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Bank Polski

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

SELECTED CONSOLIDATED FINANCIAL DATA	PLN milion		EUR million	
	period from 01.01.2021 to 31.03.2021	period from 01.01.2020 to 31.03.2020	period from 01.01.2021 to 31.03.2021	period from 01.01.2020 to 31.03.2020
Net interest income	2 312	2 708	506	616
Net fee and commission income	1 044	978	228	222
Profit before tax	1 477	797	323	181
Net profit (including non-controlling shareholders)	1 175	499	257	114
Net profit attributable to the parent company	1 177	503	257	114
Earnings per share for the period - basic (in PLN/EUR)	0,94	0,40	0,21	0,09
Earnings per share for the period - diluted (in PLN/EUR)	0,94	0,40	0,21	0,09
Total net comprehensive income	663	914	145	208
Net cash from operating activities	(2 919)	(1 588)	(638)	(361)

SELECTED CONSOLIDATED FINANCIAL DATA	PLN milion		EUR million	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Total assets	384 253	376 966	82 452	81 686
Total equity	40 574	39 911	8 706	8 648
Capital and reserves attributable to equity holders of the parent company	40 589	39 924	8 710	8 651
Share capital	1 250	1 250	268	271
Number of shares (in million)	1 250	1 250	1 250	1 250
Book value per share (in PLN/EUR)	32,46	31,93	6,97	6,92
Diluted number of shares (in million)	1 250	1 250	1 250	1 250
Diluted book value per share (in PLN/EUR)	32,46	31,93	6,97	6,92
Total capital adequacy ratio	18,10%	18,18%	18,10%	18,18%
Tier 1	38 523	38 816	8 266	8 411
Tier 2	2 700	2 700	579	585

SELECTED FINANCIAL DATA	PLN million		EUR million	
	period from 01.01.2021 to 31.03.2021	period from 01.01.2020 to 31.03.2020	period from 01.01.2021 to 31.03.2021	period from 01.01.2020 to 31.03.2020
Net interest income	2 027	2 443	443	556
Net fee and commission income	846	758	185	172
Profit before tax	1 295	553	283	126
Net profit	1 009	360	221	82
Earnings per share for the period - basic (in PLN/EUR)	0,81	0,29	0,18	0,07
Earnings per share for the period - diluted (in PLN/EUR)	0,81	0,29	0,18	0,07
Total net comprehensive income	414	754	91	172
Net cash from operating activities	(2 863)	(1 665)	(626)	(379)

SELECTED FINANCIAL DATA	PLN million		EUR million	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Total assets	351 406	345 027	75 404	74 765
Total equity	38 991	38 577	8 367	8 359
Share capital	1 250	1 250	268	271
Number of shares (in million)	1 250	1 250	1 250	1 250
Book value per share (in PLN/EUR)	31,19	30,86	6,69	6,69
Diluted number of shares (in million)	1 250	1 250	1 250	1 250
Diluted book value per share (in PLN/EUR)	31,19	30,86	6,69	6,69
Total capital adequacy ratio	19,78%	19,78%	19,78%	19,78%
Tier 1	37 156	37 564	7 973	8 140
Tier 2	2 700	2 700	579	585

SELECTED FINANCIAL STATEMENT ITEMS HAVE BEEN TRANSLATED INTO EUR AT THE FOLLOWING RATES	period from 01.01.2021 to 31.03.2021	period from 01.01.2020 to 31.03.2020
arithmetic mean of National Polish Bank exchange rates at the end of a month (income statement, statement of comprehensive income and cash flow statement items)	4,5721	4,3963
	31.03.2021	31.12.2020
National Polish Bank mid exchange rates at the date indicated (statement of financial position items)	4,6603	4,6148



Bank Polski

Directors' Commentary
to the financial results
of the PKO Bank Polski S.A. Group
for the three-month period ended
31 March 2021

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1. UNUSUAL EVENTS AND REACTION OF THE BANK'S GROUP

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

In the first quarter of 2021 the Bank's Group continued actions aimed at mitigating the legal risk of court proceedings with respect to foreign currency mortgage loans granted to households for housing purposes. It continued to support communities and Customers in their fight against the COVID-19 pandemic and its effects.

FOREIGN CURRENCY MORTGAGE LOANS

On 23 April 2021 the Extraordinary General Shareholders' Meeting of PKO Bank Polski S.A. (EGM) decided to conclude settlements with consumers who had concluded loan or borrowing agreements with the Bank secured by mortgages indexed to foreign currencies or denominated in foreign currencies (hereinafter: settlements with consumers).

Pursuant to the resolution passed:

- the Bank set up a special fund of PLN 6.7 billion for offsetting particular balance sheet losses which will arise as a result of recognizing the financial effects of the settlements with consumers;
- the Bank isolated from the Bank's supplementary capital, in the part created from prior years' retained earnings available for division, PLN 6.7 billion and transferred it to the special fund referred to above;
- the General Meeting obliged the Bank's Management Board to present for approval by the Bank's Supervisory Board the terms and conditions on which the settlements will be concluded with consumers, including the terms and conditions for forgiving debt;
- the Bank's Management Board may start concluding the settlements with consumers (including those that stipulate debt forgiveness) after the Bank's Supervisory Board issues a positive opinion on the terms and conditions on which they are to be concluded, including the debt forgiveness. The content of individual settlements should be within the limits of the terms and conditions on which the Bank's Supervisory Board gives its opinion.

