

**Report of
Bank Pekao S.A. Group
for the first quarter of
2014**



Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014



Warsaw, May 2014

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

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1 Highlights of Bank Pekao S.A. Group

	1 QUARTER 2014	1 QUARTER 2013	2013	2012
INCOME STATEMENT CONTINUING OPERATIONS – SELECTED ITEMS* <i>(in PLN million)</i>				
Operating income	1,789.8	1,850.7	7,493.6	7,789.9
Operating costs	(856.8)	(854.4)	(3,438.2)	(3,541.5)
Operating profit	933.0	996.3	4,055.4	4,248.4
Profit before income tax	784.0	832.4	3,432.9	3,619.4
Net profit for the period attributable to equity holders of the Bank	634.2	662.5	2,767.3	2,906.2
INCOME STATEMENT – SELECTED ITEMS <i>(in PLN million)</i>				
Operating income	1,789.8	1,882.7	7,565.3	7,952.8
Operating costs	(856.8)	(875.6)	(3,483.4)	(3,625.6)
Operating profit	933.0	1,007.1	4,081.9	4,327.2
Profit before income tax	784.0	841.5	3,454.2	3,664.3
Net profit for the period attributable to equity holders of the Bank	634.2	669.9	2,784.8	2,942.8
PROFITABILITY RATIOS				
Return on average equity (ROE)	10.7%	11.4%	12.0%	13.3%
Net interest margin	3.3%	3.6%	3.4%	3.7%
Non-interest income / operating income	35.8%	37.2%	39.6%	37.3%
Cost / income	47.9%	46.5%	46.0%	45.6%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS <i>(in PLN million)</i>				
Total assets	152,371.6	147,837.7	158,521.7	150,754.7
Net loans and advances to customers**	106,556.0	97,151.0	103,937.3	97,558.5
Amounts due to customers	113,009.0	107,152.1	119,796.7	107,992.6
Debt securities issued	1,974.6	4,236.2	3,063.7	4,758.7
Equity	24,172.8	23,840.8	23,514.2	23,263.7
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Net loans / total assets	69.9%	65.7%	65.6%	64.7%
Securities / total assets	16.9%	18.4%	22.2%	19.5%
Deposits*** / total assets	75.5%	75.3%	77.5%	74.8%
Net loans / deposits***	92.7%	87.2%	84.6%	86.5%
Equity / total assets	15.9%	16.1%	14.8%	15.4%
Capital Adequacy Ratio (Basel III)	18.0%	18.3%	18.3%	18.1%
EMPLOYEES AND NETWORK				
Total number of employees	18,851	19,705	18,916	19,816
Number of outlets (Bank Pekao S.A. and PJSC UniCredit Bank)	1,000	1,041	1,001	1,040
Number of ATMs (Bank Pekao S.A. and PJSC UniCredit Bank)	1,846	1,919	1,847	1,919

* As financial data of the first quarter of 2014 don't include results of PJSC UniCredit Bank – sold on July 16, 2013 – to ensure comparability, the section "INCOME STATEMENT CONTINUING OPERATIONS – SELECTED ITEMS" was added where for the previous periods only results of continuing 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.

Note: Since the first quarter of 2013, to align the presentation to the standards implemented by the major Polish and European banks, in the income statement gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result and thus in operating income, operating profit and respective ratios. In order to ensure comparability, data for 2012 have been restated in comparison to those previously published.

In relation to changes in accounting policy in 2013 (for description refer to the Note 4 to the Consolidated Financial Statement of Bank Pekao S.A. Group for the period ended on December 31, 2013) data for 2012 and for the first quarter of 2013 have been presented after appropriate restatements.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

2 Highlights of Bank Pekao S.A.

	1 QUARTER 2014	1 QUARTER 2013	2013	2012
INCOME STATEMENT – SELECTED ITEMS <i>(in PLN million)</i>				
Operating income	1,687.0	1,788.0	7,187.3	7,510.2
Operating costs	(802.9)	(799.2)	(3,230.4)	(3,326.1)
Operating profit	884.1	988.8	3,956.9	4,184.1
Profit before income tax	741.7	849.0	3,436.4	3,592.9
Net profit for the period	601.8	688.7	2,800.0	2,925.3
PROFITABILITY RATIOS				
Return on average equity (ROE)	10.4%	12.0%	12.3%	13.6%
Net interest margin	3.3%	3.5%	3.3%	3.6%
Non-interest income / operating income	33.1%	35.8%	38.0%	35.8%
Cost / income	47.6%	44.7%	44.9%	44.3%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS <i>(in PLN million)</i>				
Total assets	148,912.0	143,977.9	155,286.6	147,066.9
Net loans and advances to customers*	103,048.3	93,967.4	100,569.2	94,607.0
Amounts due to customers	113,071.2	107,014.0	119,868.7	108,104.5
Debt securities issued	1,048.8	3,445.3	2,240.5	3,966.1
Equity	23,471.2	23,297.5	22,848.7	22,716.6
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Net loans / total assets	69.2%	65.3%	64.8%	64.3%
Securities / total assets	17.1%	18.8%	22.6%	19.9%
Deposits** / total assets	76.6%	76.7%	78.6%	76.2%
Net loans / deposits**	90.3%	85.1%	82.4%	84.4%
Equity / total assets	15.8%	16.2%	14.7%	15.4%
Capital Adequacy Ratio (Basel III)	18.0%	18.1%	18.3%	18.0%
EMPLOYEES AND NETWORK				
Total number of employees	17,033	17,347	17,092	17,433
Number of outlets	1,000	1,002	1,001	1,001
Number of ATMs	1,846	1,845	1,847	1,845

* Including debt securities eligible for rediscounting at Central Bank.

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

Note: Since the first quarter of 2013, to align the presentation to the standards implemented by the major Polish and European banks, in the income statement gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result and thus in operating income, operating profit and respective ratios. In order to ensure comparability, data for 2012 have been restated in comparison to those previously published.

In relation to changes in accounting policy in 2013 (for description refer to the Note 3 to the Unconsolidated Financial Statement of Bank Pekao S.A. for the period ended on December 31, 2013) comparable data for 2012 and for the first quarter of 2013 have been presented after appropriate restatements.

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3 Summary of Performance

Net profit of Bank Pekao S.A. Group attributable to equity holders for the first quarter of 2014 amounted to PLN 634.2 million allowing return on average capital (ROE) at the level of 10.7% achieved with a strong capital base reflected by CAR at 18.0% (Basel III). Normalized ROE (return on minimum equity equivalent to CAR at 10%) amounted to 15.9%.

As financial data of the first quarter 2014 don't include results of PJSC UniCredit Bank – sold on July 16, 2013 – in the subsequent part of this chapter, financial information dynamics is discussed in comparable terms i.e. excluding PJSC UniCredit Bank from the first quarter of 2013 as well.

The Group's net profit attributable to equity holders reported for the first quarter of 2014 in comparison to the first quarter of 2013 was lower by PLN 28.3 million i.e. 4.3% mainly due to lower gains on disposal of available for sale financial assets with total net interest income, dividend income and income from equity investments kept at practically unchanged level.

The strength of the liquidity structure of Bank Pekao S.A. Group is reflected by a high level of net loans to deposits ratio at 92.7% at the end of March 2014. 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 4.7% of total loans of the Bank.

- In the first quarter of 2014, the Group's operating income amounted to PLN 1,789.8 million, a decrease of PLN 60.9 million, i.e. 3.3% in comparison with the first quarter of 2013 mainly due to lower gains on disposal of available for sale financial assets as compared with the previous year.
- Total net interest income, dividend income and income from equity investments in the first quarter of 2014 amounted to PLN 1,149.3 million practically unchanged compared to the previous year thanks to higher volumes compensating negative impact of lower interest rates. In the first quarter of 2014, average WIBOR 3M rate stood at the level of 2.71%, and was lower by 107 b.p. than in the first quarter of 2013.
- The Group's net non-interest income in the first quarter of 2014 amounted to PLN 640.5 million, a decrease of PLN 60.0 million, i.e. 8.6% in comparison with the first quarter of 2013 mainly due to lower trading result, in particular lower gains on disposal of available for sale financial assets.
- In the first quarter of 2014, the operating costs were kept under control and amounted to PLN 856.8 million. They were higher than the operating costs in the first quarter of 2013 by PLN 2.4 million, i.e. 0.3% due to new prudential charge of the Bank Guarantee Fund.
- The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 147.5 million in the first quarter of 2014, a decrease of PLN 15.8 million, i.e. 9.7% as compared with the first quarter of 2013.

As at March 31, 2014, the ratio of impaired receivables to total receivables amounted to 7.1% and was better 0.2 p.p. in comparison to the end of 2013.

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- As at the end of March 2014, the total amounts due to the Group's customers and debt securities issued amounted to PLN 114,983.6 million, a decrease of PLN 7,876.8 million, i.e. 6.4% in comparison to the end of 2013 of which liabilities to Open Pensions Funds (OFE) decreased by PLN 7,929.1 million due to pension funds reform introduced in the first quarter of 2014. Excluding OFE, total amounts due to the Group's customers and debt securities issued increased by PLN 52.3 million in comparison to the end of 2013.

The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 54,011.2 million at the end of March 2014, an increase of PLN 2,594.9 million, i.e. 5.0% in comparison to the end of 2013. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,140.4 million at the end of March 2014, a decrease of PLN 271.1 million, i.e. 1.7% in comparison to the end of 2013.

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 60,972.4 million at the end of March 2014, a decrease of PLN 10,471.7 million, i.e. 14.7% as compared to the end of 2013, excluding OFE a decrease of PLN 2,542.6 million in comparison to the end of 2013.

- As at the end of March 2014, the volume of retail loans amounted to PLN 45,359.2 million, an increase of PLN 883.8 million, i.e. 2.0% in comparison to the end of 2013.

The volume of corporate loans, non-quoted securities, reverse repo transactions and securities issued by non-monetary entities increased by PLN 1,757.3 million, i.e. 2.7% as compared to the end of 2013 and amounted to PLN 66,832.6 million at the end of March 2014.

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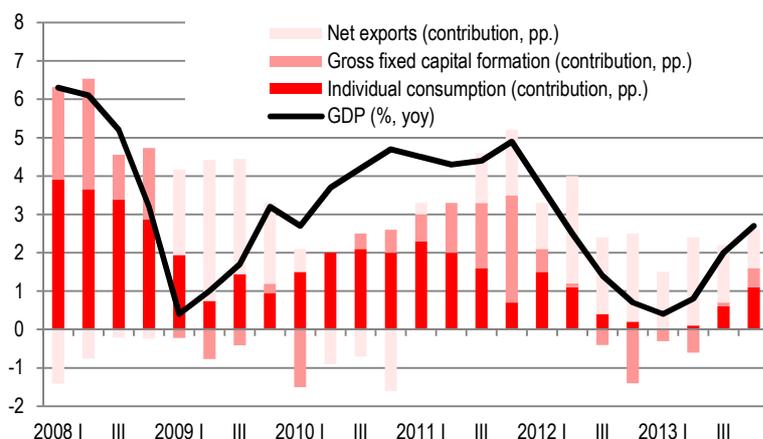
4 External Environment

Economic growth

In the fourth quarter of 2013, the Polish economic growth amounted to 2.7% year on year vs. 1.9% year on year increase in the third quarter. Seasonally adjusted data point to 0.6% increase in the GDP in the fourth quarter compared to the third quarter vs. 0.7% quarter on quarter growth reported in the third quarter of 2013. In the fourth quarter of 2013, substantial strengthening of domestic demand was observed, it increased by 1.2% year on year in comparison to 0.5% increase year on year in the third quarter. Nevertheless, foreign trade remained the main source of economic growth. Positive contribution of net exports to the GDP growth amounted to 1.5 p.p., while domestic demand contributed 1.2 p.p. Higher surplus in foreign trade in goods and services was a consequence of exports growth outpacing imports dynamics (in real terms exports increased by 6.3% year on year, whilst imports increased by 2.9% year on year). Continuation of these positive tendencies in the fourth quarter of 2013 indicates strengthening of economic recovery.

Domestic demand growth in the fourth quarter of 2013 was predominantly driven by individual consumption of households, which increased by 2.1% year on year after increasing by 1.2% year on year in the previous quarter. Further, moderate improvement in fixed investments was also observed. Gross fixed capital formation increased by 1.3% year on year after increasing by 0.6% year on year in the third quarter. Inventory adjustment negatively affected the economic growth for the seventh quarter in a row. Negative contribution of change in inventories to the GDP growth amounted to 0.7 p.p. in the final quarter of 2013, whilst in the previous quarter, change in inventories limited the GDP growth by 0.5 p.p.

Economic recovery is expected to be continued on the basis of reviving domestic demand, supported predominantly by accelerating consumption growth, among others, thanks to improving labour market conditions (increase in real wage bill). At the same time the moderate scale of domestic demand revival, especially as regards imports-intensive investments, will allow to maintain positive contribution of foreign trade to the GDP growth in forthcoming quarters as economic performance of Poland's main exports markets is expected to improve. The recovery of economic activity observed at the beginning of 2014 suggests that the GDP growth may exceed 3% in the whole year provided that risks related to conflict in Ukraine would be abated. Further increase in tension and risk of open military conflict may negatively impact on the Polish exports to eastern markets and on consumers and firms confidence reducing their propensities to consume and invest.



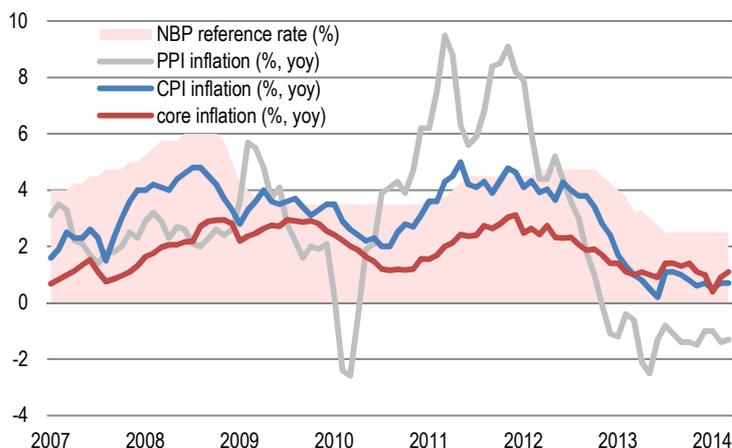
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Inflation and monetary policy

The CPI inflation in March 2014 amounted to 0.7% year on year and was lower than the lower limit of permissible deviations from the target of the National Bank of Poland (NBP) which amounted to 1.5%.

In February 2014, the Main Statistical Office (GUS) has made annual changes in the CPI basket. The weight system is the structure of households spending on consumption goods and services from the year preceding the reference year. The most important changes compared to the previous year is higher weight of the category of "food and non-alcoholic beverages" (by 0.31 p.p.), higher weight of the category of "housing" (by 0.86 p.p.), higher weight of the category of "communication" (by 1.3 p.p.), higher weight of the category of "clothing and footwear" (by 0.23 p.p.), lower weight of the category of "recreation and culture" (by 1.53 p.p.) and lower weight of the category of "restaurants and hotels" (by 1.86 p.p.). Changes in the structure of spending suggest that households increased spending on necessity goods at the expense of superior goods, which means that their financial status worsened.

In the first quarter of 2014, the Monetary Policy Council (MPC) kept interest rates unchanged. The NBP reference rate is still at 2.50%. In the MPC's assessment in March 2014, the NBP interest rates should be kept unchanged for at least until the end of the third quarter of 2014 and some members of the MPC announced that the current monetary policy might be maintained till the end of this year.



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Currency exchange rate

In the first quarter of 2014, a widening gap between core and emerging markets was observed. The global mood remained still positive and despite a systematic quantitative easing tapering by the Fed, investors positively reflected an improvement in the largest economy. In January emerging markets came under severe pressure and increasing risk aversion translated into the strongest currencies sell-off in last five years on these markets. The foreign capital outflows and deterioration in investment sentiments resulted from weaker data from the Chinese economy, devaluation of the Argentine peso to maintain decreasing foreign exchange reserves, worries about the situation in Turkey and Ukraine and the Fed's decision on another cut in the asset purchase. In such an adverse environment the Polish zloty remained under pressure of a sale, although losses were less than in more risky markets. The Polish zloty weakened to more than four-month low against EUR (4.2610) and two-and-a-half month low against USD (3.1575). During the first quarter of 2014, the Polish zloty depreciated by 0.6% against EUR, 0.7% against USD and 1.1% against CHF. Assuming that a situation in the region will normalize, it is expected that investors will focus on solid outlook for the Polish economy and systematic recovery with no inflation pressure should support demand for the Polish currency. Still it is more likely a scenario of the Polish zloty appreciation till the end of the year with a target of 4.05 for the EUR/PLN and 2.91 for the USD/PLN. The average exchange rates should be 4.13 and 3.03 respectively.



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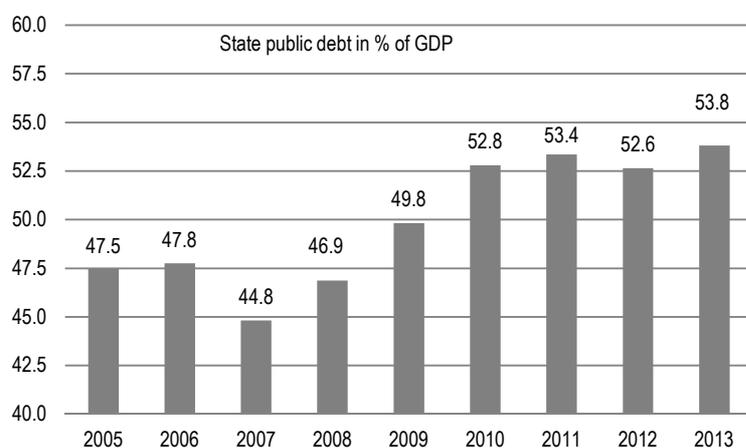
Fiscal policy

According to the preliminary estimates of the Ministry of Finance the state deficit amounted to PLN 42.2 billion in 2013 vs. the limit on the level of PLN 51.6 billion as defined in the amended budget act. Before the amendment the deficit target was planned at the level of PLN 35.6 billion. Budget revenues reached 101.2% of the amended plan but they were lower by 6.8% (PLN 20.2 billion) than the initial plan. Expenditures were 1.8% lower than the amended expenditure plan and 4.1% (PLN 13.6 billion) lower than the original plan. In 2013, the budget experienced severe pressure on the revenues side as a consequence of weak performance of the economy and in particular weak domestic demand. As a consequence the value added tax (VAT) collections decreased by ca. PLN 7 billion in comparison to 2012 and decreased by nearly PLN 8 billion in comparison to 2011. Excise duty receipts increased by merely 0.3% (PLN 203 million) despite higher effective rates. Revenues from the corporate income tax (CIT) decreased by PLN 2.1 billion in comparison to 2012, while the personal income tax (PIT) collections increased by PLN 1.5 billion in comparison to the previous year. The main savings on the expenditure side of the budget were obtained on lower cost of foreign debt servicing.

Preliminary estimates of the Ministry of Finance indicate that in the first quarter of 2014 the state budget deficit amounted to PLN 17.4 billion. Taking into account improving economic conditions and conservative government assumptions regarding this year tax revenues, it is estimated that the state budget deficit might be by ca. PLN 10.3 billion lower than the limit at the level of PLN 47.7 billion as defined in the 2014 budget act.

The general government deficit in 2013 is estimated at the level of 4.5% of the GDP vs. deficit at the level of 3.9% of the GDP in 2012. According to decision of the European Council from December 2013, deadline for correcting excessive deficit in Poland was extended until 2015. The Council recommends Poland to take additional measures correcting structural deficit by 0.4% of the GDP in 2014 and 1% of the GDP in 2015 over of already planned savings, in order to reduce the nominal deficit to 3.9% of the GDP in 2014 (excluding the transfer of assets from Open Pension Funds to Social Security Enterprise) and 2.8% of the GDP in 2015.

At the end of 2013, the state public debt amounted to PLN 880.2 billion i.e. increase by PLN 39.7 billion in comparison to the previous year. Domestic debt increased by PLN 36.4 billion and foreign debt increased by PLN 3.3 billion. The ratio of state public debt to the GDP amounted to 53.9% vs. 52.7% in 2012, approaching the second prudential threshold of 55% set in the public finance act. The debt of general government sector increased to the level of PLN 932.5 billion from PLN 886.9 billion reported in 2012. In relation to the GDP the general government debt (ESA95) amounted to 57.1%, remaining below the Stability and Growth Pact limit of 60%. Changes in the pension system functioning, which included, among others, a transfer of assets worth nearly 9% of the GDP from Open Pensions Funds (OFE) to Social Security Enterprise (ZUS), will reduce the level of public debt significantly. At the end of 2014, the state public debt is expected to moderate to ca. 47.0% of the GDP, while the ESA95 general government debt will accounted for ca. 49.0% of the GDP.



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Banking sector

According to the Polish Financial Supervision Authority (KNF) financial results of the banking sector in the first quarter of 2014 deteriorated compared to the first quarter of 2013. Net profit decreased by 2.9% year on year and amounted to PLN 3.97 billion and was driven mainly by deterioration in the result on other operating activity (-63% year on year). Result on main activity increased by 3.2% year on year, operating cost increased by 1.5% year on year and provisions and impairment losses increased by 5.4% year on year.

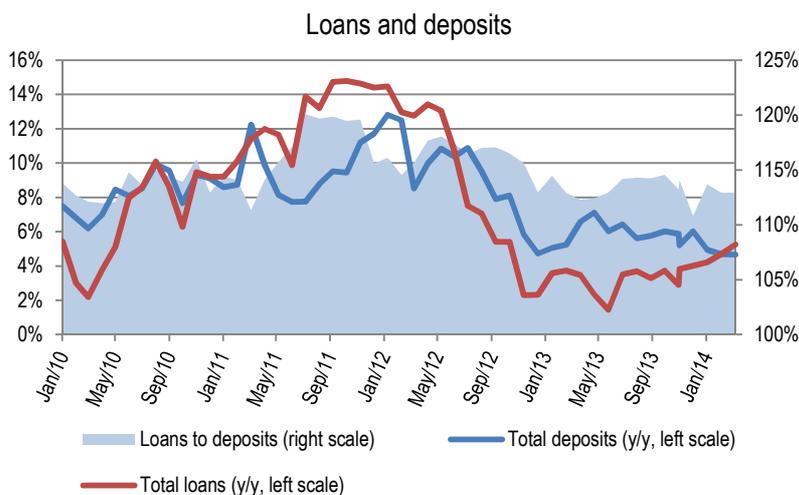
At the end of March 2014, banking sector assets amounted to PLN 1,444.3 billion, an increase of 5.1% year on year. Deposits of non-financial sector increased in that period by 6.0% year on year and loans to that sector by 4.5% year on year.

According to the NBP data, in March 2014 the nominal growth of loans to households was equal to 5.0% year on year. The growth rate in loans to enterprises increased by 4.8% year on year. Acceleration in growth of loan volumes of households and enterprises derives from economic recovery as well as record low interest rates.

After three months of 2014, the volume of household deposits increased by 4.9% year on year. Relatively low rate of growth in household deposits is on one hand the result of an increasing propensity to consume and on the other hand it is due to the changing structure of household savings. In the case of corporate deposits, in March 2014 there were by 7.4% higher than that in March 2013. Solid growth in corporate deposits is supported by the relatively good financial results and still limited investment activity.

Accelerating growth in retail loans (5.0% year on year in March 2014) is a direct consequence of fundamental factors, i.e. increasing demand for loans resulting from higher propensity to consume, stabilization of house prices as well as record low interest rates. Given the overall macroeconomic situation, in the coming months it can be expected stabilization of growth in retail loans at a moderate level.

In the case of loans to enterprises a further growth in demand is expected what should be associated with favorable macroeconomic environment (higher demand for working capital and investment funds). Given that the recovery in the economy may impact on individual sectors in a different way and the situation in Ukraine might adversely affect financial results of some companies, it is expected that improvement in the quality of banks' loan portfolio will be limited.



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5 Internal Factors

5.1 Description of the Group

The Group's structure is presented in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2014.

5.2 Changes in the Group's structure

As at March 31, 2014 the composition of Bank Pekao S.A. Group has not changed compared to the information disclosed as at December 31, 2013.

5.3 Changes in the Statutory Bodies of the Bank

Supervisory Board

Composition of the Supervisory Board:

MARCH 31, 2014	DECEMBER 31, 2013
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
Małgorzata Adamkiewicz Member of the Supervisory Board	Małgorzata Adamkiewicz Member of the Supervisory Board
Paweł Dangel 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

Composition of the Management Board:

MARCH 31, 2014	DECEMBER 31, 2013
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
Grzegorz Piwowar Vice President of the Management Board	Grzegorz Piwowar Vice President of the Management Board
Stefano Santini Vice President of the Management Board	Stefano Santini Vice President of the Management Board
Marian Ważyński Vice President of the Management Board	Marian Ważyński Vice President of the Management Board

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5.4 The Bank's shareholding structure

As at March 31, 2014, 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
	MARCH 31, 2014		DECEMBER 31, 2013	
UniCredit S.p.A.	131,497,488	50.10%	131,497,488	50.10%
Aberdeen Asset Management PLC	n/a	n/a	13,194,683	5.03%
Other shareholders (below 5%)	130,972,546	49.90%	117,777,863	44.87%
Total	262,470,034	100.00%	262,470,034	100.00%

On January 8, 2014 Management Board of Bank Pekao S.A. in the current report no. 1/2014 informed that the Bank received notification from Aberdeen Asset Management PLC (and/or acting on its behalf and its' affiliates) with its registered office in Aberdeen about reduction of the total number of votes at the General Meeting of the Bank below 5%, as the result of the sale of 50,000 shares in the Bank through a sale order executed on January 3, 2014. Prior to the sale, Aberdeen Asset Management PLC held 13,121,767 shares in the Bank, accounting for 5.0% of the overall number of shares in the Bank, representing the same number and percentage of the total votes at the General Meeting of the Bank. After the transaction, Aberdeen Asset Management PLC held 13,071,767 shares in Bank, i.e. 4.98% of the overall number of shares in the Bank, representing the same number and percentage of votes at the General Meeting of the Bank.

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

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

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 March 31, 2014, Bank Pekao S.A.'s creditworthiness was rated as follows:

FITCH RATINGS	BANK PEKAO S.A.	POLAND	UNICREDIT S.P.A.
Long-term rating (IDR)	A-	A-	BBB+
Short-term rating	F2	F2	F2
Viability rating	a-	-	bbb+
Support rating	2	-	2
Outlook	Stable	Stable	Negative
STANDARD AND POOR'S RATINGS SERVICES	BANK PEKAO S.A.	POLAND	UNICREDIT S.P.A.
Long-term rating	BBB+	A-	BBB
Short-term rating	A-2	A-2	A-2
Stand-alone credit profile	bbb+	-	bbb
Outlook	Stable	Stable	Negative
MOODY'S INVESTORS SERVICE LTD. (UNSOLICITED RATING)	BANK PEKAO S.A.	POLAND	UNICREDIT S.P.A.
Long-term foreign-currency deposit rating	A2	A2	Baa2
Short-term deposit rating	Prime-1	Prime-1	Prime-2
Financial strength	C-	-	D+
Outlook	Stable	Stable	Stable

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 Financial strength rating 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. In April 2014, during the last revision of rating the outlook for covered bonds was changed from Stable to Positive.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

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

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

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

	31.03.2014	31.12.2013
Total number of outlets	1,000	1,001
Total number of own ATMs	1,846	1,847

The Bank's clients can also make commission-free cash withdrawals from over 4.3 thousand of domestic network of Euronet ATMs as well as European network of the UniCredit Group ATMs.

As at the end of March 2014, the Bank maintained 5,149.9 thousand PLN-denominated current accounts, 272.2 thousand mortgage loan accounts and 620.1 thousand consumer loan accounts.

