

# Report of Bank Pekao S.A. Group for the first quarter of 2022



**Warsaw, April 2022**

# Report on the activities of Bank Pekao S.A. Group for the first quarter of 2022



*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, April 2022**

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

	1 QUARTER 2022	1 QUARTER 2021	2021	2020
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Operating income	2,824	1,994	8,522	7,796
Operating costs	(978)	(1,038)	(3,739)	(3,451)
Profit before income tax	1,243	402	3,002	1,725
Net profit for the period attributable to equity holders of the Bank	907	246	2,175	1,102
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE) - nominally	15.3%	3.9%	8.7%	4.5%
Return on assets (ROA)	1.4%	0.4%	0.9%	0.5%
Net interest margin	3.4%	2.3%	2.4%	2.5%
Cost / income (including BFG cost)	44.1%	62.2%	47.3%	49.2%
Costs of risk	0.30%	0.41%	0.45%	0.99%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Total assets	271,885	247,192	250,567	233,217
Customers' financing <sup>(*)</sup>	170,912	164,177	169,073	151,684
Amounts due to customers <sup>(**)</sup>	203,510	195,246	194,804	177,745
Debt securities issued and subordinated liabilities	9,419	7,686	8,117	8,905
Equity	23,495	25,304	23,863	25,495
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Customers' financing <sup>(*)</sup> / total assets	62.9%	66.4%	67.5%	65.0%
Securities / total assets	19.9%	24.5%	22.9%	26.7%
Deposits <sup>(***)</sup> / total assets	78.3%	82.1%	81.0%	80.0%
Customers' financing <sup>(*)</sup> / deposits <sup>(***)</sup>	80.3%	80.9%	83.3%	81.3%
Equity / total assets	8.6%	10.2%	9.5%	10.9%
Total capital ratio	16.9%	18.6%	17.7%	19.2%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees <sup>(****)</sup>	14,752	15,904	14,702	14,994
Number of outlets	648	717	650	713
Number of ATMs	1,439	1,580	1,475	1,592

(\*) 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.

(\*\*\*\*) Data for 2021 have been recalculated taking into account the retrospective recognition of part of the profit, in accordance with the EBA position expressed in Q&A 2018\_3822 and Q&A 2018\_4085.

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 2022	1 QUARTER 2021	2021	2020
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Operating income	2,656	1,842	8,084	7,454
Operating costs	(904)	(966)	(3,438)	(3,169)
Profit before income tax	1,142	302	2,995	1,697
Net profit	832	167	2,237	1,126
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE) - nominally	14.5%	2.7%	9.2%	4.8%
Return on assets (ROA)	1.3%	0.3%	0.9%	0.5%
Net interest margin	3.4%	2.3%	2.4%	2.5%
Cost / income (including BFG cost)	44.0%	63.4%	46.1%	47.7%
Costs of risk	0.34%	0.49%	0.41%	1.03%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Total assets	262,816	237,627	241,275	222,381
Customers' financing <sup>(*)</sup>	159,614	153,032	157,783	139,926
Amounts due to customers <sup>(**)</sup>	203,752	195,762	195,064	178,276
Debt securities issued and subordinated liabilities	4,966	2,926	2,940	3,281
Equity	22,650	24,377	23,100	24,647
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Customers' financing <sup>(*)</sup> / total assets	60.7%	64.4%	65.4%	62.9%
Securities / total assets	21.1%	25.7%	24.2%	28.2%
Deposits <sup>(***)</sup> / total assets	79.4%	83.6%	82.1%	81.6%
Customers' financing <sup>(*)</sup> / deposits <sup>(***)</sup>	76.5%	77.0%	79.7%	77.1%
Equity / total assets	8.6%	10.3%	9.6%	11.1%
Total capital ratio	18.8%	20.5%	19.6%	21.3%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees <sup>(****)</sup>	12,667	13,730	12,661	12,870
Number of outlets	648	717	650	713
Number of ATMs	1,439	1,580	1,475	1,592

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

<sup>(\*\*)</sup> Excluding repo transactions and lease liabilities.

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

<sup>(\*\*\*\*)</sup> Data for 2021 have been recalculated taking into account the retrospective recognition of part of the profit, in accordance with the EBA position expressed in Q&A 2018\_3822 and Q&A 2018\_4085.

### 3. Summary of Performance

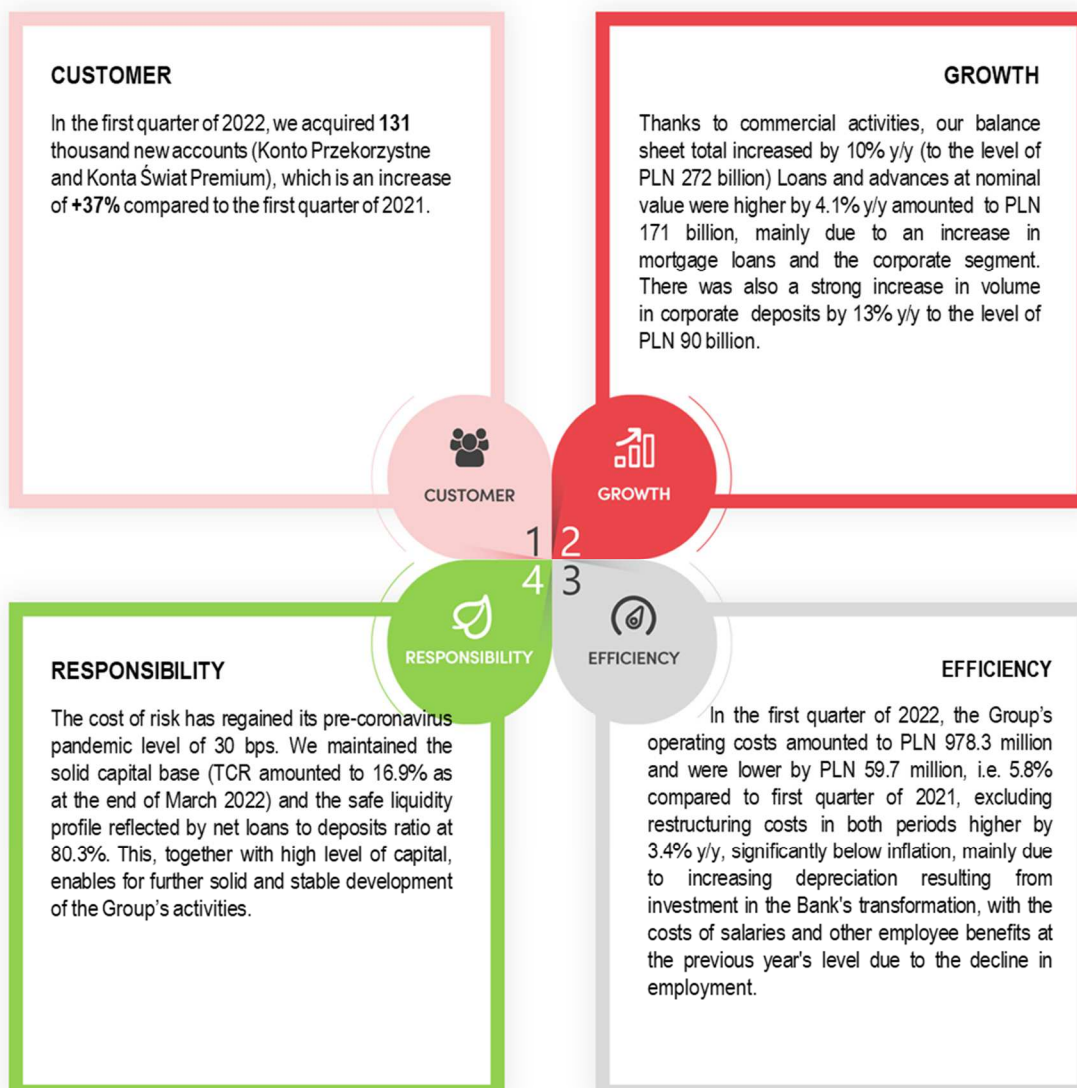
In the first quarter of 2022, we generated the net profit of the Bank Pekao S.A. Group attributable to the Bank's shareholders at the level of PLN 907.2 million. Net profit was higher by PLN 661.6 million than the result achieved in the first quarter of 2021, mainly due to higher operating income and lower net allowances for expected credit losses, which are gradually normalizing towards the levels observed before the outbreak of the pandemic.

ROE in 2022 amounted to 15.3%.

Despite the COVID-19 pandemic, we increased the scale of our commercial activities, actively supporting clients' financial liquidity and focusing on further digitizing and automating processes, and implementing advanced digital solutions.

In the first quarter of 2022, we supported the citizens of Ukraine in every possible way. We have prepared a special offer for individual and corporate clients. Bank Pekao S.A., Bank's Dr. Marian Kanton Foundation and the employees were involved in humanitarian aid and supporting Ukraine and its citizens.

We focused our activities in the following key strategic areas (in accordance with the adopted Strategy for 2021-2024).



## Strategy and key financial indicators

„**Responsible Bank. Modern banking**“ is the new our strategy for the years 2021-2024, announced in March 2021.

According to the strategic plan, we:

- will be a universal bank of first choice for its customers,
- will develop remote distribution and customer service model,
- will focus on cost and process efficiency,
- will grow in most profitable market segments.

Our ambition is a strong position among the most profitable and effective banks in Poland, including increasing the return on equity (ROE), reducing the cost-to-income ratio and increasing the number of active mobile banking customers.

In the near future, we will update our financial targets announced in the Strategy 2021-2024 in connection with changes in the economic environment and an increase in interest rates.

### Support for Ukrainian citizens

#### Business activities supporting Ukrainian citizens

In the first quarter of 2022, we supported the citizens of Ukraine in every possible way. We have prepared a special offer for individual and corporate clients. We have abolished fees for transfers from Poland to banks in Ukraine and from Ukraine to Poland - for transactions made by both individual and corporate clients.

Keeping the Przekorzyste account for Ukrainian citizens is free, we have also abolished the fee for servicing the card to the account and for cash withdrawals made with it at ATMs in Poland and abroad. We also do not charge a margin or fees for currency exchange on transactions with the card abroad. We have simplified the procedure for opening an account for individual clients - all one needs is one document identifying a citizen of Ukraine, e.g. a passport.

We have prepared a wide offer for PLN 0 for Ukrainian entrepreneurs. We do not charge fees for company accounts, debit cards and we provide full and free cash service and electronic banking services. We have also introduced facilitations in the process of establishing business relations for companies from Ukraine.

For a long time, we have offered to individual clients the PeoPay mobile application and Pekao24 internet banking available in Ukrainian, as well as service in Ukrainian by consultants of the Bank's infoline.

#### Humanitarian aid activities for Ukrainian citizens

In the first quarter of 2022, in connection with the Russian aggression against Ukraine, the Bank, Bank's Dr. Marian Kanton Foundation and the employees were involved in humanitarian aid and supporting Ukraine and its citizens.

Foundation of Bank Pekao S.A. donated PLN 500 thousand to a special account of the Polish Red Cross, intended for the most urgent needs of refugees and PLN 250 thousand to Caritas Polska account for the current needs of refugees under the care of this organization.

The Bank's employees financially supported the collections intended to help children and foster families from Ukraine staying under the care of the SOS Children's Villages Association in Poland and for children and mothers under the care of the Children's Hospital at Nieklańska street in Warsaw.

The bank also took direct care of 45 refugees who lived in one of the premises provided by Bank Pekao S.A.. Ongoing support and assistance in adapting to new conditions are provided to refugees by our volunteers - employees of the Bank.

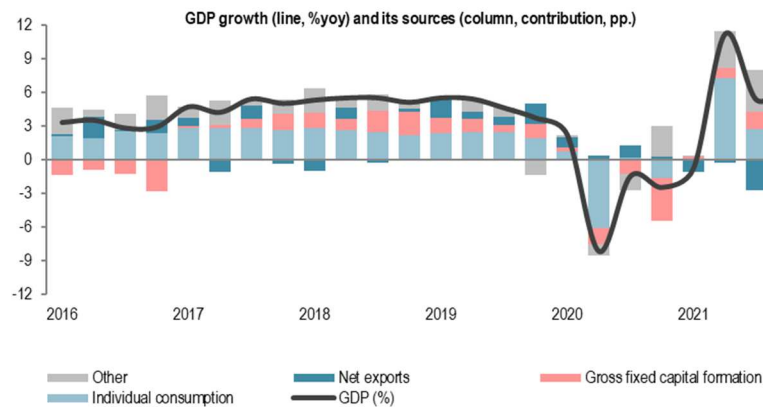
Moreover, many of the Bank's employees have helped and still help in a direct way, accepting refugees at their homes, providing material and material support or acting as volunteers.

## 4. External Activity Conditions

### Economic growth

The beginning of the year was marked by relatively high economic growth. According to the Bank's estimates, Polish GDP rose by 7.2% yoy in the first quarter of the year, implying that no appreciable slowdown vis-a-vis the previous quarter occurred (+7.3% yoy). The first quarter can be associated with relatively strong performance of construction and industry. At the same time, retail sales was unimpressive, but consistent with recent trends. It is worth noting that several factors were conducive to strong performance at the beginning of the year: low statistical base (shop closures in January and March 2021 due to the pandemic), warm winter and the on-going trend of restocking as well as visible improvement in global supply chains.

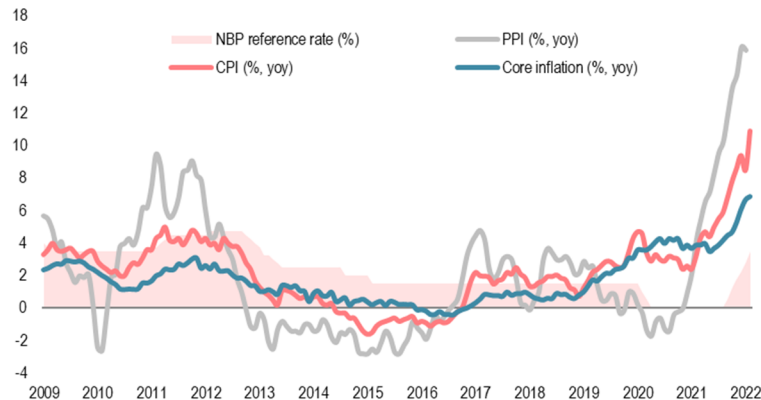
The outbreak of the Russo-Ukrainian war is not a turning point for macro scenarios, but can be seen as rationale for extending trends that we witnessed in the previous months. In particular, we can think of their consequences in three ways. First, it will cause Polish exports to Belarus, Russia and Ukraine to fall – this will shave 1 p.p. off of Polish GDP growth. Second, the price shock concentrated in energy will translate itself into deterioration in the financial situation of the consumer in Western Europe and this lower external demand for Polish goods from this direction. Third, further increase in inflation and interest rates and higher propensity to save will cause domestic consumer demand to weaken. It will not be fully compensated by loose fiscal policy and relatively high wage growth.





### Inflation and monetary policy

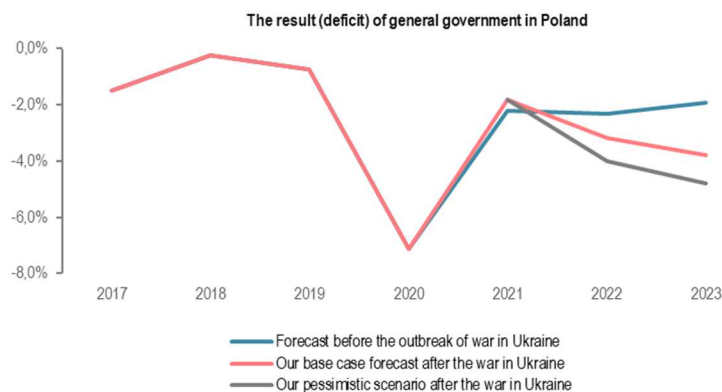
According to the flash reading, CPI inflation accelerated to 11% yoy in March 2022 from 8.5% in February. Compared to the previous month, consumer prices went up by 3.3%. Such a large jump in inflation in March is mainly a result of the war in Ukraine and especially a gigantic increase in fuel prices (+28.1% m/m). As expected, fuel prices were the fastest transition channel of the war effects on inflation due to drastic rise in market prices of crude oil and strong depreciation of PLN. Food prices were also under pressure (+2.4% mom), although here the impact of the war will not be a quick, drastic hike, but will "extend" over the coming months. Energy prices also rose strongly (+4.7% m/m) because of higher prices of coal and LPG gas canisters. Core inflation is also rising - to 6.9% yoy in March from 6.7% in the previous month. Firms continued compensation of unprecedentedly high energy prices and labour costs. Rental prices of flats, driven by the influx of refugees from Ukraine, have certainly increased as well. The Anti-Inflation Shield 2.0, operating since February, decreased inflation by more than 2.5 p.p.



In the first months of the year the NBP took further steps to tighten monetary policy – the MPC raised interest rates by a total of 175 bps (50 bps both in January and February and 75 bps in March). During that period the reserve requirement ratio was raised as well (from 2 to 3.5%) – as a result after this March the only legacy of the recent crisis in Polish monetary policy was the size of the NBP's balance sheet which now contains financial assets purchased in 2020 and 2021. The aforementioned period brought significant increases in market-based interest rates, reflecting widespread expectations that the NBP reference rate will exceed 5% in the first half of the year already. The Bank agrees with this forecast and expects that further rate hikes will bring the reference rate at least to 5.5%.

### Fiscal policy

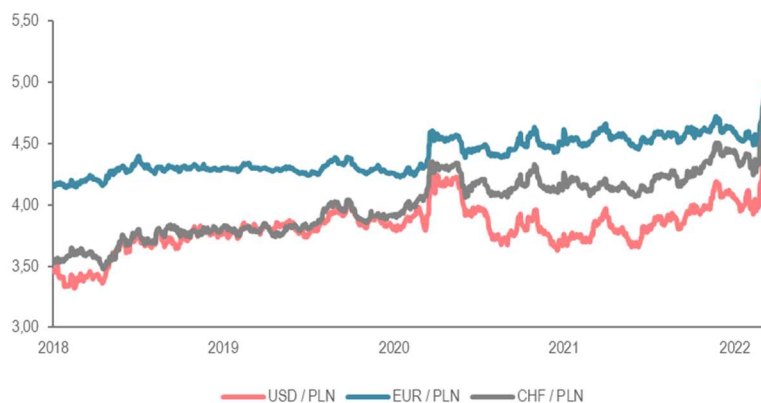
The deficit of general government has reached 1.8% of GDP – far below expectations of Ministry of Finance (4.2% of GDP) and our own forecast of 2.2% of GDP. This means that Polish fiscal stance has quickly improved after pandemic year of 2020, when the aforementioned deficit increased to 7.0% of GDP, due to anti-covid measures. In 2022, however, the fiscal policy will expand again. The Polish Deal reform (raising of PIT free amount and first tax threshold) will cost the budget 15 billion PLN. This reform is set to be modified in July (lowering of the first PIT rate from 17 to 12%) which will subtract another 15 billion PLN from the budget. Since January, the state budget has also been burdened by anti-inflationary shields. Initially, they were to vanish in July 2022 and cost about 19bn PLN, but in March the decision was made to extend them until the end of the year, which will cost an additional 14bn PLN. The impact of Russian invasion into Ukraine will worsen Polish fiscal stance as well. Admission of refugees will cost about PLN 12 billion, in our opinion, and the support for companies (the anti-Putin shield) - an additional PLN 5 billion. Public expenditure in 2022 will rise by 80 billion PLN due to aforementioned measures and the deficit of general government will reach 3.2% of GDP.



### Exchange rate

Markets were preoccupied with inflation and monetary policy yet again, but the outbreak of the Russo-Ukrainian war is an important milestone. Prior to the war the dollar was stable and the increases in bond yields rather orderly. After the war the perception of Eurozone and US economic prospects were reevaluated, strengthening the USD (hawkish turn of the Fed also added some weight to the upward move in the greenback). In March the uptrend in yields also accelerated, resulting in bond yields reaching multi-year highs (above 2.5% in US 10Y Treasury yield, positive yields of the German Bunds). As long as central banks are focused on combating inflation and inflation is rising, yields are poised to increase. The Fed's determination to squash inflation cannot be underestimated, though. Nevertheless, inflation expectation will continue to play a major role and markets will look for turning points in both inflation and interest rates.

The outbreak of the war was also a major event for the PLN – until end-February the PLN was appreciating in line with previous months' trends and consistent with the NBP's stated direction of monetary policy. The second half of the year saw risk aversion triumph and capital flight from the region. As a result, the PLN depreciated by ca. 10% against major currencies, marking new all-time highs in several key pairs. In particular, the EUR-PLN smashed through 2004 and 2009 high and reached 5.00. Verbal and cash interventions of the NBP as well as adjustment to the new reality allowed the markets to calm down and the PLN to regain most of the "war-related" losses. Relative to the euro the PLN was only slightly weaker at the end of March, compared to end-December (by roughly 5 grosz). The Bank forecasts the PLN to continue appreciating in the coming months.



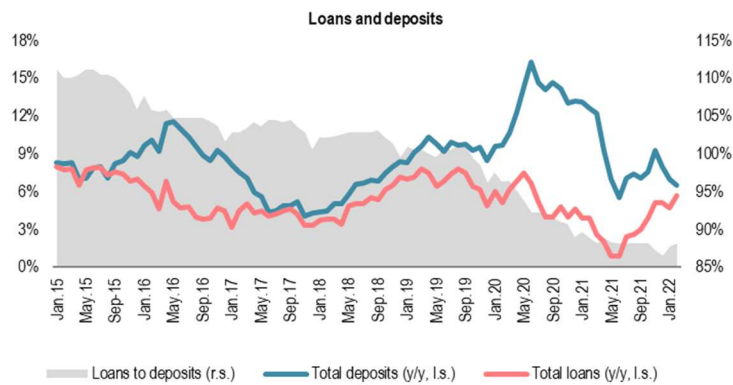
### Banking sector

According to the Financial Supervision Authority (KNF) data, in February 2022 net profit of the banking sector amounted to PLN 4.2 billion and was more than twice as high as in February 2021. Total net operating income of banks increased by 30% year on year, including above all rise of net interest income by 51% y/y (effect of a series of interest rate hikes) and net fees and commission income by 17% y/y. Banks' operating costs were 18% y/y higher, among others due to BFG rates returning to previous, higher levels. On the other hand, risk costs declined significantly (-36% y/y)

At the end of February 2022 total assets of the banking sector amounted to PLN 2,629 billion and increased by 10.5% compared to January 2021. Total receivables from the non-financial sector increased by 6.0% y/y, while total deposits from this sector by 5.9% year on year.

According to the National Bank of Poland (NBP), at the end of February 2022 the nominal volume of households' loans rose by 5,0% compared to year before. In case of enterprises, a growth of 7,3% y/y was recorded. While for the former the dynamics have remained at a similar level for several months, in the case of companies a clear upward trend has been observed for about a year (the trough of March 2021 saw a decline of almost 9% y/y).

Deposit dynamics are already past the post-pandemic "normalisation" period, when they were lifted by, among other things, various aid programmes and the savings accumulation effect. After February 2022 households' deposits grew by 4,3% y/y and in case of enterprises by 7,9% y/y.



## 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 Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2022.

### 5.2 Changes in the Group's structure

In the first quarter of 2022, there were no changes in the Capital Group.

#### Contribution of an organized part of the enterprise

On March 31, 2022, the Extraordinary Shareholders Meeting of Pekao Leasing Sp. z o.o. adopted a resolution approving the sale of the Organized Part of the Enterprise to PeUF Sp. z o.o. On April 1, 2022, the share capital of PeUF Sp. z o.o. was increased by the amount of PLN 12,491,900 by way of creating 249,838 shares with a nominal value of PLN 50 and a total nominal value of PLN 12,491,900. The new shares were acquired by Pekao Leasing Sp. z o.o. and covered by an in-kind contribution in the form of the Organized Part of the Enterprise Pekao Leasing Sp. z o.o. covering tangible and intangible assets used to conduct the business of an insurance agent providing insurance distribution services with a value of PLN 12,491,909.30. The value of the Organized Part of Pekao Leasing Sp. z o.o. in excess of the value of the shares taken up, was allocated to agio. On April 1, 2022, an in-kind agreement was also concluded between Pekao Leasing Sp. z o.o. and PeUF Sp. z o.o.

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

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

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 2022	31 MARCH, 2022	AS AT THE DATE OF SUBMITTING THE REPORT FOR 2021
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
Małgorzata Sadurska Deputy Chairman of the Supervisory Board	Małgorzata Sadurska Deputy Chairman of the Supervisory Board	Małgorzata Sadurska 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 Głębikowska-Michalak Member of the Supervisory Board	Justyna Głębikowska-Michalak Member of the Supervisory Board	Justyna Głębikowska-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
Marcin Izdebski Member of the Supervisory Board	Marcin Izdebski Member of the Supervisory Board	Marcin Izdebski Member of the Supervisory Board

## Changes in the Bank's Management Board

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 2022	31 MARCH, 2022	AS AT THE DATE OF SUBMITTING THE REPORT FOR 2021
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
Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board
Paweł Strączyński Vice President of the Management Board	Paweł Strączyński Vice President of the Management Board	Paweł Strączyński Vice President of the Management Board
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
Piotr Zborowski Vice President Of The Management Board	Piotr Zborowski Vice President Of The Management Board	Piotr Zborowski 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 Małopolskie 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 additionally sits on supervisory boards as the Chairman of Pekao Bank Hipoteczny S.A., Vice Chairman of the Supervisory Board in Pekao Leasing Sp. z o.o., Pekao Investment Banking S.A. and additionally is a member of the Supervisory Board of Biuro Informacji Kredytowej S.A.

Marcin Gadomski 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.

From March 2021, Chairman of the Supervisory Board of Pekao Investment Banking S.A. and since April 2021, Member of the Supervisory Board of Pekao Leasing Sp. z o.o.

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



**PAWEŁ STRĄCZYŃSKI**  
Vice President of the Management  
Board supervising the Financial  
Division

Paweł Strączyński, Vice President of the Management Board supervising the Financial Division.

Mr. Paweł Strączyński has a university degree from the Wrocław University of Economics, the Faculty of National Economy, field of study: finance and banking and Master of Business Administration – Executive MBA degree.

He has extensive managerial experience. Mr. Paweł Strączyński has held position of the President of the Management Board of TAURON S.A. He was also Member of the Management Board of PKEE – Polish Electricity Association.

Previously Mr. Paweł Strączyński had held position of the Vice President of the Management Board for Finance at PGE Polska Grupa Energetyczna S.A. He had been a Member of the Management Board of companies such as: Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. , ZOWER Sp. z o.o. , PGNiG Termika Energetyka Przemysłowa S.A. , Przedsiębiorstwo Energetyki Ciepłej S.A. in Jastrzębie-Zdrój and Polska Grupa Biogazowa S.A.

Paweł Strączyński 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.

From 2017, Chairman of the Supervisory Board of Centrum Kart S.A. From 2017 to August 2020, in the Supervisory Board of Pekao Financial Services Sp. z o.o. he was the Deputy Chairman and Secretary of the Supervisory Board. He was reappointed to the Supervisory Board of Pekao Financial Services Sp. z o.o. in March 2021 and serves as the Chairman of the company's Supervisory Board.

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 4 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.

From March 2021, Vice-Chairman of the Supervisory Board of Pekao Direct Sp. z o.o. From April 2022, Member of the Supervisory Board of Pekao Bank Hipoteczny S.A.

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



**PIOTR ZBOROWSKI**  
Vice President of the Management  
Board supervising the Strategy  
Division

Piotr Zborowski, Vice President of the Management Board supervising the Strategy Division

Piotr Zborowski is a graduate of the University of Warmia and Mazury in Olsztyn, Faculty of Law and Administration, major in law. He completed his legal adviser apprenticeship at the District Chamber of Legal Advisers in Warsaw. In Bank Pekao S.A. he was the director responsible for servicing corporate offices as well as corporate governance and supporting the work of the Management Board and Supervisory Board. He was involved in the process of building and implementing the Bank's strategy, as well as in the implementation of a number of strategic projects and cooperation on behalf of the Bank with the PZU S.A. group. Previously, he worked, among others in government administration bodies: the Chancellery of the Prime Minister and the Ministry of State Assets, as the Deputy Director of the Minister's Office. He performed advisory functions in the Military Property Agency and was responsible for organizational and legal supervision in the Military Trade Company.

Piotr Zborowski meets suitability requirements determined in art. 22aa of the 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.

From January 2019, a Member of the Supervisory Board of Pekao Leasing Sp. z o.o. From December 2018, Deputy Chairman of the Supervisory Board of Pekao Faktoring Sp. z o.o., and from March 2021, the Chairman of the Supervisory Board of the Company.

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, 2022, 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 2022		AS AT THE DATE OF SUBMITTING THE REPORT FOR 2021	
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%
Funds managed by 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 2022, 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	F1
Viability rating	bbb+	-
Support rating	5	-
Support rating factor	No floor	-
Outlook	Stable	Stable
National Long-Term Rating	AA(pol) (stable 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 27 January 2022 rating agency S&P Global Ratings (the "S&P") informed the bank about maintaining the ratings of the bank at the current level with the stable outlook.

According to S&P, the bank's rating assessment reflects its strong business position as well as high customer confidence resulting from having strong state-related shareholders - PZU and PFR. According to the agency, the acquisition and integration of part of Idea Bank's assets and liabilities has no significant impact on the capital ratios and risk profile of Bank Pekao. Both the profitability and efficiency of the bank remain at the levels similar to that of other Polish banks and higher than that of many international institutions. According to S&P, the bank's exposure to CHF loans is not significant.

The bank's stable outlook reflects that of Pekao's largest investor - PZU.

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

Pekao Bank Hipoteczny S.A. cooperates with the international rating agency Fitch 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. According to Fitch, the rating of Pekao Bank Hipoteczny S.A. is influenced by the level of integration with the parent company, the scale of operations and the Bank's capital.

At the end of March 2022, the long-term rating of Pekao Bank Hipoteczny S.A., awarded by the Fitch rating agency, was BBB + with a "Stable" outlook. Covered bonds issued by Pekao Bank Hipoteczny S.A. were rated "A-" by the Fitch rating agency. The high rating of the letters means that Pekao Bank Hipoteczny S.A. has the ability to issue securities with a high level of security and to obtain long-term funds for lending activities.

## 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.

### 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.

### 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.

	30.03.2022	31.03.2021
Total number of outlets	648	717
own outlets	559	652
partner branches	89	65
Total number of own ATMs	1 439	1 580

### The number of accounts

At the end of March 2022, the Bank maintained 7,026.6 thousand PLN-denominated current accounts, 398.1 thousand mortgage loan accounts and 612.0 thousand "Pożyczka Ekspresowa" (Express Loan) accounts.

(in thousand)

	30.03.2022	31.03.2021
Total number of PLN current accounts (*)	7 026,6	6 400,6
of which packages	5 022,5	4 729,6
Number of mortgage loans accounts (**)	398,1	402,6
of which PLN mortgage loans accounts	371,9	373,5
Number of Pożyczka Ekspresowa loan accounts (***)	612,0	665,6

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

(\*\*) Retail customers accounts.

