9%
2	0.02% <= PD < 0.11%	17 450	37 825			-	55 275	78 153	205 964			284 117	30.5%
3	0.11% <= PD < 0.35%	20 790	57 233			-	78 023	18 333	61 019			79 352	14.2%
4	0.35% <= PD < 0.89%	9 281	51 406			-	60 687	3 861	20 794			24 655	7.7%
5	0.89% <= PD < 2.00%	4 260	31 919			-	36 179	1 082	9 613			10 695	4.2%
6	2.00% <= PD < 4.80%	2 023	22 260			1	24 284	657	6 170			6 827	2.8%
7	4.80% <= PD < 100.00%	566	12 891			1	13 458	368	5 005			5 373	1.7%
Total		57 253	218 734			2	275 989	196 948	638 204			835 152	100.0%
Individual client segment - total		49 797 112	15 621 627			577	65 419 316	1 387 083	795 997			2 183 080	

Notes to the financial statements (cont.)

(in PLN thousand)

The distribution of rated portfolio for corporate client segment (excluding impaired loans)

		31.03.2019											
RATING CLASS	RANGE OF PD	GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES					% PORT-FOLIO	
		STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)			TOTAL
				INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
CORPORATES													
1	0.00% <= PD < 0.15%	622 654	14 745			-	637 399	1 801 578	5 220			1 806 798	4.7%
2	0.15% <= PD < 0.27%	2 497 116	61 745			-	2 558 861	3 490 326	29 853			3 520 179	11.6%
3	0.27% <= PD < 0.45%	3 697 619	43 866			-	3 741 485	2 938 354	75 510			3 013 864	12.9%
4	0.45% <= PD < 0.75%	4 736 312	161 936			-	4 898 248	5 545 392	344 689			5 890 081	20.7%
5	0.75% <= PD < 1.27%	4 566 909	942 785			-	5 509 694	5 541 337	569 603			6 110 940	22.2%
6	1.27% <= PD < 2.25%	3 904 336	187 495			-	4 091 831	2 419 942	316 129			2 736 071	13.1%
7	2.25% <= PD < 4.00%	1 019 661	276 112			-	1 295 773	1 128 745	369 918			1 498 663	5.4%
8	4.00% <= PD < 8.50%	1 086 875	1 253 941			-	2 340 816	1 753 391	291 230			2 044 621	8.4%
9	8.50% <= PD < 100.00%	69 509	202 115			-	271 624	184 335	74 245			258 580	1.0%
Total		22 200 991	3 144 740			-	25 345 731	24 803 400	2 076 397			26 879 797	100.0%
SMEs													
1	0.00% <= PD < 0.06%	16 411	187			-	16 598	31 741	-			31 741	0.8%
2	0.06% <= PD < 0.14%	266 871	15 046			-	281 917	288 711	3 417			292 128	9.7%
3	0.14% <= PD < 0.35%	904 951	55 830			-	960 781	472 089	19 998			492 087	24.6%
4	0.35% <= PD < 0.88%	1 038 499	113 456			9	1 151 964	303 899	34 713			338 612	25.4%
5	0.88% <= PD < 2.10%	823 247	124 926			-	948 173	170 343	32 197			202 540	19.5%
6	2.10% <= PD < 4.00%	407 556	81 876			-	489 432	72 593	15 398			87 991	9.8%
7	4.00% <= PD < 7.00%	154 267	59 866			-	214 133	17 985	8 468			26 453	4.1%
8	7.00% <= PD < 12.00%	92 489	39 172			-	131 661	13 017	9 019			22 036	2.6%
9	12.00% <= PD < 22.00%	49 200	46 041			16	95 257	11 019	1 217			12 236	1.8%
10	22.00% <= PD < 100.00%	30 214	50 675			-	80 889	18 740	265			19 005	1.7%
Total		3 783 705	587 075			25	4 370 805	1 400 137	124 692			1 524 829	100.0%
Corporate client segment - total		25 984 696	3 731 815			25	29 716 536	26 203 537	2 201 089			28 404 626	

Notes to the financial statements (cont.)

(in PLN thousand)

The distribution of rated portfolio for corporate client segment (excluding impaired loans)

		31.12.2018											
RATING CLASS	RANGE OF PD	GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES					% PORT-FOLIO	
		STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)			
				INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
CORPORATES													
1	0.00% <= PD < 0.15%	502 738	8 300			-	511 038	2 225 560	13 187			2 238 747	5.2%
2	0.15% <= PD < 0.27%	1 953 673	47 758			-	2 001 431	2 827 794	27 452			2 855 246	9.3%
3	0.27% <= PD < 0.45%	3 651 157	56 875			-	3 708 032	3 237 748	81 099			3 318 847	13.4%
4	0.45% <= PD < 0.75%	4 942 251	128 214			-	5 070 465	6 380 043	431 920			6 811 963	22.6%
5	0.75% <= PD < 1.27%	3 632 780	810 592			-	4 443 372	5 656 673	1 212 310			6 868 983	21.6%
6	1.27% <= PD < 2.25%	3 559 709	393 069			-	3 952 778	2 938 157	395 343			3 333 500	13.9%
7	2.25% <= PD < 4.00%	1 008 324	503 834			-	1 512 158	925 159	206 145			1 131 304	5.0%
8	4.00% <= PD < 8.50%	1 028 128	893 421			-	1 921 549	1 955 801	355 943			2 311 744	8.1%
9	8.50% <= PD < 100.00%	82 765	132 909			-	215 674	187 655	67 344			254 999	0.9%
Total		20 361 525	2 974 972			-	23 336 497	26 334 590	2 790 743			29 125 333	100.0%
SMEs													
1	0.00% <= PD < 0.06%	18 000	1 438			-	19 438	47 119	1 561			48 680	1.1%
2	0.06% <= PD < 0.14%	276 547	14 475			-	291 022	327 770	3 449			331 219	10.4%
3	0.14% <= PD < 0.35%	862 656	50 491			-	913 147	509 977	23 439			533 416	24.3%
4	0.35% <= PD < 0.88%	976 510	106 473			5	1 082 988	359 443	47 227			406 670	25.1%
5	0.88% <= PD < 2.10%	758 679	115 372			-	874 051	185 520	24 774			210 294	18.2%
6	2.10% <= PD < 4.00%	354 590	74 735			10	429 335	83 199	19 184			102 383	8.9%
7	4.00% <= PD < 7.00%	198 485	57 209			-	255 694	43 733	9 355			53 088	5.2%
8	7.00% <= PD < 12.00%	119 256	49 008			-	168 264	15 205	5 952			21 157	3.2%
9	12.00% <= PD < 22.00%	48 522	43 415			-	91 937	5 936	4 039			9 975	1.7%
10	22.00% <= PD < 100.00%	29 227	75 943			18	105 188	6 365	2 439			8 804	1.9%
Total		3 642 472	588 559			33	4 231 064	1 584 267	141 419			1 725 686	100.0%
Corporate client segment - total		24 003 997	3 563 531			33	27 567 561	27 918 857	2 932 162			30 851 019	

Notes to the financial statements (cont.)

(in PLN thousand)

The distribution of rated portfolio for local government units segment (excluding impaired loans)

		31.03.2019											
RATING CLASS	RANGE OF PD	GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES					% PORT-FOLIO	
		STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)			TOTAL
				INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
LOCAL GOVERNMENT UNITS													
1	0.00% <= PD < 0.04%	960	-	-	-	-	960	60 012	-	-	-	60 012	2.3%
2	0.04% <= PD < 0.06%	341 752	-	-	-	-	341 752	8 969	-	-	-	8 969	13.4%
3	0.06% <= PD < 0.13%	263 709	-	-	-	-	263 709	71 300	-	-	-	71 300	12.8%
4	0.13% <= PD < 0.27%	322 288	-	-	-	-	322 288	161 073	-	-	-	161 073	18.5%
5	0.27% <= PD < 0.50%	594 827	-	-	-	-	594 827	17 873	-	-	-	17 873	23.4%
6	0.50% <= PD < 0.80%	663 899	-	-	-	-	663 899	33 588	-	-	-	33 588	26.7%
7	0.80% <= PD < 1.60%	42 742	-	-	-	-	42 742	20 490	-	-	-	20 490	2.4%
8	1.60% <= PD < 100.00%	12 733	-	-	-	-	12 733	1 025	-	-	-	1 025	0.5%
Total		2 242 910	-	-	-	-	2 242 910	374 330	-	-	-	374 330	100.0%

		31.12.2018											
RATING CLASS	RANGE OF PD	GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES					% PORT-FOLIO	
		STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)			TOTAL
				INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
LOCAL GOVERNMENT UNITS													
1	0.00% <= PD < 0.04%	650	-	-	-	-	650	10 032	-	-	-	10 032	0.4%
2	0.04% <= PD < 0.06%	344 709	-	-	-	-	344 709	55 820	-	-	-	55 820	14.8%
3	0.06% <= PD < 0.13%	337 260	-	-	-	-	337 260	15 505	-	-	-	15 505	13.0%
4	0.13% <= PD < 0.27%	347 994	-	-	-	-	347 994	162 257	-	-	-	162 257	18.8%
5	0.27% <= PD < 0.50%	636 686	-	-	-	-	636 686	45 007	-	-	-	45 007	25.1%
6	0.50% <= PD < 0.80%	686 002	-	-	-	-	686 002	8 875	-	-	-	8 875	25.6%
7	0.80% <= PD < 1.60%	33 108	-	-	-	-	33 108	11 000	-	-	-	11 000	1.6%
8	1.60% <= PD < 100.00%	17 730	-	-	-	-	17 730	25	-	-	-	25	0.7%
Total		2 404 139	-	-	-	-	2 404 139	308 521	-	-	-	308 521	100.0%

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

Notes to the financial statements (cont.)

(in PLN thousand)

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

SUPERVISORY CATEGORIES	31.03.2019											
	GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES					% PORT- FOLIO	
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)			
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
EXPOSURE TO SPECIALIZED LENDING												
High	1 591 388	53 326			-	1 644 714	203 214	-			203 214	21.9%
Good	3 573 929	-			-	3 573 929	1 802 040	-			1 802 040	63.9%
Satisfactory	432 313	676 743			-	1 109 056	36 167	4 567			40 734	13.6%
Low	-	54 050			-	54 050	-	-			-	0.6%
Total	5 597 630	784 119			-	6 381 749	2 041 421	4 567			2 045 988	100.0%

SUPERVISORY CATEGORIES	31.12.2018											
	GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES					% PORT- FOLIO	
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)			
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
EXPOSURE TO SPECIALIZED LENDING												
High	1 351 575	53 798			-	1 405 373	243 336	-			243 336	19.7%
Good	3 875 730	-			-	3 875 730	1 628 766	-			1 628 766	65.8%
Satisfactory	706 146	90 611			-	796 757	395 251	-			395 251	14.3%
Low	-	13 556			-	13 556	-	5 000			5 000	0.2%
Total	5 933 451	157 965			-	6 091 416	2 267 353	5 000			2 272 353	100.0%

Notes to the financial statements (cont.)

(in PLN thousand)

Portfolio of exposures not covered by the rating model (excluding impaired loans), broken down by delays in repayment

31.03.2019												
	GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES					% PORT-FOLIO	
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)			
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
EXPOSURES NOT COVERED BY THE RATING MODEL												
Not past due	24 325 368	617 270			276	24 942 914	10 354 259	178 523			10 532 782	97.1%
Past due, of which:	647 071	348 517			4	995 592	69 783	3 206			72 989	2.9%
- up to 1 month	647 071	68 252			4	715 327	69 748	1 549			71 297	2.1%
- between 1 month and 2 months	-	92 221			-	92 221	25	683			708	0.3%
- above 2 months	-	188 044			-	188 044	10	974			984	0.5%
Total	24 972 439	965 787			280	25 938 506	10 424 042	181 729			10 605 771	100.0%

31.12.2018												
	GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES					% PORT-FOLIO	
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)			
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
EXPOSURES NOT COVERED BY THE RATING MODEL												
Not past due	24 351 772	614 705			252	24 966 729	7 649 566	215 018			7 864 584	97.1%
Past due, of which:	568 456	360 519			1	928 976	27 842	10 062			37 904	2.9%
- up to 1 month	568 454	68 050			1	636 505	27 822	8 042			35 864	2.1%
- between 1 month and 2 months	-	112 828			-	112 828	-	714			714	0.3%
- above 2 months	2	179 641			-	179 643	20	1 306			1 326	0.5%
Total	24 920 228	975 224			253	25 895 705	7 677 408	225 080			7 902 488	100.0%

Notes to the financial statements (cont.)

(in PLN thousand)

Portfolio of impaired exposures, broken down by delays in repayment

31.03.2019												
	GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES				% PORT-FOLIO		
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)			
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT		GROUP ASSESSMENT	
IMPAIRED EXPOSURES												
Not past due			1 303 851	288 073	9 171	1 601 095			234 684	7 051	241 735	21.8%
Past due, of which:			3 888 026	2 339 801	80 845	6 308 672			304 900	2 582	307 482	78.2%
- up to 1 month			35 467	159 220	10 216	204 903			96	392	488	2.4%
- between 1 month and 3 months			88 853	203 172	5 954	297 979			118 024	275	118 299	4.9%
- between 3 months and 1 year			479 223	392 080	224	871 527			182 254	908	183 162	12.5%
- between 1 year and 5 years			1 319 779	868 395	4 785	2 192 959			1 700	838	2 538	26.0%
- above 5 years			1 964 704	716 934	59 666	2 741 304			2 826	169	2 995	32.4%
Total			5 191 877	2 627 874	90 016	7 909 767			539 584	9 633	549 217	100.0%

31.12.2018												
	GROSS CARRYING AMOUNT OF ON-BALANCE EXPOSURES					NOMINAL AMOUNT OF OFF-BALANCE EXPOSURES				% PORT-FOLIO		
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)			
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					INDIVIDUAL ASSESSMENT		GROUP ASSESSMENT	
IMPAIRED EXPOSURES												
Not past due			1 308 260	242 608	15 026	1 565 894			274 600	6 713	281 313	22.1%
Past due, of which:			3 800 001	2 398 499	71 676	6 270 176			225 579	2 737	228 316	77.9%
- up to 1 month			87 771	188 345	7 596	283 712			200 912	671	201 583	5.8%
- between 1 month and 3 months			176 815	200 735	63	377 613			19 202	389	19 591	4.8%
- between 3 months and 1 year			334 112	374 010	362	708 484			355	709	1 064	8.5%
- between 1 year and 5 years			1 306 983	870 098	5 245	2 182 326			5 017	799	5 816	26.2%
- above 5 years			1 894 320	765 311	58 410	2 718 041			93	169	262	32.6%
Total			5 108 261	2 641 107	86 702	7 836 070			500 179	9 450	509 629	100.0%

Notes to the financial statements (cont.)

(in PLN thousand)

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

PORTFOLIO	31.03.2019		
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCE	NET CARRYING AMOUNT
Exposures with no impairment	131 033 641	(1 043 611)	129 990 030
Rated portfolio for individual client segment	66 753 940	(536 578)	66 217 362
Mortgage loans	54 992 421	(273 812)	54 718 609
Consumer loans	11 515 055	(254 513)	11 260 542
Limits	246 464	(8 253)	238 211
Rated portfolio for corporate client segment	29 716 536	(171 298)	29 545 238
Corporates	25 345 731	(109 528)	25 236 203
SMEs	4 370 805	(61 770)	4 309 035
Rated portfolio for local government units segment	2 242 910	(3 084)	2 239 826
Specialized lending exposures	6 381 749	(81 626)	6 300 123
Exposures not covered by the rating model	25 938 506	(251 025)	25 687 481
Impaired exposures	7 909 767	(5 225 098)	2 684 669
Total loans and advances to customers (*)	138 943 408	(6 268 709)	132 674 699

(*) Loans and advances to customers measured at amortised cost, measured at fair value through other comprehensive income and receivables from finance leases.

PORTFOLIO	31.12.2018		
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCE	NET CARRYING AMOUNT
Exposures with no impairment	127 378 137	(1 023 186)	126 354 951
Rated portfolio for individual client segment	65 419 316	(515 724)	64 903 592
Mortgage loans	53 968 380	(259 517)	53 708 863
Consumer loans	11 174 947	(247 538)	10 927 409
Limits	275 989	(8 669)	267 320
Rated portfolio for corporate client segment	27 567 561	(170 223)	27 397 338
Corporates	23 336 497	(106 569)	23 229 928
SMEs	4 231 064	(63 654)	4 167 410
Rated portfolio for local government units segment	2 404 139	(3 258)	2 400 881
Specialized lending exposures	6 091 416	(81 702)	6 009 714
Exposures not covered by the rating model	25 895 705	(252 279)	25 643 426
Impaired exposures	7 836 070	(5 197 270)	2 638 800
Total loans and advances to customers (*)	135 214 207	(6 220 456)	128 993 751

(*) Loans and advances to customers measured at amortised cost, measured at fair value through other comprehensive income and receivables from finance leases.