	31.03.2014	31.12.2013
Total number of PLN current accounts*	5,149.9	5,107.5
of which packages	3,803.0	3,781.5
Number of mortgage loans accounts**	272.2	267.5
of which PLN mortgage loans accounts	232.0	226.6
Number of consumer loan accounts ***	620.1	634.9

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

** Retail customers accounts.

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

Individual clients

In the first quarter of 2014, the Bank focused on consequent strengthening of its position on the consumer goods financing market and mortgage loans. Positive dynamics of retail loans amounted to 11.1% year on year, of which mortgage loans and cash loans amounted to 16.2% year on year.

The Bank was also focused on the consistent acquiring of new customers, in the first quarter of 2014, 102 thousand of new retail customers were acquired.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

Loans

In the area of mortgage loans, Bank maintained strong position on the market. In the first quarter of 2014, sale of PLN mortgage loans stood at PLN 1.6 billion and was over 41% higher as compared to the same period in the previous year. The Bank's share in volume of PLN mortgage loans at the end of the first quarter of 2014 amounted to 17.7%, i.e. 0.4 p.p. increase in comparison to the end of the first quarter of 2013.

In the first quarter of 2014, Bank Pekao S.A. as one of the first banks introduced to its offer 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. The Bank's market share in the sale of "Apartment for the Young" mortgage loans amounted to over 30% in the first quarter of program functioning.

The Bank has taken a number of local and country-wide actions supporting sale of mortgage loans, including promotional campaigns in the Internet and internal communication channels, regular participation in real estate fairs organized all over the country and adaptation of regulations to the binding law and S recommendation of the Polish Financial Supervision Authority (KNF). Thank to these activities the Bank remains among leading banks granting mortgage loans.

In the area of cash loans, the Bank was following the consequent strengthening of its position on the consumer goods financing market while maintaining a prudent credit risk policy and providing customers with the highest level of satisfaction. Sale of cash loans in the first quarter of 2014 amounted to almost PLN 1.3 billion.

Efficiency, transparent rules and individual approach in loans granting process guaranteed the competitiveness of Pożyczka Ekspresowa (the Express Loan) among the offers of other banks. The clients taking loan have possibility to use insurance coverage within the available insurance packages allowing to adjust the offer to the individual needs.

In the first quarter of 2014, the Bank continued local marketing activities conducted in outlets throughout the country and actively used internal channels of marketing communication, including website dedicated to consumer loan, the Pekao24 system and mobile application.

Saving and investment products

Increase in savings volume was supported by development of deposit and investment products offer and in the area of Premium Personal Banking through the professional assistance of qualified Personal Advisers ensuring support in the field of individual finance management. In total the Bank's retail deposits increased by nearly PLN 4 billion in comparison with the first quarter of 2013, which was supported by significant increase in deposits placed through the Pekao24 system thanks to attractive e-deposits offer and aimed communication dedicated to clients.

The Bank continued its initiative to promote the idea of regular savings in pension programs. Promotion of the offer to selected groups of clients positively influenced on the sale of IKZE accounts in Dobrowolny Fundusz Emerytalny Pekao and IKZE Pioneer.

In the first quarter of 2014, the Bank implemented for distribution a new mixed fund Pioneer Wzrostu i Dochodu Rynku Europejskiego which invests on shares and bonds market in euro zone and started a new subscription of structure product Strukturyzowany Certyfikat Depozytowy Rynku Brytyjskiego with 100% capital protection at the end of investment and allows diversification of investment portfolio by assets associated with the British equity market.

In the area of Private Banking, in January 2014, the Bank's offer within the scope of foreign investment funds was enhanced by solutions provided by Schroders Investment Management. This is another option for the Private Banking clients seeking investment opportunities on the global markets. To strengthen relationship with customers, in the first quarter of 2014, the Bank together with Forbes magazine organized prestigious meeting associated with announcement of a list of 100 Polish billionaires in 2014.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

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 March 2014, the brokerage entities maintained over 359 thousand investment accounts, which was nearly 24% share in total of investment accounts according to data of The National Depository for Securities (KDPW). The main group of individual investors were customers using the Group's brokerage services through remote channels, in particular through the Internet.

As at the end of March 2014, the total value of assets deposited on investment accounts run by the Group's brokerage entities amounted to over PLN 25 billion.

In the first quarter of 2014, the Group's brokerage entities conducted projects related to adaptation to the European Parliament internal regulations within the scope of CRR, CRD IV and EMIR. Moreover, the activities related to development of products offer and tolls improving the quality of customer service were continued.

Payment cards

The Bank continued the development of credit card offers and promoted cashless payments executed with the use of cards issued in MasterCard and Maestro system organizing competition „1,300 powodów by płacić kartą”(1,300 reasons to pay by card).

Bank Pekao S.A. is the only bank in Poland offering credit cards with the image of the UEFA Champions League. In the first quarter of 2014, the Bank provided also prepaid card UEFA Champions League.

Moreover, the Bank prepared offer enabling issuance of additional credit cards for young persons (above 13 years of age) and continued educational actions for the payment cards users within the scope of contactless functionality. The customers were also provided with automated phone service which enables information on cards, PIN code accessing and payments execution.

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 stores as well as to track market information.

As at the end of March 2014, the number of Pekao24 clients amounted to 2,488.0 thousand. In the first quarter of 2014, 1,381.4 thousand clients logged into the electronic banking services.

As at the end of March 2014, the number of clients with an access to mobile banking amounted to 421.5 thousand. In the first quarter of 2014, 159.5 thousand of clients logged into the mobile service m.pekao24.pl and the Pekao24 mobile banking application.

(in thousand)

	31.03.2014	31.12.2013
Number of individuals with an access to electronic banking Pekao24 as at the end of period	2,488.0	2,446.8
Number of individuals actively using electronic banking Pekao24*	1,381.4	1,352.0
Number of individuals with an access to mobile banking as at the end of period	421.5	373.1
Number of individuals actively using mobile banking**	159.5	149.1

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

** A customer actively using mobile banking is a customer who logged in to the mobile service m.pekao24.pl or the Pekao24 mobile banking application at least once during the last quarter.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

Small and micro enterprises (SME)

Service of SME customers is provided by dedicated Business Clients Advisers, responsible for identification of clients' needs and selection of appropriate products and services. The service is conducted by Advisers located in universal retail outlets and specialized Business Customers Centers.

In the first quarter of 2014, in the segment of small and micro enterprises the Bank continued its policy to offer modern mobile solutions, i.e. mobile banking Pekao24 and PekaoFirma24, mobile applications PeoPay and PeoPay mPOS and PekaoToken as well business clients advisers were equipped with modern tools to present the benefit of mobile banking for both new and existing customers.

In selected outlets of the Bank the cash-in module have been installed in ATMs to deposit cash directly in the ATM. The service is dedicated for individual and business clients, is available 24 hours and 7 days a week and competitive because of the cost compared to the cash deposit in outlet.

In January 2014, the Bank at a conference held in Warsaw presented the fourth edition of report "Raport o sytuacji mikro i małych firm w roku 2013" (Report on the situation of SME clients in 2013). The report has been prepared based on 7 thousand interviews conducted with the enterprises' owners employed up to 49 persons. The special subject of this edition was export activities of micro and small companies. In March 2014, outcomes of the Report were presented at the 16 conferences organized in each voivodeship.

Electronic banking for SME clients

Business customers of Bank Pekao S.A. use the systems of electronic banking such as the PekaoFirma24, the Pekao24 for entrepreneurs and the PekaoBIZNES²⁴. Main system offered to clients within Pakiet Mój Biznes (My Business Package) is the PekaoFirma24 electronic banking system. It is a comprehensive platform containing the Internet, mobile banking application with unlimited transaction capabilities and telephone channel. The PekaoFirma24 system allows customers to use the banking products and services and manage their funds conveniently and intuitively.

In the PekaoFirma24 system a new functionality has been implemented to allow the customers on-line applying for another bank accounts opening.

As at the end of March 2014, 232.6 thousand clients had an access to the electronic banking systems, of which 154.2 thousand are active clients. The number of business clients with an access to electronic banking systems increased by 9.1 thousand compared to the end of 2013.

(in thousand)

	31.03.2014	31.12.2013
Number of business clients (SME) with an access to electronic banking systems as at the end of period	232.6	223.5
Number of business clients (SME) actively using electronic banking systems*	154.2	147.2

* 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 March 2014, 8.3 thousand clients had an access to mobile banking application, of which 6 thousand are active clients. The number of business clients with an access to mobile banking application increased by 1.3 thousand compared to the end of 2013.

(in thousand)

	31.03.2014	31.12.2013
Number of business clients (SME) with an access to mobile banking as at the end of period	8.3	7.0
Number of business clients (SME) actively using mobile banking*	6.0	5.3

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

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

Corporate clients

Bank Pekao S.A. as the leader in servicing large and medium-sized companies has one of the widest product offer for corporate clients on the market.

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, who adjusts the product offer to individual needs of these clients.

The services for medium-sized companies are conducted in the Regional Corporate Centers, which are organized in micro-region structures, in order to provide comprehensive banking and advisory services.

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

PekaoBIZNES²⁴ - electronic banking for corporate banking clients

PekaoBIZNES²⁴ is an electronic banking system dedicated to large companies, corporations and local government units which offers a wide range of functionalities and services available within one platform.

Corporate clients using PekaoBIZNES²⁴ in the first quarter of 2014, executed nearly 27 million transactions, i.e. 6% growth in comparison to the previous year; the number of domestic transfers increased by 5% year on year, the number of salary payments increased by 8% year on year and the number of foreign and SEPA transfers increased by 4% year on year.

In January 2014, within the framework of continued development of the PekaoBIZNES²⁴ electronic banking system and adjusting the Bank's offer to changing needs of corporate banking users, the Accounts OnLine service was implemented. Manual and paper form of application for opening other accounts and submission of documentation via mail or in person have been replaced by online contact with the Bank through the save and user-friendly PekaoBIZNES²⁴ system, in which a company performs the majority of its financial operations. The new solution allows for efficient and convenient management of accounts.

In the first quarter of 2014, the third edition of Akademia PekaoBIZNES²⁴ (PekaoBIZNES²⁴ Academy) – workshops for users of transactional platform for corporate clients was launched. The previous two editions were attracting a lot interest of clients. The aim of meeting with customers is to promote unique functionalities of the PekaoBIZNES²⁴ system and to help client gain advanced skills in using the system, which increases the effectiveness of financial management processes in companies.

In the first quarter of 2014, the range of EuropeanGate Master service was expanded by nine countries in which UniCredit Group operates. The service is dedicated to the Polish companies which have its subsidiaries abroad. Currently, the PekaoBIZNES²⁴ system allows to manage the accounts in twelve countries of UniCredit Group. The accounts management involves possibility to make domestic and foreign transfers by charging accounts held by the Bank's client, also with the banks of UniCredit Group located abroad and to receive accounts statements. The accounts management through the PekaoBIZNES²⁴ system simplifies the process because it does not require to log into electronic banking systems in each country, to remember passwords and local formats of payments and statements. All operations are performed in one place, during one login with the use of one format. Before the full range of EuropeanGate Master service was offered only by the UniCredit Group entities located in Germany, Austria and Italy. Bank Pekao S.A. has now joined this group and it is the first bank in the CEE region to offer the full range of functionalities in EuropeanGate Master service.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

In the area of transactional banking, the Bank expanded its cooperation with clients operating in insurance sector by implementing other cash management products for collecting insurance premium, including direct debit. Large retail customer base and advanced tools for product service are the Bank's competitive advantages in choosing the Bank for direct debit settlements. The number of direct debits transactions processed by the Bank in the first quarter of 2014 accounted to ca. 1.5 million, which marks a double growth in comparison to the first quarter of 2013.

Financial markets and commercial debt instruments of the capital market

In the area of organization and servicing of commercial debt securities issuance, as at March 31, 2014, Bank Pekao S.A. took the first place with market share of 21.5% (based on the Rating & Market Bulletin published by Fitch Poland).

For the first quarter of 2014, the market position of the Bank in each category was as follows:

- 1st place on corporate bonds market and corporate revenue bonds market (with maturities over 365 days) with a share of over 27%,
- 2nd place in the segment of short-term debt securities with over 16% market share,
- 2nd place in the area of mortgage bonds with over 29% market share,
- 2nd place on municipal bonds market (with maturities over 365 days) with a share over 27%.

In the area of debt securities issues, in the first quarter of 2014, the Bank signed two new agreements for servicing of debt securities issues for a municipal company from the public utilities area for the amount of PLN 22 million and for a company from the real estate sector for the amount of PLN 250 million. Moreover, the Bank arranged, among others, the following issues of mid-term debt securities: the issue of 4-year bonds for the amount of PLN 114.5 million for an entity operating in the real estate sector, the issue of 6-year bonds for the amount of PLN 160 million for a company from the rail transport segment and the issue of 7-year covered bonds for the amount of EUR 15 million for a mortgage bank belonging to Bank Pekao S.A. Group.

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 quarter of 2014, the Bank maintained its leadership position servicing more than 50% programs related to depository receipts.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

5.7 Awards

Money.pl – mobile banking and mobile payments system PeoPay of Bank Pekao S.A. won the ranking for the best mobile solution in the Polish banking

Bank Pekao S.A. won the ranking organized by financial service Money.pl for the best mobile solution for retail customers in the Polish banking sector. Authors of the ranking appreciated functionality of the Pekao24 mobile application and advantages of the PeoPay mobile payments system.

The study assessed 20 parameters associated with mobile banking, including among others, possibility of any payment execution and payment execution with the use of QR codes scanning, mobile payment in POS terminal, cash withdrawals from ATM and deposit placement. Most important for ranking was the number of available functionality and their usability.

Forum Biznesu – The Innovation of the Year 2013 title for the PekaoBIZNES²⁴ system and Accounts OnLine

Electronic banking system for corporate clients PekaoBIZNES²⁴ has been awarded for the consecutive year the title Innovation of the Year 2013 by the judging panel of the competition held by Forum Biznesu, a supplement to Dziennik Gazeta Prawna newspaper. The experts distinguished project of the system revitalization and efficient migration of all users to the new platform.

The title Innovation of the Year 2013 was granted also to Accounts OnLine service which enables customers, among others, to apply for bank accounts opening through the PekaoBIZNES²⁴ system.

The awards for Bank Pekao S.A. confirm innovation and functionality of the electronic banking system PekaoBIZNES²⁴ and services available in the system.

EuropaProperty – Bank Pekao S.A. the Bank of the Year in CEE 2013 on the commercial real estate market

Bank Pekao S.A. won in the competition of CEE Retail Real Estate Awards organized by EuropaProperty in the category „Bank of the Year in CEE 2013”. This is an important distinction for the Bank for maintaining the high level of services in commercial real estates.

WSE – Bank Pekao S.A. awarded for the highest value of debt issues in 2013 on the Catalyst market

Bank Pekao S.A. for the second consecutive time was prized by the Warsaw Stock Exchange with prestigious award for “the highest value of debt issues in 2013 on the Catalyst market”. The Bank maintained the leader position on debt market.

In 2013, the Bank introduced to trading on the Catalyst market debt instruments (corporate and municipal bonds) with the value of PLN 2.4 billion which accounted for nearly 22% of the value of all last years' issues.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

5.8 Factors which will affect the results of the Group

In the coming quarters of 2014, further gradual improvement of the pace of economic growth should be noticed and the main factor of growth should be domestic demand supported by private consumption. Improvement of situation on the labor market (higher wages and higher number of employed) should also translate into better consumer sentiment, which together with the record-low interest rates will facilitate credit growth, thus positively impacting financial results of the banking sector. New export orders indicator are maintained at a very high levels, signaling further improvement in exports dynamics. However, acceleration of domestic demand will also mean increase of demand for imports, and narrowing between pace of growth of exports and even more significantly accelerating imports will influence on decreasing in positive impact of net exports into the GDP.

The main threat to above scenario might be deterioration of consumer sentiment due to further increase of tensions in Ukraine. Depreciation of the Ukraine's currency by more than 50% may affect exports from Poland to Ukraine (2.8% of Poland's exports were directed to Ukraine). Moreover, the risk of further restrictions of exports to Russia may increase (currently import of pork and part of dairy products is prohibited), which would have negative consequences primarily for the food producers. Possible further escalation of situation in eastern Ukraine would have negative impact on sentiment, both consumer and investment, thus curbing pace of economic growth.

Increase of demand for loans and scale of international trade positively influence on banking sector. However, negative impact on the 2014 banking sector financial results may have persisting, low level of interest rates, further reduction of interchange fees, unfavorable trends on T-bonds markets, introduction of new charges aimed at improving the safety of the entire banking sector (the so-called prudential fee) and the supervisory recommendations related to offering bancassurance products. As a risk factor it should be also considered the possibility of introducing unfavorable, for the banking sector, solutions related to the existing portfolio of mortgages loans denominated in foreign currencies.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

6 Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from January 1 to March 31, 2014 and 2013 respectively was presented in the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2014.

In relation to changes in accounting policy in 2013 (for description refer to the Note 4 to the Consolidated Financial Statement of Bank Pekao S.A. Group for the period ended on December 31, 2013) data for the first quarter of 2013 have been presented after appropriate restatements.

The Report on activities of Bank Pekao S.A. Group for the first quarter of 2014 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.

Since the first quarter of 2013, to align the presentation to the standards implemented by the major Polish and European banks, in the income statement gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result and thus in operating income, operating profit and respective ratios.

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

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of March 2014, the total assets of Bank Pekao S.A. constitutes 97.7% of the total assets of the whole Group.

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

ASSETS	31.03.2014		31.12.2013		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	6,571.4	4.3%	4,191.2	2.6%	56.8%
Loans and advances to banks*	5,754.0	3.8%	7,554.5	4.8%	(23.8%)
Loans and advances to customers**	106,556.0	69.9%	103,937.3	65.6%	2.5%
Securities***	25,720.7	16.9%	35,184.1	22.2%	(26.9%)
Investments in associates	195.3	0.1%	176.0	0.1%	11.0%
Property, plant and equipment and intangible assets	2,172.5	1.4%	2,216.2	1.4%	(2.0%)
Other assets	5,401.7	3.6%	5,262.4	3.3%	2.6%
Total assets	152,371.6	100.0%	158,521.7	100.0%	(3.9%)

* Including net investments in financial leases to banks.

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

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

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EQUITY AND LIABILITIES	31.03.2014		31.12.2013		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	1.0	0.0%	1.0	0.0%	0.0%
Amounts due to other banks	7,588.3	5.0%	6,417.7	4.0%	18.2%
Amounts due to customers	113,009.0	74.2%	119,796.7	75.6%	(5.7%)
Debt securities issued	1,974.6	1.3%	3,063.7	1.9%	(35.5%)
Other liabilities	5,625.9	3.6%	5,728.4	3.7%	(1.8%)
Total equity, including	24,172.8	15.9%	23,514.2	14.8%	2.8%
non-controlling interests	98.0	0.1%	94.3	0.1%	3.9%
Total equity and liabilities	152,371.6	100.0%	158,521.7	100.0%	(3.9%)

Customers' Financing

Customer structure of loans and advances

(in PLN million)

	31.03.2014	31.12.2013	CHANGE
Loans and advances at nominal value	111,376.0	108,734.9	2.4%
Loans*	98,201.8	96,727.3	1.5%
Retail	45,359.2	44,475.4	2.0%
Corporate	52,842.6	52,251.9	1.1%
Non-quoted securities	9,245.2	9,428.2	(1.9%)
Reverse repo transactions	3,929.0	2,579.4	52.3%
Other**	406.2	357.6	13.6%
Nominal value adjustment	85.5	48.1	77.8%
Impairment losses	(5,311.7)	(5,203.3)	2.1%
Total net receivables	106,556.0	103,937.3	2.5%
Securities issued by non-monetary entities***	815.8	815.7	0.0%
Total customers' financing****	112,191.8	109,550.6	2.4%

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

** Including interest and receivables in transit.

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

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

As at the end of March 2014, the volume of retail loans amounted to PLN 45,359.2 million, an increase of PLN 883.8 million, i.e. 2.0% in comparison to the end of 2013.

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 4.7% 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 1,757.3 million, i.e. 2.7% as compared to the end of 2013 and amounted to PLN 66,832.6 million at the end of March 2014.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

Receivables and impairment losses

(in PLN million)

	31.03.2014	31.12.2013	CHANGE
Gross receivables*	111,531.0	108,853.6	2.5%
Not impaired	103,567.9	100,940.4	2.6%
Impaired	7,963.1	7,913.2	0.6%
Impairment losses	(5,311.7)	(5,203.3)	2.1%
Interest	336.7	287.0	17.3%
Total net receivables	106,556.0	103,937.3	2.5%

* 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 March 31, 2014, the ratio of impaired receivables to total receivables amounted to 7.1% and was better 0.2 p.p. in comparison to the end of 2013.

Impairment losses as at the end of March 2014 amounted to PLN 5,311.7 million.

Loans and advances to customers by currency*

	31.03.2014		31.12.2013		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	91,801.2	82.1%	89,461.3	82.0%	2.6%
Denominated in foreign currencies**	20,066.5	17.9%	19,679.3	18.0%	2.0%
Total	111,867.7	100.0%	109,140.6	100.0%	2.5%
Impairment losses	(5,311.7)	x	(5,203.3)	x	2.1%
Total net	106,556.0	x	103,937.3	x	2.5%

* 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 March 2014, their share was 82.1%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (62.2%), CHF (26.6%) and USD (10.8%).

Loans and advances to customers by contractual maturities*

	31.03.2014		31.12.2013		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	17,128.1	15.3%	14,441.7	13.2%	18.6%
1 to 3 months	3,791.0	3.4%	3,076.5	2.8%	23.2%
3 months to 1 year	9,691.2	8.7%	11,092.7	10.2%	(12.6%)
1 to 5 years	35,216.7	31.5%	35,103.8	32.2%	0.3%
Over 5 years	45,634.5	40.8%	45,068.3	41.3%	1.3%
Other	406.2	0.3%	357.6	0.3%	13.6%
Total	111,867.7	100.0%	109,140.6	100.0%	2.5%
Impairment losses	(5,311.7)	x	(5,203.3)	x	2.1%
Total net	106,556.0	x	103,937.3	x	2.5%

* Including interest and receivables in transit.

Loans and advances with maturity over 5 years represents 40.8% 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 quarter of 2014

External sources of financing

(in PLN million)

	31.03.2014	31.12.2013	CHANGE
Amounts due to Central Bank	1.0	1.0	0.0%
Amounts due to other banks	7,588.3	6,417.7	18.2%
Amounts due to customers	113,009.0	119,796.7	(5.7%)
Debt securities issued	1,974.6	3,063.7	(35.5%)
Total external sources of financing	122,572.9	129,279.1	(5.2%)

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

Total customer savings

(in PLN million)

	31.03.2014	31.12.2013	CHANGE
Amounts due to corporate	57,184.0	64,965.6	(12.0%)
Non-financial entities	41,093.6	45,411.0	(9.5%)
Non-banking financial entities	7,287.2	13,734.0	(46.9%)
Budget entities	8,803.2	5,820.6	51.2%
Retail deposits	53,511.1	50,777.2	5.4%
Repo and sell-buy-back transactions	1,790.4	3,665.7	(51.2%)
Other*	523.5	388.2	34.9%
Amounts due to customers	113,009.0	119,796.7	(5.7%)
Debt securities issued, of which	1,974.6	3,063.7	(35.5%)
Structured Certificates of Deposit (SCD)	48.9	334.0	(85.4%)
Certificates of Deposit	994.9	1,901.9	(47.7%)
Pekao Bank Hipoteczny S.A. covered bonds	920.0	816.2	12.7%
Interest	10.8	11.6	(6.9%)
Amounts due to customers and debt securities issued, total	114,983.6	122,860.4	(6.4%)
Investment funds of Pioneer Pekao TFI	16,140.4	16,411.5	(1.7%)
Bond and money market funds	9,363.6	9,416.8	(0.6%)
Balanced funds	3,600.6	3,688.0	(2.4%)
Equity funds	3,176.2	3,306.7	(3.9%)
including distributed through the Group's network	15,394.0	15,609.6	(1.4%)

* Other item includes interest and funds in transit.

As at the end of March 2014, the total amounts due to the Group's customers and debt securities issued amounted to PLN 114,983.6 million, a decrease of PLN 7,876.8 million, i.e. 6.4% in comparison to the end of 2013 of which liabilities to Open Pensions Funds (OFE) decreased by PLN 7,929.1 million due to pension funds reform introduced in the first quarter of 2014. Excluding OFE, total amounts due to the Group's customers and debt securities issued increased by PLN 52.3 million in comparison to the end of 2013.

The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 54,011.2 million at the end of March 2014, an increase of PLN 2,594.9 million, i.e. 5.0% in comparison to the end of 2013. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,140.4 million at the end of March 2014, a decrease of PLN 271.1 million, i.e. 1.7% in comparison to the end of 2013 due to worst sentiment on capital markets affected by the situation in Ukraine.

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 60,972.4 million at the end of March 2014, a decrease of PLN 10,471.7 million, i.e. 14.7% as compared to the end of 2013, excluding OFE a decrease of PLN 2,542.6 million in comparison to the end of 2013.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

Amounts due to customers by currency*

	31.03.2014		31.12.2013		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	95,229.7	84.3%	101,473.0	84.7%	(6.2%)
Denominated in foreign currencies	17,779.3	15.7%	18,323.7	15.3%	(3.0%)
Total	113,009.0	100.0%	119,796.7	100.0%	(5.7%)

* 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 March 2014 amounted to 84.3%. The majority of amounts due to customers denominated in foreign currencies were in EUR (58.1%) and USD (37.3%).

Amounts due to customers by contractual maturities

	31.03.2014		31.12.2013		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	58,641.1	52.1%	55,417.3	46.4%	5.8%
Term deposits	53,844.4	47.9%	63,991.2	53.6%	(15.9%)
Total deposits	112,485.5	100.0%	119,408.5	100.0%	(5.8%)
Interest accrued	179.5	x	209.1	x	(14.2%)
Funds in transit	344.0	x	179.1	x	92.1%
Total	113,009.0	x	119,796.7	x	(5.7%)

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

6.2 The consolidated income statement – presentation form

Net profit of Bank Pekao S.A. Group attributable to equity holders for the first quarter of 2014 amounted to PLN 634.2 million allowing return on average capital (ROE) at the level of 10.7% achieved with a strong capital base reflected by CAR at 18,0% (Basel III). Normalized ROE (return on minimum equity equivalent to CAR at 10%) amounted to 15.9%.

As financial data of the first quarter of 2014 don't include results of PJSC UniCredit Bank – sold on July 16, 2013 – in the subsequent part of this chapter results of the first quarter of 2013 are additionally presented excluding PJSC UniCredit Bank and financial information dynamics is discussed in comparable terms.

The Group's net profit attributable to equity holders reported for the first quarter of 2014 in comparison to the first quarter of 2013 was lower by PLN 28.3 million i.e. 4.3% mainly due to lower gains on disposal of available for sale financial assets with total net interest income, dividend income and income from equity investments kept at practically unchanged level.

The strength of the liquidity structure of Bank Pekao S.A. Group is reflected by a high level of net loans to deposits ratio at 92.7% at the end of March 2014. This together with strong equity level enables for further sound and stable development of the Group's activities.