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

The data presented according to the business model, based on the managerial 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.

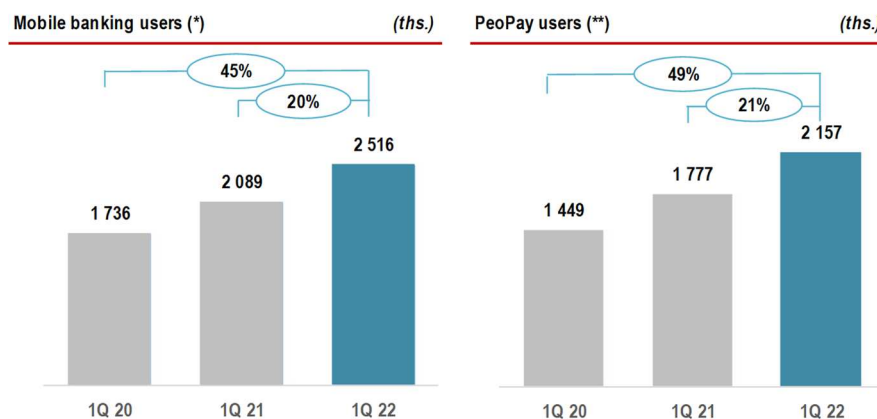
**RETAIL BANKING AND PRIVATE BANKING**
**Strategy - The „Customer” pillar**

We are intensively developing digital channels as well as quick and convenient service processes. We seek 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 becomes the main channel of contact with the client. We plan to 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 tendency to recommend our services. The key measure of success that we strive for is a leap advance in customer satisfaction rankings.

**Development of electronic and mobile banking**

In the first quarter of 2022, the number of active mobile banking customers increased by 428 thousand (+20% y/y) to 2.5 million and was 45% higher than a two years ago. The number of active mobile customers using the PeoPay application increased by 380 thousand (+21% y/y) to 2.2 million and was 49% higher 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 PeoPay application, who logged in to the system PeoPay at least once during the last quarter.

In the first quarter of 2022, 92 thousand enterprises actively used mobile banking and 228 thousand used electronic banking (an increase by 54 thousand compared to the first quarter of 2021).

The increase in customer activity in digital channels was also reflected in the satisfaction results. PeoPay is one of the best-rated financial applications available on Google Play and the AppStore.

In the 7<sup>th</sup> edition of the Institution of the Year organized by the [mojebankowanie.pl](http://mojebankowanie.pl) portal, we were among the winners in the best online banking category. The functionality and user-friendliness of access to the account via internet banking were appreciated.

In the first quarter of 2022, we focused on introducing new solutions in electronic banking Pekao24, PeoPay and PeoPay Kids and we provided our clients with the following options:

- opening an account using the mObywatel application is another remote way to transfer data in the selfie process,
- remote service of credit cards - customers can change and assign a PIN to the card, temporarily restrict its use or block the card completely, and order a new one,
- submitting new applications for social benefits,
- BLIK service for the youngest customers in the PeoPay Kids application,
- making payments for parking lots in paid parking zones,
- adding accounts from other banks.



**Strategy - The „Growth” pillar**

**We strive for business growth in the most profitable market segments, product groups and areas of untapped potential, which will result in improved profitability, i.e. consumer finance and in the micro-enterprises segment.**

Over the next four years, Pekao wants to acquire over 400 thousand individual customers every year and increase its market share in cash loans from 7% up to 10%. Moreover, we will seek to rejuvenate the demographic structure of the retail customer base. The goal is to acquire over 600 thousand customers under 26 years of age by 2024.

We also focus on digital growth in investment products. By 2024, over 80% of the sales volume of investment funds will be realized in remote channels. We are also strengthening business synergies with the PZU Group, which will result in an increase in sales of insurance products and a twofold increase in the gross written premium by 2024.

**Number of clients and accounts**

In the first quarter of 2022, we acquired 131 thousand new accounts (Konto Przekorzystne and Konto Świat Premium), which is an increase of +37% compared to the first quarter of 2021.

Over 240 thousand customers used the possibility of submitting applications under the 500+ Program in the PeoPay application and Pekao24 online banking, which gives the Bank a strong position among the leaders in accepting applications for the benefits.

We actively promoted the opening of an account for children aged 0 to 17, offering special bonuses and attractive interest rates on the My Skarb savings account. Thanks to the activities carried out in the first quarter of 2022, we opened 21.5 thousand accounts for children, which is a dynamics of 44% y/y.

We have prepared a special offer for Ukrainian citizens. We have simplified the procedure of opening an account for individual clients - one identity document is enough. We have abolished fees for transfers from Poland to banks in Ukraine and from Ukraine to Poland for both individual and corporate clients. We have abolished fees for keeping the Przekorzystny account, servicing the account card and cash withdrawals at ATMs in Poland and abroad. We do not charge a margin and fees for currency exchange in transactions with an account card abroad. In the first quarter of 2022, we opened 40 thousand accounts for customers from Ukraine, which is a 7-fold increase compared to the first quarter of 2021.

We continued to run promotions under the Mastercard Bezcenne Chwile loyalty program, thanks to which customers gained additional bonus points that they can exchange for prizes. And customers who recommended Konto Przekorzystne to their relatives and friends could receive a bonus of up to PLN 100.

**Payment cards**

We have carried out a number of initiatives aimed at encouraging customers to use cards. Our activities included, for example, deposit promotions, reimbursement of fuel expenses, vouchers for popular stores and other attractions (including the Winter Olympics lottery for Visa payment card holders). At the end of the first quarter of 2022, we handled over 4.5 million cards for individual customers, i.e. by 175 thousand more than a year earlier. In the first quarter of 2022, the value of card transactions was over 30% higher than the year before.

Customers opening a personal account could receive a Revolutionary Mastercard Debit FX or VISA Debit FX card on promotional terms. The Revolutionary Card is a modern multi-currency debit card with a guarantee of the lowest rates. The card is issued to a PLN account and foreign currency accounts can be linked to it. When making a transaction in a foreign currency, the system automatically recognizes the currency and takes funds from the currency account, without currency conversion. In the absence of the required amount on the account or if the transaction is in a currency that the customer does not have, the entire amount will be converted from the PLN account and the conversion takes place directly at the Visa or Mastercard rate.

**Credit products**

In the first quarter of 2022, we focused on providing an attractive loan offer to our clients and increasing sales in the area of key retail loans, with a simultaneous cautious approach and adjustment of the lending policy to the dynamically changing macroeconomic situation.

In the first quarter of 2022, the value of granted cash loans, measured by the net volume, amounted to PLN 962 million and increased by +2% compared to the first quarter of 2021.

Quarterly sales of a cash loan in electronic channels reached a record level of PLN 564 million with a growth dynamics of +58% compared to the first quarter of 2021. In the first quarter of 2022, already 75% of cash loan agreements were concluded in electronic channels.

In the first quarter of 2022, we achieved a +41% increase in the number of new loan agreements signed in the account and a +37% increase compared to the fourth quarter of 2021. The bank also continues to increase the sale of overdraft limits in the account (both in branch processes as well as in "click" remote processes).

In the area of housing loans, we constantly adapt our offer to market expectations and consistently improve the processes of granting them and after-sales service. New sales of mortgage loans reached the level of PLN 1.5 billion in the first quarter of 2022.

In the first quarter of 2022, the value of financing granted to a business client an increase by +47% compared to the first quarter of 2021. The increase was influenced, among others, by:

- increase in sales of bank loans by +32% y/y supported by the implementation of the full risk assessment path in the NAPS Biznes system, which allows for a quick calculation of the available limit, thanks to comprehensive tools allowing to launch a loan or a revolving limit in one day,
- increase in leasing and factoring sales by +67% y/y, supported by the implementation of factoring for business customers ("Płynnościomat").

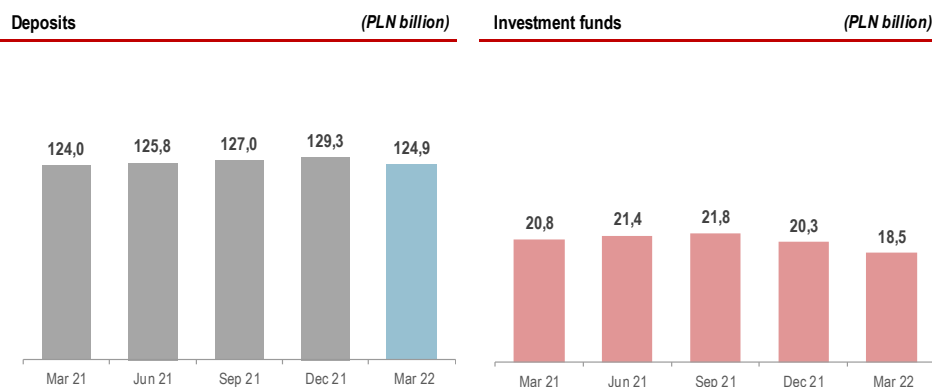
### Development in the area of insurance products

We have consistently developed and digitized the insurance offer. We have launched a new product with an insurance capital fund, "Świat Inwestycji Premium II", for the Premium segment customers.

In the first quarter of 2022, the share of credit products sold with insurance remained at a stable, high level - in the case of cash loans, this share was 35%, while the share of mortgage loans sold with insurance increased to the level of 98% (+2 p.p. compared to 2021). More and more customers of the Bank also benefit from protection under the Comfort Package to Konto Przekorzystne.

The number of the Bank's clients acquired by PZU as part of cooperation in the first quarter of 2022 increased by 15% compared to the same period last year.

### Deposit, brokering activity and sale of investment products



At the end of March 2022, the sum of deposits and certificates of deposit held by individual and business customers amounted to PLN 125 billion and was at a similar level to March 2021.

In the first quarter of 2022, in connection with the market situation, also related to the increases in MPC interest rates, we introduced attractive promotions of deposit products:

- Promotion for new customers on the Savings Account. Each new customer could set up a promotional Savings Account together with Konto Przekorzystny or Świat Premium Account remotely via Pekao 24 or PeoPay without visiting a branch,
- Deposit with a credit card promotion (1.5% on a 3-month deposit up to PLN 30,000) - intended for individual clients, encouraging them to use our key products,
- Lokata z Fundusz Inwestycyjny promotion (deposit interest up to 2.5% for 6 months) - addressed to clients interested in diversifying some of their savings,
- Promotion of a Deposit for new funds (interest rate up to 2.0% for 12 months up to PLN 200 thousand) - addressed to Premium Personal Banking customers.

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In the first quarter of 2022, we introduced the following investment products to the offer for individual and private clients:

- Bank Securities in the form of Certificates of Deposit "Accumulator USD/PLN 2",
- PZU FIZ Legato D series investment certificates,
- Bank Securities in the form of Certificates of Deposit "Accumulator USD/PLN 3",
- Public offering of series AM2 bonds of KRUK S.A.,
- "Diversified Investment" 3-year Certificate in PLN related to the EURO STOXX 50® Index (Price EUR) and the Pekao Obligacji Plus Fund,
- Bank Securities in the form of Certificates of Deposit Strong Zloty EUR/PLN 6,
- Bank Securities in the form of Certificates of Deposit Strong Zloty EUR/PLN 7,

We offered Private Banking Clients:

- Structured certificates with conditional capital protection in PLN: HVB PLN Barrier Reverse Convertible Protect based on the shares of Allegro.eu S.A.,
- Structured certificate with conditional capital protection in PLN: HVB PLN Express Plus Certificate based on the STOXX® Europe 600 Utilities (Price) Index (EUR),
- Bonus certificate for Allegro.eu S.A.,
- Structured products with conditional capital protection in USD: HVB USD Express Plus Certificate based on shares of Intel Corp,
- HVB PLN Express Plus Certificate based on the shares of Schlumberger N.V.

The Bank applies preferential pricing conditions to clients purchasing investment products via internet functionalities.

## ENTERPRISE BANKING

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

In the first quarter of 2022, we focused on the automation and digitization of the credit process and the development of electronic banking functionalities enabling customer self-service.

### Strategy - The „Customer” pillar

We put the customer and his needs at the center of our activities, intensively develop digital channels and fast and convenient service processes. To an even greater extent, we will use advanced data analytics and modern CRM tools to support sales, which will allow us to better adjust the offer, improve the quality of service and increase the tendency to recommend our services.

### Lending activities and customer financing

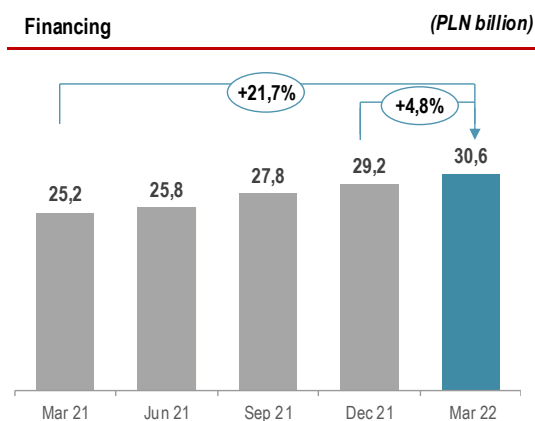
We offer our clients a wide, comprehensive range of products and services, such as bank loans, leasing, factoring, arranging issues of debt securities and other specialized forms of financing.

As the only commercial bank in Poland, we have signed a portfolio guarantee agreement with the Pan-European Guarantee Fund (PEGF), which enables loans to be granted on exceptionally favorable terms. Thanks to this, we are planning to grant this year preferential investment and working capital financing in the amount of almost PLN 5 billion for micro, small and medium-sized enterprises.

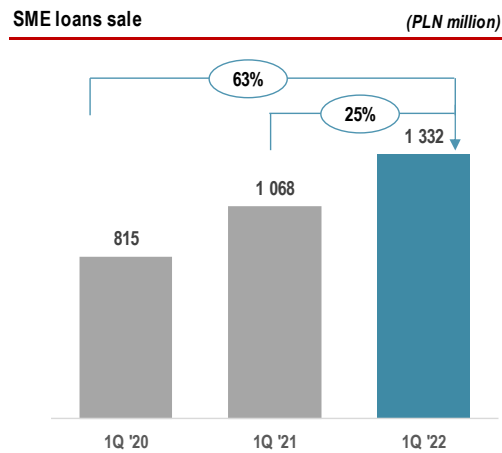
We have signed another agreement with Bank Gospodarstwa Krajowego on granting free liquidity loans from the POIR program. The budget of the program in the amount of PLN 75 million is available to entrepreneurs from the Mazowieckie voivodship. The loans are targeted at micro, small and medium-sized enterprises that have been affected by the pandemic.

In the first quarter of 2022, we maintained a high dynamics of the loan portfolio +21.7% y/y - an increase in value by PLN 5.5 billion. The growth dynamics in the segments amounted to:

- small and medium-sized enterprises: +24.6% y/y, PLN +1.6 billion,
- medium-sized corporations: +20% y/y, PLN +3.9 billion.



The first quarter of 2022 was another quarter in which the value of loans sold in SMEs exceeded the threshold of PLN 1 billion (without renewals) - 1.3 billion new loans, growing by +25% y/y. In the MID segment, the value of loans sold reached PLN 2.6 billion - an increase of +86% y/y. In total, clients of the Corporate Banking Division were granted almost 4 billion new loans (without renewals) - 63% more than in the corresponding period of 2021.



### Transactional banking

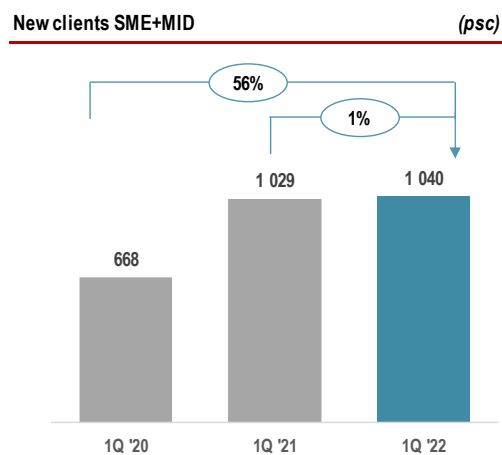
In the first quarter of 2022, the Bank launched a new electronic banking platform for corporate clients as a pilot. The application will be made available to a selected group of SME clients and all comments and suggestions from clients will be taken into account during the work on the platform.

Customers of the SME segment were more and more willing to use the self-service zone in PekaoBiznes24, thanks to which they can carry out a number of operational instructions remotely, including: managing access to electronic banking, handling accounts and cards.

In the first quarter of 2022, we launched special offers for former Idea Bank clients as well as Ukrainian companies and Polish companies owned or co-owned by Ukrainian citizens. As part of the offer, all transaction banking products are for PLN 0, and no fees are charged for money transfers sent and incoming from Ukraine for clients from the SME segment.

### Customer acquisition

In the first quarter of 2022, we acquired 1,040 SME and MID clients, maintaining the high level of acquisition from the previous year. Particularly noteworthy is the increase in the acquisition of SME clients with a turnover of over 5 million (+22% y/y). At the end of the first quarter of 2022, we served over 57 thousand clients.



## CORPORATE AND INVESTMENT BANKING

The Corporate Banking covers corporate segments, significant capital groups (the so-called Large Corporations), 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 resulting from 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 the comprehensive financial services for the largest enterprises, institutions and public sector units are appreciated by clients and decide about the strength of corporate banking of Bank Pekao S.A.

### Strategy

Since 2021, we have been implementing a strategy providing for effective volume growth, using competitive advantages such as: in-depth sector expertise, specialist financing knowledge as well as the growing digitalization of processes. According to this Strategy, we want to maintain our leadership position and a high market share in revenues.

Plans and ambitions of Corporate Banking rest on 4 pillars:

#### Growth:

- increase of x-sell,
- high market share in the segment of large corporations,

#### Effectiveness:

- digitalisation and automation of processes,
- promotion of self-service in digital channels,

#### Clients:

- specialist, customised service of complex transactions,
- support in financing public sector projects,

#### Responsibility:

- responsible capital management,
- support of sustainable economic development,

An integral part of our business strategy is the adopted ESG strategy. Pursuing this strategy we want to engage in financing sustainable projects, support the energy transformation of our clients and their transition to a low-carbon economy. We want to achieve these goals, among other things, by financing the development of renewable energy sources (RES), entities operating in the sectors of new technologies, as well as by actively participating in the government and EU programs aimed at reconstruction and climate transformation. The development and modernization of the Polish economy, supporting the service and use of state and EU programs.

## CLIENTS

At the end of the first quarter of 2022, the Corporate Banking Division was servicing over 6.6 thousand clients using a wide range of packages of products and services. As a leading institution cooperating with the largest corporate clients, we provide support in terms of substantive, operational and financial development of our partners. We achieve this aim by continually improving our offer and by consciously managing the scope of cooperation with corporate clients. In our relations with clients, the key elements include:

- taking into account the **needs of individual client groups and segments** in the process of designing and adjusting the product offer,
- responsible capital management, inter alia, through a detailed **analysis of clients, transactions and sector expertise** as well as an access to the unique corporate and investment banking knowledge and solutions (including DCM competences or targeted product x-sell),
- understanding the situation of clients in global economy by actively **supporting foreign expansion of corporate clients** (M&A, trade finance, export structured finance, correspondent banking, custody)
- focus on supporting actively **economic recovery and climate transformation programs** (development and infrastructural projects for strategic and public sector clients).

We consistently develop the level of digitalization and automation of processes in Corporate Banking. We provide a wide range of digital solutions which enable self-service and allow delivery of specialised solutions to clients.

As at 31 March 2022, the Bank maintained 74 nostro accounts with 46 banks in 26 countries; it ran 217 loro accounts for 197 foreign clients (banks and other financial institutions) from 47 countries and 42 current accounts for 36 foreign financial institutions.

The Bank also intermediated in the execution of transactions for clients of other domestic banks, running 35 loro accounts for 12 Polish banks and maintaining 5 nostro accounts with 1 Polish bank.

As a result of these activities, Bank Pekao consistently supports the development of companies and economy and it maintains a dominant position among the largest corporate clients. The Bank also holds a leadership position in servicing and financing real estate and public sector projects in Poland.

### **Transactional Banking**

The key achievements in the area of transactional banking in the first quarter of 2022 include:

- extending the range of foreign transfers executed in express mode by **other currencies**: Canadian dollars (CAD), Turkish lira (TRY), Romanian lei (RON), Bulgarian lev (BGN), Croatian kuna (HRK),
- extending cut-off times for transfers in currencies executed so far in express mode and TARGET-2 – one of the longest cut-off times on the market,
- implementing the following solutions as a result of the situation in Ukraine:
  - special offer for the Ukrainian companies – simplified procedures, special pricing offer,
  - support in Ukrainian language for business clients,
  - translation of the Bank's documentation into Ukrainian and Russian,
  - exemption of all clients from fees for transfers to and from Ukraine,
- implementing ExpressElixir SPLIT incoming domestic transfers for the whole bank and outgoing transfers in the PekaoBiznes24 system.

In the first quarter of 2022 we recorded an increased number of the executed transactions:

- the number of domestic transfers increased by 4% in comparison with the first quarter of 2021, and the number of ExpressElixir instant transfers sent from PekaoBiznes24 rose by 102% as compared to the first quarter of 2021,
- the number of outgoing foreign transfers increased by 28,8%, the volume of outgoing foreign transfers increased by 96,7%, the number of incoming transfers increased by 12,5%, the volume of incoming foreign transfers increased by 82,2% as compared to the first quarter of 2021,
- more than 42 mln transactions were processed under Pekao Collect service (identifying mass payments of clients) with a total volume of over PLN 66 billion, which means that the number of these transactions remained at a similar level as the results after the first quarter of 2021, whereas the volume of processed transactions increased by 28% as compared to the first quarter of 2021 (more than 15 million transactions were processed within one month in March 2022; previously such a large number of transactions was processed also in March in 2021),
- the number of Direct Debit transactions increased by 1,06% up to 1,57 million, while the volume of transactions rose by 7,5% up to the total amount of PLN 453 million in comparison with the first quarter of 2021.

### **Trade finance**

In the first quarter of 2022, the amount of the newly opened documentary letters of credit increased by over 76% as compared to the first quarter of 2021. The Bank also recorded a two-digit growth dynamics in the area of guarantees and sureties. The amount of new transactions was higher by over 37% in comparison with the same period of 2021, and the Bank's exposure resulting from the granted guarantees in comparable periods was higher by over 12%.

The continuous development of the Open Financing Platform (OFP), supporting the products based on purchase of receivables, allowed to finance in the first quarter of 2022 nearly 16 thousand invoices whose value was by almost PLN 400 million higher than in the same period of 2021.

Given the dynamically changing reference rates - the functionality of sending automatic notifications to clients about the change in interest on debt financing products they use was launched in the Bank's system.

The Bank's achievements in the area of trade finance were recognized by the Global Finance Magazine which awarded Bank Pekao S.A. the title of the "The Best Trade Finance Provider in Poland for 2022".

**Cooperation with international clients**

The Bank supports the export plans of Polish companies present on foreign markets or planning international expansion. The Bank's clients can benefit from a package of the most advantageous financial solutions tailored to the business model. An attractive product offer for financing foreign contracts is a key element of support and at the same time a condition for strengthening the presence of domestic entities on foreign markets

The Bank granted loans and prepared comprehensive offers for short and long-term financing of international transactions, supporting the expansion of Polish enterprises on both European markets and in developing countries. When carrying out transactions, the Bank cooperated, among others, with KUKE (Export Credit Insurance Corporation), taking advantage of the concluded framework agreement as well as the agreement from 2021 concerning new insurance and guarantee products under the new export support system. The solutions offered by the Bank also include loans for financing domestic investments generating exports, as well as instruments for purchase of foreign assets.

The Bank also continued the cooperation with the UniCredit Group which provides for servicing UniCredit clients on the Polish market and Polish clients on foreign markets. The agreement allows supporting Polish clients in conducting business in the countries where the UniCredit Group operates. The agreement also strengthens the role of the Bank as an expert in cross-border solutions for international clients and it positions Bank Pekao S.A. as a Polish European bank.

**Investment finance, structured finance and commercial real estates**

The Bank supports the development of enterprises and infrastructure through long-term financing of investments in various segments of the economy. We offer our clients the services in the field of investment banking, structured finance and financing of commercial real estate projects, including financing of the construction of warehouses.

The key projects financed by the Bank in the first quarter of 2022 included:

- syndicated financing of the construction of photovoltaic farms in the amount of PLN 779 million,
- financing of the purchase and revitalization of warehouse parks, adaptation to ESG standards, in the amount of PLN 450 million,
- syndicated financing of the construction of over one hundred photovoltaic farms in the amount of PLN 428 million,
- syndicated financing of the acquisition made in Polish fuel industry in the amount of PLN 360 million,
- increasing the amount of reverse factoring up to PLN 550 million for one of the top groups operating in the chemical industry,
- increasing the amount of full factoring up to PLN 330 million for one of the leading groups from the energy sector,
- financing of a subsidiary company in cooperation with EBI in the amount of EUR 132 million.

**Issuance of debt securities**

Taking into account the outstanding debt as at 31 January 2021, Bank Pekao S.A. had nearly 32% market share (1<sup>st</sup> place) in the area of arrangement and service of non-treasury debt securities (above 365 days), including:

- over 38% market share in arrangement of corporate bond issues (1<sup>st</sup> place),
- nearly 15% market share in arrangement of banks' debt securities (3<sup>rd</sup> place),
- nearly 24% market share in arrangement of municipal bond issues (2<sup>nd</sup> place).

In the first quarter of 2022, the Bank participated in issuance of non-treasury debt securities (of corporate entities and municipal units) for the total amount of PLN 7,4 billion, of which the following transactions deserve special attention:

- the issue of bonds for a company belonging to an international automobile concern for the amount of PLN 400 million, with maturity of 2 years, in which the Bank acted as the sole arranger and dealer,
- the issue of 6-year bonds for a leading company on the Polish market from debt collection industry for the total amount of PLN 350 million, in which the Bank acted as Dealer of the consortium,
- the issue of bonds for a leasing company belonging to an international financial group for the amount of PLN 200 million maturing in April 2024, for which the Bank performed the function of coordinator, arranger and dealer,
- the issue of bonds for a company owned by an international developer group for the amount of PLN 135 million maturing in September 2025, in which the Bank acted as a co-arranger and dealer,
- the issue of three series of bonds denominated in EUR and PLN for a leasing company from the Group for the total amount being the equivalent of about PLN 1,3 billion and the issue of eight series of bonds denominated in PLN and EUR for a factoring company from the Group with maturity up to 1 year for the total amount being the equivalent of about PLN 4 billion, in which the Bank acted as the sole arranger and dealer.



**Comprehensive service of public sector finances**

The Bank maintains the leading position in cooperation and financing of public sector in Poland. We cooperate with 11 out of 12 Polish metropolises (92% market share) and provide ongoing budget support for five of them. We cooperate with every fourth municipality in Poland (25% market share). We also maintain business relationships with 92% of towns with county rights and provide ongoing services to every fifth of them (21%). We also cooperate with every third county (37%) and with almost all provinces (94%). We are also a major partner for state universities – 70 of them use our services.

Bank Pekao S.A. pursues the ESG strategy engaging in development of public infrastructure. In the first quarter of 2022, we started servicing the City of Łódź to which we granted an overdraft facility up to PLN 200 million.

Under the signed cooperation agreements, we granted loans to public sector units for financing their current activities for the amount of about PLN 300 million.

The financing granted in the first quarter this year will be used for implementation of projects that will enable to provide the broadly understood public services, such as cultural facilities (Agencja Rozwoju Miasta Krakowa - *The City of Cracow Development Agency*), public transport (Łódzka Kolej Aglomeracyjna – *Łódź Metropolitan Railway*) or water and sewage management facilities (MPGK Włodawa).

In March 2022, we introduced the bonds of the City of Kielce onto the Catalyst market.

## 5.7 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.

2021 was a time of dynamic economic recovery, supported by the successes in fight against the pandemic and growing optimism. Polish GDP eventually grew by 5.7% y/y, reflecting the returning business climate. For 2022, however, we forecast a slowdown in economic growth to 3.3% y/y after such a strong rebound in the previous year. This will be mainly due to the weakness of private consumption in Poland and the European Union (including consequences of very high inflation), tightening of monetary policy, possible delays in public investment, as well as the direct and indirect effects of the war in Ukraine.

Economic outlook will have an impact on demand for banking products and possible 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. The economic situation and very high inflation (and its forecasts) have prompted the Monetary Policy Council to restart a cycle of interest rate increases as early as October 2021. Over the past few months, the reference rate has been raised in several steps from 0.10% to 4.50%, already its highest level since 2012, and we expect it to eventually reach 5.50%. An environment of rising interest rates - especially in the current, very "steep" cycle - is a favourable situation for banks, which will translate into an improvement in their net interest income, the key part of the sector's operating income. On the other hand, however, high rates may have a negative impact on the demand for credit, as well as on the quality of the existing loan portfolio (possible problems with repayments for some borrowers).

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. Following temporary reductions in BFG contributions in 2021, these will return to the pre-pandemic trend again this year and will thus increase markedly. The tax and regulatory environment for the sector remains very restrictive, which, combined with the uncertain 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 strongly impacted the financial results for last two years. 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. 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.

The war in Ukraine, high prices of raw materials, especially gas translate into higher inflation. The government wants to help Polish families who pay higher credit mortgage installments due to increased interest rates.

The aid will be intended for families who have mortgage loans in PLN.<sup>1</sup> There will be 4 pillars of support for borrowers.

Pillar 1: 4 months of "credit holidays" - the value of support is approximately PLN 3 billion per year (income shift).

Reduction of annual loan servicing costs by up to 1/3 in 2022 and 2023. The solution will be available to all borrowers who have loans in PLN. A simple application for a credit vacation will be possible via electronic banking. No interest on the loan value for the credit holiday period.

Pillar 2: assistance for borrowers with temporary problems - the value of support is PLN 1.4 billion in 2022 and PLN 2 billion in 2023.

For families who cannot pay back loan installments, we expect subsidies of up to PLN 2,000. PLN per month for up to 3 years. This is total returnable support up to PLN 72,000, of which up to 22 thousand with the possibility of redemption PLN.

To use the loan installments subsidies, it is enough to meet one of the conditions:

- at least one of the borrowers is unemployed,
- the monthly housing loan servicing costs exceed 50% monthly income.
- the monthly income in 2022, after deducting loan costs, does not exceed:
  - 1552 PLN / person in single-person farms,
  - 1200 PLN / person in multi-person households.

Pillar 3: introducing a new loan interest rate in place of WIBOR from January 1, 2023 - the value of support is approximately PLN 1 billion per year.

Due to the liquidation of WIBOR and the introduction of a new, more favorable interest rate on loans, borrowers will have additional funds in their pockets. New reference rate (for O/N financial transactions). The solution will reduce borrowers' installments by a total of approx. PLN 1 billion per year.

Pillar 4: Additional system resilience - the aid fund

Increase the protection of bank customers and the resilience of the banking sector. Thanks to the new legal framework, banks will be able to create an additional banking sector security system - similar to the one that successfully functions in the cooperative banking sector. The Aid Fund will be subsidized by banks with the amount of at least PLN 3.5 billion.

The impact of the proposal to support borrowers on the financial results of the Bank are analyzed.