The principles for concluding settlements will include the assessment of legal risk, including the changes that may occur in the legal environment.

PKO Bank Polski S.A. assessed the costs of the expected settlements with the Customers and accounted for them in the results for 2020.

In 2020 the Bank's Group recognized a material foreign currency position in CHF of approx. PLN 14.2 billion in connection with the Bank's intention to conclude settlements with consumers confirmed by the Resolution of the EGM. As at the end of April 2021 the Bank's Group fully hedged this foreign currency position by concluding, and then closing option contracts which gave the Bank a right to purchase foreign currencies, and by concluding and settling a series of Forex transactions under which the Bank's Group purchased foreign currencies with PLN. After the foreign currency position was hedged the capital requirement with respect to market risk was significantly reduced.

ACTIONS ON BEHALF OF COMMUNITIES AND CUSTOMERS DURING THE CORONAVIRUS PANDEMIC

Since the beginning of the COVID-19 pandemic the PKO Bank Polski S.A. Group has been supporting local communities and the Customers who found themselves in a difficult economic position.

In the first quarter of 2021 it made monetary donations exceeding PLN 2.2 million, including:

- for the purchase of a computer CAT scanner with a radiologic platform for analysing X-ray images, supported by Artificial Intelligence, for the Central Clinical Hospital of the Ministry of the Interior and Administration;
- for additional specialist equipment in four medical facilities, earmarked for patients who have had COVID-19;
- for co-financing a project financed by the Polish Chamber of Insurance, aimed at supporting the Chief Sanitary Inspector in handling the consultation process and informing of the epidemic and sanitary situation related to the pandemic.

In the first quarter of 2021 the Bank's Group introduced moratoria for Customers suffering from the effects of the pandemic, including from so-called threatened industries. PKO Bank Polski S.A. offered businesses:

- suspension or extension of payment of instalments (principal or principal and interest – depending on the size of the enterprise and the form of financing) of investment loans, mortgage advances, SME advances, non-revolving working capital loans and restructuring agreements;
- renewal of revolving loans (i.e. current account overdrafts, revolving loans in credit accounts and credit cards) which matured up to 31 March 2021;

for a maximum period of up to nine months, where according to the Bank, the nine months included periods of postponements or renewals made in 2020.

The Bank assessed the creditworthiness of Customers who submitted applications for these aforementioned support measures according to simplified procedures specified in the Banks' Position with respect to standardizing the principals for offering support tools to customers, developed under the aegis of the Polish Banks Association.

PKO Leasing S.A. and companies of the Prime Car Management S.A. Group continued to provide relief to Customers and simplifications to the procedures introduced in 2020.

The Customers of the Bank's Group were able to continue to avail themselves of the support introduced as part of the Anti-Crisis Shields, including by Bank Gospodarstwa Krajowego and Polski Fundusz Rozwoju S.A. (PFR).

In the first quarter of 2021 this support was expanded in particular by subventions under the PFR Financial Shield 2.0 for micro, small- and medium-sized enterprises from 54 industries, which had to limit business activities due to the epidemiological situation. Until the end of March 2021 the Bank's Customers could file applications through the iPKO and iPKO biznes Internet services. Until 15 April 2021 claims were accepted. Approx. 8.8 thousand enterprises availed themselves of this form of support via PKO Bank Polski S.A., and the total amount of subsidies provided was PLN 1.3 billion.

2. BUSINESS CONDITIONS

According to preliminary data, in the first quarter of 2021 GDP dropped by 1.2% y/y compared with the 2.7% y/y drop in the fourth quarter of 2020. Compared with the fourth quarter of 2020 GDP increased by 0.9% q/q, despite business activities still being largely determined by the pandemic in the first quarter of 2021 and the subsequent waves of tightening restrictions related to the spread of the pandemic. To the largest extent, the tightening of restrictions translated to individual consumption and retail trade and service sectors. Industrial processing and foreign trade became largely independent of the pandemic trends, and business activity in these areas gradually increased, despite the increasing problems with manufacturing components in many industries. With the tightening of restrictions anti-crisis actions were extended, and that kept the labour market in hibernation. The registered unemployment rate increased to 6.5% in January and February, in line with the seasonal trend, and once again started dropping in March (6.4%). The harmonized unemployment rate dropped to 3.1% and was the lowest in the European Union.

As the belief in global economic revival grew, prices of raw materials, including oil, started to go up. Accompanied by increases in administered prices, this translated into another increase in domestic CPI inflation, which amounted to 3.2% y/y in March compared to 2.4% y/y as at the end of 2020.

