

**Condensed Consolidated  
Interim Financial  
Statements of  
Bank Pekao S.A. Group  
for the period from  
1 January 2015  
to 30 June 2015**



**Warsaw, August 2015**

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

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# Consolidated income statement

(in PLN thousand)

	NOTE	II QUARTER 2015 PERIOD FROM 01.04.2015 TO 30.06.2015	I HALF 2015 PERIOD FROM 01.01.2015 TO 30.06.2015	II QUARTER 2014 PERIOD FROM 01.04.2014 TO 30.06.2014	I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014
Interest income	9	1 323 599	2 721 895	1 584 757	3 155 786
Interest expense	9	(308 104)	(663 470)	(444 851)	(885 807)
<b>Net interest income</b>		<b>1 015 495</b>	<b>2 058 425</b>	<b>1 139 906</b>	<b>2 269 979</b>
Fee and commission income	10	616 307	1 200 212	664 663	1 296 628
Fee and commission expense	10	(103 057)	(206 395)	(138 499)	(257 565)
<b>Net fee and commission income</b>		<b>513 250</b>	<b>993 817</b>	<b>526 164</b>	<b>1 039 063</b>
<b>Dividend income</b>	11	<b>13 336</b>	<b>13 337</b>	<b>8 189</b>	<b>8 189</b>
<b>Result on financial assets and liabilities held for trading</b>	12	<b>94 931</b>	<b>200 058</b>	<b>111 177</b>	<b>216 620</b>
<b>Result on fair value hedge accounting</b>	29	<b>3 007</b>	<b>5 241</b>	<b>(3 392)</b>	<b>(14 117)</b>
<b>Gains (losses) on disposal of</b>	13	<b>2 019</b>	<b>154 963</b>	<b>35 490</b>	<b>35 904</b>
loans and other financial receivables		58	402	670	1 084
available for sale financial assets and held to maturity investments		2 089	154 715	34 820	34 837
financial liabilities		(128)	(154)	-	(17)
<b>Operating income</b>		<b>1 642 038</b>	<b>3 425 841</b>	<b>1 817 534</b>	<b>3 555 638</b>
<b>Net impairment losses on financial assets and off-balance sheet commitments</b>	17	<b>(130 082)</b>	<b>(267 214)</b>	<b>(142 666)</b>	<b>(290 168)</b>
loans and other financial receivables		(89 181)	(236 071)	(131 271)	(280 275)
off-balance sheet commitments		(40 901)	(31 143)	(11 395)	(9 893)
<b>Net result on financial activity</b>		<b>1 511 956</b>	<b>3 158 627</b>	<b>1 674 868</b>	<b>3 265 470</b>
<b>Administrative expenses</b>	14	<b>(797 373)</b>	<b>(1 586 806)</b>	<b>(784 046)</b>	<b>(1 560 748)</b>
personnel expenses		(480 167)	(952 089)	(484 010)	(955 390)
other administrative expenses		(317 206)	(634 717)	(300 036)	(605 358)
<b>Depreciation and amortization</b>	15	<b>(83 031)</b>	<b>(164 769)</b>	<b>(81 049)</b>	<b>(162 994)</b>
<b>Net result on other provisions</b>		<b>(767)</b>	<b>(26 639)</b>	<b>(1 962)</b>	<b>(3 150)</b>
<b>Net other operating income and expenses</b>	16	<b>117 895</b>	<b>127 518</b>	<b>22 337</b>	<b>56 574</b>
<b>Operating costs</b>		<b>(763 276)</b>	<b>(1 650 696)</b>	<b>(844 720)</b>	<b>(1 670 318)</b>
<b>Gains (losses) on subsidiaries and associates</b>	18	<b>14 599</b>	<b>30 155</b>	<b>15 411</b>	<b>34 693</b>
<b>Gains (losses) on disposal of property, plant and equipment, and intangible assets</b>	19	<b>(54)</b>	<b>574</b>	<b>(210)</b>	<b>(543)</b>
<b>Profit before income tax</b>		<b>763 225</b>	<b>1 538 660</b>	<b>845 349</b>	<b>1 629 302</b>
<b>Income tax expense</b>	20	<b>(143 806)</b>	<b>(294 672)</b>	<b>(154 786)</b>	<b>(300 803)</b>
<b>Net profit for the period</b>		<b>619 419</b>	<b>1 243 988</b>	<b>690 563</b>	<b>1 328 499</b>
1. Attributable to equity holders of the Bank		619 209	1 243 626	685 077	1 319 321
2. Attributable to non-controlling interests		210	362	5 486	9 178
<b>Earnings per share (in PLN per share)</b>	21				
basic for the period		2.36	4.74	2.61	5.03
diluted for the period		2.36	4.74	2.61	5.03

Notes to the financial statements presented on pages 11 – 81 and annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

# Consolidated statement of comprehensive income

(in PLN thousand)

	NOTE	II QUARTER 2015 PERIOD FROM 01.04.2015 TO 30.06.2015	I HALF 2015 PERIOD FROM 01.01.2015 TO 30.06.2015	II QUARTER 2014 PERIOD FROM 01.04.2014 TO 30.06.2014	I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014
<b>Net profit for the period</b>		<b>619 419</b>	<b>1 243 988</b>	<b>690 563</b>	<b>1 328 499</b>
1. Attributable to equity holders of the Bank		619 209	1 243 626	685 077	1 319 321
2. Attributable to non-controlling interests		210	362	5 486	9 178
<b>Other comprehensive income</b>					
<b>Item that are or may be reclassified subsequently to profit or loss:</b>					
Foreign currency translation differences		(19)	(13)	6	11
Change in fair value of available-for-sale financial assets		(441 980)	(527 507)	322 991	359 859
Change in fair value of cash flow hedges	29	(52 662)	(108 882)	113 138	101 722
Tax on items that are or may be reclassified subsequently to profit or loss	20	93 982	120 914	(82 865)	(87 701)
<b>Items that will never be reclassified to profit or loss:</b>					
Remeasurements of the defined benefit liabilities		-	-	-	-
Share in remeasurements of the defined benefit liabilities of associates		-	-	-	-
Tax on items that will never be reclassified to profit or loss		-	-	-	-
<b>Other comprehensive income (net of tax)</b>		<b>(400 679)</b>	<b>(515 488)</b>	<b>353 270</b>	<b>373 891</b>
<b>Total comprehensive income</b>		<b>218 740</b>	<b>728 500</b>	<b>1 043 833</b>	<b>1 702 390</b>
1. Attributable to equity holders of the Bank		218 530	728 138	1 038 347	1 693 212
2. Attributable to non-controlling interests		210	362	5 486	9 178

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# Consolidated statement of financial position

(in PLN thousand)

	NOTE	30.06.2015	31.12.2014	30.06.2014
<b>ASSETS</b>				
Cash and due from Central Bank	23	6 681 773	9 226 254	5 055 863
Bill of exchange eligible for rediscounting at Central Bank		185	165	239
Loans and advances to banks	24	5 156 470	7 169 872	6 835 565
Financial assets held for trading	25	1 264 309	448 453	988 436
Derivative financial instruments (held for trading)	26	3 239 969	4 447 975	2 721 234
Loans and advances to customers	27	117 585 778	111 871 948	106 694 959
Receivables from finance leases	28	3 227 781	3 112 048	2 985 583
Hedging instruments	29	352 696	470 822	230 064
Investments (placement) securities	30	27 361 832	24 712 776	25 813 344
1. Available for sale		24 012 533	23 111 208	24 225 654
2. Held to maturity		3 349 299	1 601 568	1 587 690
Assets held for sale	31	62 811	37 102	32 684
Investments in associates		130 217	184 228	155 749
Intangible assets	32	644 607	627 032	600 940
Property, plant and equipment	33	1 484 003	1 544 139	1 537 879
Investment properties		34 469	35 295	40 988
Income tax assets		1 065 330	879 991	859 209
1. Current tax assets		1 052	2 572	5 372
2. Deferred tax assets		1 064 278	877 419	853 837
Other assets		2 604 320	2 856 928	2 319 869
<b>TOTAL ASSETS</b>		<b>170 896 550</b>	<b>167 625 028</b>	<b>156 872 605</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Amounts due to Central Bank	23	906	971	958
Amounts due to other banks	35	8 866 616	5 344 702	6 661 576
Financial liabilities held for trading	25	80 870	591 311	224 005
Derivative financial instruments (held for trading)	26	3 216 619	4 417 706	2 733 639
Amounts due to customers	36	125 310 720	125 609 000	114 709 996
Hedging instruments	29	1 912 953	1 484 428	1 109 420
Fair value hedge adjustments of hedged items due to interest rate risk		-	-	-
Debt securities issued	37	3 979 578	3 857 043	3 579 531
Income tax liabilities		80 155	70 257	51 725
1. Current tax liabilities		77 964	68 164	48 129
2. Deferred tax liabilities		2 191	2 093	3 596
Provisions	38	473 901	442 456	410 082
Other liabilities		4 856 640	1 761 422	4 794 020
<b>TOTAL LIABILITIES</b>		<b>148 778 958</b>	<b>143 579 296</b>	<b>134 274 952</b>
<b>Equity</b>				
Share capital		262 470	262 470	262 470
Other capital and reserves		20 612 866	20 990 344	20 877 293
Retained earnings and profit for the period		1 226 950	2 764 875	1 359 247
<b>Total equity attributable to equity holders of the Bank</b>		<b>22 102 286</b>	<b>24 017 689</b>	<b>22 499 010</b>
Non-controlling interests		15 306	28 043	98 643
<b>TOTAL EQUITY</b>		<b>22 117 592</b>	<b>24 045 732</b>	<b>22 597 653</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>170 896 550</b>	<b>167 625 028</b>	<b>156 872 605</b>

Notes to the financial statements presented on pages 11 – 81 and annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

# Consolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2015 to 30 June 2015

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										NON-CONTROLLING INTERESTS	TOTAL EQUITY
	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES			OTHER		
Equity as at 1.01.2015	262 470	20 990 344	9 137 221	1 937 850	9 002 629	540 806	1 169	370 669	2 764 875	24 017 689	28 043	24 045 732
Management options	-	-	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	(515 488)	-	-	-	(515 475)	(13)	-	1 243 626	728 138	362	728 500
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(427 281)	-	-	-	(427 281)	-	-	-	(427 281)	-	(427 281)
Revaluation of hedging financial instruments (net of tax)	-	(88 194)	-	-	-	(88 194)	-	-	-	(88 194)	-	(88 194)
Foreign currency translation differences	-	(13)	-	-	-	-	(13)	-	-	(13)	-	(13)
Net profit for the period	-	-	-	-	-	-	-	-	1 243 626	1 243 626	362	1 243 988
Appropriation of retained earnings	-	161 860	-	37 565	113 961	-	-	10 334	(2 781 551)	(2 619 691)	(13 099)	(2 632 790)
Dividend paid	-	-	-	-	-	-	-	-	(2 624 701)	(2 624 701)	(8 089)	(2 632 790)
Profit appropriation to other reserves including consolidation adjustments	-	161 860	-	37 565	113 961	-	-	10 334	(156 850)	5 010	(5 010)	-
Other	-	(23 850)	-	-	(23 850)	-	-	-	-	(23 850)	-	(23 850)
Acquisition of Pekao Investment Banking S.A.	-	(23 850)	-	-	(23 850)	-	-	-	-	(23 850)	-	(23 850)
Equity as at 30.06.2015	262 470	20 612 866	9 137 221	1 975 415	9 092 740	25 331	1 156	381 003	1 226 950	22 102 286	15 306	22 117 592

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

(in PLN thousand)

For the period from 1 January 2014 to 31 December 2014

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

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

(in PLN thousand)

For the period from 1 January 2014 to 30 June 2014

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										NON-CONTROLLING INTERESTS	TOTAL EQUITY
	OTHER CAPITAL AND RESERVES								RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER				
Equity as at 1.01.2014	262 470	20 564 611	9 137 221	1 937 850	9 070 200	50 117	1 238	367 985	2 592 802	23 419 883	94 288	23 514 171
Management options	-	117	-	-	-	-	-	117	-	117	-	117
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	117	-	-	-	-	-	117	-	117	-	117
Comprehensive income	-	373 891	-	-	-	373 880	11	-	1 319 321	1 693 212	9 178	1 702 390
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	291 485	-	-	-	291 485	-	-	-	291 485	-	291 485
Revaluation of hedging financial instruments (net of tax)	-	82 395	-	-	-	82 395	-	-	-	82 395	-	82 395
Foreign currency translation differences	-	11	-	-	-	-	11	-	-	11	-	11
Net profit for the period	-	-	-	-	-	-	-	-	1 319 321	1 319 321	9 178	1 328 499
Appropriation of retained earnings	-	(61 326)	-	-	(64 263)	-	-	2 937	(2 552 876)	(2 614 202)	(4 823)	(2 619 025)
Dividend paid	-	-	-	-	-	-	-	-	(2 614 202)	(2 614 202)	(4 823)	(2 619 025)
Profit appropriation to other reserves including consolidation adjustments	-	(61 326)	-	-	(64 263)	-	-	2 937	61 326	-	-	-
Equity as at 30.06.2014	262 470	20 877 293	9 137 221	1 937 850	9 005 937	423 997	1 249	371 039	1 359 247	22 499 010	98 643	22 597 653

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# Consolidated cash flow statement

(in PLN thousand)

	NOTE	I HALF 2015 PERIOD FROM 01.01.2015 TO 30.06.2015	I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014
<b>Cash flow from operating activities – indirect method</b>			
<b>Net profit for the period</b>		<b>1 243 626</b>	<b>1 319 321</b>
<b>Adjustments for:</b>		<b>(49 881)</b>	<b>(8 682 797)</b>
Depreciation and amortization	15	164 769	162 994
Gains (losses) on subsidiaries and associates	18	(30 155)	(34 693)
Gains (losses) on investing activities		(155 166)	(34 294)
Net interest income	9	(2 058 425)	(2 269 979)
Dividend income	11	(13 337)	(8 189)
Interest received		2 771 354	3 087 441
Interest paid		(684 260)	(898 537)
Income tax		228 614	300 471
Income tax paid		(314 820)	(211 744)
Change in loans and advances to banks		313 241	321 101
Change in financial assets held for trading		(815 734)	(797 239)
Change in derivative financial instruments (assets)		1 208 006	(724 300)
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank		(5 589 108)	(5 659 731)
Change in receivables from finance leases		(115 733)	(54 335)
Change in investment (placement) securities		(594 834)	(480 792)
Change in other assets		526 659	(256 199)
Change in amounts due to banks		3 521 872	244 622
Change in financial liabilities held for trading		(510 441)	(85 737)
Change in derivative financial instruments (liabilities)		(1 201 087)	682 138
Change in amounts due to customers		(272 801)	(5 063 999)
Change in debt securities issued		(7 471)	136 450
Change in provisions		31 445	16 545
Change in other liabilities		3 547 531	2 945 209
<b>Net cash flows from operating activities</b>		<b>1 193 745</b>	<b>(7 363 476)</b>
<b>Cash flow from investing activities</b>			
<b>Investing activity inflows</b>		<b>136 598 375</b>	<b>178 814 656</b>
Sale of investment securities		136 201 960	178 391 462
Sale of intangible assets and property, plant and equipment		2 773	1 522
Dividend received	11	13 337	8 189
Other investing inflows		380 305	413 483
<b>Investing activity outflows</b>		<b>(139 556 602)</b>	<b>(168 731 618)</b>
Acquisition of shares in subsidiary, net of cash acquired		(274 329)	-
Acquisition of investment securities		(139 144 304)	(168 648 839)
Acquisition of intangible assets and property, plant and equipment		(137 969)	(82 779)
<b>Net cash flows from investing activities</b>		<b>(2 958 227)</b>	<b>10 083 038</b>

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## Consolidated cash flow statement (cont.)

(in PLN thousand)

	NOTE	I HALF 2015 PERIOD FROM 01.01.2015 TO 30.06.2015	I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014
<b>Cash flows from financing activities</b>			
<b>Financing activity inflows</b>		<b>2 421 604</b>	<b>2 557 474</b>
Issue of debt securities	37	2 421 604	2 557 474
<b>Financing activity outflows</b>		<b>(4 921 010)</b>	<b>(4 803 042)</b>
Redemption of debt securities	37	(2 296 309)	(2 188 840)
Dividends and other payments to shareholders		(2 624 701)	(2 614 202)
<b>Net cash flows from financing activities</b>		<b>(2 499 406)</b>	<b>(2 245 568)</b>
<b>Total net cash flows</b>		<b>(4 263 888)</b>	<b>473 994</b>
including: effect of exchange rate fluctuations on cash and cash equivalents held		80 045	19 171
<b>Net change in cash and cash equivalents</b>		<b>(4 263 888)</b>	<b>473 994</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>15 556 184</b>	<b>10 615 862</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>11 292 296</b>	<b>11 089 856</b>

Notes to the financial statements presented on pages 11 - 81 and annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

# Notes to financial statements

(in PLN thousand)

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

## 1. General information

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

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

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

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

## 2. Group structure

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
			30.06.2015	31.12.2014
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Centralny Dom Maklerski Pekao S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Investment Banking S.A.	Warsaw	Brokerage	100.00	-
Pekao Leasing Sp. z o.o. (*)	Warsaw	Leasing services	36.49	36.49
Pekao Leasing Holding S.A. (in liquidation), including:	Warsaw	Leasing services	100.00	100.00
Pekao Leasing Sp. z o.o.	Warsaw	Leasing services	63.51	63.51
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Pekao Pioneer Powszechnie Towarzystwo Emerytalne S.A.	Warsaw	Pension fund management	65.00	65.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Transferable agent	100.00	100.00
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Pekao Property S.A., including:	Warsaw	Real estate development	100.00	100.00
FPB - Media Sp. z o.o.	Warsaw	Real estate development	100.00	100.00
Pekao Fundusz Kapitałowy Sp. z o.o.	Warsaw	Business consulting	100.00	100.00
Pekao Telecentrum Sp. z o.o. (in liquidation)	Warsaw	In liquidation	-	100.00

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

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

## Notes to financial statements (cont.)

(in PLN thousand)

### Associates

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
			30.06.2015	31.12.2014
Dom Inwestycyjny Xelion Sp. z o.o. (*)	Warsaw	Financial intermediary	50.00	50.00
Pioneer Pekao Investment Management S.A.	Warsaw	Asset management	49.00	49.00
Krajowa Izba Rozliczeniowa S.A.	Warsaw	Clearing house	34.44	34.44
CPF Management	Tortola, British Virgin Islands	Financial brokerage – not operating	40.00	40.00
Polish Banking System S.A. (in liquidation)	Warsaw	Pending liquidation	48.90	48.90
PPU Budpress Sp. z o.o. (in liquidation)	Żyrardów	Pending liquidation	36.20	36.20

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

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

### Changes in the Group structure

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

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

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

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

## Notes to the financial statements (cont.)

(in PLN thousand)

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

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

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

The interest income and commission income included in the consolidated income statement since 1 January 2015 contributed by Pekao Investment Banking S.A. business was PLN 23 201 thousand. UniCredit CAIB Poland S.A. also contributed net profit of PLN 5 518 thousand for the same period.

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

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

## 3. Business combination

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

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

# Notes to financial statements (cont.)

(in PLN thousand)

## 4. Statement of compliance

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

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

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

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

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

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

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

## 5. Significant accounting policies

### General information

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

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

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

# Notes to financial statements (cont.)

(in PLN thousand)

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

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

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

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

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

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

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

## 6. Accounting estimates

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

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

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

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

During the six months period ended 30 June 2015 the most significant estimates are as follows:

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

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

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

# Notes to financial statements (cont.)

(in PLN thousand)

## 7. Risk management

### Credit risk

The credit risk management process and measurement methods have not significantly changed in relation to those described in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2014.

In February 2015 the Bank implemented new prognostic model for mortgage loans and cash loans and updated the rating classes. The new models better reflect the probability of default of the Bank's clients.

The tables below present the loan portfolio quality depending on percentage distribution of rating classes for exposures encompassed by internal rating models.

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

RATING CLASS	PD RANGE	NOMINAL VALUE	
		30.06.2015	31.12.2014
1	0.00% <= PD < 0.06%	24.5%	25.2%
2	0.06% <= PD < 0.19%	13.4%	14.0%
3	0.19% <= PD < 0.35%	41.2%	39.5%
4	0.35% <= PD < 0.73%	13.7%	12.9%
5	0.73% <= PD < 3.50%	3.7%	4.9%
6	3.50% <= PD < 14.00%	1.4%	1.5%
7	14.00% <= PD < 100.00%	2.1%	2.0%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

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

RATING CLASS	PD RANGE	NOMINAL VALUE	
		30.06.2015	31.12.2014
1	0.00% <= PD < 0.34%	7.9%	8.5%
2	0.34% <= PD < 0.80%	10.5%	11.4%
3	0.80% <= PD < 1.34%	18.9%	19.7%
4	1.34% <= PD < 2.40%	28.6%	26.4%
5	2.40% <= PD < 4.75%	19.5%	18.7%
6	4.75% <= PD < 14.50%	9.0%	8.6%
7	14.50% <= PD < 31.00%	2.4%	3.1%
8	31.00% <= PD < 100.00%	3.2%	3.6%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>



# Notes to financial statements (cont.)

(in PLN thousand)

The distribution of rated portfolio for individual client segment (excluding impairment allowances) – not instalment loans

RATING CLASS	PD RANGE	NOMINAL VALUE	
		30.06.2015	31.12.2014
1	0.00% <= PD < 0.01%	0.8%	0.8%
2	0.01% <= PD < 0.03%	9.4%	10.2%
3	0.03% <= PD < 0.04%	2.6%	2.8%
4	0.04% <= PD < 0.07%	6.3%	6.9%
5	0.07% <= PD < 0.15%	15.8%	17.0%
6	0.15% <= PD < 0.25%	17.3%	17.5%
7	0.25% <= PD < 0.59%	10.8%	9.0%
8	0.59% <= PD < 1.20%	8.6%	8.6%
9	1.20% <= PD < 2.58%	5.0%	5.3%
10	2.58% <= PD < 100.00%	23.4%	21.9%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

The distribution of rated portfolio for SME clients (excluding impairment allowances)

RATING CLASS	PD RANGE	NOMINAL VALUE	
		30.06.2015	31.12.2014
1	0.00% <= PD < 0.11%	1.5%	2.0%
2	0.11% <= PD < 0.22%	4.1%	4.4%
3	0.22% <= PD < 0.45%	10.1%	9.3%
4	0.45% <= PD < 1.00%	15.1%	17.3%
5	1.00% <= PD < 2.10%	18.3%	18.1%
6	2.10% <= PD < 4.00%	15.2%	15.6%
7	4.00% <= PD < 7.00%	12.0%	12.5%
8	7.00% <= PD < 12.00%	9.3%	8.6%
9	12.00% <= PD < 22.00%	6.8%	6.3%
10	22.00% <= PD < 100.00%	7.6%	5.9%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

# Notes to financial statements (cont.)

(in PLN thousand)

The distribution of rated portfolio for corporate clients (excluding impairment allowances)

RATING CLASS	PD RANGE	NOMINAL VALUE	
		30.06.2015	31.12.2014
1	0.00% <= PD < 0.15%	10.3%	10.1%
2	0.15% <= PD < 0.27%	9.0%	10.5%
3	0.27% <= PD < 0.45%	15.7%	14.9%
4	0.45% <= PD < 0.75%	16.0%	14.6%
5	0.75% <= PD < 1.27%	11.3%	12.8%
6	1.27% <= PD < 2.25%	9.3%	11.0%
7	2.25% <= PD < 4.00%	9.0%	3.9%
8	4.00% <= PD < 8.50%	18.2%	20.6%
9	8.50% <= PD < 100.00%	1.2%	1.6%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

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

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

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

# Notes to financial statements (cont.)

(in PLN thousand)

## Qualitative analysis of Group's financial assets

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
<b>GROSS CARRYING AMOUNT OF EXPOSURE INDIVIDUALLY IMPAIRED</b>				
- not past due	-	-	578 279	606 657
- up to 1 month	-	-	50 690	49 537
- between 1 month and 3 months	-	-	56 991	115 710
- between 3 months and 1 year	-	-	341 511	773 426
- between 1 year and 5 years	9 661	9 160	2 983 932	2 690 334
- above 5 years	-	-	1 479 899	1 146 735
<b>Total gross carrying amount</b>	<b>9 661</b>	<b>9 160</b>	<b>5 491 302</b>	<b>5 382 399</b>
<b>ALLOWANCE FOR IMPAIRMENT</b>				
- not past due	-	-	(200 120)	(197 636)
- up to 1 month	-	-	(19 883)	(8 787)
- between 1 month and 3 months	-	-	(15 813)	(60 488)
- between 3 months and 1 year	-	-	(168 575)	(317 684)
- between 1 year and 5 years	(9 661)	(9 160)	(1 521 553)	(1 462 240)
- above 5 years	-	-	(1 222 289)	(925 460)
<b>Total allowance for impairment</b>	<b>(9 661)</b>	<b>(9 160)</b>	<b>(3 148 233)</b>	<b>(2 972 295)</b>
<b>Net carrying amount of exposure individually impaired</b>	<b>-</b>	<b>-</b>	<b>2 343 069</b>	<b>2 410 104</b>
<b>GROSS CARRYING AMOUNT OF EXPOSURE COLLECTIVELY IMPAIRED</b>				
- not past due	-	-	98 396	74 332
- up to 1 month	-	-	27 995	34 439
- between 1 month and 3 months	-	-	50 270	51 263
- between 3 months and 1 year	-	-	339 256	366 923
- between 1 year and 5 years	-	-	1 512 029	1 511 446
- above 5 years	9 800	9 800	1 011 335	816 260
<b>Total gross carrying amount</b>	<b>9 800</b>	<b>9 800</b>	<b>3 039 281</b>	<b>2 854 663</b>
<b>ALLOWANCE FOR IMPAIRMENT</b>				
- not past due	-	-	(32 403)	(44 747)
- up to 1 month	-	-	(13 569)	(17 188)
- between 1 month and 3 months	-	-	(25 669)	(26 512)
- between 3 months and 1 year	-	-	(192 688)	(212 986)
- between 1 year and 5 years	-	-	(1 151 290)	(1 217 252)
- above 5 years	(9 800)	(9 800)	(940 636)	(777 124)
<b>Total allowance for impairment</b>	<b>(9 800)</b>	<b>(9 800)</b>	<b>(2 356 255)</b>	<b>(2 295 809)</b>
<b>Net carrying amount of exposure collectively impaired</b>	<b>-</b>	<b>-</b>	<b>683 026</b>	<b>558 854</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)			
			CORPORATE		RETAIL	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014	30.06.2015	31.12.2014
<b>GROSS CARRYING AMOUNT OF EXPOSURE WITH NO IMPAIRMENT</b>						
- not past due	5 161 895	7 176 334	68 332 202	64 973 743	47 761 205	45 042 713
- up to 30 days	-	-	498 625	438 304	1 018 434	1 300 910
- between 30 days and 60 days	-	-	105 033	108 516	227 336	198 014
- above 60 days	-	-	115 937	146 870	182 526	302 346
<b>Total gross carrying amount</b>	<b>5 161 895</b>	<b>7 176 334</b>	<b>69 051 797</b>	<b>65 667 433</b>	<b>49 189 501</b>	<b>46 843 983</b>
<b>IBNR PROVISION</b>						
- not past due	(340)	(442)	(292 044)	(253 479)	(73 010)	(128 724)
- up to 30 days	-	-	(3 695)	(4 326)	(50 029)	(74 108)
- between 30 days and 60 days	-	-	(1 422)	(2 122)	(25 096)	(22 575)
- above 60 days	-	-	(943)	(1 227)	(12 496)	(15 672)
<b>Total IBNR provision</b>	<b>(340)</b>	<b>(442)</b>	<b>(298 104)</b>	<b>(261 154)</b>	<b>(160 631)</b>	<b>(241 079)</b>
<b>Net carrying amount of exposure with no impairment</b>	<b>5 161 555</b>	<b>7 175 892</b>	<b>68 753 693</b>	<b>65 406 279</b>	<b>49 028 870</b>	<b>46 602 904</b>

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

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
<b>IMPAIRED EXPOSURES</b>				
Gross carrying amount	19 461	18 960	8 530 583	8 237 062
Allowance for impairment	(19 461)	(18 960)	(5 504 488)	(5 268 104)
<b>Total net carrying amount</b>	<b>-</b>	<b>-</b>	<b>3 026 095</b>	<b>2 968 958</b>
<b>EXPOSURES WITH IMPAIRMENT TRIGGERS FOR WHICH NO IMPAIRMENT HAS BEEN IDENTIFIED</b>				
Gross carrying amount, in this:	-	-	73 231	64 755
<i>Exposure with collateral value included in expected discounted cash flow, in this:</i>	-	-	73 231	64 755
- Past due exposures	-	-	24 787	25 804
IBNR provision	-	-	(1 287)	(1 820)
<b>Total net carrying amount</b>	<b>-</b>	<b>-</b>	<b>71 944</b>	<b>62 935</b>
<b>EXPOSURES WITH NO IMPAIRMENT TRIGGERS</b>				
Gross carrying amount	5 161 895	7 176 334	118 168 067	112 446 661
IBNR provision	(340)	(442)	(457 448)	(500 413)
<b>Total net carrying amount</b>	<b>5 161 555</b>	<b>7 175 892</b>	<b>117 710 619</b>	<b>111 946 248</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

RATING	DEBT SECURITIES				TOTAL
	HELD FOR TRADING	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS (***)	
AA+ to AA-	-	646 297	-	-	646 297
A+ to A-	962 523	17 422 000	2 486 958	8 635 776	29 507 257
BBB+ to BBB-	9 213	249 041	-	-	258 254
no rating	263 161	5 606 762 (*)	862 341 (**)	-	6 732 264
<b>Total</b>	<b>1 234 897</b>	<b>23 924 100</b>	<b>3 349 299</b>	<b>8 635 776</b>	<b>37 144 072</b>

(\*) Including NBP bills in the amount of PLN 4 936 945 thousand.

