



Bank Polski

Report of the PKO Bank Polski S.A. Group for the third quarter of 2021

SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FINANCIAL DATA	PLN million			EUR million		
	period from 01.01.2021 to 30.09.2021	period from 01.01.2020 to 30.09.2020	Change % (A-B)/B	period from 01.01.2021 to 30.09.2021	period from 01.01.2020 to 30.09.2020	Change % (D-E)/E
	A	B	C	D	E	F
Net interest income/(expense)	7 213	7 693	(6.24%)	1 582	1 732	(8.64%)
Net fee and commission income	3 236	2 891	11.93%	710	651	9.07%
Net expected credit losses and Net impairment allowances on non-financial assets	(827)	(1 597)	(48.22%)	(181)	(360)	(49.54%)
Administrative expenses	(4 592)	(4 567)	0.55%	(1 007)	(1 028)	(2.02%)
Profit before tax	4 934	3 101	59.11%	1 082	698	55.04%
Net profit (including non- controlling shareholders)	3 671	2 015	82.18%	805	454	77.38%
Net profit attributable to the parent company	3 671	2 018	81.91%	805	454	77.38%
Earnings per share for the period - basic (in PLN/EUR)	2.94	1.61	82.61%	0.64	0.36	77.78%
Earnings per share for the period - diluted (in PLN/EUR)	2.94	1.61	82.61%	0.64	0.36	77.78%
Total net comprehensive income	1 624	3 198	(49.22%)	356	720	(50.52%)
Total net cash flows	(629)	(12 645)	(95.03%)	(138)	(2 847)	(95.15%)

SELECTED FINANCIAL DATA	PLN million			EUR million		
	30.09.2021	31.12.2020	Change % (A-B)/B	30.09.2021	31.12.2020	Change % (D-E)/E
	A	B	C	D	E	F
Total assets	403 521	376 966	7.04%	87 099	81 686	6.63%
Total equity	41 535	39 911	4.07%	8 965	8 648	3.66%
Share capital	1 250	1 250	x	270	271	(0.39%)
Number of shares (in million)	1 250	1 250	x	1 250	1 250	x
Book value per share (in PLN/EUR)	33.23	31.93	4.07%	7.17	6.92	3.66%
Diluted number of shares (in million)	1 250	1 250	x	1 250	1 250	x
Diluted book value per share (in PLN/EUR)	33.23	31.93	4.07%	7.17	6.92	3.66%
Total capital adequacy ratio	18.97	18.18	4.35%	18.97	18.18	4.35%
Tier 1	39 715	38 816	2.32%	8 572	8 411	1.92%
Tier 2	2 700	2 700	x	583	585	(0.39%)

SELECTED STANDALONE FINANCIAL DATA

SELECTED FINANCIAL DATA	PLN million			EUR million		
	period from 01.01.2021 to 30.09.2021	period from 01.01.2020 to 30.09.2020	Change % (A-B)/B	period from 01.01.2021 to 30.09.2021	period from 01.01.2020 to 30.09.2020	Change % (D-E)/E
	A	B	C	D	E	F
Net interest income/(expense)	6 344	6 919	(8.31%)	1 392	1 558	(10.65%)
Net fee and commission income	2 608	2 272	14.79%	572	511	11.86%
Net expected credit losses and Net impairment allowances on non-financial assets	(708)	(1 429)	(50.45%)	(155)	(322)	(51.72%)
Administrative expenses	(3 954)	(3 957)	(0.08%)	(867)	(891)	(2.63%)
Profit before tax	4 610	2 735	68.56%	1 011	616	64.25%
Net profit	3 526	1 797	96.22%	774	405	91.20%
Earnings per share for the period - basic (in PLN/EUR)	2.82	1.44	95.83%	0.62	0.32	93.75%
Earnings per share for the period - diluted (in PLN/EUR)	2.82	1.44	95.83%	0.62	0.32	93.75%
Total net comprehensive income	1 354	2 861	(52.67%)	297	644	(53.88%)
Total net cash flows	(1 346)	(12 652)	(89.36%)	(295)	(2 848)	(89.63%)

SELECTED FINANCIAL DATA	PLN million			EUR million		
	as at 30.09.2021	as at 31.12.2020	Change % (A-B)/B	as at 30.09.2021	as at 31.12.2020	Change % (D-E)/E
	A	B	C	D	E	F
Total assets	371 611	345 027	7.70%	80 211	74 765	7.28%
Total equity	39 931	38 577	3.51%	8 619	8 359	3.11%
Share capital	1 250	1 250	x	270	271	(0.39%)
Number of shares (in million)	1 250	1 250	x	1 250	1 250	x
Book value per share (in PLN/EUR)	31.94	30.86	3.50%	6.89	6.69	2.99%
Diluted number of shares (in million)	1 250	1 250	x	1 250	1 250	x
Diluted book value per share (in PLN/EUR)	31.94	30.86	3.50%	6.89	6.69	2.99%
Total capital adequacy ratio	20.78	19.78	5.06%	20.78	19.78	5.06%
Tier 1	38 021	37 564	1.22%	8 207	8 140	0.82%
Tier 2	2 700	2 700	x	583	585	(0.39%)

SELECTED FINANCIAL STATEMENT ITEMS HAVE BEEN TRANSLATED INTO EUR AT THE FOLLOWING RATES	period from 01.01.2021 to 30.09.2021	period from 01.01.2020 to 30.09.2020
arithmetic mean of NBP exchange rates at the end of a month (income statement, statement of comprehensive income and cash flow statement items)	4.5585	4.4420
	30.09.2021	31.12.2020
NBP mid exchange rates at the date indicated (statement of financial position items)	4.6329	4.6148



Bank Polski

Directors' Commentary
to the financial results
of the PKO Bank Polski S.A. Group
for the nine-month period ended
30 September 2021

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The Powszechna Kasa Oszczędności Bank Polski S.A. Group (PKO Bank Polski S.A. Group or the Bank's Group) is one of the largest financial institutions in Poland and one of the largest financial groups in Central and Eastern Europe. Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (PKO Bank Polski S.A. or the Bank), the Parent of the Bank's Group, is the largest commercial bank in Poland and a leading bank on the Polish market in terms of its scale of operations, equity, loans, deposits, number of Customers and the size of the distribution network.

During the three quarters of 2021 the Bank's Group continued to prepare offers for amicable settlements regarding mortgage loans in Swiss francs granted to households for residential purposes. It supported communities, Customers and employees in their fight against the COVID-19 pandemic and its effects. It developed its product offer, including in particular with respect to remote products and services and those provided using state-of-the-art technology, including based on cloud computing and Artificial Intelligence.

I. SUMMARY OF OPERATIONS IN THE THIRD QUARTER OF 2021

Information on the activities of the Bank's Group in the third quarter of 2021 is presented below. The information is supplemented with significant corporate events which took place in October 2021. A summary of the results from the first half of 2021 was presented in the PKO Bank Polski S.A.'s Group Directors' Report for the first half of 2021 (<https://www.pkobp.pl/investor-relations/financial-results-presentations/>).

1. THE MOST IMPORTANT EVENTS, INCLUDING OF AN ATYPICAL NATURE

CHANGES IN THE BANK'S MANAGEMENT AND SUPERVISORY BOARDS

In the third quarter of 2021:

- On 3 September 2021 Polish Financial Supervision Authority (PFSA) unanimously agreed to the appointment of Mr Jan Emyrk Rościszewski as President of the Management Board of PKO Bank Polski S.A. Therefore, as of 3 September 2021 Mr Jan Emyrk Rościszewski began performing the function of President of the Management Board of the Bank.
- The person responsible for technology on the Bank's Management Board also changed:
 - Mr Adam Marciniak resigned as Vice-President of the Bank's Management Board and from membership on the Bank's Management Board as of 13 August 2021;
 - on 14 September 2021 the Bank's Supervisory Board appointed Mr Artur Kurcweil Vice-President of the Bank's Management Board.

The Nominations and Remuneration Committee of the Bank's Supervisory Board made an assessment which resulted in confirming the individual suitability of the new member of the Bank's Management Board and collective suitability of the whole Management Board. The assessment of suitability was confirmed by the Bank's Supervisory Board.

In October 2021:

- Mr Piotr Sadownik resigned from membership of the Bank's Supervisory Board as of 11 October 2021.
- On 12 October 2021, the Extraordinary General Shareholders' Meeting of the Bank:
 - dismissed Mr Zbigniew Hajłasz from the Bank's Supervisory Board;
 - appointed Mr Tomasz Kuczur and Mr Bogdan Szafranski to the Bank's Supervisory Board.

The newly appointed members of the Supervisory Board filed statements that they meet the independence criteria specified in the "Best Practice for WSE Listed Companies 2021".

The Bank's Extraordinary General Shareholders' Meeting confirmed the individual suitability of the new members of the Bank's Supervisory Board in connection with their appointment to a joint term of office, and of the whole body (collective responsibility), accounting for the personal changes made.

- Changes were made to the composition of the Bank's Supervisory Board: on 14 October 2021 Mr Tomasz Kuczur was appointed to the Nominations and Remuneration Committee and to the Strategy Committee,

and Mr Bogdan Szafrński was appointed to the Nominations and Remuneration Committee, to the Risk Committee and to the Strategy Committee¹.

- On 14 October 2021 Mr Jan Emeryk Rościszewski resigned as President of the Bank's Management Board and from membership on the Bank's Management Board as of 22 October 2021.
- On 14 October 2021 the Bank's Supervisory Board:
 - appointed Ms Iwona Duda Vice-President of the Bank's Management Board as of 23 October 2021; at the same time, it appointed Ms Iwona Duda President of the Bank's Management Board on condition that the PFSA gives its consent to such an appointment, as of the date of the consent, and it entrusted Ms Iwona Duda with management of the Management Board's work (in the period from 23 October to the date when the PFSA gives its consent);
 - it dismissed Mr Rafał Antczak and Mr Jakub Papierski from the Bank's Management Board;
 - it appointed Mr Wojciech Iwanicki Vice-President of the Management Board.

The Nominations and Remuneration Committee of the Bank's Supervisory Board made an assessment which resulted in confirming the individual suitability of the new members of the Management Board and collective suitability of the whole Management Board. The assessment of suitability was confirmed by the Bank's Supervisory Board.

FOREIGN CURRENCY MORTGAGE LOANS

In the third quarter of 2021, PKO Bank Polski S.A. finalized work on the systemic resolution of the housing loans granted in Swiss francs (CHF) problem, i.e. on offering amicable settlements to the Customers.

The programme was launched on 4 October 2021.

The resolution of the problem is based on a proposal made by the Chairman of the Polish Financial Supervision Authority and consists of converting the CHF-denominated loans to PLN-denominated loans as if they had been PLN loans from the beginning.

The settlements will be offered during mediations conducted by the Mediation Centre of the Arbitration Court of the PFSA, in the course of court proceedings and proceedings initiated with an application for a summons to a conciliation hearing.

The amicable settlement is offered to individual Customers who were granted mortgage loans to satisfy their individual housing requirements in CHF, and who are paying the loan back. Customers whose loans have already been repaid, whose loans were paid out fully in CHF or who used support from the Borrowers' Support Fund cannot avail themselves of the offer.

The foreign currency loan, when transformed into a PLN loan will be settled as if it had been drawn in PLN and will bear interest based on the WIBOR reference rate plus a margin historically applied to such loans. Other parameters, such as the term of the loan, the form of repayment and the fees, commissions and insurance premiums incurred, remain unchanged.

Customers are offered alternative options for repaying the remaining portion of their loans in the form of a PLN loan bearing a variable interest rate or a PLN loan bearing a fixed interest rate. Interest will be determined on an annual basis as the sum of the WIBOR 3M reference rate plus a margin if the interest rate is variable, or as the sum of the Bank's base rate plus a margin (over a five-year period, for loans repayable over a period of more than five years, or throughout the period for loans repayable over a period of less than five years) if the interest rate is fixed. The Bank submits the detailed calculations to the Customers several days before the mediation hearing in the Arbitration Court.

For Customers who have access to iPKO the process may be conducted remotely, and the borrowers only have to appear in the branch office once – to sign the settlement.

PKO BANK POLSKI S.A. IN THE CLUSTER OF THE MOST STABLE BANKS IN THE EU

PKO Bank Polski S.A. participated in another edition of the European Banking Authority's stress tests performed in 2021 with the participation of the PFSA, the ECB and the European Systemic Risk Board. Fifty banks from 15 European Union and European Economic Area countries, which account for 70% of the EU banking sector's assets,

¹ In connection with the resignation or dismissal respectively, Mr Piotr Sadownik (Strategy Committee) and Mr Zbigniew Hajłasz (Nominations and Remuneration Committee and Strategy Committee) ceased to sit on the said Committees. The composition of the Audit Committee has not changed.

participated in the test. The results of the tests confirmed the Bank's high resilience to negative macroeconomic scenarios. The Bank was found to be one of the most stable banks in the EU.

LEASE WITH THE GUARANTEE OF BANK GOSPODARSTWA KRAJOWEGO

In August 2021, PKO Leasing S.A. signed a contract with Bank Gospodarstwa Krajowego (BGK), which allows offering the SME sector Customers guarantees securing repayment of the amounts due with respect to lease transactions (leases or lease financing). The guarantees secure up to 80% of the principal amount of a transaction for a period from 3 to 120 months. Support is offered until the end of 2021 and the service was launched in October 2021.

BGK guarantees for the repayment of leases or lease advances are covered by re-guarantees of the European Investment Fund and are granted from the Pan-European Guarantee Fund, which aims to secure the EU economy from the effects of the COVID-19 pandemic.

2. BUSINESS CONDITIONS

In the third quarter of 2021, the Polish economy continued its post-pandemic normalization process. The rate of economic growth, after extinguishing the base effects, was stable at approx. 5% y/y. Consumer demand returned to the services sector, which dynamically started to make up for its losses. Industrial production, construction activity and exports grew, although the effects of global supply limitations had a negative effect on their results. The situation on the labour market continued to improve. In September, unemployment dropped to 5.6% and wages and salaries continued to grow by more than 8% y/y.

CPI inflation grew constantly and departed from the National Bank of Poland's (NBP) target. In September inflation was 5.9% y/y compared with 4.4% y/y in June 2021 and was the highest in 20 years. The price increase was extensive and covered the decisive majority of goods and services. Inflation was largely the effect of exogenous factors (increases in the prices of energy and food) and temporary factors (post-pandemic adaptations, supply limitations). Inflation increased globally; in most economies inflation exceeded previous expectations and forecasts for 2022 had to be adjusted up.

Between June and September 2021 the Monetary Policy Council (MPC) did not change interest rates. In October, in reaction to the deteriorating inflation prospects, the MPC raised interest rates: the reference, rediscount and discount rate by 40 b.p. (with new reference rate at 0.50%), and the Lombard rate by 50 b.p. The deposit rate was not changed. In November the MPC decided to hike interest rates by additional 75 b.p., setting the reference rate at 1.25%, the deposit rate at 0.75% and the Lombard rate at 1.75%. The rediscount and discount rates rose to 1.30% and 1.35% respectively (from 0.51% and 0.52%).

NBP interest rates in Q3 2021

- reference 0.10%
- bill of exchange discount 0.12%
- bill of exchange rediscount 0.11%
- Lombard 0.50%
- deposit 0.00%

The recent comments from the MPC indicate that interest rates may be further increased in the coming months. The estimated impact of the two interest rates hikes by – in total – 1.15 p.p. on the net interest income of the Bank's Group accounts for PLN 1.0-1.2 billion in 2022, assuming active management of the balance sheet structure.

The NBP declared that although the asset repurchase programme remains one of the tools of the Central Bank, it has been temporarily halted. In the third quarter, the NBP repurchased debt instruments of PLN 7.2 billion compared with PLN 22.4 billion in the second quarter of 2021.

On the financial markets, the third quarter was characterized by increased fluctuations and volatility of rates of return in particular asset classes. It was unfavourable for bonds whose prices dropped, and favourable for stock. Investors were not keen to purchase bonds because growing inflation increased the risk of an increase in interest rates, which actually took place right after the end of the quarter. The Warsaw Stock Exchange Index WIG went up by over 6% thanks to good present results and sound prospects for the Polish economy. The Polish zloty lost more than 2% to the euro and 5% to the US dollar. The weakening of the Polish currency was caused mainly by global factors, particularly by the announced normalization of the US monetary policy. US dollar assets became more attractive compared with those denominated in the currencies of developing countries which also impacted the exchange rate of the zloty which in addition was under pressure of real interest rates.

3. THE DEVELOPMENT OF BUSINESS ACTIVITIES

DEVELOPMENT OF SERVICES, PRODUCTS AND TOOLS

The PKO Bank Polski S.A. Group consistently developed modern services and products. It focused on remote channels.

Achievements of PKO Bank Polski S.A.

Development of functionalities in electronic and mobile banking channels, automation and robotization	
Electronic banking services iPKO and iPKO biznes	Implementing new functions in iPKO, including: signature on loan contract/annex and selected documents relating to collateral both using an authorization tool and an mSzafir qualified signature, and placing an order for closing a current account, savings account or foreign currency account.
	Expanding the scope of remote applications for mortgage loans. The Customer may now complete all formalities online – fill in the application form and attach the required documents, and has to come to the branch office only to sign the loan agreement. At each stage the Customer may use the help of an advisor.
	Making available securities accounts to institutional Customers.
IKO mobile application	Making available a full offer of investment funds of PKO Towarzystwo Funduszy Inwestycyjnych S.A. and views of accounts maintained by the Bank's Brokerage Office, and the balances of funds accumulated under the Employee Capital Plans (PPK) and Employee Pension Schemes (PPE).
	Launching BLIK smartphone proximity payments, which will enable performing transactions using the BLIK system without the necessity to give the BLIK code, without a card and without the costs of foreign exchange. The new BLIK proximity payments function is available in the IKO application for the Android.
Offer for Customers who do not hold an account with the Bank	Making available, free of charge, the iPKO service and the IKO application to those who do not hold an account with PKO Bank Polski S.A. Customers may, among other things, confirm their identity and use e-administration services, exchange currencies online, have access to the mSzafir electronic signature and the balance of funds accumulated under PPK and PPE, and file applications for mortgage loans online.
Contact Center	Currently, each Customer is greeted by AI (Artificial Intelligence) which verifies his/her intentions and connects him/her with the consultant most knowledgeable on the matter.
Automation	Implementing the first autonomic order "To cancel a credit card" which is performed by AI.
	Implementing solutions in the area of robotization of processes which support handling Customer's applications for mediation with respect to loans in CHF and handling subsidies for firms granted by Polski Fundusz Rozwoju S.A.
Development of retail banking	
New solutions for individual Customers	Introducing the possibility of concluding an agreement for opening and maintaining an account in the Bank's branches by signing on a touch screen.
	Implementing a new process for remote purchase of a settlement and savings account (ROR) via courier for Aurum and Platinum II accounts. The Customer concludes an online agreement, and then a courier is sent to the Customer with a single document to be signed, i.e. confirmation of the Customer's identity with the sample signature and a debit card.
New offer for firms	Making available current account overdrafts up to PLN 500,000 with an individualized maximum reference ratio. The new solution introduces the option to hedge against an increase in interest rates.
Green mortgages	Extending the period of the green mortgages offer by another two years (to 30 September 2023). Delivering the energy performance certificate by the Customer to the Bank enables applying a lower margin to the mortgage loan granted.

Development of corporate banking, including the services of the Brokerage Office	
Corporate banking	Implementing a new component of mass disbursements for corporate segment and local government units. Customers may now avail themselves of comprehensive handling of cash disbursements (e.g. with respect to business travel, wages and salaries, allowances, etc.) to persons who do not have accounts or who want to receive the cash quickly in any branch office or from an ATM of PKO Bank Polski S.A.
	Concluding five syndicated loan agreements for almost PLN 4.2 billion, EUR 117 million and GBP 205 million, in which the Bank participated in the amounts of PLN 542 million, EUR 22 million and GBP 12 million respectively.
	Concluding 22 contracts for the issue of municipal bonds in the total amount of PLN 843 million, including contracts with the Kraków municipality in the record amount of PLN 620 million.
	Reinforcing the Bank's leadership position in banking services for local governments. The Bank services 650 local governments in total, including seven voivodship and nine cities and many cities with <i>powiat</i> rights.
Green financing	<p>Increasing the amount of green financing. Taking lending decisions with respect to financing renewable energy sources (wind farms) to a total amount of PLN 398 million and taking up green bonds of PLN 35 million of a company from the renewable energy sector.</p> <p>Participating in a syndicate which granted a loan linked to sustainable development in a total amount of EUR 225 million².</p>
Foreign banking	Implementing a Cash Pooling service offered to global banking groups under Loro accounts opened with PKO Bank Polski S.A.
Services of the Brokerage Office – Biuro Maklerskie PKO Banku Polskiego	As a global coordinator, joint bookrunner, and an intermediary in the offer in Poland, conducting the IPO of Shoper S.A. with a value exceeding PLN 363 million.
	As member of the distributing syndicate conducting the issue of bonds of Kruk S.A. with a value of approx. PLN 65 million.
Development of insurance services	
Home insurance PKO Dom	<p>Expanding the insurance offer by a new home insurance: PKO Dom. The product, developed jointly with PKO Towarzystwo Ubezpieczeń S.A., meets the Customers' needs for real estate, movables, private liability and other risks insurance in a comprehensive manner.</p> <p>Purchasing additional equipment by the Customer, such as modern water damage, fire, burglary or carbon monoxide detectors, is accounted for in the insurance. If water damage or a fire occurs, the installed smart home equipment notifies PKO Ubezpieczenia's alarm centre, which organizes the support of professionals to remove the damage.</p> <p>The insurance may be purchased in the Bank's outlets, via a helpline and via iPKO and IKO.</p>
Sales of motor insurance:	PKO Bank Polski S.A.'s Customers have already purchased more than 288 thousand sets of motor insurance. The offer of liability, Auto Casco, NNW accident and Assistance insurance continues to raise huge interest. In the third quarter of 2021 the Bank's Customers concluded almost 40,000 motor insurance contracts.
Sale of key insurance products	High sales of insurance of cash and mortgage loans – an increase of 15% and 14% respectively compared with sales in the second quarter of 2021. This includes a record number of requests for mortgage loan cover with respect to the loss of job. The insurance is offered in cooperation with PKO Towarzystwo Ubezpieczeń S.A. and PKO Życie Towarzystwo Ubezpieczeń S.A. (operating jointly under the PKO Ubezpieczenia brand).

² In the third quarter of 2021 the loan was changed to an ESG-linked formula.

Achievements of PKO Leasing S.A.

"Leases with Service"	Implementing a new product – leases of passenger cars accompanied by their servicing. Under the service, Prime Car Management S.A. ensures organizational and logistics support, as well as the availability of several thousand Authorized Service Stations, car garages and collaborators from the automotive industry.
Online digital platform	Launching an additional process for concluding lease transactions, available in traditional shops with electronic goods in the range indicated. This offer is addressed to persons engaged in business activities. It supplements the PKO Leasing Online process implemented at the beginning of the year.

Achievements of PKO TFI S.A.

Record sales	At the end of September 2021 the Net Asset Value under the management of PKO Towarzystwo Funduszy Inwestycyjnych S.A. (PKO TFI S.A.) was PLN 40.3 billion. In the third quarter of 2021 Customers invested PLN 1.2 billion net with PKO TFI S.A. Most of the funds were invested in stock funds and mixed funds. Debt funds noted withdrawals. In total, between January and September 2021, Customers invested PLN 6.1 billion net with PKO TFI S.A.
Leader on the PPK market	As at the end of September 2021, PKO TFI S.A. continued to be the leader on the Employee Capital Plans market with assets exceeding PLN 2.1 billion, and about 877 thousand registered participants, including 743 thousand participants who paid in their contributions there.

Procurement Policy

At the beginning of October 2021, pursuant to a decision of the Department Director, the Bank adopted the Procurement Policy which accounts for ESG issues, developed in the third quarter of the year.

The document includes a declaration that the Bank will develop a Supplier Ethics Code which will first and foremost provide for guaranteeing security at work, a ban on employing children, environmental protection, data privacy and safety, counteracting corruption, managing conflicts of interest, and a declaration that the Bank will successively acquire ESG surveys from all its suppliers. Another step indicated in the Procurement Policy will be acquiring the acceptance of the Supplier Ethics Code from its suppliers and accounting for issues related to ESG in selected invitations to submit proposals/assessments of the proposals /provisions of agreements.

ESG in operational activities

In September 2021 the Bank completed the Energy Audit of the Company and defined tasks to improve energy effectiveness (replacement of heating boilers, windows, lighting), which it is successively implementing.

4. RISK MANAGEMENT

The main priority is to ensure appropriate management of all types of risks related to the operations conducted.

- With respect to credit risk management:
 - The Bank's Group monitors the Customers' conditions on an on-going basis and appropriately adapts the lending policy securing good quality loan portfolio and minimizing COVID-19 effects on Customers;
 - PKO Bank Polski S.A. adapted its processes and regulations relating to the assessment of credit risk to the EBA Guidelines on loan origination and monitoring (EBA/GL/2020/06).

In the lending process for corporate Customers and SME Customers evaluated with the use of the rating method, the Bank each time assesses the impact of environmental, social and governance factors (ESG factors) on the Customer's creditworthiness, and identifies credit transactions with an increased financial leverage (levered transactions). The Bank also examines the impact of credit transactions on ESG and classifies them to four categories, from transactions with a positive impact on ESG to those with material negative impact. When assessing the ESG factors, the Bank takes into account such factors as the risk of climate change and its impact on the Customer's operations, potential influence of the Client on climate, factors related to human capital or health and safety, and governance factors (including the corporate culture and internal audit).

- The Bank's Group maintains a safe level of liquidity which enables quick and efficient reaction to potential threats.
- In the third quarter of 2021 the low interest rate environment remained a challenge for the banking sector with respect to interest rate risk. The Bank's Group continued the process of securing interest rate risk both by concluding IRS hedging transactions, and by appropriately shaping the structure of its assets and liabilities. In the third quarter of 2021 the Bank also conducted analyses relating to the capability of adjusting the balance sheet to the interest rate increases expected by the market. The Bank's Group intends to continue its actions with the aim of limiting the interest rate risk, taking into consideration the development of the interest rates term structure on the market.
- The Bank's Group is preparing to stop publishing LIBOR reference rates as of 1 January 2022, which have been used to determine the interest rates on loans or amounts due from payment with respect to other financial instruments. This discontinuation does not relate to WIBOR and EURIBOR indices which were reformed and acquired appropriate permits, and will continue to be used for the portfolios of existing or new transactions.

After LIBOR rates cease to be published, for the portfolio of transactions concluded before 1 January 2022:

- with respect to LIBOR CHF, used, among other things, in mortgage loans, the Bank will apply an appropriate SARON rate, with an adjusting spread, in accordance with the wording of the Commission Implementing Regulation published on 14 October 2021;
- with respect to USD LIBOR, it will be quoted without adjustments until June 2023;
- with respect to LIBOR GBP the Bank will apply a compound interest rate SONIA increased by the respective adjusting spread, or - if this is applicable - the so-called synthetic sterling LIBOR which is to be quoted by the British Financial Conduct Authority (FCA) to service the historical portfolio.

For new contracts concluded as of 1 January 2022, new rates that are already functioning on the market will be used, in particular: SARON for LIBOR CHF, SONIA for LIBOR GBP and SOFR for USD LIBOR, and with respect to the USD in some instances USD LIBOR may also be used for new transactions until June 2023 inclusive.

PKO Bank Polski S.A. is conducting work to integrate ESG risks with the Bank's risk management systems. The Bank identifies ESG risks and cooperates with an advisory firm to create a comprehensive framework to implement future regulations and guidelines of European bodies.

A detailed description of risk management principles of the Bank's Group was included in the Bank Group's consolidated financial statements for 2020 and in the Bank Group's Report on Capital Adequacy and Other Information subject to Disclosure as at 31 December 2020. In the third quarter of 2021 the Bank Group's main goals, principles and risk management organization process did not change.

II. FINANCIAL SITUATION AFTER THREE QUARTERS OF 2021

The consolidated net profit of the PKO Bank Polski S.A. Group earned during the three quarters of 2021 amounted to PLN 3,671 million and was PLN 1,653 million higher than in the corresponding period of 2020.

