

# **Report of Bank Pekao S.A. Group for the first quarter of 2021**



**Warsaw, May 2021**

# Report on the activities of Bank Pekao S.A. Group for the first quarter of 2021



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

**Warsaw, May 2021**

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

	1 QUARTER 2021	1 QUARTER 2020	2020	2019
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Operating income	2,000	2,072	7,813	8,282
Operating costs	(1,044)	(1,000)	(3,468)	(3,537)
Profit before income tax	402	334	1,725	3,002
Net profit for the period attributable to equity holders of the Bank	246	187	1,102	2,165
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE) - nominally	3.9%	3.2%	4.5%	9.5%
Return on average equity (ROE) - linearly adjusted for BGF charges	5.9%	5.8%	4.5%	9.5%
Return on assets (ROA)	0.4%	0.4%	0.5%	1.1%
Net interest margin	2.3%	2.9%	2.5%	2.9%
Cost / income <sup>(*)</sup> (including BFG cost)	62.4%	60.4%	49.3%	48.2%
Costs of risk	0.41%	0.83%	0.99%	0.46%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Total assets	247 192	217 360	233 217	203 323
Customers' financing <sup>(**)</sup>	164 177	154 092	151 684	151 384
Amounts due to customers <sup>(***)</sup>	195 246	166 877	177 745	157 203
Debt securities issued and subordinated liabilities	7 686	7 829	8 905	9 072
Equity	25 304	23 782	25 495	23 398
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Customers' financing <sup>(**)</sup> / total assets	66.4%	70.9%	65.0%	74.5%
Securities / total assets	24.5%	17.1%	26.7%	17.8%
Deposits <sup>(****)</sup> / total assets	82.1%	80.4%	80.0%	81.8%
Customers' financing <sup>(*)</sup> / deposits <sup>(****)</sup>	80.9%	88.2%	81.3%	91.0%
Equity / total assets	10.2%	10.9%	10.9%	11.5%
Total capital ratio	18.5%	16.4%	18.7%	17.1%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees	15,904	15,889	14,994	15,678
Number of outlets	717	797	713	805
Number of ATMs	1,580	1,640	1,592	1,648

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

(\*\*) Excluding repo transactions and lease liabilities.

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

(\*\*\*\*) Including 751 people who became employees of the Bank on the basis of art. 23 of the Labor Code in connection with the acquisition of Idea Bank on January 3, 2021.

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

## 2. Highlights of Bank Pekao S.A.

	1 QUARTER 2021	1 QUARTER 2020	2020	2019
<b>INCOME STATEMENT – SELECTED ITEMS</b>				
	<i>(in PLN million)</i>			
Operating income	1,849	1,920	7,476	7,887
Operating costs	(973)	(928)	(3,191)	(3,204)
Profit before income tax	302	241	1,697	3,016
Net profit	167	113	1,126	2,247
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE) - nominally	2.7%	2.0%	4.8%	10.2%
Return on average equity (ROE) - linearly adjusted for BGF charges	4.8%	4.7%	4.8%	10.2%
Return on assets (ROA)	0.3%	0.2%	0.5%	1.2%
Net interest margin	2.3%	2.9%	2.5%	2.9%
Cost / income <sup>(*)</sup> (including BFG cost)	63.6%	61.4%	47.7%	46.4%
Costs of risk	0.49%	0.93%	1.03%	0.43%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b>				
	<i>(in PLN million)</i>			
Total assets	237,627	209,065	222,381	194,650
Customers' financing <sup>(**)</sup>	153,032	144,631	139,926	142,146
Amounts due to customers <sup>(***)</sup>	195,762	167,535	178,276	157,750
Debt securities issued and subordinated liabilities	2,926	4,149	3,281	4,369
Equity	24,377	22,837	24,647	22,527
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Customers' financing <sup>(**)</sup> / total assets	64.4%	69.2%	62.9%	73.0%
Securities / total assets	25.7%	18.0%	28.2%	18.6%
Deposits <sup>(***)</sup> / total assets	83.6%	82.1%	81.6%	83.3%
Customers' financing <sup>(*)</sup> / deposits <sup>(***)</sup>	77.0%	84.2%	77.1%	87.7%
Equity / total assets	10.3%	10.9%	11.1%	11.6%
Total capital ratio	20.5%	18.1%	20.8%	18.7%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees	13,730	13,843	12,870	13,779
Total number of outlets	717	797	713	805
Number of ATMs	1,580	1,640	1,592	1,648

(\*) Including non-treasury debt securities and excluding reverse repo transactions.

(\*\*) Excluding repo transactions and lease liabilities.

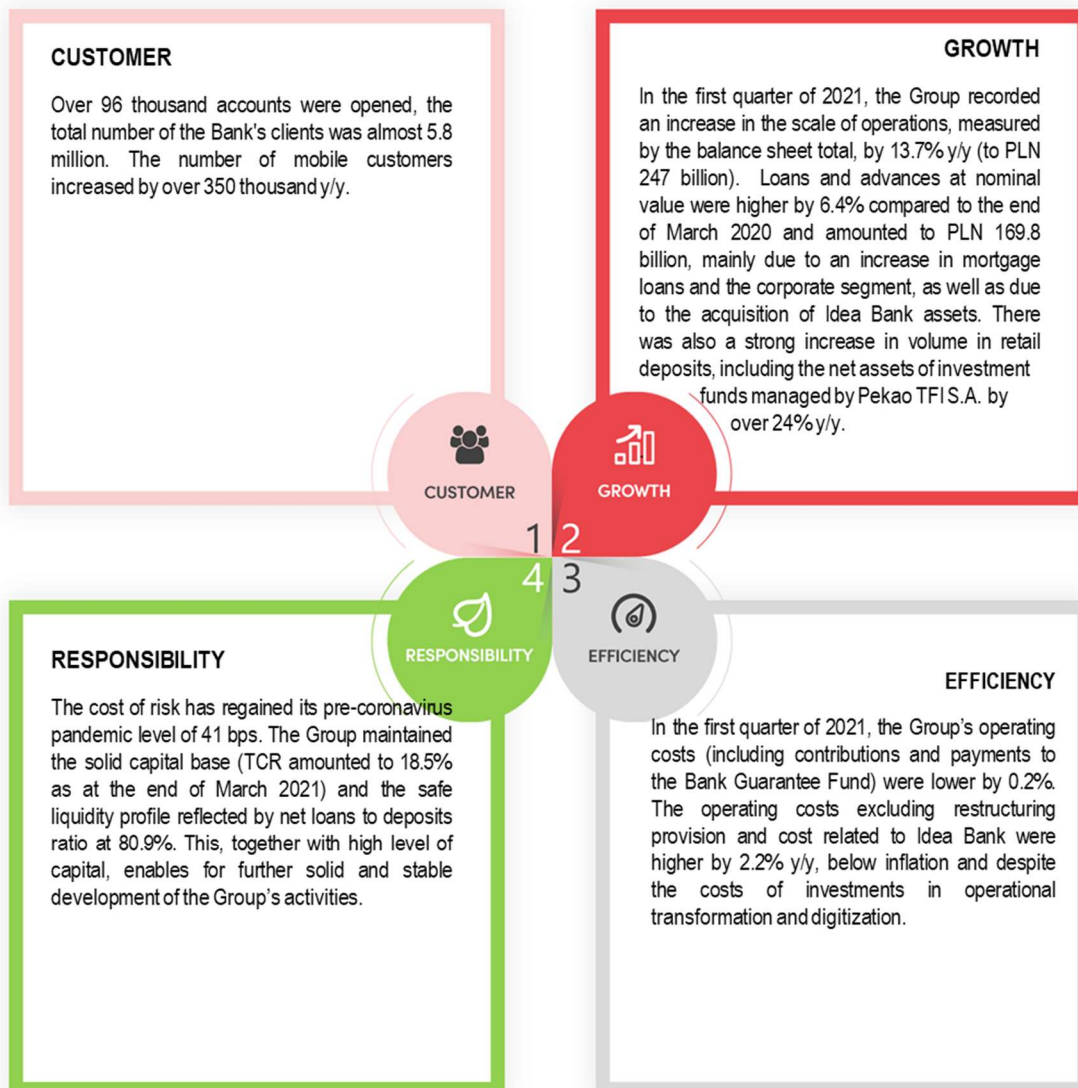
(\*\*\*) Deposits include amounts due to customers, debt securities issued and subordinated liabilities.

(\*\*\*\*) Including 751 people who became employees of the Bank on the basis of art. 23 of the Labor Code in connection with the acquisition of Idea Bank on January 3, 2021.

### 3. Summary of Performance

Net profit of the Bank Pekao S.A. Group attributable to the Bank's holders for the first quarter of 2021 amounted to **PLN 245.6 million** and was higher by PLN 58.7 million i.e. 31.4% y/y, mainly due to lower write-offs for impairment of financial assets, (higher write-offs related to the COVID-19 pandemic created in March 2020) and lower operating costs (thanks to lower contributions and payments to the Bank Guarantee Fund).

Despite the COVID-19 pandemic, the Group increased the size of its commercial activities, actively supported clients' financial liquidity and focused on further improving cost-effectiveness, digitizing and automating processes, and implementing advanced digital solutions. The Group toured its activities in the following key strategic areas (in accordance with the adopted Strategy for 2021-2024).



On January 3, 2021, the Bank took over the enterprise and liabilities of Idea Bank S.A. with exceptions, as a result of the BFG's application of the compulsory restructuring instrument on 30 December 2020, which affects the comparability of results y/y. The volume of loans in nominal value taken over with Idea Bank S.A. at the end of first quarter of the 2021, it amounted to PLN 10,212.3 million, which represents 4.1% of the Group's balance sheet total.

## Impact of the COVID-19 pandemic on the functioning of the Group

In the first quarter of 2021, the Bank continued the activities undertaken in 2020 in connection with the COVID-19 pandemic, actively supporting clients in maintaining financial liquidity, accelerating the digitization of processes and actively encouraging clients to use remote channels in everyday banking.

The Bank monitors the economic situation in the country and in the world on an ongoing basis. The various scenarios for the development of the epidemic and its impact on the economy are analyzed, as well as the best solutions that the Bank can adopt.

## Strategy

### Strategy and key financial indicators

“**Responsible Bank.Modern banking**” - the new strategy of Bank Pekao S.A. for the years 2021-2024, announced in March 2021 (“Strategy”).

According to the strategic plan, Bank Pekao S.A.:

- will be a **universal bank, the bank of first choice** for its clients,
- will develop a **remote model** of distribution and customer service,
- will focus on the costs and efficiency of processes,
- will grow in the most profitable segments of the market.

Pekao's ambition in the horizon of 2024 is to be one of the most profitable and efficient banks in Poland. As part of the implementation of the new strategy, the Bank focuses on:

- a significant increase in the rate of return on equity (ROE) from 4.5% in 2020 to ~ 10% in 2024
- reduction of the cost to income ratio (C/I) from 49% to approximately 42% in 2024.

The main strategic goals also include increasing the number of **active mobile banking customers** from 2 million in 2020 to 3.2 million in 2024.

The strategy is based on four pillars: **Customer, Growth, Efficiency and Responsibility.**

## 4. External Activity Conditions

### Epidemic environment

The spread of SARS-CoV-2 virus, which causes COVID-19 disease, forced authorities to periodically introduce a wide array of containment measures in order to limit the spread of the virus ease pressure on healthcare system from rising number of hospitalizations. That has serious impact on economic environment and functioning of enterprises, households and financial sector.

The government deployed several programs aimed at limiting negative economic impact of containment measures. Policies were focused on protecting employees and consumers (state paying part of wages, additional social transfers, exemptions from social security contributions), aiding particularly impacted sectors (tourism, transport, trade) and supporting enterprises (subsidies, credit guarantees). The Polish Development Fund (PFR) Financial Shield 1.0 provided PLN 60.8 billion to enterprises in 2020. In 2021 Financial Shield 2.0 may provide PLN 35 billion to enterprises from 54 sectors of the economy that were most severely impacted by pandemic.

Support for the real economy was accompanied by monetary and regulatory actions targeted at aiding financial sector. The most important include:

- NBP operations aimed at improving the liquidity of the sector (REPO transactions, bond purchase and others),
- reduction of the systemic risk capital buffer from 3% to 0% (aimed at freeing up capital and thus providing credit support to the economy during the crisis),
- reduction of the mandatory reserve requirement from 3.5% to 0.5%,
- reduction of the payments to Bank Guarantee Fund in 2021 by 30% y/y,
- recommendations to retain all profits from previous years instead of paying out dividends,
- milder requirements for the credit assessment of banks required by the KNF (which is intended to provide more support for companies in financial difficulties),
- looser requirements in terms of IFRS9 (reducing the translation of a crisis situation into risk costs),
- deferred MREL requirements.

In the first quarter of 2021, the epidemiological situation continued to have a strong negative impact on banks' results. The reintroduction and prolongation of many restrictions is affecting consumers, the economy and its individual sectors. As a result, credit market activity (especially corporate loans) and banks' cost of risk remain under pressure. At the same time, interest rates remain at record low.

Poland is currently struggling with the third and the most severe wave of COVID-19 pandemic cases that is accompanied by record-high number of hospitalizations. Epidemic restrictions introduced in the second half of March restrictions will remain in force until at least April 25 and following weeks should bring gradual lifting of containment measures. Higher supplies of vaccines in the second quarter and faster vaccinations progress should allow to avoid another lockdowns in the second half of 2021.

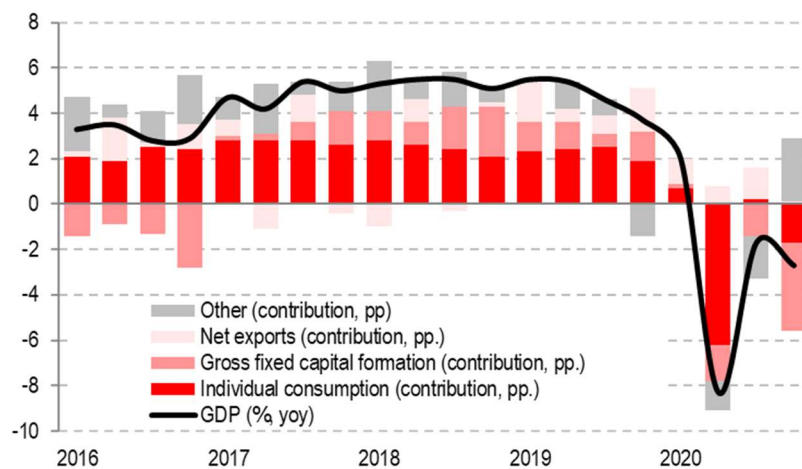
The third stage of the pandemic in Poland is slowly coming to an end, the process of defrosting the economy began on April 25, 2021, restrictions in retail trade will cease to apply from May 4, and other forms of service activities will gradually open later in the month (including hotels and restaurants). Higher supplies of vaccines in the second quarter and faster vaccinations progress should allow to avoid another lockdowns in the second half of 2021.



### Economic growth

In the fourth quarter of 2020 Poland's economy shrank by 2.7% yoy following the decline by 1.7% yoy in the third quarter. In the final quarter of last year Gross Domestic Product (GDP) fell by 0.5% qoq sa after expanding by 7.5% qoq sa as epidemic restrictions were re-introduced in response to the second wave of COVID-19 pandemic cases. In the fourth quarter of 2020 gross value added in trade and repair of motor vehicles fell by 4.5% yoy, while in accommodation and catering it nose-dived by nearly 70% yoy. Domestic demand declined by 2.9% yoy in the fourth quarter of 2020 as compared with 3.2% yoy drop in the previous quarter, while positive contribution of foreign trade to annual GDP growth amounted to 0.1 percentage points. Households consumption fell by 3.2% yoy after expanding by 0.4% yoy in the third quarter of last year. In the final quarter of 2020 gross fixed capital formation went down by 15.4% yoy after falling by 8.2% yoy in the third quarter.

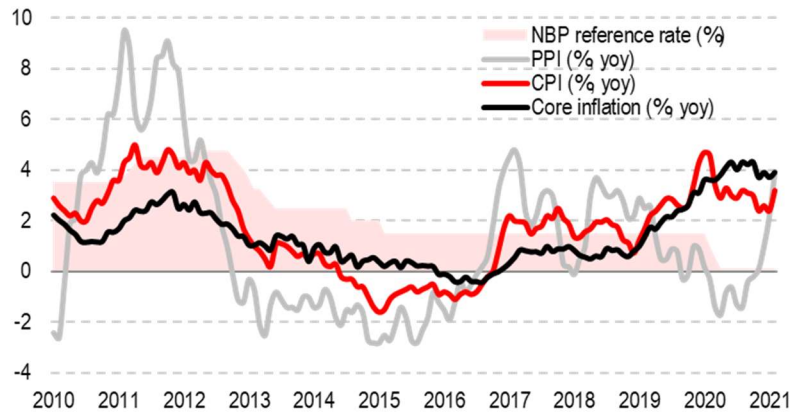
The third wave of COVID-19 pandemic did not allow epidemic restrictions to be fully lifted in the first quarter of 2021 and in March they were even tightened. Economic activity in services remained subdued and GDP probably fell by some 1.5% yoy. Faster vaccines rollout should allow authorities to lift containment measures, leading to buoyant economic growth in the second half of the year, boosted by decline in households savings that surged during pandemic. In 2021 economic growth should exceed 4%.



### Inflation and monetary policy

According to the statistical office (GUS) preliminary estimate in March inflation increased to 3.2% from 2.4% yoy posted in February. Price growth exceeded the National Bank of Poland (NBP) target of 2.5% +/- 1 p.p. and was close to the upper bound of acceptable deviations from the target. Consumer prices growth in March was mainly driven by higher costs of house maintenance (5.1% yoy) and costs linked to transport (5.4% yoy) that contributed 1.25 p.p. and 0.50 p.p, respectively, to annual CPI growth.

The Monetary Policy Council (MPC) maintains expansionary policy targeted at supporting economic recovery. In March the NBP reference rate remained at record-low of 0.10%. Deposit rate stood at 0.00% and lombard rate at 0.50%. The central bank also continued purchasing treasury bonds. On the top of that the central bank continued structural open market operations purchasing on the secondary market treasury bonds and state-guaranteed bonds. Until the end of the first quarter of 2020 the NBP purchased securities worth over PLN 113 billion.

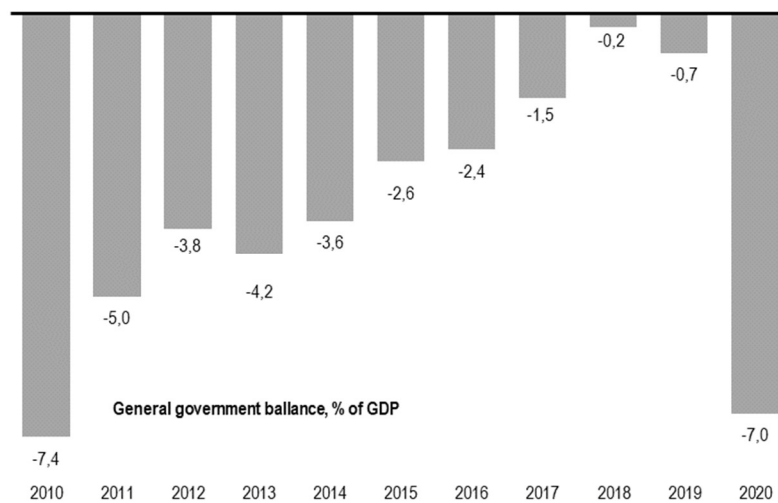


### Fiscal policy

According to the preliminary estimates of the Ministry of Finance after March the state budget (cash basis) posted a PLN 3.4 billion deficit, while the 2021 budget act assumes annual deficit of PLN 82.3 billion. Budget revenues amounted to PLN 101.1 billion and were PLN 4.8 billion higher than in the corresponding period of 2020, whereas budget expenditures totaled PLN 104.5 billion and were PLN 1.1 billion lower than in the first three months of 2020. VAT tax collections were some 9.3% higher than in the first quarter of 2020 and proceeds from excise duty went down by 4.6% yoy. The first months of 2021 brought increases in revenues from direct taxes – corporate income tax (CIT) receipts were 5.7% higher than last year, but revenues from personal income tax (PIT) increased by 7.1% yoy.

According to the Central Statistical Office (GUS) fiscal notification in 2020 the general government deficit widened to 7.0% of GDP from 0.7% of GDP in 2019.

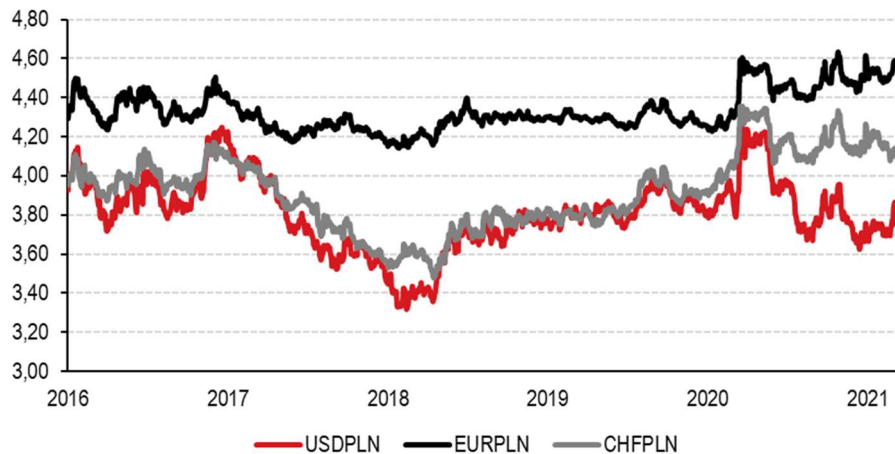
At the end of 2020 the state public debt reached PLN 1 111.3 billion and was PLN 120.3 billion higher than at the end of 2019. Domestic debt rose by PLN 107.1 billion last year, while foreign debt increased by PLN 13.2 billion. In relation to GDP the state public debt went up to 47.8% in 2020 from 43.2% in 2019. At the end of 2020 the general government debt reached PLN 1 335.6 billion i.e. 57.5% of GDP.



### The exchange rate

In the first three months of the year markets were mostly ruled by optimism regarding the prospects of the global economy, with special emphasis on the United States. In addition, markets were moved by the acceleration in vaccinations against COVID-19 pandemic in all major economies, the passing and implementation of yet another fiscal stimulus package in the United States as well as relaxed attitude of the Fed who refrained from intervening (verbally or otherwise) on the bond market. Taken altogether, the aforementioned factors translated into new highs in major equity indices, sharply higher bond yields (with the US 10-year yield more than doubling and reaching pre-pandemic levels) and stronger US dollar (due to better growth prospects in the United States). In the first quarter the euro weakened against the dollar from 1.23 at the beginning of the year to 1.17 by end-March.

Local market in the first weeks of the year was rather calm. The NBP did not continue FX interventions and the signals of further loosening of monetary policy were essentially shelved at the beginning of the year. At the same time, rising optimism and risk appetite on the global markets led to capital inflows into Polish asset markets, leading to a decline in the EUR-PLN pair. By mid-February it declined below 4.50. However, the second half of the quarter was marked by relentless depreciation of the zloty. It took a couple of weeks for it to decline against the euro from 4.47 to 4.69 (a fresh decade high), from 3.69 to 3.97 against the US dollar and from 4.10 to 4.21 vis-à-vis the Swiss franc. The PLN's weakness was due to both global and local factors. The former is the sell-off of EM assets related to US dollar strength and the increase in market interest rates. The latter is the third COVID-19 pandemic wave, relatively (compared to the region in and EMs in general) loose monetary policy pursued by the NBP and uncertainties related to the Supreme Court ruling on FX mortgages.



### Banking sector

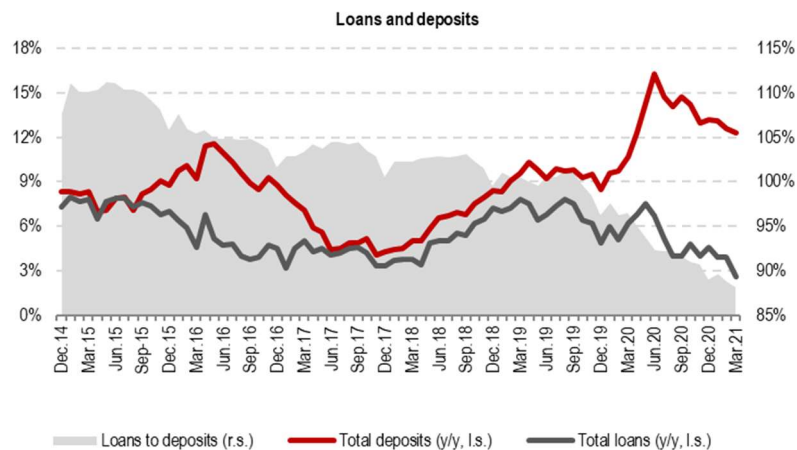
According to the Financial Supervision Authority (KNF) data, in the period of January-February 2021 net profit of the banking sector amounted to PLN 1.4 billion and fell by 24% in comparison to the corresponding period of 2020. Banks' results remain under pressure due to the persistently adverse macroeconomic environment in the face of the COVID-19 pandemic outbreak, including its impact on the sector's cost of risk, demand for banking products and economically-related record low interest rates (which were lowered in March 2020, hence first quarter 2021 results are subject to a higher base effect)

Total net operating income of banks decreased by 9.5% year on year. Due to aforementioned reasons, key net interest income decreased by 15% y/y, while at the same time other income fell similarly (-17% y/y). In turn, net fees and commission income is growing (+13% y/y). At the beginning of the year, banks' operating costs declined significantly (-7.4% y/y).

At the end of February 2021 total assets of the banking sector amounted to PLN 2,383 billion and increased by 16% compared to February 2020. Total receivables from the non-financial sector stayed nearly the same (-0.3% y/y), while total deposits from this sector increased by 13% year on year.

According to the National Bank of Poland (NBP), at the end of March 2021 the nominal volume of households' loans increased by 1.1% compared to year before and fell by 8.6% in case of enterprises. In both areas further declines are taking place in terms of growth pace, already observed throughout 2020 due to the difficult economic and epidemic situation.

The inflow of funds paid out to companies under the so-called anti-crisis shield, the protection of jobs and, in addition, the effect of accumulating savings in anticipation of a worsening environment translated into strong deposit growth in 2020. At the beginning of 2021, dynamics have declined slightly, but remain high - respectively +9.7% y/y for households and +20.3% y/y for companies (as of March 2021).



## 5. Important Events and Achievements

### 5.1 Description of the Group

The composition of Bank Pekao S.A. Group is presented in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2021.

### 5.2 Changes in the Group's structure

#### Acquisition of the shares of Krajowy Integrator Płatności S.A.

On March 31, 2021, the purchase transaction was completed, as a result of which Bank became the owner of 210 641 shares constituting 38,33% of the capital and entitling to 38,33% of votes at the General Meeting of Krajowy Integrator Płatności S.A. with its seat in Poznań, the operator of the Tpay.com system.

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

The composition of the Supervisory Board of Bank Pekao S.A. has as follows:

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2021	31 MARCH, 2021	AS AT THE DATE OF SUBMITTING THE REPORT FOR 2020
Beata Kozłowska-Chyla Chairman of the Supervisory Board	Beata Kozłowska-Chyla Chairman of the Supervisory Board	Beata Kozłowska-Chyla Chairman of the Supervisory Board
Joanna Dynysiuk Deputy Chairman of the Supervisory Board	Joanna Dynysiuk Deputy Chairman of the Supervisory Board	Joanna Dynysiuk Deputy Chairman of the Supervisory Board
Marcin Eckert Deputy Chairman of the Supervisory Board	Marcin Eckert Deputy Chairman of the Supervisory Board	Marcin Eckert Deputy Chairman of the Supervisory Board
Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board
Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board
Justyna Głębiowska-Michalak Member of the Supervisory Board	Justyna Głębiowska-Michalak Member of the Supervisory Board	Justyna Głębiowska-Michalak Member of the Supervisory Board
Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board
Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board
Małgorzata Sadurska Member of the Supervisory Board	Małgorzata Sadurska Member of the Supervisory Board	Małgorzata Sadurska Member of the Supervisory Board

#### Changes in the Bank's Management Board

On 14 January 2021 the Supervisory Board of the Bank, after assessing suitability, appointed Mr. Błażej Szczecki and Mr. Wojciech Werochowski to the Management Board of the Bank for the current joint term of office as the Vice President of the Management Board of the Bank with the effect from 15 January 2021.; and Mr. Jerzy Kwieciński to the Management Board of the Bank for the current joint term of office as the Vice President of the Management Board of the Bank with the effect from 1 February 2021.

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

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

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

On 4 February 2021, the Polish Financial Supervision Authority unanimously expressed consent to the appointment of Mr. Leszek Skiba as the President of the Management Board of the Bank. Obtaining the said consent results in fulfillment of the condition of becoming the President of the Management Board of the Bank.

According to the submitted statement Mr. Leszek Skiba did not conduct any business competitive to that of the Bank and he was not involved in a competitive business as a shareholder or partner in a civil law company, a partnership or a corporation or a member of a corporate body of a legal person. Mr. Leszek Skiba was not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS Act of 20 August 1997.

On 15 February 2021, the Polish Financial Supervision Authority unanimously expressed consent to entrust Mr. Marcin Gadomski with the position of the Member of the Management Board of the Bank supervising the management of material risk in the Bank's operations. Obtaining the said consent results in fulfillment of the condition of becoming the Vice President of the Management Board of the Bank supervising the management of material risk in the Bank's operations.

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

**The composition of the Management Board of Bank Pekao S.A. has as follows:**

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2021	31 MARCH, 2021	AS AT THE DATE OF SUBMITTING THE REPORT FOR 2020
Leszek Skiba President of the Management Board	Leszek Skiba President of the Management Board	Leszek Skiba President of the Management Board
Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board
Marcin Gadomski Vice President of the Management Board	Marcin Gadomski Vice President of the Management Board	Marcin Gadomski Vice President of the Management Board
Krzysztof Kozłowski Vice President of the Management Board	Krzysztof Kozłowski Vice President of the Management Board	Krzysztof Kozłowski Vice President of the Management Board
Tomasz Kubiak Vice President of the Management Board	Tomasz Kubiak Vice President of the Management Board	Tomasz Kubiak Vice President of the Management Board
Jerzy Kwieciński Wiceprezes Zarządu Banku	Jerzy Kwieciński Wiceprezes Zarządu Banku	Jerzy Kwieciński Wiceprezes Zarządu Banku
Błażej Szczecki Vice President of the Management Board	Błażej Szczecki Vice President of the Management Board	Błażej Szczecki Vice President of the Management Board
Wojciech Werochowski Vice President of the Management Board	Wojciech Werochowski Vice President of the Management Board	Wojciech Werochowski Vice President of the Management Board
Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board

The Management Board of Bank Pekao S.A. is composed of nine members. Members of the Management Board are appointed by the Supervisory Board for a joint three-year term of office. The Management Board ensures that the management system at the Bank is transparent and effective and runs the Bank's affairs in compliance with applicable laws and Best Practices. The core values underlying the management of the Bank are professionalism, reliability and confidentiality.



**LESZEK SKIBA**  
President of the Management Board

Leszek Skiba is President of the Management Board.

In 2015, he was appointed Undersecretary of State in the Ministry of Finance, where he was responsible for the supervision over macroeconomic policy and tax legislation. He was also supporting legislative works connected with financial and capital markets, and prepared general outline of the budget system reform. Between March 2019 and April 2020 he served as the President of the Council of the Bank Guarantee Fund.

Between 2009 and 2015 Leszek Skiba worked at the National Bank of Poland, at the Economic Institute, where he worked on NBP's report devoted to the consequences of Poland's membership of the euro area and prepared analyses of the euro area economy. Since 2009, Leszek Skiba has been running public non-profit activities as the President of the Council and expert of the Sobieski Institute.

Leszek Skiba is a graduate of master's degree studies at the Warsaw School of Economics, in the faculty of International Economic and Political Relations. He's the author of numerous publications in the field of his professional work and public activities.

Leszek Skiba fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**JAROSŁAW FUCHS**  
Vice President of the  
Management Board  
supervising the Private Banking  
and Investment Products  
Division

Jarosław Fuchs Vice President of the Management Board supervising the Private Banking and Investment Products Division.

Jarosław Fuchs received his Master degree with honors in Marketing and Management, in the Faculty of Management of AGH University of Science and Technology in Cracow, as well as he graduated from Banking and Finance studies in Cracow University of Economics.

He started his career in 1994, initially in Big Bank S.A. and AGH University of Science and Technology in Cracow, where he acted as a teaching assistant in Management Faculty. From 1996 to 1997, he worked for Raiffeisen Centrobank S.A. Branch in Cracow, where he was responsible for building relationships with corporate customers. From September 1997, Jarosław Fuchs worked for Societe Generale Warsaw Branch as a Senior Marketing Specialist in the Trade Office in Cracow. In October 2000, he moved to Fortis Bank Polska S.A., as a Senior Customer Advisor in Medium and Large Enterprises Center.

From March 2003, Jarosław Fuchs worked for Bank Millennium S.A. in the position of the Senior Expert and, subsequently – Director of Malopolskie Customer Cooperation Center (Medium and Large Enterprises). From August 2004, he was associated with Bank BPH S.A. in Cracow and next, from December 2007 with Bank Pekao S.A. in managerial positions responsible for corporate customer relations. From March 2011, Jarosław Fuchs was responsible for management of Private Banking Relationship Managers Team as a Regional Sales Office Director in Cracow. At the same time, from 2013, Jarosław Fuchs was working for Pekao Central Brokerage House as a Director in the Region in Strategic Customers Office, where he was responsible for investment product distribution for strategic customers.

Jarosław Fuchs fulfills suitability requirements determined in art. 22aa of Banking Law Act.





**MARCIN GADOMSKI**  
Vice President of the  
Management Board  
supervising the Risk  
Management Division

Marcin Gadomski Vice President of the Management Board supervising the Risk Management Division.

Marcin Gadomski graduated from the Warsaw School of Economics, majoring in Finance and Banking. He was also a scholarship holder studying at the University of Kiel (Germany) and completed doctoral studies at the Warsaw School of Economics. He passed a number of professional certification exams, including: Financial Risk Manager (FRM), Association of Chartered Certified Accountants (ACCA), Project Management Professional (PMP). He participated in the Leadership Development Program run by The John Maxwell Team as well as the Deloitte Leadership Program.

Marcin Gadomski began his professional career at the consulting company Ernst & Young (now EY) in 2002, where he conducted projects in the area of risk, finance and internal audit in financial institutions and non-financial enterprises. During this period, for several years he supported the Pekao Group in implementing among others requirements of IAS 39, Basel II and solutions regarding capital management as well as assets and liabilities management.

Then he continued his career with Deloitte Advisory, first in 2008-2012 as a Senior Manager, and, after a break, in 2016-2018 as a Director. As part of Deloitte Advisory, Marcin Gadomski provided solutions for the largest financial institutions in Poland and abroad (banks, insurers, leasing companies, brokerage houses), among others in the field of credit policy, risk models, improving the credit process for retail and corporate clients, market and liquidity risk management, regulatory requirements (e.g. IFRS 9, the PFSA recommendations, regulations regarding capital requirements, liquidity, information or reporting obligations), due diligences for takeover purposes.

In the years 2012 - 2016 Marcin Gadomski was the Director of Retail Credit Risk Unit at Bank Millennium. He was responsible for credit risk strategy, risk appetite, credit policy, credit assessment models, credit decision engines, risk reporting, credit product profitability assessment and credit process support for such business lines as unsecured consumer loans, mortgage loans and small business.

From August 2018 to November 2019 Marcin Gadomski was a Member of the Management Board of Pekao Bank Hipoteczny S.A., where on 20 November 2018 he obtained the consent of the Polish Financial Supervision Authority to entrust him the function of the Member of the Management Board supervising the management of material risks in the bank's operations. Between 29 November 2019 and 21 April 2020 Marcin Gadomski held position of the Vice President of the Management Board of Bank Pekao S.A. responsible for Risks Management Division. Later he was Credit Risk Director there.

Marcin Gadomski meets suitability requirements determined in art. 22aa of the Banking Law Act.



**KRZYSZTOF KOZŁOWSKI**  
Vice President of the  
Management Board  
supervising the activities of the  
Strategy Division

Krzysztof Kozłowski Vice President of the Management Board supervising the activities of the Strategy Division.

He has a Ph.D. degree awarded in 2010 at the Faculty of Law and Administration of the Jagiellonian University. Since 2011, an associate professor at the Department of Constitutional Law at the Faculty of Law and Administration of the Jagiellonian University. Author of several of scientific publications, as well as a participant of foreign stays, internships and scientific programs. In 2013, entered on the list of advocates (as a non-practicing advocate). He also passed the judge exam.

In the years 2013–2015 an assistant to a justice of the Constitutional Tribunal. In the years 2013–2015, he was a representative–substitute in the Group of Independent Experts of the European Local Government Charter of the Council of Europe in Strasbourg.

From April 2015 to December 2015 he was a member of the Supervisory Board of Tomaszowski Towarzystwo Budownictwa Społecznego sp.z o.o. From December 2015 to September 2016, Undersecretary of State in the Ministry of Maritime Economy and Inland Navigation. From September 2016 to January 2018 he was the West Pomeranian Voivode. In the period from January 2018 to April 2020, he was the Secretary of State in the Ministry of the Interior and Administration.

Krzysztof Kozłowski supervises the Bank's Strategy Division is responsible for the organization of projects of strategic importance for the Bank and the Group, preparation of the Strategy and services for the Bank's corporate bodies.

Krzysztof Kozłowski fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**TOMASZ KUBIAK**  
Vice President of the  
Management Board  
supervising the Financial  
Division

Tomasz Kubiak, Vice President of the Management Board supervising the Financial Division.

Tomasz Kubiak, since 2001 has been professionally associated with Bank Pekao S.A. In addition, since 2018 he has been the Chairman of the Supervisory Board of Pekao Bank Hipoteczny S.A., where in 2011 - 2015 he was a Member of the Supervisory Board, whereas from 2017 he has been a Member of the Supervisory Board of Pekao Investment Banking and the Supervisory Board of Pekao Investment Management.

He started his career in Finance Division in controlling area. In last years, he held the position of Managing Director of the Department of Capital Allocation and Asset and Liability Management, responsible for managing the balance sheet, liquidity and capital of the Bank.

Tomasz Kubiak supervises the Bank's Financial Division, he is responsible, among others, for the area of planning and controlling, accounting and reporting, taxes, capital and liquidity management, and data management.

He graduated of the Warsaw University of Technology, Faculty of Technical Physics and Applied Mathematics. He holds CFA and PRM (Professional Risk Manager) certificates, he was honored by Award of Merit by the international PRMIA organization, associating risk managers.

Tomasz Kubiak meets suitability requirements determined in art. 22aa of the Banking Law Act.



**JERZY KWIECIŃSKI**  
Vice President of the  
Management Board  
supervising the Corporate  
Banking and MIB Division

Jerzy Kwieciński, Vice President of the Management Board supervising the Corporate Banking and MIB Division.

He is a graduate of Faculty of Materials Engineering of the Warsaw University of Technology and holds a degree of Doctor in the field of technical science. He also completed a postgraduate course for managers at the Warsaw School of Economics and an international Master of Business Administration (MBA) programme run by the University of Antwerp, the University of Staffordshire, the Free University of Brussels and the University of Warsaw. Jerzy Kwieciński also has experience in academic and research and development work, which he gained, among others at the Warsaw University of Technology and as a visiting professor at Brunel University of West London.

Jerzy Kwieciński has more than 30 years of international experience in strategic planning, management of large organizations, programs and projects in the public, private, non-governmental and scientific research sectors, including energy sector. From 1993 to 2004, he worked for the European Commission Representation in Poland, where his duties included management of programmes and projects financed by the European Union. He also participated in the works preparing Poland for membership in the European Union. Between 2004 and 2005 he was the President of Europejskie Centrum Przedsiębiorczości sp. z o.o., where in 2008-2015 he acted as a Vice-President of the Management Board.

In 2005, Jerzy Kwieciński took a position of the Undersecretary of State at the Ministry of Regional Development, where he coordinated the national development policy and cohesion policy, including the work on the National Development Strategy for 2007-2015 and the National Cohesion Strategy for 2007-2013.

Between 2008 and 2015, he served as President of the Management Board of JP Capital Group sp. z o.o., specializing in preparation and implementation of projects and innovations, including establishing and running start-ups. In that period he was also head of Fundacja Europejskie Centrum Przedsiębiorczości (European Entrepreneurship Centre Foundation). In 2015, he was appointed the Secretary of State in the Ministry of Development. Since 2015, he has been a member of the National Development Council. In November 2015, he was appointed the First Deputy of the Deputy Prime Minister in the Ministry of Development. From January 2018, he held the office of the Minister of Investment and Development, and from September 2019 he served also as the Minister of Finance. He held both functions until November 15, 2019. He worked on, among others on preparation and implementation of the Strategy for Responsible Development and implementation of cohesion policy.

From January to December 2020 he acted as President of the Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), he has been a member of the Supervisory Board in TUW Polski Gaz, Europolgaz SA and President of the Board of Directors PGNiG Upstream Norway.