The National Bank of Poland (NBP) upheld its loose approach in monetary policy and the most probable scenario for the following quarters is that interest rates will not be changed. The NBP emphasized that the increase in inflation is temporary and independent of the national monetary policy. It drew attention to the high uncertainty of revival prospects and the negative demand gap, which reduce the space for interest rate increases. After a wave of weakening of the PLN in March, the Monetary Policy Council ceased notifying in its communiqués of insufficient adaptation of the exchange rate of the PLN to the monetary policy and to the pandemic crisis.

NBP interest rates:

• reference	0.10%
• bill of exchange rediscount	0.11%
• bill of exchange discount	0.12%
• Lombard	0.50%
• Deposit	0.00%

Data on the results of the public finance sector for 2020 showed that in accordance with the EU methodology (ESA) the increase in public finance deficit and public debt was lower than forecast and lower than in 2009-2010.

The general government deficit increased to 7.0% of GDP from 0.7% in 2019 (vs 7.3% and 7.4% in 2009-2010). Public debt increased to 57.5% of GDP from 45.6% of GDP. Current data about executing the State budget shows

that there is space for lower than assumed in the Budget Act execution of the deficit throughout the year as the budget revenues will be increased by the inflow from NBP profit for 2020 of PLN 8.9 billion.

Better economic growth prospects and an upward inflation trend had a material impact on the interest rate market. Returns on bonds increased both in Europe and in the USA. In the first quarter of 2021 returns on Polish bonds increased: 5-year by 37 bp. to 0.84%, and 10-year by 32 bp. to 1.58%. Confidence in economic revival is conducive to improved conditions on the global stock markets. The main index of the Warsaw Stock Exchange, WIG, also improved and increased by nearly 2% in the first quarter compared with the end of the previous year. The exchange rate of the PLN on the financial market was under pressure, among other things due to the rhetoric of the NBP and dropped vis-à-vis EUR by 7 grosz, and vis-à-vis USD by 22 grosz in the first quarter of 2021.

3. FACTORS WHICH DETERMINE FUTURE RESULTS

The following external factors may have an impact on the operations of the Bank's Group in 2021:

IN THE GLOBAL ECONOMY:

- acceleration of COVID-19 inoculations, which will allow for lifting of restrictions and normalization of business activities;
- risk of further mutations of the virus, which could reduce the effectiveness of the inoculations and lead to further waves of the pandemic and the tightening of anti-pandemic restrictions;
- the process of revival of the global economy after the deep recession caused by the pandemic, including those countries which are the key export markets for Polish enterprises;
- continuation of the expansionary monetary policy by lead central banks, both by maintaining interest rates at historical lows and further purchases of assets under the QE programmes, accompanied by growth in inflationary expectations and long-term market interest rates;
- maintaining expansionary fiscal policy with especially strong expansion in the USA and preparations for expenses under the Next Generation EU;
- risk of a wave of state bankruptcies;
- political and economic conditions in Ukraine.

IN THE POLISH ECONOMY:

- progress in the vaccination programme, which should lead to herd immunity in early autumn;
 - fast revival of business activities supported by, among other things, the nature of the fiscal impulse and a drop in savings enforced by the pandemic;
 - the process of adapting the economy to the post-pandemic reality – restructuring of employment and activities in the industries most afflicted by the long tail of negative effects of the pandemic, which thanks to rising demand at macro level should have the nature of “creative destruction”, but temporarily may lead to turbulences on local labour markets, the start of the process of repayment of the reimbursable portion of support under the Financial Shield;
 - probable stabilization of NBP interest rates at a record low, continuation of the asset purchase programme by the NBP, possible further activity of the NBP on the Forex market;
 - maintained higher (than the NBP inflation target) level of CPI inflation;
 - probable gradual revival of investment activity related, among other things, to the anticipated inflow of funds from the EU recovery plan and ecological investments;
 - maintained low demand for loans accompanied by an increased volume of deposits (effects of anti-crisis actions);
 - resolutions of the Court of Justice of the European Union (CJEU) and the Supreme Court with respect to mortgage loans in foreign currencies.
-