The increase in net profit was determined by:

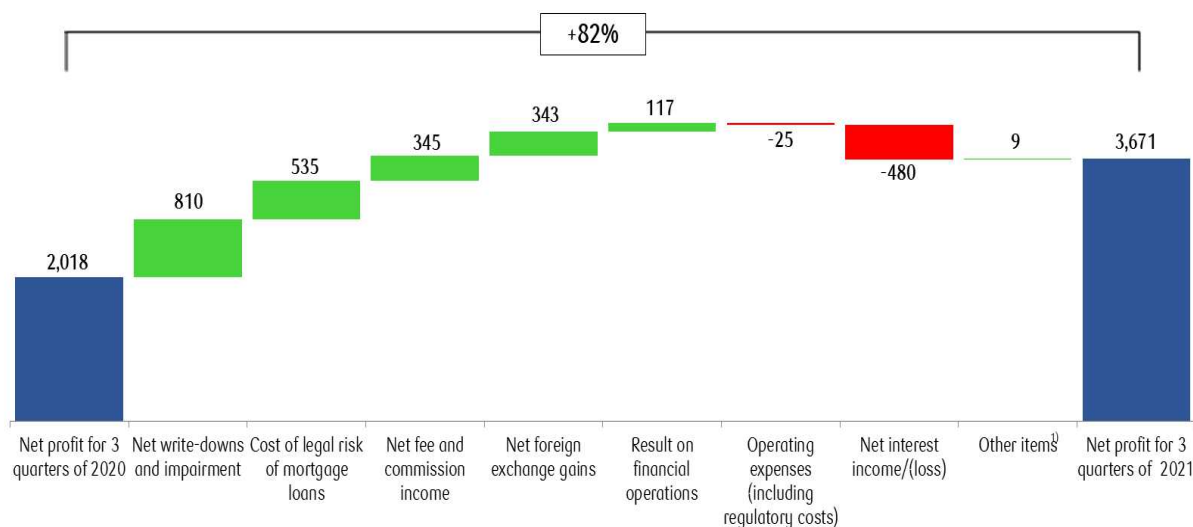
- 1) a decrease in net write-downs and impairment³ of PLN 1,345 million, including the cost of legal risk of mortgage loans in convertible currencies;
- 2) an improvement in the profit on business activity,⁴ which reached PLN 11,226 million (a PLN 498 million increase y/y), mainly in effect of an increase in net fee and commission income y/y of PLN 345 million, the net foreign exchange gains/(losses) of PLN 343 million, gains/(losses) on financial transactions⁵ of PLN 117 million, with a drop in net interest income of PLN 480 million;
- 3) an increase in operating expenses of PLN 25 million, mainly relating to an increase in employee benefits and a drop in regulatory costs.

³ Net write-downs and impairment: result on allowances for expected credit losses, result on impairment of non-financial assets and result on loans measured at fair value through profit or loss.

⁴ Result on business activities: result on business activities less result on loans measured at fair value through profit or loss.

⁵ Result on financial transactions: result on financial transactions and gains or losses on derecognition of financial instruments less the result on loans measured at fair value through profit or loss.

Change in net profit of the PKO Bank Polski S.A. Group (in PLN millions)



1) The item includes dividend income, other operating income and expenses, net, tax on certain financial institutions, income tax, share in profits and losses of associates and joint ventures, and gains and losses of non-controlling shareholders.

Events which had a significant impact on the net profit of the Bank's Group in the three quarters of 2021 compared with the corresponding period of 2020:

Result on business activities

- a drop in net interest income determined mainly by a drop in market rates, with a visible turnaround of income on Customer financing in the last quarter of 2021 in effect of the dynamically increasing credit portfolio;
- a significant improvement in net fee and commission income achieved thanks to higher results on activities related to crediting, cards, brokerage, foreign exchange and account maintenance;
- in effect of a decision of the Extraordinary General Shareholders' Meeting of the Bank on 23 April 2021 on offering amicable settlements to Customers:
 - recognition of net foreign exchange gains of approx. PLN 328 million in consequence of closing the foreign exchange positions;
 - eliminating CIRS from hedge accounting, which financed the portfolio of foreign currency housing loans; this led to including approx. PLN 117 million (so-called swap points) in net foreign exchange gains/(losses), which had the hedges not been cancelled would have been recognized in net interest income, and recognizing in net foreign exchange gains changes in measurement of the transactions to their fair value (previously through equity – other comprehensive income – cash flow hedges) of approx. PLN -68 million;
- an improvement in the result on financial operations, among other things in effect of an increase in the value of shares held and an increase in the result on discontinuing the recognition of financial instruments not measured at fair value through profit or loss;
- recognizing costs following from the ruling of the Court of Justice of the European Union (CJEU) concerning the consumers' rights to reduce the cost of a prepaid loan in interest expense of PLN -261 million (PLN -166 million in the corresponding period of 2020) and in other comprehensive income in the amount of PLN -27 million (PLN -105 million in the corresponding period of 2020);

Net write-downs and impairment

- an improvement in net allowances for credit risk of PLN 494 million,⁶ including PLN 534 million as a result of changes in macroeconomic projections;

⁶Taking into account the loans measured at fair value through profit or loss.

- events recognized in data for the nine months of 2020, which had an impact on a change in the annual results:
 - recognition of the cost of legal risk of mortgage loans in convertible currencies of PLN -535 million (there were no such costs in 2021);
 - recognition of the impairment allowance of the corporate CGU of Nordea Bank Polska S.A.⁷ of PLN -116 million and recognition of a goodwill write-down which arose as a result of acquiring PKO Leasing Pro S.A. in the amount of PLN -31 million;
 - recognition of an impairment write down of shares held in Bank Pocztowy S.A. of PLN -100 million.

In effect of the actions taken during the three quarters of 2021 the scale of operations increased, both with respect to the corresponding period of the prior year and to the end of 2020:

- total assets have exceeded the record level of PLN 400 billion, and are at almost PLN 404 billion, which is an increase of PLN 27 billion compared with the corresponding period of the previous year and of PLN 27 billion compared with the asset level as at the end of 2020;
- amounts due to Customers (deposits) increased to PLN 299 billion, i.e. by PLN 20 billion compared with the balance as at the end of September 2020 and by PLN 16 billion compared with the balance as at the end of December 2020 – mainly in effect of an increase in retail and private banking deposits;
- financing offered to Customers was nearly PLN 243 billion and increased by PLN 7 billion compared with the end of 2020 and by PLN 0.3 billion compared with the end of September 2020; the amount of financing granted to Customers as at the end of September 2021 account for adjustments to the gross carrying amount of housing loans recognized as at the end of 2020 in connection with the decision of the Extraordinary General Shareholders' Meeting concerning offering amicable settlements to Customers, which has an impact on the level of financing y/y;
- the securities banking portfolio increased significantly, by PLN 17 billion compared with the end of September 2020 and by PLN 15 billion compared with the end of 2020.

The ratio of impaired loans⁸ as at the end of the third quarter of 2021 in consolidated terms was 4.5% (an increase of 0.2 p.p. compared with the third quarter of 2020) – the deterioration is mainly the effect of applying a new definition of default (NDD) as of 1 January 2021 which had an impact on the increase in the impaired portfolio of approx. PLN 0.7 billion (nearly 0.3% of the portfolio).

As at 30 September 2021 the Bank's Group:

- retained a high share in the loans and savings market at a level of 17.5% and 17.8% respectively;
- had a leading position on the investment fund market for individuals, with a share of 19.7%;
- was the leader in terms of the number of current accounts maintained on behalf of individual Customers (over 8.4 million).

III. FACTORS WHICH DETERMINE FUTURE RESULTS

The following external factors will have an impact on the financial results of the Bank's Group in the following quarters:

- development of the pandemic, including the effectiveness and advancement of the vaccination programme, and the virulence of consecutive Coronavirus mutations;
- continuation of the process of reconstruction of the global economy in conditions of an expansive policy mix, which is maintained despite an increasing number of Central Banks which have started to normalize their monetary policies;
- maintained supply limitations (limitations in the availability of production components, high prices of energy resources), which lead to increased cost pressure and limit the rate and scale of economic revival;
- possible increase in stagflation concerns and maintained higher inflation both on a global and on a national scale;

⁷ i.e. one of the cash generating units to which the goodwill is attributed.

⁸ The share of impaired loans in the credit portfolio – calculated by dividing the gross carrying amount of loans and advances, in consideration of loans measured at fair value through profit or loss and impaired corporate and communal bonds (unsecured with State Treasury guarantees) by the gross carrying amount of loans in the portfolio.

- political and economic conditions in Ukraine;

and in the Polish economy:

- the scale and direction of changes in interest rates in Poland;
- maintained weak demand for loans of non-financial business entities, accompanied by further rebuilding of demand for loans by households and an increased deposit volume;
- possible further court rulings with respect to mortgage loans in foreign currencies, which may also have an impact on the level of interest in the amicable settlements proposed by the Bank;
- the ultimate form of changes to contributions and taxes implemented under the Polish Deal, availability of resources which should form the basis for performing the National Reconstruction Plan.



Bank Polski

**Condensed interim consolidated financial statements
of the PKO Bank Polski S.A. Group for the nine-month
period ended 30 September 2021**



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CONSOLIDATED INCOME STATEMENT

INCOME STATEMENT	Note	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Net interest income/(expense)	10	2 496	7 213	2 446	7 693
Interest income		2 654	7 697	2 684	8 954
calculated under the effective interest rate method		2 444	7 074	2 370	8 052
Interest expenses		(158)	(484)	(238)	(1 261)
Net fee and commission income	11	1 137	3 236	990	2 891
Fee and commission income		1 469	4 081	1 265	3 651
Fee and commission expense		(332)	(845)	(275)	(760)
Other net income		165	668	46	(5)
Dividend income		1	12	1	15
Gains/(losses) on financial transactions	12	(12)	(27)	(12)	(158)
Foreign exchange gains/ (losses)		54	424	38	81
Gains/(losses) on derecognition of financial instruments of which:	13	81	176	68	150
measured at amortized cost		1	3	(3)	(27)
Net other operating income and expense	14	41	83	(49)	(93)
Result on business activities		3 798	11 117	3 482	10 579
Net expected credit losses	15	(362)	(792)	(370)	(1 246)
Net impairment allowances on non- financial assets	16	8	(35)	(75)	(351)
Cost of the legal risk of mortgage loans in convertible currencies	17	-	-	(345)	(535)
Administrative expenses of which:	18	(1 493)	(4 592)	(1 359)	(4 567)
net regulatory charges		(79)	(532)	(109)	(667)
Tax on certain financial institutions		(267)	(785)	(261)	(794)
Share in profits and losses of associates and joint ventures		13	21	12	15
Profit before tax		1 697	4 934	1 084	3 101
Income tax expense	19	(438)	(1 263)	(372)	(1 086)
Net profit (including non-controlling shareholders)		1 259	3 671	712	2 015
Profit (loss) attributable to non-controlling shareholders		1	-	-	(3)
Net profit attributable to equity holders of the parent company		1 258	3 671	712	2 018
Earnings per share					
- basic earnings per share for the period (PLN)		1.01	2.94	0.57	1.61
- diluted earnings per share for the period (PLN)		1.01	2.94	0.57	1.61
Weighted average number of ordinary shares during the period (in million)		1 250	1 250	1 250	1 250

*Both in the nine-month period ended 30 September 2021 and in the same period of 2020, there were no dilutive instruments. Therefore, the amount of diluted earnings per share is the same as the amount of basic earnings per share.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Net profit / (loss) (including non-controlling shareholders)		1 259	3 671	712	2 015
Other comprehensive income		(785)	(2 047)	10	1 183
Items which may be reclassified to profit or loss		(785)	(2 047)	10	1 183
Cash flow hedges (net)		(532)	(1 229)	(77)	428
Cash flow hedges (gross)	21	(655)	(1 517)	(96)	528
Deferred income tax	19;21	123	288	19	(100)
Hedge of net investment in foreign operation	21	(4)	(5)	-	-
Fair value of financial assets measured at fair value through other comprehensive income (net)		(272)	(855)	113	808
Remeasurement of fair value, gross		(256)	(885)	210	1 172
Gains /losses transferred to the profit or loss (on disposal)	13	(80)	(173)	(71)	(177)
Deferred income tax	19	64	203	(26)	(187)
Foreign exchange differences on translation of foreign branches		36	55	(34)	(61)
Share in other comprehensive income associates		(13)	(13)	8	8
Total net comprehensive income, of which attributable to:		474	1 624	722	3 198
equity holders of the parent		473	1 624	722	3 201
non-controlling interest		1	-	-	(3)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30.09.2021	31.12.2020
ASSETS		403 521	376 966
Cash and balances with Central Bank		3 963	7 474
Amounts due from banks	20	4 683	2 557
Hedging derivatives	21	791	958
Other derivative instruments	22	10 512	5 501
Securities	23	138 513	123 682
Loans and advances to customers	24	230 330	222 603
Liabilities in respect of insurance activities		911	798
Property, plant and equipment under operating lease		1 334	1 168
Property, plant and equipment		3 012	3 161
Non-current assets held for sale		20	126
Intangible assets		3 257	3 281
Investments in associates and joint ventures		269	291
Current income tax receivable		5	19
Deferred income tax assets		2 989	2 543
Other assets		2 932	2 804

		30.09.2021	31.12.2020
LIABILITIES AND EQUITY		403 521	376 966
LIABILITIES		361 986	337 055
Amounts due to Central Bank		8	-
Amounts due to banks		6 988	2 626
Hedging derivatives	21	1 372	378
Other derivative instruments	22	10 435	6 104
Transactions for the purpose of repurchase		762	-
Amounts due to customers	25	298 660	282 356
Liabilities in respect of insurance activities		1 968	1 740
Loans and advances received	26	2 242	2 267
Debt securities in issue	26	29 038	32 098
Subordinated liabilities	26	2 704	2 716
Other liabilities		5 786	4 703
Current income tax liabilities		163	193
Deferred income tax provision		354	372
Provisions	27	1 506	1 502
EQUITY		41 535	39 911
Share capital		1 250	1 250
Other capital		30 357	35 089
Retained earnings		6 270	6 142
Net profit or loss for the year		3 671	(2 557)
Capital and reserves attributable to equity holders of the parent company		41 548	39 924
Non-controlling interests		(13)	(13)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR 9 MONTHS ENDED 30 SEPTEMBER 2021	Share capital	Other capital			Accumulated other comprehensive income	Total other capital and reserves	Retained earnings	Net profit or loss for the year	Capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Reserves									
		Supplementary capital	General banking risk fund	Other reserves							
As at the beginning of the period	1 250	29 519	1 070	3 137	1 363	35 089	6 142	(2 557)	39 924	(13)	39 911
Transfer from retained earnings	-	-	-	-	-	-	(2 557)	2 557	-	-	-
Comprehensive income	-	-	-	-	(2 047)	(2 047)	-	3 671	1 624	-	1 624
Special fund set up for the purpose of covering individual balance sheet losses (notes 6.1)	-	(6 700)	-	6 700	-	-	-	-	-	-	-
Offset of accumulated losses (note 29)	-	-	-	(2 944)	-	(2 944)	2 944	-	-	-	-
Transfer from retained earnings to equity	-	184	-	75	-	259	(259)	-	-	-	-
As at the end of the period	1 250	23 003	1 070	6 968	(684)	30 357	6 270	3 671	41 548	(13)	41 535

FOR 9 MONTHS ENDED 30 SEPTEMBER 2020	Share capital	Other capital			Accumulated other comprehensive income	Total other capital and reserves	Retained earnings	Net profit or loss for the year	Capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Reserves									
		Supplementary capital	General banking risk fund	Other reserves							
As at the beginning of the period	1 250	29 429	1 070	3 237	469	34 205	2 101	4 031	41 587	(9)	41 578
Transfer from retained earnings	-	-	-	-	-	-	4 031	(4 031)	-	-	-
Comprehensive income	-	-	-	-	1 183	1 183	-	2 018	3 201	(3)	3 198
Offset of accumulated losses	-	-	-	(111)	-	(111)	111	-	-	-	-
Transfer from retained earnings to equity	-	90	-	15	-	105	(105)	-	-	-	-
As at the end of the period	1 250	29 519	1 070	3 141	1 652	35 382	6 138	2 018	44 788	(12)	44 776



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont.)

FOR 9 MONTHS ENDED 30 SEPTEMBER 2021	Accumulated other comprehensive income						Total
	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Hedge of net investment in foreign operation	Actuarial gains and losses	Foreign exchange differences on translation of foreign branches	
As at the beginning of the period	(4)	1 292	355	-	(21)	(259)	1 363
Comprehensive income	(13)	(855)	(1 229)	(5)	-	55	(2 047)
As at the end of the period	(17)	437	(874)	(5)	(21)	(204)	(684)

FOR 9 MONTHS ENDED 30 SEPTEMBER 2020	Accumulated other comprehensive income						Total
	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Hedge of net investment in foreign operation	Actuarial gains and losses	Foreign exchange differences on translation of foreign branches	
As at the beginning of the period	(13)	456	232	-	(15)	(191)	469
Comprehensive income	8	808	428	-	-	(61)	1 183
As at the end of the period	(5)	1 264	660	-	(15)	(252)	1 652



CONSOLIDATED STATEMENT OF CASH FLOWS

	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
Cash flows from operating activities		
Profit / (loss) before tax	4 934	3 101
Income tax paid	(1 246)	(1 072)
Total adjustments:	13 435	26 495
Amortization	902	873
(Gains)/losses on investing activities	(48)	4
Interest and dividends	(1 306)	(718)
Change in:		
amounts due from banks	769	(247)
hedging derivatives	1 161	(670)
other derivative instruments	(679)	(7)
securities	(969)	(1 039)
loans and advances to customers	(8 181)	(154)
reverse repo transactions	-	1 073
receivables in respect of insurance activities	(113)	39
non-current assets held for sale	107	(10)
other assets	(219)	272
accumulated allowances for expected credit losses	441	1 343
accumulated allowances on non-financial assets and other provisions	135	397
amounts due to Central Bank	8	-
amounts due to banks	4 362	494
amounts due to customers	16 304	22 883
reverse repo transactions	762	-
liabilities in respect of insurance activities	228	(23)
loan and advances received	(16)	303
liabilities in respect of debt securities in issue	203	348
subordinated liabilities	(12)	(26)
other liabilities	1 268	744
Other adjustments	(1 672)	616
Net cash from/used in operating activities	17 123	28 524



CONSOLIDATED STATEMENT OF CASH FLOWS (cont.)

	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
Cash flows from investing activities		
Inflows from investing activities	48 420	46 618
Proceeds from sale of and interest on securities measured at fair value through other comprehensive income	46 038	45 475
Proceeds from sale of and interest on securities measured at amortized cost	1 842	787
Proceeds from sale of intangible assets, property, plant and equipment and assets held for sale	360	342
Other inflows from investing activities (including dividends)	180	14
Outflows from investing activities	(62 342)	(85 500)
Purchase of shares in subsidiaries, after deducting the acquired ones cash	(18)	-
Purchase of securities measured at fair value through other comprehensive income	(37 257)	(53 874)
Purchase of securities measured at amortized cost	(24 081)	(30 710)
Purchase of intangible assets and property, plant and equipment, including under operating leases	(986)	(916)
Net cash flows from investing activities	(13 922)	(38 882)

	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
Cash flows from financing activities		
Proceeds from debt securities in issue	8 343	4 968
Redemption of debt securities	(11 606)	(5 896)
Taking up loans and advances	486	-
Repayment of loans and advances	(495)	(630)
Payment of lease liabilities	(185)	(175)
Repayment of interest on long-term liabilities	(373)	(554)
Net cash from financing activities	(3 830)	(2 287)
Total net cash flows	(629)	(12 645)
of which foreign exchange differences on cash and cash equivalents	30	80
Cash equivalents at the beginning of the period	9 701	18 681
Cash equivalents at the end of the period	9 072	6 036



GENERAL INFORMATION ABOUT THE GROUP

1. ACTIVITIES OF THE GROUP

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (**PKO BANK POLSKI S.A. or THE BANK**) was established by virtue of a decree signed on 7 February 1919 by the Head of State Józef Piłsudski, Prime Minister Ignacy Paderewski and Hubert Linde, post and telegraph minister and simultaneously the first president, as Poczta Kasa Oszczędnościowa. In 1950, the Bank began operating as Powszechna Kasa Oszczędności bank państwowy (state-owned bank). Pursuant to the Decree of the Council of Ministers dated 18 January 2000, Powszechna Kasa Oszczędności (a state-owned bank) was transformed into a state owned joint-stock company, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

On 12 April 2000, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was registered and entered into the Commercial Register maintained by the District Court for the City of Warsaw, Commercial Court, 16th Registration Department. At present, the court with jurisdiction over the Bank's affairs is the District Court in Warsaw, the 13th Business Department of the National Court Register. The Bank was registered under the number KRS 0000026438 and was assigned the statistical number REGON 016298263 and tax identification number NIP 525-000-77-38.

Country of registration	Poland
Registered office	Warsaw
Address of the registered office	ul. Puławska 15, 02-515 Warsaw

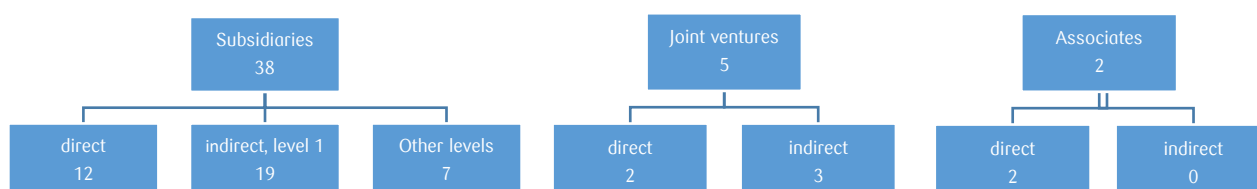
According to the Bulletin of the Warsaw Stock Exchange (*Cedula Giełdowa*), the Bank is classified under the macro-sector "Finance", in the "Banks" sector.

The Powszechna Kasa Oszczędnościowa Bank Polski Spółka Akcyjna Group (**THE PKO BANK POLSKI S.A. GROUP, THE BANK'S GROUP, THE GROUP**) conducts its operations within the territory of the Republic of Poland and through subsidiaries in Ukraine, Sweden and Ireland; it also has branches in the Federal Republic of Germany (the German Branch), the Czech Republic (the Czech Branch) and in the Slovak Republic (the Slovak Branch).

PKO Bank Polski S.A., as the parent company, is a universal deposit and credit bank which services both Polish and foreign individuals, legal persons and other entities. The Bank may hold and trade cash in foreign currencies, as well as conduct foreign exchange and foreign currency transactions, open and maintain bank accounts in banks abroad, and deposit foreign currency in those accounts.

Through its subsidiaries, the Group offers mortgage loans, provides specialized financial services related to leases, factoring, debt collection, investment funds, pension funds and insurance, as well as provides services related to car fleet management, transfer agent, technological solutions, IT outsourcing and business support, real estate management.

PKO BANK POLSKI S.A. – the parent company





The PKO Bank Polski S.A. Group consists of the following subsidiaries:

No.	ENTITY NAME DIRECT SUBSIDIARIES	REGISTERED OFFICE	ACTIVITY	% SHARE IN CAPITAL	
				30.09.2021	31.12.2020
1	PKO Bank Hipoteczny S.A.	Warsaw	banking activities	100	100
2	PKO Towarzystwo Funduszy Inwestycyjnych S.A.	Warsaw	investment fund management	100	100
3	PKO Leasing S.A.	Łódź	leasing and loans	100	100
4	PKO BP BANKOWY PTE S.A.	Warsaw	pension fund management	100	100
5	PKO BP Finat sp. z o.o.	Warsaw	services, including transfer agent services and IT specialist outsourcing	100	100
6	PKO Życie Towarzystwo Ubezpieczeń S.A.	Warsaw	life insurance	100	100
7	PKO Towarzystwo Ubezpieczeń S.A.	Warsaw	other personal insurance and property insurance.	100	100
8	PKO Finance AB	Stockholm, Sweden	financial services	100	100
9	KREDOBANK S.A.	Lviv, Ukraine	banking activities	100	100
10	Merkury - fiz an ¹	Warsaw	investing funds	100	100
11	NEPTUN - fizan ¹	Warsaw	collected from fund participants	100	100
12	PKO VC - fizan ¹	Warsaw		100	100

¹ PKO Bank Polski S.A. has investment certificates of the Fund; the share in the Fund's investment certificates of the Fund is presented in the item "Share in equity".

No.	ENTITY NAME INDIRECT SUBSIDIARIES	REGISTERED OFFICE	ACTIVITY	% SHARE IN CAPITAL*	
				30.09.2021	31.12.2020
The PKO Leasing S.A. GROUP					
1	PKO Agencja Ubezpieczeniowa sp. z o.o.	Warsaw	intermediation in concluding insurance agreements	100	100
	1.1 PKO Leasing Finanse sp. z o.o.	Warsaw	sale of post-lease assets	100	100
2	PKO Leasing Sverige AB	Stockholm, Sweden	leasing	100	100
3	Prime Car Management S.A.	Gdańsk	leasing, fleet management	100	100
	3.1 Futura Leasing S.A.	Gdańsk	leasing and sales of post-lease assets	100	100
	3.2 Masterlease sp. z o.o.	Gdańsk	leasing	100	100
	3.3 MasterRent24 sp. z o.o.	Gdańsk	short-term lease of cars	100	100
4	PKO Faktoring S.A.	Warsaw	factoring	100	100
5	ROOF Poland Leasing 2014 DAC ¹	Dublin, Ireland	SPV established for securitization of lease receivables	-	-
6	Polish Lease Prime 1 DAC ¹	Dublin, Ireland		-	-
PKO Życie Towarzystwo Ubezpieczeń S.A. GROUP					
7	Ubezpieczeniowe Usługi Finansowe sp. z o.o.	Warsaw	services	100	100
KREDOBANK S.A. GROUP					
8	KREDOLEASING sp. z o.o.	Lviv, Ukraine	in organisation	100	-
Merkury - fiz an					
9	"Zarząd Majątkiem Górczewska" sp. z o.o.	Warsaw	property management	100	100



10	Molina sp. z o.o.	Warsaw	general partner in partnerships limited by shares of a fund	100	100
11	Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	Warsaw	buying and selling real estate on own account, property management	100	100
12	Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	Warsaw		100	100
13	Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	Warsaw		100	100
14	Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A. w likwidacji	Warsaw		100	100
15	Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A. w likwidacji	Warsaw		100	100
NEPTUN – fizan					
16	Qualia sp. z o.o.	Warsaw	sale services in respect of developer products	100	100
17	Sarnia Dolina sp. z o.o.	Warsaw	development activities	100	100
18	Bankowe Towarzystwo Kapitałowe S.A.	Warsaw	services	100	100
	18.1 "Inter-Risk Ukraina" additional liability company ²	Kiev, Ukraine	debt collection	99,90	99,90
	18.2 Finansowa Kompania "Prywatne Inwestycje" sp. z o.o. ³	Kiev, Ukraine	financial services	95,4676	95,4676
	18.2.1 Finansowa Kompania „Idea Kapitał” sp. z o.o. ⁴	Lviv, Ukraine	service activities	100	100
19	"Sopot Zdrój" sp. z o.o. ⁵	Sopot	property management	72,9769	72,9766

* share of the direct parent in the entity's equity

¹ In accordance with IFRS 10, PKO Leasing S.A. exercises control over the company, although it does not have an equity interest in it.

² Finansowa Kompania "Prywatne Inwestycje" sp. z o.o. is the other shareholder of the company.

³ The other shareholder of the company is "Inter-Risk Ukraina" - a company with additional liability.

⁴ Until 26 July 2021, it was a subsidiary of KREDOBANK S.A. As at 31 December 2020, the share of KREDOBANK S.A. in the share capital of the company was presented in the item "Share in capital".

⁵ On 14 January 2021 the reverse merger between "CENTRUM HAFFNERA" Sp. z o.o. - as the acquiree - and its subsidiary "Sopot Zdrój" Sp. z o.o. - as the acquirer - was registered with the National Court Register (KRS) competent for the acquirer. The share of NEPTUN - fizan in the share capital of "CENTRUM HAFFNERA" sp. z o.o was presented in the item "Share in capital" as at 31 December 2020.



The Group holds the following associates and joint ventures.

No.	ENTITY NAME	REGISTERED OFFICE	ACTIVITY	% SHARE IN CAPITAL*	
				30.09.2021	31.12.2020
Joint ventures of PKO Bank Polski S.A.					
1	Operator Chmury Krajowej sp. z o.o.	Warsaw	cloud computing services	50	50
2	Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	Warsaw	financial services support activities, including handling transactions concluded using payment instruments	34	34
	1 EVO Payments International s.r.o.	Prague, the Czech Republic	financial services support activities	100	100
Joint venture of NEPTUN - fizan					
	2 "Centrum Obsługi Biznesu" sp. z o.o.	Poznań	property management	41.45	41.45
Joint venture PKO VC - fizan					
	3 Bsafer sp. z o.o.	Stalowa Wola	managing marketing consents	35.06	35.06
Associates of PKO Bank Polski S.A.					
1	Bank Pocztowy S.A.	Bydgoszcz	banking activities	25.0001	25.0001
2	"Poznański Fundusz Poręczeń Kredytowych" Sp. z o.o.	Poznań	guarantees	33.33	33.33

* share in equity of the entity exercising joint control / having a significant impact / the direct parent

2. CHANGES TO COMPANIES COMPRISING THE GROUP

In the nine-month period ended 30 September 2021, there were no significant changes in the structure of the Group:

- in January 2021 there was a reverse merger of "CENTRUM HAFNERA" Sp. z o.o. as the acquired company and its subsidiary "Sopot Zdrój" Sp. z o.o. as the acquiring company;
- in March 2021 the liquidation process of ROOF Poland Leasing 2014 DAC was commenced;
- Finansowa Kompania "Prywatne Inwestycje" sp. z o.o. bought from KREDOBANK S.A. shares in the company Finansowa Kompania "Idea Kapitał" sp. z o.o. representing 100% of its share capital and carrying 100% of the votes at its General Shareholders' Meeting; this change was registered on 28 July 2021 in the Uniform State Register of Legal Persons, Individuals – Entrepreneurs and Social Organizations of Ukraine;
- on 27 August 2021, a new company, "KREDOLEASING" sp. z o.o., was registered in the Uniform State Register of Legal Persons, Individuals – Entrepreneurs and Social Organizations of Ukraine. The Company's sole shareholder is KREDOBANK S.A. and its share capital amounts to UAH 10 million. The Company will provide leasing services; as at 30 September 2021 it was at the organization stage.

3. INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

As at 30 September 2021, the Bank's Supervisory Board consisted of:

- Maciej Łopiński – Chair of the Supervisory Board – appointed on 7 June 2021
- Wojciech Jasiński – Deputy Chair of the Supervisory Board
- Dominik Kaczmarek – Secretary of the Supervisory Board – appointed on 7 June 2021
- Mariusz Andrzejewski – Member of the Supervisory Board
- Grzegorz Chłopek – Member of the Supervisory Board
- Zbigniew Hajłasz – Member of the Supervisory Board
- Andrzej Kisielewicz – Member of the Supervisory Board
- Rafał Kos – Member of the Supervisory Board
- Krzysztof Michalski – Member of the Supervisory Board
- Piotr Sadownik – Member of the Supervisory Board
- Agnieszka Winnik-Kalemba – Member of the Supervisory Board – appointed on 7 June 2021.



As at 30 September 2021, the Bank's Management Board consisted of:

- Jan Emyrk Rościszewski – President of the Management Board
- Rafał Antczak – Vice-President of the Management Board
- Bartosz Drabikowski – Vice-President of the Management Board – appointed on 15 June 2021
- Marcin Eckert – Vice-President of the Management Board – appointed on 7 June 2021
- Maks Kraczkowski – Vice-President of the Management Board
- Mieczysław Król – Vice-President of the Management Board
- Artur Kurcweil – Vice-President of the Management Board - appointed on 14 September 2021
- Piotr Mazur – Vice-President of the Management Board
- Jakub Papierski – Vice-President of the Management Board.

On 3 September 2021, the Polish Financial Supervision Authority unanimously approved the appointment of Mr Jan Emyrk Rościszewski as President of the Bank's Management Board.

On 14 September 2021, the Bank's Supervisory Board appointed Mr Artur Kurcweil as Vice-President of the Bank's Management Board for the current joint term, which began on 3 July 2020.

On 11 October 2021, Mr Piotr Sadownik resigned from the position of member of the Bank's Supervisory Board with effect as of 11 October 2021.

On 12 October 2021, the Extraordinary General Shareholders' Meeting appointed Mr Tomasz Kuczur and Mr Bogdan Szafrąński as Supervisory Board members. At the same time, Mr Zbigniew Hajłasz was dismissed from the Supervisory Board.

On 14 October 2021, Mr Jan Emyrk Rościszewski resigned from membership in the Bank's Management Board and the function of its President with effect as of 22 October 2021.

On 14 October 2021, the Bank's Supervisory Board dismissed Mr Rafał Antczak and Mr Jakub Papierski as Vice-Presidents of the Management Board.

At the same time, the Supervisory Board appointed Ms. Iwona Duda as Vice-President of the Bank's Management Board with effect from 23 October 2021. Subject to the approval of the Polish Financial Supervision Authority, Ms. Iwona Duda was appointed President of the Bank's Management Board as of the date of such approval. Until such approval is issued by the Polish Financial Supervision Authority, Ms. Iwona Duda, by a decision of the Supervisory Board, shall manage the work of the Management Board.

As of 14 October, Mr Wojciech Iwanicki was also appointed Vice-President of the Bank's Management Board.



CHANGES IN THE OWNERSHIP STRUCTURE OF THE PKO BANK POLSKI SA SHARES AND THE RIGHTS ATTACHED TO THEM BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY STAFF

No.	Name and surname	Number of shares as at 30.09.2021	Purchase	Disposal	Number of shares as at 31.12.2020
The Bank's Management Board					
1	Jan Emeryk Rościszewski, President of the Management Board	0	0	0	0
2	Rafał Antczak, Vice-President of the Management Board	2 000	0	0	2 000
3	Bartosz Drabikowski, Vice-President of the Management Board	0	-	-	-
4	Marcin Eckert, Vice-President of the Management Board	0	-	-	-
5	Maks Kraczkowski, Vice-President of the Management Board	0	0	0	0
6	Mieczysław Król, Vice-President of the Management Board	6 000	0	0	6 000
7	Artur Kurcweil, Vice-President of the Management Board	0	-	-	-
8	Piotr Mazur, Vice-President of the Management Board	8 000	0	0	8 000
9	Jakub Papierski, Vice-President of the Management Board	5 000	0	0	5 000

The Supervisory Board members did not hold any shares of PKO Bank Polski S.A. as at 30 September 2021.

4. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These condensed interim consolidated financial statements of the Group (the financial statements) cover the nine-month period ended 30 September 2021 and contain comparative data:

- for the nine-month period ended 30 September 2020 with regard to the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, and consolidated statement of cash flows
- as at 31 December 2020 with regard to the consolidated statement of financial position.

The financial statements also cover the three-month period from 1 July to 30 September 2021 and the corresponding period of 2020 with regard to the income statement and the statement of comprehensive income.

The financial data is presented in millions of Polish zlotys (PLN), unless otherwise indicated. Therefore, there might be differences resulting from rounding the amounts to full millions.

The Group prepared the financial statements in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" approved by the European Union, taking into account the principle of recognizing income tax expense in the interim financial statements based on the best possible estimate of the weighted average annual income tax rate expected by the Group in the whole financial year.

To prepare the financial statements, the Group applied the accounting policies and calculation methods consistent with those applicable in the financial year ended 31 December 2020, with the exception of changes resulting from the implementation of a new strategy for hedging the interest in the net assets of foreign entities, which is described in the note "Hedge accounting".

The presented financial statements for the nine months ended 30 September 2021 do not contain all the information and disclosures that are required in the annual financial statements and they should be read together with the annual consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2020 prepared in accordance with the International Financial Reporting Standards approved by the European Union.

GOING CONCERN

The financial statements have been prepared based on the assumption that the Group will continue as a going concern for a period of at least 12 months from the date of preparation, i.e. from 4 November 2021. As at the date of signing of these financial statements, the Management Board of the Bank did not identify any facts or circumstances which would indicate any threats to the Group's ability to continue as a going concern for at least 12 months after the publication as a result of the intended or forced discontinuation or significantly curtailing the existing operations of the Bank's Group.



MANAGEMENT REPRESENTATION

The Management Board hereby represents that, to its best knowledge, the financial statements of the Group and the comparative data have been prepared in accordance with the applicable accounting policies and give a true, fair and clear view of the Group's financial position and its results of operations.

5. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The financial statements, which were reviewed by the Audit Committee of the Supervisory Board and by the Supervisory Board on 4 November 2021, were approved by the Bank's Management Board for publication on 4 November 2021.

6. SIGNIFICANT EVENTS IN THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

6.1. MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

On 23 April 2021, the Extraordinary General Shareholders' Meeting of PKO Bank Polski S.A. made a decision on concluding settlement agreements with consumers who have mortgage loans with the Bank, which are indexed to foreign currencies or denominated in foreign currencies (hereinafter: settlements with consumers). In accordance with the above-mentioned resolution:

- a special fund amounting to PLN 6 700 million was established to cover the balance sheet losses that will arise as a result of recognizing the financial effects of the settlements with consumers;
- the amount of PLN 6 700 million from the Bank's supplementary capital created from retained earnings available for distribution was transferred to the above-mentioned special fund;
- the General Shareholders' Meeting obliged the Bank's Management Board to present for approval by the Bank's Supervisory Board the terms and conditions on which the settlements will be concluded with consumers, including the terms and conditions for forgiving debt;
- the Bank's Management Board began concluding the settlements with consumers (including those that stipulate debt forgiveness) after the Bank's Supervisory Board issued a positive opinion on the terms and conditions on which they are to be concluded, including those relating to debt forgiveness (Supervisory Board resolution dated 27 May 2021).

In its estimation of the cost of legal risk of mortgage loans in foreign currencies, the Group took into account the impact of the expected settlements on the financial statements of the PKO Bank Polski S.A. Group for the year 2020.

In the period from June to September 2021, the Bank was working on the details of the solution, which included offering the customers the option to switch to a fixed interest rate. The Bank conducted a pilot programme concerning the settlements, which involved participating in mediation at the PFSA court of arbitration and concluding settlements in common courts.

On 4 October 2021, the Bank launched a programme of settlements for Swiss franc borrowers.

The settlement process is conducted remotely (an application is filed in the transactional system, mediations are conducted online) and the borrower appears at the branch only once, to sign the settlement agreement. During the mediation proceedings before the PFSA Court of Arbitration the customer will learn all financial parameters of the proposal, including the balance after conversion and the amount of overpayment, if any, to be reimbursed by the bank. The process is cost-free and customer-friendly. The mediation costs are borne by the Bank.

The Bank offers this solution to retail customers who have (and still repay) housing loans granted in Swiss francs. This form of aid is available to the customers who obtained loans to finance their own housing needs. The mediations are conducted before the PFSA Court of Arbitration. Each application for mediation may only refer to a single loan agreement. Settlement agreements are not offered to the customers whose loans have already been repaid or disbursed in CHF in the total amount, or those who have used the Borrower Support Fund.

A foreign currency loan, after having been converted to PLN, is treated as a loan granted in PLN from the date of its commencement. The other parameters, such as the term of the loan, form of repayment, the fees, commissions and insurance premiums incurred remain unchanged. The amount of the loan after conversion to PLN is calculated using the variable interest rate as at the date of the agreement. The interest rate is the sum of the WIBOR 3M reference rate and the margin. The Bank presents detailed calculations to the customers a few days before the mediation hearing at the Court of Arbitration.



More information on the portfolio of mortgage loans in convertible currencies and settlements with consumers is presented in the following notes: "Cost of the legal risk of mortgage loans in convertible currencies", "Legal claims" and "Management of currency risk associated with mortgage loans for individuals", "Currency risk management".

6.2. IMPACT OF COVID-19 PANDEMIC ON THE OPERATIONS OF THE GROUP

The impact of the COVID-19 pandemic on the operations of the Group and the banking sector, as well as the actions taken by the Group to guarantee the security of its Customers and employees and continuity of business processes, are described in detail in the Directors' Report on the operations of the PKO Bank Polski S.A. Group for the year 2020 and the first half of 2021.

• IMPACT ON ESTIMATIONS AND ASSUMPTIONS

The Covid-19 pandemic increased the level of uncertainty. Its consequences for the global economy and the measures taken by the governments and regulators affect or may affect the Group's financial results and financial position, including e.g. the expected credit losses or recognized goodwill. The Group monitors the current developments on an ongoing basis and accounts for them in the current period.

• MORATORIA AND PUBLIC GUARANTEES – LOAN PORTFOLIO MODIFICATIONS AND QUALITY

In order to mitigate the economic effects of the spread of COVID-19, the Group implemented a number of measures addressed to retail customers, firms, enterprises, corporate customers and local authority units, which are aimed at mitigating the economic effects of the spread of COVID-19:

- loan moratoria consistent with the guidelines of the European Banking Authority and non-statutory loan moratoria;
- granting loans and advances covered by the public guarantee programmes associated with the COVID-19 crisis.

The moratoria offered to the Bank's Customers and the public guarantee programmes are described in detail in the consolidated financial statements of the Group for 2020 in the note "Specific activities in the area of risk management undertaken by the Group in 2020", in the Directors' Report on the operations of the PKO Bank Polski S.A. Group in 2020 and in the Directors' Report on the operations of the PKO Bank Polski S.A. Group in the first half of 2021.

All these measures allow the borrowers to apply for suspending or postponing repayment of instalments for a period of up to 6 months. Due to the fact that the above-mentioned measures contributed to the modification of contractual flows arising from agreements with customers, the Group assessed the individual agreements to determine whether the quantitative and qualitative criteria were met and, consequently, to conclude whether the modification was significant (derecognition) or insignificant. The assessment was carried out in accordance with a policy described in the Note "Description of significant accounting policies", "Modifications – Changes in contractual cash flows" to the consolidated financial statements of the PKO Bank Polski S.A. Group for 2020. The analysis showed that none of the criteria of a significant modification were met. Changes in contractual cash flows as a result of the relief measures offered were insignificant modifications whose impact was recognized by the Group as a decrease in interest income.

Guarantees received by the Group as part of public guarantee initiatives under Annex to the de minimis guarantee line portfolio agreement of 22 June 2018 (as amended) and the portfolio guarantee line agreement of the Liquidity Guarantee Fund of 10 April 2020 concluded with Bank Gospodarstwa Krajowego meet the definition of financial guarantees and are presented in the Note "Contingent liabilities and off-balance sheet commitments received and granted".

The impact of COVID-19 on the quality of the loan portfolio, including the estimated credit losses, is presented in the Note "Risk management objectives and principles". The impact of COVID-19 on the deterioration of the portfolio of loans measured at fair value through profit or loss was recognized in gains/(losses) on financial transactions measured at fair value through profit or loss, and on the portfolio of loans measured at amortized cost and at fair value through OCI - in net expected credit losses.



• **GOODWILL AND INVESTMENTS IN ASSOCIATES AND JOINT VENTURES – IMPAIRMENT TEST**

Given the fact that the COVID-19 pandemic has an adverse effect on the economic environment, in 2020 the Group conducted an impairment test of goodwill arising on the acquisition of Nordea Bank Polska S.A. and in connection with taking over control of PKO Leasing Pro S.A. The results of the test are described in the Note “Intangible assets, property, plant and equipment, and property, plant and equipment leased out under operating lease” of the consolidated financial statements of the PKO Bank Polski S.A. Group for the year 2020 and in the Note “Impairment of non-financial assets” to these financial statements.

The COVID-19 pandemic also affected the results of an impairment test of Bank Pocztowy shares (for further information, see the Note “Investments in associates and joint ventures” to the consolidated financial statements of the PKO Bank Polski S.A. Group for the year 2020 and Note “Impairment of non-financial assets” to these financial statements).

• **CAPITAL ADEQUACY**

The impact of COVID-19 on capital adequacy and the activities of the regulatory bodies – Regulation (EU) 2020/873 on 24 June 2020 of the European Parliament and of the Council amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic (CRR Quick Fix) are described in the Note “Capital adequacy” to the consolidated financial statements of the Group for the year 2020 and in the Report “Capital adequacy and other information subject to disclosure by the Group” for the year 2020 and the first half of 2021.

7. NEW STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS

• **STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS EFFECTIVE FROM 2021**

STANDARDS AND INTERPRETATIONS	DESCRIPTION OF CHANGES AND IMPACT
AMENDMENTS TO IFRS 9, IFRS 7, IAS 39 AND IFRS 16, IFRS 4 - IBOR REFORM - PHASE 2 (1.01.2021/14.01.2021)	<p>Regulations issued under Phase 2 of the IBOR reform relate to the following:</p> <ul style="list-style-type: none"> • changes to contractual cash flows – adding to IFRS 9 a practical expedient, which will enable accounting for modifications of contractual cash flows arising from the IBOR reform by updating the effective interest rate of the contract to reflect the transition to an alternative benchmark rate (there will be no obligation to derecognize or adjust carrying amounts of financial instruments); a similar practical expedient was introduced with respect to accounting for lease modifications by lessees under IFRS; • hedge accounting – there will be no need to discontinue applying hedge accounting solely due to the changes required by the reform, provided that the hedge meets other hedge accounting criteria, and • disclosures – companies will be obliged to disclose information on new risks arising from the reform and on how they manage the transition to alternative benchmark rates. <p>The Group does not expect these amendments to have a material effect on the consolidated financial statements.</p>
AMENDMENTS TO IFRS 4 “INSURANCE CONTRACTS” (1.01.2021/16.12.2021)	<p>The amendments move the date of termination of the temporary relief from the application of IFRS 9 from 1 January 2021 to 1 January 2023 in order to align it with the effective date of IFRS 17. The amendments provide for optional solutions in order to mitigate the impact of different effective dates of IFRS 9 and IFRS 17.</p> <p>The amendments do not apply to the Group.</p>

* the effective date in EU / the date of endorsement by the EU is given in parentheses



- NEW STANDARDS AND INTERPRETATIONS AND AMENDMENTS THERETO THAT HAVE BEEN PUBLISHED AND ENDORSED BY THE EUROPEAN UNION, BUT HAVE NOT COME INTO FORCE YET AND ARE NOT APPLIED BY THE BANK

STANDARDS AND INTERPRETATIONS	DESCRIPTION OF CHANGES AND IMPACT
AMENDMENTS TO IFRS 3 "BUSINESS COMBINATIONS" (1.01.2022/28.06.2021)	<p>Amendments to IFRS 3 have updated references to the Conceptual Framework issued in 2018. In order to ensure that this update will not impact assets and liabilities which qualify for recognition at business combination, the amendment introduces new exceptions from the recognition and measurement principles of IFRS 3.</p> <p>The Group does not expect these amendments to have a material effect on the consolidated financial statements.</p>
AMENDMENTS TO IAS 16 "PROPERTY, PLANT AND EQUIPMENT" (1.01.2022/28.06.2021)	<p>The amendment specifies that, among other things, proceeds from selling items produced while bringing an asset to the desired location and condition cannot be deducted from the cost associated with that asset. Instead, such proceeds should be recognized in profit or loss together with the costs of producing such items.</p> <p>The Group does not expect these amendments to have a material effect on the consolidated financial statements.</p>
AMENDMENT TO IAS 37 "PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS" (1.01.2022/28.06.2021)	<p>The amendments clarify that, when assessing whether or not a contract is onerous, the cost of fulfilling a contract comprises all costs that relate directly to the contract.</p> <p>The Group does not expect these amendments to have a material effect on the financial statements.</p>
ANNUAL IMPROVEMENTS TO IFRS 2018-2020 (1.01.2022/28.06.2021)	<ul style="list-style-type: none"> The amendment to IFRS 1 relates to situations when a subsidiary adopts IFRS for the first time at a later date than its parent; in such a case, the subsidiary may decide to measure cumulative translation differences for all foreign operations using the amounts reported by its parent in its consolidated financial statements, based on the parent's date of transition to IFRS. The amendment to IAS 41 aligns fair value measurement requirements set out in IAS 41 with the assumptions of IFRS 13. <p>Not applicable to the Group.</p> <ul style="list-style-type: none"> The amendment to IFRS 9 clarifies which fees should be included for the purposes of the '10 per cent' test in the case of derecognition of financial liabilities. Amendments to illustrative examples in IFRS 16 relating to identification of lease incentives. <p>The Group does not expect these amendments to have a material effect on the consolidated financial statements.</p>

* the effective date in EU / the date of endorsement by EU is given in parentheses



- **NEW STANDARDS AND INTERPRETATIONS, AND AMENDMENTS THERETO, WHICH HAVE BEEN PUBLISHED BUT HAVE NOT BEEN ENDORSED BY THE EUROPEAN UNION**

STANDARDS AND INTERPRETATIONS*	DESCRIPTION OF CHANGES AND IMPACT
IFRS 17 "Insurance contracts" (1.01.2023/ 4Q 2021) And amendments to IFRS 17 (1.01.2023/ 4Q 2021)	IFRS 17 will replace IFRS 4, which enabled entities to recognize insurance contracts according to the accounting principles based on the national standards, which, as a result, meant applying many different solutions. IFRS 17 introduces the requirement of consistent recognition of all insurance contracts with respect to: the method of measurement of insurance liabilities, recognition of profit or loss over time, recognition of reinsurance, separate presentation of the investment component. The application of the standard should follow the full retrospective approach with certain exemptions. The Group is currently evaluating the impact on the consolidated financial statements.
AMENDMENTS TO IAS 1 - CLASSIFICATION OF LIABILITIES (1.01.2023/ NO DATA)	The amendments relate to the presentation of liabilities in the statement of financial position. In particular, the amendment clarifies that classification of liabilities as current or non-current should be based on the regulations in place at the reporting date. The amendments will be applied prospectively. The Group is currently evaluating the impact on the consolidated financial statements.
AMENDMENTS TO IAS 1 AND IAS 8 (1.01.2023/ NO DATA)	Amendments to IAS 1 contain guidelines on the application of the concept of materiality to disclosures of the accounting policies. Amendments to IAS 8 explain how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group does not expect these amendments to have a material effect on the consolidated financial statements.
AMENDMENTS TO IAS 12 (1.01.2023/ NO DATA)	The amendments to IAS 12 clarify uncertainty as to deferred tax on the transactions for which companies recognize both assets and liabilities, which may cause both taxable and deductible timing differences to arise simultaneously. This applies to such transactions as leases or liabilities relating to decommissioning. The amendments clarify that companies are obliged to recognize deferred tax on such transactions. The Group does not expect these amendments to have a material effect on the consolidated financial statements.

* the effective date in EU / the date of endorsement by EU is given in parentheses

8. EXPLANATION OF DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

The changes to previously published data for the period from 1 January to 30 September 2020 presented below resulted from the changes introduced by the Group in 2020 and in 2021:

- **RECLASSIFICATION OF CHARGES COLLECTED FROM CUSTOMERS COMPENSATING NEGATIVE INTEREST ON FINANCIAL LIABILITIES (1)**

Starting from the financial statements for 2020, the Group presents fees collected from the Bank's customers to compensate negative interest rates on the Bank's financial liabilities (customer current accounts) in interest income. Previously, such fees were presented in commission income.

- **RECLASSIFICATION OF COSTS CHARGED TO THE CUSTOMER (2)**

Up to the second quarter of 2021, the Group presented the costs of debt collection, enforcement and court proceedings and related proceedings in commission expenses or other operating expenses. Recharges of such costs to the Group's customers were recognized as commission income.



From the third quarter of 2021, the Group presents such income and costs in net impairment of non-financial assets.

- **INCLUSION OF NET REGULATORY CHARGES IN OPERATING EXPENSES (3)**

In order to make the presentation of operating expenses more consistent with the market practice, the Group combined the line "Operating (administrative) expenses" with "Net regulatory charges".

INCOME STATEMENT – selected items	3 quarters cumulative period from 01.01.2020 to 30.09.2020	(1)	(2)	(3)	01.01.2020 - 30.09.2020 restated
Net interest income	7 679	14	-	-	7 693
Interest income	8 939	15	-	-	8 954
calculated under the effective interest rate method	8 037	15	-	-	8 052
Interest expenses	(1 260)	(1)	-	-	(1 261)
Net fee and commission income	2 894	(14)	11	-	2 891
Fee and commission income	3 674	(14)	(9)	-	3 651
Fee and commission expense	(780)	-	20	-	(760)
Other net income	(9)	-	4	-	(5)
Net other operating income and expenses	(97)	-	4	-	(93)
Result on business activities	10 564	-	15	-	10 579
Net impairment allowances on non-financial assets	(336)	-	(15)	-	(351)
Administrative expenses	(3 900)	-	-	(667)	(4 567)
Net regulatory charges	(667)	-	-	667	-
Net profit attributable to equity holders of the parent company	2 018	-	-	-	2 018

- **RECLASSIFICATION OF HOLIDAY PAY PROVISIONS FROM OTHER LIABILITIES TO PROVISIONS (4)**

In the fourth quarter of 2020, the Group reclassified holiday pay provisions from "Other liabilities" to "Provisions", because the Group believes that they are similar in nature to other provisions and are based on estimates, similarly to other employee provisions presented in provisions, such as e.g. provisions for pensions and other post-employment defined benefit obligations.

Cash flows from operating activities – selected items	01.01.2020 - 30.09.2020	(4)	01.01.2020 - 30.09.2020 restated
Total adjustments:			
Change in:			
accumulated allowances on non-financial assets and other provisions	379	18	397
other liabilities	762	(18)	744



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. SEGMENT REPORTING

The PKO Bank Polski S.A. Group conducts business activities within the following segments: retail, corporate and investment, the transfer centre and the “other activities” segment. The information on the segments is provided in the consolidated financial statements of the Group for the year 2020.

Income statement by segments FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the Group
Net interest income	5 111	1 256	846	7 213
Net fee and commission income	2 436	811	(11)	3 236
Other net income	(70)	252	486	668
Dividend income	-	12	-	12
Gains/(losses) on financial transactions	(96)	69	-	(27)
Foreign exchange gains/ (losses)	(9)	62	371	424
Gains/(losses) on derecognition of financial instruments	2	81	93	176
Net other operating income and expense	14	47	22	83
Income/(expenses) relating to internal customers	19	(19)	-	-
Result on business activities	7 477	2 319	1 321	11 117
Net expected credit losses	(699)	(94)	1	(792)
Net impairment allowances of non-financial assets	(19)	14	(30)	(35)
Administrative expenses, of which:	(3 763)	(802)	(27)	(4 592)
depreciation and amortization	(637)	(108)	-	(745)
net regulatory charges	(384)	(121)	(27)	(532)
Tax on certain financial institutions	(582)	(245)	42	(785)
Share in profits and losses of associates and joint ventures	-	-	-	21
Segment profit/(loss)	2 414	1 192	1 307	4 934
Income tax expense (tax burden)				(1 263)
Net profit (loss) (including non-controlling interest)				3 671
Net profit attributable to equity holders of the parent company				3 671

Assets and liabilities by segments 30.09.2021	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the Group
Assets	184 463	119 007	96 788	400 258
Investments in associates and joint ventures	-	269	-	269
Unallocated assets	-	-	-	2 994
Total assets	184 463	119 276	96 788	403 521
Liabilities	259 168	68 012	34 289	361 469
Unallocated liabilities	-	-	-	517
Total liabilities	259 168	68 012	34 289	361 986



Income statement by segments	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the Group
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020				
Net interest income	5 981	1 499	213	7 693
Net fee and commission income	2 271	629	(9)	2 891
Other net income	(256)	126	125	(5)
Dividend income	-	15	-	15
Gains/(losses) on financial transactions	(107)	(55)	4	(158)
Foreign exchange gains/ (losses)	(18)	71	28	81
Gains/(losses) on derecognition of financial instruments	(12)	84	78	150
Net other operating income and expense	(138)	30	15	(93)
Income/(expenses) relating to internal customers	19	(19)	-	-
Result on business activities	7 996	2 254	329	10 579
Net expected credit losses	(862)	(384)	-	(1 246)
Net impairment allowances of non-financial assets	(33)	(242)	(76)	(351)
Cost of the legal risk of mortgage loans in convertible currencies	(535)	-	-	(535)
Administrative expenses, of which:	(3 698)	(833)	(36)	(4 567)
depreciation and amortization	(619)	(111)	-	(730)
net regulatory charges	(463)	(169)	(35)	(667)
Tax on certain financial institutions	(555)	(254)	15	(794)
Share in profits and losses of associates and joint ventures	-	-	-	15
Segment profit/(loss)	2 313	541	232	3 101
Income tax expense (tax burden)				(1 086)
Net profit (loss) (including non-controlling interest)				2 015
Profit (loss) attributable to non-controlling shareholders				(3)
Net profit attributable to equity holders of the parent company				2 018

Assets and liabilities by segments	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the Group
31.12.2020				
Assets	180 552	118 624	74 937	374 113
Investments in associates and joint ventures	-	291	-	291
Unallocated assets	-	-	-	2 562
Total assets	180 552	118 915	74 937	376 966
Liabilities	245 578	54 982	35 930	336 490
Unallocated liabilities	-	-	-	565
Total liabilities	245 578	54 982	35 930	337 055

The data for 2020 was brought to comparability to the extent covering the changes in the accounting policies and methods for determining the profit/loss of business segments for management accounting purposes.