Jerzy Kwieciński fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**BŁAŻEJ SZCZECKI**  
Vice President of the  
Management Board  
supervising Banking  
Operations and IT Division

Błażej Szczecki, Vice President of the Management Board supervising the Banking Operations and IT Division.

Professionally associated with the Pekao Group since 2004. From 2018 till 2021 he has served as the Chief Transformation Officer and subsequently as the Chief Strategy Officer of Bank Pekao, responsible a.o. for the digital and operational transformation, as well as for the coordination of the work on the strategy of the Bank. From 2017 till 2018 he was responsible for the Transformation and Services Division, where he managed a.o. IT and Operations of the Bank. In 2010- 2017 he was Member of the Management Board of Pekao Leasing Sp. z o.o., where he assumed responsibility for IT, operations, insurance business, and customer service.

Previously, from 2004 till 2010 he held various leadership roles in the Corporate Banking Division of Bank Pekao, including participation in the taskforce preparing the merger of Bank Pekao with the BPH Bank. Before joining Bank Pekao, he worked as consultant for McKinsey and Co. in Frankfurt (Main) in Germany. He also served as a research associate at the University in Frankfurt (Oder) and in Giessen (Germany), as well as professional experience at Dresdner Bank. Since 2017 he has served as the Chairman of the Supervisory Board of Centrum Kart. In addition, from 2017 till 2020 he was also the Vice-chairmen of the Supervisory Board of Pekao Financial Services.

He has a Ph.D degree in economics from the European University Viadrina Frankfurt (Oder), he graduated from the Faculty of Economics at the European University Viadrina Frankfurt (Oder). He participated in numerous courses and trainings in Poland and abroad, a.o. Unifuture in cooperation with the Institute for Management Development (IMD) in Lausanne (Switzerland).

Błażej Szczecki fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**WOJCIECH WEROCHOWSKI**  
Vice President of the  
Management Board  
supervising the Retail Banking  
Division

Wojciech Werochowski, Vice President of the Management Board supervising the Retail Banking Division.

Manager with 20 years of experience in banking, for 3 years associated with Bank Pekao S.A., with the Retail Banking Division. From December 2017 served as a director of the Retail Customer Credit Products Department, where he managed retail customer credit products and was responsible for the sales activity, portfolio quality as well as financial performance of the product and product development.

Before joining Bank Pekao S.A. he worked at PKO Bank Polski, Bank Citi Handlowy, and Bank BPH, where he was responsible for the development and management of credit products, including mortgage loans, and the CRM function. Between 2000 and 2008 he was associated with General Electric Capital in Poland, with GE Money Bank. He has worked in a number of positions in the areas of product management, development of new business models, strategic pricing and finance management, Lean Six Sigma programs.

He has a university degree and an MBA degree from the University of Gdańsk, Copenhagen Business School and Universiteit Antwerpen. He completed trainings under the GE Management Development Institute, including Six Sigma Black Belt and Advanced Manager Course.

Wojciech Werochowski fulfills suitability requirements determined in art. 22aa of Banking Law Act.

**MAGDALENA ZMITROWICZ**

Vice President of the  
Management Board  
supervising the Banking  
Enterprise Division

Magdalena Zmitrowicz, Vice President of the Management Board supervising the Banking Enterprise Division

In 2018 she started working in Bank Pekao S.A. as Managing Director in Corporate Banking Department and from December 1st, 2018 she was appointed as the Vice President of the Management Board of the Bank. She started her professional career in 1999 in Bank Handlowy w Warszawie S.A. in Retail Banking Sector. She pursued her career in Corporate Banking Division, holding various leadership roles in regional structures of the Bank, including a position of Head of Sales for Northern Region and Head of Public Sector for Regions in the Public Sector Department. Having worked for almost twenty years in the banking industry, she has gained extensive experience both in general banking operations, including in particular the areas of sales, risk, operations and foreign-currency market, as well as in various customers segments, such as retail clients, small, medium and large companies, institutional clients, public sector and international corporations. In 2016-2017, she managed the Corporate Banking Department in the structures of the CEEMEA Commercial Banking Group - Citigroup. She managed the activities of the Strategy Champions Group at Bank Handlowy w Warszawie S.A.

She is a member of the Supervisory Boards of Pekao Leasing and Pekao Faktoring.

A graduate of the Faculty of Social Sciences at the University of Gdańsk, postgraduate studies at the Faculty of Management at the University of Gdańsk and postgraduate Executive MBA studies (EMBA) organized at the Faculty of Management at the University of Warsaw. She completed many local and foreign trainings, including those in credit risk management, financial analysis and sales. In 2013, she graduated from Commercial Credit College in the USA New York as part of Citigroup.

Magdalena Zmitrowicz meets suitability requirements determined in art. 22aa of the Banking Law Act.

## 5.4 The Bank's share capital and share ownership structure

As at 31 March, 2021, the share capital of Bank Pekao S.A. amounted to PLN 262,470,034 and remained unchanged until the date of submitting the report. The Bank's share capital was divided into 262,470,034 shares in the following series:

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

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

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

SHAREHOLDER'S NAME	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2021		AS AT THE DATE OF SUBMITTING THE REPORT FOR 2020	
Powszechny Zakład Ubezpieczeń S.A.	52,494,007	20.00%	52,494,007	20.00%
Polski Fundusz Rozwoju S.A.	33,596,166	12.80%	33,596,166	12.80%
Aviva Otwarty Fundusz Emerytalny Aviva Santander	13,281,544	5.06%	13,281,544	5.06%
Fundusze zarządzane przez Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A.	13,201,655	5.03%	13,201,655	5.03%
Other shareholders (below 5%)	149,896,662	57.11%	149,896,662	57.11%
<b>Total</b>	<b>262,470,034</b>	<b>100.00%</b>	<b>262,470,034</b>	<b>100.00%</b>

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

## 5.5 Financial credibility ratings

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

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

As of 31 March 2021, Bank Pekao S.A. had assigned following financial credibility ratings:

<b>FITCH RATINGS</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
Long-term rating (IDR)	BBB+	A-
Short-term rating	F2	F2
Viability rating	bbb+	-
Support rating	5	-
Support rating factor	No floor	-
Outlook	Negative	Stable
National Long-Term Rating	AA(pol) (negative outlook)	-
National Short-Term Rating	F1+(pol)	-
<b>S&amp;P GLOBAL RATINGS</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
Long-term rating in foreign currencies	BBB+	A-
Long-term rating in domestic currency	BBB+	A
Short-term rating in foreign currencies	A-2	A-2
Short-term rating in domestic currency	A-2	A-1
Stand-alone credit profile	bbb+	-
Outlook	Stable	Stable
<b>S&amp;P GLOBAL RATINGS (RESOLUTION COUNTERPARTY RATING)</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
Long - term RCR in foreign currencies	A-	-
Short - term RCR in foreign currencies	A-2	-
Long - term RCR in domestic currency	A-	-
Short - term RCR in domestic currency	A-2	-
<b>MOODY'S INVESTORS SERVICE (UNSOLICITED RATING)</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
Long-term foreign-currency deposit rating	A2	A2
Short-term deposit rating	Prime-1	Prime-1
Baseline Credit Assessment	baa2	-
Long-term counterparty risk assessment	A2(cr)	-
Short-term counterparty risk assessment	Prime-1(cr)	-
Outlook	Stable	Stable
Long-term Counterparty Risk Rating (CRR)	A2	-
Short-term Counterparty Risk Rating (CRR)	Prime-1	-

On 7 January, 2021, rating agency Moody's Investors Service informed the Bank about maintaining the „A2” long term and „P-1” short term deposit ratings as well as stable outlook on the long term deposit ratings. Concurrently Moody's downgraded the Bank's Baseline Credit Assessment („BCA”) and Adjusted Baseline Credit Assessment („Adjusted BCA”) to „baa2” from „baa1” and its long term Counterparty Risk Ratings („CRR”) to „A2” from „A1”. Bank's long term Counterparty Risk Assessment („CRA”) was also downgraded to „A2(cr)” from „A1(cr)”. The short term CRR and CRA were affirmed at „P-1” and „P-1(cr)” respectively.

According to Moody's, the rating update is a consequence of the Bank's announcement of the acquisition of the certain assets and liabilities of Idea Bank S.A. as part of Idea's resolution under the legal framework of the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution. Moody's stated that the transaction has a very limited impact on the Bank's credit profile and Moody's expectations on the Bank's financial fundamentals and performance are now more appropriately reflected in the BCA's of „baa2”, which is a one-notch lower than before the assessment. At the same time, long-term deposit ratings were affirmed owing to rating uplift from the application of Moody's Advanced Loss Given Failure analysis and a moderate likelihood of support from the government of Poland in case of need. The stable outlook for the ratings reflects the rating agency's expectation that the Bank will successfully execute the transaction within the set timelines, while maintaining its financial metrics broadly at current levels.

**Pekao Bank Hipoteczny S.A. financial credibility ratings**

Fitch emphasizes that the rating of Pekao Bank Hipoteczny S.A. is related to the rating of Bank Pekao S.A., which holds 100% of the Bank's shares. In Fitch's opinion, the Bank's rating is influenced by the level of integration with the parent company, the scale of operations and the Bank's capital. Fitch believes that in light of the pandemic, the outlook for the assessment of the operating environment of banks in Poland remains negative, reflecting the risks in relation to the baseline economic scenario assumed by Fitch and the related pressure on the profitability of the sector.

At the end of March 2021, the mortgage bonds issued by Pekao Bank Hipoteczny S.A., a 100% subsidiary of Bank Pekao S.A., were rated "A-" by the international rating agency Fitch Ratings. The high rating of the letters means that Pekao Bank Hipoteczny S.A. has the ability to issue securities with a very high level of security and to obtain long-term funds for credit activities. Long-term assessment of Pekao Banku Hipoteczny S.A. was at the BBB + level, with a "Negative" perspective, including for the issued mortgage bonds.

On February 2, 2021, the Fitch Ratings agency announced that all the ratings for the mortgage bonds issued by the Bank would remain unchanged.

Fitch Ratings emphasizes that the ratings of Pekao Bank Hipoteczny S.A. is associated with the COVID-19 pandemic, which affects the current financial and business conditions in Poland.



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

Bank Pekao S.A. is a universal commercial bank offering all financial services available in Poland for individual and institutional clients. A wide range of products, innovative solutions and individual approach ensure comprehensive financial support for clients and an integrated customer service model is a guarantee of the highest quality of services and optimal adjustment to changing customer needs. Since 2017, Bank Pekao S.A. is part of the PZU S.A. capital group, the largest financial institution in Central and Eastern Europe.

A wide product offer, innovative solutions and individual approach provide comprehensive financial service to clients and the integrated customer service model provides the highest quality of services and their optimal adaptation to changing needs. The Bank has measurable advantages that allow it to compete effectively on the market and strengthen its market position in the strategic areas of the Bank's operations. The Bank offers competitive products and services on the Polish market, and high level of customer service and a well-developed distribution network.

### Distribution channels

The Bank offers to its clients a broad distribution network with ATMs and outlets conveniently located throughout Poland as well as a professional call center and a competitive online and mobile banking platform for individual, corporate and micro companies.

	31.03.2021	31.03.2020
Total number of outlets	717	797
own outlets	652	719
partner branches	65	68
Total number of own ATMs	1,580	1,640

### The number of accounts

As at the end of March 2021, the Bank maintained 6,594.7 thousand PLN-denominated current accounts, 402.6 thousand mortgage loan accounts and 665.6 thousand "Pożyczka Ekspresowa" (Express Loan) loan accounts.

(in thousand)

	31.03.2021	31.03.2020
Total number of PLN current accounts (*)	6,594.7	6,290.7
of which packages	4,729.6	4,543.4
Number of mortgage loans accounts (**)	402.6	396.4
of which PLN mortgage loans accounts	373.5	365.1
Number of Pożyczka Ekspresowa loan accounts (***)	665.6	720.4

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

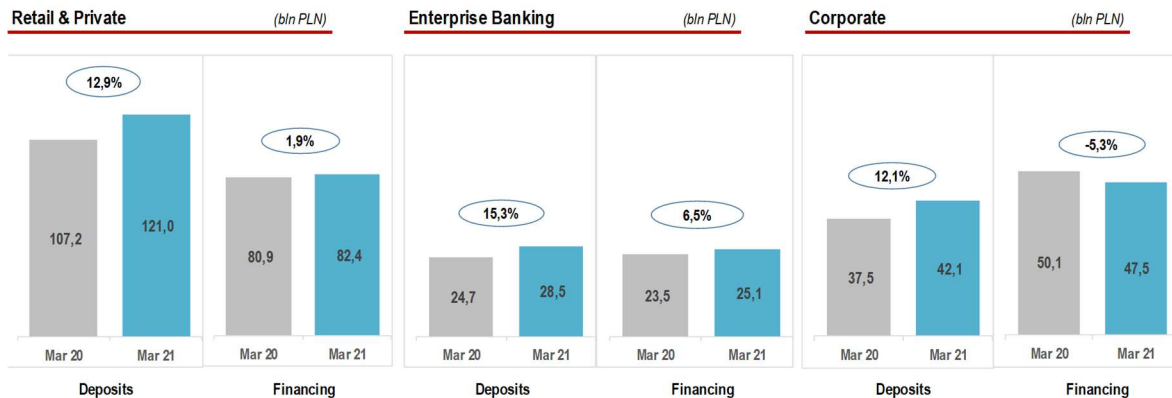
(\*\*) Retail customers accounts.

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

**BUSINESS MODEL**

The Bank's business model is based on customer segmentation with the following groups of customers:

- **RETAIL BANKING AND PRIVATE BANKING** – serving individual clients, including affluent private banking clients and micro enterprises. Private banking clients are offered investment advisory through private banking centers and remote channels, while all individual clients and micro-enterprises are served through a wide network of branches and partner outlets supported by market-leading remote service channels, including digital channels,
- **ENTERPRISE BANKING** – providing financial services to clients from small and medium-sized enterprises sector that are served by relationship managers with the support of product specialists. The service is carried out in specialized Business Customer Centers, Corporate Centers and universal retail branches. Customers are offered with products and services tailored to their individual needs based on solutions proven in corporate banking and adapted to the needs of the enterprise segment,
- **CORPORATE AND INVESTMENT BANKING** – providing financial services to large enterprises (segmentation by revenues of companies), public sector entities, financial institutions and entities from the commercial real estate financing sector. Corporate and investment banking clients are served by relationship managers with the support of product specialists.



The data presented according to the business model, based on the management model in which the main criterion for dividing the Group's reporting is the classification of the client depending on his profile and service model.

On January 3, 2021, the Bank took over the enterprise and liabilities of Idea Bank S.A. with exceptions, as a result of the BGF's application of the resolution instrument. As at the date of publication of the report, the acquired assets, liabilities and customers were not assigned to any of the above-mentioned areas of activity, which will take place after the completion of the integration process of the acquired enterprise.

## RETAIL BANKING AND PRIVATE BANKING

### Strategy

The Group intends to intensively develop digital channels, including fast and convenient service processes. The Bank will strive to enable retail clients to handle almost any matter online. The digitization rate of nearly 100% is one of the key strategic aspirations.

The PeoPay mobile application will be the main channel of contact with the client. The bank will make even greater use of advanced data analytics and modern sales support tools in order to personalize the offer, improve service quality and increase the propensity to recommend its services. The key measure of success that the Bank will strive for is a leap advance in the customer satisfaction rankings.

### **CUSTOMER**

According to the Strategy, the Bank plans to acquire over 400 thousand new current accounts of individual clients and at least 40 thousand business customers (micro-enterprises) annually.

At the end of the first quarter of 2021, the Bank served almost 5.4 million individual and business customers. Clients benefit from a wide range of personal accounts, product and service packages as well as cash loans and mortgage loans.

In the first quarter of 2021, the Bank opened 96 thousand Konto Przekorzystne, Konto Świat Premium and Private Banking Accounts (+23% increase compared to the fourth quarter of 2020), 26% of new accounts for individual clients were created using remote channels (including the selfie process based on biometry).

Konto Przekorzystne is still highly rated by experts, in February 2021 it was ranked first by money.pl and bankier.pl as the best account for paying by card and telephone, while the Private Banking Account was awarded the Gold Quality International 2021 Emblem in the Top Quality Product category in a competition under the patronage of: the Polish Agency for Enterprise Development, the Department of Process Management at the University of Economics in Krakow and the Polish Committee for Standardization.

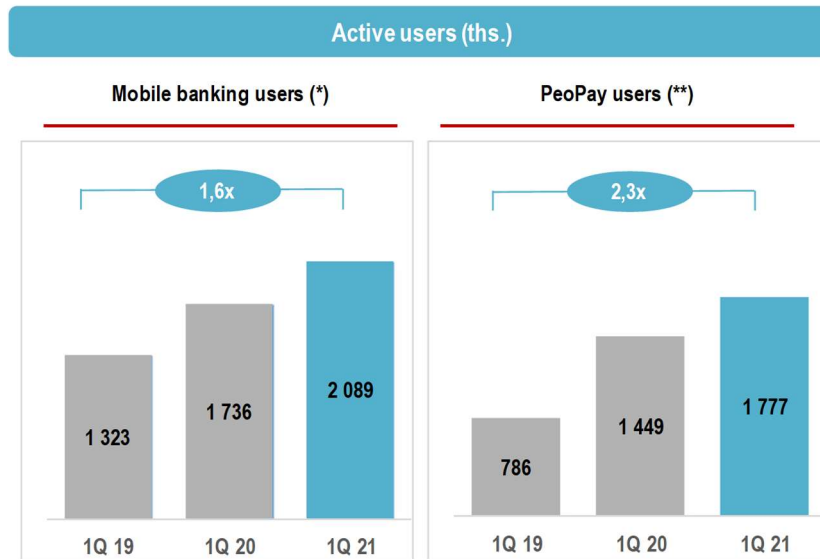
#### **Customer service**

In the Institution of the Year 2021 ranking, 15 branches of the Bank were awarded the title of "Best Banking Branch in Poland", the award was granted for the quality of service during a visit to the branch.

At the beginning of 2021, a new service was implemented - the fast process of company registration in the Central Register and Information on Economic Activity (CEIDG) together with a company account. A customer with access to Pekao24 registers a company through one application, obtains NIP, REGON and banking products such as Konto Przekorzystne Biznes, debit card or auxiliary accounts.

#### **Development of electronic and mobile banking**

An important goal of the Bank's strategy is to increase the number of customers actively using mobile banking and the PeoPay application. In the first quarter of 2021, the number of active mobile banking customers increased by 46 thousand and is 1.6 times larger than it was two years ago. The number of active mobile customers using PeoPay increased by another 92 thousand customers in the first quarter of 2021 and is 2.3 times greater than two years ago.



(\*) Unique user actively using electronic banking is a user who logged in to the system and the mobile service m.pekao24.pl, at least once during the last quarter. (in case of using different mobile channels, the client is counted only once).

(\*\*) Unique user using mobile banking application (PeoPay application), who logged in to the system PeoPay at least once during the last quarter.

At the end of the first quarter of 2021, 76 thousand of customers actively used mobile banking for companies. The number of active users of electronic banking for businesses increased by 9.7 thousand, compared to the first quarter of 2020 and amounted to 173 thousand companies.

In the first quarter of 2021, 26% of new accounts for individual clients and 54% of cash loans were granted in remote processes.

**The PeoPay** mobile banking application - offers a number of innovative solutions, including:

- loan as part of the "click" process, without leaving your home - within 30 seconds of accepting the contract,
- concluding a loan agreement also at the bank's "click" process,
- wide selection of payment methods: Apple Pay, BLIK, PeoPay payments, Garmin Pay, Fitbit Pay.
- finger or face biometric approval of transfers and payments,
- paying for online purchases on your phone without logging into online banking,
- scanning account numbers from invoices without rewriting the account numbers to the application,
- executing transactions both in PLN and selected foreign currencies without currency conversion, due to the link to the relevant currency accounts,
- the ability to manage cards - from the application level the client can activate or block the card, as well as change card
- withdrawal and payment limits,
- ability to deposit and withdraw cash to their accounts by holders of individual and company accounts,
- making the Messages module for correspondence with the Bank available,
- possibility of contacting a consultant via text messages (chat). and the possibility of using the Google Assistant in the PeoPay application,
- sending documents regarding insurance and life policies and concluding a contract for the transfer of rights under the real estate insurance contract.

In June 2020, the Bank launched the **PeoPay KIDS** application dedicated to children aged 6-13. Thanks to the application, children can learn to save and manage their own funds in an easy and accessible way. The child can also receive their own PeoPay KIDS payment card, thanks to which they will be able to pay in stores and withdraw cash - the limit of card transactions is set by the parent. In the application, it is also possible to order simple operations, such as a transfer from Konto Przekorzystne or top-up the phone. In February 2021, the Bank introduced the option to purchase game codes in the PeoPay KIDS application. Thanks to this, the youngest can take advantage of additional attractions available on their favorite platforms and in games such as Xbox, Nintendo, Blizzard or Minecraft. Each purchase in the application takes place under the control of the parent who authorizes the transaction in his panel.

In February 2021, the Bank made available to customers another version of the application with desktop personalization. Customers can add tiles to the top of the dashboard, providing a quick overview of products and access to services. In the new version of the application, one can set a large number of shortcuts, arranging them in their own order. The changed layout offers greater readability and allows to quickly start granting an express loan. The dashboard was extended with the offer of brokerage products.

The Bank is constantly developing the new **Pekao24** service, stimulating the process of full migration of customers from its previous version. In the first quarter of 2021, as part of the development of self-service processes and their improvement, the Bank:

- made available the convenient summary of assets and liabilities for individual clients,
- provided with the possibility of contacting the Bank using modern contact channels already on the login page to the Pekao24 website,
- extended the number of clients that can use the remote password recovery process to include clients with a target PIN without a password,
- provided with KIR Paybynet quick payments for payment of tax receivables on the [podatki.gov.pl](https://podatki.gov.pl) portal.

Bank Pekao S.A. developed the authentication service for customers with a PekaolD digital banking identity using the mojID service (PekaolD) and the Trusted Profile using the so-called The eIDAS National Node, i.e. the administrative HUB, to which more than 100 offices are already connected, including state administration offices - [www.gov.pl](https://www.gov.pl). As a result, the use of the commercial mojID service (PekaolD) has been extended to include the context of public administration - bank customers can use one tool to authenticate both on the websites of commercial and public entities. At the end of the first quarter of 2021, the number of customers using PekaolD was 722 thousand.

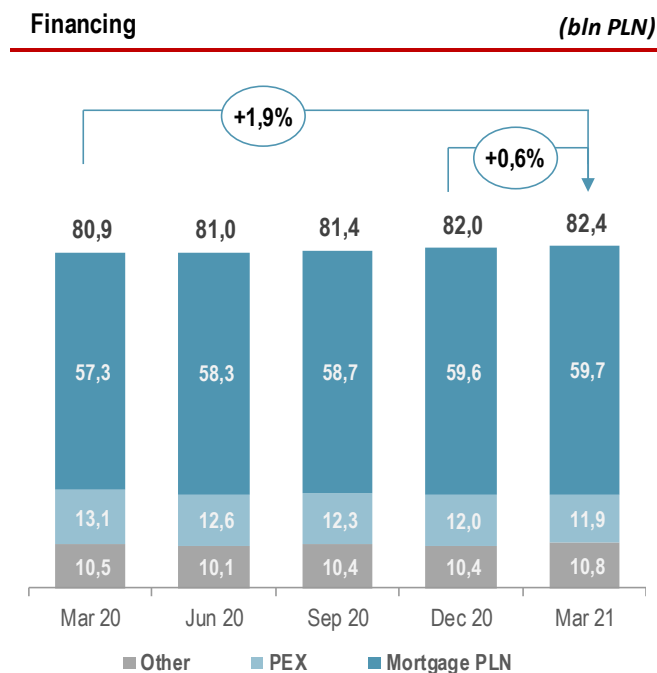
The Bank launched a new platform on the "All in one place" website, providing and presenting a number of financial solutions that facilitate running a business and a collection of useful tips for business owners. Entrepreneurs will receive hints of beneficial products and interesting services, presented depending on the needs of micro-enterprises, as well as the stages of development. The platform also includes modern tools and attractive partner offers, such as legal services or IT assistance.

#### **Open banking**

In the first quarter of 2021, open banking services were developed that enable obtaining information about accounts and initiating transfers from accounts in other banks on the Pekao24 website and the PeoPay application. Bank Pekao S.A. as the only bank in Poland, as part of its open banking service, it also provides foreign transfers (SEPA, SWIFT) from accounts in PKO BP, Inteligo, Santander, ING, BNP Paribas, Alior Bank and Millennium.

## LOANS AND INSURANCE ACTIVITIES

The Bank's strategy assumes a systematic increase in the market share of cash loans (from around 7% in 2020) and an increase in the market share of financing micro-enterprises and revenues in this segment.



### Key Retail Loans

The value of granted cash loans in the first quarter of 2021, measured by the net volume, amounted to PLN 946 million, increased by +26% compared to the previous quarter. Sales in remote channels in the first quarter of 2021 amounted to PLN 307 million. (+15% compared to the previous quarter and +30% compared to the first quarter of 2020). 54% of cash loans were sold in remote processes in Pekao24 and PeoPay mobile banking.

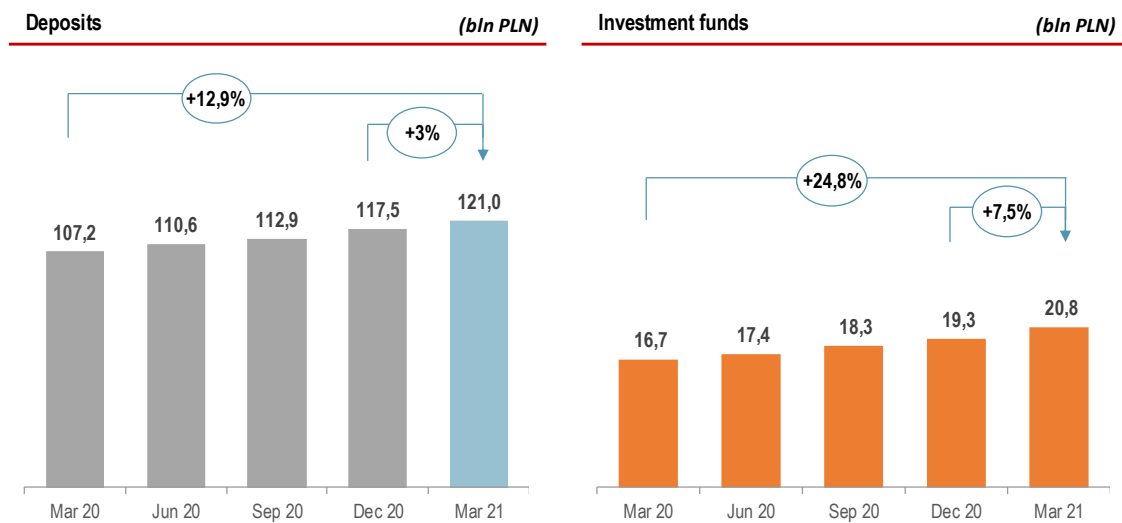
The sales of overdraft limits increases thanks to new sales processes launched last year, both in the branch process and in remote processes, including "click". In the first quarter, the Bank concluded +66% more agreements for new limits in the account compared to the fourth quarter of 2020 and over 30 times more than in the first quarter of 2020.

In the first quarter of 2021, sales of mortgage loans amounted to over PLN 2.1 billion and the volume increased by 5.7% y/y.

### Development in the area of insurance products

As part of expanding cooperation with the PZU Group, in the first quarter of 2021, the Bank provided electronic banking customers with the option of purchasing PZU motor insurance with a special discount, while for customers using the express loan offer available in Pekao24, the insurance offer was extended with the option to purchase an insurance package for life. In the following quarters, further activities are planned to support strategic development directions.

In the first quarter of 2021, the share of cash cash loans sold with insurance reached the level of 37%. In the case of mortgage loans, the share of loans sold from the insurance was 14 p.p. higher than in the corresponding period of the previous year. In the first quarter of 2021 25% more premium was collected for insurance products related to banking products than in the first quarter of 2020.

**DEPOSIT, BROKERING ACTIVITY AND SALE OF INVESTMENT PRODUCTS**


As a consequence of record-low interest rates, sustained from the first half of 2020, the Bank's offer only includes deposits concluded for a period of 3 and 6 months, which can only be opened in electronic banking or in the PeoPay mobile application.

At the end of the first quarter of 2021, the volume of retail clients' deposits amounted to PLN 121.1 billion (+12.9% y/y).

In the first quarter of 2021, the Bank introduced the following investment products to its offer for individual clients:

- two subscriptions of PZU FIZ Akord Investment Certificates for the AŁ and AM series,
- 5-year product Societe Generale "Megatrendy" available to customers who have a brokerage account at Biuro Maklerski Pekao S.A. and for Private Banking customers, that expanded the available offer of structured products of external issuers.
- certificates based on shares of CCC S.A. companies (certificate denominated in PLN, issued by Raiffeisen Centrobank AG) and Pfizer Inc. (certificate denominated in PLN, issued by UniCredit Bank AG).

The Bank actively encouraged customers to use remote channels by applying special pricing conditions, under which customers purchasing Pekao TFI funds through Pekao24 were exempt from the up-front fee. Sales of funds in remote channels reached the level of over 40% of total sales of mutual funds in the first quarter of 2021, and the net assets of investment funds managed by Pekao TFI S.A. increased by over 24% y/y.

**Brokerage activities**

At the end of the first quarter of 2021, the Pekao Brokerage House operated a total of 195.9 thousand investment accounts, servicing 141.0 thousand accounts with active access to services via remote channels. Direct service was carried out within the nationwide network of a total of 369 outlets providing brokerage services. The value of the assets of Biuro Maklerskie Pekao and Dom Inwestycyjny Xelion S.A. as at March 31, 2021 amounted to PLN 27.4 billion.

In total, in the first quarter of 2021, the Pekao Brokerage House:

- serviced 3 offers of public certificates / structured products issued by external suppliers, with subscriptions totaling PLN 46.9 million,
- serviced 2 public offers of Investment Certificates of Closed-End Investment Funds, in which subscriptions were accepted for a total amount of approximately PLN 60 million,
- acted as an offering agent for the issue of PZU FIZ Akord Investment Certificates for the AŁ and AM series,
- accepted subscriptions in 17 calls for the sale of shares and 3 offers for sale of shares,
- accepted subscriptions in 5 issues of shares with the exercise of pre-emptive rights,
- acted as guarantor and offering agent for the offer of InPost S.A. shares directed to professional clients and eligible contractors.

## ENTERPRISE BANKING

Commercial Banking consists of two segments: Small and Medium Enterprises (SME) and Medium Enterprises (MID) segment.

### Strategy

In line with the Strategy for 2021-2024, the Group plans increase the share in the revenues of SME segments by 2 p.p. and 4 p.p. for the MID segment compared to the end of 2020.

The key strategic initiatives planned under the Strategy are:

- development of the credit factory (including through its digitization and automation)
- digital customer service
- digitization of customer acquisition and onboarding
- development of new products
- development of CRM
- responsible support for entrepreneurs and the environment

## CUSTOMER

According to the Bank's Strategy, annual customer acquisition is planned at the level of 2.2 thousand for the SME segment and 1.1 thousand for the MID segment.

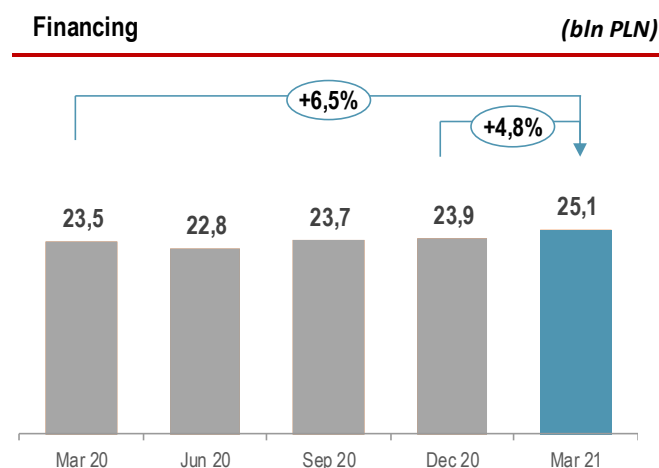
In the first quarter of 2021, thanks to the consistently implemented Strategy, despite the pandemic, the Bank managed to maintain the growth rate of acquisitions and acquire a record number of 995 new clients. The dynamics of acquisitions in the SME segment was +61% y/y, and in the MID segment +26% y/y.

At the end of the first quarter of 2021, the Bank was servicing over 48 thousand customers of the Corporate Banking Division, using a wide range of product and service packages.

## LENDING ACTIVITIES AND CUSTOMER FINANCING

The Group supports clients thanks to a wide and comprehensive product offer, specialist knowledge and experienced staff. The Group offers bank loans, leasing, factoring, specialist financing, arrangement of issues and other forms of specialist financing.

Despite the pandemic, the customer financing portfolio in Q1 2021 grew sharply by 6.7% q/q in the SME segment and 4.3% in the MID segment.



The most important projects implemented in the first quarter of 2021 include:

- granting a syndicated loan to one of the leaders in the rail transport industry for the amount of PLN 615 million,
- financing the acquisition of the Polish leader in financial services for business in the amount of PLN 130 million,



- granting a syndicated loan to one of the leaders in the porcelain stoneware and clinker tiles industry for the amount of PLN 115 million,
- acquisition loan for one of the leaders in the chemical industry for the amount of PLN 98 million.

For the second time, the bank enabled clients to submit applications for a financial subsidy from the government program under the so-called "PFR 2.0 Financial Shield", which is to help micro, small and medium-sized enterprises operating in the play-offs most threatened by a pandemic to maintain financial liquidity. In the first quarter of 2021, customers eligible for subsidies could submit applications via online banking, and in case of questions, use the help of a specially created support team and a dedicated infoline.

### **Transactional banking**

The Bank, in cooperation with Tpay, offered its customers a new service supporting the dynamically developing e-commerce - a payment gateway for online payments. The solution is very popular among customers.

Customers were offered an alternative form of investing financial surpluses in the form of debt funds as part of participation in Pekao TFI funds with the lowest investment risk.

The bank also developed a strategic area of self-service for corporate clients in the PB24 electronic banking. The bank made available further applications for self-service in the field of credit card handling, PFR shield, closing sub-accounts, calculator for forecasting payment for balances. From the very beginning, customers were eager to use these functionalities. The bank, as the first in Poland in the corporate client segment, launched a new product in electronic banking PB24 - a transfer to the phone, thanks to which corporate clients can initiate a domestic transfer to a telephone number defined in BLIK.

### **CORPORATE AND INVESTMENT BANKING**

Corporate Banking covers the corporate and major capital groups, public sector clients, financial institutions as well as commercial real estate and specialized financing. The Pekao Group is a leader in these segments with a competitive advantage based on experience, unique staff, specialized knowledge and processes, and the potential to co-finance large projects based on a very strong liquidity and capital position. The Bank provides both the comprehensive services of a universal bank and the services from such areas as leasing, factoring, investment advisory services, advisory in M&A as well as highly advanced treasury and capital market products. A wide range of products and services, innovative solutions, customised approach and comprehensive financial services rendered to enterprises, institutions and public sector units are appreciated by clients and determine the strength of corporate banking of Bank Pekao S.A.

### **Strategy**

**In line with the Strategy, the Group plans to maintain the leading position in these segments and maintain a high market share in revenues at least at the level from 2020, potentially increasing it. From 2021, Bank Pekao S.A. will implement a new strategy assuming effective volume growth using competitive advantages such as: in-depth sector expertise, knowledge in the field of specialist financing and the increasing digitization of processes.**

**The bank will consistently develop the level of digitization, process automation and relieve advisors in operational work, thanks to which customers will receive a wide range of digital solutions enabling self-service, and advisors will have more time and better tools to reach the most demanding enterprises with specialist knowledge. The Bank, as a leading institution cooperating with the largest corporate clients, is also a partner for public development programs, socially responsible ESG projects, actively involved in the development and modernization of the Polish economy supported by numerous programs and EU funds.**

### **CUSTOMER**

The Bank's services are currently used by more than 13 thousand entities, including c.a. 3 thousand foreign clients.

In the first quarter of 2021, 74 new clients were obtained.

Bank Pekao maintains a leading position in the area of customer service in the Large Corporates segment (23% market share). Every second Polish enterprise in the Large Corporates segment has business relations with Bank Pekao. In this segment, the Bank is a leader in financing clients (27% share in the Polish market) and organizing corporate bond issues with a dominant over 35% market share. In the Large Corporations segment, the Bank actively participates in building the renewable energy sector in Poland, and is also a leader in offering and organizing the issue of sustainable development bonds (ESG). The Bank participated in all benchmark market issues for State Treasury companies.

The Bank maintains the leading position in servicing and financing public sector in Poland. The Bank cooperates with 11 out of 12 Polish metropolises (92% market share) and provides ongoing budget support for every third metropolis (33%). The Bank cooperates with every fourth municipality in Poland (25% market share). It also maintains business relations with 92% of towns with county rights and provides ongoing services to every fifth of them (21%). The Bank also cooperates with every third county (37%) and with almost all provinces (94%). It is also a leading Bank for state universities.

As at 31 March 2021, the Bank maintained 74 nostro accounts with 45 banks in 26 countries; it ran 222 loro accounts for 203 foreign clients (banks and other financial institutions) from 47 countries and 48 current accounts for 42 foreign financial institutions.

The Bank also intermediated in the execution of transactions for clients of other domestic banks, running 34 loro accounts for 14 Polish banks and maintaining 6 nostro accounts with 1 Polish bank.

In the commercial real estate segment, the Bank maintains contacts with over 300 entities in this segment, including the most important developers operating on the Polish market. The offer includes financing of specialized projects as well as corporate financing for entities operating in the real estate industry. The Bank focuses on granting loans for construction and expands its product offer with new forms, including financing of apartments for rent.

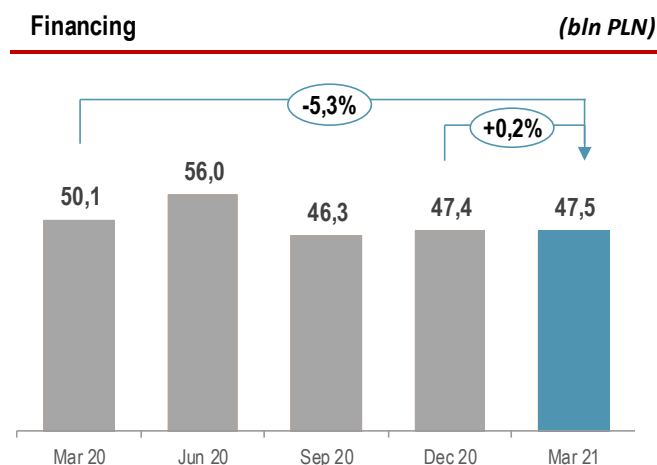
### Financing of activities

The Group finances its clients' operations through a wide range of products such as bank loan financing, leasing, factoring, organization and subscription of bond issues, trade finance and others.

In the first quarter of 2021, the Group's loan portfolio (including bank loans, leasing and factoring) achieved a growth rate of 0.2% q/q.

The key projects financed by the Bank in the first quarter of 2021 include:

- global coordinator and bookrunner of the loan related to post-IPO financing for the leader in logistics industry in the amount of PLN 2.75 billion,
- arranger of a syndicated loan for a champion of the Polish economy, a leading company operating in the chemical industry, for the amount of PLN 2 billion,
- financing including an investment loan and a working capital loan for a manufacturer of interior finishing materials (Pekao was the Loan Agent and Collateral Agent) for the amount of PLN 1.1 billion (the Bank's participation was PLN 225 million),
- investment financing, development of photovoltaics, for the amount of PLN 180 million,
- a loan for modernization of the coal-fired unit and its adaptation to biomass combustion in the amount of PLN 160 million,
- financing of the construction of a warehouse park for a developer of logistics space in the amount of PLN 134 million,



### Trade finance

Thanks to the adaptation of the offer to the expectations of customers and the dynamic development of the Open Funding Platform (OPF), in the first quarter of 2021, the Bank financed, as part of this service, nearly 8.5 thousand invoices worth over PLN 110 million higher than in the corresponding period of 2020.

In the first quarter of 2021, the amount of newly opened documentary letters of credit increased by over 25% as compared to the first quarter of 2020. The Bank also recorded a two-digit growth dynamics in the area of guarantees and sureties, the amount of new transactions increased by over 66% as compared to the same period of 2020, and the Bank's exposure under guarantees granted in comparable periods increased by nearly 32%. In addition, the Bank concluded further debt repurchase agreements secured with the LGF guarantee and as at the end of March 2021 the total amount of the limits collateralized on the BGK guarantee amounted to over PLN 100 million.

### **Issuance of debt securities**

Taking into account the outstanding debt as at 31 January 2021, Bank Pekao S.A. had nearly 28% market share (1<sup>st</sup> place) in the area of arranging and servicing non-treasury debt securities (above 365 days), including:

- over 35% market share in arrangement of corporate bonds issues (1<sup>st</sup> place),
- nearly 17% market share in arrangement of banks' debt securities (3<sup>rd</sup> place),
- nearly 24% market share in arrangement of municipal bonds issues (2<sup>nd</sup> place).