(\*\*) Including NBP bills in the amount of PLN 862 341 thousand.

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

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

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

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

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

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

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

RATING	DERIVATIVES						TOTAL
	TRADING DERIVATIVES			DERIVATIVE HEDGING INSTRUMENTS			
	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	
AAA	844	-	-	-	-	-	844
AA+ to AA-	106 509	-	-	2 458	-	-	108 967
A+ to A-	1 022 105	200 309	-	84 790	-	-	1 307 204
BBB+ to BBB-	1 051 479	-	224	223 387	-	-	1 275 090
BB+ to BB-	-	-	1 711	-	-	-	1 711
B+ to B-	-	-	574	-	-	-	574
no rating	411 714	189 595	254 905	37 564	4 497	-	898 275
Total	2 592 651	389 904	257 414	348 199	4 497	-	3 592 665

# Notes to financial statements (cont.)

(in PLN thousand)

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

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

## Forbearance measures

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

Share of forborne exposures in the Group's loan portfolio

	30.06.2015	31.12.2014
<b>LOANS AND ADVANCES TO CUSTOMERS</b>		
<b>Exposures with no impairment, of which:</b>	<b>117 782 564</b>	<b>112 009 181</b>
forborne exposures	406 911	450 050
<b>Impaired exposures, of which:</b>	<b>3 026 095</b>	<b>2 968 958</b>
forborne exposures	1 642 695	1 718 075
<b>Total net carrying amount, of which:</b>	<b>120 808 659</b>	<b>114 978 139</b>
forborne exposures	2 049 606	2 168 125

The quality analysis of forborne exposures

	30.06.2015	31.12.2014
<b>Exposures with no impairment</b>		
Gross carrying amount	439 927	490 667
IBNR provision	(33 016)	(40 617)
<b>Net carrying amount</b>	<b>406 911</b>	<b>450 050</b>
<b>Impaired exposures</b>		
Gross carrying amount, of which:	2 909 262	2 866 373
exposures individually impaired	2 737 105	2 725 502
exposures collectively impaired	172 157	140 871
Allowance for impairment, of which:	(1 266 567)	(1 148 298)
exposures individually impaired	(1 165 935)	(1 066 135)
exposures collectively impaired	(100 632)	(82 163)
<b>Net carrying amount</b>	<b>1 642 695</b>	<b>1 718 075</b>
<b>Total net carrying amount</b>	<b>2 049 606</b>	<b>2 168 125</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### Credit exposures towards Ukraine

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

Majority of the mentioned amount refers to intra group exposures in the form of interbank placements from which 50% was repaid on 16 July 2015 and 50% will be repaid up to 2017, as well guarantees granted. The remaining part of exposures refer to two international corporate groups.

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

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

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

### Market risk of the trading book

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

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

	30.06.2015	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	37	15	198	815
interest rate risk	902	794	1 270	2 103
Trading portfolio	896	896	1 210	1 880

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

# Notes to financial statements (cont.)

(in PLN thousand)

## Interest rate risk of the banking book

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

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

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

SENSITIVITY IN %	30.06.2015	31.12.2014
NII	(8.92)	(12.17)
EVE	(1.57)	(0.32)

## Foreign currency exchange risk

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

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

CURRENCY	30.06.2015	31.12.2014
Currencies total (*)	398	490

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

## Liquidity risk

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

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

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

### Adjusted liquidity gap

30.06.2015	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Periodic gap	18 738 420	(7 720 166)	7 544 015	33 285 928	(53 082 251)	(1 234 054)
Cumulated gap		11 018 254	18 562 269	51 848 197	(1 234 054)	

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



# Notes to financial statements (cont.)

(in PLN thousand)

## Structure of financial liabilities by contractual maturity

30.06.2015	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
<b>BALANCE SHEET LIABILITIES</b>						
Amounts due to banks (*)	4 314 397	722 908	1 058 024	1 097 618	1 824 886	9 017 833
Amounts due to customers	95 292 123	12 810 542	14 528 007	3 089 788	19 569	125 740 029
Debt securities issued	294 408	1 347 493	1 232 386	569 725	752 996	4 197 008
Financial liabilities held for trading	-	-	-	27 684	53 186	80 870
<b>Total</b>	<b>99 900 928</b>	<b>14 880 943</b>	<b>16 818 417</b>	<b>4 784 815</b>	<b>2 650 637</b>	<b>139 035 740</b>
<b>OFF-BALANCE SHEET COMMITMENTS (**)</b>						
Financial liabilities granted	28 148 988	-	-	-	-	28 148 988
Guarantees issued	14 304 824	-	-	-	-	14 304 824
<b>Total</b>	<b>42 453 812</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42 453 812</b>

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

(\*) Including Central Bank.

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

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

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

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

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

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

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
30.06.2015	29 232	60 757	398 185	1 898 804	791 593	3 178 571
31.12.2014	109 831	66 827	157 420	2 488 681	1 594 385	4 417 144

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

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
30.06.2015						
Inflows	13 190 941	13 442 221	4 429 564	7 940 742	3 070 586	42 074 054
Outflows	12 983 160	13 548 471	4 375 453	8 895 517	3 493 589	43 296 190
31.12.2014						
Inflows	20 372 845	11 645 192	5 339 427	8 072 682	3 000 995	48 431 141
Outflows	20 369 706	11 635 627	5 451 489	8 811 935	3 084 889	49 353 646

### Operational risk

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

# Notes to financial statements (cont.)

(in PLN thousand)

## Fair value of financial assets and liabilities

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

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

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

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

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

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

# Notes to financial statements (cont.)

(in PLN thousand)

30.06.2015	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets:</b>	<b>19 133 057</b>	<b>9 349 709</b>	<b>386 741</b>	<b>28 869 507</b>
Financial assets held for trading	991 935	158 802	113 572	1 264 309
Derivative financial instruments, including:	12	3 231 449	8 508	3 239 969
- Banks	-	2 591 992	685	2 592 677
- Customers	12	639 457	7 823	647 292
Hedging instruments, including:	-	352 696	-	352 696
- Banks	-	348 199	-	348 199
- Customers	-	4 497	-	4 497
Securities available for sale	18 141 110	5 606 762	264 661	24 012 533
<b>Liabilities:</b>	<b>81 043</b>	<b>5 129 078</b>	<b>321</b>	<b>5 210 442</b>
Financial liabilities held for trading	80 870	-	-	80 870
Derivative financial instruments, including:	173	3 216 125	321	3 216 619
- Banks	-	2 627 433	-	2 627 433
- Customers	173	588 692	321	589 186
Hedging instruments, including:	-	1 912 953	-	1 912 953
- Banks	-	1 912 953	-	1 912 953
- Customers	-	-	-	-

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

# Notes to financial statements (cont.)

(in PLN thousand)

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

I HALF 2015	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
<b>Opening balance</b>	<b>99 784</b>	<b>2 967</b>	<b>263 815</b>	<b>-</b>
Increases, including:	5 017 893	7 823	4 942	-
Acquisition	5 016 570	-	-	-
Gains on financial instruments	1 323	7 823	4 942	-
recognized in the income statement	1 323	7 823	4 942	-
Decreases, including:	(5 004 105)	(2 282)	(4 096)	321
Reclassification	(64 202)	-	-	-
Settlement/redemption	(164 961)	-	(4 096)	-
Sale	(4 774 470)	-	-	-
Losses on financial instruments	(472)	(2 282)	-	321
recognized in the income statement	(472)	(2 282)	-	321
<b>Closing balance</b>	<b>113 572</b>	<b>8 508</b>	<b>264 661</b>	<b>321</b>
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>(180)</b>	<b>5 541</b>	<b>348</b>	<b>(321)</b>
Income statement:	219	5 541	248	(321)
net interest income	219	-	248	-
result on financial assets and liabilities held for trading	-	5 541	-	(321)
Other comprehensive income	(399)	-	100	-

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

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

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

In the period from 1 January to 30 June 2015 financial instruments were not transferred from Level 2 to Level 3.

In the period from 1 January to 30 June 2015 corporate bonds were transferred from Level 3 to Level 2.

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

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 30.06.2015	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 30.06.2015	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Equity derivatives	687	Model Black Scholes	Correlation	0-1	246	(251)
Corporate debt securities	329 585	Discounted cash flow	Credit spread	0.6% - 1.01%	759	(1 733)
FX Derivatives	7 377	Discounted cash flow	PD	2.1%-5.4%	99	(90)
			LGD	40.7%-53.5%	32	(32)

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 30.06.2015	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 31.12.2014	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Equity derivatives	2 967	Black Scholes Model	Correlation	0-1	263	(581)
Corporate debt securities	348 069	Discounted cash flow	Credit spread	0.53% - 0.95%	4 530	(1 264)

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

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

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

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

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

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

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

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

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

# Notes to the financial statements (cont.)

(in PLN thousand)

30.06.2015	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	6 681 773	6 681 773	2 704 326	3 977 447	-
Loans and advance to banks	5 156 470	5 160 279	-	3 017 875	2 142 404
Loans and advances to customers (*)	117 585 963	115 710 349	-	10 385 950	105 324 399
Receivables from financial leases	3 227 781	3 284 130	-	-	3 284 130
Debt securities held to maturity	3 349 299	3 353 185	2 490 841	862 344	-
Total Assets	136 001 286	134 189 716	5 195 167	18 243 616	110 750 933
Liabilities					
Amounts due to Central Bank	906	911	-	-	911
Amounts due to other banks	8 866 616	8 899 289	-	4 362 109	4 537 180
Amounts due to customers	125 310 720	124 941 972	-	5 244 300	119 697 672
Debt securities issued	3 979 578	4 043 044	-	4 043 044	-
Total Liabilities	138 157 820	137 885 216	-	13 649 453	124 235 763

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

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



## Notes to financial statements (cont.)

(in PLN thousand)

### 8. Operating segments

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

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

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

#### Operating segments

The operating segments of the Group are as follows:

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

# Notes to financial statements (cont.)

(in PLN thousand)

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

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ASSETS AND LIABILITIES COMMITTEE AND OTHER	TOTAL
<b>Total net interest income</b>	<b>1 169 296</b>	<b>11 989</b>	<b>761 103</b>	<b>159 474</b>	<b>2 101 862</b>
<b>Non-interest income</b>	<b>776 577</b>	<b>15 960</b>	<b>565 609</b>	<b>122 031</b>	<b>1 480 177</b>
<b>Operating income</b>	<b>1 945 873</b>	<b>27 949</b>	<b>1 326 712</b>	<b>281 505</b>	<b>3 582 039</b>
Personnel expenses	(562 230)	(11 195)	(133 450)	(245 214)	(952 089)
Other administrative expenses	(618 044)	(13 825)	(172 927)	309 070	(495 726)
Depreciation and amortisation	(84 466)	(766)	(12 012)	(67 525)	(164 769)
<b>Operating costs</b>	<b>(1 264 740)</b>	<b>(25 786)</b>	<b>(318 389)</b>	<b>(3 669)</b>	<b>(1 612 584)</b>
<b>Gross operating profit</b>	<b>681 133</b>	<b>2 163</b>	<b>1 008 323</b>	<b>277 836</b>	<b>1 969 455</b>
Net impairment losses on loans and off-balance sheet commitments	(104 942)	(697)	(169 319)	7 744	(267 214)
<b>Net operating profit</b>	<b>576 191</b>	<b>1 466</b>	<b>839 004</b>	<b>285 580</b>	<b>1 702 241</b>
Net result on other provisions	(161)	(388)	(29)	(26 061)	(26 639)
Guarantee funds charges	(51 557)	(398)	(85 616)	-	(137 571)
Net result on investment activities	(123)	-	119	633	629
<b>Profit before tax</b>	<b>524 350</b>	<b>680</b>	<b>753 478</b>	<b>260 152</b>	<b>1 538 660</b>
Income tax expense					(294 672)
<b>Net profit for the period</b>					<b>1 243 988</b>
<b>Attributable to equity holders of the Bank</b>					<b>1 243 626</b>
Attributable to non-controlling interest					362
Allocated assets	56 758 123	272 268	102 796 338	(705 692)	159 121 037
Unallocated assets					11 775 513
<b>Total assets</b>					<b>170 896 550</b>
Allocated liabilities	65 847 921	6 868 718	70 516 585	(4 076 627)	139 156 597
Unallocated liabilities					31 739 953
<b>Total liabilities</b>					<b>170 896 550</b>

# Notes to financial statements (cont.)

(in PLN thousand)

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

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ASSETS AND LIABILITIES COMMITTEE AND OTHER	TOTAL
<b>Total net interest income</b>	<b>1 204 636</b>	<b>14 882</b>	<b>803 280</b>	<b>290 063</b>	<b>2 312 861</b>
<b>Non-interest income</b>	<b>830 690</b>	<b>14 764</b>	<b>441 543</b>	<b>45 240</b>	<b>1 332 237</b>
<b>Operating income</b>	<b>2 035 326</b>	<b>29 646</b>	<b>1 244 823</b>	<b>335 303</b>	<b>3 645 098</b>
Personnel expenses	(587 549)	(11 421)	(123 406)	(233 014)	(955 390)
Other administrative expenses	(653 539)	(13 288)	(171 473)	305 977	(532 323)
Depreciation and amortisation	(80 094)	(551)	(9 774)	(72 575)	(162 994)
<b>Operating costs</b>	<b>(1 321 182)</b>	<b>(25 260)</b>	<b>(304 653)</b>	<b>388</b>	<b>(1 650 707)</b>
<b>Gross operating profit</b>	<b>714 144</b>	<b>4 386</b>	<b>940 170</b>	<b>335 691</b>	<b>1 994 391</b>
Net impairment losses on loans and off-balance sheet commitments	(117 300)	146	(172 395)	(619)	(290 168)
<b>Net operating profit</b>	<b>596 844</b>	<b>4 532</b>	<b>767 775</b>	<b>335 072</b>	<b>1 704 223</b>
Net result on other provisions	(561)	-	(1 433)	(1 156)	(3 150)
Guarantee funds charges	(29 850)	(263)	(41 115)	-	(71 228)
Net result on investment activities	21	-	147	(711)	(543)
<b>Profit before tax</b>	<b>566 454</b>	<b>4 269</b>	<b>725 374</b>	<b>333 205</b>	<b>1 629 302</b>
Income tax expense					(300 803)
<b>Net profit for the period</b>					<b>1 328 499</b>
<b>Attributable to equity holders of the Bank</b>					<b>1 319 321</b>
Attributable to non-controlling interest					9 178
Allocated assets	51 519 341	253 678	95 900 830	(963 667)	146 710 182
Unallocated assets					10 162 423
<b>Total assets</b>					<b>156 872 605</b>
Allocated liabilities	60 314 625	7 007 869	62 165 971	(3 196 999)	126 291 466
Unallocated liabilities					30 581 139
<b>Total liabilities</b>					<b>156 872 605</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## Reconciliations of operating income for reportable segments

	I HALF 2015	I HALF 2014
<b>Total operating income for reportable segments</b>	<b>3 582 039</b>	<b>3 645 098</b>
Share in gains (losses) from associates	(30 100)	(34 693)
Net other operating income and expenses	(127 518)	(56 574)
Refunding of administrative expenses	1 420	1 807
<b>Operating income</b>	<b>3 425 841</b>	<b>3 555 638</b>

## Geographical segment

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

## 9. Interest income and expense

### Interest income

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Loans and other receivables from customers	1 059 105	2 189 134	1 271 842	2 520 532
Interbank placements	26 331	55 980	37 253	74 960
Reverse repo transactions	16 036	37 326	25 882	47 197
Investment securities	176 660	346 157	212 994	434 132
Hedging derivatives	41 675	88 221	32 331	71 856
Financial assets held for trading	3 792	5 077	4 455	7 109
<b>Total</b>	<b>1 323 599</b>	<b>2 721 895</b>	<b>1 584 757</b>	<b>3 155 786</b>

### Interest expense

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Deposits from customers	(262 269)	(563 283)	(385 294)	(765 676)
Interbank deposits	(4 883)	(9 093)	(6 668)	(16 398)
Repo transactions	(11 889)	(28 058)	(18 776)	(38 863)
Loans and advances received	(3 844)	(11 852)	(13 254)	(26 195)
Debt securities issued	(25 219)	(51 184)	(20 859)	(38 675)
<b>Total</b>	<b>(308 104)</b>	<b>(663 470)</b>	<b>(444 851)</b>	<b>(885 807)</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## 10. Fee and commission income and expense

### Fee and commission income

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Accounts maintenance, payment orders and cash transactions	164 595	326 306	168 095	335 984
Payment cards	181 508	342 955	228 388	439 128
Loans and advances	102 049	206 073	105 134	191 213
Investment products sales intermediation	77 631	152 917	68 702	136 041
Securities operations	38 243	67 251	24 298	53 801
Custody activity	17 893	31 606	16 110	31 033
Pension and investment funds service fees	13 228	25 673	13 253	27 767
Guarantees, letters of credit and similar transactions	12 085	24 247	13 028	24 963
Other	9 075	23 184	27 655	56 698
<b>Total</b>	<b>616 307</b>	<b>1 200 212</b>	<b>664 663</b>	<b>1 296 628</b>

### Fee and commission expense

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Payment cards	(82 119)	(168 447)	(119 222)	(221 770)
Money orders and transfers	(5 953)	(11 352)	(5 279)	(9 986)
Securities and derivatives operations	(5 327)	(9 791)	(4 584)	(9 695)
Accounts maintenance	(986)	(1 658)	(824)	(1 402)
Custody activity	(3 668)	(5 851)	(2 702)	(5 282)
Pension funds management charges	(585)	(695)	(1 215)	(1 562)
Acquisition services	(775)	(1 600)	(608)	(1 145)
Other	(3 644)	(7 001)	(4 065)	(6 723)
<b>Total</b>	<b>(103 057)</b>	<b>(206 395)</b>	<b>(138 499)</b>	<b>(257 565)</b>

## 11. Dividend income

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Issuers of securities held for trading	275	276	-	-
Issuers of securities available for sale	13 061	13 061	8 189	8 189
<b>Total</b>	<b>13 336</b>	<b>13 337</b>	<b>8 189</b>	<b>8 189</b>

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

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Foreign currency exchange result	75 850	176 573	86 244	168 894
Gains (losses) on derivatives	25 683	24 794	21 315	42 501
Gains (losses) on securities	(6 602)	(1 309)	3 618	5 225
<b>Total</b>	<b>94 931</b>	<b>200 058</b>	<b>111 177</b>	<b>216 620</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### 13. Gains (losses) on disposal

#### Realized gains

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Loans and other financial receivables	58	402	670	1 084
Available for sale financial assets – debt instruments	2 130	154 756	34 820	34 915
Debt securities issued	-	1	1	3
<b>Total</b>	<b>2 188</b>	<b>155 159</b>	<b>35 491</b>	<b>36 002</b>

#### Realized losses

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Available for sale financial assets – debt instruments	(41)	(41)	-	(78)
Debt securities issued	(128)	(155)	(1)	(20)
<b>Total</b>	<b>(169)</b>	<b>(196)</b>	<b>(1)</b>	<b>(98)</b>
<b>Net realized profit</b>	<b>2 019</b>	<b>154 963</b>	<b>35 490</b>	<b>35 904</b>

### 14. Administrative expenses

#### Personnel expenses

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Wages and salaries	(401 921)	(797 696)	(407 868)	(802 432)
Insurance and other charges related to employees	(74 187)	(147 154)	(73 502)	(146 693)
Share-based payments expenses	(4 059)	(7 239)	(2 640)	(6 265)
<b>Total</b>	<b>(480 167)</b>	<b>(952 089)</b>	<b>(484 010)</b>	<b>(955 390)</b>

#### Other administrative expenses

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
General expenses	(230 888)	(458 883)	(247 731)	(497 376)
Taxes and charges	(8 915)	(20 862)	(9 887)	(22 755)
Bank Guarantee Fund fee (*)	(68 761)	(137 523)	(34 422)	(68 845)
Financial supervision authority fee (KNF)	(8 642)	(17 449)	(7 996)	(16 382)
<b>Total</b>	<b>(317 206)</b>	<b>(634 717)</b>	<b>(300 036)</b>	<b>(605 358)</b>
<b>Total administrative expenses</b>	<b>(797 373)</b>	<b>(1 586 806)</b>	<b>(784 046)</b>	<b>(1 560 748)</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

### 15. Depreciation and amortization

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Property, plant and equipment	(45 547)	(91 751)	(48 336)	(95 628)
Investment property	(413)	(827)	(436)	(2 078)
Intangible assets	(37 071)	(72 191)	(32 277)	(65 288)
<b>Total</b>	<b>(83 031)</b>	<b>(164 769)</b>	<b>(81 049)</b>	<b>(162 994)</b>

### 16. Net other operating income and expenses

#### Other operating income

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Rental income	4 963	11 006	5 890	11 973
Miscellaneous income	5 450	9 646	4 397	6 905
Credit insurance income	12	215	5 820	11 722
Recovery of debt collection costs	4 057	7 999	5 493	10 316
Excess payments, repayments	2 618	3 584	14 513	16 637
Compensation, penalty fees and fines received (including received compensations from damages in relation to fixed assets)	113 883	114 616	1 447	33 221
Revenues from sale of products, goods and services	622	4 149	1 630	4 703
Revenues from leasing activity	299	805	339	481
Refunding of administrative expenses	584	1 420	12	1 807
Income from written off liabilities	76	275	138	207
Releases of impairment allowances for litigation and other assets	140	2 642	99	243
Gains on sale of leasing assets for third party and other assets	223	290	(9)	586
Other	1 020	2 684	1 150	2 434
<b>Total</b>	<b>133 947</b>	<b>159 331</b>	<b>40 919</b>	<b>101 235</b>

#### Other operating expenses

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Costs related to leasing activity	(345)	(739)	(234)	(8 189)
Credit insurance expenses	(2 268)	(4 304)	(7 177)	(13 894)
Reimbursement and deficiencies	(1 077)	(2 514)	(2 773)	(4 902)
Sundry expenses	(4 572)	(7 010)	(2 461)	(6 999)
Cost from sale of products, goods and services	(513)	(1 603)	(327)	(1 484)
Customers complaints expenses	(700)	(1 250)	(693)	(1 429)
Impairment allowance for litigations and other assets	(2 835)	(7 298)	(1 242)	(1 487)
Costs of litigation and claims	(859)	(1 323)	(502)	(938)
Compensation, penalty fees and fines paid	(83)	(173)	(102)	(252)
Losses on disposal of leasing assets for third party and other assets	(59)	(471)	-	-
Other	(2 741)	(5 128)	(3 071)	(5 087)
<b>Total</b>	<b>(16 052)</b>	<b>(31 813)</b>	<b>(18 582)</b>	<b>(44 661)</b>
<b>Net other operating income and expenses</b>	<b>117 895</b>	<b>127 518</b>	<b>22 337</b>	<b>56 574</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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

I HALF 2015	OPENING BALANCE	INCREASES			DECREASES		CLOSING BALANCE	IMPACT ON INCOME STATEMENT (**)
		IMPAIRMENT CHARGES	OTHER (*)	WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	RELEASE OF IMPAIRMENT CHARGES	OTHER (*)		
Impairment of financial assets and off-balance sheet commitments								
Loans and advances to banks measured at amortized cost	19 360	848	979	-	(769)	(650)	19 768	(79)
Loans and advances to customers measured at amortized cost	5 582 478	786 091	70 740	(73 525)	(548 519)	(44 048)	5 773 217	(237 572)
Receivables from financial leases	187 901	17 464	-	(10)	(14 489)	(827)	190 039	(2 975)
Financial assets available for sale	122	-	-	-	-	-	122	-
Off-balance sheet commitments	102 386	71 360	683	-	(40 217)	-	134 212	(31 143)
Total financial assets and off-balance sheet commitments	5 892 247	875 763	72 402	(73 535)	(603 994)	(45 525)	6 117 358	(271 769)
Impairment of other assets								
Investments in associates	60	-	-	-	-	-	60	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	6 667	417	1 569	(77)	-	(3)	8 573	(417)
Investment properties	8 682	-	-	-	-	-	8 682	-
Other	76 532	7 298	640	(186)	(2 642)	(1 734)	79 908	(4 656)
Total impairment of other assets	102 902	7 715	2 209	(263)	(2 642)	(1 737)	108 184	(5 073)
Total	5 995 149	883 478	74 611	(73 798)	(606 636)	(47 262)	6 225 542	(276 842)

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

(\*\*) 'Impairment of financial assets and off-balance sheet commitments' balance includes net impairment in the amount of PLN minus 271 769 thousand and proceeds from recovered bad debts in the amount of PLN 4 555 thousand, the total is PLN minus 267 214 thousand.