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<sup>1</sup> <https://www.gov.pl/web/premier/rzad-pomoze-polskim-rodzinom-w-splacie-kredytow-hipotecznych>

## 6. Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 31 March, 2022 and 2021 respectively is presented in Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2022.

The Report on activities of Bank Pekao S.A. Group for the first quarter of 2022, 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.

### Main P&L items

Net profit of the Bank Pekao S.A. Group attributable to the Bank's holders for the first quarter of 2022 amounted to PLN 907.2 million. This result was higher by PLN 661.6 million than the result achieved in the first quarter of 2021. ROE reached the level of 15.3%

In the first quarter of 2022, the Group's operating income amounted to PLN 2,823.9 million and was higher by 41.6% in comparison with the first quarter of 2021, thanks to both net interest income and net fee and commission income.

- Net interest income in the first quarter of 2022, amounted to PLN 2,069.1 million and was higher by PLN 735.5 million, i.e. 55.2% in comparison with the first quarter of 2021.
- The Group's net fee and commission income in the first quarter of 2022, amounted to PLN 705.0 million and was higher by PLN 89.1 million i.e. 14.5% compared to first quarter of 2021, mainly due to customer activity and the adaptation of the offer to the changing market conditions.

In the first quarter of 2022, the Group's operating costs amounted to PLN 978.3 million and were lower by PLN 59.7 million, i.e. 5.8% compared to first quarter of 2021, excluding restructuring costs in both periods higher by 3.4% y/y, significantly below inflation, mainly due to increasing depreciation resulting from investment in the Bank's transformation, with the costs of salaries and other employee benefits at the previous year's level due to the decline in employment.

The Group's Net allowances for expected credit losses amounted to PLN 134.4 million in the first quarter of 2022, and was lower by PLN 41.6 million, i.e. 23.6% as compared to first quarter of mainly due to the gradual normalization of write-offs towards the levels observed before the pandemic.

In the first quarter of 2022 the Bank Guarantee Fund fee amounted to PLN 267.2 million, and were higher by PLN 63.8 million compared to first quarter of 2021.

Tax on certain financial institutions in the first quarter of 2022 amounted to PLN 201.8 million and was higher by PLN 26.3 million, i.e. 15.0% as compared to first quarter of 2021, due to an increase in Group's assets.

### Volumes

As at the end of March 2022, loans and advances at nominal value amounted to PLN 177,525.6 million, an increase of PLN 7,755.9 million, i.e. 4.6% in comparison to the end of March 2021.

As at the end of March 2022, the volume of retail loans amounted to PLN 81,875.4 million, an increase of PLN 2,055.3 million, i.e. 2.6% in comparison to the end of March 2021, thanks to dynamic growth of PLN mortgage loans by 4.5% y/y. As at the end of March 2022, corporate loans and non-treasury debt securities amounted to PLN 95,650.2 million, an increase of PLN 5,700.6 million, i.e. 6.3% in comparison to the end of March 2021, however with the growth in the segment of enterprises (21.7% y/y) and leasing receivables.

As at the end of March 2022, amounts due to the Group's customers and debt securities issued amounted to PLN 212,928.6 million, an increase of PLN 9,996.9 million, i.e. 4.9% in comparison to the end of March 2021.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 18,473.2 million as at the end of March 2022, an decrease of PLN 2,330.7 million, i.e. 11.2% in comparison to the end of March 2021.

## 6.1 The consolidated income statement – presentation form

In the first quarter of 2022, we generated the net profit of the Bank Pekao S.A. Group attributable to the Bank's shareholders amounted to PLN 907.2 million. Net profit was higher by PLN 661.6 million than the result achieved in the first quarter of 2021, mainly due to higher operating income and lower net loss write-offs, which are gradually normalizing towards the levels observed before the outbreak of the pandemic.

(in PLN million)

	1 QUARTER OF 2022	1 QUARTER OF 2021	CHANGE
<b>Net interest income</b>	<b>2,069.1</b>	<b>1,333.6</b>	<b>55.2%</b>
<b>Net fee and commission income</b>	<b>705.0</b>	<b>615.9</b>	<b>14.5%</b>
Dividend income	0.3	0.0	x
Trading result	50.4	41.2	22.3%
Net other operating income and expenses <sup>(*)</sup>	(0.9)	3.8	x
<b>Net non-interest income <sup>(*)</sup></b>	<b>754.8</b>	<b>660.8</b>	<b>14.2%</b>
<b>Operating income <sup>(*)</sup></b>	<b>2,823.9</b>	<b>1,994.4</b>	<b>41.6%</b>
<b>Operating costs</b>	<b>(978.3)</b>	<b>(1,038.0)</b>	<b>(5.8%)</b>
<b>Gross operating profit <sup>(*)</sup></b>	<b>1,845.6</b>	<b>956.4</b>	<b>93.0%</b>
Net allowances for expected credit losses	(134.4)	(176.0)	(23.6%)
<b>Net operating profit</b>	<b>1,711.2</b>	<b>780.4</b>	<b>&gt;100%</b>
Bank Guarantee Fund fee	(267.2)	(203.4)	31.4%
Tax on certain financial institutions	(201.8)	(175.5)	15.0%
Gains (losses) on associates	1.1	-	x
<b>Profit before tax</b>	<b>1,243.3</b>	<b>401.5</b>	<b>&gt; 100%</b>
Income tax expense	(335.4)	(155.5)	> 100%
<b>Net profit</b>	<b>907.9</b>	<b>246.1</b>	<b>&gt; 100%</b>
<b>Attributable to equity holders of the Bank</b>	<b>907.2</b>	<b>245.6</b>	<b>&gt; 100%</b>
Attributable to non-controlling interest	0.7	0.4	75.0%

### Operating income

In the first quarter of 2022, the Group's operating income amounted to PLN 2,823.9 million and was higher by 41.6% in comparison with the first quarter of 2021, thanks to both net interest income and net fee and commission income.

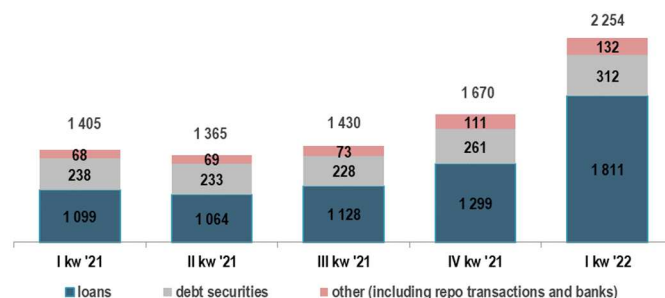
### Total net interest income

(in PLN million)

	1 QUARTER OF 2022	1 QUARTER OF 2021	CHANGE
Interest income	2 254.1	1,404.8	60.5%
Interest expense	(185.0)	(71.2)	> 100%
<b>Net interest income</b>	<b>2,069.1</b>	<b>1,333.6</b>	<b>55.2%</b>

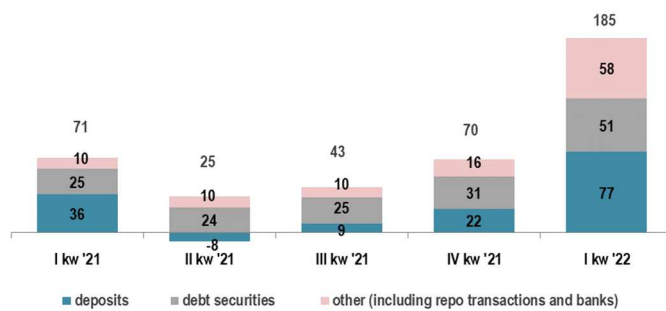
Net interest income in the first quarter of 2022, amounted to PLN 2,069.1 million and was higher by PLN 735.5 million, i.e. 55.2% in comparison with the first quarter of 2021.

### Interest income



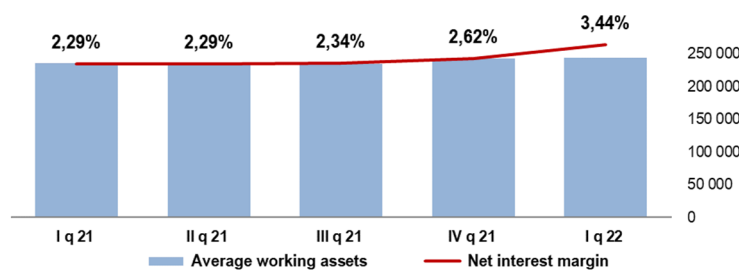
In the first quarter of 2022, the interest income amounted to PLN 2,254.1 million and was higher by PLN 849.3 million y/y. The increase in interest rates in the first quarter of 2022 compensated for the impact of the reductions on the results in the previous year.

### Interest expense



In the first quarter of 2022, the interest expense amounted to PLN 185.0 million and was higher by PLN 113.8 million y/y, mainly due to the adaptation of the Bank's product offer to the market conditions.

### Interest margin



The interest margin achieved in the first quarter of 2022 was 3.44% and was higher by 1.15 p.p. than the margin achieved in comparison with the first quarter of 2021, thanks to an increase in market interest rates.

### Net non-interest income

(in PLN million)

	1 QUARTER OF 2022	1 QUARTER OF 2021	CHANGE
Fee and commission income	836.2	736.8	13.5%
Fee and commission expense	(131.2)	(120.9)	8.5%
<b>Net fee and commission income</b>	<b>705.0</b>	<b>615.9</b>	<b>14.5%</b>
Dividend income	0.3	0.0	x
Trading result	50.4	41.2	22.3%
Net other operating income and expense	(0.9)	3.8	x
<b>Net non-interest income</b>	<b>754.8</b>	<b>660.9</b>	<b>14.2%</b>

The Group's net fee and commission income in the first quarter of 2022, amounted to PLN 705.0 million and was higher by PLN 89.1 million i.e. 14.5% compared to first quarter of 2021, mainly due to customer activity and the adaptation of the offer to the changing market conditions.

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 2022	1 QUARTER OF 2021	CHANGE
<b>Net fee and commission income</b>	<b>705.0</b>	<b>615.9</b>	<b>14.5%</b>
on loans	126.8	115.4	9.9%
on cards	70.7	56.2	25.8%
on mutual funds	77.1	92.5	(16.6%)
on brokerage activate	33.4	39.6	(15.7%)
on margins on foreign exchange transactions with clients	184.1	125.2	47.0%
other	212.9	187.0	13.9%

### Operating costs

In the first quarter of 2022, the Group's operating costs amounted to PLN 978.3 million and were lower by PLN 59.7 million, i.e. 5.8% compared to first quarter of 2021, excluding restructuring costs in both periods higher by 3.4% y/y, significantly below inflation, mainly due to increasing depreciation resulting from investment in the Bank's transformation, with the costs of salaries and other employee benefits at the previous year's level due to the decline in employment.

(in PLN million)

	1 QUARTER OF 2022	1 QUARTER OF 2021	CHANGE
Personnel expenses	(558.1)	(646.5)	(13.7%)
Other administrative expenses	(243.1)	(234.4)	3.7%
Depreciation and amortization	(177.1)	(157.1)	12.7%
<b>Operating costs</b>	<b>(978.3)</b>	<b>(1,038.0)</b>	<b>(5.8%)</b>

In the first quarter of 2022, cost / income ratio amounted to 34.6% and was lower by 17.4 p.p. y/y.

As of 31 March 2022, the Group employed 14,752 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 15,904 employees as at the end of March 2021 in line with the Strategy.

### Bank Guarantee Fund fee

In the first quarter of 2022 the Bank Guarantee Fund fee amounted to PLN 267.2 million, and were higher by PLN 63.8 million compared to first quarter of 2021.

### Tax on certain financial institutions

Tax on certain financial institutions in the first quarter of 2022 amounted to PLN 201.8 million and was higher by PLN 26.3 million, i.e. 15.0% as compared to first quarter of 2021, due to an increase in Group's assets.

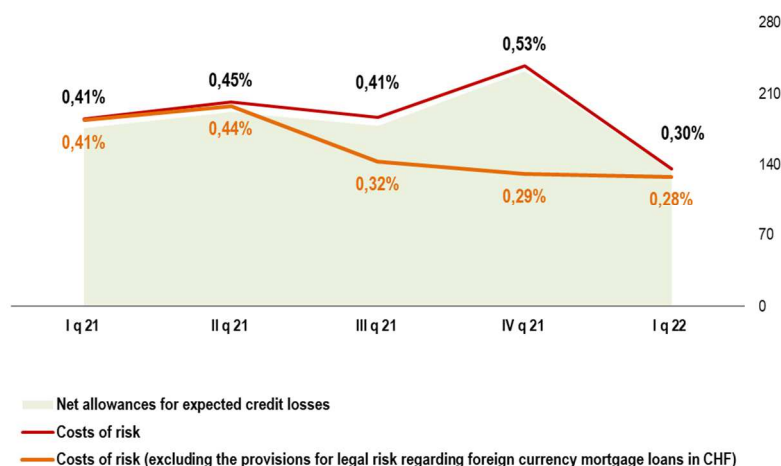
## 6.2 Net allowances for expected credit losses

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	1 QUARTER OF 2022	1 QUARTER OF 2021	1 QUARTER OF 2022	1 QUARTER OF 2021
financial assets measured at amortized cost excluding provisions for legal risk regarding foreign currency mortgage loans in CHF	(137.1)	(192.5)	(169.5)	(204.7)
financial assets measured at fair value through other comprehensive income	3.6	0.3	14.6	0.7
financial liabilities measured at amortized cost	7.7	17.5	1.8	8.4
<b>Net allowances for expected credit losses excluding provisions for legal risk regarding foreign currency mortgage loans in CHF</b>	<b>(125.8)</b>	<b>(174.6)</b>	<b>(153.1)</b>	<b>(195.6)</b>
financial assets measured at amortized cost - provisions for legal risk regarding foreign currency mortgage loans in CHF	(8.6)	(1.4)	(9.6)	(1.6)
<b>Net allowances for expected credit losses</b>	<b>(134.4)</b>	<b>(176.0)</b>	<b>(143.5)</b>	<b>(197.2)</b>

The Group's Net allowances for expected credit losses amounted to PLN 134.4 million in the first quarter of 2022, and was lower by PLN 41.6 million, i.e. 23.6% as compared to first quarter of mainly due to the gradual normalization of write-offs towards the levels observed before the pandemic.

### Costs of risk



The costs of risk in the first quarter of 2022 amounted to 0.30% and was lower by 0.11 p.p. y/y.



### 6.3 The structure of the net profit

(in PLN million)

	1 QUARTER OF 2022	1 QUARTER OF 2021	CHANGE
<b>Net profit of Bank Pekao S.A.</b>	<b>831.9</b>	<b>166.9</b>	<b>&gt; 100%</b>
<b>Entities consolidated under full method</b>			
Pekao Leasing Sp. z o.o.	29.7	16.6	78.9%
Pekao Investment Management S.A.	14.5	20.3	(28.6%)
Pekao Faktoring Sp. z o.o.	13.3	10.5	26.7%
Pekao Investment Banking S.A.	3.3	5.5	(40.0%)
Pekao Financial Services Sp. z o.o.	2.2	1.3	69.2%
Centrum Kart S.A.	1.7	2.4	(29.2%)
Pekao Direct Sp. z o.o.	1.1	(0.2)	x
PeUF Sp. z o.o. <sup>(1)</sup>	0.1	-	x
Dom Inwestycyjny Xelion Sp. z o.o. <sup>(2)</sup>	-	0.4	x
FPB "MEDIA" Sp. z o.o. w upadłości	0.0	0.0	x
Pekao Fundusz Kapitałowy Sp. z o.o. w likwidacji	(0.1)	0.0	x
Pekao Property S.A. w likwidacji	(0.1)	(0.1)	0.0%
Pekao Bank Hipoteczny S.A.	(4.1)	1.5	x
<b>Entities valued under the equity method</b>			
Krajowy Integrator Płatności S.A. <sup>(3)</sup>	1.1	-	x
<b>Exclusions and consolidation adjustments <sup>(4)</sup></b>	<b>12.6</b>	<b>20.5</b>	<b>(38.5%)</b>
<b>Net profit of the Group attributable to equity holders of the Bank</b>	<b>907.2</b>	<b>245.6</b>	<b>&gt; 100%</b>

<sup>(1)</sup> In 2021, Pekao Leasing Sp. z o.o., a company of the Bank, acquired 100% of Metsi Sp. Zoo. with its seat in Warsaw, which then changed its name to PeUF Sp. Zoo. with its seat in Warsaw, which constitutes 100% of the votes at the shareholders' meeting of PeUF Sp. Zoo. and deals with the distribution of the distribution.

<sup>(2)</sup> On October 29, 2021, a promised agreement was signed for the sale of 100% of shares in Dom Inwestycyjny Xelion Sp. z o.o. - the Company's result for 10 months of 2021 is included in the Group's results.

<sup>(3)</sup> On 31 March, 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>(4)</sup> Includes, among others, transactions within the Group (including dividends from subsidiaries for the previous years), and net profit attributable to non-controlling interest.

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**Results of the Bank's major related entities*****Pekao Leasing Sp. z o.o. - Pekao Leasing***

In the first quarter of 2022, Pekao Leasing generated a net profit of **PLN 29.7 million**, compared to a profit of PLN 16.6 million in the first quarter of 2021. The result was achieved thanks to an increase in revenues by 41.0% y/y, while maintaining strict cost control.

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

Consolidated net profit of Pekao IM in the first quarter of 2022 amounted to **PLN 14.5 million**, compared to PLN 20.3 million in the first quarter of 2021. The decrease in the result was due to another statutory reduction in the rates of fixed remuneration for management to a maximum of 2% from 1 January 2022 and the resulting adjustment of the remuneration policy for other funds

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

In the first quarter of 2022, Pekao Faktoring generated a net profit of **PLN 13.3 million**, compared to a profit of PLN 10.5 million in the first quarter of 2021. In the first quarter of 2022, the Company achieved an increase in factoring turnover by 24% y/y with a 42% increase in income and strict cost control. Pekao Faktoring ranks first in turnover on the Polish factoring market.

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

In the first quarter of 2022, Pekao IB achieved a net profit of **PLN 3.3 million**, compared to a profit of PLN 5.5 million in the first quarter of 2021. The profit was influenced by a smaller number of finalized transactions in the area of advisory services on the private and public capital market and debt advisory services than in the corresponding period of the previous year.

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

In the first quarter of 2022, PFS generated a net profit of PLN 2.2 million (including the Bank's share of **PLN 1.4 million**), compared to a profit of PLN 1.3 million in the first quarter of 2021. The net result was higher mainly due to the revenues generated from the operation of the PPK program.

***Centrum Kart S.A. – Centrum Kart***

In the first quarter of 2022, the Company generated **PLN 1.7 million** of net profit compared to PLN 2.4 million in the first quarter of 2021. The lower net result is related to the stabilization of revenues, which resulted in an increase in costs related to the development of services provided to the Bank.

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

In the first quarter of 2022, Pekao Direct recorded a net profit of PLN 1.1 million compared to a loss of PLN 0.2 million in the first quarter of 2021. Higher revenues thanks to the growth of the customer base and increased business activity contributed to the improvement in the result.

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

In the first quarter of 2022, Pekao Bank Hipoteczny reported a net loss of PLN 4.1 million, compared to a profit of PLN 1.5 million in the first quarter of 2021. The result was adversely affected by higher loan impairment charges as well as higher premiums and payments to the Bank Guarantee Fund.

**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 2022	1 QUARTER OF 2021	CHANGE
Net interest income	1,990.7	1,277.3	55.9%
Net non-interest income	664.7	565.0	17.6%
<b>Operating income</b>	<b>2,655.5</b>	<b>1,842.4</b>	<b>44.1%</b>
<b>Operating costs</b>	<b>(903.8)</b>	<b>(965.8)</b>	<b>(6.4%)</b>
<b>Gross operating profit</b>	<b>1,751.6</b>	<b>876.6</b>	<b>99.8%</b>
Net allowances for expected credit losses	(143.5)	(197.2)	(27.2%)
<b>Net operating profit</b>	<b>1,608.1</b>	<b>679.4</b>	<b>&gt; 100%</b>
Bank Guarantee Fund fee	(264.7)	(201.6)	31.3%
Tax on certain financial institutions	(201.8)	(175.5)	15.0%
<b>Profit before tax</b>	<b>1,141.7</b>	<b>302.4</b>	<b>&gt; 100%</b>
<b>Net profit</b>	<b>831.9</b>	<b>166.9</b>	<b>&gt; 100%</b>

Net profit of Bank Pekao S.A. in the first quarter of 2022, amounted to PLN 831.9 million and was higher by PLN 665.0 million, than the result achieved in the first quarter of 2021, mainly due to higher operating income and lower net loss write-offs, which are gradually normalizing towards the levels observed before the outbreak of the pandemic.

The main Bank's financial information are as follows:

	31.03.2022	31.03.2021	CHANGE
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b>			
(in PLN million)			
Loans and advances at nominal value <sup>(*)</sup>	165,882.7	158,403.2	4.7%
Amounts due to customers	203,752.0	195,761.7	4.1%
Structured Certificates of Deposit	432.6	155.1	>100%
Certificates of Deposit	1,751.0	-	x
Subordinated bonds	2,750.0	2,750.0	0.0%
Repo transactions	1,096.3	0.7	>100%
<b>Total assets</b>	<b>262,815.6</b>	<b>237,626.6</b>	<b>10.6%</b>
Investment funds distributed through the Bank's network	16,756.0	19,273.9	(13.1%)
<b>Total capital ratio in %</b>	<b>18.8%</b>	<b>20.5%</b>	<b>(1.7) p.p</b>

<sup>(\*)</sup> Including loans and non-treasury debt securities.

Loans and advances at nominal value at the end of March 2022 amounted to PLN 165,882.7 million and were higher by PLN 7,479.5 million, i.e. 4.7% than at the end of March 2021. At the end of March 2022, retail loans amounted to PLN 79,082.5 million, and corporate loans - PLN 72,891.4 million.

Amounts due to customers, Structured Certificates of Deposit, Certificates of Deposit and Subordinated Bonds at the end of March 2022 amounted to PLN 208,685.6 million and were higher by PLN 10,018.8 million, i.e. 5.0% compared to the end of March 2021.

Net assets of investment funds managed by Pekao TFI S.A. distributed by the Bank's network at the end of March 2022 amounted to PLN 16,756.0 million and was lower by PLN 2,517.9 million, i.e. 13.1% compared to the end of March 2021.

## 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 2022, the total assets of Bank Pekao S.A. constitutes 96.7% of the total assets of the whole Group.

ASSETS	31.03.2022		31.03.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	18,828.2	6.9%	7,710.6	3.1%	>100%
Loans and advances to banks <sup>(*)</sup>	6,364.6	2.3%	2,752.8	1.1%	>100%
Loans and advances to customers <sup>(**)</sup>	170,912.2	62.9%	164,176.6	66.4%	4.1%
Reverse repo transactions	1,563.8	0.6%	638.7	0.3%	>100%
Securities <sup>(***)</sup>	54,195.8	19.9%	60,611.9	24.5%	(10.6%)
Investments in associates	45.1	0.0%	41.3	0.0%	9.4%
Property, plant and equipment and intangible assets	4,046.5	1.5%	3,963.0	1.6%	2.1%
Other assets	15,928.8	5.9%	7,297.4	3.0%	>100%
<b>Total assets</b>	<b>271,885.0</b>	<b>100.0%</b>	<b>247,192.3</b>	<b>100.0%</b>	<b>10.0%</b>

<sup>(\*)</sup> Including net investments in financial leases to banks.

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

<sup>(\*\*\*)</sup> 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	31.03.2022		31.03.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	-	-	0.0	0.0%	x
Amounts due to other banks	13,284.0	4.9%	8,224.9	3.3%	61.5%
Amounts due to customers	203,509.7	74.9%	195,245.6	79.0%	4.2%
Debt securities issued	6,637.7	2.4%	4,915.7	2.0%	35.0%
Subordinated liabilities	2,781.2	1.0%	2,770.4	1.1%	0.4%
Repo transactions	1,096.3	0.4%	0.7	0.0%	>100%
Lease liabilities	361.2	0.1%	421.4	0.2%	(14.3%)
Other liabilities	20,719.5	7.6%	10,309.3	4.2%	>100%
Total equity, including	23,495.4	8.6%	25,304.3	10.2%	(7.1%)
non-controlling interests	12.6	0.0%	11.8	0.0%	6.8%
<b>Total equity and liabilities</b>	<b>271,885.0</b>	<b>100.0%</b>	<b>247,192.3</b>	<b>100.0%</b>	<b>10.0%</b>

**Customers' Financing  
Armed conflict in Ukraine**

On 24 February 2022, there was an armed attack by Russia and Belarus on Ukraine. On the day the conflict broke out, the Bank launched increased monitoring of the situation of customers from Russia, Belarus and Ukraine.

In terms of credit risk, the Group identifies the following threats:

- credit loss risk for exposures to entities from Russia, Belarus and Ukraine, with the Bank's exposure in this regard mostly covered by KUKI policies,
- the risk that the conflict will translate into deterioration of the economic and credit conditions for the rest of the portfolio (through the raw material price growth channel, disruption of economic relations, deterioration of consumer sentiment, etc.).

As at 31 March 2022, the Group's balance sheet net exposure to countries involved in the conflict amounted to 252 million (which represents 0.15% of the Group's total exposure).

**Customer structure of loans and advances**

(in PLN million)

	31.03.2022	31.03.2021	CHANGE
<b>Loans and advances at nominal value <sup>(1)</sup></b>	<b>177,525.6</b>	<b>169,769.7</b>	<b>4.6%</b>
Loans and investments in financial leases	166,875.8	160,164.3	4.2%
Retail	81,875.4	79,820.1	2.6%
Corporate	85,000.4	80,344.2	5.8%
Non-treasury debt securities	10,649.8	9,605.4	10.9%
Other <sup>(2)</sup>	1,491.2	1,993.6	(25.2%)
<b>Impairment allowances</b>	<b>(8,104.6)</b>	<b>(7,586.7)</b>	<b>6.8%</b>
<b>Total net receivables</b>	<b>170,912.2</b>	<b>164,176.6</b>	<b>4.1%</b>
Reverse repo transactions	1,563.2	638.6	>100%
<b>Total Customers' financing <sup>(3)</sup></b>	<b>179,088.8</b>	<b>170,408.3</b>	<b>5.1%</b>

<sup>(1)</sup> Excluding reverse repo transactions.

<sup>(2)</sup> Including interest and receivables in transit.

<sup>(3)</sup> 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 2022, loans and advances at nominal value amounted to PLN 177,525.6 million, an increase of PLN 7,755.9 million, i.e. 4.6% in comparison to the end of March 2021.

As at the end of March 2022, the volume of retail loans amounted to PLN 81,875.4 million, an increase of PLN 2,055.3 million, i.e. 2.6% in comparison to the end of March 2021, thanks to dynamic growth of PLN mortgage loans by 4.5% y/y.

As at the end of March 2022, corporate loans and non-treasury debt securities amounted to PLN 95,650.2 million, an increase of PLN 5,700.6 million, i.e. 6.3% in comparison to the end of March 2021, however with the growth in the segment of enterprises (21.7% y/y) and leasing receivables.

**Receivables and impairment losses <sup>(1)</sup>**

(in PLN million)

	31.03.2022	31.03.2021	CHANGE
<b>Gross receivables</b>	<b>179,016.8</b>	<b>171,763.3</b>	<b>4.2%</b>
Stage 1	143,446.9	132,359.7	8.4%
Stage 2	25,900.1	29,456.5	(12.1%)
Stage 3	9,669.8	9,947.2	(2.8%)
<b>Impairment allowances</b>	<b>(8,104.6)</b>	<b>(7,586.7)</b>	<b>6.8%</b>
Stage 1	(644.7)	(412.9)	56.1%
Stage 2	(1,114.6)	(1,159.3)	(3.9%)
Stage 3	(6,345.3)	(6,014.5)	5.5%
<b>Total net receivables</b>	<b>170,912.2</b>	<b>164,176.6</b>	<b>4.1%</b>

<sup>(1)</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 2022 the ratio of impaired receivables (stage 3) to the gross receivables amounted to 5.4 %.

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

	31.03.2022		31.03.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	146,751.4	82.0%	139,660.6	81.3%	5.1%
Denominated in foreign currencies <sup>(**)</sup>	32,265.4	18.0%	32,102.7	18.7%	0.5%
<b>Total</b>	<b>179,016.8</b>	<b>100.0%</b>	<b>171,763.3</b>	<b>100.0%</b>	<b>4.2%</b>
Impairment allowances	(8,104.6)	x	(7,586.7)	x	6.8%
<b>Total net</b>	<b>170,912.2</b>	<b>x</b>	<b>164,176.6</b>	<b>x</b>	<b>4.1%</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 2022, their share was 82.0%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (85.3%), CHF (8.4%) and USD (4.6%).

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

	31.03.2022		31.03.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	20,817.2	11.6%	14,645.7	8.5%	42.1%
1 to 3 months	7,288.0	4.1%	7,324.2	4.3%	(0.5%)
3 months to 1 year	19,008.8	10.6%	19,114.6	11.1%	(0.6%)
1 to 5 years	58,338.1	32.6%	61,276.1	35.7%	(4.8%)
Over 5 years	67,317.7	37.6%	63,202.8	36.8%	6.5%
Past due	4,755.8	2.7%	4,206.2	2.4%	13.1%
Other	1,491.2	0.8%	1,993.7	1.2%	(25.2%)
<b>Total</b>	<b>179,016.8</b>	<b>100.0%</b>	<b>171,763.3</b>	<b>100.0%</b>	<b>4.2%</b>
Impairment allowances	(8,104.6)	x	(7,586.7)	x	6.8%
<b>Total net</b>	<b>170,912.2</b>	<b>x</b>	<b>164,176.6</b>	<b>x</b>	<b>4.1%</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 2022, loans and advances with maturity over 5 years represents 37.6% 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 Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2022.

**External sources of financing**

(in PLN million)

	31.03.2022	31.03.2021	CHANGE
Amounts due to Central Bank	-	-	x
Amounts due to other banks	13,284.0	8,224.9	61.5%
Amounts due to customers	203,509.7	195,245.6	4.2%
Debt securities issued	6,637.7	4,915.7	35.0%
Subordinated liabilities	2,781.2	2,770.4	0.4%
Repo transactions	1,096.3	0.7	>100%
<b>Total external sources of financing</b>	<b>227,308.9</b>	<b>211,157.3</b>	<b>7.6%</b>

Amounts due to customers amounted to PLN 203,509.7 million, an increase by 4.2% due to significant increase in corporate deposits.