In the first quarter of 2021, non-treasury debt securities issued through Bank Pekao S.A. totalled PLN 6 billion. The following transactions deserve special attention:

- the issue of 10-year sustainable development bonds bearing a fixed interest rate based on the ESG rating (a measure of sustainable development covering environmental responsibility, social responsibility and implemented corporate governance) for the amount of PLN 1 billion for a leading fuel and energy company in Poland, in which the Bank acted as the sole arranger and dealer,
- the first bond issue on the Polish market for a company belonging to an international automotive group for the amount of PLN 500 million and the maturity of 1 year, in which the Bank acted as the sole arranger and dealer,
- issue of bonds for a company operating in the construction industry for the amount of PLN 285 million maturing in December 2023,
- issue of 6-year mortgage bonds for the amount of PLN 250 mln for the mortgage bank of the Group,
- bonds issue for a leasing company belonging an international automotive group for the amount of PLN 150 million and the maturity of 3 years, in which the Bank acted as the dealer,
- issue of five series of bonds denominated in EUR and PLN for a company operating in the leasing industry for the total amount being the equivalent of ca. PLN 1,3 billion,
- issue of five series of bonds for a factoring company with maturity up to 1 year, denominated in PLN and EUR, for the total amount being the equivalent of PLN 2 billion.

### **Transactional banking**

In the first quarter of 2021, the Bank's most important achievements in the area of transactional banking included:

- processing of over 42 million transactions as part of the Pekao Collect service (identifying mass payments of customers) with a total volume of over PLN 52 billion, which is an increase of 4.5% and 3% respectively as compared to the first quarter of 2020 (more than 15 million transactions were processed in March 2021, which is a record number of transactions processed within one month since the launch of the Pekao Collect service by the Bank),
- increase in the number of Direct Debit transactions by 0.23% up to the total amount of 1.56 million, with a simultaneous increase of the volume of transactions by 1.4% up to the total amount of PLN 421 million as compared to the first quarter of 2020,
- increase in the number of domestic transfers by 8% as compared to the first quarter of 2020,
- enabling corporate and SME clients to make transfers to the telephone of an individual payment recipient. The client can order such a transfer in PekaoBiznes24 using a dedicated form. The transfer recipient may be a natural person who has registered a mobile phone number in the Polish Payment Standard (PSP) database - in the BLIK system – phone transfer. More than 7 million individual recipients have already linked their phone number to the bank account number in the PSP database and this number is constantly growing,
- a new functionality made available in PekaoBiznes24, thanks to which clients can submit orders for cards with a credit limit, such as: issuing a duplicate card, issuing a PIN-code, 3DS service (change of telephone number, disabling the service), changing the contactless function, changing limits for transactions without using the card, issuing the card in place of the reserved one,
- providing clients with the possibility to indicate settlement accounts as investment accounts. As a result, it is possible to accumulate funds at Bank Pekao S.A. set aside for investment purposes referred to in Art. 15 sec. 1hb point 2 of the Corporate Income Tax Act. The new functionality is related to the provisions of the Act of November 28, 2020 amending the Corporate Income Tax Act and certain other acts, effective from January 1, 2021, which enabled limited companies to separate funds for investment purposes in the reserve capital.

## 5.7 Awards and distinctions

The activities of Bank Pekao S.A. gained wide recognition by clients, industry specialists, the market and the media, as evidenced by numerous awards and distinctions granted by Polish and foreign institutions. Measures aimed at providing customers with the highest quality products and services, innovation of the proposed solutions have been appreciated. Awards received by the Bank in the first quarter of 2021.

### **Forbes 5-star rating for Private Banking**

Bank Pekao S.A. for the fifth time in a row, it received the highest, five-star rating in the prestigious Private Banking ranking by Forbes magazine, a distinction confirming the high quality of services in this area and the availability of solutions meeting the needs of an exceptionally demanding group of customers. The justification referred to the unique, wide investment offer and credit cards with a package of added services of Bank Pekao S.A.

### **1<sup>st</sup> place in the personal account category in the Złoty Bankier ranking**

The Bank was awarded the first place in the personal account category for Konto Przekorzystne. The title of the best personal account in 2021 is the result of continuous work leading to excellence in the offer, processes and improvement of the quality of services provided. The highest 1st place on the podium shows how important consistency and constant development are, thanks to which only the best are ahead of the competition. Three customer profiles were analyzed in the Złoty Bankier ranking. Bank Pekao S.A. offer has been recognized as the most comprehensive for clients at various stages of life and with different needs.

### **The Best Investment Bank in Poland according to Global Finance**

Bank Pekao S.A. for the fifth time in a row it received the title of "The Best Investment Bank in Poland", awarded in the prestigious competition of the international magazine Global Finance.

The award was granted by a group of experts who take into account the reported transactions carried out in the previous year. The opinions of the financial environment, the scope of advisory and service provided and the institution's ability to structure transactions are also analyzed. The Bank's market share, distribution network, pricing conditions, as well as the ability to respond to market needs, as well as innovation and reputation are also taken into account.

### **Private Banking account awarded with the Golden Quality International Emblem**

The Private Banking account was awarded the Golden Quality International 2021 Emblem in the Top Quality Product category. The Program Committee, under the patronage of: the Polish Agency for Enterprise Development, the Department of Process Management at the University of Economics in Krakow and the Polish Committee for Standardization, highly appreciated the activities related to the implementation and promotion of the idea of quality in all aspects of the bank's operations, especially in the field of a new product for Private Banking clients.

### **Bank Pekao S.A. the best bank in trade finance in Poland**

Global Finance magazine appreciated Bank Pekao for the third time in history and awarded the first place in Poland in the field of trade finance for 2021. The value of the trade finance transaction portfolio, market share, quality and competitiveness of services offered to clients, methods of risk management related to financing transactions were assessed here trade, as well as innovation and technology used in constructing the bank's offer.

### **EFMA awarded PeoPay KIDS the title of "Innovation of the month"**

"Banking Innovation of the Month" is an award granted by the European Financial Management Association (EFMA) - an international non-profit organization associating experts from the banking and insurance sector, which honors unique projects in the field of financial services from around the world. Bank Pekao for the innovative PeoPay KIDS package, thanks to which the child receives in practice a modern lesson in financial education, and the parent receives a tool for shaping entrepreneurship and saving the toddler's attitudes.

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

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

After several years of solid growth, the economic environment deteriorated sharply in 2020 as a consequence of the measures taken in the context of the global COVID-19 pandemic. Economic activity was significantly reduced and companies and households experienced a substantial deterioration of their financial situation. The consequences of the whole situation are however to some extent mitigated by public help (so-called anti-crisis shields). In 2020, the Polish economy contracted by 2.7% y/y. The situation remained severe in the first quarter of 2021, leading to, among other things, another wave of pandemics and new restrictions. Bank Pekao estimates indicate that GDP contracted by 1.5% y/y during this period.

The epidemiological situation will remain the major risk factor in 2021. Although enterprises and consumers are now coping much better with its impact, many sectors (especially those most severely affected by lockdowns) will still face numerous challenges for at least the first half of the year. On the other hand, greater optimism in the forecasts comes from the strong belief that the ongoing vaccination process will bring a return to relative "normality" in 2021 and will represent a time of post-pandemic recovery for the economies.

Further development of the epidemic will have an impact on demand for banking products and possible further changes in the cost of risk as a result of updated assumptions about the economic situation.

Monetary policy is an important factor influencing banks' performance. In the current economic situation, the MPC has decided to significantly reduce interest rates, including the main interest rate from 1.50% to 0.10%. Very low interest rates have a strong, adverse impact on the results of the banking sector (through the impact on the net interest result of banks) and will continue to do so in 2021.

In addition to the economic situation and monetary policy, banks are also directly affected by the coronavirus epidemic, which results from actions taken by the regulator and the strategic role of the banking sector for the economy. Most important actions are described in the section about external conditions ("Epidemic environment").

Independently from economic situation, tax and regulatory environment invariably plays major role for banks. In particular, this includes tax on certain financial institutions, high capital requirements, contributions to Bank Guarantee Fund (BFG), costs of further adjustment to a number of regulatory solutions (MIFID II, RODO, PSD II, MREL, among others), as well as introduction in Poland of cap on asset management fees. Although some burdens have been somewhat eased in the wake of the pandemic – including a 30% reduction in banks' mandatory contributions to BFG in 2021 – the tax and regulatory environment of the sector remains very restrictive, which, combined with the unprecedented economic situation, may constrain banks' credit expansion and impact their financial results.

The issue of foreign currency mortgages continues to be one of the most important factors in the institutional environment. Considering no systemic solution in this matter, the banking system will be most affected by court decisions in individual cases. A number of events (i.a. the ruling of CJEU from 3 October 2019) has led towards higher number of borrowers seeking judicial resolution. This will have a strong negative impact on the performance of banks, especially those with a large portfolio of such loans. So far, the main channel of influence has been the reserves established by banks due the expected legal risk – they have already strongly impacted the 2020 results, as well as in the first quarter of 2021. According to most estimates, the total costs for the sector may reach several dozen billion zlotys, but they are difficult to estimate and will be spread over time. Much will depend on, among others, the actual number of lawsuits (how many borrowers will decide to take legal action), the interpretation of national courts in individual cases, the reactions of national supervisory institutions or the actions of the banks themselves. The opinion of the Civil Chamber of the Supreme Court may prove important in this context – it is expected to address a number of questions at a dedicated session (currently scheduled for May 2021), the answers to which may become the main statutory interpretation of the law in future litigation.

Moreover, it cannot be ruled out that the issue of CHF loans will find a final solution by way of legislation. Bank Pekao S.A. will monitor the direction of decisions made by Polish courts, as well as market practice and borrowers' behaviour, and will assess on an ongoing basis the probability of cash outflow with respect to the mortgage loans in question. However, the impact may be indirect in case of potential financial problems of some smaller institutions with a particularly large exposure to the discussed risk.

Assuming further containment of the epidemic situation (thanks to vaccinations, among other things), a moderate scale of improvement in credit volumes can be expected in 2021. This may be visible in the retail segment to a greater extent (still solid demand for housing credit, rebound in consumer loans), while business sentiment will improve more slowly (gradually increasing interest in current account loans, still subdued demand for investment credit due to high uncertainty). With a strong labour market despite the impact of the pandemic, household deposits will still maintain a solid pace. High base (inflow of funds from anti-crisis shields in 2020) will in turn limit dynamics of corporate deposits, elevated in recent months.

## 6. Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 31 March, 2021 and 2020 respectively is presented in the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2021.

The Report on activities of Bank Pekao S.A. Group for the first quarter of 2021, includes statement of financial position in a short form and income statement in a presentation form as well as the key, selected items from these statements are discussed.

### Strategy

**In line with the Strategy, in 2024 the Group plans to achieve ROE at the level of 10% and the cost/income ratio (including BGF fees) at the level ca. 42%. We plan to achieve this thanks to:**

- growth of the loan portfolio at the rate of 6-8% per year,
- improvement in interest margin by 5-8 bp annually,
- keeping the dynamics of operating costs below inflation.

### **Main P&L items**

Net profit of the Bank Pekao S.A. Group attributable to the Bank's holders for the first quarter of 2021 amounted to PLN 245.6 million and was higher by PLN 58.7 million i.e. 31.4% y/y, ROE (with linear BFG distribution) reached the level of 5.9% (nominal 3.9%).

In the first quarter of 2021, the Group's operating income amounted to PLN 2,000.2 million and was lower by 3.5% in comparison with the first quarter of 2020, mainly due to the negative impact of the economic situation including interest rate cuts, and lower customer activity.

- Net interest income in the first quarter of 2021, amounted to PLN 1,333.6 million and was lower by PLN 94.7 million, i.e. 4.9% in compared to the first quarter of 2020, mainly due to the negative impact of interest rate cuts, supported by the net interest income on assets acquired from Idea Bank S.A. The reverse in the interest margin trend was observed, that increased by 14 bps compared to the previous quarter (decrease - 59 bps y/y),
- The Group's net fee and commission income in the first quarter of 2021, amounted to PLN 615.9 million and was at the level of the result achieved in the first quarter of 2020, mainly due to the adaptation of the offer to the changing market conditions and the positive sentiment of the capital markets, offsetting the impact of lower customer activity in the pandemic, translating into lower commissions on card operations, and the negative impact of regulatory changes in the area of investment funds.

On 23 March 2021 the Bank concluded an agreement defining the principles of collective redundancies with seven trade unions operating at the Bank, including all representative trade unions. Collective redundancies will cover not more than 1,110 employees in case of termination of employment contracts and not more than 1,250 employees in case of amendment of terms and conditions of employment.

The Bank estimated all the costs of termination of employment contracts and amendment of terms and conditions of employment the Bank's employees related to the collective redundancies for the amount of PLN 120 million and the restructuring provision in this amount was created in the Bank's accounting books.

In the first quarter of 2021, the Group's operating costs including contributions and payments to the Bank Guarantee Fund amounted to PLN 1,247.2 million and were lower by PLN 3.1 million, i.e. 0.2% than in the first quarter of 2020.

- The operating costs, excluding restructuring provisions and the costs of the acquired company Idea Bank SA in the first quarter of 2021, amounted to PLN 883.2 million and were higher by 2.2% y/y, below inflation, despite the costs of investment in operational transformation and digitization. The dynamics of costs was consistent with the assumptions of the Strategy. Nominal costs were higher by PLN 44.2 million, i.e. 4.4% compared to the costs achieved in the first quarter of 2020.
- In the first quarter of 2021 the Bank Guarantee Fund fee amounted to PLN 203.4 million, and were lower of PLN 47.3 million as compared to first quarter of 2020.

The Group's Net allowances for expected credit losses amounted to PLN 176.0 million in the first quarter of 2021, and was lower than in the corresponding period of 2020 by 46.8% y/y, mainly due to the creation of additional write-offs related to the COVID-19 pandemic in the first quarter of last year. The costs of risk in the first quarter of 2021 amounted to 0.41%.

Tax on certain financial institutions in the first quarter of 2021 amounted to PLN 175.5 million and was higher by PLN 19.0 million, i.e. 12.1% as compared to the first quarter of 2020, due to an increase in Group's assets.

## Volumes

As at the end of March 2021, loans and advances at nominal value amounted to PLN 169,769.7 million, an increase of PLN 10,174.9 million, i.e. 6.4% in comparison to the end of March 2020.

As at the end of March 2021, the volume of retail loans amounted to PLN 79,820.1 million, an increase of PLN 1,809.0 million, i.e. 2.3% in comparison to the end of March 2020, thanks to dynamic growth of PLN mortgage loans by 5.7% y/y. As at the end of March 2021, corporate loans and non-treasury debt securities amounted to PLN 89,949.6 million, an increase of PLN 8,365.9 million, i.e. 10.3% in comparison to the end of March 2020, with the growth in the segment of medium-sized enterprises (6.5% y/y) and leasing receivables.

As at the end of March 2021, amounts due to the Group's customers and debt securities issued amounted to PLN 202,932.7 million, an increase of PLN 28,225.6 million, i.e. 16.2% in comparison to the end of March 2020, with volume of corporate growing by 17.9% and retail deposits growing by 16.5% y/y, systematically increasing share in the financing structure.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 20,803.9 million as at the end of March 2021, an increase of PLN 4,140.8 million, i.e. 24.8% in comparison to the end of March 2020.

## 6.1 The consolidated income statement – presentation form

Net profit of the Bank Pekao S.A. Group attributable to the Bank's holders for the first quarter of 2021 amounted to PLN 245.6 million and was higher by PLN 58.7 million i.e. 31.4% y/y, mainly due to lower write-offs for impairment of financial assets, (higher write-offs related to the COVID-19 pandemic created in March 2020) and lower operating costs (thanks to lower contributions and payments to the Bank Guarantee Fund).

On January 3, 2021, the Bank took over the enterprise and liabilities of Idea Bank S.A. with exclusions as a result of the BGF's application of the resolution instrument on December 30, 2020.

(in PLN million)

	1 QUARTER OF 2021	1 QUARTER OF 2020	CHANGE
<b>Net interest income</b>	<b>1,333.6</b>	<b>1,428.3</b>	<b>(6.6%)</b>
<b>Net fee and commission income</b>	<b>615.9</b>	<b>614.4</b>	<b>0.2%</b>
Dividend income	0.0	0.2	x
Trading result	41.2	29.7	38.7%
Net other operating income and expenses (*)	9.5	(0.8)	x
<b>Net non-interest income (*)</b>	<b>666.6</b>	<b>643.5</b>	<b>3.6%</b>
<b>Operating income (*)</b>	<b>2,000.2</b>	<b>2,071.8</b>	<b>(3.5%)</b>
<b>Operating costs</b>	<b>(1,043.8)</b>	<b>(999.6)</b>	<b>4.4%</b>
<b>Gross operating profit (*)</b>	<b>956.4</b>	<b>1,072.1</b>	<b>(10.8%)</b>
Net allowances for expected credit losses	(176.0)	(330.9)	(46.8%)
<b>Net operating profit</b>	<b>780.4</b>	<b>741.2</b>	<b>5.3%</b>
Bank Guarantee Fund fee	(203.4)	(250.7)	(18.9%)
Tax on certain financial institutions	(175.5)	(156.5)	12.1%
<b>Profit before tax</b>	<b>401.5</b>	<b>334.0</b>	<b>20.2%</b>
Income tax expense	(155.5)	(146.6)	6.1%
<b>Net profit</b>	<b>246.1</b>	<b>187.5</b>	<b>31.3%</b>
<b>Attributable to equity holders of the Bank</b>	<b>245.6</b>	<b>186.9</b>	<b>31.4%</b>
Attributable to non-controlling interest	0.4	0.6	(33.3%)

### Operating income

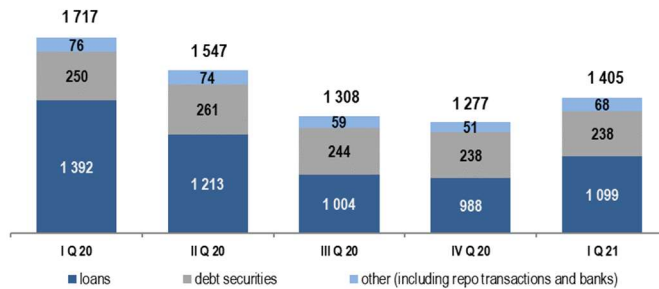
In the first quarter of 2021, the Group's operating income amounted to PLN 2,000.2 million and was lower by 3.5% in comparison with the first quarter of 2020, mainly due to the negative impact of the economic situation including interest rate cuts, and lower customer activity.

**Total net interest income**

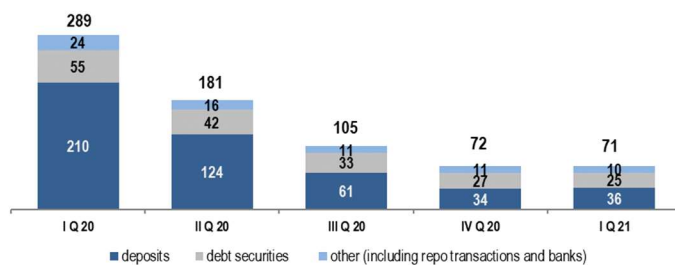
(in PLN million)

	1 QUARTER OF 2021	1 QUARTER OF 2020	CHANGE
Interest income	1,404.8	1,717.4	(18.2%)
Interest expense	(71.2)	(289.2)	(75.4%)
of which on leasing	(10.5)	(13.4)	(21.6%)
<b>Net interest income</b>	<b>1,333.6</b>	<b>1,428.3</b>	<b>(6.6%)</b>

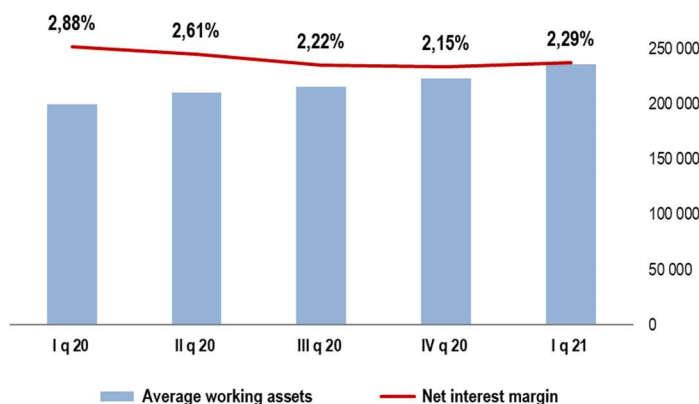
Net interest income in the first quarter of 2021, amounted to PLN 1,333.6 million and was lower by PLN 94.7 million, i.e. 6.6% in compared to the first quarter of 2020, mainly due to the negative impact of interest rate cuts.

**Interest income**


In the first quarter of 2021, the interest income amounted to PLN 1,404.8 million and was lower by PLN 312.6 million y/y due to the negative impact of interest rate cuts on the interest rate, supported by the net interest income on assets acquired from Idea Bank S.A.

**Interest expense**


In the first quarter of 2021, the interest expense amounted to PLN 71,2 million and was lower by PLN 218.0 million y/y, mainly due to interest rate cuts, despite the strong increase in the volume of deposits.

**Interest margin**


The interest margin achieved in the first quarter of 2021, amounted to 2.29% and was lower by 0.59 p.p., under the pressure of the negative impact of interest rate cuts and faster growth in deposits than in loans. The quarterly increase in the interest margin by +14 bps (of which ca. 6 bps as a result of the impact of the acquisition of Idea Bank's assets) is ahead of the pace of improvement assumed in the Strategy.



**Net non-interest income**

(in PLN million)

	1 QUARTER OF 2021	1 QUARTER OF 2020	CHANGE
Fee and commission income	736.8	719.3	2.4%
Fee and commission expense	(120.9)	(104.9)	15.3%
<b>Net fee and commission income</b>	<b>615.9</b>	<b>614.4</b>	<b>0.2%</b>
Dividend income	0.0	0.2	x
Trading result	41.2	29.7	38.7%
of which gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10.8	21.1	(48.8%)
Net other operating income and expense	9.5	(0.8)	x
<b>Net non-interest income</b>	<b>666.6</b>	<b>643.5</b>	<b>3.6%</b>

The Group's net fee and commission income in the first quarter of 2021, amounted to PLN 615.9 million and was at the level of the result achieved in the first quarter of 2020, mainly due to the adaptation of the offer to the changing market conditions and the positive sentiment on the capital markets, offsetting the impact of lower customer activity in the pandemic, translating into lower commissions on card operations, and the negative impact of regulatory changes in the area of investment funds.

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

(in PLN million)

	1 QUARTER OF 2021	1 QUARTER OF 2020	CHANGE
<b>Net fee and commission income</b>	<b>615.9</b>	<b>614.4</b>	<b>0.2%</b>
on loans	115.4	116.2	(0.7%)
on cards	56.2	71.1	(21.0%)
on mutual funds	92.5	105.1	(12.0%)
on brokerage activate	39.6	20.8	90.4%
on margins on foreign exchange transactions with clients	125.2	134.3	(6.8%)
other	187.0	166.9	12.0%

**Operating costs**

In the first quarter of 2021, the Group's operating costs including contributions and payments to the Bank Guarantee Fund amounted to PLN 1,247.2 million and were lower by PLN 3.1 million, i.e. 0.2% than in the first quarter of 2020. The operating costs, excluding restructuring provisions and the costs of the acquired company Idea Bank SA in the first quarter of 2021, amounted to PLN 883.2 million and were higher by 2.2% y/y, below inflation, despite the costs of investment in operational transformation and digitization. The dynamics of costs was consistent with the assumptions of the Strategy.

Nominal costs were higher by PLN 44.2 million, i.e. 4.4% compared to the costs achieved in the first quarter of 2020.

On 23 March 2021 the Bank concluded an agreement defining the principles of collective redundancies with seven trade unions operating at the Bank, including all representative trade unions. Collective redundancies will cover not more than 1,110 employees in case of termination of employment contracts and not more than 1,250 employees in case of amendment of terms and conditions of employment.

The Bank estimated all the costs of termination of employment contracts and amendment of terms and conditions of employment the Bank's employees related to the collective redundancies for the amount of PLN 120 million and the restructuring provision in this amount was created in the Bank's accounting books.

(in PLN million)

	1 QUARTER OF 2021	1 QUARTER OF 2020	CHANGE
Personnel expenses (*)	(525.9)	(498.2)	5.6%
Other administrative expenses (**)	(240.2)	(243.2)	(1.3%)
of which Financial supervision authority fee (PFSA)	(24.3)	(18.2)	33.5%
Depreciation and amortization	(157.1)	(123.5)	27.2%
<b>Operating costs excluding restructuring provision</b>	<b>(923.2)</b>	<b>(864.9)</b>	<b>6.7%</b>
Provisions for FTEs restructuring	(120.6)	(120.0)	0.5%
Network restructuring	0.0	(14.7)	x
<b>Operating costs</b>	<b>(1,043.8)</b>	<b>(999.6)</b>	<b>4.4%</b>

(\*) Excluding restructuring provision.

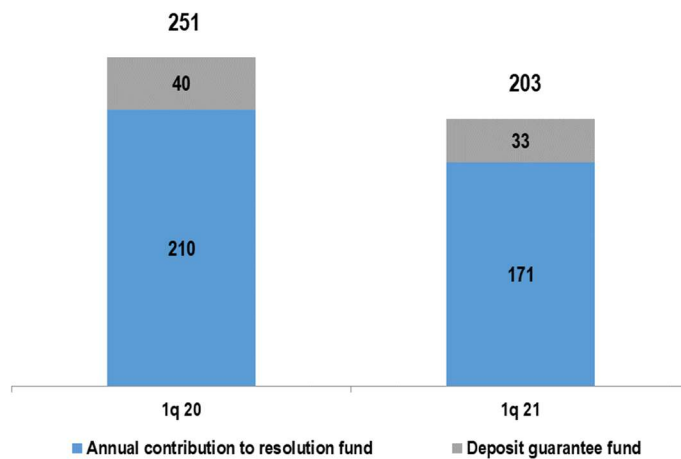
(\*\*) Excluding network restructuring.

In the first quarter of 2021, cost / income ratio excluding restructuring provision amounted to 46.2% and was higher by 4.6 p.p. y/y.

As of 31 March 2021, the Group employed 15,904 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 14,994 employees as at the end of March 2020. This increase is the result of the acquisition of Idea Bank S.A. with exceptions on January 3, 2021, whose employees became employees of the Bank pursuant to Art. 23 of the Labor Code.

#### Bank Guarantee Fund fee

In the first quarter of 2021 the Bank Guarantee Fund fee amounted to PLN 203.4 million, and were lower of PLN 47.3 million as compared to the first quarter of 2020.



#### Tax on certain financial institutions

Tax on certain financial institutions in the first quarter of 2021 amounted to PLN 175.5 million and was higher by PLN 19.0 million, i.e. 12.1% as compared to the first quarter of 2020, due to an increase in Group's assets.

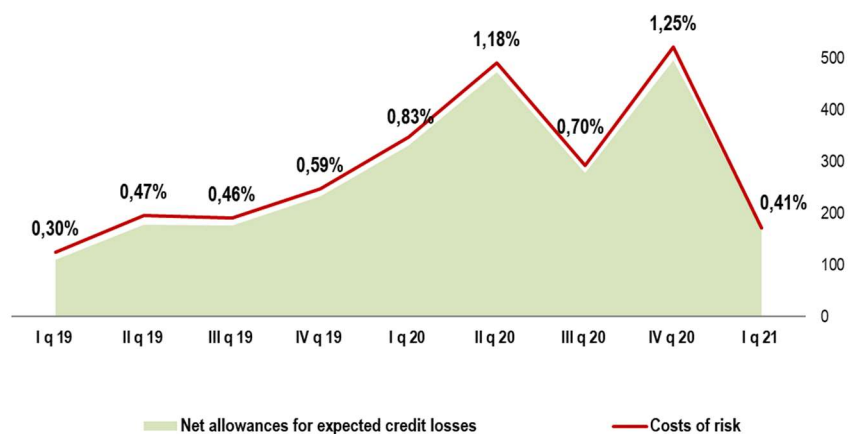
## 6.2 Net allowances for expected credit losses

(in PLN million)

	GRUPA		BANK PEKAO S.A.	
	1 QUARTER OF 2021	1 QUARTER OF 2020	1 QUARTER OF 2021	1 QUARTER OF 2020
financial assets measured at amortized cost	(193.9)	(278.1)	(206.3)	(277.1)
financial assets measured at fair value through other comprehensive income	0.3	(18.3)	0.7	(18.2)
financial liabilities measured at amortized cost	17.6	(34.5)	8.4	(51.1)
<b>Net allowances for expected credit losses</b>	<b>(176.0)</b>	<b>(330.9)</b>	<b>(197.2)</b>	<b>(346.4)</b>

The Group's Net allowances for expected credit losses amounted to PLN 176.0 million in the first quarter of 2021, and was lower than in the corresponding period of 2020 by 46.8% y/y, mainly due to the creation of additional write-offs related to the COVID-19 pandemic in the first quarter of last year.

### Costs of risk



The costs of risk in the first quarter of 2021 amounted to 0.41% and was lower by 0.42 p.p. y/y.

### 6.3 The structure of the net profit

(in PLN million)

	1 QUARTER OF 2021	1 QUARTER OF 2020	CHANGE
<b>Net profit of Bank Pekao S.A.</b>	<b>166.9</b>	<b>113.1</b>	<b>47.6%</b>
<b>Entities consolidated under full method</b>			
Pekao Investment Management S.A.	20.3	30.0	(32.3%)
Pekao Leasing Sp. z o.o.	16.6	15.9	4.4%
Pekao Faktoring Sp. z o.o.	10.5	1.7	> 100%
Pekao Investment Banking S.A. <sup>(*)</sup>	5.5	(1.8)	x
Centrum Kart S.A.	2.4	0.1	> 100%
Pekao Bank Hipoteczny S.A.	1.5	(1.9)	x
Pekao Financial Services Sp. z o.o.	1.3	1.7	(23.5%)
Dom Inwestycyjny Xelion Sp. z o.o.	0.4	0.3	33.3%
Pekao Powszechne Towarzystwo Emerytalne S.A. w likwidacji <sup>(**)</sup>	0.0	0.1	x
FPB "MEDIA" Sp. z o.o. w upadłości	0.0	0.0	x
Pekao Fundusz Kapitałowy Sp. z o.o. w likwidacji	0.0	0.1	x
Pekao Property S.A. w likwidacji	(0.1)	0.0	x
Pekao Direct Sp. z o.o.	(0.2)	0.7	x
<b>Entities valued under the equity method</b>			
Krajowy Integrator Płatności S.A. <sup>(***)</sup>			
<b>Exclusions and consolidation adjustments <sup>(****)</sup></b>	<b>20.5</b>	<b>26.9</b>	<b>(23.8%)</b>
<b>Net profit of the Group attributable to equity holders of the Bank</b>	<b>245.6</b>	<b>186.9</b>	<b>31.4%</b>

<sup>(\*)</sup> On May 29, 2020, Pekao IB concluded a sales agreement with Bank Pekao S.A. as part of the consolidation and integration process of the brokerage activities in the Pekao Group, an organized part of the enterprise covering brokerage activities. This transaction was classified as an intra-group transaction and the result of this transaction was recognized in the Group's equity.

<sup>(\*\*)</sup> The liquidation process of Pekao Powszechne Towarzystwo Emerytalne S.A. in liquidation has been completed. On November 19, 2020, the Company was removed from the National Court Register.

<sup>(\*\*\*)</sup> On March 31, 2021, the purchase transaction was completed, as a result of which the Bank became the owner of shares representing 38.33% of the capital and entitling to 38.33% votes at the General Meeting of Krajowy Integrator Płatności SA with its registered office in Poznań, a Tpay.com guide.

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

## Results of the Bank's major related entities

### **Pekao Investment Management S.A. - Pekao IM**

Consolidated net profit of Pekao IM in the first quarter of 2021 amounted to **PLN 20.3 million**, compared to PLN 30.0 million in the first quarter of 2020. Net assets of investment funds managed by Pekao TFI S.A. increased by 24.8% compared to the end of March 2020 - the low level of assets a year ago resulted from the unfavorable situation on the capital market affected by the COVID-19 pandemic. Despite the increase in assets, the result of Pekao IM fell by approximately 32.3% - which is the result of the statutory limitation of fixed remuneration for management and the resulting adjustment of the remuneration policy for other funds.

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

In the first quarter of 2021, Pekao Leasing generated a net profit of PLN 16.6 million, compared to a profit of PLN 15.9 million in the same period last year. In the first quarter of 2021, the value of leased assets was higher by 32% y/y and amounted to PLN 1,016.4 million.

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

In the first quarter of 2021, Pekao Faktoring generated a net profit of **PLN 10.5 million**, compared to a profit of PLN 1.7 million in the first quarter of 2020. The result is higher due to an increase in factoring exposure by over 25.1% y/y, cost control and the occurrence of negative credit risk events last year. Pekao Faktoring ranks first in the turnover on the Polish factoring market.

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

In the first quarter of 2021, Pekao IB generated a net profit of **PLN 5.5 million**, compared to a loss of PLN 1.8 million in the same period last year. This year, the company completed more transactions in the area of transactions on the private and public capital market and in the field of debt advisory services, which had a positive impact on the revenues and results.

### **Centrum Kart S.A. - Card Center**

In the first quarter of 2021, Centrum Kart reported a net profit of **PLN 2.4 million**, compared to PLN 0.1 million in the same period last year. The higher net result is related to the increase in the income generated by the services provided to the Bank, the company's main client, and the increased use of electronic payments by clients. In addition, the better result was strengthened by the remodeling of the method of settling card payments, which allowed for the optimization and reduction of the costs of the Card Center.

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

In the first quarter of 2021, Pekao Bank Hipoteczny generated a net profit of **PLN 1.5 million**, compared to a loss of PLN 1.9 million in the same period last year. The improvement of the result was achieved thanks to lower loan write-offs and recovery recoveries, as well as a lower burden of BGF contributions.

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

In the first quarter of 2021, PFS generated a net profit of PLN 1.3 million (including the Bank's share of **PLN 0.9 million**), compared to a profit of PLN 1.7 million in the first quarter of 2020. The net result was lower due to the fluctuation of revenues taking into account the settlement of works performed by as part of the implementation of bancassurance products and the increase in costs caused by the expansion of the scope of activities, primarily with services under the PPK program and preparation of PFS resources for its subsequent stages.

### **Dom Inwestycyjny Xelion Sp. z o.o. - DI Xelion**

DI Xelion's net profit in the first quarter of 2021 amounted to **PLN 0.4 million**, compared to the profit of PLN 0.3 million in the first quarter of 2020. The Company's results are affected by the continuing situation on the capital markets, resulting in a shift in customer preferences towards products with a lower level of acceptable risk.

### **Pekao Direct Sp. z o.o. - Pekao Direct**

In the first quarter of 2021, Pekao Direct reported a net loss of **PLN 0.2 million**, compared to PLN 0.7 million in the same period last year. The increase in the scale of services provided in connection with the pandemic situation and the clients' search for alternative channels of communication with the Bank had a positive impact on the last year's result. On the other hand, the COVID pandemic resulted in the necessity to incur additional operating costs of the Company.

**The results of Bank Pekao S.A.**

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

(in PLN million)

	1 QUARTER OF 2021	1 QUARTER OF 2020	CHANGE
Net interest income	1,277.3	1,386.8	(7.9%)
Net non-interest income	571.7	533.2	7.2%
<b>Operating income</b>	<b>1,849.1</b>	<b>1,920.0</b>	<b>(3.7%)</b>
<b>Operating costs</b>	<b>(972.5)</b>	<b>(927.7)</b>	<b>4.8%</b>
<b>Gross operating profit</b>	<b>876.6</b>	<b>992.3</b>	<b>(11.7%)</b>
Net impairment losses on financial assets and off-balance sheet commitments	(197.2)	(346.4)	(43.1%)
<b>Net operating profit</b>	<b>679.4</b>	<b>645.8</b>	<b>5.2%</b>
Bank Guarantee Fund fee	(201.6)	(248.3)	(18.8%)
Tax on certain financial institutions	(175.5)	(156.5)	12.1%
Gains (losses) on subsidiaries and associates	0.0	(0.4)	(100.0%)
<b>Profit before tax</b>	<b>302.4</b>	<b>240.6</b>	<b>25.7%</b>
<b>Net profit</b>	<b>166.9</b>	<b>113.1</b>	<b>47.6%</b>

Net profit of Bank Pekao S.A. in the first quarter of 2021, amounted to PLN 166.9 million and was higher by 47.6% y/y, mainly due to lower impairment losses on financial assets as well as lower contributions and payments to the Bank Guarantee Fund.

The main Bank's financial information are as follows:

	31.03.2021	31.03.2020	CHANGE
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS (in PLN million)</b>	<b>158,403.2</b>	<b>149,991.00</b>	<b>5.6%</b>
Loans and advances at nominal value (*)	195,761.7	167,535.40	16.8%
Amounts due to customers	155.1	899.5	(82.8%)
Structured Certificates of Deposit	0.0	457	x
Certificates of Deposit	2,750.0	2,750.00	0.0%
Subordinated bonds	0.7	166.2	>100%
Repo transactions	237,626.6	209,065.30	13.7%
Total assets			
Investment funds distributed through the Bank's network	19,273.9	15,601.90	23.5%
Total capital ratio in %	20.5%	18.1%	2,4.p.p.

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

Loans and advances at nominal value at the end of March 2021 amounted to PLN 158,403.2 million and were higher by PLN 8,412.2 million, i.e. 5.6% than at the end of March 2020 (lower by 1.2% without Idea Bank). At the end of March 2021, retail loans amounted to PLN 77,753.1 million, and corporate loans - PLN 68,375.4 million.

Amounts due to customers, Structured Certificates of Deposit, Certificates of Deposit and Subordinated Bonds at the end of March 2021 amounted to PLN 198,666.8 million and were higher by PLN 27,024.9 million, i.e. 15.7% compared to the end of March 2020. (higher by 11.6% without Idea Bank).

Net assets of investment funds managed by Pekao TFI S.A. distributed by the Bank's network at the end of March 2021 amounted to PLN 19,273.9 million and was lower by PLN 3,672.0 million, i.e. 23.5% compared to the end of March 2020.

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

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of March 2021, the total assets of Bank Pekao S.A. constitutes 96.1% of the total assets of the whole Group.

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

ASSETS	31.03.2021		31.03.2020		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	7,710.6	3.1%	9,939.3	4.6%	(22.4%)
Loans and advances to banks (*)	2,752.8	1.1%	3,045.4	1.4%	(9.6%)
Loans and advances to customers (**)	164,176.6	66.4%	154,092.4	70.9%	6.5%
Reverse repo transactions	638.7	0.3%	1,475.8	0.7%	x
Securities (***)	60,611.9	24.5%	37,084.7	17.1%	63.4%
Investments in associates	41.3	0.0%	-	x	x
Property, plant and equipment and intangible assets	3,963.0	1.6%	3,589.3	1.7%	10.4%
Other assets	7,297.4	3.0%	8,132.9	3.7%	(10.3%)
<b>Total assets</b>	<b>247,192.3</b>	<b>100.0%</b>	<b>217,359.8</b>	<b>100.0%</b>	<b>13.7%</b>

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

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

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

EQUITY AND LIABILITIES	31.03.2021		31.03.2020		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	0.0	0.0%	4.6	0.0%	x
Amounts due to other banks	8,224.9	3.3%	7,570.6	3.5%	8.6%
Amounts due to customers	195,245.6	79.0%	166,877.1	76.8%	17.0%
Debt securities issued	4,915.7	2.0%	5,041.3	2.3%	(2.5%)
Subordinated liabilities	2,770.4	1.1%	2,787.7	1.3%	(0.6%)
Repo transactions	0.7	0.0%	166.2	0.1%	(99.6%)
Lease liabilities	421.4	0.2%	438.0	0.2%	(3.8%)
Other liabilities	10,309.3	4.2%	10,692.3	4.9%	(3.6%)
Total equity, including non-controlling interests	25,304.3	10.2%	23,782.0	10.9%	6.4%
<b>Total equity and liabilities</b>	<b>247,192.3</b>	<b>100.0%</b>	<b>217,359.8</b>	<b>100.0%</b>	<b>13.7%</b>

**Customers' Financing**
**Customer structure of loans and advances**

(in PLN million)

	31.03.2021	31.03.2020	CHANGE
<b>Loans and advances at nominal value <sup>(*)</sup></b>	<b>169,769.7</b>	<b>159,594.8</b>	<b>6.4%</b>
Loans and investments in financial leases	160,164.3	149,296.8	7.3%
Retail	79,820.1	78,011.1	2.3%
Corporate	80,344.2	71,285.7	12.7%
Non-treasury debt securities	9,605.4	10,298.0	(6.7%)
Other <sup>(**)</sup>	1,993.6	1,257.3	58.6%
<b>Impairment allowances</b>	<b>(7,586.7)</b>	<b>(6,759.7)</b>	<b>12.2%</b>
<b>Total net receivables</b>	<b>164,176.6</b>	<b>154,092.4</b>	<b>6.5%</b>
Reverse repo transactions	638.6	1,475.6	(56.7%)
<b>Total Customers' financing <sup>(***)</sup></b>	<b>170,408.3</b>	<b>161,070.4</b>	<b>5.8%</b>

(\*) Excluding reverse repo transactions.