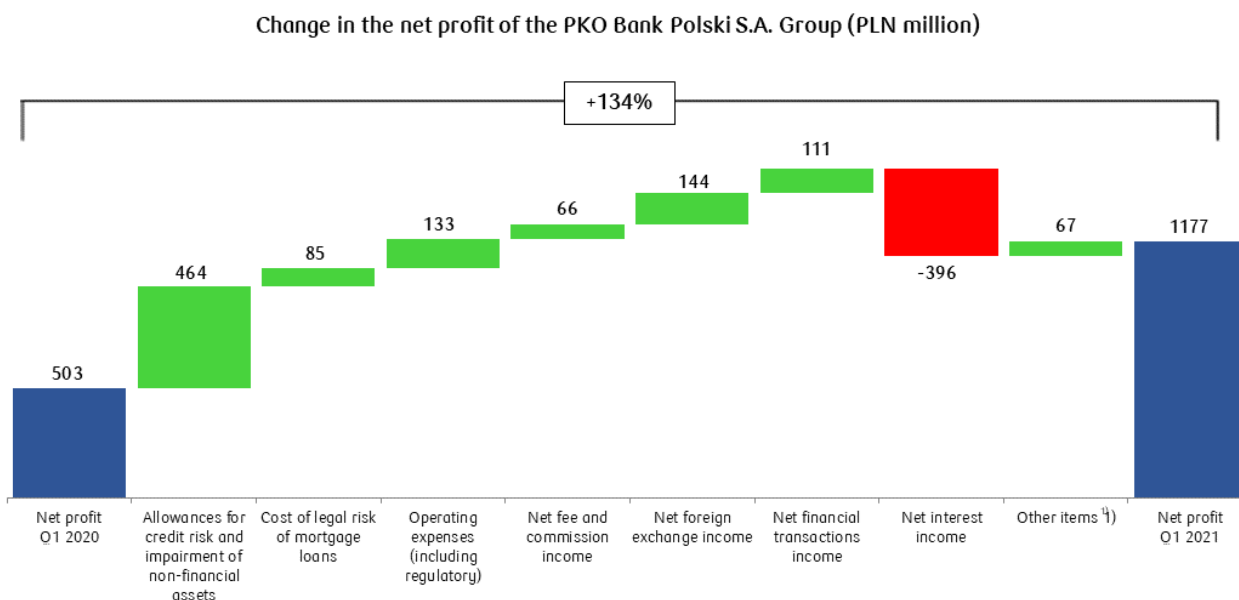
4. MATERIAL ACHIEVEMENTS AND KEY EVENTS

SELECTED FINANCIAL DATA

The consolidated net profit of the PKO Bank Polski S.A. Group made in the first quarter of 2021 amounted to PLN 1,177 million and was PLN 674 million higher than in the corresponding period of 2020.

The increase in net profit was determined by:

- 1) an improvement in net allowances and impairment of PLN 549 million;¹
- 2) a drop in operating expenses of PLN 133 million, including a drop of PLN 78 million in regulatory charges;
- 3) similar level of the result on business activities in effect of:
 - a drop in net interest income of PLN 396 million as a result of a reduction in market rates, which translated into a huge drop in interest income;
 - an increase in net fee and commission income of PLN 66 million, among other things on loans, bank accounts and Forex margins;
 - an increase in net other income² of PLN 327 million.



¹⁾ This item includes dividend income, other net operating income, tax on certain financial institutions, income tax, share in profits/(losses) of associated entities and joint ventures, and profits (losses) attributable to non-controlling shareholders

Events which had a significant impact on the net profit of the Bank's Group in the first quarter of 2021 compared with the first quarter of 2020:

RESULT ON BUSINESS ACTIVITIES

- In effect of closing the foreign exchange position as a result of the decision of the EGM concerning offering settlements to Customers, the Bank's Group recognized net foreign exchange gains of approx. PLN 156 million;
- as a result of EGM's decision to offer settlements to Customers, the Bank's Group derecognized from hedge accounting the CIRS transactions which had previously financed the portfolio of foreign exchange residential mortgage loans; this led to the recognition of net foreign exchange income of approx. PLN 54 million (so-called swap points), which in previous periods had been recognized in net interest income and net foreign exchange

¹ Net allowances for credit risk and impairment comprise: net allowances for expected credit losses, net impairment of non-financial assets, net gain/(loss) on loans measured at fair value through profit or loss and the costs of legal risk of mortgage loans in convertible currencies.

² Including: an increase in net other operating income/(expenses) of PLN 72 million (including the costs of refunded commission on prepayment of loans lower by PLN 70 million), an increase in net gain/(loss) on financial transactions of PLN 111 million and in net foreign exchange gains/(losses) of PLN 144 million, at a stable dividend income.

income on the measurement of these transactions to fair value (previously through equity - other comprehensive income - cash flow hedges) of approx. PLN -44 million;

ALLOWANCES FOR CREDIT RISK AND NON-FINANCIAL ASSETS

- improvement in net allowances for credit risk of PLN 363 million³, including of PLN 285 million as a result of adjustments to macroeconomic projections due to the non-materialization of the credit risk;
- recognition of an allowance for impairment in the value of Bank Pocztowy S.A. shares held of PLN -90 million in the 1st quarter of 2020, which improved y/y results;

COSTS OF LEGAL RISK OF MORTGAGE LOANS

- absence of the costs of legal risk of mortgage loans in convertible currencies (in the corresponding period of 2020 the recognized cost was PLN -85 million);

REGULATORY CHARGES

- a drop of PLN 78 million as a result of lower contributions and payments to the Bank Guarantee Fund (including the contribution to the mandatory Resolution Fund which dropped by PLN 65 million, and to the Bank Guarantee Fund, which dropped by PLN 27 million), with an increase in fees to the Polish Financial Supervision Authority of PLN 13 million;

OTHER ITEMS

- improvement of PLN 76 million as a result of the remeasurement of investments, the change related mainly to the shares of VISA Inc.;
- an increase of PLN 53 million on the remeasurement of debt securities and derivative financial instruments from the banking book.