10. INTEREST INCOME AND EXPENSE

INTEREST INCOME	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Loans to and other receivables from banks	3	10	1	30
Hedging derivatives	119	317	185	406
Debt securities	450	1 339	463	1 338
measured at amortized cost	233	628	163	361
measured at fair value through other comprehensive income	215	703	296	957
measured at fair value through profit or loss	2	8	4	20
Loans and advances to customers (excluding finance lease receivables)	1 920	5 554	1 902	6 659
measured at amortized cost	1 831	5 256	1 777	6 183
measured at fair value through profit or loss	89	298	125	476
Finance lease receivables	158	465	128	506
Amounts due to customers	4	12	5	15
Total	2 654	7 697	2 684	8 954
of which: interest income on impaired financial instruments	71	185	56	193
Interest income calculated under the effective interest rate method on financial instruments measured at:				
amortized cost	2 444	7 074	2 370	8 052
at fair value through other comprehensive income	215	703	296	957
Income similar to interest income on instruments measured at fair value through profit or loss	210	623	314	902
Total	2 654	7 697	2 684	8 954

INTEREST EXPENSE	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Amounts due to banks	(4)	(10)	(2)	(7)
Interbank deposits	(2)	(5)	(1)	(8)
Loans and advances received	(12)	(29)	(6)	(24)
Leases	(2)	(8)	(4)	(15)
Amounts due to customers	(41)	(137)	(114)	(796)
Debt securities in issue	(85)	(259)	(93)	(348)
Subordinated liabilities	(12)	(36)	(18)	(63)
Total	(158)	(484)	(238)	(1 261)



11. FEE AND COMMISSION INCOME AND EXPENSE

FEE AND COMMISSION INCOME	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Loans, insurance, operating leases and fleet management	341	987	316	922
lending	202	576	181	529
offering insurance products	119	336	110	315
operating leases and fleet management	20	75	25	78
Investment funds, pension funds and brokerage activities	210	604	155	535
servicing investment funds and OFE (including management fees)	127	342	95	307
servicing and selling investment and insurance products	9	24	9	27
brokerage activities	74	238	51	201
Cards	435	1 098	372	988
Margins on foreign exchange transactions	152	426	127	342
Bank accounts and other	331	966	295	864
servicing bank accounts	245	729	220	644
cash operations	19	52	17	55
servicing foreign mass transactions	22	63	19	52
customer orders	14	41	12	37
fiduciary services	3	7	2	5
other	28	74	25	71
Total	1 469	4 081	1 265	3 651

NET INCOME ON OPERATING LEASES AND FLEET MANAGEMENT	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Income on operating leases and fleet management	95	288	90	277
Cost net income on operating leases and fleet management	(20)	(56)	(20)	(56)
Depreciation of property, plant and equipment under operating leases	(55)	(157)	(45)	(143)
Net income on operating leases and fleet management	20	75	25	78

FEE AND COMMISSION EXPENSE	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Loans and insurance	(37)	(90)	(31)	(87)
commission paid to external entities for product sales	(8)	(19)	(10)	(28)
cost of construction investment supervision and property valuation	(13)	(33)	(11)	(27)
fees to Biuro Informacji Kredytowej	(4)	(13)	(2)	(12)
loan handling	(12)	(25)	(8)	(20)
Investment funds, pension funds and brokerage activities	(15)	(44)	(8)	(31)
Cards	(244)	(612)	(205)	(555)
Bank accounts and other	(36)	(99)	(31)	(87)
clearing services	(11)	(28)	(8)	(25)
commissions for operating services provided by banks	(3)	(10)	-	(5)
sending short text messages (SMS)	(14)	(40)	(10)	(29)
selling banking products	(1)	(2)	(2)	(5)
servicing foreign mass transactions	(4)	(11)	(3)	(9)
other	(3)	(8)	(8)	(14)
Total	(332)	(845)	(275)	(760)



12. GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS

GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Financial instruments held for trading, of which:	28	76	11	16
Derivative instruments	27	70	11	16
Financial instruments not held for trading, measured at fair value through profit or loss, of which:	(38)	(98)	(21)	(177)
Loans and advances to customers	(27)	(109)	(40)	(149)
Equity instruments	(2)	18	19	(24)
Hedge accounting	(2)	(5)	(2)	3
Total	(12)	(27)	(12)	(158)

13. GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL INSTRUMENTS

GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL INSTRUMENTS	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Measured at fair value through other comprehensive income	80	173	71	177
Measured at amortized cost	1	3	(3)	(27)
Total	81	176	68	150

14. OTHER OPERATING INCOME AND EXPENSE

OTHER OPERATING INCOME	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Net revenues from the sale of products and services	34	72	33	64
Gains on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	35	73	12	30
Damages, compensation and penalties received	9	35	8	22
Ancillary income	2	9	4	10
Recovered debts that are time-barred, remitted, uncollectible	1	4	-	3
Release of the provision for unpaid costs	1	2	-	-
Release of provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies	1	2	-	4
Other	13	48	13	54
Total	96	245	70	187



OTHER OPERATING EXPENSE	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Costs of products and services sold	-	(2)	(4)	(8)
Losses on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	(8)	(25)	(11)	(34)
Donations made	(9)	(23)	(5)	(27)
Sundry expenses	(4)	(12)	(2)	(8)
Provision recognized for potential refunds of fees and commission to customers	(1)	(27)	(35)	(105)
Provision for future payments	-	(2)	-	-
Provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies	(3)	(8)	(43)	(47)
Other	(30)	(63)	(19)	(51)
Total	(55)	(162)	(119)	(280)

15. NET EXPECTED CREDIT LOSSES

ALLOWANCES FOR EXPECTED CREDIT LOSSES	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Debt securities	(43)	(41)	(22)	(18)
Loans and advances to customers	(306)	(787)	(271)	(1 052)
Other financial assets	-	2	-	-
Provisions for financial liabilities and guarantees granted	(13)	34	(77)	(176)
Total	(362)	(792)	(370)	(1 246)

16. NET IMPAIRMENT ALLOWANCES OF NON-FINANCIAL ASSETS

NET IMPAIRMENT OF NON-FINANCIAL ASSETS	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Property, plant and equipment under operating lease	(1)	(2)	5	3
Property, plant and equipment	(1)	(1)	(53)	(51)
Non-current assets held for sale	-	(2)	(1)	(2)
Intangible assets	-	-	-	(147)
Investments in associates and joint ventures	12	12	(10)	(99)
Other financial assets, including inventories	(2)	(42)	(16)	(55)
Total	8	(35)	(75)	(351)



17. COST OF THE LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Cost of the legal risk of mortgage loans in convertible currencies	-	-	(345)	(535)

IMPACT OF THE LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES	Gross carrying amount of mortgage loans in convertible currencies before recognition of mortgage loans in convertible currencies legal risk cost	Mortgage loans in convertible currencies legal risk cost	Gross carrying amount of mortgage loans in convertible currencies after recognition of mortgage loans in convertible currencies legal risk cost
as at 30.09.2021			
Loans and advances to customers – adjustment reducing the carrying amount of loans	20 502	6 507	13 995
Provisions (note 31)		538	
Total		7 045	
as at 31.12.2020			
Loans and advances to customers – adjustment reducing the carrying amount of loans	21 983	6 617	15 366
Provisions (note 31)		426	
Total		7 043	

As at 30 September 2021, the Group recognized in the financial statements the impact of the legal risk associated with the portfolio of mortgage loans in convertible currencies. The change in the adjustment of the gross carrying amount of mortgage loans reflecting the expected impact of potential settlements and litigation in relation to the situation as at 31 December 2020 was mainly due to the decline in the CHF rate.

Additional information on the portfolio of mortgage loans in convertible currencies is presented by the Group in the Notes “Legal claims” and “Management of foreign currency risk associated with mortgage loans for individuals”.

18. ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Employee benefits	(840)	(2 362)	(706)	(2 244)
Overheads, of which:	(321)	(953)	(302)	(926)
rent	(24)	(72)	(22)	(66)
IT	(94)	(280)	(86)	(251)
Depreciation and amortization	(253)	(745)	(242)	(730)
property, plant and equipment, of which:	(134)	(401)	(136)	(408)
Investment estates	-	(1)	-	(1)
IT	(26)	(74)	(24)	(75)
right of use assets	(59)	(177)	(52)	(163)
intangible assets, of which:	(119)	(344)	(106)	(322)
IT	(113)	(326)	(101)	(300)
Net regulatory charges	(79)	(532)	(109)	(667)
Total	(1 493)	(4 592)	(1 359)	(4 567)



EMPLOYEE BENEFITS	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Wages and salaries, including:	(707)	(1 976)	(593)	(1 872)
costs of contributions to the employee pension plan	(18)	(52)	(16)	(50)
Social insurance, of which:	(116)	(334)	(97)	(318)
contributions for disability and retirement benefits	(92)	(282)	(82)	(280)
Other employee benefits	(17)	(52)	(16)	(54)
Total	(840)	(2 362)	(706)	(2 244)

NET REGULATORY CHARGES	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Contribution and payments to the Bank Guarantee Fund (BGF), including:	(57)	(424)	(89)	(578)
to the Resolution Fund	-	(253)	-	(318)
to the Banks' Guarantee Fund	(57)	(171)	(89)	(260)
Fees to PFSA	(1)	(47)	(4)	(35)
Flat-rate income tax	(1)	(5)	(1)	(5)
Other taxes and fees	(20)	(56)	(15)	(49)
Total	(79)	(532)	(109)	(667)

19. INCOME TAX EXPENSE

	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Income tax expense recognized in the income statement	(438)	(1 263)	(372)	(1 086)
Current income tax expense	(390)	(1 237)	(265)	(881)
Deferred income tax on temporary differences	(48)	(26)	(107)	(205)
Income tax reported in other comprehensive income in respect of temporary differences	187	491	(7)	(287)
Total	(251)	(772)	(379)	(1 373)



Bank Polski

RECONCILIATION OF THE EFFECTIVE TAX RATE	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Profit or loss before tax	1 697	4 934	1 084	3 101
Tax calculated using the enacted rate in force in Poland (19%)	(322)	(937)	(206)	(589)
Effect of different tax rates of foreign entities	1	1	-	-
Effect of permanent timing differences, of which:	(119)	(331)	(167)	(503)
non-deductible impairment allowance on investments in subordinated entities	-	-	-	(17)
non-deductible allowances for expected credit losses on credit exposures and securities	(7)	(33)	(8)	(34)
contributions and payments to the Bank Guarantee Fund	(10)	(80)	(17)	(110)
tax on certain financial institutions	(51)	(149)	(49)	(151)
cost of the legal risk of mortgage loans in convertible currencies	(25)	(25)	(66)	(102)
tax on foreign exchange gains in Sweden	(10)	(9)	(9)	(25)
asset from the average tax rate	(8)	(17)	(20)	(20)
UOKIK	-	-	(8)	(8)
dividend income	8	10	-	-
write-off due to identified impairment of goodwill	-	-	-	(22)
other permanent differences	(16)	(28)	10	(14)
Effect of other timing differences, including new technologies tax relief and donations	2	4	1	6
Income tax expense recognized in the income statement	(438)	(1 263)	(372)	(1 086)
Effective tax rate (in %)	25.81	25.60	34.32	35.02



Tax systems of countries in which the Bank and the PKO Bank Polski S.A. Group entities have their registered offices or branches are often subject to amendments to laws, among other things, as a result of operations aimed at tightening the tax system, both at national and international level.

In addition, understanding some of the regulations of the tax law, due to their ambiguity, could in practice lead to inconsistent individual interpretations of the tax authorities, differing from the interpretation by the taxpayer, and the resulting disputes may only be resolved by the national or European courts. Therefore, interpretations of the tax law by the tax authorities differing from the practices implemented by the Bank or the PKO Bank Polski S.A. Group entities cannot be eliminated and may have a significant unfavourable impact on their operations and financial condition, despite the various actions aimed at mitigating this risk, which are regularly undertaken and allowed by law.

The following issues were described in detail in the consolidated financial statements of the Group for the year ended 31 December 2020:

- the doubts concerning tax collected in Sweden on foreign exchange gains on the loans granted by PKO Finance AB and liabilities relating to the issue;
- the actions taken by the Group.

In accordance with IFRIC 23 “Uncertainty over Income Tax Treatments”, the Group applied judgment as to the uncertain tax treatment of income generated in Sweden in respect of foreign exchange gains on loans granted to the Bank and liabilities relating to the issue. The Group applied the most likely amount to reflect the effect of uncertainty.

As at 30 September 2021, the deferred income tax provision amounted to PLN 287 million (as at 31 December 2020 it was PLN 279 million). The Group is analysing the impact of the decision of the Swedish tax authority (STA), which will probably be unfavourable, on the taxation of foreign exchange differences of PKO Finance AB. The Company is preparing for a potential dispute with the Swedish tax authorities. On 16 September 2021, the Company presented its arguments in writing to the STA, and on 14 October a meeting was held with STA, at which those arguments were repeated. In the opinion of the Swedish tax advisors to the Company, an adverse decision should be expected to be issued by the end of the year 2021.

20. AMOUNTS DUE FROM BANKS

AMOUNTS DUE FROM BANKS	30.09.2021	31.12.2020
Measured at amortized cost	4 683	2 557
Deposits with banks	3 590	1 311
Current accounts	1 007	887
Loans and advances granted	84	358
Cash in transit	2	1
Gross amount	4 683	2 557
Net amount	4 683	2 557

As at 30 September 2021 and 31 December 2020 all amounts due from banks were classified as Stage 1.

21. HEDGE ACCOUNTING

TYPES OF HEDGING STRATEGIES APPLIED BY THE GROUP

As at 30 September 2021 the Group had had active relationships as part of:

- 8 strategies for hedging cash flow volatility;
- 4 strategies for hedging fair value of volatility;
- one strategy for hedging the interest in the net assets of foreign entities.

In the nine-month period of 2021, as part of the hedging strategy “Hedges against fluctuations in cash flows from floating interest rate loans in EUR, resulting from the risk of fluctuations in interest rates, using IRS transactions”, the Group closed hedging relationships:



- due to their failing to pass the prospective test of sufficient nominal amount. The effect of the discontinuation of hedge accounting as part of the said relationship on the profit or loss amounted to PLN 0.4 million;
- due to the discontinuation of hedge accounting. The effect of the discontinuation of hedge accounting as part of the said relationship on the profit or loss amounted to PLN 0.9 million.

In the nine-month period of 2021, as part of the hedging strategy “Hedges against fluctuations in cash flows from floating interest rate loans in PLN, resulting from the risk of fluctuations in interest rates, using IRS transactions”, the Group closed one hedging relationship due to the discontinuation of hedge accounting. The effect of the discontinuation of hedge accounting as part of the said relationship on the profit or loss amounted to PLN 5.2 million.

In the nine-month period of 2021, the Group introduced one hedging strategy in respect of interest in the net assets of foreign entities:

- “Hedging of the interest in the net assets of a foreign entity whose functional currency is a foreign currency against foreign currency risk resulting from the translation of the entity’s financial results and financial position into PLN in the consolidated financial statements of the PKO Bank Polski S.A. Group using forward or NDF transactions”;

and three cash flow hedging strategies:

- “Hedging against fluctuations in cash flows on variable interest PLN loans of a PKO Bank Polski S.A. company other than PKO Bank Polski S.A., resulting from interest rate risk, and hedging against fluctuations in cash flows on financial liabilities in a convertible currency of a PKO Bank Polski S.A. company other than PKO Bank Polski S.A., resulting from foreign currency risk, using two CIRS transactions concluded by PKO Bank Polski S.A. with a third party”;
- “Hedging against fluctuations in cash flows on variable interest PLN loans, resulting from a risk of changes in interest rates, and hedging against fluctuations in cash flows on financial liabilities in a convertible currency resulting from foreign currency risk, using two CIRS transactions”; and
- “Hedging against fluctuations in cash flows on deposits in PLN, resulting from the risk of changes in interest rates, using IRS transactions”.

No changes were made to other hedging strategies in 2021.

In 2020, the Group introduced two new hedging strategies for fair value hedges and cash flow hedges.

NEW ACCOUNTING POLICIES – HEDGE OF INTEREST IN THE NET ASSETS OF A FOREIGN ENTITY

Changes in the fair value of a derivative financial instrument designated for the purposes of hedging interest in the net assets of a foreign entity whose functional currency is a foreign currency are recognized directly in other comprehensive income in respect of the portion constituting the effective part of the hedge. The ineffective portion of the hedge is recognized in the income statement in the item “Foreign exchange gains (losses)”.

Gains and losses associated with the hedging instrument relating to the effective part of the hedge, which were recognized in other comprehensive income, are reclassified to profit or loss as a reclassification adjustment in accordance with paragraphs 48-49 of IAS 21 “The Effects of Changes in Foreign Exchange Rates” upon disposal or partial disposal of the foreign entity.

Hedge effectiveness is verified through the use of prospective and retrospective effectiveness tests.



FINANCIAL INFORMATION

CARRYING AMOUNT OF HEDGING INSTRUMENTS	30.09.2021		31.12.2020	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	777	1 352	958	324
- interest rate risk - IRS	203	1 009	626	14
- foreign exchange risk and interest rate risk - CIRS	574	343	332	310
Fair value hedges	14	15	-	54
- interest rate risk IRS	14	15	-	54
Hedges of net investments in foreign operations	-	5	-	-
foreign exchange risk - Forward	-	5	-	-
Total	791	1 372	958	378

CASH FLOW HEDGES

CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO CASH FLOW HEDGES AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Accumulated other comprehensive income at the beginning of the period, net	(342)	355	737	232
Impact on other comprehensive income during the period, gross	(655)	(1 517)	(96)	528
Gains/losses recognized in other comprehensive income during the period	(181)	(894)	755	1 239
Amounts transferred from other comprehensive income to the income statement:	(474)	(623)	(851)	(711)
- interest income	(122)	(328)	(185)	(406)
- net foreign exchange gains/(losses)	(352)	(295)	(666)	(305)
Tax effect	123	288	19	(100)
Accumulated other comprehensive income at the end of the period, net	(874)	(874)	660	660
Ineffective portion of cash flow hedges recognized in the income statements, including in:	3	3	2	4
Foreign exchange gains/ (losses)	5	7	1	2
Gain/(loss) on financial instruments measured at fair value	(2)	(4)	1	2

FAIR VALUE HEDGES AND HEDGES OF INTEREST IN THE NET ASSETS OF A FOREIGN ENTITY

HEDGES OF INTEREST RATE RISK	30.09.2021	31.12.2020
Fair value measurement of the hedging derivative instrument - IRS	(1)	(54)
Fair value adjustment of the hedged instrument attributable to the hedged risk	(8)	46
Securities	-	5
Loans and advances to customers	1	4
Fair value adjustment of securities recognized in other comprehensive income	(4)	37
Foreign exchange risk hedge - shares in a foreign entity for which the functional currency is a foreign currency	(5)	-

HEDGE OF INTEREST IN THE NET ASSETS OF A FOREIGN ENTITY

CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021
Accumulated other comprehensive income at the beginning of the period, net	(1)	-
Impact on other comprehensive income during the period, gross	(4)	(5)
Gains/losses recognized in other comprehensive income during the period	(4)	(5)
Accumulated other comprehensive income at the end of the period, net	(5)	(5)



22. OTHER DERIVATIVE INSTRUMENTS

OTHER DERIVATIVE INSTRUMENTS - BY TYPE	30.09.2021		31.12.2020	
	Assets	Liabilities	Assets	Liabilities
IRS	2 330	2 296	3 178	3 405
CIRS	750	710	652	978
FX Swap	643	274	358	314
Options	421	668	260	383
Commodity swap	4 154	4 149	411	408
FRA	5	4	4	3
Forward	339	477	312	293
Commodity Forward	1 868	1 857	326	320
Other	2	-	-	-
Total	10 512	10 435	5 501	6 104

NOMINAL AMOUNTS OF UNDERLYING INSTRUMENTS (BUY AND SELL TOGETHER) hedging instruments and other derivative instruments	30.09.2021	31.12.2020
IRS	600 408	528 520
hedging instruments	175 354	151 832
Purchase	87 677	75 916
Sale	87 677	75 916
other derivative instruments	425 054	376 688
Purchase	212 527	188 344
Sale	212 527	188 344
CIRS	108 994	69 411
hedging instruments	42 856	11 042
Purchase	21 500	5 493
Sale	21 356	5 549
other derivative instruments	66 138	58 369
Purchase	32 750	29 180
Sale	33 388	29 189
FX Swap	76 477	55 370
Purchase of currencies	38 416	27 721
Sale of currencies	38 061	27 649
Options	101 201	50 193
Purchase	50 456	25 032
Sale	50 745	25 161
FRA	22 756	18 648
Purchase	10 987	9 259
Sale	11 769	9 389
Forward	73 720	47 467
hedging instruments	105	-
Purchase of currencies	48	-
Sale of currencies	57	-
other derivative instruments	73 615	47 467
Purchase of currencies	36 721	23 728
Sale of currencies	36 894	23 739
Other, including Commodity swap and Futures (including on stock exchange indices)	12 162	7 228
Purchase	6 087	3 633
Sale	6 075	3 595
Total	995 718	776 837



Bank Polski

23. SECURITIES

SECURITIES	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
30.09.2021					
Debt securities	669	904	65 682	69 916	137 171
Treasury bonds (in PLN)	531	374	42 983	50 236	94 124
Treasury bonds (in foreign currencies)	7	355	3 066	-	3 428
corporate bonds (in PLN) secured by guarantees from the State Treasury	-	-	10 691	12 046	22 737
municipal bonds (in PLN)	16	-	4 533	4 930	9 479
corporate bonds (in PLN)	115	175	3 978	1 891	6 159
corporate bonds (in foreign currencies)	-	-	431	813	1 244
Equity securities	16	1 326	-	-	1 342
shares in other entities - not listed	-	337	-	-	337
shares in other entities - listed	14	156	-	-	170
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	833	-	-	835
Total (excluding adjustment due to fair value hedge)	685	2 230	65 682	69 916	138 513
Fair value adjustments due to fair value hedge	-	-	-	-	-
Total	685	2 230	65 682	69 916	138 513



SECURITIES	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
31.12.2020					
Debt securities	1 151	978	73 511	46 522	122 162
Treasury bonds (in PLN)	684	430	52 930	29 647	83 691
Treasury bonds (in foreign currencies)	4	367	2 872	39	3 282
Treasury bills	349	-	500	-	849
corporate bonds (in PLN) secured with the State Treasury guarantees	-	-	8 702	9 887	18 589
municipal bonds (in PLN)	15	-	4 649	5 060	9 724
corporate bonds (in PLN)	99	181	3 835	1 518	5 633
corporate bonds (in foreign currencies)	-	-	23	371	394
Equity securities	27	1 488	-	-	1 515
shares in other entities – not listed	-	451	-	-	451
shares in other entities – listed	25	135	-	-	160
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	902	-	-	904
Total (excluding adjustment due to fair value hedge)	1 178	2 466	73 511	46 522	123 677
Fair value adjustments due to fair value hedge	-	-	-	5	5
Total	1 178	2 466	73 511	46 527	123 682

The item T-bonds in PLN and in foreign currencies comprises Polish T-bonds. As at 30 September 2021 and 31 December 2020 the item “Treasury bonds in foreign currencies” also includes bonds issued by the State Treasury of Ukraine of PLN 987 and PLN 820 million, respectively.



SECURITIES (excluding adjustments relating to fair value hedge accounting) 30.09.2021	stage 1	stage 2	stage 3	Total	including POCI
measured at fair value through OCI					
Gross amount	65 238	64	414	65 716	396
Treasury bonds (in PLN)	42 983	-	-	42 983	-
Treasury bonds (in foreign currencies)	3 066	-	-	3 066	-
corporate bonds (in PLN) secured with the State Treasury guarantees	10 691	-	-	10 691	-
municipal bonds (in PLN)	4 470	63	-	4 533	-
corporate bonds (in PLN)	3 597	1	414	4 012	396
corporate bonds (in foreign currencies)	431	-	-	431	-
Allowances for expected credit losses	-	-	(34)	(34)	(34)
corporate bonds (in PLN)	-	-	(34)	(34)	(34)
Net amount	65 238	64	380	65 682	362
Treasury bonds (in PLN)	42 983	-	-	42 983	-
Treasury bonds (in foreign currencies)	3 066	-	-	3 066	-
corporate bonds (in PLN) secured with the State Treasury guarantees	10 691	-	-	10 691	-
municipal bonds (in PLN)	4 470	63	-	4 533	-
corporate bonds (in PLN)	3 597	1	380	3 978	362
corporate bonds (in foreign currencies)	431	-	-	431	-
Measured at amortized cost					
Gross amount	69 556	411	-	69 967	-
Treasury bonds (in PLN)	50 236	-	-	50 236	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12 050	-	-	12 050	-
municipal bonds (in PLN)	4 888	58	-	4 946	-
corporate bonds (in PLN)	1 700	210	-	1 910	-
corporate bonds (in foreign currencies)	682	143	-	825	-
Allowances for expected credit losses	(25)	(26)	-	(51)	-
corporate bonds (in PLN) secured with the State Treasury guarantees	(4)	-	-	(4)	-
municipal bonds (in PLN)	(15)	(1)	-	(16)	-
corporate bonds (in PLN)	(2)	(17)	-	(19)	-
corporate bonds (in foreign currencies)	(4)	(8)	-	(12)	-
Net amount	69 531	385	-	69 916	-
Treasury bonds (in PLN)	50 236	-	-	50 236	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12 046	-	-	12 046	-
municipal bonds (in PLN)	4 873	57	-	4 930	-
corporate bonds (in PLN)	1 698	193	-	1 891	-
corporate bonds (in foreign currencies)	678	135	-	813	-
Total securities					
Gross amount	134 794	475	414	135 683	396
Allowances for expected credit losses	(25)	(26)	(34)	(85)	(34)
Net amount	134 769	449	380	135 598	362



SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2020	stage 1	stage 2	stage 3	Total	including POCI
Measured at: fair value through OCI					
Gross amount	73 000	68	457	73 525	438
Treasury bonds (in PLN)	52 930	-	-	52 930	-
Treasury bonds (in foreign currencies)	2 872	-	-	2 872	-
Treasury bills	500	-	-	500	-
corporate bonds (in PLN) secured with the State Treasury guarantees	8 702	-	-	8 702	-
municipal bonds (in PLN)	4 582	67	-	4 649	-
corporate bonds (in PLN)	3 391	1	457	3 849	438
corporate bonds (in foreign currencies)	23	-	-	23	-
Allowances for expected credit losses	-	-	(14)	(14)	(14)
corporate bonds (in PLN)	-	-	(14)	(14)	(14)
Net amount	73 000	68	443	73 511	424
Treasury bonds (in PLN)	52 930	-	-	52 930	-
Treasury bonds (in foreign currencies)	2 872	-	-	2 872	-
Treasury bills	500	-	-	500	-
corporate bonds (in PLN) secured with the State Treasury guarantees	8 702	-	-	8 702	-
municipal bonds (in PLN)	4 582	67	-	4 649	-
corporate bonds (in PLN)	3 391	1	443	3 835	424
corporate bonds (in foreign currencies)	23	-	-	23	-
Measured at: amortized cost					
Gross amount	46 330	228	-	46 558	-
Treasury bonds (in PLN)	29 647	-	-	29 647	-
Treasury bonds (in foreign currencies)	39	-	-	39	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9 889	-	-	9 889	-
municipal bonds (in PLN)	5 052	24	-	5 076	-
corporate bonds (in PLN)	1 331	204	-	1 535	-
corporate bonds (in foreign currencies)	372	-	-	372	-
Allowances for expected credit losses	(20)	(16)	-	(36)	-
corporate bonds (in PLN) secured with the State Treasury guarantees	(2)	-	-	(2)	-
municipal bonds (in PLN)	(16)	-	-	(16)	-
corporate bonds (in PLN)	(1)	(16)	-	(17)	-
corporate bonds (in foreign currencies)	(1)	-	-	(1)	-
Net amount	46 310	212	-	46 522	-
Treasury bonds (in PLN)	29 647	-	-	29 647	-
Treasury bonds (in foreign currencies)	39	-	-	39	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9 887	-	-	9 887	-
municipal bonds (in PLN)	5 036	24	-	5 060	-
corporate bonds (in PLN)	1 330	188	-	1 518	-
corporate bonds (in foreign currencies)	371	-	-	371	-
Total securities					
Gross amount	119 330	296	457	120 083	438
Allowances for expected credit losses	(20)	(16)	(14)	(50)	(14)
Net amount	119 310	280	443	120 033	424



24. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS 30.09.2021	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
retail and private banking	4 837	1	138 503	143 341
housing	4	-	112 572	112 576
consumer	4 833	1	25 743	30 577
finance lease receivables	-	-	188	188
SME	46	-	31 869	31 915
housing	-	-	5 528	5 528
corporate	46	-	14 052	14 098
factoring receivables	-	-	171	171
finance lease receivables	-	-	12 118	12 118
corporate	57	-	55 016	55 073
housing	-	-	91	91
corporate	57	-	47 674	47 731
factoring receivables	-	-	2 064	2 064
finance lease receivables	-	-	5 187	5 187
Loans and advances to customers (excluding adjustments relating to fair value hedge)	4 940	1	225 388	230 329
Adjustment relating to fair value hedge	1	-	-	1
Total	4 941	1	225 388	230 330

LOANS AND ADVANCES TO CUSTOMERS 31.12.2020	not held for trading, measured at fair value through profit or loss	measured at amortized cost	Total
retail and private banking	5 895	133 391	139 286
housing	7	110 352	110 359
consumer	5 888	22 932	28 820
finance lease receivables	-	107	107
SME	46	29 883	29 929
housing	-	5 674	5 674
corporate	46	12 478	12 524
factoring receivables	-	144	144
finance lease receivables	-	11 587	11 587
corporate	68	53 316	53 384
housing	-	292	292
corporate	68	46 483	46 551
factoring receivables	-	1 484	1 484
finance lease receivables	-	5 057	5 057
Loans and advances to customers (excluding adjustments relating to fair value hedge)	6 009	216 590	222 599
Adjustment relating to fair value hedge	4	-	4
Total	6 013	216 590	222 603



LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 30.09.2021	Stage 1	Stage 2	Stage 3	Total	including POCI
Measured at: fair value through OCI - consumer loans					
Gross amount	-	-	1	1	1
Net amount	-	-	1	1	1
Measured at: amortized cost					
Gross amount	190 096	33 980	10 575	234 651	308
housing loans	103 465	14 657	2 203	120 325	84
corporate loans	48 097	12 784	5 390	66 271	120
consumer loans	22 646	3 239	1 778	27 663	51
factoring receivables	2 222	9	28	2 259	-
finance lease receivables	13 666	3 291	1 176	18 133	53
Allowances for expected credit losses	(724)	(2 088)	(6 451)	(9 263)	(78)
housing loans	(64)	(558)	(1 512)	(2 134)	(25)
corporate loans	(376)	(880)	(3 289)	(4 545)	(74)
consumer loans	(225)	(532)	(1 163)	(1 920)	22
factoring receivables	(4)	-	(20)	(24)	-
finance lease receivables	(55)	(118)	(467)	(640)	(1)
Net amount	189 372	31 892	4 124	225 388	230
housing loans	103 401	14 099	691	118 191	59
corporate loans	47 721	11 904	2 101	61 726	46
consumer loans	22 421	2 707	615	25 743	73
factoring receivables	2 218	9	8	2 235	-
finance lease receivables	13 611	3 173	709	17 493	52
Loans and advances to customers, total					
Gross amount	190 096	33 980	10 576	234 652	309
Allowances for expected credit losses	(724)	(2 088)	(6 451)	(9 263)	(78)
Net amount	189 372	31 892	4 125	225 389	231



LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 31.12.2020	Stage 1	Stage 2	Stage 3	Total	including POCI
Measured at: amortized cost					
Gross amount	182 300	33 249	9 865	225 414	270
housing loans	102 746	13 702	1 953	118 401	85
corporate loans	44 346	13 689	5 450	63 485	57
consumer loans	20 240	2 855	1 447	24 542	53
factoring receivables	1 532	94	23	1 649	-
finance lease receivables	13 436	2 909	992	17 337	75
Allowances for expected credit losses	(602)	(2 061)	(6 161)	(8 824)	(39)
housing loans	(58)	(621)	(1 404)	(2 083)	(27)
corporate loans	(289)	(931)	(3 304)	(4 524)	(6)
consumer loans	(209)	(426)	(975)	(1 610)	(4)
factoring receivables	(2)	-	(19)	(21)	-
finance lease receivables	(44)	(83)	(459)	(586)	(2)
Net amount	181 698	31 188	3 704	216 590	231
housing loans	102 688	13 081	549	116 318	58
corporate loans	44 057	12 758	2 146	58 961	51
consumer loans	20 031	2 429	472	22 932	49
factoring receivables	1 530	94	4	1 628	-
finance lease receivables	13 392	2 826	533	16 751	73
Loans and advances to customers, total					
Gross amount	182 300	33 249	9 865	225 414	270
Allowances for expected credit losses	(602)	(2 061)	(6 161)	(8 824)	(39)
Net amount	181 698	31 188	3 704	216 590	231

25. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS	Amounts due to households	Amounts due to corporate entities	Amounts due to public entities	Total
30.09.2021				
Measured at fair value through profit or loss	1 124	1	-	1 125
Liabilities in respect of short position in securities	-	1	-	1
Liabilities for insurance products	1 124	-	-	1 124
Measured at amortized cost	236 999	46 357	14 179	297 535
Cash on current accounts and overnight deposits of which	196 053	45 099	14 148	255 300
savings accounts and other interest-bearing assets	55 872	17 485	7 040	80 397
Term deposits	40 083	547	17	40 647
Other liabilities	621	711	14	1 346
Liabilities in respect of insurance products	242	-	-	242
Total	238 123	46 358	14 179	298 660



AMOUNTS DUE TO CUSTOMERS	Amounts due to households	Amounts due to corporate entities	Amounts due to public entities	Total
31.12.2020				
Measured at fair value through profit or loss	1 216	-	-	1 216
Liabilities in respect of insurance products	1 216	-	-	1 216
Measured at amortized cost	223 691	43 705	13 744	281 140
Cash on current accounts and overnight deposits of which	174 525	42 224	13 706	230 455
savings accounts and other interest-bearing assets	53 631	16 059	7 322	77 012
Term deposits	48 354	798	18	49 170
Other liabilities	494	683	20	1 197
Liabilities in respect of insurance products	318	-	-	318
Total	224 907	43 705	13 744	282 356

AMOUNTS DUE TO CUSTOMERS BY SEGMENT	30.09.2021	31.12.2020
retail and private banking	208 424	197 003
corporate	43 519	41 095
firms and enterprises	45 340	42 712
other liabilities (including liabilities from insurance products)	1 377	1 546
Total	298 660	282 356

26. FINANCING RECEIVED

FINANCING RECEIVED	30.09.2021	31.12.2020
Loans and advances received from:	2 242	2 267
banks	928	875
international financial institutions	1 299	1 379
other financial institutions	15	13
Debt securities in issue:	29 038	32 098
mortgage covered bonds issued by PKO Bank Hipoteczny S.A.	15 982	17 201
bonds issued by PKO Bank Hipoteczny S.A.	3 398	4 036
bonds issued by PKO Bank Polski S.A.	1 714	4 020
bonds issued by PKO Finance AB	3 446	3 294
bonds issued by the PKO Leasing S.A. Group	4 440	3 496
bonds issued by KREDOBANK S.A.	58	51
Subordinated liabilities	2 704	2 716
Total	33 984	37 081



- **FINANCING RECEIVED FROM BANKS**

In the nine-month period ended 30 September 2021, the Group took out a bank loan of PLN 255 million and repaid bank loans of PLN 251 million.

- **FINANCING RECEIVED FROM INTERNATIONAL FINANCIAL INSTITUTIONS AND OTHER INSTITUTIONS**

In the nine-month period ended 30 September 2021, the Group took out a loan from an international financial institution of PLN 232 million and repaid loans from international financial institutions of PLN 244 million.

- **MORTGAGE-COVERED BONDS AND BONDS ISSUED BY PKO BANK HIPOTECZNY S.A.**

In the nine-month period ended 30 September 2021, the Company issued new bonds for the amount of PLN 4 660 million and redeemed bonds in the amount of PLN 6 572 million.

- **BONDS ISSUED BY PKO BANK POLSKI S.A.**

In the nine-month period ended 30 September 2021, the Company did not carry out any new bond issues and it redeemed bonds for the amount of PLN 2 293 million nominal value: EUR 500 million.

- **BONDS ISSUED BY PKO FINANCE AB**

In the nine-month period ended 30 September 2021, the Company did not carry out any new bond issues and there were no redemption dates for the bonds issued by the company in this period.

- **BONDS ISSUED BY THE PKO LEASING S.A. GROUP**

In the nine-month period ended 30 September 2021, the Company issued new bonds for the amount of PLN 3 683 million and redeemed bonds in the amount of PLN 2 741 million.

- **BONDS ISSUED BY KREDOBANK S.A.**

In the nine-month period ended 30 September 2021, the Company did not carry out any new bond issues and there were no redemption dates for the bonds issued by the Bank in this period.



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27. PROVISIONS

FOR 9 MONTHS ENDED 30 SEPTEMBER 2021	Provisions for financial liabilities and guarantees granted	Provisions for legal claims, excluding legal claims relating to repaid mortgage loans in convertible currencies	Provisions for legal claims against the bank relating to mortgage loans in convertible currencies	Provisions for reimbursement of costs to customers on early repayment of consumer and mortgage loans	Provisions for pensions and other defined post-employment benefits	Restructuring	Provision for holiday pay	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	630	102	426	24	64	38	95	123	1 502
Increases, including increases of existing provisions	2	8	115	27	2	-	38	20	212
Utilized amounts	-	(2)	(3)	(29)	(3)	(7)	(13)	(4)	(61)
Unused provisions reversed during the period	(36)	(2)	-	-	(1)	-	(2)	(7)	(48)
Other changes and reclassifications	-	-	-	-	-	-	-	(99)	(99)
As at the end of the period	596	106	538	22	62	31	118	33	1 506
Short-term provisions	510	7	-	21	6	31	118	8	701
Long-term provisions	86	99	538	1	56	-	-	25	805

FOR 9 MONTHS ENDED 30 SEPTEMBER 2020	Provisions for financial liabilities and guarantees granted	Provisions for legal claims, excluding legal claims relating to repaid mortgage loans in convertible currencies	Provisions for legal claims against the bank relating to mortgage loans in convertible currencies	Provisions for reimbursement of costs to customers on early repayment of consumer and mortgage loans	Provisions for pensions and other defined post-employment benefits	Restructuring	Provision for holiday pay	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	269	52	29	105	57	41	99	29	681
Increases, including increases of existing provisions	176	47	117	105	-	-	24	3	472
Utilized amounts	-	(3)	-	(168)	(2)	(4)	(8)	(3)	(188)
Unused provisions reversed during the period	-	(4)	-	-	(2)	(8)	(3)	(2)	(19)
Other changes and reclassifications	3	-	4	-	-	-	-	-	7
As at the end of the period	448	92	150	42	53	29	112	27	953
Short-term provisions	396	4	-	41	6	29	111	5	592
Long-term provisions	52	88	150	1	47	-	1	22	361



28. SHAREHOLDING STRUCTURE OF THE BANK

According to the best knowledge of PKO Bank Polski S.A., as at the date of this report the following three shareholders held directly or indirectly significant blocks of shares (at least 5%): the State Treasury, Nationale-Nederlanden Otwarty Fundusz Emerytalny and Aviva Otwarty Fundusz Emerytalny.

According to the information available as at 30 September 2021 and 31 December 2020, the Bank's shareholding structure is as follows:

NAME OF SHAREHOLDER	number of shares	% of shares	Nominal value of 1 share	Interest in the share capital (%)
As at 30 September 2021				
State Treasury	367 918 980	29,43%	PLN 1	29,43%
Nationale Nederlanden Open Pension Fund ¹	106 857 062	8,55%	PLN 1	8,55%
Aviva Open Pension Fund ¹	90 810 319	7,26%	PLN 1	7,26%
Other shareholders ²	684 413 639	54,76%	PLN 1	54,76%
Total	1 250 000 000	100,00%	---	100,00%
As at 31 December 2020				
State Treasury	367 918 980	29,43%	PLN 1	29,43%
Nationale Nederlanden Open Pension Fund ¹	107 198 023	8,58%	PLN 1	8,58%
Aviva Open Pension Fund ¹	93 610 319	7,49%	PLN 1	7,49%
Other shareholders ²	681 272 678	54,50%	PLN 1	54,50%
Total	1 250 000 000	100,00%	---	100,00%

¹ Calculation of shareholdings as at the end of the year published by PTE in annual information about the structure of fund assets and quotation from the securities exchange official list (Cedula Gieldowa).

² Including Bank Gospodarstwa Krajowego which, as at 30.09.2021, held 24 487 297 shares, constituting a 1.96% share of the votes at the General Shareholders' Meeting.

STRUCTURE OF PKO BANK POLSKI S.A.'S SHARE CAPITAL:

Series	Type of shares	Number of shares	Nominal value of 1 share	Nominal value of the series
Series A	ordinary registered shares	312 500 000	PLN 1	312 500 000
Series A	ordinary bearer shares	197 500 000	PLN 1	197 500 000
Series B	ordinary bearer shares	105 000 000	PLN 1	105 000 000
Series C	ordinary bearer shares	385 000 000	PLN 1	385 000 000
Series D	ordinary bearer shares	250 000 000	PLN 1	250 000 000
Total	---	1 250 000 000	---	1 250 000 000

As at 30 September 2021 and in 2020 there were no changes in the amount of the share capital of PKO Bank Polski S.A.. Shares of PKO Bank Polski S.A. issued are not preference shares and are fully paid up.



29. OFFSET OF LOSS FOR 2020, DISTRIBUTION OF RETAINED EARNINGS AND DIVIDENDS

• OFFSET OF LOSS FOR 2020 AND DISTRIBUTION OF RETAINED EARNINGS

On 7 June 2021, the Annual General Shareholders' Meeting passed the following resolutions:

- 1) on offsetting the loss of the Bank for 2020 of PLN 2 943 792 603.05 from the special fund created by resolution of the Extraordinary General Shareholders' Meeting of the Bank dated 23 April 2021 for the purpose of offsetting specific balance sheet losses which will arise as a result of recognizing the effects of financial settlements with the consumers who concluded mortgage-secured loan agreements indexed to foreign currencies or denominated in foreign currencies with the Bank;
- 2) on retaining the retained earnings of PKO Bank Polski S.A. of PLN 5 500 000 000.

• CLASSIFICATION OF PROFIT

On 10 September 2021, the Polish Financial Supervision Authority allowed the Bank and the Group to include their profits for the period from 1 January 2021 to 30 June 2021, less any foreseeable charges and dividends, verified by the Bank's auditor, in Tier 1 capital in accordance with the prudential consolidation principles. The said consent of PFSA contributed to an increase in the value of own funds calculated for the purposes of capital adequacy of PLN 1 975 million in the case of the Group and PLN 2 073 million in the case of the Bank.

• DIVIDEND POLICY

In March 2021, the Supervisory Board of the Bank adopted the "Dividend Policy of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group" (hereinafter: "the Dividend Policy"). The intention of the Dividend Policy is to ensure that the Bank pays out dividend in the long term, taking into account the principle of prudent management of the Bank and the Bank's Group, in compliance with the law and the PFSA position on the assumptions of the dividend policy of commercial banks. The objective of the dividend policy is to optimally shape the Bank's and the Group's capital structure, taking into account the return on capital employed and its cost, capital requirements related to development, accompanied by the need to ensure an appropriate level of the capital adequacy ratios. In accordance with the Dividend Policy, buy-out and redemption of treasury shares is an additional capital redistribution tool; however, share buy-out is possible on the condition that the carrying value of the shares exceeds their present market value, after obtaining the required PFSA approval.

• PFSA RECOMMENDATIONS IN RESPECT OF DIVIDEND DISTRIBUTION IN 2021

In the first half of 2021 the PFSA found it necessary for commercial banks to suspend distribution of dividend and restrain from other actions, in particular those that are not included in the scope of their current business and operating activities, which could result in a capital base decrease (without prior consultation with the regulator). This is reflected in the PFSA position dated 16 December 2020 and the individual PFSA recommendation for the Bank dated 13 January 2021. The Management Board and Supervisory Board of the Bank passed resolutions confirming that they would supervise the implementation of the PFSA recommendation discussed above (within the scope of their competences).

On 24 June 2021 the PFSA adopted a position on the commercial banks' dividend policy for the second half of 2021, which would allow distribution of dividend from the 2020 profit provided that the terms and conditions presented in the said position had been met. The PFSA maintained its recommendation not to take (without prior consultation with the regulator) any other actions that could result in a capital base decrease, including any dividend distributions from retained earnings or treasury shares buy-out. This position was confirmed in the PFSA letters of 30 June 2021 and 16 July 2021.

Pursuant to Article 395 § 2(2) of the Commercial Companies Code, decisions on the distribution of profit are made by the Annual General Shareholders' Meeting.



30. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET LIABILITIES RECEIVED AND GRANTED

- FINANCIAL AND GUARANTEE COMMITMENTS GRANTED

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 30.09.2021	STAGE 1		STAGE 2		STAGE 3		Total	Provisions according to IFRS 9	Net amount
	Nominal value	Provision	Nominal value	Provision	Nominal value	Provision			
credit lines and limits	53 909	(115)	7 820	(194)	132	(29)	61 861	(338)	61 523
housing	5 518	(11)	116	(4)	3	(1)	5 637	(16)	5 621
corporate	37 058	(86)	6 227	(146)	107	(22)	43 392	(254)	43 138
consumer	8 991	(18)	1 474	(44)	22	(6)	10 487	(68)	10 419
factoring	2 239	-	3	-	-	-	2 242	-	2 242
finance lease	103	-	-	-	-	-	103	-	103
other	2 795	-	-	-	-	-	2 795	-	2 795
Total financial commitments granted, including:	56 704	(115)	7 820	(194)	132	(29)	64 656	(338)	64 318
irrevocable commitments granted	21 385	(54)	3 234	(84)	78	(15)	24 697	(153)	24 544
POCI	-	-	-	-	20	(1)	20	(1)	19
guarantees in domestic and foreign trading	10 676	(10)	1 579	(65)	510	(181)	12 765	(256)	12 509
financial	1 621	-	-	-	-	-	1 621	-	1 621
non-financial	9 030	(10)	1 579	(65)	510	(181)	11 119	(256)	10 863
public	25	-	-	-	-	-	25	-	25
domestic municipal bonds (budgetary entities)	786	(1)	-	-	-	-	786	(1)	785
letters of credit	1 175	-	20	(1)	1	-	1 196	(1)	1 195
to financial entities	3	-	-	-	-	-	3	-	3
to non-financial entities	1 172	-	20	(1)	1	-	1 193	(1)	1 192
payment guarantees to financial entities	167	-	-	-	-	-	167	-	167
Total guarantees and pledges granted, including:	12 804	(11)	1 599	(66)	511	(181)	14 914	(258)	14 656
irrevocable commitments granted	8 838	(10)	1 579	(65)	510	(181)	10 927	(256)	10 671
performance guarantee	2 145	(2)	950	(44)	244	(153)	3 339	(199)	3 140
POCI	-	-	-	-	2	-	2	-	2
Total	69 508	(126)	9 419	(260)	643	(210)	79 570	(596)	78 974



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FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2020	STAGE 1		STAGE 2		STAGE 3		Total	Provisions according to IFRS 9	Net amount
	Nominal value	Provision	Nominal value	Provision	Nominal value	Provision			
credit lines and limits	52 047	(83)	6 811	(228)	119	(29)	58 977	(340)	58 637
housing	4 280	(9)	148	(5)	3	(1)	4 431	(15)	4 416
corporate	36 923	(58)	5 031	(186)	106	(25)	42 060	(269)	41 791
consumer	8 897	(16)	1 415	(37)	10	(3)	10 322	(56)	10 266
factoring	1 798	-	217	-	-	-	2 015	-	2 015
finance lease	149	-	-	-	-	-	149	-	149
other	3 001	(29)	-	-	-	-	3 001	(29)	2 972
Total financial commitments granted, including:	55 048	(112)	6 811	(228)	119	(29)	61 978	(369)	61 609
irrevocable commitments granted	21 966	(46)	2 883	(94)	42	(10)	24 891	(150)	24 741
POCI	-	-	-	-	20	-	20	-	20
guarantees in domestic and foreign trading	6 304	(4)	1 635	(88)	336	(162)	8 275	(254)	8 021
financial	960	-	-	-	-	-	960	-	960
non-financial	5 296	(4)	1 635	(88)	336	(162)	7 267	(254)	7 013
public	48	-	-	-	-	-	48	-	48
domestic municipal bonds (budgetary entities)	166	-	-	-	-	-	166	-	166
letters of credit	1 422	(1)	77	(4)	13	(1)	1 512	(6)	1 506
to financial entities	196	-	-	-	-	-	196	-	196
to non-financial entities	1 226	(1)	77	(4)	13	(1)	1 316	(6)	1 310
payment guarantee for financial entities	40	-	-	-	-	-	40	-	40
Total guarantees and pledges granted, including:	7 932	(5)	1 712	(92)	349	(163)	9 993	(260)	9 733
irrevocable commitments granted	4 320	(4)	1 635	(88)	336	(162)	6 291	(254)	6 037
performance guarantee	1 681	(1)	998	(54)	182	(135)	2 861	(190)	2 671
POCI	-	-	-	-	1	-	1	-	1
Total	62 980	(117)	8 523	(320)	468	(192)	71 971	(629)	71 342



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- **OFF-BALANCE SHEET LIABILITIES RECEIVED**

OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE	30.09.2021	31.12.2020
Financial	177	147
Guarantees	6 870	4 312
Total	7 047	4 459

- **SECURITIES PROGRAMMES COVERED WITH UNDERWRITING AGREEMENTS**

As at 30 September 2021 and as at 31 December 2020 no agreements covered with underwriting have been concluded.

- **CONTRACTUAL COMMITMENTS**

VALUE OF CONTRACTUAL COMMITMENTS CONCERNING	30.09.2021	31.12.2020
intangible assets	25	27
property, plant and equipment	76	76
Total	101	103

31. LEGAL CLAIMS

As at 30 September 2021, the total value of the subject matter of litigation in court proceedings (trials) pending in which the PKO Bank Polski S.A. Group companies were defendants, amounted to PLN 3 779 million (as at 31 December 2020: PLN 2 064 million), and the total value of the subject matter of litigation in court proceedings (trials) pending in which the PKO Bank Polski S.A. Group companies were claimants as at 30 September 2021 was PLN 2 586 million (as at 31 December 2020: PLN 2 607 million)

- **LITIGATION AGAINST THE BANK RELATING TO MORTGAGE LOANS IN CONVERTIBLE CURRENCIES**

As at 30 September 2021, 10 815 court proceedings concerning mortgage loans granted in previous years in foreign currencies were pending against the Bank (as at 31 December 2020: 5 372), including one class action concerning 72 loan agreements. Their combined value was PLN 3 264 million (as at 31 December 2020: PLN 1 404 million). The Bank's customers most frequently bring claims for declaring an agreement or a part thereof invalid or for the reimbursement of an allegedly undue payment in connection with the abusive nature of foreign currency clauses. None of the clauses used by the Bank in the agreements has been entered in the register of abusive clauses. The number of lawsuits filed by customers against the Bank is significantly influenced by the intensive advertising campaign of law firms, which encourages borrowers to commission to them – for a fee – the conducting of cases against banks.

The Group monitors on an ongoing basis the court rulings on loans indexed to or denominated in foreign currencies to be aware of the general trend and possible changes to the rulings.

Until 30 September 2021, 122 final rulings have been issued by the courts in cases against the Bank (including 80 rulings after 3 October 2019). 62 of these rulings (including 24 rulings issued after 3 October 2019) are favourable for the Bank. The Bank files cassation complaints to the Supreme Court against final rulings which are unfavourable to the Bank.

On 29 January 2021, in connection with the discrepancies in the interpretation of legal provisions in the jurisprudence of the Supreme Court and common courts and in order to ensure the uniformity of jurisprudence, the First President of the Supreme Court submitted a request for the full panel of the Civil Chamber of the Supreme Court to resolve the following legal issues concerning the subject of loans denominated and indexed in foreign currencies (legal basis: Article 83 § 1 of the Act of 8 December 2017 on the Supreme Court):

1. If the provision of an indexed or denominated loan agreement relating to the method of determining the foreign currency exchange rate is found to constitute an illicit contractual provision and is not binding on the consumer – is it then possible to assume that another method of determining the foreign currency exchange rate resulting from law or custom takes its place?



If the above question is answered in the negative:

2. In the event that it is impossible to establish a foreign currency exchange rate binding on the parties in a loan agreement indexed to such a currency, can the remainder of the agreement still be binding for the parties?
3. In the event that it is impossible to establish a foreign currency exchange rate binding on the parties in a loan agreement denominated in a foreign currency, can the remainder of the agreement still be binding for the parties?

Notwithstanding the answers to questions 1 to 3:

4. In the event of the invalidity or ineffectiveness of a loan agreement, in the performance of which the bank disbursed to the borrower all or part of the amount of the loan and the borrower made repayments of the loan, do separate claims for wrongful performance arise for each of the parties, or does only a single claim arise, equal to the difference in performance, for the party whose total performance was higher?
5. Where a loan agreement is invalid or ineffective as a result of the unlawful nature of certain of its terms, does the limitation period for the bank's claim for repayment of the sums paid under the loan begin to run from the time at which those sums were paid?
6. If, in the case of the invalidity or ineffectiveness of a loan agreement, either party has a claim for the repayment of a performance made in the performance of that agreement, can that party also claim a fee for the use of its funds by the other party?

A session of the full panel of the Civil Chamber to examine the above-mentioned motion took place on 11 May 2021. Before passing its resolution, the Supreme Court decided to consult five public institutions. Their opinions were prepared and sent to the Supreme Court. The date of the Court session was scheduled for 2 September 2021. On 2 September 2021, the Supreme Court decided to apply to the CJEU for preliminary rulings on questions relating to the judicial system, which do not directly concern the issue of foreign currency loans.

In the first three quarters of 2021, two resolutions of the Supreme Court and one ruling of the Court of Justice of the European Union were issued, which are significant from the perspective of the claims of Swiss franc borrowers. On 7 May 2021, the Supreme Court, represented by 7 judges of the Civil Chamber, passed the following resolution in case III CZP 6/21:

- 1) A prohibited contractual clause (Article 385¹ § 1 of the Civil Code) is, from the beginning, by operation of law, ineffective in favour of the consumer, who may however subsequently grant an informed and voluntary consent for such a clause and thus make it effective retrospectively.
- 2) If a loan agreement cannot be binding without the ineffective clause, the consumer and the lender are entitled to bring separate claims for repayment of the benefits provided in the performance of the agreement (Article 410 § 1 in conjunction with Article 405 of the Civil Code). The lender may claim repayment of the benefit from the moment the loan agreement became permanently ineffective.

The resolution has the force of a legal rule, which means that an ordinary panel of the Supreme Court may not withdraw from the interpretation presented in an earlier resolution that has the force of a legal rule. If any panel of the Supreme Court intends to withdraw from a legal rule, it must present the legal issue for resolution to the full panel of the Chamber. In its justification for the said resolution, the Supreme Court referred to an earlier opinion (resolution III CZP 11/20 dated 16 February 2021) that the period of limitation of claims resulting from a loan agreement which is invalid due to the elimination of abusive clauses commences after the consumer has expressed informed consent not to be bound by the abusive clauses. The Supreme Court decided that since a consumer has the right to remedy an abusive contractual clause and express his/her willingness to be bound by it, the lender cannot be certain whether the agreement is effective until the consumer makes such a decision, and the agreement is ineffective (suspended) until such time. The lender's claims may not arise before such ineffectiveness (suspension) ceases to exist (which generally occurs as a result of the borrower's statement), and therefore the period of limitation commences at that moment.

On 29 April 2021, the CJEU, answering legal questions formulated by the Regional Court in Gdańsk concerning a loan granted in a foreign currency, indicated, among other things, that "*Article 6(1) of the Council Directive 93/13 dated 5 April 1993 on unfair terms in consumer contracts must be interpreted as meaning that it is for the national court to find that a term in a contract concluded between a seller or supplier and a consumer is unfair, even if it has been contractually amended by those parties. Such a finding leads to restoring the situation in which the consumer would have been in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent, which is for the national court to ascertain. However, it does not follow from that provision that a finding that the original term is unfair would, in principle, lead to the annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it.*"



This means that amending a contract by means of an annex does not exclude its review by a court, but may exclude the effect of annulling the contract.

On 26 August 2021, in connection with case III CZP 54/21, the Supreme Court received a motion to rule out whether a borrower of a loan indexed to or denominated in a foreign currency may, in the event of annulment of the loan agreement, demand remuneration for the use of its (the borrower's) capital by the lender. The date for the case to be heard has not yet been scheduled. Initially, the session was scheduled for 8 November 2021, but it was subsequently cancelled due to the change in the composition of the panel appointed to resolve the issue.

- **ACTIVITIES OF THE GROUP UNDERTAKEN IN CONNECTION WITH A PROPOSAL OF THE CHAIR OF THE POLISH FINANCIAL SUPERVISION AUTHORITY AND THE EXPECTED HEARING OF THE SUPREME COURT REGARDING LOANS GRANTED IN FOREIGN CURRENCIES**

In December 2020, the Chair of the Polish Financial Supervision Authority (hereinafter: the PFSA Chair) made a proposal aimed at providing a systemic solution to the problem of housing loans in Swiss francs. In accordance with this solution, the banks would voluntarily offer settlement agreements to their customers. Under such agreements, the customers would repay their loans to the bank as if they had been originally granted in PLN with interest at WIBOR plus a historical margin applied to such loans.

The Group has analysed the benefits and risks associated with the possible approaches to the issue of foreign currency housing loans. In the Group's opinion, for both the Bank and its customers it is better to reach a compromise and conclude a settlement agreement than engage in long legal disputes whose outcome is uncertain.

A survey conducted by the Group among its customers revealed that approx. 70% of them are interested in signing a settlement agreement with the Bank.

On 23 April 2021, the Extraordinary General Shareholders' Meeting approved the possibility of offering settlement agreements to the customers. Subsequently, by a resolution dated 27 May 2021, the Supervisory Board approved the terms and conditions for offering settlement agreements proposed by the PFSA Chair. The process of amicable resolution of disputes concerning the validity of housing loan agreements was launched on 4 October 2021. The settlements are offered during mediation proceedings conducted by the Mediation Centre of the PFSA Court of Arbitration, during court proceedings and during proceedings initiated by a motion for settlement. Until 3 November 2021, 12 469 customers applied for the initiation of a settlement process.