Notes to the financial statements (cont.)

(in PLN thousand)

Division of off-balance sheet exposures to customers (loan commitments and financial guarantee contracts) for covered and not covered by internal rating models

PORTFOLIO	31.03.2019	
	NOMINAL AMOUNT	IMPAIRMENT ALLOWANCE
Exposures with no impairment	43 661 358	(121 420)
Rated portfolio for individual client segment	2 230 643	(4 763)
Mortgage loans	1 386 069	(2 277)
Consumer loans	858	(44)
Limits	843 716	(2 442)
Rated portfolio for corporate client segment	28 404 626	(65 270)
Corporates	26 879 797	(61 062)
SMEs	1 524 829	(4 208)
Rated portfolio for local government units segment	374 330	(263)
Specialized lending exposures	2 045 988	(12 297)
Exposures not covered by the rating model	10 605 771	(38 827)
Impaired exposures	549 217	(125 511)
Total off- balance sheet exposures to customers	44 210 575	(246 931)

PORTFOLIO	31.12.2018	
	NOMINAL AMOUNT	IMPAIRMENT ALLOWANCE
Exposures with no impairment	43 517 461	(128 203)
Rated portfolio for individual client segment	2 183 080	(4 484)
Mortgage loans	1 346 548	(2 205)
Consumer loans	1 380	(58)
Limits	835 152	(2 221)
Rated portfolio for corporate client segment	30 851 019	(79 838)
Corporates	29 125 333	(75 629)
SMEs	1 725 686	(4 209)
Rated portfolio for local government units segment	308 521	(87)
Specialized lending exposures	2 272 353	(10 973)
Exposures not covered by the rating model	7 902 488	(32 821)
Impaired exposures	509 629	(112 495)
Total off- balance sheet exposures to customers	44 027 090	(240 698)

Notes to the financial statements (cont.)

(in PLN thousand)

Classification of loans and advances to banks according to Fitch ratings as at 31 March 2019

RATING	CARRYING AMOUNT					TOTAL	%PORTFOLIO
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)		
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT			
LOANS AND ADVANCES TO BANKS MEASURED AT AMORTISED COST							
AA+ to AA-	405 230	-	-	-	-	405 230	13.0%
A+ to A-	1 071 484	589	-	100	-	1 072 173	34.4%
BBB+ to BBB-	952 054	-	-	-	-	952 054	30.5%
BB+ to BB-	8 671	-	-	-	-	8 671	0.3%
No rating	672 241	-	9 137	-	-	681 378	21.8%
Total gross carrying amount	3 109 680	589	9 137	100	-	3 119 506	100.0%
Impairment allowance	(1 138)	-	(9 136)	-	-	(10 274)	
Total net carrying amount	3 108 542	589	1	100	-	3 109 232	

Classification of loans and advances to banks according to Fitch ratings as at 31 December 2018

RATING	CARRYING AMOUNT					TOTAL	%PORTFOLIO
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)		
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT			
LOANS AND ADVANCES TO BANKS MEASURED AT AMORTISED COST							
AA+ to AA-	89 431	-	-	-	-	89 431	3.9%
A+ to A-	1 141 105	614	-	108	-	1 141 827	50.1%
BBB+ to BBB-	733 081	-	-	-	-	733 081	32.2%
BB+ to BB-	2 150	-	-	-	-	2 150	0.1%
No rating	302 854	-	8 987	-	-	311 841	13.7%
Total gross carrying amount	2 268 621	614	8 987	108	-	2 278 330	100.0%
Impairment allowance	(921)	-	(8 987)	-	-	(9 908)	
Total net carrying amount	2 267 700	614	-	108	-	2 268 422	

Notes to the financial statements (cont.)

(in PLN thousand)

Classification of exposures to debt securities according to Fitch ratings as at 31 March 2019

RATING	CARRYING AMOUNT					TOTAL	%PORTFOLIO
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)		
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT			
DEBT SECURITIES MEASURED AT AMORTISED COST							
A+ to A-	5 603 161	-	-	-	-	5 603 161	50.5%
BBB+ do BBB-	223 132	-	-	-	-	223 132	2.0%
No rating	5 247 505	-	31 944	-	-	5 279 449	47.5%
Gross carrying amount	11 073 798	-	31 944	-	-	11 105 742	100.0%
Impairment allowance	(27 291)	-	(31 944)	-	-	(59 235)	
Carrying amount	11 046 507	-	-	-	-	11 046 507	
DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME							
AAA	646 746	-	-	-	-	646 746	2.0%
A+ to A-	16 185 146	-	-	-	-	16 185 146	50.0%
BBB+ to BBB-	647 924	-	-	-	-	647 924	2.0%
No rating	14 922 371	-	-	-	-	14 922 371	46.0%
Carrying amount	32 402 187	-	-	-	-	32 402 187	100.0%
Impairment allowance (*)	(26 302)	-	-	-	-	(26 302)	
DEBT SECURITIES HELD FOR TRADING							
A+ to A-						1 342 142	95.8%
BBB+ to BBB-						18 170	1.3%
No rating						40 555	2.9%
Carrying amount						1 400 867	100.0%

(*) The impairment allowance for debt securities measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount.

Notes to the financial statements (cont.)

(in PLN thousand)

Classification of exposures to debt securities according to Fitch ratings as at 31 December 2018

RATING	CARRYING AMOUNT					TOTAL	%PORTFOLIO
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)		
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT			
DEBT SECURITIES MEASURED AT AMORTISED COST							
A+ to A-	5 362 693	-	-	-	-	5 362 693	47.4%
BBB+ do BBB-	676 434	-	-	-	-	676 434	6.0%
No rating	5 244 564	-	31 547	-	-	5 276 111	46.6%
Gross carrying amount	11 283 691	-	31 547	-	-	11 315 238	100.0%
Impairment allowance	(27 792)	-	(31 547)	-	-	(59 339)	
Carrying amount	11 255 899	-	-	-	-	11 255 899	
DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME							
AAA	952 874	-	-	-	-	952 874	3.5%
A+ to A-	14 392 599	-	-	-	-	14 392 599	53.2%
BBB+ to BBB-	693 351	-	-	-	-	693 351	2.6%
No rating	10 994 003	-	-	-	-	10 994 003	40.7%
Carrying amount	27 032 827	-	-	-	-	27 032 827	100.0%
Impairment allowance (*)	(28 307)	-	-	-	-	(28 307)	
DEBT SECURITIES HELD FOR TRADING							
A+ to A-						679 689	90.0%
BBB+ to BBB-						4 169	0.6%
No rating						71 355	9.4%
Carrying amount						755 213	100.0%

(*) The impairment allowance for debt securities measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount.

Notes to the financial statements (cont.)

(in PLN thousand)

Classification of exposures to derivative financial instruments according to Fitch ratings as at 31 March 2019

RATING	DERIVATIVES HELD FOR TRADING			HEDGING DERIVATIVES			TOTAL	%PORTFOLIO
	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES		
AAA	256 277	485 028	-	26 385	292 037	-	1 059 727	53.9%
AA+ to AA-	99 926	-	-	-	-	-	99 926	5.1%
A+ to A-	97 555	1 027	-	37 051	-	-	135 633	6.9%
BBB+ to BBB-	162 343	40	13 951	15 599	-	-	191 933	9.8%
BB+ to BB-	2 807	-	-	-	-	-	2 807	0.1%
B+ to B-	-	-	-	-	-	-	-	-
No rating	105 292	96 779	261 467	13 830	-	-	477 368	24.2%
Total	724 200	582 874	275 418	92 865	292 037	-	1 967 394	100.0%

Classification of exposures to derivative financial instruments according to Fitch ratings as at 31 December 2018

RATING	DERIVATIVES HELD FOR TRADING			HEDGING DERIVATIVES			TOTAL	%PORTFOLIO
	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES		
AAA	251 167	297 401	-	27 308	244 370	-	820 246	46.5%
AA+ to AA-	47 748	-	-	-	-	-	47 748	2.7%
A+ to A-	163 280	540	-	14 170	-	-	177 990	10.1%
BBB+ to BBB-	184 064	-	17 060	11 791	-	-	212 915	12.1%
BB+ to BB-	117	-	-	-	-	-	117	-
B+ to B-	1 894	-	-	-	-	-	1 894	0.1%
No rating	126 081	116 021	246 289	15 926	-	-	504 317	28.5%
Total	774 351	413 962	263 349	69 195	244 370	-	1 765 227	100.0%

Notes to the financial statements (cont.)

(in PLN thousand)

The tables below present the changes in impairment allowances and gross carrying amount of financial assets not measured at fair value through profit or loss by class of financial assets:

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)						
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 01.01.2019	12 113 231	614	8 987	108	-	12 122 940
Transfer to Stage 1	68	(68)	-	-	-	-
Transfer to Stage 2	(123)	129	-	(6)	-	-
Transfer to Stage 3	-	(19)	-	19	-	-
New / purchased / granted financial assets	2 829 801	-	-	-	-	2 829 801
Financial assets derecognised, other than write-offs (repayments)	(6 825 808)	(56)	-	(21)	-	(6 825 885)
Financial assets written off (**)	-	-	(161)	-	-	(161)
Modifications not resulting in derecognition	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(33 024)	(11)	311	-	-	(32 724)
GROSS CARRYING AMOUNT AS AT 31.03.2019	8 084 145	589	9 137	100	-	8 093 971
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 01.01.2019	1 834	-	8 987	-	-	10 821
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	2 150	-	-	-	-	2 150
Financial assets derecognised, other than write-offs (repayments)	(1 370)	-	-	-	-	(1 370)
Financial assets written off (**)	-	-	(161)	-	-	(161)
Changes in level of credit risk (excluding the transfers between the Stages)	(647)	(1)	10	-	-	(638)
Changes in models and risk parameters	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(432)	1	300	-	-	(131)
IMPAIRMENT ALLOWANCE AS AT 31.03.2019	1 535	-	9 136	-	-	10 671

(*) Receivables from the Central Bank include a current account and deposits.

(**) Including the value of contractual interest subject to partial write-off in the amount of PLN 161 thousand.

Notes to the financial statements (cont.)

(in PLN thousand)

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)						
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 01.01.2018	5 175 069	1 071	21 014	113	-	5 197 267
Transfer to Stage 1	161	(160)	-	(1)	-	-
Transfer to Stage 2	(187)	196	-	(9)	-	-
Transfer to Stage 3	(17)	(45)	-	62	-	-
New / purchased / granted financial assets	8 712 604	-	-	-	-	8 712 604
Financial assets derecognised, other than write-offs (repayments)	(1 750 421)	(414)	-	(46)	-	(1 750 881)
Financial assets written off (**)	-	-	(5 079)	-	-	(5 079)
Modifications not resulting in derecognition	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(23 978)	(34)	(6 948)	(11)	-	(30 971)
GROSS CARRYING AMOUNT AS AT 31.12.2018	12 113 231	614	8 987	108	-	12 122 940
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 01.01.2018	425	-	21 127	-	-	21 552
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	1 633	-	-	-	-	1 633
Financial assets derecognised, other than write-offs (repayments)	(378)	-	-	-	-	(378)
Financial assets written off (**)	-	-	(5 079)	-	-	(5 079)
Changes in level of credit risk (excluding the transfers between the Stages)	(363)	2	-	-	-	(361)
Changes in models and risk parameters	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	517	(2)	(7 061)	-	-	(6 546)
IMPAIRMENT ALLOWANCE AS AT 31.12.2018	1 834	-	8 987	-	-	10 821

(*) Receivables from the Central Bank include a current account and deposits.

(**) Including the value of contractual interest subject to partial write-off in the amount of PLN 5 079 thousand.

Notes to the financial statements (cont.)

(in PLN thousand)

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 01.01.2019	100 388 050	20 213 176	5 063 110	2 542 099	87 565	128 294 000
Transfer to Stage 1	2 085 193	(2 075 063)	(1 918)	(8 212)	-	-
Transfer to Stage 2	(2 977 694)	3 044 806	(2 011)	(65 101)	-	-
Transfer to Stage 3	(64 633)	(209 545)	58 046	216 132	-	-
New / purchased / granted financial assets	11 974 255	-	-	-	2 993	11 977 248
Financial assets derecognised, other than write-offs (repayments)	(7 453 226)	(1 006 990)	(32 734)	(106 691)	(564)	(8 600 205)
Financial assets written off (*)	-	-	(61 825)	(34 594)	(350)	(96 769)
Modifications not resulting in derecognition	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(102 170)	33 844	116 011	(18 248)	1 166	30 603
GROSS CARRYING AMOUNT AS AT 31.03.2019	103 849 775	20 000 228	5 138 679	2 525 385	90 810	131 604 877
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 01.01.2019	358 389	659 536	3 265 624	1 800 673	53 455	6 137 677
Transfer to Stage 1	53 191	(48 865)	(305)	(4 021)	-	-
Transfer to Stage 2	(15 147)	42 621	(792)	(26 682)	-	-
Transfer to Stage 3	(2 290)	(41 452)	4 402	39 340	-	-
New / purchased / granted financial assets	53 045	-	-	-	336	53 381
Financial assets derecognised, other than write-offs (repayments)	(14 017)	(7 799)	(3 064)	(43 488)	(2)	(68 370)
Financial assets written off (*)	-	-	(61 825)	(34 594)	(350)	(96 769)
Changes in level of credit risk (excluding the transfers between the Stages)	(72 598)	76 801	14 664	80 247	(3 332)	95 782
Changes in models and risk parameters	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(183)	(1 860)	67 455	(8 831)	4 460	61 041
IMPAIRMENT ALLOWANCE AS AT 31.03.2019	360 390	678 982	3 286 159	1 802 644	54 567	6 182 742

(*) Including the value of contractual interest subject to partial write-off in the amount of PLN 68 034 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 March 2019 amounted to PLN 203 thousand.

Notes to the financial statements (cont.)

(in PLN thousand)

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 01.01.2018	89 734 902	20 981 569	7 423 047	3 327 030	81 046	121 547 594
Transfer to Stage 1	3 294 387	(3 278 870)	(7 079)	(8 438)	-	-
Transfer to Stage 2	(6 143 253)	6 247 851	(34 349)	(70 249)	-	-
Transfer to Stage 3	(809 369)	(564 304)	693 622	680 051	-	-
New / purchased / granted financial assets	29 903 625	(1)	-	-	2 116	29 905 740
Financial assets derecognised, other than write-offs (repayments)	(16 531 169)	(3 211 797)	(725 496)	(297 910)	(2 692)	(20 769 064)
Financial assets written off (*)	-	-	(2 259 977)	(1 222 760)	(17)	(3 482 754)
Modifications not resulting in derecognition	-	-	(1 002)	-	1 002	-
Other, in this changes resulting from exchange rates	938 927	38 728	(25 656)	134 375	6 110	1 092 484
GROSS CARRYING AMOUNT AS AT 31.12.2018	100 388 050	20 213 176	5 063 110	2 542 099	87 565	128 294 000
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 01.01.2018	353 983	648 652	5 441 071	2 793 536	37 157	9 274 399
Transfer to Stage 1	98 214	(93 714)	(808)	(3 692)	-	-
Transfer to Stage 2	(23 913)	59 078	(4 844)	(30 321)	-	-
Transfer to Stage 3	(22 079)	(71 886)	24 721	69 244	-	-
New / purchased / granted financial assets	147 555	-	-	-	-	147 555
Financial assets derecognised, other than write-offs (repayments)	(81 783)	(43 871)	(73 716)	(39 730)	-	(239 100)
Financial assets written off (*)	-	-	(2 259 977)	(1 222 760)	(17)	(3 482 754)
Changes in level of credit risk (excluding the transfers between the Stages)	(105 917)	165 377	269 352	220 270	2 569	551 651
Changes in models and risk parameters	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(7 671)	(4 100)	(130 175)	14 126	13 746	(114 074)
IMPAIRMENT ALLOWANCE AS AT 31.12.2018	358 389	659 536	3 265 624	1 800 673	53 455	6 137 677

(*) Including the value of contractual interest subject to partial write-off in the amount of PLN 3 072 340 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 December 2018 amounted to PLN 11 863 thousand.