In effect of the actions taken in the first quarter of 2021 the scale of operations increased, both with respect to the corresponding period of the prior year and to the end of 2020:

- total assets exceeded PLN 384 billion, which is an increase of PLN 20 billion compared with the corresponding period of the prior year and an increase of PLN 7 billion compared with total assets as at the end of 2020;
- Customer deposits increased to PLN 288 billion, i.e. by PLN 22 billion compared with the end of March 2020 and by PLN 5 billion compared with the end of December 2020 - mainly as a result of an increase in retail deposits;
- amounts due to Customers was more than PLN 236 billion and did not change significantly compared with the end of 2020, but dropped by PLN 15 billion compared with the end of March 2020 - mainly as a result of a drop in the amount of financing granted to companies in the form of business loans and as an effect of an adjustment of the carrying amount of residential loans made at the end of 2020 in connection with the decision of the EGM to offer settlements to Customers;
- the securities portfolio increased significantly, by PLN 45 billion compared with the end of March 2020 and by PLN 10 billion compared with the end of 2020.

The ratio of impaired loans⁴ as at the end of the first quarter of 2021 in consolidated terms was 4.7% (an increase of 0.5 p.p. compared with the first quarter of 2020) - the deterioration is mainly the effect of applying a new definition of default (NDD) as of 1 January 2021 which had an impact on the increase in the impaired portfolio of approx. PLN 662 million (nearly 0.3% of the portfolio).

As at 31 March 2021 the Bank's Group:

- retained a high share in the loans and deposits market at a level of 17.4% and 18.1% respectively;
- had a lead position on the investment fund market for individuals, with a share of 19.3%.

DEVELOPMENT OF SERVICES, PRODUCTS AND TOOLS

The PKO Bank Polski S.A. Group was developing its services and products. It focused on remote channels.

³ Including loans measured at fair value through profit and loss account.

⁴ The share of impaired loans in the loan portfolio - calculated by dividing the gross carrying amount of loans and advances, in consideration of loans measured at fair value through profit and loss account and impaired corporate and communal bonds (unsecured with State Treasury guarantees) by the gross carrying amount of loans in the portfolio.

PKO Bank Polski S.A.:

- among other things, implemented opening and servicing a tax investment account and a new form of immediate settlements Express Elixir in the iPKO biznes electronic banking service for Customers from the corporate segment and local government units, which allows Customers to pay their liabilities at any time of day;
- prepared new functionalities in the mobile IKO application, such as biometric confirmation of the authorization of mobile transactions and marking telephone contacts with a BLIK log in mobile transfers;
- jointly with ING Bank Śląski S.A., Santander Bank Polska S.A. and a wide range of partners it developed a Standard Shareholders Register Interface (SIRA); SIRA is used to standardize the technical conditions of operation of systems and allows shareholders to remotely manage shares in electronic registers;
- extended until 30 June 2021 the offer supporting borrowers with mortgage loans in CHF, in order to mitigate the negative effects of changes in the CHF exchange rates;
- as the first bank on the market, made available a remote form of applying for high value loans.

PKO Leasing S.A. launched an online digital platform – a new process of leasing assets available in the e-commerce stores. The Company signed an agreement for the integration of the process with IdoSell – a platform for running web stores. PKO Leasing Online constitutes financing for individuals running businesses.

PKO Bank Polski S.A. developed and launched further innovative solutions for internal processes and operations, such as a cloud solution for HR processes – a comprehensive SAP SuccessFactors system, which ensures the innovative servicing of employee processes. The launch covered 23 thousand staff and is the largest implementation of such a solution in Poland to date.

ESG

The Bank took the following actions:

- modernized central heating installations by replacing the furnaces with more energy-efficient models; it also changed the manner of heating, e.g. by connecting to city heating or gas grids;
- it continued to implement energy-efficient technology and equipment, including LED lamps to light premises and in alarm and evacuation lights (in 14 locations);
- it systematically implemented waste segregation in consecutive branches (in 20 locations);
- it opened further bike rooms in branches to promote more ecological forms of transport;
- it obtained the first energy effectiveness certificates (white certificates) and sold them on the Energy Exchange.

PKO Towarzystwo Funduszy Inwestycyjnych S.A. (PKO TFI S.A.) and the PKO Bank Polski Brokerage Office published on their websites a strategy on the integration of sustainability risks in their investment decision making process (<https://www.pkotfi.pl/sfdr/>, https://www.bm.pkobp.pl/media_files/9636be2e-3d5f-4b30-b4b6-a9936c8ee499.pdf).

RECORD SALES BY PKO TFI S.A.

As at the end of March 2021 the value of assets managed by PKO TFI S.A. was PLN 37.6 billion. Therefore, PKO TFI S.A.'s assets exceeded the previous historical record level.

During the first three months of 2021 Customers invested PLN 2.8 billion with PKO TFI S.A. Debt funds are the most popular, but an increase in interest in stock funds is noticeable.