PROCEEDINGS CONDUCTED BEFORE THE PRESIDENT OF THE OFFICE FOR COMPETITION AND CONSUMER PROTECTION (UOKiK)

Two proceedings have been brought before the President of UOKiK ex officio and are currently in progress:

- Proceedings initiated on 26 July 2017 ex officio concerning using practices which violate the collective interests of consumers. The Bank is charged with collecting higher instalments on loans and advances denominated in foreign currencies than those arising from the information on foreign exchange risk presented to the consumers before concluding agreements and transferring potential foreign exchange risk to the consumers. The Bank responded to the charges in its letter of 23 September 2017. In a letter dated 14 March 2019, the UOKiK President asked the Bank 16 detailed questions in order to establish the circumstances that are necessary to resolve the case. The Bank gave the answers in a letter dated 10 May 2019. In a letter of 9 June 2021, the UOKiK President extended the deadline for concluding the proceedings until 30 September 2021. In its letter of 14 October 2021, the UOKiK President informed about closing the evidence review process and set a seven-day deadline for the Bank to review the case file and a fifteen-day deadline (from the date of completing the review of the case file) to take a stand on the evidence and materials gathered in the case. In a letter of 25 October 2021, the Bank requested an extension of the deadline for reviewing the case file and for taking a stand on the evidence gathered. As at 30 September 2021, the Bank had not set up a provision for the proceedings.
- Proceedings initiated ex officio on 12 March 2019 to acknowledge that the provisions of the template agreement are inadmissible. The proceedings are related to modification clauses which specify the circumstances in which the Bank is entitled to amend the terms and conditions of the agreement, including the amount of fees and commissions. In the opinion of the President of UOKiK the modification clauses applied by the Bank provide the Bank with a unilateral, unlimited and arbitrary ability to modify the performance of the agreement. Consequently, the President of UOKiK is of the opinion that the clauses applied by the Bank shape the rights and obligations of the consumers in a way that is contrary to good practice and are in gross violation of their interests, which justifies the conclusion that they are abusive. In a letter of 31 May 2019, the Bank commented on the allegations of the President of UOKiK. In a letter of 28 September 2021, the UOKiK President extended the deadline for concluding the proceedings until 31 December 2021. As at 30 September 2021, the Bank had not set up a provision for the proceedings.



PROCEEDINGS BEFORE THE COURT OF COMPETITION AND CONSUMER PROTECTION REGARDING SPREAD CLAUSES

The proceedings were initiated by the Bank's appeal (submitted on 13 November 2020) against the decision of the President of UOKiK dated 16 October 2020. In the said decision, the President of UOKiK declared the provisions of the template agreement "Annex to the housing loan/mortgage loan agreement" in the section "Appendix to the annex 'Rules for determining foreign exchange spreads at PKO BP S.A.'" as inadmissible provisions and prohibited their use. In addition, the President of UOKiK ordered that all consumers being the parties to the assessed annexes about the decision to declare them inadmissible and its consequences be informed no later than within nine months from the effective date of the decision and ordered that a declaration be published whose text was indicated in the decision on the Bank's website not later than 1 month from the effective date of the decision and to keep it there for 4 months. Furthermore, the President of UOKiK imposed a fine on the Bank of PLN 41 million, payable to the Financial Education Fund.

In its appeal against that decision, the Bank requested that the decision be amended by finding that there had been no breach of the ban on the use of prohibited contractual clauses, or by discontinuing the proceedings. It was also requested that the decision be annulled or amended by waiving or substantially reducing the fine. The appeal raised a number of substantive and procedural grounds of appeal. The Bank's main arguments consist in pointing out that the decision of the President of UOKiK is a manifestation of unlawful and groundless interference with the Bank's pricing policy, pointing out that there are no substantive grounds for the intervention of the President of UOKiK, i.e. there are no grounds for concluding that the Bank applied prohibited contractual provisions, and pointing out that the penalty imposed on the Bank is abnormally high. In response to the appeal, the President of UOKiK sustained the position expressed in the decision appealed against. The Bank is currently awaiting for a hearing date to be set.

PROCEEDINGS RELATING TO RESTRICTIVE PRACTICES ON THE MARKET OF PAYMENTS WITH PAYMENT CARDS IN POLAND

The Bank is a party to the proceedings initiated by the President of the Competition and Consumer Protection Office (UOKiK) on the basis of a decision 23 April 2001 upon the request of the Polish Trade and Distribution Organization – Employers Association (*Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców - POHiD*) against operators of the Visa and Europay payment systems and banks issuing Visa and Europay/ Eurocard/ Mastercard cards.

The claims under these proceedings relate to the use of practices restricting competition on the market of card payments in Poland, consisting of applying pre-agreed 'interchange' fees for transactions made using the Visa and Europay/ Eurocard/ Mastercard cards, as well as restricting access to this market for external entities. On 29 December 2006, UOKiK decided that the practices consisting of joint determination of 'interchange' fees did limit market competition and ordered that any such practices should be discontinued, and imposed a fine of PLN 16.6 million on a number of entities including the Bank. The Bank appealed against the said decision of the President of UOKiK to CCCP (Court for the Competition and Consumer Protection / *Sąd Ochrony Konkurencji i Konsumentów - SOKiK*). In its judgment of 21 November 2013, SOKiK reduced the penalty imposed on the Bank to PLN 10.4 million. The parties to the proceedings filed appeals. The Court of Appeal in Warsaw in its ruling dated 6 October 2015 reinstated the initial amount of the imposed fines set in the decision of the UOKiK, i.e. the fine of PLN 16.6 million (the fine imposed on PKO Bank Polski S.A.) and the fine of PLN 4.8 million (the fine imposed on Nordea Bank Polska S.A., and PKO Bank Polski S.A. is a legal successor of Nordea Bank Polska SA through a merger under Article 492 § 1(1) of the Commercial Companies Code). The Bank paid the fine in October 2015. As a result of a cassation appeal brought by the Bank, the Supreme Court in a judgment of 25 October 2017 annulled the contested judgment of the Court of Appeal in Warsaw and submitted the case for re-examination. The fine paid by the Bank was reimbursed to the Bank on 21 March 2018. On 23 November 2020, the Court of Appeal in Warsaw issued a ruling in which it revoked the ruling of the District Court in Warsaw dated 21 November 2013 and submitted it for re-examination. As at 30 September 2021, the Bank recognized a provision for this litigation of PLN 21 million.

- **CLAIMS FOR DAMAGES IN RESPECT OF THE INTERCHANGE FEE**

The Bank was served seven summons to participate, as an outside intervener on the defendant's side, in cases relating to the interchange fees. Other banks are defendants in the case. The claims vis-à-vis the sued banks total PLN 798 million and are pursued as damages for differences in interchange fees resulting from applying practices that restrict competition. Since these proceedings are not pending against the Bank, their value was not included in the total value of the cases against the Bank.

If the courts find the claims justified, the defendants may claim recourse in separate court proceedings from other banks, including, among others, from PKO Bank Polski S.A. As at 30 September 2021, the Bank joined seven proceedings as an outside intervener.



- **RE-PRIVATIZATIONS CLAIMS RELATING TO PROPERTIES USED BY THE GROUP**

As at the date of these consolidated financial statements, there are:

- two proceedings involving reprivatization claims. In one of the proceedings, which ended with a final court ruling favourable to the Bank, the opposing party lodged a cassation complaint, and the Supreme Court revoked the appealed judgment of the District Court and in that part submitted the case for re-examination. In the second proceedings, the subject matter of which is to confirm the invalidity of the decision refusing to grant temporary ownership of the Bank's property to the applicant, the cassation complaint has been lodged with the Voivodeship Administrative Court against the final decision discontinuing the proceedings as groundless. The claim was rejected by the Voivodeship Administrative Court, but the opponent appealed against this decision. Following the annulment of the ruling by the Supreme Administrative Court, the Voivodeship Administrative Court re-examined the case and dismissed the complaint of the opposing party. The opposing party filed a complaint with the Supreme Administrative Court;
- seven proceedings, one of which has been suspended, in respect of real properties of other companies of the Bank's Group, related to declaring the invalidity of administrative decisions or returning properties.

The Management Board of PKO Bank Polski S.A. believes that the probability of serious claims arising against the Group as a result of the aforesaid proceedings is low.

32. TRANSACTIONS WITH THE STATE TREASURY AND RELATED PARTIES

- **TRANSACTIONS WITH THE STATE TREASURY**

The State Treasury holds a 29.43% interest in the Bank's share capital.

Pursuant to the Act of 30 November 1995 on state support in the repayment of certain housing loans, reimbursement of guarantee bonuses paid to the bank, and amendments to certain acts, PKO Bank Polski S.A. receives payments from the State budget as the repurchase of interest receivable on housing loans.

TRANSACTIONS WITH THE STATE TREASURY	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Income recognized on an accruals basis	64	81
Income recognized on a cash basis	7	62
Income from temporary redemption by the State Treasury of interest on housing loans in the "old portfolio"	57	19

As of 1 January 2018, pursuant to the Act of 30 November 1995 on state support in the repayment of certain housing loans, granting guarantee bonuses and reimbursement of guarantee bonuses paid to the banks, the borrowers acquired the right to be forgiven the remaining debt by the State Treasury, which will result in the gradual (until 2026) full settlement of the housing loan indebtedness from the so-called "old" portfolio. The Bank conducts settlements in respect of the repurchase of interest on housing loans by the State budget and in the nine-month period ended 30 September 2021 and the corresponding period of 2020 it received a commission in this respect of less than PLN 1 million.

Since 1 January 1996, the Bank has been the general distributor of value marks. In the nine-month period ended 30 September 2021 and in the corresponding period of 2020, the Bank received a commission of less than PLN 1 million in this respect.

Biuro Maklerskie PKO BP plays the role of an agent for the issue of retail treasury bonds under the agreement signed with the Minister of Finance on 11 February 2003. Under this agreement, Biuro Maklerskie PKO BP receives a fee for providing the services of an agent for the issue of bonds – in the nine-month period ended 30 September 2021 in the amount of PLN 113 million, and in the nine-month period ended 30 September 2020 – in the amount of PLN 89 million

- **RELATED-PARTY TRANSACTIONS – CAPITAL LINKS**

Transactions of the Bank as the parent company with associates and joint ventures are presented in the table below. All transactions presented below were arm's length transactions.



AS AT 30 SEPTEMBER 2021 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	106	23	133	37
"Centrum Obsługi Biznesu" Sp. z o.o.	17	17	5	-
Bank Pocztowy S.A.	-	-	-	1
"Poznański Fundusz Poręczeń Kredytowych" sp. z o.o.	-	-	1	-
Operator Chmury Krajowej sp. z o.o.	-	-	16	839
Total joint ventures and associates	123	40	155	877

FOR THE PERIOD ENDED 30 SEPTEMBER 2021 / ENTITY	Total income	of which interest and commission expense	Total expenses	of which interest and commission expense
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	513	386	74	74
Operator Chmury Krajowej sp. z o.o.	-	-	16	-
Total joint ventures and associates	513	386	90	74

AS AT 31 DECEMBER 2020 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	54	6	168	54
"Centrum Obsługi Biznesu" Sp. z o.o.	17	17	4	-
Bank Pocztowy S.A.	-	-	-	1
"Poznański Fundusz Poręczeń Kredytowych" Sp. z o.o.	-	-	22	-
Operator Chmury Krajowej sp. z o.o.	-	-	18	767
Total joint ventures and associates	71	23	212	822

FOR THE PERIOD ENDED 30 SEPTEMBER 2020 / ENTITY	Total income	of which interest and commission expense	Total expenses	of which interest and commission expense
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	205	203	36	35
Total joint ventures and associates	205	203	36	35



33. FAIR VALUE HIERARCHY

The classification of financial instruments and the methods of determining the fair value are described in the consolidated financial statements of the Group for 2020.

ASSETS MEASURED AT FAIR VALUE 30.09.2021	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Measurement techniques based on observable market data	Other measurement techniques
Hedging derivatives	791	-	791	-
Other derivative instruments	10 512	-	10 512	-
Securities	68 597	53 440	14 011	1 146
held for trading	685	685	-	-
debt securities	669	669	-	-
shares in other entities – listed	14	14	-	-
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	2	-	-
not held for trading, measured at fair value through profit or loss	2 230	1 712	31	487
debt securities	904	731	22	151
shares in other entities – listed	156	156	-	-
shares in other entities – not listed	337	-	1	336
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	833	825	8	-
measured at fair value through other comprehensive income	65 682	51 043	13 980	659
debt securities	65 682	51 043	13 980	659
Loans and advances to customers	4 941	-	1	4 940
not held for trading, measured at fair value through profit or loss	4 940	-	-	4 940
housing loans	4	-	-	4
corporate loans	103	-	-	103
consumer loans	4 833	-	-	4 833
measured at fair value through other comprehensive income	1	-	1	-
consumer loans	1	-	1	-
Total	84 841	53 440	25 315	6 086



LIABILITIES MEASURED AT FAIR VALUE 30.09.2021	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Measurement techniques based on observable market data	Other measurement techniques
Hedging derivatives	1 372	-	1 372	-
Other derivative instruments	10 435	-	10 435	-
Liabilities in respect of short position in securities	1	1	-	-
Liabilities in respect of insurance products	1 124	-	1 124	-
Total	12 932	1	12 931	-

ASSETS MEASURED AT FAIR VALUE 31.12.2020	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Measurement techniques based on observable market data	Other measurement techniques
Hedging derivatives	958	-	958	-
Other derivative instruments	5 501	-	5 501	-
Securities	77 155	68 647	7 174	1 334
held for trading	1 178	824	354	-
debt securities	1 151	797	354	-
shares in other entities – listed	25	25	-	-
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	2	-	-
not held for trading, measured at fair value through profit or loss	2 466	1 832	26	608
debt securities	978	799	21	158
shares in other entities – listed	135	135	-	-
shares and stocks in other entities – not listed	451	-	1	450
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	902	898	4	-
measured at fair value through other comprehensive income – debt securities	73 511	65 991	6 794	726
Loans and advances to customers	6 009	-	-	6 009
not held for trading, measured at fair value through profit or loss	6 009	-	-	6 009
housing loans	7	-	-	7
corporate loans	114	-	-	114
consumer loans	5 888	-	-	5 888
Total	89 623	68 647	13 633	7 343



LIABILITIES MEASURED AT FAIR VALUE 31.12.2020	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Measurement techniques based on observable market data	Other measurement techniques
Hedging derivatives	378	-	378	-
Other derivative instruments	6 104	-	6 104	-
Liabilities in respect of insurance products	1 216	-	1 216	-
Total	7 698	-	7 698	-

RECONCILIATION OF CHANGES DURING THE REPORTING PERIOD TO FAIR VALUE AT LEVEL 3	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Opening balance at the beginning of the period	7 343	11 109
Increase/(decrease) in exposure to equity instruments	(123)	4
Increase/(decrease) in exposure to corporate bonds	(6)	114
Increase/(decrease) in exposure to loans and advances to customers	(853)	(1 645)
Transfers from level 3 to level 2	-	(1 457)
Reclassification of credit exposures from the category 'measured at amortized cost' to the category 'measured at fair value through profit or loss'	15	-
Net gain/(loss) in financial instruments measured at fair value through profit or loss	(24)	(174)
Change in the valuation recognized in OCI	(61)	(118)
Foreign exchange differences	9	7
Other	(214)	-
As at the end of the period	6 086	7 840



34. FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT PRESENTED AT FAIR VALUE IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The methods and assumptions for determining the fair value are described in the financial statements of the Group for 2020.

	level of fair value hierarchy	30.09.2021		31.12.2020	
		carrying amount	fair value	carrying amount	fair value
Cash and balances with Central Bank	n/a	3 963	3 963	7 474	7 474
Amounts due from banks	2	4 683	4 683	2 557	2 557
Securities (excluding adjustments relating to fair value hedge accounting)	1, 2, 3	69 916	69 885	46 522	47 733
Treasury bonds (in PLN)	1	50 236	50 222	29 647	30 682
Treasury bonds (in foreign currencies)	1	-	-	39	39
corporate bonds (in PLN) secured with the State Treasury guarantees	1	12 046	11 982	9 887	10 015
Municipal bonds (in PLN)	2	4 930	4 968	5 060	5 060
Corporate bonds (in PLN)	1, 2, 3	1 891	1 867	1 518	1 539
Corporate currency (in foreign currencies)	2	813	846	371	398
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	3	225 388	226 078	216 590	216 993
housing loans	3	118 191	117 053	116 318	115 054
corporate loans	3	61 726	63 029	58 961	60 134
consumer loans	3	25 743	26 260	22 932	23 386
factoring receivables	3	2 235	2 236	1 628	1 628
finance lease receivables	3	17 493	17 500	16 751	16 791
Receivables in respect of insurance activities	3	911	911	798	798
Other financial assets	3	2 051	2 051	1 937	1 937
Amounts due to Central Bank	n/a	8	8		
Amounts due to banks	2	6 988	6 988	2 626	2 626
Reverse repo transactions	2	762	762		
Amounts due to customers	3	297 535	297 534	281 140	281 167
amounts due to households	3	236 999	236 996	223 691	223 689
amounts due to business entities	3	46 357	46 359	43 705	43 734
amounts due to budgetary units	3	14 179	14 179	13 744	13 744
Liabilities in respect of insurance activities	3	1 968	1 968	1 740	1 740
Loans and advances received	3	2 242	2 242	2 267	2 267
Debt securities in issue	1, 2, 3	29 038	29 363	32 098	32 584
Subordinated liabilities	2	2 704	2 739	2 716	2 768
Other financial liabilities	3	4 015	4 015	3 011	3 011

35. OTHER INFORMATION

SEASONALITY OR CYCLICALITY OF ACTIVITIES IN THE REPORTING PERIOD

The Bank's and the other PKO Bank Polski S.A. Group companies' activities do not show material cyclic or seasonal changes.

THE POSITION OF THE MANAGEMENT BOARD OF PKO BANK POLSKI S.A. ON THE POSSIBILITY OF ACHIEVEMENT OF PREVIOUSLY PUBLISHED FORECASTS OF THE RESULTS FOR THE YEAR

PKO Bank Polski S.A. did not publish forecasts of financial results for 2021.

SIGNIFICANT AGREEMENTS AND MATERIAL AGREEMENTS WITH THE CENTRAL BANK OR SUPERVISORY AUTHORITIES

PKO Bank Polski S.A. is obliged to inform in the current reports about all agreements meeting the definition of confidential information provided in Regulation (EU) no. 596/2014 of the European Parliament and of the Council on market abuse. The Bank did not sign any agreements meeting the definition of confidential information in first half of 2021 and therefore it did not publish any information on such agreements.



The subsidiaries of PKO Bank Polski S.A. did not conclude any significant agreements or material agreements with the Central Bank or with the supervisory authorities in the nine-month period ended 30 September 2021.

LOANS DRAWN AND AGREEMENTS REGARDING ADVANCES, GUARANTEES AND PLEDGES WHICH ARE NOT RELATED TO OPERATING ACTIVITIES

In the nine-month period ended 30 September 2021 neither PKO Bank Polski S.A. nor its subsidiaries drew any loans or advances or received any guarantees or pledges which were not related to their operating activities.

INFORMATION ON NON-PAYMENT OF A LOAN OR ADVANCE OR BREACHING MATERIAL PROVISIONS OF A LOAN OR ADVANCE AGREEMENT WITH RESPECT OF WHICH NO REMEDIAL ACTION WAS PERFORMED UNTIL THE END OF THE REPORTING PERIOD

The Group has not identified any unpaid loans or advances and any breach of material provisions of a loan or advance agreement where the Group acts as a borrower with regard to which no remedial action was taken until 30 September 2021.

INFORMATION ON RELATED-PARTY TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY ON TERMS OTHER THAN ARM'S LENGTH

In the nine-month period ended 30 September 2021 PKO Bank Polski S.A. provided services to its related (subordinated) entities within the scope of maintaining bank accounts, accepting deposits, granting loans and advances, issue of debt securities, granting guarantees and spot exchange transactions and offering units and certificates of investment funds, lease products, factoring products and insurance products of the Bank's Group companies, and services offered by the Bank's Brokerage House.

The Bank provided services to PKO Bank Hipoteczny S.A. within the scope of intermediation in sales of housing loans for individuals, performing tasks as part of the post-transaction services in respect of these loans and support tasks under the outsourcing agreement. The Bank offered its infrastructure and information and communications technology services and rented office space to selected companies of the Bank's Group. The Bank, together with Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o., provided payment transaction clearing services.

The above-mentioned services were provided on terms and conditions which did not deviate significantly from the arm's length basis.

In the nine-month period ended 30 September 2021, the subsidiaries of PKO Bank Polski S.A. did not conclude any material transactions with related parties on conditions other than arm's length.

INFORMATION ON SIGNIFICANT AGREEMENTS ON WARRANTING LOANS OR ADVANCES, OR GRANTING GUARANTEES BY THE ISSUER OR ITS SUBSIDIARY

As at 30 September 2021, the total value of loan repayment guarantees granted by PKO Bank Polski S.A. to PKO Leasing S.A. was no longer significant compared to the value as at 30 June 2021 due to the fact that two of the guaranteed loans had been repaid.

PKO Bank Polski S.A. and its subsidiaries have not identified any other guarantees or pledges relating to the repayment of loans or advances granted to a single entity or its subsidiaries whose combined value would be significant.

Information on material proceedings pending at court, before an arbitration institution or a public administration authority

Taking into account the value and growing number of the proceedings, the Bank considered the court proceedings relating to mortgage loans in convertible currencies to be material. As at 30 September 2021, 10 815 court proceedings concerning mortgage loans granted in previous years in foreign currencies were pending against the Bank (as at 31 December 2020: 5 372), including one class action. Their combined value was PLN 3 264 million (as at 31 December 2020: PLN 1 404 million). The Bank's Customers most frequently bring claims for declaring an agreement or a part thereof invalid or for the reimbursement of an allegedly undue payment in connection with the abusive nature of foreign currency clauses. None of the clauses used by the Bank in the agreements has been entered in the register of abusive clauses

The major disputes, including those concerning mortgage loans in convertible currencies, are described in the Note "Legal claims".



OTHER INFORMATION THAT IS MATERIAL TO THE ASSESSMENT OF THE HUMAN RESOURCES, ASSET AND FINANCIAL POSITION AND RESULTS OF THE ISSUER, AND RESPECTIVE CHANGES

In the nine-month period ended 30 September 2021, no other material events which are relevant to the assessment of the human resources, assets, financial position and results of operations occurred in PKO Bank Polski S.A. or its subsidiaries.

36. RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

Risk management is one of the key internal processes, both at the Bank and in the other entities of the Group.

Risk management is aimed at ensuring the profitability of the business activities (in the evolving environment) while monitoring the risk level, keeping the risks within the risk tolerances and limits adopted by the Bank and the Group in a changing macroeconomic environment. The level of risk is an important part of the planning process.

The Group identifies risks which are to be managed in its activities and analyses the impact of particular types of risk on its business operations. All the risks are managed; some of them have a material effect on the profitability and capital needed to cover them. The following risks are considered material at the Bank: credit risk, risk of mortgage loans in foreign currencies for households, foreign exchange risk, interest rate risk, liquidity risk (including financing risk), operational risk, business risk, risk of macroeconomic changes and model risk. The Group assesses the materiality of all the identified risks on a regular basis, at least annually.

In the consolidated financial statements of the Group for 2020 and in the Report on Capital Adequacy and other information subject to publication on the Group as at 31 December 2020 and 30 June 2021, the following elements of the risk management system were described in detail: risk definition, objectives of managing the specific risk, identification of the risk, measurement and evaluation, control, forecasting and monitoring, reporting and management activities to identify material types of risk.

In the nine-month period ended 30 September 2021, the Group's main objectives, principles and organization of the risk management process have not changed compared with the principles described in the consolidated financial statements of the Group for 2020, with the exception of the impact of the activities described below



37. CREDIT RISK MANAGEMENT

- **IMPACT OF COVID -19 ON THE QUALITY OF LOAN PORTFOLIO**

Exposures covered by statutory and non-statutory moratoria are presented in the tables below:

a) gross carrying amount of active and expired exposures

Loans and advances covered by statutory and non-statutory moratoria by residual period of the moratoria	30.09.2021								
	Number of debtors	Carrying amount, gross			Residual period of moratoria				
		Of which: statutory moratoria	Of which: expired		<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	<= 3 months	> 1 year
Loans and advances in respect of which moratoria were offered	187 169	29 720							
Loans and advances covered by moratoria in line with the European Banking Authority (EBA) guidelines	183 420	27 848	85	27 557	110	26	4	19	132
retail and private banking		17 432	85	17 376	48	3	-	5	-
housing		14 193	60	14 183	9	1	-	-	-
finance lease receivables		2	-	2	-	-	-	-	-
consumer		3 237	25	3 191	39	2	-	5	-
SME		5 037	-	4 909	50	18	3	5	52
corporate		963	-	921	13	7	-	2	20
housing		1 678	-	1 678	-	-	-	-	-
finance lease receivables		2 396	-	2 310	37	11	3	3	32
corporate entities		5 379	-	5 272	12	5	1	9	80
corporate		3 516	-	3 495	7	2	-	9	3
finance lease receivables		1 031	-	945	5	3	1	-	77
housing		832	-	832	-	-	-	-	-



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Loans and advances covered by statutory and non-statutory moratoria by residual period of the moratoria	31.12.2020								
	Number of debtors	Carrying amount, gross			Residual period of moratoria				
		Of which: statutory moratoria	Of which: expired		<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances in respect of which moratoria were offered	209 024	34 491							
Loans and advances covered by moratoria in line with the EBA guidelines	206 220	33 876	42	30 729	3 022	62	3	15	45
retail and private banking		20 780	42	18 675	2 095	3	-	7	-
housing		16 441	30	14 784	1 657	-	-	-	-
finance lease receivables		3	-	3	-	-	-	-	-
consumer		4 336	12	3 888	438	3	-	7	-
SME		6 690	-	6 387	208	53	1	6	35
corporate		1 657	-	1 607	28	4	-	3	15
housing		1 546	-	1 469	77	-	-	-	-
finance lease receivables		3 487	-	3 311	103	49	1	3	20
corporate entities		6 406	-	5 667	719	6	2	2	10
corporate		3 475	-	2 915	551	4	-	2	3
finance lease receivables		1 529	-	1 351	167	2	2	-	7
housing		1 402	-	1 401	1	-	-	-	-



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b) gross carrying amount of active exposures

Loans and advances covered by moratoria in line with the EBA guidelines (statutory and non-statutory)	30.09.2021						
	Carrying amount, gross						
		Performing			Non-performing		
			including: exposures covered by restructuring	of which: Stage 2		including: exposures covered by restructuring	of which: there is little probability that the liability will be repaid, but the liability is not overdue or is overdue < = 90 days
Loans and advances covered by moratoria in line with the EBA guidelines	291	253	-	123	38	-	21
retail and private banking	56	41	-	3	15	-	2
housing	10	9	-	-	1	-	-
consumer	46	32	-	3	14	-	2
SME	128	108	-	58	20	-	19
corporate	42	39	-	20	3	-	3
finance lease receivables	86	69	-	38	17	-	16
corporate entities	107	104	-	62	3	-	-
corporate	22	19	-	5	3	-	-
finance lease receivables	85	85	-	57	-	-	-



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Loans and advances covered by moratoria in line with the EBA guidelines (statutory and non-statutory)	31.12.2020						
	Carrying amount, gross						
		Performing			Non-performing		
		including: exposures covered by restructuring	of which: Stage 2		including: exposures covered by restructuring	of which: there is little probability that the liability will be repaid, but the liability is not overdue or is overdue < = 90 days	
Loans and advances covered by moratoria in line with the EBA guidelines	3 147	2 878	31	1 597	269	3	253
retail and private banking	2 104	2 038	31	1 310	66	3	55
housing	1 657	1 623	28	1 139	34	2	32
consumer	447	415	3	171	32	1	23
SME	303	223	-	79	80	-	78
corporate	50	46	-	29	4	-	3
housing	76	76	-	10	-	-	-
finance lease receivables	177	101	-	40	76	-	75
corporate entities	740	617	-	208	123	-	120
corporate	561	558	-	201	3	-	-
finance lease receivables	178	58	-	7	120	-	120
housing	1	1	-	-	-	-	-



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c) accumulated impairment of active exposures

30.09.2021							
Accumulated impairment, accumulated loss of fair value due to credit risk							
Loans and advances covered by moratoria in line with the EBA guidelines (statutory and non-statutory)	Performing			Non-performing			
		including: exposures covered by restructuring	of which: Stage 2		including: exposures covered by restructuring	of which: there is little probability that the liability will be repaid, but the liability is not overdue or is overdue < = 90 days	
Loans and advances covered by moratoria in line with the EBA guidelines	(28)	(7)	-	(5)	(21)	-	(8)
retail and private banking	(12)	(2)	-	(1)	(10)	-	(1)
consumer	(12)	(2)	-	(1)	(10)	-	(1)
SME	(10)	(2)	-	(2)	(8)	-	(7)
corporate	(2)	(1)	-	(1)	(1)	-	-
finance lease receivables	(8)	(1)	-	(1)	(7)	-	(7)
corporate entities	(6)	(3)	-	(2)	(3)	-	-
corporate	(3)	-	-	-	(3)	-	-
finance lease receivables	(3)	(3)	-	(2)	-	-	-



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Loans and advances covered by moratoria in line with the EBA guidelines (statutory and non-statutory)	31.12.2020						
	Accumulated impairment, accumulated loss of fair value due to credit risk						
		Performing			Non-performing		
		including: exposures covered by restructuring	of which: Stage 2		including: exposures covered by restructuring	of which: there is little probability that the liability will be repaid, but the liability is not overdue or is overdue < = 90 days	
Loans and advances covered by moratoria in line with the EBA guidelines	(149)	(79)	(3)	(71)	(70)	(1)	(61)
retail and private banking	(91)	(68)	(3)	(62)	(23)	(1)	(17)
housing	(49)	(40)	(2)	(37)	(9)	(1)	(9)
consumer	(42)	(28)	(1)	(25)	(14)	-	(8)
SME	(24)	(5)	-	(3)	(19)	-	(19)
corporate	(2)	(2)	-	(2)	-	-	-
housing	(1)	(1)	-	-	-	-	-
finance lease receivables	(21)	(2)	-	(1)	(19)	-	(19)
corporate entities	(34)	(6)	-	(6)	(28)	-	(25)
corporate	(9)	(6)	-	(6)	(3)	-	-
finance lease receivables	(25)	-	-	-	(25)	-	(25)



d) gross carrying amount and maximum recognizable amount of guarantees for newly granted loans covered by guarantees

Newly granted loans and advances under new public guarantee programmes introduced in relation to the COVID-19 crisis	30.09.2021			
	Carrying amount, gross		Maximum recognizable amount of guarantees	Carrying amount, gross
		Including: exposures covered by restructuring	Public guarantee received in relation to the COVID-19 crisis	Proceeds to unsecured exposures
Newly granted loans and advances covered by public guarantee programmes	6 343	49	5 042	1
SME	4 896	29	3 916	1
corporate	4 892	29	3 914	-
factoring receivable	4	-	2	1
corporate entities	1 447	20	1 126	-
corporate	1 171	20	937	-
factoring receivable	276	-	189	-

Newly granted loans and advances under new public guarantee programmes introduced in relation to the COVID-19 crisis	31.12.2020		
	Carrying amount, gross		Maximum recognizable amount of guarantees
		Including: exposures covered by restructuring	Public guarantee received in relation to the COVID-19 crisis
Newly granted loans and advances covered by public guarantee programmes	3 699	23	133
SME	2 761	12	133
corporate	2 478	12	-
factoring receivable	283	-	133
corporate entities - corporate	938	11	-

Recognizing the impact of COVID-19 on the loan portfolio, the Group considered three scenarios of development of the main macroeconomic parameters. The estimation of the effect of the pandemic is based on the relationship between the expected loss and the change in the macroeconomic parameters included in each of the three scenarios prepared on the basis of the Group's internal forecasts. The forecast ratios include, among others, GDP growth rates and the unemployment rate, since these parameters have the most significant effect on the recognized changes in the valuation of the Group's assets. In order to adequately take into account, in the risk parameter models, the high quarterly volatility of macroeconomic indicators (in particular the default probability (PD) parameter), the average values of these indicators over a two-year period were adopted.