## Notes to financial statements (cont.)

(in PLN thousand)

I HALF 2014	OPENING BALANCE	INCREASES			DECREASES		CLOSING BALANCE	IMPACT ON INCOME STATEMENT (**)
		IMPAIRMENT CHARGES	OTHER (*)	WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	RELEASE OF IMPAIRMENT CHARGES	OTHER (*)		
Impairment of financial assets and off-balance sheet commitments								
Loans and advances to banks measured at amortized cost	25 721	241	276	-	(187)	(208)	25 843	(54)
Loans and advances to customers measured at amortized cost	5 028 177	676 888	72 555	(81 170)	(401 724)	(68 363)	5 226 363	(275 164)
Receivables from financial leasing	175 111	21 332	29	(5)	(13 086)	-	183 381	(8 246)
Financial assets available for sale	123	-	-	(1)	-	-	122	-
Impairment of off-balance sheet commitments	113 932	52 185	27	-	(42 292)	-	123 852	(9 893)
Total financial assets and off-balance sheet commitments	5 343 064	750 646	72 887	(81 176)	(457 289)	(68 571)	5 559 561	(293 357)
Impairment of other assets								
Investments in associates	60	-	-	-	-	-	60	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	6 830	-	-	(48)	-	-	6 782	-
Investment properties	3 080	-	6 152	-	-	(550)	8 682	-
Other	65 544	1 487	8	(775)	(243)	(57)	65 964	(1 244)
Total impairment of other assets	86 475	1 487	6 160	(823)	(243)	(607)	92 449	(1 244)
Total	5 429 539	752 133	79 047	(81 999)	(457 532)	(69 178)	5 652 010	(294 601)

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

(\*\*) 'Impairment of financial assets and off-balance sheet commitments' balance includes net impairment in the amount of PLN minus 293 357 thousand and proceeds from recovered bad debts in the amount of PLN 3 189 thousand, the total is PLN minus 290 168 thousand.

## Notes to financial statements (cont.)

(in PLN thousand)

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

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Share in gains (losses) from associates				
Dom Inwestycyjny Xelion Sp. z o.o.	531	919	265	458
Pioneer Pekao Investment Management S.A.	11 907	23 704	12 213	28 888
Krajowa Izba Rozliczeniowa S.A.	2 161	5 477	2 933	5 347
<b>Total share in gains (losses) from associates</b>	<b>14 599</b>	<b>30 100</b>	<b>15 411</b>	<b>34 693</b>
Gains on liquidation of subsidiaries	-	55	-	-
<b>Total gains (losses) from subsidiaries and associates</b>	<b>14 599</b>	<b>30 155</b>	<b>15 411</b>	<b>34 693</b>

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

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Gains (losses) on disposal of property, plant and equipment classified as assets held for sale	-	-	-	-
Gains (losses) on de-recognition of property, plant and equipment and intangible assets other than classified as assets held for sale	(54)	574	(210)	(543)
<b>Total gains (losses) on disposal of property, plant and equipment, and intangible assets</b>	<b>(54)</b>	<b>574</b>	<b>(210)</b>	<b>(543)</b>

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

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
<b>INCOME STATEMENT</b>				
<b>Current tax</b>	<b>(130 993)</b>	<b>(317 865)</b>	<b>(222 979)</b>	<b>(346 689)</b>
Current tax charge in the income statement	(129 966)	(331 100)	(222 141)	(352 431)
Adjustments related to the current tax from previous years	-	14 993	-	7 433
Other taxes (e.g. withholding tax, income tax relating to foreign branches)	(1 027)	(1 758)	(838)	(1 691)
<b>Deferred tax</b>	<b>(12 813)</b>	<b>23 193</b>	<b>68 193</b>	<b>45 886</b>
Occurrence and reversal of temporary differences	(12 813)	23 193	68 193	45 886
<b>Tax charge in the consolidated income statement</b>	<b>(143 806)</b>	<b>(294 672)</b>	<b>(154 786)</b>	<b>(300 803)</b>
<b>EQUITY</b>				
<b>Deferred tax</b>	<b>93 982</b>	<b>120 914</b>	<b>(82 865)</b>	<b>(87 701)</b>
Income and costs disclosed in other comprehensive income:				
revaluation of financial instruments - cash flows hedges	10 006	20 688	(21 496)	(19 327)
revaluation of available for sale financial assets – debt securities	86 816	103 124	(61 375)	(68 418)
revaluation of available for sale financial assets – equity securities	(2 840)	(2 898)	6	44
<b>Tax charge in other comprehensive income</b>	<b>93 982</b>	<b>120 914</b>	<b>(82 865)</b>	<b>(87 701)</b>
<b>Total charge</b>	<b>(49 824)</b>	<b>(173 758)</b>	<b>(237 651)</b>	<b>(388 504)</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### 21. Earnings per share

#### Basic earnings per share

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

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Net profit for the period	619 209	1 243 626	685 077	1 319 321
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Earnings per share (in PLN per share)	2.36	4.74	2.61	5.03

#### Diluted earnings per share

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

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

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Net profit for the period	619 209	1 243 626	685 077	1 319 321
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 470 034	262 470 034	262 470 034	262 470 034
Diluted earnings per share (in PLN per share)	2.36	4.74	2.61	5.03

### 22. Dividend payment

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

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

The payment of the dividend was on 7 July 2015.

# Notes to financial statements (cont.)

(in PLN thousand)

## 23. Cash and balances with Central Bank

Cash and due from Central Bank	30.06.2015	31.12.2014	30.06.2014
Cash	2 704 314	3 399 335	2 148 236
Current account at Central Bank	3 977 447	5 826 907	2 907 615
Other	12	12	12
<b>Total</b>	<b>6 681 773</b>	<b>9 226 254</b>	<b>5 055 863</b>

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

### Cash and balances with Central Bank by currency

30.06.2015	ASSETS	LIABILITIES
PLN	5 634 770	906
EUR	479 201	-
USD	276 652	-
CHF	56 808	-
Other currencies	234 342	-
<b>Total</b>	<b>6 681 773</b>	<b>906</b>

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

30.06.2014	ASSETS	LIABILITIES
PLN	4 326 578	958
EUR	347 178	-
USD	212 937	-
CHF	33 085	-
Other currencies	136 085	-
<b>Total</b>	<b>5 055 863</b>	<b>958</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### 24. Loans and advances to banks

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

	30.06.2015	31.12.2014	30.06.2014
Current accounts	229 422	1 048 021	296 111
Interbank placements	2 418 760	2 337 801	2 381 746
Loans and advances	141 021	156 224	82 067
Cash collaterals	1 904 842	1 675 036	1 211 612
Reverse repo transactions	369 407	1 930 808	2 732 536
Cash in transit	112 786	41 342	157 336
<b>Total gross amount</b>	<b>5 176 238</b>	<b>7 189 232</b>	<b>6 861 408</b>
Impairment allowances	(19 768)	(19 360)	(25 843)
<b>Total net amount</b>	<b>5 156 470</b>	<b>7 169 872</b>	<b>6 835 565</b>

#### Loans and advances to banks by quality

	30.06.2015	31.12.2014	30.06.2014
Loans and advances to banks, including:			
non impaired (gross)	5 156 777	7 170 272	6 835 698
impaired (gross)	19 461	18 960	25 710
individual impairment allowances	(9 661)	(9 160)	(15 910)
collective impairment allowances (*)	(10 107)	(10 200)	(9 933)
<b>Total</b>	<b>5 156 470</b>	<b>7 169 872</b>	<b>6 835 565</b>

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

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

	30.06.2015	31.12.2014	30.06.2014
Loans and advances to banks, including:			
up to 1 month	4 548 552	6 185 886	6 106 286
between 1 and 3 months	182 697	194 601	95 140
between 3 months and 1 year	20 310	408 533	305 138
between 1 and 5 years	393 642	367 091	314 442
over 5 years	2	-	14 528
past due	31 035	33 121	25 874
<b>Total gross amount</b>	<b>5 176 238</b>	<b>7 189 232</b>	<b>6 861 408</b>
Impairment allowances	(19 768)	(19 360)	(25 843)
<b>Total net amount</b>	<b>5 156 470</b>	<b>7 169 872</b>	<b>6 835 565</b>

#### Loans and advances to banks by currency

	30.06.2015	31.12.2014	30.06.2014
PLN	1 354 511	2 709 014	3 600 326
CHF	14 220	3 457	19 241
EUR	2 367 008	2 739 042	1 652 779
USD	1 290 838	1 553 787	1 364 646
Other currencies	129 893	164 572	198 573
<b>Total</b>	<b>5 156 470</b>	<b>7 169 872</b>	<b>6 835 565</b>

Changes in impairment allowances in the first half of 2015 and in the first half of 2014 are presented in the Note 17.

## Notes to financial statements (cont.)

(in PLN thousand)

### 25. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

	30.06.2015	31.12.2014	30.06.2014
<b>FINANCIAL ASSETS</b>			
Debt securities	1 234 897	448 453	988 436
Equity securities	29 412	-	-
<b>Total financial assets</b>	<b>1 264 309</b>	<b>448 453</b>	<b>988 436</b>
<b>FINANCIAL LIABILITIES</b>			
Debt securities	80 870	591 311	224 005
<b>Total financial liabilities</b>	<b>80 870</b>	<b>591 311</b>	<b>224 005</b>

Debt securities held for trading

	30.06.2015	31.12.2014	30.06.2014
<b>FINANCIAL ASSETS</b>			
Debt securities issued by State Treasury	962 523	310 653	967 974
T - bills	-	-	-
T - bonds	962 523	310 653	967 974
Debt securities issued by banks	108 723	54 688	-
Debt securities issued by business entities	163 651	83 112	20 462
<b>Total financial assets</b>	<b>1 234 897</b>	<b>448 453</b>	<b>988 436</b>
<b>FINANCIAL LIABILITIES</b>			
Debt securities issued by State Treasury	80 870	591 311	224 005
T - bonds	80 870	591 311	224 005
<b>Total financial liabilities</b>	<b>80 870</b>	<b>591 311</b>	<b>224 005</b>

Equity securities held for trading

	30.06.2015	31.12.2014	30.06.2014
Shares	29 412	-	-
<b>Total</b>	<b>29 412</b>	<b>-</b>	<b>-</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## Debt securities held for trading by maturity

	30.06.2015	31.12.2014	30.06.2014
<b>FINANCIAL ASSETS</b>			
Debt securities, including:			
up to 1 month	173 743	26 201	28 431
between 1 and 3 months	8 006	13 214	-
between 3 months and 1 year	394 396	65 729	785 372
between 1 and 5 years	586 486	163 072	121 880
over 5 years	63 053	180 237	52 753
unspecified term	9 213	-	-
<b>Total financial assets</b>	<b>1 234 897</b>	<b>448 453</b>	<b>988 436</b>
<b>FINANCIAL LIABILITIES</b>			
Debt securities, including:			
up to 1 month	-	-	-
between 1 and 3 months	-	-	-
between 3 months and 1 year	-	362 582	-
between 1 and 5 years	27 684	173 090	105 153
over 5 years	53 186	55 639	118 852
<b>Total financial liabilities</b>	<b>80 870</b>	<b>591 311</b>	<b>224 005</b>

## Debt securities held for trading by currency

	30.06.2015	31.12.2014	30.06.2014
<b>FINANCIAL ASSETS</b>			
PLN	1 216 185	403 194	973 888
EUR	13 825	41 876	12 442
USD	4 887	3 383	2 106
<b>Total financial assets</b>	<b>1 234 897</b>	<b>448 453</b>	<b>988 436</b>
<b>FINANCIAL LIABILITIES</b>			
PLN	80 870	591 311	224 005
<b>Total financial liabilities</b>	<b>80 870</b>	<b>591 311</b>	<b>224 005</b>

# Notes to financial statements (cont.)

(in PLN thousand)

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

### Fair value of trading derivatives

30.06.2015	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	2 635 435	2 667 811
Forward Rate Agreements (FRA)	1 947	2 734
Options	18 484	18 153
Other	364	264
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	5 569	80 954
Currency Forward Agreements	136 018	83 164
Currency Swaps (fx-swap)	182 808	94 422
Options for currency and gold	65 050	66 833
Transactions based on equity securities and stock indexes		
Options	8 250	8 267
Other	12	9 385
Transactions based on commodities and precious metals		
Options	4 415	4 457
Other	181 617	180 175
<b>Total</b>	<b>3 239 969</b>	<b>3 216 619</b>

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



# Notes to financial statements (cont.)

(in PLN thousand)

## Fair value of trading derivatives

30.06.2014	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	2 507 767	2 537 335
Forward Rate Agreements (FRA)	2 651	4 923
Options	12 471	12 207
Other	365	433
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	18 022	26 758
Currency Forward Agreements	38 333	68 091
Currency Swaps (fx-swap)	78 534	22 233
Options for currency and gold	23 648	23 846
Transactions based on equity securities and stock indexes		
Options	4 246	4 252
Other	-	-
Transactions based on commodities and precious metals		
Options	256	257
Other	34 941	33 304
<b>Total</b>	<b>2 721 234</b>	<b>2 733 639</b>

## 27. Loans and advances to customers

### Loans and advances to customers by product type

	30.06.2015	31.12.2014	30.06.2014
Mortgage loans	44 240 461	40 799 856	39 117 758
Current accounts	11 928 129	10 892 636	11 896 300
Operating loans	14 244 294	15 253 042	14 367 162
Investment loans	19 851 692	20 177 440	19 814 834
Payment cards receivables	812 444	805 590	779 816
Purchased debt receivables	2 249 118	3 135 495	2 904 439
Other loans and advances	10 433 423	10 101 570	9 614 493
Debt securities	11 219 590	10 442 561	9 505 567
Reverse repo transactions	8 279 989	5 789 064	3 835 693
Cash in transit	99 855	57 172	85 260
<b>Total gross amount</b>	<b>123 358 995</b>	<b>117 454 426</b>	<b>111 921 322</b>
Impairment allowances	(5 773 217)	(5 582 478)	(5 226 363)
<b>Total net amount</b>	<b>117 585 778</b>	<b>111 871 948</b>	<b>106 694 959</b>

### Loans and advances to customers by customer type

	30.06.2015	31.12.2014	30.06.2014
Corporate	59 827 730	56 324 459	53 884 413
Individuals	51 826 901	49 309 571	46 716 234
Budget entities	11 704 364	11 820 396	11 320 675
<b>Total gross amount</b>	<b>123 358 995</b>	<b>117 454 426</b>	<b>111 921 322</b>
Impairment allowances	(5 773 217)	(5 582 478)	(5 226 363)
<b>Total net amount</b>	<b>117 585 778</b>	<b>111 871 948</b>	<b>106 694 959</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## Loans and advances to customers by quality

	30.06.2015	31.12.2014	30.06.2014
Loans and advances to customers, including:			
non impaired (gross)	115 080 025	109 456 509	104 082 859
impaired (gross)	8 278 970	7 997 917	7 838 463
individual impairment allowances	(3 147 903)	(2 965 669)	(2 890 827)
collective impairment allowances (*)	(2 625 314)	(2 616 809)	(2 335 536)
<b>Total</b>	<b>117 585 778</b>	<b>111 871 948</b>	<b>106 694 959</b>

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

## Loans and advances to customers by contractual maturity

	30.06.2015	31.12.2014	30.06.2014
Loans and advances to customers, including:			
up to 1 month	21 504 770	18 925 405	17 980 966
between 1 and 3 months	2 568 251	3 199 478	2 452 197
between 3 months and 1 year	11 841 852	10 576 253	10 388 073
between 1 and 5 years	37 151 012	36 359 689	34 017 307
over 5 years	43 805 452	42 303 745	40 688 986
past due	6 487 658	6 089 856	6 393 793
<b>Total gross amount</b>	<b>123 358 995</b>	<b>117 454 426</b>	<b>111 921 322</b>
Impairment allowances	(5 773 217)	(5 582 478)	(5 226 363)
<b>Total net amount</b>	<b>117 585 778</b>	<b>111 871 948</b>	<b>106 694 959</b>

## Loans and advances to customers by currency

	30.06.2015	31.12.2014	30.06.2014
PLN	97 743 245	92 504 616	87 818 987
CHF	5 358 651	4 934 512	5 026 217
EUR	11 212 871	11 122 123	11 140 630
USD	3 195 980	3 187 087	2 619 202
Other currencies	75 031	123 610	89 923
<b>Total</b>	<b>117 585 778</b>	<b>111 871 948</b>	<b>106 694 959</b>

Changes in impairment allowances in the first half of 2015 and in the first half of 2014 are presented in the Note 17.

## Notes to financial statements (cont.)

(in PLN thousand)

### 28. Receivables from financial leases

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

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

30.06.2015	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 427 887	1 297 968
Between 1 and 5 years	2 024 158	1 874 404
Over 5 years	282 219	245 448
<b>Total</b>	<b>3 734 264</b>	<b>3 417 820</b>
Unearned finance income	(316 444)	
<b>Net leasing investment</b>	<b>3 417 820</b>	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 417 820	
Impairment allowances	(190 039)	
<b>Balance sheet value</b>	<b>3 227 781</b>	

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

30.06.2014	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 148 221	1 018 303
Between 1 and 5 years	1 939 851	1 790 096
Over 5 years	397 336	360 565
<b>Total</b>	<b>3 485 408</b>	<b>3 168 964</b>
Unearned finance income	(316 444)	
<b>Net leasing investment</b>	<b>3 168 964</b>	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 168 964	
Impairment allowances	(183 381)	
<b>Balance sheet value</b>	<b>2 985 583</b>	

## Notes to financial statements (cont.)

(in PLN thousand)

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

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

### Receivables from financial leases from banks by quality

	30.06.2015	31.12.2014	30.06.2014
Receivables from financial leases from banks, including:			
non impaired (gross)	5 119	6 062	6 434
impaired (gross)	-	-	-
individual impairment allowances	(33)	(41)	(29)
collective impairment allowances (*)	-	(1)	-
<b>Total</b>	<b>5 086</b>	<b>6 020</b>	<b>6 405</b>

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

### Receivables from financial leases from clients by quality

	30.06.2015	31.12.2014	30.06.2014
Receivables from financial leases from clients, including:			
non impaired (gross)	3 161 088	3 054 742	2 900 060
impaired (gross)	251 613	239 145	262 470
individual impairment allowances	(36 393)	(40 506)	(41 158)
collective impairment allowances (*)	(153 613)	(147 353)	(142 194)
<b>Total</b>	<b>3 222 695</b>	<b>3 106 028</b>	<b>2 979 178</b>

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

### Receivables from financial leases by currency

	30.06.2015	31.12.2014	30.06.2014
PLN	2 099 081	2 007 147	1 960 474
CHF	3 057	3 483	4 324
EUR	1 120 771	1 096 026	1 013 879
USD	4 872	5 392	6 906
<b>Total</b>	<b>3 227 781</b>	<b>3 112 048</b>	<b>2 985 583</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## 29. Hedge accounting

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

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

- fair value hedge accounting for fixed coupon debt securities classified as available-for-sale (AFS) hedged with interest rate swaps (IRS) – described in 29.1,
- cash flow hedge accounting for floating-rate financial assets and liabilities hedged with cross-currency interest rate swap (CIRS) transactions – described in 29.2,
- cash flow hedge accounting for floating-rate financial assets hedged with interest rate swap (IRS) transactions – described in 29.3,
- cash flow hedge accounting for portfolio of variable rate loans in EUR and USD hedged with fx-swap instruments – described in 29.4.

The table below presents the fair value of hedging derivatives

30.06.2015	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	9 248	220 756
Cross-currency interest rate swap (CIRS)	-	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	238 965	-
Cross-currency interest rate swap (CIRS)	50 392	1 656 220
FX-swaps	54 091	35 977
<b>Total</b>	<b>352 696</b>	<b>1 912 953</b>

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

# Notes to financial statements (cont.)

(in PLN thousand)

The table below presents the fair value of hedging derivatives

30.06.2014	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	-	208 447
Cross-currency interest rate swap (CIRS)	-	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	185 825	15 207
Cross-currency interest rate swap (CIRS)	8 456	881 906
FX-swaps	35 783	3 860
<b>Total</b>	<b>230 064</b>	<b>1 109 420</b>

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

	I HALF 2015	I HALF 2014
Revaluation reserves (deferral of fair value changes of hedging instruments related to the portions recognized as effective hedge - gross value)	29 740	72 235
Net interest income on hedging derivatives	115 559	89 482
Ineffective portions of changes in the fair value of hedging transactions recognized in the income statement	45	338

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

	I HALF 2015	I HALF 2014
<b>Opening balance</b>	<b>138 622</b>	<b>(29 487)</b>
Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge	(108 875)	101 696
Amount of the deferral of fair value changes of hedging instruments of the effective hedge removed from the revaluation reserves and presented in net profit or loss	(7)	26
<b>Closing balance</b>	<b>29 740</b>	<b>72 235</b>

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

TYPE OF GAINS/LOSSES	I HALF 2015	I HALF 2014
Gains/losses from revaluation of hedging instruments to fair value	60 297	(86 905)
Gains/losses from revaluation of hedged item associated with hedged risk to fair value	(55 056)	72 788
<b>Result on fair value hedge accounting</b>	<b>5 241</b>	<b>(14 117)</b>
Net interest income on hedging derivatives	(27 338)	(17 626)

## Notes to financial statements (cont.)

(in PLN thousand)

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

#### *Description of the hedging relationship*

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

#### *Hedged items*

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

#### *Hedging derivatives*

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

#### *Financial Statements presentation*

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

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

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

#### *Description of the hedging relationship*

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

#### *Hedged items*

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

#### *Hedging derivatives*

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

#### *Financial Statements presentation*

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

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

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

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

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

#### **Hedged items**

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

#### **Hedging derivatives**

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

#### **Financial Statements presentation**

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

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

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

### 29.4 Cash flow hedge of floating-rate currency assets hedged with fx-swap transactions against the exchange and interest rate risk

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

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

#### **Hedged items**

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

#### **Hedging derivatives**

Fx-swap transaction portfolio constitutes the hedging position.

#### **Financial Statements presentation**

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

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

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

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



# Notes to financial statements (cont.)

(in PLN thousand)

## 30. Investment (placement) securities

	30.06.2015	31.12.2014	30.06.2014
Debt securities available for sale (AFS)	23 924 100	23 039 453	24 207 306
Equity securities available for sale (AFS)	88 433	71 755	18 348
Debt securities held to maturity (HTM)	3 349 299	1 601 568	1 587 690
<b>Total</b>	<b>27 361 832</b>	<b>24 712 776</b>	<b>25 813 344</b>

### Debt securities available for sale (AFS)

	30.06.2015	31.12.2014	30.06.2014
Securities issued by State Treasury	18 068 297	15 940 434	16 927 119
T-bills	-	-	-
T-bonds	18 068 297	15 940 434	16 927 119
Securities issued by Central Banks	4 936 945	6 147 781	6 362 927
Securities issued by business entities	249 041	248 985	248 950
Securities issued by local governments	669 817	702 253	668 310
<b>Total</b>	<b>23 924 100</b>	<b>23 039 453</b>	<b>24 207 306</b>
including impairment allowances	-	-	-

### Equity securities available for sale (AFS)

	30.06.2015	31.12.2014	30.06.2014
Shares	88 433	71 755	18 348
<b>Total</b>	<b>88 433</b>	<b>71 755</b>	<b>18 348</b>
including impairment allowances	(122)	(122)	(122)

### Debt securities held to maturity (HTM)

	30.06.2015	31.12.2014	30.06.2014
Securities issued by State Treasury	2 486 958	750 123	752 612
T-bills	-	-	-
T-bonds	2 486 958	750 123	752 612
Securities issued by Central Banks	862 341	851 445	835 078
<b>Total</b>	<b>3 349 299</b>	<b>1 601 568</b>	<b>1 587 690</b>
including impairment allowances	-	-	-

### Investment debt securities according to contractual maturity

	30.06.2015	31.12.2014	30.06.2014
Debt securities, including:			
up to 1 month	5 840 384	6 999 226	7 275 945
between 1 and 3 months	-	-	-
between 3 months and 1 year	1 017 567	590 517	15 475
between 1 and 5 years	14 089 341	13 506 159	12 856 058
over 5 years	6 326 107	3 545 119	5 647 518
<b>Total</b>	<b>27 273 399</b>	<b>24 641 021</b>	<b>25 794 996</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### Investment debt securities by currency

	30.06.2015	31.12.2014	30.06.2014
PLN	23 651 561	20 673 366	22 451 007
EUR	2 036 095	2 027 262	1 930 587
USD	1 585 743	1 940 393	1 413 402
<b>Total</b>	<b>27 273 399</b>	<b>24 641 021</b>	<b>25 794 996</b>

## 31. Assets and liabilities held for sale

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

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

- investments in associates due to planned sale of the part of shares of Krajowa Izba Rozliczeniowa S.A. (Note 41),
- real estate,
- other property, plant and equipment.