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

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

As at the end of March 2021, loans and advances at nominal value amounted to PLN 169,769.7 million, an increase of PLN 10,174.9 million, i.e. 6.4% in comparison to the end of March 2020.

As at the end of March 2021, the volume of retail loans amounted to PLN 79,820.1 million, an increase of PLN 1,809.0 million, i.e. 2.3% in comparison to the end of March 2020, thanks to dynamic growth of PLN mortgage loans by 5.7% y/y.

As at the end of March 2021, corporate loans and non-treasury debt securities amounted to PLN 89,949.6 million, an increase of PLN 8,365.9 million, i.e. 10.3% in comparison to the end of March 2020, however with the growth in the segment of medium-sized enterprises (6.5% y/y) and leasing receivables.

**Receivables and impairment losses<sup>(\*)</sup>**

(in PLN million)

	31.03.2021	31.03.2020	CHANGE
<b>Gross receivables</b>	<b>171,763.3</b>	<b>160,852.1</b>	<b>6.8%</b>
Stage 1	132,359.7	131,116.2	0.9%
Stage 2	29,456.5	21,433.9	37.4%
Stage 3	9,947.2	8,302.0	19.8%
<b>Impairment allowances</b>	<b>(7,586.7)</b>	<b>(6,759.7)</b>	<b>12.2%</b>
Stage 1	(412.9)	(459.7)	(10.2%)
Stage 2	(1,159.3)	(729.0)	59.0%
Stage 3	(6,014.5)	(5,571.0)	8.0%
<b>Total net receivables</b>	<b>164,176.6</b>	<b>154,092.4</b>	<b>6.5%</b>

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

As at the end of March 2021 the ratio of impaired receivables (stage 3) to the gross receivables amounted to 5.8%. The increase in Stage 2 was the result of an industry review and other activities of a similar nature, mainly due to the pandemic and related restrictions in the functioning of the economy.



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

	31.03.2021		31.03.2020		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	139,660.6	81.3%	131,619.7	81.8%	6.1%
Denominated in foreign currencies <sup>(**)</sup>	32,102.7	18.7%	29,232.4	18.2%	9.8%
<b>Total</b>	<b>171,763.3</b>	<b>100.0%</b>	<b>160,852.1</b>	<b>100.0%</b>	<b>6.8%</b>
Impairment allowances	(7,586.7)	x	(6,759.7)	x	12.2%
<b>Total net</b>	<b>164,176.6</b>	<b>x</b>	<b>154,092.4</b>	<b>x</b>	<b>6.5%</b>

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

<sup>(\*\*)</sup> Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish zloty, as at the end of March 2021, their share was 81.3%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (83.5%), CHF (9.0%) and USD (5.7%).

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

	31.03.2021		31.03.2020		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	14,645.7	8.5%	16,969.6	10.5%	(13.7%)
1 to 3 months	7,324.2	4.3%	5,739.4	3.6%	27.6%
3 months to 1 year	19,114.6	11.1%	14,943.0	9.3%	27.9%
1 to 5 years	61,276.1	35.7%	53,288.1	33.1%	15.0%
Over 5 years	63,202.8	36.8%	64,182.9	39.9%	(1.5%)
Past due	4,206.2	2.4%	4,471.8	2.8%	(5.9%)
Other	1,993.7	1.2%	1,257.3	0.8%	58.6%
<b>Total</b>	<b>171,763.3</b>	<b>100.0%</b>	<b>160,852.1</b>	<b>100.0%</b>	<b>6.8%</b>
Impairment allowances	(7,586.7)	x	(6,759.7)	x	12.2%
<b>Total net</b>	<b>164,176.6</b>	<b>x</b>	<b>154,092.4</b>	<b>x</b>	<b>6.5%</b>

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

As at the end of March 2021, loans and advances with maturity over 5 years represents 36.8% of total loans and advances (mainly attributed to mortgage loans, investment loans, and non-treasury debt securities).

Information on loan concentration is included in the Note to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2021.

**External sources of financing**

(in PLN million)

	31.03.2021	31.03.2020	CHANGE
Amounts due to Central Bank	0.0	4.6	x
Amounts due to other banks	8 224.9	7 570.6	8.6%
Amounts due to customers	195 245.6	166 877.1	17.0%
Debt securities issued	4 915.7	5 041.3	(2.5%)
Subordinated liabilities	2 770.4	2 787.7	(0.6%)
Repo transactions	0.7	166.2	(99.6%)
<b>Total external sources of financing</b>	<b>211 157.3</b>	<b>182 447.5</b>	<b>15.7%</b>

Amounts due to customers amounted to PLN 195,245.6 million, an increase by 17.0% to significant extent contributed to dynamic increase in loans.

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

**Amounts due to customers and debt securities issued**

(in PLN million)

	31.03.2021	31.03.2020	CHANGE
<b>Corporate deposits</b>	<b>79,764.5</b>	<b>67,646.2</b>	<b>17.9%</b>
Non-financial entities	57,174.2	48,641.1	17.5%
Non-banking financial entities	4,493.5	6,540.2	(31.3%)
Budget entities	18,096.8	12,464.9	45.2%
<b>Retail deposits</b>	<b>115,147.1</b>	<b>98,819.0</b>	<b>16.5%</b>
Other (*)	334.0	411.9	(18.9%)
<b>Amounts due to customers(**)</b>	<b>195,245.6</b>	<b>166,877.1</b>	<b>17.0%</b>
<b>Debt securities issued, of which</b>	<b>7,686.1</b>	<b>7,829.0</b>	<b>(1.8%)</b>
Structured Certificates of Deposit (SCD)	155.1	899.5	(82.8%)
Certificates of Deposit (CD)	0.0	457.0	x
Subordinated bonds	2,750.0	2,750.0	0.0%
Pekao Bank Hipoteczny S.A. covered bonds	1,199.6	1,346.3	(10.9%)
Pekao Bank Hipoteczny S.A. bonds	277.5	35.1	690.6%
Pekao Leasing Sp. z o.o. bonds	1,490.4	1,860.8	(19.9%)
Pekao Faktoring Sp. z o.o. bonds	1,789.3	432.0	314.2%
Interest	24.2	48.3	(49.9%)
<b>Amounts due to customers and debt securities issued (**)</b>	<b>202,931.7</b>	<b>174,706.1</b>	<b>16.2%</b>
Repo transactions	0.7	166.2	(99.6%)
Lease liabilities	421.4	438.0	(3.8%)
<b>Amounts due to customers and debt securities issued, total (***)</b>	<b>203,353.8</b>	<b>175,310.3</b>	<b>16.0%</b>
<b>Investment funds of Pekao TFI S.A. (ex. Pioneer Pekao TFI)</b>	<b>20,803.9</b>	<b>16,663.1</b>	<b>24.8%</b>
Bond and money market funds	16,305.8	13,655.1	19.4%
Balanced funds	2,468.1	1,740.9	41.8%
Equity funds	1,899.5	1,247.7	52.2%
PPK	130.5	19.5	100%
including distributed through the Group's network	20,143.2	16,328.6	23.4%

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

(\*\*) Excluding repo transactions and lease liabilities.

(\*\*\*) Including repo transactions and lease liabilities.

As at the end of March 2021, amounts due to the Group's customers and debt securities issued amounted to PLN 202,931.7 million, an increase of PLN 28,225.6 million, i.e. 16.2% in comparison to the end of March 2020.

The total volume of retail deposits, Structured Certificates of Deposit and other amounted to PLN 115 586,6 million as at the end of March 2021, an increase of PLN 15 500,4 million, i.e. 15.5% in comparison to the end of March 2020 and they increased their share in the structure of financing.

The total volume of corporate deposits, Certificates of Deposit, Subordinated bonds, Pekao Bank Hipoteczny S.A. covered bonds and bonds, Pekao Leasing Sp. z o.o. bonds, Pekao Faktoring Sp. z o.o. bonds interest and other amounted to PLN 87 345,1 million as at the end March 2021, an increase of PLN 12 725,2 million, i.e. 17.1% as compared to the end of March 2020.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 20,803.9 million as at the end of March 2021, an increase of PLN 4,140.8 million, i.e. 24.8% in comparison to the end of March 2020.

**Amounts due to customers by currency (\*)**

	31.03.2021		31.03.2020		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	165,958.3	85.0%	136,585.0	81.8%	21.5%
Denominated in foreign currencies	29,287.3	15.0%	30,292.1	18.2%	(3.3%)
<b>Total</b>	<b>195,245.6</b>	<b>100.0%</b>	<b>166,877.1</b>	<b>100.0%</b>	<b>17.0%</b>

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

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of March 2021 amounted to 85.0%. The majority of amounts due to customers denominated in foreign currencies were in EUR (62.3%) and USD (30.9%).

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

	31.12.2020		31.12.2019		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	174,985.8	89.8%	121,533.0	73.0%	44.0%
Term deposits	19,925.7	10.2%	44,932.2	27.0%	(55.7%)
<b>Total deposits</b>	<b>194,911.5</b>	<b>100.0%</b>	<b>166,465.2</b>	<b>100.0%</b>	<b>17.1%</b>
Interest accrued	10.9	x	165.4	x	(93.4%)
Funds in transit	323.2	x	246.5	x	31.1%
<b>Total</b>	<b>195,245.6</b>	<b>x</b>	<b>166,877.1</b>	<b>x</b>	<b>17.0%</b>

(\*) Excluding repo transactions and lease liabilities.

## 6.5 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
<b>Total provisions</b>	<b>1,042.4</b>	<b>908.1</b>	<b>1,116.0</b>	<b>946.1</b>
of which:				
provisions for off-balance sheet commitments	368.8	328.0	463.2	378.9
provisions for liabilities to employees	503.2	483.	494.4	475.9
other provisions	170.4	96.3	158.4	91.3
<b>Deferred tax liabilities</b>	<b>27.0</b>	<b>29.3</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets</b>	<b>1,376.4</b>	<b>1,203.8</b>	<b>1,078.1</b>	<b>880.2</b>

## 6.6 Off-balance sheet items

### Statement of Off-balance sheet items

(in PLN million)

	31.03.2020	31.03.2019	CHANGE
Contingent liabilities granted and received	75,113.1	69,977.9	7.3%
Liabilities granted:	54,576.3	49,895.3	9.4%
financial	41,596.3	37,282.3	11.6%
guarantees	12,980.0	12,613.0	2.9%
Liabilities received:	20,536.8	20,082.6	2.3%
financial	429.9	3,438.8	(87.5%)
guarantees	20,106.9	16,643.8	20.8%
Derivative financial instruments	409,253.0	394,729.9	3.7%
interest rate transactions	264,127.6	253,507.5	4.2%
transactions in foreign currency and in gold	140,719.7	136,684.1	3.0%
transactions based on commodities and equity securities	4,405.7	4,538.3	(2.9%)
<b>Total off-balance sheet items</b>	<b>484,366.1</b>	<b>464,707.9</b>	<b>4.2%</b>

Information on loan concentration is included in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2021.

## 6.7 Capital adequacy

Capital ratios are the basic measure applied for the measurement of capital adequacy according to Regulation of the European Parliament and of the Council (EU) No 575/2013 of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, which entered into force since January 1, 2014 together with further amendments, in particular Regulation of the European Parliament and of the Council (EU) 2019/876 of May 20, 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 and Regulation of the European Parliament and of the Council (EU) No 2020/873 of June 24, 2020, amending Regulations (EU) No 575/2013 and (EU) 2019/876 for adjustments in response to the COVID-19 pandemic, as well as relevant Implementing or Delegated Regulations issued by the Commission (EU) (CRR Regulation).

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

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

Minimal value of capital ratios on Pillar I level are:

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

Capital requirement of Pillar II for Pekao Group, results from the recommendation of KNF regarding holding by the Group own funds to cover the additional capital requirement to secure the risk resulting from mortgage-secured foreign currency loans and credits to households, amounts to 0.008% for TCR, which should consist of at least 75% of Tier 1 (which corresponds to 0.006 pp) and at least 56% of the Common Equity Tier 1 (which corresponds to 0.004 pp).

Combined buffer requirement consists of:

- Capital conservation buffer in amount of 2.50%,
- Countercyclical capital buffer in amount of 0.01%<sup>1</sup>,
- Other systemically important institution buffer in amount of 0.75%,
- Systemic risk buffer in amount of 0.00%<sup>2</sup>.

In total, Group is required to maintain:

- Total capital ratio (TCR) in amount of 11.27%,
- Capital ratio Tier I (T1) in amount of 9.26%,
- Common Equity Tier (CET 1) in amount of 7.76%.

As of March 31, 2021 for Pekao Group, total capital ratio amounted to 18.5% and Tier I ratio amounted to 16.6% The capital ratios were significantly above the minimum required by the law.

<sup>1</sup> Countercyclical capital buffer was calculated as of 31.03.2021 at the level 0.0077%.

<sup>2</sup> According to Minister of Finance's regulation the systematic risk buffer was abolished as of March 19, 2020. The systemic risk buffer rate before abolition amounted to 3% of the total risk exposure amount for all exposures located only on the territory of the Republic of Poland.

The table below presents the basic information concerning the Group capital adequacy as of March 31, 2021, December 31, 2020 and March 31, 2020 according to regulation which were in force at those dates.

(in PLN thousand)

<b>CAPITAL REQUIREMENT</b>	<b>31.03.2021</b>	<b>31.12.2020</b>	<b>31.03.2020</b>
Credit risk	10,249,113	10,207,165	10,325,359
Exceeding the exposure concentration limit and large exposures limit			
Market risk	87,447	99,400	102,873
Counterparty credit risk including CVA	195,017	173,859	203,657
Operational risk	792,760	699,703	594,733
<b>Total capital requirement</b>	<b>11,324,337</b>	<b>11,180,127</b>	<b>11,226,623</b>
<b>OWN FUNDS</b>			
Common Equity Tier I Capital	23,480,570	23,331,784	20,292,650
Tier II Capital	2,750,000	2,750,000	2,750,000
<b>Own funds for total capital ratio</b>	<b>26,230,570</b>	<b>26,081,784</b>	<b>23,042,650</b>
<b>Common Equity Tier I Capital ratio (%)</b>	<b>16.6%</b>	<b>16.7%</b>	<b>14.5%</b>
<b>Total capital ratio TCR (%)</b>	<b>18.5%</b>	<b>18.7%</b>	<b>16.4%</b>

Level of Group Total Capital Ratio at the end of March 2021 was higher by 2.1 p.p. compared to the end of March 2020 mainly due to higher own funds by 13.8% partially compensated by increase of capital requirements by 0.9%.

Increase in own funds for total capital ratio calculation resulted mainly from retention of 100% of Bank's net profit for year 2019 in Tier I capital and retention of 25% of Bank's net profit for year 2020 in Tier I capital.

Total capital requirement increased mainly due to higher capital requirement for operational risk due to increased provisions for foreign currency denominated mortgage loans.

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

### Consolidated income statement for the first quarter of 2021

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTER OF 2021
<b>Net interest income</b>	<b>Net interest income</b>	<b>1,333,599</b>
<b>Net fee and commission income</b>	<b>Net fee and commission income</b>	<b>615,863</b>
Dividend income	Dividend income	
Trading result	-	41,219
	Net result on other financial instruments at fair value through profit and loss	28,607
	Result on fair value hedge accounting	1,799
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10,813
Net other operating income and expenses	Net other operating income and expenses	9,553
	Operating income	18,737
	Operating expenses	(9,184)
<b>Net non-interest income</b>	-	<b>666,635</b>
<b>Operating income</b>	-	<b>2,000,234</b>
<b>Operating costs</b>	-	<b>(1,043,835)</b>
	Personnel expenses	(646,531)
	Other administrative expenses	(619,038)
	less – Bank Guarantee Fund fee	203,357
	less – Tax on certain financial institutions	175,460
	Depreciation and amortization	(157,083)
<b>Gross operating profit</b>	-	<b>956,399</b>
Net allowances for expected credit losses	Net allowances for expected credit losses	(176,033)
<b>Net operating profit</b>	-	<b>780,366</b>
Bank Guarantee Fund fee	Bank Guarantee Fund fee	(203,357)
Tax on certain financial institutions	Tax on certain financial institutions	(175,460)
<b>Profit before income tax</b>	<b>Profit before income tax</b>	<b>401,549</b>
Income tax expense	Income tax expense	(155,453)
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b>246,096</b>
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	245,648
Attributable to non-controlling interest	Attributable to non-controlling interest	448

Consolidated income statement for the first quarter of 2020		1 QUARTER OF 2020
INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	
<b>Net interest income</b>	<b>Net interest income</b>	<b>1,428,251</b>
<b>Net fee and commission income</b>	<b>Net fee and commission income</b>	<b>614,394</b>
Dividend income	Dividend income	255
Trading result	-	29,654
	Net result on other financial instruments at fair value through profit and loss	10,272
	Result on fair value hedge accounting	(1,744)
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	21,126
<b>Net other operating income and expenses</b>	<b>Net other operating income and expenses</b>	<b>(787)</b>
	Operating income	19,192
	Operating expenses	(19,979)
<b>Net non-interest income</b>	-	<b>643,516</b>
<b>Operating income</b>	-	<b>2,071,767</b>
<b>Operating costs</b>	-	<b>(999,628)</b>
	Personnel expenses	(618,236)
	Other administrative expenses	(665,066)
	less – Bank Guarantee Fund fee	250,703
	less – Tax on certain financial institutions	156,506
	Depreciation and amortization	(123,535)
<b>Gross operating profit</b>	-	<b>1,072,139</b>
Net allowances for expected credit losses	Net allowances for expected credit losses	(330,910)
<b>Net operating profit</b>	-	<b>741,229</b>
Bank Guarantee Fund fee	Bank Guarantee Fund fee	(250,703)
Tax on certain financial institutions	Tax on certain financial institutions	(156,506)
<b>Profit before income tax</b>	<b>Profit before income tax</b>	<b>334,020</b>
Income tax expense	Income tax expense	(146,569)
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b>187,451</b>
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	186,898
Attributable to non-controlling interest	Attributable to non-controlling interest	553

## 7. Quarterly Income Statement

### 7.1 Consolidated income statement – long form

Consolidated income statement for 2021 and 2020 - Provided for comparability purposes.

(in PLN thousand)

	Q1 2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Interest income	1,404,779	1,277,205	1,307,670	1,547,044	1,717,440
Interest income calculated using the effective interest method	1,336,590	1,225,600	1,248,391	1,478,805	1,658,059
Financial assets measured at amortised cost	1,191,489	1,076,910	1,091,978	1,314,397	1,499,810
Financial assets measured at fair value through other comprehensive income	145,101	148,690	156,413	164,408	158,249
Other interest income related to financial assets measured at fair value through profit or loss	68,189	51,605	59,279	68,239	59,381
Interest expense	(71,180)	(72,044)	(104,618)	(181,496)	(289,189)
<b>Net interest income</b>	<b>1,333,599</b>	<b>1,205,161</b>	<b>1,203,052</b>	<b>1,365,548</b>	<b>1,428,251</b>
Fee and commission income	736,798	794,163	714,908	676,929	719,266
Fee and commission expense	(120,935)	(137,863)	(119,799)	(109,082)	(104,872)
<b>Net fee and commission income</b>	<b>615,863</b>	<b>656,300</b>	<b>595,109</b>	<b>567,847</b>	<b>614,394</b>
Dividend income	-	7	268	25,748	255
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	28,607	83,386	26,178	50,703	10,272
Result on fair value hedge accounting	1,799	22	(117)	992	(1,744)
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10,813	12,285	4,672	23,049	21,126
Net allowances for expected credit losses	(176,033)	(496,153)	(277,387)	(474,010)	(330,910)
Operating income	18,737	16,062	16,436	16,490	19,192
Operating expenses	(9,184)	(81,337)	(22,426)	(24,369)	(19,979)
Administrative expenses	(1,265,569)	(898,960)	(878,213)	(909,932)	(1,283,302)
Personnel expenses	(646,531)	(473,175)	(459,178)	(489,277)	(618,236)
Other administrative expenses	(619,038)	(425,785)	(419,035)	(420,655)	(665,066)
Depreciation and amortization	(157,083)	(141,329)	(139,383)	(134,704)	(123,535)
<b>PROFIT BEFORE INCOME TAX</b>	<b>401,549</b>	<b>355,444</b>	<b>528,189</b>	<b>507,362</b>	<b>334,020</b>
Income tax expense	(155,453)	(170,550)	(157,089)	(147,906)	(146,569)
<b>NET PROFIT</b>	<b>246,096</b>	<b>184,894</b>	<b>371,100</b>	<b>359,456</b>	<b>187,451</b>
Attributable to equity holders of the Bank	245,648	184,812	370,851	359,151	186,898
Attributable to non-controlling interests	448	82	249	305	553

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



## 7.2 Consolidated statement of comprehensive income

### Consolidated statement of comprehensive income for 2021 and 2020

(in PLN thousand)

	Q1 2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
<b>Net profit</b>	<b>246,096</b>	<b>184,894</b>	<b>371,100</b>	<b>359,456</b>	<b>187,451</b>
<b>Other comprehensive income</b>					
<b>Item that are or may be reclassified subsequently to profit or loss:</b>					
Change in fair value of financial assets measured at fair value through other comprehensive income:					
Profit or loss on fair value measurement	(248,072)	196,774	124,982	525,077	(161,105)
Profit or loss reclassification to income statement after derecognition	(240,436)	201,032	130,304	548,841	(147,666)
Change in fair value of cash flow hedges	(7,636)	(4,258)	(5,322)	(23,764)	(13,439)
Tax on items that are or may be reclassified subsequently to profit or loss	(335,520)	(71,505)	4,332	118,954	414,935
<b>Items that will never be reclassified to profit or loss:</b>					
Effects of the revaluation or sale of investments in equity instruments designated at fair value through other comprehensive	110,883	(23,800)	(24,570)	(122,366)	(48,228)
Remeasurements of the defined benefit liabilities	-	-	-	-	-
Tax on items that will never be reclassified to profit or loss	(8,433)	(13,878)	1,249	(4,157)	2,134
<b>Other comprehensive income (net of tax)</b>	<b>(436,757)</b>	<b>160,924</b>	<b>99,421</b>	<b>539,388</b>	<b>196,503</b>
<b>Total comprehensive income</b>	<b>(190,661)</b>	<b>345,818</b>	<b>470,521</b>	<b>898,844</b>	<b>383,954</b>
Attributable to equity holders of the Bank	(191,109)	345,745	470,272	898,539	383,401
Attributable to non-controlling interests	448	73	249	305	553

### 7.3 Consolidated income statement – presentation form

#### Consolidated income statement for 2021 and 2020

(in PLN thousand)

	Q1 2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
<b>Net interest income</b>	<b>1,333,599</b>	<b>1,205,161</b>	<b>1,203,052</b>	<b>1,365,548</b>	<b>1,428,251</b>
Net fee and commission income	615,863	656,300	595,109	567,847	614,394
Dividend income	-	7	268	25,748	255
Trading result	41,219	95,693	30,733	74,744	29,654
Net other operating income and expenses	9,553	(65,275)	(5,990)	(7,879)	(787)
<b>Net non-interest income</b>	<b>666,635</b>	<b>686,725</b>	<b>620,120</b>	<b>660,460</b>	<b>643,516</b>
<b>Operating income</b>	<b>2,000,234</b>	<b>1,891,886</b>	<b>1,823,172</b>	<b>2,026,008</b>	<b>2,071,767</b>
Operating costs	(1,043,835)	(830,682)	(805,887)	(831,712)	(999,628)
<b>Gross operating profit</b>	<b>956,399</b>	<b>1,061,204</b>	<b>1,017,285</b>	<b>1,194,296</b>	<b>1,072,139</b>
Net allowances for expected credit losses	(176,033)	(496,153)	(277,387)	(474,010)	(330,910)
<b>Net operating profit</b>	<b>780,366</b>	<b>565,051</b>	<b>739,898</b>	<b>720,286</b>	<b>741,229</b>
Bank Guarantee Fund fee	(203,357)	(43,913)	(43,162)	(43,081)	(250,703)
Tax on certain financial institutions	(175,460)	(165,694)	(168,547)	(169,843)	(156,506)
<b>Profit before income tax</b>	<b>401,549</b>	<b>355,444</b>	<b>528,189</b>	<b>507,362</b>	<b>334,020</b>
Income tax expense	(155,453)	(170,550)	(157,089)	(147,906)	(146,569)
<b>Net profit</b>	<b>246,096</b>	<b>184,894</b>	<b>371,100</b>	<b>359,456</b>	<b>187,451</b>
<b>Attributable to equity holders of the Bank</b>	<b>245,648</b>	<b>184,812</b>	<b>370,851</b>	<b>359,151</b>	<b>186,898</b>
Attributable to non-controlling interest	448	82	249	305	553

## 8. Other Information

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

The Bank has not published the forecast of the financial results for 2021.

### 8.2 Shares in the Bank and related entities held by the Bank's Directors

According to information available to the Bank, as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the first quarter of 2021 and as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the 2020, the Members of the Bank's management and supervisory bodies did not held shares of Bank Pekao S.A.

### 8.3 Pending litigations

Information on significant legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of liabilities and receivables of the Bank and its subsidiaries is included in Note 38 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2021.

### 8.4 Information on derivative financial instruments and hedge accounting

Information on derivative financial instruments and hedge accounting is included in Note 26 and 30 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2021.

### 8.5 Related party transactions

In the first quarter of 2021, the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm's length.

In the first quarter of 2021, the Bank and its subsidiaries did not provide any sureties in respect of loans or advances or did not provide any guarantees to an entity or a subsidiary of such entity, which the total value would be significant.

Detailed information on related party transactions is included in Note 38 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2021.

### 8.6 Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in Note 5 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2021.

### 8.7 Seasonality or cyclical nature of the Bank's activity

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

### 8.8 Issuance, redemption and repayment of debt securities

#### Structured Certificates of Deposit

Structured Certificates of Deposit are investment products for the Bank's clients that form an alternative to traditional banks' deposits. The total value of the Bank's liabilities relating to these products amounted to PLN 155.1 (principal value) as at the end of March 2021. There is 4 issuances of Structured Certificates of Deposit open in PLN with the maximum maturity date on August 16, 2021.

#### Subordinated bonds

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

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

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

On 4 June 2019, the Bank issued 12 years subordinated bonds with a total nominal value of PLN 0.35 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 8 July 2019 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 4 December 2019, the Bank issued 12 years subordinated bonds with a total nominal value of PLN 0.40 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 10 December 2019 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

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

The total value of the company's liabilities due to covered bonds amounted to PLN 1,388.0 million (principal value) as at the end of March 2021. Liabilities from covered bonds with maturity up to 3 months account for 0.7%, up to 1 year account for 130.4%, up to 2 years account for 6.3%, up to 5 years account for 44.6% , up to 10 years account for 18.0% of the total nominal value.

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

The total value of the company's liabilities under bonds amounted to PLN 539.0 million (principal value) as of March 2021. The liabilities under covered bonds with maturity date up to 3 months account for 44.4%, up to 2 year account for 55.6% of the total nominal value.

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

The total value of the company's liabilities under bonds amounted to PLN 3,266.0 million (principal value) as of 31 March 2021 with maturity date up to 6 months account for 87.1%, up to 1 year account for 9.2% and up to 2 years account for 3.7% of the total nominal value.

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

The total value of the company's liabilities under bonds with maturity date to 6 months amounted to PLN 2,978.6 million (principal value) as of 31 March 2021.

## **8.9 Information on dividend and appropriation of profit achieved**

On January 14, 2021 received the following recommendations from the Polish Financial Supervision Authority:

- to withhold by the Bank payment of dividend in the first half of 2021 (including undistributed earnings from previous years),
- not to undertake by the Bank, in the first half of 2021, without prior consultation with the supervisory authority, other actions beyond the scope of current business and operational activities that may result in a reduction of the capital position, including buyback of own shares.

According to the above letter, the position of the PFSA on the dividend policy of commercial banks in the second half of 2021 will be presented separately following the analysis of the conditions of the banking sector in the first half of the year.

## **8.10 Subsequent events**

### **Information regarding the amount of the accrued annual contribution to resolution fund of banks for 2021 set for the Bank by the Bank Guarantee Fund**

On April 22th 2021, the Bank received an information from BGF regarding the amount of the accrued annual contribution to resolution fund of banks for 2021 including the adjusted amount for 2020. The accrued annual contribution to resolution fund of banks for 2021 set for the Bank by the BGF amounts to PLN 168,830,762.62. The entire amount will be recognised in costs of the first quarter of 2021.

# **Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2021**



**Warsaw, May 2021**

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

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**Consolidated income statement**

	NOTE	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03 2021	I QUARTER 2020 PERIOD FROM 01.01.2020 TO 31.03 2020 RESTATED
Interest income	9	1 404 779	1 717 440
Interest income calculated using the effective interest method		1 336 590	1 658 059
Financial assets measured at amortised cost		1 191 489	1 499 810
Financial assets measured at fair value through other comprehensive income		145 101	158 249
Other interest income related to financial assets measured at fair value through profit or loss		68 189	59 381
Interest expense	9	(71 180)	(289 189)
<b>Net interest income</b>		<b>1 333 599</b>	<b>1 428 251</b>
Fee and commission income	10	736 798	719 266
Fee and commission expense	10	(120 935)	(104 872)
<b>Net fee and commission income</b>		<b>615 863</b>	<b>614 394</b>
Dividend income	11	-	255
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	12	28 607	10 272
Result on fair value hedge accounting	26	1 799	(1 744)
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	13	10 813	21 126
Net allowances for expected credit losses	14	(176 033)	(330 910)
Operating income	15	18 737	19 192
Operating expenses	15	(9 184)	(19 979)
Administrative expenses	16	(1 265 569)	(1 283 302)
Personnel expenses		(646 531)	(618 236)
Other administrative expenses		(619 038)	(665 066)
Depreciation and amortization	17	(157 083)	(123 535)
<b>PROFIT BEFORE INCOME TAX</b>		<b>401 549</b>	<b>334 020</b>
Income tax expense	18	(155 453)	(146 569)
<b>NET PROFIT</b>		<b>246 096</b>	<b>187 451</b>
1. Attributable to equity holders of the Bank		245 648	186 898
2. Attributable to non-controlling interests		448	553
Earnings per share (in PLN per share)			
basic for the period	19	0.94	0.71
diluted for the period	19	0.94	0.71

Notes to the financial statements presented on pages 19 – 87 constitute an integral part of the condensed interim consolidated financial statements.

**Consolidated statement of comprehensive income**

	NOTE	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021	I QUARTER 2020 PERIOD FROM 01.01.2020 TO 31.03.2020
<b>Net profit</b>		<b>246 096</b>	<b>187 451</b>
<b>Other comprehensive income</b>		-	
<b>Item that are or may be reclassified subsequently to profit or loss:</b>			
Change in fair value of financial assets measured at fair value through other comprehensive income:		(248 072)	(161 105)
Profit or loss on fair value measurement		(240 436)	(147 666)
Profit or loss reclassification to income statement after derecognition		(7 636)	(13 439)
Change in fair value of cash flow hedges	26	(335 520)	414 935
Tax on items that are or may be reclassified subsequently to profit or loss	18	110 883	(48 228)
<b>Items that will never be reclassified to profit or loss:</b>			
Effects of the revaluation or sale of investments in equity instruments designated at fair value through other comprehensive		44 385	(11 233)
Remeasurements of the defined benefit liabilities		-	-
Tax on items that will never be reclassified to profit or loss	18	(8 433)	2 134
<b>Other comprehensive income (net of tax)</b>		<b>(436 757)</b>	<b>196 503</b>
<b>Total comprehensive income</b>		<b>(190 661)</b>	<b>383 954</b>
1. Attributable to equity holders of the Bank		(191 109)	383 401
2. Attributable to non-controlling interests		448	553

Notes to the financial statements presented on pages 19 – 87 constitute an integral part of the condensed interim consolidated financial statements.



**Consolidated statement of financial position**

	NOTE	31.03.2021	31.12.2020
<b>ASSETS</b>			
Cash and due from Central Bank	21	7 710 629	4 456 279
Loans and advances to banks	22	2 752 794	2 578 339
Financial assets held for trading	23	710 511	1 317 709
Derivative financial instruments (held for trading)	24	4 119 663	4 812 231
Loans and advances to customers	25	155 227 273	142 487 797
1. Measured at amortised cost		153 534 261	140 825 741
2. Measured at fair value through profit or loss		183 640	187 001
3. Measured at fair value through other comprehensive income		1 509 372	1 475 055
Hedging instruments	26	620 189	779 063
Investments (placement) securities	27	69 489 396	70 491 227
1. Measured at fair value through profit or loss		163 997	160 486
2. Designated at fair value through profit or loss		-	-
3. Measured at fair value through other comprehensive income (debt securities)		38 930 171	42 737 500
4. Designated at fair value through other comprehensive income (equity instruments)		461 727	331 690
5. Measured at amortised cost		29 933 501	27 261 551
Assets held for sale		61 635	54 123
Investments in associates		41 250	-
Intangible assets	28	2 046 133	2 008 097
Property, plant and equipment	29	1 916 915	1 919 447
Investment properties		-	-
Income tax assets		1 381 455	1 253 578
1. Current tax assets		5 018	4 831
2. Deferred tax assets		1 376 437	1 248 747
Other assets		1 114 471	1 059 292
<b>TOTAL ASSETS</b>		<b>247 192 314</b>	<b>233 217 182</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Amounts due to Central Bank	21	-	-
Amounts due to other banks	31	8 224 946	9 950 663
Financial liabilities held for trading	23	441 806	742 804
Derivative financial instruments (held for trading)	24	3 813 478	4 617 416
Amounts due to customers	32	195 667 652	178 303 984
Hedging instruments	26	1 177 365	1 072 959
Debt securities issued	33	4 915 729	6 146 708
Subordinated liabilities	34	2 770 384	2 757 876
Liabilities associated with assets held for sale		66 862	82 643
Income tax liabilities		333 895	339 798
1. Current tax liabilities		306 878	312 006
2. Deferred tax liabilities		27 017	27 792
Provisions	35	1 042 390	988 704
Other liabilities		3 433 491	2 718 650
<b>TOTAL LIABILITIES</b>		<b>221 887 998</b>	<b>207 722 205</b>
<b>Equity</b>			
Share capital		262 470	262 470
Other capital and reserves		21 794 127	22 243 269
Retained earnings and net profit for the period		3 235 922	2 977 889
<b>Total equity attributable to equity holders of the Bank</b>		<b>25 292 519</b>	<b>25 483 628</b>
Non-controlling interests		11 797	11 349
<b>TOTAL EQUITY</b>		<b>25 304 316</b>	<b>25 494 977</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>247 192 314</b>	<b>233 217 182</b>

Notes to the financial statements presented on pages 19 – 87 constitute an integral part of the condensed interim consolidated financial statements.

**Consolidated statement of changes in equity**

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER				
<b>Equity as at 1.01.2021</b>	262 470	22 243 269	9 137 221	1 982 459	9 386 555	1 355 621	381 413	2 977 889	25 483 628	11 349	25 494 977
<b>Comprehensive income</b>	-	(436 757)	-	-	-	(436 757)	-	245 648	(191 109)	448	(190 661)
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	(200 938)	-	-	-	(200 938)	-	-	(200 938)	-	(200 938)
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	35 952	-	-	-	35 952	-	-	35 952	-	35 952
Revaluation of hedging financial instruments (net of tax)	-	(271 771)	-	-	-	(271 771)	-	-	(271 771)	-	(271 771)
Net profit for the period	-	-	-	-	-	-	-	245 648	245 648	448	246 096
<b>Appropriation of retained earnings</b>	-	(12 385)	-	-	-	-	(12 385)	12 385	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Profit appropriation to other reserves	-	(12 385)	-	-	-	-	(12 385)	12 385	-	-	-
<b>Equity as at 31.03.2021</b>	262 470	21 794 127	9 137 221	1 982 459	9 386 555	918 864	369 028	3 235 922	25 292 519	11 797	25 304 316

Notes to the financial statements presented on pages 19 - 87 constitute an integral part of the condensed interim consolidated financial statements.

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER				
<b>Equity as at 1.01.2020</b>	262 470	20 665 430	9 137 221	1 982 459	8 787 844	359 668	398 238	2 458 387	23 386 287	11 739	23 398 026
<b>Comprehensive income</b>	-	995 953	-	-	-	995 953	-	1 101 712	2 097 665	1 180	2 098 845
Remeasurements of the defined benefit liabilities (net of tax)	-	(8 872)	-	-	-	(8 872)	-	-	(8 872)	(9)	(8 881)
Revaluation of debt financial instruments and loans measured at fair value through other comprehensive income (net of tax)	-	555 440	-	-	-	555 440	-	-	555 440	-	555 440
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	71 345	-	-	-	71 345	-	-	71 345	-	71 345
Revaluation of hedging financial instruments (net of tax)	-	378 040	-	-	-	378 040	-	-	378 040	-	378 040
Net profit for the period	-	-	-	-	-	-	-	1 101 712	1 101 712	1 189	1 102 901
<b>Appropriation of retained earnings</b>	-	581 861	-	-	598 686	-	(16 825)	(581 861)	-	(1 469)	(1 469)
Dividend paid	-	-	-	-	-	-	-	-	-	(1 469)	(1 469)
Profit appropriation to other reserves	-	581 861	-	-	598 686	-	(16 825)	(581 861)	-	-	-
<b>Other</b>	-	25	-	-	25	-	-	(349)	(324)	(101)	(425)
Other	-	25	-	-	25	-	-	(349)	(324)	(101)	(425)
<b>Equity as at 31.12.2020</b>	262 470	22 243 269	9 137 221	1 982 459	9 386 555	1 355 621	381 413	2 977 889	25 483 628	11 349	25 494 977

Notes to the financial statements presented on pages 19 - 87 constitute an integral part of the condensed interim consolidated financial statements.

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTERESTS	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER				
<b>Equity as at 01.01.2020</b>	262 470	20 665 430	9 137 221	1 982 459	8 787 844	359 668	398 238	2 458 387	23 386 287	11 739	23 398 026
<b>Comprehensive income</b>	-	196 503	-	-	-	196 503	-	186 898	383 401	553	383 954
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	(130 495)	-	-	-	(130 495)	-	-	(130 495)	-	(130 495)
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(9 099)	-	-	-	(9 099)	-	-	(9 099)	-	(9 099)
Revaluation of hedging financial instruments (net of tax)	-	336 097	-	-	-	336 097	-	-	336 097	-	336 097
Net profit for the period	-	-	-	-	-	-	-	186 898	186 898	553	187 451
<b>Appropriation of retained earnings</b>	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Profit appropriation to other reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	9	-	-	9	-	-	-	9	-	9
Other	-	9	-	-	9	-	-	-	9	-	9
<b>Equity as at 31.03.2020</b>	262 470	20 861 942	9 137 221	1 982 459	8 787 853	556 171	398 238	2 645 285	23 769 697	12 292	23 781 989

Notes to the financial statements presented on pages 19 – 87 constitute an integral part of the condensed interim consolidated financial statements.

**Consolidated cash flow statement**

	NOTE	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021	I QUARTER 2020 PERIOD FROM 01.01.2020 TO 31.03.2020 RESTATED
<b>Cash flow from operating activities – indirect method</b>			
<b>Profit before income tax</b>		<b>401 549</b>	<b>334 020</b>
<b>Adjustments for:</b>		<b>2 658 818</b>	<b>7 817 986</b>
Depreciation and amortization	17	157 083	123 535
(Gains) losses on investing activities		(7 712)	(9 434)
Net interest income	9	(1 333 599)	(1 428 251)
Dividend income	11	-	(255)
Interest received		1 069 936	1 631 823
Interest paid		(93 256)	(316 059)
Income tax paid		(192 770)	(195 283)
Change in loans and advances to banks		(92 458)	(5 098)
Change in financial assets held for trading		607 027	81 345
Change in derivative financial instruments (assets)		692 568	(3 017 993)
Change in loans and advances to customers (in this receivables from financial leases)		(12 528 384)	(4 346 185)
Change in investment (placement) securities		(508 764)	(368 816)
Change in other assets		(793 196)	(159 796)
Change in amounts due to banks		(1 550 764)	1 825 743
Change in financial liabilities held for trading		(300 998)	197 202
Change in derivative financial instruments (liabilities)		(803 938)	2 929 559
Change in amounts due to customers		17 432 415	9 539 841
Change in debt securities issued		1 924	21 547
Change in subordinated liabilities		-	23 208
Payments for short-term leases and leases of low-value assets		(588)	(7 314)
Change in provisions		53 686	155 508
Change in other liabilities		850 606	1 143 159
<b>Net cash flows from operating activities</b>		<b>3 060 367</b>	<b>8 152 006</b>
<b>Cash flow from investing activities</b>			
<b>Investing activity inflows</b>		<b>63 781 489</b>	<b>36 133 259</b>
Subsidy received for taking over the part of the activities of Idea Bank S.A.		193 000	-
Sale of investment securities		63 580 878	36 130 804
Sale of intangible assets and property, plant and equipment		7 611	2 200
Dividend received		-	255
<b>Investing activity outflows</b>		<b>(62 063 697)</b>	<b>(36 162 420)</b>
Acquisition of Investments subsidiaries		(41 250)	-
Acquisition of investment securities		(61 943 762)	(36 001 372)
Acquisition of intangible assets and property, plant and equipment		(78 685)	(161 048)
<b>Net cash flows from investing activities</b>		<b>1 717 792</b>	<b>(29 161)</b>

Notes to the financial statements presented on pages 19 – 87 constitute an integral part of the condensed interim consolidated financial statements

	NOTE	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021	I QUARTER 2020 PERIOD FROM 01.01.2020 TO 31.03.2020 RESTATED
<b>Cash flows from financing activities</b>			
<b>Financing activity inflows</b>		<b>2 871 414</b>	<b>5 466 529</b>
Due to loans and advances received from banks		-	3 074 865
Issue of debt securities		2 871 414	2 391 664
<b>Financing activity outflows</b>		<b>(4 312 845)</b>	<b>(7 563 531)</b>
Repayment of loans and advances received from banks		(173 432)	(3 853 977)
Redemption of debt securities		(4 109 312)	(3 682 129)
Payments for the principal portion of the lease liabilities		(30 101)	(27 425)
<b>Net cash flows from financing activities</b>		<b>(1 441 431)</b>	<b>(2 097 002)</b>
<b>Total net cash flows</b>		<b>3 336 728</b>	<b>6 025 843</b>
including effect of exchange rate fluctuations on cash and cash equivalents held		37 533	136 694
<b>Net change in cash and cash equivalents</b>		<b>3 336 728</b>	<b>6 025 843</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>7 005 348</b>	<b>6 950 972</b>
<b>Cash and cash equivalents at the end of the period</b>	37	<b>10 342 076</b>	<b>12 976 815</b>

Notes to the financial statements presented on pages 19 – 87 constitute an integral part of the condensed interim consolidated financial statements.