The consolidated income statement – presentation form

(in PLN million)

	1 QUARTER 2014	1 QUARTER 2013 (excluding PJSC UniCredit Bank)	1 QUARTER 2013	CHANGE (excluding PJSC UniCredit Bank)
Net interest income	1,130.0	1,135.3	1,167.7	(0.5%)
Dividend income and income from equity investments	19.3	14.9	14.9	29.5%
Total net interest income, dividend income and other income from equity investments	1,149.3	1,150.2	1,182.6	(0.1%)
Net fee and commission income	512.9	519.3	524.4	(1.2%)
Trading result	94.7	160.0	153.5	(40.8%)
Net other operating income and expenses	32.9	21.2	22.2	55.2%
Net non-interest income	640.5	700.5	700.1	(8.6%)
Operating income	1,789.8	1,850.7	1,882.7	(3.3%)
Operating costs	(856.8)	(854.4)	(875.6)	0.3%
Operating profit	933.0	996.3	1,007.1	(6.4%)
Net result on other provisions	(1.2)	(0.6)	(0.6)	100.0%
Net impairment losses on loans and off-balance sheet commitments	(147.5)	(163.3)	(165.0)	(9.7%)
Net result on investment activities	(0.3)	0.0	0.0	x
Profit before tax	784.0	832.4	841.5	(5.8%)
Income tax expense	(146.1)	(167.7)	(169.4)	(12.9%)
Net profit for the period	637.9	664.7	672.1	(4.0%)
Attributable to equity holders of the Bank	634.2	662.5	669.9	(4.3%)
Attributable to non-controlling interest	3.7	2.2	2.2	68.2%

Operating income

In the first quarter of 2014, the Group's operating income amounted to PLN 1,789.8 million, a decrease of PLN 60.9 million, i.e. 3.3% in comparison with the first quarter of 2013 mainly due to lower gains on disposal of available for sale financial assets as compared with the previous year.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

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

(in PLN million)

	1 QUARTER 2014	1 QUARTER 2013 (excluding PJSC UniCredit Bank)	1 QUARTER 2013	CHANGE (excluding PJSC UniCredit Bank)
Interest income	1,571.0	1,849.5	1,897.6	(15.1%)
Interest expense	(441.0)	(714.2)	(729.9)	(38.3%)
Net interest income	1,130.0	1,135.3	1,167.7	(0.5%)
Dividend income	0.0	0.0	0.0	x
Income from equity investments	19.3	14.9	14.9	29.5%
Total net interest income, dividend income and income from equity investments	1,149.3	1,150.2	1,182.6	(0.1%)

Total net interest income, dividend income and income from equity investments in the first quarter of 2014 amounted to PLN 1,149.3 million practically unchanged compared to the previous year thanks to higher volumes compensating negative impact of lower interest rates. In the first quarter of 2014, average WIBOR 3M rate stood at the level of 2.71%, and was lower by 107 b.p. than in the first quarter of 2013.

Net non-interest income

(in PLN million)

	1 QUARTER 2014	1 QUARTER 2013 (excluding PJSC UniCredit Bank)	1 QUARTER 2013	CHANGE (excluding PJSC UniCredit Bank)
Fee and commission income	632.0	632.1	640.1	(0.0%)
Fee and commission expense	(119.1)	(112.8)	(115.7)	5.6%
Net fee and commission income	512.9	519.3	524.4	(1.2%)
Trading result	94.7	160.0	153.5	(40.8%)
of which gains on disposal of AFS assets	0.0	57.6	57.6	(100.0%)
Net other operating income and expense	32.9	21.2	22.2	55.2%
Net non-interest income	640.5	700.5	700.1	(8.6%)

The Group's net non-interest income in the first quarter of 2014 amounted to PLN 640.5 million, a decrease of PLN 60.0 million, i.e. 8.6% in comparison with the first quarter of 2013 mainly due to lower trading result, in particular lower gains on disposal of available for sale financial assets.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

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

(in PLN million)

	1 QUARTER 2014	1 QUARTER 2013 (excluding PJSC UniCredit Bank)	1 QUARTER 2013	CHANGE (excluding PJSC UniCredit Bank)
Net fee and commission income	512.9	519.3	524.4	(1.2%)
on loans	98.0	95.2	95.2	2.9%
on cards	108.2	109.8	109.1	(1.5%)
capital market related	88.4	91.2	91.3	(3.1%)
other	218.3	223.1	228.8	(2.2%)

The Group's net fee and commission income in the first quarter of 2014 amounted to PLN 512.9 million and was lower by PLN 6.4 million, i.e. 1.2% in comparison with the first quarter of 2013.

Operating costs

In the first quarter of 2014, the operating costs were kept under control and amounted to PLN 856.8 million. They were higher than the operating costs in the first quarter of 2013 by PLN 2.4 million, i.e. 0.3% due to new prudential charge of the Bank Guarantee Fund.

(in PLN million)

	1 QUARTER 2014	1 QUARTER 2013 (excluding PJSC UniCredit Bank)	1 QUARTER 2013	CHANGE (excluding PJSC UniCredit Bank)
Personnel expenses	(471.4)	(462.4)	(472.3)	1.9%
Other administrative expenses	(303.5)	(305.7)	(315.8)	(0.7%)
Depreciation and amortization	(81.9)	(86.3)	(87.5)	(5.1%)
Operating costs	(856.8)	(854.4)	(875.6)	0.3%

In the first quarter of 2014, cost / income ratio amounted to 47.9% in comparison with 46.2% in the first quarter of 2013.

As at the end of March 2014, the Group employed 18,851 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 18,916 employees as at the end of 2013.

As at the end of March 2014, the Bank employed 17,033 people as compared to 17,092 people as at the end of 2013.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

6.3 The structure of the net profit

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

(in PLN million)

	1 QUARTER 2014	1 QUARTER 2013	CHANGE
Net profit of Bank Pekao S.A.	601.8	688.7	(12.6%)
Entities consolidated under full method			
Pekao Leasing Sp. z o.o.	29.2	8.1	260.5%
Centralny Dom Maklerski Pekao S.A.	10.6	8.1	30.9%
Pekao Bank Hipoteczny S.A.	2.5	1.2	108.3%
Pekao Faktoring Sp. z o.o.	1.9	1.8	5.6%
Pekao Financial Services Sp. z o.o.	1.8	1.7	5.9%
Centrum Bankowości Bezpośredniej Sp. z o.o.	0.5	0.4	25.0%
Centrum Kart S.A.	0.5	0.4	25.0%
FPB "Media" Sp. z o.o.	0.2	0.1	100.0%
Pekao Leasing Holding S.A. ¹	0.2	26.9	(99.3%)
Pekao Fundusz Kapitałowy Sp. z o.o.	0.1	0.2	(50.0%)
Pekao Property S.A. ²	0.0	(0.1)	(100.0%)
Pekao Telecentrum Sp. z o.o. w likwidacji ³	0.0	0.1	(100.0%)
Property Sp. z o.o. w likwidacji	0.0	0.0	x
Pekao Pioneer PTE S.A.	(0.1)	3.2	(103.1%)
Jana Kazimierza Development Sp. z o.o. ²	-	0.1	x
Metropolis Sp. z o.o. ²	-	(0.1)	x
PJSC UniCredit Bank ⁴	-	7.4	x
Entities valued under the equity method			
Pioneer Pekao Investment Management S.A.	16.7	12.1	38.0%
Krajowa Izba Rozliczeniowa S.A.	2.4	2.7	(11.1%)
Dom Inwestycyjny Xelion sp. z o.o.	0.2	0.1	100.0%
Exclusions and consolidation adjustments⁵	(34.3)	(93.2)	(63.2%)
Net profit of the Group attributable to equity holders of the Bank	634.2	669.9	(5.3%)
Net profit of the Group attributable to equity holders of the Bank – continuing operations	634.2	662.5	(4.3%)

1 The result of Pekao Leasing Holding S.A. for 2013 mainly include the dividend received from Pekao Leasing Sp. z o.o.

2 On June 3, 2013, the District Court for the Capital City of Warsaw, XII Business Branch of the Domestic Registry Court registered the merger of Pekao Property S.A. with its subsidiaries Metropolis Sp. z o.o. and Jana Kazimierza Development Sp. z o.o.

3 On December 2, 2013 the Extraordinary Shareholders Meeting of Pekao Telecentrum Sp. z o. o. took the resolution on winding-up of the company and starting liquidation procedure within the date the resolution was taken. Since the date of the liquidation the company operates under the name of Pekao Telecentrum Sp. z o. o. in liquidation.

4 On July 16, 2013, the Bank sold 100% shares of PJSC UniCredit Bank based in Kiev to UniCredit S.p.A. based in Rome.

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

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

The results of Bank Pekao S.A.

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

(in PLN million)

	1 QUARTER 2014	1 QUARTER 2013	CHANGE
Net interest income	1,099.0	1,102.8	(0.3%)
Dividend income	29.0	44.3	(34.5%)
Total net interest income and dividend income	1,128.0	1,147.1	(1.7%)
Net non-interest income	559.0	640.9	(12.8%)
Operating income	1,687.0	1,788.0	(5.6%)
Operating costs	(802.9)	(799.2)	0.5%
Operating profit	884.1	988.8	(10.6%)
Net result on other provisions	(0.4)	(0.6)	(35.5%)
Net impairment losses on loans and off-balance sheet commitments	(141.5)	(139.1)	1.7%
Net result on investment activities	(0.5)	0.0	x
Profit before tax	741.7	849.0	(12.6%)
Net profit for the period	601.8	688.7	(12.6%)

In the first quarter of 2014, the Bank's net profit amounted to PLN 601.8 million, decrease of PLN 86.9 million, i.e. 12.6% in comparison to the first quarter of 2013.

The Bank's operating profit reported for the first quarter of 2014 was lower by 10.6% in comparison with the first quarter of 2013 due to lower operating income affected mainly by lower gains on disposal of available for sale financial assets and lower dividend income with operating costs kept at practically unchanged level.

The main Bank's financial information are as follows:

	31.03.2014	31.12.2013	CHANGE
Total gross loans in PLN million*	94,522.1	93,186.8	1.4%
Impaired receivables to total receivables in %	7.0%	7.1%	(0.1) p.p.
Total deposits in PLN million*	110,831.5	115,843.7	(4.3%)
Repo and sell-buy-back transactions in PLN million	1,790.4	3,665.7	(51.2%)
Structured Certificates of Deposit in PLN million	48.9	334.0	(85.4%)
Certificates of Deposit in PLN million	994.9	1,901.9	(47.7%)
Total assets in PLN million	148,912.0	155,286.6	(4.1%)
Investment funds distributed through the Bank's network in PLN million	14,389.8	14,628.6	(1.6%)
Capital adequacy ratio (Basel III) in %	18.0%	18.3%	(0.3) p.p.

* The nominal value.

The volume of gross loans of the Bank's clients as at the end of March 2014 amounted to PLN 94,522.1 million, increasing by PLN 1,335.3 million, i.e. 1.4% as compared to the end of 2013. At the end of March 2014, the total volume of retail loans amounted to PLN 44,509.4 million and volume of corporate loans amounted to PLN 50,012.7 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 113,665.7 million and decreased by PLN 8,079.6 million, i.e. 6.6% compared to the end of 2013, of which liabilities to Open Pensions Funds decreased by PLN 7,929.1 million due to pension funds reform introduced in the first quarter of 2014.

The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. and distributed by the Bank's network decreased by PLN 238.8 million, i.e. 1.6% as compared to the end of 2013.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

Results of the Bank's major related entities

Pioneer Pekao Investment Management S.A. – PPIM

In the first quarter of 2014, consolidated net profit of PPIM amounted to PLN 34.0 million compared with PLN 24.8 million in comparable period of 2013. The Bank's share in the company's profit was **PLN 16.7 million**.

As at March 31, 2014, the net asset value of investment funds under the management of Pioneer Pekao TFI S.A. (a company managed by PPIM in which the Bank holds a 49% share), amounted to PLN 16,140.4 million, a decrease of PLN 271.1 million (1.7%) as compared to the end of 2013 due to worst sentiment on capital markets affected by the situation in Ukraine.

As at the end of the first quarter of 2014, PPIM maintained 913.7 thousand open customer accounts (decrease by 2.0% in comparison to the end of 2013), managing portfolios of 39 investment funds and sub-funds.

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

In the first quarter of 2014, Pekao Leasing reported a net profit of PLN 29.2 million (the Bank's share equaled to **PLN 25.5 million**) compared with PLN 8.1 million in the first quarter of 2013. Pekao Leasing result for 2014 on top of positive commercial income includes positive impact of VAT settlements.

Centralny Dom Maklerski Pekao S.A. – CDM

In the first quarter of 2014, net profit of CDM amounted to **PLN 10.6 million** compared with PLN 8.1 million of the profit earned in the same period of 2013.

Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny

In the first quarter of 2014, Pekao Bank Hipoteczny reported a net profit of **PLN 2.5 million** compared with PLN 1.2 million in the first quarter of 2013.

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

In the first quarter of 2014, Pekao Faktoring reported a net profit of **PLN 1.9 million** compared with PLN 1.8 million in the same period of 2013.

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

In the first quarter of 2014, Xelion reported a net profit of PLN 0.39 million (the Bank's share equaled to **PLN 0.19 million**) and it was higher than the profit earned in the first quarter of 2013 in the amount of PLN 0.13 million.

Pekao Pioneer PTE S.A. – PTE

In the first quarter of 2014, PTE reported a net loss of PLN 0.1 million (the Bank's share equaled to **PLN 0.1 million**) compared with net profit of PLN 3.2 million in the same period of 2013. The loss results from increase of rate of contribution to the Guarantee Fund in the first quarter of 2014 and also transfer of assets from Open Pensions Funds (OFE) to Social Security Enterprise (ZUS) as a consequence of pension funds reform.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

6.4 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Total provisions	398.8	393.5	395.8	391.4
of which:				
provisions for off-balance sheet commitments	112.5	113.9	115.4	116.9
provisions for liabilities to employees	247.0	241.5	244.6	239.2
other provisions	39.3	38.1	35.8	35.3
Deferred tax liabilities	2.4	3.3	-	-
Deferred tax assets	867.3	895.3	653.8	680.2

6.5 Net impairment losses

(in PLN million)

	GROUP			BANK PEKAO S.A.	
	1 QUARTER 2014	1 QUARTER 2013 (excluding PJSC UniCredit Bank)	1 QUARTER 2013	1 QUARTER 2014	1 QUARTER 2013
Impairment losses on loans	(149.0)	(155.6)	(157.3)	(143.0)	(147.7)
Impairment losses on off-balance sheet commitments	1.5	(7.7)	(7.7)	1.5	8.6
Total	(147.5)	(163.3)	(165.0)	(141.5)	(139.1)

The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 147.5 million in the first quarter of 2014, a decrease of PLN 15.8 million, i.e. 9.7% as compared with the first quarter of 2013 (excluding PJSC UniCredit Bank in the first quarter of 2013).

The Bank's net impairment losses on loans and off-balance sheet commitments amounted to PLN 141.5 million in the first quarter of 2014, an increase of PLN 2.4 million i.e. 1.7% as compared with the first quarter of 2013.

6.6 Off-balance sheet items

(in PLN million)

	31.03.2014	31.12.2013	CHANGE
Contingent liabilities granted and received	53,478.8	47,411.7	12.8%
Liabilities granted:	37,810.6	38,175.0	(1.0%)
financial	26,857.3	27,097.7	(0.9%)
guarantees	10,953.3	11,077.3	(1.1%)
Liabilities received:	15,668.2	9,236.7	69.6%
financial	2,637.4	111.8	2,259.0%
guarantees	13,030.8	9,124.9	42.8%
Derivative financial instruments	210,612.7	187,401.9	12.4%
interest rate transactions	133,485.8	116,772.1	14.3%
transactions in foreign currency and in gold	76,234.7	69,566.6	9.6%
transactions based on commodities and equity securities	892.2	1,063.2	(16.1%)
Other	32,900.8	33,185.3	(0.9%)
Total off-balance sheet items	296,992.3	267,998.9	10.8%

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

6.7 Capital adequacy

A basic measure of capital adequacy is total capital ratio. Since January 1, 2014 banks are obliged to apply new rules to calculate capital ratios due to entering into force a 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.

Capital ratios, capital requirements and own funds have been calculated in accordance with the above mentioned Regulation using so-called national options consistent with guidelines used by the Polish Financial Supervision Authority (KNF) for interim 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.

The minimum value of the total capital ratio required by law cannot be lower than 8%, while according to the recommendation of EBA (European Banking Authority) and PFSA capital adequacy ratio should remain at level not lower than 12% and the Tier 1 ratio not lower than 9%. At the end of March 2014 the total capital ratio of Bank Pekao S.A. Group amounted to 18.0% and was more than twice the minimum value required by the law and significantly higher than the level recommended by the EBA and the PFSA.

The table below presents the basic data concerning the Group capital adequacy as at March 31, 2014 and December 31, 2013 according to the new rules of Basel III.

(in PLN thousand)

CAPITAL REQUIREMENT	31.03.2014	31.12.2013
Credit risk	7,344,607	7,277,933
Exceeding large exposure limits	0	0
Market risk	181,474	127,683
Delivery and contractor risk	217,659	195,919
Exceeding exposure concentration limit	0	0
Operational risk	1,044,053	1,054,131
Total capital requirement	8,787,793	8,655,666
Capital for capital adequacy ratio calculation		
Tier 1 capital	19,811,968	19,836,692
Tier 2 capital	0	0
Capital for capital adequacy ratio calculation	19,811,968	19,836,692
Total capital adequacy ratio (%)	18.0%	18.3%
Ratio CT 1 / CET1	18.0%	18.3%

A decrease in total capital adequacy ratio in March 2014 against December 2013 (by -0.3 p.p.) in comparable terms was due to an increase in total capital requirements by 1.5% and decrease in own funds by 0.1% in this period.

The increase of total capital requirement as at the end of March 2014 was mainly influenced by an increase of capital requirement for credit risk driven by an increase of the loans portfolio of the Bank and increase of capital requirement for market risk.

As at the end of March 2014, capital adequacy ratio calculated in accordance with the rules binding till December 31, 2013 (Resolution No 76/2010 of The Polish Financial Supervision Authority) amounted for 18.7%.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

6.8 Reconciliation of income statement – presentation form and long form

Consolidated income statement for the first quarter of 2014

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTER OF 2014	COMMENTS
Net interest income		<u>1,130,073</u>	
Dividend income and income from equity investments		<u>19,282</u>	
	Dividend income	-	
	Gains (losses) on subsidiaries and associates	19,282	
Total net interest income, dividend income and other income from equity investments		1,149,355	
Net fee and commission income	Net fee and commission income	<u>512,899</u>	
Trading result		<u>94,718</u>	
	Result on financial assets and liabilities held for trading	105,443	
	Result on fair value hedge accounting	(10,725)	
	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	17	
	(Gains) losses on disposal of financial liabilities	(17)	
Net other operating income and expenses		<u>32,856</u>	
	Net other operating income and expenses	34,237	
	less - Refunding of administrative expenses	(1,795) /1	
	Gains (losses) on disposal of loans and other financial receivables	414	
Net non-interest income		640,473	
Operating income		1,789,828	
Operating costs		<u>(856,852)</u>	
	Personnel expenses	(471,380)	
	Other administrative expenses	(305,322)	
	Refunding of administrative expenses	1,795 /1	
	Depreciation and amortization	(81,945)	
Operating profit		932,976	
Net result on other provisions	Net result on other provisions	<u>(1,188)</u>	
Net impairment losses on loans and off-balance sheet commitments		<u>(147,502)</u>	
	Net impairment losses on loans	(149,004)	
	Net impairment provision for off-balance sheet commitments	1,502	
Net result on investment activities		<u>(333)</u>	
	Gains (losses) on disposal of property, plant and equipment and intangible assets.	(333)	
	Impairment losses on subsidiaries and associates	-	
	Gains (losses) on disposal of subsidiaries and associates	-	
Profit before income tax		783,953	
Income tax expense	Income tax expense	<u>(146,017)</u>	
Net profit for the period	Net profit for the period	637,936	
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	634,244	
Attributable to non-controlling interest	Attributable to non-controlling interest	3,692	

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

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

Consolidated income statement for the first quarter of 2013 (continuing and discontinued operations)

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTERS OF 2013	COMMENTS
Net interest income		<u>1,167,749</u>	
Dividend income and income from equity investments		<u>14,854</u>	
	Dividend income	-	
	Gains (losses) on subsidiaries and associates	14,854	
Total net interest income, dividend income and other income from equity investments		1,182,603	
Net fee and commission income	Net fee and commission income	<u>524,408</u>	
Trading result		<u>153,518</u>	
	Result on financial assets and liabilities held for trading	103,936	
	Result on fair value hedge accounting	(4,654)	
	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	57,565	
	(Gains) losses on disposal of financial liabilities	(3,329)	
Net other operating income and expenses		<u>22,177</u>	
	Net other operating income and expenses	23,298	
	less - Refunding of administrative expenses	(1,040) /1	
	(Gains) losses on disposal of loans and other financial receivables	(81)	
Net non-interest income		700,103	
Operating income		1,882,706	
Operating costs		<u>(875,640)</u>	
	Personnel expenses	(472,256)	
	Other administrative expenses	(316,918)	
	Refunding of administrative expenses	1,040 /1	
	Depreciation and amortization	(87,506)	
Operating profit		1,007,066	
Net result on other provisions	Net result on other provisions	<u>(643)</u>	
Net impairment losses on loans and off-balance sheet commitments		<u>(165,006)</u>	
	Net impairment losses on loans	(157,265)	
	Net impairment provision for off-balance sheet commitments	(7,741)	
Net result on investment activities		<u>41</u>	
	Gains (losses) on disposal of property, plant and equipment and intangible assets.	41	
	Impairment losses on subsidiaries and associates	-	
	(Gains) losses on disposal of subsidiaries and associates	-	
Profit before income tax		841,458	
Income tax expense	Income tax expense	<u>(169,399)</u>	
Net profit for the period	Net profit for the period	672,059	
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	669,857	
Attributable to non-controlling interest	Attributable to non-controlling interest	2,202	

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

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

7 Quarterly Income Statement

7.1 Consolidated income statement – long form

Consolidated income statement for the first quarter of 2014 and four quarters of 2013 - Provided for comparability purposes.

(in PLN thousand)

	Q1 2014			Q1 2013			Q2 2013			Q3 2013			Q4 2013		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL												
Interest income	1,571,029	-	1,571,029	1,849,493	48,138	1,897,631	1,675,097	39,333	1,714,430	1,574,875	5,877	1,580,752	1,581,477	-	1,581,477
Interest expense	(440,956)	-	(440,956)	(714,219)	(15,663)	(729,882)	(593,902)	(13,812)	(607,714)	(483,123)	(2,199)	(485,322)	(445,810)	-	(445,810)
Net interest income	1,130,073	-	1,130,073	1,135,274	32,475	1,167,749	1,081,195	25,521	1,106,716	1,091,752	3,678	1,095,430	1,135,667	-	1,135,667
Fee and commission income	631,965	-	631,965	632,137	7,958	640,095	660,174	9,661	669,835	668,109	1,556	669,665	675,467	-	675,467
Fee and commission expense	(119,066)	-	(119,066)	(112,752)	(2,935)	(115,687)	(131,727)	(3,683)	(135,410)	(131,860)	(1,385)	(133,245)	(127,876)	-	(127,876)
Net fee and commission income	512,899	-	512,899	519,385	5,023	524,408	528,447	5,978	534,425	536,249	171	536,420	547,591	-	547,591
Dividend income	-	-	-	-	-	-	6,751	-	6,751	5	-	5	-	-	-
Result on financial assets and liabilities held for trading	105,443	-	105,443	110,439	(6,503)	103,936	119,422	3,901	123,323	124,089	252	124,341	113,457	-	113,457
Result on fair value hedge accounting	(10,725)	-	(10,725)	(4,654)	-	(4,654)	(2,381)	-	(2,381)	(4,320)	-	(4,320)	(6,068)	-	(6,068)
Net result on other financial instruments at fair value through profit and loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains (losses) on disposal of:	414	-	414	54,155	-	54,155	152,801	-	152,801	39,426	-	39,426	58,757	-	58,757
loans and other financial receivables	414	-	414	(81)	-	(81)	-	-	-	-	-	-	14	-	14
available for sale financial assets and held to maturity investments	17	-	17	57,565	-	57,565	152,922	-	152,922	39,191	-	39,191	58,677	-	58,677
financial liabilities	(17)	-	(17)	(3,329)	-	(3,329)	(121)	-	(121)	235	-	235	66	-	66
Operating income	1,738,104	-	1,738,104	1,814,599	30,995	1,845,594	1,886,235	35,400	1,921,635	1,787,201	4,101	1,791,302	1,849,404	-	1,849,404
Net impairment losses on financial assets and off-balance sheet commitments:	(147,502)	-	(147,502)	(163,279)	(1,727)	(165,006)	(156,143)	(3,916)	(160,059)	(169,765)	428	(169,337)	(169,248)	-	(169,248)
loans and other financial receivables	(149,004)	-	(149,004)	(155,538)	(1,727)	(157,265)	(156,090)	(3,916)	(160,006)	(139,292)	428	(138,864)	(199,979)	-	(199,979)
off-balance sheet commitments	1,502	-	1,502	(7,741)	-	(7,741)	(53)	-	(53)	(30,473)	-	(30,473)	30,731	-	30,731
Net result on financial activity	1,590,602	-	1,590,602	1,651,320	29,268	1,680,588	1,730,092	31,484	1,761,576	1,617,436	4,529	1,621,965	1,680,156	-	1,680,156

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

Consolidated income statement for the first quarter of 2014 and four quarters of 2013 - cont.

	Q1 2014			Q1 2013			Q2 2013			Q3 2013			Q4 2013		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL												
Administrative expenses	(776,702)	-	(776,702)	(769,179)	(19,995)	(789,174)	(796,473)	(19,519)	(815,992)	(780,431)	(2,945)	(783,376)	(753,939)	-	(753,939)
personnel expenses	(471,380)	-	(471,380)	(462,431)	(9,825)	(472,256)	(478,470)	(10,082)	(488,552)	(473,272)	(1,238)	(474,510)	(445,857)	-	(445,857)
other administrative expenses	(305,322)	-	(305,322)	(306,748)	(10,170)	(316,918)	(318,003)	(9,437)	(327,440)	(307,159)	(1,707)	(308,866)	(308,082)	-	(308,082)
Depreciation and amortization	(81,945)	-	(81,945)	(86,227)	(1,279)	(87,506)	(86,597)	(1,271)	(87,868)	(84,518)	(146)	(84,664)	(86,320)	-	(86,320)
Net result on other provisions	(1,188)	-	(1,188)	(643)	-	(643)	(1,672)	-	(1,672)	(1,065)	-	(1,065)	17,041	-	17,041
Net other operating income and expenses	34,237	-	34,237	22,229	1,069	23,298	14,155	279	14,434	37,229	(138)	37,091	28,599	-	28,599
Operating costs	(825,598)	-	(825,598)	(833,820)	(20,205)	(854,025)	(870,587)	(20,511)	(891,098)	(828,785)	(3,229)	(832,014)	(794,619)	-	(794,619)
Gains (losses) on subsidiaries and associates	19,282	-	19,282	14,854	-	14,854	12,835	-	12,835	13,808	-	13,808	17,928	-	17,928
Gains (losses) on disposal of property, plant and equipment, and intangible assets	(333)	-	(333)	41	-	41	16,976	-	16,976	1,905	-	1,905	3,354	-	3,354
Profit before income tax	783,953	-	783,953	832,395	9,063	841,458	889,316	10,973	900,289	804,364	1,300	805,664	906,819	-	906,819
Income tax expense	(146,017)	-	(146,017)	(167,712)	(1,687)	(169,399)	(165,522)	(2,196)	(167,718)	(154,336)	29	(154,307)	(167,816)	-	(167,816)
Net profit for the period	637,936	-	637,936	664,683	7,376	672,059	723,794	8,777	732,571	650,028	1,329	651,357	739,003	-	739,003
Attributable to equity holders of the Bank	634,244	-	634,244	662,481	7,376	669,857	721,696	8,777	730,473	647,537	1,329	648,866	735,583	-	735,583
Attributable to non-controlling interest	3,692	-	3,692	2,202	-	2,202	2,098	-	2,098	2,491	-	2,491	3,420	-	3,420

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

7.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for 2014 and 2013 (continuing and discontinued operations)

(in PLN thousand)

	Q1 2014	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Net profit	637,936	672,059	732,571	651,357	739,003
Attributable to equity holders of the Bank	634,244	669,857	730,473	648,866	735,583
Attributable to non-controlling interest	3,692	2,202	2,098	2,491	3,420
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences	5	22,194	5,014	(1,511)	(132)
Change in fair value of available-for-sale financial assets	36,868	(152,160)	(314,574)	(118,201)	26,313
Change in fair value of cash flow hedges	(11,416)	17,221	(48,395)	69,742	(3,736)
Income tax expense on other comprehensive income	(4,836)	21,422	68,074	9,428	(4,290)
<i>Items that will never be reclassified to profit or loss:</i>					
Re-measurements of the defined benefit liabilities	-	-	-	-	(41,524)
Tax on items that will never be reclassified to profit or loss	-	-	-	-	7,890
Other comprehensive income (net)	20,621	(91,323)	(289,881)	(40,542)	(15,479)
Total comprehensive income	658,557	580,736	442,690	610,815	723,524
Attributable to equity holders of the Bank	654,865	578,534	440,592	608,324	720,104
Attributable to non-controlling interest	3,692	2,202	2,098	2,491	3,420

7.3 Consolidated income statement – presentation form

Consolidated income statement for 2014 and 2013 (continuing and discontinued operations)

(in PLN thousand)

	Q1 2014	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Net interest income	1,130,073	1,167,749	1,106,716	1,095,430	1,135,667
Dividend income and income from equity investments	19,282	14,854	19,586	13,813	17,928
Total net interest income, dividend income and other income from equity investments	1,149,355	1,182,603	1,126,302	1,109,243	1,153,595
Net fee and commission income	512,899	524,408	534,425	536,420	547,591
Trading result	94,718	153,518	273,743	159,447	166,132
Net other operating income and expenses	32,856	22,177	13,349	35,498	26,890
Net non-interest income	640,473	700,103	821,517	731,365	740,613
Operating income	1,789,828	1,882,706	1,947,819	1,840,608	1,894,208
Operating costs	(856,852)	(875,640)	(902,775)	(866,447)	(838,536)
Operating profit	932,976	1,007,066	1,045,044	974,161	1,055,672
Net result on other provisions	(1,188)	(643)	(1,672)	(1,065)	17,041
Net impairment losses on loans and off-balance sheet commitments	(147,502)	(165,006)	(160,059)	(169,337)	(169,248)
Net result on investment activities	(333)	41	16,976	1,905	3,354
Profit before income tax	783,953	841,458	900,289	805,664	906,819
Income tax expense	(146,017)	(169,399)	(167,718)	(154,307)	(167,816)
Net profit for the period	637,936	672,059	732,571	651,357	739,003
Attributable to equity holders of the Bank	634,244	669,857	730,473	648,866	735,583
Attributable to non-controlling interest	3,692	2,202	2,098	2,491	3,420

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

8 Other Information

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

The Bank has not published the forecast of the financial results for 2014.