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)

	31.03.2022	31.03.2021	CHANGE
<b>Corporate deposits</b>	<b>90,384.0</b>	<b>79,764.5</b>	<b>13.3%</b>
Non-financial entities	63,319.1	57,174.2	10.7%
Non-banking financial entities	5,798.5	4,493.5	29.0%
Budget entities	21,266.4	18,096.8	17.5%
<b>Retail deposits</b>	<b>112,753.9</b>	<b>115,147.1</b>	<b>(2.1%)</b>
Other (*)	371.8	334.0	11.3%
<b>Amounts due to customers(**)</b>	<b>203,509.7</b>	<b>195,245.6</b>	<b>4.2%</b>
<b>Debt securities issued. of which</b>	<b>9,418.9</b>	<b>7,686.1</b>	<b>22.5%</b>
Structured Certificates of Deposit (SCD)	432.6	155.1	>100%
Certificates of Deposit	1,751.0	0.0	x
Subordinated bonds	2,750.0	2,750.0	0.0%
Pekao Bank Hipoteczny S.A. covered bonds	947.1	1,199.6	(21.0%)
Pekao Bank Hipoteczny S.A. bonds	156.5	277.5	(43.6%)
Pekao Leasing Sp. z o.o. bonds	1,014.5	1,490.4	(31.9%)
Pekao Faktoring Sp. z o.o. bonds	2,322.0	1,789.3	29.8%
Interest	45.2	24.2	86.8%
<b>Amounts due to customers and debt securities issued (**)</b>	<b>212,928.6</b>	<b>202,931.7</b>	<b>4.9%</b>
Lease liabilities	361.2	421.4	(14.3%)
Repo transactions	1,096.3	0.7	>100%
<b>Amounts due to customers and debt securities issued total (***)</b>	<b>214,386.1</b>	<b>203,353.8</b>	<b>5.4%</b>
<b>Investment funds of Pekao TFI S.A. (ex. Pioneer Pekao TFI)</b>	<b>18,473.2</b>	<b>20,803.9</b>	<b>(11.2%)</b>
Bond and money market funds	13,057.6	16,305.8	(19.9%)
Balanced funds	2,775.5	2,468.1	12.5%
Equity funds	2,240.5	1,899.5	18.0%
PPK	399.6	130.5	->100%
including distributed through the Group's network	17,499.7	20,143.2	(13.1%)

(\*) 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 2022, amounts due to the Group's customers and debt securities issued amounted to PLN 212,928.6 million, an increase of PLN 9,996.9 million, i.e. 4.9% in comparison to the end of March 2021.

The total volume of retail deposits, Structured Certificates of Deposit and other amounted to PLN 113,528.1 million as at the end of March 2022, an decrease of PLN 2,058.5 million, i.e. 1.8% in comparison to the end of March 2021.

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 99,400.5 million as at the end March 2022, an increase of PLN 12,055.4 million, i.e. 13.8% as compared to the end of March 2021.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 18,473.2 million as at the end of March 2022, an decrease of PLN 2,330.7 million, i.e. 11.2% in comparison to the end of March 2021.

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

	31.03.2022		31.03.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	168,839.9	83.0%	165,958.3	85.0%	1.7%
Denominated in foreign currencies	34,669.8	17.0%	29,287.3	15.0%	18.4%
<b>Total</b>	<b>203,509.7</b>	<b>100.0%</b>	<b>195,245.6</b>	<b>100.0%</b>	<b>4.2%</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 2022 amounted to 83.0%. The majority of amounts due to customers denominated in foreign currencies were in EUR (64.3%) and USD (29.4%).

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

	31.03.2022		31.03.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	177,942.5	87.6%	174,985.8	89.8%	1.7%
Term deposits	25,195.3	12.4%	19,925.7	10.2%	26.4%
<b>Total deposits</b>	<b>203,137.8</b>	<b>100.0%</b>	<b>194,911.5</b>	<b>100.0%</b>	<b>4.2%</b>
Interest accrued	11.6	x	10.9	x	6.4%
Funds in transit	360.3	x	323.2	x	11.5%
<b>Total</b>	<b>203,509.7</b>	<b>x</b>	<b>195,245.6</b>	<b>x</b>	<b>4.2%</b>

(\*) Excluding repo transactions and lease liabilities.

## 6.5 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
<b>Total provisions</b>	<b>876.4</b>	<b>1,042.4</b>	<b>933.6</b>	<b>1,116.0</b>
of which:				
provisions for off-balance sheet commitments	354.3	368.8	441.1	463.2
provisions for liabilities to employees	304.1	503.2	295.0	494.4
other provisions	218.0	170.4	197.5	158.4
<b>Deferred tax liabilities</b>	<b>24.3</b>	<b>27.0</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets</b>	<b>1,629.9</b>	<b>1,376.4</b>	<b>1,355.9</b>	<b>1,078.1</b>

## 6.6 Off-balance sheet items

### Statement of Off-balance sheet items

(in PLN million)

	31.03.2022	31.03.2021	CHANGE
Contingent liabilities granted and received	85,943.8	75,113.1	14.4%
Liabilities granted:	57,752.1	54,576.3	5.8%
financial	44,606.4	41,596.3	7.2%
guarantees	13,145.7	12,980.0	1.3%
Liabilities received:	28,191.7	20,536.8	37.3%
financial	3,019.3	429.9	>100%
guarantees	25,172.4	20,106.9	25.2%
Derivative financial instruments	489,754.2	409,253.0	19.7%
interest rate transactions	310,856.0	264,127.6	17.7%
transactions in foreign currency and in gold	171,937.5	140,719.7	22.2%
transactions based on commodities and equity securities	6,960.7	4,405.7	58.0%
<b>Total off-balance sheet items</b>	<b>575,698.0</b>	<b>484,366.1</b>	<b>18.9%</b>

Information on loan concentration is included in the Notes to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2022.



## 6.7 Capital adequacy

### Bank Pekao S.A. Group

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 amending Regulation (EU) No 648/2012, which entered into force since January 1, 2014 together with further amendments, in particular Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 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, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, as well as Commission Implementing Regulations or Delegated Regulations (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 institutions.

According to law, the Group and the Bank are 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%.

Bank and Group do not have any capital requirement of Pillar II.

Combined buffer requirement as at 31 March 2022 consists of:

- Capital conservation buffer in amount of 2.50%,
- Countercyclical capital buffer in amount of 0.00%<sup>2</sup>,
- Other systemically important institution buffer in amount of 0.75%,
- Systemic risk buffer in amount of 0.00%<sup>3</sup>.

In total, Group and Bank are required to maintain:

- Total capital ratio (TCR) in amount of 11.26%,
- Capital ratio Tier I (T1) in amount of 9.26%,
- Common Equity Tier (CET 1) in amount of 7.76%.

The capital ratios of the Group and the Bank were significantly above the minimum required by the law.

<sup>4</sup> Countercyclical capital buffer was calculated as of March 31, 2022 at the level 0.0067% for Bank and 0.0066% for Group.

<sup>5</sup> According to the Regulation of the Minister of Finance, the systemic risk buffer was abolished on March 19, 2020. The buffer value applicable until that date was 3% of the total risk exposure amount for all exposures located only in the territory of the Republic of Poland.

**Bank Pekao S.A. Group**

As of March 31, 2022 Group total capital ratio amounted to 16.9% and common equity Tier I ratio amounted to 15.1%.

The table below presents the basic information concerning the Group capital adequacy as of March 31, 2022, December 31, 2021 and March 31, 2021.

(in PLN thousand)

<b>CAPITAL REQUIREMENT</b>	<b>31.03.2022</b>	<b>31.12.2021<sup>(*)</sup></b>	<b>31.03.2021<sup>(*)</sup></b>
Credit Risk	10,744,684	10,756,386	10,249,113
Market Risk	110,804	112,121	87,447
Counterparty credit risk including CVA	289,753	253,316	195,017
Operational risk	883,302	848,430	792,760
<b>Total capital requirement</b>	<b>12,028,543</b>	<b>11,970,253</b>	<b>11,324,337</b>
<b>OWN FUNDS</b>			
Common Equity Tier I Capital	22,661,746	23,659,934	23,508,449
Tier II Capital	2,750,000	2,750,000	2,750,000
<b>Own funds for total capital ratio</b>	<b>25,411,746</b>	<b>26,409,934</b>	<b>26,258,449</b>
<b>Common Equity Tier I Capital ratio (%)</b>	<b>15.1%</b>	<b>15.8%</b>	<b>16.6%</b>
<b>Total capital ratio TCR (%)</b>	<b>16.9%</b>	<b>17.7%</b>	<b>18.6%</b>

<sup>(\*)</sup> Data have been recalculated taking into account the retrospective recognition of part of the profit, in accordance with the EBA position expressed in Q&A 2018\_3822 and Q&A 2018\_4085.

Total Capital Ratio of Pekao Group as at the end of March 2021 was lower by 1.7 p.p. compared to the end of March 2021, mainly due decrease of own funds by 3.2% and higher capital requirements by 6.2%. Common equity Tier I Capital Ratio of Pekao Group as at the end of March 2022 was lower by 1.5 p.p. compared to the end of March 2021.

Decrease of own funds for total capital ratio results mainly from decrease of HTC&S portfolio valuation and lower IFRS 9 and HTC&S transitional period.

Increase of total capital requirement results mainly from higher credit risk capital requirement resulting mainly from increase of loan volumes, operational risk capital requirement mainly due to increase of provisions for loans denominated in foreign currencies and higher capital requirement for counterparty credit risk resulting from implementation of new Standardized Approach.

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

### Consolidated income statement for the first quarter of 2022

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTER OF 2022
<b>Net interest income</b>	<b>Net interest income</b>	<b><u>2,069,086</u></b>
<b>Net fee and commission income</b>	<b>Net fee and commission income</b>	<b><u>704,994</u></b>
Dividend income	Dividend income	276
Trading result	-	<u>50,385</u>
	Net result on other financial instruments at fair value through profit and loss	53,425
	Result on fair value hedge accounting	1,170
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(4,210)
Net other operating income and expenses	Net other operating income and expenses	<u>(809)</u>
	Operating income	28,610
	Operating expenses	(29,419)
<b>Net non-interest income</b>	-	<b><u>754,846</u></b>
<b>Operating income</b>	-	<b><u>2,823,932</u></b>
<b>Operating costs</b>	-	<b><u>(978,275)</u></b>
	General administrative expenses, depreciation and amortization	(1,447,252)
	less – Bank Guarantee Fund fee	267,219
	less – Tax on certain financial institutions	201,758
<b>Gross operating profit</b>	-	<b><u>1,845,657</u></b>
Net allowances for expected credit losses	Net allowances for expected credit losses	<u>(134,444)</u>
<b>Net operating profit</b>	-	<b><u>1,711,213</u></b>
Bank Guarantee Fund fee	Bank Guarantee Fund fee	<u>(267,219)</u>
Tax on certain financial institutions	Tax on certain financial institutions	<u>(201,758)</u>
Gains (losses) on associates and disposal of subsidiaries	-	1,092
<b>Profit before income tax</b>	<b>Profit before income tax</b>	<b><u>1,243,328</u></b>
Income tax expense	Income tax expense	<u>(335,440)</u>
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b><u>907,888</u></b>
<b>Attributable to equity holders of the Bank</b>	<b>Attributable to equity holders of the Bank</b>	<b><u>907,165</u></b>
Attributable to non-controlling interest	Attributable to non-controlling interest	723

**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><u>1,333,599</u></b>
<b>Net fee and commission income</b>	<b>Net fee and commission income</b>	<b><u>615,863</u></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	<u>3,766</u>
	Operating income	18,737
	Operating expenses	(14,971)
<b>Net non-interest income</b>	-	<b><u>660,848</u></b>
<b>Operating income</b>	-	<b><u>1,994,447</u></b>
<b>Operating costs</b>	-	<b><u>(1,038,048)</u></b>
	General administrative expenses, depreciation and amortization	(1,416,865)
	/less – Bank Guarantee Fund fee	203,357
	/less – Tax on certain financial institutions	175,460
<b>Gross operating profit</b>	-	<b><u>956,399</u></b>
Net allowances for expected credit losses	Net allowances for expected credit losses	(176,033)
<b>Net operating profit</b>	-	<b><u>780,366</u></b>
Bank Guarantee Fund fee	Bank Guarantee Fund fee	(203,357)
Tax on certain financial institutions	Tax on certain financial institutions	(175,460)
Gains (losses) on associates and disposal of subsidiaries	-	-
<b>Profit before income tax</b>	<b>Profit before income tax</b>	<b><u>401,549</u></b>
Income tax expense	Income tax expense	(155,453)
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b><u>246,096</u></b>
<b>Attributable to equity holders of the Bank</b>	<b>Attributable to equity holders of the Bank</b>	<b><u>245,648</u></b>
Attributable to non-controlling interest	Attributable to non-controlling interest	448

## 7. Quarterly Income Statement

### 7.1 Consolidated income statement – long form

Consolidated income statement for 2022 and 2021 - Provided for comparability purposes.

(in PLN thousand)

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Interest income	2,254,139	1,670,439	1,430,228	1,364,910	1,404,779
Interest income calculated using the effective interest method	2,183,403	1,574,704	1,354,688	1,296,270	1,336,590
Financial assets measured at amortised cost	2,073,383	1,476,990	1,259,802	1,180,899	1,191,489
Financial assets measured at fair value through other comprehensive income	110,020	97,714	94,886	115,371	145,101
Other interest income related to financial assets measured at fair value through profit or loss	70,736	95,735	75,540	68,640	68,189
Interest expense	(185,053)	(69,787)	(43,170)	(25,458)	(71,180)
<b>Net interest income</b>	<b>2,069,086</b>	<b>1,600,652</b>	<b>1,387,058</b>	<b>1,339,452</b>	<b>1,333,599</b>
Fee and commission income	836,184	849,692	842,719	800,788	736,798
Fee and commission expense	(131,190)	(154,451)	(139,062)	(128,034)	(120,935)
<b>Net fee and commission income</b>	<b>704,994</b>	<b>695,241</b>	<b>703,657</b>	<b>672,754</b>	<b>615,863</b>
Dividend income	276	3	1,062	25,597	-
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	53,425	9,482	27,197	64,559	28,607
Result on fair value hedge accounting	1,170	723	335	847	1,799
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(4,210)	(7,061)	2,917	23,194	10,813
Net allowances for expected credit losses	(134,444)	(232,127)	(178,138)	(191,900)	(176,033)
Operating income	28,610	46,019	28,846	27,944	18,737
Operating expenses	(29,419)	(69,134)	(25,146)	(28,495)	(14,971)
General administrative expenses, depreciation and amortization	(1,447,252)	(1,091,843)	(1,099,275)	(1,139,277)	(1,416,865)
Gains (losses) on associates and disposal of subsidiaries	1,092	3,880	693	355	-
<b>PROFIT BEFORE INCOME TAX</b>	<b>1,243,328</b>	<b>955,835</b>	<b>849,206</b>	<b>795,030</b>	<b>401,549</b>
Income tax expense	(335,440)	(262,096)	(217,841)	(189,672)	(155,453)
<b>NET PROFIT</b>	<b>907,888</b>	<b>693,739</b>	<b>631,365</b>	<b>605,358</b>	<b>246,096</b>
<b>Attributable to equity holders of the Bank</b>	<b>907,165</b>	<b>693,689</b>	<b>630,780</b>	<b>604,780</b>	<b>245,648</b>
Attributable to non-controlling interests	723	50	585	578	448

(\*) 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 2022 and 2021

(in PLN thousand)

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
<b>Net profit</b>	<b>907,888</b>	<b>693,739</b>	<b>631,365</b>	<b>605,358</b>	<b>246,096</b>
<b>Other comprehensive income</b>					
<b>Item that are or may be reclassified subsequently to profit or loss:</b>					
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	(454,162)	(700,846)	(97,002)	(274,631)	(200,938)
Profit or loss on fair value measurement	(449,834)	(697,980)	(94,533)	(257,773)	(194,753)
Profit or loss reclassification to income statement after derecognition	(4,328)	(2,866)	(2,469)	(16,858)	(6,185)
Impact of revaluation of derivative instruments hedging cash flows (net)	(800,343)	(1,132,204)	(232,201)	(100,101)	(271,771)
<b>Items that will never be reclassified to profit or loss:</b>					
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	(21,309)	(23,774)	(36,638)	31,262	35,952
Remeasurements of the defined benefit liabilities (net)	-	38,710	-	-	-
<b>Other comprehensive income (net of tax)</b>	<b>(1,275,814)</b>	<b>(1,818,114)</b>	<b>(365,841)</b>	<b>(343,470)</b>	<b>(436,757)</b>
<b>Total comprehensive income</b>	<b>(367,926)</b>	<b>(1,124,375)</b>	<b>265,524</b>	<b>261,888</b>	<b>(190,661)</b>
<b>Attributable to equity holders of the Bank</b>	<b>(368,649)</b>	<b>(1,124,462)</b>	<b>264,939</b>	<b>261,310</b>	<b>(191,109)</b>
Attributable to non-controlling interests	723	87	585	578	448

## 7.3 Consolidated income statement – presentation form

### Consolidated income statement for 2022 and 2021

(in PLN thousand)

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
<b>Net interest income</b>	<b>2,069,086</b>	<b>1,600,652</b>	<b>1,387,058</b>	<b>1,339,452</b>	<b>1,333,599</b>
Net fee and commission income	704,994	695,241	703,657	672,754	615,863
Dividend income	276	3	1,062	25,597	-
Trading result	50,385	3,144	30,449	88,600	41,219
Net other operating income and expenses	(809)	(23,115)	3,700	(551)	3,766
<b>Net non-interest income</b>	<b>754,846</b>	<b>675,273</b>	<b>738,868</b>	<b>786,400</b>	<b>660,848</b>
<b>Operating income</b>	<b>2,823,932</b>	<b>2,275,925</b>	<b>2,125,926</b>	<b>2,125,852</b>	<b>1,994,447</b>
Operating costs	(978,275)	(875,464)	(892,798)	(932,720)	(1,038,048)
<b>Gross operating profit</b>	<b>1,845,657</b>	<b>1,400,461</b>	<b>1,233,128</b>	<b>1,193,132</b>	<b>956,399</b>
Net allowances for expected credit losses	(134,444)	(232,127)	(178,138)	(191,900)	(176,033)
<b>Net operating profit</b>	<b>1,711,213</b>	<b>1,168,334</b>	<b>1,054,990</b>	<b>1,001,232</b>	<b>780,366</b>
Bank Guarantee Fund fee	(267,219)	(29,969)	(27,120)	(28,861)	(203,357)
Tax on certain financial institutions	(201,758)	(186,410)	(179,357)	(177,696)	(175,460)
Gains (losses) on associates and disposal of subsidiaries	1,092	3,880	693	355	-
<b>Profit before income tax</b>	<b>1,243,328</b>	<b>955,835</b>	<b>849,206</b>	<b>795,030</b>	<b>401,549</b>
Income tax expense	(335,440)	(262,096)	(217,841)	(189,672)	(155,453)
<b>Net profit</b>	<b>907,888</b>	<b>693,739</b>	<b>631,365</b>	<b>605,358</b>	<b>246,096</b>
<b>Attributable to equity holders of the Bank</b>	<b>907,165</b>	<b>693,689</b>	<b>630,780</b>	<b>604,780</b>	<b>245,648</b>
Attributable to non-controlling interest	723	50	585	578	448

## 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 2022.

### 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 2022 and as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the 2021, 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 33 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2022.

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

Information on derivative financial instruments and hedge accounting is included in Note 25 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2022.

### 8.5 Related party transactions

In the first quarter of 2022, 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 2022, 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 35 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2022.

### 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 Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2022.

### 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 432.6 (principal value) as at the end of March 2022. There are 3 issuance of Structured Certificates of Deposit open in PLN with the maximum maturity date on 2 March, 2023.

#### Certificates of Deposit

Certificates of Deposit are investment products denominated in PLN that guarantee 100% protection of invested funds also in case of termination before redemption date. The total value of the Bank's liabilities under these products amounted to PLN 1,105.1 million (principal value) as at the end of March 2018. There are 6 issuances of Certificates of Deposit. The liabilities with the maturity date up to 6 months and up to 1 year account for 87.2% and 12.8% of its total value respectively.

**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 947.1 million (principal value) as at the end of March 2022. Liabilities from covered bonds with maturity up to 1 year account for 4.5%, up to 5 years account for 72.3% , up to 10 years account for 23.3% of the total nominal value.

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

The total value of the company's liabilities under bonds amounted to PLN 156.5 million (principal value) as at the end of March 2022 with maturity date up to 1 month account for 50.3%, up to 1 year account for 49.7% 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 1,014.5 million (principal value) as at the end of March 2022 with maturity date up to 3 months account for 26.1%, up to 6 months account for 22.2%, up to 1 year account for 47.7% and up to 2 years account for 7.0% 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 2,322.0 million (principal value) as at the end of March 2022.

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

On March 2, 2022, the Management Board of the Bank adopted, in a form of a resolution, the motion of the Management Board of the Bank regarding the proposed distribution of net profit for the year 2021 in the amount of PLN 2,236,829,360.84, assuming the allocation of the amount of 1,128,621,146.20 PLN for dividend and the amount of PLN 1,108,208,214.64 for reserve capital. Proposed dividend per one share is PLN 4.3. The request of the Bank's Management Board received a positive opinion of the Bank's Supervisory Board. The final decision on the distribution of profit for 2021 will be made by the General Meeting of Shareholders.

**8.10 Subsequent events**

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



# **Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2022**



**Warsaw, April 2022**

*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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## I. Consolidated income statement

	NOTE	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021 RESTATED
Interest income	8	2 254 139	1 404 779
Interest income calculated using the effective interest method		2 183 403	1 336 590
Financial assets measured at amortised cost		2 073 383	1 191 489
Financial assets measured at fair value through other comprehensive income		110 020	145 101
Other interest income related to financial assets measured at fair value through profit or loss		70 736	68 189
Interest expense	8	(185 053)	(71 180)
<b>Net interest income</b>		<b>2 069 086</b>	<b>1 333 599</b>
Fee and commission income	9	836 184	736 798
Fee and commission expense	9	(131 190)	(120 935)
<b>Net fee and commission income</b>		<b>704 994</b>	<b>615 863</b>
Dividend income	10	276	-
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	11	53 425	28 607
Result on fair value hedge accounting		1 170	1 799
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	12	(4 210)	10 813
Net allowances for expected credit losses	13	(134 444)	(176 033)
Operating income	14	28 610	18 737
Operating expenses	14	(29 419)	(14 971)
General administrative expenses and depreciation	15	(1 447 252)	(1 416 865)
Gains (losses) on associates	16	1 092	-
<b>PROFIT BEFORE INCOME TAX</b>		<b>1 243 328</b>	<b>401 549</b>
Income tax expense	17	(335 440)	(155 453)
<b>NET PROFIT</b>		<b>907 888</b>	<b>246 096</b>
1. Attributable to equity holders of the Bank		907 165	245 648
2. Attributable to non-controlling interests		723	448
Earnings per share (in PLN per share)			
basic for the period	18	3.46	0.94
diluted for the period	18	3.46	0.94

Notes to the financial statements presented on pages 20 – 76 constitute an integral part of the condensed interim consolidated financial statements.

## II. Consolidated statement of comprehensive income

	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021 RESTATED
<b>Net profit</b>	<b>907 888</b>	<b>246 096</b>
<b>Other comprehensive income</b>		
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	(454 162)	(200 938)
Profit or loss on fair value measurement	(449 834)	(194 753)
Profit or loss reclassification to income statement after derecognition	(4 328)	(6 185)
Impact of revaluation of derivative instruments hedging cash flows (net)	(800 343)	(271 771)
<b>Items that will never be reclassified to profit or loss:</b>		
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	(21 309)	35 952
<b>Other comprehensive income (net of tax)</b>	<b>(1 275 814)</b>	<b>(436 757)</b>
<b>Total comprehensive income</b>	<b>(367 926)</b>	<b>(190 661)</b>
1. Attributable to equity holders of the Bank	(368 649)	(191 109)
2. Attributable to non-controlling interests	723	448

Notes to the financial statements presented on pages 20 – 76 constitute an integral part of the condensed interim consolidated financial statements.

### III. Consolidated statement of financial position

	NOTE	31.03.2022	31.12.2021
<b>ASSETS</b>			
Cash and due from Central Bank	20	18 828 240	4 696 620
Loans and advances to banks	21	6 364 582	3 328 087
Derivative financial instruments (held for trading)	22	12 644 689	7 928 539
Hedging instruments		180 121	78 216
Loans and advances to customers (including receivables from finance leases)	23	161 849 758	159 228 756
Securities	24	59 340 212	67 320 567
Assets pledged as security for liabilities	25	5 481 913	846 097
Assets held for sale		12 792	12 744
Investments in associates		45 127	44 035
Intangible assets	26	2 267 595	2 300 382
Property, plant and equipment	27	1 778 942	1 830 231
Income tax assets		2 066 721	1 865 347
1. Current tax assets		436 787	216 539
2. Deferred tax assets	17	1 629 934	1 648 808
Other assets		1 024 472	1 086 984
<b>TOTAL ASSETS</b>		<b>271 885 164</b>	<b>250 566 605</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Amounts due to Central Bank		-	-
Amounts due to other banks	28	13 284 022	8 575 469
Financial liabilities held for trading	29	275 667	639 733
Derivative financial instruments (held for trading)	22	12 586 442	7 969 343
Amounts due to customers	30	204 967 160	195 161 943
Hedging instruments		3 192 023	2 221 732
Debt securities issued	31	6 637 668	5 355 355
Subordinated liabilities		2 781 156	2 761 474
Liabilities associated with assets held for sale		-	-
Income tax liabilities		28 457	29 871
1. Current tax liabilities		4 152	4 966
2. Deferred tax liabilities	17	24 305	24 905
Provisions	32	876 413	883 108
Other liabilities		3 760 796	3 105 291
<b>TOTAL LIABILITIES</b>		<b>248 389 804</b>	<b>226 703 319</b>
<b>Equity</b>			
Share capital		262 470	262 470
Other capital and reserves		18 279 144	19 554 958
Retained earnings and net profit for the period		4 941 166	4 034 001
<b>Total equity attributable to equity holders of the Bank</b>		<b>23 482 780</b>	<b>23 851 429</b>
Non-controlling interests		12 580	11 857
<b>TOTAL EQUITY</b>		<b>23 495 360</b>	<b>23 863 286</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>271 885 164</b>	<b>250 566 605</b>

Notes to the financial statements presented on pages 20 – 76 constitute an integral part of the condensed interim consolidated financial statements.

## IV. 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 1.01.2022</b>	262 470	19 554 958	9 137 221	1 982 459	9 684 220	(1 618 480)	369 538	4 034 001	23 851 429	11 857	23 863 286
<b>Comprehensive income</b>	-	(1 275 814)	-	-	-	(1 275 814)	-	907 165	(368 649)	723	(367 926)
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(454 162)	-	-	-	(454 162)	-	-	(454 162)	-	(454 162)
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(21 309)	-	-	-	(21 309)	-	-	(21 309)	-	(21 309)
Revaluation of cash flow hedging financial instruments (net of tax)	-	(800 343)	-	-	-	(800 343)	-	-	(800 343)	-	(800 343)
Net profit for the period	-	-	-	-	-	-	-	907 165	907 165	723	907 888
<b>Appropriation of retained earnings</b>	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Profit appropriation to other reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Equity as at 31.03.2022</b>	262 470	18 279 144	9 137 221	1 982 459	9 684 220	(2 894 294)	369 538	4 941 166	23 482 780	12 580	23 495 360

Notes to the financial statements presented on pages 20 – 76 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 1.01.2021</b>	<b>262 470</b>	<b>22 243 269</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 386 555</b>	<b>1 355 621</b>	<b>381 413</b>	<b>2 977 889</b>	<b>25 483 628</b>	<b>11 349</b>	<b>25 494 977</b>
<b>Comprehensive income</b>	-	<b>(2 964 219)</b>	-	-	-	<b>(2 964 219)</b>	-	<b>2 174 897</b>	<b>(789 322)</b>	<b>1 698</b>	<b>(787 624)</b>
Remeasurements of the defined benefit liabilities (net of tax)	-	38 673	-	-	-	38 673	-	-	38 673	37	38 710
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(1 273 417)	-	-	-	(1 273 417)	-	-	(1 273 417)	-	(1 273 417)
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	6 802	-	-	-	6 802	-	-	6 802	-	6 802
Revaluation of cash flow hedging financial instruments (net of tax)	-	(1 736 277)	-	-	-	(1 736 277)	-	-	(1 736 277)	-	(1 736 277)
Net profit for the period	-	-	-	-	-	-	-	2 174 897	2 174 897	1 661	2 176 558
<b>Appropriation of retained earnings</b>	-	<b>275 908</b>	-	-	<b>287 783</b>	-	<b>(11 875)</b>	<b>(1 118 437)</b>	<b>(842 529)</b>	<b>(1 088)</b>	<b>(843 617)</b>
Dividend paid	-	-	-	-	-	-	-	(842 529)	(842 529)	(1 088)	(843 617)
Profit appropriation to other reserves	-	275 908	-	-	287 783	-	(11 875)	(275 908)	-	-	-
<b>Other</b>	-	-	-	-	<b>9 882</b>	<b>(9 882)</b>	-	<b>(348)</b>	<b>(348)</b>	<b>(102)</b>	<b>(450)</b>
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	9 882	(9 882)	-	-	-	-	-
Other	-	-	-	-	-	-	-	(348)	(348)	(102)	(450)
<b>Equity as at 31.12.2021</b>	<b>262 470</b>	<b>19 554 958</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 684 220</b>	<b>(1 618 480)</b>	<b>369 538</b>	<b>4 034 001</b>	<b>23 851 429</b>	<b>11 857</b>	<b>23 863 286</b>

Notes to the financial statements presented on pages 20 – 76 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 1.01.2021</b>	<b>262 470</b>	<b>22 243 269</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 386 555</b>	<b>1 355 621</b>	<b>381 413</b>	<b>2 977 889</b>	<b>25 483 628</b>	<b>11 349</b>	<b>25 494 977</b>
<b>Comprehensive income</b>	-	<b>(436 757)</b>	-	-	-	<b>(436 757)</b>	-	<b>245 648</b>	<b>(191 109)</b>	<b>448</b>	<b>(190 661)</b>
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(200 938)	-	-	-	(200 938)	-	-	(200 938)	-	(200 938)
Revaluation 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 cash flow 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>	-	<b>(12 385)</b>	-	-	-	-	<b>(12 385)</b>	<b>12 385</b>	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Profit appropriation to other reserves	-	(12 385)	-	-	-	-	(12 385)	12 385	-	-	-
<b>Equity as at 31.03.2021</b>	<b>262 470</b>	<b>21 794 127</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 386 555</b>	<b>918 864</b>	<b>369 028</b>	<b>3 235 922</b>	<b>25 292 519</b>	<b>11 797</b>	<b>25 304 316</b>

Notes to the financial statements presented on pages 20 – 76 constitute an integral part of the condensed interim consolidated financial statements.