PKO TFI S.A. also took over the management of Fundusz Własności Pracowniczej PKP. The value of the assets acquired in the business combination is nearly PLN 0.8 billion. Fundusz Własności Pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty (Polish Rail Employee Ownership Fund, specialist open end fund) is the first fund in Poland where the formula of an investment fund as a way to include employees in the privatization of a company was applied. PKP S.A. pays 15% of all funds from each sale of shares of companies set up by PKP S.A., sales of properties and respective rights, and other company assets to the fund.

EMPLOYEE CAPITAL PLANS

The first quarter of 2021 is a period in which the last group of entities acceded to the Employee Capital Plans (PPK): public finance sector entities (JSFP) and companies employing 1-19 staff. PKO TFI S.A. acquired over 12.5 thousand JSFP (and an approx. 30% share in the area) and over a dozen thousand small firms.

The results achieved allow the company to maintain its leading position on the PPK market with assets exceeding PLN 1.3 billion and nearly 700 thousand registered participants, including 562 thousand participants with paid-in contributions.



Bank Polski

**Condensed interim consolidated
financial statements of the PKO Bank
Polski SA Group for the three-month
period ended 31 March 2021**



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CONSOLIDATED INCOME STATEMENT

INCOME STATEMENT	Note	01.01- 31.03.2021	01.01- 31.03.2020
Net interest income	9	2 312	2 708
Interest income		2 480	3 294
of which calculated under the effective interest rate method		2 281	3 013
Interest expense		(168)	(586)
Net fee and commission income	10	1 044	978
Fee and commission income		1 279	1 249
Fee and commission expense		(235)	(271)
Other net income		217	(151)
Gains/(losses) on financial transactions	11	11	(150)
of which due to impact of macroeconomic variables on the loan portfolio		2	(22)
Foreign exchange gains/ (losses)		160	16
Gains/(losses) on derecognition of financial instruments	12	34	43
of which measured at amortized cost		-	(13)
Net other operating income and expense	13	12	(60)
Result on business activities		3 573	3 535
Net expected credit losses	14	(169)	(491)
of which due to impact of macroeconomic variables on the loan portfolio		55	(206)
Net impairment allowances on non-financial assets	15	(15)	(116)
Cost of the legal risk of mortgage loans in convertible currencies	16	-	(85)
Administrative expenses	17	(1 655)	(1 788)
of which net regulatory charges		(373)	(451)
Tax on certain financial institutions		(257)	(262)
Share in profits and losses of associates and joint ventures		-	4
Profit before tax		1 477	797
Income tax expense	18	(302)	(298)
Net Profit (including non-controlling shareholders)		1 175	499
Profit (loss) attributable to non-controlling shareholders		(2)	(4)
Net Profit attributable to equity holders of the parent company		1 177	503
Earnings per share			
- basic earnings per share for the period (PLN)		0,94	0,40
- diluted earnings per share for the period (PLN)*		0,94	0,40
Weighted average number of ordinary shares during the period (in million)		1 250	1 250

*Both in the three-month period ended 31 March 2021 and in the same period of 2020, there were no dilutive instruments. Therefore, the amount of diluted earnings per share is the same as the amount of basic earnings per share.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	01.01- 31.03.2021	01.01- 31.03.2020
Net Profit / (loss) (including non-controlling shareholders)		1 175	499
Other comprehensive income		(512)	415
Items which may be reclassified to profit or loss		(512)	415
Cash flow hedges (net)		(434)	452
Cash flow hedges (gross)	20	(537)	558
Deferred income tax	18;20	103	(106)
Fair value of financial assets measured at fair value through other comprehensive income (net)		(109)	(16)
Remeasurement of financial assets measured at fair value through other comprehensive income (gross)		(104)	35
Gains /losses transferred to the profit or loss (on disposal)		(34)	(56)
Deferred income tax	18	29	5
Foreign exchange differences on translation of foreign branches		31	(21)
Items which cannot be reclassified to profit or loss		-	-
Total net comprehensive income, of which attributable to:		663	914
equity holders of the parent		665	918
non-controlling interest		(2)	(4)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Nota	31.03.2021	31.12.2020
ASSETS		384 253	376 966
Cash and balances with Central Bank		4 275	7 474
Amounts due from banks	19	2 664	2 557
Hedging derivatives	20	735	958
Other derivative instruments	21	5 767	5 501
Securities	22	133 641	123 682
Reverse repo transactions		10	-
Loans and advances to customers	23	222 885	222 603
Liabilities in respect of insurance activities		798	798
Property, plant and equipment under operating lease		1 207	1 168
Property, plant and equipment		3 187	3 161
Non-current assets held for sale		15	126
Intangible assets		3 250	3 281
Investments in associates and joint ventures		258	291
Current income tax receivable		20	19
Deferred income tax assets		2 766	2 543
Other assets		2 775	2 804