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

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

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

	AS AT THE DATE OF SUBMITTING THE REPORT		CHANGE
	FOR THE FIRST QUARTER OF 2014	FOR THE YEAR 2013	
Luigi Lovaglio	64,035	64,035	0
Diego Biondo	9,500	9,500	0
Total	73,535	73,535	0

8.3 Related party transactions

In the first quarter of 2014, the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm's length.

In the first quarter of 2014, the Bank and its subsidiaries did not provide any sureties or guarantees in respect of loans or advances to an entity or a subsidiary of such entity, as a result of which the total value of existing sureties and guarantees would have equaled or exceeded 10% of the Bank's equity.

8.4 Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2014.

8.5 Seasonality or cyclical nature of the Bank's activity

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

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2014

8.6 Issuance, redemption and repayment of debt securities

Structured Certificates of Deposit

Structured Certificates of Deposit are investment products for the Bank's clients that form an alternative to traditional banks' deposits. The total value of the Bank's liabilities relating to these products amounted to PLN 48.9 million (principal value) as at the end of March 2014. There is 1 issue of Structured Certificates of Deposit open in PLN with maturity date set at September 12, 2014.

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 994.9 million (principal value) as at the end of March 2014. There are 6 issues of Certificates of Deposit, and the maturity date up to 3 months accounts for 18.7%, up to 6 months accounts for 75.1% and up to 1 year accounts for 6.2% of its total value.

Pekao Leasing Sp. z o.o. bonds

The total value of the company's liabilities under bonds amounted to PLN 47.4 million as at March 31, 2014 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 1,022.0 million as at March 31, 2014. The liabilities under covered bonds with maturity date up to 1 year account for 0.7%, with maturity date from 3 up to 5 years account for 28.0% and with maturity date from 5 up to 10 years account for 71.3% of the total nominal value.

8.7 Information on dividend

The Management Board of Bank Pekao S.A. announced in the current report no 5/2014 from March 11, 2014, that on March 10, 2014 decided to submit to the General Meeting the proposal of the dividend payment for year 2013 in the amount of PLN 9.96 per 1 share, which translates into a payout ratio of 93% of the Bank net profit for 2013. Decision of Management Board got positive opinion from Supervisory Board.

8.8 Pending litigations

In the first quarter of 2014, the number of the legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of the Group's liabilities was 534 with the total value amounting to PLN 987.5 million. The number of legal proceedings in respect of receivables was 10,551 with the total value of PLN 1,047.7 million.

In the first quarter of 2014, there were no legal proceedings relating to the liabilities and/or receivables of the Group in which asserted claims accounted for at least 10% of the Bank's own funds.

In the opinion of the Bank none of the individual pending proceedings before any courts, arbitration bodies or public administration authorities during the first quarter of 2014, nor the proceedings in aggregate pose any threat to the Bank's financial liquidity.

8.9 Subsequent events

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

**Condensed Consolidated
Interim Financial
Statements of
Bank Pekao S.A. Group
for the first quarter of
2014**



Warsaw, May 2014

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

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Consolidated income statement

(in PLN thousand)

	NOTE	I QUARTER 2014 PERIOD FROM 01.01.2014 TO 31.03.2014			I QUARTER 2013 PERIOD FROM 01.01.2013 TO 31.03.2013 RESTATED		
		CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
Interest income	8	1 571 029	-	1 571 029	1 849 493	48 138	1 897 631
Interest expense	8	(440 956)	-	(440 956)	(714 219)	(15 663)	(729 882)
Net interest income		1 130 073	-	1 130 073	1 135 274	32 475	1 167 749
Fee and commission income	9	631 965	-	631 965	632 137	7 958	640 095
Fee and commission expense	9	(119 066)	-	(119 066)	(112 752)	(2 935)	(115 687)
Net fee and commission income		512 899	-	512 899	519 385	5 023	524 408
Dividend income		-	-	-	-	-	-
Result on financial assets and liabilities held for trading	10	105 443	-	105 443	110 439	(6 503)	103 936
Result on fair value hedge accounting	27	(10 725)	-	(10 725)	(4 654)	-	(4 654)
Gains (losses) on disposal of:	11	414	-	414	54 155	-	54 155
loans and other financial receivables		414	-	414	(81)	-	(81)
available for sale financial assets and held to maturity investments		17	-	17	57 565	-	57 565
financial liabilities		(17)	-	(17)	(3 329)	-	(3 329)
Operating income		1 738 104	-	1 738 104	1 814 599	30 995	1 845 594
Net impairment losses on financial assets and off-balance sheet commitments:	15	(147 502)	-	(147 502)	(163 279)	(1 727)	(165 006)
loans and other financial receivables		(149 004)	-	(149 004)	(155 538)	(1 727)	(157 265)
off-balance sheet commitments		1 502	-	1 502	(7 741)	-	(7 741)
Net result on financial activity		1 590 602	-	1 590 602	1 651 320	29 268	1 680 588
Administrative expenses	12	(776 702)	-	(776 702)	(769 179)	(19 995)	(789 174)
personnel expenses		(471 380)	-	(471 380)	(462 431)	(9 825)	(472 256)
other administrative expenses		(305 322)	-	(305 322)	(306 748)	(10 170)	(316 918)
Depreciation and amortization	13	(81 945)	-	(81 945)	(86 227)	(1 279)	(87 506)
Net result on other provisions		(1 188)	-	(1 188)	(643)	-	(643)
Net other operating income and expenses	14	34 237	-	34 237	22 229	1 069	23 298
Operating costs		(825 598)	-	(825 598)	(833 820)	(20 205)	(854 025)
Gains (losses) on subsidiaries and associates	16	19 282	-	19 282	14 854	-	14 854
Gains (losses) on disposal of property, plant and equipment, and intangible assets	17	(333)	-	(333)	41	-	41
Profit before income tax		783 953	-	783 953	832 395	9 063	841 458
Income tax expense	18	(146 017)	-	(146 017)	(167 712)	(1 687)	(169 399)
Net profit for the period		637 936	-	637 936	664 683	7 376	672 059
1. Attributable to equity holders of the Bank		634 244	-	634 244	662 481	7 376	669 857
2. Attributable to non-controlling interests		3 692	-	3 692	2 202	-	2 202
Earnings per share (in PLN per share)	19						
basic for the period		2.42	-	2.42	2.52	0.03	2.55
diluted for the period		2.42	-	2.42	2.52	0.03	2.55

Notes to the financial statements presented on pages 19 – 93 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	I QUARTER 2014 PERIOD FROM 01.01.2014 TO 31.03.2014	I QUARTER 2013 PERIOD FROM 01.01.2013 TO 31.03.2013 RESTATED
Net profit		637 936	672 059
1. Attributable to equity holders of the Bank		634 244	669 857
2. Attributable to non-controlling interests		3 692	2 202
Other comprehensive income			
Item that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		5	22 194
Change in fair value of available-for-sale financial assets		36 868	(152 160)
Change in fair value of cash flow hedges		(11 416)	17 221
Tax on items that are or may be reclassified subsequently to profit or loss	18	(4 836)	21 422
Items that will never be reclassified to profit or loss:			
Remeasurements of the defined benefit liabilities		-	-
Tax on items that will never be reclassified to profit or loss		-	-
Other comprehensive income (net of tax)		20 621	(91 323)
Total comprehensive income		658 557	580 736
1. Attributable to equity holders of the Bank		654 865	578 534
2. Attributable to non-controlling interests		3 692	2 202

Notes to the financial statements presented on pages 19 – 93 and annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of financial position

(in PLN thousand)

	NOTE	31.03.2014	31.12.2013	31.03.2013 RESTATED
ASSETS				
Cash and due from Central Bank	21	6 571 379	4 191 229	5 841 139
Bill of exchange eligible for rediscounting at Central Bank		283	230	150
Loans and advances to banks	22	5 747 307	7 547 785	7 189 179
Financial assets held for trading	23	990 768	188 377	565 455
Derivative financial instruments (held for trading)	24	1 917 893	1 996 934	2 528 231
Loans and advances to customers	25	103 622 628	101 012 515	94 460 536
Receivables from finance leases	26	2 939 753	2 931 248	2 690 398
Hedging instruments	27	188 074	250 186	363 453
Investments (placement) securities	28	24 729 946	34 995 737	26 619 430
1. Available for sale		22 760 618	33 033 967	24 434 015
2. Held to maturity		1 969 328	1 961 770	2 185 415
Assets held for sale	29	32 603	45 864	2 232 268
Investments in associates		195 285	176 002	183 291
Intangible assets	30	611 731	626 571	646 350
Property, plant and equipment	31	1 560 787	1 589 636	1 630 713
Investment properties		42 769	31 131	33 722
Income tax assets		1 023 510	995 766	888 374
1. Current tax assets		156 193	100 446	9 519
2. Deferred tax assets		867 317	895 320	878 855
Other assets		2 196 902	1 942 501	1 965 030
TOTAL ASSETS		152 371 618	158 521 712	147 837 719
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to Central Bank	21	952	985	955
Amounts due to other banks	33	7 588 280	6 417 657	5 079 613
Financial liabilities held for trading	23	365 896	309 742	513 796
Derivative financial instruments (held for trading)	24	1 969 241	2 051 501	2 544 763
Amounts due to customers	34	113 008 989	119 796 706	107 152 089
Hedging instruments	27	1 045 375	1 007 884	1 327 743
Fair value hedge adjustments of hedged items due to interest rate risk		426	2 084	7 224
Debt securities issued	35	1 974 649	3 063 737	4 236 180
Liabilities associated with assets held for sale	29	-	-	904 145
Income tax liabilities		3 744	5 016	50 822
1. Current tax liabilities		1 341	1 753	46 529
2. Deferred tax liabilities		2 403	3 263	4 293
Provisions	36	398 783	393 537	362 139
Other liabilities		1 842 520	1 958 692	1 817 415
TOTAL LIABILITIES		128 198 855	135 007 541	123 996 884
Equity				
Share capital		262 470	262 470	262 470
Other capital and reserves		20 585 267	20 564 611	19 915 597
Retained earnings and profit for the period		3 227 046	2 592 802	3 573 492
Total equity attributable to equity holders of the Bank		24 074 783	23 419 883	23 751 559
Non - controlling interest		97 980	94 288	89 276
TOTAL EQUITY		24 172 763	23 514 171	23 840 835
TOTAL LIABILITIES AND EQUITY		152 371 618	158 521 712	147 837 719

Notes to the financial statements presented on pages 19 – 93 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 2014 to 31 March 2014

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											TOTAL EQUITY
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTERESTS	
		TOTAL 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	-	35	-	-	-	-	-	35	-	35	-	35
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	35	-	-	-	-	-	35	-	35	-	35
Comprehensive income	-	20 621	-	-	-	20 616	5	-	634 244	654 865	3 692	658 557
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	29 863	-	-	-	29 863	-	-	-	29 863	-	29 863
Revaluation of hedging financial instruments (net of tax)	-	(9 247)	-	-	-	(9 247)	-	-	-	(9 247)	-	(9 247)
Foreign currency translation differences	-	5	-	-	-	-	5	-	-	5	-	5
Net profit for the period	-	-	-	-	-	-	-	-	634 244	634 244	3 692	637 936
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
Profit appropriation	-	-	-	-	-	-	-	-	-	-	-	-
Equity as at 31.03.2014	262 470	20 585 267	9 137 221	1 937 850	9 070 200	70 733	1 243	368 020	3 227 046	24 074 783	97 980	24 172 763

Notes to the financial statements presented on pages 19 – 93 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 2013 to 31 December 2013

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTERESTS	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER				
Equity as at 1.01.2013	262 470	20 011 970	9 137 221	1 737 850	8 364 152	508 021	(128 768)	393 494	2 896 975	23 171 415	92 237	23 263 652
Management options	-	(9 860)	-	-	-	-	-	(9 860)	-	(9 860)	(33)	(9 893)
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	(9 860)	-	-	-	-	-	(9 860)	-	(9 860)	(33)	(9 893)
Comprehensive income	-	(445 164)	-	-	-	(457 904)	12 740	-	2 792 718	2 347 554	10 211	2 357 765
Remeasurements of the defined benefit liabilities (net of tax)	-	(33 634)	-	-	-	(33 634)	-	-	-	(33 634)	-	(33 634)
Revaluation of available-for-sale investments (net of tax)	-	(452 484)	-	-	-	(452 484)	-	-	-	(452 484)	-	(452 484)
Revaluation of hedging financial instruments (net of tax)	-	28 214	-	-	-	28 214	-	-	-	28 214	-	28 214
Foreign currency translation differences	-	12 740	-	-	-	-	12 740	-	7 939	20 679	-	20 679
Net profit for the period	-	-	-	-	-	-	-	-	2 784 779	2 784 779	10 211	2 794 990
Appropriation of retained earnings	-	707 080	-	200 000	489 405	-	-	17 675	(2 909 204)	(2 202 124)	(8 127)	(2 210 251)
Dividend paid	-	-	-	-	-	-	-	-	(2 202 124)	(2 202 124)	(8 127)	(2 210 251)
Profit appropriation	-	707 080	-	200 000	489 405	-	-	17 675	(707 080)	-	-	-
Other	-	300 585	-	-	216 643	-	117 266	(33 324)	(187 687)	112 898	-	112 898
Sale of net assets of PJSC UniCredit Bank	-	297 757	-	-	213 815	-	117 266	(33 324)	(184 356)	113 401	-	113 401
Other consolidation items	-	2 828	-	-	2 828	-	-	-	(3 331)	(503)	-	(503)
Equity as at 31.12.2013	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

Notes to the financial statements presented on pages 19 – 93 and annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of changes in equity (cont)

(in PLN thousand)

For the period from 1 January 2013 to 31 March 2013

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTERESTS	TOTAL EQUITY	
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES					OTHER
Equity as at 1.01.2013	262 470	20 011 970	9 137 221	1 737 850	8 364 152	508 021	(128 768)	393 494	2 896 975	23 171 415	92 237	23 263 652
Management options	-	1 610	-	-	-	-	-	1 610	-	1 610	(17)	1 593
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	1 610	-	-	-	-	-	1 610	-	1 610	(17)	1 593
Comprehensive income	-	(97 983)	-	-	-	(109 300)	11 317	-	676 517	578 534	2 202	580 736
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(123 249)	-	-	-	(123 249)	-	-	-	(123 249)	-	(123 249)
Revaluation of hedging financial instruments (net of tax)	-	13 949	-	-	-	13 949	-	-	-	13 949	-	13 949
Foreign currency translation differences	-	11 317	-	-	-	-	11 317	-	6 660	17 977	-	17 977
Net profit for the period	-	-	-	-	-	-	-	-	669 857	669 857	2 202	672 059
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-	(5 146)	(5 146)
Dividend paid	-	-	-	-	-	-	-	-	-	-	(5 146)	(5 146)
Profit appropriation	-	-	-	-	-	-	-	-	-	-	-	-
Equity as at 31.03.2013	262 470	19 915 597	9 137 221	1 737 850	8 364 152	398 721	(117 451)	395 104	3 573 492	23 751 559	89 276	23 840 835

Notes to the financial statements presented on pages 19 – 93 and annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated cash flow statement

(in PLN thousand)

	NOTE	I QUARTER 2014 PERIOD FROM 01.01.2014 TO 31.03.2014	I QUARTER 2013 PERIOD FROM 01.01.2013 TO 31.03.2013 RESTATED
Cash flow from operating activities – indirect method			
Net profit for the period		634 244	669 857
Adjustments for:		(9 083 155)	(2 772 595)
Depreciation and amortization	13	81 945	86 227
Share of profit (loss) of associates		(19 282)	(14 855)
(Gains) losses on investing activities		316	(57 605)
Net interest income		(1 130 073)	(1 167 749)
Interest received		1 374 878	1 817 616
Interest paid		(470 122)	(758 930)
Income tax		146 902	176 581
Income tax paid		(186 723)	(195 115)
Change in loans and advances to banks		372 300	(15 326)
Change in financial assets held for trading		(802 391)	35 036
Change in derivative financial instruments (assets)		79 041	120 866
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank		(2 560 119)	467 837
Change in receivables from finance leases		(8 505)	27 533
Change in investment (placement) securities		(159 852)	(376 807)
Change in other assets		(163 974)	(4 858)
Change in amounts due to banks		1 170 590	(2 707 388)
Change in financial liabilities held for trading		56 154	267 218
Change in derivative financial instruments (liabilities)		(82 260)	(76 035)
Change in amounts due to customers		(6 759 325)	(809 612)
Change in debt securities issued		43 012	6 907
Change in provisions		5 246	2 633
Change in other liabilities		(70 913)	403 231
Net cash flows from operating activities		(8 448 911)	(2 102 738)
Cash flow from investing activities			
Investing activity inflows		93 879 717	105 291 515
Sale of investment securities		93 763 536	105 132 911
Sale of intangible assets and property, plant and equipment		677	1 068
Other investing inflows		115 504	157 536
Investing activity outflows		(83 346 443)	(102 909 013)
Acquisition of investment securities		(83 308 867)	(102 900 061)
Acquisition of intangible assets and property, plant and equipment		(37 576)	(8 952)
Net cash flows from investing activities		10 533 274	2 382 502

Notes to the financial statements presented on pages 19 - 93 and annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated cash flow statement (cont)

(in PLN thousand)

	NOTE	I QUARTER 2014 PERIOD FROM 01.01.2014 TO 31.03.2014	I QUARTER 2013 PERIOD FROM 01.01.2013 TO 31.03.2013 RESTATED
Cash flows from financing activities			
Financing activity inflows		894 636	697 800
Issue of debt securities	35	894 636	697 800
Financing activity outflows		(2 025 962)	(1 223 838)
Redemption of debt securities	35	(2 025 962)	(1 223 838)
Net cash flows from financing activities		(1 131 326)	(526 038)
Total net cash flows		953 037	(246 274)
including: effect of exchange rate fluctuations on cash and cash equivalents held		16 175	98 748
Net change in cash and cash equivalents		953 037	(246 274)
Cash and cash equivalents at the beginning of the period		10 615 862	12 814 790
Cash and cash equivalents at the end of the period		11 568 899	12 568 516

Notes to the financial statements presented on pages 19 - 93 and annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated Income Statement of Bank Pekao S.A.

	I QUARTER 2014 PERIOD FROM 01.01.2014 TO 31.03.2014	I QUARTER 2013 PERIOD FROM 01.01.2013 TO 31.03.2013 RESTATED
Interest income	1 524 582	1 804 823
Interest expense	(425 591)	(701 976)
Net interest income	1 098 991	1 102 847
Fee and commission income	579 714	578 473
Fee and commission expense	(119 553)	(111 859)
Net fee and commission income	460 161	466 614
Dividend income	28 976	44 286
Result on financial assets and liabilities held for trading	102 559	107 594
Result on fair value hedge accounting	(10 725)	(4 654)
Gains (losses) on disposal of:	414	54 155
loans and other financial receivables	414	(81)
available for sale financial assets and held to maturity investments	17	57 565
financial liabilities	(17)	(3 329)
Operating income	1 680 376	1 770 842
Net impairment losses on financial assets and off-balance sheet commitments:	(141 479)	(139 120)
loans and other financial receivables	(142 981)	(147 673)
off-balance sheet commitments	1 502	8 553
Net result on financial activity	1 538 897	1 631 722
Administrative expenses	(728 810)	(718 858)
personnel expenses	(426 756)	(415 230)
other administrative expenses	(302 054)	(303 628)
Depreciation and amortization	(76 399)	(81 873)
Net result on other provisions	(415)	(643)
Net other operating income and expenses	8 897	18 715
Operating costs	(796 727)	(782 659)
Gains (losses) on subsidiaries and associates	-	-
Gains (losses) on disposal of property, plant and equipment, and intangible assets	(454)	(41)
Profit before income tax	741 716	849 022
Income tax expense	(139 895)	(160 293)
Net profit for the period	601 821	688 729
Earnings per share (in PLN per share)		
basic for the period	2.29	2.62
diluted for the period	2.29	2.62

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated Statement of Comprehensive Income of Bank Pekao S.A.

	I QUARTER 2014 PERIOD FROM 01.01.2014 TO 31.03.2014	I QUARTER 2013 PERIOD FROM 01.01.2013 TO 31.03.2013 RESTATED
Net profit	601 821	688 729
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	5	(2)
Change in fair value of available-for-sale financial assets	36 930	(152 344)
Change in fair value of cash flow hedges	(11 416)	17 221
Tax on items that are or may be reclassified subsequently to profit or loss	(4 848)	25 674
Items that will never be reclassified to profit or loss:		
Remeasurements of the defined benefit liabilities	-	-
Tax on items that will never be reclassified to profit or loss	-	-
Other comprehensive income (net of tax)	20 671	(109 451)
Total comprehensive income	622 492	579 278

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated Statement of Financial Position of Bank Pekao S.A.

	31.03.2014	31.12.2013	31.03.2013 RESTATED
ASSETS			
Cash and due from Central Bank	6 571 374	4 191 223	5 841 131
Bill of exchange eligible for rediscounting at Central Bank	283	230	150
Loans and advances to banks	5 839 840	7 653 801	7 232 680
Financial assets held for trading	990 768	188 377	579 811
Derivative financial instruments (held for trading)	1 922 285	1 999 346	2 529 759
Loans and advances to customers	103 048 056	100 569 013	93 967 206
Hedging instruments	188 074	250 186	363 453
Investment (placement) securities	24 527 949	34 845 508	26 521 890
1. Available for sale	22 638 723	32 956 784	24 356 297
2. Held to maturity	1 889 226	1 888 724	2 165 593
Assets held for sale	32 603	32 587	1 381 032
Investments in subsidiaries	793 113	793 113	793 113
Investments in associates	29 427	29 427	29 428
Intangible assets	585 830	601 571	622 490
Property, plant and equipment	1 538 090	1 564 688	1 604 017
Investment properties	25 679	25 981	27 774
Income tax assets	808 217	777 715	640 451
1. Current tax assets	154 410	97 549	5 090
2. Deferred tax assets	653 807	680 166	635 361
Other assets	2 010 421	1 763 864	1 843 487
TOTAL ASSETS	148 912 009	155 286 630	143 977 872
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to Central Bank	952	985	955
Amounts due to other banks	5 882 767	4 754 732	3 739 889
Financial liabilities held for trading	365 896	309 742	513 796
Derivative financial instruments (held for trading)	1 969 835	2 054 385	2 550 874
Amounts due to customers	113 071 184	119 868 743	107 014 047
Hedging instruments	1 045 375	1 007 884	1 327 743
Fair value hedge adjustments of hedged items due to interest rate risk	426	2 084	7 224
Debt securities issued	1 048 764	2 240 452	3 445 292
Income tax liabilities	-	-	45 001
1. Current tax liabilities	-	-	45 001
2. Deferred tax liabilities	-	-	-
Provisions	395 762	391 396	360 429
Other liabilities	1 659 820	1 807 524	1 675 115
TOTAL LIABILITIES	125 440 781	132 437 927	120 680 365
Equity			
Share capital	262 470	262 470	262 470
Other capital and reserves	19 990 896	19 970 192	19 592 111
Retained earnings and profit for the period	3 217 862	2 616 041	3 442 926
TOTAL EQUITY	23 471 228	22 848 703	23 297 507
TOTAL LIABILITIES AND EQUITY	148 912 009	155 286 630	143 977 872

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

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

For the period from 1 January 2014 to 31 March 2014

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER		
Equity as at 1.01.2014	262 470	19 970 192	9 137 221	1 937 850	8 610 711	49 713	1 238	233 459	2 616 041	22 848 703
Management options	-	33	-	-	-	-	-	33	-	33
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	33	-	-	-	-	-	33	-	33
Comprehensive income	-	20 671	-	-	-	20 666	5	-	601 821	622 492
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	29 913	-	-	-	29 913	-	-	-	29 913
Revaluation of hedging financial instruments (net of tax)	-	(9 247)	-	-	-	(9 247)	-	-	-	(9 247)
Foreign currency translation differences	-	5	-	-	-	-	5	-	-	5
Net profit for the period	-	-	-	-	-	-	-	-	601 821	601 821
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Profit appropriation	-	-	-	-	-	-	-	-	-	-
Equity as at 31.03.2014	262 470	19 990 896	9 137 221	1 937 850	8 610 711	70 379	1 243	233 492	3 217 862	23 471 228

Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2013 to 31 December 2013

	OTHER CAPITAL AND RESERVES								RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER		
Equity as at 1.01.2013	262 470	19 699 944	9 137 221	1 737 850	8 073 570	506 966	1 388	242 949	2 754 196	22 716 610
Management options	-	(9 490)	-	-	-	-	-	(9 490)	-	(9 490)
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	(9 490)	-	-	-	-	-	(9 490)	-	(9 490)
Comprehensive income	-	(457 403)	-	-	-	(457 253)	(150)	-	2 800 000	2 342 597
Remeasurements of the defined benefit liabilities (net of tax)	-	(33 618)	-	-	-	(33 618)	-	-	-	(33 618)
Revaluation of available-for-sale investments (net of tax)	-	(451 849)	-	-	-	(451 849)	-	-	-	(451 849)
Revaluation of hedging financial instruments (net of tax)	-	28 214	-	-	-	28 214	-	-	-	28 214
Foreign currency translation differences	-	(150)	-	-	-	-	(150)	-	-	(150)
Net profit for the period	-	-	-	-	-	-	-	-	2 800 000	2 800 000
Appropriation of retained earnings	-	736 031	-	200 000	536 031	-	-	-	(2 938 155)	(2 202 124)
Dividend paid	-	-	-	-	-	-	-	-	(2 202 124)	(2 202 124)
Profit appropriation	-	736 031	-	200 000	536 031	-	-	-	(736 031)	-
Other	-	1 110	-	-	1 110	-	-	-	-	1 110
Sale of shares in PJSC UniCredit Bank	-	1 110	-	-	1 110	-	-	-	-	1 110
Equity as at 31.12.2013	262 470	19 970 192	9 137 221	1 937 850	8 610 711	49 713	1 238	233 459	2 616 041	22 848 703

Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2013 to 31 March 2013

	OTHER CAPITAL AND RESERVES								RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER		
Equity as at 1.01.2013 (restated)	262 470	19 699 944	9 137 221	1 737 850	8 073 570	506 966	1 388	242 949	2 754 196	22 716 610
Management options	-	1 619	-	-	-	-	-	1 619	-	1 619
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	1 619	-	-	-	-	-	1 619	-	1 619
Comprehensive income	-	(109 451)	-	-	-	(109 449)	(2)	-	688 729	579 278
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(123 398)	-	-	-	(123 398)	-	-	-	(123 398)
Revaluation of hedging financial instruments (net of tax)	-	13 949	-	-	-	13 949	-	-	-	13 949
Foreign currency translation differences	-	(2)	-	-	-	-	(2)	-	-	(2)
Net profit for the period	-	-	-	-	-	-	-	-	688 729	688 729
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Profit appropriation	-	-	-	-	-	-	-	-	-	-
Other	-	(1)	-	-	-	(1)	-	-	1	-
Equity as at 31.03.2013	262 470	19 592 111	9 137 221	1 737 850	8 073 570	397 516	1 386	244 568	3 442 926	23 297 507

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated Cash Flow Statement of Bank Pekao S.A.