## V. Consolidated cash flow statement

	NOTE	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021 RESTATED
<b>Cash flow from operating activities – indirect method</b>			
Profit before income tax		1 243 328	401 549
<b>Adjustments for:</b>		<b>11 092 153</b>	<b>2 658 818</b>
Depreciation and amortization	15	176 987	157 083
Share in gains (losses) from associates		(1 092)	-
(Gains) losses on investing activities		(8 025)	(7 712)
Net interest income	8	(2 069 086)	(1 333 599)
Dividend income	10	(276)	-
Interest received		1 953 749	1 069 936
Interest paid		(162 683)	(93 256)
Income tax paid		(242 812)	(192 770)
Change in loans and advances to banks		(7 744)	(92 458)
Change in derivative financial instruments (assets)		(4 716 150)	692 568
Change in loans and advances to customers (in this receivables from financial leases)		(2 492 647)	(12 528 384)
Change in securities (including assets pledged as security for liabilities)		310 201	98 263
Change in other assets		(1 411 370)	(793 196)
Change in amounts due to banks		4 362 372	(1 550 764)
Change in financial liabilities held for trading		(364 066)	(300 998)
Change in derivative financial instruments (liabilities)		4 617 099	(803 938)
Change in amounts due to customers		9 831 431	17 432 415
Change in debt securities issued		(152 132)	1 924
Change in subordinated liabilities		19 682	-
Payments for short-term leases and leases of low-value assets		(609)	(588)
Change in provisions		(6 695)	53 686
Change in other liabilities		1 456 019	850 606
<b>Net cash flows from operating activities</b>		<b>12 335 481</b>	<b>3 060 367</b>
<b>Cash flow from investing activities</b>			
<b>Investing activity inflows</b>		<b>16 046 383</b>	<b>63 781 489</b>
Subsidy received for taking over the part of the activities of Idea Bank S.A. including purchased cash		-	193 000
Sale of subsidiaries		-	-
Sale of securities measured at amortized cost and at fair value through other comprehensive income		16 012 744	63 580 878
Sale of intangible assets and property, plant and equipment	26, 27	33 363	7 611
Dividend received	10	276	-
<b>Investing activity outflows</b>		<b>(12 955 139)</b>	<b>(62 063 697)</b>
Acquisition of associates		-	(41 250)
Acquisition of securities measured at amortized cost and at fair value through other comprehensive income		(12 896 367)	(61 943 762)
Acquisition of intangible assets and property, plant and equipment	26, 27	(58 772)	(78 685)
<b>Net cash flows from investing activities</b>		<b>3 091 244</b>	<b>1 717 792</b>

Notes to the financial statements presented on pages 20 – 76 constitute an integral part of the condensed interim consolidated financial statements

	NOTE	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022	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>5 513 609</b>	<b>2 871 414</b>
Due to loans and advances received from banks		632 640	-
Issue of debt securities		4 880 969	2 871 414
<b>Financing activity outflows</b>		<b>(3 780 957)</b>	<b>(4 312 845)</b>
Repayment of loans and advances received from banks		(299 770)	(173 432)
Redemption of debt securities		(3 452 651)	(4 109 312)
Dividends and other payments to shareholders		-	-
Payments for the principal portion of the lease liabilities		(28 536)	(30 101)
<b>Net cash flows from financing activities</b>		<b>1 732 652</b>	<b>(1 441 431)</b>
<b>Total net cash flows</b>		<b>17 159 377</b>	<b>3 336 728</b>
including effect of exchange rate fluctuations on cash and cash equivalents held		52 487	37 533
<b>Net change in cash and cash equivalents</b>		<b>17 159 377</b>	<b>3 336 728</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>7 735 625</b>	<b>7 005 348</b>
<b>Cash and cash equivalents at the end of the period</b>	34	<b>24 895 002</b>	<b>10 342 076</b>

Notes to the financial statements presented on pages 20 – 76 constitute an integral part of the condensed interim consolidated financial statements.

## VI. Income statement of Bank Pekao S.A.

	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021 RESTATED
Interest income	2 133 985	1 330 842
Interest income calculated using the effective interest method	2 062 081	1 262 050
Financial assets measured at amortised cost	1 925 359	1 113 557
Financial assets measured at fair value through other comprehensive income	136 722	148 493
Other interest income related to financial assets measured at fair value through profit or loss	71 904	68 792
Interest expense	(143 245)	(53 510)
<b>Net interest income</b>	<b>1 990 740</b>	<b>1 277 332</b>
Fee and commission income	755 801	638 810
Fee and commission expense	(135 846)	(116 552)
<b>Net fee and commission income</b>	<b>619 955</b>	<b>522 258</b>
Dividend income	276	-
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	48 215	26 365
Result on fair value hedge accounting	1 170	1 799
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(4 210)	10 813
Net allowances for expected credit losses	(143 511)	(197 165)
Operating income	27 396	17 882
Operating expenses	(28 092)	(14 090)
General administrative expenses and depreciation	(1 370 253)	(1 342 813)
<b>PROFIT BEFORE INCOME TAX</b>	<b>1 141 686</b>	<b>302 381</b>
Income tax expense	(309 832)	(135 434)
<b>NET PROFIT</b>	<b>831 854</b>	<b>166 947</b>
Earnings per share (in PLN per share)		
basic for the period	3.17	0.64
diluted for the period	3.17	0.64

## VII. Statement of comprehensive income of Bank Pekao S.A.

	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03 2022	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03 2021 RESTATED
<b>Net profit</b>	<b>831 854</b>	<b>166 947</b>
<b>Other comprehensive income</b>		
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	(460 411)	(201 619)
profit or loss on fair value measurement	(456 083)	(195 434)
profit or loss reclassification to income statement after derecognition	(4 328)	(6 185)
Impact of revaluation of derivative instruments hedging cash flows (net)	(800 343)	(271 771)
<b>Items that will never be reclassified to profit or loss:</b>		
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	(21 309)	35 952
<b>Other comprehensive income (net of tax)</b>	<b>(1 282 063)</b>	<b>(437 438)</b>
<b>Total comprehensive income</b>	<b>(450 209)</b>	<b>(270 491)</b>

## VIII. Statement of financial position of Bank Pekao S.A.

	31.03.2022	31.12.2021
<b>ASSETS</b>		
Cash and due from Central Bank	18 828 068	4 696 615
Loans and advances to banks	7 221 146	3 998 628
Derivative financial instruments (held for trading)	12 674 259	7 966 726
Hedging instruments	180 121	78 216
Loans and advances to customers	147 288 113	143 424 982
Securities	63 738 827	72 924 656
Assets pledged as security for liabilities	5 481 913	846 097
Assets held for sale	12 792	12 744
Investments in subsidiaries	1 577 425	1 577 425
Investments in associates	42 194	42 194
Intangible assets	1 416 154	1 445 830
Property, plant and equipment	1 694 656	1 745 152
Income tax assets	1 774 282	1 562 861
1. Current tax assets	418 354	198 129
2. Deferred tax assets	1 355 928	1 364 732
Other assets	885 608	953 087
<b>TOTAL ASSETS</b>	<b>262 815 558</b>	<b>241 275 213</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Liabilities</b>		
Amounts due to Central Bank	-	-
Amounts due to other banks	9 374 712	5 069 257
Financial liabilities held for trading	275 667	639 733
Derivative financial instruments (held for trading)	12 600 323	7 978 525
Amounts due to customers	205 236 382	195 451 091
Hedging instruments	3 192 023	2 221 732
Debt securities issued	2 184 383	178 573
Subordinated liabilities	2 781 156	2 761 474
Income tax liabilities	-	-
1. Current tax liabilities	-	-
2. Deferred tax liabilities	-	-
Provisions	933 550	935 987
Other liabilities	3 587 750	2 939 020
<b>TOTAL LIABILITIES</b>	<b>240 165 946</b>	<b>218 175 392</b>
<b>Equity</b>		
Share capital	262 470	262 470
Other capital and reserves	17 633 401	18 915 464
Retained earnings and net profit for the period	4 753 741	3 921 887
<b>TOTAL EQUITY</b>	<b>22 649 612</b>	<b>23 099 821</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>262 815 558</b>	<b>241 275 213</b>

## IX. Statement of changes in equity of Bank Pekao S.A.

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY	
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES			OTHER
<b>Equity as at 1.01.2022</b>	262 470	18 915 464	9 137 221	1 982 459	9 146 343	(1 583 686)	233 127	3 921 887	23 099 821
<b>Comprehensive income</b>	-	(1 282 063)	-	-	-	(1 282 063)	-	831 854	(450 209)
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(460 411)	-	-	-	(460 411)	-	-	(460 411)
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(21 309)	-	-	-	(21 309)	-	-	(21 309)
Revaluation of cash flow hedging financial instruments (net of tax)	-	(800 343)	-	-	-	(800 343)	-	-	(800 343)
Net profit for the period	-	-	-	-	-	-	-	831 854	831 854
<b>Appropriation of retained earnings</b>	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-
Profit appropriation	-	-	-	-	-	-	-	-	-
<b>Equity as at 31.03.2022</b>	262 470	17 633 401	9 137 221	1 982 459	9 146 343	(2 865 749)	233 127	4 753 741	22 649 612

	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>	<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>	
<b>Comprehensive income</b>	-	<b>(2 941 850)</b>	-	-	-	<b>(2 941 850)</b>	-	<b>2 236 829</b>	<b>(705 021)</b>	
Remeasurements of the defined benefit liabilities (net of tax)	-	38 201	-	-	-	38 201	-	-	38 201	
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(1 250 576)	-	-	-	(1 250 576)	-	-	(1 250 576)	
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	6 802	-	-	-	6 802	-	-	6 802	
Revaluation of cash flow hedging financial instruments (net of tax)	-	(1 736 277)	-	-	-	(1 736 277)	-	-	(1 736 277)	
Net profit for the period	-	-	-	-	-	-	-	2 236 829	2 236 829	
<b>Appropriation of retained earnings</b>	-	<b>283 895</b>	-	-	<b>283 895</b>	-	-	<b>(1 126 424)</b>	<b>(842 529)</b>	
Dividend paid	-	-	-	-	-	-	-	(842 529)	(842 529)	
Profit appropriation	-	283 895	-	-	283 895	-	-	(283 895)	-	
<b>Other</b>	-	-	-	-	<b>9 882</b>	<b>(9 882)</b>	-	-	-	
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	9 882	(9 882)	-	-	-	
<b>Equity as at 31.12.2021</b>	<b>262 470</b>	<b>18 915 464</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 146 343</b>	<b>(1 583 686)</b>	<b>233 127</b>	<b>3 921 887</b>	<b>23 099 821</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 1.01.2021</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>	
<b>Comprehensive income</b>	-	<b>(437 438)</b>	-	-	-	<b>(437 438)</b>	-	<b>166 947</b>	<b>(270 491)</b>	
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(201 619)	-	-	-	(201 619)	-	-	(201 619)	
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	35 952	-	-	-	35 952	-	-	35 952	
Revaluation of cash flow 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>	<b>262 470</b>	<b>21 135 981</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>8 852 566</b>	<b>930 608</b>	<b>233 127</b>	<b>2 978 429</b>	<b>24 376 880</b>	

## X. Cash flow statement of Bank Pekao S.A.

	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022	I QUARTER 2021 PERIOD FROM 01.01.2021 TO 31.03.2021 RESTATED
<b>Cash flow from operating activities – indirect method</b>		
<b>Profit before income tax</b>	<b>1 141 686</b>	<b>302 381</b>
<b>Adjustments for:</b>	<b>9 520 666</b>	<b>2 774 876</b>
Depreciation and amortization	166 070	146 058
(Gains) losses on investing activities	(7 992)	(7 686)
Net interest income	(1 990 740)	(1 277 332)
Dividend income	(276)	-
Interest received	1 857 491	995 389
Interest paid	(109 445)	(71 827)
Income tax paid	(224 329)	(183 623)
Change in loans and advances to banks	(407 270)	(372 880)
Change in derivative financial instruments (assets)	(4 707 533)	702 939
Change in loans and advances to customers	(3 735 694)	(12 471 695)
Change in securities (including assets pledged as security for liabilities)	246 143	142 782
Change in other assets	(1 411 438)	(831 234)
Change in amounts due to banks	4 360 680	(1 199 855)
Change in financial liabilities held for trading	(364 066)	(300 998)
Change in derivative financial instruments (liabilities)	4 621 798	(819 440)
Change in amounts due to customers	9 811 131	17 417 617
Change in debt securities issued	(19 595)	(5 928)
Change in subordinated liabilities	19 682	-
Payments for short-term leases and leases of low-value assets	(301)	(216)
Change in provisions	(2 437)	63 256
Change in other liabilities	1 418 787	849 549
<b>Net cash flows from operating activities</b>	<b>10 662 352</b>	<b>3 077 257</b>
<b>Cash flow from investing activities</b>		
<b>Investing activity inflows</b>	<b>17 461 394</b>	<b>64 399 041</b>
Subsidy received for taking over the part of the activities of Idea Bank S.A. including purchased cash	-	193 000
Sale of subsidiaries	-	-
Sale of securities measured at amortized cost and at fair value through other comprehensive income	17 455 279	64 206 041
Sale of intangible assets and property, plant and equipment	5 839	-
Dividend received	276	-
<b>Investing activity outflows</b>	<b>(13 088 965)</b>	<b>(63 328 581)</b>
Acquisition of subsidiaries and associates	-	(41 250)
Acquisition of securities measured at amortized cost and at fair value through other comprehensive income	(13 038 546)	(63 214 943)
Acquisition of intangible assets and property, plant and equipment	(50 419)	(72 388)
<b>Net cash flows from investing activities</b>	<b>4 372 429</b>	<b>1 070 460</b>

	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022	I QUARTER 2022 PERIOD FROM 01.01.2021 TO 31.03.2021 RESTATED
<b>Cash flows from financing activities</b>		
<b>Financing activity inflows</b>	<b>2 009 555</b>	<b>-</b>
Due to loans and advances received from banks	-	-
Issue of debt securities	2 009 555	-
<b>Financing activity outflows</b>	<b>(98 714)</b>	<b>(447 881)</b>
Repayment of loans and advances received from banks	(69 201)	(48 863)
Redemption of debt securities	(1 045)	(368 919)
Dividends and other payments to shareholders	-	-
Payments for the principal portion of the lease liabilities	(28 468)	(30 099)
<b>Net cash flows from financing activities</b>	<b>1 910 841</b>	<b>(447 881)</b>
<b>Total net cash flows</b>	<b>16 945 622</b>	<b>3 699 836</b>
including effect of exchange rate fluctuations on cash and cash equivalents held	53 860	37 570
<b>Net change in cash and cash equivalents</b>	<b>16 945 622</b>	<b>3 699 836</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8 273 507</b>	<b>7 296 349</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>25 219 129</b>	<b>10 996 185</b>

# XI. Notes to 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 Poland 00-844, Grzybowska Street 53/57 Warsaw, 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.

The Bank's shares are quoted on the Warsaw Stock Exchange (WSE). The Bank's securities, traded on regulated markets, are classified in the banking sector.

Bank Pekao S.A. is a universal commercial bank, offering a broad range of banking services on domestic financial markets, provided to retail and corporate clients, in compliance with the scope of services, set forth in the Bank's Articles of Association.

The Bank runs both PLN and forex operations, and it actively participates in both domestic and foreign financial markets. Moreover, acting through its subsidiaries, the Group provides stockbroking, leasing, factoring operations and offering other financial services.

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 2022 to 31 March 2022 contain financial information of the Bank and its subsidiaries (together referred to as the 'Group'), and the associates accounted for using equity method.

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 2022.

## 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	
			31.03.2022	31.12.2021
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Pekao Leasing Sp. z o.o.	Warsaw	Leasing services	100.00	100.00
<i>PeUF Sp. z o.o.</i>	<i>Warsaw</i>	<i>Financial support</i>	<i>100.00</i>	<i>100.00</i>
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)	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
Pekao Investment Management S.A.	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 2022 and 31 December 2021 all subsidiaries of the Bank have been consolidated.

As at 31 March 2022 and 31 December 2021 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	
			31.03.2022	31.12.2021
Krajowy Integrator Płatności S.A.	Poznan	Monetary brokerage	38.33	38.33

### 3. Business combinations

In 2021, the transaction of taking over of Idea Bank S.A. by Bank Pekao S.A. took place. This transaction was described in detail in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2021.

### 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 2022 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 and disclosures 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 2021.

The consolidated financial statements of Bank Pekao S.A. Group as at and for the year ended 31 December 2021 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, the Bank is required to publish the financial report for the three months period ended 31 March 2022, i.e. current interim period.

These condensed interim consolidated financial statements were authorized for issue by the Management Board on 27 April 2022.

#### 4.1. New standards, interpretations and amendments to published standards that have been approved and published by the European Union and are effective on or after 1 January 2022

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
<b>IFRS 3 (amendment)</b> 'Business combinations'	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>	The standard's amendments did not have a material impact on the financial statements in the period of their first application.
<b>IAS 16 (amendment)</b> 'Property, plant and equipment'	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.	The standard's amendments did not have a material impact on the financial statements in the period of their first application.
<b>IAS 37 (amendment)</b> 'Provisions, contingent liabilities and contingent assets'	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.	The standard's amendments did not have a material impact on the financial statements in the period of their first application.

#### 4.2. 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

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
<b>MSSF 17</b> 'Insurance contracts'	The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' and related interpretations while applied. Date of application: annual periods beginning on or after 1 January 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 1 (amendment)</b> 'Presentation of financial statement'	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 period 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)</b> 'Accounting policies, changes in accounting estimates and errors'	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.

#### 4.3. 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>IAS 1 (amendment)</b> 'Presentation of financial statements'	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>IAS 12 (amendment)</b> 'Income taxes'	The amendments introduce the requirement to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will mainly apply to transactions such as leases for the lessee and decommissioning obligations. Date of application: annual periods beginning on or after 1 January 2023.	The Group is currently analyzing the impact of the standard's amendment on the financial statements in the period of its first application.
<b>MSSF 17 (amendment)</b> 'Insurance contracts' and <b>IFRS 9 (amendment)</b> 'Financial instrument's'	The main amendment regards entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. There are no changes to the transition requirements in IFRS 9. Date of application - an annual period 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

## 5. Significant accounting policies

### General information

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

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.

In the period of first quarter of 2022 the Group did not amend its accounting policies in respect to valuation of assets and liabilities and profit measurement, except for the changes to the quantitative criteria described below for the determination of significant modifications and changes in the presentation of the depreciation of property, plant and equipment and intangible assets in the income statement.

The accounting policies applied by the Group in these condensed interim consolidated financial statements, apart from changes resulting from changes in quantitative criteria for determining significant modifications and changes in the presentation of the depreciation of property, plant and equipment and intangible assets in the income statement, are the same as those applied in the Consolidated Financial Statements of Bank Pekao S.A. Group for the year ended on 31 December 2021. 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 2022, 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 4.2 and Note 4.3). 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 condensed interim consolidated financial statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2022, the Group and the Bank made the following changes to the accounting principles:

- 1) a change in the quantitative criteria for determining significant modifications.

Due to entry into force on 1 January 2022 of the 'Recommendation R on the principles of credit exposure classification, estimation and recognition of expected credit losses and credit risk management' issued by the Polish Financial Supervision Authority. The Group uses the criterion of extending the loan period by at least 1 year and at least doubling the residual period to the original maturity (meeting both conditions jointly) for all exposures, regardless of their classification to risk groups (before the change, this criterion applied to Stage 1 and Stage 2).

The above-mentioned changes of the accounting principles resulted in the identification of new POCI assets and the need to transform the comparable data in terms of the gross value of loans and advances to customers measured at amortized costs and the value of allowances for expected credit losses relating to these loans (presentation changes between Stage 3 and POCI assets), but they had no impact on the total net value of loans and advances to customers.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	DATA FOR 31.12.2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 31.12.2021 AFTER RESTATEMENT
Gross carrying amount of loans and advances to customers measured at amortized costs (Stage 3)	8 321 120	(278 466)	8 042 654
Gross carrying amount of loans and advances to customers measured at amortized costs (POCI assets)	817 321	166 567	983 888
Allowances for expected credit losses (Stage 3)	5 919 147	(149 633)	5 769 514
Allowances for expected credit losses (POCI assets)	205 961	37 734	243 695

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	DATA FOR 01.01.2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 01.01.2021 AFTER RESTATEMENT
Gross carrying amount of loans and advances to customers measured at amortized costs (Stage 3)	8 528 493	(285 266)	8 243 227
Gross carrying amount of loans and advances to customers measured at amortized costs (POCI assets)	39 572	181 671	221 243
Allowances for expected credit losses (Stage 3)	5 655 257	(103 595)	5 551 662

2) a change in the method of presenting the depreciation costs of property, plant and equipment and intangible assets.

The Group has presented the above-mentioned costs under 'General administrative expenses and depreciation'. Before the change, they were presented in a separate item of the income statement 'Depreciation and amortization'.

In the Group's opinion, the change in the presentation of the above-mentioned costs increases the transparency of the income statement from the point of view of its users.

3) a change in the method of presenting the debt collection costs in the income statement.

Following the change introduced in the financial statements for the year ended on 31 December 2021, the Group and the Bank recognized the above-mentioned costs under 'Other operating expenses'. Before the change, they were presented in the item 'Other administrative expenses'.

The above-mentioned changes of the accounting principles made it necessary to transform the comparable data for the 3-month period ended on 31 March 2021, but they did not affect the level of the presented financial result.

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

CONSOLIDATED INCOME STATEMENT	DATA FOR I QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I QUARTER 2021 AFTER RESTATEMENT
Administrative expenses	(1 265 569)	1 265 569	-
Depreciation and amortization	(157 083)	157 083	-
General administrative expenses and depreciation	-	(1 416 865)	(1 416 865)
Other operating expenses	(9 184)	(5 787)	(14 971)

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

SEPARATE INCOME STATEMENT	DATA FOR I QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I QUARTER 2021 AFTER RESTATEMENT
Administrative expenses	(1 203 471)	1 203 471	-
Depreciation and amortization	(146 058)	146 058	-
General administrative expenses and depreciation	-	(1 342 813)	(1 342 813)
Other operating expenses	(7 374)	(6 716)	(14 090)

4) a change in the method of presenting the items in the statement of comprehensive income, adjusting the presentation of individual components of this statement to the components presented in the statement of changes in equity.

Following the change introduced in the financial statements for the year ended on 31 December 2021, the items of the statement of comprehensive income are presented in net amounts. Before the change, they were presented as gross amounts with a separate item for income tax.

The above-mentioned changes made it necessary to transform the comparable data for the 3-month period ended on 31 March 2021, but they did not affect the level of the presented result of comprehensive income.



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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	DATA FOR I QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I QUARTER 2021 AFTER RESTATEMENT
Change in fair value of financial assets measured at fair value through other comprehensive income:	(248 072)	248 072	-
profit or loss on fair value measurement	(240 436)	240 436	-
profit or loss reclassification to income statement after derecognition	(7 636)	7 636	-
Change in fair value of cash flow hedges	(335 520)	335 520	-
Tax on items that are or may be reclassified subsequently to profit or loss	110 883	(110 883)	-
Effects of the revaluation of investments in equity instruments designated at fair value through other comprehensive	44 385	(44 385)	-
Tax on items that will never be reclassified to profit or loss	(8 433)	8 433	-
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	-	(200 938)	(200 938)
profit or loss on fair value measurement	-	(194 753)	(194 753)
profit or loss reclassification to income statement after derecognition	-	(6 185)	(6 185)
Revaluation of derivative instruments hedging cash flows (net)	-	(271 771)	(271 771)
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	-	35 952	35 952
<b>Other comprehensive income (net of tax)</b>	<b>(436 757)</b>	<b>-</b>	<b>(436 757)</b>

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME	DATA FOR I QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I QUARTER 2021 AFTER RESTATEMENT
Change in fair value of financial assets measured at fair value through other comprehensive income:	(248 913)	248 913	-
profit or loss on fair value measurement	(241 277)	241 277	-
profit or loss reclassification to income statement after derecognition	(7 636)	7 636	-
Change in fair value of cash flow hedges	(335 520)	335 520	-
Tax on items that are or may be reclassified subsequently to profit or loss	111 043	(111 043)	-
Effects of the revaluation of investments in equity instruments designated at fair value through other comprehensive	44 385	(44 385)	-
Tax on items that will never be reclassified to profit or loss	(8 433)	8 433	-
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	-	(201 619)	(201 619)
profit or loss on fair value measurement	-	(195 434)	(195 434)
profit or loss reclassification to income statement after derecognition	-	(6 185)	(6 185)
Revaluation of derivative instruments hedging cash flows (net)	-	(271 771)	(271 771)
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	-	35 952	35 952
<b>Other comprehensive income (net of tax)</b>	<b>(437 438)</b>	<b>-</b>	<b>(437 438)</b>

5) change in presentation of securities in the cash flow statement.

Following the change introduced in the financial statements for the year ended on 31 December 2021, the items 'Change in financial assets held for trading' and 'Change in investment (placement) securities' were presented in the item 'Change in securities (including assets pledged as security for liabilities)'.

The above-mentioned changes made it necessary to transform the comparable data for the 3-month period ended on 31 March 2021, and they related to cash flows from operating activities, the total level of which did not change.

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

CONSOLIDATED CASH FLOW STATEMENT	DATA FOR I QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I QUARTER 2021 AFTER RESTATEMENT
Change in financial assets held for trading	607 027	(607 027)	-
Change in investment (placement) securities	(508 764)	508 764	-
Change in securities (including assets pledged as security for liabilities)	-	98 263	98 263

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

SEPARATE CASH FLOW STATEMENT	DATA FOR I QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I QUARTER 2021 AFTER RESTATEMENT
Change in financial assets held for trading	610 206	(610 206)	-
Change in investment (placement) securities	(467 424)	467 424	-
Change in securities (including assets pledged as security for liabilities)	-	142 782	142 782

## 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.

However, taking into account the significant uncertainty as to the further development of the economic situation, in particular due to the current geopolitical situation and the ongoing armed conflict in the eastern part of Europe, the estimates made may change in the future. The uncertainty of the estimates made by the Group as at 31 March 2022 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, inflation, levels of market interest rates, 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 distinguishes individually significant exposures, in particular: all financial assets towards the borrower for which the Group's total exposure as at the balance sheet date is at least PLN 4 million or PLN 1 million in the case of customers overdue more than 90 days or in the case of which the condition for restructuring has been met on at least one contract.

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 carried 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 asset 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 asset (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 2022, 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 2022 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 36.2.

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

As at 31 March 2022 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 2022, 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 32.

#### **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 2021.

## 7. 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,
- Private 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,
- Enterprise 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,
- 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 2022

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ENTERPRISE BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
External interest income	1 098 262	1 931	587 387	220 745	345 814	2 254 139
External interest expenses	(15 746)	(6 213)	(126 903)	(4 783)	(31 408)	(185 053)
<b>Net external interest income</b>	<b>1 082 516</b>	<b>(4 282)</b>	<b>460 484</b>	<b>215 962</b>	<b>314 406</b>	<b>2 069 086</b>
Internal interest income	655 689	64 872	307 357	116 497	(1 144 415)	-
Internal interest expenses	(588 782)	(1 814)	(400 570)	(138 262)	1 129 428	-
<b>Net internal interest income</b>	<b>66 907</b>	<b>63 058</b>	<b>(93 213)</b>	<b>(21 765)</b>	<b>(14 987)</b>	<b>-</b>
<b>Total net interest income</b>	<b>1 149 423</b>	<b>58 776</b>	<b>367 271</b>	<b>194 197</b>	<b>299 419</b>	<b>2 069 086</b>
<b>Fee and commission income and expense</b>	<b>295 304</b>	<b>40 189</b>	<b>188 637</b>	<b>177 586</b>	<b>3 278</b>	<b>704 994</b>
<b>Other non-interest income</b>	<b>569</b>	<b>(355)</b>	<b>40 746</b>	<b>26 114</b>	<b>(17 222)</b>	<b>49 852</b>
<b>Operating income</b>	<b>1 445 296</b>	<b>98 610</b>	<b>596 654</b>	<b>397 897</b>	<b>285 475</b>	<b>2 823 932</b>
Personnel expenses	(224 994)	(19 535)	(59 834)	(52 410)	(201 366)	(558 139)
Other administrative expenses	(329 822)	(8 670)	(56 904)	(72 572)	224 819	(243 149)
Depreciation and amortisation	(56 597)	(4 519)	(5 912)	(6 126)	(103 833)	(176 987)
<b>Operating costs</b>	<b>(611 413)</b>	<b>(32 724)</b>	<b>(122 650)</b>	<b>(131 108)</b>	<b>(80 380)</b>	<b>(978 275)</b>
<b>Gross operating profit</b>	<b>833 883</b>	<b>65 886</b>	<b>474 004</b>	<b>266 789</b>	<b>205 095</b>	<b>1 845 657</b>
Net allowances for expected credit losses	(69 880)	(475)	(5 820)	(31 847)	(26 422)	(134 444)
<b>Net operating profit</b>	<b>764 003</b>	<b>65 411</b>	<b>468 184</b>	<b>234 942</b>	<b>178 673</b>	<b>1 711 213</b>
Guarantee funds charges	(77 288)	(188)	(49 074)	(20 578)	(120 091)	(267 219)
Tax on certain financial institutions					(201 758)	(201 758)
Gains (losses) on associates					1 092	1 092
<b>Profit before tax</b>	<b>686 715</b>	<b>65 223</b>	<b>419 110</b>	<b>214 364</b>	<b>(142 084)</b>	<b>1 243 328</b>
Income tax expense						(335 440)
<b>Net profit for the period</b>						<b>907 888</b>
<b>Attributable to equity holders of the Bank</b>						<b>907 165</b>
Attributable to non-controlling interests						723
Allocated assets	82 054 077	463 513	72 581 182	22 661 564	68 565 363	246 325 699
Unallocated assets						25 559 465
<b>Total assets</b>						<b>271 885 164</b>
Allocated liabilities	112 021 010	14 836 659	67 408 637	28 193 871	5 654 818	228 114 995
Unallocated liabilities						20 274 809
<b>Total liabilities</b>						<b>248 389 804</b>

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	654 257	968	295 878	102 452	351 224	1 404 779
External interest expenses	(17 697)	(4 801)	(15 996)	(802)	(31 884)	(71 180)
<b>Net external interest income</b>	<b>636 560</b>	<b>(3 833)</b>	<b>279 882</b>	<b>101 650</b>	<b>319 340</b>	<b>1 333 599</b>
Internal interest income	598 054	68 421	180 119	123 302	(969 896)	-
Internal interest expenses	(197 397)	(689)	(80 691)	(31 769)	310 546	-
<b>Net internal interest income</b>	<b>400 657</b>	<b>67 732</b>	<b>99 428</b>	<b>91 533</b>	<b>(659 350)</b>	<b>-</b>
<b>Total net interest income</b>	<b>1 037 217</b>	<b>63 899</b>	<b>379 310</b>	<b>193 183</b>	<b>(340 010)</b>	<b>1 333 599</b>
<b>Fee and commission income and expense</b>	<b>265 043</b>	<b>46 345</b>	<b>160 431</b>	<b>141 870</b>	<b>2 174</b>	<b>615 863</b>
<b>Other non-interest income</b>	<b>3 099</b>	<b>(278)</b>	<b>40 289</b>	<b>9 506</b>	<b>(7 631)</b>	<b>44 985</b>
<b>Operating income</b>	<b>1 305 359</b>	<b>109 966</b>	<b>580 030</b>	<b>344 559</b>	<b>(345 467)</b>	<b>1 994 447</b>
Personnel expenses	(226 818)	(19 585)	(53 901)	(46 422)	(299 805)	(646 531)
Other administrative expenses	(318 126)	(10 149)	(55 142)	(63 061)	212 044	(234 434)
Depreciation and amortisation	(48 085)	(3 964)	(5 372)	(4 122)	(95 540)	(157 083)
<b>Operating costs</b>	<b>(593 029)</b>	<b>(33 698)</b>	<b>(114 415)</b>	<b>(113 605)</b>	<b>(183 301)</b>	<b>(1 038 048)</b>
<b>Gross operating profit</b>	<b>712 330</b>	<b>76 268</b>	<b>465 615</b>	<b>230 954</b>	<b>(528 768)</b>	<b>956 399</b>
Net allowances for expected credit losses	(90 121)	306	(92 814)	6 479	117	(176 033)
<b>Net operating profit</b>	<b>622 209</b>	<b>76 574</b>	<b>372 801</b>	<b>237 433</b>	<b>(528 651)</b>	<b>780 366</b>
Guarantee funds charges	(74 569)	(198)	(43 399)	(16 853)	(68 338)	(203 357)
Tax on certain financial institutions					(175 460)	(175 460)
<b>Profit before tax</b>	<b>547 640</b>	<b>76 376</b>	<b>329 402</b>	<b>220 580</b>	<b>(772 449)</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	81 167 268	1 099 067	66 437 817	18 642 025	68 124 583	235 470 760
Unallocated assets						11 721 554
<b>Total assets</b>						<b>247 192 314</b>
Allocated liabilities	110 320 667	15 862 664	50 804 366	27 933 959	7 373 130	212 294 786
Unallocated liabilities						9 593 212
<b>Total liabilities</b>						<b>221 887 998</b>