Assets held for sale are presented below:

	30.06.2015	31.12.2014	30.06.2014
<b>ASSETS HELD FOR SALE</b>			
Investments in associates	24 119	-	-
Property, plant and equipment	16 177	14 587	10 169
Other assets	22 515	22 515	22 515
<b>Total assets</b>	<b>62 811</b>	<b>37 102</b>	<b>32 684</b>

The effect of disposal of other assets is as follows:

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

## Notes to financial statements (cont.)

(in PLN thousand)

### 32. Intangible assets

	30.06.2015	31.12.2014	30.06.2014
Intangible assets, including:	589 087	571 512	546 380
research and development expenditures	9 795	10 412	12 425
licenses and patents	441 575	436 939	423 367
other	10 153	10 845	6 950
assets under construction	127 564	113 316	103 638
Goodwill	55 520	55 520	54 560
<b>Total</b>	<b>644 607</b>	<b>627 032</b>	<b>600 940</b>

In the period from 1 January to 30 June 2015 the Group acquired intangible assets in the amount of PLN 90 347 thousand (in 2014 – PLN 128 523 thousand).

In the period from 1 January to 30 June 2015 and in 2014 there have been no intangible assets whose title is restricted and pledged as security for liabilities.

#### Contractual commitments

As at 30 June 2015 the contractual commitments for the acquisition of intangible assets amounted to PLN 36 127 thousand, whereas as at 31 December 2014 - PLN 35 372 thousand.

### 33. Property, plant and equipment

	30.06.2015	31.12.2014	30.06.2014
Non-current assets, including:	1 434 531	1 458 085	1 476 114
land and buildings	1 090 579	1 103 973	1 126 520
machinery and equipment	257 510	261 076	275 949
transport vehicles	41 951	47 301	32 574
other	44 491	45 735	41 071
Non-current assets under construction and prepayments	49 472	86 054	61 765
<b>Total</b>	<b>1 484 003</b>	<b>1 544 139</b>	<b>1 537 879</b>

In the period from 1 January to 30 June 2015 the Group acquired property, plant and equipment in the amount of PLN 47 612 thousand (in 2014 - PLN 126 020 thousand), while the value of property, plant and equipment sold amounted to PLN 1 754 thousand (in 2014 - PLN 6 394 thousand).

In the period from 1 January to 30 June 2015 and in 2014 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

#### Contractual commitments

As at 30 June 2015 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 28 802 thousand, whereas as at 31 December 2014 - PLN 63 077 thousand.

# Notes to financial statements (cont.)

(in PLN thousand)

## 34. Assets pledged as security for liabilities

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

TYPE OF TRANSACTION	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	bonds	4 564 495	4 368 602	4 567 492
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	684 746	640 200	-
Lombard and technical loan	bonds	3 181 429	3 107 844	-
Other loans	bonds	334 282	325 000	198 062
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 662 793	1 667 222	1 155 471
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	47 414	46 492	-
Derivatives	bonds	23 771	25 561	358

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

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

TYPE OF TRANSACTION	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	bonds	2 687 076	2 471 111	2 678 126
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	654 957	605 200	-
Lombard and technical loan	bonds	3 977 716	3 812 074	-
Other loans	bonds, leases encumbrances	890 696	887 737	906 409
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 445 055	1 453 713	1 023 075
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	42 526	41 942	-
Derivatives	bonds	18 454	17 229	2 140

### 35. Amounts due to other banks

Amounts due to other banks by product type

	30.06.2015	31.12.2014	30.06.2014
Current accounts	780 261	959 407	608 933
Interbank deposits and other liabilities	2 744 896	1 000 087	794 751
Loans and advances received	2 824 692	3 243 612	3 111 738
Repo transactions	1 892 802	126 277	2 107 018
Cash in transit	623 965	15 319	39 136
<b>Total</b>	<b>8 866 616</b>	<b>5 344 702</b>	<b>6 661 576</b>

Amounts due to other banks by currency

	30.06.2015	31.12.2014	30.06.2014
PLN	5 454 524	2 335 096	2 512 889
CHF	788 656	713 045	814 177
EUR	2 242 226	2 218 925	2 950 306
USD	318 402	42 023	174 754
Other currencies	62 808	35 613	209 450
<b>Total</b>	<b>8 866 616</b>	<b>5 344 702</b>	<b>6 661 576</b>

# Notes to financial statements (cont.)

(in PLN thousand)

## 36. Amounts due to customers

Amounts due to customers by entity and product type

	30.06.2015	31.12.2014	30.06.2014
Amounts due to corporate, including:	54 500 432	58 339 752	49 610 585
current accounts	22 909 512	21 930 160	22 853 184
term deposits and other liabilities	31 590 920	36 409 592	26 757 401
Amounts due to budget entities, including:	7 075 571	6 210 671	8 070 302
current accounts	4 875 349	5 090 071	5 100 355
term deposits and other liabilities	2 200 222	1 120 600	2 969 947
Amounts due to individuals, including:	58 217 628	55 407 585	53 820 253
current accounts	32 326 703	30 404 771	28 987 004
term deposits and other liabilities	25 890 925	25 002 814	24 833 249
Repo transactions	5 219 809	4 979 370	2 893 401
Cash in transit	297 280	671 622	315 455
<b>Total</b>	<b>125 310 720</b>	<b>125 609 000</b>	<b>114 709 996</b>

Amounts due to customers by currency

	30.06.2015	31.12.2014	30.06.2014
PLN	105 047 302	106 221 889	95 840 625
CHF	230 361	205 950	169 276
EUR	12 197 704	11 882 782	11 327 005
USD	7 056 618	6 611 746	6 714 813
Other currencies	778 735	686 633	658 277
<b>Total</b>	<b>125 310 720</b>	<b>125 609 000</b>	<b>114 709 996</b>

## 37. Debt securities issued

Debt securities issued by type

	30.06.2015	31.12.2014	30.06.2014
Certificates of deposit	2 824 107	2 819 713	2 556 456
Mortgage bonds	1 155 471	1 037 330	1 023 075
<b>Total</b>	<b>3 979 578</b>	<b>3 857 043</b>	<b>3 579 531</b>

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

# Notes to financial statements (cont.)

(in PLN thousand)

## Debt securities issued by currency

	30.06.2015	31.12.2014	30.06.2014
PLN	3 700 573	3 679 880	3 406 644
EUR	279 005	177 163	172 887
USD	-	-	-
<b>Total</b>	<b>3 979 578</b>	<b>3 857 043</b>	<b>3 579 531</b>

## Changes in debt securities issued

	I HALF 2015	2014	I HALF 2014
<b>Opening balance</b>	<b>3 857 043</b>	<b>3 063 737</b>	<b>3 063 737</b>
Increase (issuance)	2 421 604	6 015 875	2 557 474
Decrease (redemption)	(2 294 040)	(5 312 326)	(2 188 101)
Decrease (partial redemption)	(2 269)	(1 838)	(739)
Foreign currency exchange differences	(2 839)	2 686	(10)
Purchase	-	(64 625)	-
Sale	17 379	136 141	136 141
Other	(17 300)	17 393	11 029
<b>Closing balance</b>	<b>3 979 578</b>	<b>3 857 043</b>	<b>3 579 531</b>

## 38. Provisions

### Changes in provisions in the reporting period

I HALF 2015	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
<b>Opening balance</b>	<b>37 873</b>	<b>267 991</b>	<b>102 386</b>	<b>34 206</b>	<b>442 456</b>
Provision charges/revaluation	27 115	12 777	71 360	6 968	118 220
Provision utilization	(26 035)	(6 493)	-	(14 661)	(47 189)
Provision releases	(479)	-	(40 217)	(2)	(40 698)
Foreign currency exchange differences	-	-	683	(13)	670
Other changes	-	442	-	-	442
<b>Closing balance</b>	<b>38 474</b>	<b>274 717</b>	<b>134 212</b>	<b>26 498</b>	<b>473 901</b>
Short term	5 572	10 407	43 864	624	60 467
Long term	32 902	264 310	90 348	25 874	413 434

# Notes to financial statements (cont.)

(in PLN thousand)

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

I HALF 2014	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
<b>Opening balance</b>	<b>34 986</b>	<b>207 297</b>	<b>113 932</b>	<b>37 322</b>	<b>393 537</b>
Provision charges/revaluation	3 536	11 511	52 185	6 348	73 580
Provision utilization	(1 009)	(3 856)	-	(9 736)	(14 601)
Provision releases	(386)	-	(42 292)	-	(42 678)
Foreign currency exchange differences	-	-	27	16	43
Other changes	(33)	-	-	234	201
<b>Closing balance</b>	<b>37 094</b>	<b>214 952</b>	<b>123 852</b>	<b>34 184</b>	<b>410 082</b>
Short term	7 504	7 178	67 307	4 566	86 555
Long term	29 590	207 774	56 545	29 618	323 527

## Provisions for litigation and claims

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

## Provisions for defined benefits plans

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

## Other provisions

Other provisions include in particular provisions for other employee benefits.



## Notes to financial statements (cont.)

(in PLN thousand)

### 39. Contingent commitments

#### Litigation

In the first half of 2015 the total value of the litigation subject in the ongoing court proceedings against the Group was PLN 1 122 096 thousand (in the first half of 2014 it was PLN 1 146 623 thousand).

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

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

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

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

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

As at 30 June 2015, the Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the above provisions as at 30 June 2015 is PLN 38 474 thousand (PLN 37 873 thousand as at 31 December 2014).

# Notes to financial statements (cont.)

(in PLN thousand)

## Financial commitments granted

### Financial commitments granted by entity

	30.06.2015	31.12.2014	30.06.2014
Financial commitments granted to:			
financial entities	924 010	626 967	2 951 593
non - financial entities	26 224 941	25 804 627	22 864 777
budget entities	1 000 037	944 954	1 224 826
<b>Total</b>	<b>28 148 988</b>	<b>27 376 548</b>	<b>27 041 196</b>

## Guarantees issued

### Guarantees issued by entity

	30.06.2015	31.12.2014	30.06.2014
Issued to financial entities:	892 611	1 015 435	847 385
guarantees	888 899	971 814	807 393
sureties	-	42 990	35 581
confirmed export letters of credit	3 712	631	4 411
Issued to non-financial entities	13 116 918	13 041 275	10 502 953
guarantees	7 083 383	7 474 912	5 404 898
securities' underwriting guarantees	5 980 154	5 566 363	5 098 055
sureties	53 381	-	-
Issued to budget entities:	295 295	151 974	335 786
guarantees	5 877	13 007	43 003
securities' underwriting guarantees	289 418	138 967	292 783
<b>Total</b>	<b>14 304 824</b>	<b>14 208 684</b>	<b>11 686 124</b>

## Off-balance commitments received

### Off-balance commitments received by entity

	30.06.2015	31.12.2014	30.06.2014
Financial received from:	872 951	496 467	541 854
financial entities	872 951	496 467	541 854
non - financial entities	-	-	-
budget entities	-	-	-
Guarantees received from:	12 383 396	12 175 488	12 163 311
financial entities	1 464 211	1 324 576	1 424 702
non - financial entities	10 183 055	10 102 000	10 031 243
budget entities	736 130	748 912	707 366
<b>Total</b>	<b>13 256 347</b>	<b>12 671 955</b>	<b>12 705 165</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

### 40. Related party transactions

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

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

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

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

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

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

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

## Notes to financial statements (cont.)

(in PLN thousand)

### Related party transactions

Related party transactions as at 30 June 2015

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
UniCredit S.p.A. – the Bank's parent entity	5 959	-	-	63	35 332	-	1 316 106
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	1 552 602	9 212	57 255	2 995	611 991	845 689	71
<b>Associates of Bank Pekao S.A. Group</b>							
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	-	46	25 426	-	82
Pioneer Pekao Investment Management S.A.	-	-	-	49	151 555	-	9
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	8	-	-	18 075	84 625	-	6
Krajowa Izba Rozliczeniowa S.A.	-	-	-	10	511	-	9
<b>Total Associates of Bank Pekao S.A. Group</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>18 180</b>	<b>262 117</b>	<b>-</b>	<b>106</b>
Key management personnel of the Bank and UniCredit S.p.A.	8 507	-	-	-	21 449	-	-
<b>Total</b>	<b>1 567 076</b>	<b>9 212</b>	<b>57 255</b>	<b>21 238</b>	<b>930 889</b>	<b>845 689</b>	<b>1 316 283</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### Receivables from loans and placements by contractual maturity

30.06.2015	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
UniCredit S.p.A. – the Bank's parent entity	5 959	-	-	-	-	-	5 959
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	781 238	382 696	211	-	388 457	-	1 552 602
Associates of Bank Pekao S.A. Group	-	-	-	-	8	-	8
Key management personnel of the Bank and UniCredit S.p.A.	2	-	-	6 026	80	2 399	8 507
<b>Total</b>	<b>787 199</b>	<b>382 696</b>	<b>211</b>	<b>6 026</b>	<b>388 545</b>	<b>2 399</b>	<b>1 567 076</b>

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

### Liabilities from loans and deposits by contractual maturity

30.06.2015	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
UniCredit S.p.A. – the Bank's parent entity	35 332	-	-	-	-	-	35 332
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	145 104	38 332	279	13 897	414 379	-	611 991
Associates of Bank Pekao S.A. Group	19 142	94 203	148 261	511	-	-	262 117
Key management personnel of the Bank and UniCredit S.p.A.	7 416	1 849	9 395	1 276	1 513	-	21 449
<b>Total</b>	<b>206 994</b>	<b>134 384</b>	<b>157 935</b>	<b>15 684</b>	<b>415 892</b>	<b>-</b>	<b>930 889</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

### Receivables from loans and placements by currency

30.06.2015	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	4 519	1 440	-	-	-	5 959
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	773 099	766 037	7	2 000	11 459	1 552 602
Associates of Bank Pekao S.A. Group	-	-	-	8	-	8
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	8 507	-	8 507
<b>Total</b>	<b>777 618</b>	<b>767 477</b>	<b>7</b>	<b>10 515</b>	<b>11 459</b>	<b>1 567 076</b>

### Liabilities from loans and deposits by currency

30.06.2015	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	880	-	-	34 452	-	35 332
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	85 483	151	383 974	112 099	30 284	611 991
Associates of Bank Pekao S.A. Group	-	-	-	262 117	-	262 117
Key management personnel of the Bank and UniCredit S.p.A.	7 539	666	-	13 244	-	21 449
<b>Total</b>	<b>93 902</b>	<b>817</b>	<b>383 974</b>	<b>421 912</b>	<b>30 284</b>	<b>930 889</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### Related party transactions as at 31 December 2014

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

## Notes to financial statements (cont.)

(in PLN thousand)

### Receivables from loans and deposits by contractual maturity

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

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

### Liabilities from loans and deposits by contractual maturity

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

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



## Notes to financial statements (cont.)

(in PLN thousand)

### Receivables from loans and deposits by currency

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

### Liabilities from loans and deposits by currency

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

NAME OF ENTITY	INTEREST INCOME	INTEREST EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
UniCredit S.p.A. – the Bank's parent entity	147	(32)	178	(1 527)	688	(7 074)
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	24 928	(2 474)	2 421	(1 105)	38 525	(3 262)
<b>Associates of Bank Pekao S.A. Group</b>						
Dom Inwestycyjny Xelion Sp. z o.o.	-	(185)	35	(16)	165	(1)
Pioneer Pekao Investment Management S.A.	-	(1 465)	196	-	14	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(1 184)	120 015	-	345	-
Krajowa Izba Rozliczeniowa S.A.	-	(135)	57	-	-	(4 303)
<b>Total Associates of Bank Pekao S.A. Group</b>	-	(2 969)	120 303	(16)	524	(4 304)
Key management personnel of the Bank and UniCredit S.p.A.	130	(204)	6	-	-	-
<b>Total</b>	<b>25 205</b>	<b>(5 679)</b>	<b>122 908</b>	<b>(2 648)</b>	<b>39 737</b>	<b>(14 640)</b>

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

NAME OF ENTITY	INTEREST INCOME	INTEREST EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
UniCredit S.p.A. – the Bank's parent entity	8	(8)	140	(1 316)	676	(2 247)
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	25 474	(8 879)	4 587	(110)	3 774	(25 143)
<b>Associates of Bank Pekao S.A. Group</b>						
Dom Inwestycyjny Xelion Sp. z o.o.	-	(278)	20	(15)	133	-
Pioneer Pekao Investment Management S.A.	-	(1 956)	223	-	13	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(1 784)	112 262	-	-	(1)
Krajowa Izba Rozliczeniowa S.A.	-	(71)	66	-	-	(4 649)
<b>Total Associates of Bank Pekao S.A. Group</b>	-	(4 089)	112 571	(15)	146	(4 650)
Key management personnel of the Bank and UniCredit S.p.A.	136	(255)	7	-	-	-
<b>Total</b>	<b>25 618</b>	<b>(13 231)</b>	<b>117 305</b>	<b>(1 441)</b>	<b>4 596</b>	<b>(32 040)</b>

# Notes to financial statements (cont.)

(in PLN thousand)

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

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEES
UniCredit S.p.A. – the Bank's parent entity	39 637	186 736	-	20 940
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	177 848	578 901	21 071	46 636
<b>Associates of Bank Pekao S.A. Group</b>				
Dom Inwestycyjny Xelion Sp. z o.o.	2 030	-	-	-
Pioneer Pekao Investment Management S.A.	15	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	47	-	-	-
Krajowa Izba Rozliczeniowa S.A.	-	500	-	-
<b>Total Associates of Bank Pekao S.A. Group</b>	<b>2 092</b>	<b>500</b>	<b>-</b>	<b>-</b>
Key management personnel of the Bank and UniCredit S.p.A.	818	-	-	-
<b>Total</b>	<b>220 395</b>	<b>766 137</b>	<b>21 071</b>	<b>67 576</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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

30.06.2015	CURRENT	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
<b>FINANCIAL COMMITMENTS GRANTED</b>							
UniCredit S.p.A. – the Bank's parent entity	-	-	-	39 637	-	-	39 637
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	-	-	177 848	-	-	177 848
Associates of Bank Pekao S.A. Group	-	-	-	52	2 040	-	2 092
Key management personnel of the Bank and UniCredit S.p.A.	31	-	543	244	-	-	818
<b>Total</b>	<b>31</b>	<b>-</b>	<b>543</b>	<b>217 781</b>	<b>2 040</b>	<b>-</b>	<b>220 395</b>
<b>GUARANTEES ISSUED</b>							
UniCredit S.p.A. – the Bank's parent entity	-	-	2 000	100 753	18 975	65 008	186 736
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	860	4 458	54 375	302 785	216 423	578 901
Associates of Bank Pekao S.A. Group	-	-	-	500	-	-	500
<b>Total</b>	<b>-</b>	<b>860</b>	<b>6 458</b>	<b>155 628</b>	<b>321 760</b>	<b>281 431</b>	<b>766 137</b>
<b>FINANCIAL RECEIVED</b>							
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	21 071	-	-	-	-	21 071
<b>Total</b>	<b>-</b>	<b>21 071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21 071</b>
<b>GUARANTEES RECEIVED</b>							
UniCredit S.p.A. – the Bank's parent entity	-	-	2 517	12 649	4 306	1 468	20 940
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	1 000	-	38 299	7 337	-	46 636
<b>Total</b>	<b>-</b>	<b>1 000</b>	<b>2 517</b>	<b>50 948</b>	<b>11 643</b>	<b>1 468</b>	<b>67 576</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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

30.06.2015	EUR	USD	CHF	PLN	OTHER	TOTAL
<b>FINANCIAL COMMITMENTS GRANTED</b>						
UniCredit S.p.A. – the Bank's parent entity	39 637	-	-	-	-	39 637
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	76 548	-	-	101 300	-	177 848
Associates of Bank Pekao S.A. Group	-	-	-	2 092	-	2 092
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	818	-	818
<b>Total</b>	<b>116 185</b>	<b>-</b>	<b>-</b>	<b>104 210</b>	<b>-</b>	<b>220 395</b>
<b>GUARANTEES ISSUED</b>						
UniCredit S.p.A. – the Bank's parent entity	9 659	-	-	177 077	-	186 736
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	63 714	9 411	-	505 776	-	578 901
Associates of Bank Pekao S.A. Group	-	-	-	500	-	500
<b>Total</b>	<b>73 373</b>	<b>9 411</b>	<b>-</b>	<b>683 353</b>	<b>-</b>	<b>766 137</b>
<b>FINANCIAL RECEIVED</b>						
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	-	-	-	21 071	21 071
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21 071</b>	<b>21 071</b>
<b>GUARANTEES RECEIVED</b>						
UniCredit S.p.A. – the Bank's parent entity	15 940	-	-	5 000	-	20 940
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	7 536	-	-	39 100	-	46 636
<b>Total</b>	<b>23 476</b>	<b>-</b>	<b>-</b>	<b>44 100</b>	<b>-</b>	<b>67 576</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

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



## Notes to financial statements (cont.)

(in PLN thousand)

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

Short-term employee benefits related to the Management Board of the Bank in the first half of 2015 amounted to PLN 7 350 thousand, compared to PLN 7 854 thousand in the first half of 2014. Short-term employee benefits included: base salary, bonuses and other benefits due in next 12 months from the balance sheet date.

Long-term benefits related to the Management Board of the Bank amounted to PLN 1 111 thousand in the first half of 2015, compared to PLN 1 243 thousand in the first half of 2014 and comprised of provisions for deferred bonus payments.

The expenses of the first half of 2015 included PLN 3 655 thousand in respect of share-based payments, compared to PLN 3 863 thousand in the first half of 2014. The value of share-based payments is a part of Personnel Expenses, recognized according to IFRS 2 during the reporting period in the income statement, representing the settlement of fair value of phantom shares, granted to the Members of the Bank's Management Board.

Remuneration expenses of Supervisory Board of the Bank, comprising short-term employee benefits, amounted to PLN 470 thousand in the first half of 2015, compared to PLN 463 thousand in the first half of 2014.

The Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associates in the period from 1 January to 30 June 2015 and in the period from 1 January to 30 June 2014.

### **Remuneration expenses of Supervisory Boards and Management Boards of subsidiaries**

Remuneration expenses of Management Boards of Group's subsidiaries, comprising short-term employee benefits, amounted to PLN 8 302 thousand in the first half of 2015, compared to PLN 8 041 thousand in the first half of 2014.

Remuneration expenses of Supervisory Boards of Group's subsidiaries, comprising short-term employee benefits, amounted to PLN 50 thousand, compared to PLN 19 thousand in the first half of 2014.

## 41. Subsequent events

### **Sale of shares in Krajowa Izba Rozliczeniowa S.A.**

On 15 July 2015, the Bank sold 3 125 shares of Krajowa Izba Rozliczeniowa S.A. As a result of the transaction, the Bank's share in the share capital and the votes in the General Meeting of the Company was reduced from 34.44% to 5.74%. The impact of the transaction on net profit of the Group is PLN 44 313 thousand.

# Signatures of the Management Board Members

03.08.2015	Luigi Lovaglio	President of the Management Board CEO	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Diego Biondo	Vice President of the Management Board	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Andrzej Kopyrski	Vice President of the Management Board	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Adam Niewiński	Vice President of the Management Board	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Grzegorz Piowar	Vice President of the Management Board	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Stefano Santini	Vice President of the Management Board	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Marian Ważyński	Vice President of the Management Board	
Date	Name/Surname	Position/Function	Signature

# Annexes to the financial statements

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

## Annex 1

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

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

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

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

- **IFRIC 21 'Levies'**

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

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

- **Improvements to IFRS 2010-2012**

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

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

- **Improvements to IFRS 2011-2013**

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

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

## Annexes to the financial statements (cont.)

### Annex 2

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

- **IFRS 9 'Financial Instruments'**

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

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

Main changes resulting from the new standard include:

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

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

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

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

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

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

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

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

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

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

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

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

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

## Annexes to the financial statements (cont.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Improvements to IFRS 2012-2014**

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

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

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

## Annexes to the financial statements (cont.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Annexes to the financial statements (cont.)

### Annex 3

#### Glossary

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

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

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

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

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

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

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

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

**IBNR** – Incurred but Not Reported losses.

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

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

**EAD** – Exposure at Default.

**EL** – Expected Loss.

**CCF** – Credit Conversion Factor.

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

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

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

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

# **Report on the activities of Bank Pekao S.A. Group for the first half of 2015**



**Warsaw, August 2015**

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



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# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

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

	1 HALF 2015	1 HALF 2014	2014	2013
<b>INCOME STATEMENT CONTINUED OPERATIONS – SELECTED ITEMS<sup>(*)</sup></b> (in PLN million)				
Operating income	3,582.0	3,645.1	7,345.7	7,493.6
Operating costs	(1,612.5)	(1,650.7)	(3,285.8)	(3,330.9)
Gross operating profit	1,969.5	1,994.4	4,060.0	4,162.7
Profit before income tax	1,538.7	1,629.3	3,359.7	3,432.9
Net profit for the period attributable to equity holders of the Bank	1,243.6	1,319.3	2,714.7	2,767.3
<b>INCOME STATEMENT – SELECTED ITEMS</b> (in PLN million)				
Operating income	3,582.0	3,645.1	7,345.7	7,565.3
Operating costs	(1,612.5)	(1,650.7)	(3,285.8)	(3,376.1)
Gross operating profit	1,969.5	1,994.4	4,060.0	4,189.2
Profit before income tax	1,538.7	1,629.3	3,359.7	3,454.2
Net profit for the period attributable to equity holders of the Bank	1,243.6	1,319.3	2,714.7	2,784.8
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE)	10.3%	11.1%	11.5%	12.0%
Net interest margin	2.8%	3.3%	3.1%	3.4%
Non-interest income / operating income	41.3%	36.5%	38.3%	39.6%
Cost / income	45.0%	45.3%	44.7%	44.6%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> (in PLN million)				
Total assets	170,896.6	156,872.6	167,625.0	158,521.7
Net loans and advances to customers <sup>(**)</sup>	120,808.7	109,674.4	114,978.1	103,937.3
Amounts due to customers	125,310.7	114,710.0	125,609.0	119,796.7
Debt securities issued	3,979.6	3,579.5	3,857.0	3,063.7
Equity	22,117.6	22,597.7	24,045.7	23,514.2
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Net loans / total assets	70.7%	69.9%	68.6%	65.6%
Securities / total assets	16.8%	17.1%	15.0%	22.2%
Deposits <sup>(***)</sup> / total assets	75.7%	75.4%	77.2%	77.5%
Net loans / deposits <sup>(***)</sup>	93.4%	92.7%	88.8%	84.6%
Equity / total assets	12.9%	14.4%	14.3%	14.8%
Capital Adequacy Ratio (Basel III) <sup>(****)</sup>	17.8%	18.1%	17.3%	18.3%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees	18,629	18,684	18,765	18,916
Number of outlets	1,013	998	1,034	1,001
Number of ATMs	1,789	1,837	1,825	1,847

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

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

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

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

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

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

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

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 2 Highlights of Bank Pekao S.A.