		31.03.2021	31.12.2020
LIABILITIES AND EQUITY		384 253	376 966
Liabilities		343 679	337 055
Amounts due to banks		2 302	2 626
Hedging derivatives	20	600	378
Other derivative instruments	21	5 675	6 104
Amounts due to customers	24	287 781	282 356
Liabilities in respect of insurance activities		1 756	1 740
Loans and advances received	25	2 377	2 267
Debt securities in issue	25	32 904	32 098
Subordinated liabilities	25	2 704	2 716
Other liabilities		5 543	4 703
Current income tax liabilities		170	193
Deferred income tax provision		378	372
Provisions	26	1 489	1 502
EQUITY		40 574	39 911
Share capital		1 250	1 250
Other capital		34 577	35 089
Retained earnings		3 585	6 142
Net profit or loss for the year		1 177	(2 557)
Capital and reserves attributable to equity holders of the parent company		40 589	39 924
Non-controlling interests		(15)	(13)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR 3 MONTHS ENDED 31 MARCH 2021	Share capital	Other capital Reserves			Accumulated other comprehensive income	Total other capital and reserves	Retained earnings	Net profit or loss for the year	Capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Supplementary capital	General banking risk fund	Other reserves							
As at the beginning of the period	1 250	29 519	1 070	3 137	1 363	35 089	6 142	(2 557)	39 924	(13)	39 911
Transfer from retained earnings	-	-	-	-	-	-	(2 557)	2 557	-	-	-
Comprehensive income	-	-	-	-	(512)	(512)	-	1 177	665	(2)	663
As at the end of the period	1 250	29 519	1 070	3 137	851	34 577	3 585	1 177	40 589	(15)	40 574

FOR 3 MONTHS ENDED 31 MARCH 2020	Share capital	Other capital Reserves			Accumulated other comprehensive income	Total other capital and reserves	Retained earnings	Net profit or loss for the year	Capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Supplementary capital	General banking risk fund	Other reserves							
As at the beginning of the period	1 250	29 429	1 070	3 237	469	34 205	2 101	4 031	41 587	(9)	41 578
Transfer from retained earnings	-	-	-	-	-	-	4 031	(4 031)	-	-	-
Comprehensive income	-	-	-	-	415	415	-	503	918	(4)	914
Transfer from retained earnings to equity	-	89	-	-	-	89	(89)	-	-	-	-
As at the end of the period	1 250	29 518	1 070	3 237	884	34 709	6 043	503	42 505	(13)	42 492

Accumulated other comprehensive income						
FOR 3 MONTHS ENDED 31 MARCH 2021	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Foreign exchange differences on translation of foreign branches	Total
As at the beginning of the period	(4)	1 293	355	(21)	(260)	1 363
Comprehensive income	-	(109)	(434)	-	31	(512)
As at the end of the period	(4)	1 184	(79)	(21)	(229)	851

Accumulated other comprehensive income						
FOR 3 MONTHS ENDED 31 MARCH 2020	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Foreign exchange differences on translation of foreign branches	Total
As at the beginning of the period	(13)	456	232	(15)	(191)	469
Comprehensive income	-	(16)	452	-	(21)	415
As at the end of the period	(13)	440	684	(15)	(212)	884

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	01.01- 31.03.2021	01.01- 31.03.2020
Cash flows from operating activities			
Profit before tax		1 477	797
Total adjustments:		5 130	5 993
Amortization and depreciation, including depreciation of property, plant and equipment under operating leases	10, 17	294	293
(Gains)/losses on investing activities		(9)	(3)
Interest and dividends		(80)	(30)
Change in:			
amounts due from banks		184	76
hedging derivatives		445	(13)
other derivative instruments		(695)	(288)
securities		(187)	(20)
loans and advances to customers		(401)	(7 465)
reverse repo transactions		(11)	969
receivables in respect of insurance activities		-	13
non-current assets held for sale		110	2
other assets		32	(337)
accumulated allowances for expected credit losses		53	732
accumulated allowances on non-financial assets and other provisions		(43)	83
amounts due to Central Bank		-	7
amounts due to banks		(324)	(29)
amounts due to customers		5 426	9 985
liabilities in respect of insurance activities		16	8
loan and advances received		24	139
liabilities in respect of debt securities in issue		267	1 408
subordinated liabilities		(12)	(22)
other liabilities		903	617
Income tax paid		(415)	(563)
Other adjustments		(447)	431
Net cash from/used in operating activities		6 607	6 790

	Note	01.01- 31.03.2021	01.01- 31.03.2020
Cash flows from investing activities			
Inflows from investing activities		13 312	23 039
Proceeds from sale of and interest on securities measured at fair value through other comprehensive income		12 790	22 807
Proceeds from sale of and interest on securities measured at amortized cost		249	146
Proceeds from sale of intangible assets, property, plant and equipment, including under operating leases and assets held for sale		101	86
Other inflows from investing activities (dividends)		172	-
Outflows from investing activities		(23 239)	(31 366)
Purchase of securities measured at fair value through other comprehensive income		(11 536)	(25 132)
Purchase of securities measured at amortized cost		(11 417)	(6 014)
Acquisition of intangible assets and property, plant and equipment, including under operating leases		(286)	(220)
Net cash from/used in investing activities		(9 927)	(8 327)