The following tables present the forecasts of the main macroeconomic indicators adopted in the calculation of the expected credit losses and the probabilities of their materialization.

scenario as at 30.09.2021	baseline			optimistic			pessimistic		
probability	75%			5%			20%		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
GDP growth y/y	5.7	5.4	3.0	9.6	10.5	3.0	1.8	0.2	3.0
Unemployment rate	3.0	2.8	2.8	2.7	1.9	2.8	4.3	5.5	2.8
WIBOR 3M	0.2	0.5	2.4	0.5	2.0	2.4	0.2	-0.2	2.4
Property price index	103.4	109.8	102.5	105.8	119.0	102.5	101.6	100.2	102.5
CHF/PLN	4.1	4.0	3.8	4.0	3.7	3.7	4.3	4.5	4.0

scenario as at 31.12.2020	baseline			optimistic			pessimistic		
probability	75%			5%			20%		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
GDP growth y/y	5.4	4.7	3.0	9.9	7.0	3.0	0.8	2.4	3.0
Unemployment rate	5.9	4.5	3.7	5.2	3.4	3.7	8.0	5.6	3.7
WIBOR 3M	0.2	1.0	2.4	1.9	2.9	2.4	-0.2	0.3	2.4
Property price index	99.5	102.9	102.5	103.3	103.4	102.5	96.1	99.5	102.5
CHF/PLN	4.1	3.9	3.8	3.8	3.6	3.7	4.4	4.3	4.0

38. MANAGEMENT OF RISK ASSOCIATED WITH MORTGAGE LOANS IN FOREIGN CURRENCIES FOR INDIVIDUALS

The Group analyses its portfolio of foreign currency mortgage loans to individuals in a specific manner. The Group monitors the quality of the portfolio on an on-going basis and reviews the risk of deterioration of the portfolio's quality. The Group takes into consideration the risk of foreign currency mortgage loans for individuals in the capital adequacy and equity management.

HOUSING LOANS AND ADVANCES TO INDIVIDUALS (RETAIL AND PRIVATE BANKING) BY CURRENCY	30.09.2021			31.12.2020		
	gross	impairment allowance	net	gross	impairment allowance	net
in local currency	97 964	(1 250)	96 714	94 088	(1 207)	92 881
PLN	97 526	(1 228)	96 298	93 828	(1 188)	92 640
UAH	438	(22)	416	260	(19)	241
in foreign currency	16 618	(756)	15 862	18 198	(719)	17 479
CHF	13 995	(681)	13 314	15 366	(647)	14 719
EUR	2 581	(71)	2 510	2 787	(68)	2 719
USD	34	(4)	30	36	(4)	32
OTHER	8	-	8	8	-	8
Total	114 582	(2 006)	112 576	112 285	(1 926)	110 359



FOREIGN CURRENCY HOUSING LOANS AND ADVANCES TO INDIVIDUALS BY THE GRANTING DATE		INDEXED	DENOMINATED	Total
30.09.2021				
up to 2002	Gross amount	-	46	46
	Allowances for credit losses	-	(2)	(2)
	Net amount	-	44	44
	Number of loans granted	-	4 353	4 353
from 2003 to 2006	Gross amount	-	3 155	3 155
	Allowances for credit losses	-	(105)	(105)
	Net amount	-	3 050	3 050
	Number of loans granted	-	39 993	39 993
from 2007 to 2009	Gross amount	-	7 815	7 815
	Allowances for credit losses	-	(526)	(526)
	Net amount	-	7 289	7 289
	Number of loans granted	-	49 920	49 920
from 2010 to 2012	Gross amount	2 930	2 658	5 588
	Allowances for credit losses	(49)	(73)	(122)
	Net amount	2 881	2 585	5 466
	Number of loans granted	10 255	11 500	21 755
from 2013 to 2016	Gross amount	4	10	14
	Allowances for credit losses	-	(1)	(1)
	Net amount	4	9	13
	Number of loans granted	18	38	56
Total	Gross amount¹	2 934	13 684	16 618
	Allowances for credit losses	(49)	(707)	(756)
	Net amount	2 885	12 977	15 862
	Number of loans granted	10 273	105 804	116 077

¹ Gross carrying amount taking into account the cost of legal risk associated with mortgage loans in foreign currencies



FOREIGN CURRENCY HOUSING LOANS AND ADVANCES TO INDIVIDUALS BY THE GRANTING DATE		INDEXED	DENOMINATED	Total
31.12.2020				
up to 2002	Gross amount	-	59	59
	Allowances for credit losses	-	(1)	(1)
	Net amount	-	58	58
	Number of loans granted	-	5 444	5 444
from 2003 to 2006	Gross amount	-	3 616	3 616
	Allowances for credit losses	-	(106)	(106)
	Net amount	-	3 510	3 510
	Number of loans granted	-	42 445	42 445
from 2007 to 2009	Gross amount	-	8 464	8 464
	Allowances for credit losses	-	(491)	(491)
	Net amount	-	7 973	7 973
	Number of loans granted	-	51 166	51 166
from 2010 to 2012	Gross amount	3 137	2 904	6 041
	Allowances for credit losses	(48)	(72)	(120)
	Net amount	3 089	2 832	5 921
	Number of loans granted	10 648	11 903	22 551
from 2013 to 2016	Gross amount	5	12	17
	Allowances for credit losses	-	(1)	(1)
	Net amount	5	11	16
	Number of loans granted	18	43	61
Total	Gross amount¹	3 142	15 055	18 197
	Allowances for credit losses	(48)	(671)	(719)
	Net amount	3 094	14 384	17 478
	Number of loans granted	10 666	111 001	121 667

¹ Gross carrying amount taking into account the cost of legal risk associated with mortgage loans in foreign currencies

39. INTEREST RATE RISK MANAGEMENT

- SENSITIVITY OF INTEREST INCOME**

The sensitivity of interest income to sudden shifts in the yield curve is determined by the potential financial effect of such a shift reflected in a changed amount of interest income in a given time horizon. The change results from the mismatch between the revaluation dates of assets, liabilities and off-balance sheet liabilities granted and received (in particular derivative instruments) sensitive to interest rate fluctuations.

The sensitivity of interest income in the banking book of the Group to the abrupt shift in the yield curve of 100 bp down in a one-year horizon in all currencies is shown in the table below:

NAME OF THE MEASURE	30.09.2021	31.12.2020
Sensitivity of interest income (PLN million)	(573)	(527)

- SENSITIVITY OF ECONOMIC VALUE**

Sensitivity of economic value reflects the fair value changes of items in the portfolio arising from the parallel shift of the yield curves by 100 bp up or down (more unfavourable of the scenarios mentioned).



The table below presents the economic value sensitivity measure (stress-test) of the banking book of the Group in all currencies as at 30 September 2021 and 31 December 2020:

NAME OF THE MEASURE	30.09.2021	31.12.2020
Sensitivity of economic value (PLN million)	(1 392)	(443)

TRADING BOOK

• VALUE AT RISK

The IR VaR measure is the potential amount of a loss that may occur under normal market conditions within a specified time horizon and with an assumed level of probability related to changes in the interest rate curves.

The IR VaR in the Bank's trading book is shown in the following table:

NAME OF THE MEASURE	30.09.2021	31.12.2020
IR VaR for a 10-day time horizon at the confidence level of 99% (PLN million):		
Average value	13	11
Maximum value	16	20
Value at the end of the period	13	13

40. FOREIGN EXCHANGE RISK MANAGEMENT

• SENSITIVITY MEASURES

The FX VaR measure is the potential amount of a loss that may occur under normal market conditions within a specified time horizon and with an assumed level of probability related to changes in foreign exchange rates.

Stress tests are used to estimate the loss in the case of rapid changes on the FX market which are not described in terms of standard statistical measures.

The Bank's combined FX VaR for all currencies is presented in the following table:

NAME OF THE SENSITIVITY MEASURE	30.09.2021	31.12.2020
VaR for a 10-day time horizon at a confidence level of 99% (in PLN million) ¹	3	615

¹ Taking into account the nature of the operation of the other Group companies which generate material currency risk and the specific characteristics of the market in which they operate, the Group does not determine the consolidated VaR sensitivity measure. Such companies use their own risk measures to manage their interest rate risk. KREDOBANK SA applies the 10-day VaR which amounted to PLN 0.1 million as at 30 September 2021 and to PLN 0.1 million as at 31 December 2020.

• FOREIGN CURRENCY POSITION

The Group's foreign currency positions are presented in the table below:

FOREIGN CURRENCY POSITION	30.09.2021	31.12.2020
EUR	(42)	(326)
CHF	42	(14 361)
Other (Global. Net)	(111)	(50)

Currency positions (in addition to the volatility of foreign exchange rates) are a key factor determining the level of currency risk to which the Group is exposed. The foreign currency position is determined by all foreign currency transactions concluded, both in the statement of financial position and off-balance sheet transactions.

In 2020, the Group recognized a material foreign exchange position in CHF of approximately PLN 14.2 billion, in connection with the Bank's intention, as confirmed by a resolution of the Extraordinary Shareholders' Meeting of 23 April 2021, to settle with consumers who had concluded mortgage loan agreements in foreign currencies with the Bank (see Note "Significant events in the first half of 2021").



At the end of April 2021 the Group hedged that currency position completely by concluding and subsequently closing option transactions, which gave the Bank the right to purchase foreign currencies, as well as concluding and settling a series of foreign exchange transactions in which the Group purchased foreign currencies for PLN. As a result of hedging the currency position, the capital requirement in respect of market risk decreased significantly.

41. LIQUIDITY RISK MANAGEMENT

LIQUIDITY GAP

	on demand	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
30.09.2021								
Adjusted periodic gap	3 076	87 305	(14 980)	(2 681)	1 569	14 416	32 961	(121 666)
Adjusted cumulative periodic gap	3 076	90 381	75 401	72 720	74 289	88 705	121 666	-
31.12.2020								
Adjusted periodic gap	6 920	70 393	(5 774)	(4 210)	(3 114)	3 468	18 210	(85 893)
Adjusted cumulative periodic gap	6 920	77 313	71 539	67 329	64 215	67 683	85 893	-

¹ brought to comparability with data as at 31 December 2020.

In all time horizons, the adjusted cumulative liquidity gap of the Group, determined as the sum of the adjusted liquidity gaps of the Bank, PKO Bank Hipoteczny S.A., PKO Leasing S.A., KREDOBANK S.A. and PKO Życie Towarzystwo Ubezpieczeń S.A. and the contractual liquidity gaps of the other Group companies, was positive as at 30 September 2021 and as at 31 December 2020. This means that the Group has a surplus of assets receivable over liabilities payable.

SUPERVISORY LIQUIDITY MEASURES

SUPERVISORY LIQUIDITY MEASURES	30.09.2021	31.12.2020
NSFR - net stable funding ratio	128.4%	134.7%
LCR - liquidity coverage ratio	212.9%	227.6%

In the periods ended 30 September 2021 and 31 December 2020 liquidity measures remained above their respective supervisory limits..

42. CAPITAL ADEQUACY

CAPITAL ADEQUACY

The minimum levels of the capital ratios maintained by the Group in accordance with Article 92 of the CRR are as follows:

• total capital ratio (TCR)	8.0%
• Tier 1 capital ratio (T1)	6.0%
• Common Equity Tier 1 capital ratio (CET1)	4.5%

Obligation to maintain a combined buffer above the minimum amounts specified in Article 92 of the CRR representing the sum of the applicable buffers	30.09.2021	31.12.2020
Total:	3.51%	3.51%
• conservation buffer	2.5%	2.5%
• countercyclical buffer	0.01%	0.01%
• systemic risk buffer	0% ¹	0% ¹
• a buffer due to identifying the Bank as an "other systemically important institution" ("O-SII")	1% ²	1% ²

¹ On 19 March 2020 in connection with the COVID-19 the Regulation of the Minister of Finance cancelling the systemic risk buffer came into effect.

² of total exposure to the risks calculated in accordance with the CRR.



Discretionary capital requirement (an additional capital requirement in order to hedge the risk resulting from mortgage-secured loans and advances to households)	30.09.2021	31.12.2020
• for the total capital ratio:	0.24 p.p.	0.24 p.p.
• for Tier 1 capital ratio:	0.18 p.p.	0.18 p.p.
• for Common Equity Tier 1 capital ratio:	0.14 p.p.	0.14 p.p.

The combined minimum level of capital ratios and all buffers and discretionary capital requirements for the Group is 11.75%.

• **OWN FUNDS FOR CAPITAL ADEQUACY PURPOSES AND REQUIREMENTS RELATING TO OWN FUNDS (PILLAR I)**

In the nine-month period ended 30 September 2021 and in 2020 the Group's capital adequacy level remained at a safe level well above the supervisory limits.

	30.09.2021	31.12.2020
Equity	41 535	39 911
capital: share capital, supplementary capital, other reserves, and general risk reserve	32 291	34 976
retained earnings	6 270	6 142
net profit or loss for the year	3 671	(2 557)
other comprehensive income and non-controlling interests	(697)	1 350
Exclusions from equity:	2 520	76
deconsolidation - adjustments due to prudential consolidation	(269)	(279)
net profit or loss for the year	3 663	-
cash flow hedges	(874)	355
Other fund reductions:	2 757	2 671
goodwill	961	961
other intangible assets	1 355	1 264
securitization items	53	67
additional asset adjustments (AVA, DVA)	388	379
Temporary reversal of IFRS 9 impact	1 482	1 652
Profit included with the consent of the PFSA	1 975	-
Tier 1 capital	39 715	38 816
Tier 2 capital (subordinated debt)	2 700	2 700
Equity	42 415	41 516
Requirements for own funds	17 890	18 273
Credit risk	15 792	14 985
Operational risk	1 796	1 629
Market risk	255	1 631
Credit valuation adjustment risk	47	28
Total capital ratio	18.97%	18.18%
Tier 1 capital ratio	17.76%	16.99%

The following table presents reconciliation of the statement of financial position items used to calculate own funds to the regulatory own funds as at 30 September 2021 and 31 December 2020.



30.09.2021	Statement of financial position under IFRS	Elimination of companies excluded from prudential consolidation	Prudential consolidation/ Statement of financial position under CRR	Items not included in regulatory own funds	Items included in regulatory own funds
ASSETS					
Intangible assets	3 257	(167)	3 090	(774)	2 316
LIABILITIES					
Subordinated liabilities	2 704	-	2 704	(4)	2 700
EQUITY					
Share capital	1 250	-	1 250	-	1 250
Supplementary capital	23 003	(104)	22 899	-	22 899
General banking risk fund	1 070	-	1 070	-	1 070
Other reserves	6 968	(77)	6 891	-	6 891
Accumulated other comprehensive income	(684)	-	(684)	874	190
Net profit or loss for the year	3 671	(8)	3 663	(1 688)	1 975
Retained earnings	6 270	445	6 715	-	6 715
Non-controlling interests	(13)	13	-	-	-
TOTAL EQUITY	41 535	269	41 804	(814)	40 990
ADDITIONAL ADJUSTMENTS	-	-	-	-	1 041
TOTAL OWN FUNDS FOR CALCULATION OF THE TOTAL CAPITAL RATIO	-	-	-	-	42 415



31.12.2020	Statement of financial position under IFRS	Elimination of companies excluded from prudential consolidation	Prudential consolidation/ Statement of financial position under CRR	Items not included in regulatory own funds	Items included in regulatory own funds
ASSETS					
Intangible assets	3 280	(163)	3 117	(892)	2 225
LIABILITIES					
Subordinated liabilities	2 716	(16)	2 700	-	2 700
EQUITY					
Share capital	1 250	-	1 250	-	1 250
Supplementary capital	29 519	-	29 519	-	29 519
General banking risk fund	1 070	-	1 070	-	1 070
Other reserves	3 137	(78)	3 059	-	3 059
Accumulated other comprehensive income	1 363	2	1 365	(355)	1 010
Net profit or loss for the year	(2 557)	7	(2 550)	-	(2 550)
Retained earnings	6 142	335	6 477	-	6 477
Non-controlling interests	(13)	13	-	-	-
TOTAL EQUITY	39 911	279	40 190	(355)	39 835
ADDITIONAL ADJUSTMENTS	-	-	-	-	1 206
TOTAL OWN FUNDS FOR CALCULATION OF THE TOTAL CAPITAL RATIO	-	-	-	-	41 516

COMPARISON OF OWN FUNDS AND CAPITAL RATIO. THE GROUP'S FINANCIAL LEVERAGE RATIO. TAKING INTO ACCOUNT AND WITHOUT TAKING INTO ACCOUNT THE TRANSITIONAL SOLUTIONS RELATING TO IFRS 9 AND CORRESPONDING EXPECTED CREDIT LOSSES

	30.09.2021		31.12.2020	
	with IFRS 9 or analogous ECLs transitional arrangements applied	as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	with IFRS 9 or analogous ECLs transitional arrangements applied	as if IFRS 9 or analogous ECLs transitional arrangements had not been applied
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital / Tier 1 capital	39 715	38 233	38 816	37 164
Total capital	42 415	40 933	41 516	39 864
Risk-weighted assets (amounts)				
Total risk-weighted assets	223 614	222 132	228 413	226 767
Capital ratios				
Common Equity Tier 1 / Tier 1 capital (as a percentage of risk exposure amount)	17.76%	17.21%	16.99%	16.39%
Total capital (as a percentage of risk exposure amount)	18.97%	18.43%	18.18%	17.58%
Leverage ratio				
Leverage ratio total exposure measure	431 594	430 112	394 468	392 816
Leverage ratio	9.20%	8.89%	9.84%	9.46%



• REVIEW OF TOTAL RISK EXPOSURES

	Risk weighted assets		Minimum capital requirement	
	30.09.2021	31.12.2020	30.09.2021	31.12.2020
Credit risk (excluding counterparty credit risk)	193 608	184 761	15 489	14 781
of which the standardised approach	193 608	184 761	15 489	14 781
Counterparty credit risk - CCR	4 373	2 906	350	232
of which standardised approach	3 757	2 444	301	195
of which exposure Central Counterparty	29	112	2	9
of which Credit Valuation Adjustment	587	350	47	28
of which other CCR	-	-	-	-
Settlement risk	-	-	-	-
Securitisation exposures in the banking book (after the cap)	-	-	-	-
Of which standardised approach (SEC_SA)	-	-	-	-
of which 1250% RW/ deduction*	53	67	-	-
Market risk	3 185	20 383	255	1 631
of which the standardised approach	3 185	20 383	255	1 631
Large exposures	-	-	-	-
Operational risk	22 448	20 363	1 796	1 629
of which basic indicator approach	3 783	3 631	303	290
of which advanced measurement approach (AMA)	18 665	16 732	1 493	1 339
Amounts below the thresholds for deduction (subject to 250% risk weight) - included in credit risk requirement	10 155	8 998	-	-
Total	223 614	228 413	17 890	18 273

* The line Eu-19a presents the own funds requirement for securitization exposures in the banking portfolio applying a deduction from own funds in accordance with part 3 title II chapter 5 of the CRR. The amount of the requirement decreases the Bank's funds and therefore it does not generate a risk exposure (RWA) with a 250% risk weight.



• KEY INDICATORS

		a	b	c	d	e
		30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2020
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	39 715	38 016	38 524	38 816	41 460
2	Tier 1 capital	39 715	38 016	38 524	38 816	41 460
3	Total capital	42 415	40 716	41 224	41 516	44 160
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	223 614	215 780	227 775	228 413	218 726
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	17.76%	17.62%	16.91%	16.99%	18.96%
6	Tier 1 ratio (%)	17.76%	17.62%	16.91%	16.99%	18.96%
7	Total capital ratio (%)	18.97%	18.87%	18.10%	18.18%	20.19%
Additional own funds requirements to cover risks other than the risk of excessive leverage (as a percentage of the risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to cover risks other than the risk of excessive leverage (%)	0.14%	0.14%	0.14%	0.14%	0.20%
EU 7b	of which: to be made up of Common Equity Tier 1 capital (percentage points)	0.04%	0.04%	0.04%	0.04%	0.07%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.06%	0.06%	0.06%	0.06%	0.09%
EU 7d	Total SREP own funds requirements (%)*	8.24%	8.24%	8.24%	8.24%	8.36%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.01%	0.01%	0.01%	0.01%	0.00%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	1.00%	1.00%	1.00%	1.00%	1.00%
11	Combined buffer requirement (%)	3.51%	3.51%	3.51%	3.51%	3.50%
EU 11a	Overall capital requirements (%)	11.75%	11.75%	11.75%	11.75%	11.86%
12	CET1 available after meeting the total SREP own funds requirements	13 444.60	12 666.30	11 760.08	11 987.05	15 508.18
Leverage ratio						
13	Total exposure measure	431 594.00	418 209.28	402 805.40	394 467.91	394 245.49
14	Leverage ratio (%)	9.20%	9.09%	9.56%	9.84%	10.52%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)						
EU 14a	Additional own funds requirements to address risks of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	-	-	-	-	-
Leverage Ratio Buffer and Total Leverage Ratio Requirement (as a percentage of the total exposure measure)						
EU 14d	Leverage ratio buffer requirements (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	-	-	-
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	120 841	123 222	118 162	111 239	107 600
EU 16a	Cash outflows - Total weighted value	64 211	62 238	54 531	54 134	55 798
EU 16b	Cash inflows - Total weighted value	7 455	5 811	5 563	5 255	6 089
16	Total net cash outflows (adjusted value)	56 756	56 428	48 968	48 879	49 937
17	Liquidity coverage ratio (%)	213%	218%	241%	228%	215%
Net Stable Funding Ratio (NSFR)**						
18	Total available stable funding	294 100	290 874	-	-	-
19	Total required stable funding	228 994	219 461	-	-	-
20	NSFR ratio (%)	128%	133%	-	-	-

* SREP (Supervisory Review and Evaluation Process)

** The Net Stable Funding Ratio (NSFR) was introduced on 28 June 2021 in connection with the entry into force of CRR 2.



● QUANTITATIVE INFORMATION ON THE LIQUIDITY COVERAGE RATIO

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
		30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2021	30.06.2021	31.03.2021	31.12.2020
EU 1a	Quarter ending on (DD Month YYY)								
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					116 954	113 373	108 471	97 420
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers. of which:	211 198	206 466	201 408	195 424	15 001	14 766	14 587	14 416
3	Stable deposits	153 865	149 397	143 934	137 114	7 693	7 470	7 197	6 856
4	Less stable deposits	57 333	57 069	57 474	58 310	7 307	7 296	7 390	7 560
5	Unsecured wholesale funding	80 834	80 856	82 920	82 641	27 855	27 885	29 288	29 457
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	29 487	29 954	28 868	26 585	7 140	7 274	7 025	6 479
7	Non-operational deposits (all counterparties)	50 141	49 922	53 384	55 496	19 510	19 631	21 595	22 417
8	Unsecured debt	1 206	979	668	561	1 206	979	668	561
9	Secured wholesale funding						-	-	-
10	Additional requirements	60 934	59 793	58 387	57 614	9 267	8 552	8 191	8 050
11	Outflows related to derivative exposures and other collateral requirements	2 588	2 134	2 032	2 008	2 588	2 134	2 032	2 008
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	58 345	57 659	56 355	55 607	6 679	6 418	6 159	6 042
14	Other contractual funding obligations	2 256	2 183	2 184	2 398	1 509	1 456	1 446	1 665
15	Other contingent funding obligations	18 242	17 525	17 295	17 885	3 580	3 449	3 492	3 657
16	TOTAL CASH OUTFLOWS					57 212	56 107	57 004	57 244
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	270	312	117	470	3	3	1	1
18	Inflows from fully performing exposures	7 245	7 262	7 542	8 780	5 027	5 030	5 191	6 140
19	Other cash inflows	1 641	1 550	1 540	1 465	1 101	902	903	893
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	9 156	9 123	9 199	10 714	6 131	5 935	6 095	7 035
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	9 156	9 123	9 199	10 714	6 131	5 935	6 095	7 035
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					116 954	113 373	108 471	97 420
22	TOTAL NET CASH OUTFLOWS					51 081	50 172	50 908	50 210
23	LIQUIDITY COVERAGE RATIO					229%	226%	214%	194%



• CONSOLIDATED INCOME STATEMENT CONSISTENT WITH CRR

CONSOLIDATED INCOME STATEMENT in accordance with the CCR	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
Net interest income	7 195	7 660
Interest income	7 687	9 037
Interest expenses	(492)	(1 377)
Net fee and commission income	3 125	2 763
Fee and commission income	3 969	3 543
Fee and commission expense	(844)	(780)
Other net income	626	(40)
Dividend income	12	15
Gains/(losses) on financial transactions	(32)	(160)
Net foreign exchange gains / (losses)	425	90
Gains/(losses) on derecognition of financial instruments not measured at fair value	174	135
Net other operating income and expenses	47	(120)
Profit/(Loss) on business activities	10 946	10 383
Net expected credit losses	(791)	(1 249)
Impairment of non-financial assets	(35)	(341)
Cost of the legal risk of mortgage loans in convertible currencies	-	(535)
Administrative expenses	(4 488)	(4 476)
Tax on certain financial institutions	(778)	(788)
Share in profits and losses of associates and joint ventures	69	90
Profit before tax	4 923	3 084
Income tax expense	(1 260)	(1 080)
Net profit (including non-controlling shareholders)	3 663	2 004
Net profit attributable to equity holders of the parent company	3 663	2 004

• LEVERAGE RATIO

	Leverage ratio exposures specified in CRR	
	30.09.2021	31.12.2020
Total capital and exposure measure		
Tier 1 capital	39 715	38 816
Total exposure measure for leverage ratio calculation	431 594	394 468
Leverage ratio		
Leverage ratio	9.20%	9.84%



STANDALONE INCOME STATEMENT

INCOME STATEMENT	Note	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Net interest income/(expense)	44	2 199	6 344	2 177	6 919
Interest income, including:		2 300	6 667	2 360	7 928
of which calculated under the effective interest rate method		2 086	6 032	2 031	6 922
Interest expenses		(101)	(323)	(183)	(1 009)
Net fee and commission income	45	915	2 608	783	2 272
Fee and commission income		1 230	3 406	1 048	2 998
Fee and commission expense		(315)	(798)	(265)	(726)
Other net income		136	1 035	90	185
Dividend income		50	513	80	281
Gains/(losses) on financial transactions		(17)	(44)	(8)	(145)
Foreign exchange gains/ (losses)		31	419	30	49
Gains/(losses) on derecognition of financial instruments, of which:		80	172	68	133
measured at amortized cost		-	1	(4)	(28)
Net other operating income and expenses		(8)	(25)	(80)	(133)
Result on business activities		3 250	9 987	3 050	9 376
Net expected credit losses		(319)	(659)	(323)	(1 096)
Net Impairment allowances on non-financial assets		(6)	(49)	(65)	(333)
Cost of the legal risk of mortgage loans in convertible currencies		-	-	(345)	(535)
Administrative expenses, of which:		(1 288)	(3 954)	(1 169)	(3 957)
net regulatory charges		(74)	(488)	(103)	(626)
Tax on certain financial institutions		(244)	(715)	(236)	(720)
Profit before tax		1 393	4 610	912	2 735
Income tax expense		(353)	(1 084)	(300)	(938)
Net profit		1 040	3 526	612	1 797
Earnings per share					
- basic earnings per share for the period (PLN)		0.83	2.82	0.49	1.44
- diluted earnings per share for the period (PLN)*		0.83	2.82	0.49	1.44
Weighted average number of ordinary shares during the period (in million)		1 250	1 250	1 250	1 250

* Both in the nine-month period ended 30 September 2021 and in the corresponding period of 2020 there were no dilutive instruments. Therefore the amount of diluted earnings per share is the same as the amount of basic earnings per share.