	1 HALF 2015	1 HALF 2014	2014	2013
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;">(in PLN million)</span>				
Operating income	3,552.4	3,541.3	7,034.7	7,187.3
Operating costs	(1,501.2)	(1,549.6)	(3,086.6)	(3,124.8)
Gross operating profit	2,051.2	1,991.7	3,948.1	4,062.5
Profit before income tax	1,626.9	1,642.9	3,270.1	3,436.4
Net profit for the period	1,348.8	1,354.1	2,662.3	2,800.0
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE)	11.8%	11.7%	11.6%	12.3%
Net interest margin	2.8%	3.3%	3.1%	3.3%
Non-interest income / operating income	37.9%	33.3%	36.2%	38.0%
Cost / income	42.3%	43.8%	43.9%	43.5%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;">(in PLN million)</span>				
Total assets	167,951.3	153,384.8	164,322.8	155,286.6
Net loans and advances to customers <sup>(*)</sup>	117,269.9	106,161.1	111,389.2	100,569.2
Amounts due to customers	125,479.3	114,757.3	126,381.3	119,868.7
Debt securities issued	2,824.1	2,556.5	2,819.7	2,240.5
Equity	21,595.8	21,962.2	23,387.2	22,848.7
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Net loans / total assets	69.8%	69.2%	67.8%	64.8%
Securities / total assets	17.0%	17.3%	15.3%	22.6%
Deposits <sup>(**)</sup> / total assets	76.4%	76.5%	78.6%	78.6%
Net loans / deposits <sup>(**)</sup>	91.4%	90.5%	86.2%	82.4%
Equity / total assets	12.9%	14.3%	14.2%	14.7%
Capital Adequacy Ratio (Basel III) <sup>(***)</sup>	17.4%	18.0%	17.1%	18.3%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees	16,631	16,888	16,914	17,092
Number of outlets	1,013	998	1,034	1,001
Number of ATMs	1,789	1,837	1,825	1,847

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

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

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

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

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

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 3 Summary of Performance

Net profit of Bank Pekao S.A. Group attributable to equity holders for the first half of 2015 amounted to PLN 1,243.6 million allowing return on average capital (ROE) at the level of 10.3% achieved with a strong capital base reflected by CAR at 17.8% (Basel III). Normalized ROE (return on minimum equity equivalent to CAR at 10%) amounted to 15.4%.

The Group's gross operating profit (excluding guarantee funds charges) reported for the first half of 2015 was lower by PLN 24.9 million, i.e. 1.3% in comparison to the first half of 2014 with lower operating income, affected by lower interest rates and negative impact of regulatory constraints, supported by growing volumes and gains on sale of available for sale portfolio, and with lower operating costs.

The strength of the liquidity structure of Bank Pekao S.A. Group is reflected by net loans to deposits ratio at 93.4% at the end of June 2015. This together with strong equity level enables for further sound and stable development of the Group's activities.

In the area of mortgage lending, the Bank continued its policy of offering only PLN mortgage loans. The residual stock of mortgage loans denominated in foreign currencies, almost entirely acquired as a result of the merger of the spun-off part of Bank BPH SA in 2007, represents only 4.6% of total loans of the Bank.

- In the first half of 2015, the Group's operating income amounted to PLN 3,582.0 million, a decrease of PLN 63.1 million, i.e. 1.7% in comparison with the first half of 2014 with the following trends:
  - total net interest income, dividend income and income from equity investments in the first half of 2015 amounted to PLN 2,101.8 million and was lower by PLN 211.1 million, i.e. 9.1% compared to the first half of 2014 due to negative impact of lower interest rates, including in particular reduction of the maximum interest rate applicable to loans. In the first half of 2015, average WIBOR 3M rate stood at the level of 1.8% and was lower by 0.9 b.p. than in the first half of 2014, while the NBP Lombard rate went from 4.0% at the end of June 2014 to 2.5% in March 2015.
  - the Group's net non-interest income in the first half of 2015 amounted to PLN 1,480.2 million, an increase of PLN 148.0 million, i.e. 11.1% in comparison with the first half of 2014 thanks to higher trading result and net other operating income and expenses, supported by gains on sale of AFS portfolio and compensation under insurance contract with net fee and commission income lower by 4.4% compared to the first half of 2014, mainly due to negative impact of interchange rates reduction.
- In the first half of 2015, the operating costs (excluding guarantee funds charges) were kept under control and amounted to PLN 1,612.5 million. They were lower than the operating costs in the first half of 2014 by PLN 38.2 million, i.e. 2.3%.
- Guarantee funds charges in the first half of 2015, amounted to PLN 137.5 million, an increase of PLN 66.3 million, i.e. 93.1% in comparison with the first half of 2014 due to higher BGF rates introduced in 2015.
- The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 267.3 million in the first half of 2015, a decrease of PLN 22.9 million, i.e. 7.9% as compared with the first half of 2014.

As at June 30, 2015, the ratio of impaired receivables to total receivables amounted to 6.7% and was better by 0.1 p.p. as compared to the end of 2014.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

- As at the end of June 2015, the total amounts due to the Group's customers and debt securities issued amounted to PLN 129,290.3 million, a decrease of PLN 175.7 million, i.e. 0.1% in comparison to the end of 2014.

The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 58,708.7 million at the end of June 2015, an increase of PLN 2,774.1 million, i.e. 5.0% in comparison to the end of 2014. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 17,722.7 million at the end of June 2015, an increase of PLN 607.7 million, i.e. 3.6% in comparison to the end of 2014.

The total volume of corporate customers deposits, repo and sell-buy-back transactions, Certificates of Deposit, Pekao Bank Hipoteczny S.A. covered bonds, interest and other amounted to PLN 70,581.6 million at the end of June 2015, a decrease of PLN 2,949.8 million, i.e. 4.0% as compared to the end of 2014 following the strategy to focus on growth in retail customers deposits with cost optimization approach in area of corporate deposits.

- As at the end of June 2015, the volume of total customers' financing amounted to PLN 127,133.1 million, an increase of PLN 5,940.3 million, i.e. 4.9% in comparison to the end of 2014.

As at the end of June 2015, the volume of retail loans amounted to PLN 51,738.9 million, an increase of PLN 2,474.9 million, i.e. 5.0% in comparison to the end of 2014.

The volume of corporate loans, non-quoted securities, reverse repo transactions and securities issued by non-monetary entities increased by PLN 3,465.4 million, i.e. 4.8% as compared to the end of 2014 and amounted to PLN 75,394.2 million at the end of June 2015.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

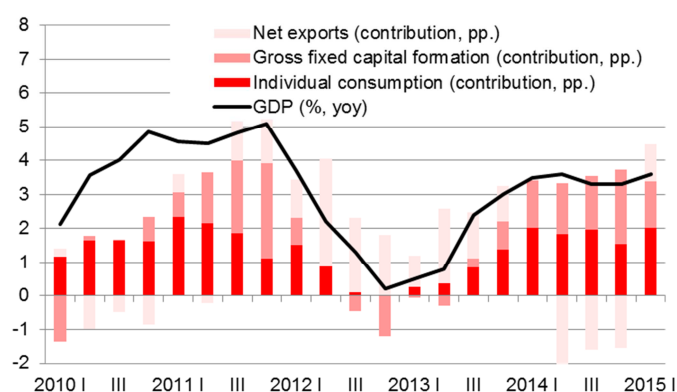
## 4 External Environment

### Economic growth

In the first quarter of 2015, Poland's economy expanded by 3.6% year on year as compared with 3.3% year on year in the fourth quarter of 2014. According to seasonally adjusted data the GDP growth accelerated to 1.0% quarter on quarter in the first quarter of 2015 from 0.8% quarter on quarter in the fourth quarter of 2014. Pace of domestic demand was substantially lower than in the fourth quarter of 2014, it increased by 2.6% year on year in the first quarter of 2015 vs. 5.0% year on year in the previous quarter. The slowdown was mainly a consequence of decline in inventories, which reduced the annual growth in the GDP by 1.5 p.p.

For the first time since the first quarter of 2014, foreign trade had a positive impact on the GDP (positive contribution of 1.1 p.p.). Improvement in the economic situation in European Union was also a supported factor and as a consequence exports increased by 8.0% year on year after increase by 5.6% year on year in the previous quarter. It was accompanied by a slowdown in imports growth to 6.0% year on year from 9.5% year on year in the fourth quarter of 2014. The main components of domestic demand continued to grow at a high rate. Individual consumption increased by 3.1% year on year and continued expanding at the annual growth rate around 3%. In the first quarter of 2015, fixed investments increased by 11.4% year on year vs. 8.6% year on year in the previous quarter. Private consumption growth was supported by positive developments on the labour market and price declines, which boosted real purchasing power of households. It should be noted that investment activity continued robust expansion.

In 2015, economic growth is projected to reach ca. 3.8%. The GDP growth will be fostered by further increase in domestic demand, supported by solid households consumption and dynamic growth of fixed investments and also by improving foreign trade balance. Thanks to improving economic conditions in the European Union – a recipient of some 80% of Polish exports – the GDP in 2015 will be based on both domestic demand and net exports. Net exports was countercyclical in the previous years. Robust expansion of domestic demand was usually accompanied by a negative contribution of net exports and during periods of slowdown in domestic demand the GDP growth was based on improving foreign trade.

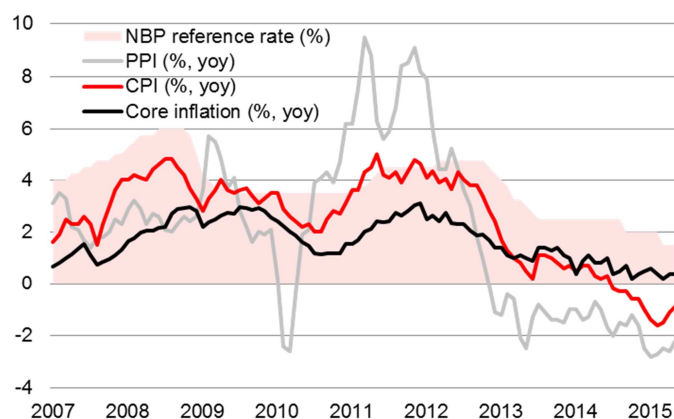


# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## Inflation and monetary policy

The CPI amounted to -0.8% year on year in June 2015 and was below the lower limit of the range of permissible deviations from the NBP target amounted to 1.5%. Low level of June inflation resulted mainly from price cuts in the categories of: transport (by 7.3% year on year), clothing and footwear (by 4.8% year on year) and food (1.9% year on year).

The Monetary Policy Council (MPC) kept interest rates unchanged in the second quarter of 2015 and the NBP reference rate stood at 1.50% and the Lombard rate stood at 2.50% at the end of June. The MPC said in its statement that the annual price growth would remain negative in the coming months, mainly due to the earlier sharp fall in commodity prices. In the opinion of the MPC, at the same time, the expected gradual acceleration of economic growth, amidst recovery in the euro area and good situation in the domestic labour market, reduce the risk of inflation remaining below the target in the medium term.



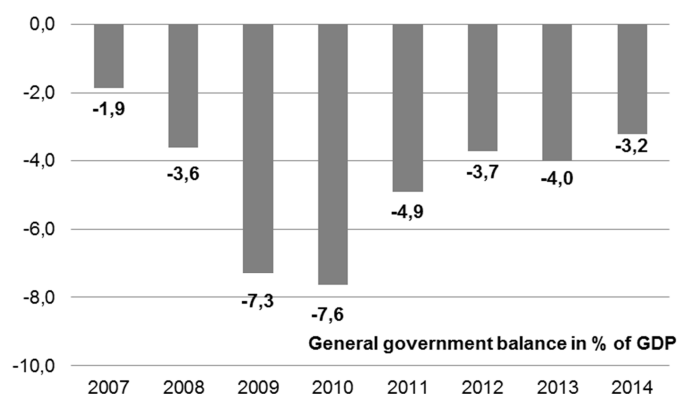
# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## Fiscal policy

Despite improving economic conditions, in the first months of 2015 lower indirect taxes revenues were recorded, in particular VAT collections. VAT revenues in the first five months of 2015 were by nearly PLN 4 billion lower than in the corresponding period of 2014. Despite the state budget deficit after May 2015 amounted to PLN 19.6 billion (42.6% of the annual plan) as compared with PLN 22.4 billion in the same period of the last year and PLN 23.1 billion envisaged in the project of budget execution schedule. In the period January – May total budget revenues were by PLN 1.0 billion higher than in the first five months of 2014 (mainly thanks to higher non-tax revenues by PLN 2.1 billion), while expenditures were by PLN 1.7 billion lower than in the corresponding period of 2014 and by PLN 6.6 billion lower than assumed in the project of budget execution plan.

The general government deficit moderated to 3.2% of the GDP in 2014 and was close to the reference value (3.0% of the GDP) required by the Stability and Growth Pact. At the same time ESA2010 public debt was below 60% of the GDP. As a consequence while assessing Poland's fiscal policy the European Commission took into account the cost of a systemic pension reform (0.4% of the GDP) and recommended the European Council to abrogate the excessive deficit procedure imposed on Poland on 7 July 2009. In 2015, the general government deficit is expected to narrow further to 2.8% of the GDP.

According to the official data of the Ministry of Finance at the end of first quarter of 2015 Polish state public debt amounted to PLN 848.1 billion (48.7% of the GDP) vs. PLN 826.8 billion (47.8% of the GDP) at the end of 2014. The domestic debt stood at PLN 559.1 billion (65.9% of total debt) and foreign debt reached PLN 289.0 billion. In the first quarter of 2015, the domestic debt expanded by PLN 24.3 billion and foreign debt decreased by PLN 3.0 billion. The general government debt totaled PLN 885.7 billion (50.8%) at the end of the first quarter of 2015 as compared with PLN 866.6 billion (50.1% of the GDP) at the end of 2014.



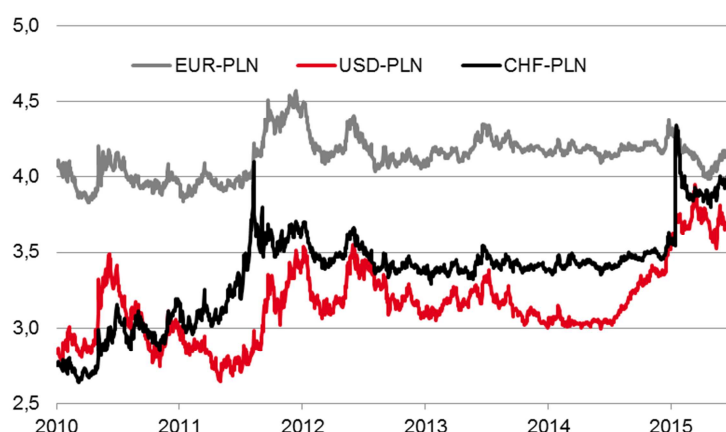


# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## Currency exchange rate

After significant strengthening of the USD against the EUR in the first quarter of 2015, in the second quarter it was noted a correction of this movement in the form of appreciation of the EUR against the USD by 3.9%. It took place mainly in April and May amid releases of a series of worse-than-expected data from the US economy (including a significant slowdown in economic growth in the first quarter of 2015), after which the rest of the quarter brought fluctuations of the EUR-USD within the range 1.08 -1.14. The weakening of the USD against the EUR was also supported by a reduction of 2015 GDP forecast by the Federal Reserve (Fed) and its less "hawkish" than expected rhetoric in the context of the planned start of monetary policy normalization, as well as a slightly faster-than-expected rise in inflation in the euro area. A factor limiting the increase in the EUR-USD in the second quarter was the lack of agreement between Greece and its creditors, which translates into increasing risk of Greece's bankruptcy and exit from the euro zone.

The escalation of Greece's problems in the second quarter of 2015 resulted in an elevated level of global risk aversion, which in turn translated into the weakening of emerging markets' currencies, including the zloty. Additional burden for the Polish currency was an increase in political risk before the autumn parliamentary elections in the context of the May presidential election which was won by the opposition. In turn, the domestic monetary policy, after the MPC had entered into an extended period of interest rates stabilization, remained a relatively neutral factor for the exchange rate. As a result, in the second quarter of 2015 the PLN depreciated against the EUR (by 2.6%) and the CHF (by 3.3%), while against the USD it recorded a slight strengthening (by 1.3%) due to an increase in the EUR-USD. In the second half of the year, important factors supporting the Polish currency will be the prospect of dampening deflationary pressures and expectations of better data from the real economy. The key determinants of the zloty's exchange rate may, however, be external factors such as the Fed's planned departure from the policy of historically low interest rates and increased risk aversion due to concerns about the economic slowdown in China, which may translate into a significant outflow of capital from emerging markets. Also, a possible change in the political status quo after the autumn parliamentary elections could be a negative factor for the Polish currency. In the baseline scenario, in the second half of the year the zloty's weakening to clearly above 4.20/EUR is expected and a return to this barrier at the end of the year.



# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## Banking sector

According to the NBP data, in the period of January – May 2015 net profit of the banking sector amounted to PLN 6.4 billion and was lower by 8.6% as compared to the corresponding period of 2014. The sector's financial results were under pressure of historically low NBP's interest rates (most of all – by the Lombard rate which was lowered to 2.5% starting from March 2015, limiting the maximum rate of consumer loans to 10%) as well as by unfavorable regulations such as a decline of interchange fees or an increase of the contribution to the Bank Guarantee Fund. As a result of unfavorable environment banking activity result decreased by 3.7% year on year. This was due to both, decrease in net interest income by 8.8% year on year and fee and decrease in commission income by 4.8% year on year, which was only partially compensated for by an increase in income from other banking activity by 28.3% year on year. Simultaneously, the overall operating cost increased by 1.1% year on year.

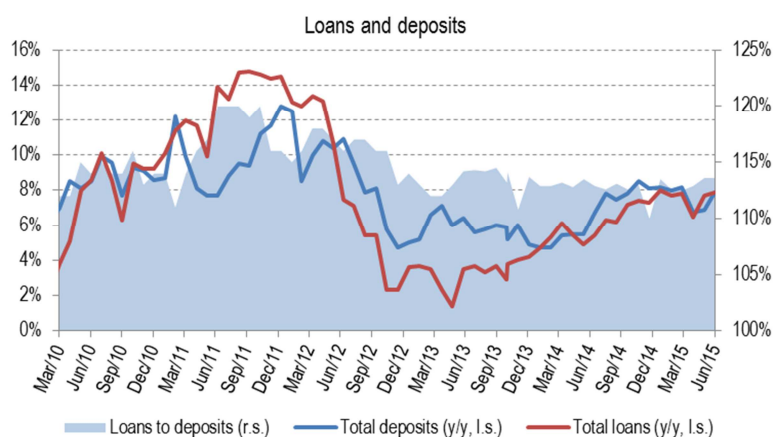
According to the Financial Supervision Authority (KNF), at the end of May 2015 banking sector assets amounted to PLN 1,570 billion, an increase of 6.1% year on year. Loans to non-financial sector increased by 7.6% year on year and deposits of that sector increased by 9.8% year on year.

According to the NBP data, at the end of June 2015 the nominal volume of loans to households was by 7.9% higher as compared to the end of June 2014. Relatively fast nominal pace of growth of retail loans resulted to large extent from strengthening of CHF against the zloty (after the Swiss National Bank had decided to cease to defend EUR/CHF anchor at 1.20). CHF/PLN rate at the end of June 2015 increased by 18% year on year, making the zloty value of CHF denominated loans to expand. The FX-adjusted real pace of growth of loans to household came at ca. 3 – 4% year on year. Taking into consideration favorable macro environment (the GDP and salaries increase and lower unemployment rate) as well as low interest rates, it should be regarded as an unsatisfying result. In June the growth rate in loans to enterprises was by 6.9% year on year.

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

At the end of June 2015, the volume of deposits of households increased by 8.6% year on year. Despite low deposit rates, the pace of growth of volume is relatively high, which reflects favorable macroeconomic environment (growth of the GDP, employment and wages, combined with deflation) affecting financial situation and liquidity of households.

Concerning corporate deposits, the volume increased by 12.4% year on year at the end of June 2015. Positive business climate supports financial results and liquidity surplus of enterprises. Inflow of funds from abroad to foreign-owned local subsidiaries also influence the pace of growth of corporate deposits, as enterprises temporarily place such funds in local banking system before financing operating activities and/or investments with them.



# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 5 Internal Factors

### 5.1 Description of the Group

The Group's structure is presented in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2015 to 30 June 2015.

### 5.2 Changes in the Group's structure

#### Acquisition of the company

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

#### Liquidation of the company

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

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

### 5.3 Changes in the Statutory Bodies of the Bank

#### Supervisory Board

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

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

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## Composition of the Supervisory Board:

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

## Management Board of the Bank

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

## Composition of the Management Board:

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

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 5.4 The Bank's shareholding structure

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

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

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

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

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

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 half of 2015

## 5.5 Financial credibility ratings

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

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

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

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

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

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

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 6 Activity of Bank Pekao S.A. Group

### 6.1 Achievements of Bank Pekao S.A.

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

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

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

	30.06.2015	31.12.2014
Total number of outlets	1,013	1,034
Total number of own ATMs	1,789	1,825

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

As at the end of June 2015, the Bank maintained 5,247.7 thousand PLN-denominated current accounts, 298.7 thousand mortgage loan accounts and 577.8 thousand consumer loan accounts.

(in thousand)

	30.06.2015	31.12.2014
Total number of PLN current accounts (*)	5,247.7	5,214.3
of which packages	3,912.6	3,873.8
Number of mortgage loans accounts (**)	298.7	287.9
of which PLN mortgage loans accounts	261.3	249.7
Number of consumer loan accounts (***)	577.8	593.8

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

(\*\*) Retail customers accounts.

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

### Individual clients

In the first half of 2015, the Bank's activities focused on key lending products (Pożyczka Ekspresowa, mortgage loans). The total value of new granted loans amounted to PLN 6.6 billion and was by 8% higher in comparison with the first half of 2014. The Bank continued also activities aimed at the acquisition of customers which resulted in the acquisition of 158.1 thousand new customers.

In the first half of 2015, the next edition of the Academy of Finance of Bank Pekao S.A., which consists over 1,000 actions in schools and universities throughout Poland. The Academy aims to provide students with the most important rules of the bank day-to-day services, secure management of savings and knowledge of the innovative banking products.

In January 2015, the Bank for the seventeenth time participated in the annual Final of The Great Orchestra of Christmas Charity. The Bank, in co-operation with the Great Orchestra of Christmas Charity Foundation, prepared for the consecutive time a dedicated prepaid card Pekao WOŚP with contactless functionality whose holders support the Foundation by performing card payments. In addition, users of the PeoPay mobile application had an opportunity to transfer funds for The Great Orchestra of Christmas Charity with the use of QR code as well as HCE PeoPay technology.



# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## Loans

In the area of cash loans, the Bank strengthened its leading position on the consumer goods financing market. The value of cash loans granted in the first half of 2015 amounted to over PLN 3.1 billion and was by 23% higher in comparison with the first half of 2014.

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

In the first half of 2015, the Bank introduced new, fast and fully automatic cash loan granting process through the Internet "Klik Gotówka" ("Click Cash") in the Pekao24 system for the selected customers of the Bank. Loan disbursement is automatically processed after approval of agreement in the Pekao24 system.

In the first half of 2015, the Bank unified also the maximum loan period of the Express Loan for all customers and adjusted process of insurance sale to the Recommendation U of the Financial Supervision Authority on good practices in bancassurance addressed to the banking sector.

In the first half of 2015, value of PLN mortgage loans granted by the Bank amounted to over PLN 3.4 billion and the Bank's share in this segment amounted to 18% (in terms of volume) at the end of June 2015.

The Bank actively participated in sale of mortgage loan "Mieszkanie dla Młodych" ("Apartment for the Young") under the government program supporting the persons aged up to 35 in acquisition of the first new apartment. In the first half of 2015, the Bank's market share in the sale of these loans amounted to 40%.

The mortgage loans offer of the Bank was adjusted and updated to changing market conditions and customer needs and mortgage loans granting process was adopted to the Recommendation U. The Bank conducted also local and country-wide promotional activities of mortgage loans, including promotional campaigns in the Internet and internal channels of marketing communication as well as participated on a regular basis in real estate fairs organized all over the country.

## Payment cards

In the first half of 2015, the Bank extended its offer within credit cards by implementing a new card Flexia. The card is dedicated to customers who appreciate the convenience of payment cards usage while looking for a simple and transparent solutions for financing of certain expenditures. The Flexia card has all the standard functionalities of credit card with additional possibility to rescheduling selected payments.

In the first half of 2015, debit cards offer was extended by multicurrency debit card MasterCard Debit. The MasterCard Debit is the first card on the Polish market with innovative multicurrency functionality that enables execution of transactions in PLN and foreign currencies (EUR, USD, GBP, CHF) without FX conversion thanks to card's connection with corresponding currency accounts.

Complement of offer for multicurrency debit card holders is FX exchange service available on-line in the Pekao24 system.

## Saving and investment products

Thanks to a wide range of deposit products and dedicated commercial actions, in the first half of 2015, an increase by PLN 3 billion in savings volume of individuals was noted. The most popular among the customers were the Internet deposits (e-lokata) and negotiable deposits.

In the area of investment products, in the first half of 2015, the Bank extended offer by a new investment-insurance product of TU Allianz, which allows acquisition of selected funds managed by Pioneer TFI, TFI Allianz, ING TFI, Union Investment TFI, Schroders, Franklin Templeton Investments and J.P. Morgan Asset Management. Moreover, the Bank introduced to distribution investment units of mixed fund Pioneer Wzrostu i Dochodu Rynku Amerykańskiego and Pioneer Alternatywny Globalnego Dochodu enabling customers to diversify investment portfolios.



# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

In the first half of 2015, product offer of IKE pension program was enhanced by new funds Pioneer Strategii Globalnej, Pioneer Wzrostu i Dochodu Rynku Europejskiego and Pioneer Wzrostu i Dochodu Rynku Amerykańskiego. Under the program of regular savings PAK funds of Pioneer Pieniężny Plus, Pioneer Wzrostu i Dochodu Rynku Europejskiego, Pioneer Wzrostu i Dochodu Rynku Amerykańskiego and Pioneer Alternatywny - Globalnego Dochodu were offered.

Under the program of regular savings Moja Perspektywa a new portfolio - Portfel Globalny consisting of funds Pioneer Strategii Globalnej, Alternatywny – Globalnego Dochodu and Pieniężny Plus was created.

## **Brokerage activity**

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

As at the end of the first half of 2015, the brokerage entities maintained 350.3 thousand investment accounts which was 24.5% share in total of investment accounts in Poland according to data of The National Depository for Securities (KDPW) and offered to its clients an electronic service of investment accounts allowing to buy and sell all instruments listed on the Warsaw Stock Exchange (WSE) and on the BondSpot market via the Internet. As at June 30, 2015, the total value of assets deposited on investment accounts run by the Group's retail brokerage entities amounted to PLN 24.2 billion.

In the first half of 2015, activities of the Group's brokerage entities were focused on new customers acquisition and development of tools to improve the quality of customer service via remote channels. CDM and Dom Maklerski implemented a new solution for customers that allows access to tax settlements on a daily basis. Moreover, in the first half of 2015, the Group's brokerage entities have implemented the SPAN methodology for calculating deposits collateral (Standard Portfolio Analysis of Risk), which currently is the international standard.

## **Pekao24 – electronic banking for individual clients**

The Pekao24 electronic banking system is a convenient and safe system for accessing the accounts maintained by the Bank, Dom Maklerski and CDM. The system enables to manage the funds accumulated on the accounts through the Internet, fixed-line or mobile phone and through Contact Center.

The Bank's customers have also the opportunity to use mobile banking application dedicated to mobile phones and devices. Pekao24 mobile application is the most advanced mobile banking application on the market. It enables to execute most of the operations available via the Internet service and to access additional functionalities such as geo-location of ATMs, branches and rebate points as well as to track market information.

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As at the end of June 2015, the number of clients with an access to the Pekao24 system amounted to 2,787.5 thousand. In the second quarter of 2015, 1,487.9 thousand clients logged into the electronic banking services.

As at the end of June 2015, the number of clients with an access to mobile banking amounted to 729.2 thousand. In the second quarter of 2015, 275.9 thousand of clients logged into the mobile service m.pekao24.pl and the Pekao24 mobile banking application.

	(in thousand)	
	30.06.2015	31.12.2014
Number of individuals with an access to electronic banking Pekao24 as at the end of period	2,787.5	2,661.2
Number of individuals actively using electronic banking Pekao24 <sup>(*)</sup>	1,487.9	1,448.4
Number of individuals with an access to mobile banking as at the end of period	729.2	595.9
Number of individuals actively using mobile banking <sup>(**)</sup>	275.9	229.9

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

<sup>(\*\*)</sup> A customer actively using mobile banking is a customer who logged in to the mobile service m.pekao24.pl or the Pekao24mobile application at least once during the last quarter.

The most important projects realized in the first half of 2015 in the Pekao24 electronic banking system included:

- providing fully automatic cash loan granting process through the Pekao24 Internet service of “Klik Gotówka” (“Click Cash”) with automatic loan disbursement after approval of agreement in the Pekao24 system,
- providing the customers with opportunity to sign agreement on foreign currency account, saving account for customer or a child and debit card issuance in the Internet service of Pekao24 without visiting the Bank’s outlet,
- simplifying the activation process of mobile application in operational system iOS, Android and Windows Phone,
- providing prompt payments up to PLN 50 for on-line purchases via PayU Express service,
- possibility to divide into instalments selected payments of Flexia credit card debt in the Internet service of Pekao24.

## Private Banking

In the first half of 2015, the Bank’s activities in the area of Private Banking were focused on offer development as well as on initiatives aiming at acquiring new clients and strengthening the existing relations.

Within the framework of product offer modification, the previous credit card Pekao MasterCard World Signia was replaced by the Pekao MasterCard World Elite with a personalized set of services. Moreover, in the second quarter of 2015, prestigious cards offer was extended by multicurrency debit card World Elite Debit MasterCard connected with Eurokonto Prestiżowe. The World Elite Debit MasterCard is the first card on the Polish market with innovative multicurrency functionality that enables execution of transactions in PLN and foreign currencies (EUR, USD, GBP, CHF) without FX conversion thanks to card’s connection with corresponding currency account. The card provides the attractive package of additional services, including domestic assistance. Both, debit and credit cards are available in unique design.

Within the framework of investment offer, the customers were provided, through CDM Pekao S.A., with investment certificates of PZU’s Closed Investment Fund FORTE, as well as PZU’s Medical Closed Investment Fund and Pioneer Global Multi-Asset Target Income Closed Investment Fund. Additionally, the new open investment sub-funds were added: Pioneer Growth and Income of American Market and Pioneer Alternative - Global Income, funds created as a part of Pioneer Global Funds SFIO as well as Franklin K2 Alternative Strategies Fund and Franklin Euro Short Duration Bond Fund from the offer of Franklin Templeton Investments Poland.

Two editions of structured deposits “Indeks na Zysk” were conducted. Within one of subscription coupon is linked with the USD/PLN exchange rate and within the second subscription is linked with GBP/PLN exchange rate.

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Changes in insurance and investment products were implemented as a result of the Recommendation U on good practices in bancassurance directed by the Financial Supervision Authority to the banking sector as well as fees for life insurance service connected with insurance capital funds Plan Inwestycyjny Prestiż were optimized. The list of available capital insurance funds was also extended by the solution offered by Union Investment TFI SA.

In the first half of 2015, during the meetings organized by the Bank for customers, experts from the Bank and selected investment funds discussed investment directions and trends on the financial markets.

In addition, Private Banking customers also benefited from the opportunity to participate in the events sponsored by the Bank such as Gala Paszporty Polityki, The Easter Festival of Ludwig van Beethoven, Filharmonia della Scala concert, Łódzkie Spotkania Baletowe, Champions League football tournament and prestigious meeting associated with Forbes magazine announcement of a list of 100 Polish billionaires in 2015.

## **Small and micro enterprises (SME)**

In the first half of 2015, the Bank's activities focused on product offer enrichment, acquisition of new customers and strengthening the Bank's market position in the area of small and micro enterprises, including also AGRO sector.

The total value of new granted loans in this period amounted to PLN 1.2 billion and was by 17% higher in comparison with the first half of 2014.

The Bank introduced to its loan offer new products: working capital loans to finance contracts with extended maturity date up to three years, investment loan for refinancing capital expenditures and Pożyczka Ekspresowa Biznes (Business Express Loan) for financing expenses related to business activity without the need to indicate the loan purpose. In addition, the Bank introduced to offer for agri-food sector customers a new solution giving opportunity to diversify amount of repayment addressed to farmers whose activity is subject to seasonality.

The Bank's offer was enriched by new Mój Biznes packages. Apart from the standard packages for all groups of customers, specified groups of customers, i.e. farmers and enterprises of agri-food sector, communities and housing associations as well as non-profit organizations were provided with dedicated accounts.

In the first half of 2015, the Bank's offer was extended by new debit card Visa Business. Currently, business customers have an opportunity to choose between Mastercard and Visa system.

The Bank at a conference held in Warsaw presented the fifth edition of report "Raport o sytuacji mikro i małych firm" (Report on the situation of SME clients). The report has been prepared based on nearly 7 thousand interviews conducted with the enterprises' owners employed up to 49 persons. The special subject of this edition were innovations in micro and small companies.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## **Electronic banking for SME clients**

Business customers of Bank Pekao S.A. use the systems of electronic banking such as the PekaoBiznes24 and the Pekao24 for entrepreneurs that comprise Pakiet Mój Biznes (My Business Package). The PekaoBiznes24 system offers the Internet banking and fully transactional mobile banking application.

In the first half of 2015, it was implemented a new version of mobile application which simplify activation process and new features were supplemented.

As at the end of June 2015, 243.1 thousand clients had an access to the electronic banking systems, of which 162.4 thousand are active clients. The number of business clients with an access to electronic banking systems increased by 2.5 thousand compared to the end of 2014.

	(in thousand)	
	30.06.2015	31.12.2014
Number of business clients (SME) with an access to electronic banking systems as at the end of period	243.1	240.6
Number of business clients (SME) actively using electronic banking systems (*)	162.4	159.5

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

As at the end of June 2015, 15.3 thousand clients had an access to mobile banking application, of which 9.7 thousand are active clients. The number of business clients with an access to mobile banking application increased by 2.6 thousand compared to the end of 2014.

	(in thousand)	
	30.06.2015	31.12.2014
Number of business clients (SME) with an access to mobile banking as at the end of period	15.3	12.7
Number of business clients (SME) actively using mobile banking (*)	9.7	8.6

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

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## Corporate clients

The model of corporate client service is based on the superior role of a dedicated banking adviser who is responsible for the identification the client's needs and selection, in co-operation with product's specialists, appropriate banking products and services.

The service of large companies is conducted on an individual basis by advisers located in the Large Companies Department at the Bank's Head Office, which is divided into industry service offices.

The service of the financial institutions and public finance sector entities is conducted by the specialized entity at the level of the Bank's Head Office as well as dedicated advisers in the Corporate Centers.

The services for medium-sized companies are conducted in the Corporate Centers, which are organized in macro-region structures.

The corporate clients of the Bank benefit from a full range of standard credit and deposit products as well as from transactional and investment banking services.

Bank Pekao S.A. is a leading organizer of investment project financing, mergers and acquisitions and debt securities issues. The Bank offers a wide range of products of money markets and currency exchange, both within the scope of current operations and long-term hedging structures of client's exposures such as currency risk and interest rate risk. The Bank's product offer also includes financial services such as granting guarantees for national and foreign transactions as well as financial services provided through leasing and factoring subsidiaries.

In the first half of 2015, the Bank's activities were focused on expansion of product offer and adjustment the products and range of service to the customer needs and changing market conditions thus supporting the Bank's leading position on the market of corporate clients financial service.

In the first half of 2015, the Bank adjusted to the changing environment the organizational structure of Corporate Centers network serving medium-sized companies by streamlining the management structure, opening outlets in new locations and consolidation the selected units. The introduced changes influence on improvement of products and services sales efficiency and strengthening the relationship and improvement of communication with corporate customers.

## Transactional banking

### **Special accounts**

In the second quarter of 2015, the Bank's offer was extended with a new product Open Escrow Account for Housing Developers (Otwarty Mieszkaniowy Rachunek Powierniczy), which was created in response to the introduction of the Act on the protection of the rights of the purchasers of a housing unit or a detached house (Ustawa o ochronie praw nabywcy lokalu mieszkalnego lub domu jednorodzinnego). The main feature of this product is to protect the funds of purchasers collected for housing purposes and disbursement in stages in favour of developers in accordance with schedule of investment realization and after control conducted by the Banking Supervisory Inspector. A new product strengthens the Bank's position on the real estate market and increasing opportunity of the Bank's participation in financing investments.

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## **Electronic banking - PekaoBiznes24**

The electronic banking system PekaoBiznes24 that offers a wide range of services, the highest standards of security and flexibility in management of user access is dedicated to large companies, corporations and local government units. As at the end of the first half of 2015, over 14.5 thousand customers used the PekaoBiznes24 system.

In the first half of 2015, the Bank's offer for corporate customers within the scope of electronic banking was extended, among others, by:

- PekaoBiznes24 Mobile application, which allows the use of wide range of functionalities of the system, in particular processing of all types of payments via mobile phones. Application operates in Android, iOS and Windows Phone system,
- opportunity to process foreign transfers in express mode in another currencies allowing the customers to manage settlements with counterparts flexibly and settle foreign transfers in ten currencies,
- providing services for customers – agents in foreign payments,
- new schedules for processing transactions for standing orders and automatic settlements that allow flexible management of deadline and frequency of payment orders.

Implementation of these functionalities makes the offer more attractive in the scope of electronic banking and adjusted the offer to the customers' expectations, in particular in the area of accessing to funds management regardless of the device used (computers, mobile devices).

Moreover, in the first quarter of 2015, the Bank implemented a new model of supporting the users of electronic banking systems. Realization of project in co-operation with the Group's entity specialized in full range of remote services for the Bank's customers allowed, among others, to obtain high flexibility in supporting services by increasing the number of consultants and providing all day service seven days a week.

In the first half of 2015, the number and volume of incoming payments increased by 16%, 12%, and SEPA outgoing transfers increased by 40% and 20% as compared to the first half of 2014 which confirms the increasing popularity of cross-border settlement in the SEPA form and the attractiveness of the Bank's offer in respect of efficient settlements, convenient cut-off times and the functionality of electronic banking system.

In the first half of 2015, the Bank recorded also an increase in the number of domestic payments by 7.5% as compared to the same period of 2014.

## **Payment cards**

In the first half of 2015, the Bank introduced another functionalities that allow for better control of expenditures and security of card transactions. The Bank introduced also possibility to manage transactional limits by holders of company payment cards for transactions performed without the physical use of the card.

## **Custodial services**

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

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

In the first half of 2015, the Bank maintained its leader position in the area of custodial services servicing more than 50% programs related to depository receipts.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

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

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

In the first half of 2015, the Bank participated in financing, among others, the following projects:

- financing of nationwide retail chain, amount of financing accounted for PLN 515 million,
- financing of investor associated with the Polish brewing industry, amount of financing accounted for PLN 500 million,
- financing of modernization and development of a company from transportation sector, the amount of loan accounted for PLN 350 million,
- financing of office building construction in Warsaw, the amount of loan accounted for EUR 46 million,
- financing of one of the leading company from fuel industry, amount of financing accounted for PLN 300 million,
- financing of entities belonging to the group operating in commercial real estate sector, amount of loan accounted for EUR 56 million,
- financing of investment associated with foreign expansion of Polish company, the amount of loan accounted for PLN 120 million.

## **Financial market and commercial debt instruments**

In the first half of 2015, the Bank conducted, among others, the following commercial debt securities issues:

- the issue of 5-year bonds for the total amount of PLN 1 billion for one of the leading group operating in energy sector in Poland,
- the issue of 5-year covered bonds for the amount of PLN 300 million for a company, which is a leading hotel operator in Poland and the region,
- the issue of 5-year bonds for the amount of PLN 200 million for entity belonging to the international capital group that offers consumer loans,
- the issue of bonds for three companies from developer sector; 5-year bonds for the amount of PLN 100 million for a company listed on stock exchange and operating in housing construction sector, 5-year bonds for the amount of PLN 65 million for a company listed on stock exchange and operating in housing construction and commercial real estate sector and 4-year bonds for the amount of PLN 50 million for a company belonging to developer group operating mainly in office property segment,
- debut issue of 3-year bonds for the amount of PLN 50 million for a company providing non-wage employee benefits.

In addition, in the first half of 2015, the Bank signed, among others, new agreement for servicing of short-term debt securities issues for a company operating in rail transport sector for the amount of PLN 350 million, for a company operating in hotel industry for the amount of PLN 500 million and two agreements for local government units.

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In the area of organization and servicing of commercial debt securities issuance, as at June 30, 2015, Bank Pekao S.A. took the second place with market share of nearly 21% (based on the Rating & Market Bulletin published by Fitch Poland).

At the end of the first half of 2015, the market position of the Bank in each category was as follows:

- 2<sup>nd</sup> place on corporate bonds market and corporate revenue bonds market (with maturities over 365 days) with a share of nearly 25%,
- 2<sup>nd</sup> place in the segment of short-term debt securities with over 17% market share,
- 2<sup>nd</sup> place in the area of mortgage bonds with nearly 25% market share,
- 2<sup>nd</sup> place on municipal bonds market (with maturities over 365 days) with a share of 27%.

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

In the first half of 2015, in the area of the co-operation with public sector entities, the Bank continued strategy of maintaining undisputed leader position of airport infrastructure financing in Poland. In the first quarter of 2015, the Bank signed an agreement on financing infrastructure of the largest airport in a form of bonds issuance for the amount of PLN 600 million with the redemption date until 2022. Moreover, as a completion of previously granted financing for construction one of regional airports, the Bank additionally entered into interest rate hedge transaction. Thanks to this solution, the customer received a favourable fixed interest rate for the whole bonds issue program in the amount of PLN 112.5 million, until the date of final repayment.

In the first half of 2015, the Bank provided new funds for direct financing of municipal budgets. The largest transactions include agreement with one of the largest cities on issuance municipal bonds to the amount of PLN 82.7 million as well as short-term loans granting for local budgets to the amount of PLN 150 million and long-term loans to the amount of PLN 69.6 million.

The Bank also extended co-operation on current servicing with a company whose majority shareholder is the State Treasury.

## **Co-operation with international clients**

In the first half of 2015, the Bank continued realization of "The internationalization of group customers" project within UniCredit Group. The project supports development of international clients co-operation and service of international business in Europe.

## **International transactional banking**

The Bank implemented for its customers a new channel for realization of SEPA transfers. From the first quarter of 2015, SEPA transfers can be processed through the EuropeanGate Target Location service that allows international customers to manage the accounts of subordinated entities in one system through selected bank belonging to UniCredit Group.

The SEPA transfer processing expanded the EuropeanGate transactions package, which include domestic transfers, thereof transfers to tax office and ZUS (Social Insurance), SORBNET transfers, direct debits and foreign payments.



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## 6.2 Achievements of subsidiaries

Bank Pekao S.A. is one of the leading providers of banking services and groups together a number of financial institutions active in the asset management, pension funds, brokerage services, transactional advisory, leasing and factoring markets.

Retail brokerage entities: Dom Maklerski, CDM and Xelion render brokerage services within Bank Pekao S.A. Group, providing retail customers with a wide range of products and services on the capital markets. For detailed description of the brokerage activity refer to the point 6.1.

Below are described the areas of operations of the Group's key companies from the financial sector.

### ***Pioneer Pekao Investment Management S.A. – PPIM***

As at June 30, 2015, the net asset value of investment funds under the management of Pioneer Pekao TFI S.A. (a company managed by Pioneer Pekao Investment Management S.A. in which the Bank holds a 49% share), amounted to PLN 17,722.7 million, an increase of PLN 607.7 million (3.6%) as compared to the end of 2014.

As at the end of June 2015, PPIM maintained 893.6 thousand open customer accounts (decrease by 1.5% in comparison to the end of 2014), managing portfolios of 43 investment funds and sub-funds.

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

Pekao Leasing provides financial services supporting purchases and sale of fixed assets, i.e. vehicles, plant and equipment, and office space, both in the form of operating and finance leases.

In the first half of 2015, Pekao Leasing concluded 4,350 new agreements. The value of leased assets was higher by 8.1% in comparison to the same period of the previous year and amounted to PLN 841.5 million, 62.0% of the leased assets were vehicles, 30.9% - plant and equipment, 0.5% - properties and 6.6% - other.

Thanks to the co-operation program between Pekao Leasing and Bank Pekao S.A. in terms of sale, the value of assets leased to the customers who are also the Bank's customers amounted to PLN 587.3 million, i.e. 69.8% sales of the company.

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

Pekao Faktoring, besides the full range of factoring services (recourse and non-recourse factoring), offers additional services, such as collecting information on debtors' standing, payments collection, debt recovery, settlements accounting and monitoring of payments on an ongoing basis. Additionally, the company offers settlement of mass transactions, financial advisory and consulting services regarding selection of business financing methods as well as granting factoring related loans. The company cooperates with Bank Pekao S.A. in developing new sales channels and enhancing sales through the existing ones.

In the first half of 2015, turnover volume of Pekao Faktoring increased by 20.0% in comparison with the same period of 2014. The company takes the fourth position on the Polish factoring market with 11.4% market share.

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

Pekao Investment Banking S.A. operates as a brokerage house and specializes in transactional consulting, in particular: mergers and acquisitions (M&A), public and private offers, securities trading on the secondary market and macroeconomic, sector and entities research.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 6.3 Awards

### **Global Finance: Bank Pekao S.A. Innovator of the Year in transactional banking**

Bank Pekao S.A. was awarded the title of „Innovators 2015 – Transactions Services” in the international ranking organized by Global Finance magazine. Independent experts appreciated platform EDI Finansowanie which is a pioneering initiative on the Polish corporate market. This solution enables corporates to initiate debt financing in the Bank in the same place where they exchange orders, invoices and confirmations of supply, i.e. in accounting system of the company.

Integration of the Pekao Biznes24 Internet banking system with the country's largest EDI platform serving 30 thousand users from 30 countries to exchange commercial documents in electronic form, was implemented in co-operation with company CA Consulting S.A. belonging to Comarch Group. The combination of both tools allows companies to full supply service, i.e. submission and execution orders and invoicing as well as debt financing management within the frame of eFinancing and Kredyt Zaliczka service on one common platform adapted to the technological level of small, medium and large companies.

### **Global Finance: Pekao S.A. Best Subcustodian Bank in Poland**

Bank Pekao S.A. for the fourth consecutive year won the title of the best custodian Bank in Poland “Best Sub-Custodian Bank in Poland 2015” in the ranking organized by the Global Finance magazine what confirms professional and comprehensive approach to the Bank's custodian services.

The Global Finance magazine in co-operation with experts selected winner among the institutions that provide the best custodian services on local and international markets. The considered criteria include: customer relations, quality of service, competitive pricing, technology platforms, business continuity plans and knowledge of local regulations and practices.

### **Warsaw Commodity Clearing House: „Rozrachunek specjalny za rok 2014” (“Special Settlement for 2014”) award for Bank Pekao S.A.**

In the first quarter of 2015, Bank Pekao S.A. received a distinction for its contribution in creation of Nowy Model Rozrachunku Gieldy (New Settlement Model). The award „Rozrachunek specjalny za rok 2014” (Special Settlement for 2014) is a recognition for the most active participants on markets settled by IRGiT (Warsaw Commodity Clearing House).

### **„Contactless Intelligence” conference: the title „Business Leader of the Year” for Bank Pekao S.A. for contactless payments market development**

Bank Pekao S.A. received the title „Business Leader of the Year” at the conference „Contactless Intelligence” in London, dedicated contactless payments which is one of the most important events in the sector. In the first half of 2015, the number of card transactions in payment terminals of the Bank increased more than double year-on-year.

In 2014, Bank Pekao S.A. significantly contributed to development of non-cash payments market in Poland. The Bank introduced payment terminals in one of the largest retail chains in Poland in just eight weeks. There were also conducted educational campaigns to promote contactless payments among the customers.

„Contactless Intelligence” conference were organized for the eighth time. In the competition Contactless & Mobile Awards held during the conference, were distinguished these solutions, which permanently contributed to the development of non-cash payments market in Europe and outside Europe.

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## **BANK magazine: Two awards for Bank Pekao S.A. during "Horyzonty Bankowości 2015" edition**

Bank Pekao S.A. took the second place in the main ranking "50 largest banks in Poland" and took the second position among banks offering consumer loans in category Consumer Finance in competition organized by BANK financial magazine.

In June 2015, at a gala ceremony during "Horyzonty Bankowości 2015" the results of the 20<sup>th</sup> anniversary edition of the one of the most prestigious competitions were announced. The position of the bank in each category is determined by objective financial data evaluated by independent analysts.

## **Bankier.pl and Money.pl: first and the second place for mobile banking of Bank Pekao S.A.**

In the first quarter of 2015, the Pekao24 mobile application together with the PeoPay payment system took the first place in the ranking of mobile banking application prepared by the Internet portal Bankier.pl and the second place for the best banking application 2015 in the ranking of Internet portal Money.pl.

Moreover, in the second quarter of 2015, mobile payments application PeoPay HCE of Bank Pekao S.A. was recognized as 2014 financial innovation in a sixth edition of on-line contest "Złoty Bankier" ("Golden Banker") of the best products and services in 2014. Bank Pekao S.A. is the first bank in Poland and one of the first in Europe offering HCE mobile payments technology to its customers. New technology allows to make payments without necessity to use a specific mobile operator.

## **Foundation for the reputation of the brand "Premium Brand": Company of High Reputation title for Pioneer Pekao TFI**

Pioneer Pekao TFI was the winner of the tenth edition of Premium Brand and received the title of Company of High Reputation Premium Brand 2015 in nationwide survey of public opinion on a group of Polish consumers. Pioneer Pekao TFI has received this honor for the third time. The assessment of the reputation conducted in five areas: trust in the brand, references, media atmosphere around the brand, social commitment and perception of the company as an employer.

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## 6.4 Factors which will affect the results of the Group

Financial results of the banking sector will stay under pressure of low interest rates at least till mid-2016, when first interest rate hikes are expected. Inflation recorded the lowest level in this cycle (in February at -1.6% year on year), and in coming quarters its growth will be followed. An additional factor in favor of rate hikes will be improving economic dataflow. In the whole 2015 it should be expected growth of the GDP at the level 3.8%, and in the final quarter of 2015 it may even exceed 4.0%. One of the key factors contributing to such a positive scenario is continuation of solid increase of wages in the corporate sector. Nominal wage growth amounted to almost 4% year on year in the first half of the year, and in the second half a slightly stronger growth is expected. It should be also pointed out that such a nominal growth amid deflation means even stronger real growth. Another positive factor is continued increase of employment, at around 1% year on year, which may even accelerate in the coming quarters. These two factors taken together produced solid growth of real wage bill (almost 7% year on year in the first quarter of 2015, in the second half of the year it is expected growth by 5-6% year on year, mostly due to increasing inflation), and wage bill has primary significance for private consumption, nominally the largest part of the GDP. Another key GDP component are investments, which growth dynamics even exceeded 10% year on year in the first quarter of 2015. In the second half of the year it is expected slowdown of the dynamic in investments, mainly due to the fact that EU funds from the previous financial perspective will not supported the real economy, such acceleration is expected in 2016. In the corporate sector the investment mood is clearly improving, the capacity utilization is also increasing, which together with low level of investments in the previous years means high probability of further acceleration of investments. That would likely translate into stronger demand for bank loan, and thus into better results of the banking sector. However, it should be kept in mind that in the early phase of the investment cycle the domestic corporate sector usually finances investments mostly from its own funds, and thus a significant demand for bank loan is likely after few quarters.