Notes to the financial statements (cont.)

(in PLN thousand)

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
RECEIVABLES FROM FINANCE LEASES						
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 01.01.2019	5 160 123	105 171	45 151	99 008	-	5 409 453
Transfer to Stage 1	973	(973)	-	-	-	-
Transfer to Stage 2	(79 909)	79 947	(25)	(13)	-	-
Transfer to Stage 3	(1 740)	(10 388)	10 741	1 387	-	-
New/Purchased/Granted financial assets	717 696	-	-	-	-	717 696
Financial assets derecognised, other than write-offs (repayments)	(427 766)	(10 525)	(393)	(169)	-	(438 853)
Financial assets written off	-	-	-	-	-	-
Modifications not resulting in derecognition	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(468)	-	-	-	-	(468)
GROSS CARRYING AMOUNT AS AT 31.03.2019	5 368 909	163 232	55 474	100 213	-	5 687 828
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 01.01.2019	4 029	1 877	15 467	61 413	-	82 786
Transfer to Stage 1	15	-	(15)	-	-	-
Transfer to Stage 2	(738)	738	-	-	-	-
Transfer to Stage 3	(426)	-	260	166	-	-
New/Purchased/Granted financial assets	4 739	-	-	-	-	4 739
Financial assets derecognised, other than write-offs (repayments)	(3 422)	(842)	(216)	(59)	-	(4 539)
Financial assets written off	-	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	(1 679)	(527)	1 894	3 293	-	2 981
Changes in models and risk parameters	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	426	-	(335)	(91)	-	-
IMPAIRMENT ALLOWANCE AS AT 31.03.2019	2 944	1 246	17 055	64 722	-	85 967

Notes to the financial statements (cont.)

(in PLN thousand)

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
RECEIVABLES FROM FINANCE LEASES						
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 01.01.2018	4 090 628	208 808	51 859	173 772	-	4 525 067
Transfer to Stage 1	115 788	(114 500)	-	(1 288)	-	-
Transfer to Stage 2	(60 029)	61 582	(842)	(711)	-	-
Transfer to Stage 3	(22 808)	(28 999)	19 743	32 064	-	-
New/Purchased/Granted financial assets	1 797 962	33 545	2 377	2 114	-	1 835 998
Financial assets derecognised, other than write-offs (repayments)	(1 013 470)	(24 226)	(8 070)	(8 269)	-	(1 054 035)
Financial assets written off	-	-	-	-	-	-
Modifications not resulting in derecognition	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	252 052	(31 039)	(19 916)	(98 674)	-	102 423
GROSS CARRYING AMOUNT AS AT 31.12.2018	5 160 123	105 171	45 151	99 008	-	5 409 453
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 01.01.2018	4 343	3 125	26 965	142 779	-	177 212
Transfer to Stage 1	2 493	(1 858)	-	(635)	-	-
Transfer to Stage 2	(157)	268	(60)	(51)	-	-
Transfer to Stage 3	(34)	(421)	36	419	-	-
New/Purchased/Granted financial assets	2 436	1 544	8 223	11 392	-	23 595
Financial assets derecognised, other than write-offs (repayments)	(2 827)	(2 792)	(1 637)	(2 937)	-	(10 193)
Financial assets written off	-	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	-	-	-	-	-	-
Changes in models and risk parameters	3	-	-	3 770	-	3 773
Other, in this changes resulting from exchange rates	(2 228)	2 011	(18 060)	(93 324)	-	(111 601)
IMPAIRMENT ALLOWANCE AS AT 31.12.2018	4 029	1 877	15 467	61 413	-	82 786

Notes to the financial statements (cont.)

(in PLN thousand)

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME						
CARRYING AMOUNT						
CARRYING AMOUNT AS AT 01.01.2019	1 511 102	-	-	-	-	1 511 102
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	(623 665)	623 665	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	155 380	-	-	-	-	155 380
Financial assets derecognised, other than write-offs (repayments)	-	-	-	-	-	-
Financial assets written off	-	-	-	-	-	-
Modifications not resulting in derecognition	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(6 257)	(9 522)	-	-	-	(15 779)
CARRYING AMOUNT AS AT 31.03.2019	1 036 560	614 143	-	-	-	1 650 703
IMPAIRMENT ALLOWANCE (*)						
IMPAIRMENT ALLOWANCE AS AT 01.01.2019	14 590	-	-	-	-	14 590
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	(7 955)	7 955	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	-	-	-	-	-	-
Financial assets derecognised, other than write-offs (repayments)	-	-	-	-	-	-
Financial assets written off	-	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	633	19 318	-	-	-	19 951
Changes in models and risk parameters	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	9	(45)	-	-	-	(36)
IMPAIRMENT ALLOWANCE AS AT 31.12.2019	7 277	27 228	-	-	-	34 505

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

Notes to the financial statements (cont.)

(in PLN thousand)

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME						
CARRYING AMOUNT						
CARRYING AMOUNT AS AT 01.01.2018	1 555 964	-	-	-	-	1 555 964
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	401 500	-	-	-	-	401 500
Financial assets derecognised, other than write-offs (repayments)	(489 874)	-	-	-	-	(489 874)
Financial assets written off	-	-	-	-	-	-
Modifications not resulting in derecognition	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	43 512	-	-	-	-	43 512
CARRYING AMOUNT AS AT 31.12.2018	1 511 102	-	-	-	-	1 511 102
IMPAIRMENT ALLOWANCE (*)						
IMPAIRMENT ALLOWANCE AS AT 01.01.2018	18 159	-	-	-	-	18 159
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	1 457	-	-	-	-	1 457
Financial assets derecognised, other than write-offs (repayments)	(1 782)	-	-	-	-	(1 782)
Financial assets written off	-	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	(3 244)	-	-	-	-	(3 244)
Changes in models and risk parameters	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	-	-	-	-	-	-
IMPAIRMENT ALLOWANCE AS AT 31.12.2018	14 590	-	-	-	-	14 590

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

Notes to the financial statements (cont.)

(in PLN thousand)

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
DEBT SECURITIES MEASURED AT AMORTISED COST						
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 01.01.2019	11 283 691	-	31 547	-	-	11 315 238
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	454 268	-	-	-	-	454 268
Financial assets derecognised, other than write-offs (repayments)	(718 287)	-	-	-	-	(718 287)
Financial assets written off	-	-	-	-	-	-
Modifications not resulting in derecognition	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	54 126	-	397	-	-	54 523
GROSS CARRYING AMOUNT AS AT 31.03.2019	11 073 798	-	31 944	-	-	11 105 742
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 01.01.2019	27 792	-	31 547	-	-	59 339
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	393	-	-	-	-	393
Financial assets derecognised, other than write-offs (repayments)	(166)	-	-	-	-	(166)
Financial assets written off	-	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	(729)	-	-	-	-	(729)
Changes in models and risk parameters	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	1	-	397	-	-	398
IMPAIRMENT ALLOWANCE AS AT 31.03.2019	27 291	-	31 944	-	-	59 235

Notes to the financial statements (cont.)

(in PLN thousand)

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
DEBT SECURITIES MEASURED AT AMORTISED COST						
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 01.01.2018	11 527 804	-	30 031	-	-	11 557 835
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	2 904 447	-	-	-	-	2 904 447
Financial assets derecognised, other than write-offs (repayments)	(3 242 441)	-	-	-	-	(3 242 441)
Financial assets written off	-	-	-	-	-	-
Modifications not resulting in derecognition	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	93 881	-	1 516	-	-	95 397
GROSS CARRYING AMOUNT AS AT 31.12.2018	11 283 691	-	31 547	-	-	11 315 238
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 01.01.2018	27 667	-	30 031	-	-	57 698
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	2 155	-	-	-	-	2 155
Financial assets derecognised, other than write-offs (repayments)	(1 929)	-	-	-	-	(1 929)
Financial assets written off	-	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	1 297	-	-	-	-	1 297
Changes in models and risk parameters	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(1 398)	-	1 516	-	-	118
IMPAIRMENT ALLOWANCE AS AT 31.12.2018	27 792	-	31 547	-	-	59 339

Notes to the financial statements (cont.)

(in PLN thousand)

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME						
CARRYING AMOUNT						
CARRYING AMOUNT AS AT 01.01.2019	27 032 827	-	-	-	-	27 032 827
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	66 489 220	-	-	-	-	66 489 220
Financial assets derecognised, other than write-offs (repayments)	(61 359 479)	-	-	-	-	(61 359 479)
Financial assets written off	-	-	-	-	-	-
Modifications not resulting in derecognition	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	239 619	-	-	-	-	239 619
CARRYING AMOUNT AS AT 31.03.2019	32 402 187	-	-	-	-	32 402 187
IMPAIRMENT ALLOWANCE (*)						
IMPAIRMENT ALLOWANCE AS AT 01.01.2019	28 307	-	-	-	-	28 307
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	320	-	-	-	-	320
Financial assets derecognised, other than write-offs (repayments)	(119)	-	-	-	-	(119)
Financial assets written off	-	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	(2 205)	-	-	-	-	(2 205)
Changes in models and risk parameters	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(1)	-	-	-	-	(1)
IMPAIRMENT ALLOWANCE AS AT 31.03.2019	26 302	-	-	-	-	26 302

(*) The impairment allowance for debt securities measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the securities.

Notes to the financial statements (cont.)

(in PLN thousand)

	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME						
CARRYING AMOUNT						
CARRYING AMOUNT AS AT 01.01.2018	38 031 871	-	-	-	-	38 031 871
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	131 261 992	-	-	-	-	131 261 992
Financial assets derecognised, other than write-offs (repayments)	(142 945 930)	-	-	-	-	(142 945 930)
Financial assets written off	-	-	-	-	-	-
Modifications not resulting in derecognition	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	684 894	-	-	-	-	684 894
CARRYING AMOUNT AS AT 31.12.2018	27 032 827	-	-	-	-	27 032 827
IMPAIRMENT ALLOWANCE (*)						
IMPAIRMENT ALLOWANCE AS AT 01.01.2018	24 311	-	-	-	-	24 311
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	14 818	-	-	-	-	14 818
Financial assets derecognised, other than write-offs (repayments)	(7 049)	-	-	-	-	(7 049)
Financial assets written off	-	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	(3 799)	-	-	-	-	(3 799)
Changes in models and risk parameters	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	26	-	-	-	-	26
IMPAIRMENT ALLOWANCE AS AT 31.12.2018	28 307	-	-	-	-	28 307

(*) The impairment allowance for debt securities measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the securities.

Notes to the financial statements (cont.)

(in PLN thousand)

Forbearance measures

The identifying process of forbore exposures has not changed in relation to the one described in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2018.

Share of forbore exposures in the Group's loan portfolio

	31.03.2019					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
Loans and advances measured at amortised cost, including:	103 489 385	19 321 246	1 852 520	722 741	36 243	125 422 135
Forborne exposures gross	478 539	153 034	2 611 558	436 007	22 657	3 701 795
Loss allowance	(6 647)	(10 464)	(1 448 751)	(238 286)	121	(1 704 027)
Forborne exposures net	471 892	142 570	1 162 807	197 721	22 778	1 997 768
Loans and advances measured at fair value through other comprehensive income, including:	1 036 560	614 143	-	-	-	1 650 703
Forborne exposures	-	-	-	-	-	-
Impairment allowance (*)	-	-	-	-	-	-
Loans and advances measured at fair value through profit or loss, including:						284 415
Forborne exposures						1 151
Leasing exposure measured at amortised cost, including:	5 365 965	161 986	36 144	37 766	-	5 601 861
Forborne exposures gross	1 983	5 290	19 849	7 260	-	34 382
Impairment allowance	-	(44)	(3 908)	(3 477)	-	(7 429)
Forborne exposures net	1 983	5 246	15 941	3 783	-	26 953

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

Notes to the financial statements (cont.)

(in PLN thousand)

Share of forbore exposures in the Group's loan portfolio

	31.12.2018					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
Loans and advances measured at amortised cost, including:	100 029 662	19 553 639	1 797 467	741 445	34 110	122 156 323
Forborne exposures gross	482 174	161 514	2 612 229	429 879	22 829	3 708 625
Loss allowance	(6 454)	(6 786)	(1 490 977)	(235 467)	(178)	(1 739 862)
Forborne exposures net	475 720	154 728	1 121 252	194 412	22 651	1 968 763
Loans and advances measured at fair value through other comprehensive income, including:	1 511 102	-	-	-	-	1 511 102
Forborne exposures	-	-	-	-	-	-
Impairment allowance (*)	-	-	-	-	-	-
Loans and advances measured at fair value through profit or loss, including:						302 630
Forborne exposures						2 063
Leasing exposure measured at amortised cost, including:	5 155 746	103 294	29 684	37 595	-	5 326 319
Forborne exposures gross	2 513	3 151	22 052	5 305	-	33 021
Impairment allowance	(3)	(34)	(4 622)	(2 488)	-	(7 147)
Forborne exposures net	2 510	3 117	17 430	2 817	-	25 874

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

Notes to financial statements (cont.)

(in PLN thousand)

CHF loans to individuals

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

The table below presents the structure and quality of CHF loans for individuals.

Structure of CHF loans to individuals

	31.03.2019					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
Gross carrying amount, of which:	209 146	2 800 769	54 259	163 606	746	3 228 526
denominated in CHF	209 146	2 787 458	54 259	162 739	746	3 214 348
indexed to CHF	-	13 311	-	867	-	14 178
Impairment allowances, of which:	(210)	(32 080)	(22 674)	(82 743)	(295)	(138 002)
denominated in CHF	(210)	(31 972)	(22 674)	(82 433)	(295)	(137 584)
indexed to CHF	-	(108)	-	(310)	-	(418)
Carrying amount, of which:	208 936	2 768 689	31 585	80 863	451	3 090 524
denominated in CHF	208 936	2 755 486	31 585	80 306	451	3 076 764
indexed to CHF	-	13 203	-	557	-	13 760

	31.12.2018					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
Gross carrying amount, of which:	212 732	2 861 362	53 780	162 975	742	3 291 591
denominated in CHF	212 732	2 847 160	53 780	161 856	742	3 276 270
indexed to CHF	-	14 202	-	1 119	-	15 321
Impairment allowances, of which:	(218)	(31 655)	(19 054)	(81 343)	(292)	(132 562)
denominated in CHF	(218)	(31 613)	(19 054)	(80 950)	(292)	(132 127)
indexed to CHF	-	(42)	-	(393)	-	(435)
Carrying amount, of which:	212 514	2 829 707	34 726	81 632	450	3 159 029
denominated in CHF	212 514	2 815 547	34 726	80 906	450	3 144 143
indexed to CHF	-	14 160	-	726	-	14 886

As of 31 March 2019 the average LTV for CHF loans to individuals granted by the Group amounted to 44.0% (44.9% as at 31 December 2018), with an average LTV for the whole portfolio of 62.3% (62.8% as at 31 December 2018).

Notes to financial statements (cont.)

(in PLN thousand)

Offsetting financial assets and financial liabilities

The disclosures 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. At the balance day, there were no cases of offsetting financial assets and financial liabilities for these netting agreements.

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.

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.

31.03.2019	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	
FINANCIAL ASSETS				
Derivatives	1 923 061	(1 469 311)	(220 477)	233 273
Total	1 923 061	(1 469 311)	(220 477)	233 273

31.03.2019	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	
FINANCIAL LIABILITIES				
Derivatives	2 870 430	(1 944 071)	(823 854)	102 505
Total	2 870 430	(1 944 071)	(823 854)	102 505

Notes to financial statements (cont.)

(in PLN thousand)

31.12.2018	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	
FINANCIAL ASSETS				
Derivatives	1 703 422	(1 358 792)	(163 164)	181 466
Total	1 703 422	(1 358 792)	(163 164)	181 466

31.12.2018	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	
FINANCIAL LIABILITIES				
Derivatives	2 772 953	(1 827 670)	(837 802)	107 481
Total	2 772 953	(1 827 670)	(837 802)	107 481

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.

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.

31.03.2019	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
FINANCIAL ASSETS					
Derivatives	1 538 159	Derivative financial instruments (held for trading)	1 582 492	44 333	25
	384 902	Hedging instruments	384 902	-	28
FINANCIAL LIABILITIES					
Derivatives	1 963 646	Derivative financial instruments (held for trading)	2 025 959	62 313	25
	906 784	Hedging instruments	906 784	-	28

Notes to financial statements (cont.)