**Income statement of Bank Pekao S.A.**

	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021	I QUARTER 2020 PERIOD FROM 01.01.2020 TO 31.03.2020 RESTATED
Interest income	1 330 842	1 640 978
Interest income calculated using the effective interest method	1 262 050	1 580 643
Financial assets measured at amortised cost	1 113 557	1 422 403
Financial assets measured at fair value through other comprehensive income	148 493	158 240
Other interest income related to financial assets measured at fair value through profit or loss	68 792	60 335
Interest expense	(53 510)	(254 219)
<b>Net interest income</b>	<b>1 277 332</b>	<b>1 386 759</b>
Fee and commission income	638 810	616 962
Fee and commission expense	(116 552)	(103 460)
<b>Net fee and commission income</b>	<b>522 258</b>	<b>513 502</b>
Dividend income	-	255
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	26 365	2 533
Result on fair value hedge accounting	1 799	(1 744)
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10 813	20 685
Net allowances for expected credit losses	(197 165)	(346 415)
Operating income	17 882	17 301
Operating expenses	(7 374)	(19 299)
Administrative expenses	(1 203 471)	(1 219 449)
Personnel expenses	(584 840)	(558 846)
Other administrative expenses	(618 631)	(660 603)
Depreciation and amortization	(146 058)	(113 147)
Gains (losses) on subsidiaries and associates	-	(365)
<b>PROFIT BEFORE INCOME TAX</b>	<b>302 381</b>	<b>240 616</b>
Income tax expense	(135 434)	(127 538)
<b>NET PROFIT</b>	<b>166 947</b>	<b>113 078</b>
Earnings per share (in PLN per share)		
basic for the period	0.64	0.43
diluted for the period	0.64	0.43

**Statement of comprehensive income of Bank Pekao S.A.**

	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021	I QUARTER 2020 PERIOD FROM 01.01.2020 TO 31.03.2020
<b>Net profit</b>	<b>166 947</b>	<b>113 078</b>
<b>Other comprehensive income</b>	<b>-</b>	
<b>Item that are or may be reclassified subsequently to profit or loss:</b>		
Change in fair value of financial assets measured at fair value through other comprehensive income	(248 913)	(160 001)
Profit or loss on fair value measurement	(241 277)	(147 002)
Profit or loss reclassification to income statement after derecognition	(7 636)	(12 999)
Change in fair value of cash flow hedges	(335 520)	414 935
Tax on items that are or may be reclassified subsequently to profit or loss	111 043	(48 438)
<b>Items that will never be reclassified to profit or loss:</b>		
Investment in equity instruments designated at fair value through other comprehensive income	44 385	(11 233)
Remeasurements of the defined benefit liabilities	-	-
Tax on items that will never be reclassified to profit or loss	(8 433)	2 134
<b>Other comprehensive income (net of tax)</b>	<b>(437 438)</b>	<b>197 397</b>
<b>Total comprehensive income</b>	<b>(270 491)</b>	<b>310 475</b>



**Statement of financial position of Bank Pekao S.A.**

	31.03.20201	31.12.2020
<b>ASSETS</b>		
Cash and due from Central Bank	7 710 475	4 456 272
Loans and advances to banks	3 735 976	2 917 839
Financial assets held for trading	1 000 832	1 613 337
Derivative financial instruments (held for trading)	4 139 340	4 842 279
Loans and advances to customers	141 412 559	128 726 959
1. Measured at amortised cost	139 606 239	126 951 240
2. Measured at fair value through profit or loss	183 640	187 001
3. Measured at fair value through other comprehensive income	1 622 680	1 588 718
Hedging instruments	620 189	779 063
Investment (placement) securities	72 310 466	72 657 423
1. Measured at fair value through profit or loss	163 997	160 486
2. Designated at fair value through profit or loss	-	-
3. Measured at fair value through other comprehensive income (debt securities)	41 607 281	44 606 162
4. Designated at fair value through other comprehensive income (equity instruments)	461 727	331 690
5. Measured at amortised cost	30 077 461	27 559 085
Assets held for sale	35 935	35 738
Investments in subsidiaries	1 542 792	1 542 792
Investments in associates	41 250	-
Intangible assets	1 180 932	1 139 355
Property, plant and equipment	1 828 176	1 834 635
Investment properties	-	-
Income tax assets	1 078 092	939 978
1. Current tax assets	-	-
2. Deferred tax assets	1 078 092	939 978
Other assets	989 603	895 326
<b>TOTAL ASSETS</b>	<b>237 626 617</b>	<b>222 380 996</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Liabilities</b>		
Amounts due to Central Bank	-	-
Amounts due to other banks	3 977 434	5 225 544
Financial liabilities held for trading	441 806	742 804
Derivative financial instruments (held for trading)	3 816 676	4 636 116
Amounts due to customers	196 176 536	178 827 283
Hedging instruments	1 177 365	1 072 959
Debt securities issued	155 075	523 305
Subordinated liabilities	2 770 384	2 757 876
Income tax liabilities	302 812	309 449
1. Current tax liabilities	302 812	309 449
2. Deferred tax liabilities	-	-
Provisions	1 116 037	1 052 781
Other liabilities	3 315 612	2 585 508
<b>TOTAL LIABILITIES</b>	<b>213 249 737</b>	<b>197 733 625</b>
<b>Equity</b>		
Share capital	262 470	262 470
Other capital and reserves	21 135 981	21 573 419
Retained earnings and net profit for the period	2 978 429	2 811 482
<b>TOTAL EQUITY</b>	<b>24 376 880</b>	<b>24 647 371</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>237 626 617</b>	<b>222 380 996</b>

**Statement of changes in equity of Bank Pekao S.A.**

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
<b>Equity as at 1.01.2021</b>	262 470	21 573 419	9 137 221	1 982 459	8 852 566	1 368 046	233 127	2 811 482	24 647 371	
<b>Comprehensive income</b>	-	(437 438)	-	-	-	(437 438)	-	166 947	(270 491)	
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	(201 619)	-	-	-	(201 619)	-	-	(201 619)	
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	35 952	-	-	-	35 952	-	-	35 952	
Revaluation of hedging financial instruments (net of tax)	-	(271 771)	-	-	-	(271 771)	-	-	(271 771)	
Net profit for the period	-	-	-	-	-	-	-	166 947	166 947	
<b>Appropriation of retained earnings</b>	-	-	-	-	-	-	-	-	-	
Dividend paid	-	-	-	-	-	-	-	-	-	
Profit appropriation	-	-	-	-	-	-	-	-	-	
<b>Equity as at 31.03.2021</b>	262 470	21 135 981	9 137 221	1 982 459	8 852 566	930 608	233 127	2 978 429	24 376 880	

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
<b>Equity as at 1.01.2020</b>	<b>262 470</b>	<b>20 016 851</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>8 300 933</b>	<b>363 111</b>	<b>233 127</b>	<b>2 247 467</b>	<b>22 526 788</b>	
<b>Comprehensive income</b>	-	<b>1 004 935</b>	-	-	-	<b>1 004 935</b>	-	<b>1 126 424</b>	<b>2 131 359</b>	
Remeasurements of the defined benefit liabilities (net of tax)	-	(8 400)	-	-	-	(8 400)	-	-	(8 400)	
Revaluation of debt financial instruments and loans measured at fair value through other comprehensive income (net of tax)	-	563 950	-	-	-	563 950	-	-	563 950	
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	71 345	-	-	-	71 345	-	-	71 345	
Revaluation of hedging financial instruments (net of tax)	-	378 040	-	-	-	378 040	-	-	378 040	
Net profit for the period	-	-	-	-	-	-	-	1 126 424	1 126 424	
<b>Appropriation of retained earnings</b>	-	<b>562 409</b>	-	-	<b>562 409</b>	-	-	<b>(562 409)</b>	-	
Dividend paid	-	-	-	-	-	-	-	-	-	
Profit appropriation	-	562 409	-	-	562 409	-	-	(562 409)	-	
<b>Other</b>	-	<b>(10 776)</b>	-	-	<b>(10 776)</b>	-	-	-	<b>(10 776)</b>	
Acquisition of the organised part of the enterprise of the Pekao Investment Banking S.A	-	(10 776)	-	-	(10 776)	-	-	-	(10 776)	
<b>Equity as at 31.12.2020</b>	<b>262 470</b>	<b>21 573 419</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>8 852 566</b>	<b>1 368 046</b>	<b>233 127</b>	<b>2 811 482</b>	<b>24 647 371</b>	

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
<b>Equity as at 01.01.2020</b>	262 470	20 016 851	9 137 221	1 982 459	8 300 933	363 111	233 127	2 247 467	22 526 788	
<b>Comprehensive income</b>	-	197 397	-	-	-	197 397	-	113 078	310 475	
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	(129 601)	-	-	-	(129 601)	-	-	(129 601)	
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(9 099)	-	-	-	(9 099)	-	-	(9 099)	
Revaluation of hedging financial instruments (net of tax)	-	336 097	-	-	-	336 097	-	-	336 097	
Net profit for the period	-	-	-	-	-	-	-	113 078	113 078	
<b>Appropriation of retained earnings</b>	-	-	-	-	-	-	-	-	-	
Dividend paid	-	-	-	-	-	-	-	-	-	
Profit appropriation	-	-	-	-	-	-	-	-	-	
<b>Equity as at 31.03.2020</b>	262 470	20 214 248	9 137 221	1 982 459	8 300 933	560 508	233 127	2 360 545	22 837 263	

**Cash flow statement of Bank Pekao S.A.**

	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021	I QUARTER 2020 PERIOD FROM 01.01.2020 TO 31.03.2020 RESTATED
<b>Cash flow from operating activities – indirect method</b>		
<b>Profit before income tax</b>	<b>302 381</b>	<b>240 616</b>
<b>Adjustments for:</b>	<b>2 774 876</b>	<b>6 170 193</b>
Depreciation and amortization	146 058	113 147
(Gains) losses on investing activities	(7 686)	(8 929)
Net interest income	(1 277 332)	(1 386 759)
Dividend income	-	(255)
Interest received	995 389	1 552 656
Interest paid	(71 827)	(259 519)
Income tax paid	(183 623)	(170 187)
Change in loans and advances to banks	(372 880)	(67 466)
Change in financial assets held for trading	610 206	(438 741)
Change in derivative financial instruments (assets)	702 939	(3 045 485)
Change in loans and advances to customers	(12 471 695)	(4 119 682)
Change in investment (placement) securities	(467 424)	(321 014)
Change in other assets	(831 234)	(146 789)
Change in amounts due to banks	(1 199 855)	653 384
Change in financial liabilities held for trading	(300 998)	197 202
Change in derivative financial instruments (liabilities)	(819 440)	2 933 988
Change in amounts due to customers	17 417 617	9 630 799
Change in debt securities issued	(5 928)	(21 241)
Change in subordinated liabilities	-	23 208
Payments for short-term leases and leases of low-value assets	(216)	(7 042)
Change in provisions	63 256	173 093
Change in other liabilities	849 549	885 825
<b>Net cash flows from operating activities</b>	<b>3 077 257</b>	<b>6 410 809</b>
<b>Cash flow from investing activities</b>		
<b>Investing activity inflows</b>	<b>64 399 041</b>	<b>35 805 833</b>
Subsidy received for taking over the part of the activities of Idea Bank S.A.	193 000	-
Sale of investment securities	64 206 041	35 805 578
Sale of intangible assets and property, plant and equipment	-	-
Dividend received	-	255
<b>Investing activity outflows</b>	<b>(63 328 581)</b>	<b>(35 776 982)</b>
Acquisition of Investments subsidiaries	(41 250)	-
Acquisition of investment securities	(63 214 943)	(35 643 562)
Acquisition of intangible assets and property, plant and equipment	(72 388)	(133 420)
<b>Net cash flows from investing activities</b>	<b>1 070 460</b>	<b>28 851</b>

	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021	3 I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021 RESTATED
<b>Cash flows from financing activities</b>		
<b>Financing activity inflows</b>	-	<b>370 707</b>
Due to loans and advances received from banks	-	-
Issue of debt securities	-	370 707
<b>Financing activity outflows</b>	<b>(447 881)</b>	<b>(709 691)</b>
Repayment of loans and advances received from banks	(48 863)	(68 806)
Redemption of debt securities	(368 919)	(613 499)
Payments for the principal portion of the lease liabilities	(30 099)	(27 386)
<b>Net cash flows from financing activities</b>	<b>(447 881)</b>	<b>(338 984)</b>
<b>Total net cash flows</b>	<b>3 699 836</b>	<b>6 100 676</b>
including effect of exchange rate fluctuations on cash and cash equivalents held	37 570	136 936
<b>Net change in cash and cash equivalents</b>	<b>3 699 836</b>	<b>6 100 676</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7 296 349</b>	<b>7 220 182</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>10 996 185</b>	<b>13 320 858</b>

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

## 1. General information

Bank Polska Kasa Opieki Spółka Akcyjna (hereafter 'Bank Pekao S.A.' or 'the Bank'), with its headquarters in Warsaw 00-844, Grzybowska Street 53/57, was incorporated on 29 October 1929 in the Commercial Register of the District Court in Warsaw and has been continuously operating since its incorporation.

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

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

The Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2021 to 31 March 2021 contain financial information of the Bank and its subsidiaries (together referred to as the 'Group'), and the associates accounted for using equity method.

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

The share ownership structure of the Bank is presented in the Note 5.4 of the Report on the activities of Bank Pekao S.A. Group for the first quarter of 2021.

## 2. Group structure

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			31.03.2021	31.12.2020
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Pekao Leasing Sp. z o.o.	Warsaw	Leasing services	100.00	100.00
Pekao Investment Banking S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Transferable agent	66.50	66.50
Pekao Direct Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Pekao Property S.A. (in liquidation), including:	Warsaw	Real estate development	100.00	100.00
<i>FPB - Media Sp. z o.o. (in bankruptcy)</i>	<i>Warsaw</i>	<i>Real estate development</i>	<i>100.00</i>	<i>100.00</i>
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	Warsaw	Business consulting	100.00	100.00
Dom Inwestycyjny Xelion Sp. z o.o.	Warsaw	Financial intermediary	100.00	100.00
Pekao Investment Management S.A., including:	Warsaw	Holding	100.00	100.00
<i>Pekao TFI S.A.</i>	<i>Warsaw</i>	<i>Asset management</i>	<i>100.00</i>	<i>100.00</i>

As at 31 March 2021 and 31 December 2020 all subsidiaries of the Bank have been consolidated.

As at 31 March 2021 and 31 December 2020 the Group held no shares in entities under joint control.

### Investments in associates

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			31.03.2021	31.12.2020
Krajowy Integrator Płatności S.A.	Poznan	Monetary brokerage	38.33	-

**Acquisition of the shares of Krajowy Integrator Płatności S.A.**

On 31 March 2021, the purchase transaction was completed, as a result of which Bank became the owner of 210 641 shares constituting 38.33% of the capital and entitling to 38.33% of votes at the General Meeting of Krajowy Integrator Płatności S.A., the operator of the Tpay.com system. As a result of the transaction, the Bank will offer its business customers a fully comprehensive payment acceptance offer, supplemented with products for the dynamically growing online sales sector.

**Planned sale of shares in the company Dom Inwestycyjny Xelion Sp. z o.o.**

In December 2020, the Bank signed a preliminary agreement for the sale of 100% shares in Dom Inwestycyjny Xelion Sp. z o.o. Due to the planned sale of these shares, the Bank presented the assets and liabilities of Dom Inwestycyjny Xelion Sp. z o.o. as held for sale in these financial statements.

## 3. Business combinations

**Takeover of Idea Bank S.A.***Description of the Transaction*

On 30 December 2020, the Bank Guarantee Fund (hereinafter 'BGF') decided to apply to Idea Bank S.A. the instrument of resolution due to the fulfillment of the following conditions:

- 1) the bankruptcy of Idea Bank S.A.,
- 2) there are no premises indicating that possible supervisory actions or actions of Idea Bank S.A. will allow to remove the risk of bankruptcy in due time,
- 3) initiation of resolution against Idea Bank S.A. was necessary in the public interest understood as the stability of the financial sector.

The resolution instrument applied by the BGF to Idea Bank S.A. consisted in the takeover by the Bank on 3 January 2021 with the effect specified in Art. 176 sec. 1 of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee system and forced restructuring (hereinafter the 'BGF Act') of Idea Bank SA, covering all its property rights and liabilities as at 31 December 2020 (hereinafter referred to as 'Transaction'), excluding certain property rights and liabilities indicated in the BGF decision in question, including, inter alia:

- 1) property rights and liabilities related to actual, legal or tort related to:
  - a) trading in financial instruments and other activities relating to:
    - financial instruments issued by GetBack S.A. and related entities of GetBack S.A.,
    - investment certificates, in particular investment certificates issued by Lartiq (formerly Trigon) [Profit XXII NS FIZ, Profit XXIII, NS FIZ, Profit XXIV NS FIZ] represented by Lartiq TFI S.A. (formerly Trigon TFI S.A.), Universe NS FIZ, Universe 2 NS FIZ and other investment funds represented by Altus TFI S.A.,
  - b) providing insurance coverage, performing insurance intermediary activities or distribution of life insurances, if they are related to an insurance capital fund (also life insurance, where the insurance company's performance is determined based on specific indices or other base values),
  - c) providing services as an agent of an investment firm,
  - d) the activities of Idea Bank S.A., which are not covered by the Bank's statute,and claims arising from these rights and liabilities, including those covered by civil and administrative proceedings, regardless of the date when they were raised.
- 2) shares in subsidiaries and associates of Idea Bank S.A.,
- 3) corporate bonds issued by GetBack S.A.,

hereinafter referred to as 'Acquired Business'.

The takeover of the Acquired Business does not have a significant impact on the financial profile of the Bank, in particular on the capital and liquidity parameters of the Bank and the Group.



### *Transaction Justification*

Idea Bank S.A. was a commercial bank offering banking services provided to individual and institutional clients, such as accepting cash deposits payable on demand or on a specified date and keeping accounts of these deposits, granting loans, granting bank guarantees, issuing securities. Idea Bank S.A. The capital adequacy ratio of Idea Bank S.A. according to the last available financial statements prepared as at 31 March 2021 was at the level of 2.51% (compared to 10.5% required by law) and was significantly below the regulatory requirements.

The initiation of the resolution process made it possible to reduce the effects of the bankruptcy risk of Idea Bank S.A., and the negative consequences for the banking sector related to this eventuality.

### *Price conditions*

The takeover of Idea Bank S.A. was not related to the consideration payment by the Bank. As a result of the transaction, the Bank took over the assets and liabilities of Idea Bank S.A., the total estimated fair value of which was negative.

As indicated in the 'Description of the Transaction', the Bank did not acquire all the assets of Idea Bank S.A., in particular, the Bank did not take over shares in subsidiaries and associates.

Considering the above, the Bank received support from the BGF in the form of a subsidy in the amount of PLN 193 million in order to cover the difference between the value of the acquired liabilities and the value of the acquired property rights of Idea Bank S.A. The above funds were received by the Bank on 8 January 2021.

As an inseparable element of the entire Transaction, the Bank also received a guarantee from the BGF to cover losses resulting from the risk related to property rights or the entity's liabilities under the restructuring referred to in Art. 112 paragraph. 3 point 1 of the BGF Act ('Loss Coverage Guarantee'), which includes a loss coverage guarantee resulting from credit risk related to loan exposures ('CRM Guarantee') and a loss coverage guarantee (other than losses resulting from credit risk) related to the Acquired Business ('Guarantee for Residual Risks').

The takeover involves the takeover of the loan exposures included in the Acquired Business and could result in an increase in the risk-weighted exposure amount (it is calculated by multiplying the exposure amounts and the risk weight resulting from the provisions of the Regulation of the European Parliament and of the Council (EU) No.575/ 2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ('CRR')). An increase in such risk weighted exposure amounts could affect the Bank's capital requirements.

Therefore, the CRM Guarantee is used by the Bank as 'eligible unfunded credit protection' within the meaning of the CRR. This allowed, in terms of credit risk, to assign a risk weight appropriate to the entity providing protection - BGF, qualified as a public sector entity, to the acquired exposures, in accordance with the Polish Financial Supervision Authority opinion referred to in Art. 116 sec. 4 of CRR. As a consequence of obtaining the opinion referred to in Art. 116 sec. 4 of CRR and after the CRM Guarantee fulfills the remaining conditions for 'eligible unfunded credit protection', the exposures covered by the Loss Coverage Guarantee agreement are treated as exposures to the central government, resulting in a significant reduction of the capital requirement for credit risk on the part of the Bank.

### *Provisional settlement of the acquisition of the Acquired Business of Idea Bank S.A.*

The Bank settled the Transaction using the principles of International Financial Reporting Standard 3 'Business Combinations' (hereinafter 'IFRS 3') as at the date of taking control (i.e. 3 January 2021) based on the data as at 31 December 2020.

The application of IFRS 3 requires, inter alia, carrying out the process of identification and measurement of the acquired assets and assumed liabilities to fair value as at the acquisition date, and recognition and measurement of goodwill or profit on a bargain purchase.

The above process requires collecting and analyzing a very large amount of data and making a number of calculations based on this data in order to determine the fair value of each of the acquired assets and liabilities in a reliable manner.

Due to the fact that by the date of approval of these consolidated financial statements, the Bank had not completed the above process, the Group decided to prepare a provisional settlement of the acquisition, with the following key assumptions:

- an analysis was performed and the valuation to fair value of some assets was made consistent in accordance with the models operating in the Group,
- initial valuation of deposits to fair value was made,
- no additional intangible assets (in particular customer relations) were identified for recognition by the Bank,
- the analysis of potential adjustments resulting from the valuation of some assets and liabilities to fair value has not been completed, in particular with regard to the loan portfolio as well as property, plant and equipment and intangible assets,
- analysis of the CRM guarantee received from BFG was performed and considered that due to the specific nature of the Transaction, the CRM guarantee constitutes an integral part of credit assets that are part of the Acquired Business.

The provisional fair values of the identifiable assets acquired and liabilities assumed are presented in the table below.

ITEM NAME (*)	BBOOK VAULE (*)	FAIR VAULE
Cash and due from Central Bank	1 099 662	1 085 742
Loans and advances to banks	200 339	210 088
Financial assets held for trading	65 476	65 172
Derivative financial instruments (held for trading)	9 044	9 044
Loans and advances to customers (in this receivables from financial leases)	12 048 461	12 059 336
Investments (placement) securities	652 453	453 180
Assets held for sale	565	519
Intangible assets	143 825	40 435
Property, plant and equipment	36 496	32 291
Other assets	139 221	65 527
<b>TOTAL ASSETS</b>	<b>14 395 542</b>	<b>14 021 334</b>
Amounts due to other banks	125 484	125 488
Derivative financial instruments (held for trading)	155 203	164 176
Amounts due to customers	13 513 680	13 575 553
Provisions	8 389	3 889
Other liabilities	342 485	346 385
<b>TOTAL LIABILITIES</b>	<b>14 145 241</b>	<b>14 215 491</b>

(\*) Data according to the statement of turnover and balances that the Bank received from the BFG on January 3, 2021

As a result of the above, the Bank provisionally recognized goodwill in the amount of PLN 1 157.

The provisionally acquisition settlement presented above takes into account the best knowledge of the Bank as at the date of approval of these consolidated financial statements. However, due to the fact that the Bank is still in the process of verifying the data regarding the Acquired Business of Idea Bank S.A. and valuation of individual items at fair value, both the carrying amounts and the amounts of adjustments of individual items to fair value, and as a result, the determined goodwill, may change in the process of the final settlement of the Transaction.

## 4. Statement of compliance

The Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of three months ended 31 March of 2021 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union and other applicable regulations.

These financial statements do not include all information required for annual financial statements, and shall be read in conjunction with the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2020.

The consolidated financial statements of Bank Pekao S.A. Group as at and for the year ended 31 December 2020 are available at the Bank's website [www.pekao.com.pl](http://www.pekao.com.pl).

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2018, item 757 with further amendments) the Bank is required to publish the financial report for the three months period ended 31 March 2021, i.e. current interim period.

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

These condensed interim consolidated financial statements were authorized for issue by the Management Board on 5 May 2021.

## 5. Significant accounting policies

### 5.1 Basis of preparation of Consolidated Financial Statements

#### General information

Condensed Interim Consolidated Financial Statements of the Group for the period of three months ended on 31 March of 2021 have been prepared based on the following valuation methods:

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

In the period of first quarter of 2021 the Group did not amend its accounting policies in respect to valuation of assets and liabilities and profit measurement, The accounting policies applied by the Group in these condensed interim consolidated financial statements, are the same as those applied in the Consolidated Financial Statements of Bank Pekao S.A. Group for the year ended on 31 December 2020. Those accounting policies have been applied uniformly to all presented reporting periods and by all entities of the Group.

The consolidated financial statements include the requirements of all the International Financial Reporting Standards and International Accounting Standards approved by the European Union and related interpretations. Changes in published standards and interpretations, which became effective on or after 1 January 2021, had no material impact on the Group's financial statements.

The financial statements does not take into consideration interpretations and amendments to Standards, pending approval by the European Union or approved by the European Union but came into force or shall come into force after the balance sheet date (Note 5.3 and Note 5.4). In the Group's opinion, amendments to Standards and interpretations will not have a material impact on the consolidated financial statements of the Group.

#### Comparability of financial data

In the consolidated financial statements for the year ended on 31 December 2020, the Group and the Bank changed the presentation of selected items in the profit and loss account. The item 'Net other operating income and expenses' has been presented in two separate lines, i.e. as 'Other operating income' and 'Other operating expenses'.

The above-mentioned changes made it necessary to transform the comparable data for the 3-month period ended on 31 March 2020, but they did not affect the level of the presented financial result.

The impact of changes on the comparative data of the income statement is presented in the table below.

CONSOLIDATED INCOME STATEMENT	DATE FOR 31.03.2021 BEFORE RESTATEMENT	RESTATEMENT	DATE FOR 31.03.2021 AFTER RESTATEMENT
Net other operating income and expenses	(787)	787	-
Other operating income	-	19 192	19 192
Other operating expenses	-	(19 979)	(19 979)

SEPARATE INCOME STATEMENT	DATE FOR 31.03.2021 BEFORE RESTATEMENT	RESTATEMENT	DATE FOR 31.03.2021 AFTER RESTATEMENT
Net other operating income and expenses	(1 998)	1 998	-
Other operating income	-	17 301	17 301
Other operating expenses	-	(19 299)	(19 299)

In the financial statements for the year ended on 31 December 2020 the Group and the Bank changed presentation of selected items of the consolidated statement of cash flows:

- cash flows from operating activities determined using the indirect method have been presented as 'Gross profit' and adjustments (previously 'Net profit' and adjustments), therefore the item 'Income tax' has been rejected from the item 'Total adjustments',
- position 'Net Profit attributable to non-controlling interests' was presented in line 'Change in other assets' (the change only applies to the Group),
- position 'Change only in receivables from financial leases' was presented in line 'Change in loans and advances from customers (in this receivables from financial leases)' (the change applies to the Group),
- position 'Other investment inflows' was presented in line 'Changes in investment (placement) securities'.

The impact of changes on the comparative data of the consolidated cash flow statement is presented in the table below.

CONSOLIDATED CASH FLOW STATEMENT	DATE FOR 31.03.2020 BEFORE RESTATEMENT	RESTATEMENT	DATE FOR 31.03.2020 AFTER RESTATEMENT
Profit before income tax	-	334 020	334 020
Net profit for the period	186 898	(186 898)	-
Income tax	146 569	(146 569)	-
Change in other assets	(159 243)	(553)	(159 796)
Change in receivables from finance leases	(334 181)	334 181	-
Change in loans and advances to customers (in this receivables from financial leases)	(4 012 004)	(334 181)	(4 346 185)
Change in investment (placement) securities	(548 476)	179 660	(368 816)
Other investing inflows	179 660	(179 660)	-

In the separate financial statements for the year ended on 31 December 2020 the Group changed presentation of selected items of the consolidated statement of cash flows:

The impact of changes on the separate cash flow statement is presented in the table below.

SEPARATE CASH FLOW STATEMENT	DATE FOR 31.03.2020 BEFORE RESTATEMENT	RESTATEMENT	DATE FOR 31.03.2020 AFTER RESTATEMENT
Profit before income tax	-	240 616	240 616
Net profit for the period	113 078	(113 078)	-
Income tax	127 538	(127 538)	-
Change in investment (placement) securities	(500 674)	179 660	(321 014)
Other investing inflows	179 660	(179 660)	-

## 5.2 New standards, interpretations and amendments to published standards that have been approved and published by the European Union and are effective on or after 1 January 2021

STANDARD / INTERPRETACJA	OPIS	OCENA WPŁYWU
<b>IFRS 4 (amendment)</b> 'Insurance contracts'	<p>The main amendments include:</p> <ul style="list-style-type: none"> <li>• deferral of the date of initial application of IFRS 17 by two years to annual reporting periods beginning on or after 1 January 2023,</li> <li>• extension of the temporary exemption from applying IFRS 9 by two years. As a result, the qualifying entities will be required to apply IFRS 9 for annual period beginning on or after 1 January 2023.</li> </ul>	The standard's amendments did not have a material impact on the financial statements in the period of their first application.
<b>IFRS 9 (amendment)</b> 'Financial instruments' and <b>IFRS 7 (amendment)</b> 'Financial instruments: disclosures' and <b>IFRS 17 (amendment)</b> 'Insurance contracts' and <b>IFRS 16 (amendment)</b> 'Leasing'	<p>The main amendments include:</p> <ol style="list-style-type: none"> <li>1. accounting for modifications to financial assets, financial liabilities and lease liabilities required as a direct consequence of the interest rate benchmark reform and performed on an economically equivalent basis, by updating the effective interest rate.</li> <li>2. hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.</li> <li>3. in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interest rate benchmarks to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about: <ul style="list-style-type: none"> <li>• how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition,</li> <li>• quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark,</li> <li>• to the extent that the interest rate benchmark reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.</li> </ul> </li> </ol>	The amendments to the standards did not have a material impact on the financial statements in the period of their first application.

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

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

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

STANDARD/ INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
<b>IFRS 17 'Insurance Contracts'</b>	The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' and related interpretations while applied. Date of application: annual periods beginning on or after 1 January 2023.	The Group claims that the new standard will not have a material impact on the financial statements in the period of its first application.
<b>IAS 1 (amendment) 'Presentation of financial statements'</b>	The amendments affect requirements in IAS 1 for the presentation of liabilities. In particular, these amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Date of application: annual periods beginning on or after 1 January 2023.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IFRS 3 (amendment) 'Business combinations'</b>	The amendments to IFRS 3 include: <ul style="list-style-type: none"> <li>Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework,</li> <li>Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination, and</li> <li>Add to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.</li> </ul> Date of application: annual periods beginning on or after 1 January 2022.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 16 (amendment) 'Property, plant and equipment'</b>	The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. Date of application: annual periods beginning on or after 1 January 2022.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 37 (amendment) 'Provisions, contingent liabilities and contingent assets'</b>	The amendments to IAS 37 specify that the 'cost of fulfilling' an onerous contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. Date of application: annual periods beginning on or after 1 January 2022.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 1 (amendment) 'Presentation of financial statement'</b>	The amendments to IAS 1 include: <ul style="list-style-type: none"> <li>an entity is required to disclose its material accounting policy information instead of its significant accounting policies,</li> <li>clarification that accounting policy information may be material because of its nature, even if the related amounts are immaterial,</li> <li>clarification that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and</li> <li>clarification that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.</li> </ul> Date of application: annual periods beginning on or after 1 January 2023.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 8 (amendment) 'Accounting policies, changes in accounting estimates and errors'</b>	The amendments to IAS 8 include: <ul style="list-style-type: none"> <li>the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty,</li> <li>clarification that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors,</li> <li>clarification that a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.</li> </ul> Date of application: annual periods beginning on or after 1 January 2023.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.

STANDARD/ INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
MSSF 16 (amendment) 'Leasing'	<p>The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognized in profit or loss.</p> <p>The practical expedient will only apply if:</p> <ul style="list-style-type: none"> <li>the revised consideration is substantially the same or less than the original consideration,</li> <li>the reduction in lease payments relates to payments due on or before 30 June 2021, and</li> <li>no other substantive changes have been made to the terms of the lease</li> </ul> <p>Date of application: periods beginning on or after 1 April 2021.</p>	<p>The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.</p>

## 6. Accounting estimates

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

Estimates and assumptions are reviewed on an ongoing basis by the Group and rely on historic data and other factors including expectation of the future events which seems justified in given circumstances. In particular, as at 31 March 2021, the Bank included in its estimates the impact of the COVID-19 epidemic on individual items of the Group's assets and liabilities.

However, taking into account the significant uncertainty as to the further development of the economic situation, the estimates made may change in the future.

The uncertainty of the estimates made by the Group as at 31 March 2021 concerns mainly:

- forecasts regarding macroeconomic assumptions, in particular those relating to key economic indicators (i.e. the level of the expected economic slowdown, GDP, employment, housing prices, possible disruptions in capital markets, etc.),
- possible business disruptions due to decisions made by public institutions, enterprises and consumers to help contain the spread of the virus,
- the effectiveness of the support programs that have been designed to support businesses and consumers.

Significant accounting estimates that are affected by the aforementioned forecasts and the related uncertainties relate primarily to expected credit losses and the determination of the recoverable amount of non-financial assets.

Information on the assumptions made and the uncertainty related to the estimates made, connected to a significant risk of material adjustments to the financial statements for the next reporting period, is presented below.

### Impairment of loans and advances to customers, expected credit losses

At each balance sheet date the Group assesses whether there is any objective evidence ('trigger') that credit exposures are impaired taking into consideration actual definition of Default. The definition of Default consistently considers all financial instruments. For financial instruments that are not impaired, the Group assesses if credit risk has increased significantly since initial recognition.

If at balance sheet date credit risk concerning the financial instrument has not increase significantly since initial recognition, the Group assesses impaired allowances for expected credit losses with regard to the financial instrument as an amount equal 12-month expected credit losses. Otherwise, the Group assesses impaired allowances for expected credit losses with regard to the financial instrument as an amount equal expected credit losses over the expected life (lifetime horizon) of that financial instrument (lifetime expected credit losses).

In order to determine the expected credit losses, the Group identifies individually significant financial instruments, in particular: all financial assets towards a borrower for which the Group's total exposure as at the balance sheet date exceeds the adopted threshold value of PLN 1 million and restructured financial instruments towards debtors who are entrepreneurs within the meaning of Article 43 of the Civil Code.

For all individually significant financial instruments, which are impaired as at balance sheet date, the Group measures the impairment allowance (impairment credit loss) as part of individual assessment. The individual assessment is carrying out by the Group's employees and consists of individual verification of the default occurrence and projection of future cash flows from foreclosure, less costs incurred for obtaining and selling the collateral or other repayment resources. The Group compares the estimated future cash flows applied for measurement of individual expected credit losses with the actual cash flows on a regular basis.

For all other financial instruments the Group measures the allowance for expected credit losses according to IFRS 9, taking into account forecasts and expected future economic conditions in the context of credit risk.

**Impairment of non-current assets (including goodwill)**

At each balance sheet date the Group reviews its non-current assets for indications of impairment. The Group performs an impairment test of goodwill on a yearly basis or more often if impairment triggers occur.

Where such indications exist, the Group makes a formal estimation of the recoverable value (of a given assets or – in the case of goodwill - all cash-generating units to which the goodwill relates). If the carrying amount of a given asset is in excess of its recoverable value, impairment is defined and a write-down is recorded to adjust the carrying amount to the level of its recoverable value. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

Estimation of the value-in-use of an assets (or cash generating unit) requires assumptions to be made regarding, among other, future cash flows which the Group may obtain from the given asset (or cash generating unit), any changes in amount or timing of occurrence of these cash flows and other factors such as the lack of liquidity. The adoption of different measurement assumptions may affect the carrying amount of some of the Group's non-current assets.

As at 31 March 2021, there was no need to make impairment allowances for non-current assets.

**Provisions for legal risk regarding foreign currency mortgage loans in CHF**

As at 31 March 2021 the Group assessed the probability of the impact of legal risk regarding foreign currency mortgage loans in CHF on future expected cash flows from loan exposures and the probability of cash outflows.

Given the inconsistent judicial decisions regarding foreign currency mortgage loans in CHF and the short period of historical data regarding lawsuits related to the above-mentioned loans, the estimation of the provision required the Group to adopt expert assumptions and is associated with significant uncertainty.

Details on the main assumptions used to estimate the provisions for legal risk regarding foreign currency mortgage loans in CHF are presented in Note 7.1.

**Provisions for commission refunds in the event of early repayment of loan**

As at 31 March 2021 the Group assessed the legal risk arising from the judgment of the Court of Justice of the European Union (hereinafter the 'CJEU') on consumer loans and estimated the possible amount of cash outflow as a refund of commission to the customer in relation to early repayment of consumer loans (for loans prepaid before the judgment of the CJEU, i.e. before 11 September 2019).

In addition, with regard to balance sheet exposures as at 31 March 2021, the Group estimated the possible prepayments of these exposures in the future.

The estimates required the Group to adopt expert assumptions primarily regarding the scale of complaints and amounts reimbursed for prepaid loans before the CJEU judgment, as well as the expected scale of prepayments and future returns for balance sheet exposures, and are associated with significant uncertainty.

Details on the estimated provision for earlier repayments of consumer loans are presented in Note 35.

**Fair value measurement**

The principles of estimating fair value of derivative instruments and unquoted debt securities measured at fair value did not change in relation to 31 December 2020.

## 7. Risk management

### 7.1 Credit risk

The general framework for the risk management, credit risk mitigation methods and rating models did not change substantially compared to those described in the in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2020.

In connection with the COVID-19 epidemic, the Group identifies the risk of disturbances in the economy as a result of suspending or limiting operations in certain sectors, unavailability and dismissal of employees, changes in consumer behavior, economic slowdown in Poland's trading partners and others, being direct and indirect result of activities related to fighting the epidemic. In the Group's opinion, this may lead to a significant deterioration in the situation of some of the borrowers, this deterioration may be spread over time.



In order to reduce this risk, the Group has implemented a number of activities to mitigate credit risk and solutions supporting clients, including:

- increased monitoring of the loan portfolio with particular emphasis on higher risk industries,
- strengthening the instruments used to mitigate credit risk, including legal collateral for claims, both at the financing and monitoring stages,
- verifying procedures in the area of crediting individual business lines and adapting them to the existing situation,
- granting loans with the use of dedicated guarantee programs,
- deferring the payment of principal and interest installments, at the customer's request, for a maximum period of 6 months,
- deferring the application of sanctions resulting from non-implementation of contractual clauses.

***Changes in the methodology of calculation an expected credit losses***

Compared to the assumptions for 2020, no significant changes were made to the model of impairment allowances calculation in the first quarter of 2021.

The Bank did not change its approach to identifying a significant deterioration in the credit risk, which is the basis for classifying exposures to stage 2. However, the Bank applies methods consistently, taking into consideration current situation. In particular, in case of granting non-statutory credit holidays and other actions taken to mitigate the effects of the COVID-19 pandemic, the Bank's methodology is consistent with regulatory guidelines (e.g. *Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*). Granting non-statutory credit holidays or other measures which mitigate the effects of pandemic do not automatically reclassify exposures to stage 2. However, such reclassification takes place if the increase of credit risk is influenced by additional factors which indicate the debtor's problems. Additionally, as part of the binding procedures, the Bank reviewed and reclassified the most exposed sectors (high risk) in terms of exposure to negative effects of the COVID-19 pandemic. Next, the Bank made a detailed analysis of current situation of enterprises operating in high risk sectors and reclassified the exposures for which significant increase of credit risk was identified to stage 2 or 3. On the other hand, for clients taking advantage of statutory holidays, the Bank classified the exposures to stage 3 at the product group level in connection with the client's declaration of losing a job or a significant part of their income.