	I QUARTER 2014 PERIOD FROM 01.01.2014 TO 31.03.2014	I QUARTER 2013 PERIOD FROM 01.01.2013 TO 31.03.2013 RESTATED
Cash flow from operating activities – indirect method		
Net profit for the period	601 821	688 729
Adjustments for:	(9 073 995)	(2 789 499)
Depreciation and amortization	76 399	81 873
(Gains) losses on investing activities	437	(57 524)
Net interest income	(1 098 991)	(1 102 847)
Dividend income	(28 976)	(44 286)
Interest received	1 327 112	1 720 455
Interest paid	(444 242)	(732 270)
Income tax	139 894	160 183
Income tax paid	(181 241)	(182 536)
Change in loans and advances to banks	383 149	(19 627)
Change in financial assets held for trading	(801 290)	34 856
Change in derivative financial instruments (assets)	77 061	120 818
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank	(2 429 451)	729 560
Change in investment (placement) securities	(159 152)	(375 106)
Change in other assets	(156 684)	(37 745)
Change in amounts due to banks	1 127 200	(2 565 157)
Change in financial liabilities held for trading	56 154	267 218
Change in derivative financial instruments (liabilities)	(84 550)	(78 622)
Change in amounts due to customers	(6 767 917)	(1 060 678)
Change in debt securities issued	1 804	6 010
Change in provisions	4 366	(13 061)
Change in other liabilities	(115 077)	358 987
Net cash flows from operating activities	(8 472 174)	(2 100 770)
Cash flow from investing activities		
Investing activity inflows	93 907 093	105 273 121
Sale of investment securities	93 763 535	105 072 710
Sale of intangible assets and property, plant and equipment	1	340
Dividend received	28 976	44 286
Other investing inflows	114 581	155 785
Investing activity outflows	(83 291 379)	(102 897 203)
Acquisition of investment securities	(83 257 248)	(102 889 815)
Acquisition of intangible assets and property, plant and equipment	(34 131)	(7 388)
Net cash flows from investing activities	10 615 714	2 375 918

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

	I QUARTER 2014 PERIOD FROM 01.01.2014 TO 31.03.2014	I QUARTER 2013 PERIOD FROM 01.01.2013 TO 31.03.2013 RESTATED
Cash flows from financing activities		
Financing activity inflows	832 067	697 800
Issue of debt securities	832 067	697 800
Financing activity outflows	(2 025 962)	(1 223 838)
Redemption of debt securities	(2 025 962)	(1 223 838)
Net cash flows from financing activities	(1 193 895)	(526 038)
Total net cash flows	949 645	(250 890)
including: effect of exchange rate fluctuations on cash and cash equivalents held	15 931	98 688
Net change in cash and cash equivalents	949 645	(250 890)
Cash and cash equivalents at the beginning of the period	10 615 031	12 819 480
Cash and cash equivalents at the end of the period	11 564 676	12 568 590

Notes to financial statements

(in PLN thousand)

The accompanying notes to the financial statement 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. Capital Group for the period from 1 January 2014 to 31 March 2014 contain financial information of the Bank and its subsidiaries (together referred to as the 'Group'), and the associates accounted for using equity method.

2. Group structure

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
			31.03.2014	31.12.2013
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Centralny Dom Maklerski Pekao S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Leasing Sp. z o.o. (*)	Warsaw	Leasing services	36.49	36.49
Pekao Leasing Holding S.A., including:	Warsaw	Leasing services	80.10	80.10
<i>Pekao Leasing Sp. z o.o.</i>	<i>Warsaw</i>	<i>Leasing services</i>	<i>50.87</i>	<i>50.87</i>
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	Financial services	100.00	100.00
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call - center services	100.00	100.00
Pekao Property S.A.	Warsaw	Real estate development	100.00	100.00
Property Sp. z o.o. (in liquidation), including:	Warsaw	Real estate management	100.00	100.00
<i>FPB - Media Sp. z o.o.</i>	<i>Warsaw</i>	<i>Real estate development</i>	<i>100.00</i>	<i>100.00</i>
Pekao Fundusz Kapitałowy Sp. z o.o.	Warsaw	Business consulting	100.00	100.00
Pekao Telecentrum Sp. z o.o. (in liquidation)	Warsaw	Services	100.00	100.00

(*)The total share of the Group in Pekao Leasing Sp. z o.o. equity is 87.36% (36.49% directly and 50.87% via Pekao Leasing Holding S.A.).

As at 31 March 2014, all subsidiaries of the Bank have been consolidated.

Notes to financial statements (cont)

(in PLN thousand)

Associates

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
			31.03.2014	31.12.2013
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 31 March 2014, the Group held no shares in entities under joint control.

3. Statement of compliance

The condensed consolidated interim financial statements of Bank Pekao S.A. Capital 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 the Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

The consolidated financial statements of the Bank Pekao S.A. Capital Group as at and for the year ended 31 December 2013 are available at the Bank's website, www.pekao.com.pl

In accordance with the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) the Bank is required to publish the financial report for the three months period ended 31 March 2014, i.e. current interim period.

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

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

These condensed consolidated interim financial statements were authorized for issue by the Management Board on 9 May 2014.

Notes to financial statements (cont)

(in PLN thousand)

4. Significant accounting policies

General information

The condensed consolidated interim financial statements of Bank Pekao S.A. Capital 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 quarter of 2014 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. Capital Group for the year ended 31 December 2013. Those accounting policies have been applied uniformly to all presented reporting period and by all entities of the Group.

Amendments to published standards and interpretations, which are effective from 1 January 2014, had no material impact on these condensed consolidated interim financial statements (Annex 1 to the Financial Statements).

The Group has changed the accounting policy in respect to consolidation due to requirements of new standard IFRS 10 'Consolidated financial statements'. IFRS 10 identifies the control concept as the factor deciding whether an entity is to be consolidated. The Group controls an entity when the Group has power over an entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The existing consolidation scope has not changed as a result of application of requirements of new standard IFRS 10.

These 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 that are awaiting approval will not have a material impact on the consolidated financial statement of the Group, with the exception of IFRS 9 'Financial Instrument', described in the financial statements of the Group for 2013.

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

The standard will be 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 implementation on its financial statement. 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.

The real impact of IFRS 9 first application will be possible to be estimated after the publication of the final, complete version of the standard.

Notes to financial statements (cont)

(in PLN thousand)

Comparative data

In 2013 the Group changed its accounting policies in respect to recognition of revenue from sale of insurance products linked to loans and in respect to presentation of actuarial gains or losses from the measurement of the defined benefit plans obligations. The changes were detailed in the consolidated financial statements of Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

Due to introduction of the changes the comparative data of the Group and the Bank for the first quarter of 2013 and as at 31 March 2013 were restated.

The restatement of comparative data due to the change of accounting policies in respect to recognition of revenue from sale of insurance products linked to loans resulted in a increase of the net profit for the first quarter of 2013 by the amount of PLN 4 343 thousand and a decrease of the total equity as at 31 March 2013 by the amount of PLN 190 787 thousand.

The restatement of comparative data due to the change of accounting policies in respect to presentation of actuarial gains or losses from the measurement of the defined benefit plans obligations resulted in an increase of the retained earnings as at 31 March 2013 by the amount of PLN 11 171 thousand and a decrease of other capital and reserves (revaluation reserves) by the same amount. The change had no impact on the net profit for the first quarter of 2013.

The impact of the changes in accounting policies on comparative data of the Group and the Bank in statement of financial position, income statement, statement of comprehensive income and cash flow statement is presented in the below tables.

Consolidated statement of financial position

ASSETS	31.03.2013 (BEFORE RESTATEMENT)	RESTATEMENT	31.03.2013 (AFTER RESTATEMENT)
Loans and advances to customers	94 696 075	(235 539)	94 460 536
Deferred tax assets	834 103	44 752	878 855
Other assets	52 498 328	-	52 498 328
TOTAL ASSETS	148 028 506	(190 787)	147 837 719

LIABILITIES	31.03.2013 (BEFORE RESTATEMENT)	RESTATEMENT	31.03.2013 (AFTER RESTATEMENT)
Liabilities			
TOTAL LIABILITIES	123 996 884	-	123 996 884

EQUITY	31.03.2013 (BEFORE RESTATEMENT)	RESTATEMENT	31.03.2013 (AFTER RESTATEMENT)
Share capital	262 470	-	262 470
Other capital and reserves	19 926 768	(11 171)	19 915 597
Retained earnings and profit for the period	3 753 108	(179 616)	3 573 492
Total equity attributable to equity holders of the Bank	23 942 346	(190 787)	23 751 559
Non - controlling interests	89 276	-	89 276
TOTAL EQUITY	24 031 622	(190 787)	23 840 835
TOTAL LIABILITIES AND EQUITY	148 028 506	(190 787)	147 837 719

Notes to financial statements (cont)

(in PLN thousand)

Consolidated income statement

	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 CONTINUED AND DISCONTINUED OPERATIONS (BEFORE RESTATEMENT)	RESTATEMENT	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 CONTINUED AND DISCONTINUED OPERATIONS (AFTER RESTATEMENT)
Interest income	1 864 679	32 952	1 897 631
Interest expense	(729 882)	-	(729 882)
Net interest income	1 134 797	32 952	1 167 749
Fee and commission income	667 685	(27 590)	640 095
Fee and commission expense	(115 687)	-	(115 687)
Net fee and commission income	551 998	(27 590)	524 408
Dividend income	-	-	-
Result on financial assets and liabilities held for trading	103 936	-	103 936
Result on fair value hedge accounting	(4 654)	-	(4 654)
Gains (losses) on disposal of:	54 155	-	54 155
loans and other financial receivables	(81)	-	(81)
available for sale financial assets and held to maturity investments	57 565	-	57 565
financial liabilities	(3 329)	-	(3 329)
Operating income	1 840 232	5 362	1 845 594
Net impairment losses on financial assets and off-balance sheet commitments:	(165 006)	-	(165 006)
loans and other financial receivables	(157 265)	-	(157 265)
off-balance sheet commitments	(7 741)	-	(7 741)
Net result on financial activity	1 675 226	5 362	1 680 588
Administrative expenses	(789 174)	-	(789 174)
personnel expenses	(472 256)	-	(472 256)
other administrative expenses	(316 918)	-	(316 918)
Depreciation and amortization	(87 506)	-	(87 506)
Net result on other provisions	(643)	-	(643)
Net other operating income and expenses	23 298	-	23 298
Operating costs	(854 025)	-	(854 025)
Gains (losses) on subsidiaries and associates	14 854	-	14 854
Gains (losses) on disposal of property, plant and equipment, and intangible assets	41	-	41
Profit before income tax	836 096	5 362	841 458
Income tax expense	(168 380)	(1 019)	(169 399)
Net profit for the period	667 716	4 343	672 059
1. Attributable to equity holders of the Bank	665 514	4 343	669 857
2. Attributable to non-controlling interests	2 202	-	2 202
EARNINGS PER SHARE (IN PLN PER SHARE)			
basic for the period	2.54		2.55
diluted for the period	2.54		2.55

Consolidated statement of comprehensive income

Notes to financial statements (cont)

(in PLN thousand)

	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 CONTINUED AND DISCONTINUED OPERATIONS (BEFORE RESTATEMENT)	RESTATEMENT	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 CONTINUED AND DISCONTINUED OPERATIONS (AFTER RESTATEMENT)
Net profit	667 716	4 343	672 059
1. Attributable to equity holders of the Bank	665 514	4 343	669 857
2. Attributable to non-controlling interests	2 202	-	2 202
Other comprehensive income			
Item that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	22 194	-	22 194
Change in fair value of available-for-sale financial assets	(152 160)	-	(152 160)
Change in fair value of cash flow hedges	17 221	-	17 221
Tax on items that are or may be reclassified subsequently to profit or loss	21 422	-	21 422
Items that will never be reclassified to profit or loss:			
Remeasurements of the defined benefit liabilities	-	-	-
Tax on items that will never be reclassified to profit or loss	-	-	-
Other comprehensive income (net of tax)	(91 323)	-	(91 323)
Total comprehensive income	576 393	4 343	580 736
1. Attributable to equity holders of the Bank	574 191	4 343	578 534
2. Attributable to non-controlling interests	2 202	-	2 202

Notes to financial statements (cont)

(in PLN thousand)

Consolidated cash flow statement

	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 CONTINUED AND DISCONTINUED OPERATIONS (BEFORE RESTATEMENT)	RESTATEMENT	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 CONTINUED AND DISCONTINUED OPERATIONS (AFTER RESTATEMENT)
Cash flow from operating activities – indirect method			
Net profit for the period	665 514	4 343	669 857
Adjustments for:	(2 768 252)	(4 343)	(2 772 595)
Depreciation and amortization	86 227	-	86 227
Share of profit (loss) of associates	(14 855)	-	(14 855)
(Gains) losses on investing activities	(57 605)	-	(57 605)
Net interest income	(1 167 749)	-	(1 167 749)
Interest received	1 817 616	-	1 817 616
Interest paid	(758 930)	-	(758 930)
Income tax	175 562	1 019	176 581
Income tax paid	(195 115)	-	(195 115)
Change in loans and advances to banks	(15 326)	-	(15 326)
Change in financial assets held for trading	35 036	-	35 036
Change in derivative financial instruments (assets)	120 866	-	120 866
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank	473 199	(5 362)	467 837
Change in receivables from finance leases	27 533	-	27 533
Change in investment (placement) securities	(376 807)	-	(376 807)
Change in other assets	(4 858)	-	(4 858)
Change in amounts due to banks	(2 707 388)	-	(2 707 388)
Change in financial liabilities held for trading	267 218	-	267 218
Change in derivative financial instruments (liabilities)	(76 035)	-	(76 035)
Change in amounts due to customers	(809 612)	-	(809 612)
Change in debt securities issued	6 907	-	6 907
Change in provisions	2 633	-	2 633
Change in other liabilities	403 231	-	403 231
Net cash flows from operating activities	(2 102 738)	-	(2 102 738)
Cash flow from investing activities			
Net cash flows from investing activities	2 382 502	-	2 382 502
Cash flows from financing activities			
Net cash flows from financing activities	(526 038)	-	(526 038)
Total net cash flows	(246 274)	-	(246 274)
including: effect of exchange rate fluctuations on cash and cash equivalents held	98 748	-	98 748
Net change in cash and cash equivalents	(246 274)	-	(246 274)
Cash and cash equivalents at the beginning of the period	12 814 790	-	12 814 790
Cash and cash equivalents at the end of the period	12 568 516	-	12 568 516

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated statement of financial position

ASSETS	31.03.2013 (BEFORE RESTATEMENT)	RESTATEMENT	31.03.2013 (AFTER RESTATEMENT)
Loans and advances to customers	94 202 745	(235 539)	93 967 206
Deferred tax assets	590 609	44 752	635 361
Other assets	49 375 305	-	49 375 305
TOTAL ASSETS	144 168 659	(190 787)	143 977 872

LIABILITIES	31.03.2013 (BEFORE RASTATEMENT)	RESTATEMENT	31.03.2013 (AFTER RESTATEMENT)
TOTAL LIABILITIES	120 680 365	-	120 680 365

EQUITY	31.03.2013 (BEFORE RASTATEMENT)	RESTATEMENT	31.03.2013 (AFTER RESTATEMENT)
Share capital	262 470	-	262 470
Other capital and reserves	19 603 282	(11 171)	19 592 111
Retained earnings and profit for the period	3 622 542	(179 616)	3 442 926
TOTAL EQUITY	23 488 294	(190 787)	23 297 507
TOTAL LIABILITIES AND EQUITY	144 168 659	(190 787)	143 977 872

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated income statement

	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 (BEFORE RESTATEMENT)	RESTATEMENT	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 (AFTER RESTATEMENT)
Interest income	1 771 871	32 952	1 804 823
Interest expense	(701 976)	-	(701 976)
Net interest income	1 069 895	32 952	1 102 847
Fee and commission income	606 063	(27 590)	578 473
Fee and commission expense	(111 859)	-	(111 859)
Net fee and commission income	494 204	(27 590)	466 614
Dividend income	44 286	-	44 286
Result on financial assets and liabilities held for trading	107 594	-	107 594
Result on fair value hedge accounting	(4 654)	-	(4 654)
Gains (losses) on disposal of:	54 155	-	54 155
loans and other financial receivables	(81)	-	(81)
available for sale financial assets and held to maturity investments	57 565	-	57 565
financial liabilities	(3 329)	-	(3 329)
Operating income	1 765 480	5 362	1 770 842
Net impairment losses on financial assets and off-balance sheet commitments:	(139 120)	-	(139 120)
loans and other financial receivables	(147 673)	-	(147 673)
off-balance sheet commitments	8 553	-	8 553
Net result on financial activity	1 626 360	5 362	1 631 722
Administrative expenses	(718 858)	-	(718 858)
personnel expenses	(415 230)	-	(415 230)
other administrative expenses	(303 628)	-	(303 628)
Depreciation and amortization	(81 873)	-	(81 873)
Net result on other provisions	(643)	-	(643)
Net other operating income and expenses	18 715	-	18 715
Operating costs	(782 659)	-	(782 659)
Gains (losses) on subsidiaries and associates	-	-	-
Gains (losses) on disposal of property, plant and equipment, and intangible assets	(41)	-	(41)
Profit before income tax	843 660	5 362	849 022
Income tax expense	(159 274)	(1 019)	(160 293)
Net profit for the period	684 386	4 343	688 729
EARNINGS PER SHARE (IN PLN PER SHARE)			
basic for the period	2.61		2.62
diluted for the period	2.61		2.62

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated statement of comprehensive income

	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 (BEFORE RESTATEMENT)	RESTATEMENT	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 (AFTER RESTATEMENT)
Net profit	684 386	4 343	688 729
Other comprehensive income			
Item that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	(2)	-	(2)
Change in fair value of available-for-sale financial assets	(152 344)	-	(152 344)
Change in fair value of cash flow hedges	17 221	-	17 221
Tax on items that are or may be reclassified subsequently to profit or loss	25 674	-	25 674
Items that will never be reclassified to profit or loss:			
Remeasurements of the defined benefit liabilities	-	-	-
Tax on items that will never be reclassified to profit or loss	-	-	-
Other comprehensive income (net of tax)	(109 451)	-	(109 451)
Total comprehensive income	574 935	4 343	579 278

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated cash flow statement

	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 (BEFORE RESTATEMENT)	RESTATEMENT	I QUARTER 2013 period from 01.01.2013 to 31.03.2013 (AFTER RESTATEMENT)
Cash flow from operating activities – indirect method			
Net profit for the period	684 386	4 343	688 729
Adjustments for:	(2 785 156)	(4 343)	(2 789 499)
Depreciation and amortization	81 873	-	81 873
(Gains) losses on investing activities	(57 524)	-	(57 524)
Net interest income	(1 102 847)	-	(1 102 847)
Dividend income	(44 286)	-	(44 286)
Interest received	1 720 455	-	1 720 455
Interest paid	(732 270)	-	(732 270)
Income tax	159 164	1 019	160 183
Income tax paid	(182 536)	-	(182 536)
Change in loans and advances to banks	(19 627)	-	(19 627)
Change in financial assets held for trading	34 856	-	34 856
Change in derivative financial instruments (assets)	120 818	-	120 818
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank	734 922	(5 362)	729 560
Change in investment (placement) securities	(375 106)	-	(375 106)
Change in other assets	(37 745)	-	(37 745)
Change in amounts due to banks	(2 565 157)	-	(2 565 157)
Change in financial liabilities held for trading	267 218	-	267 218
Change in derivative financial instruments (liabilities)	(78 622)	-	(78 622)
Change in amounts due to customers	(1 060 678)	-	(1 060 678)
Change in debt securities issued	6 010	-	6 010
Change in provisions	(13 061)	-	(13 061)
Change in other liabilities	358 987	-	358 987
Net cash flows from operating activities	(2 100 770)	-	(2 100 770)
Cash flow from investing activities			
Net cash flows from investing activities	2 375 918	-	2 375 918
Cash flows from financing activities			
Net cash flows from financing activities	(526 038)	-	(526 038)
Total net cash flows	(250 890)	-	(250 890)
including: effect of exchange rate fluctuations on cash and cash equivalents held	98 688	-	98 688
Net change in cash and cash equivalents	(250 890)	-	(250 890)
Cash and cash equivalents at the beginning of the period	12 819 480	-	12 819 480
Cash and cash equivalents at the end of the period	12 568 590	-	12 568 590

Notes to financial statements (cont)

(in PLN thousand)

5. Accounting estimates

The preparation of interim financial statements in accordance with IFRS requires the Management 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.

Balance sheet estimates 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 Bank's accounting policies were the same as those that applied to the unconsolidated financial statements as at and for the year ended 31 December 2013 taking into account the causes and sources of uncertainty expected at the balance day, except the additional estimates of the fair value of derivatives.

Starting from the first quarter 2014 Bank includes the adjustment for own credit risk (Debt Valuation Adjustment - DVA) and additional cost/revenues related with the financing of the positions that are not fully secured by cash (Funding Valuation Adjustment - FVA).

The first correction is based on two main elements. The first is (related to the transaction) the current and potential counterparty exposure to credit risk of the Group, the second ones are counterparty credit-worthiness parameters - PD (Probability-of-Default) and LGD (Loss-Given-Default). The exposure equals to the fair value calculated on the basis of market data under the assumption of lack of credit risk, including potential future market changes, while PD and LGD parameters are estimated based on external ratings. Additionally, the cash and no-cash collateral posted by the counterparty is taken into account.

The FVA calculation is based on the current and potential financing-margin, estimated by comparing the profitability of liquidity and non-liquidity instruments with the same credit risk.

For the three months period ended 31 March 2014 the most significant estimates are as follows:

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

Notes to financial statements (cont)

(in PLN thousand)

6. Risk management

Credit risk

The credit risk management process and measurement methods have not changed in relation to those described in the consolidated financial statements of the Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

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)

RATING CLASS	MORTGAGE LOANS				CONSUMER LOANS				NOT INSTALLMENT LOANS			
	PD RANGE	NOMINAL VALUE		PD RANGE	NOMINAL VALUE		PD RANGE	NOMINAL VALUE				
		31.03.2014	31.12.2013		31.03.2014	31.12.2013		31.03.2014	31.12.2013			
1	0.00% <= PD < 0.19%	4.4%	4.9%	0.00% <= PD < 0.30%	3.8%	4.8%	0.00% <= PD < 0.01%	0.7%	0.7%			
2	0.19% <= PD < 0.24%	10.2%	10.6%	0.30% <= PD < 0.50%	6.5%	6.8%	0.01% <= PD < 0.03%	9.8%	10.2%			
3	0.24% <= PD < 0.31%	29.1%	29.5%	0.50% <= PD < 0.60%	4.7%	4.8%	0.03% <= PD < 0.04%	2.7%	2.8%			
4	0.31% <= PD < 0.40%	43.3%	41.9%	0.60% <= PD < 0.80%	11.8%	12.1%	0.04% <= PD < 0.07%	6.1%	7.1%			
5	0.40% <= PD < 0.61%	5.1%	5.0%	0.80% <= PD < 1.30%	16.8%	17.0%	0.07% <= PD < 0.15%	17.3%	17.3%			
6	0.61% <= PD < 1.02%	1.1%	1.1%	1.30% <= PD < 2.10%	20.7%	20.3%	0.15% <= PD < 0.25%	18.0%	18.0%			
7	1.02% <= PD < 2.20%	1.8%	1.9%	2.10% <= PD < 3.70%	17.2%	16.7%	0.25% <= PD < 0.59%	9.3%	9.6%			
8	2.20% <= PD < 6.81%	1.8%	1.9%	3.70% <= PD < 7.20%	8.2%	7.2%	0.59% <= PD < 1.20%	11.0%	10.3%			
9	6.81% <= PD < 14.10%	0.9%	1.0%	7.20% <= PD < 15.40%	3.5%	3.2%	1.20% <= PD < 2.58%	5.2%	5.1%			
10	14.10% <= PD < 100.00%	2.3%	2.2%	15.40% <= PD < 100.00%	6.8%	7.1%	2.58% <= PD < 100.00%	19.9%	18.9%			
Total		100.0%	100.0%		100.0%	100.0%		100.0%	100.0%			

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

RATING CLASS	PD RANGE	NOMINAL VALUE	
		31.03.2014	31.12.2013
1	0.00% <= PD < 0.11%	1.2%	1.4%
2	0.11% <= PD < 0.22%	3.9%	4.1%
3	0.22% <= PD < 0.45%	9.3%	9.7%
4	0.45% <= PD < 1.00%	15.7%	16.5%
5	1.00% <= PD < 2.10%	18.1%	19.3%
6	2.10% <= PD < 4.00%	16.6%	15.8%
7	4.00% <= PD < 7.00%	13.4%	12.8%
8	7.00% <= PD < 12.00%	9.1%	8.4%
9	12.00% <= PD < 22.00%	7.2%	6.8%
10	22.00% <= PD < 100.00%	5.5%	5.2%
Total		100.0%	100.0%

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	
		31.03.2014	31.12.2013
1	0.00% <= PD < 0.15%	8.4%	8.7%
2	0.15% <= PD < 0.27%	18.2%	10.8%
3	0.27% <= PD < 0.45%	18.0%	17.9%
4	0.45% <= PD < 0.75%	14.0%	12.9%
5	0.75% <= PD < 1.27%	8.8%	11.9%
6	1.27% <= PD < 2.25%	8.9%	9.0%
7	2.25% <= PD < 4.00%	7.4%	8.5%
8	4.00% <= PD < 8.50%	14.0%	16.7%
9	8.50% <= PD < 100.00%	2.3%	3.6%
Total		100.0%	100.0%

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

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

SUPERVISORY CATEGORY	NOMINAL VALUE	
	31.03.2014	31.12.2013
High	9.8%	16.2%
Good	79.7%	76.4%
Satisfactory	7.3%	4.2%
Low	3.2%	3.2%
Total	100.0%	100.0%