(in PLN thousand)

31.12.2018	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
FINANCIAL ASSETS					
Derivatives	1 389 857	Derivative financial instruments (held for trading)	1 451 662	61 805	25
	313 565	Hedging instruments	313 565	-	28
FINANCIAL LIABILITIES					
Derivatives	1 867 897	Derivative financial instruments (held for trading)	1 913 046	45 149	25
	905 056	Hedging instruments	905 056	-	28

7.2 Market risk

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 2018.

The table below presents the market risk exposure of the trading portfolio of the Group measured by Value at Risk in the period from 1 January to 31 March 2019 and in 2018.

	31.03.2019	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	7	7	324	1 065
interest rate risk	1 296	906	1 177	1 819
Trading portfolio	1 314	928	1 328	2 056

	31.12.2018	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	117	9	171	1 232
interest rate risk	1 154	472	1 083	1 733
Trading portfolio	1 140	526	1 081	2 362

Interest rate risk of the banking book

The banking book interest rate 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 2018.

The table below presents the sensitivity levels of the contractual interest income (NII) to the interest rate change by 100 b.p. and of economic value of the Bank's equity (EVE) to the interest rate change by 200 b.p. (standard regulatory shock excluding the risk profile of own funds) as at 31 March 2019 and as at 31 December 2018.

SENSITIVITY IN %	31.03.2019	31.12.2018
NII	(8.48)	(8.64)
EVE	(0.90)	(0.95)

Notes to financial statements (cont.)

(in PLN thousand)

Currency 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 2018.

The tables below present the Group's foreign currency risk profile measured by Value at Risk and currency position.

Value at Risk

CURRENCY	31.03.2019	31.12.2018
Currencies total (*)	93	63

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

Currency position

31.03.2019	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS- DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	22 807 285	21 336 039	11 281 035	12 742 994	9 287
USD	5 806 902	8 176 510	8 459 515	6 099 196	(9 289)
CHF	3 294 736	570 554	3 129 977	5 858 921	(4 762)
GBP	299 135	950 091	1 142 660	490 990	714
HUF	1 468	46 431	53 802	8 533	306
NOK	220 680	47 404	30 209	203 764	(279)
CZK	50 871	70 254	310 183	290 752	48
SEK	52 988	66 937	29 501	15 064	488
Other currencies	118 493	231 039	185 046	71 221	1 279
TOTAL	32 652 558	31 495 259	24 621 928	25 781 435	(2 208)

31.12.2018	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	24 632 826	20 844 996	10 064 928	13 837 183	15 575
USD	5 489 616	8 284 208	11 109 318	8 301 417	13 309
CHF	3 416 822	575 102	2 966 698	5 813 214	(4 796)
GBP	275 460	975 366	827 920	126 347	1 667
HUF	3 219	190 119	243 818	57 151	(233)
NOK	209 725	46 549	190 749	353 895	30
CZK	53 790	71 006	246 324	229 050	58
SEK	89 258	45 553	9 862	53 484	83
Other currencies	95 077	174 994	183 285	99 929	3 439
TOTAL	34 265 793	31 207 893	25 842 902	28 871 670	29 132

Notes to financial statements (cont.)

(in PLN thousand)

7.3 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 2018.

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

Adjusted liquidity gap

31.03.2019	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	41 547 121	7 330 179	27 137 143	59 089 709	61 535 864	196 640 016
Balance sheet liabilities	14 686 699	7 558 858	23 918 825	18 668 345	131 807 289	196 640 016
Off-balance sheet assets/liabilities (net)	(4 202 774)	(803 964)	(590 296)	2 052 839	2 909 065	(635 130)
Periodic gap	22 657 648	(1 032 643)	2 628 022	42 474 203	(67 362 360)	(635 130)
Cumulated gap	-	21 625 005	24 253 027	66 727 230	(635 130)	-

31.12.2018	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	40 715 921	5 075 145	27 701 793	58 785 842	58 811 104	191 089 805
Balance sheet liabilities	15 151 534	6 926 374	21 669 415	19 301 852	128 040 630	191 089 805
Off-balance sheet assets/liabilities (net)	(5 208 969)	(726 064)	(289 272)	2 794 211	2 768 679	(661 415)
Periodic gap	20 355 418	(2 577 293)	5 743 106	42 278 201	(66 460 847)	(661 415)
Cumulated gap	-	17 778 125	23 521 231	65 799 432	(661 415)	-

Structure of financial liabilities by contractual maturity

31.03.2019	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES (*)						
Amounts due to banks (**)	2 284 824	554 870	416 181	3 331 167	465 181	7 052 223
Amounts due to customers	114 072 534	15 093 065	22 020 330	783 468	201 602	152 170 999
Debt securities issued	337 864	586 957	3 222 823	1 121 311	256 468	5 525 423
Subordinated liabilities	32 896	-	33 577	275 293	2 399 378	2 741 144
Financial liabilities held for trading	-	-	229 763	213 073	364 268	807 104
Total	116 728 118	16 234 892	25 922 674	5 724 312	3 686 897	168 296 893
OFF-BALANCE SHEET COMMITMENTS (*)						
Financial liabilities granted	33 234 883	-	-	-	-	33 234 883
Guarantees issued	12 697 376	-	-	-	-	12 697 376
Total	45 932 259	-	-	-	-	45 932 259

(*) Exposure amounts from balance liabilities, financing-related off-balance sheet commitments granted and guarantee liabilities granted 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, outflows expected by the Group are actually significantly lower than those indicated by the specification presented 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 are provided by the Group on continuous basis. The Group estimates also more probable flows that are reflected in Tables 'Adjusted liquidity gap'.

(**) Including Central Bank.

Notes to financial statements (cont.)

(in PLN thousand)

Structure of financial liabilities by contractual maturity

31.12.2018	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES (*)						
Amounts due to banks (**)	1 570 449	73 595	760 790	2 823 741	469 919	5 698 494
Amounts due to customers	116 699 233	11 421 810	20 661 983	523 031	603 951	149 910 008
Debt securities issued	377 147	1 042 779	1 730 684	1 868 403	258 681	5 277 694
Subordinated liabilities	-	-	67 102	294 264	2 429 522	2 790 888
Financial liabilities held for trading	-	-	-	57 421	45 008	102 429
Total	118 646 829	12 538 184	23 220 559	5 566 860	3 807 081	163 779 513
OFF-BALANCE SHEET COMMITMENTS (*)						
Financial liabilities granted	32 954 143	-	-	-	-	32 954 143
Guarantees issued	12 614 778	-	-	-	-	12 614 778
Total	45 568 921	-	-	-	-	45 568 921

(*) Exposure amounts from balance liabilities, financing-related off-balance sheet commitments granted and guarantee liabilities granted 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, outflows expected by the Group are actually significantly lower than those indicated by the specification presented 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 are provided by the Group on continuous basis. The Group estimates also more probable flows that are reflected in Tables 'Adjusted liquidity gap'.

(**) Including Central Bank.

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

The following are the liabilities and financial cash flows associated with off-balance sheet derivative transactions settled, respectively in net and gross amounts.

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

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

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

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

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

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
31.03.2019	34 569	64 990	525 013	857 085	502 469	1 984 126
31.12.2018	93 469	49 950	566 715	783 578	402 470	1 896 182

Notes to financial statements (cont.)

(in PLN thousand)

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

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
31.03.2019						
Inflows	16 588 232	9 876 734	8 766 333	6 173 401	1 555 257	42 959 957
Outflows	17 200 788	10 134 397	8 910 337	6 242 050	1 756 028	44 243 600
31.12.2018						
Inflows	23 455 395	5 399 366	9 380 505	5 504 825	2 237 288	45 977 379
Outflows	24 236 650	5 401 374	9 801 035	5 567 894	2 422 687	47 429 640

7.4 Operational risk

There have been no significant changes in the operational risk management process in relation to the one described in consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2018.

7.5 Fair value of financial assets and liabilities

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

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

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

As of 31 March 2019 and 31 December 2018, the Group classified the financial assets and liabilities measured at fair value into the following hierarchy of three categories based on the following hierarchy:

- 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, 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, applicable to loans and advances, 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 an organizational 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)

Assets and liabilities measured at fair value in breakdown by fair value hierarchy levels

31.03.2019	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	14 911 115	16 275 289	6 758 262	37 944 666
Financial assets held for trading	1 237 090	166 843	2 400	1 406 333
Derivative financial instruments, including:	1	1 581 007	1 484	1 582 492
- Banks	-	722 716	1 484	724 200
- Customers	1	858 291	-	858 292
Hedging instruments, including:	-	384 902	-	384 902
- Banks	-	92 865	-	92 865
- Customers	-	292 037	-	292 037
Securities measured at fair value through other comprehensive income	13 674 024	14 142 537	4 819 260	32 635 821
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 650 703	1 650 703
Loans and advances to customers measured at fair value through profit or loss	-	-	284 415	284 415
Liabilities:	807 104	2 932 743	-	3 739 847
Financial liabilities held for trading	807 104	-	-	807 104
Derivative financial instruments, including:	-	2 025 959	-	2 025 959
- Banks	-	619 329	-	619 329
- Customers	-	1 406 630	-	1 406 630
Hedging instruments, including:	-	906 784	-	906 784
- Banks	-	874 299	-	874 299
- Customers	-	32 485	-	32 485

31.12.2018	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	12 629 955	10 024 499	8 952 905	31 607 359
Financial assets held for trading	639 815	96 787	26 110	762 712
Derivative financial instruments, including:	1	1 450 431	1 230	1 451 662
- Banks	-	773 121	1 230	774 351
- Customers	1	677 310	-	677 311
Hedging instruments, including:	-	313 565	-	313 565
- Banks	-	69 195	-	69 195
- Customers	-	244 370	-	244 370
Securities measured at fair value through other comprehensive income	11 990 139	8 163 716	7 111 833	27 265 688
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 511 102	1 511 102
Loans and advances to customers measured at fair value through profit or loss	-	-	302 630	302 630
Liabilities:	102 429	2 818 102	-	2 920 531
Financial liabilities held for trading	102 429	-	-	102 429
Derivative financial instruments, including:	-	1 913 046	-	1 913 046
- Banks	-	681 122	-	681 122
- Customers	-	1 231 924	-	1 231 924
Hedging instruments, including:	-	905 056	-	905 056
- Banks	-	882 460	-	882 460
- Customers	-	22 596	-	22 596

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

1 QUARTER 2019	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Opening balance	26 110	1 230	1 511 102	302 630	7 111 833
Increases, including:	22 763	1 377	160 187	-	709 548
Reclassification	-	1 002	-	-	582 513
Transactions made in 2019	-	-	155 407	-	-
Acquisition	22 609	-	-	-	90 013
Settlement/Redemption	-	-	4 780	-	-
Gains on financial instruments	154	375	-	-	37 022
recognized in the income statement	154	375	-	-	30 664
recognized in revaluation reserves	-	-	-	-	6 358
Decreases, including:	(46 473)	(1 123)	(20 586)	(18 215)	(3 002 121)
Reclassification	(562)	(281)	-	-	(2 836 220)
Settlement/Redemption	(132)	(144)	-	(12 421)	(31 726)
Sale	(45 776)	-	-	-	(118 342)
Losses on financial instruments	(3)	(698)	(20 586)	(5 794)	(15 833)
recognized in the income statement	(3)	(698)	(11 826)	(5 794)	-
recognized in revaluation reserves	-	-	(8 760)	-	(15 833)
Closing balance	2 400	1 484	1 650 703	284 415	4 819 260
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	1	(323)	(20 586)	(5 794)	10 912
Income statement:	1	(323)	(11 826)	536	18 069
net interest income	2	-	7 937	536	18 069
net impairment losses on financial assets and off-balance sheet commitments	-	-	(19 763)	-	-
result on financial assets and liabilities held for trading	(1)	(323)	-	-	-
Other comprehensive income	-	-	(8 760)	(6 330)	(7 157)

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

2018	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Opening balance	14 211	1 218	-	-	735 442
Initial application of IFRS 9	-	-	1 555 964	365 137	4 336 613
Opening balance - restated	14 211	1 218	1 555 964	365 137	5 072 055
Increases, including:	672 824	12	468 833	8 976	3 094 204
Reclassification	392	-	-	-	10 869
Transactions made in 2018	-	-	-	2 745	-
Acquisition	671 700	-	408 521	-	3 034 342
Gains on financial instruments	732	12	60 312	6 231	48 993
recognized in the income statement	732	12	28 805	6 231	48 993
recognized in revaluation reserves	-	-	31 507	-	-
Decreases, including:	(660 925)	-	(513 695)	(71 483)	(1 054 426)
Reclassification	(14 211)	-	-	-	(124 277)
Settlement/Redemption	(680)	-	(26 217)	(71 483)	(45 018)
Sale	(646 020)	-	(487 478)	-	(825 745)
Losses on financial instruments	(14)	-	-	-	(59 386)
recognized in the income statement	(14)	-	-	-	-
recognized in revaluation reserves	-	-	-	-	(59 386)
Closing balance	26 110	1 230	1 511 102	302 630	7 111 833
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	29	12	57 554	6 095	28 486
Income statement:	29	12	25 179	6 095	40 133
net interest income	40	-	24 008	2 287	40 133
net impairment losses on financial assets and off-balance sheet commitments	-	-	1 171	-	-
result on financial assets and liabilities held for trading	(11)	12	-	3 808	-
Other comprehensive income	-	-	32 375	-	(11 647)

Notes to financial statements (cont.)

(in PLN thousand)

Transfers of instruments between fair value hierarchy levels are based on changes in availability of active market quotations as at the end of the reporting periods.

In the period from 1 January to 31 March 2019 the following transfers of financial instruments between the levels of the fair value hierarchy were made:

- from Level 3 to Level 2: municipal and corporate bonds which were valued based on information on the prices of comparable financial instruments, corporate bonds with immaterial impact of the estimated credit parameters on the valuation and capital market derivative instruments for which impact of the unobservable factor (correlation) on the valuation was immaterial,
- from Level 2 to Level 3: municipal and corporate bonds, for which impact of estimated credit parameters was material and capital market derivative instruments with material impact of the estimated factor (correlation) on the valuation.

The impact of estimated parameters on measurement of financial instruments for which the Group applies fair value valuation according to Level 3 as at 31 March 2019 and 31 December 2018 is as follows:

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 31.03.2019	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 31.03.2019	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Debt securities	4 632 279	Discounted cash flow	Credit spread	0.62%-1.34%	70 391	(70 391)
Derivatives	1 484	Black Scholes Model	Correlation	0-1	541	(425)
Loans and advances measured at fair value through profit or loss	284 415	Discounted cash flow	Credit spread	1.49% – 2.21%	3 669	(6 175)
Loans and advances measured at fair value through other comprehensive income	1 650 703	Discounted cash flow	Credit spread	1.94% – 2.66%	9 269	(9 111)

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 31.12.2018	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 31.12.2018	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Debt securities	6 948 563	Discounted cash flow	Credit spread	0.35%-1.04%	87 509	(87 509)
Derivatives	1 230	Black Scholes Model	Correlation	0-1	558	(684)
Loans and advances measured at fair value through profit or loss	302 630	Discounted cash flow	Credit spread	0.43%-1.11%	3 066	(3 015)
Loans and advances measured at fair value through other comprehensive income	1 511 102	Discounted cash flow	Credit spread	2.07%-2.75%	11 524	(8 854)

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 31 March 2019 and 31 December 2018, 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, 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, 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 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, less expected credit loss. The discount rate is defined as the appropriate market risk-free rate plus the liquidity risk margin and current sales margin for the given loan products group. The margin is computed on loans granted 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 and FX-Swap 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.

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 cash and mortgage loans denominated in PLN and CHF for which prepayment model is used, is calculated based on contractual cash flows.

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

Notes to the financial statements (cont.)