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

	LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)				TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT	
<b>GROSS CARRYING AMOUNT</b>					
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>2 729 506</b>	<b>168</b>	<b>-</b>	<b>86</b>	<b>2 729 760</b>
Increase due to acquisition of part of Idea Bank S.A. activity	1 295 831	-	-	-	1 295 831
Transfer to Stage 1	11	(11)	-	-	-
Transfer to Stage 2	(34 137)	34 137	-	-	-
Transfer to Stage 3	-	(10)	-	10	-
New / purchased / granted financial assets	3 834 723	-	-	-	3 834 723
Financial assets derecognised, other than write-offs (repayments)	(1 637 972)	(20)	-	(9)	(1 638 001)
Financial assets written off (**)	-	-	-	-	-
Other, in this changes resulting from exchange rates	25 326	648	-	2	25 976
<b>GROSS CARRYING AMOUNT AS AT 31.03.2021</b>	<b>6 213 288</b>	<b>34 912</b>	<b>-</b>	<b>89</b>	<b>6 248 289</b>
<b>IMPAIRMENT ALLOWANCE</b>					
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>1 232</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>1 236</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
New / purchased / granted financial assets	216	-	-	-	216
Financial assets derecognised, other than write-offs (repayments)	(86)	-	-	(3)	(89)
Financial assets written off (**)	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	387	-	-	-	387
Other, in this changes resulting from exchange rates	560	-	-	-	560
<b>IMPAIRMENT ALLOWANCE AS AT 31.03.2021</b>	<b>2 309</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>2 310</b>

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

(\*\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 0 thousand.

LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)					
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT	
<b>GROSS CARRYING AMOUNT</b>					
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>3 918 225</b>	<b>291</b>	<b>-</b>	<b>96</b>	<b>3 918 612</b>
Transfer to Stage 1	23	(21)	-	(2)	-
Transfer to Stage 2	(34)	45	-	(11)	-
Transfer to Stage 3	(6)	(16)	-	22	-
New / purchased / granted financial assets	1 784 218	-	-	-	1 784 218
Financial assets derecognised, other than write-offs (repayments)	(3 033 953)	(96)	-	(27)	(3 034 076)
Financial assets written off (**)	-	-	-	(2)	(2)
Other, in this changes resulting from exchange rates	61 033	(35)	-	10	61 008
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>2 729 506</b>	<b>168</b>	<b>-</b>	<b>86</b>	<b>2 729 760</b>
<b>IMPAIRMENT ALLOWANCE</b>					
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>1 361</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1 362</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(2)	-	-	2	-
New / purchased / granted financial assets	287	-	-	-	287
Financial assets derecognised, other than write-offs (repayments)	(178)	(54)	-	(22)	(254)
Financial assets written off (**)	-	-	-	(2)	(2)
Changes in level of credit risk (excluding the transfers between the Stages)	(144)	-	-	4	(140)
Other, in this changes resulting from exchange rates	(92)	54	-	21	(17)
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2020</b>	<b>1 232</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>1 236</b>

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

(\*\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 2 thousand.

TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED))		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M EC)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>113 515 763</b>	<b>25 978 924</b>	<b>5 236 011</b>	<b>3 292 482</b>	<b>39 572</b>	<b>148 062 752</b>	<b>720 770</b>	<b>754 285</b>	<b>1 475 055</b>
Increase due to acquisition of part of Idea Bank S.A. activity	11 187 231	-	-	-	872 105	12 059 336	-	-	-
Transfer to Stage 1	2 492 119	(2 480 530)	(299)	(11 290)	-	-	-	-	-
Transfer to Stage 2	(6 129 425)	6 220 533	(4 003)	(87 105)	-	-	-	-	-
Transfer to Stage 3	(200 790)	(447 505)	193 349	454 946	-	-	-	-	-
New / purchased / granted financial assets	12 600 194	-	-	-	2 193	12 602 387	53 181	-	53 181
Financial assets derecognised, other than write-offs (repayments)	(10 864 243)	(876 091)	(71 193)	(80 353)	(60 258)	(11 952 138)	(20 000)	(5 967)	(25 967)
Financial assets written off (*)	-	-	(25 118)	(26 294)	-	(51 412)	-	-	-
Modifications not resulting in derecognition	2 242	(1 547)	-	(1 433)	-	(738)	-	-	-
Other, in this changes resulting from exchange rates	104 322	36 944	53 485	(5 254)	140 534	330 031	3 033	4 070	7 103
<b>GROSS CARRYING AMOUNT AS AT 31.03.2021</b>	<b>122 707 413</b>	<b>28 430 728</b>	<b>5 382 232</b>	<b>3 535 699</b>	<b>994 146</b>	<b>161 050 218</b>	<b>756 984</b>	<b>752 388</b>	<b>1 509 372</b>
<b>IMPAIRMENT ALLOWANCE (**)</b>									
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>390 616</b>	<b>1 175 162</b>	<b>3 568 016</b>	<b>2 087 241</b>	<b>15 976</b>	<b>7 237 011</b>	<b>5 242</b>	<b>21 329</b>	<b>26 571</b>
Transfer to Stage 1	78 150	(73 720)	(277)	(4 153)	-	-	-	-	-
Transfer to Stage 2	(30 407)	58 021	(898)	(26 716)	-	-	-	-	-
Transfer to Stage 3	(6 762)	(54 613)	3 219	58 156	-	-	-	-	-
New / purchased / granted financial assets	58 806	-	-	-	705	59 511	504	-	504
Financial assets derecognised, other than write-offs (repayments)	(13 053)	(12 639)	(13 579)	(11 374)	(19)	(50 664)	-	-	-
Financial assets written off (*)	-	-	(25 118)	(26 294)	-	(51 412)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(102 178)	62 243	123 608	95 880	(188)	179 365	1	(686)	(685)
Other, in this changes resulting from exchange rates	3 042	3 224	51 518	34 218	50 144	142 146	50	205	255
<b>IMPAIRMENT ALLOWANCE AS AT 31.03.2021</b>	<b>378 214</b>	<b>1 157 678</b>	<b>3 706 489</b>	<b>2 206 958</b>	<b>66 618</b>	<b>7 515 957</b>	<b>5 797</b>	<b>20 848</b>	<b>26 645</b>

(\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 92 468 thousand.

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

(\*\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 346 555 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 December 2021 amounted to PLN 765 thousand.

TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED))		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>117 966 139</b>	<b>19 613 896</b>	<b>5 250 851</b>	<b>2 885 848</b>	<b>42 806</b>	<b>145 759 540</b>	<b>771 987</b>	<b>608 620</b>	<b>1 380 607</b>
Transfer to Stage 1	3 791 397	(3 754 500)	(957)	(35 940)	-	-	-	-	-
Transfer to Stage 2	(13 385 880)	13 571 142	(16 750)	(168 512)	-	-	(131 894)	131 894	-
Transfer to Stage 3	(1 235 753)	(657 915)	874 987	1 018 681	-	-	-	-	-
New / purchased / granted financial assets	32 648 254	-	-	-	1 001	32 649 255	100 000	-	100 000
Financial assets derecognised, other than write-offs (repayments)	(27 105 941)	(3 030 513)	(356 344)	(362 176)	(5 550)	(30 860 524)	(75 782)	(51 141)	(126 923)
Financial assets written off (*)	-	-	(654 612)	(219 015)	(867)	(874 494)	-	-	-
Modifications not resulting in derecognition	(6 892)	(1 312)	18	(3 061)	-	(11 247)	-	-	-
Other, in this changes resulting from exchange rates	844 439	238 126	138 818	176 657	2 182	1 400 222	56 459	64 912	121 371
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>113 515 763</b>	<b>25 978 924</b>	<b>5 236 011</b>	<b>3 292 482</b>	<b>39 572</b>	<b>148 062 752</b>	<b>720 770</b>	<b>754 285</b>	<b>1 475 055</b>
<b>IMPAIRMENT ALLOWANCE (**)</b>									
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>304 292</b>	<b>712 318</b>	<b>3 464 586</b>	<b>1 976 911</b>	<b>11 444</b>	<b>6 469 551</b>	<b>3 407</b>	<b>17 401</b>	<b>20 808</b>
Transfer to Stage 1	149 897	(139 026)	(315)	(10 556)	-	-	-	-	-
Transfer to Stage 2	(63 837)	119 957	(3 093)	(53 027)	-	-	(503)	503	-
Transfer to Stage 3	(110 353)	(112 280)	44 239	178 394	-	-	-	-	-
New / purchased / granted financial assets	127 737	-	-	-	793	128 530	330	-	330
Financial assets derecognised, other than write-offs (repayments)	(37 256)	(27 914)	(45 828)	(33 623)	(465)	(145 086)	(655)	-	(655)
Financial assets written off (*)	-	-	(636 885)	(219 015)	(867)	(856 767)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)(***)	(5 267)	604 571	606 162	266 802	1 313	1 473 581	2 462	1 739	4 201
Other, in this changes resulting from exchange rates	25 403	17 536	139 150	(18 645)	3 758	167 202	201	1 686	1 887
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2020</b>	<b>390 616</b>	<b>1 175 162</b>	<b>3 568 016</b>	<b>2 087 241</b>	<b>15 976</b>	<b>7 237 011</b>	<b>5 242</b>	<b>21 329</b>	<b>26 571</b>

(\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 255 319 thousand.

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

(\*\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 345 131 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 December 2020 amounted to PLN 1 400 thousand.

CORPORATE	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 :TIME ECL - NOT EDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED))		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	ETIME ECL - IOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>49 845 330</b>	<b>10 386 311</b>	<b>4 957 895</b>	<b>609 049</b>	<b>31 859</b>	<b>65 830 444</b>	<b>720 770</b>	<b>754 285</b>	<b>1 475 055</b>
Increase due to acquisition of part of Idea Bank S.A. activity	10 943 618	-	-	-	839 930	11 783 548	-	-	-
Transfer to Stage 1	1 141 385	(1 138 273)	(267)	(2 845)	-	-	-	-	-
Transfer to Stage 2	(4 439 521)	4 448 619	(4 003)	(5 095)	-	-	-	-	-
Transfer to Stage 3	(102 725)	(198 499)	189 578	111 646	-	-	-	-	-
New / purchased / granted financial assets	8 854 714	-	-	-	177	8 854 891	53 181	-	53 181
Financial assets derecognised, other than write-offs (repayments)	(8 165 889)	(319 228)	(83 969)	(25 549)	(39 272)	(8 633 907)	(20 000)	(5 967)	(25 967)
Financial assets written off	-	-	(23 438)	(3 553)	-	(26 991)	-	-	-
Modifications not resulting in derecognition	1 963	(1 776)	(1)	-	-	186	-	-	-
Other, in this changes resulting from exchange rates	115 063	62 406	55 593	(13 091)	138 377	358 348	3 033	4 070	7 103
<b>GROSS CARRYING AMOUNT AS AT 31.03.2021</b>	<b>58 193 938</b>	<b>13 239 560</b>	<b>5 091 388</b>	<b>670 562</b>	<b>971 071</b>	<b>78 166 519</b>	<b>756 984</b>	<b>752 388</b>	<b>1 509 372</b>
<b>IMPAIRMENT ALLOWANCE (*)</b>									
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>253 166</b>	<b>256 267</b>	<b>3 360 851</b>	<b>531 917</b>	<b>12 773</b>	<b>4 414 974</b>	<b>5 242</b>	<b>21 329</b>	<b>26 571</b>
Transfer to Stage 1	25 594	(24 122)	(277)	(1 195)	-	-	-	-	-
Transfer to Stage 2	(20 002)	23 856	(897)	(2 957)	-	-	-	-	-
Transfer to Stage 3	(994)	(5 275)	2 636	3 633	-	-	-	-	-
New / purchased / granted financial assets	45 004	-	-	-	202	45 206	504	-	504
Financial assets derecognised, other than write-offs (repayments)	(10 382)	(6 866)	(11 929)	(5 420)	-	(34 597)	-	-	-
Financial assets written off	-	-	(23 438)	(3 553)	-	(26 991)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	(48 891)	14 494	119 895	15 115	180	100 793	1	(686)	(685)
Other, in this changes resulting from exchange rates	1 878	533	43 358	34 444	50 107	130 320	50	205	255
<b>IMPAIRMENT ALLOWANCE AS AT 31.03.2021</b>	<b>245 373</b>	<b>258 887</b>	<b>3 490 199</b>	<b>571 984</b>	<b>63 262</b>	<b>4 629 705</b>	<b>5 797</b>	<b>20 848</b>	<b>26 645</b>

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

CORPORATE	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 :TIME ECL - NOT EDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED))		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	ETIME ECL - IOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>55 206 302</b>	<b>4 529 400</b>	<b>4 902 173</b>	<b>628 826</b>	<b>33 916</b>	<b>65 300 617</b>	<b>771 987</b>	<b>608 620</b>	<b>1 380 607</b>
Transfer to Stage 1	1 823 809	(1 817 146)	(941)	(5 722)	-	-	-	-	-
Transfer to Stage 2	(9 012 687)	9 033 051	(15 894)	(4 470)	-	-	(131 894)	131 894	-
Transfer to Stage 3	(738 433)	(187 111)	850 222	75 322	-	-	-	-	-
New / purchased / granted financial assets	20 777 940	-	-	-	20	20 777 960	100 000	-	100 000
Financial assets derecognised, other than write-offs (repayments)	(19 134 534)	(1 188 698)	(354 168)	(52 517)	(4 425)	(20 734 342)	(75 782)	(51 141)	(126 923)
Financial assets written off	-	-	(642 508)	(53 941)	(3)	(696 452)	-	-	-
Modifications not resulting in derecognition	(2 135)	(44)	-	1	-	(2 178)	-	-	-
Other, in this changes resulting from exchange rates	925 068	16 859	219 011	21 550	2 351	1 184 839	56 459	64 912	121 371
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>49 845 330</b>	<b>10 386 311</b>	<b>4 957 895</b>	<b>609 049</b>	<b>31 859</b>	<b>65 830 444</b>	<b>720 770</b>	<b>754 285</b>	<b>1 475 055</b>
<b>IMPAIRMENT ALLOWANCE (*)</b>									
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>191 429</b>	<b>102 522</b>	<b>3 229 499</b>	<b>551 444</b>	<b>7 925</b>	<b>4 082 819</b>	<b>3 407</b>	<b>17 401</b>	<b>20 808</b>
Transfer to Stage 1	41 844	(38 512)	(312)	(3 020)	-	-	-	-	-
Transfer to Stage 2	(55 447)	60 654	(3 055)	(2 152)	-	-	(503)	503	-
Transfer to Stage 3	(28 310)	(10 532)	41 739	(2 897)	-	-	-	-	-
New / purchased / granted financial assets	80 903	-	-	-	200	81 103	330	-	330
Financial assets derecognised, other than write-offs (repayments)	(30 102)	(9 009)	(45 602)	(10 253)	(377)	(95 343)	(655)	-	(655)
Financial assets written off	-	-	(624 781)	(53 941)	(3)	(678 725)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	34 054	147 543	595 597	42 256	1 874	821 324	2 462	1 739	4 201
Other, in this changes resulting from exchange rates	18 795	3 601	167 766	10 480	3 154	203 796	201	1 686	1 887
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2020</b>	<b>253 166</b>	<b>256 267</b>	<b>3 360 851</b>	<b>531 917</b>	<b>12 773</b>	<b>4 414 974</b>	<b>5 242</b>	<b>21 329</b>	<b>26 571</b>

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

MORTGAGE LOANS TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED))		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>51 376 624</b>	<b>12 877 516</b>	<b>93 775</b>	<b>1 004 285</b>	<b>1 330</b>	<b>65 353 530</b>
Increase due to acquisition of part of Idea Bank S.A. activity	43 943	-	-	-	9 521	53 464
Transfer to Stage 1	1 044 718	(1 042 083)	-	(2 635)	-	-
Transfer to Stage 2	(1 156 423)	1 213 508	-	(57 085)	-	-
Transfer to Stage 3	(50 994)	(127 353)	2 297	176 050	-	-
New / purchased / granted financial assets	2 446 736	-	-	-	653	2 447 389
Financial assets derecognised, other than write-offs (repayments)	(1 519 740)	(321 919)	(6 366)	(21 684)	(705)	(1 870 414)
Financial assets written off	-	-	(762)	(524)	-	(1 286)
Modifications not resulting in derecognition	96	(6)	1	(531)	-	(440)
Other, in this changes resulting from exchange rates	26 167	(24 332)	1 595	(3 925)	(53)	(548)
<b>GROSS CARRYING AMOUNT AS AT 31.03.2021</b>	<b>52 211 127</b>	<b>12 575 331</b>	<b>90 540</b>	<b>1 093 951</b>	<b>10 746</b>	<b>65 981 695</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>20 648</b>	<b>528 449</b>	<b>55 782</b>	<b>365 269</b>	<b>173</b>	<b>970 321</b>
Transfer to Stage 1	15 632	(15 231)	-	(401)	-	-
Transfer to Stage 2	(411)	11 608	-	(11 197)	-	-
Transfer to Stage 3	(549)	(11 210)	86	11 673	-	-
New / purchased / granted financial assets	1 347	-	-	-	-	1 347
Financial assets derecognised, other than write-offs (repayments)	(255)	(1 326)	(1 523)	(2 794)	(2)	(5 900)
Financial assets written off	-	-	(762)	(524)	-	(1 286)
Changes in level of credit risk (excluding the transfers between the Stages)	(16 027)	20 931	3 623	30 398	(139)	38 786
Other, in this changes resulting from exchange rates	156	1 990	6 708	(8 241)	176	789
<b>IMPAIRMENT ALLOWANCE AS AT 31.03.2021</b>	<b>20 541</b>	<b>535 211</b>	<b>63 914</b>	<b>384 183</b>	<b>208</b>	<b>1 004 057</b>



MORTGAGE LOANS TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED))		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>48 106 749</b>	<b>12 715 023</b>	<b>133 400</b>	<b>738 917</b>	<b>1 345</b>	<b>61 695 434</b>
Transfer to Stage 1	1 760 167	(1 742 092)	-	(18 075)	-	-
Transfer to Stage 2	(3 019 550)	3 145 487	(855)	(125 082)	-	-
Transfer to Stage 3	(199 113)	(256 366)	13 868	441 611	-	-
New / purchased / granted financial assets	8 565 756	-	-	-	548	8 566 304
Financial assets derecognised, other than write-offs (repayments)	(3 850 601)	(1 190 321)	(2 361)	(78 931)	(167)	(5 122 381)
Financial assets written off	-	-	(9 713)	(12 726)	-	(22 439)
Modifications not resulting in derecognition	(2 681)	(548)	18	(1 023)	-	(4 234)
Other, in this changes resulting from exchange rates	15 897	206 333	(40 582)	59 594	(396)	240 846
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>51 376 624</b>	<b>12 877 516</b>	<b>93 775</b>	<b>1 004 285</b>	<b>1 330</b>	<b>65 353 530</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>22 446</b>	<b>278 011</b>	<b>68 340</b>	<b>286 938</b>	<b>127</b>	<b>655 862</b>
Transfer to Stage 1	40 174	(38 573)	-	(1 601)	-	-
Transfer to Stage 2	(1 657)	31 115	(38)	(29 420)	-	-
Transfer to Stage 3	(8 524)	(26 827)	1 479	33 872	-	-
New / purchased / granted financial assets	4 958	-	-	-	280	5 238
Financial assets derecognised, other than write-offs (repayments)	(597)	(5 917)	(226)	(9 094)	(10)	(15 844)
Financial assets written off	-	-	(9 713)	(12 726)	-	(22 439)
Changes in level of credit risk (excluding the transfers between the Stages)	(37 914)	57 502	8 153	75 975	(124)	103 592
Other, in this changes resulting from exchange rates	1 762	6 250	(12 213)	21 325	(100)	17 024
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2020</b>	<b>20 648</b>	<b>301 561</b>	<b>55 782</b>	<b>365 269</b>	<b>173</b>	<b>743 433</b>

OTHER LOANS AND ADVANCE TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED))		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>9 914 404</b>	<b>2 576 845</b>	<b>72 081</b>	<b>1 679 138</b>	<b>6 381</b>	<b>14 248 849</b>
Increase due to acquisition of part of Idea Bank S.A. activity	13 985	-	-	-	2 818	16 803
Transfer to Stage 1	261 797	(255 956)	(31)	(5 810)	-	-
Transfer to Stage 2	(440 867)	465 793	-	(24 926)	-	-
Transfer to Stage 3	(47 072)	(121 653)	1 475	167 250	-	-
New / purchased / granted financial assets	1 227 303	-	-	-	1 363	1 228 666
Financial assets derecognised, other than write-offs (repayments)	(1 064 260)	(230 038)	919	(33 122)	(446)	(1 326 947)
Financial assets written off	-	-	(896)	(22 217)	-	(23 113)
Modifications not resulting in derecognition	183	235	-	(902)	-	(484)
Other, in this changes resulting from exchange rates	(31 180)	(652)	889	11 759	2 209	(16 975)
<b>GROSS CARRYING AMOUNT AS AT 31.03.2021</b>	<b>9 834 293</b>	<b>2 434 574</b>	<b>74 437</b>	<b>1 771 170</b>	<b>12 325</b>	<b>14 126 799</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>113 302</b>	<b>383 954</b>	<b>39 344</b>	<b>1 190 054</b>	<b>3 031</b>	<b>1 729 685</b>
Transfer to Stage 1	35 574	(33 016)	-	(2 558)	-	-
Transfer to Stage 2	(9 780)	22 343	(1)	(12 562)	-	-
Transfer to Stage 3	(5 219)	(38 127)	496	42 850	-	-
New / purchased / granted financial assets	12 376	-	-	-	503	12 879
Financial assets derecognised, other than write-offs (repayments)	(2 410)	(4 448)	(127)	(3 160)	(17)	(10 162)
Financial assets written off	-	-	(896)	(22 217)	-	(23 113)
Changes in level of credit risk (excluding the transfers between the Stages)	(35 207)	26 936	(54)	50 367	(229)	41 813
Other, in this changes resulting from exchange rates	252	702	1 581	8 016	(141)	10 410
<b>IMPAIRMENT ALLOWANCE AS AT 31.03.2021</b>	<b>108 888</b>	<b>358 344</b>	<b>40 343</b>	<b>1 250 790</b>	<b>3 147</b>	<b>1 761 512</b>

OTHER LOANS AND ADVANCE TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED))		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>11 561 402</b>	<b>2 273 452</b>	<b>103 236</b>	<b>1 518 099</b>	<b>7 543</b>	<b>15 463 732</b>
Transfer to Stage 1	204 409	(192 249)	(17)	(12 143)	-	-
Transfer to Stage 2	(1 294 973)	1 333 933	-	(38 960)	-	-
Transfer to Stage 3	(298 207)	(214 439)	10 898	501 748	-	-
New / purchased / granted financial assets	3 196 989	-	-	-	434	3 197 423
Financial assets derecognised, other than write-offs (repayments)	(3 394 645)	(638 285)	184	(230 730)	(958)	(4 264 434)
Financial assets written off	-	-	(2 297)	(152 348)	(864)	(155 509)
Modifications not resulting in derecognition	(2 076)	(720)	-	(2 039)	-	(4 835)
Other, in this changes resulting from exchange rates	(58 495)	15 153	(39 923)	95 511	226	12 472
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>9 914 404</b>	<b>2 576 845</b>	<b>72 081</b>	<b>1 679 138</b>	<b>6 381</b>	<b>14 248 849</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>86 649</b>	<b>327 607</b>	<b>54 709</b>	<b>1 138 527</b>	<b>3 393</b>	<b>1 610 885</b>
Transfer to Stage 1	67 812	(61 873)	(4)	(5 935)	-	-
Transfer to Stage 2	(6 034)	27 490	-	(21 456)	-	-
Transfer to Stage 3	(73 518)	(74 921)	1 021	147 418	-	-
New / purchased / granted financial assets	41 555	-	-	-	312	41 867
Financial assets derecognised, other than write-offs (repayments)	(6 407)	(12 987)	-	(14 275)	(78)	(33 747)
Financial assets written off	-	-	(2 297)	(152 348)	(864)	(155 509)
Changes in level of credit risk (excluding the transfers between the Stages)	(2 223)	397 843	2 412	143 699	(436)	541 295
Other, in this changes resulting from exchange rates	5 468	7 684	(16 497)	(45 576)	704	(48 217)
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2020</b>	<b>113 302</b>	<b>610 843</b>	<b>39 344</b>	<b>1 190 054</b>	<b>3 031</b>	<b>1 956 574</b>

	DEBT SECURITIES MEASURED AT AMORTISED COST					DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)	PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>								
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>27 263 713</b>	<b>38 433</b>	<b>32 971</b>	<b>-</b>	<b>27 335 117</b>	<b>42 593 115</b>	<b>144 385</b>	<b>42 737 500</b>
Increase due to acquisition of part of Idea Bank S.A. activity	15 080	-	-	40 278	55 358	312 513	-	312 513
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	5 168 705	93 929	-	-	5 262 634	56 686 308	-	56 686 308
Financial assets derecognised, other than write-offs (repayments)	(2 718 542)	-	-	-	(2 718 542)	(61 044 963)	(13 290)	(61 058 253)
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	79 753	(2)	779	(2 042)	78 488	251 968	135	252 103
<b>GROSS CARRYING AMOUNT AS AT 31.03.2021</b>	<b>29 808 709</b>	<b>132 360</b>	<b>33 750</b>	<b>38 236</b>	<b>30 013 055</b>	<b>38 798 941</b>	<b>131 230</b>	<b>38 930 171</b>
<b>IMPAIRMENT ALLOWANCE (*)</b>								
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>40 018</b>	<b>582</b>	<b>32 971</b>	<b>(5)</b>	<b>73 566</b>	<b>60 041</b>	<b>3 102</b>	<b>63 143</b>
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	3 974	1 205	-	-	5 179	11 632	-	11 632
Financial assets derecognised, other than write-offs (repayments)	(459)	-	-	-	(459)	(1 960)	(9)	(1 969)
Changes in level of credit risk (excluding the transfers between the Stages)	474	(30)	-	-	444	(9 719)	(92)	(9 811)
Other, in this changes resulting from exchange rates	45	-	779	-	824	-	(1)	(1)
<b>GROSS CARRYING AMOUNT AS AT 31.03.2021</b>	<b>44 052</b>	<b>1 757</b>	<b>33 750</b>	<b>(5)</b>	<b>79 554</b>	<b>59 994</b>	<b>3 000</b>	<b>62 994</b>

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

	DEBT SECURITIES MEASURED AT AMORTISED COST				DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED) INDIVIDUAL ASSESSMENT	PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	TOTAL
<b>GROSS CARRYING AMOUNT</b>								
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>14 289 472</b>	<b>331 816</b>	<b>32 370</b>	<b>-</b>	<b>14 653 658</b>	<b>30 930 139</b>	<b>12 860</b>	<b>30 942 999</b>
Transfer to Stage 1	298 600	(298 600)	-	-	-	11 799	(11 799)	-
Transfer to Stage 2	(38 434)	38 434	-	-	-	(144 385)	144 385	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	20 791 384	-	-	-	20 791 384	353 110 214	-	353 110 214
Financial assets derecognised, other than write-offs (repayments)	(8 365 499)	(33 191)	-	-	(8 398 690)	(342 236 427)	(1 376)	(342 237 803)
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	288 190	(26)	601	-	288 765	921 775	315	922 090
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>27 263 713</b>	<b>38 433</b>	<b>32 971</b>	<b>-</b>	<b>27 335 117</b>	<b>42 593 115</b>	<b>144 385</b>	<b>42 737 500</b>
<b>IMPAIRMENT ALLOWANCE (*)</b>								
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>25 668</b>	<b>16 955</b>	<b>32 370</b>	<b>-</b>	<b>74 993</b>	<b>32 000</b>	<b>671</b>	<b>32 671</b>
Transfer to Stage 1	15 961	(15 961)	-	-	-	671	(671)	-
Transfer to Stage 2	(171)	171	-	-	-	(3 102)	3 102	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	15 591	-	-	-	15 591	29 843	-	29 843
Financial assets derecognised, other than write-offs (repayments)	(9 682)	(694)	-	-	(10 376)	(4 777)	-	(4 777)
Changes in level of credit risk (excluding the transfers between the Stages)	(7 763)	111	-	(5)	(7 657)	5 406	-	5 406
Other, in this changes resulting from exchange rates	414	-	601	-	1 015	-	-	-
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>40 018</b>	<b>582</b>	<b>32 971</b>	<b>(5)</b>	<b>73 566</b>	<b>60 041</b>	<b>3 102</b>	<b>63 143</b>

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

### **Moratoria implemented in the year of 2020 due to COVID-19**

In 2021, the Group continued to use loan repayment programs and portfolio guarantee agreements with Bank Gospodarstwa Krajowego ('BGK'), limiting the effects of COVID-19, described in the financial statements of the Bank Pekao S.A. Group for the year ended on 31 December 2020.

On 31 March 2021, the Group completed the application of moratoria developed by the Group in accordance with the EBA Guidelines (non-statutory moratoria) for business entities.

As at 31 March 2021, the gross carrying amount of the loan portfolio covered by the above-mentioned moratoria (active and expired) amounted to PLN 15 337 million (PLN 14 606 million as at 31 December 2020) and 74 065 customers were covered by moratoria (69 902 customers as at 31 December 2020). The negative result on insignificant modifications recognized in the first quarter of 2021 related to these moratoria amounted to PLN -1.6 million (in the 2020 year PLN -7.4 million) and was recognized in the net interest income.

As at 31 March 2021, the gross carrying amount of the loan portfolio covered by BGK's portfolio guarantees limiting the effects of COVID-19 was PLN 4 504 million (as at 31 December 2020 PLN 3 417 million) and guarantees covered 5 724 customers (4 560 customers as at 31 December 2020).

**Forbearance measures**

The forbome exposure identifying process has not changed substantially in relation to the principles described in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2020. The Bank has not modified the identification rules for 'forborne' exposures. In the case of granting credit holidays or other measures mitigating the effects of the COVID-19 epidemic, the Bank applies an approach consistent with regulatory guidelines in this respect. Granting credit holidays or other mitigation measures for the COVID-19 epidemic does not identify forbome exposures automatically.

Share of forbome exposures in the Group's loan portfolio

	31.03.2021					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>Loans and advances measured at amortised cost, including:</b>	<b>122 329 199</b>	<b>27 273 050</b>	<b>1 675 743</b>	<b>1 328 741</b>	<b>927 528</b>	<b>153 534 261</b>
Forbome exposures gross	1 033 545	398 563	2 467 067	675 875	152 526	4 727 576
Loss allowance	(1 993)	(32 043)	(1 788 145)	(352 365)	(2 164)	(2 176 710)
Forbome exposures net	1 031 552	366 520	678 922	323 510	150 362	2 550 866
<b>Loans and advances measured at fair value through other comprehensive income, including:</b>	<b>756 984</b>	<b>752 388</b>	-	-	-	<b>1 509 372</b>
Forbome exposures	-	-	-	-	-	-
Impairment allowance (*)	-	-	-	-	-	-
<b>Loans and advances measured at fair value through profit or loss, including:</b>						<b>183 640</b>
Forbome exposures						1 055

	31.12.2020					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>Loans and advances measured at amortised cost, including:</b>	<b>113 125 147</b>	<b>24 803 762</b>	<b>1 667 995</b>	<b>1 205 241</b>	<b>23 596</b>	<b>140 825 741</b>
Forbome exposures gross	1 067 782	412 723	2 429 599	661 951	21 672	4 593 727
Loss allowance	(2 222)	(35 246)	(1 803 056)	(335 092)	(3 055)	(2 178 671)
Forbome exposures net	1 065 560	377 477	626 543	326 859	18 617	2 415 056
<b>Loans and advances measured at fair value through other comprehensive income, including:</b>	<b>720 770</b>	<b>754 285</b>	-	-	-	<b>1 475 055</b>
Forbome exposures	-	-	-	-	-	-
Impairment allowance (*)	-	-	-	-	-	-
<b>Loans and advances measured at fair value through profit or loss, including:</b>						<b>187 001</b>
Forbome exposures						1 068

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

**Issue related to the provision for legal risk regarding foreign currency mortgage loans in CHF**
**1) *Portfolio characteristics***

Bank Pekao S.A. has not granted loans in CHF to the public since 2003. Almost the entire current portfolio of loans in CHF for individuals was taken over by Bank Pekao S.A. in the process of partial division of Bank BPH S.A. (loans granted before August 2006).

As at 31 March 2021, the Group had a portfolio of foreign currency mortgage loans in CHF with a total gross carrying amount of PLN 2 781 million (i.e. CHF 660.3 million) compared to PLN 2 899 million (i.e. CHF 679.9 million) as at 31 December 2020.

The tables below present the structure and quality of the CHF loan portfolio for individuals:

	31.03.2021					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>Gross carrying amount, of which:</b>	<b>2 335</b>	<b>2 530 196</b>	<b>55 693</b>	<b>191 529</b>	<b>794</b>	<b>2 780 547</b>
denominated in CHF	2 335	2 525 719	55 693	191 033	794	2 775 574
indexed to CHF	-	4 477	-	496	-	4 973
<b>Impairment allowances, of which: (*)</b>	<b>(1)</b>	<b>(355 501)</b>	<b>(28 001)</b>	<b>(93 558)</b>	<b>(335)</b>	<b>(477 396)</b>
denominated in CHF	(1)	(355 470)	(28 001)	(93 358)	(335)	(477 165)
indexed to CHF	-	(31)	-	(200)	-	(231)
<b>Carrying amount, of which:</b>	<b>2 334</b>	<b>2 174 695</b>	<b>27 692</b>	<b>97 971</b>	<b>459</b>	<b>2 303 151</b>
denominated in CHF	2 334	2 170 249	27 692	97 675	459	2 298 409
indexed to CHF	-	4 446	-	296	-	4 742

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 346 555 thousand.

	31.12.2020					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>Gross carrying amount, of which:</b>	<b>2 602</b>	<b>2 645 935</b>	<b>52 315</b>	<b>197 467</b>	<b>806</b>	<b>2 899 125</b>
denominated in CHF	2 602	2 640 379	52 315	196 873	806	2 892 975
indexed to CHF	-	5 556	-	594	-	6 150
<b>Impairment allowances, of which: (*)</b>	<b>(1)</b>	<b>(358 050)</b>	<b>(25 436)</b>	<b>(94 040)</b>	<b>(341)</b>	<b>(477 868)</b>
denominated in CHF	(1)	(358 012)	(25 436)	(93 844)	(341)	(477 634)
indexed to CHF	-	(38)	-	(196)	-	(234)
<b>Carrying amount, of which:</b>	<b>2 601</b>	<b>2 287 885</b>	<b>26 879</b>	<b>103 427</b>	<b>465</b>	<b>2 421 257</b>
denominated in CHF	2 601	2 282 367	26 879	103 029	465	2 415 341
indexed to CHF	-	5 518	-	398	-	5 916

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 345 131 thousand.

As of 31 March 2021 the average LTV for CHF loans to individuals granted by the Group amounted to 37.3% (38.1 as at 31 December 2020), with an average LTV for the whole portfolio of mortgage loans of 56.0% (55.8% as at 31 December 2020).

## 2) Court proceedings related to foreign currency mortgage loans in CHF

On 3 October 2019, the Court of Justice of the European Union (hereinafter the 'CJEU') issued a ruling on a CHF-indexed loan granted by another bank, in which it interpreted the provisions of Council Directive 93/13 / EEC of 5 April 1993 on unfair terms in consumer loans based on the CHF indexed loan agreement. The CJEU indicated the consequences of recognizing the possible abusiveness of conversion clauses by the domestic court, without examining the possible abusiveness of contractual provisions at all. The CJEU did not prejudge that in the event that a domestic court finds possible abusiveness, the court should automatically declare the entire contract invalid. The assessment in this respect remains to be decided by the national court, but the CJEU has not ruled out the possibility of filling the gap resulting from the abusive nature of conversion clauses by means of domestic regulators.

The ruling of the CJEU constitutes general guidelines for Polish courts. Final decisions made by Polish courts are made on the basis of EU regulations interpreted in accordance with the CJEU judgment, taking into account the provisions of domestic law and the analysis of the individual circumstances of each case. At the same time, it is difficult to talk about a formed line of jurisprudence in cases of mortgage loans in CHF, which is often confirmed by mutually exclusive judgments of common courts, as well as legal inquiries to the CJEU and the Supreme Court to resolve doubts.

In particular, attention should be paid to the application submitted on 29 January 2021 by the First President of the Supreme Court to the full composition of the Civil Chamber of the Supreme Court to resolve legal issues related to FX mortgage loans in CHF, relating in particular to the following aspects:

- 1) whether the abusive provisions relating to the method of determining the currency rate in an indexed or denominated loan agreement can be replaced by provisions of civil or customary law,
- 2) if it is impossible to establish a binding exchange rate for a foreign currency in a denominated loan agreement, the agreement may bind the parties in the remaining scope,
- 3) if it is impossible to establish a binding exchange rate for a foreign currency in the loan agreement, the agreement may bind the parties in the remaining scope,
- 4) whether the balance theory or the theory of two conditions will apply in the event of cancellation of the loan agreement,
- 5) which is the moment to start the limitation period in the event that the bank makes a claim against the borrower for the repayment of the loan,
- 6) whether it is possible for banks and borrowers to receive remuneration for using the funds.

In the Group's opinion, the ruling of the Supreme Court expected in March 2021 on the above issues may have a significant impact on the further shaping of the line of judicial decisions in this regard.

At the same time, there are discussions in the banking sector in Poland regarding the implementation of possible systemic solutions for FX mortgage loans in CHF, i.e. in accordance with the proposal of the Chairman of the Polish Financial Supervision Authority of 8 December 2020, clients would be able to convert a foreign currency mortgage into a PLN loan, as if the borrower had a loan in PLN from the beginning of the loan, the interest rate of which would be based on 3M WIBOR with a margin adequate to historical levels (depending on time moment the loan was granted).

As at 31 March 2021, 797 individual court cases were pending against the Group regarding FX mortgage loans in CHF, which were granted in previous years, with the total value of the claim in the amount of PLN 219.1 million (as at 31 December 2020, the number of cases was 592, and the corresponding value of the dispute is PLN 159.7 million). The main cause of the dispute, as indicated by the plaintiffs, concerns the questioning of the provisions of the loan agreement with regard to the Group's application of conversion rates and results in claims regarding the partial or complete invalidity of the loan agreements. In the first quarter of 2021, the Group received 9 unfavorable court judgments in cases brought by borrowers, including 1 final judgment declaring the invalidity of the loan agreement and 2 favorable court judgments, including 1 judgment dismissing the claim to declare the loan agreement invalid and an action for payment in connection with the invalidity of the loan agreement (in 2020: 36 unfavorable court judgments in cases brought by borrowers, including 3 final judgments declaring the invalidity of the loan agreement and 13 favorable court judgments, including 2 final judgments dismissing the claim to declare the loan agreement invalid and an action for payment in connection with the invalidity of the loan agreement).

## 3) Provision related to foreign currency mortgage loans in CHF - assumptions and calculation methodology

As at 31 March 2021, the level of the provision for the above-mentioned legal risk related to foreign currency mortgage loans in CHF estimated by the Group amounted to PLN 436.1 million and did not change compared to the level of these provisions as at 31 December 2020.

The above amount includes the provision for individual pending litigation to which the Group is a party in the amount of PLN 98.6 million as at 31 March 2021 (PLN 76.1 million as at 31 December 2020) and the portfolio provision for other foreign currency mortgage loan agreements in CHF, which are subject to legal risk related to the nature of these agreements, in the amount of PLN 337.5 million as at 31 March 2021 (PLN 360.0 million as at 31 December 2020).



The principles for estimating these provisions by the Group as at 31 March 2021 were consistent with the principles applied as at 31 December 2020 and were described in detail in the Consolidated Financial Statements of the Group for the year ended on 31 December 2020.

Taking into account the short history of data on the scale of lawsuits (in particular in the field of final judgments), the significant level of complexity of various legal aspects that may occur in relation to these loan agreements, and, as a result, the unshaped direction of possible court decisions, the estimates of the above provision required by the Group of many expert assumptions based on professional judgment.

Subsequent rulings, and above all the expected resolution of the full composition of the Civil Chamber of the Supreme Court and possible sectoral solutions that will appear on the Polish market with regard to FX mortgage loans in CHF, may have an impact on the amount of the provision determined by the Group and cause the need to change individual assumptions made in calculations. In connection with the above uncertainty, it is possible that the amount of the provision will change in the future.

4) Provision related to foreign currency mortgage loans in CHF - accounting treatment and presentation

As indicated in the section of the financial statements concerning accounting policies, the Group recognizes that the legal risk affects the expected cash flows from the credit exposure and the amount of the provision is the difference between the expected cash flows from a given exposure and the contractual flows as defined in IFRS 9.