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 (*)	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
GROSS CARRYING VALUE OF EXPOSURE INDIVIDUALLY IMPAIRED				
- not past due	-	-	772 173	1 198 456
- up to 1 month	-	-	81 851	106 104
- between 1 month and 3 months	-	-	508 492	465 519
- between 3 months and 1 year	-	-	886 117	480 219
- between 1 year and 5 years	9 979	18 089	2 098 394	2 185 912
- above 5 years	-	-	1 032 598	891 043
Total gross carrying value	9 979	18 089	5 379 625	5 327 253
ALLOWANCE FOR IMPAIRMENT				
- not past due	-	-	(282 160)	(353 300)
- up to 1 month	-	-	(24 246)	(50 808)
- between 1 month and 3 months	-	-	(158 383)	(134 547)
- between 3 months and 1 year	-	-	(318 041)	(187 465)
- between 1 year and 5 years	(9 787)	(9 788)	(1 191 714)	(1 215 406)
- above 5 years	-	-	(842 801)	(764 625)
Total allowance for impairment	(9 787)	(9 788)	(2 817 345)	(2 706 151)
Net carrying value of exposure individually impaired	192	8 301	2 562 280	2 621 102
GROSS CARRYING VALUE OF EXPOSURE COLLECTIVELY IMPAIRED				
- not past due	-	-	75 341	79 187
- up to 1 month	-	-	35 225	34 588
- between 1 month and 3 months	-	-	47 332	31 796
- between 3 months and 1 year	-	-	373 975	419 020
- between 1 year and 5 years	-	-	1 506 112	1 499 976
- above 5 years	15 705	15 662	570 345	554 932
Total gross carrying value	15 705	15 662	2 608 330	2 619 499
ALLOWANCE FOR IMPAIRMENT				
- not past due	-	-	(63 266)	(47 205)
- up to 1 month	-	-	(17 933)	(17 655)
- between 1 month and 3 months	-	-	(24 658)	(16 259)
- between 3 months and 1 year	-	-	(216 017)	(243 582)
- between 1 year and 5 years	-	-	(1 172 018)	(1 164 615)
- above 5 years	(15 705)	(15 662)	(547 094)	(534 163)
Total allowance for impairment	(15 705)	(15 662)	(2 040 986)	(2 023 479)
Net carrying value of exposure collectively impaired	-	-	567 344	596 020

(*) 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	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013	31.03.2014	31.12.2013
GROSS CARRYING VALUE OF EXPOSURE WITH NO IMPAIRMENT						
- not past due	5 754 115	7 546 525	59 438 442	57 931 568	41 447 008	40 549 982
- up to 30 days	-	-	837 726	558 198	1 333 503	1 349 761
- between 30 days and 60 days	-	-	150 576	141 798	209 603	187 471
- above 60 days	-	-	169 489	171 797	293 402	303 184
Total gross carrying value	5 754 115	7 546 525	60 596 233	58 803 361	43 283 516	42 390 398
IBNR PROVISION						
- not past due	(321)	(300)	(201 751)	(216 141)	(121 931)	(124 897)
- up to 30 days	-	-	(7 734)	(5 031)	(81 762)	(86 629)
- between 30 days and 60 days	-	-	(1 772)	(1 989)	(23 702)	(22 280)
- above 60 days	-	-	(1 820)	(1 219)	(12 916)	(15 443)
Total IBNR provision	(321)	(300)	(213 077)	(224 380)	(240 311)	(249 249)
Net carrying value of exposure with no impairment	5 753 794	7 546 225	60 383 156	58 578 981	43 043 205	42 141 149

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

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
IMPAIRED EXPOSURES				
Gross carrying amount	25 685	33 751	7 987 955	7 946 752
Allowance for impairment	(25 493)	(25 450)	(4 858 331)	(4 729 630)
Total net carrying amount	192	8 301	3 129 624	3 217 122
EXPOSURES WITH IMPAIRMENT TRIGGERS FOR WHICH NO IMPAIRMENT HAS BEEN IDENTIFIED				
Gross carrying amount, in this:			-	179 596
<i>Exposure with collateral value included in expected discounted cash flow, in this:</i>			-	179 596
- Past due exposures			-	75 153
IBNR provision			-	(3 438)
Total net carrying amount			-	176 158
EXPOSURES WITH NO IMPAIRMENT TRIGGERS				
Gross carrying amount	5 754 115	7 546 525	103 700 153	101 039 695
IBNR provision	(321)	(300)	(449 950)	(470 041)
Total net carrying amount	5 753 794	7 546 225	103 250 203	100 569 654

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

Notes to financial statements (cont)

(in PLN thousand)

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

RATING	DEBT SECURITIES				TOTAL
	HELD FOR TRADING	AVAILABLE FOR SALE	HELD TO MATURITY	REVERSE REPO TRANSACTIONS	
AA+ to AA-	-	271 078	-	-	271 078
A+ to A-	990 768	17 591 558	1 137 509	6 108 990	25 828 825
BBB+ to BBB-	-	251 323	-	-	251 323
no rating	-	4 628 275 (*)	831 819 (**)	-	5 460 094
Total	990 768	22 742 234	1 969 328	6 108 990	31 811 320

(*) including NBP bills in the amount of PLN 3 966 876 thousand

(**) including NBP bills in the amount of PLN 831 819 thousand

Classification of exposures to debt securities according to Standard & Poor's ratings as at 31 December 2013

RATING	DEBT SECURITIES				TOTAL
	HELD FOR TRADING	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS	
AA+ to AA-	-	262 534	-	-	262 534
A+ to A-	188 377	17 667 014	1 124 015	5 694 771	24 674 177
BBB+ to BBB-	-	248 865	-	-	248 865
no rating	-	14 836 974(*)	837 755(**)	-	15 674 729
Total	188 377	33 015 387	1 961 770	5 694 771	40 860 305

(*) including NBP bills in an amount of PLN 14 159 186 thousand.

(**) including NBP bills in an amount of PLN 837 755 thousand.

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

RATING	DERIVATIVES						TOTAL
	TRADING DERIVATIVES			DERIVATIVE HEDGING INSTRUMENTS			
	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	
AA+ to AA-	64 816	-	-	6 862	-	-	71 678
A+ to A-	1 217 149	45 642	-	67 576	-	-	1 330 367
BBB+ to BBB-	191 741	-	656	19 518	-	-	211 915
BB+ to BB-	19 091	-	2 895	-	-	-	21 986
B+ to B-	-	-	615	-	-	-	615
no rating	122 280	18 633	234 375	4 497	4 589	85 032	469 406
Total	1 615 077	64 275	238 541	98 453	4 589	85 032	2 105 967

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 2013

RATING	DERIVATIVES						TOTAL
	TRADING DERIVATIVES			DERIVATIVE HEDGING INSTRUMENTS			
	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	
AAA	8	-	-	-	-	-	8
AA+ to AA-	88 394	-	-	11 492	-	-	99 886
A+ to A-	1 290 956	31 507	-	116 674	-	-	1 439 137
BBB+ to BBB-	193 747	-	1 446	23 945	-	-	219 138
BB+ to BB-	31 553	-	2 861	-	-	-	34 414
B+ to B-	-	-	1 141	-	-	-	1 141
no rating	123 624	18 558	213 141	9 527	4 316	84 232	453 398
Total	1 728 282	50 065	218 589	161 638	4 316	84 232	2 247 122

Forbearance

The identifying process of Forborne exposures has not changed in relation to the one described in the consolidated financial statements of the Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

Below table report evidences of forborne exposures

	31.03.2014	31.12.2013
LOANS AND ADVANCES		
Non impaired exposures		
Gross carrying amount	663 977	408 582
IBNR provision	(32 457)	(30 901)
Net carrying amount	631 520	377 681
Impaired exposures		
Gross carrying amount	2 505 334	2 440 750
Allowance for impairment	(976 892)	(886 095)
Net carrying amount	1 528 442	1 554 655
Total net carrying amount of forborne exposures	2 159 962	1 932 336

Notes to financial statements (cont)

(in PLN thousand)

Credit exposures towards Ukraine

As at 31 March 2014, the Group carried the level of net balance sheet exposures towards Ukraine amounting to PLN 843 million (0.5% 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% will be repaid up to 2015 and 50% up to 2017. 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

	31.03.2014	31.12.2013
Balance sheet exposures		
Loans and advances to banks	615 983	611 436
Loans and advances to customers	243 398	244 195
Total gross carrying amount	859 381	855 631
IBNR provision / Allowance for impairment	(16 786)	(15 825)
Total net carrying amount	842 595	839 806
Off-balance sheet exposure		
Credit lines granted	3 919	3 895
Total gross carrying amount	3 919	3 895
IBNR provision	(11)	(11)
Total net carrying amount	3 908	3 884

Notes to financial statements (cont)

(in PLN thousand)

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 the Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

The table below presents the market risk exposure of the trading portfolio of the Group measured by Value at Risk in the period from 1 January to 31 March 2014 and in 2013:

	31.03.2014	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	392	11	331	1 473
interest rate risk	2 024	1 132	1 826	2 794
Trading portfolio	2 017	1 065	1 879	2 716

	31.12.2013	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	34	11	493	2 676
interest rate risk	1 361	802	1 383	2 997
Trading portfolio	1 022	831	1 457	3 236

Interest rate risk of the banking book

The measurement method of interest rate risk of the banking book has not changed in relation to the one described in the consolidated financial statement of the Bank Pekao S.A. Group for the year ended 31 December 2013.

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 31 March 2014 and as at 31 December 2013.

SENSITIVITY IN %	31.03.2014	31.12.2013
NII	(7.87)	(7.41)
EVE	(1.99)	(1.81)

Foreign currency exchange risk

The foreign currency exchange risk management process has not changed in relation to the one described in the consolidated financial statements of the Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

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

CURRENCY	31.03.2014	31.12.2013
Currencies total (*)	509	229

(*) VaR presented in 'Currencies total' is VaR for the whole portfolio and includes correlations among currencies. The VAR in 'Currencies total' is mainly generated by EUR.

Notes to financial statements (cont)

(in PLN thousand)

Liquidity risk

The liquidity risk management process has not changed in relation to the one described in the consolidated financial statements of Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

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

Adjusted liquidity gap

31.03.2014	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	7 046 587	(3 563 189)	7 444 297	21 928 728	(33 612 875)	(756 452)
Cumulated gap		3 483 398	10 927 695	32 856 423	(756 452)	

31.12.2013	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	2 399 257	(3 274 548)	11 145 607	22 422 083	(33 405 685)	(713 286)
Cumulated gap		(875 291)	10 270 316	32 692 399	(713 286)	

Structure of financial liabilities by contractual maturity

31.03.2014	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES						
Amounts due to banks (*)	3 848 777	629 591	466 562	910 757	2 017 442	7 873 129
Amounts due to customers	86 688 295	13 752 762	12 333 035	562 321	57 725	113 394 138
Debt securities issued	-	590 433	458 331	280 152	645 733	1 974 649
Financial liabilities held for trading	-	-	-	180 714	185 182	365 896
Total	90 537 072	14 972 786	13 257 928	1 933 944	2 906 082	123 607 812
OFF-BALANCE SHEET COMMITMENTS (**)						
Financial liabilities granted	26 857 334	-	-	-	-	26 857 334
Guarantees issued	10 953 273	-	-	-	-	10 953 273
Total	37 810 607	-	-	-	-	37 810 607

Notes to financial statements (cont)

(in PLN thousand)

Structure of financial liabilities by contractual maturity

31.12.2013	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES						
Amounts due to banks (*)	1 995 036	1 514 087	240 399	910 209	2 119 511	6 779 242
Amounts due to customers	96 230 388	12 882 381	10 407 193	590 427	56 339	120 166 728
Debt securities issued	1 403 210	616 232	259 491	341 839	727 072	3 347 844
Financial liabilities held for trading	-	-	163 892	93 692	52 158	309 742
Total	99 628 634	15 012 700	11 070 975	1 936 167	2 955 080	130 603 556
OFF-BALANCE SHEET COMMITMENTS (**)						
Financial liabilities granted	27 097 699	-	-	-	-	27 097 699
Guarantees issued	11 077 303	-	-	-	-	11 077 303
Total	38 175 002	-	-	-	-	38 175 002

(*) Including Central Bank.

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

The financial cash flows associated with off-balance derivative transactions

Off-balance 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),
- Options based on equity securities,
- Commodity swaps.

Off-balance 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 derivatives transactions settled in net amounts

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
31.03.2014	13 549	42 559	202 234	1 166 201	557 215	1 981 758
31.12.2013	37 843	82 418	170 401	1 221 091	505 495	2 017 248

Notes to financial statements (cont)

(in PLN thousand)

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

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
31.03.2014						
Inflows	9 229 171	10 813 076	5 211 897	4 214 615	5 257 899	34 726 658
Outflows	9 095 519	10 832 169	5 151 808	4 659 086	5 614 433	35 353 015
31.12.2013						
Inflows	9 764 808	6 875 868	6 488 004	4 182 888	4 639 247	31 950 815
Outflows	9 740 758	6 880 310	6 361 312	4 606 934	4 966 904	32 556 218

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. Capital Group for the year ended 31 December 2013.

Fair value of financial assets and liabilities

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

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

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

As of 31 March 2014 and on 31 December 2013, 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 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 debt securities and for linear and non-linear derivative instruments of interest rate and foreign currency exchange markets for which unobservable parameters (e.g. credit risk factors) are recognized as significant.

Measurement at fair value is performed directly by a unit within Risk Management Division, independent from front-office units. Methodology of fair value measurement, including the changes of its parameterization are subject to approval of Assets and Liabilities Committee (ALCO). 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. Principles of classification are regulated by internal procedures and subject to approval of the Management Board Member, responsible for the Financial Division.

Notes to financial statements (cont)

(in PLN thousand)

31.03.2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	18 856 980	6 728 536	271 837	25 857 353
Financial assets held for trading	990 768	-	-	990 768
Derivative financial instruments, including:	-	1 912 187	5 706	1 917 893
- Banks	-	1 615 073	-	1 615 073
- Customers	-	297 114	5 706	302 820
Hedging instruments, including:	-	188 074	-	188 074
- Banks	-	98 453	-	98 453
- Customers	-	89 621	-	89 621
Securities available for sale	17 866 212	4 628 275	266 131	22 760 618
Liabilities:	365 896	3 014 616	-	3 380 512
Financial liabilities held for trading	365 896	-	-	365 896
Derivative financial instruments, including:	-	1 969 241	-	1 969 241
- Banks	-	1 710 739	-	1 710 739
- Customers	-	258 502	-	258 502
Hedging instruments, including:	-	1 045 375	-	1 045 375
- Banks	-	1 045 375	-	1 045 375
- Customers	-	-	-	-

31.12.2013	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	18 121 702	17 081 469	266 293	35 469 464
Financial assets held for trading	188 377	-	-	188 377
Derivative financial instruments, including:	-	1 994 309	2 625	1 996 934
- Banks	-	1 728 274	-	1 728 274
- Customers	-	266 035	2 625	268 660
Hedging instruments, including:	-	250 186	-	250 186
- Banks	-	161 638	-	161 638
- Customers	-	88 548	-	88 548
Securities available for sale	17 933 325	14 836 974	263 668	33 033 967
Liabilities:	309 742	3 059 385	-	3 369 127
Financial liabilities held for trading	309 742	-	-	309 742
Derivative financial instruments, including:	-	2 051 501	-	2 051 501
- Banks	-	1 741 216	-	1 741 216
- Customers	-	310 285	-	310 285
Hedging instruments, including:	-	1 007 884	-	1 007 884
- Banks	-	1 007 884	-	1 007 884
- 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

31.03.2014	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	-	2 625	263 668	-
Increases, including:	4 891 953	3 575	2 463	-
Reclassification	-	3 272	-	-
Acquisition	4 891 701	-	-	-
Settlement	-	291	-	-
Gains on financial instruments	252	12	2 463	-
recognized in the income statement	252	12	2 463	-
Decreases, including:	(4 891 953)	(494)	-	-
Reclassification	-	-	-	-
Settlement/redemption	(219 600)	-	-	-
Sale	(4 672 353)	-	-	-
Losses on financial instruments	-	(494)	-	-
recognized in the income statement	-	(494)	-	-
recognized in revaluation reserves	-	-	-	-
Closing balance	-	5 706	266 131	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	-	(494)	2 459	-
Income statement:	-	(494)	2 424	-
net interest income	-	-	2 424	-
result on financial assets and liabilities held for trading	-	(494)	-	-
Other comprehensive income	-	-	35	-

31.12.2013	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	306 977	24 360	962 867	24 360
Increases, including:	17 652 369	12 905	11 541	-
Reclassification	-	12 905	-	-
Acquisition	17 652 369	-	-	-
Gains on financial instruments	-	-	11 541	-
recognized in the income statement	-	-	11 540	-
recognized in revaluation reserves	-	-	1	-
Decreases, including:	(17 959 346)	(34 640)	(710 740)	(24 360)
Reclassification	-	(24 360)	(699 084)	(24 360)
Settlement/redemption	(970 080)	(7 621)	(11 656)	-
Sale	(16 989 266)	-	-	-
Losses on financial instruments	-	(2 659)	-	-
recognized in the income statement	-	(2 659)	-	-
Closing balance	-	2 625	263 668	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	-	(528)	351	-
Income statement:	-	(528)	350	-
net interest income	-	-	350	-
result on financial assets and liabilities held for trading	-	(528)	-	-
Other comprehensive income	-	-	1	-

Notes to financial statements (cont)

(in PLN thousand)

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

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

In the period from 1 January till to 31 March 2014, there was no transfer of instruments measured at fair value between Level 1 and Level 2.

In the period from 1 January till to 31 March 2014 linear derivative financial instruments of interest rate markets were transferred from Level 2 to Level 3. For transferred instruments credit risk impact (unobservable input) became significant at the end of the reporting period.

In the period from 1 January till to 31 March 2014 derivative financial instruments of capital and commodity markets and municipal bonds were transferred from Level 3 to Level 2. For the transferred instruments unobservable factors were replaced with observable ones.

The impact of estimated parameters on measurement of financial instruments for which the Group applies fair value valuation according to Level 3 as at 31 March 2014 and 31 December 2013 is as follows:

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 31.03.2014	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 31.03.2014	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Interest rate derivatives	8 106	Discounted cash flow	PD	32%-46%	300	-
		Discounted cash flow	LGD	36%-49%	193	(193)
Corporate debt securities	248 569	Discounted cash flow	Credit spread	1%-1.3%	4 143	-

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 31.12.2013	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 31.12.2013	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Interest rate derivatives	3 624	Discounted cash flow	PD	18%-32%	158	(30)
		Discounted cash flow	LGD	39%-49%	36	(36)
Corporate debt securities	252 225	Discounted cash flow	Credit spread	0.5%-1.3%	4 620	-

Notes to financial statements (cont)

(in PLN thousand)

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

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

As of 31 March 2014 and on 31 December 2013, 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,
- 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 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 debt securities and loans and deposits for which the applied credit risk factor (an unobservable parameter) is recognized significant.

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

In the case of loans for which no quoted market values are available, the fair values presented are generally estimated using valuation techniques taking into consideration the assumption, that at the moment 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 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)

31.03.2014	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	6 571 379	6 571 379	-	-	6 571 379
Loans and advance to banks	5 747 307	5 745 364	-	3 074 829	2 670 535
Loans and advances to customers (*)	103 622 628	102 019 900	-	9 117 406	92 902 494
Receivables from financial leases	2 939 753	2 981 183	-	-	2 981 183
Debt securities held to maturity	1 969 328	1 986 208	1 154 383	831 825	-
Total Assets	120 850 395	119 304 034	1 154 383	13 024 060	105 125 591
Liabilities					
Amounts due to Central Bank	952	952	-	-	952
Amounts due to other banks	7 588 280	7 632 470	-	3 919 710	3 712 760
Amounts due to customers	113 009 989	112 636 537	-	1 791 387	110 845 150
Debt securities issued	1 974 649	1 986 034	-	1 986 034	-
Total Liabilities	122 573 870	122 255 993	-	7 697 131	114 558 862

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

31.12.2013	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	4 191 229	4 191 229	-	-	4 191 229
Loans and advance to banks	7 547 785	7 548 960	-	4 466 311	3 082 649
Loans and advances to customers (*)	101 012 745	100 116 126	-	7 914 160	92 201 966
Receivables from financial leases	2 931 248	3 031 583	-	-	3 031 583
Debt securities held to maturity	1 961 770	1 984 030	1 146 271	837 759	-
Total Assets	117 644 777	116 871 928	1 146 271	13 218 230	102 507 427
Liabilities					
Amounts due to Central Bank	985	985	-	-	985
Amounts due to other banks	6 417 657	6 471 531	-	2 761 626	3 709 905
Amounts due to customers	119 796 706	119 429 152	-	3 667 699	115 761 453
Debt securities issued	3 063 737	3 070 638	-	3 070 638	-
Total Liabilities	129 279 085	128 972 306	-	9 499 963	119 472 343

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

Notes to financial statements (cont)

(in PLN thousand)

7. Operating segments

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

The Model assumes that budgeting and monitoring of results at the segments' level is focused on 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,
- Asset and Liabilities Committee 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 31 March 2014

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING		ASSETS AND LIABILITIES COMMITTEE AND OTHER (*)	TOTAL
			CONTINUED OPERATIONS	DISCONTINUED OPERATIONS		
Net interest income	613 427	11 502	373 653	-	150 773	1 149 355
Net non-interest income	459 911	7 318	194 758	-	(21 514)	640 473
Operating income	1 073 338	18 820	568 411	-	129 259	1 789 828
Personnel expenses	(278 809)	(4 983)	(72 291)	-	(115 297)	(471 380)
Other administrative expenses	(342 647)	(6 574)	(106 004)	-	151 698	(303 527)
Depreciation and amortization	(40 172)	(275)	(4 729)	-	(36 769)	(81 945)
Operating costs	(661 628)	(11 832)	(183 024)	-	(368)	(856 852)
Operating profit	411 710	6 988	385 387	-	128 891	932 976
Net result on other provisions	(21)	-	(690)	-	(477)	(1 188)
Net impairment losses on financial assets and off-balance sheet commitments	(64 338)	354	(82 455)	-	(1 063)	(147 502)
Net result on investment activities	19	-	102	-	(454)	(333)
Profit before income tax	347 370	7 342	302 344	-	126 897	783 953
Income tax expense (continued operations)						(146 017)
Income tax expense (discontinued operations)						-
Net profit for the period (continued operations)						637 936
Net profit for the period (discontinued operations)						-
Attributable to equity holders of the Bank						634 244
Attributable to non-controlling interest						3 692
Allocated assets	50 804 047	351 974	92 155 259	-	(3 958)	143 307 322
Unallocated assets						9 064 296
Total assets						152 371 618
Allocated liabilities	60 419 021	7 015 131	60 630 207	-	(4 038 732)	124 025 627
Unallocated liabilities						28 345 991
Total liabilities						152 371 618

(*) Including intercompany transactions within Bank Pekao S.A. Group.

Notes to financial statements (cont)

(in PLN thousand)

Operating segments reporting for the period from 1 January to 31 March 2013

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING		ASSETS AND LIABILITIES COMMITTEE AND OTHER (*)	TOTAL
			CONTINUED OPERATIONS	DISCONTINUED OPERATIONS		
Net interest income	588 671	8 779	387 930	32 475	164 748	1 182 603
Net non-interest income	472 205	7 105	231 870	(411)	(10 666)	700 103
Operating income	1 060 876	15 884	619 800	32 064	154 082	1 882 706
Personnel expenses	(274 072)	(4 415)	(71 552)	(9 825)	(112 392)	(472 256)
Other administrative expenses	(350 614)	(6 586)	(100 112)	(10 170)	151 604	(315 878)
Depreciation and amortization	(39 527)	(299)	(6 487)	(1 279)	(39 914)	(87 506)
Operating costs	(664 213)	(11 300)	(178 151)	(21 274)	(702)	(875 640)
Operating profit	396 663	4 584	441 649	10 790	153 380	1 007 066
Net result on other provisions	(30)	-	(448)	-	(165)	(643)
Net impairment losses on financial assets and off-balance sheet commitments	(57 487)	2 163	(89 163)	(1 727)	(18 792)	(165 006)
Net result on investment activities	33	-	48	-	(40)	41
Profit before income tax	339 179	6 747	352 086	9 063	134 383	841 458
Income tax expense (continued operations)						(167 712)
Income tax expense (discontinued operations)				(1 687)		(1 687)
Net profit for the period (continued operations)						664 683
Net profit for the period (discontinued operations)				7 376		7 376
Attributable to equity holders of the Bank						669 857
Attributable to non-controlling interest						2 202
Allocated assets	45 757 586	375 247	91 074 421	2 115 583	(2 316 428)	137 006 409
Unallocated assets						10 831 310
Total assets						147 837 719
Allocated liabilities	55 892 636	6 502 889	59 841 119	1 620 714	(4 600 437)	119 256 921
Unallocated liabilities						28 580 798
Total liabilities						147 837 719

(*)Including intercompany transactions within Bank Pekao S.A. Group.

Reconciliation of operating income for reportable segments

	I QUARTER 2014	I QUARTER 2013
Total operating income for reportable segments	1 789 828	1 882 706
Share in gains (losses) from associates	(19 282)	(14 854)
Net other operating income and expenses	(34 237)	(23 298)
Refunding of administrative expenses	1 795	1 040
Operating income	1 738 104	1 845 594

Notes to financial statements (cont)

(in PLN thousand)

Geographical segment

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

The below table presents information about operating activity of the Group according to the geographical segments:

	POLAND	UKRAINE (DISCONTINUED OPERATIONS)	TOTAL
I QUARTER 2014			
Net profit for the period attributable to equity holders of the Bank	634 244	-	634 244
Segment assets	152 371 618	-	152 371 618
I QUARTER 2013			
Net profit for the period attributable to equity holders of the Bank	662 481	7 376	669 857
Segment assets	145 722 136	2 115 583	147 837 719

8. Interest income and expense

Interest income

	I QUARTER 2014	I QUARTER 2013
Loans and other receivables from customers	1 248 690	1 480 147
Interbank placements	37 707	59 506
Reverse repo transactions	21 315	23 046
Investment securities	221 138	282 599
Hedging derivatives	39 525	48 707
Financial assets held for trading	2 654	3 626
Total	1 571 029	1 897 631

Interest expense

	I QUARTER 2014	I QUARTER 2013
Deposits from customers	(380 382)	(615 435)
Interbank deposits	(9 730)	(12 595)
Repo transactions	(20 087)	(29 223)
Loans and advances received	(12 941)	(17 809)
Debt securities issued	(17 816)	(54 820)
Total	(440 956)	(729 882)

Notes to financial statements (cont)

(in PLN thousand)

9. Fee and commission income and expense

Fee and commission income

	I QUARTER 2014	I QUARTER 2013
Accounts maintenance, payment orders and cash transactions	167 889	181 166
Payment cards	210 740	210 087
Loans and advances	86 079	80 254
Investment products sales intermediation	67 339	76 736
Securities operations	29 503	25 487
Custody activity	14 923	12 883
Pension and investment funds service fees	14 514	15 886
Guarantees, letters of credit and similar transactions	11 935	14 966
Other	29 043	22 630
Total	631 965	640 095

Fee and commission expense

	I QUARTER 2014	I QUARTER 2013
Payment cards	(102 548)	(100 991)
Money orders and transfers	(4 707)	(3 891)
Securities and derivatives operations	(5 111)	(4 460)
Accounts maintenance	(578)	(1 074)
Custody activity	(2 580)	(2 037)
Pension funds management charges	(347)	(383)
Acquisition services	(537)	(202)
Other	(2 658)	(2 649)
Total	(119 066)	(115 687)

10. Result on financial assets and liabilities held for trading

	I QUARTER 2014	I QUARTER 2013
Foreign currency exchange result	82 650	89 949
Gains (losses) on derivatives	21 186	12 083
Gains (losses) on securities	1 607	1 904
Total	105 443	103 936

Notes to financial statements (cont)

(in PLN thousand)

11. Gains (losses) on disposal

Realized gains

	I QUARTER 2014	I QUARTER 2013
Loans and other financial receivables	414	1
Available for sale financial assets – debt instruments	95	57 565
Debt securities issued	2	49
Total	511	57 615

Realized losses

	I QUARTER 2014	I QUARTER 2013
Loans and other financial receivables	-	(82)
Available for sale financial assets – debt instruments	(78)	-
Debt securities issued	(19)	(3 378)
Total	(97)	(3 460)

Net realized profit	414	54 155
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12. Administrative expenses

Personnel expenses

	I QUARTER 2014	I QUARTER 2013
Wages and salaries	(394 564)	(393 990)
Insurance and other charges related to employees	(73 191)	(73 566)
Share-based payments expenses	(3 625)	(4 700)
Total	(471 380)	(472 256)

Other administrative expenses

	I QUARTER 2014	I QUARTER 2013
General expenses	(249 645)	(273 607)
Taxes and charges	(12 868)	(10 940)
Bank Guarantee Fund fee	(34 423)	(24 414)
Financial supervision authority fee (KNF)	(8 386)	(7 957)
Total	(305 322)	(316 918)
Total administrative expenses	(776 702)	(789 174)

13. Depreciation and amortization

	I QUARTER 2014	I QUARTER 2013
Property, plant and equipment	(47 292)	(50 873)
Investment property	(1 642)	(315)
Intangible assets	(33 011)	(36 318)
Total	(81 945)	(87 506)

Notes to financial statements (cont)

(in PLN thousand)

14. Net other operating income and expenses

Other operating income

	I QUARTER 2014	I QUARTER 2013
Rental income	6 083	7 024
Miscellaneous income	2 508	13 106
Credit insurance income	5 902	5 400
Recovery of debt collection costs	4 823	5 383
Excess payments, repayments	2 124	1 266
Compensation, penalty fees and fines received (including received compensations from damages in relation to fixed assets)	31 774	1 979
Revenues from sale of products, goods and services	3 073	2 117
Revenues from leasing activity	142	677
Refunding of administrative expenses	1 795	1 040
Income from written off liabilities	69	902
Releases of impairment allowances for litigation and other assets	144	892
Gains on sale of leasing assets for third party and other assets	595	155
Other	1 284	3 033
Total	60 316	42 974

Other operating expenses

	I QUARTER 2014	I QUARTER 2013
Costs related to leasing activity	(7 955)	(996)
Credit insurance expenses	(6 717)	(7 446)
Reimbursement and deficiencies	(2 129)	(3 398)
Sundry expenses	(4 538)	(2 202)
Cost from sale of products, goods and services	(1 157)	(516)
Customers complaints expenses	(736)	(467)
Impairment allowance for litigations and other assets	(245)	(217)
Costs of litigation and claims	(436)	(556)
Compensation, penalty fees and fines paid	(150)	(947)
Losses on disposal of leasing assets for third party and other assets	-	(8)
Other	(2 016)	(2 923)
Total	(26 079)	(19 676)

Net other operating income and expenses	34 237	23 298
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Notes to financial statements (cont)

(in PLN thousand)

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

I QUARTER 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	74	248	-	(106)	(204)	25 733	32
Loans and advances to customers measured at amortized cost	5 028 177	409 481	64 100	(46 920)	(262 461)	(59 208)	5 133 169	(147 020)
Receivables from financial leases	175 111	14 265	79	-	(10 823)	-	178 632	(3 442)
Financial assets available for sale	123	-	-	-	-	-	123	-
Off-balance sheet commitments	113 932	27 473	47	-	(28 975)	-	112 477	1 502
Total financial assets and off-balance sheet commitments	5 343 064	451 293	64 474	(46 920)	(302 365)	(59 412)	5 450 134	(148 928)
Impairment of other assets								
Investments in associates	60	-	-	-	-	-	60	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	6 830	-	-	(1)	-	-	6 829	-
Investment properties	3 080	-	6 152	-	-	-	9 232	-
Other	65 544	245	16	(61)	(144)	-	65 600	(101)
Total impairment of other assets	86 475	245	6 168	(62)	(144)	-	92 682	(101)
Total	5 429 539	451 538	70 642	(46 982)	(302 509)	(59 412)	5 542 816	(149 029)

(*) 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 148 928 thousand and proceeds from recovered bad debt in the amount of PLN 1 426 thousand, totaling PLN minus 147 502 thousand.