(in PLN thousand)

Assets and liabilities not measured at fair value in the financial statement in breakdown by fair value hierarchy levels

31.03.2019	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	7 443 921	7 442 751	2 469 853	4 972 898	-
Loans and advance to banks	3 109 232	3 109 160	-	1 660 128	1 449 032
Loans and advances to customers measured at amortised cost	125 422 135	125 315 843	-	-	125 315 843
Receivables from financial leases	5 601 861	5 704 123	-	-	5 704 123
Debt securities measured at amortised cost	11 046 507	11 145 014	5 557 397	667 578	4 920 039
Total Assets	152 623 656	152 716 891	8 027 250	7 300 604	137 389 037
Liabilities					
Amounts due to Central Bank	5 001	4 992	-	-	4 992
Amounts due to other banks	6 987 461	6 999 386	-	462 111	6 537 275
Amounts due to customers	151 652 851	151 911 645	-	420 791	151 490 854
Debt securities issued	5 389 142	5 405 670	-	5 405 670	-
Subordinated liabilities	2 028 985	2 030 187	-	2 030 187	-
Total Liabilities	166 063 440	166 351 880	-	8 318 759	158 033 121

31.12.2018	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	13 026 584	13 024 030	3 182 875	9 841 155	-
Loans and advance to banks	2 268 422	2 267 651	-	1 244 964	1 022 687
Loans and advances to customers measured at amortised cost	122 156 323	122 627 126	-	-	122 627 126
Receivables from financial leases	5 326 667	5 425 500	-	-	5 425 500
Debt securities measured at amortised cost	11 255 899	11 351 480	5 262 781	1 188 734	4 899 965
Total Assets	154 033 895	154 695 787	8 445 656	12 274 853	133 975 278
Liabilities					
Amounts due to Central Bank	5 067	5 070	-	-	5 070
Amounts due to other banks	5 615 631	5 637 204	-	278 288	5 358 916
Amounts due to customers	149 491 059	149 509 499	-	347 902	149 161 597
Debt securities issued	5 230 814	5 318 902	-	5 318 902	-
Subordinated liabilities	2 012 485	2 013 376	-	2 013 376	-
Total Liabilities	162 355 056	162 484 051	-	7 958 468	154 525 583

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 (including private banking customers) and micro companies with annual turnover not exceeding PLN 5 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,
- SME banking - all banking activities related to the companies with annual turnover from PLN 5 million to PLN 40 million and below 5 million in the case of companies conducting full accounting,
- Corporate and Investment banking – all banking activities related to the medium and large companies, interbank market, debt securities and other instruments, and results of the subsidiaries that are assigned to the Corporate and Investment banking activity,
- Assets and Liabilities management and other – supervision and monitoring of fund transfers, other activities centrally managed as well as the results of subsidiaries and share in net profit of associates accounted for using the equity method that are not assigned to other reported segments.

Notes to financial statements (cont.)

(in PLN thousand)

Operating segments reporting for the period from 1 January to 31 March 2019

	RETAIL BANKING	CORPORATE AND INVESTMENT BANKING	SME BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
Total net interest income	744 779	319 141	46 485	189 991	1 300 396
Non-interest income	370 786	203 592	65 229	9 395	649 002
Operating income	1 115 565	522 733	111 714	199 386	1 949 398
Personnel expenses	(273 701)	(66 048)	(22 378)	(117 297)	(479 424)
Other administrative expenses	(330 499)	(92 971)	(26 409)	199 265	(250 614)
Depreciation and amortisation	(42 558)	(8 220)	(1 134)	(76 735)	(128 647)
Operating costs	(646 758)	(167 239)	(49 921)	5 233	(858 685)
Gross operating profit	468 807	355 494	61 793	204 619	1 090 713
Net impairment losses on financial assets and off-balance sheet commitments	(71 955)	(50 821)	(2 983)	16 076	(109 683)
Net operating profit	396 852	304 673	58 810	220 695	981 030
Net result on other provisions	-	(19)	-	(4 710)	(4 729)
Guarantee funds charges	(46 638)	(37 222)	(2 110)	(307 192)	(393 162)
Tax on certain financial institutions	-	-	-	(148 861)	(148 861)
Net result on investment activities	(144)	15	-	2 237	2 108
Profit before tax	350 070	267 447	56 700	(237 831)	436 386
Income tax expense					(193 321)
Net profit for the period					243 065
Attributable to equity holders of the Bank					242 341
Attributable to non-controlling interests					724
Allocated assets	75 855 774	106 869 457	3 504 337	356 831	186 586 399
Unallocated assets					10 053 617
Total assets					196 640 016
Allocated liabilities	97 924 467	60 745 121	10 961 958	(2 105 338)	167 526 208
Unallocated liabilities					29 113 808
Total liabilities					196 640 016

Notes to financial statements (cont.)

(in PLN thousand)

Operating segments reporting for the period from 1 January to 31 March 2018

	RETAIL BANKING	CORPORATE AND INVESTMENT BANKING	SME BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
Total net interest income	637 657	316 958	44 442	206 633	1 205 690
Non-interest income	352 610	227 740	60 274	5 506	646 130
Operating income	990 267	544 698	104 716	212 139	1 851 820
Personnel expenses	(284 478)	(66 062)	(19 976)	(129 830)	(500 346)
Other administrative expenses	(312 899)	(93 297)	(27 939)	170 781	(263 354)
Depreciation and amortisation	(38 319)	(5 455)	(1 099)	(42 907)	(87 780)
Operating costs	(635 696)	(164 814)	(49 014)	(1 956)	(851 480)
Gross operating profit	354 571	379 884	55 702	210 183	1 000 340
Net impairment losses on financial assets and off-balance sheet commitments	(74 314)	(35 554)	(11 406)	(5 687)	(126 961)
Net operating profit	280 257	344 330	44 296	204 496	873 379
Net result on other provisions	362	(281)	-	(380)	(299)
Guarantee funds charges	(40 305)	(37 445)	(2 024)	(94 539)	(174 313)
Tax on certain financial institutions	-	-	-	(138 301)	(138 301)
Net result on investment activities	(6)	8	-	2 921	2 923
Profit before tax	240 308	306 612	42 272	(25 803)	563 389
Income tax expense					(171 064)
Net profit for the period					392 325
Attributable to equity holders of the Bank					392 325
Attributable to non-controlling interests					-
Allocated assets	68 216 483	100 373 078	3 324 661	1 199 677	173 113 899
Unallocated assets					9 630 224
Total assets					182 744 123
Allocated liabilities	86 452 883	61 550 814	10 239 362	(3 660 541)	154 582 518
Unallocated liabilities					28 161 605
Total liabilities					182 744 123

Reconciliations of operating income for reportable segments

	I QUARTER 2019	I QUARTER 2018
Total operating income for reportable segments	1 949 398	1 851 820
Net other operating income and expenses	(16 918)	(13 625)
Operating income	1 932 480	1 838 195

Geographical segment

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

Notes to financial statements (cont.)

(in PLN thousand)

9. Interest income and expense

Interest income

	I QUARTER 2019			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER PROFIT OR LOSS	
Loans and other receivables from customers	1 284 099	7 918	1 688	1 293 705
Interbank placements	12 262	-	-	12 262
Reverse repo transactions	8 339	-	-	8 339
Investment securities	72 805	151 926	-	224 731
Hedging derivatives	-	-	55 677	55 677
Financial assets held for trading	-	-	3 268	3 268
Total	1 377 505	159 844	60 633	1 597 982

	I QUARTER 2018			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER PROFIT OR LOSS	
Loans and other receivables from customers	1 167 869	6 275	1 995	1 176 139
Interbank placements	10 995	-	-	10 995
Reverse repo transactions	4 820	-	-	4 820
Investment securities	76 197	182 376	-	258 573
Hedging derivatives	-	-	26 878	26 878
Financial assets held for trading	-	-	1 159	1 159
Total	1 259 881	188 651	30 032	1 478 564

Interest expense

	I QUARTER 2019	I QUARTER 2018
Deposits from customers	(232 754)	(233 627)
Interbank deposits	(3 498)	(3 322)
Repo transactions	(4 823)	(7 742)
Loans and advances received	(6 577)	(1 824)
Leasing	(3 567)	(423)
Debt securities issued	(46 367)	(25 936)
Total	(297 586)	(272 874)

The amounts shown above contain interest expense relating to the financial liabilities measured at amortised cost.

Notes to financial statements (cont.)

(in PLN thousand)

10. Fee and commission income and expense

Fee and commission income

	I QUARTER 2019	I QUARTER 2018
Accounts maintenance, payment orders and cash transactions	150 330	150 534
Payment cards	141 938	135 459
Loans and advances	95 394	84 121
Margin on foreign exchange transactions with clients	115 580	104 429
Investment products sales intermediation	116 643	131 943
Securities operations	16 191	23 762
Custody activity	13 061	13 903
Pension and investment funds service fees	9 262	7 888
Guarantees, letters of credit and similar transactions	15 809	14 302
Other	10 677	9 087
Total	684 885	675 428

Fee and commission expense

	I QUARTER 2019	I QUARTER 2018
Payment cards	(54 307)	(59 842)
Money orders and transfers	(5 843)	(5 210)
Securities and derivatives operations	(7 456)	(6 738)
Accounts maintenance	(6 134)	(9 466)
Custody activity	(4 430)	(3 907)
Pension and investment funds management charges	(969)	(901)
Acquisition services	(132)	(344)
Other	(2 035)	(966)
Total	(81 306)	(87 374)

11. Dividend income

	I QUARTER 2019	I QUARTER 2018
Issuers of securities measured at fair value through profit or loss	386	157
Issuers of equity instruments designated at fair value through other comprehensive income	-	-
Total	386	157

Notes to financial statements (cont.)

(in PLN thousand)

12. Result on financial assets and liabilities measured at fair value through profit or loss

	I QUARTER 2019	I QUARTER 2018
Gains (losses) on loans and advances to customers measured mandatorily at fair value through profit or loss	(6 332)	(4 206)
Gains (losses) on securities measured mandatorily at fair value through profit or loss	12 267	2 410
Foreign currency exchange result	(3 305)	(2 754)
Gains (losses) on derivatives	13 054	18 257
Gains (losses) on securities held for trading	1 979	5 418
Total	17 663	19 125

13. Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss

Realized gains

	I QUARTER 2019	I QUARTER 2018
Financial assets measured at amortised cost	-	-
Financial assets measured at fair value through other comprehensive income	11 556	23 853
Financial liabilities not measured at fair value through profit or loss	-	-
Total	11 556	23 853

Realized losses

	I QUARTER 2019	I QUARTER 2018
Financial assets measured at fair value through other comprehensive income	-	-
Financial liabilities not measured at fair value through profit or loss	(124)	(21)
Total	(124)	(21)

Net realized profit	11 432	23 832
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14. Net impairment losses on financial assets and off-balance sheet commitments

	I QUARTER 2019	I QUARTERS 2018
Loans and other financial assets measured at amortized cost (*)(**)	(84 116)	(140 847)
Debt securities measured at amortized cost	502	(43)
Loans measured at fair value through other comprehensive income	(19 951)	4 915
Debt securities measured at fair value through other comprehensive income	2 004	2 877
Off-balance sheet commitments	(8 122)	6 137
Total financial assets and off-balance sheet commitments	(109 683)	(126 961)

(*) Item includes impairment losses on loans and advances to banks and receivables from financial leases.

(**) In the first quarter of 2019 the Group sold loans with a total debt of PLN 231.4 million. The realized gross result on the transaction was PLN 19.6 million.

Notes to financial statements (cont.)

(in PLN thousand)

15. Administrative expenses

Personnel expenses

	I QUARTER 2019	I QUARTERS 2018
Wages and salaries	(404 417)	(413 865)
Insurance and other charges related to employees	(74 562)	(77 137)
Share-based payments expenses	(445)	(9 344)
Total	(479 424)	(500 346)

Other administrative expenses

	I QUARTER 2019	I QUARTERS 2018
General expenses	(217 352)	(239 806)
Taxes and charges	(8 523)	(10 680)
Bank Guarantee Fund fee	(393 162)	(175 042)
Financial supervision authority fee (KNF)	(24 739)	(12 139)
Tax on certain financial institutions	(148 861)	(138 301)
Total	(792 637)	(575 968)

Total administrative expenses	(1 272 061)	(1 076 314)
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From 1 January 2017 new rules for making contributions to Bank Guarantee Fund (hereinafter 'BGF'), defined in the Act of 10 June 2016 on Bank Guarantee Fund, deposit guarantee schemes and resolution of banks (hereinafter 'BGF Act'), have to be applied.

In accordance with BGF Act, the banks are committed to make quarterly contributions to deposit guarantee fund of banks and annual contribution to resolution fund of banks. Such contributions are expenses not deductible for tax purposes. The obligation to make quarterly contribution to deposit guarantee fund of banks arises at the first day of each quarter, whereas the obligation to make annual contribution to resolution fund of banks arises at 1 January of the year concerned.

As a result of application of the Interpretation IFRIC 21 *Levies* for recognition of the above obligations, the costs of quarterly contribution to deposit guarantee fund of banks in the amount of PLN 20 651 thousand (PLN 30 310 thousand for the first quarter of 2018) and the costs of annual contribution to resolution fund of banks in the amount of PLN 372 511 thousand (PLN 144 732 thousand in 2018).

16. Depreciation and amortization

	I QUARTER 2019	I QUARTERS 2018
Property, plant and equipment	(76 460)	(42 424)
Investment property	(73)	(222)
Intangible assets	(52 114)	(45 134)
Total	(128 647)	(87 780)

Notes to financial statements (cont.)

(in PLN thousand)

17. Net other operating income and expenses

Other operating income

	I QUARTER 2019	I QUARTERS 2018
Rental income	6 085	5 460
Miscellaneous income	753	832
Recovery of debt collection costs	3 133	2 754
Revenues from sale of products, goods and services	19 630	33 361
Excess payments, repayments	3 758	4 301
Compensation, recoveries, penalty fees and fines received	5 625	6 206
Revenues from leasing activity	1 176	638
Income from written off liabilities	13	9
Releases of impairment allowances for litigation and other assets	481	254
Gains on sale of leasing assets for third person and other assets	629	26
Other	581	872
Total	41 864	54 713

Other operating expenses

	I QUARTER 2019	I QUARTERS 2018
Costs related to leasing activity	(490)	(374)
Credit insurance expenses	(275)	(1 354)
Sundry expenses	(443)	(436)
Reimbursement and deficiencies	(438)	(2 537)
Costs from sale of products, goods and services	(18 262)	(32 048)
Customers complaints expenses	(525)	(224)
Impairment allowance for litigations and other assets	(325)	(225)
Costs of litigation and claims	(335)	(404)
Compensation, penalty fees and fines paid	(80)	(188)
Losses on disposal of leasing assets for third person and other assets	-	(213)
Other	(3 773)	(3 085)
Total	(24 946)	(41 088)

Net other operating income and expenses	16 918	13 625
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Notes to financial statements (cont.)

(in PLN thousand)

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

	I QUARTER 2019	I QUARTER 2018
Gains (losses) on disposal of property, plant and equipment classified as assets held for sale	852	2 852
Gains (losses) on disposal of property, plant and equipment and intangible assets other than classified as assets held for sale	1 256	71
Total gains (losses) on disposal of property, plant and equipment and intangible assets	2 108	2 923

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

	I QUARTER 2019	I QUARTER 2018
INCOME STATEMENT		
Current tax	(243 536)	(140 557)
Current tax charge in the income statement	(238 990)	(141 103)
Adjustments related to the current tax from previous years	(4 425)	601
Other taxes (e.g. withholding tax)	(121)	(55)
Deferred tax	50 215	(30 507)
Occurrence and reversal of temporary differences	50 215	(30 507)
Tax charge in the consolidated income statement	(193 321)	(171 064)
EQUITY		
Deferred tax	(10 605)	(16 442)
Income and costs disclosed in other comprehensive income:		
revaluation of financial instruments - cash flows hedges	(12 306)	3 291
fair value revaluation through other comprehensive income	1 853	(20 765)
fair value revaluation through other comprehensive income – equity securities	(152)	1 032
Tax on items that are or may be reclassified subsequently to profit or loss	(10 605)	(16 442)
Total charge	(203 926)	(187 506)

Notes to financial statements (cont.)

(in PLN thousand)

20. Earnings per share

Basic earnings per share

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

	I QUARTER 2019	I QUARTER 2018
Net profit	242 341	392 325
Weighted average number of ordinary shares in the period	262 470 034	262 470 034
Earnings per share (in PLN per share)	0.92	1.49

Diluted earnings per share

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

As at 31 March 2019 there were no diluting instruments in the form of convertible bonds in the Group.

	I QUARTER 2019	I QUARTER 2018
Net profit	242 341	392 325
Weighted average number of ordinary shares in the period	262 470 034	262 470 034
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 470 034	262 470 034
Diluted earnings per share (in PLN per share)	0.92	1.49

21. Dividends

The Management Board of the Bank has decided to propose to the Ordinary General Meeting of Shareholders a dividend payment for 2018 in the amount of PLN 6.60 per share. Total dividend proposed to be paid amounts to PLN 1 732 302 thousand. The dividend has not been recognized as liabilities and there are no tax consequences for the Bank.