Reconciliations of operating income for reportable segments

	I QUARTER 2022	I QUARTER 2021
Net interest income	2 069 086	1 333 599
Net fee and commission income	704 994	615 863
Dividend income	276	-
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	53 425	28 607
Result on fair value hedge accounting	1 170	1 799
Profit (loss) from derecognition of financial assets and financial liabilities not at fair value through profit or loss	(4 210)	10 813
<b>Operating income</b>	<b>2 824 741</b>	<b>1 990 681</b>
Other operating income	28 610	18 737
Other operating expenses	(29 419)	(14 971)
<b>Total operating income for reportable segments</b>	<b>2 823 932</b>	<b>1 994 447</b>

## 8. Interest income and expense

### Interest income

	I QUARTER 2022			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	2 073 383	110 020	-	2 183 403
Loans and advances (in this receivables from financial leases)	1 807 355	2 015	-	1 809 370
Interbank placements	38 224	-	-	38 224
Reverse repo transactions	24 233	-	-	24 233
Debt securities	203 571	108 005	-	311 576
Other interest income related to financial assets measured at fair value through profit or loss	-	-	70 736	70 736
Loans and other receivables from customers	-	-	1 404	1 404
Hedging derivatives	-	-	68 010	68 010
Debt securities held for trading	-	-	1 322	1 322
<b>Total</b>	<b>2 073 383</b>	<b>110 020</b>	<b>70 736</b>	<b>2 254 139</b>

	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
Debt 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
Debt securities 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>

**Interest expense**

	I QUARTER 2022	I QUARTER 2021
Deposits from customers	(76 684)	(36 206)
Interbank deposits	(9 525)	(1 074)
Repo transactions	(30 167)	(18)
Loans and advances received	(15 306)	(6 445)
Leasing	(2 578)	(2 586)
Debt securities	(50 793)	(24 851)
<b>Total</b>	<b>(185 053)</b>	<b>(71 180)</b>

## 9. Fee and commission income and expense

**Fee and commission income**

	I QUARTER 2022	I QUARTER 2021
Accounts maintenance, payment orders and cash transactions	193 917	169 688
Payment cards	165 538	135 243
Loans and advances	104 001	94 170
Margin on foreign exchange transactions with clients	184 136	125 194
Service and sell investment and insurance products	90 878	116 870
Securities operations	34 033	37 902
Custody activity	18 747	16 035
Guarantees, letters of credit and similar transactions	19 954	17 866
Other	24 980	23 830
<b>Total</b>	<b>836 184</b>	<b>736 798</b>

**Fee and commission expense**

	I QUARTER 2022	I QUARTER 2021
Payment cards	(94 883)	(79 046)
Money orders and transfers	(5 975)	(5 293)
Securities and derivatives operations	(13 730)	(12 820)
Acquisition services	(3 798)	(12 543)
Custody activity	(6 590)	(5 792)
Accounts maintenance	(1 076)	(880)
Investment funds management	(720)	(209)
Other	(4 418)	(4 352)
<b>Total</b>	<b>(131 190)</b>	<b>(120 935)</b>



## 10. Dividend income

	I QUARTER 2022	I QUARTER 2021
Issuers of securities measured at fair value through profit or loss	276	-
Issuers of equity instruments designated at fair value through other comprehensive income	-	-
<b>Total</b>	<b>276</b>	<b>-</b>

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

	I QUARTER 2022	I QUARTER 2021
Gains (losses) on loans and advances to customers measured mandatorily at fair value through profit or loss	(860)	1 228
Gains (losses) on securities measured mandatorily at fair value through profit or loss	3 970	(5 227)
Foreign exchange result	52 277	454
Gains (losses) on derivatives	(2 523)	24 773
Gains (losses) on securities held for trading	561	7 379
<b>Total</b>	<b>53 425</b>	<b>28 607</b>

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

### Realized gains

	I QUARTER 2022	I QUARTER 2021
Financial assets measured at amortised cost	954	3 685
Financial assets measured at fair value through other comprehensive income	5 343	7 636
Financial liabilities measured at amortized cost	7	-
<b>Total</b>	<b>6 304</b>	<b>11 321</b>

### Realized losses

	I QUARTER 2022	I QUARTER 2021
Financial assets measured at amortised cost	(10 512)	(497)
Financial assets measured at fair value through other comprehensive income	-	-
Financial liabilities measured at amortized cost	(2)	(11)
<b>Total</b>	<b>(10 514)</b>	<b>(508)</b>

<b>Net realized profit</b>	<b>(4 210)</b>	<b>10 813</b>
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## 13. Net allowances for expected credit losses

	I QUARTER 2022	I QUARTER 2021
Loans and other financial assets measured at amortized cost (*)	(137 672)	(187 303)
Debt securities measured at amortized cost	564	(5 164)
Loans measured at fair value through other comprehensive income	534	181
Debt securities measured at fair value through other comprehensive income	3 020	149
Off-balance sheet commitments	7 746	17 527
Provision for legal risk regarding foreign currency mortgage loans	(8 636)	(1 423)
<b>Total</b>	<b>(134 444)</b>	<b>(176 033)</b>

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

## 14. Other operating income and expenses

### Other operating income

	I QUARTER 2022	I QUARTER 2021
Gains on disposal of property, plant and equipment	2 313	478
Premises rental income, terminals and IT equipment	4 122	5 108
Operating leasing net income (*)	335	587
Compensation, recoveries, penalty fees and fines received	4 545	3 078
Miscellaneous income	5 998	3 595
Recovery of debt collection costs	5 595	1 292
Net revenues from sale of products, goods and services	1 353	1 498
Other	4 349	3 101
<b>Total</b>	<b>28 610</b>	<b>18 737</b>

(\*) Operating leasing net income

	I QUARTER 2022	I QUARTER 2021
Income from operating leases	2 203	2 501
Costs of depreciation of fixed assets provided under operating leases	(1 868)	(1 914)
<b>Total</b>	<b>335</b>	<b>587</b>

**Other operating expenses**

	I QUARTER 2022	I QUARTER 2021
Provision for liabilities disputable and other provisions (*)	(2 616)	(406)
Provision for legal risk regarding foreign currency mortgage loans	(6 306)	1 423
Credit and factoring debt collection costs	(7 284)	(5 787)
Loss on disposal of property, plant and equipment and intangible assets	(72)	(1 183)
Card transactions monitoring costs	(4 150)	(1 946)
Sundry expenses	(2 010)	(1 596)
Costs of litigation and claims	(1 947)	(834)
Impairment allowance on fixed assets, litigations and other assets	966	(1 265)
Compensation, penalty fees and fines	(1 579)	(279)
Other	(4 421)	(3 098)
<b>Total</b>	<b>(29 419)</b>	<b>(14 971)</b>

(\*) The item also includes the provision for commission reimbursements in case of previously repaid consumer loans repaid before the CJEU judgment. (Note 32).

## 15. General administrative expenses and depreciation

**Personnel expenses**

	I QUARTER 2022	I QUARTER 2021
Wages and salaries	(471 387)	(562 052)
Insurance and other charges related to employees	(81 626)	(79 617)
Share-based payments expenses	(5 126)	(4 862)
<b>Total</b>	<b>(558 139)</b>	<b>(646 531)</b>

**Other administrative expenses**

	I QUARTER 2022	I QUARTER 2021
General expenses	(206 328)	(200 438)
Tax on certain financial institutions	(201 758)	(175 460)
Contribution and payments to the Bank Guarantee Fund, including:	(267 219)	(203 357)
to the resolution fund	(210 179)	(170 592)
to the banks' guarantee fund	(57 040)	(32 765)
Fees to cover costs of supervision over banks (KNF)	(26 797)	(24 288)
Other taxes and fees	(10 024)	(9 708)
<b>Total</b>	<b>(712 126)</b>	<b>(613 251)</b>

**Depreciation**

	I QUARTER 2022	I QUARTER 2021
Property, plant and equipment	(81 989)	(81 906)
Intangible assets	(94 998)	(75 177)
<b>Total</b>	<b>(176 987)</b>	<b>(157 083)</b>

<b>Total administrative expenses and depreciation</b>	<b>(1 447 252)</b>	<b>(1 416 865)</b>
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## 16. Gains (losses) on associates

	I QUARTER 2022	I QUARTER 2021
Share in gains (losses) from associates		
Krajowy Integrator Płatności S.A. (*)	1 092	-
<b>Total</b>	<b>1 092</b>	<b>-</b>

## 17. Income tax

	I QUARTER 2022	I QUARTER 2021
<b>INCOME STATEMENT</b>		
<b>Current tax</b>	<b>(17 901)</b>	<b>(181 470)</b>
Current tax charge in the income statement	(15 858)	(181 463)
Adjustments related to the current tax from previous years	(1 746)	-
Other taxes (e.g. withholding tax)	(297)	(7)
<b>Deferred tax</b>	<b>(317 539)</b>	<b>26 017</b>
Occurrence and reversal of temporary differences	(317 539)	26 017
<b>Tax charge in the consolidated income statement</b>	<b>(335 440)</b>	<b>(155 453)</b>
<b>EQUITY</b>		
<b>Current tax</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>	<b>299 267</b>	<b>102 450</b>
Income and costs disclosed in other comprehensive income:		
revaluation of financial instruments - cash flows hedges	187 735	63 749
fair value revaluation through other comprehensive income	106 533	47 134
<b>Tax on items that are or may be reclassified subsequently to profit or loss</b>	<b>294 268</b>	<b>110 883</b>
<b>Tax charge on items that will never be reclassified to profit or loss</b>	<b>4 999</b>	<b>(8 433)</b>
fair value revaluation through other comprehensive income – equity securities	4 999	(8 433)
remeasurements the defined benefit liabilities	-	-
<b>Total charge</b>	<b>(36 173)</b>	<b>(53 003)</b>

## 18. 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 2022	I QUARTER 2021
Net profit	907 165	245 648
Weighted average number of ordinary shares in the period	262 470 034	262 470 034
Earnings per share (in PLN per share)	3.46	0.94

### 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 2022 and 31 March 2021 here were no diluting instruments in the form of convertible bonds in the Group.

	I QUARTER 2022	I QUARTER 2021
Net profit	907 165	245 648
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)	3.46	0.94

## 19. Dividends

The Management Board of the Bank decided to submit to the Ordinary General Meeting of Shareholders a proposal for the payment of a dividend for 2021 in the amount of PLN 4.30 per share. The total value of the proposed dividend to be paid is PLN 1 128 621 thousand. The proposal of the Bank's Management Board received a positive opinion of the Bank's supervisory Board. The final decision on the distribution of profit for 2021 will be made by General Meeting of Shareholders.

Therefore, the proposed dividend has not been recognised as a liability in these financial statements.

## 20. Cash and balances with Central Bank

CASH AND DUE FROM CENTRAL BANK	31.03.2022	31.12.2021
Cash	4 964 798	3 699 683
Current account at Central Bank	9 363 545	996 945
Placements	4 500 538	-
Other	62	67
<b>Gross carrying amount</b>	<b>18 828 943</b>	<b>4 696 695</b>
Impairment allowances	(703)	(75)
<b>Net carrying amount</b>	<b>18 828 240</b>	<b>4 696 620</b>

## 21. Loans and advances to banks

Loans and advances to banks by product type

	31.03.2022	31.12.2021
Current accounts	448 308	271 163
Interbank placements	3 508 471	623 227
Loans and advances	160 417	156 073
Cash collaterals	1 743 975	1 458 469
Reverse repo transactions	323 006	583 012
Cash in transit	183 705	237 324
<b>Total gross amount</b>	<b>6 367 882</b>	<b>3 329 268</b>
Impairment allowances	(3 300)	(1 181)
<b>Total net amount</b>	<b>6 364 582</b>	<b>3 328 087</b>

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

### Fair value of trading derivatives

31.03.2022	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	10 620 139	10 695 381
Forward Rate Agreements (FRA)	14 637	13 682
Options	42 714	52 864
Other	346	188
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	139 216	105 082
Currency Forward Agreements	402 478	567 625
Currency Swaps (FX-Swap)	489 329	267 184
Options for currency and gold	118 703	103 337
Transactions based on equity securities and stock indexes		
Options	11 258	11 241
Other	-	-
Transactions based on commodities and precious metals		
Options	47 451	47 429
Other	758 418	722 429
<b>Total</b>	<b>12 644 689</b>	<b>12 586 442</b>

### Fair value of trading derivatives

31.12.2021	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	6 421 198	6 544 007
Forward Rate Agreements (FRA)	6 344	12 394
Options	22 481	24 224
Other	774	773
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	122 657	86 655
Currency Forward Agreements	298 987	393 370
Currency Swaps (FX-Swap)	215 953	114 043
Options for currency and gold	75 774	39 380
Transactions based on equity securities and stock indexes		
Options	21 094	21 094
Other	-	-
Transactions based on commodities and precious metals		
Options	15 785	15 350
Other	727 492	718 053
<b>Total</b>	<b>7 928 539</b>	<b>7 969 343</b>

## 23. Loans and advances to customers

Loans and advances to customers by product type

	31.03.2022			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	79 833 867	130 877	11 161	79 975 905
Current accounts	13 180 574	-	-	13 180 574
Operating loans	12 378 941	-	9 923	12 388 864
Investment loans	24 829 509	115 079	13 549	24 958 137
Cash loans	13 116 814	-	-	13 116 814
Payment cards receivables	1 024 407	-	-	1 024 407
Financial leasing	8 843 029	-	-	8 843 029
Factoring	7 119 227	-	-	7 119 227
Other loans and advances	7 355 877	-	114 114	7 469 991
Reverse repo transactions	1 563 914	-	-	1 563 914
Cash in transit	183 164	-	-	183 164
<b>Gross carrying amount</b>	<b>169 429 323</b>	<b>245 956</b>	<b>148 747</b>	<b>169 824 026</b>
Impairment allowances (*) (**)	(7 974 268)	-	-	(7 974 268)
<b>Carrying amount</b>	<b>161 455 055</b>	<b>245 956</b>	<b>148 747</b>	<b>161 849 758</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 344 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 502 498 thousand.

Loans and advances to customers by product type

	31.12.2021			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	79 499 810	130 688	12 035	79 642 533
Current accounts	11 319 765	-	-	11 319 765
Operating loans	12 738 985	-	13 720	12 752 705
Investment loans	24 257 384	115 141	14 979	24 387 504
Cash loans	13 432 675	-	-	13 432 675
Payment cards receivables	1 055 195	-	-	1 055 195
Financial leasing	8 648 948	-	-	8 648 948
Factoring	7 143 838	-	-	7 143 838
Other loans and advances	7 318 872	-	119 645	7 438 517
Reverse repo transactions	969 705	-	-	969 705
Cash in transit	138 524	-	-	138 524
<b>Gross carrying amount</b>	<b>166 523 701</b>	<b>245 829</b>	<b>160 379</b>	<b>166 929 909</b>
Impairment allowances (*) (**)	(7 701 153)	-	-	(7 701 153)
<b>Carrying amount</b>	<b>158 822 548</b>	<b>245 829</b>	<b>160 379</b>	<b>159 228 756</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 877 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 496 022 thousand.

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

	31.03.2022					TOTAL
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	CARRYING AMOUNT			
Corporate	85 036 636	(5 192 194)	79 844 442	245 956	22 650	80 113 048
Individuals	82 209 119	(2 662 033)	79 547 086	-	114 114	79 661 200
Budget entities	2 183 568	(120 041)	2 063 527	-	11 983	2 075 510
<b>Loans and advances to customers</b>	<b>169 429 323</b>	<b>(7 974 268)</b>	<b>161 455 055</b>	<b>245 956</b>	<b>148 747</b>	<b>161 849 758</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 344 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 502 498 thousand.

	31.12.2021					TOTAL
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	CARRYING AMOUNT			
Corporate	81 344 974	(4 981 129)	76 363 845	245 829	24 169	76 633 843
Individuals	82 910 593	(2 598 088)	80 312 505	-	119 645	80 432 150
Budget entities	2 268 134	(121 936)	2 146 198	-	16 565	2 162 763
<b>Loans and advances to customers</b>	<b>166 523 701</b>	<b>(7 701 153)</b>	<b>158 822 548</b>	<b>245 829</b>	<b>160 379</b>	<b>159 228 756</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 877 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 496 022 thousand.

## 24. Securities

	31.03.2022	31.12.2021
Debt securities held for trading	470 469	499 727
Debt securities measured at amortised cost	39 876 794	44 276 101
Debt securities measured at fair value through other comprehensive income	18 417 590	21 954 170
Equity instruments held for trading	2 552	1 061
Equity instruments designated for measurement at fair value through other comprehensive income	392 115	418 012
Equity instruments mandatorily measured at fair value through profit or loss	180 692	171 496
<b>Total</b>	<b>59 340 212</b>	<b>67 320 567</b>

**Debt securities held for trading**

	31.03.2022	31.12.2021
Debt securities issued by central governments	258 406	212 941
T- bills	-	-
T- bonds	258 406	212 941
Debt securities issued by banks	40 708	94 264
Debt securities issued by business entities	170 889	192 205
Debt securities issued by local governments	466	317
<b>Total</b>	<b>470 469</b>	<b>499 727</b>



**Debt securities measured at amortised cost**

	31.03.2022	31.12.2021
Debt securities issued by State Treasury	18 966 645	23 834 022
T-bills	-	-
T-bonds	18 966 645	23 834 022
Debt securities issued by central banks	19 958	20 893
Debt securities issued by banks	8 598 320	8 337 709
Debt securities issued by business entities	8 969 426	8 793 876
Debt securities issued by local governments	3 322 445	3 289 601
<b>Total</b>	<b>39 876 794</b>	<b>44 276 101</b>
including impairment of assets	(144 378)	(132 754)

**Debt securities measured at fair value through other comprehensive income**

	31.03.2022	31.12.2021
Debt securities issued by State Treasury	10 071 643	13 126 929
T-bills	-	-
T-bonds	9 820 723	12 876 749
Other	250 920	250 180
Debt securities issued by central banks	-	-
Debt securities issued by banks	3 320 680	3 409 191
Debt securities issued by business entities	3 162 669	3 411 382
Debt securities issued by local governments	1 862 598	2 006 668
<b>Total</b>	<b>18 417 590</b>	<b>21 954 170</b>
including impairment of assets (*)	(45 654)	(48 628)

(\*) 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 securities held for trading**

	31.03.2022	31.12.2021
Shares	2 552	1 061
<b>Total</b>	<b>2 552</b>	<b>1 061</b>

**Equity instruments designated for measurement at fair value through other comprehensive income**

	31.03.2022	31.12.2021
Shares	392 115	418 012
<b>Total</b>	<b>392 115</b>	<b>418 012</b>

**Equity instruments mandatorily measured at fair value through profit or loss**

	31.03.2022	31.12.2021
Shares	180 692	171 496
<b>Total</b>	<b>180 692</b>	<b>171 496</b>

## 25. Assets pledged as security for liabilities

TYPE OF TRANSACTION AS AT 31.03.2022	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 held for trading (measured at fair value through profit or loss)	18 191	19 087	18 146
Repo transactions	Bonds measured at amortised cost	5 067 153	5 000 000	4 763 412
Repo transactions	Bonds measured at fair value through other comprehensive income	396 569	399 300	397 241
<b>Total</b>		<b>5 481 913</b>	<b>5 418 387</b>	<b>5 178 799</b>

TYPE OF TRANSACTION AS AT 31.12.2021	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 held for trading (measured at fair value through profit or loss)	48 474	49 104	48 590
Repo transactions	Bonds measured at fair value through other comprehensive income	797 623	800 000	799 631
<b>Total</b>		<b>846 097</b>	<b>849 104</b>	<b>848 221</b>

Apart from assets pledged as security for liabilities presented separately in the financial statements, the Group also identifies liabilities do not meet the criterion of separate presentation in accordance with IFRS 9.

TYPE OF TRANSACTION AS AT 31.03.2022	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
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	785 588	740 000	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	bonds	201 722	200 000	173 465
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	bonds	452 028	433 400	309 539
Lombard and technical loan	bonds	5 219 949	5 797 643	-
Other loans	bonds	316 915	318 300	268 267
Debt securities issued	loans, bonds	1 353 878	1 375 205	954 199
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	27 857	27 857	-
Derivatives	bonds	173 286	171 807	146 319
Uncommitted Collateralized Intraday Technical Overdraft Facility Agreement	bonds	32 745	32 568	-

TYPE OF TRANSACTION AS AT 31.12.2021	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
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	781 770	740 000	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	bonds	185 172	180 000	156 353
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	bonds	389 905	373 400	309 539
Lombard and technical loan	bonds	5 480 924	5 800 164	-
Other loans	bonds	300 272	297 700	276 327
Debt securities issued	loans, bonds	1 402 335	1 405 857	1 086 532
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	28 013	28 013	-
Derivatives	bonds	187 753	182 509	152 687
Uncommitted Collateralized Intraday Technical Overdraft Facility Agreement	bonds	39 029	32 196	-

## 26. Intangible assets

	31.03.2022	31.12.2021
Intangible assets, including:	1 519 043	1 551 830
research and development expenditures	11 106	10 624
licenses and patents	948 823	913 080
other	128 677	130 842
assets under construction	430 437	497 284
Goodwill	748 552	748 552
<b>Total</b>	<b>2 267 595</b>	<b>2 300 382</b>

## 27. Property, plant and equipment

	31.03.2022	31.12.2021
Non-current assets, including:	1 712 287	1 720 780
land and buildings	1 085 058	1 099 493
machinery and equipment	398 320	387 813
transport vehicles	119 766	122 782
other	109 144	110 692
Non-current assets under construction and prepayments	66 654	109 451
<b>Total</b>	<b>1 778 942</b>	<b>1 830 231</b>

In the period from 1 January to 31 March 2022 the Group acquired 'Property, plant and equipment' amounted PLN 12 128 thousand (in 2021 - PLN 230 637 thousand), while the value of property, plant and equipment sold amounted to PLN 7 394 thousand (in 2021 - PLN 28 317 thousand).

In the period from 1 January to 31 March 2022 and in 2021 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

### Contractual commitments

As at 31 March 2022 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 8 868 thousand, (as at 31 December 2021 - PLN 8 498 thousand).

## 28. Amounts due to other banks

Amounts due to other banks by product type

	31.03.2022	31.12.2021
Current accounts	2 098 020	844 693
Interbank deposits and other liabilities	2 020 626	2 275 862
Loans and advances received	4 921 265	4 577 576
Repo transactions	4 082 463	848 221
Cash in transit	161 534	29 031
Lease liabilities	114	86
<b>Total</b>	<b>13 284 022</b>	<b>8 575 469</b>

## 29. Financial liabilities held for trading

Financial liabilities held for trading by issuer and product type

	31.03.2022	31.12.2021
Debt securities issued by central governments	275 667	639 733
t- bonds	275 667	639 733
<b>Total</b>	<b>275 667</b>	<b>639 733</b>

## 30. Amounts due to customers

Amounts due to customers by entity and product type

	31.03.2022	31.12.2021
Amounts due to corporate, including:	69 121 883	61 716 411
current accounts	59 563 546	59 747 288
term deposits and other liabilities	9 558 337	1 969 123
Amounts due to budget entities, including:	21 268 970	16 420 528
current accounts	16 374 011	16 369 501
term deposits and other liabilities	4 894 959	51 027
Amounts due to individuals, including:	112 758 477	116 346 734
current accounts	102 009 636	105 422 043
term deposits and other liabilities	10 748 841	10 924 691
Repo transactions	1 096 336	-
Cash in transit	360 332	320 304
Lease liabilities	361 162	357 966
<b>Total</b>	<b>204 967 160</b>	<b>195 161 943</b>

## 31. Debt securities issued

Debt securities issued by type

	31.03.2022	31.12.2021
Liabilities from bonds	3 502 668	4 086 984
Certificates of deposit	2 184 383	178 573
Mortgage bonds	950 617	1 089 798
<b>Total</b>	<b>6 637 668</b>	<b>5 355 355</b>

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

## 32. Provisions

Changes in provisions in the reporting period

I QUARTER 2022	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>211 909</b>	<b>17 330</b>	<b>240 368</b>	<b>360 133</b>	<b>53 368</b>	<b>883 108</b>
Provision charges/revaluation	8 981	-	5 977	90 421	5 126	110 505
Provision utilization	(3 941)	(2 225)	(14 771)	-	(129)	(21 066)
Provision releases	(60)	-	-	(98 167)	-	(98 227)
Foreign currency exchange differences	215	-	-	1 878	-	2 093
Other changes	-	-	-	-	-	-
<b>Closing balance</b>	<b>217 104</b>	<b>15 105</b>	<b>231 574</b>	<b>354 265</b>	<b>58 365</b>	<b>876 413</b>
Short term	2 685	15 105	6 744	58 586	720	83 840
Long term	214 419	-	224 830	295 679	57 645	792 573

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 136 490 thousand and a provision for early repayments of consumer loans in the amount of PLN 15 048 thousand as at 31 March 2022.

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	392	-	-	1 608	-	2 000
Provision charges/revaluation	60 774	72 385	18 013	196 880	14 793	362 845
Provision utilization	(24 343)	(136 132)	(24 874)	-	(12 168)	(197 517)
Provision releases	(4 372)	-	-	(222 285)	-	(226 657)
Foreign currency exchange differences	587	-	-	515	-	1 102
Other changes	282	-	(47 651)	-	-	(47 369)
<b>Closing balance</b>	<b>211 909</b>	<b>17 330</b>	<b>240 368</b>	<b>360 133</b>	<b>53 368</b>	<b>883 108</b>
Short term	2 785	17 330	14 456	61 895	848	97 314
Long term	209 124	-	225 912	298 238	52 520	785 794

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 130 184 thousand and a provision for early repayments of consumer loans in the amount of PLN 16 107 thousand as at 31 December 2021.

### 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 36.2 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 2022 the provision regarding early repayment of consumer loans made before the judgment of the CJEU (i.e. before 11 September 2019) amounts to PLN 15.0 million (as at 31 December 2021 - PLN 16.1 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 2022, the Group estimated possible future prepayments of these exposures. In accordance with the above, the Group recognized the amount of PLN 13.1 million in 'Other liabilities' (as at 31 December 2021 - PLN 13.8 million).

#### **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.

## **33. Contingent commitments**

#### **Court cases**

As of 31 March 2022 the following court cases for payment are pending with involvement of the Group, that are important in view of the value of the object of litigation:

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

- 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 in Warsaw 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, due to the withdrawal of the claim, the Regional Court in Wrocław, by a decision of 26 November 2021, discontinued the proceedings, the decision is final; the case was finally closed in the first quarter of 2022,
- brought by a legal person – lawsuit for payment of compensation for the loss of value of the leased assets; value of the object of litigation PLN 21 001 551, litigation initiation date – 10 March 2011, 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 Group):

- 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, as a result of the settlement concluded in 2021 and the withdrawal of the claim by the Bank, the Regional Court in Warsaw, by a decision of 18 January 2022, discontinued the proceedings, the decision is final; the case was finally closed in the first quarter of 2022,
- 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, as a result of the settlement concluded in 2021 and the withdrawal of the claim by the Bank, the Regional Court in Rzeszów, by a decision of 13 January 2022, discontinued the proceedings, the decision is final; the case was finally closed in the first quarter of 2022,

- 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, as a result of the settlement concluded in 2021 and the withdrawal of the cassation appeal by the Bank, the Supreme Court, by a decision of 25 January 2022, discontinued the cassation proceedings, the decision is final, the case was finally closed in the first quarter of 2022.

None of the litigations pending in the first quarter of 2022 before the court, authority competent for arbitrary proceedings or a body of public administration posed a threat for financial liquidity of the Group.

The Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the provisions as at 31 March 2022 is PLN 217 104 thousand (PLN 211 909 thousand as at 31 December 2021).

In addition, as at 31 March 2022 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 36.2.

### Financial commitments granted

Financial commitments granted by entity

	31.03.2022	31.12.2021
Financial commitments granted to:		
banks	898 057	623 903
customers	43 049 551	42 259 888
budget entities	658 674	341 534
<b>Total</b>	<b>44 606 282</b>	<b>43 225 325</b>

### Guarantees issued

Guarantees issued by entity

	31.03.2022	31.12.2021
Issued to banks:	1 597 674	1 716 034
guarantees	1 449 525	1 590 262
securities' underwriting guarantees	-	-
confirmed export letters of credit	148 149	125 772
Issued to customers	10 363 305	11 330 096
guarantees	7 201 779	8 106 033
securities' underwriting guarantees	2 798 643	2 865 321
sureties	362 883	358 742
Issued to budget entities:	1 184 701	1 401 817
guarantees	26 292	26 522
securities' underwriting guarantees	1 158 409	1 375 295
<b>Total</b>	<b>13 145 680</b>	<b>14 447 947</b>

### Off-balance sheet commitments received

Off-balance sheet commitments received by entity

	31.03.2022	31.12.2021
Financial received from:	3 019 298	1 127 531
banks	2 023 187	927 533
customers	58 871	199 998
budget entities	937 240	-
Guarantees received from:	25 172 423	23 179 416
banks	11 874 136	11 656 688
customers	11 943 512	10 357 310
budget entities	1 354 775	1 165 418
<b>Total</b>	<b>28 191 721</b>	<b>24 306 947</b>

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

## 34. Additional information to the consolidated cash flow statement

Cash and cash equivalents

	31.03.2022	31.03.2021
Cash and amounts due from Central Bank	18 828 240	7 710 629
Loans and receivables from banks with maturity up to 3 months	6 115 818	2 631 447
<b>Cash and Cash equivalents presented in the cash flow statement</b>	<b>24 944 058</b>	<b>10 342 076</b>

Restricted availability cash and cash equivalents as at 31 March 2022 amounted to PLN 9 362 843 thousand (PLN 3 493 473 thousand as at 31 March 2021).