Notes to financial statements (cont)

(in PLN thousand)

I QUARTER 2013	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	70 132	5	338	-	(40)	(24)	70 411	35
Loans and advances to customers measured at amortized cost	4 665 033	460 020	40 093	(30 293)	(306 627)	(24 565)	4 803 661	(153 393)
Receivables from financial leasing	192 685	12 132	-	(782)	(8 414)	(763)	194 858	(3 718)
Financial assets available for sale	123	-	-	-	-	-	123	-
Impairment of off-balance sheet commitments	106 406	38 615	228	-	(30 874)	-	114 375	(7 741)
Total financial assets and off-balance sheet commitments	5 034 379	510 772	40 659	(31 075)	(345 955)	(25 352)	5 183 428	(164 817)
Impairment of other assets								
Investments in subsidiaries and associates	60	-	-	-	-	-	60	-
Intangible assets	11 399	-	-	(438)	-	-	10 961	-
Property, plant and equipment	7 638	-	-	(280)	(2)	-	7 356	2
Investment properties	2 154	-	-	-	-	-	2 154	-
Other	73 897	217	637	(520)	(95)	(181)	73 955	(122)
Total impairment of other assets	95 148	217	637	(1 238)	(97)	(181)	94 486	(120)
Total	5 129 527	510 989	41 296	(32 313)	(346 052)	(25 533)	5 277 914	(164 937)

(*) 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 164 817 thousand, net impairment concerning discontinued operations in the amount of PLN minus 1 727 thousand and proceeds from recovered bad debt in the amount of PLN 1 538 thousand, the total is PLN minus 165 006 thousand.

Notes to financial statements (cont)

(in PLN thousand)

16. Gains (losses) on subsidiaries and associates

Share in gains (losses) from associates

	I QUARTER 2014	I QUARTER 2013
Share in gains (losses) from associates		
Dom Inwestycyjny Xelion Sp. z o.o	193	65
Pioneer Pekao Investment Management S.A.	16 675	12 137
Krajowa Izba Rozliczeniowa S.A.	2 414	2 652
Total share in gains (losses) from associates	19 282	14 854
Gains (losses) on disposal of subsidiaries and associates	-	-
Total gains (losses) from subsidiaries and associates	19 282	14 854

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

	I QUARTER 2014	I QUARTER 2013
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	(333)	41
Total gains (losses) on disposal of property, plant and equipment, and intangible assets	(333)	41

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

	I QUARTER 2014	I QUARTER 2013
INCOME STATEMENT		
Current tax	(123 710)	(165 046)
Current tax charge in the income statement	(130 290)	(163 854)
Adjustments related to the current tax from previous years	7 433	1
Other taxes (e.g. withholding tax, income tax relating to foreign branches)	(853)	(1 193)
Deferred tax	(22 307)	(4 353)
Occurrence and reversal of temporary differences	(22 307)	(4 353)
Tax charge in the consolidated income statement	(146 017)	(169 399)
EQUITY		
Deferred tax	(4 836)	21 422
Income and costs disclosed in other comprehensive income:		
revaluation of financial instruments - cash flows hedges	2 169	(3 272)
revaluation of available for sale financial assets – debt securities	(7 043)	28 916
revaluation of available for sale financial assets – equity securities	38	(5)
Foreign currency translation differences	-	(4 217)
Tax charge in other comprehensive income	(4 836)	21 422
Total charge	(150 853)	(147 977)

Notes to financial statements (cont)

(in PLN thousand)

19. Earnings per share for continued and discontinued operations

Basic earnings per share

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

	I QUARTER 2014	I QUARTER 2013
Net profit	634 244	669 857
Weighted average number of ordinary shares in the period	262 470 034	262 470 034
Earnings per share (in PLN per share)	2.42	2.55

Diluted earnings per share

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

As at 31 March 2014 there were no diluting instruments in the form of convertible bonds in the Group.

	I QUARTER 2014	I QUARTER 2013
Net profit	634 244	669 857
Weighted average number of ordinary shares in the period	262 470 034	262 470 034
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 470 034	262 470 034
Diluted earnings per share (in PLN per share)	2.42	2.55

20. Dividend payment

The Management Board of the Bank has decided to propose to the Ordinary General Meeting of Shareholders a dividend payment for 2013 in the amount of PLN 9.96 per share. Total dividend proposed to be paid amounts to PLN 2 614 202 thousand. The dividend has not been recognized as liabilities and there are no tax consequences for the Bank.

The final amount of dividend payment is subject to approval of the General Meeting of Shareholders.

Notes to financial statements (cont)

(in PLN thousand)

21. Cash and balances with Central Bank

Cash and due from Central Bank	31.03.2014	31.12.2013	31.03.2013
Cash	1 949 146	2 104 608	2 497 396
Current account at Central Bank	4 622 221	2 086 608	3 073 691
Placements	-	-	270 039
Other	12	13	13
Total	6 571 379	4 191 229	5 841 139

Amounts due to Central Bank	31.03.2014	31.12.2013	31.03.2013
Term deposits	952	985	955
Total	952	985	955

Cash and balances with Central Bank by currency

31.03.2014	ASSETS	LIABILITIES
PLN	5 964 440	952
EUR	256 373	-
USD	208 413	-
CHF	26 538	-
Other currencies	115 615	-
Total	6 571 379	952

31.12.2013	ASSETS	LIABILITIES
PLN	3 637 608	985
EUR	271 158	-
USD	162 712	-
CHF	33 382	-
Other currencies	86 369	-
Total	4 191 229	985

31.03.2013	ASSETS	LIABILITIES
PLN	4 919 697	955
EUR	459 153	-
USD	253 106	-
CHF	26 997	-
Other currencies	182 186	-
Total	5 841 139	955

Notes to financial statements (cont)

(in PLN thousand)

22. Loans and advances to banks

Loans and advances to banks by product type

	31.03.2014	31.12.2013	31.03.2013
Current accounts and overnight placements	1 299 569	1 566 990	2 593 011
Interbank placements	892 157	1 356 616	791 745
Loans and advances	122 870	122 357	139 566
Cash collaterals	1 247 331	1 094 355	1 495 491
Reverse repo transactions	2 184 993	3 119 010	2 011 421
Debt securities	-	-	-
Cash in transit	26 120	314 178	228 356
Total gross amount	5 773 040	7 573 506	7 259 590
Impairment allowances	(25 733)	(25 721)	(70 411)
Total net amount	5 747 307	7 547 785	7 189 179

Loans and advances to banks by quality

	31.03.2014	31.12.2013	31.03.2013
Loans and advances to banks, including:			
non impaired (gross)	5 747 356	7 539 755	7 180 483
impaired (gross)	25 684	33 751	79 107
individual impairment allowances	(9 707)	(9 788)	(54 000)
collective impairment allowances (*)	(16 026)	(15 933)	(16 411)
Total	5 747 307	7 547 785	7 189 179

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

Loans and advances to banks by contractual maturity

	31.03.2014	31.12.2013	31.03.2013
Loans and advances to banks, including:			
up to 1 month	4 150 575	6 554 525	6 852 121
between 1 and 3 months	874 040	185 922	105 668
between 3 months and 1 year	386 369	392 700	61 747
between 1 and 5 years	313 121	352 332	81 857
over 5 years	23 078	54 105	78 054
past due	25 857	33 922	80 143
Total gross amount	5 773 040	7 573 506	7 259 590
Impairment allowances	(25 733)	(25 721)	(70 411)
Total net amount	5 747 307	7 547 785	7 189 179

Loans and advances to banks by currency

	31.03.2014	31.12.2013	31.03.2013
PLN	2 911 723	3 884 267	2 570 702
CHF	34 684	23 506	25 312
EUR	1 388 103	2 254 636	2 816 612
USD	1 283 534	1 199 699	1 241 950
Other currencies	129 263	185 677	534 603
Total	5 747 307	7 547 785	7 189 179

Changes in impairment allowances in the period from 1 January to 31 March 2014 and in the period from 1 January to 31 March 2013 are presented in the Note 15.

Notes to financial statements (cont)

(in PLN thousand)

23. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

31.03.2014	ASSETS	LIABILITIES
Securities issued by State Treasury	990 768	365 896
T- bills	-	-
T- bonds	990 768	365 896
Securities issued by banks	-	-
Securities issued by business entities	-	-
Total	990 768	365 896

31.12.2013	ASSETS	LIABILITIES
Securities issued by State Treasury	188 377	309 742
T- bills	-	-
T- bonds	188 377	309 742
Securities issued by banks	-	-
Securities issued by business entities	-	-
Total	188 377	309 742

31.03.2013	ASSETS	LIABILITIES
Securities issued by State Treasury	485 847	513 796
T- bills	5 489	-
T- bonds	480 358	513 796
Securities issued by banks	72 503	-
Securities issued by business entities	7 105	-
Total	565 455	513 796

Notes to financial statements (cont)

(in PLN thousand)

Financial assets and liabilities held for trading by maturity

31.03.2014	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	9 271	-
between 1 and 3 months	-	-
between 3 months and 1 year	75 643	-
between 1 and 5 years	744 652	180 714
over 5 years	161 202	185 182
Total	990 768	365 896

31.12.2013	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	76 898	-
between 1 and 3 months	1 993	-
between 3 months and 1 year	-	163 892
between 1 and 5 years	55 544	93 692
over 5 years	53 942	52 158
Total	188 377	309 742

31.03.2013	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	2 660	-
between 1 and 3 months	367	-
between 3 months and 1 year	104 007	77 579
between 1 and 5 years	313 986	175 405
over 5 years	144 435	260 812
Total	565 455	513 796

Assets and financial liabilities held for trading by currency

31.03.2014	ASSETS	LIABILITIES
PLN	950 704	365 896
EUR	10 121	-
USD	29 943	-
Total	990 768	365 896

31.12.2013	ASSETS	LIABILITIES
PLN	141 482	309 742
EUR	8 349	-
USD	38 546	-
Total	188 377	309 742

31.03.2013	ASSETS	LIABILITIES
PLN	405 523	493 527
EUR	55 599	20 269
USD	104 333	-
Total	565 455	513 796

Notes to financial statements (cont)

(in PLN thousand)

24. Derivative financial instruments (held for trading)

Fair value of trading derivatives

31.03.2014	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 709 419	1 734 720
Forward Rate Agreements (FRA)	6 438	4 660
Options	12 791	12 460
Other	631	503
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	13 309	33 524
Currency Forward Agreements	34 304	77 741
Currency Swaps (fx-swap)	85 506	49 892
Options for currency and gold	40 181	41 096
Transactions based on equity securities		
Options	1 867	1 867
Swaps	13 447	12 778
Total	1 917 893	1 969 241

31.12.2013	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 694 485	1 738 511
Forward Rate Agreements (FRA)	12 574	10 365
Options	16 742	16 359
Other	724	863
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	14 258	34 061
Currency Forward Agreements	56 872	100 451
Currency Swaps (fx-swap)	122 157	72 206
Options for currency and gold	58 259	58 287
Transactions based on equity securities		
Options	5 817	5 818
Swaps	15 046	14 580
Total	1 996 934	2 051 501

31.03.2013	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	2 273 546	2 284 907
Forward Rate Agreements (FRA)	4 642	4 731
Options	16 803	17 481
Other	2 229	2 047
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	11 263	64 483
Currency Forward Agreements	61 459	52 028
Currency Swaps (fx-swap)	98 271	59 827
Options for currency and gold	55 171	54 412
Transactions based on equity securities		
Options	4 847	4 847
Total	2 528 231	2 544 763

Notes to financial statements (cont)

(in PLN thousand)

25. Loans and advances to customers

Loans and advances to customers by product type

	31.03.2014	31.12.2013	31.03.2013
Mortgage loans	38 044 945	37 094 691	33 815 558
Current accounts	11 778 917	10 868 100	11 373 973
Operating loans	13 027 178	13 364 851	13 143 407
Investment loans	19 501 387	19 233 353	18 632 973
Payment cards receivables	768 569	778 736	748 488
Purchased debt receivables	2 663 049	2 892 760	2 824 254
Other loans and advances	9 644 911	9 682 090	9 325 197
Debt securities	9 327 129	9 473 835	6 469 846
Reverse repo transactions	3 930 188	2 581 676	2 898 710
Cash in transit	69 524	70 600	31 791
Total gross amount	108 755 797	106 040 692	99 264 197
Impairment allowances	(5 133 169)	(5 028 177)	(4 803 661)
Total net amount	103 622 628	101 012 515	94 460 536

Loans and advances to customers by customer type

	31.03.2014	31.12.2013	31.03.2013
Corporate	51 803 992	49 865 877	48 051 250
Individuals	45 486 603	44 592 881	40 911 084
Budget entities	11 465 202	11 581 934	10 301 863
Total gross amount	108 755 797	106 040 692	99 264 197
Impairment allowances	(5 133 169)	(5 028 177)	(4 803 661)
Total net amount	103 622 628	101 012 515	94 460 536

Loans and advances to customers by quality

	31.03.2014	31.12.2013	31.03.2013
Loans and advances to customers, including:			
non impaired (gross)	101 012 807	98 334 335	91 822 448
impaired (gross)	7 742 990	7 706 357	7 441 749
individual impairment allowances	(2 809 289)	(2 677 820)	(2 324 558)
collective impairment allowances (*)	(2 323 880)	(2 350 357)	(2 479 103)
Total	103 622 628	101 012 515	94 460 536

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

Notes to financial statements (cont)

(in PLN thousand)

Loans and advances to customers by contractual maturity

	31.03.2014	31.12.2013	31.03.2013
Loans and advances to customers, including:			
up to 1 month	17 326 931	14 620 744	15 630 868
between 1 and 3 months	3 625 216	2 902 893	3 564 661
between 3 months and 1 year	8 928 010	10 315 304	9 853 111
between 1 and 5 years	33 529 094	33 406 176	30 035 927
over 5 years	39 880 149	39 629 626	34 799 412
past due	5 466 397	5 165 949	5 380 218
Total gross amount	108 755 797	106 040 692	99 264 197
Impairment allowances	(5 133 169)	(5 028 177)	(4 803 661)
Total net amount	103 622 628	101 012 515	94 460 536

Loans and advances to customers by currency

	31.03.2014	31.12.2013	31.03.2013
PLN	85 181 284	82 906 418	76 384 378
CHF	5 151 659	5 208 473	5 814 931
EUR	11 142 757	10 861 533	10 636 826
USD	2 075 100	1 986 642	1 598 648
Other currencies	71 828	49 449	25 753
Total	103 622 628	101 012 515	94 460 536

Changes in impairment allowances in the period from 1 January to 31 March 2014 and in the period from 1 January to 31 March 2013 are presented in the Note 15.

Notes to financial statements (cont)

(in PLN thousand)

26. Receivables from financial leases

The Group conducts leasing operations through its subsidiary Pekao Leasing Sp. z o.o. The value of gross lease investments and minimum lease payments are follows as:

31.03.2014	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 311 774	1 182 929
Between 1 and 5 years	1 861 619	1 713 744
Over 5 years	258 479	221 712
Total	3 431 872	3 118 385
Unearned finance income	(313 487)	
Net leasing investment	3 118 385	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 118 385	
Impairment allowances	(178 632)	
Balance sheet value	2 939 753	

31.12.2013	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 311 189	1 179 567
Between 1 and 5 years	1 861 633	1 704 660
Over 5 years	284 419	222 132
Total	3 457 241	3 106 359
Unearned finance income	(350 882)	
Net leasing investment	3 106 359	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 106 359	
Impairment allowances	(175 111)	
Balance sheet value	2 931 248	

31.03.2013	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 344 607	1 202 711
Between 1 and 5 years	1 706 613	1 562 978
Over 5 years	129 226	119 567
Total	3 180 446	2 885 256
Unearned finance income	(295 190)	
Net leasing investment	2 885 256	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	2 885 256	
Impairment allowances	(194 858)	
Balance sheet value	2 690 398	

Notes to financial statements (cont)

(in PLN thousand)

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

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

Receivables from financial leases from banks by quality

	31.03.2014	31.12.2013	31.03.2013
Receivables from financial leases from banks, including:			
non impaired (gross)	6 761	6 770	137
impaired (gross)	-	-	-
individual impairment allowances	(82)	(28)	(29)
collective impairment allowances (*)	-	(1)	(1)
Total	6 679	6 741	107

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

Receivables from financial leases from clients by quality

	31.03.2014	31.12.2013	31.03.2013
Receivables from financial leases from clients, including:			
non impaired (gross)	2 866 659	2 859 194	2 611 692
impaired (gross)	244 965	240 395	273 427
individual impairment allowances	(39 071)	(40 991)	(40 366)
collective impairment allowances (*)	(139 479)	(134 091)	(154 462)
Total	2 933 074	2 924 507	2 690 291

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

Receivables from financial leases by currency

	31.03.2014	31.12.2013	31.03.2013
PLN	1 964 865	1 995 032	2 007 654
CHF	4 654	5 752	14 475
EUR	962 609	922 159	657 518
USD	7 625	8 305	10 751
Total	2 939 753	2 931 248	2 690 398

Notes to financial statements (cont)

(in PLN thousand)

27. Hedge accounting

As at 31 March 2014 the Group applies fair value hedge accounting and cash flow hedge accounting.

In the period from 1 January to 31 March 2014 the Group continued to apply the following hedge accounting:

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

The table below presents the fair value of hedging derivatives

31.03.2014	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	194	159 553
Cross-currency interest rate swap (CIRS)	85 031	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	59 103	14 624
Cross-currency interest rate swap (CIRS)	1 186	871 198
FX-swaps	42 560	-
Total	188 074	1 045 375

31.12.2013	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	1 460	158 856
Cross-currency interest rate swap (CIRS)	84 232	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	51 928	14 472
Cross-currency interest rate swap (CIRS)	24 183	834 556
FX-swaps	88 383	-
Total	250 186	1 007 884

31.03.2013	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	-	257 189
Cross-currency interest rate swap (CIRS)	198 099	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	60 992	70 066
Cross-currency interest rate swap (CIRS)	88 371	973 913
FX-swaps	15 991	26 575
Total	363 453	1 327 743

Notes to financial statements (cont)

(in PLN thousand)

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

	I QUARTER 2014	I QUARTER 2013
Revaluation reserves (deferral of fair value changes of hedging instruments related to the portions recognized as effective hedge - gross value)	(40 903)	(47 098)
Net interest income on hedging derivatives	46 976	60 817
Ineffective portions of changes in the fair value of hedging transactions recognized in the income statement	179	(68)

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

	I QUARTER 2014	I QUARTER 2013
Opening balance	(29 487)	(64 318)
Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge	(11 429)	17 207
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	13	13
Closing balance	(40 903)	(47 098)

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

TYPE OF GAINS/LOSSES	I QUARTER 2014	I QUARTER 2013
Gains/losses from revaluation of hedging instruments to fair value	(37 140)	1 417
Gains/losses from revaluation of hedged item associated with hedged risk to fair value	26 415	(6 071)
Result on fair value hedge accounting	(10 725)	(4 654)
Net interest income on hedging derivatives	(7 451)	(12 110)

Notes to financial statements (cont)

(in PLN thousand)

28. Investment (placement) securities

	31.03.2014	31.12.2013	31.03.2013
Debt securities available for sale (AFS)	22 742 234	33 015 387	24 415 638
Equity securities available for sale (AFS)	18 384	18 580	18 377
Debt securities held to maturity (HTM)	1 969 328	1 961 770	2 185 415
Total	24 729 946	34 995 737	26 619 430

Debt securities available for sale (AFS)

	31.03.2014	31.12.2013	31.03.2013
Securities issued by State Treasury	17 862 636	17 929 548	17 265 110
T-bills	-	-	-
T-bonds	17 862 636	17 929 548	17 265 110
Securities issued by Central Banks	3 966 876	14 159 186	6 228 794
Securities issued by business entities	251 323	248 865	252 579
Securities issued by local governments	661 399	677 788	669 155
Total	22 742 234	33 015 387	24 415 638
including impairment of assets	-	-	-

Equity securities available for sale (AFS)

	31.03.2014	31.12.2013	31.03.2013
Shares	18 384	18 580	18 377
Total	18 384	18 580	18 377
including impairment of assets	(123)	(123)	(123)

Debt securities held to maturity (HTM)

	31.03.2014	31.12.2013	31.03.2013
Securities issued by State Treasury	1 137 509	1 124 015	1 518 216
T-bills	-	-	99 517
T-bonds	1 137 509	1 124 015	1 418 699
Securities issued by Central Banks	831 819	837 755	667 199
Total	1 969 328	1 961 770	2 185 415
including impairment of assets	-	-	-

Investment debt securities according to contractual maturity

	31.03.2014	31.12.2013	31.03.2013
Debt securities, including:			
up to 1 month	5 188 221	15 476 130	7 216 228
between 1 and 3 months	-	-	35 445
between 3 months and 1 year	77 429	461 915	1 414 335
between 1 and 5 years	12 906 426	12 787 788	12 449 276
over 5 years	6 539 486	6 251 324	5 485 769
Total	24 711 562	34 977 157	26 601 053

Notes to financial statements (cont)

(in PLN thousand)

Investment debt securities by currency

	31.03.2014	31.12.2013	31.03.2013
PLN	21 785 362	31 932 448	23 889 178
EUR	1 918 663	1 725 017	1 513 968
USD	1 007 537	1 319 692	1 197 907
Total	24 711 562	34 977 157	26 601 053

29. Assets and liabilities held for sale and discontinued operations

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

As at 31 March 2014 non-current assets classified as held for sale are as follows:

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

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

	31.03.2014	31.12.2013	31.03.2013
ASSETS HELD FOR SALE			
Assets of PJSC UniCredit Bank	-	-	2 124 228
Property, plant and equipment	10 088	23 349	85 525
Other assets	22 515	22 515	22 515
Total assets	32 603	45 864	2 232 268
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE			
Liabilities of PJSC UniCredit Bank	-	-	904 145
Total liabilities	-	-	904 145

In comparison to 31 December 2013 the Group has ceased to classify the investment property as held for sale due to the fact that the classification criteria are not longer met.

In 2013 the Bank sold its all shares in subsidiary PJSC UniCredit Bank to UniCredit S.p.A. (Parent Entity of the Bank). The details of transaction were presented in the consolidated financial statements of Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

Effect of disposal of assets held for sale

	I QUARTER 2014	2013	I QUARTER 2013
Sales proceeds	-	90 827	-
Net carrying value of disposed assets (including sale costs)	-	67 932	-
Gain/loss on sale before income tax	-	22 895	-

Notes to financial statements (cont)

(in PLN thousand)

30. Intangible assets

	31.03.2014	31.12.2013	31.03.2013
Intangible assets, including:	557 171	572 011	591 790
research and development expenditures	12 009	12 031	14 883
licenses and patents	434 328	447 917	436 034
other	4 290	1 035	2 115
assets under construction	106 544	111 028	138 758
Goodwill	54 560	54 560	54 560
Total	611 731	626 571	646 350

In the period from 1 January to 31 March 2014, the Group acquired intangible assets in the amount of PLN 18 346 thousand (in 2013 – PLN 101 969 thousand).

In the period from 1 January to 31 March 2014 and in 2013 there have been no intangible assets whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 31 March 2014 the contractual commitments for the acquisition of intangible assets amounted to PLN 50 057 thousand, whereas as at 31 December 2013 - PLN 21 501 thousand.

31. Property, plant and equipment

	31.03.2014	31.12.2013	31.03.2013
Non-current assets, including:	1 483 955	1 496 630	1 567 948
land and buildings	1 130 219	1 131 656	1 158 216
machinery and equipment	282 417	291 519	327 534
transport vehicles	32 911	35 999	46 511
other	38 408	37 456	35 687
Non-current assets under construction and prepayments	76 832	93 006	62 765
Total	1 560 787	1 589 636	1 630 713

In the period from 1 January to 31 March 2014 the Group acquired property, plant and equipment in the amount of PLN 19 110 thousand (in 2013 - PLN 198 208 thousand), while the value of property, plant and equipment sold amounted to PLN 591 thousand (in 2013 - PLN 4 861 thousand).

In the period from 1 January to 31 March 2014 and in 2013 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 31 March 2014 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 47 956 thousand, whereas as at 31 December 2013 - PLN 68 267 thousand.