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

22. Cash and balances with Central Bank

CASH AND DUE FROM CENTRAL BANK	31.03.2019	31.12.2018
Cash	2 469 841	3 182 875
Current account at Central Bank	4 150 508	9 790 609
Other	823 969	54 013
Gross carrying amount	7 444 318	13 027 497
Impairment allowances	(397)	(913)
Net carrying amount	7 443 921	13 026 584

AMOUNTS DUE TO CENTRAL BANK	31.03.2019	31.12.2018
Term deposits	5 001	5 067
Amounts due to Central Bank	5 001	5 067

Receivables and liabilities to the Central Bank are measured at amortized cost.

Notes to financial statements (cont.)

(in PLN thousand)

Cash and balances with Central Bank by currency

31.03.2019	ASSETS	LIABILITIES
PLN	6 555 322	5 001
EUR	339 050	-
USD	328 457	-
CHF	57 510	-
Other currencies	163 582	-
Total	7 443 921	5 001

31.12.2018	ASSETS	LIABILITIES
PLN	10 471 632	5 067
EUR	1 980 231	-
USD	211 636	-
CHF	78 688	-
Other currencies	284 397	-
Total	13 026 584	5 067

23. Loans and advances to banks

Loans and advances to banks by product type

	31.03.2019	31.12.2018
Current accounts	377 933	276 433
Interbank placements	405 002	843 804
Loans and advances	18 819	19 085
Cash collaterals	986 296	983 373
Reverse repo transactions	878 489	126 442
Cash in transit	452 967	29 193
Total gross amount	3 119 506	2 278 330
Impairment allowances	(10 274)	(9 908)
Total net amount	3 109 232	2 268 422

Loans and advances to banks are measured at amortised cost.

Notes to financial statements (cont.)

(in PLN thousand)

Loans and advances to banks by contractual maturity

	31.03.2019	31.12.2018
Loans and advances to banks, including:		
up to 1 month	3 085 213	2 245 192
between 1 and 3 months	991	9
between 3 months and 1 year	20 226	19 923
between 1 and 5 years	170	31
over 5 years	51	51
past due	12 855	13 124
Total gross amount	3 119 506	2 278 330
Impairment allowances	(10 274)	(9 908)
Total net amount	3 109 232	2 268 422

Loans and advances to banks by currency

	31.03.2019	31.12.2018
PLN	1 764 072	493 697
CHF	1 994	31 935
EUR	1 085 353	1 521 593
USD	87 245	159 804
Other currencies	170 568	61 393
Total	3 109 232	2 268 422

24. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

	31.03.2019	31.12.2018
FINANCIAL ASSETS		
Debt securities	1 400 867	755 213
Equity securities	5 466	7 499
Total financial assets	1 406 333	762 712
FINANCIAL LIABILITIES		
Debt securities	807 104	102 429
Total financial liabilities	807 104	102 429

Financial assets and liabilities held for trading are measured at fair value through profit or loss.

Notes to financial statements (cont.)

(in PLN thousand)

Debt securities held for trading

	31.03.2019	31.12.2018
FINANCIAL ASSETS		
Debt securities issued by State Treasury	1 237 490	637 765
T- bills	-	-
T- bonds	1 237 490	637 765
Debt securities issued by banks	51 568	38 567
Debt securities issued by business entities	111 809	78 881
Total financial assets	1 400 867	755 213
FINANCIAL LIABILITIES		
Debt securities issued by State Treasury	807 104	102 429
T- bonds	807 104	102 429
Total financial liabilities	807 104	102 429

Equity securities held for trading

	31.03.2019	31.12.2018
Shares	5 212	2 446
Participation units	254	5 053
Total	5 466	7 499

Debt securities held for trading by maturity

	31.03.2019	31.12.2018
FINANCIAL ASSETS		
Debt securities, including:		
up to 1 month	31 030	1 720
between 1 and 3 months	-	-
between 3 months and 1 year	264 897	85 206
between 1 and 5 years	895 941	612 870
over 5 years	208 999	55 417
unspecified term	-	-
Total financial assets	1 400 867	755 213
FINANCIAL LIABILITIES		
Debt securities, including:		
up to 1 month	-	-
between 1 and 3 months	-	-
between 3 months and 1 year	229 763	-
between 1 and 5 years	213 073	57 421
over 5 years	364 268	45 008
Total financial liabilities	807 104	102 429

Notes to financial statements (cont.)

(in PLN thousand)

Debt securities held for trading by currency

	31.03.2019	31.12.2018
FINANCIAL ASSETS		
PLN	1 382 757	745 331
EUR	15 983	8 634
USD	2 127	1 248
Total financial assets	1 400 867	755 213
FINANCIAL LIABILITIES		
PLN	807 104	102 429
Total financial liabilities	807 104	102 429

25. Derivative financial instruments (held for trading)

Fair value of trading derivatives

31.03.2019	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 300 138	1 729 360
Forward Rate Agreements (FRA)	997	777
Options	7 560	3 366
Other	943	1 448
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	44 845	38 485
Currency Forward Agreements	55 760	148 820
Currency Swaps (FX-Swap)	80 160	14 387
Options for currency and gold	31 875	32 215
Transactions based on equity securities and stock indexes		
Options	1 574	1 555
Other	1	-
Transactions based on commodities and precious metals		
Options	30 373	27 774
Other	28 266	27 772
Total	1 582 492	2 025 959

Notes to financial statements (cont.)

(in PLN thousand)

Fair value of trading derivatives

31.12.2018	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 154 170	1 592 975
Forward Rate Agreements (FRA)	1 609	776
Options	6 822	2 122
Other	529	1 175
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	33 723	26 679
Currency Forward Agreements	56 153	114 042
Currency Swaps (FX-Swap)	55 528	34 253
Options for currency and for gold	39 434	39 699
Transactions based on equity securities and stock indexes		
Options	2 714	2 693
Other	1	-
Transactions based on commodities and precious metals		
Options	55 222	53 415
Other	45 757	45 217
Total	1 451 662	1 913 046

Derivative financial instruments are measured at fair value through profit or loss.

26. Loans and advances to customers

Loans and advances to customers by product type

	31.03.2019			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	65 862 472	1 130 301	25 395	67 018 168
Current accounts	12 668 029	-	-	12 668 029
Operating loans	12 842 791	399 416	26 345	13 268 552
Investment loans	19 441 627	120 986	85 219	19 647 832
Cash loans	14 058 273	-	-	14 058 273
Payment cards receivables	1 131 150	-	-	1 131 150
Factoring	4 317 863	-	-	4 317 863
Other loans and advances	1 246 915	-	147 456	1 394 371
Debt securities	-	-	-	-
Reverse repo transactions	-	-	-	-
Cash in transit	35 757	-	-	35 757
Gross carrying amount	131 604 877	1 650 703	284 415	133 539 995
Impairment allowances (*)	(6 182 742)	-	-	(6 182 742)
Carrying amount	125 422 135	1 650 703	284 415	127 357 253

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 34 505 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

Notes to financial statements (cont.)

(in PLN thousand)

Loans and advances to customers by product type

	31.12.2018			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	64 592 080	1 109 602	26 826	65 728 508
Current accounts	11 481 932	-	-	11 481 932
Operating loans	12 412 344	401 500	27 750	12 841 594
Investment loans	19 009 546	-	95 669	19 105 215
Cash loans	13 681 398	-	-	13 681 398
Payment cards receivables	1 141 961	-	-	1 141 961
Factoring	4 714 939	-	-	4 714 939
Other loans and advances	1 195 464	-	152 385	1 347 849
Debt securities	-	-	-	-
Reverse repo transactions	-	-	-	-
Cash in transit	64 336	-	-	64 336
Gross carrying amount	128 294 000	1 511 102	302 630	130 107 732
Impairment allowances (*)	(6 137 677)	-	-	(6 137 677)
Carrying amount	122 156 323	1 511 102	302 630	123 970 055

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 14 590 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

Loans and advances to customers by customer type

	31.03.2019			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Corporate	55 197 500	1 650 703	52 370	56 900 573
Individuals	72 678 432	-	147 457	72 825 889
Budget entities	3 728 945	-	84 588	3 813 533
Gross carrying amount	131 604 877	1 650 703	284 415	133 539 995
Impairment allowances (*)	(6 182 742)	-	-	(6 182 742)
Carrying amount	125 422 135	1 650 703	284 415	127 357 253

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 34 505 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

	31.12.2018			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Corporate	53 186 945	1 511 102	56 407	54 754 454
Individuals	71 306 127	-	152 385	71 458 512
Budget entities	3 800 928	-	93 838	3 894 766
Gross carrying amount	128 294 000	1 511 102	302 630	130 107 732
Impairment allowances (*)	(6 137 677)	-	-	(6 137 677)
Carrying amount	122 156 323	1 511 102	302 630	123 970 055

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 14 590 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

Notes to financial statements (cont.)

(in PLN thousand)

Loans and advances to customers by contractual maturity

	31.03.2019			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Loans and advances to customers, including:				
up to 1 month	17 518 980	-	2 424	17 521 404
between 1 and 3 months	4 549 271	-	15 039	4 564 310
between 3 months and 1 year	12 201 753	14	41 488	12 243 255
between 1 and 5 years	38 090 125	516 143	168 275	38 774 543
over 5 years	54 073 244	1 134 546	54 861	55 262 651
past due	5 171 504	-	2 328	5 173 832
Gross carrying amount	131 604 877	1 650 703	284 415	133 539 995
Impairment allowances (*)	(6 182 742)	-	-	(6 182 742)
Carrying amount	125 422 135	1 650 703	284 415	127 357 253

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 34 505 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

	31.12.2018			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Loans and advances to customers, including:				
up to 1 month	16 076 736	-	2 332	16 079 068
between 1 and 3 months	3 988 069	-	15 097	4 003 166
between 3 months and 1 year	13 201 050	72 224	52 597	13 325 871
between 1 and 5 years	37 046 831	413 713	168 618	37 629 162
over 5 years	53 029 499	1 025 165	61 070	54 115 734
past due	4 951 815	-	2 916	4 954 731
Gross carrying amount	128 294 000	1 511 102	302 630	130 107 732
Impairment allowances (*)	(6 137 677)	-	-	(6 137 677)
Carrying amount	122 156 323	1 511 102	302 630	123 970 055

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 14 590 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

Loans and advances to customers by currency

	31.03.2019			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
PLN	104 726 268	47 667	284 415	105 058 350
CHF	3 233 595	-	-	3 233 595
EUR	14 788 250	1 603 036	-	16 391 286
USD	2 271 003	-	-	2 271 003
Other currencies	403 019	-	-	403 019
Total	125 422 135	1 650 703	284 415	127 357 253

Notes to financial statements (cont.)

(in PLN thousand)

Loans and advances to customers by currency

	31.12.2018			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
PLN	102 206 944	48 040	302 630	102 557 614
CHF	3 306 813	-	-	3 306 813
EUR	14 509 721	1 463 062	-	15 972 783
USD	1 759 248	-	-	1 759 248
Other currencies	373 597	-	-	373 597
Total	122 156 323	1 511 102	302 630	123 970 055

27. Receivables from financial leases

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

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

31.03.2019	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	2 154 886	1 989 501
Between 1 and 5 years	3 507 332	3 306 445
Over 5 years	414 693	391 882
Total	6 076 911	5 687 828
Unearned finance income	(389 083)	
Net leasing investment	5 687 828	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	5 687 828	
Impairment allowances	(85 967)	
Carrying amount	5 601 861	

31.12.2018	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 953 203	1 790 340
Between 1 and 5 years	3 387 505	3 187 430
Over 5 years	455 669	431 683
Total	5 796 377	5 409 453
Unearned finance income	(386 924)	
Net leasing investment	5 409 453	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	5 409 453	
Impairment allowances	(82 786)	
Carrying amount	5 326 667	

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.

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from financial leases by currency

	31.03.2019	31.12.2018
PLN	3 718 048	3 462 582
CHF	69	214
EUR	1 882 952	1 863 019
USD	792	852
Total	5 601 861	5 326 667

28. Hedge accounting

The Group decided to take advantage of the choice given by IFRS 9 and continues to apply hedge accounting procedures according to IAS 39. This decision concerns all hedging relationships, for which the Bank applies and will apply hedge accounting in the future.

As of 31 March 2019 the Group applies fair value hedge accounting and cash flow hedge accounting:

Fair value hedge accounting

- Interest rate swaps (IRS) designated to hedge debt securities denominated in PLN, EUR and USD (**FVH IRS bonds**),

Cash flow hedge accounting

- Interest rate swaps (IRS) designated to hedge floating rate loans and securities denominated in PLN (**CFH IRS loans/bonds**),
- Interest rate swaps (IRS) designated to hedge deposits denominated in PLN and EUR, which economically reflect long-term variable-rate liability (**CFH IRS deposits**),
- cross-currency interest rate swaps (CIRS basis swap) designated to hedge floating rate loans denominated in CHF and liabilities denominated in PLN, which economically reflect long-term variable-rate liability (**CFH CIRS deposits/loans**),
- FX-Swaps designated to hedge floating rate loans denominated in EUR (**CFH FX-Swap loans**).

Fair value hedge accounting

The Group applies fair value hedge accounting for fixed coupon debt securities denominated in PLN, EUR and USD, hedged with interest rate swap (IRS) transactions in the same currencies. The Group hedges component of interest rate risk related to the fair value changes of the hedged item resulting exclusively from the volatility of market interest rates (WIBOR, EURIBOR, LIBOR USD). In the past, hedged risk component accounted for a significant portion of changes in fair value of the hedged item.

Risk management strategy regarding fair value hedge relationships, hedge accounting system and main sources of hedge ineffectiveness were described in consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2018 and have not changed substantially since then.

The Group's approach to market risk management, including interest rate risk, and details regarding exposure of the Group to interest rate risk is presented in the Note 7.2.

Notes to financial statements (cont.)

(in PLN thousand)

The tables below present interest rate swaps which are used by the Group as instruments hedging interest rate risk in fair value hedge accounting as of 31 March 2019 and 31 December 2018.

Impact of fair value hedge (interest rate risk hedging) on balance sheet and financial result

31.03.2019	FVH IRS BONDS – IRS HEDGING DEBT SECURITIES MEASURED AT:		TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	
Hedging instruments			
Nominal value	200 000	2 889 667	3 089 667
Carrying amount – assets	-	16 135	16 135
Carrying amount – liabilities	13 243	125 081	138 324
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments
Amount of changes in fair value of the hedging instrument in the reporting period used for estimating hedge inefficiency	(3 059)	(25 158)	(28 217)
Amount of hedge ineffectiveness recognized in the income statement 'Result on fair value hedge accounting'	(149)	(827)	(976)
Hedged item			
Carrying amount – assets	213 259	3 087 978	3 301 237
Accumulated amount of the adjustment to the fair value of the hedged item included in the carrying amount of the hedged item recognized in the balance sheet - assets	11 611	155 908	167 519
Balance sheet item in which hedged item is reported	Hedging instruments	Hedging instruments	Hedging instruments
Change in the value of hedged item used for estimating hedge inefficiency in the reporting period	2 910	24 331	27 241
Accumulated amount of the adjustment to the fair value of the hedged item remaining in the balance sheet for those hedged items for which adjustments of the balance sheet item for adjustment to fair value has been discontinued	-	-	-

31.12.2018	FVH IRS BONDS – IRS HEDGING DEBT SECURITIES MEASURED AT:		TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	
Hedging instruments			
Nominal value	200 000	3 133 649	3 333 649
Carrying amount – assets	-	21 166	21 166
Carrying amount – liabilities	9 592	134 080	143 672
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments
Amount of changes in fair value of the hedging instrument in the reporting period used for estimating hedge inefficiency	(7 560)	48 638	41 078
Amount of hedge ineffectiveness recognized in the income statement 'Result on fair value hedge accounting'	(78)	2 933	2 855
Hedged item			
Carrying amount – assets	208 402	3 335 538	3 543 940
Accumulated amount of the adjustment to the fair value of the hedged item included in the carrying amount of the hedged item recognized in the balance sheet - assets	8 700	124 954	133 654
Balance sheet item in which hedged item is reported	Hedging instruments	Hedging instruments	Hedging instruments
Change in the value of hedged item used for estimating hedge inefficiency in the reporting period	7 476	(45 707)	(38 231)
Accumulated amount of the adjustment to the fair value of the hedged item remaining in the balance sheet for those hedged items for which adjustments of the balance sheet item for adjustment to fair value has been discontinued	-	-	-

Notes to financial statements (cont.)