STANDALONE STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Net profit (including non-controlling shareholders)		1 040	3 526	612	1 797
Other comprehensive income		(758)	(2 172)	10	1 064
Items which may be reclassified to profit or loss		(758)	(2 172)	10	1 064
Cash flow hedges (net)		(514)	(1 181)	(83)	405
Cash flow hedges (gross)		(635)	(1 458)	(103)	500
Deferred income tax		121	277	20	(95)
Fair value of financial assets measured at fair value through other comprehensive income (net)		(244)	(991)	93	659
Remeasurement of fair value. gross		(223)	(1 054)	186	974
Gains /losses transferred to the profit or loss (on disposal)		(80)	(171)	(72)	(161)
Deferred income tax		59	234	(21)	(154)
Total net comprehensive income		282	1 354	622	2 861



STANDALONE STATEMENT OF FINANCIAL POSITION

	Note	30.09.2021	31.12.2020
ASSETS		371 611	345 027
Cash and balances with the Central Bank		3 858	7 397
Amounts due from banks		7 772	5 304
Hedging derivatives		354	618
Other derivative instruments		10 527	5 416
Securities	46	134 895	119 973
Loans and advances to customers	47	200 522	193 063
Property, plant and equipment		2 590	2 737
Non-current assets held for sale		20	124
Intangible assets		2 699	2 737
Investments in subsidiaries		3 618	3 612
Investments in associates and joint ventures		257	257
Receivables due to current income tax		5	-
- of the subsidiaries belonging to the Tax Group		5	-
Deferred income tax assets		2 407	1 806
Other assets		2 087	1 983

		30.09.2021	31.12.2020
LIABILITIES AND EQUITY		371 611	345 027
LIABILITIES		331 680	306 450
Amounts due to the Central Bank		8	-
Amounts due to banks		6 910	2 583
Hedging derivatives		1 435	543
Other derivative instruments		11 085	6 632
Amounts due from repurchase agreements		810	47
Amounts due to customers	49	294 815	278 894
Loans and advances received		5 029	4 906
Debt securities in issue		1 714	4 020
Subordinated liabilities		2 704	2 716
Other liabilities		5 561	4 464
Current income tax liabilities		145	178
- of the Bank		145	166
- of the subsidiaries belonging to the Tax Group		-	12
Provisions		1 464	1 467
EQUITY		39 931	38 577
Share capital		1 250	1 250
Other capital		29 655	34 771
Retained earnings		5 500	5 500
Net profit or loss for the year		3 526	(2 944)



STANDALONE STATEMENT OF CHANGES IN EQUITY

FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2021	Share capital	Other capital				Accumulated other comprehensive income	Total other capital and reserves	Retained earnings	Net profit or loss for the year	Total equity
		Reserves								
		Supplementary capital	General banking risk fund	Other reserves						
As at the beginning of the period	1 250	29 168	1 070	2 990	1 543	34 771	5 500	(2 944)	38 577	
Transfer from retained earnings	-	-	-	-	-	-	(2 944)	2 944	-	
Comprehensive income	-	-	-	-	(2 172)	(2 172)	-	3 526	1 354	
Special fund set up for the purpose of covering individual balance sheet losses (notes 6.1)	-	(6 700)	-	6 700	-	-	-	-	-	
Offset of accumulated losses (note 29)	-	-	-	(2 944)	-	(2 944)	2 944	-	-	
As at the end of the period	1 250	22 468	1 070	6 746	(629)	29 655	5 500	3 526	39 931	

FOR 9 MONTHS ENDED 30 SEPTEMBER 2020	Share capital	Other capital				Accumulated other comprehensive income	Total other capital and reserves	Retained earnings	Net profit or loss for the year	Total equity
		Reserves								
		Supplementary capital	General banking risk fund	Other reserves						
As at the beginning of the period	1 250	29 168	1 070	3 099	434	33 771	1 556	3 835	40 412	
Transfer from retained earnings	-	-	-	-	-	-	3 835	(3 835)	-	
Comprehensive income	-	-	-	-	1 064	1 064	-	1 797	2 861	
Offset of accumulated losses	-	-	-	(111)	-	(111)	111	-	-	
Transfer of profit for the purpose of other reserve capitals	-	-	-	2	-	2	(2)	-	-	
As at the end of the period	1 250	29 168	1 070	2 990	1 498	34 726	5 500	1 797	43 273	



STANDALONE STATEMENT OF CHANGES IN EQUITY (cont.)

FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2021	Accumulated other comprehensive income			
	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Total
As at the beginning of the period	1 244	319	(20)	1 543
Comprehensive income	(991)	(1 181)	-	(2 172)
As at the end of the period	253	(862)	(20)	(629)

FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2020	Accumulated other comprehensive income			
	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Total
As at the beginning of the period	354	95	(15)	434
Comprehensive income	659	405	-	1 064
As at the end of the period	1 013	500	(15)	1 498



STANDALONE STATEMENT OF CASH FLOWS

	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
Cash flows from operating activities		
Profit before tax	4 610	2 735
Income tax paid	(1 196)	(1 093)
Total adjustments:	11 317	26 030
Amortization	648	632
(Gains)/losses on investing activities	(7)	(6)
Interest and dividends	(1 759)	(1 116)
Change in:		
amounts due from banks	(264)	(110)
hedging derivatives	1 156	128
other derivative instruments	(657)	(26)
securities	(1 195)	(1 824)
loans and advances to customers	(7 829)	254
reverse repo transactions	-	1 072
non-current assets held for sale	104	(11)
other assets	(206)	340
accumulated allowances for expected credit losses	359	1 265
accumulated allowances on non-financial assets and other provisions	151	369
amounts due to Central Bank	8	-
amounts due to banks	4 325	559
amounts due to customers	15 921	23 068
repo transactions	763	1
loan and advances received	192	(9)
liabilities in respect of debt securities in issue	(14)	304
subordinated liabilities	(12)	(26)
other liabilities	1 256	823
Other adjustments	(1 623)	343
Net cash from/used in operating activities	14 731	27 672



STANDALONE STATEMENT OF CASH FLOWS (cont.)

	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
Cash flows from investing activities		
Inflows from investing activities	44 323	44 839
Proceeds from sale of and interest on securities measured at fair value through other comprehensive income	41 848	43 807
Proceeds from sale of and interest on securities measured at amortized cost	1 801	783
Proceeds from sale of intangible assets, property, plant and equipment and assets held for sale	47	19
Other inflows from investing activities including dividends	627	230
Outflows from investing activities	(57 621)	(83 486)
Increase in equity of a subsidiary	-	(5)
Increase in equity of joint ventures	(18)	-
Purchase of securities measured at fair value through other comprehensive income	(33 167)	(52 293)
Purchase of securities measured at amortized cost	(24 077)	(30 710)
Purchase of intangible assets and property, plant and equipment	(359)	(478)
Net cash from investing activities	(13 298)	(38 647)

	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
Cash flows from financing activities		
Redemption of debt securities	(2 293)	(1 129)
Repayment of credits and loans	(69)	(68)
Payment of lease liabilities	(157)	(161)
Repayment of interest on long-term liabilities	(260)	(319)
Net cash from financing activities	(2 779)	(1 677)
Total net cash flows	(1 346)	(12 652)
of which foreign exchange differences on cash and cash equivalents	30	102
Cash equivalents at the beginning of the period	9 126	17 993
Cash equivalents at the end of the period	7 780	5 341

43. EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

The changes to previously published data for the period from 1 January to 30 September 2020 presented below resulted from the changes introduced by the Bank in 2020 and in 2021:

- **RECLASSIFICATION OF CHARGES COLLECTED FROM CUSTOMERS COMPENSATING NEGATIVE INTEREST ON FINANCIAL LIABILITIES (1)**

Starting from the financial statements for 2020, the Bank presents fees collected from the Bank's customers to compensate negative interest rates on the Bank's financial liabilities (customer current accounts) in interest income. Previously, such fees were presented in commission income.



- **RECLASSIFICATION OF COSTS CHARGED TO THE CUSTOMER (2)**

Up to the second quarter of 2021. the Group presented the costs of debt collection. enforcement and court proceedings and related proceedings in commission expenses or other operating expenses. Recharges of such costs to the Group's customers were recognized as commission income.

From the third quarter of 2021. the Group presents such income and costs in net impairment of non-financial assets.

- **INCLUSION OF NET REGULATORY CHARGES IN OPERATING EXPENSES (3)**

In order to make the presentation of operating expenses more consistent with the market practice. the Bank combined the line "Operating (administrative) expenses" with "Net regulatory charges".

INCOME STATEMENT – selected items	01.01.2020 - 30.09.2020	(1)	(2)	(3)	01.01.2020 - 30.09.2020 restated
Net interest income/(expense)	6 905	14	-	-	6 919
Interest income. including:	7 913	15	-	-	7 928
of which calculated under the effective interest rate method	6 907	15	-	-	6 922
Interest expenses	(1 008)	(1)	-	-	(1 009)
Net fee and commission income	2 275	(14)	11	-	2 272
Fee and commission income	3 021	(14)	(9)	-	2 998
Fee and commission expense	(746)	-	20	-	(726)
Other net income	181	-	4	-	185
Net other operating income and expenses	(137)	-	4	-	(133)
Result on business activities	9 361	-	15	-	9 376
Net expected credit losses	(1 096)	-	-	-	(1 096)
Net Impairment allowances on non-financial assets	(318)	-	(15)	-	(333)
Cost of the legal risk of mortgage loans in convertible currencies	(535)	-	-	-	(535)
Administrative expenses. of which:	(3 331)	-	-	(626)	(3 957)
net regulatory charges	(626)	-	-	626	-
Net profit	1 797	-	-	-	1 797

- **RECLASSIFICATION OF HOLIDAY PAY PROVISIONS FROM OTHER LIABILITIES TO PROVISIONS (4)**

In the fourth quarter of 2020. the Bank reclassified holiday pay provisions from "Other liabilities" to "Provisions". because the Bank believes that they are similar in nature to other provisions and are based on estimates. similarly to other employee provisions presented in provisions. such as e.g. provisions for pensions and other post-employment defined benefit obligations.

Cash flows from operating activities – selected items	01.01.2020 - 30.09.2020	(4)	01.01.2020 - 30.09.2020 restated
Total adjustments:			
Change in:			
- accumulated allowances on non-financial assets and other provisions	355	14	369
- other liabilities	837	(14)	823



44. INTEREST INCOME AND EXPENSE

INTEREST INCOME	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Loans to and other receivables from banks	13	32	12	80
Pooling	-	1	-	6
Hedging derivatives	123	330	201	512
Debt securities:	438	1 301	452	1 328
measured at amortized cost	238	643	174	401
measured at fair value through other comprehensive income	198	651	275	909
measured at fair value through profit or loss	2	7	3	18
Loans and advances to customers	1 722	4 991	1 690	5 987
measured at amortized cost	1 549	4 442	1 473	5 207
measured at fair value through other comprehensive income	84	251	92	304
measured at fair value through profit or loss	89	298	125	476
Amounts due to customers	4	12	5	15
Total	2 300	6 667	2 360	7 928
of which: interest income on impaired financial instruments	58	147	50	171
Interest income calculated under the effective interest rate method on financial instruments measured	2 086	6 032	2 031	6 922
at amortized cost	1 804	5 130	1 664	5 709
at fair value through other comprehensive income	282	902	367	1 213
Income similar to interest income on instruments at fair value through profit or loss	214	635	329	1 006
Total	2 300	6 667	2 360	7 928

INTEREST EXPENSE	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Amounts due to banks	(3)	(9)	(2)	(7)
Interbank deposits	(2)	(5)	(1)	(8)
Loans and advances received	(51)	(146)	(49)	(154)
Leases	(2)	(6)	(3)	(11)
Amounts due to customers	(28)	(106)	(103)	(744)
Debt securities in issue	(3)	(15)	(6)	(21)
Subordinated liabilities	(12)	(36)	(19)	(64)
Total	(101)	(323)	(183)	(1 009)



45. FEE AND COMMISSION INCOME AND EXPENSES

FEE AND COMMISSION INCOME	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Loans and insurance	249	701	215	636
lending	186	533	168	495
offering insurance products	63	168	47	141
Investment funds. pension funds and brokerage activities	92	289	65	238
servicing investment funds and OFE (including management fees)	14	39	11	27
servicing and selling investment and insurance products	3	7	3	8
brokerage activities	75	243	51	203
Cards	426	1 075	365	969
Margins on foreign exchange transactions	152	426	127	342
Bank accounts and other	311	915	276	813
servicing bank accounts	236	705	212	622
cash operations	16	45	14	47
servicing foreign mass transactions	22	63	19	52
customer orders	14	41	12	37
fiduciary services	3	7	2	5
other	20	54	17	50
Total	1 230	3 406	1 048	2 998

FEE AND COMMISSION EXPENSE	third quarter period from 01.07.2021 to 30.09.2021	3 quarters cumulative period from 01.01.2021 to 30.09.2021	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
Loans and insurance	(33)	(86)	(29)	(85)
commission paid to external entities for product sales	(6)	(18)	(9)	(27)
cost of construction investment supervision and property valuation	(12)	(32)	(10)	(26)
fees to Biuro Informacji Kredytowej	(4)	(13)	(2)	(12)
loan handling	(11)	(23)	(8)	(20)
Investment funds. pension funds and brokerage activities	(7)	(23)	(6)	(18)
Cards	(242)	(600)	(202)	(543)
Bank accounts and other	(33)	(89)	(28)	(80)
clearing services	(10)	(26)	(7)	(24)
commissions for operating services provided by banks	(3)	(8)	(2)	(6)
sending short text messages (SMS)	(14)	(40)	(10)	(29)
selling banking products	(1)	(2)	(2)	(5)
servicing foreign mass transactions	(4)	(11)	(3)	(9)
other	(1)	(2)	(4)	(7)
Total	(315)	(798)	(265)	(726)



Bank Polski

46. SECURITIES

SECURITIES	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
30.09.2021					
Debt securities	678	611	62 568	70 680	134 537
Treasury bonds (in PLN)	531	103	40 865	50 205	91 704
Treasury bonds (in foreign currencies)	7	355	2 079	-	2 441
corporate bonds (in PLN) secured by guarantees from the State Treasury	-	-	10 691	12 046	22 737
municipal bonds (in PLN)	16	-	4 524	4 930	9 470
corporate bonds (in PLN)	118	153	3 978	1 892	6 141
corporate bonds (in foreign currencies)	-	-	431	1 607	2 038
mortgage covered bonds	6	-	-	-	6
Equity securities	16	342	-	-	358
shares in other entities - not listed	-	318	-	-	318
shares in other entities - listed	14	24	-	-	38
participation units in investment funds. investment certificates. rights to shares. pre-emptive rights	2	-	-	-	2
Total (excluding fair value adjustments due to fair value hedge)	694	953	62 568	70 680	134 895
Fair value adjustments due to fair value hedge	-	-	-	-	-
Total	694	953	62 568	70 680	134 895

SECURITIES	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
31.12.2020					
Debt securities	1 171	647	70 446	47 217	119 481
Treasury bonds (in PLN)	685	119	50 654	29 617	81 075
Treasury bonds (in foreign currencies)	4	367	2 090	-	2 461
Treasury bills	349	-	500	-	849
corporate bonds (in PLN) guaranteed by the State Treasury	-	-	8 704	9 887	18 591
municipal bonds (in PLN)	15	-	4 640	5 060	9 715
corporate bonds (in PLN)	110	161	3 835	1 517	5 623
corporate bonds (in foreign currencies)	-	-	23	1 136	1 159
mortgage covered bonds	8	-	-	-	8
Equity securities	27	460	-	-	487
shares in other entities - not listed	-	443	-	-	443
shares in other entities - listed	25	17	-	-	42
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	-	-	-	2
Total (excluding fair value adjustments due to fair value hedge)	1 198	1 107	70 446	47 217	119 968
Fair value adjustments due to fair value hedge	-	-	-	5	5
Total	1 198	1 107	70 446	47 222	119 973

The item "T-bonds in PLN and in foreign currencies" comprises Polish T-bonds.



47. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS 30.09.2021	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
retail and private banking	4 837	13 607	100 049	118 493
housing	4	13 607	75 056	88 667
consumer	4 833	-	24 993	29 826
SME	46	-	17 482	17 528
housing	-	-	5 528	5 528
corporate	46	-	11 954	12 000
corporate	57	-	64 443	64 500
housing	-	-	91	91
corporate	57	-	64 352	64 409
Loans and advances to customers (excluding adjustments relating to fair value hedge)	4 940	13 607	181 974	200 521
Fair value adjustments due to fair value hedge	1	-	-	1
Total	4 941	13 607	181 974	200 522

LOANS AND ADVANCES TO CUSTOMERS 31.12.2020	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
retail and private banking	5 895	14 054	93 748	113 697
housing	7	14 054	71 363	85 424
consumer	5 888	-	22 385	28 273
SME	46	-	16 835	16 881
housing	-	-	5 673	5 673
corporate	46	-	11 162	11 208
corporate	68	-	62 413	62 481
housing	-	-	292	292
corporate	68	-	62 121	62 189
Loans and advances to customers (excluding adjustments relating to fair value hedge)	6 009	14 054	172 996	193 059
Fair value adjustments due to fail value hedge	4	-	-	4
Total	6 013	14 054	172 996	193 063



48. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

	30.09.2021			31.12.2020		
	Gross amount	Impairment	Net amount	Gross amount	Impairment	Net amount
SUBSIDIARIES						
PKO Bank Hipoteczny S.A.	1 650	-	1 650	1 650	-	1 650
KREDOBANK S.A.	1 072	(793)	279	1 072	(793)	279
PKO Leasing S.A.	496	-	496	496	-	496
PKO Życie Towarzystwo Ubezpieczeń S.A.	241	-	241	241	-	241
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	225	-	225	225	-	225
PKO VC – fizan ¹	200	-	200	200	-	200
PKO BP BANKOWY PTE S.A.	151	(37)	114	151	(37)	114
NEPTUN – fizan ¹	132	-	132	132	-	132
Merkury – fiz an ¹	120	-	120	120	-	120
PKO Towarzystwo Ubezpieczeń S.A.	110	-	110	110	-	110
PKO Finance AB	24	-	24	24	-	24
PKO BP Finat sp. z o.o.	21	-	21	21	-	21
JOINT VENTURES						
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	197	-	197	197	-	197
Operator Chmury Krajowej sp. z o.o. ²	60	-	60	60	-	60
ASSOCIATES						
Bank Pocztowy S.A.	184	(184)	-	184	(184)	-
“Poznański Fundusz Poręczeń Kredytowych” Sp. z o.o.	2	(2)	-	2	(2)	-
Fair value adjustments due to fair value hedge	6	-	6	-	-	-
Total	4 891	(1 016)	3 875	4 885	(1 016)	3 869

¹ The Bank holds investment certificates of the Fund which allow to control the Fund in accordance with IFRS.

² The value of exposure to the company Operator Chmury Krajowej sp. z o.o. does not include newly issued shares paid for by PKO Bank Polski S.A. at the purchase price of PLN 17 500 000; the said share capital increase was not registered until 30 September 2021.

Additionally, as at 30 September 2021 and 31 December 2020, the amount of PLN 500 million arising from the planned acquisition of series A investment certificates of PKO Energii Odnawialnej FIZAN of the second and the subsequent issues and series B of the first and the subsequent issues was recognized in off-balance sheet liabilities.



49. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS 30.09.2021	Amounts due to households	Amounts due to business entities	Amounts due to State Budget entities	Total
Measured at fair value through profit or loss	-	1	-	1
Liabilities in respect of a short position in securities	-	1	-	1
Measured at amortized cost	235 031	45 604	14 179	294 814
Current accounts and overnight deposits. of which:	195 014	44 755	14 148	253 917
savings accounts and other interest-bearing assets	55 811	17 227	7 040	80 078
Term deposits	39 414	138	17	39 569
Other liabilities	603	711	14	1 328
Total	235 031	45 605	14 179	294 815

AMOUNTS DUE TO CUSTOMERS 31.12.2020	Amounts due to households	Amounts due to business entities	Amounts due to State Budget entities	Total
Measured at amortized cost	221 988	43 162	13 744	278 894
Current accounts and overnight deposits. of which:	173 732	41 850	13 706	229 288
savings accounts and other interest-bearing assets	53 569	15 935	7 322	76 826
Term deposits	47 780	629	18	48 427
Other liabilities	476	683	20	1 179
Total	221 988	43 162	13 744	278 894

AMOUNTS DUE TO CUSTOMERS BY SEGMENT	30.09.2021	31.12.2020
retail and private banking	207 058	195 985
corporate	43 569	41 171
SME	44 188	41 738
Total	294 815	278 894

50. RELATED-PARTY TRANSACTIONS-CAPITAL LINKS - SUBSIDIARIES

Transactions of the Bank as the parent company with its subsidiaries are presented in the table below. All transactions presented below were concluded on an arm's length basis.

The Bank provided services to PKO Bank Hipoteczny S.A. within the scope of intermediation in sales of housing loans for individuals performing tasks as part of the post-transaction services in respect of these loans and support tasks under the outsourcing agreement. The Bank offered its infrastructure and information and communications technology services and rented office space to selected companies of the Bank's Group. The Bank together with Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o. provided payment transaction clearing services.



AS AT 30 SEPTEMBER 2021 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
KREDOBANK SA and its subsidiary	90	80	16	234
Merkury - fiz an and its subsidiaries	-	-	34	-
NEPTUN - fizan and its subsidiaries	153	153	42	-
PKO Bank Hipoteczny S.A.	3 793	3 790	1 123	6 422
PKO BP BANKOWY PTE S.A.	-	-	31	-
PKO BP Finat sp. z o.o.	-	-	27	10
PKO Finance AB	780	-	4 521	-
PKO Leasing SA and its subsidiaries	17 935	17 935	19	5 609
PKO Towarzystwo Funduszy Inwestycyjnych SA	-	-	178	-
PKO Towarzystwo Ubezpieczeń SA	-	-	88	1
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	-	-	463	1
Total	22 751	21 958	6 542	12 277

AS AT 31 DECEMBER 2020 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
KREDOBANK SA and its subsidiary	11	-	19	296
Merkury - fiz an and its subsidiaries	-	-	25	-
NEPTUN - fizan and its subsidiaries	156	156	34	-
PKO Bank Hipoteczny S.A.	3 439	3 215	1 155	7 078
PKO BP BANKOWY PTE S.A.	-	-	13	-
PKO BP Finat sp. z o.o.	-	-	9	10
PKO Finance AB	742	-	4 343	-
PKO Leasing SA and its subsidiaries	16 753	16 753	16	5 708
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	21	-	164	-
PKO Towarzystwo Ubezpieczeń S.A.	-	-	14	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	-	-	494	-
Total	21 122	20 124	6 286	13 092



FOR THE PERIOD ENDED 30 SEPTEMBER 2021 / ENTITY	Total income	of which interest and commission expense	Total expense	of which interest and commission income
KREDOBANK SA and its subsidiary	2	2	-	-
NEPTUN - fizan and its subsidiaries	2	2	-	-
PKO Bank Hipoteczny S.A.	77	61	5	5
PKO BP BANKOWY PTE S.A.	1	1	-	-
PKO BP Finat sp. z o.o.	14	-	9	4
PKO Finance AB	26	26	140	140
PKO Leasing SA and its subsidiaries	354	124	-	-
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	127	4	-	-
PKO Towarzystwo Ubezpieczeń SA	56	56	-	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	86	33	7	7
Total	745	309	161	156

FOR THE PERIOD ENDED 30 SEPTEMBER 2020 / ENTITY	Total income	of which interest and commission expense	Total expense	of which interest and commission income
NEPTUN - fizan and its subsidiaries	2	2	-	-
PKO Bank Hipoteczny S.A.	196	180	3	3
PKO BP Finat sp. z o.o.	2	-	4	-
PKO Finance AB	16	16	146	146
PKO Leasing SA and its subsidiaries	192	190	-	-
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	222	5	1	1
PKO Towarzystwo Ubezpieczeń S.A.	42	42	-	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	40	40	8	8
Total	712	475	162	158



51. CAPITAL ADEQUACY

	30.09.2021	31.12.2020
Equity	39 931	38 577
capital: share capital, supplementary capital, other reserves, and general risk reserve	31 534	34 478
retained earnings	5 500	5 500
net profit or loss for the year	3 526	(2 944)
other comprehensive income	(629)	1 543
Exclusions from equity:	2 664	319
cash flow hedges	(862)	319
net profit or loss for the year	3 526	-
Other fund reductions:	2 680	2 254
goodwill	755	755
other intangible assets	1 215	1 138
additional asset adjustments (AVA, DVA, NPE, capital exposure)	710	361
Temporary reversal of IFRS 9 impact	1 361	1 560
Current year profit included upon approval of the PFSA	2 073	-
Tier 1	38 021	37 564
Tier 2 (subordinated debt)	2 700	2 700
Own funds	40 721	40 264
Requirements for own funds	15 674	16 287
Credit risk	13 879	13 268
Operational risk	1 493	1 339
Market risk	255	1 652
Credit valuation adjustment risk	47	28
Total capital adequacy ratio	20.78	19.78
Tier 1 capital ratio	19.41	18.45

52. SUBSEQUENT EVENTS

- On 6 October 2021 the Monetary Policy Council decided to increase the mandatory reserve rate from 0.5% to 2.0%. This increase shall apply for the first time to the mandatory reserve maintained from 30 November 2021 calculated based on the data from October 2021.
- On 11 October 2021 Mr Piotr Sadownik resigned as a member of the Bank's Supervisory Board with effect as of 11 October 2021.
- On 12 October 2021 the Extraordinary General Shareholders' Meeting appointed Mr Tomasz Kuczur and Mr Bogdan Szafrński as Supervisory Board members. At the same time Mr Zbigniew Hajłasz was dismissed from the Supervisory Board.



- On 14 October 2021 Mr Jan Emeryk Rościszewski resigned from membership in the Bank's Management Board and the function of its President with effect as of 22 October 2021.

On 14 October 2021 the Bank's Supervisory Board dismissed Mr Rafał Antczak and Mr Jakub Papierski from the position of Vice-President of the Management Board.

At the same time the Supervisory Board appointed Ms Iwona Duda as Vice-President of the Bank's Management Board with effect from 23 October 2021, subject to the approval of the Polish Financial Supervision Authority. Ms Iwona Duda was appointed President of the Bank's Management Board as of the date of such approval. Until such approval is issued by the Polish Financial Supervision Authority Ms Iwona Duda by a decision of the Supervisory Board shall manage the work of the Management Board.

As of 14 October Mr Wojciech Iwanicki was also appointed Vice-President of the Bank's Management Board.

SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

04.11.2021	IWONA DUDA	VICE-PRESIDENT OF THE MANAGEMENT BOARD MANAGING THE WORK OF THE MANAGEMENT BOARD
04.11.2021	BARTOSZ DRABIKOWSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
04.11.2021	MARCIN ECKERT	VICE-PRESIDENT OF THE MANAGEMENT BOARD
04.11.2021	WOJCIECH IWANICKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
04.11.2021	MAKS KRACZKOWSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
04.11.2021	MIECZYŚLAW KRÓL	VICE-PRESIDENT OF THE MANAGEMENT BOARD
04.11.2021	ARTUR KURCWEIL	VICE-PRESIDENT OF THE MANAGEMENT BOARD
04.11.2021	PIOTR MAZUR	VICE-PRESIDENT OF THE MANAGEMENT BOARD

SIGNATURE OF THE PERSON RESPONSIBLE
FOR MAINTAINING THE BOOKS OF ACCOUNT

DANUTA SZYMAŃSKA
DIRECTOR OF THE ACCOUNTING DIVISION