An important factor for the economic dynamics on the whole, as well as for the regulatory environment of the banks will be the outcome of autumn parliamentary elections. The key opposition party postulates introduction of tax on bank assets, which would lower the financial results of the sector. On the other hand, the social postulates point toward higher budget spending – that would be an additional demand impulse in the economy, additionally boosting growth. The key question here is whether implementation of these projects will wait until and unless new, additional revenue (mostly from “tightening” of the tax system) appears – or will be independent from that. In that second case there would be a danger of increase of budget deficit, which would negatively impact zloty and would increase volatility of the financial markets.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 6.5 Description of major sources of risk and threats relating to the remaining months of 2015

### Economic factors

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

### Risk management

Effective risk management is a prerequisite for maintaining a high level of security of the funds entrusted to the Bank, and for achieving a sustainable and balanced profit growth. The key risks material for the Group include credit risk, liquidity and market risks and operational risk. Moreover, business, real estate, financial investment, model, macroeconomic, reputation compliance, leverage and bancassurance risks are also recognized.

The Bank has adopted a comprehensive and consolidated approach to risk management. It extends to all units of the Bank and its subsidiaries. Risks are monitored and controlled with respect to profitability and the funds necessary to cover the exposure.

The Management Board is responsible for achieving the strategic risk management goals, while the Supervisory Board oversees whether the Bank's policy of exposure to various types of risk is compliant with the overall strategy and financial plan. The Bank's Credit Committee plays an important role in the credit risk management, the Asset, Liability and Risk Committee in market and liquidity risk management, and management of the operational risk falls within the scope of responsibility of the Operational Risk Committee. The rules of managing each of the risks are defined in internal procedures and are subject to the assumptions of the credit and investment policies adopted annually by the Management Board and approved by the Supervisory Board. The rules of managing operational risk are determined by the objectives specified in the Operational Risk Management Strategy.

Credit, market and operational risks reports analyzing details of their development are provided to the Bank's Management Board and Supervisory Board.

The risk management process has not changed significantly in relation to that described in the Report on the activities of Bank Pekao S.A. Group for the year 2014.

### Risks related to the remaining months of 2015

In the second half of 2015, the Bank will continue its efforts and focus on keeping credit risk at adequate and safe level through prudent policy of credit portfolio development. Prudent standards in credit risk management stay unchanged with particular attention to potential threats coming from macroeconomic pillars and their effects on portfolio performance with timely actions undertaken along a strict monitoring of borrowers' risk profile. The same approach and focus is applied to the performance of the Bank's subsidiaries.

In the case of liquidity and market risks Bank Pekao S.A. does not expect substantial threats in the second half of 2015. Taking into account the continuing market uncertainty as well as possible increase of the market parameters volatility, the policy of the Bank is to keep the level of its exposure to market risk strictly under control.

The Bank is assessing the structural interest rate risk as moderate, which is reflected by the re-pricing mismatch embedded in the Bank's balance sheet. Taking into account external conditions and the Bank's exposure to interest rate risk, further decrease of interest rates lead to deterioration of net interest income of the Bank. However, the risk of materialization of such a scenario is assessed as limited.

As regards liquidity risk, it should be underlined that the Bank is a net lender on the interbank market and is characterized by a well-diversified, stable and low concentration deposits base, manages a substantial liquidity reserve buffer of eligible and marketable government securities. The cautious liquidity risk management policy of the Bank enables to expect that in the second half of 2015 it should not recognize significant threats to that risk.

The Bank does not identify any significant, new threats from operational risk, which could occur in the second half of 2015.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 7 Statement of Financial Position and Financial Results

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

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

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

### 7.1 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 June 2015, the total assets of Bank Pekao S.A. constitutes 98.3% of the total assets of the whole Group.

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

ASSETS	30.06.2015		31.12.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	6,681.8	3.9%	9,226.3	5.5%	(27.6%)
Loans and advances to banks (*)	5,161.6	3.0%	7,175.9	4.3%	(28.1%)
Loans and advances to customers (**)	120,808.7	70.7%	114,978.1	68.6%	5.1%
Securities (***)	28,626.1	16.8%	25,161.2	15.0%	13.8%
Investments in associates	130.2	0.1%	184.2	0.1%	(29.3%)
Property, plant and equipment and intangible assets	2,128.6	1.2%	2,171.2	1.3%	(2.0%)
Other assets	7,359.6	4.3%	8,728.1	5.2%	(15.7%)
<b>Total assets</b>	<b>170,896.6</b>	<b>100.0%</b>	<b>167,625.0</b>	<b>100.0%</b>	<b>2.0%</b>

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

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

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

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

EQUITY AND LIABILITIES	30.06.2015		31.12.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	0.9	0.0%	1.0	0.0%	(10.0%)
Amounts due to other banks	8,866.6	5.2%	5,344.7	3.2%	65.9%
Amounts due to customers	125,310.7	73.3%	125,609.0	74.9%	(0.2%)
Debt securities issued	3,979.6	2.3%	3,857.0	2.3%	3.2%
Other liabilities	10,621.2	6.3%	8,767.6	5.3%	21.1%
Total equity, including	22,117.6	12.9%	24,045.7	14.3%	(8.0%)
non-controlling interests	15.3	0.0%	28.0	0.0%	(45.4%)
<b>Total equity and liabilities</b>	<b>170,896.6</b>	<b>100.0%</b>	<b>167,625.0</b>	<b>100.0%</b>	<b>2.0%</b>

## Customers' Financing

### Customer structure of loans and advances

(in PLN million)

	30.06.2015	31.12.2014	CHANGE
<b>Loans and advances at nominal value</b>	<b>126,153.6</b>	<b>120,293.6</b>	<b>4.9%</b>
Loans (*)	106,696.8	104,108.3	2.5%
Retail	51,738.9	49,264.0	5.0%
Corporate	54,957.9	54,844.3	0.2%
Non-quoted securities	11,177.9	10,399.6	7.5%
Reverse repo transactions	8,278.9	5,785.7	43.1%
Other (**)	515.1	347.7	48.1%
Nominal value adjustment	103.2	107.2	(3.7%)
<b>Impairment losses</b>	<b>(5,963.2)</b>	<b>(5,770.4)</b>	<b>3.3%</b>
<b>Total net receivables</b>	<b>120,808.7</b>	<b>114,978.1</b>	<b>5.1%</b>
Securities issued by non-monetary entities (***)	979.5	899.2	8.9%
<b>Total customers' financing (****)</b>	<b>127,133.1</b>	<b>121,192.8</b>	<b>4.9%</b>

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

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

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

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

As at the end of June 2015, the volume of total customers' financing amounted to PLN 127,133.1 million, an increase of PLN 5,940.3 million, i.e. 4.9% in comparison to the end of 2014.

As at the end of June 2015, the volume of retail loans amounted to PLN 51,738.9 million, an increase of PLN 2,474.9 million, i.e. 5.0% in comparison to the end of 2014.

In the area of mortgage lending, the Bank continued its policy of offering only PLN mortgage loans. The residual stock of mortgage loans denominated in foreign currencies, almost entirely acquired as a result of the merger of the spun-off part of Bank BPH SA in 2007, represents only 4.6% of total loans of the Bank.

The volume of corporate loans, non-quoted securities, reverse repo transactions and securities issued by non-monetary entities increased by PLN 3,465.4 million, i.e. 4.8% as compared to the end of 2014 and amounted to PLN 75,394.2 million at the end of June 2015.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## Receivables and impairment losses

(in PLN million)

	30.06.2015	31.12.2014	CHANGE
<b>Gross receivables <sup>(*)</sup></b>	126,356.7	120,458.0	4.9%
Not impaired	117,931.4	112,255.8	5.1%
Impaired	8,425.3	8,202.2	2.7%
Impairment losses	(5,963.2)	(5,770.4)	3.3%
Interest	415.2	290.5	42.9%
<b>Total net receivables</b>	<b>120,808.7</b>	<b>114,978.1</b>	<b>5.1%</b>

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

As at June 30, 2015, the ratio of impaired receivables to total receivables amounted to 6.7% and was better by 0.1 p.p. as compared to the end of 2014.

Impairment losses as at the end of June 2015 amounted to PLN 5,963.2 million.

## Loans and advances to customers by currency\*

	30.06.2015		31.12.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	105,043.3	82.9%	99,594.0	82.5%	5.5%
Denominated in foreign currencies <sup>(**)</sup>	21,728.6	17.1%	21,154.5	17.5%	2.7%
<b>Total</b>	<b>126,771.9</b>	<b>100.0%</b>	<b>120,748.5</b>	<b>100.0%</b>	<b>5.0%</b>
Impairment losses	(5,963.2)	x	(5,770.4)	x	3.3%
<b>Total net</b>	<b>120,808.7</b>	<b>x</b>	<b>114,978.1</b>	<b>x</b>	<b>5.1%</b>

(\*) Including interest and receivables in transit.

(\*\*) Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish zloty; as at the end of June 2015, their share was 82.9%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (58.5%), CHF (25.7%) and USD (15.5%).

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

	30.06.2015		31.12.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	21,390.1	16.9%	18,848.8	15.6%	13.5%
1 to 3 months	2,763.7	2.2%	3,368.6	2.8%	(18.0%)
3 months to 1 year	12,611.8	9.9%	11,347.1	9.4%	11.1%
1 to 5 years	39,008.3	30.8%	38,136.7	31.6%	2.3%
Over 5 years	50,482.9	39.8%	48,699.6	40.3%	3.7%
Other	515.1	0.4%	347.7	0.3%	48.1%
<b>Total</b>	<b>126,771.9</b>	<b>100.0%</b>	<b>120,748.5</b>	<b>100.0%</b>	<b>5.0%</b>
Impairment losses	(5,963.2)	x	(5,770.4)	x	3.3%
<b>Total net</b>	<b>120,808.7</b>	<b>x</b>	<b>114,978.1</b>	<b>x</b>	<b>5.1%</b>

(\*) Including interest and receivables in transit.

At the end of June 2015, loans and advances with maturity over 5 years represented 39.8% of total loans and advances (mainly attributed to mortgage loans and receivables for which the maturity date already passed).



# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## External sources of financing

(in PLN million)

	30.06.2015	31.12.2014	CHANGE
Amounts due to Central Bank	0.9	1.0	(10.0%)
Amounts due to other banks	8,866.6	5,344.7	65.9%
Amounts due to customers	125,310.7	125,609.0	(0.2%)
Debt securities issued	3,979.6	3,857.0	3.2%
<b>Total external sources of financing</b>	<b>138,157.8</b>	<b>134,811.7</b>	<b>2.5%</b>

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

## Total customer savings

(in PLN million)

	30.06.2015	31.12.2014	CHANGE
<b>Amounts due to corporate</b>	<b>61,525.7</b>	<b>64,490.7</b>	<b>(4.6%)</b>
Non-financial entities	46,515.5	49,142.8	(5.3%)
Non-banking financial entities	7,937.4	9,138.8	(13.1%)
Budget entities	7,072.8	6,209.1	13.9%
<b>Retail deposits</b>	<b>58,103.5</b>	<b>55,275.7</b>	<b>5.1%</b>
<b>Repo and sell-buy-back transactions</b>	<b>5,219.0</b>	<b>4,976.3</b>	<b>4.9%</b>
Other (*)	462.5	866.3	(46.6%)
<b>Amounts due to customers</b>	<b>125,310.7</b>	<b>125,609.0</b>	<b>(0.2%)</b>
<b>Debt securities issued, of which</b>	<b>3,979.6</b>	<b>3,857.0</b>	<b>3.2%</b>
Structured Certificates of Deposit (SCD)	202.7	203.7	(0.5%)
Certificates of Deposit	2,594.1	2,594.7	(0.0%)
Pekao Bank Hipoteczny S.A. covered bonds	1,148.7	1,029.3	11.6%
Interest	34.1	29.3	16.4%
<b>Amounts due to customers and debt securities issued, total</b>	<b>129,290.3</b>	<b>129,466.0</b>	<b>(0.1%)</b>
<b>Investment funds of Pioneer Pekao TFI</b>	<b>17,722.7</b>	<b>17,115.1</b>	<b>3.6%</b>
Bond and money market funds	11,575.8	11,162.0	3.7%
Balanced funds	3,221.8	3,163.9	1.8%
Equity funds	2,925.1	2,789.2	4.9%
including distributed through the Group's network	17,372.1	16,669.7	4.2%

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

As at the end of June 2015, the total amounts due to the Group's customers and debt securities issued amounted to PLN 129,290.3 million, a decrease of PLN 175.7 million, i.e. 0.1% in comparison to the end of 2014.

The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 58,708.7 million at the end of June 2015, an increase of PLN 2,774.1 million, i.e. 5.0% in comparison to the end of 2014. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 17,722.7 million at the end of June 2015, an increase of PLN 607.7 million, i.e. 3.6% in comparison to the end of 2014.

The total volume of corporate customers deposits, repo and sell-buy-back transactions, Certificates of Deposit, Pekao Bank Hipoteczny S.A. covered bonds, interest and other amounted to PLN 70,581.6 million at the end of June 2015, a decrease of PLN 2,949.8 million, i.e. 4.0% as compared to the end of 2014 following the strategy to focus on growth in retail customers deposits with cost optimization approach in area of corporate deposits.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

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

	30.06.2015		31.12.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	105,047.3	83.8%	106,221.9	84.6%	(1.1%)
Denominated in foreign currencies	20,263.4	16.2%	19,387.1	15.4%	4.5%
<b>Total</b>	<b>125,310.7</b>	<b>100.0%</b>	<b>125,609.0</b>	<b>100.0%</b>	<b>(0.2%)</b>

(\*) Including interest and amounts due in transit.

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of June 2015 amounted to 83.8%. The majority of amounts due to customers denominated in foreign currencies were in EUR (60.2%) and USD (34.8%).

## *Amounts due to customers by contractual maturities*

	30.06.2015		31.12.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	60,111.2	48.1%	59,847.4	48.0%	0.4%
Term deposits	64,737.0	51.9%	64,895.3	52.0%	(0.2%)
<b>Total deposits</b>	<b>124,848.2</b>	<b>100.0%</b>	<b>124,742.7</b>	<b>100.0%</b>	<b>0.1%</b>
Interest accrued	165.2	x	194.6	x	(15.1%)
Funds in transit	297.3	x	671.7	x	(55.7%)
<b>Total</b>	<b>125,310.7</b>	<b>x</b>	<b>125,609.0</b>	<b>x</b>	<b>(0.2%)</b>

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 7.2 The consolidated income statement – presentation form

Net profit of Bank Pekao S.A. Group attributable to equity holders for the first half of 2015 amounted to PLN 1,243.6 million allowing return on average capital (ROE) at the level of 10.3% achieved with a strong capital base reflected by CAR at 17.8% (Basel III). Normalized ROE (return on minimum equity equivalent to CAR at 10%) amounted to 15.4%.

The Group's gross operating profit (excluding guarantee funds charges) reported for the first half of 2015 was lower by PLN 24.9 million, i.e. 1.3% in comparison to the first half of 2014 with lower operating income, affected by lower interest rates and negative impact of regulatory constraints, supported by growing volumes and gains on sale of available for sale portfolio, and with lower operating costs.

The strength of the liquidity structure of Bank Pekao S.A. Group is reflected by net loans to deposits ratio at 93.4% at the end of June 2015. This together with strong equity level enables for further sound and stable development of the Group's activities.

### The consolidated income statement – presentation form

(in PLN million)

	1 HALF 2015	1 HALF 2014	CHANGE
Net interest income	2,058.4	2,270.0	(9.3%)
Dividend income and income from equity investments	43.4	42.9	1.2%
<b>Total net interest income, dividend income and other income from equity investments</b>	<b>2,101.8</b>	<b>2,312.9</b>	<b>(9.1%)</b>
Net fee and commission income	993.8	1,039.1	(4.4%)
Trading result	359.9	237.3	51.7%
Net other operating income and expenses	126.5	55.8	>100%
<b>Net non-interest income</b>	<b>1,480.2</b>	<b>1,332.2</b>	<b>11.1%</b>
<b>Operating income</b>	<b>3,582.0</b>	<b>3,645.1</b>	<b>(1.7%)</b>
<b>Operating costs</b>	<b>(1,612.5)</b>	<b>(1,650.7)</b>	<b>(2.3%)</b>
<b>Gross operating profit</b>	<b>1,969.5</b>	<b>1,994.4</b>	<b>(1.3%)</b>
Net impairment losses on loans and off-balance sheet commitments	(267.3)	(290.2)	(7.9%)
<b>Net operating profit</b>	<b>1,702.2</b>	<b>1,704.2</b>	<b>(0.1%)</b>
Net result on other provisions	(26.6)	(3.2)	>100%
Guarantee funds charges	(137.5)	(71.2)	93.1%
Net result on investment activities	0.6	(0.5)	x
<b>Profit before tax</b>	<b>1,538.7</b>	<b>1,629.3</b>	<b>(5.6%)</b>
Income tax expense	(294.7)	(300.8)	(2.0%)
<b>Net profit for the period</b>	<b>1,244.0</b>	<b>1,328.5</b>	<b>(6.4%)</b>
<b>Attributable to equity holders of the Bank</b>	<b>1,243.6</b>	<b>1,319.3</b>	<b>(5.7%)</b>
Attributable to non-controlling interest	0.4	9.2	(95.7%)

### Operating income

In the first half of 2015, the Group's operating income amounted to PLN 3,582.0 million, a decrease of PLN 63.1 million, i.e. 1.7% in comparison with the first half of 2014 mainly due to lower total net interest income, dividend income and income from equity investment.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

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

(in PLN million)

	1 HALF 2015	1 HALF 2014	CHANGE
Interest income	2,721.9	3,155.8	(13.7%)
Interest expense	(663.5)	(885.8)	(25.1%)
<b>Net interest income</b>	<b>2,058.4</b>	<b>2,270.0</b>	<b>(9.3%)</b>
Dividend income	13.3	8.2	62.2%
Income from equity investments	30.1	34.7	(13.3%)
<b>Total net interest income, dividend income and income from equity investments</b>	<b>2,101.8</b>	<b>2,312.9</b>	<b>(9.1%)</b>

Total net interest income, dividend income and income from equity investments in the first half of 2015 amounted to PLN 2,101.8 million and was lower by PLN 211.1 million, i.e. 9.1% compared to the first half of 2014 due to negative impact of lower interest rates, including in particular reduction of the maximum interest rate applicable to loans. In the first half of 2015, average WIBOR 3M rate stood at the level of 1.8% and was lower by 0.9 b.p. than in the first half of 2014, while the NBP Lombard rate went from 4.0% at the end of June 2014 to 2.5% in March 2015. This impact was partially compensated thanks to significantly higher volumes.

## Net non-interest income

(in PLN million)

	1 HALF 2015	1 HALF 2014	CHANGE
Fee and commission income	1,200.2	1,296.6	(7.4%)
Fee and commission expense	(206.4)	(257.5)	(19.8%)
<b>Net fee and commission income</b>	<b>993.8</b>	<b>1,039.1</b>	<b>(4.4%)</b>
Trading result	359.9	237.3	51.7%
of which gains on disposal of AFS assets	154.7	34.8	>100%
Net other operating income and expense	126.5	55.8	>100%
<b>Net non-interest income</b>	<b>1,480.2</b>	<b>1,332.2</b>	<b>11.1%</b>

The Group's net non-interest income in the first half of 2015 amounted to PLN 1,480.2 million, an increase of PLN 148.0 million, i.e. 11.1% in comparison with the first half of 2014 thanks to higher trading result and net other operating income and expenses, supported by gains on sale of AFS portfolio and compensation under insurance contract with net fee and commission income lower by 4.4% compared to the first half of 2014, mainly due to negative impact of interchange rates reduction.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

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

(in PLN million)

	1 HALF 2015	1 HALF 2014	CHANGE
<b>Net fee and commission income</b>	<b>993.8</b>	<b>1,039.1</b>	<b>(4.4%)</b>
on loans	231.7	216.9	6.8%
on cards	174.5	217.4	(19.7%)
capital market related	209.0	178.2	17.3%
other	378.6	426.6	(11.3%)

The Group's net fee and commission income in the first half of 2015 amounted to PLN 993.8 million and was lower by PLN 45.3 million, i.e. 4.4% in comparison with the first half of 2014 mainly due to negative impact of interchange rates reduction on fee and commission income on cards.

## Operating costs

In the first half of 2015, the operating costs (excluding guarantee funds charges) were kept under control and amounted to PLN 1,612.5 million. They were lower than the operating costs in the first half of 2014 by PLN 38.2 million, i.e. 2.3%.

(in PLN million)

	1 HALF 2015	1 HALF 2014	CHANGE
Personnel expenses	(952.1)	(955.4)	(0.3%)
Other administrative expenses	(495.7)	(532.3)	(6.9%)
Depreciation and amortization	(164.7)	(163.0)	1.0%
<b>Operating costs</b>	<b>(1,612.5)</b>	<b>(1,650.7)</b>	<b>(2.3%)</b>

In the first half of 2015, cost / income ratio amounted to 45.0% in comparison with 45.3% in the first half of 2014.

As at the end of June 2015, the Group employed 18,629 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 18,765 employees as at the end of 2014. The number of the Group's employees as at the end of June includes data of Pekao Investment Banking S.A. (f. UniCredit CAIB Poland S.A.) taken over by the Bank on January 1, 2015 under acquisition of 100% of the share capital.

As at the end of June 2015, the Bank employed 16,631 employees as compared to 16,914 employees as at the end of 2014.

## Guarantee funds charges

Guarantee funds charges in the first half of 2015, amounted to PLN 137.5 million, an increase of PLN 66.3 million, i.e. 93.1% in comparison with the first half of 2014 due to higher BGF rates introduced in 2015.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 7.3 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 HALF 2015	1 HALF 2014	CHANGE
<b>Net profit of Bank Pekao S.A.</b>	<b>1,348.8</b>	<b>1,354.1</b>	<b>(0.4%)</b>
<b>Entities consolidated under full method</b>			
Pekao Leasing Holding S.A. w likwidacji <sup>(*)</sup>	60.9	0.5	>100%
Centralny Dom Maklerski Pekao S.A.	23.5	20.2	16.3%
Pekao Leasing Sp. z o.o.	18.8	35.5	(47.0%)
Pekao Investment Banking <sup>(**)</sup>	5.5	-	x
Pekao Financial Services Sp. z o.o.	4.1	3.6	13.9%
Pekao Faktoring Sp. z o.o.	4.0	4.0	0.0%
Pekao Bank Hipoteczny S.A.	3.3	5.4	(38.9%)
Pekao Pioneer PTE S.A.	1.0	13.1	(92.4%)
Centrum Bankowości Bezpośredniej Sp. z o.o.	0.9	1.3	(30.8%)
FPB "Media" Sp. z o.o.	0.2	0.2	0.0%
Pekao Fundusz Kapitałowy Sp. z o.o.	0.1	0.1	0.0%
Pekao Property S.A. <sup>(***)</sup>	(0.1)	(0.4)	(75.0%)
Centrum Kart S.A.	(0.3)	0.9	x
Pekao Telecentrum Sp. z o.o. w likwidacji <sup>(****)</sup>	-	0.1	x
Property Sp. z o.o. w likwidacji <sup>(****)</sup>	-	0.2	x
<b>Entities valued under the equity method</b>			
Pioneer Pekao Investment Management S.A.	23.7	28.9	(18.0%)
Krajowa Izba Rozliczeniowa S.A.	5.5	5.3	3.8%
Dom Inwestycyjny Xelion sp. z o.o.	0.9	0.5	80.0%
Exclusions and consolidation adjustments <sup>(*****)</sup>	(257.2)	(154.2)	66.8%
<b>Net profit of the Group attributable to equity holders of the Bank</b>	<b>1,243.6</b>	<b>1,319.3</b>	<b>(5.7%)</b>

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

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

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

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

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

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## The results of Bank Pekao S.A.

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

(in PLN million)

	1 HALF 2015	1 HALF 2014	CHANGE
Net interest income	1,995.6	2,207.1	(9.6%)
Dividend income	210.6	153.4	37.3%
Total net interest income and dividend income	2,206.2	2,360.5	(6.5%)
Net non-interest income	1,346.2	1,180.8	14.0%
<b>Operating income</b>	<b>3,552.4</b>	<b>3,541.3</b>	<b>0.3%</b>
<b>Operating costs</b>	<b>(1,501.2)</b>	<b>(1,549.6)</b>	<b>(3.1%)</b>
<b>Gross operating profit</b>	<b>2,051.2</b>	<b>1,991.7</b>	<b>3.0%</b>
Net impairment losses on loans and off-balance sheet commitments	(264.2)	(278.0)	(5.0%)
<b>Net operating profit</b>	<b>1,787.0</b>	<b>1,713.7</b>	<b>4.3%</b>
Net result on other provisions	(26.5)	(1.8)	>100%
Guarantee funds charges	(136.6)	(68.3)	100.0%
Net result on investment activities	3.0	(0.7)	x
<b>Profit before tax</b>	<b>1,626.9</b>	<b>1,642.9</b>	<b>(1.0%)</b>
<b>Net profit for the period</b>	<b>1,348.8</b>	<b>1,354.1</b>	<b>(0.4%)</b>

In the first half of 2015, the Bank's net profit amounted to PLN 1,348.8 million, a decrease of PLN 5.3 million, i.e. 0.4% in comparison to the first half of 2014.

The Bank's gross operating profit reported for the first half of 2015 amounted to PLN 2,051.2 million and was higher by PLN 59.5 million, i.e. 3.0% in comparison with the first half of 2014 thanks to higher operating income and lower operating costs.

The main Bank's financial information are as follows:

	30.06.2015	31.12.2014	CHANGE
Total gross loans in PLN million <sup>(*)</sup>	102,983.2	100,330.6	2.6%
Impaired receivables to total receivables in %	6.5%	6.6%	(0.1) p.p.
Total deposits in PLN million <sup>(*)</sup>	119,809.2	120,279.7	(0.4%)
Repo and sell-buy-back transactions in PLN million	5,243.7	5,253.4	(0.2%)
Structured Certificates of Deposit in PLN million	202.7	203.7	(0.5%)
Certificates of Deposit in PLN million	2,594.1	2,594.7	(0.0%)
Total assets in PLN million	167,951.3	164,322.8	2.2%
Investment funds distributed through the Bank's network in PLN million	16,323.4	15,660.9	4.2%
Capital adequacy ratio (Basel III) in %	17.4%	17.1%	0.3 p.p.

<sup>(\*)</sup> The nominal value.

The volume of gross loans of the Bank's clients as at the end of June 2015 amounted to PLN 102,983.2 million, increasing by PLN 2,652.6 million, i.e. 2.6% as compared to the end of 2014. At the end of June 2015, the total volume of retail loans amounted to PLN 50,798.0 million and volume of corporate loans amounted to PLN 52,185.2 million.