(in PLN thousand)

Cash flow hedge accounting

The Group applies:

- cross-currency interest rate swaps (CIRS) to hedge exposure to interest rate risk related to volatility of market reference rates (WIBOR, LIBOR CHF) and exposure to currency risk. Portfolios of variable-rate loans denominated in CHF and deposits in PLN (which economically reflects to long-term variable-rate liability) are hedged items in this hedging relationship. CIRS transactions are decomposed into the part hedging the portfolio of assets and the part hedging the portfolio of liabilities,
- interest rate swaps (IRS) to hedge the exposure to interest rate risk related to the volatility of market reference rates (WIBOR), generated by portfolios of variable-rate loans and securities denominated in PLN,
- currency swap (FX-Swap) to hedge the exposure to interest rate risk related to the volatility of market reference rates (EURIBOR, LIBOR USD), and the exposure to the currency risk, generated by portfolios of variable-rate of loans denominated in EUR and USD,
- interest rate swaps (IRS) to hedge the exposure to interest rate risk related to the volatility of market reference rates (WIBOR, EURIBOR), generated by portfolio of deposits denominated in PLN and EUR, which economically reflect a long-term, variable-rate liability.

The Group's risk management strategy regarding cash flow hedge relationships, hedge accounting system and main sources of hedge ineffectiveness were described in the financial statement as of 31 December 2018 and have not changed substantially since then.

Impact of cash flow hedge on balance sheet and financial result

31.03.2019	INTEREST RATE RISK		INTEREST RATE RISK / CURRENCY RISK	
	CFH IRS loans	CFH IRS deposits	CFH CIRS deposits/ loans	CFH FX Swap deposits/loans
HEDGE IN RELATIONSHIP				
Hedging instruments				
Nominal value	8 200 000	1 107 959	11 747 630	12 466 364
Carrying amount – assets	302 850	-	-	65 917
Carrying amount – liabilities	778	22 204	744 085	1 393
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments	Hedging instruments
Change in the fair value of the hedging instrument used for estimating hedge ineffectiveness	42 704	(5 726)	28 010	(214)
Gains or losses resulting from hedging, recognized in other comprehensive income	-	-	-	-
Amount of hedge ineffectiveness recognized in the income statement in item 'Result on financial assets and liabilities measured at fair value through profit or loss'	-	-	1	-
Amount transferred from the revaluation reserves due to cash flow hedge accounting to the income statement as a reclassification adjustment	-	-	-	-
Income statement item in which reclassification adjustment is reported	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss
Hedged item				
Amount of change in the fair value of a hypothetical derivative representing the hedged item used for estimating the hedge ineffectiveness in the reporting period	(42 704)	5 726	(44 379)	316
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting will be continued after the end of the reporting period	192 485	(17 550)	(58 440)	(186)
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting is no longer applied	-	-	-	-

Notes to financial statements (cont.)

(in PLN thousand)

Impact of cash flow hedge on balance sheet and financial result

31.12.2018	INTEREST RATE RISK		INTEREST RATE RISK / CURRENCY RISK	
	CFH IRS loans	CFH IRS deposits	CFH CIRS deposits/ loans	CFH FX Swap deposits/loans
HEDGE IN RELATIONSHIP				
Hedging instruments				
Nominal value	8 600 000	1 107 760	11 689 750	6 293 305
Carrying amount – assets	261 759	-	-	30 640
Carrying amount – liabilities	-	15 613	745 171	600
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments	Hedging instruments
Change in the fair value of the hedging instrument used for estimating hedge ineffectiveness	48 745	(10 856)	9 369	(175)
Gains or losses resulting from hedging, recognized in other comprehensive income	-	-	-	-
Amount of hedge ineffectiveness recognized in the income statement in item 'Result on financial assets and liabilities measured at fair value through profit or loss'	205	-	(23)	7
Amount transferred from the revaluation reserves due to cash flow hedge accounting to the income statement as a reclassification adjustment	-	-	-	-
Income statement item in which reclassification adjustment is reported	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss
Hedged item				
Amount of change in the fair value of a hypothetical derivative representing the hedged item used for estimating the hedge ineffectiveness in the reporting period	(48 745)	10 856	(13 313)	185
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting will be continued after the end of the reporting period	150 374	(11 975)	(86 447)	(412)
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting is no longer applied	-	-	-	-

Changes in the revaluation reserve from the valuation of hedging derivatives in cash flow hedge accounting

	1 QUARTER 2019	1 QUARTER 2018
Opening balance	51 540	6 581
INTEREST RATE RISK		
Gains or losses resulting from hedging, recognized in other comprehensive income during the reporting period	36 536	(7 478)
Part of the loss transferred to the income statement due to the lack of expectation of materialization of the hedged item	-	-
INTEREST RATE RISK/CURRENCY RISK		
Gains or losses resulting from hedging, recognized in other comprehensive income during the reporting period	28 233	(9 845)
Part of the loss transferred to the income statement due to the lack of expectation of materialization of the hedged item	-	-
Closing balance	116 309	(10 742)

Notes to financial statements (cont.)

(in PLN thousand)

29. Investment (placement) securities

	31.03.2019	31.12.2018
Debt securities measured at amortised cost	11 046 507	11 255 899
Debt securities measured at fair value through other comprehensive income	32 402 187	27 032 827
Equity instruments designated at fair value through other comprehensive income	233 634	232 861
Equity instruments mandatorily measured at fair value through profit or loss	99 324	65 408
Total	43 781 652	38 586 995

Debt securities measured at amortised cost

	31.03.2019	31.12.2018
Securities issued by State Treasury	5 522 525	5 237 027
T-bills	-	-
T-bonds	5 522 525	5 237 027
Securities issued by Central Banks	14 697	13 798
Securities issued by business entities	2 619 250	3 426 605
Securities issued by local governments	2 890 035	2 578 469
Total	11 046 507	11 255 899
including impairment of assets	(59 235)	(59 339)

Debt securities measured at fair value through other comprehensive income

	31.03.2019	31.12.2018
Securities issued by State Treasury	17 061 957	15 575 633
T-bills	-	-
T-bonds	16 811 797	15 325 422
Other	250 160	250 211
Securities issued by Central Banks	6 983 670	2 985 696
Securities issued by banks	3 440 821	3 418 866
Securities issued by business entities	1 587 376	1 985 860
Securities issued by local governments	3 328 363	3 066 772
Total	32 402 187	27 032 827
including impairment of assets (*)	(26 302)	(28 307)

(*) The impairment allowance for debt securities measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount.

Equity instruments designated at fair value through other comprehensive income

	31.03.2019	31.12.2018
Shares	233 634	232 861
Total	233 634	232 861

Notes to financial statements (cont.)

(in PLN thousand)

Equity instruments mandatorily measured at fair value through profit or loss

	31.03.2019	31.12.2018
Shares	79 011	65 408
Investment certificates	20 313	-
Total	99 324	65 408

Investment debt securities according to contractual maturity

	31.03.2019	31.12.2018
Debt securities, including:		
up to 1 month	7 956 185	3 784 220
between 1 and 3 months	100 199	134 911
between 3 months and 1 year	4 641 222	2 959 486
between 1 and 5 years	18 477 962	19 671 719
over 5 years	12 273 126	11 738 390
Total	43 448 694	38 288 726

Investment debt securities by currency

	31.03.2019	31.12.2018
PLN	37 813 787	32 180 082
EUR	2 713 696	2 967 951
USD	2 921 211	3 140 693
Total	43 448 694	38 288 726

30. Assets and liabilities held for sale

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

As at 31 March 2019 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:

	31.03.2019	31.12.2018
ASSETS HELD FOR SALE		
Property, plant and equipment	6 628	11 550
Total assets	6 628	11 550

The effect of disposal of other assets is as follows:

	I QUARTER 2019	I QUARTER 2018
Sales revenues	4 471	4 741
Net carrying amount of disposed assets (including sale costs)	(3 619)	(1 889)
Profit/loss on sale before income tax	852	2 852

Notes to financial statements (cont.)

(in PLN thousand)

31. Intangible assets

	31.03.2019	31.12.2018
Intangible assets, including:	736 472	779 098
research and development expenditures	2	3
licenses and patents	452 827	461 255
other	166 257	168 827
assets under construction	117 386	149 013
Goodwill	747 648	747 648
Total	1 484 120	1 526 746

In the period from 1 January to 31 March 2019 the Group acquired intangible assets in the amount of PLN 11 993 thousand (in 2018 – PLN 181 373 thousand).

In the period from 1 January to 31 March 2019 and in 2018 there have been no intangible assets whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 31 March 2019 the contractual commitments for the acquisition of intangible assets amounted to PLN 43 095 thousand, whereas as at 31 December 2018 - PLN 43 136 thousand.

32. Property, plant and equipment

	31.03.2019	31.12.2018
Non-current assets, including:	1 912 714	1 277 774
land and buildings	1 418 301	919 785
machinery and equipment	314 296	232 069
transport vehicles	89 963	53 029
other	90 154	72 891
Non-current assets under construction and prepayments	105 766	142 168
Total	2 018 480	1 419 942

In the period from 1 January to 31 March 2019 the Group acquired property, plant and equipment in the amount of PLN 38 962 thousand (in 2018 - PLN 181 980 thousand), while the value of property, plant and equipment sold amounted to PLN 4 239 thousand (in 2018 - PLN 20 833 thousand).

In the period from 1 January to 31 March 2019 and in 2018 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 31 March 2019 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 13 898 thousand, whereas as at 31 December 2018 - PLN 7 402 thousand.

Notes to financial statements (cont.)

(in PLN thousand)

33. Assets pledged as security for liabilities

As at 31 March 2019 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	843 345	788 193	841 073
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	742 231	690 000	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	bonds	77 921	78 000	69 610
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	bonds	107 887	108 000	96 818
Lombard and technical loan	bonds	5 116 927	4 947 879	-
Other loans	bonds	236 941	221 100	197 006
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 462 131	1 461 850	1 721 207
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	48 654	46 882	-
Derivatives	bonds	523 631	524 161	479 515

As at 31 December 2018 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	417 979	352 714	415 119
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	738 238	690 200	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	bonds	71 227	70 000	63 415
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	bonds	109 874	108 000	96 818
Lombard and technical loan	bonds	3 700 090	3 652 863	-
Other loans	bonds	236 083	221 100	206 151
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 462 355	1 460 936	1 819 911
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	46 439	46 313	-
Derivatives	bonds	529 569	520 445	470 905

Notes to financial statements (cont.)

(in PLN thousand)

34. Amounts due to other banks

Amounts due to other banks by product type

	31.03.2019	31.12.2018
Current accounts	2 443 385	1 053 416
Interbank deposits and other liabilities	283 376	394 156
Loans and advances received	3 413 584	4 060 142
Repo transactions	420 123	67 447
Cash in transit	425 798	40 470
Lease liabilities	1 195	-
Total	6 987 461	5 615 631

Amounts due to other banks are measured at amortised cost.

Amounts due to other banks by currency

	31.03.2019	31.12.2018
PLN	3 114 139	1 799 447
CHF	206 492	226 207
EUR	3 578 250	3 494 632
USD	59 764	55 287
Other currencies	28 816	40 058
Total	6 987 461	5 615 631

35. Amounts due to customers

Amounts due to customers by entity and product type

	31.03.2019	31.12.2018
Amounts due to corporate, including:	50 419 238	53 468 205
current accounts	34 447 592	39 426 301
term deposits and other liabilities	15 971 646	14 041 904
Amounts due to budget entities, including:	12 642 641	10 946 907
current accounts	9 331 189	9 754 001
term deposits and other liabilities	3 311 452	1 192 906
Amounts due to individuals, including:	87 356 352	84 510 108
current accounts	51 765 582	49 773 217
term deposits and other liabilities	35 590 770	34 736 891
Repo transactions	420 950	347 672
Cash in transit	266 331	211 025
Lease liabilities	547 339	7 142
Total	151 652 851	149 491 059

Amounts due to customers are measured at amortised cost.

Notes to financial statements (cont.)

(in PLN thousand)

Amounts due to customers by currency

	31.03.2019	31.12.2018
PLN	125 032 815	123 029 852
CHF	362 861	350 419
EUR	16 867 465	16 552 992
USD	8 011 084	8 100 077
Other currencies	1 378 626	1 457 719
Total	151 652 851	149 491 059

36. Debt securities issued

Debt securities issued by type

	31.03.2019	31.12.2018
Liabilities from bonds	2 086 320	1 978 319
Certificates of deposit	1 881 691	1 732 596
Mortgage bonds	1 421 131	1 519 899
Total	5 389 142	5 230 814

Amounts debt securities issued are measured at amortised cost.

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

Debt securities issued by currency

	31.03.2019	31.12.2018
PLN	5 111 500	4 901 179
EUR	277 642	329 635
USD	-	-
Total	5 389 142	5 230 814

37. Subordinated liabilities

On 30 October 2017, the Bank issued 10 years subordinated bonds with a total nominal value of PLN 1.25 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 21 December 2017 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 15 October 2018, the Bank issued 10 years subordinated bonds with a total nominal value of PLN 0.55 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 16 November 2018 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 15 October 2018, the Bank issued 15 years subordinated bonds with a total nominal value of PLN 0.20 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 18 October 2018 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

Notes to financial statements (cont.)

(in PLN thousand)

Subordinated liabilities by type

TYPE OF TRANSACTION	NOMINAL AMOUNT	CURRENCY	INTEREST RATE	ISSUE DATE	MATURITY DATE	SPECIAL TERMS	BALANCE SHEET VALUE AS AT 31.03.2019
Subordinated bonds	1 250 000	PLN	variable, WIBOR 6M + margin	30.10.2017	29.10.2027	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	1 267 225
Subordinated bonds	550 000	PLN	variable, WIBOR 6M + margin	15.10.2018	16.10.2028	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	558 455
Subordinated bonds	200 000	PLN	variable, WIBOR 6M + margin	15.10.2018	14.10.2033	Call option giving the Bank the right of early redemption within 10 years from the issue date, subject to the approval of the PFSA	203 305

TYPE OF TRANSACTION	NOMINAL AMOUNT	CURRENCY	INTEREST RATE	ISSUE DATE	MATURITY DATE	SPECIAL TERMS	BALANCE SHEET VALUE AS AT 31.12.2018
Subordinated bonds	1 250 000	PLN	variable, WIBOR 6M + margin	30.10.2017	29.10.2027	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	1 257 025
Subordinated bonds	550 000	PLN	variable, WIBOR 6M + margin	15.10.2018	16.10.2028	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	553 926
Subordinated bonds	200 000	PLN	variable, WIBOR 6M + margin	15.10.2018	14.10.2033	Call option giving the Bank the right of early redemption within 10 years from the issue date, subject to the approval of the PFSA	201 534

38. Provisions

Changes in provisions in the reporting period

I QUARTER 2019	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	54 890	289 287	240 698	50 210	635 085
Provision charges/revaluation	4 784	7 007	58 277	445	70 513
Provision utilization	(4 137)	(14 772)	-	(569)	(19 478)
Provision releases	(55)	-	(50 155)	-	(50 210)
Foreign currency exchange differences	-	-	101	-	101
Other changes	-	95	-	34	129
Closing balance	55 482	281 617	248 921	50 120	636 140
Short term	3 544	13 311	43 907	1 433	62 195
Long term	51 938	268 306	205 014	48 687	573 945

Notes to financial statements (cont.)

(in PLN thousand)

Changes in provisions in the reporting period

2018	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	17 132	300 248	236 909	48 333	602 622
Initial application of IFRS 9	-	-	36 266	-	36 266
Opening balance - restated	17 132	300 248	273 175	48 333	638 888
Provision charges/revaluation	15 101	27 920	203 941	17 825	264 787
Provision utilization	(3 739)	(38 567)	(24 808)	(15 899)	(83 013)
Provision releases	(1 143)	(5)	(169 241)	(49)	(170 438)
Foreign currency exchange differences	-	-	1 391	-	1 391
Other changes	27 539	(309)	(43 760)	-	(16 530)
Closing balance	54 890	289 287	240 698	50 210	635 085
Short term	3 559	12 740	50 987	1 968	69 254
Long term	51 331	276 547	189 711	48 242	565 831

Provisions for litigation and claims

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

Provisions for defined benefits plans

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

Other provisions

Other provisions include in particular provisions for other employee benefits.