Therefore, with regard to currency exposures of mortgage loans in CHF unpaid as at 31 March 2021, the Group adopts the approach that the amount of the provision for credit exposures outstanding as at 31 March 2021 (including existing and possible future claims) is recognized in 'Impairment allowances for loan receivables' (in correspondence with the item 'Net allowances for expected credit losses') up to the amount of credit exposure. Thus, the Group recognizes that with regard to the CHF portfolio, there has been a significant increase in credit risk since the initial recognition date and classifies these loans to Basket 2.

In the case of part of the provision relating to repaid foreign currency mortgage loans in CHF (including existing and possible future lawsuits), or when the amount of the provision exceeds the net carrying amount of the credit exposure, the provision amount is recorded as 'Provisions' in correspondence with 'Other operating expenses'.

A summary of the recognition of the provision for legal risk related to FX mortgage loans in CHF in the statement of financial position and profit and loss is presented in the tables below.

STATEMENT OF FINANCIAL POSITION	31.03.2021	31.12.2020
<b>Impairment allowances for loan exposures, in this:</b>	<b>346 554</b>	<b>345 131</b>
Individual provisions	84 718	65 420
Portfolio provisions	261 836	279 711
<b>Provisions for litigation and claims, in this:</b>	<b>89 516</b>	<b>90 939</b>
Individual provisions	13 911	10 668
Portfolio provisions	75 605	80 271
<b>Total</b>	<b>436 070</b>	<b>436 070</b>

INCOME STATEMENT	I QUARTER 2021	I QUARTER 2020
Net allowances for expected credit losses	(1 423)	(1 827)
Other operating expenses	1 423	1 547
<b>Total</b>	<b>-</b>	<b>(280)</b>

## 7.2 Market risk

### Market risk of the trading book

The model of market risk measurement has not changed in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2020.

The table below presents the market risk exposure of the trading portfolio of the Group measured by Value at Risk as at 31 March 2021 and as at 31 December 2020.

	31.03.2021	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	23	14	104	534
interest rate risk	3 079	801	1 927	3 331
Trading portfolio	3 144	810	1 921	3 156

	31.12.2020	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	23	6	67	1 153
interest rate risk	2 578	859	2 028	6 419
Trading portfolio	3 020	837	2 132	6 863

### Interest rate risk of the banking book

The banking book interest rate risk management process has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2020.

Currently, very low NBP interest rates and high liquidity of the banking system exert a significant impact on the Bank's exposure to interest rate risk and Net Interest Income realised. In order to hedge current accounts and protect interest income amidst low interest rates, Bank continued the implementation of the hedging strategy by concluding IRS transactions and purchasing fixed-coupon bonds.

The table below presents the sensitivity of contractual interest income (NII) to the interest rate change by 100 b.p. and sensitivity of economic value of the Bank's equity (EVE) to the interest rate change by 200 b.p. (standard regulatory shock excluding the risk profile of own funds) as at 31 March 2021 and as at 31 December 2020.

SENSITIVITY IN %	31.03.2021	31.12.2020
NII	(6.27)	(6.31)
EVE	(5.93)	(7.10)

### Currency risk

The foreign currency exchange risk management process has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2020.

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

Value at Risk

CURRENCY	31.03.2021	31.12.2020
Currencies total (*)	895	287

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

**Currency position**

31.03.2021	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS- DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	31 344 849	24 682 463	19 190 575	25 752 779	100 182
USD	10 066 090	9 692 866	10 503 058	10 895 098	(18 816)
CHF	2 886 941	659 738	1 749 365	3 976 704	(136)
GBP	394 411	1 094 171	1 296 921	599 158	(1 997)
NOK	466 521	67 475	450 153	849 208	(9)
SEK	90 192	70 182	19 285	39 218	77
CZK	51 660	34 544	523 752	540 656	212
CNY	4 078	79 444	731 505	654 565	1 574
RON	1 090	74 266	194 921	121 290	455
CAD	23 396	50 277	29 049	2 976	(808)
DKK	57 158	16 111	8 463	48 706	804
HRK	996	5 005	149 759	145 342	408
Other currencies	27 232	87 347	116 001	53 667	2 219
<b>Total</b>	<b>45 414 614</b>	<b>36 613 889</b>	<b>34 962 807</b>	<b>43 679 367</b>	<b>84 165</b>

31.12.2020	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	27 375 809	22 418 332	26 660 237	31 724 567	(106 853)
USD	9 105 146	9 457 571	11 066 970	10 678 562	35 983
CHF	2 959 415	647 418	1 434 038	3 747 830	(1 795)
GBP	393 981	1 108 154	2 126 362	1 411 961	228
NOK	516 555	66 514	207 543	657 470	114
SEK	140 592	68 148	67 506	139 623	327
DKK	82 206	16 849	57 989	123 156	190
CZK	56 995	17 554	650 361	689 607	195
CAD	17 125	55 492	43 007	4 380	260
CNY	25 253	16 707	356 180	364 812	(86)
Other currencies	44 312	95 914	380 329	327 595	1 132
<b>TOTAL</b>	<b>40 717 389</b>	<b>33 968 653</b>	<b>43 050 522</b>	<b>49 869 563</b>	<b>(70 305)</b>

### 7.3 Liquidity risk

The liquidity risk management process has not changed significantly in relation to that described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2020.

Regulatory liquidity long-term norms and LCR (\*)

SUPERVISORY LIQUIDTY NORMS		LIMIT	31.03.2021	31.12.2020
M3 (**)	Own funds to non-liquid assets cover ratio	1	7.84	8.45
M4 (**)	Own funds and stable external funds to non-liquid and limited liquidity assets cover ratio	1	1.29	1.38
LCR	Liquidity coverage ratio	1	2.39	2.51

(\*) The values of regulatory liquidity norms have been determined in accordance with the principles set out by Resolution 386/2008 of UKNF of 17 December 2008 and the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation No. 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions.

(\*\*) Ratio at the unconsolidated level.

The tables below present adjusted liquidity gap.

31.03.2021	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	68 788 285	7 893 856	31 520 208	77 966 008	61 023 957	247 192 314
Equity and liabilities	27 067 236	15 820 418	28 199 287	36 454 496	139 650 877	247 192 314
Off-balance sheet assets/liabilities (net)	(9 659 953)	958 715	649 927	2 274 650	5 100 414	(676 247)
<b>Periodic gap</b>	<b>32 061 096</b>	<b>(6 967 847)</b>	<b>3 970 848</b>	<b>43 786 162</b>	<b>(73 526 506)</b>	<b>(676 247)</b>
<b>Cumulated gap</b>	<b>-</b>	<b>25 093 249</b>	<b>29 064 097</b>	<b>72 850 259</b>	<b>(676 247)</b>	<b>-</b>

31.12.2020	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	69 513 131	7 196 796	25 085 033	72 392 852	59 029 370	233 217 182
Equity and liabilities	18 307 777	12 023 248	26 212 984	36 038 239	140 634 934	233 217 182
Off-balance sheet assets/liabilities (net)	(9 377 774)	(161 509)	2 726 628	2 231 163	3 874 654	(706 838)
<b>Periodic gap</b>	<b>41 827 580</b>	<b>(4 987 961)</b>	<b>1 598 677</b>	<b>38 585 776</b>	<b>(77 730 910)</b>	<b>(706 838)</b>
<b>Cumulated gap</b>	<b>-</b>	<b>36 839 619</b>	<b>38 438 296</b>	<b>77 024 072</b>	<b>(706 838)</b>	<b>-</b>

### 7.4 Operational risk

There have been no significant changes in the operational risk management process in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2020.

### 7.5 Fair value of financial assets and liabilities

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

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

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

As of 31 March 2021 and 31 December 2020, the Group classified the financial assets and liabilities measured at fair value into three categories based on the following hierarchy:

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

The measurement at fair value is performed directly by an organizational unit within Risk Management Division, independent of front-office units. The methodology of fair value measurement, including the changes of its parameterization, is subject to approval of Assets and Liabilities Committee (ALCO). The adequacy of measurement methods is subject to on-going analysis and periodical reviews in the framework of model risk management. The same Risk Management Division unit performs the assessment of adequacy and significance of risk factors and assignment of valuation models to appropriate method class, according to established hierarchy of classification.

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

31.03.2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets:</b>	<b>13 678 138</b>	<b>20 573 528</b>	<b>12 447 604</b>	<b>46 699 270</b>
Financial assets held for trading	526 602	129 109	54 800	710 511
Derivative financial instruments, including:	-	4 113 430	6 233	4 119 663
Banks	-	991 747	6 233	997 980
Customers	-	3 121 683	-	3 121 683
Hedging instruments, including:	-	620 189	-	620 189
Banks	-	79 593	-	79 593
Customers	-	540 596	-	540 596
Securities measured at fair value through other comprehensive income	13 151 536	15 710 800	10 529 562	39 391 898
Securities measured at fair value through profit or loss	-	-	163 997	163 997
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 509 372	1 509 372
Loans and advances to customers measured at fair value through profit or loss	-	-	183 640	183 640
<b>Liabilities:</b>	<b>441 806</b>	<b>4 988 935</b>	<b>1 908</b>	<b>5 432 649</b>
Financial liabilities held for trading	441 806	-	-	441 806
Derivative financial instruments, including:	-	3 811 570	1 908	3 813 478
Banks	-	995 941	-	995 941
Customers	-	2 815 629	1 908	2 817 537
Hedging instruments, including:	-	1 177 365	-	1 177 365
Banks	-	1 019 281	-	1 019 281
Customers	-	158 084	-	158 084

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

31.12.2020	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets:</b>	<b>14 342 453</b>	<b>25 099 498</b>	<b>12 358 784</b>	<b>51 800 735</b>
Financial assets held for trading	938 452	335 725	43 532	1 317 709
Derivative financial instruments, including:	-	4 810 519	1 712	4 812 231
Banks	-	1 223 864	1 712	1 225 576
Customers	-	3 586 655	-	3 586 655
Hedging instruments, including:	-	779 063	-	779 063
Banks	-	26 070	-	26 070
Customers	-	752 993	-	752 993
Securities measured at fair value through other comprehensive income	13 404 001	19 174 191	10 490 998	43 069 190
Securities measured at fair value through profit or loss	-	-	160 486	160 486
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 475 055	1 475 055
Loans and advances to customers measured at fair value through profit or loss	-	-	187 001	187 001
<b>Liabilities:</b>	<b>742 804</b>	<b>5 690 375</b>	<b>-</b>	<b>6 433 179</b>
Financial liabilities held for trading	742 804	-	-	742 804
Derivative financial instruments, including:	-	4 617 416	-	4 617 416
Banks	-	1 220 458	-	1 220 458
Customers	-	3 396 958	-	3 396 958
Hedging instruments, including:	-	1 072 959	-	1 072 959
Banks	-	995 230	-	995 230
Customers	-	77 729	-	77 729

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

I QUARTER 2021	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
<b>Opening balance</b>	<b>43 532</b>	<b>1 712</b>	<b>1 475 055</b>	<b>187 001</b>	<b>160 486</b>	<b>10 490 998</b>	<b>-</b>
Increases, including:	869 957	4 521	60 687	1 369	8 738	891 833	532
Increase due to acquisition of part of Idea Bank S.A. activity	-	532	-	-	-	85 309	532
Reclassification	977	-	-	-	-	479 177	-
Transactions made in 2021	-	-	52 830	123	-	-	-
Acquisition/Granting	868 296	-	-	-	-	242 927	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments	684	3 989	7 857	1 246	8 738	84 420	-
recognized in the income statement	684	3 989	7 857	1 246	8 738	59 768	-
recognized in revaluation reserves	-	-	-	-	-	24 652	-
Decreases, including:	(858 689)	-	(26 370)	(4 730)	(5 227)	(853 269)	1 376
Reclassification	-	-	-	-	-	(389 436)	-
Settlement/Redemption	(916)	-	(828)	(4 730)	-	(337 582)	-
Sale/Repayment	(854 570)	-	(20 000)	-	-	(95 146)	-
Losses on financial instruments	(3 203)	-	(5 542)	-	(5 227)	(31 105)	1 376
recognized in the income statement	(3 203)	-	-	-	(5 227)	(177)	1 376
recognized in revaluation reserves	-	-	(5 542)	-	-	(30 928)	-
<b>Closing balance</b>	<b>54 800</b>	<b>6 233</b>	<b>1 509 372</b>	<b>183 640</b>	<b>163 997</b>	<b>10 529 562</b>	<b>1 908</b>
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>(2 784)</b>	<b>3 989</b>	<b>(4 415)</b>	<b>1 239</b>	<b>-</b>	<b>32 287</b>	<b>(1 376)</b>
Income statement:	(1 392)	3 989	1 127	1 239	-	18 049	(1 376)
net interest income	206	-	1 614	25	-	21 183	-
net allowances for expected credit losses	-	-	(487)	-	-	(3 134)	-
result on financial assets and liabilities held for trading	(1 598)	3 989	-	1 214	-	-	(1 376)
Other comprehensive income	-	-	(5 542)	-	-	(3 811)	-

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

2020	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
<b>Opening balance</b>	<b>8 035</b>	<b>3 042</b>	<b>1 380 607</b>	<b>242 639</b>	<b>125 454</b>	<b>6 941 296</b>	<b>-</b>
Increases, including:	4 081 969	-	144 373	652	36 159	16 168 475	-
Reclassification	28 947	-	-	-	-	42 937	-
Transactions made in 2020	-	-	-	-	-	-	-
Acquisition/Granting	4 050 886	-	99 437	604	-	15 848 668	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments	2 136	-	44 936	48	36 159	276 870	-
recognized in the income statement	2 136	-	29 641	48	36 159	256 336	-
recognized in revaluation reserves	-	-	15 295	-	-	20 534	-
Decreases, including:	(4 046 472)	(1 330)	(49 925)	(56 290)	(1 127)	(12 618 773)	-
Reclassification	-	-	-	-	-	(58 832)	-
Settlement/Redemption	(1 953 732)	-	-	(56 290)	-	(513 027)	-
Sale/Repayment	(2 092 726)	-	(49 925)	-	-	(12 015 693)	-
Losses on financial instruments	(14)	(1 330)	-	-	(1 127)	(31 221)	-
recognized in the income statement	(14)	(1 330)	-	-	(1 127)	(76)	-
recognized in revaluation reserves	-	-	-	-	-	(31 145)	-
<b>Closing balance</b>	<b>43 532</b>	<b>1 712</b>	<b>1 475 055</b>	<b>187 001</b>	<b>160 486</b>	<b>10 490 998</b>	<b>-</b>
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>2 310</b>	<b>(1 330)</b>	<b>11 538</b>	<b>(82)</b>	<b>-</b>	<b>120 087</b>	<b>-</b>
Income statement:	2 310	(1 330)	(3 020)	(82)	-	37 473	-
net interest income	14	-	1 510	557	-	55 386	-
net allowances for expected credit losses	-	-	(4 530)	-	-	(17 913)	-
result on financial assets and liabilities held for trading	2 296	(1 330)	-	(639)	-	-	-
Other comprehensive income	-	-	14 558	-	-	82 614	-



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

In the period from 1 January to 31 March 2021 the following transfers of financial instruments between the levels of the fair value hierarchy were made:

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

The impact of estimated parameters on measurement of financial instruments for which the Group applies fair value valuation according to Level 3 as at 31 March 2021 is as follows:

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 31.03.2021	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 31.03.2021	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Corporate and municipal debt securities	10 150 287	Discounted cash flow	Credit spread	0.23%-1.05%	131 675	(141 127)
Sovereign securities	40 148	Discounted cash flow	Spread to benchmark bond	0.07%-0.69%	2 408	(2 408)
Derivatives	4 274	Black Scholes model	Correlation	0-1	579	(36)
Derivatives	1 959	Black Scholes model	Variability	2.5-3.8	229	(248)
Loans and advances measured at fair value through profit or loss	183 640	Discounted cash flow	Credit spread	0.33%-1.23%	3 520	(3 434)
Loans and advances measured at fair value through other comprehensive income	1 509 372	Discounted cash flow	Credit spread	1.91%-2.80%	23 523	(22 483)

FINANCIAL ASSET	FAIR VALUE AS AT 31.03.2021	PARAMETR	SCENARIO	IMPACT ON FAIR VALUE AS AT 31.03.2021	
				POSITIVE SCENARIO	NEGATIVE SCENARIO
Equity instruments mandatorily measured at fair value through profit or loss	163 997	Conversion discount	+10% / -10%	9 106	(18 221)
Equity instrument in entity providing credit information designated for measurement at fair value through other comprehensive income	340 665	Discount rate	+1% / -1%	64 826	(46 692)

The impact of estimated parameters on measurement of financial instruments for which the Group applies fair value valuation according to Level 3 as at 31 December 2020 is as follows:

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 31.12.2020	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 31.12.2020	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Corporate and municipal debt securities	10 228 287	Discounted cash flow	Credit spread	0.21%-1.03%	130 290	(140 244)
Sovereign securities	28 116	Discounted cash flow	Spread to benchmark bond	0.04%-0.71%	1 878	(1 878)
Derivatives	1 712	Black Scholes model	Correlation	0-1	17	(1 099)
Loans and advances measured at fair value through profit or loss	187 001	Discounted cash flow	Credit spread	0.30%-1.19%	3 735	(3 641)
Loans and advances measured at fair value through other comprehensive income	1 475 055	Discounted cash flow	Credit spread	2.30%-3.20%	18 068	(17 799)

FINANCIAL ASSET	FAIR VALUE AS AT 31.12.2020	PARAMETR	SCENARIO	IMPACT ON FAIR VALUE AS AT 31.12.2020	
				POSITIVE SCENARIO	NEGATIVE SCENARIO
Equity instruments mandatorily measured at fair value through profit or loss	160 486	Conversion discount	+10% / -10%	8 911	(17 831)
Equity instrument in entity providing credit information designated for measurement at fair value through other comprehensive income	239 617	Discount rate	+1% / -1%	47 508	(33 966)

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

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

As of 31 March 2021 and 31 December 2020, the Group classified the financial assets and liabilities not measured at fair value in the consolidated statement of financial position into the following three categories based on the valuation level:

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

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

In the case of loans for which no quoted market values are available, the fair values presented are generally estimated using valuation techniques taking into consideration the assumption that at the moment when the loan is granted its fair value is equal to its carrying amount. Fair value of non-impaired loans is equal to the sum of future expected cash flows, discounted at the balance sheet date, less expected credit loss. The discount rate is defined as the appropriate market risk-free rate plus the liquidity risk margin and current sales margin for the given loan products group. The margin is computed on loans granted broken down by loan product groups and maturity.

For the purpose of the fair value of foreign currency loans estimation, the margin on PLN loans adjusted by the cross-currency basis swap quotes and FX-Swap is used. The fair value of impaired loans is defined as equal to the sum of expected recoveries, discounted with the use of effective interest rate, since the average expected recovery values take the element of credit risk fully into consideration. In case of loans without repayment schedule (loans in current account, overdrafts and credit cards), the fair value was assumed as equal to the carrying amount.

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

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

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

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

31.03.2021	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>Assets</b>					
Cash and due from Central Bank	7 710 629	7 709 610	4 217 444	3 492 166	-
Loans and advance to banks	2 752 794	2 752 400	-	1 208 956	1 543 444
Loans and advances to customers measured at amortised cost	153 534 261	152 742 772	-	638 668	152 104 104
Debt securities measured at amortised cost	29 933 501	30 670 569	20 452 826	5 802 309	4 415 434
Other assets	1 114 471	1 114 471	-	-	1 114 471
<b>Total Assets</b>	<b>195 045 656</b>	<b>194 989 822</b>	<b>24 670 270</b>	<b>11 142 099</b>	<b>159 177 453</b>
<b>Liabilities</b>					
Amounts due to Central Bank	-	-	-	-	-
Amounts due to other banks	8 224 946	8 084 182	-	818 821	7 265 361
Amounts due to customers	195 667 652	195 404 402	-	-	195 404 402
Debt securities issued	4 915 729	4 905 943	-	4 905 943	-
Subordinated liabilities	2 770 384	2 772 129	-	2 772 129	-
Other liabilities	3 433 491	3 433 491	-	-	3 433 491
<b>Total Liabilities</b>	<b>215 012 202</b>	<b>214 600 147</b>	<b>-</b>	<b>8 496 893</b>	<b>206 103 254</b>

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

31.12.2020	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>Assets</b>					
Cash and due from Central Bank	4 456 279	4 456 235	4 306 094	150 141	-
Loans and advance to banks	2 578 339	2 577 485	-	1 170 713	1 406 772
Loans and advances to customers measured at amortised cost	140 825 741	140 012 831	-	280 627	139 732 204
Debt securities measured at amortised cost	27 261 551	28 310 323	19 803 027	4 410 186	4 097 110
Other assets	1 059 292	1 059 292	-	-	1 059 292
<b>Total Assets</b>	<b>176 181 202</b>	<b>176 416 166</b>	<b>24 109 121</b>	<b>6 011 667</b>	<b>146 295 378</b>
<b>Liabilities</b>					
Amounts due to Central Bank	-	-	-	-	-
Amounts due to other banks	9 950 663	9 844 466	-	2 475 559	7 368 907
Amounts due to customers	178 303 984	177 489 039	-	-	177 489 039
Debt securities issued	6 146 708	6 130 664	-	6 130 664	-
Subordinated liabilities	2 757 876	2 761 026	-	2 761 026	-
Other liabilities	2 718 650	2 718 650	-	-	2 718 650
<b>Total Liabilities</b>	<b>199 877 881</b>	<b>198 943 845</b>	<b>-</b>	<b>11 367 249</b>	<b>187 576 596</b>

## 8. Operating segments

Data reported in the section stem from the application of the management model ('Model') in which the main criterion for segmentation is the classification of customers based on their profile and service model.

Reporting and monitoring of results, for managerial purposes, include all components of the income statement up to the gross profit level. Therefore, the income from the segment's activities as well as operating costs related to those activities (including direct and allocated costs in line with the allocation model applied) and other components of income statement are attached to each segment.

The Group settles transactions between segments on an arm's length basis by applying current market prices. Fund transfers between retail, private, corporate and investment banking segments, and the assets and liabilities management and other area are based on market prices applicable to the funds' currency and maturity, including liquidity margins.

### Operating segments

The operating segments of the Group are as follows:

- Retail banking – all banking activities related to retail customers (excluding private banking customers) and micro companies with annual turnover not exceeding PLN 5 million, as well as results of the subsidiaries, and shares in net profit of associates accounted for using the equity method, that are assigned to the retail banking activity,
- SME banking - all banking activities related to the companies with annual turnover from PLN 5 million to PLN 100 million and below 5 million in the case of companies conducting full accounting,
- Enterprise banking – all banking activities related to the most affluent individual customers,
- Corporate and Investment banking – all banking activities related to large companies and results of the subsidiaries that are assigned to the Corporate and Investment banking activity,
- Assets and Liabilities management and other – supervision and monitoring of fund transfers, interbank market, debt securities and other instruments, other activities centrally managed as well as the results of subsidiaries and share in net profit of associates accounted for using the equity method that are not assigned to other reported segments.

Operating segments reporting for the period from 1 January to 31 March 2021

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ENTERPRISE BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
External interest income	625 093	926	290 777	97 106	390 877	1 404 779
External interest expenses	(16 024)	(4 748)	(15 993)	(804)	(33 611)	(71 180)
<b>Net external interest income</b>	<b>609 069</b>	<b>(3 822)</b>	<b>274 784</b>	<b>96 302</b>	<b>357 266</b>	<b>1 333 599</b>
Internal interest income	129 972	11 842	2 262	8 376	(152 452)	-
Internal interest expenses	(193 665)	(675)	(81 632)	(32 880)	308 852	-
<b>Net internal interest income</b>	<b>(63 693)</b>	<b>11 167</b>	<b>(79 370)</b>	<b>(24 504)</b>	<b>156 400</b>	<b>-</b>
<b>Total net interest income</b>	<b>545 376</b>	<b>7 345</b>	<b>195 414</b>	<b>71 798</b>	<b>513 666</b>	<b>1 333 599</b>
Fee and commission income and expense	264 907	45 762	154 152	144 682	6 360	615 863
Other non-interest income	1 993	(278)	40 753	9 770	(1 466)	50 772
<b>Operating income</b>	<b>812 276</b>	<b>52 829</b>	<b>390 319</b>	<b>226 250</b>	<b>518 560</b>	<b>2 000 234</b>
Personnel expenses	(221 563)	(19 585)	(53 631)	(46 401)	(305 351)	(646 531)
Other administrative expenses	(312 824)	(7 969)	(51 360)	(64 581)	196 513	(240 221)
Depreciation and amortisation	(48 085)	(3 964)	(5 372)	(4 122)	(95 540)	(157 083)
<b>Operating costs</b>	<b>(582 472)</b>	<b>(31 518)</b>	<b>(110 363)</b>	<b>(115 104)</b>	<b>(204 378)</b>	<b>(1 043 835)</b>
<b>Gross operating profit</b>	<b>229 804</b>	<b>21 311</b>	<b>279 956</b>	<b>111 146</b>	<b>314 182</b>	<b>956 399</b>
Net allowances for expected credit losses	(91 136)	324	(93 006)	6 479	1 306	(176 033)
<b>Net operating profit</b>	<b>138 668</b>	<b>21 635</b>	<b>186 950</b>	<b>117 625</b>	<b>315 488</b>	<b>780 366</b>
Guarantee funds charges	(72 907)	(190)	(42 211)	(16 815)	(71 234)	(203 357)
Tax on certain financial institutions					(175 460)	(175 460)
<b>Profit before tax</b>	<b>65 761</b>	<b>21 445</b>	<b>144 739</b>	<b>100 810</b>	<b>68 794</b>	<b>401 549</b>
Income tax expense	-	-	-	-	-	(155 453)
<b>Net profit for the period</b>						<b>246 096</b>
<b>Attributable to equity holders of the Bank</b>						<b>245 648</b>
Attributable to non-controlling interests						448
Allocated assets	79 735 665	1 797 379	73 039 908	18 498 098	62 399 710	235 470 760
Unallocated assets						11 721 554
<b>Total assets</b>						<b>247 192 314</b>
Allocated liabilities	107 039 698	16 169 046	49 808 517	28 488 253	10 789 272	212 294 786
Unallocated liabilities						9 593 212
<b>Total liabilities</b>						<b>221 887 998</b>

Operating segments reporting for the period from 1 January to 31 March 2020

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ENTERPRISE BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
External interest income	912 999	2 343	443 375	139 533	219 190	1 717 440
External interest expenses	(98 783)	(40 874)	(104 617)	(17 395)	(27 520)	(289 189)
<b>Net external interest income</b>	<b>814 216</b>	<b>(38 531)</b>	<b>338 758</b>	<b>122 138</b>	<b>191 670</b>	<b>1 428 251</b>
Internal interest income	234 546	49 980	155 937	44 455	(484 918)	-
Internal interest expenses	(456 408)	(3 182)	(253 207)	(75 765)	788 562	-
<b>Net internal interest income</b>	<b>(221 862)</b>	<b>46 798</b>	<b>(97 270)</b>	<b>(31 310)</b>	<b>303 644</b>	<b>-</b>
<b>Total net interest income</b>	<b>592 354</b>	<b>8 267</b>	<b>241 488</b>	<b>90 828</b>	<b>495 314</b>	<b>1 428 251</b>
<b>Fee and commission income and expense</b>	<b>288 042</b>	<b>38 064</b>	<b>121 209</b>	<b>140 297</b>	<b>26 782</b>	<b>614 394</b>
<b>Other non-interest income</b>	<b>7 680</b>	<b>(494)</b>	<b>18 310</b>	<b>16 737</b>	<b>(13 111)</b>	<b>29 122</b>
<b>Operating income</b>	<b>888 076</b>	<b>45 837</b>	<b>381 007</b>	<b>247 862</b>	<b>508 985</b>	<b>2 071 767</b>
Personnel expenses	(225 607)	(17 470)	(54 821)	(41 002)	(279 336)	(618 236)
Other administrative expenses	(305 005)	(5 759)	(44 507)	(65 126)	162 540	(257 857)
Depreciation and amortisation	(43 111)	(2 822)	(7 258)	(1 960)	(68 384)	(123 535)
<b>Operating costs</b>	<b>(573 723)</b>	<b>(26 051)</b>	<b>(106 586)</b>	<b>(108 088)</b>	<b>(185 180)</b>	<b>(999 628)</b>
<b>Gross operating profit</b>	<b>314 353</b>	<b>19 786</b>	<b>274 421</b>	<b>139 774</b>	<b>323 805</b>	<b>1 072 139</b>
Net allowances for expected credit losses	(71 927)	235	(134 388)	(124 830)	-	(330 910)
<b>Net operating profit</b>	<b>242 426</b>	<b>20 021</b>	<b>140 033</b>	<b>14 944</b>	<b>323 805</b>	<b>741 229</b>
Guarantee funds charges	(73 331)	(193)	(44 783)	(16 496)	(115 900)	(250 703)
Tax on certain financial institutions	-	-	-	-	(156 506)	(156 506)
<b>Profit before tax</b>	<b>169 095</b>	<b>19 828</b>	<b>95 250</b>	<b>(1 552)</b>	<b>51 399</b>	<b>334 020</b>
Income tax expense						(146 569)
<b>Net profit for the period</b>						<b>187 451</b>
<b>Attributable to equity holders of the Bank</b>						<b>186 898</b>
Attributable to non-controlling interests						553
Allocated assets	79 207 038	856 708	62 419 335	17 671 406	45 278 862	205 433 349
Unallocated assets						11 926 483
<b>Total assets</b>						<b>217 359 832</b>
Allocated liabilities	93 158 355	16 823 483	45 201 735	24 722 937	3 978 384	183 884 894
Unallocated liabilities						9 692 949
<b>Total liabilities</b>						<b>193 577 843</b>

Reconciliations of operating income for reportable segments

	I QUARTER 2021	I QUARTER 2020
Net interest income	1 333 599	1 428 251
Net fee and commission income	615 863	614 394
Dividend income	-	255
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	28 607	10 272
Result on fair value hedge accounting	1 799	(1 744)
Profit (loss) from derecognition of financial assets and financial liabilities not at fair value through profit or loss	10 813	21 126
<b>Operating income</b>	<b>1 990 681</b>	<b>2 072 554</b>
Other operating income	18 737	19 192
Other operating expenses	(9 184)	(19 979)
<b>Total operating income for reportable segments</b>	<b>2 000 234</b>	<b>2 071 767</b>

## 9. Interest income and expense

### Interest income

	I QUARTER 2021			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	1 191 489	145 101	-	1 336 590
Loans and advances (in this receivables from financial leases)	1 090 143	8 344	-	1 098 487
Interbank placements	249	-	-	249
Reverse repo transactions	21	-	-	21
Investment securities	101 076	136 757	-	237 833
Other interest income related to financial assets measured at fair value through profit or loss			68 189	68 189
Loans and other receivables from customers	-	-	107	107
Hedging derivatives	-	-	67 752	67 752
Financial assets held for trading	-	-	330	330
<b>Total</b>	<b>1 191 489</b>	<b>145 101</b>	<b>68 189</b>	<b>1 404 779</b>

	I QUARTER 2020			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	1 499 810	158 249	-	1 658 059
Loans and advances (in this receivables from financial leases)	1 383 216	7 667	-	1 390 883
Interbank placements	10 199	-	-	10 199
Reverse repo transactions	7 247	-	-	7 247
Investment securities	99 148	150 582	-	249 730
Other interest income related to financial assets measured at fair value through profit or loss	-	-	59 381	59 381
Loans and other receivables from customers	-	-	1 312	1 312
Hedging derivatives	-	-	55 704	55 704
Financial assets held for trading	-	-	2 365	2 365
<b>Total</b>	<b>1 499 810</b>	<b>158 249</b>	<b>59 381</b>	<b>1 717 440</b>

**Interest expense**

	I QUARTER 2021	I QUARTER 2020
Deposits from customers	(36 206)	(209 933)
Interbank deposits	(1 074)	(3 395)
Repo transactions	(18)	(5 811)
Loans and advances received	(6 445)	(12 004)
Leasing	(2 586)	(2 680)
Debt securities	(24 851)	(55 366)
<b>Total</b>	<b>(71 180)</b>	<b>(289 189)</b>

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

## 10. Fee and commission income and expense

**Fee and commission income**

	I QUARTER 2021	I QUARTER 2020
Accounts maintenance, payment orders and cash transactions	169 688	148 456
Payment cards	135 243	146 102
Loans and advances	94 170	93 688
Margin on foreign exchange transactions with clients	125 194	134 319
Service and sell investment and insurance products	116 870	126 024
Securities operations	37 902	19 487
Custody activity	16 035	12 214
Guarantees, letters of credit and similar transactions	17 866	16 260
Other	23 830	22 716
<b>Total</b>	<b>736 798</b>	<b>719 266</b>

**Fee and commission expense**

	I QUARTER 2021	I QUARTER 2020
Payment cards	(79 046)	(75 056)
Money orders and transfers	(5 293)	(5 511)
Securities and derivatives operations	(12 820)	(8 455)
Acquisition services	(12 543)	(7 888)
Custody activity	(5 792)	(4 179)
Accounts maintenance	(880)	(865)
Investment funds management	(209)	(152)
Other	(4 352)	(2 766)
<b>Total</b>	<b>(120 935)</b>	<b>(104 872)</b>

Fee and commission income and expense (other than the amounts included in determining the effective interest rate) arising from financial assets and financial liabilities that are not at fair value through profit or loss.



## 11. Dividend income

	I QUARTER 2021	I QUARTER 2020
Issuers of securities measured at fair value through profit or loss	-	255
<b>Total</b>	<b>-</b>	<b>255</b>

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

	I QUARTER 2021	I QUARTER 2020
Gains (losses) on loans and advances to customers measured mandatorily at fair value through profit or loss	1 228	1 691
Gains (losses) on securities measured mandatorily at fair value through profit or loss	(5 227)	(18 559)
Foreign exchange result	454	(28 498)
Gains (losses) on derivatives	24 773	44 878
Gains (losses) on securities held for trading	7 379	10 760
<b>Total</b>	<b>28 607</b>	<b>10 272</b>

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

### Realized gains

	I QUARTER 2021	I QUARTER 2020
Financial assets measured at amortised cost	3 685	8 438
Financial assets measured at fair value through other comprehensive income	7 636	13 481
Financial liabilities not measured at fair value through profit or loss	-	1
<b>Total</b>	<b>11 321</b>	<b>21 920</b>

### Realized losses

	I QUARTER 2021	I QUARTER 2020
Financial assets measured at amortised cost	(497)	(704)
Financial assets measured at fair value through other comprehensive income	-	(42)
Financial liabilities not measured at fair value through profit or loss	(11)	(48)
<b>Total</b>	<b>(508)</b>	<b>(794)</b>

<b>Net realized profit</b>	<b>10 813</b>	<b>21 126</b>
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## 14. Net allowances for expected credit losses

	I QUARTER 2021	I QUARTER 2020
Loans and other financial assets measured at amortized cost (*)	(187 303)	(263 903)
Debt securities measured at amortized cost	(5 164)	(12 326)
Loans measured at fair value through other comprehensive income	181	(1 505)
Debt securities measured at fair value through other comprehensive income	149	(16 842)
Off-balance sheet commitments	17 527	(34 507)
Provision for legal risk regarding foreign currency mortgage loans	(1 423)	(1 827)
<b>Total</b>	<b>(176 033)</b>	<b>(330 910)</b>

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

## 15. Other operating income and expenses

### Other operating income

	I QUARTER 2021	I QUARTER 2020
Gains on disposal of property, plant and equipment	478	76
Premises rental income, terminals and IT equipment	5 108	4 373
Operating leasing net income (*)	587	283
Compensation, recoveries, penalty fees and fines received	3 078	3 642
Miscellaneous income	3 595	5 196
Recovery of debt collection costs	1 292	2 311
Net revenues from sale of products, goods and services	1 498	1 506
Other	3 101	1 805
<b>Total</b>	<b>18 737</b>	<b>19 192</b>

(\*) Operating leasing net income

	I QUARTER 2021	I QUARTER 2020
Income from operating leases	2 501	1 813
Costs of depreciation of fixed assets provided under operating leases	(1 914)	(1 530)
<b>Total</b>	<b>587</b>	<b>283</b>

**Other operating expenses**

	I QUARTER 2021	I QUARTER 2020
Provision for liabilities disputable and other provisions (*)	(406)	(684)
Provision for legal risk regarding foreign currency mortgage loans	1 423	1 547
Loss on disposal of property, plant and equipment and intangible assets	(1 183)	(9 945)
Card transactions monitoring costs	(1 946)	(1 438)
Sundry expenses	(1 596)	(2 002)
Costs of litigation and claims	(834)	(951)
Impairment allowance on fixed assets, litigations and other assets	(1 265)	(213)
Compensation, penalty fees and fines	(279)	(231)
Other	(3 098)	(6 062)
<b>Total</b>	<b>(9 184)</b>	<b>(19 979)</b>

(\*) The item also includes the provision for commission reimbursements on previously repaid consumer loans.

## 16. Administrative expenses

**Personnel expenses**

	I QUARTER 2021	I QUARTER 2020
Wages and salaries	(562 052)	(534 124)
Insurance and other charges related to employees	(79 617)	(79 772)
Share-based payments expenses	(4 862)	(4 340)
<b>Total</b>	<b>(646 531)</b>	<b>(618 236)</b>

**Other administrative expenses**

	I QUARTER 2021	I QUARTER 2020
General expenses	(206 225)	(230 806)
Taxes and charges	(9 708)	(8 858)
Bank Guarantee Fund fee	(203 357)	(250 703)
Financial supervision authority fee (KNF)	(24 288)	(18 193)
Tax on certain financial institutions	(175 460)	(156 506)
<b>Total</b>	<b>(619 038)</b>	<b>(665 066)</b>
<b>Total administrative expenses</b>	<b>(1 265 569)</b>	<b>(1 283 302)</b>

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

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

As a result of application of the Interpretation IFRIC 21 *Levies* for recognition of the above obligations, the costs of quarterly contribution to deposit guarantee fund of banks in the amount of PLN 32 765 thousand for the first quarter of 2021 (for the first quarter of 2020 - PLN 40 317 thousand) and the costs of annual contribution to resolution fund of banks in the amount of PLN 170 592 thousand (PLN 210 386 thousand in 2020).

## 17. Depreciation and amortization

	I QUARTER 2021	I QUARTER 2020
Property, plant and equipment	(81 906)	(73 253)
Intangible assets	(75 177)	(50 282)
<b>Total</b>	<b>(157 083)</b>	<b>(123 535)</b>

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

	I QUARTER 2021	I QUARTER 2020
<b>INCOME STATEMENT</b>		
<b>Current tax</b>	<b>(181 470)</b>	<b>(302 400)</b>
Current tax charge in the income statement	(181 463)	(302 268)
Adjustments related to the current tax from previous years	-	(1)
Other taxes (e.g. withholding tax)	(7)	(131)
<b>Deferred tax</b>	<b>26 017</b>	<b>155 831</b>
Occurrence and reversal of temporary differences	26 017	155 831
<b>Tax charge in the consolidated income statement</b>	<b>(155 453)</b>	<b>(146 569)</b>
<b>EQUITY</b>		
<b>Deferred tax</b>	<b>102 450</b>	<b>(46 094)</b>
Income and costs disclosed in other comprehensive income:	-	-
revaluation of financial instruments - cash flows hedges	63 749	(78 838)
fair value revaluation through other comprehensive income	47 134	30 610
<b>Tax on items that are or may be reclassified subsequently to profit or loss</b>	<b>110 883</b>	<b>(48 228)</b>
<b>Tax charge on items that will never be reclassified to profit or loss</b>	<b>(8 433)</b>	<b>2 134</b>
fair value revaluation through other comprehensive income –equity securities	(8 433)	2 134
remeasurements the defined benefit liabilities	-	-
<b>TOTAL CHARGE</b>	<b>(53 003)</b>	<b>(192 663)</b>

## 19. Earnings per share

### Basic earnings per share

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

	I QUARTER 2021	I QUARTER 2020
Net profit	245 648	186 898
Weighted average number of ordinary shares in the period	262 470 034	262 470 034
Earnings per share (in PLN per share)	0.94	0.71

### Diluted earnings per share

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

As at 31 March 2021 and 31 March 2020 here were no diluting instruments in the form of convertible bonds in the Group.

	I QUARTER 2021	I QUARTER 2020
Net profit	245 648	186 898
Weighted average number of ordinary shares in the period	262 470 034	262 470 034
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 470 034	262 470 034
Diluted earnings per share (in PLN per share)	0.94	0.71

## 20. Dividends

The Management Board of Bank Pekao S.A. adopted the position of the Polish Financial Supervision Authority regarding the suspension by Bank Pekao S.A. dividend payments in the first half of 2021.