Notes to financial statements (cont)

(in PLN thousand)

32. Assets pledged as security for liabilities

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

TYPE OF TRANSACTION	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	bonds	3 444 398	3 235 849	3 438 974
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	609 677	575 200	-
Lombard and technical loan	bonds	3 992 928	3 871 133	-
Other loans	bonds, leases encumbrances	989 000	997 427	872 275
Deposits	bonds	143 625	135 500	136 196
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 322 624	1 333 103	925 885
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	45 212	44 785	-
Derivatives	bonds	17 472	17 489	2 317

As at 31 December 2013 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	4 553 357	4 251 825	4 563 231
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	603 467	575 120	-
Lombard and technical loan	bonds	5 379 355	5 271 118	-
Other loans	bonds, leases encumbrances	1 045 089	1 057 224	918 812
Deposits	bonds	216 628	206 450	205 894
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 213 544	1 221 631	823 285
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposit	38 343	38 069	-

Notes to financial statements (cont)

(in PLN thousand)

As at 31 March 2013 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
Sell-buy-back	bonds	1 623 908	1 522 830	1 622 987
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds, bills	616 585	560 120	-
Lombard and technical loan	bonds, bills	6 258 056	5 817 397	-
Other loans	bonds, leases encumbrances	909 142	886 273	736 479
Deposits	bonds	209 625	215 000	199 689
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 266 412	1 283 717	790 888

33. Amounts due to other banks

Amounts due to other banks by product type

	31.03.2014	31.12.2013	31.03.2013
Current accounts and overnight deposits	1 264 379	1 160 683	780 014
Interbank deposits and other liabilities	695 132	1 282 795	637 558
Loans and advances received	3 049 144	3 048 343	2 644 167
Repo transactions	2 563 202	905 238	982 119
Cash in transit	16 423	20 598	35 755
Total	7 588 280	6 417 657	5 079 613

Amounts due to other banks by currency

	31.03.2014	31.12.2013	31.03.2013
PLN	2 674 124	3 058 551	2 511 353
CHF	836 847	814 849	1 021 603
EUR	2 835 618	2 410 773	1 347 028
USD	1 202 995	69 488	133 105
Other currencies	38 696	63 996	66 524
Total	7 588 280	6 417 657	5 079 613

Notes to financial statements (cont)

(in PLN thousand)

34. Amounts due to customers

Amounts due to customers by entity and product type

	31.03.2014	31.12.2013	31.03.2013
Amounts due to corporate, including:	48 429 889	59 214 508	47 890 928
current accounts and overnight deposits	24 846 358	22 708 969	16 581 610
term deposits and other liabilities	23 583 531	36 505 539	31 309 318
Amounts due to budget entities, including:	8 808 024	5 822 211	7 641 457
current accounts and overnight deposits	5 411 220	4 893 773	4 980 427
term deposits and other liabilities	3 396 804	928 438	2 661 030
Amounts due to individuals, including:	53 635 497	50 912 985	49 582 916
current accounts and overnight deposits	28 549 887	27 993 266	27 159 324
term deposits and other liabilities	25 085 610	22 919 719	22 423 592
Repo transactions	1 791 572	3 668 011	1 733 230
Cash in transit	344 007	178 991	303 558
Total	113 008 989	119 796 706	107 152 089

Amounts due to customers by currency

	31.03.2014	31.12.2013	31.03.2013
PLN	95 229 742	101 473 042	89 891 846
CHF	172 895	173 571	183 441
EUR	10 330 454	10 434 337	9 989 417
USD	6 635 360	7 078 537	6 425 567
Other currencies	640 538	637 219	661 818
Total	113 008 989	119 796 706	107 152 089

Notes to financial statements (cont)

(in PLN thousand)

35. Debt securities issued

Debt securities issued by type

	31.03.2014	31.12.2013	31.03.2013
Certificates of deposit	1 048 764	2 240 452	3 445 292
Mortgage bonds	925 885	823 285	790 888
Total	1 974 649	3 063 737	4 236 180

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

Debt securities issued by currency

	31.03.2014	31.12.2013	31.03.2013
PLN	1 810 488	3 003 425	4 153 651
EUR	164 161	60 312	59 109
USD	-	-	23 420
Total	1 974 649	3 063 737	4 236 180

Changes in debt securities issued

	I QUARTER 2014	2013	I QUARTER 2013
Opening balance	3 063 737	4 758 736	4 758 736
Increase (issuance)	894 636	3 667 197	697 800
Decrease (redemption)	(2 025 268)	(4 300 519)	(785 250)
Decrease (partial redemption)	(694)	(1 022 028)	(438 588)
Foreign currency exchange differences	171	2 344	2 414
Sale	41 894	-	-
Other changes	173	(41 993)	1 068
Closing balance	1 974 649	3 063 737	4 236 180

Notes to financial statements (cont)

(in PLN thousand)

36. Provisions

Changes in provisions in the reporting period

I QUARTER 2014	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	34 986	207 297	113 932	37 322	393 537
Provision charges/revaluation	1 395	5 754	27 473	3 689	38 311
Provision utilization	(138)	(2 955)	-	(1 023)	(4 116)
Provision releases	(207)	-	(28 975)	-	(29 182)
Foreign currency exchange differences	39	-	47	29	115
Other changes	-	-	-	118	118
Closing balance	36 075	210 096	112 477	40 135	398 783
Short term	8 465	8 080	62 330	8 936	87 811
Long term	27 610	202 016	50 147	31 199	310 972

2013	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	56 795	154 281	106 406	42 024	359 506
Provision charges/revaluation	8 057	16 727	74 688	15 587	115 059
Provision utilization	(8 305)	(5 919)	-	(20 454)	(34 678)
Provision releases	(21 346)	-	(67 152)	(379)	(88 877)
Foreign currency exchange differences	(275)	-	(10)	87	(198)
Other changes	60	42 208	-	457	42 725
Closing balance	34 986	207 297	113 932	37 322	393 537
Short term	7 277	11 029	63 713	9 713	91 732
Long term	27 709	196 268	50 219	27 609	301 805

I QUARTER 2013	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	56 795	154 281	106 406	42 024	359 506
Provision charges/revaluation	858	4 663	38 615	3 252	47 388
Provision utilization	(484)	(9)	-	(1 413)	(1 906)
Provision releases	(215)	-	(30 874)	-	(31 089)
Foreign currency exchange differences	5	-	228	129	362
Other changes	(5 596)	(6 641)	-	115	(12 122)
Closing balance	51 363	152 294	114 375	44 107	362 139
Short term	21 828	67	70 221	27 510	119 626
Long term	29 535	152 227	44 154	16 597	242 513

Notes to financial statements (cont)

(in PLN thousand)

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 long term employee benefits resulting from IAS 19 and provision for employment restructuring concerning planned liquidation of the Branch in Paris.

37. Contingent commitments

Litigation

In the first quarter of 2014 the total value of the litigation subject in the ongoing court proceedings against the Group was PLN 987 516 thousand (in first quarter of 2013 it was PLN 19 055 948 thousand).

In first quarter of 2014 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.

The most significant court litigation against the Group, per its value, ongoing as at 31 March 2014, is the litigation brought via the plaint of private individuals against the Bank and the Pekao S.A. Central Brokerage House for the payment of PLN 306 622 thousand as compensation for the damage arising from the purchase of stocks and the injury resulting from the execution process. In the opinion of the defendant, the plaint is groundless.

Additionally, ongoing litigation against the Group:

- proceedings – initiated in 2013 - resulting from the guarantee's beneficiary lawsuit for payment of the amount of PLN 43 760 thousand from the realization of a banking guarantee,
- proceedings – initiated in first quarter 2014 – resulting from guarantee beneficiaries' lawsuit for payment of the amount of PLN 32 750 thousand from the realization of a banking guarantee.

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

Subject to still ongoing court dispute is the litigation – already presented in the financial statement of first quarter of 2013 – - resulting from the Bank's minority shareholder lawsuit to repeal resolutions 8 and 24 of the Ordinary General Shareholder Meeting of 19 April 2011 on the approval of the Bank Capital Group consolidated financial statements for 2010 and granting the vote of approval to the Management Board Member. Compliant to the legally valid decision of the Circuit Court in Warsaw of 4 November 2013, the present value of the proceedings is PLN 692, instead of the amount of PLN 18 000 000 thousand quoted by the plaintiff.

As at 31 March 2014, 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 31 March 2014 is PLN 36 075 thousand (PLN 34 986 thousand as at 31 December 2013).

Notes to financial statements (cont)

(in PLN thousand)

Financial commitments granted

Financial commitments granted by entity

	31.03.2014	31.12.2013	31.03.2013
Financial commitments granted to:			
financial entities	3 492 654	2 497 373	3 227 688
non - financial entities	22 522 961	23 208 164	21 980 959
budget entities	841 719	1 392 162	838 841
Total	26 857 334	27 097 699	26 047 488

Guarantees issued

Guarantees issued by entity

	31.03.2014	31.12.2013	31.03.2013
Issued to financial entities:	684 662	832 166	859 618
guarantees	645 104	785 796	807 632
sureties	37 133	43 754	40 668
confirmed export letters of credit	2 425	2 616	11 318
Issued to non-financial entities	10 184 373	10 145 187	8 833 127
guarantees	5 209 508	4 938 747	4 662 610
securities' underwriting guarantees	4 915 935	5 146 660	4 168 550
sureties	58 930	59 780	1 967
Issued to budget entities:	84 238	99 950	60 705
guarantees	15 028	17 740	16 205
securities' underwriting guarantees	69 210	82 210	44 500
Total	10 953 273	11 077 303	9 753 450

Off-balance sheet commitments received

Off-balance sheet commitments received by entity

	31.03.2014	31.12.2013	31.03.2013
Financial received from:	2 637 437	111 792	1 652 000
financial entities	1 999 437	111 792	1 048 578
non - financial entities	638 000	-	603 422
budget entities	-	-	-
Guarantees received from:	13 030 749	9 124 950	10 607 399
financial entities	1 180 184	1 113 604	482 414
non - financial entities	11 138 555	7 302 774	9 400 845
budget entities	712 010	708 572	724 140
Total	15 668 186	9 236 742	12 259 399

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)

38. Related party transactions

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

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

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

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

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

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

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

Notes to financial statements (cont)

(in PLN thousand)

Related party transactions

Related party transactions as at 31 March 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	5 183	-	5	434 206	-	343
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	1 338 832	245 034	178	1 481 485	743 994	1 649
Associates of Bank Pekao S.A Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	21	26 147	-	6
Pioneer Pekao Investment Management S.A.	-	-	9	153 055	-	4
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	-	16 383	151 998	-	6
Krajowa Izba Rozliczeniowa S.A.	-	-	-	12 765	-	-
Total Associates of Bank Pekao S.A. Group	-	-	16 413	343 965	-	16
Key management personnel of the Bank and UniCredit S.p.A.	7 007	-	-	25 735	-	-
Total	1 351 022	245 034	16 596	2 285 391	743 994	2 008

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and placements by contractual maturity

31.03.2014	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	5 183	-	-	-	-	-	5 183
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	516 199	162 961	607	345 951	313 114	-	1 338 832
Associates of Bank Pekao S.A Group	-	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	2	-	-	6 514	142	349	7 007
Total	521 384	162 961	607	352 465	313 256	349	1 351 022

(*) Current receivables include Nostro account and cash collaterals

Liabilities from loans and deposits by contractual maturity

31.03.2014	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	204 779	229 427	-	-	-	-	434 206
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	55 193	682 988	255 500	18 978	118 678	350 148	1 481 485
Associates of Bank Pekao S.A Group	23 185	37 564	283 216	-	-	-	343 965
Key management personnel of the Bank and UniCredit S.p.A	2 570	20 642	2 114	309	100	-	25 735
Total	285 727	970 621	540 830	19 287	118 778	350 148	2 285 391

(*) Current liabilities include Loro account and cash collaterals

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and placement by currency

31.03.2014	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	2 920	2 263	-	-	-	5 183
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	551 574	663 833	6	97 507	25 912	1 338 832
Associates of Bank Pekao S.A Group	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	7 007	-	7 007
Total	554 494	666 096	6	104 514	25 912	1 351 022

Liabilities due to loans and deposits by currency

31.03.2014	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	229 427	-	-	204 779	-	434 206
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	45 325	5 258	1 061 858	365 089	3 955	1 481 485
Associates of Bank Pekao S.A Group	-	-	-	343 965	-	343 965
Key management personnel of the Bank and UniCredit S.p.A.	3 477	567	-	15 141	6 550	25 735
Total	278 229	5 825	1 061 858	928 974	10 505	2 285 391

Notes to financial statements (cont)

(in PLN thousand)

Related party transactions as at 31 December 2013

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	4 812	-	29	52 758	-	830
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	1 151 416	303 574	4 177	1 620 185	772 939	1 954
Associates of Bank Pekao S.A Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	3	22 905	-	8
Pioneer Pekao Investment Management S.A.	-	-	-	148 571	-	3
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	-	16 145	133 659	-	22
Krajowa Izba Rozliczeniowa S.A.	-	-	3	13 176	-	-
Total Associates of Bank Pekao S.A. Group	-	-	16 151	318 311	-	33
Key management personnel of the Bank and UniCredit S.p.A.	6 924	-	-	22 990	-	-
Total	1 163 152	303 574	20 357	2 014 244	772 939	2 817

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and deposits by contractual maturity

	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	4 812	-	-	-	-	-	4 812
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	481 281	14 171	953	302 393	352 618	-	1 151 416
Associates of Bank Pekao S.A Group	-	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	2	6 514	-	-	54	354	6 924
Total	486 095	20 685	953	302 393	352 672	354	1 163 152

(*) Current receivables include Nostro account and cash collaterals

Liabilities from loans and deposits by contractual maturity

31.12.2013	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	52 758	-	-	-	-	-	52 758
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	281 448	357 478	469 833	21 502	75 687	414 237	1 620 185
Associates of Bank Pekao S.A Group	20 132	36 011	126 286	135 882	-	-	318 311
Key management personnel of the Bank and UniCredit S.p.A.	1 409	18 316	2 565	600	100	-	22 990
Total	355 747	411 805	598 684	157 984	75 787	414 237	2 014 244

(*) Current liabilities include Loro account and cash collaterals

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and deposits by currency

31.12.2013	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	3 521	1 291	-	-	-	4 812
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	517 811	614 246	6	-	19 353	1 151 416
Associates of Bank Pekao S.A Group	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	6 924	-	6 924
Total	521 332	615 537	6	6 924	19 353	1 163 152

Liabilities due to loans and deposits by currency

31.12.2013	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	169	-	-	52 589	-	52 758
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	583 161	5 240	422 910	600 684	8 190	1 620 185
Associates of Bank Pekao S.A Group	-	-	-	318 311	-	318 311
Key management personnel of the Bank and UniCredit S.p.A.	2 447	500	-	13 456	6 587	22 990
Total	585 777	5 740	422 910	985 040	14 777	2 014 244

Notes to financial statements (cont)

(in PLN thousand)

Income and expenses from transactions with related parties for the period from 1 January to 31 March 2014

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
UniCredit S.p.A. – the Bank's parent entity	8	(6)	25	(617)	382	(1 813)
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	13 166	(4 677)	3 081	(50)	1 489	(24 247)
Associates of Bank Pekao S.A Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	(134)	10	(9)	52	-
Pioneer Pekao Investment Management S.A.	-	(915)	129	-	6	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(891)	56 796	-	-	-
Krajowa Izba Rozliczeniowa S.A.	-	(55)	24	-	-	(2 298)
Total Associates of Bank Pekao S.A. Group	-	(1 995)	56 959	(9)	58	(2 298)
Key management personnel of the Bank and UniCredit S.p.A.	64	(120)	4	-	-	-
Total	13 238	(6 798)	60 069	(676)	1 929	(28 358)

Income and expenses from transactions with related parties for the period from 1 January to 31 March 2013

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
UniCredit S.p.A. – the Bank's parent entity	30	(114)	885	(14)	325	(2 844)
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	33 296	(11 565)	1 255	(522)	6 970	(21 353)
Associates of Bank Pekao S.A Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	(80)	11	(8)	67	-
Pioneer Pekao Investment Management S.A.	-	(1 541)	98	-	2	-
Pioneer Pekao TFI S.A. (jednostka zależna PPIM S.A.)	-	(1 154)	59 021	-	-	(1)
Krajowa Izba Rozliczeniowa S.A.	-	(113)	5	-	-	(1 575)
Total Associates of Bank Pekao S.A. Group	-	(2 888)	59 135	(8)	69	(1 576)
Key management personnel of the Bank and UniCredit S.p.A.	91	(141)	1	-	-	-
Total	33 417	(14 708)	61 276	(544)	7 364	(25 773)

Notes to financial statements (cont)

(in PLN thousand)

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

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEES
UniCredit S.p.A. – the Bank's parent entity	62 156	252 457	-	57 831
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	434 262	240 127	60 658	75 759
Associates of Bank Pekao S.A. Group				
Dom Inwestycyjny Xelion Sp. z o.o.	30	-	-	-
Pioneer Pekao Investment Management S.A.	15	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	55	-	-	-
Krajowa Izba Rozliczeniowa S.A.	-	500	-	-
Total Associates of Bank Pekao S.A. Group	100	500	-	-
Key management personnel of the Bank and UniCredit S.p.A.	264	-	-	-
Total	496 782	493 084	60 658	133 590

Notes to financial statements (cont)

(in PLN thousand)

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

31.03.2014	CURRENT	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
FINANCIAL COMMITMENTS GRANTED							
UniCredit S.p.A. – the Bank's parent entity	24 000	-	-	38 156	-	-	62 156
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group	362 720	-	71 334	-	208	-	434 262
Associates of Bank Pekao S.A. Group	-	-	-	-	100	-	100
Key management personnel of the Bank and UniCredit S.p.A.	20	-	-	5	229	10	264
Total	386 740	-	71 334	38 161	537	10	496 782
GUARANTEES ISSUED							
UniCredit S.p.A. – the Bank's parent entity	-	1 886	-	124 960	15 636	109 975	252 457
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group	-	2 372	-	16 294	26 913	194 548	240 127
Associates of Bank Pekao S.A. Group	-	-	-	-	500	-	500
Total	-	4 258	-	141 254	43 049	304 523	493 084
FINANCIAL COMMITMENTS RECEIVED							
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group	60 658	-	-	-	-	-	60 658
Total	60 658	-	-	-	-	-	60 658
GUARANTEES RECEIVED							
UniCredit S.p.A. – the Bank's parent entity	-	-	-	23 206	14 811	19 814	57 831
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group	-	2 500	11 000	46 150	13 647	2 462	75 759
Total	-	2 500	11 000	69 356	28 458	22 276	133 590

Notes to financial statements (cont)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees granted by currency

31.03.2014	EUR	USD	CHF	PLN	INNE	TOTAL
FINANCIAL COMMITMENTS GRANTED						
UniCredit S.p.A. – the Bank's parent entity	38 156	-	-	24 000	-	62 156
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	30 033	-	-	404 229	-	434 262
Associates of Bank Pekao S.A Group	-	-	-	100	-	100
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	264	-	264
Total	68 189	-	-	428 593	-	496 782
GUARANTEES ISSUED						
UniCredit S.p.A. – the Bank's parent entity	10 794	-	-	241 663	-	252 457
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	13 994	-	-	226 133	-	240 127
Associates of Bank Pekao S.A Group	-	-	-	500	-	500
Total	24 788	-	-	468 296	-	493 084
FINANCIAL COMMITMENTS RECEIVED						
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	-	-	-	43 870	16 788	60 658
Total	-	-	-	43 870	16 788	60 658
GUARANTEES RECEIVED						
UniCredit S.p.A. – the Bank's parent entity	51 540	-	-	6 291	-	57 831
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	21 267	-	-	45 910	8 582	75 759
Total	72 807	-	-	52 201	8 582	133 590

Notes to financial statements (cont)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees as at 31 December 2013

NAME OF ENTITY	GRANTED		RECEIVED
	FINANCIAL	GUARANTEES	GUARANTEES
UniCredit S.p.A. – the Bank's parent entity	62 569	353 654	48 345
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	732 287	273 410	113 807
Associates of Bank Pekao S.A Group			
Dom Inwestycyjny Xelion Sp. z o.o.	30	-	-
Pioneer Pekao Investment Management S.A.	15	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	61	-	-
Krajowa Izba Rozliczeniowa S.A.	-	500	-
Total Associates of Bank Pekao S.A. Group	106	500	-
Key management personnel of the Bank and UniCredit S.p.A.	261	-	-
Total	795 223	627 564	162 152

As at 31 December 2013, the Group did not have off-balance sheet financial commitments and guarantees received from related parties.

Notes to financial statements (cont)

(in PLN thousand)

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

31.12.2013	CURRENT	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
FINANCIAL COMMITMENTS GRANTED							
UniCredit S.p.A. – the Bank's parent entity	24 000	-	-	38 569	-	-	62 569
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	362 120	180 829	-	189 123	215	-	732 287
Associates of Bank Pekao S.A Group	-	-	-	-	106	-	106
Key management personnel of the Bank and UniCredit S.p.A.	20	-	5	-	226	10	261
Total	386 140	180 829	5	227 692	547	10	795 223
GUARANTEES ISSUED							
UniCredit S.p.A. – the Bank's parent entity	67 076	76 743	-	-	99 139	110 696	353 654
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	641	-	44 397	37 951	190 421	273 410
Associates of Bank Pekao S.A Group	-	-	-	500	-	-	500
Total	67 076	77 384	-	44 897	137 090	301 117	627 564
GUARANTEES RECEIVED							
UniCredit S.p.A. – the Bank's parent entity	3 000	-	-	13 904	11 742	19 699	48 345
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	29 967	463	980	65 182	14 768	2 447	113 807
Total	32 967	463	980	79 086	26 510	22 146	162 152

Notes to financial statements (cont)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees issued by currency

31.12.2013	EUR	USD	CHF	PLN	OTHER	TOTAL
FINANCIAL COMMITMENTS GRANTED						
UniCredit S.p.A. – the Bank's parent entity	38 569	-	-	24 000	-	62 569
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	29 652	-	-	702 635	-	732 287
Associates of Bank Pekao S.A Group	-	-	-	106	-	106
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	261	-	261
Total	68 221	-	-	727 002	-	795 223
GUARANTEES ISSUED						
UniCredit S.p.A. – the Bank's parent entity	11 872	-	-	341 782	-	353 654
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	15 342	-	-	258 068	-	273 410
Associates of Bank Pekao S.A Group	-	-	-	500	-	500
Total	27 214	-	-	600 350	-	627 564
GUARANTEES RECEIVED						
UniCredit S.p.A. – the Bank's parent entity	44 895	-	-	3 450	-	48 345
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	20 728	-	-	86 510	6 569	113 807
Total	65 623	-	-	89 960	6 569	162 152

Notes to financial statements (cont)

(in PLN thousand)

Remuneration of Bank's Management Board and Supervisory Board Members

	VALUE OF BENEFITS	
	I QUARTER 2014	I QUARTER 2013
Management Board of the Bank		
Short-term employee benefits (*)	2 631	2 554
Long-term benefits(**)	1 777	1 774
Share-based payments (***)	1 792	1 915
Total	6 200	6 243
Supervisory Board of the Bank		
Short-term employee benefits (*)	235	195
Total	235	195

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

(**) The item 'Long-term benefit' includes: provisions for a long-term motivation program and deferred bonus payments.

(***) The value of share-based payments is a part of Personnel Expenses, recognized according to IFRS 2 during the reporting period in the income statement, representing the settlement of fair value of share options and shares, including phantom shares, granted to the Members of the Bank's Management Board.

Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associates in the period from 1 January to 31 March 2014 and in the period from 1 January to 31 March 2013.

Remuneration of Supervisory Boards and Management Boards of subsidiaries

	VALUE OF BENEFITS	
	I QUARTER 2014	I QUARTER 2013
Companies' Management Boards		
Short-term employee benefits	2 750	3 658
Long-term benefits	-	25
Benefits resulting from the termination of employment relationship	-	198
Share-based payments	-	70
Total	2 750	3 951
Companies' Supervisory Boards		
Short-term employee benefits	10	10
Total	10	10

39 Subsequent events

There have been no significant subsequent events.

Signatures of the Management Board Members

09.05.2014	Luigi Lovaglio	President of the Management Board, CEO	
Date	Name/Surname	Position/Function	Signature
09.05.2014	Diego Biondo	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.05.2014	Andrzej Kopyrski	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.05.2014	Grzegorz Piwowar	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.05.2014	Stefano Santini	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.05.2014	Marian Ważyński	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature

Annexes to the financial statements

The accompanying notes to the financial statement constitute an integral part of the consolidated 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 from 1 January 2014

- **IFRS 10** 'Consolidated Financial Statements'

The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation - Special Purpose Entities'. The IFRS 10 defines the principle of control established the basis for determining which entities are to be consolidated. The IFRS presents the additional guidelines useful in determining the existence of the control when it is hard to define.

The Group claims that the new standard had no material impact on its financial statements in the period of its first application, except for the change in accounting policy in respect to consolidation.

- **IFRS 11** 'Joint Arrangements'

The standard establishes more realistic reflection of joint arrangements, concentrating on rights and obligations resulting from those arrangements, and not on its legal form. The standard addresses inconsistencies in financial reporting of joint arrangements by introduction of homogenous method of accounting of interest in jointly controlled entities.

IFRS 11 requires accounting of interests in joint arrangements only under the equity method, thus eliminating the proportionate consolidation. The existence of an independent legal entity is not a fundamental classification condition. Transitional provisions vary depending on the method of classification of joint arrangements under IAS 31.

The Group claims that the new standard had no material impact on its financial statements in the period of its first application.

- **IFRS 12** 'Disclosure of Interests in Other Entities'

The standard establishes new and complex principles for disclosure of entity's interests in other entities, including subsidiaries, joint ventures, associates and other entities that are not consolidated.

The Group claims that the new standard had no material impact on its financial statements in the period of its first application, except for extending the scope of disclosures.

- **IAS 27** 'Separate Financial Statements'

The standard establishes principles for the presentation and disclosures to be applied in accounting for investments in subsidiaries, associates and joint ventures. The standard supersedes the previous version of IAS 27 'Consolidated and Separate Financial Statements'.

The Group claims that the new standard had no material impact on its financial statements in the period of its first application.

Annexes to the financial statements (cont.)

- **IAS 28 'Investments in Associates and Joint Ventures'**

The new standard refers to accounting for investments in associates and establishes the requirements for the application of the equity method for investments in associates and joint ventures. The standard will supersede the previous version of IAS 28 'Investments in Associates'.

The Group claims that the new standard had no material impact on its financial statements in the period of its first application.

- **IAS 32 (amendment) 'Financial Instruments: Presentation'**

The aim of this Standard is to address inconsistencies in requirements concerning the offsetting criteria for financial assets and financial liabilities.

The Group claims that the standard's amendment, except for extending the scope of disclosures, had no material impact on its financial statements in the period of its first application.

- **IAS 36 (amendment) 'Impairment of Assets'**

When developing IFRS 13 'Fair Value Measurement', the IASB decided to amend IAS 36 to require disclosures about the recoverable amount of impaired assets.

The amendments clarify the IASB's original intention: the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs to sell.

The Group claims that the standard's amendment had no material impact on its financial statements in the period of its first application.

- **IAS 39 (amendment) 'Financial Instruments: Recognition and Measurement'**

The amendment allows to continuously apply hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

The Group claims that the standard's amendment had no 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 31 December 2017.

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 will be 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.

The real impact of IFRS 9 first application will be possible to be estimated after the publication of the final, complete version of the standard.

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

Date of application: the first financial year beginning after 31 December 2015.

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.

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

Date of application: the first financial year beginning after 1 July 2014.

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.

Annexes to the financial statements (cont.)

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 2010-2012**

Date of application: the first financial year beginning after 1 July 2014.

The annual improvements to IFRS 2010-2012 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.

- **Improvements to IFRS 2011-2013**

Date of application: the first financial year beginning after 1 July 2014.

The annual improvements to IFRS 2011-2013 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.

- **IFRIC 21 'Levies'**

Date of application: the first financial year beginning after 31 December 2013.

IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The interpretation clarifies the obligating event for the recognition of a liability for a levy.

Based on the analysis performed the Group claims that the new interpretation will not have a material impact on its financial statements in the period of its first application.

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.