The total amounts due to the Bank's customers (including customer deposits, repo and sell-buy-back transactions, Structured Certificates of Deposit, Certificates of Deposit) amounted to PLN 127,849.7 million and decreased by PLN 481.8 million, i.e. 0.4% compared to the end of 2014.

The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. and distributed by the Bank's network increased by PLN 662.5 million, i.e. 4.2% as compared to the end of 2014.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## Results of the Bank's major related entities

### ***Pioneer Pekao Investment Management S.A. – PPIM***

In the first half of 2015, consolidated net profit of PPIM amounted to PLN 48.4 million compared with PLN 59.0 million in comparable period of 2014. The Bank's share in the company's profit was **PLN 23.7 million**.

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

In the first half of 2015, net profit of CDM amounted to **PLN 23.5 million** compared with PLN 20.2 million profit earned in the first half of 2014.

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

In the first half of 2015, Pekao Leasing reported a net profit of **PLN 18.8 million** compared with PLN 35.5 million in the first half of 2014. Pekao Leasing result for 2014 on top of positive commercial income includes positive impact of VAT settlements.

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

In the first half of 2015, Pekao IB reported net profit of **PLN 5.5 million**. The entity's results are consolidated since January 1, 2015, i.e. since the acquisition date.

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

In the first half of 2015, Pekao Faktoring reported a net profit of **PLN 4.0 million** and it was at the similar level compared with the first half of 2014.

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

In the first half of 2015, Pekao Bank Hipoteczny reported a net profit of **PLN 3.3 million** compared with PLN 5.4 million in the first half of 2014, being under negative impact of external factors, mainly the reduction of interest rates and higher BGF rates.

### ***Pekao Pioneer PTE S.A. – PTE***

In the first half of 2015, PTE reported net profit of PLN 1.0 million (the Bank's share equaled to **PLN 0.67 million**) compared with net profit of PLN 13.1 million in the first half of 2014. The higher profit in the first half of 2014 resulted from Open Pensions Funds (OFE) settlement which occurred after transfer of assets from OFE to The Social Insurance Institution (ZUS) as a consequence of pension funds reform.

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

In the first half of 2015, Xelion reported a net profit of PLN 1.8 million (the Bank's share equaled to **PLN 0.9 million**) and it was higher than the profit earned in the first half of 2014 in the amount of PLN 0.9 million.



# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 7.4 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
<b>Total provisions</b>	<b>473.9</b>	<b>442.5</b>	<b>469.0</b>	<b>437.0</b>
of which:				
provisions for off-balance sheet commitments	134.2	102.4	137.8	105.2
provisions for liabilities to employees	300.5	301.5	297.4	298.8
other provisions	39.2	38.6	33.8	33.0
<b>Deferred tax liabilities</b>	<b>2.2</b>	<b>2.1</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets</b>	<b>1,064.3</b>	<b>877.4</b>	<b>824.3</b>	<b>672.5</b>

## 7.5 Net impairment losses

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	1 HALF 2015	1 HALF 2014	1 HALF 2015	1 HALF 2014
Impairment losses on loans	(236.1)	(280.3)	(232.2)	(267.9)
Impairment losses on off-balance sheet commitments	(31.2)	(9.9)	(32.0)	(10.1)
<b>Total</b>	<b>(267.3)</b>	<b>(290.2)</b>	<b>(264.2)</b>	<b>(278.0)</b>

The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 267.3 million in the first half of 2015, a decrease of PLN 22.9 million, i.e. 7.9% as compared with the first half of 2014.

The Bank's net impairment losses on loans and off-balance sheet commitments amounted to PLN 264.2 million in the first half of 2015, a decrease of PLN 13.8 million i.e. 5.0% as compared with the first half of 2014.

## 7.6 Off-balance sheet items

(in PLN million)

	30.06.2015	31.12.2014	CHANGE
Contingent liabilities granted and received	55,710.2	54,257.2	2.7%
Liabilities granted:	42,453.8	41,585.2	2.1%
financial	28,149.0	27,376.5	2.8%
guarantees	14,304.8	14,208.7	0.7%
Liabilities received:	13,256.4	12,672.0	4.6%
financial	873.0	496.5	75.8%
guarantees	12,383.4	12,175.5	1.7%
Derivative financial instruments	235,081.1	251,602.9	(6.6%)
interest rate transactions	139,116.7	147,004.1	(5.4%)
transactions in foreign currency and in gold	94,279.3	102,912.9	(8.4%)
transactions based on commodities and equity securities	1,685.1	1,685.9	(0.0%)
Other	57,222.2	32,292.0	77.2%
<b>Total off-balance sheet items</b>	<b>348,013.5</b>	<b>338,152.1</b>	<b>2.9%</b>

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 7.7 Capital adequacy

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

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

The minimum Total Capital Ratio required by law cannot be lower than 8% while according to recommendation of European Banking Authority (EBA) and Polish Financial Supervision Authority (KNF) total capital ratio must be not lower than 12% and Tier 1 Capital ratio not lower than 9%. Total Capital Ratio for Pekao Group amounted to 17.84% and was more than twice the minimum value required by the law and significantly higher than the level recommended by the EBA and the KNF.

The table below presents the basic data concerning the Group capital adequacy as at June 30, 2015 and December 31, 2014 according to the new rules of Basel III.

(in PLN thousand)

CAPITAL REQUIREMENT	30.06.2015	31.12.2014
Credit risk	7,912,189	7,937,365
Exceeding large exposure limits	-	-
Market risk	66,244	192,563
Delivery and contractor risk	324,600	442,446
Exceeding exposure concentration limit	-	-
Operational risk	677,855	705,781
<b>Total capital requirement</b>	<b>8,980,888</b>	<b>9,278,155</b>
<b>OWN FUNDS</b>		
Common Equity Tier 1 Capital	20,026,880	20,063,716
<b>Own funds for total capital ratio</b>	<b>20,026,880</b>	<b>20,063,716</b>
<b>Common Equity Tier 1 Capital ratio (%)</b>	<b>17.8%</b>	<b>17.3%</b>
<b>Total capital ratio (%)</b>	<b>17.8%</b>	<b>17.3%</b>

Total Capital Ratio at the end of June 2015 compared with December 2014 increased by 0.5 p.p. Total capital requirement decreased by 3.2% and own funds for total capital ratio remain on almost the same level (decrease by 0.2%).

Total capital requirement as at end of June 2015 decreased as a result of decrease of capital requirements for all risks.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

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

### Consolidated income statement for the first half of 2015

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 HALF 2015	COMMENTS
Net interest income		<u>2,058,425</u>	
Dividend income and income from equity investments		<u>43,437</u>	
	Dividend income	13,337	
	Gains (losses) on subsidiaries and associates	30,100	
<b>Total net interest income, dividend income and other income from equity investments</b>		<b>2,101,862</b>	
Net fee and commission income	Net fee and commission income	<u>993,817</u>	
Trading result		<u>359,860</u>	
	Result on financial assets and liabilities held for trading	200,058	
	Result on fair value hedge accounting	5,241	
	Net result on other financial instruments at fair value through profit and loss	-	
	Gains (losses) on disposal of available for sale financial assets and held to maturity investments	154,715	
	(Gains) losses on disposal of financial liabilities	(154)	
Net other operating income and expenses		<u>126,500</u>	
	Net other operating income and expenses	127,518	
	less - Refunding of administrative expenses	(1,420) /1	
	Gains (losses) on disposal of loans and other financial receivables	402	
<b>Net non-interest income</b>		<b>1,480,177</b>	
<b>Operating income</b>		<b>3,582,039</b>	
Operating costs		<u>(1,612,584)</u>	
	Personnel expenses	(952,089)	
	Other administrative expenses	(634,717)	
	less –Guarantee funds charges	137,571	
	Refunding of administrative expenses	1,420 /1	
	Depreciation and amortization	(164,769)	
<b>Gross operating profit</b>		<b>1,969,455</b>	
Net impairment losses on loans and off-balance sheet commitments		<u>(267,214)</u>	
	Net impairment losses on loans	(236,071)	
	Net impairment provision for off-balance sheet commitments	(31,143)	
<b>Net operating profit</b>		<b>1,702,241</b>	
Net result on other provisions	Net result on other provisions	<u>(26,639)</u>	
Guarantee funds charges	Guarantee funds charges	(137,571)	
Net result on investment activities		<u>629</u>	
	Gains ( losses) on disposal of property, plant and equipment and intangible assets.	574	
	Impairment losses on subsidiaries and associates	-	
	Gains (losses) on disposal of subsidiaries and associates	55	
<b>Profit before income tax</b>		<b>1,538,660</b>	
Income tax expense	Income tax expense	<u>(294,672)</u>	
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b>1,243,988</b>	
<b>Attributable to equity holders of the Bank</b>	<b>Attributable to equity holders of the Bank</b>	<b>1,243,626</b>	
Attributable to non-controlling interest	Attributable to non-controlling interest	362	

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

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## Consolidated income statement for the first half of 2014

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 HALF 2014	COMMENTS
Net interest income		<u>2,269,979</u>	
Dividend income and income from equity investments		<u>42,882</u>	
	Dividend income	8,189	
	Gains (losses) on subsidiaries and associates	34,693	
<b>Total net interest income, dividend income and other income from equity investments</b>		<b>2,312,861</b>	
Net fee and commission income	Net fee and commission income	<u>1,039,063</u>	
Trading result		<u>237,323</u>	
	Result on financial assets and liabilities held for trading	216,620	
	Result on fair value hedge accounting	(14,117)	
	Net result on other financial instruments at fair value through profit and loss	-	
	Gains (losses) on disposal of available for sale financial assets and held to maturity investments	34,837	
	(Gains) losses on disposal of financial liabilities	(17)	
Net other operating income and expenses		<u>55,851</u>	
	Net other operating income and expenses	56,574	
	less - Refunding of administrative expenses	(1,807) /1	
	Gains (losses) on disposal of loans and other financial receivables	1,084	
<b>Net non-interest income</b>		<b>1,332,237</b>	
<b>Operating income</b>		<b>3,645,098</b>	
Operating costs		<u>(1,650,707)</u>	
	Personnel expenses	(955,390)	
	Other administrative expenses	(605,358)	
	less – Guarantee funds charges	71,228	
	Refunding of administrative expenses	1,807 /1	
	Depreciation and amortization	(162,994)	
<b>Gross operating profit</b>		<b>1,994,391</b>	
Net impairment losses on loans and off-balance sheet commitments		<u>(290,168)</u>	
	Net impairment losses on loans	(280,275)	
	Net impairment provision for off-balance sheet commitments	(9,893)	
<b>Net operating profit</b>		<b>1,704,223</b>	
Net result on other provisions	Net result on other provisions	<u>(3,150)</u>	
Guarantee funds charges	Guarantee funds charges	(71,228)	
Net result on investment activities		<u>(543)</u>	
	(Gains) losses on disposal of property, plant and equipment and intangible assets.	(543)	
	Impairment losses on subsidiaries and associates	-	
	Gains (losses) on disposal of subsidiaries and associates	-	
<b>Profit before income tax</b>		<b>1,629,302</b>	
Income tax expense	Income tax expense	<u>(300,803)</u>	
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b>1,328,499</b>	
<b>Attributable to equity holders of the Bank</b>	<b>Attributable to equity holders of the Bank</b>	<b>1,319,321</b>	
Attributable to non-controlling interest	Attributable to non-controlling interest	9,178	

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

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 8 Quarterly Income Statement

### 8.1 Consolidated income statement – long form

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

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

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 8.2 Consolidated statement of comprehensive income

### Consolidated statement of comprehensive income for 2015 and 2014

(in PLN thousand)

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

## 8.3 Consolidated income statement – presentation form

### Consolidated income statement for 2015 and 2014

(in PLN thousand)

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

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 9 Human Resources Management

### **Human Capital as a key asset**

The principles of the Bank's policy in the area of Human Resources (HR) development are set by its mission and values considered as a key for the Bank sustainable growth.

The Bank invests in training, professional development of employees (in line with their preferences and abilities), creation of a friendly work environment and conducts questionnaire surveys on employees opinion and satisfaction. Significant area of the Bank's personnel policy is outstanding talents spotting within the organization and investing in development of their skills.

These priorities are accompanied by a particular emphasis on promoting preferential values of corporate culture shared across UniCredit Group as defined in the Integrity Charter which was accepted in 2006. The ethical fundamentals promoted by the UniCredit Integrity Charter and the rules of conduct recommended by that document have come to be considered as universal standards of behavior required of all employees of Bank Pekao S.A. regardless of their position.

### **Training and professional development**

The Bank creates learning opportunities and provides access to various forms of education for its employees. Key educational activities focus on training and implementing people management systems based on a culture of feedback. The Bank supported its employees in building and managing long-term career within the organization providing them except with various forms of training and competencies development also with promotions opportunities.

The Bank constantly extends its internal training programs ensuring professional services to customers and improves methods and ways to deliver training. Training programs include class-room training, on-the-job training, electronic training, coaching and system of Virtual Class which provides training at a distance in a form of remote seminars. In the first half of 2015, the Bank continued also structured rotation program allowing for direct exchange of professional knowledge between experts.

In the first half of 2015, the main training priorities of the Bank were as follows:

- preparation of the Bank's personnel to changes in law and regulations,
- professional skills development of the Bank's employees,
- development of middle and top managers,
- realization of mandatory training required under internal and external regulations.

### ***Preparation of the Bank's personnel to changes in law and regulations***

In the first half of 2015, the Bank realized training projects supporting personnel in proper implementation of regulatory and legal changes, especially in the bancassurance area in relation to entering into force the Recommendation U and Legal Academy covering wide range of changes in law and strengthening the Bank's employees knowledge in scope of practical implementation of those changes.

### ***Professional skills development of the Bank's employees***

The Bank expanded also a number of training projects aimed at reinforcement of risk culture and training regarding introduction of new priority products according to business strategy. In the second half of the year and in incoming years the Bank plans to continue this direction in order to reinforce the long term Bank's strategy.

### ***Development of middle managers***

Reinforcement of competences of managers is one of the Bank's key priorities. When implementing this goal the Bank took advantage of the expertise of UniManagement – UniCredit Group leadership development center recognized for using innovative approach to professional development. Co-operation with UniManagement gave employees the opportunity to share knowledge and develop their skills at the international level. Additionally, the Bank develops competencies of managers under multi session Manager's Academy training program and under programs reinforcing skills of managerial supervision within the Bank and within Bank Pekao S.A. Group.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## **Realization of mandatory training required under internal and external regulations**

Within the scope of mandatory training related to the introduction of new market regulations as well as the strategy of the Bank and UniCredit Group, the Bank has launched a number of consecutive training projects aimed at providing the Bank's employees with specialized knowledge. There were realized, among others, complex offer in scope of bancassurance, Protection of information/Bank's secrecy, Compliance Introductory training, Assessment of documents authenticity.

In the first half of 2015, the Bank delivered almost 330 thousand of training hours, in which attended over 15,8 thousand of employees (above 95% of employed) confirming the Bank's determination in efficient implementation of required regulations and customer care.

## **Development programs and initiatives**

Key priority of the Bank's development processes is identification, review, verification and development of current and future leaders of the Bank.

In the Bank operates four main processes concerned with this issue:

- Executive Development Plan (EDP) - annual appraisal process for managers which involved 606 persons,
- Talent Management Review (TMR) - annual appraisal process of potential and professional achievements aimed at managing and development of talents in the Bank and UniCredit Group which involved 152 persons,

Key outcomes of the EDP and the TMR processes are succession plans which are crucial for ensuring continuous employment on strategic positions, continuity of long-term projects and minimizing operational risk.

- Annual Employee Appraisal System – process of evaluation of the Bank's employees which involved 14,607 employees in the first half of 2015.

Furthermore, the Bank offers the development initiatives focused on supporting the employees in their professional career development and improvement of their skills, knowledge and competencies.

## **Internship and trainee programs**

The Bank offers students and graduates the following development programs:

- UniChallenge – a two year-long internship program, addressed to talented last-year MA students and graduates. It provides opportunities for its participants to gain work experience and professional knowledge in a certain field. The UniChallenge Program is used to spot high-potential candidates for employees,
- the apprenticeship programs addressed to students who are offered placements for the period ranging from 2 weeks to 3 months. These programs are an opportunity to gain experience in different areas of banking, in all of the Bank's divisions.



# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## **Remuneration policy**

On February 6, 2015, the Supervisory Board of Bank Pekao S.A. approved the Remuneration Policy of the Bank, which reflects the mission and values of the Bank's approach to remuneration systems. The policy defines basics of remuneration, management of structure, corporate and organizational processes and confirms compliance requirements of the adopted remuneration system with generally binding law, defines the rules for monitoring of market practices and the approach to remuneration systems, which ensure sustainability of the Bank.

## **Retention Plans**

In the first half of 2015, the Long-Term Incentive Plans of UniCredit Group (edition 2007 and 2008 within the scope of stock options) addressed to the top management was carried out.

The local Retention Program 2010-2013 of Bank Pekao S.A. dedicated to the key employees was completed.

## **Incentive systems**

In the Bank, there are three main incentives systems: a system based on Management by Objectives (MBO), a system based on provisions of Corporate Collective Labour Agreement, which is based on quarterly bonuses and incentive reward and Executive Variable Compensation System.

MBO system covers employees employed under the management contract and refers in particular to the positions in the front-office sales and to the key positions, which play a significant role in achieving the Bank's commercial goals. The employees covered by the MBO system receive individual goals, which result from the adoption of the strategy and direction of the Bank's activities for particular year and successful completion of these tasks determines the amount of annual bonus.

A system based on the provisions of the Corporate Collective Labour Agreement (CCLA) applies to all employees who are subject to it. According to the provisions of the CCLA, the basis of the system are: quarterly bonus which is discretionary and depends on evaluation of employee's performance, quality and level of commitment to work and incentive bonus which is granted for outstanding work achievements and the Bank's results in a given year.

Executive Variable Compensation System is dedicated to people holding managerial positions, who have significant influence on the risk profile of the Bank. The aim of the System is to support the execution of the Bank's operational strategy and to mitigate excessive risk conflicts of interest. Participant covered by the System may receive a bonus, amount of which depends on the assessment of the effects of the person's work, organizational unit and the Bank's bottom line as well as on the assessment of participant's compliance with generally applicable laws and adopted by the Bank standards.

## **Additional benefits for employees**

Additional benefits available to the employees vary according to the positions and responsibilities.

The Bank offers all employees the opportunity to invest in the shares of UniCredit S.p.A under the Employee Share Ownership Plan (ESOP) at favorable conditions by obtaining Free Shares measured on the basis of the Investment Shares purchased by each participant.

The Bank contributes to the Social Benefit Fund which is spent on financial assistance to the Bank's current and former employees.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## **Relations with Trade Union Organizations**

The co-operation between the Bank and the Trade Union Organizations in the fields of consultation, negotiation, and agreements was carried out in the first half of 2015 in accordance to the rules and procedures defined by the Labour Law and with respect to the interest of the parties and with the principles of social dialogue. Six meetings were held between the Bank and the Unions in that period.

## **Relations with Works Council**

In May 2015, the four-year term of the Works Council at Bank Pekao S.A. was completed. In order to meet the requirements specified in the Worker Information and Consultation Act of April 7, 2006, the Bank initiated the procedure of electing a Works Council for the new term 2015-2019. Being a representative of the employees, the Council is eligible for getting information and for consulting them. The Council held several meetings with the Bank in the first half of 2015 to discuss the related questions indicated by the law. Co-operation with the Works Council progressed with respect to the mutual rights of the parties involved.

## **Corporate values**

The Bank implements the project "System of Values" which defines the corporate values to be cherished by the Bank's employees in their daily relations at work. The Bank's values are described in the Integrity Charter as: respect, reciprocity, transparency, fairness, confidence, and freedom (to act). These values provide a reference system for routine work and for problem situations which many not be addressed by external and internal regulations.

The foundation of this "System of Values" is the work of Integrity Charter Ombudsmen who are independent, experienced, retired managers to whom the employees may report behaviors which clash with the corporate values. The Ombudsmen use such available tools as meetings and notices when they undertake measures to restore respect to the corporate values in relations among employees wherever they are disrupted. Their work directly supports the Bank's internal communication and defines certain standards of conduct and communication patterns for all the employees to follow. In the first half of 2015, the Integrity Charter Ombudsmen held several meetings with the Bank's employees in order to familiarize them with the "System of Values" and the Ombudsmen's service.

## **Workforce in number**

As at June 30, 2015, the Group employed 18,629 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 18,765 employees as at the end of 2014. The number of the Group's employees as at the end of June includes data of Pekao Investment Banking S.A. (f. UniCredit CAIB Poland S.A.) taken over by the Bank on January 1, 2015 under acquisition of 100% of the share capital.

As at June 30, 2015, the Bank employed 16,631 employees (less by 283 persons as compared to the end of 2014). The average age of the employees was 45.7 years, 63.6% of the employees are university graduates, women represent 80% of the total workforce.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 10 Other Information

### 10.1 Management Board position regarding the possibility of achieving previously published forecasts

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

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

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

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

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

### 10.3 Related party transactions

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

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

### 10.4 Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2015 to 30 June 2015.

### 10.5 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.

### 10.6 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 202.7 million (principal value) as at the end of June 2015. There are 3 issues of Structured Certificates of Deposit open in PLN with the maximum maturity date set at March 24, 2016. Those liabilities that mature in 2015 and 2016 account for 34.7%, and 65.3% of its total value, respectively.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## **Certificates of Deposit**

Certificates of Deposit are investment products denominated in PLN that guarantee 100% protection of invested funds also in case of termination before redemption date. The total value of the Bank's liabilities under these products amounted to PLN 2,594.1 million (principal value) as at the end of June 2015. There are 19 issues of Certificates of Deposit, and the maturity date up to 3 months accounts for 62.1%, up to 6 months accounts for 6.6% and up to 1 year accounts for 31.3% of its total value.

## **Pekao Leasing Sp. z o.o. bonds**

The total value of the company's liabilities under bonds amounted to PLN 82.5 million as at June 30, 2015 with the maturity date up to 1 month.

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

The total value of liabilities due to covered bonds amounted to PLN 1,202.7 million as at June 30, 2015. The liabilities under covered bonds with maturity date up to 1 year account for 0.6%, with maturity date from 1 up to 3 years account for 22.2%, with maturity date from 3 up to 5 years account for 18.2% and with maturity date from 5 up to 10 years account for 59.0% of the total nominal value.

## **10.7 Appropriation of profit achieved in 2014**

On April 30, 2015, the Ordinary General Meeting of Bank Pekao S.A. took a resolution regarding the distribution of the net profit of the Bank for 2014 in the amount of PLN 2,662,265,662.64 in the following manner:

- 98.6% of net profit of the Bank i.e. PLN 2,624,700,340.00 is allocated to dividend,
- PLN 37,565,322.64 is allocated to fund for general banking risk.

## **10.8 Information on dividend**

Pursuant to Resolution of the Ordinary General Meeting of Bank Pekao S.A. dated April 30, 2015, PLN 2,624,700,340.00 (98.6% of the net profit of the Bank for 2014) was allocated as dividend, i.e. PLN 10 per one share. The dividend's date was established on June 22, 2015 and the dividend's pay-out day was established on July 7, 2015. All the Bank's shares are ordinary shares.

## **10.9 Pending litigations**

In the first half of 2015, the number of the legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of the Group's liabilities was 640 with the total value amounting to PLN 1,122.1 million. The number of legal proceedings in respect of receivables was 11,885 with the total value of PLN 1,152.5 million.

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

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

## **10.10 Subsequent events**

### **Sale of shares in Krajowa Izba Rozliczeniowa S.A.**

On July 15, 2015 the Bank sold 3,125 shares of Krajowa Izba Rozliczeniowa S.A. As a result of the transaction, the Bank's share in the share capital and the votes in the General Meeting of the Company was reduced from 34.44% to 5.74%. The impact of the transaction on net profit of the Group is PLN 44,313 thousand.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## 11 Representations of the Bank's Management Board on reliability of the presented financial statements

The Management Board of Bank Pekao S.A. declares to the best of its knowledge that:

- the Condensed Unconsolidated Interim Financial Statements of Bank Pekao S.A. for the period from 1 January 2015 to 30 June 2015 and Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2015 to 30 June 2015 and comparative figures have been prepared in accordance with applicable accounting policies and that they reflect in a true, fair and clear manner the Bank's and the Group's financial position and their results,
- the Report on the activities of Bank Pekao S.A. Group for the first half of 2015 provides a true picture of Bank Pekao S.A. Group's development, achievements and situation, including the main threats and risks.

The Management Board of Bank Pekao S.A. declares that the registered audit company performing the review of the Condensed Unconsolidated Interim Financial Statements of Bank Pekao S.A. for the period from 1 January 2015 to 30 June 2015 and Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2015 to 30 June 2015 has been selected in pursuance of applicable provisions of law. The company and the registered auditors performing the review meet the requirements indispensable for issuing an objective and independent report on the review concerning condensed interim unconsolidated financial statements and condensed interim consolidated financial statements, in accordance with applicable provisions of law and professional standards.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2015

## Signatures of all Members of the Bank's Management Board

03.08.2015	Luigi Lovaglio	President of the Management Board, CEO	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Diego Biondo	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Andrzej Kopyrski	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Adam Niewiński	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Grzegorz Piwowar	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Stefano Santini	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
03.08.2015	Marian Ważyński	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature

**AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015**

**To the Shareholders of Bank Polska Kasa Opieki S.A.**

We have reviewed the attached condensed consolidated interim financial statements of the Bank Polska Kasa Opieki S.A. Capital Group ("Capital Group") with Bank Polska Kasa Opieki S.A. ("Bank") having its registered office in Warsaw, at Grzybowska 53/57, as the Parent Company, including a condensed consolidated interim statement of financial position prepared as of 30 June 2015, condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity, condensed consolidated interim cash flow statement for the period from 1 January 2015 to 30 June 2015 and explanatory notes, including information on accepted accounting principles and other explanatory information.

Compliance of these condensed consolidated interim financial statements with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union ("MSR 34") and with other regulations in force is the responsibility of the Management Board of the Bank. Our responsibility was to review the financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

Our review has been conducted mainly based on an analysis of data included in the financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Capital Group.

The scope and methodology of a review of condensed interim financial statements differ significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the condensed consolidated interim financial statements have been prepared, in all material respects, in compliance with the requirements of IAS 34.

.....  
Dorota Snarska-Kuman  
Key certified auditor  
conducting the review  
No. 9667

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

.....  
Dorota Snarska-Kuman – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 3 August 2015

***The above auditor's report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.***