## 21. Cash and balances with Central Bank

CASH AND DUE FROM CENTRAL BANK	31.03.2021	31.12.2020
Cash	4 217 444	4 306 094
Current account at Central Bank	3 493 474	150 198
Deposits	-	-
<b>Gross carrying amount</b>	<b>7 710 918</b>	<b>4 456 292</b>
Impairment allowances	(289)	(13)
<b>Net carrying amount</b>	<b>7 710 629</b>	<b>4 456 279</b>

AMOUNTS DUE TO CENTRAL BANK	31.03.2021	31.12.2020
Term deposits	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## 22. Loans and advances to banks

Loans and advances to banks by product type

	31.03.2021	31.12.2020
Current accounts	306 694	273 795
Interbank placements	565 367	179 332
Loans and advances	86 824	35 282
Cash collaterals	1 366 950	1 173 087
Reverse repo transactions	338 646	719 015
Cash in transit	90 334	199 051
<b>Total gross amount</b>	<b>2 754 815</b>	<b>2 579 562</b>
Impairment allowances	(2 021)	(1 223)
<b>Total net amount</b>	<b>2 752 794</b>	<b>2 578 339</b>

Loans and advances to banks are measured at amortised cost.

## 23. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

	31.03.2021	31.12.2020
<b>FINANCIAL ASSETS</b>		
Debt securities	703 820	1 312 316
Equity securities	6 691	5 393
<b>Total financial assets</b>	<b>710 511</b>	<b>1 317 709</b>
<b>FINANCIAL LIABILITIES</b>		
Debt securities	441 806	742 804
<b>Total financial liabilities</b>	<b>441 806</b>	<b>742 804</b>

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

Debt securities held for trading

	31.03.2021	31.12.2020
<b>FINANCIAL ASSETS</b>		
Debt securities issued by State Treasury	575 605	976 025
T- bills	-	100
T- bonds	575 605	975 925
Debt securities issued by banks	85 462	135 299
Debt securities issued by business entities	42 753	200 992
<b>Total financial assets</b>	<b>703 820</b>	<b>1 312 316</b>
<b>FINANCIAL LIABILITIES</b>		
Debt securities issued by State Treasury	441 806	742 804
T- bonds	441 806	742 804
<b>Total financial liabilities</b>	<b>441 806</b>	<b>742 804</b>

## Equity securities held for trading

	31.03.2021	31.12.2020
Shares	6 691	5 393
<b>Total</b>	<b>6 691</b>	<b>5 393</b>

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

## Fair value of trading derivatives

31.03.2021	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	3 197 608	3 133 898
Forward Rate Agreements (FRA)	43	551
Options	12 715	7 741
Other	499	650
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	137 041	139 492
Currency Forward Agreements	288 695	266 973
Currency Swaps (FX-Swap)	244 409	63 286
Options for currency and gold	75 525	44 560
Transactions based on equity securities and stock indexes		
Options	26 837	25 141
Other	-	-
Transactions based on commodities and precious metals		
Options	26 908	23 604
Other	109 383	107 582
<b>Total</b>	<b>4 119 663</b>	<b>3 813 478</b>

**Fair value of trading derivatives**

31.12.2020	ASSETS	LIABILITIES
<b>Interest rate transactions</b>		
Interest Rate Swaps (IRS)	4 070 059	4 026 201
Forward Rate Agreements (FRA)	605	586
Options	6 580	2 171
Other	831	847
<b>Foreign currency and gold transactions</b>		
Cross-Currency Interest Rate Swaps (CIRS)	91 071	61 376
Currency Forward Agreements	257 951	264 613
Currency Swaps (FX-Swap)	193 335	83 919
Options for currency and for gold	60 286	51 295
<b>Transactions based on equity securities and stock indexes</b>		
Options	1 712	1 712
Other	-	-
<b>Transactions based on commodities and precious metals</b>		
Options	56 268	52 659
Other	73 533	72 037
<b>Total</b>	<b>4 812 231</b>	<b>4 617 416</b>

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

## 25. Loans and advances to customers

**Loans and advances to customers by product type**

	31.03.2021			
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Mortgage loans	77 243 100	752 387	15 198	78 010 685
Current accounts	9 638 677	-	-	9 638 677
Operating loans	11 973 809	445 615	18 564	12 437 988
Investment loans	23 159 819	311 370	19 127	23 490 316
Cash loans	13 654 494	-	-	13 654 494
Payment cards receivables	1 111 933	-	-	1 111 933
Financial leasing	7 944 068	-	-	7 944 068
Factoring	13 773 641	-	-	13 773 641
Other loans and advances	1 707 447	-	130 751	1 838 198
Reverse repo transactions	638 669	-	-	638 669
Cash in transit	204 561	-	-	204 561
<b>Gross carrying amount</b>	<b>161 050 218</b>	<b>1 509 372</b>	<b>183 640</b>	<b>162 743 230</b>
Impairment allowances (*) (**)	(7 515 957)	-	-	(7 515 957)
<b>Carrying amount</b>	<b>153 534 261</b>	<b>1 509 372</b>	<b>183 640</b>	<b>155 227 273</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 26 645 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 346 555 thousand.



**Loans and advances to customers by product type**

	31.12.2020			
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Mortgage loans	76 198 229	754 285	15 902	76 968 416
Current accounts	8 829 284	-	-	8 829 284
Operating loans	9 839 559	443 778	19 285	10 302 622
Investment loans	21 801 214	276 992	20 339	22 098 545
Cash loans	13 618 453	-	-	13 618 453
Payment cards receivables	1 013 454	-	-	1 013 454
Financial leasing	7 815 053	-	-	7 815 053
Factoring	6 861 923	-	-	6 861 923
Other loans and advances	1 655 638	-	131 475	1 787 113
Reverse repo transactions	280 620	-	-	280 620
Cash in transit	149 325	-	-	149 325
<b>Gross carrying amount</b>	<b>148 062 752</b>	<b>1 475 055</b>	<b>187 001</b>	<b>149 724 808</b>
Impairment allowances (*) (**)	(7 237 011)	-	-	(7 237 011)
<b>Carrying amount</b>	<b>140 825 741</b>	<b>1 475 055</b>	<b>187 001</b>	<b>142 487 797</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 26 571 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 345 131 thousand.

**Loans and advances to customers by customer type**

	31.03.2021					
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	CARRYING AMOUNT			
Corporate	78 166 519	(4 629 705)	73 536 814	1 509 372	30 456	75 076 642
Individuals	80 108 494	(2 765 569)	77 342 925	-	130 751	77 473 676
Budget entities	2 775 205	(120 683)	2 654 522	-	22 433	2 676 955
<b>Loans and advances to customers</b>	<b>161 050 218</b>	<b>(7 515 957)</b>	<b>153 534 261</b>	<b>1 509 372</b>	<b>183 640</b>	<b>155 227 273</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 26 645 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 346 555 thousand.

	31.12.2020					
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	CARRYING AMOUNT			
Corporate	65 830 444	(4 414 974)	61 415 470	1 475 055	32 234	62 922 759
Individuals	79 602 379	(2 700 007)	76 902 372	-	131 474	77 033 846
Budget entities	2 629 929	(122 030)	2 507 899	-	23 293	2 531 192
<b>Loans and advances to customers</b>	<b>148 062 752</b>	<b>(7 237 011)</b>	<b>140 825 741</b>	<b>1 475 055</b>	<b>187 001</b>	<b>142 487 797</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 26 571 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 345 131 thousand.

## 26. Hedge accounting

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

As of 31 March 2021 the Group applies fair value hedge accounting and cash flow hedge accounting:

**FVH** - fair value hedge accounting:

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

**CFH** - cash flow hedge accounting:

- Interest rate swaps (IRS) designated to hedge floating rate loans and securities denominated in PLN (hereafter: **CFH IRS loans/bonds**),
- Interest rate swaps (IRS) designated to hedge deposits denominated in PLN and EUR, which economically reflect long-term variable-rate liability (hereafter: **CFH IRS deposits**),
- cross-currency interest rate swaps (basis swap) designated to hedge floating rate loans denominated in CHF and floating rate loans and leasing receivables denominated in EUR and liabilities denominated in PLN, which economically reflect long-term variable-rate liability (relationship extended by current and future cash flows resulting from loans and lease receivables with a variable interest rate in EUR, hereafter: **CFH CIRS deposits/loans**),
- FX-Swaps designated to hedge floating rate loans denominated in EUR and current and term deposits denominated in USD (hereafter: **CFH FX-Swap deposits/loans**).

### Impact of the IBOR reform on hedge accounting

In relation to the amendments to IAS 39 and IFRS 9 published on 16 January 2020 (described in the accounting policy - Note 4.9), the Bank took advantage of the possibility of early adoption of the above-mentioned amendments to IAS 39 and IFRS 9 concerning the impact of the interest rate benchmark reform on hedge accounting (*Interbank Offer Rate* - 'IBOR reform').

As part of the established hedging relationships, the Bank identifies the following interest rate benchmarks: WIBOR, EURIBOR, LIBOR CHF, LIBOR USD. As of the reporting date, these benchmarks rates are quoted and available each day and resulting cash flows are exchanged with its counterparties as usual.

Below is the list of hedging relationships and the nominal amounts of hedging instruments designated thereto, which may be affected by the cessation of the LIBOR interest rate benchmarks as at 31 March 2021:

- CFH CIRS deposits / loans (CHF 543 million transactions based on CHF LIBOR, maturing after 31 December 2021)
- FVH IRS bonds (USD 133 million transactions based on USD LIBOR, maturing after 30 June 2023)

### Fair value hedge accounting

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

Risk management strategy regarding fair value hedge relationships, hedge accounting system and main sources of hedge ineffectiveness were described in consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2020 and have not changed substantially since then.

The approach of the Group to market risk management, including interest rate risk, and details regarding exposure of the Group to interest rate risk are disclosed in Note 7.2.

The tables below present interest rate swaps which are used by the Group as instruments hedging interest rate risk in fair value hedge accounting as of 31 March 2021 and 31 December 2020.

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

31.03.2021	FVH IRS BONDS – IRS HEDGING DEBT SECURITIES MEASURED AT		TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	
<b>HEDGING INSTRUMENTS</b>			
Nominal value	200 000	2 133 790	2 333 790
Carrying amount – assets	-	-	-
Carrying amount – liabilities	19 049	114 578	133 627
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments
Amount of changes in fair value of the hedging instrument in the reporting period used for estimating hedge inefficiency	9 246	28 546	37 792
Amount of hedge ineffectiveness recognized in the income statement 'Result on fair value hedge accounting'	414	1 385	1 799
<b>HEDGED ITEM</b>			
Carrying amount – assets	218 607	2 315 953	2 534 560
Accumulated amount of the adjustment to the fair value of the hedged item included in the carrying amount of the hedged item recognized in the balance sheet - assets	16 662	167 079	183 741
Balance sheet item in which hedged item is reported	Hedging instruments	Hedging instruments	Hedging instruments
Change in the value of hedged item used for estimating hedge inefficiency in the reporting period	(8 832)	(27 161)	(35 993)
Accumulated amount of the adjustment to the fair value of the hedged item remaining in the balance sheet for those hedged items for which adjustments of the balance sheet item for adjustment to fair value has been discontinued	-	-	-

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

31.12.2020	FVH IRS BONDS – IRS HEDGING DEBT SECURITIES MEASURED AT		TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	
<b>HEDGING INSTRUMENTS</b>			
Nominal value	200 000	2 359 246	2 559 246
Carrying amount – assets	-	-	-
Carrying amount – liabilities	26 944	171 136	198 080
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments
Amount of changes in fair value of the hedging instrument in the reporting period used for estimating hedge inefficiency	(11 384)	(34 162)	(45 546)
Amount of hedge ineffectiveness recognized in the income statement 'Result on fair value hedge accounting'	(179)	(668)	(847)
<b>HEDGED ITEM</b>			
Carrying amount – assets	225 471	2 595 811	2 821 282
Accumulated amount of the adjustment to the fair value of the hedged item included in the carrying amount of the hedged item recognized in the balance sheet - assets	25 494	187 793	213 287
Balance sheet item in which hedged item is reported	Hedging instruments	Hedging instruments	Hedging instruments
Change in the value of hedged item used for estimating hedge inefficiency in the reporting period	11 205	33 496	44 701
Accumulated amount of the adjustment to the fair value of the hedged item remaining in the balance sheet for those hedged items for which adjustments of the balance sheet item for adjustment to fair value has been discontinued	-	-	-

**Cash flow hedge accounting**

The Group applies:

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

In the last quarter, Bank extended the existing relationship (CFH CIRS deposits/loans) with the current and future cash flows resulting from floating interest rate loans and lease receivables in EUR, as well as EUR/PLN basis swap transactions hedging currency and interest rate risk.

The Group's risk management strategy regarding cash flow hedge relationships, hedge accounting system and main sources of hedge ineffectiveness were described in consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2020 and have not changed substantially since then.

**Impact of cash flow hedge on balance sheet and financial result**

HEDGE IN RELATIONSHIP AS AT 31.03.2021	INTEREST RATE RISK		INTEREST RATE RISK / CURRENCY RISK	
	CFH IRS loans	CFH IRS deposits	CFH CIRS deposits/ loans	CFH FX-Swap deposits/loans
<b>HEDGING INSTRUMENTS</b>				
Nominal value	16 448 000	1 161 562	9 874 621	21 424 925
Carrying amount – assets	554 138	3 431	-	62 620
Carrying amount – liabilities	111 610	33 326	698 521	200 281
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments	Hedging instruments
Change in the fair value of the hedging instrument used for estimating hedge ineffectiveness	(364 034)	13 166	6 412	(410)
Gains or losses resulting from hedging, recognized in other comprehensive income	-	-	-	-
Amount of hedge ineffectiveness recognized in the income statement in item 'Result on financial assets and liabilities measured at fair value through profit or loss'	(10 011)	-	623	(3)
Amount transferred from the revaluation reserves due to cash flow hedge accounting to the income statement as a reclassification adjustment	-	-	-	-
Income statement item in which reclassification adjustment is reported	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss
<b>HEDGED ITEM</b>				
Amount of change in the fair value of a hypothetical derivative representing the hedged item used for estimating the hedge ineffectiveness in the reporting period	354 688	(13 166)	(4 279)	410
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting will be continued after the end of the reporting period	314 799	(23 636)	(33 506)	303
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting is no longer applied	-	-	-	-

**Impact of cash flow hedge on balance sheet and financial result**

HEDGE IN RELATIONSHIP AS AT 31.12.2020	INTEREST RATE RISK		INTEREST RATE RISK / CURRENCY RISK	
	CFH IRS loans	CFH IRS deposits	CFH CIRS deposits/ loans	CFH FX--Swap deposits/loans
<b>HEDGING INSTRUMENTS</b>				
Nominal value	15 692 000	1 155 289	4 706 380	28 146 997
Carrying amount – assets	766 961	6 765	-	5 337
Carrying amount – liabilities	2 085	47 829	561 308	263 657
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments	Hedging instruments
Change in the fair value of the hedging instrument used for estimating hedge ineffectiveness	475 586	(14 395)	14 303	(1 080)
Gains or losses resulting from hedging, recognized in other comprehensive income	-	-	-	-
Amount of hedge ineffectiveness recognized in the income statement in item 'Result on financial assets and liabilities measured at fair value through profit or loss'	7 742	-	-	4
Amount transferred from the revaluation reserves due to cash flow hedge accounting to the income statement as a reclassification adjustment	-	-	-	-
Income statement item in which reclassification adjustment is reported	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss
<b>HEDGED ITEM</b>				
Amount of change in the fair value of a hypothetical derivative representing the hedged item used for estimating the hedge ineffectiveness in the reporting period	(466 966)	14 395	(16 776)	1 077
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting will be continued after the end of the reporting period	668 822	(36 727)	(39 329)	713
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting is no longer applied	-	-	-	-

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

	I QUARTER 2021	I QUARTER 2020
<b>Opening balance</b>	<b>593 479</b>	<b>126 763</b>
<b>INTEREST RATE RISK</b>		
Gains or losses resulting from hedging, recognized in other comprehensive income during the reporting period	(340 932)	386 044
Part of the loss transferred to the income statement due to the lack of expectation of materialization of the hedged item	-	-
<b>INTEREST RATE RISK/CURRENCY RISK</b>		
Gains or losses resulting from hedging, recognized in other comprehensive income during the reporting period	5 413	28 891
Part of the loss transferred to the income statement due to the lack of expectation of materialization of the hedged item	-	-
<b>Closing balance</b>	<b>257 960</b>	<b>541 698</b>

## 27. Investment (placement) securities

	31.03.2021	31.12.2020
Debt securities measured at amortised cost	29 933 501	27 261 551
Debt securities measured at fair value through other comprehensive income	38 930 171	42 737 500
Equity instruments designated at fair value through other comprehensive income	461 727	331 690
Equity instruments mandatorily measured at fair value through profit or loss	163 997	160 486
<b>Total</b>	<b>69 489 396</b>	<b>70 491 227</b>

### Debt securities measured at amortised cost

	31.03.2021	31.12.2020
Securities issued by State Treasury	19 867 874	19 759 086
T-bills	-	808 649
T-bonds	19 867 874	18 950 437
Securities issued by Central Banks	18 650	74 678
Securities issued by banks	3 839 547	2 229 516
Securities issued by business entities	2 979 384	2 037 279
Securities issued by local governments	3 228 046	3 160 992
<b>Total</b>	<b>29 933 501</b>	<b>27 261 551</b>
including impairment of assets	(79 554)	(73 566)

### Debt securities measured at fair value through other comprehensive income

	31.03.2021	31.12.2020
Securities issued by State Treasury	20 002 645	21 378 138
T-bills	-	1 737 500
T-bonds	19 752 784	19 390 658
Other	249 861	249 980
Securities issued by Central Banks	999 994	1 000 000
Securities issued by banks	7 708 679	8 942 332
Securities issued by business entities	8 032 961	8 787 943
Securities issued by local governments	2 185 892	2 629 087
<b>Total</b>	<b>38 930 171</b>	<b>42 737 500</b>
including impairment of assets (*)	(62 994)	(63 143)

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

### Equity instruments designated at fair value through other comprehensive income

	31.03.2021	31.12.2020
Shares	461 727	331 690
<b>Total</b>	<b>461 727</b>	<b>331 690</b>

### Equity instruments mandatorily measured at fair value through profit or loss

	31.03.2021	31.12.2020
Shares	163 997	160 486
<b>Total</b>	<b>163 997</b>	<b>160 486</b>

## 28. Intangible assets

	31.03.2021	31.12.2020
Intangible assets, including:	1 297 328	1 260 449
research and development expenditures	11 926	10 071
licenses and patents	911 053	760 462
other	140 759	144 155
assets under construction	233 590	345 761
Goodwill (*)	748 805	747 648
<b>Total</b>	<b>2 046 133</b>	<b>2 008 097</b>

(\*) In this goodwill arose on the provisional settlement of the acquisition of Idea Bank S.A. in the amount of PLN 1 157 thousand, as described in Note 3.

## 29. Property, plant and equipment

	31.03.2021	31.12.2020
Non-current assets, including:	1 827 087	1 791 346
land and buildings	1 207 706	1 224 142
machinery and equipment	423 720	384 718
transport vehicles	82 772	73 407
other	112 889	109 079
Non-current assets under construction and prepayments	89 828	128 101
<b>Total</b>	<b>1 916 915</b>	<b>1 919 447</b>

In the period from 1 January to 31 March 2021 the Group acquired 'Property, plant and equipment' amounted PLN 44 572 thousand (including PLN 32 291 thousand 'Property, plant and equipment' arising from the acquisition of part of the activities of Idea Bank S.A.; in 2020 - PLN 352 641 thousand, while the value of property, plant and equipment sold amounted to PLN 3 888 thousand (in 2020 - PLN 5 254 thousand).

In the period from 1 January to 31 March 2021 and in 2020 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

### Contractual commitments

As at 31 March 2021 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 8 984 thousand, (as at 31 December 2020 - PLN 45 043 thousand).



### 30. Assets pledged as security for liabilities

TYPE OF TRANSACTION AS AT 31.03.2021	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	bonds	3 521	3 453	3 522
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	654 603	610 000	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	bonds	157 705	155 000	138 704
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	bonds	308 711	292 800	258 362
Lombard and technical loan	bonds	5 834 976	5 649 146	-
Other loans	bonds	358 512	346 300	294 561
Debt securities issued	loans, bonds	534 332	537 187	65 744
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	50 502	50 502	-
Derivatives	bonds	44 426	43 664	35 466
Uncommitted Collateralized Intraday Technical Overdraft Facility Agreement	bonds	40 887	32 622	-

TYPE OF TRANSACTION AS AT 31.12.2020	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	bonds	742 928	699 155	742 491
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	704 821	660 000	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	bonds	145 331	140 000	130 265
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	bonds	306 999	292 800	267 598
Lombard and technical loan	bonds	5 852 305	5 628 888	-
Other loans	bonds	361 456	349 400	302 880
Debt securities issued	loans, bonds	1 837 586	1 846 458	1 319 273
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	43 034	43 034	-
Derivatives	bonds	34 389	33 128	11 252
Uncommitted Collateralized Intraday Technical Overdraft Facility Agreement	bonds	42 345	32 304	-

## 31. Amounts due to other banks

Amounts due to other banks by product type

	31.03.2021	31.12.2020
Current accounts	931 216	951 990
Interbank deposits and other liabilities	1 093 388	2 070 855
Loans and advances received	6 166 070	6 305 526
Repo transactions	2 809	589 928
Cash in transit	31 399	32 175
Lease liabilities	64	189
<b>Total</b>	<b>8 224 946</b>	<b>9 950 663</b>

Amounts due to other banks are measured at amortised cost.

## 32. Amounts due to customers

Amounts due to customers by entity and product type

	31.03.2021	31.12.2020
Amounts due to corporate, including:	61 669 073	59 387 184
current accounts	58 989 297	56 053 193
term deposits and other liabilities	2 679 776	3 333 991
Amounts due to budget entities, including:	18 096 771	12 281 660
current accounts	17 826 604	12 109 189
term deposits and other liabilities	270 167	172 471
Amounts due to individuals, including:	115 156 534	105 776 513
current accounts	98 171 176	88 796 952
term deposits and other liabilities	16 985 358	16 979 561
Repo transactions	714	152 563
Cash in transit	323 185	299 842
Lease liabilities	421 375	406 222
<b>Total</b>	<b>195 667 652</b>	<b>178 303 984</b>

Amounts due to customers are measured at amortised cost.

## 33. Debt securities issued

Debt securities issued by type

	31.03.2021	31.12.2020
Liabilities from bonds	3 559 522	4 304 447
Certificates of deposit	155 075	523 305
Mortgage bonds	1 201 132	1 318 956
<b>Total</b>	<b>4 915 729</b>	<b>6 146 708</b>

Amounts debt securities issued are measured at amortised cost.

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

## 34. Subordinated liabilities

Subordinated liabilities by type

TYPE OF TRANSACTION	NOMINAL AMOUNT	CURRENCY	INTEREST RATE	ISSUE DATE	MATURITY DATE	SPECIAL TERMS	BALANCE SHEET VALUE AS AT 31.03.2021
Subordinated bonds	1 250 000	PLN	variable, WIBOR 6M + margin	30.10.2017	29.10.2027	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	1 259 212
Subordinated bonds	550 000	PLN	variable, WIBOR 6M + margin	15.10.2018	16.10.2028	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	554 557
Subordinated bonds	200 000	PLN	variable, WIBOR 6M + margin	15.10.2018	14.10.2033	Call option giving the Bank the right of early redemption within 10 years from the issue date, subject to the approval of the PFSA	201 887
Subordinated bonds	350 000	PLN	variable, WIBOR 6M + margin	04.06.2019	04.06.2031	Call option giving the Bank the right of early redemption within 12 years from the issue date, subject to the approval of the PFSA	352 206
Subordinated bonds	400 000	PLN	variable, WIBOR 6M + margin	04.12.2019	04.06.2031	Call option giving the Bank the right of early redemption within 12 years from the issue date, subject to the approval of the PFSA	402 522
<b>TOTAL</b>	<b>2 750 000</b>						<b>2 770 384</b>

TYPE OF TRANSACTION	NOMINAL AMOUNT	CURRENCY	INTEREST RATE	ISSUE DATE	MATURITY DATE	SPECIAL TERMS	BALANCE SHEET VALUE AS AT
Subordinated bonds	1 250 000	PLN	variable, WIBOR 6M + margin	30.10.2017	29.10.2027	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	1 253 762
Subordinated bonds	550 000	PLN	variable, WIBOR 6M + margin	15.10.2018	16.10.2028	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	552 116
Subordinated bonds	200 000	PLN	variable, WIBOR 6M + margin	15.10.2018	14.10.2033	Call option giving the Bank the right of early redemption within 10 years from the issue date, subject to the approval of the PFSA	200 876
Subordinated bonds	350 000	PLN	variable, WIBOR 6M + margin	04.06.2019	04.06.2031	Call option giving the Bank the right of early redemption within 12 years from the issue date, subject to the approval of the PFSA	350 524
Subordinated bonds	400 000	PLN	variable, WIBOR 6M + margin	04.12.2019	04.06.2031	Call option giving the Bank the right of early redemption within 12 years from the issue date, subject to the approval of the PFSA	400 598
<b>TOTAL</b>	<b>2 750 000</b>						<b>2 757 876</b>

## 35. Provisions

Changes in provisions in the reporting period

I QUARTER 2021	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
<b>Opening balance</b>	<b>178 589</b>	<b>81 077</b>	<b>294 880</b>	<b>383 415</b>	<b>50 743</b>	<b>988 704</b>
Increase due to acquisition of part of Idea Bank S.A. activity	2 281	-	-	1 608	-	3 889
Provision charges/revaluation	639	120 000	5 356	82 085	4 862	212 942
Provision utilization	(9 944)	(43 562)	(10 011)	-	(71)	(63 588)
Provision releases	(1 657)	-	-	(99 503)	-	(101 160)
Foreign currency exchange differences	375	-	-	1 228	-	1 603
<b>Closing balance</b>	<b>170 283</b>	<b>157 515</b>	<b>290 225</b>	<b>368 833</b>	<b>55 534</b>	<b>1 042 390</b>
Short term	35 177	157 515	14 329	55 681	313	263 015
Long term	135 106	-	275 896	313 152	55 221	779 375

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 89 516 thousand and a provision for early repayments of consumer loans in the amount of PLN 13 610 thousand as at 31 March 2021.

2020	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
<b>Opening balance</b>	<b>103 933</b>	<b>18 954</b>	<b>290 269</b>	<b>290 902</b>	<b>48 539</b>	<b>752 597</b>
Provision charges/revaluation	107 705	144 430	23 529	240 153	14 005	529 822
Provision utilization	(17 743)	(82 307)	(29 715)	-	(11 714)	(141 479)
Provision releases	(9 744)	-	-	(150 517)	(70)	(160 331)
Foreign currency exchange differences	(164)	-	-	2 877	-	2 713
Other changes	(5 398)	-	10 797	-	(17)	5 382
<b>Closing balance</b>	<b>178 589</b>	<b>81 077</b>	<b>294 880</b>	<b>383 415</b>	<b>50 743</b>	<b>988 704</b>
Short term	32 678	81 077	24 529	52 373	383	191 040
Long term	145 911	-	270 351	331 042	50 360	797 664

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 90 939 thousand and a provision for early repayments of consumer loans in the amount of PLN 19 661 thousand as at 31 December 2020.

### Provisions for litigation and claims

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

Provisions for litigation and claims also include the part of total provision created for legal risk related to foreign currency mortgage loans in CHF, in part relating to exposures already repaid (fully or partially). Details about the above provisions are presented in Note 7.1 of these condensed interim consolidated financial statements.

#### *An issue related to the judgment of the Court of Justice of the European Union regarding consumer credit agreements*

On 11 September 2019, the Court of Justice of the European Union (hereinafter the 'CJEU') issued a judgment in Case C-383/18 concerning preliminary questions regarding the consumer's right to reduce the total cost of loan in the event of early repayment of consumer loan.

The Group analyzed the legal risk resulting from the above judgment and in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets,' assessed the probability of cash outflow as a refund of commission in connection with early repayment of loans made by borrowers before the abovementioned judgment of the CJEU.

For the purpose of estimating the aforementioned provision, the Group performed an analysis of data on early repayment of loans and complaints. As a result of the above, the Group has determined a matrix of probability of repayment depending on the amount of commission to be repaid and the period when the earlier repayment was made.

As at 31 March 2021 the provision regarding early repayment of consumer loans made before the judgment of the CJEU (i.e. before 11 September 2019) amounts to PLN 13.6 million (as at 31 December 2020 - PLN 19.7 million).

The estimates required the Group to adopt expert assumptions and are associated with uncertainty. The Group monitors the validity of all assumptions adopted in the process of creating the above provision on an ongoing basis.

In the case of early repayment of loans made by borrowers after the judgment of the CJEU (i.e. after 11 September 2019), the Group automatically reduces the borrower's total cost of loan and returns the funds to the customer.

In addition, with respect to balance sheet exposures as at 31 March 2021, the Group estimated possible future prepayments of these exposures. In accordance with the above, the Group recognized the amount of PLN 13 million in 'Other liabilities' (as at 31 December 2020 - PLN 10 million).

#### **Restructuring provision**

The Management Board of Bank Pekao S.A. informed that on 3 March 2021, in accordance with the Act of 13 March 2003 on special rules of terminating employment contracts for reasons not attributable to the employees, adopted a resolution on the intended collective redundancies and the start of the consultation procedure for collective redundancies.

The intention of the Bank's Management Board is to terminate employment contracts with up to 1 110 employees and amend terms and conditions of employment with up to 1 250 employees in the period from 24 March 2021 to 30 June 2021.

The Bank estimated all the costs of termination of employment contracts and amendment of terms and conditions of employment the Bank's employees related to the collective redundancies for the amount of PLN 120 million and the restructuring provision in this amount was created in the Bank's accounting books.

#### **Provisions for defined benefits plans**

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

#### **Other provisions**

Other provisions include in particular provisions for other employee benefits.

## **36. Contingent commitments**

#### **Court cases**

As of 31 March 2021 the following court cases for payment are pending with involvement of the Bank, that are important in view of the value of the object of litigation:

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

- brought by a legal person – lawsuit for payment by virtue of improper performance of an agreement, value of the object of litigation EUR 17 521 646 (which as of 31 March 2021 at mid NBP rate was equivalent to PLN 81 656 126.85), litigation initiation date – 19 July 2018, on 27 May 2019 the Arbitration Court at the Polish Chamber of Commerce passed a sentence dismissing the suit in its entirety, the sentence is legally valid but the plaintiff lodged a complaint with a court of general jurisdiction and demand the sentence to be repealed. On the 19 November 2020 the Court of Appeal dismissed the complaint to set the sentence of the Arbitration Court at the Polish Chamber of Commerce, the sentence of the Court of Appeal is legally valid and final. Case closed in the first quarter 2021,
- brought by the receiver for a joint stock company in liquidation bankruptcy – lawsuit for payment of compensation for a damage incurred as a result of the Bank's demanding immediate payment of the amounts due in virtue of payment of the price from the credit receivables transfer agreement and conducting debt enforcement collection of the portion of the price remaining for payment by a court enforcement officer, value of the object of litigation PLN 57 450 130 litigation initiation date – 30 April 2015, in the present factual and legal circumstances the Bank assesses the funds outflow risk as possible,
- brought by a natural person – lawsuit for payment by the Bank of an amount charged by virtue of settlement of financial future or forward transactions, value of the object of litigation PLN 38 916 555.18, litigation initiation date – 2 October 2016, on 6 May 2019 the Regional Court in Warsaw issued a sentence ordering the Bank to pay the amount of PLN 3 392 349.18 and as to the remainder the Court dismissed the suit, the sentence is not legally valid, the Bank and the plaintiff appealed against the judgment. On the 16 December 2020 the Court of Appeal quashed the sentence of the Regional Court in its entirety and remitted the case to that Court. The Bank maintains it is current assessment of the risk of outflow of found and, in terms of the amount awarded by the Regional Court, the Bank assesses the funds outflow risk as probable and in the remaining scope as possible,
- brought by a beneficiary of warranty – lawsuit for payment of a claim by virtue of the warranty issued by the Bank, value of the object of litigation PLN 32 750 000 litigation initiation date – 14 January 2014, in the present factual and legal circumstances the Bank assesses the funds outflow risk as minor,

- brought by a natural person – lawsuit for payment of damages by the Bank resulting from improper conduct of a Group entity – former Pekao S.A. Central Brokerage House, the value of the object of litigation is PLN 30 000 000 - the date of the litigation initiation is 16 May 2019. On 7 February 2020 the Regional Court in Warsaw issued a sentence dismissing the suit in its entirety, the sentence is not legally valid. In the present factual and legal circumstances the Bank assesses the funds outflow risk as minor,
- 2) in the group of receivables (brought by the Bank):
- Bank's main intervention lawsuit against the parties of the main lawsuit – the object of the intervention is the demand for payment by virtue of the assignment of receivables securing Bank's liabilities, value of the object of litigation is PLN 321 979 666.87, litigation initiation date – 26 October 2018,
  - Bank's lawsuit for payment against limited debtor by virtue of mortgage collateralizing repayment of the granted credit, value of the object of litigation PLN 132 877 901, litigation initiation date – 21 January 2016,
  - Bank's main intervention lawsuit against the parties of the main lawsuit – the object of the intervention is the demand for payment by virtue of the assignment of receivables securing Bank's liabilities, value of the object of litigation PLN 119 020 334, litigation initiation date – 26 October 2018,
  - Bank's mutual lawsuit for payment of amounts due by virtue of the transfer of receivables, value of the object of litigation PLN 89 977 886, litigation initiation date – 28 February 2013,
  - Bank's main intervention lawsuit against the parties of the main lawsuit – the object of the intervention is the demand to execute (pay) the liabilities purchased by the Bank from one of the defendants against the other defendant, value of the object of litigation PLN 67 432 617.21, litigation initiation date – 23 January 2006.

None of the litigations pending in the first quarter 2021 before the court, authority competent for arbitrary proceedings or a body of public administration posed a threat for financial liquidity of the Bank.

The Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the provisions as at 31 March 2021 is PLN 170 283 thousand (PLN 178 589 thousand as at 31 December 2020).

In addition, as at 31 March 2021 the Group assessed the legal risk of foreign currency mortgage loans in CHF and created a provision related to this risk. Details are presented in Note 7.1.

### Financial commitments granted

Financial commitments granted by entity

	31.03.2021	31.12.2020
Financial commitments granted to:		
banks	779 055	551 503
customers	40 162 982	39 930 464
budget entities	654 274	721 915
<b>Total</b>	<b>41 596 311</b>	<b>41 203 882</b>

### Guarantees issued

Guarantees issued by entity

	31.03.2021	31.12.2020
Issued to banks:	1 427 346	1 647 148
guarantees	1 380 433	1 603 269
confirmed export letters of credit	46 913	43 879
Issued to customers	10 312 149	10 610 484
guarantees	7 364 879	7 443 561
securities' underwriting guarantees	2 794 658	3 013 647
sureties	152 612	153 276
Issued to budget entities:	1 240 509	1 360 653
guarantees	32 659	35 551
securities' underwriting guarantees	1 207 850	1 325 102
<b>Total</b>	<b>12 980 004</b>	<b>13 618 285</b>

**Off-balance sheet commitments received**

Off-balance sheet commitments received by entity

	31.03.2021	31.12.2020
Financial received from:	429 876	563 455
banks	429 876	563 455
customers	-	-
budget entities	-	-
Guarantees received from:	20 106 924	20 345 840
banks	8 962 774	8 596 465
customers	9 976 859	10 642 784
budget entities	1 167 291	1 106 591
<b>Total</b>	<b>20 536 800</b>	<b>20 909 295</b>

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

## 37. Additional information to the consolidated cash flow statement

Cash and cash equivalents

	31.03.2021	31.03.2020
Cash and amounts due from Central Bank	7 710 629	9 939 309
Loans and receivables from banks with maturity up to 3 months	2 631 447	3 037 506
<b>Cash and Cash equivalents presented in the cash flow statement</b>	<b>10 342 076</b>	<b>12 976 815</b>

Restricted availability cash and cash equivalents as at 31 March 2021 amounted to PLN 3 493 473 thousand (PLN 4 669 441 thousand as at 31 March 2020).

As at 3 January 2021, the value of acquired cash and cash equivalents related to the acquisition of the part of the activities of Idea Bank S.A. amounted to PLN 1 259 939 thousand.

## 38. Related party transactions

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

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

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

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

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

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

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

**Related party transactions**

Related party transactions as at 31 March 2021

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank's parent entity	9	-	2 172	8 346	68 931	-	3 772
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	12	-	1 787	13 004	222 279	98	1 130
Key management personnel of the Bank Pekao S.A.	1 633	-	-	-	2 489	-	-
<b>Total</b>	<b>1 654</b>	<b>-</b>	<b>3 959</b>	<b>21 350</b>	<b>293 699</b>	<b>98</b>	<b>4 902</b>

Related party transactions as at 31 December 2020

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank's parent entity	1	-	911	3 839	87 519	-	2 238
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	1	-	9 517	12 498	308 929	322	1 109
Key management personnel of the Bank Pekao S.A.	1 640	-	-	-	2 943	-	-
<b>Total</b>	<b>1 642</b>	<b>-</b>	<b>10 428</b>	<b>16 337</b>	<b>399 391</b>	<b>322</b>	<b>3 347</b>



## Income and expenses from transactions with related parties for the period from 1 January 2020 to 31 March 2021

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	(445)	-	11 049	(179)	562	(130)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	(3)	12 926	(52)	679	(5 983)
Key management personnel of the Bank Pekao S.A.	13	-	-	-	-	-
<b>Total</b>	<b>(432)</b>	<b>(3)</b>	<b>23 975</b>	<b>(231)</b>	<b>1 241</b>	<b>(6 113)</b>

## Income and expenses from transactions with related parties for the period from 1 January 2020 to 31 March 2020

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	-	(114)	8 583	(388)	78	(2 855)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	89	(270)	12 022	(75)	356	(4 016)
Key management personnel of the Bank Pekao S.A.	-	(11)	-	-	-	-
<b>Total</b>	<b>89</b>	<b>(395)</b>	<b>20 605</b>	<b>(463)</b>	<b>434</b>	<b>(6 871)</b>

Off-balance sheet financial liabilities and guarantees as at 31 March 2021

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	2 795	107 157	-	535 935
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	1 044	102 250	-	-
Key management personnel of the Bank Pekao S.A.	217	-	-	-
<b>Total</b>	<b>4 056</b>	<b>209 407</b>	<b>-</b>	<b>535 935</b>

Off-balance sheet financial liabilities and guarantees as at 31 December 2020

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	2 710	108 637	-	530 702
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	1 085	103 730	-	-
Key management personnel of the Bank Pekao S.A.	255	-	-	-
<b>Total</b>	<b>4 050</b>	<b>212 367</b>	<b>-</b>	<b>530 702</b>

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

	VALUE OF BENEFITS	
	I QUARTER 2021	I QUARTER 2020
<b>Management Board of the Bank</b>		
Short-term employee benefits (*)	2 294	1 826
Post-employment benefits	164	-
Long-term benefits (**)	873	832
Share-based payments (***)	800	816
<b>Total</b>	<b>4 131</b>	<b>3 474</b>
<b>Supervisory Board of the Bank</b>		
Short-term employee benefits (*)	293	288
<b>Total</b>	<b>293</b>	<b>288</b>

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

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

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

The Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associates in the period from 1 January to 31 March 2021 and in the period from 1 January to 31 March 2020.

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

	VALUE OF BENEFITS	
	I QUARTER 2021	I QUARTER 2020
<b>Companies' Management Boards</b>		
Short-term employee benefits	2 932	3 479
Post-employment benefits	-	170
Long-term benefits	-	749
Paid termination benefits	-	198
<b>Total</b>	<b>2 932</b>	<b>4 596</b>
<b>Companies' Supervisory Boards</b>		
Short-term employee benefits	290	202
<b>Total</b>	<b>290</b>	<b>202</b>

## 39. Subsequent events

Significant subsequent events are presented in the Note 8.10 'Subsequent events' of the Report on the activities of Bank Pekao S.A. Group for the first quarter of 2021.

05.05.2021 Date	Leszek Skiba Name/Surname	President of the Management Board Position/Function	Signature
05.05.2021 Date	Jarosław Fuchs Name/Surname	Vice President of the Management Board Position/Function	Signature
05.05.2021 Date	Marcin Gadomski Name/Surname	Vice President of the Management Board Position/Function	Signature
05.05.2021 Date	Krzysztof Kozłowski Name/Surname	Vice President of the Management Board Position/Function	Signature
05.05.2021 Date	Tomasz Kubiak Name/Surname	Vice President of the Management Board Position/Function	Signature
05.05.2021 Date	Jerzy Kwieciński Name/Surname	Vice President of the Management Board Position/Function	Signature
05.05.2021 Date	Błażej Szczecki Name/Surname	Vice President of the Management Board Position/Function	Signature
05.05.2021 Date	Wojciech Werochowski Name/Surname	Vice President of the Management Board Position/Function	Signature
05.05.2021 Date	Magdalena Zmitrowicz Name/Surname	Vice President of the Management Board Position/Function	Signature

## Glossary

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

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

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

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

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

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

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

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

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

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

**EAD** – Exposure at Default.

**EL** – Expected Loss.

**Life-time ECL** – Lifetime Expected Credit Loss.

**CCF** – Credit Conversion Factor.

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

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

**FVH** – fair value hedge accounting.

**CFH** – cash flow hedge accounting.