## 35. 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 2022

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	11 856	-	4 955	3 886	121 813	-	1 919
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	968	-	4 185	12 280	275 098	936	831
Subsidiaries of Bank Pekao S.A Group entities							
Krajowy Integrator Platności S.A.	-	-	-	-	28 961	-	-
Key management personnel of the Bank Pekao S.A.	755	-	-	-	5 243	-	-
<b>Total</b>	<b>13 579</b>	<b>-</b>	<b>9 140</b>	<b>16 166</b>	<b>431 115</b>	<b>936</b>	<b>2 750</b>

Related party transactions as at 31 December 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	11 838	-	4 061	4 770	151 803	-	1 976
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	618	-	209	9 455	181 649	802	996
Subsidiaries of Bank Pekao S.A Group entities							
Krajowy Integrator Platności S.A.	-	-	-	7	50 743	-	-
Key management personnel of the Bank Pekao S.A.	654	-	-	-	2 508	-	-
<b>Total</b>	<b>13 110</b>	<b>-</b>	<b>4 270</b>	<b>14 232</b>	<b>386 703</b>	<b>802</b>	<b>2 972</b>

Income and expenses from transactions with related parties for the period from 1 January 2022 to 31 March 2022

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	(458)	(422)	11 278	(102)	85	(449)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	4	(234)	13 244	(86)	667	(5 834)
Subsidiaries of Bank Pekao S.A Group entities						
Krajowy Integrator Płatności S.A.	-	-	93	-	-	-
Key management personnel of the Bank Pekao S.A.	9	(3)	-	-	-	-
<b>Total</b>	<b>(445)</b>	<b>(659)</b>	<b>24 615</b>	<b>(188)</b>	<b>752</b>	<b>(6 283)</b>

Income and expenses from transactions with related parties for the period from 1 January 2021 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>

Off-balance sheet financial liabilities and guarantees as at 31 March 2022

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	2 681	107 034	-	535 038
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	6 606	102 127	-	-
Subsidiaries of Bank Pekao S.A Group entities				
Krajowy Integrator Płatności S.A.	-	1 300	-	-
Key management personnel of the Bank Pekao S.A.	291	-	-	-
<b>Total</b>	<b>9 578</b>	<b>210 461</b>	<b>-</b>	<b>535 038</b>

Off-balance sheet financial liabilities and guarantees as at 31 December 2021

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	2 735	107 148	-	528 931
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	7 056	102 241	-	-
Key management personnel of the Bank Pekao S.A.	156	-	-	-
<b>Total</b>	<b>9 947</b>	<b>209 389</b>	<b>-</b>	<b>528 931</b>

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

	VALUE OF BENEFITS	
	I QUARTER 2022	I QUARTER 2021
<b>Management Board of the Bank</b>		
Short-term employee benefits (*)	2 651	2 294
Post-employment benefits	-	164
Long-term benefits (**)	994	873
Share-based payments (***)	973	800
<b>Total</b>	<b>4 618</b>	<b>4 131</b>
<b>Supervisory Board of the Bank</b>		
Short-term employee benefits (*)	373	293
<b>Total</b>	<b>373</b>	<b>293</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 2022 and in the period from 1 January to 31 March 2021.

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

	VALUE OF BENEFITS	
	I QUARTER 2022	I QUARTER 2021
<b>Companies' Management Boards</b>		
Short-term employee benefits	3 389	2 932
Post-employment benefits	362	-
Long-term benefits	-	-
Paid termination benefits	-	-
<b>Total</b>	<b>3 751</b>	<b>2 932</b>
<b>Companies' Supervisory Boards</b>		
Short-term employee benefits	166	290
<b>Total</b>	<b>166</b>	<b>290</b>

## 36. Risk management and fair value

### 36.1. 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 2021.

Due to the risk:

- related to the ongoing armed conflict in Eastern Europe and its potential consequences for the situation of enterprises and consumer moods,
- greater than expected increase in interest rates, which may translate into a high increase in the burden on certain customer groups,
- greater than expected economic slowdown due to growing cost pressure on entrepreneurs, and
- subsequent COVID-19 mutations and subsequent waves of the pandemic,

the Group identifies increased credit risk, which was included in the estimation of impairment losses on credit exposures according to the principles described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

Additionally, the Group issued guidelines for the assessment of transactions with entities related to Ukraine, Belarus and Russia, taking into account the impact of the risk arising from the war on the territory of Ukraine. The guidelines define the requirements / restrictions with regard to providing financing to these entities and managing the existing loan portfolio. Modifying these requirements by adjusting them to the changing situation related to the war in Ukraine and using the experience gained in this area will be carried out in subsequent periods.

**Armed conflict in Ukraine**

On 24 February 2022, there was an armed attack by Russia and Belarus on Ukraine. On the day the conflict broke out, the Bank launched increased monitoring of the situation of customers from Russia, Belarus and Ukraine.

In terms of credit risk, the Group identifies the following threats:

- credit loss risk for exposures to entities from Russia, Belarus and Ukraine, with the Bank's exposure in this regard mostly covered by KUKI policies,
- the risk that the conflict will translate into deterioration of the economic and credit conditions for the rest of the portfolio (through the raw material price growth channel, disruption of economic relations, deterioration of consumer sentiment, etc.).

As at 31 March 2022, the Group's balance sheet net exposure to countries involved in the conflict amounted to PLN 252 million (which represents 0.15% of the Group's total exposure).

The tables below present the Group's exposures to countries involved in the armed conflict in Ukraine as at 31 March 2022 and 31 December 2021.

31.03.2022	UKRAINE	RUSSIA	BELARUS	TOTAL
<b>Balance sheet exposures</b>				
Loans and advances to banks	857	-	132 679	133 536
Loans and advances to customers (including receivables from finance leases)	42 110	65	80 096	122 271
<b>Gross carrying amount</b>	<b>42 967</b>	<b>65</b>	<b>212 775</b>	<b>255 807</b>
Impairment allowances	(733)	(36)	(3 317)	(4 086)
<b>Net carrying amount</b>	<b>42 234</b>	<b>29</b>	<b>209 458</b>	<b>251 721</b>
<b>Off- balance sheet exposures</b>				
Financial commitments granted	374	8	108 728	109 110
Guarantees issued	-	69 788	-	69 788
<b>Total nominal value</b>	<b>374</b>	<b>69 796</b>	<b>108 728</b>	<b>178 898</b>
Impairment allowances of granted off-balance sheet liabilities	(1)	(6 979)	(1 303)	(8 283)

31.12.2021	UKRAINE	RUSSIA	BELARUS	TOTAL
<b>Balance sheet exposures</b>				
Loans and advances to banks	12 695	466	118 160	131 321
Loans and advances to customers (including receivables from finance leases)	42 660	67	84 400	127 127
<b>Gross carrying amount</b>	<b>55 355</b>	<b>533</b>	<b>202 560</b>	<b>258 448</b>
Impairment allowances	(871)	(6)	(1 242)	(2 119)
<b>Net carrying amount</b>	<b>54 484</b>	<b>527</b>	<b>201 318</b>	<b>256 329</b>
<b>Off- balance sheet exposures</b>				
Financial commitments granted	566	561	119 129	120 256
Guarantees issued	-	160 979	9 189	170 168
<b>Total nominal value</b>	<b>566</b>	<b>161 540</b>	<b>128 318</b>	<b>290 424</b>
Impairment allowances of granted off-balance sheet liabilities	(1)	(228)	(344)	(573)

In the Group's opinion, as at the date of approval of these financial statements for publication, the situation does not affect the figures presented in these financial statements and does not threaten the assumption that the Group will continue as a going concern for a period not shorter than one year from the balance sheet date. However, depending on the further development of the situation, it may have a negative impact on the future financial results of the Group.

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

Compared to the assumptions for 2021, no significant changes were made to the model of impairment allowances calculation in the first quarter of 2022. Significant risk factors were included in the calculation of the impairment allowances as early as at the end of 2021.

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>					
GROSS CARRYING AMOUNT AS AT 1.01.2022	4 276 944	49 296	-	40	4 326 280
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(133 729)	(49 187)	182 916	-	-
New / purchased / granted financial assets	17 481 903	-	-	-	17 481 903
Financial assets derecognised, other than write-offs (repayments)	(1 540 961)	-	(49 055)	-	(1 590 016)
Financial assets written off (**)	-	-	(192)	-	(192)
Other, in this changes resulting from exchange rates	14 190	4	(132)	(9)	14 053
<b>GROSS CARRYING AMOUNT AS AT 31.03.2022</b>	<b>20 098 347</b>	<b>113</b>	<b>133 537</b>	<b>31</b>	<b>20 232 028</b>
<b>IMPAIRMENT ALLOWANCE</b>					
IMPAIRMENT ALLOWANCE AS AT 1.01.2022	1 255	-	-	1	1 256
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(850)	-	850	-	-
New / purchased / granted financial assets	355	-	-	-	355
Financial assets derecognised, other than write-offs (repayments)	(161)	-	-	-	(161)
Financial assets written off (**)	-	-	(192)	-	(192)
Changes in level of credit risk (excluding the transfers between the Stages)	1 060	-	1 268	-	2 328
Other, in this changes resulting from exchange rates	417	-	-	-	417
<b>IMPAIRMENT ALLOWANCE AS AT 31.03.2022</b>	<b>2 076</b>	<b>-</b>	<b>1 926</b>	<b>1</b>	<b>4 003</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 192 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 1.01.2021</b>	<b>2 729 506</b>	<b>168</b>	<b>-</b>	<b>86</b>	<b>2 729 760</b>
Increases due to the acquisition of part of the activities of Idea Bank S.A.	210 088	-	-	-	210 088
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(49 187)	49 187	-	-	-
Transfer to Stage 3	-	-	-	-	-
New / purchased / granted financial assets	3 301 324	-	-	-	3 301 324
Financial assets derecognised, other than write-offs (repayments)	(1 890 438)	-	-	(3)	(1 890 441)
Financial assets written off (**)	-	-	-	-	-
Other, in this changes resulting from exchange rates	(24 349)	(59)	-	(43)	(24 451)
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>4 276 944</b>	<b>49 296</b>	<b>-</b>	<b>40</b>	<b>4 326 280</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	1 274	-	-	-	1 274
Financial assets derecognised, other than write-offs (repayments)	(87)	-	-	-	(87)
Financial assets written off (**)	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	4 594	-	-	(3)	4 591
Other, in this changes resulting from exchange rates	(5 758)	-	-	-	(5 758)
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2021</b>	<b>1 255</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1 256</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.

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 1.01.2022</b>	<b>132 465 053</b>	<b>25 032 106</b>	<b>4 501 279</b>	<b>3 541 375</b>	<b>983 888</b>	<b>166 523 701</b>	<b>115 140</b>	<b>130 689</b>	<b>245 829</b>
Transfer to Stage 1	2 764 826	(2 693 763)	(4 444)	(66 619)	-	-	-	-	-
Transfer to Stage 2	(4 094 065)	4 247 679	(11 737)	(141 877)	-	-	-	-	-
Transfer to Stage 3	(401 134)	(563 719)	366 818	598 035	-	-	-	-	-
New / purchased / granted financial assets	17 561 260	-	-	-	21 223	17 582 483	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(14 050 237)	(824 347)	(92 705)	(97 941)	(32 836)	(15 098 066)	-	(1 667)	(1 667)
Financial assets written off (*)	-	-	(42 037)	(75 478)	(121)	(117 636)	-	-	-
Modifications not resulting in derecognition	(427)	(231)	-	(24)	(2)	(684)	-	-	-
Other, in this changes resulting from exchange rates	274 153	97 819	78 689	38 390	50 474	539 525	(64)	1 858	1 794
<b>GROSS CARRYING AMOUNT AS AT 31.03.2022</b>	<b>134 519 429</b>	<b>25 295 544</b>	<b>4 795 863</b>	<b>3 795 861</b>	<b>1 022 626</b>	<b>169 429 323</b>	<b>115 076</b>	<b>130 880</b>	<b>245 956</b>
<b>IMPAIRMENT ALLOWANCE (**)</b>									
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2022</b>	<b>586 640</b>	<b>1 101 304</b>	<b>3 412 466</b>	<b>2 357 048</b>	<b>243 695</b>	<b>7 701 153</b>	<b>1 954</b>	<b>1 923</b>	<b>3 877</b>
Transfer to Stage 1	102 063	(79 241)	(133)	(22 689)	-	-	-	-	-
Transfer to Stage 2	(33 474)	85 465	(2 597)	(49 394)	-	-	-	-	-
Transfer to Stage 3	(13 002)	(45 290)	3 566	54 726	-	-	-	-	-
New / purchased / granted financial assets	60 657	-	-	-	9 552	70 209	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(17 202)	(10 553)	(9 306)	(16 273)	(4 263)	(57 597)	-	-	-
Financial assets written off (*)	-	-	(42 037)	(75 478)	(121)	(117 636)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(98 212)	79 936	36 923	110 644	1 883	131 174	12	(546)	(534)
Other, in this changes resulting from exchange rates	8 647	(5 213)	70 618	45 115	127 798	246 965	-	1	1
<b>IMPAIRMENT ALLOWANCE AS AT 31.03.2022</b>	<b>596 117</b>	<b>1 126 408</b>	<b>3 469 500</b>	<b>2 403 699</b>	<b>378 544</b>	<b>7 974 268</b>	<b>1 966</b>	<b>1 378</b>	<b>3 344</b>

(\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 138 926 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 502 498 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 March 2022 amounted to PLN 17 707 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>									
GROSS CARRYING AMOUNT AS AT 01.01.2021	113 515 763	25 978 924	5 236 011	3 292 482	39 572	148 062 752	720 770	754 285	1 475 055
Change in accounting policies	-	-	(164 697)	(120 569)	181 671	(103 595)	-	-	-
<b>GROSS CARRYING AMOUNT AS AT 01.01.2021 (AFTER CHANGE)</b>	<b>113 515 763</b>	<b>25 978 924</b>	<b>5 071 314</b>	<b>3 171 913</b>	<b>221 243</b>	<b>147 959 157</b>	<b>720 770</b>	<b>754 285</b>	<b>1 475 055</b>
Increases due to the acquisition of part of the activities of Idea Bank S.A.	11 131 290	-	-	-	1 058 185	12 189 475	-	-	-
Transfer to Stage 1	7 016 857	(6 840 700)	(7 080)	(169 077)	-	-	-	-	-
Transfer to Stage 2	(11 201 335)	11 453 901	(43 973)	(208 593)	-	-	-	-	-
Transfer to Stage 3	(549 762)	(1 091 496)	59 204	1 582 054	-	-	-	-	-
New / purchased / granted financial assets	41 934 360	-	-	-	8 206	41 942 566	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(28 884 540)	(4 516 026)	(624 103)	(704 941)	(277 655)	(35 007 265)	(600 683)	(622 051)	(1 222 734)
Financial assets written off (*)	-	-	(143 005)	(282 258)	(66)	(425 329)	-	-	-
Modifications not resulting in derecognition	(2 150)	(999)	(2)	(214)	-	(3 365)	-	-	-
Other, in this changes resulting from exchange rates	(495 430)	48 502	188 924	152 491	(26 025)	(131 538)	(4 947)	(1 545)	(6 492)
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>132 465 053</b>	<b>25 032 106</b>	<b>4 501 279</b>	<b>3 541 375</b>	<b>983 888</b>	<b>166 523 701</b>	<b>115 140</b>	<b>130 689</b>	<b>245 829</b>
Including the gross carrying amount as at 31 December 2021 loans and credits from the acquisition of some of the activities of Idea Bank S.A.	5 679 719	751 651	19 285	339 364	757 506	7 547 525	-	-	-
<b>IMPAIRMENT ALLOWANCE</b>									
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	390 616	1 175 162	3 568 016	2 087 241	15 976	7 237 011	5 242	21 329	26 571
Change in accounting policies	-	-	(35 045)	(68 550)	-	(103 595)	-	-	-
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>390 616</b>	<b>1 175 162</b>	<b>3 532 971</b>	<b>2 018 691</b>	<b>15 976</b>	<b>7 133 416</b>	<b>5 242</b>	<b>21 329</b>	<b>26 571</b>
Transfer to Stage 1	240 293	(187 274)	(1 553)	(51 466)	-	-	-	-	-
Transfer to Stage 2	(31 711)	(70 247)	(8 089)	110 047	-	-	-	-	-
Transfer to Stage 3	(62 455)	(140 571)	(188 770)	391 796	-	-	-	-	-
New / purchased / granted financial assets	210 484	-	-	-	2 573	213 057	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(56 214)	(54 219)	(46 927)	(52 712)	(49 294)	(259 366)	(3 733)	(19 258)	(22 991)
Financial assets written off (*)	-	-	(143 005)	(282 258)	(66)	(425 329)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(122 535)	278 303	159 173	368 289	162 598	845 828	1 903	(2 074)	(171)
Other, in this changes resulting from exchange rates	18 162	100 150	108 666	(145 339)	111 908	193 547	(1 458)	1 926	468
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2021</b>	<b>586 640</b>	<b>1 101 304</b>	<b>3 412 466</b>	<b>2 357 048</b>	<b>243 695</b>	<b>7 701 153</b>	<b>1 954</b>	<b>1 923</b>	<b>3 877</b>

(\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 209 110 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 496 022 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 11 026 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 (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>									
GROSS CARRYING AMOUNT AS AT 1.01.2022	64 585 717	10 454 389	4 245 739	1 135 228	923 901	81 344 974	115 140	130 689	245 829
Transfer to Stage 1	1 276 487	(1 269 501)	(2 102)	(4 884)	-	-	-	-	-
Transfer to Stage 2	(2 268 691)	2 303 852	(11 737)	(23 424)	-	-	-	-	-
Transfer to Stage 3	(380 553)	(363 972)	358 133	386 392	-	-	-	-	-
New / purchased / granted financial assets	14 478 588	-	-	-	10 989	14 489 577	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(10 659 140)	(252 495)	(90 554)	(33 583)	(24 568)	(11 060 340)	-	(1 667)	(1 667)
Financial assets written off	-	-	(36 955)	(33 797)	(108)	(70 860)	-	-	-
Modifications not resulting in derecognition	(14)	(13)	-	-	-	(27)	-	-	-
Other, in this changes resulting from exchange rates	163 361	46 680	57 842	28 121	37 308	333 312	(64)	1 858	1 794
<b>GROSS CARRYING AMOUNT AS AT 31.03.2022</b>	<b>67 195 755</b>	<b>10 918 940</b>	<b>4 520 366</b>	<b>1 454 053</b>	<b>947 522</b>	<b>85 036 636</b>	<b>115 076</b>	<b>130 880</b>	<b>245 956</b>
<b>IMPAIRMENT ALLOWANCE (*)</b>									
IMPAIRMENT ALLOWANCE AS AT 1.01.2022	447 553	287 293	3 179 916	842 741	223 626	4 981 129	1 954	1 923	3 877
Transfer to Stage 1	27 240	(25 493)	(82)	(1 665)	-	-	-	-	-
Transfer to Stage 2	(23 733)	29 978	(2 232)	(4 013)	-	-	-	-	-
Transfer to Stage 3	(9 942)	(8 131)	2 720	15 353	-	-	-	-	-
New / purchased / granted financial assets	47 454	-	-	-	3 971	51 425	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(13 160)	(1 698)	(8 572)	(5 840)	(3 873)	(33 143)	-	-	-
Financial assets written off	-	-	(36 955)	(33 797)	(108)	(70 860)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	(21 066)	4 418	27 198	65 123	1 850	77 523	12	(546)	(534)
Other, in this changes resulting from exchange rates	9 830	3 872	64 944	(10 916)	118 390	186 120	-	1	1
<b>IMPAIRMENT ALLOWANCE AS AT 31.03.2022</b>	<b>464 176</b>	<b>290 239</b>	<b>3 226 937</b>	<b>866 986</b>	<b>343 856</b>	<b>5 192 194</b>	<b>1 966</b>	<b>1 378</b>	<b>3 344</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 (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>									
GROSS CARRYING AMOUNT AS AT 1.01.2021	49 845 330	10 386 311	4 957 895	609 049	31 859	65 830 444	720 770	754 285	1 475 055
Change in accounting policies	-	-	(163 715)	(14 527)	135 826	(42 416)	-	-	-
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>49 845 330</b>	<b>10 386 311</b>	<b>4 794 180</b>	<b>594 522</b>	<b>167 685</b>	<b>65 788 028</b>	<b>720 770</b>	<b>754 285</b>	<b>1 475 055</b>
Increases due to the acquisition of part of the activities of Idea Bank S.A.	10 887 840	-	-	-	1 020 541	11 908 381	-	-	-
Transfer to Stage 1	3 532 047	(3 519 786)	(4 901)	(7 360)	-	-	-	-	-
Transfer to Stage 2	(6 474 680)	6 517 656	(31 149)	(11 827)	-	-	-	-	-
Transfer to Stage 3	(261 410)	(439 031)	65 122	635 319	-	-	-	-	-
New / purchased / granted financial assets	26 412 947	-	-	-	2 551	26 415 498	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(19 134 729)	(2 331 040)	(610 827)	(105 712)	(260 179)	(22 442 487)	(600 683)	(622 051)	(1 222 734)
Financial assets written off	-	-	(133 981)	(50 925)	-	(184 906)	-	-	-
Modifications not resulting in derecognition	(154)	189	-	-	-	35	-	-	-
Other, in this changes resulting from exchange rates	(221 474)	(159 910)	167 295	81 211	(6 697)	(139 575)	(4 947)	(1 545)	(6 492)
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>64 585 717</b>	<b>10 454 389</b>	<b>4 245 739</b>	<b>1 135 228</b>	<b>923 901</b>	<b>81 344 974</b>	<b>115 140</b>	<b>130 689</b>	<b>245 829</b>
Including the gross carrying amount as at 31 December 2021 loans and credits from the acquisition of some of the activities of Idea Bank S.A.	5 572 909	672 163	19 285	338 739	744 682	7 347 778	-	-	-
<b>IMPAIRMENT ALLOWANCE (*)</b>									
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	253 166	256 267	3 360 851	531 917	12 773	4 414 974	5 242	21 329	26 571
Change in accounting policies	-	-	(34 804)	(7 612)	-	(42 416)	-	-	-
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>253 166</b>	<b>256 267</b>	<b>3 326 047</b>	<b>524 305</b>	<b>12 773</b>	<b>4 372 558</b>	<b>5 242</b>	<b>21 329</b>	<b>26 571</b>
Transfer to Stage 1	64 495	(60 948)	(1 052)	(2 495)	-	-	-	-	-
Transfer to Stage 2	(26 133)	33 825	(2 921)	(4 771)	-	-	-	-	-
Transfer to Stage 3	(15 285)	(37 951)	(174 715)	227 951	-	-	-	-	-
New / purchased / granted financial assets	156 346	-	-	-	247	156 593	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(42 745)	(24 969)	(41 694)	(15 352)	(48 943)	(173 703)	(3 733)	(19 258)	(22 991)
Financial assets written off	-	-	(133 981)	(50 925)	-	(184 906)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	48 719	91 114	118 407	67 677	164 085	490 002	1 903	(2 074)	(171)
Other, in this changes resulting from exchange rates	8 990	29 955	89 825	96 351	95 464	320 585	(1 458)	1 926	468
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2021</b>	<b>447 553</b>	<b>287 293</b>	<b>3 179 916</b>	<b>842 741</b>	<b>223 626</b>	<b>4 981 129</b>	<b>1 954</b>	<b>1 923</b>	<b>3 877</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 1.01.2022</b>	<b>55 327 153</b>	<b>12 593 477</b>	<b>69 525</b>	<b>1 180 331</b>	<b>36 463</b>	<b>69 206 949</b>
Transfer to Stage 1	1 207 536	(1 165 928)	(2 343)	(39 265)	-	-
Transfer to Stage 2	(1 403 621)	1 484 426	-	(80 805)	-	-
Transfer to Stage 3	(7 763)	(134 219)	7 651	134 331	-	-
New / purchased / granted financial assets	1 866 233	-	-	-	4 046	1 870 279
Financial assets derecognised, other than write-offs (repayments)	(1 940 151)	(385 886)	(2 209)	(33 053)	(2 468)	(2 363 767)
Financial assets written off	-	-	(2 391)	(9 587)	-	(11 978)
Modifications not resulting in derecognition	(250)	(134)	-	(5)	(1)	(390)
Other, in this changes resulting from exchange rates	26 947	45 402	16 581	(2 798)	6 979	93 111
<b>GROSS CARRYING AMOUNT AS AT 31.03.2022</b>	<b>55 076 084</b>	<b>12 437 138</b>	<b>86 814</b>	<b>1 149 149</b>	<b>45 019</b>	<b>68 794 204</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2022</b>	<b>29 499</b>	<b>477 022</b>	<b>51 664</b>	<b>635 779</b>	<b>16 182</b>	<b>1 210 146</b>
Transfer to Stage 1	29 657	(20 564)	(52)	(9 041)	-	-
Transfer to Stage 2	(633)	23 764	(365)	(22 766)	-	-
Transfer to Stage 3	(371)	(13 913)	608	13 676	-	-
New / purchased / granted financial assets	1 474	-	-	-	1 689	3 163
Financial assets derecognised, other than write-offs (repayments)	(366)	(3 031)	(734)	(5 023)	(122)	(9 276)
Financial assets written off	-	-	(2 391)	(9 587)	-	(11 978)
Changes in level of credit risk (excluding the transfers between the Stages)	(28 210)	51 372	5 392	18 051	2 229	48 834
Other, in this changes resulting from exchange rates	(1 366)	(9 718)	1 670	42 617	5 624	38 827
<b>IMPAIRMENT ALLOWANCE AS AT 31.03.2022</b>	<b>29 684</b>	<b>504 932</b>	<b>55 792</b>	<b>663 706</b>	<b>25 602</b>	<b>1 279 716</b>

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
MORTGAGE LOANS TO INDIVIDUAL CLIENTS	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
GROSS CARRYING AMOUNT AS AT 1.01.2021	51 376 624	12 877 516	93 775	1 004 285	1 330	65 353 530
Change in accounting policies	-	-	(767)	(53 535)	28 833	(25 469)
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>51 376 624</b>	<b>12 877 516</b>	<b>93 008</b>	<b>950 750</b>	<b>30 163</b>	<b>65 328 061</b>
Increase due to acquisition of part of Idea Bank S.A. activity	43 943	-	-	-	11 592	55 535
Transfer to Stage 1	2 930 054	(2 824 869)	(2 174)	(103 011)	-	-
Transfer to Stage 2	(4 058 665)	4 207 116	(11 328)	(137 123)	-	-
Transfer to Stage 3	(128 805)	(420 251)	(6 630)	555 686	-	-
New / purchased / granted financial assets	11 021 723	-	-	-	492	11 022 215
Financial assets derecognised, other than write-offs (repayments)	(5 813 051)	(1 381 284)	(12 991)	(95 860)	(2 615)	(7 305 801)
Financial assets written off	-	-	(3 146)	(7 558)	-	(10 704)
Modifications not resulting in derecognition	(818)	(434)	(2)	(39)	-	(1 293)
Other, in this changes resulting from exchange rates	(43 852)	135 683	12 788	17 486	(3 169)	118 936
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>55 327 153</b>	<b>12 593 477</b>	<b>69 525</b>	<b>1 180 331</b>	<b>36 463</b>	<b>69 206 949</b>
<b>IMPAIRMENT ALLOWANCE</b>						
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	20 648	528 449	55 782	365 269	173	970 321
Change in accounting policies	-	-	(82)	(25 387)	-	(25 469)
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>20 648</b>	<b>528 449</b>	<b>55 700</b>	<b>339 882</b>	<b>173</b>	<b>944 852</b>
Transfer to Stage 1	66 831	(48 427)	(439)	(17 965)	-	-
Transfer to Stage 2	(453)	(145 082)	(4 913)	150 448	-	-
Transfer to Stage 3	(5 751)	(24 538)	(10 724)	41 013	-	-
New / purchased / granted financial assets	8 418	-	-	-	41	8 459
Financial assets derecognised, other than write-offs (repayments)	(1 089)	(7 128)	(4 581)	(13 033)	(135)	(25 966)
Financial assets written off	-	-	(3 146)	(7 558)	-	(10 704)
Changes in level of credit risk (excluding the transfers between the Stages)	(54 937)	114 004	9 730	142 940	3 408	215 145
Other, in this changes resulting from exchange rates	(4 168)	59 744	10 037	52	12 695	78 360
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2021</b>	<b>29 499</b>	<b>477 022</b>	<b>51 664</b>	<b>635 779</b>	<b>16 182</b>	<b>1 210 146</b>

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
OTHER LOANS AND ADVANCE TO INDIVIDUAL CLIENTS	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
<b>GROSS CARRYING AMOUNT AS AT 1.01.2022</b>	<b>10 534 201</b>	<b>1 846 367</b>	<b>73 760</b>	<b>1 225 794</b>	<b>23 522</b>	<b>13 703 644</b>
Transfer to Stage 1	263 390	(240 920)	-	(22 470)	-	-
Transfer to Stage 2	(412 450)	450 097	-	(37 647)	-	-
Transfer to Stage 3	(12 819)	(65 528)	1 035	77 312	-	-
New / purchased / granted financial assets	1 213 593	-	-	-	6 188	1 219 781
Financial assets derecognised, other than write-offs (repayments)	(1 272 060)	(183 439)	56	(31 306)	(5 800)	(1 492 549)
Financial assets written off	-	-	(2 691)	(32 062)	(12)	(34 765)
Modifications not resulting in derecognition	(163)	(84)	-	(19)	(1)	(267)
Other, in this changes resulting from exchange rates	(10 316)	5 903	4 268	13 031	6 185	19 071
<b>GROSS CARRYING AMOUNT AS AT 31.03.2022</b>	<b>10 303 376</b>	<b>1 812 396</b>	<b>76 428</b>	<b>1 192 633</b>	<b>30 082</b>	<b>13 414 915</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2022</b>	<b>103 822</b>	<b>332 855</b>	<b>68 852</b>	<b>878 525</b>	<b>3 888</b>	<b>1 387 942</b>
Transfer to Stage 1	44 479	(32 496)	-	(11 983)	-	-
Transfer to Stage 2	(9 082)	31 697	-	(22 615)	-	-
Transfer to Stage 3	(2 689)	(23 247)	238	25 698	-	-
New / purchased / granted financial assets	11 728	-	-	-	3 892	15 620
Financial assets derecognised, other than write-offs (repayments)	(3 662)	(5 823)	-	(5 410)	(269)	(15 164)
Financial assets written off	-	-	(2 691)	(32 062)	(12)	(34 765)
Changes in level of credit risk (excluding the transfers between the Stages)	(47 143)	24 253	4 334	27 471	(2 196)	6 719
Other, in this changes resulting from exchange rates	164	633	4 005	13 380	3 783	21 965
<b>IMPAIRMENT ALLOWANCE AS AT 31.03.2022</b>	<b>97 617</b>	<b>327 872</b>	<b>74 738</b>	<b>873 004</b>	<b>9 086</b>	<b>1 382 317</b>