39. Contingent commitments

Lawsuits

As at 31 March 2019 the following lawsuits for payment are ongoing with involvement of the Group, that are important in view of the value of the subject of dispute:

1) in the group of liabilities (against the Group):

- brought by a legal person – lawsuit for payment by virtue of inadequate performance of agreement, value of the subject of dispute 17 521 646 EUR (which as at 29 March 2019 at mid NBP rate was equivalent to 75 365 858.94 PLN), litigation initiation date – 19 July 2018, in the present factual and legal state the Bank assesses the funds outflow risk as possible,
- brought by the receiver for a joint stock company in liquidation bankruptcy – lawsuit for payment of compensation for a damage incurred as a result of the Bank's demanding immediate payment of the amounts due in virtue of payment of the price from the credit liabilities transfer agreement and conducting enforcement collection of the portion of the price remaining for payment, value of the subject of dispute 57 450 130 PLN, litigation initiation date – 30 April 2015, in the present factual and legal state the Bank assesses the funds outflow risk as possible,
- brought by a natural person – lawsuit for payment by the Bank of an amount charged by virtue of settlement of forward financial transactions, value of the subject of dispute 38 916 555.18 PLN, litigation initiation date – 2 October 2016, in the present factual and legal state the Bank assesses the funds outflow risk as possible,
- brought by a beneficiary of warranty – lawsuit for payment of a claim by virtue of the warranty issued by the Bank, value of the subject of dispute 32 750 000 PLN, litigation initiation date – 14 January 2014 in the present factual and legal state the Bank assesses the funds outflow risk as minor.

Notes to financial statements (cont.)

(in PLN thousand)

2) in the group of receivables (brought by the Group):

- Bank's main intervention lawsuit against the parties of the main lawsuit – the subject of the intervention is the demand for payment by virtue of the assignment of receivables securing Bank's liabilities, value of the subject of dispute 321 979 666.87 PLN, litigation initiation date – 26 October 2018,
- Bank's lawsuit for payment against limited debtor by virtue of mortgage collateralizing repayment of the granted loan, value of the subject of dispute 132 877 901 PLN litigation initiation date – 21 January 2016,
- Bank's main intervention lawsuit against the parties of the main lawsuit – the subject of the intervention is the demand for payment by virtue of the assignment of receivables securing Bank's liabilities, value of the subject of dispute 119 020 334 PLN, litigation initiation date – 26 October 2018,
- Bank's mutual lawsuit for payment of amounts due by virtue of the transfer of liabilities, value of the subject of dispute 89 977 886 PLN, litigation initiation date – 28 February 2013,
- Bank's main intervention lawsuit against the parties of the main lawsuit – the subject of the intervention is the demand to execute (pay) the liabilities purchased by the Bank from one of the defendants against the other defendant, value of the subject of dispute 67 432 617.21 PLN, litigation initiation date – 23 January 2006.

None of the litigations ongoing in the first quarter of 2019 before the court, authority competent for arbitrary proceedings or a body of public administration posed a threat for financial liquidity of the Group.

The Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the provisions as at 31 March 2019 is PLN 55 482 thousand (PLN 54 890 thousand as at 31 December 2018).

Financial commitments granted

Financial commitments granted by entity

	31.03.2019	31.12.2018
Financial commitments granted to:		
banks	231 941	312 155
customers entities	32 111 183	31 979 434
budget entities	891 759	662 554
Total	33 234 883	32 954 143

Guarantees issued

Guarantees issued by entity

	31.03.2019	31.12.2018
Issued to banks:	1 283 404	1 229 675
guarantees	1 277 797	1 224 617
confirmed export letters of credit	5 607	5 058
Issued customers entities	10 430 544	11 222 563
guarantees	5 761 050	6 824 237
securities' underwriting guarantees	4 592 112	4 320 967
sureties	77 382	77 359
Issued to budget entities:	983 428	162 540
guarantees	24 203	13 192
securities' underwriting guarantees	959 225	149 348
Total	12 697 376	12 614 778

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet commitments received

Off-balance sheet commitments received by entity

	31.03.2019	31.12.2018
Financial received from:	662 255	1 085 713
banks	662 255	885 739
customers entities	-	199 974
budget entities	-	-
Guarantees received from:	19 908 387	20 181 274
banks	3 672 184	3 556 811
clients entities	15 215 852	15 621 321
budget entities	1 020 351	1 003 142
Total	20 570 642	21 266 987

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

40. Additional information to the consolidated cash flow statement

Cash and cash equivalents

	31.03.2019	31.03.2018
Cash and amounts due from Central Bank	7 443 921	8 046 478
Loans and receivables from banks with maturity up to 3 months	2 630 131	3 386 553
Cash and Cash equivalents presented in the cash flow statement	10 074 052	11 433 031

Restricted availability cash and cash equivalents as at 31 March 2019 amounted to PLN 5 282 269 thousand (PLN 5 101 972 thousand as at 31 December 2018, PLN 5 072 776 thousand as at 31 March 2018).

Changes in liabilities arising from financing activities

	BALANCE AS AT 1 JANUARY 2019	CHANGES FROM FINANCING CASH FLOWS	NON-CASH CHANGES			BALANCE AS AT 31 MARCH 2019	
			CHANGES ARISING FROM OBTAINING OR LOSING CONTROL OF SUBSIDIARIES OR OTHER BUSINESSES	THE EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	CHANGES IN FAIR VALUES		OTHER CHANGES
Debt securities issued	5 230 814	159 382	-	100	-	(1 154)	5 389 142
Subordinated liabilities	2 012 485	-	-	-	-	16 500	2 028 985
Loans and advances received	4 060 142	(622 905)	-	(30 816)	-	7 162	3 413 583
Lease liabilities	-	(35 698)	-	-	-	584 232	548 534
Total	11 303 441	(499 221)	-	(30 716)	-	606 740	11 380 244

Notes to financial statements (cont.)

(in PLN thousand)

Changes in liabilities arising from financing activities

	BALANCE AS AT 1 JANUARY 2018	CHANGES FROM FINANCING CASH FLOWS	NON-CASH CHANGES			BALANCE AS AT 31 MARCH 2018
			CHANGES ARISING FROM OBTAINING OR LOSING CONTROL OF SUBSIDIARIES OR OTHER BUSINESSES	THE EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	CHANGES IN FAIR VALUES	
Debt securities issued	2 771 399	713 294	-	3 264	- (5 179)	3 482 778
Subordinated liabilities	1 257 188	-	-	-	10 262	1 267 450
Loans and advances received	3 006 353	184 540	-	28 347	- (1 652)	3 217 588
Total	7 034 940	897 834	-	31 611	- 3 431	7 967 816

41. Related party transactions

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

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

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

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

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

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

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

Notes to financial statements (cont.)

(in PLN thousand)

Related party transactions

Related party transactions as at 31 March 2019

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
PZU S.A. – the Bank's parent entity	-	-	259	1 107	36 388	13	1 364
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	94	-	3 926	9 566	64 135	1 015	1 666
Key management personnel of the Bank Pekao S.A.	511	-	-	-	6 678	-	-
Total	605	-	4 185	10 673	107 201	1 028	3 030

Receivables from loans and placements by contractual maturity

31.03.2019	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
PZU S.A. – the Bank's parent entity	-	-	-	-	-	-	-
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	1	11	22	60	-	-	94
Key management personnel of the Bank Pekao S.A.	-	-	-	28	93	390	511
Total	1	11	22	88	93	390	605

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

Liabilities from loans and deposits by contractual maturity

31.03.2019	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
PZU S.A. – the Bank's parent entity	36 388	-	-	-	-	-	36 388
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	61 275	2 860	-	-	-	-	64 135
Key management personnel of the Bank Pekao S.A.	6 678	-	-	-	-	-	6 678
Total	104 341	2 860	-	-	-	-	107 201

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

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and placements by currency

31.03.2019	EUR	USD	CHF	PLN	OTHER	TOTAL
PZU S.A. – the Bank's parent entity	-	-	-	-	-	-
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	94	-	-	-	-	94
Key management personnel of the Bank Pekao S.A.	-	-	390	121	-	511
Total	94	-	390	121	-	605

Liabilities from loans and deposits by currency

31.03.2019	EUR	USD	CHF	PLN	OTHER	TOTAL
PZU S.A. – the Bank's parent entity	34	-	-	36 354	-	36 388
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	714	139	392	62 207	683	64 135
Key management personnel of the Bank Pekao S.A.	3 207	134	7	3 328	2	6 678
Total	3 955	273	399	101 889	685	107 201

Notes to financial statements (cont.)

(in PLN thousand)

Related party transactions as at 31 December 2018

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
PZU S.A. – the Bank's parent entity	4	-	104	492	23 722	-	134
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	421	-	2 663	6 727	54 158	547	1 891
Key management personnel of the Bank Pekao S.A.	440	-	-	-	6 609	-	-
Total	865	-	2 767	7 219	84 489	547	2 025

Receivables from loans and deposits by contractual maturity

31.12.2018	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
PZU S.A. – the Bank's parent entity	-	4	-	-	-	-	4
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	6	301	21	93	-	-	421
Key management personnel of the Bank Pekao S.A.	-	-	-	39	9	392	440
Total	6	305	21	132	9	392	865

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

Liabilities due to loans and deposits by contractual maturity

31.12.2018	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
PZU S.A. – the Bank's parent entity	23 722	-	-	-	-	-	23 722
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	49 406	4 752	-	-	-	-	54 158
Key management personnel of the Bank Pekao S.A.	6 499	3	1	106	-	-	6 609
Total	79 627	4 755	1	106	-	-	84 489

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

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and deposits by currency

31.12.2018	EUR	USD	CHF	PLN	OTHER	TOTAL
PZU S.A. – the Bank's parent entity	-	-	-	4	-	4
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	-	-	421	-	421
Key management personnel of the Bank Pekao S.A.	-	-	392	48	-	440
Total	-	-	392	473	-	865

Liabilities due to loans and deposits by currency

31.12.2018	EUR	USD	CHF	PLN	OTHER	TOTAL
PZU S.A. – the Bank's parent entity	34	-	-	23 688	-	23 722
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	743	1 356	232	50 319	1 508	54 158
Key management personnel of the Bank Pekao S.A.	3 207	130	16	3 254	2	6 609
Total	3 984	1 486	248	77 261	1 510	84 489

Notes to financial statements (cont.)

(in PLN thousand)

Income and expenses from transactions with related parties for the period from 1 January 2019 to 31 March 2019

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	1 294	(88)	909	-	177	(139)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	160	(131)	11 891	(30)	2 348	(5 494)
Key management personnel of the Bank Pekao S.A.	1	(11)	-	-	-	-
Total	1 455	(230)	12 800	(30)	2 525	(5 633)

Income and expenses from transactions with related parties for the period from 1 January to 31 March 2018

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	-	(15)	112	-	179	(1 812)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	76	(83)	2 340	(33)	920	(2)
Key management personnel of the Bank Pekao S.A.	1	(15)	-	-	-	-
Total	77	(113)	2 452	(33)	1 099	(1 814)

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial liabilities and guarantees as at 31 March 2019

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	2 817	15 000	-	494 650
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	571	10 000	-	-
Key management personnel of the Bank Pekao S.A.	511	-	-	-
Total	3 899	25 000	-	494 650

Off-balance sheet financial commitments and guarantees by contractual maturity

31.03.2019	CURRENT	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
FINANCIAL COMMITMENTS GRANTED							
PZU S.A. – the Bank's parent entity	-	-	-	-	2 817	-	2 817
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	25	-	-	546	-	571
Key management personnel of the Bank Pekao S.A.	-	-	-	56	47	408	511
Total	-	25	-	56	3 410	408	3 899
Guarantees issued							
PZU S.A. – the Bank's parent entity	-	-	-	15 000	-	-	15 000
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	-	-	10 000	-	-	10 000
Total	-	-	-	25 000	-	-	25 000
Guarantees received							
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	-	-	-	-	494 650	494 650
Total	-	-	-	-	-	494 650	494 650

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees by currency

31.03.2019	EUR	USD	CHF	PLN	OTHER	TOTAL
FINANCIAL COMMITMENTS GRANTED						
PZU S.A. – the Bank's parent entity	-	-	-	2 817	-	2 817
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	-	-	571	-	571
Key management personnel of the Bank Pekao S.A.	-	-	-	511	-	511
Total	-	-	-	3 899	-	3 899
Guarantees issued						
PZU S.A. – the Bank's parent entity	-	-	-	15 000	-	15 000
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	-	-	10 000	-	10 000
Total	-	-	-	25 000	-	25 000
Guarantees received						
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	494 650	-	-	-	-	494 650
Total	494 650	-	-	-	-	494 650

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial liabilities and guarantees as at 31 December 2018

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	2 818	15 000	-	494 500
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	617	16 000	-	6 000
Key management personnel of the Bank Pekao S.A.	488	-	-	-
Total	3 923	31 000	-	500 500

Off-balance sheet financial commitments and guarantees by contractual maturity

31.12.2018	CURRENT	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
FINANCIAL COMMITMENTS GRANTED							
PZU S.A. – the Bank's parent entity	-	-	-	-	2 818	-	2 818
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	20	-	-	597	-	617
Key management personnel of the Bank Pekao S.A.	-	-	-	75	412	1	488
Total	-	20	-	75	3 827	1	3 923
Guarantees issued							
PZU S.A. – the Bank's parent entity	-	49	11	14 940	-	-	15 000
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	50	6 040	9 910	-	-	16 000
Total	-	99	6 051	24 850	-	-	31 000
Guarantees received							
PZU S.A. – the Bank's parent entity	-	-	-	-	-	494 500	494 500
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	-	6 000	-	-	-	6 000
Total	-	-	6 000	-	-	494 500	500 500

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees by currency

31.12.2018	EUR	USD	CHF	PLN	OTHER	TOTAL
FINANCIAL COMMITMENTS GRANTED						
PZU S.A. – the Bank's parent entity	-	-	-	2 818	-	2 818
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	-	-	617	-	617
Key management personnel of the Bank Pekao S.A.	-	-	-	488	-	488
Total	-	-	-	3 923	-	3 923
Guarantees issued						
PZU S.A. – the Bank's parent entity	-	-	-	15 000	-	15 000
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	-	-	16 000	-	16 000
Total	-	-	-	31 000	-	31 000
Guarantees received						
PZU S.A. – the Bank's parent entity	494 500	-	-	-	-	494 500
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	-	-	6 000	-	6 000
Total	494 500	-	-	6 000	-	500 500

Notes to financial statements (cont.)

(in PLN thousand)

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

	VALUE OF BENEFITS	
	I QUARTER 2019	I QUARTER 2018
Management Board of the Bank		
Short-term employee benefits (*)	1 898	2 589
Post-employment benefits	-	566
Long-term benefits (**)	885	1 784
Share-based payments (***)	1 139	-
Total	3 922	4 939
Supervisory Board of the Bank		
Short-term employee benefits (*)	262	401
Total	262	401

(*) Short-term employee benefits include: base salary, bonuses and other benefits due in next 12 months from the date of the balance sheet.

(**) The item 'Other long-term benefit' includes: provisions for deferred bonus payments.

(***) 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 share options and shares, including phantom shares, granted to the Members of the Bank's Management Board.

The Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associates in the period from 1 January to 31 March 2019 and in the period from 1 January to 31 March 2018.

Remuneration expenses of Supervisory Boards and Management Boards of subsidiaries

	VALUE OF BENEFITS	
	I QUARTER 2019	I QUARTER 2018
Companies' Management Boards		
Short-term employee benefits	3 139	5 171
Post-employment benefits	392	50
Long-term benefits	-	1 810
Paid termination benefits	207	-
Total	3 738	7 031
Companies' Supervisory Boards		
Short-term employee benefits	223	184
Long-term benefits	-	50
Total	223	234

42. Subsequent events

Significant subsequent events are presented in the Note 8.9 'Subsequent events' of the Report on the activities of Bank Pekao S.A. Group for the first quarter of 2019.

Signatures of the Management Board Members

08.05.2019 Date	Michał Krupiński Name/Surname	President of the Management Board Position/Function	Signature
08.05.2019 Date	Tomasz Kubiak Name/Surname	Vice President of the Management Board Position/Function	Signature
08.05.2019 Date	Michał Lehmann Name/Surname	Vice President of the Management Board Position/Function	Signature
08.05.2019 Date	Marek Lusztyn Name/Surname	Vice President of the Management Board Position/Function	Signature
08.05.2019 Date	Tomasz Styczyński Name/Surname	Vice President of the Management Board Position/Function	Signature
08.05.2019 Date	Marek Tomczuk Name/Surname	Vice President of the Management Board Position/Function	Signature
08.05.2019 Date	Magdalena Zmitrowicz Name/Surname	Vice President of the Management Board Position/Function	Signature
08.05.2019 Date	Grzegorz Olszewski Name/Surname	Member of the Management Board Position/Function	Signature
08.05.2019 Date	Piotr Wetmański Name/Surname	Member of the Management Board 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.

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.

Life-time ECL – Lifetime Expected Credit Loss.

CCF – Credit Conversion Factor.

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.

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

FVH – fair value hedge accounting.

CFH – cash flow hedge accounting.