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
OTHER LOANS AND ADVANCE TO INDIVIDUAL CLIENTS	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
GROSS CARRYING AMOUNT AS AT 1.01.2021	9 914 404	2 576 845	72 081	1 679 138	6 381	14 248 849
Change in accounting policies	-	-	(215)	(52 507)	17 012	(35 710)
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>9 914 404</b>	<b>2 576 845</b>	<b>71 866</b>	<b>1 626 631</b>	<b>23 393</b>	<b>14 213 139</b>
Increases due to the acquisition of part of the activities of Idea Bank S.A.	13 822	-	-	-	6 217	20 039
Transfer to Stage 1	461 306	(402 595)	(5)	(58 706)	-	-
Transfer to Stage 2	(616 738)	677 877	(1 496)	(59 643)	-	-
Transfer to Stage 3	(159 547)	(232 213)	716	391 044	-	-
New / purchased / granted financial assets	4 385 232	-	-	-	5 163	4 390 395
Financial assets derecognised, other than write-offs (repayments)	(3 331 808)	(787 685)	(287)	(503 371)	(3 517)	(4 626 668)
Financial assets written off	-	-	(5 787)	(223 774)	(66)	(229 627)
Modifications not resulting in derecognition	(1 178)	(754)	-	(175)	-	(2 107)
Other, in this changes resulting from exchange rates	(131 292)	14 892	8 753	53 788	(7 668)	(61 527)
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>10 534 201</b>	<b>1 846 367</b>	<b>73 760</b>	<b>1 225 794</b>	<b>23 522</b>	<b>13 703 644</b>
<b>IMPAIRMENT ALLOWANCE</b>						
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	113 302	383 954	39 344	1 190 054	3 031	1 729 685
Change in accounting policies	-	-	(159)	(35 551)	-	(35 710)
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>113 302</b>	<b>383 954</b>	<b>39 185</b>	<b>1 154 503</b>	<b>3 031</b>	<b>1 693 975</b>
Transfer to Stage 1	106 269	(75 264)	-	(31 005)	-	-
Transfer to Stage 2	(4 969)	40 854	(255)	(35 630)	-	-
Transfer to Stage 3	(41 379)	(78 082)	(3 367)	122 828	-	-
New / purchased / granted financial assets	45 719	-	-	-	2 284	48 003
Financial assets derecognised, other than write-offs (repayments)	(12 188)	(22 070)	(651)	(24 324)	(215)	(59 448)
Financial assets written off	-	-	(5 787)	(223 774)	(66)	(229 627)
Changes in level of credit risk (excluding the transfers between the Stages)	(106 293)	73 580	30 352	157 556	575	155 770
Other, in this changes resulting from exchange rates	3 361	9 883	9 375	(241 629)	(1 721)	(220 731)
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2021</b>	<b>103 822</b>	<b>332 855</b>	<b>68 852</b>	<b>878 525</b>	<b>3 888</b>	<b>1 387 942</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 1.01.2022</b>	<b>44 016 625</b>	<b>318 725</b>	<b>34 554</b>	<b>38 951</b>	<b>44 408 855</b>	<b>22 662 766</b>	<b>89 027</b>	<b>22 751 793</b>
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(65 100)	65 100	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	2 841 837	-	-	-	2 841 837	10 059 523	-	10 059 523
Financial assets derecognised, other than write-offs (repayments)	(2 363 493)	(37 000)	-	-	(2 400 493)	(13 836 004)	(87)	(13 836 091)
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	230 483	2 836	522	4 285	238 126	(161 836)	770	(161 066)
<b>GROSS CARRYING AMOUNT AS AT 31.03.2022</b>	<b>44 660 352</b>	<b>349 661</b>	<b>35 076</b>	<b>43 236</b>	<b>45 088 325</b>	<b>18 724 449</b>	<b>89 710</b>	<b>18 814 159</b>
<b>IMPAIRMENT ALLOWANCE (**)</b>								
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2022</b>	<b>60 717</b>	<b>7 625</b>	<b>34 554</b>	<b>29 858</b>	<b>132 754</b>	<b>45 615</b>	<b>3 073</b>	<b>48 688</b>
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(2 040)	2 040	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	4 993	-	-	-	4 993	490	-	490
Financial assets derecognised, other than write-offs (repayments)	(113)	(48)	-	-	(161)	(1 237)	-	(1 237)
Changes in level of credit risk (excluding the transfers between the Stages)	(1 126)	(4 270)	-	-	(5 396)	(2 093)	(180)	(2 273)
Other, in this changes resulting from exchange rates	222	-	522	11 444	12 188	-	-	-
<b>GROSS CARRYING AMOUNT AS AT 31.03.2022</b>	<b>62 653</b>	<b>5 347</b>	<b>35 076</b>	<b>41 302</b>	<b>144 378</b>	<b>42 775</b>	<b>2 893</b>	<b>45 668</b>

(\*) Debt securities presented in the statement of financial position under 'Securities' and 'Assets pledged as security for liabilities'.

(\*\*) 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.



	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>								
GROSS CARRYING AMOUNT AS AT 1.01.2021	27 263 713	38 433	32 971	-	27 335 117	42 593 115	144 385	42 737 500
Increases due to the acquisition of part of the activities of Idea Bank S.A.	15 080	-	-	40 266	55 346	312 513	-	312 513
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(288 318)	288 318	-	-	-	(14 500)	14 500	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	24 751 516	-	-	-	24 751 516	203 923 638	-	203 923 638
Financial assets derecognised, other than write-offs (repayments)	(8 273 584)	(8 108)	-	-	(8 281 692)	(224 163 865)	(70 243)	(224 234 108)
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	548 218	82	1 583	(1 315)	548 568	11 865	385	12 250
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>44 016 625</b>	<b>318 725</b>	<b>34 554</b>	<b>38 951</b>	<b>44 408 855</b>	<b>22 662 766</b>	<b>89 027</b>	<b>22 751 793</b>
<b>IMPAIRMENT ALLOWANCE (**)</b>								
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	40 018	582	32 971	(5)	73 566	60 041	3 102	63 143
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(7 041)	7 041	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	38 183	-	-	-	38 183	16 888	-	16 888
Financial assets derecognised, other than write-offs (repayments)	(3 312)	-	-	-	(3 312)	(18 957)	(98)	(19 055)
Changes in level of credit risk (excluding the transfers between the Stages)	(7 255)	3	-	-	(7 252)	(12 356)	68	(12 288)
Other, in this changes resulting from exchange rates	124	(1)	1 583	29 863	31 569	(1)	1	-
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>60 717</b>	<b>7 625</b>	<b>34 554</b>	<b>29 858</b>	<b>132 754</b>	<b>45 615</b>	<b>3 073</b>	<b>48 688</b>

(\*) Debt securities presented in the statement of financial position under 'Securities' and 'Assets pledged as security for liabilities'.

(\*\*) 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.

**Moratoria and portfolio guarantees implemented due to COVID-19**

In 2022, the Group continued to use loan repayment programs and portfolio guarantee agreements with Bank Gospodarstwa Krajowego (BGK) and European Investment Fund (EIF), 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 2021.

As at 31 March 2022, the gross carrying amount of the loan portfolio covered by the above-mentioned moratoria (active and expired) amounted to PLN 12 607 million (PLN 13 049 million as at 31 December 2021) and 66 108 customers were covered by moratoria (67 372 customers as at 31 December 2021). The gross carrying amount of the loan portfolio subject to active moratoria as at 31 March 2022 was PLN 75 million (as at 31 December 2021, PLN 54 million). The negative result on insignificant modifications recognized in the first quarter of 2022 related to these moratoria amounted to PLN -0.6 million (in the 2021 year PLN -3.2 million) and was recognized in the net interest income.

As at 31 March 2022, the gross carrying amount of the loan portfolio covered by BGK's and EIF's portfolio guarantees limiting the effects of COVID-19 was PLN 7 585 million (as at 31 December 2021 PLN 6 494 million) and guarantees covered 10 776 customers (9 893 customers as at 31 December 2021).

**36.2. 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 2022, the Group had a portfolio of foreign currency mortgage loans in CHF with a total gross carrying amount of PLN 2 663.1 million (i.e. CHF 589.1 million) compared to PLN 2 716.5 million (i.e. CHF 610.7 million) as at 31 December 2021.

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

	31.03.2022					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>2 066</b>	<b>2 121 904</b>	<b>66 245</b>	<b>464 490</b>	<b>8 383</b>	<b>2 663 088</b>
denominated in CHF	2 066	2 120 416	66 245	464 188	8 383	2 661 298
indexed to CHF	-	1 488	-	302	-	1 790
<b>Impairment allowances, of which: (*)</b>	<b>-</b>	<b>(260 935)</b>	<b>(44 192)</b>	<b>(355 594)</b>	<b>(5 407)</b>	<b>(666 128)</b>
denominated in CHF	-	(260 916)	(44 192)	(355 460)	(5 407)	(665 975)
indexed to CHF	-	(19)	-	(134)	-	(153)
<b>Carrying amount, of which:</b>	<b>2 066</b>	<b>1 860 969</b>	<b>22 053</b>	<b>108 896</b>	<b>2 976</b>	<b>1 996 960</b>
denominated in CHF	2 066	1 859 500	22 053	108 728	2 976	1 995 323
indexed to CHF	-	1 469	-	168	-	1 637

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 502 498 thousand.

	31.12.2021					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>2 078</b>	<b>2 211 523</b>	<b>64 638</b>	<b>431 157</b>	<b>7 127</b>	<b>2 716 523</b>
denominated in CHF	2 078	2 209 618	64 638	430 730	7 127	2 714 191
indexed to CHF	-	1 905	-	427	-	2 332
<b>Impairment allowances, of which: (*)</b>	<b>(1)</b>	<b>(275 193)</b>	<b>(44 021)</b>	<b>(332 096)</b>	<b>(6 728)</b>	<b>(658 039)</b>
denominated in CHF	(1)	(275 174)	(44 021)	(331 883)	(6 728)	(657 807)
indexed to CHF	-	(19)	-	(213)	-	(232)
<b>Carrying amount, of which:</b>	<b>2 077</b>	<b>1 936 330</b>	<b>20 617</b>	<b>99 061</b>	<b>399</b>	<b>2 058 484</b>
denominated in CHF	2 077	1 934 444	20 617	98 847	399	2 056 384
indexed to CHF	-	1 886	-	214	-	2 100

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 496 022 thousand.

As of 31 March 2022 the average LTV for CHF loans to individuals granted by the Group amounted to 35.4% (35.5% as at 31 December 2021), with an average LTV for the whole portfolio of mortgage loans of 52.5% (52.3% as at 31 December 2021).

## 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 prejudice 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 regulations.

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 in the above issues may have a significant impact on the further shaping of the line of judicial decisions in this regard. However, it is not certain whether and when the full Civil Chamber will adopt a resolution on the above-mentioned legal questions.

On 7 May 2021, a resolution was adopted by the Supreme Court composed of seven judges, after the resolution of the legal issue in the case III CZP 6/21 in the Civil Chamber, indicating that:

- a prohibited contractual provision (Art.385 (1) § 1 of the Civil Code) is from the outset, by operation of law, ineffective in favor of the consumer, who may subsequently give informed and free consent to this provision and thus restore its effectiveness retroactively;
- if the loan agreement cannot be binding without an ineffective provision, the consumer and the lender are entitled to separate claims for the reimbursement of cash benefits provided in the performance of the agreement (Art. 410 § 1 in conjunction with Art. 405 of the Civil Code). The lender may request the return of the benefit from the moment the loan agreement becomes permanently ineffective.

The resolution in question was given the force of a legal principle, therefore in the scope of resolved issues, it is binding in other cases examined by common courts as well as by the Supreme Court.

In addition, there is a trend in the market related to the referral by common courts of inquiries regarding various types of doubts arising to the Supreme Court, which may also affect the future directions of judicial decisions.

As at 31 March 2022, 1 884 individual court cases were pending against the Group regarding foreign currency mortgage loans in CHF, which were granted in previous years, with the total value of the claim in the amount of PLN 557 million (as at 31 December 2021, the number of cases was 1 596, and the corresponding value of the dispute is PLN 459.2 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 first quarter of 2022, the Group received 103 unfavorable court judgments in cases brought by borrowers, including 16 final judgments and 9 favorable court judgments, including 3 final judgments (in 2021: 124 unfavorable court judgments, including 19 final judgments stating the invalidity of the loan agreement and 11 favorable court judgments, including 4 final judgments).

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

As at 31 March 2022, 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 639 million and increased compared to the level of these provisions as at 31 December 2021.

The above amount includes the provision for individual pending litigation to which the Group is a party in the amount of PLN 304.8 million as at 31 March 2022 (PLN 266.1 million as at 31 December 2021) 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 334.2 million as at 31 March 2022 (PLN 360.1 million as at 31 December 2021).

The principles for estimating these provisions by the Group as at 31 March 2022, including the parameters adopted in individual scenarios, were consistent with the principles applied as at 31 December 2021 and were described in detail in the Consolidated Financial Statements of the Group for the year ended on 31 December 2021.

Although the subject of legal risk related to the CHF loan portfolio is one of the key topics in the sector in recent years, there is still a history of data on the scale of lawsuits (in particular in the field of final judgments), and whether the line of court jurisprudence in this area is not stabilized. All of the above causes that the process of determining the level of the provision requires each time the Group adopts many expert assumptions based on professional judgment.

Subsequent rulings 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.

In line with the above principles, as at 31 March 2022, the Group allocated the total amount of the provision in the amount of PLN 639 million as follows:

1. PLN 502.5 million for current and future disputes regarding balance sheet exposures, recognized as an element of impairment allowances for loan receivables in correspondence with 'Net allowances for expected credit losses' (PLN 496 million as at 31 December 2021),
2. PLN 136.5 million for current and future legal disputes regarding repaid exposures, recognized as provisions in correspondence with 'Other operating expenses' (PLN 130.2 million as at 31 December 2021).

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	31.03.2022	31.12.2021
<b>Impairment allowances for loan exposures, in this:</b>	<b>502 498</b>	<b>496 022</b>
Individual provisions	243 801	215 421
Portfolio provisions	258 697	280 601
<b>Provisions for litigation and claims, in this:</b>	<b>136 490</b>	<b>130 185</b>
Individual provisions	61 034	50 681
Portfolio provisions	75 456	79 504
<b>Total</b>	<b>638 988</b>	<b>626 207</b>

INCOME STATEMENT	I QUARTER 2022	I QUARTER 2021
Net allowances for expected credit losses	(8 636)	(1 423)
Other operating expenses	(6 306)	1 423
<b>Total</b>	<b>(14 942)</b>	<b>-</b>

#### *Sensitive analysis*

The Group performed a sensitivity analysis in relation to the significant assumptions of the provision calculation, where a change in the level of individual parameters would have the following impact on the amount of the provision for the legal risk of foreign currency mortgage loans in CHF.

Impact on the provision level in the event of changes to the assumptions (with other elements of the calculation unchanged):

PARAMETR	SCENARIO	IMPACT ON THE PROVISION LEVEL on 31.03.2022
Number of lawsuits	+20%	85 892
	-20%	(85 892)
Probability of failure	+10 p.p. (no more than 100%)	48 906
	-10 p.p.	(59 289)
Probability of a contract invalidity scenario	+10 p.p. (no more than 100%)	31 302
	-10 p.p.	(39 851)

PARAMETR	SCENARIO	IMPACT ON THE PROVISION LEVEL on 31.12.2021
Number of lawsuits	+20%	96 882
	-20%	(72 669)
Probability of failure	+10 p.p.	60 614
	-10 p.p.	(46 926)
Probability of a contract invalidity scenario	+10 p.p.	52 915
	-10 p.p.	(37 412)

### 36.3. 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 2021.

The table below presents the market risk exposure of the trading portfolio of the Group measured by Value at Risk as at 31 March 2022 and as at 31 December 2021.

	31.03.2022	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	47	14	119	1 296
interest rate risk	2 371	2 115	2 789	4 107
Trading portfolio	2 166	1 971	2 701	3 990

	31.12.2021	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	409	13	75	433
interest rate risk	2 306	801	2 155	4 072
Trading portfolio	2 331	810	2 190	3 892

#### 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 2021.

The increase in interest rates recorded since autumn 2021 has not had a significant impact on the Bank's exposure to interest rate risk so far. In order to hedge the current accounts and protect the interest result, the 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 2022 and as at 31 December 2021.

SENSITIVITY IN %	31.03.2022	31.12.2021
NII	(6.55)	(7.51)
EVE	(6.04)	(6.31)

**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 2021.

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

**Value at Risk**

CURRENCY	31.03.2022	31.12.2021
Currencies total (*)	233	732

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

**Currency position**

31.03.2022	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS- DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	33 910 347	30 061 892	27 415 554	31 242 824	21 185
USD	8 437 308	10 690 010	13 563 762	11 309 221	1 839
CHF	2 882 339	726 359	1 003 672	3 156 762	2 890
GBP	564 911	1 193 350	693 390	65 296	(345)
NOK	324 268	59 553	3 379	268 394	(300)
SEK	85 149	81 784	7 592	11 217	(260)
CAD	65 104	79 121	27 288	13 198	73
DKK	69 884	22 959	6 024	53 335	(386)
CZK	43 507	36 995	314 597	321 247	(138)
RON	27 667	18 252	427 127	436 428	114
CNY	117 434	49 071	677 570	742 341	3 592
HRK	3 185	29 323	111 876	85 541	197
HUF	54 273	15 332	249 209	288 122	28
Other currencies	48 763	49 739	93 289	93 079	(766)
<b>Total</b>	<b>46 634 139</b>	<b>43 113 740</b>	<b>44 594 329</b>	<b>48 087 005</b>	<b>27 723</b>

31.12.2021	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS- DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	30 600 095	26 904 921	23 686 721	27 365 640	16 255
USD	9 557 499	9 675 647	8 151 754	7 986 501	47 105
CHF	2 790 085	646 075	1 292 040	3 432 811	3 239
GBP	381 213	1 164 222	824 835	39 707	2 119
NOK	309 595	69 547	3 810	243 324	534
SEK	82 692	93 263	21 740	11 066	103
CAD	47 538	73 851	29 296	2 713	270
DKK	44 844	28 647	7 702	24 039	(140)
CZK	40 875	30 127	320 348	327 500	3 596
RON	26 910	16 286	256 645	271 019	(3 750)
CNY	135 717	31 846	617 757	721 252	376
HRK	839	1 703	128 240	127 123	253
HUF	4 965	28 886	352 172	328 232	19
Other currencies	43 837	50 292	87 759	80 089	1 215
<b>Total</b>	<b>44 066 704</b>	<b>38 815 313</b>	<b>35 780 819</b>	<b>40 961 016</b>	<b>71 194</b>

### 36.4. 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 2021. Due to the ongoing escalation of the armed conflict in Ukraine, which contributed to the turmoil in the financial markets and changed the model of customer behavior, the Bank introduced a state of increased liquidity attention - it is the lowest emergency state anticipated in internal regulations. It enables active monitoring of the Bank's liquidity situation and the market environment, as well as taking the required actions quickly. Nevertheless, the liquidity situation of the Bank was and remains fully safe and stable, and at present remains fully safe and stable and liquidity ratios remain at a high and safe level.

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

SUPERVISORY LIQUIDTY NORMS		LIMIT	31.03.2022	31.12.2021
LCR	Liquidity coverage ratio	100%	191%	190%
NSFR	Net stable funding ratio	100%	141%	141%

(\*) The values of regulatory liquidity ratios have been determined in accordance with the principles set out by 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.

The tables below present adjusted liquidity gap:

31.03.2022	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	68 911 108	10 314 010	31 133 582	92 819 874	68 706 590	271 885 164
Equity and liabilities	31 384 165	12 594 733	34 503 656	47 537 770	145 864 840	271 885 164
Off-balance sheet assets/liabilities (net)	(7 315 187)	(264 803)	(384 347)	2 434 702	5 121 153	(408 482)
<b>Periodic gap</b>	<b>30 211 756</b>	<b>(2 545 526)</b>	<b>(3 754 421)</b>	<b>47 716 806</b>	<b>(72 037 097)</b>	<b>(408 482)</b>
<b>Cumulated gap</b>	<b>-</b>	<b>27 666 230</b>	<b>23 911 809</b>	<b>71 628 615</b>	<b>(408 482)</b>	<b>-</b>

31.12.2021	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	58 533 152	6 812 658	32 746 498	85 758 703	66 715 594	250 566 605
Equity and liabilities	18 992 088	16 235 633	30 475 107	42 857 218	142 006 559	250 566 605
Off-balance sheet assets/liabilities (net)	(9 708 164)	17 907	1 064 407	3 561 182	4 420 559	(644 109)
<b>Periodic gap</b>	<b>29 832 900</b>	<b>(9 405 068)</b>	<b>3 335 798</b>	<b>46 462 667</b>	<b>(70 870 406)</b>	<b>(644 109)</b>
<b>Cumulated gap</b>	<b>-</b>	<b>20 427 832</b>	<b>23 763 630</b>	<b>70 226 297</b>	<b>(644 109)</b>	<b>-</b>

### 36.5. 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 2021.

### 36.6. 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 process of measuring financial instruments at fair value 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 2021.

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

31.03.2022	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets:</b>	<b>7 824 599</b>	<b>19 444 613</b>	<b>5 828 479</b>	<b>33 097 691</b>
Financial assets held for trading	254 702	176 165	60 345	491 212
Derivative financial instruments, including:	-	12 641 137	3 552	12 644 689
Banks	-	2 442 347	3 552	2 445 899
Customers	-	10 198 790	-	10 198 790
Hedging instruments, including:	-	180 121	-	180 121
Banks	-	114 365	-	114 365
Customers	-	65 756	-	65 756
Securities measured at fair value through other comprehensive income	7 569 897	6 447 190	5 189 187	19 206 274
Securities measured at fair value through profit or loss	-	-	180 692	180 692
Loans and advances to customers measured at fair value through other comprehensive income	-	-	245 956	245 956
Loans and advances to customers measured at fair value through profit or loss	-	-	148 747	148 747
<b>Liabilities:</b>	<b>275 667</b>	<b>15 778 465</b>	<b>-</b>	<b>16 054 132</b>
Financial liabilities held for trading	275 667	-	-	275 667
Derivative financial instruments, including:	-	12 586 442	-	12 586 442
Banks	-	2 209 955	-	2 209 955
Customers	-	10 376 487	-	10 376 487
Hedging instruments, including:	-	3 192 023	-	3 192 023
Banks	-	812 756	-	812 756
Customers	-	2 379 267	-	2 379 267

31.12.2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets:</b>	<b>8 538 322</b>	<b>17 905 364</b>	<b>5 859 840</b>	<b>32 303 526</b>
Financial assets held for trading	225 288	229 541	94 433	549 262
Derivative financial instruments, including:	-	7 922 679	5 860	7 928 539
Banks	-	1 559 398	5 860	1 565 258
Customers	-	6 363 281	-	6 363 281
Hedging instruments, including:	-	78 216	-	78 216
Banks	-	63 402	-	63 402
Customers	-	14 814	-	14 814
Securities measured at fair value through other comprehensive income	8 313 034	9 674 928	5 181 843	23 169 805
Securities measured at fair value through profit or loss	-	-	171 496	171 496
Loans and advances to customers measured at fair value through other comprehensive income	-	-	245 829	245 829
Loans and advances to customers measured at fair value through profit or loss	-	-	160 379	160 379
<b>Liabilities:</b>	<b>639 733</b>	<b>10 191 075</b>	<b>-</b>	<b>10 830 808</b>
Financial liabilities held for trading	639 733	-	-	639 733
Derivative financial instruments, including:	-	7 969 343	-	7 969 343
Banks	-	1 251 678	-	1 251 678
Customers	-	6 717 665	-	6 717 665
Hedging instruments, including:	-	2 221 732	-	2 221 732
Banks	-	836 833	-	836 833
Customers	-	1 384 899	-	1 384 899



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

I QUARTER 2022	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>94 433</b>	<b>5 860</b>	<b>245 829</b>	<b>160 379</b>	<b>171 496</b>	<b>5 181 843</b>	-
Increases, including:	625 877	563	2 573	3	9 196	1 576 338	-
Reclassification from other levels	18 998	563	-	-	-	1 540 879	-
Transactions made in 2022	-	-	-	3	-	-	-
Acquisition/Granting	605 779	-	-	-	-	8 019	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments	1 100	-	2 573	-	9 196	27 440	-
recognized in the income statement	1 100	-	2 573	-	9 196	26 340	-
recognized in revaluation reserves	-	-	-	-	-	1 100	-
Decreases, including:	(659 965)	(2 871)	(2 446)	(11 635)	-	(1 568 994)	-
Reclassification to other levels	(31 346)	-	-	-	-	(1 314 081)	-
Settlement/Redemption	-	(1 356)	(1 078)	(10 900)	-	(35 202)	-
Sale/Repayment	(624 863)	-	-	-	-	(74 095)	-
Losses on financial instruments	(3 756)	(1 515)	(1 368)	(735)	-	(145 616)	-
recognized in the income statement	(3 756)	(1 515)	-	(735)	-	(28 701)	-
recognized in revaluation reserves	-	-	(1 368)	-	-	(116 915)	-
<b>Closing balance</b>	<b>60 345</b>	<b>3 552</b>	<b>245 956</b>	<b>148 747</b>	<b>180 692</b>	<b>5 189 187</b>	-
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>(3 384)</b>	<b>(1 089)</b>	<b>661</b>	<b>(745)</b>	-	<b>(132 264)</b>	-
Income statement:	(3 384)	(1 089)	2 029	(745)	-	20 264	-
net interest income	297	-	1 493	408	-	19 525	-
net allowances for expected credit losses	-	-	536	-	-	739	-
result on financial assets and liabilities held for trading	(3 681)	(1 089)	-	(1 153)	-	-	-
Other comprehensive income	-	-	(1 368)	-	-	(152 528)	-

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

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:	5 940 649	11 973	96 431	764	11 010	4 046 238	4 390
Increase due to acquisition of part of Idea Bank S.A. activity	-	4 453	-	-	-	85 309	4 390
Reclassification from other levels	32 977	-	-	-	-	788 236	-
Transactions made in 2021	-	-	52 830	764	-	-	-
Acquisition/Granting	5 904 973	-	-	-	-	3 050 445	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments	2 699	7 520	43 601	-	11 010	122 248	-
recognized in the income statement	2 649	7 520	43 601	-	11 010	119 579	-
recognized in revaluation reserves	50	-	-	-	-	2 669	-
Decreases, including:	(5 889 748)	(7 825)	(1 325 657)	(27 386)	-	(9 355 393)	4 390
Reclassification to other levels	(209)	-	-	-	-	(298 662)	3 696
Settlement/Redemption	(21 729)	(7 825)	(1 099 062)	(23 634)	-	(4 357 890)	694
Sale/Repayment	(5 856 240)	-	(203 000)	-	-	(4 654 666)	-
Losses on financial instruments	(11 570)	-	(23 595)	(3 752)	-	(44 175)	-
recognized in the income statement	-	-	-	(3 752)	-	(125)	-
recognized in revaluation reserves	(11 570)	-	(23 595)	-	-	(44 050)	-
<b>Closing balance</b>	<b>94 433</b>	<b>5 860</b>	<b>245 829</b>	<b>160 379</b>	<b>171 496</b>	<b>5 181 843</b>	<b>-</b>
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>(11 304)</b>	<b>2 102</b>	<b>(5 376)</b>	<b>(3 782)</b>	<b>-</b>	<b>(233 588)</b>	<b>-</b>
Income statement:	(11 304)	2 102	4	(3 782)	-	10 990	-
net interest income	486	-	1 494	273	-	14 456	-
net allowances for expected credit losses	-	-	(1 490)	-	-	(3 466)	-
result on financial assets and liabilities held for trading	(11 790)	2 102	-	(4 055)	-	-	-
Other comprehensive income	-	-	(5 380)	-	-	(244 578)	-

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 2022 the following transfers of financial instruments between the levels of the fair value hierarchy were made:

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

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

The process of valuation of financial instruments that are not presented at fair value in the financial statements 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 2021.

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

31.03.2022	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>Assets</b>					
Cash and due from Central Bank	18 828 240	18 825 327	4 964 798	13 860 529	-
Loans and advance to banks	6 364 582	6 366 709	-	4 280 979	2 085 730
Loans and advances to customers measured at amortised cost	161 455 055	159 566 618	-	1 563 778	158 002 840
Debt securities measured at amortised cost	44 943 942	40 824 184	21 953 203	13 272 566	5 598 415
Other assets	1 024 472	1 024 472	-	-	1 024 472
<b>Total Assets</b>	<b>232 616 291</b>	<b>226 607 310</b>	<b>26 918 001</b>	<b>32 977 852</b>	<b>166 711 457</b>
<b>Liabilities</b>					
Amounts due to Central Bank	-	-	-	-	-
Amounts due to other banks	13 333 078	13 380 046	-	6 096 453	7 283 593
Amounts due to customers	204 967 160	204 656 079	-	-	204 656 079
Debt securities issued	6 637 668	6 627 356	-	6 627 356	-
Subordinated liabilities	2 781 156	2 771 771	-	2 771 771	-
Other liabilities	3 760 796	3 760 796	-	-	3 760 796
<b>Total Liabilities</b>	<b>227 719 062</b>	<b>227 435 252</b>	<b>-</b>	<b>15 495 580</b>	<b>211 939 672</b>

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

31.12.2021	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>Assets</b>					
Cash and due from Central Bank	4 696 620	4 696 695	3 699 683	997 012	-
Loans and advance to banks	3 328 087	3 334 784	-	1 476 248	1 858 536
Loans and advances to customers measured at amortised cost	158 822 548	157 567 855	-	969 694	156 598 161
Debt securities measured at amortised cost	44 276 101	41 828 431	22 436 197	2 700 086	16 692 148
Other assets	1 086 984	1 086 984	-	-	1 086 984
<b>Total Assets</b>	<b>212 210 340</b>	<b>208 514 749</b>	<b>26 135 880</b>	<b>6 143 040</b>	<b>176 235 829</b>
<b>Liabilities</b>					
Amounts due to Central Bank	-	-	-	-	-
Amounts due to other banks	8 575 469	8 591 675	-	3 110 410	5 481 265
Amounts due to customers	195 161 943	194 824 190	-	-	194 824 190
Debt securities issued	5 355 355	5 350 726	-	5 350 726	-
Subordinated liabilities	2 761 474	2 747 964	-	2 747 964	-
Other liabilities	3 105 291	3 105 291	-	-	3 105 291
<b>Total Liabilities</b>	<b>214 959 532</b>	<b>214 619 846</b>	<b>-</b>	<b>11 209 100</b>	<b>203 410 746</b>

## 37. 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 2022.

27.04.2022 Date	Leszek Skiba Name/Surname	President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
27.04.2022 Date	Jarosław Fuchs Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
27.04.2022 Date	Marcin Gadomski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
27.04.2022 Date	Jerzy Kwieciński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
27.04.2022 Date	Paweł Strączyński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
27.04.2022 Date	Błażej Szczeciński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
27.04.2022 Date	Wojciech Werochowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
27.04.2022 Date	Piotr Zborowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
27.04.2022 Date	Magdalena Zmitrowicz Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature 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.