	Note	01.01- 31.03.2021	01.01- 31.03.2020
Cash flows from financing activities			
Proceeds from debt securities in issue		3 265	1 979
Redemption of debt securities		(2 727)	(1 598)
Taking up loans and advances		233	-
Repayment of loans and advances		(147)	(131)
Payment of lease liabilities		(63)	(61)
Repayment of interest on long-term liabilities		(160)	(240)
Net cash from financing activities		401	(51)
Total net cash flows		(2 919)	(1 588)
of which foreign exchange differences on cash and cash equivalents		191	273
Cash equivalents at the beginning of the period		9 701	11 289
Cash equivalents at the end of the period		6 782	9 701



GENERAL INFORMATION ABOUT THE GROUP

1. ACTIVITIES OF THE GROUP

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

On 12 April 2000, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was registered and entered into the Commercial Register maintained by the District Court for the City of Warsaw, Commercial Court, 16th Registration Department. At present, the court with jurisdiction over the Bank’s affairs is the District Court in Warsaw, the 13th Business Department of the National Court Register. The Bank was registered under the number KRS 000026438 and was assigned the statistical number REGON 016298263 and tax identification number NIP 525-000-77-38.

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

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

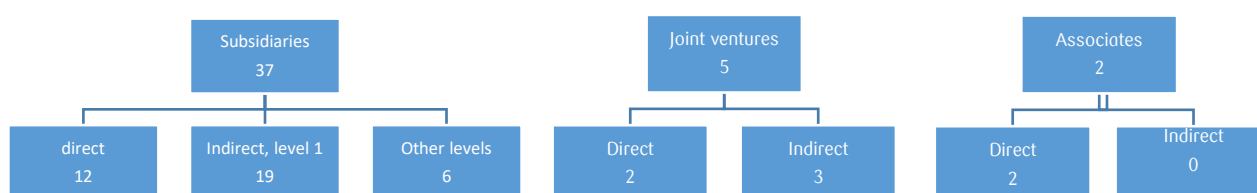
The Powszechna Kasa Oszczędnościowa Bank Polski Spółka Akcyjna Group (“**THE PKO BANK POLSKI S.A. GROUP**”, “**THE BANK’S GROUP**”, “**THE GROUP**”) conducts its operations within the territory of the Republic of Poland and through subsidiaries in Ukraine, Sweden and Ireland; it also has branches in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

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

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

In the three-month period ended 31 March 2021, the Bank did not change the name of the reporting entity or other identification data.

PKO BANK POLSKI S.A. – the parent company





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

No.	ENTITY NAME DIRECT SUBSIDIARIES	REGISTERED OFFICE	ACTIVITY	% SHARE IN CAPITAL	
				31.03.2021	31.12.2020
1	PKO Bank Hipoteczny S.A.	Warsaw	banking activities	100	100
2	PKO Towarzystwo Funduszy Inwestycyjnych S.A.	Warsaw	investment fund management	100	100
3	PKO Leasing S.A.	Łódź	leases and loans	100	100
4	PKO BP BANKOWY PTE S.A.	Warsaw	pension fund management	100	100
5	PKO BP Finat sp. z o.o.	Warsaw	services, including transfer agent services and IT specialist outsourcing	100	100
6	PKO Życie Towarzystwo Ubezpieczeń S.A.	Warsaw	life insurance	100	100
7	PKO Towarzystwo Ubezpieczeń S.A.	Warsaw	other personal insurance and property insurance.	100	100
8	PKO Finance AB	Stockholm, Sweden	financial services	100	100
9	KREDOBANK S.A.	Lviv, Ukraine	banking activities	100	100
10	Merkury - fiz an ¹	Warsaw	investing funds	100	100
11	NEPTUN - fizan ¹	Warsaw	collected from fund participants	100	100
12	PKO VC - fizan ¹	Warsaw		100	100

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

No.	ENTITY NAME INDIRECT SUBSIDIARIES	REGISTERED OFFICE	ACTIVITY	% SHARE IN CAPITAL*	
				31.03.2021	31.12.2020
The PKO Leasing S.A. GROUP					
1	PKO Agencja Ubezpieczeniowa sp. z o.o.	Warsaw	intermediation in concluding insurance agreements	100	100
	1.1 PKO Leasing Finanse sp. z o.o.	Warsaw	sale of post-lease assets	100	100
2	PKO Leasing Sverige AB	Stockholm, Sweden	leasing	100	100
3	Prime Car Management S.A.	Gdańsk	leasing, fleet management	100	100
	3.1 Futura Leasing S.A.	Gdańsk	leasing and sales of post-lease assets	100	100
	3.2 Masterlease sp. z o.o.	Gdańsk	leasing	100	100
	3.3 MasterRent24 sp. z o.o.	Gdańsk	short-term lease of cars	100	100
4	PKO Faktoring S.A.	Warsaw	factoring	100	100
5	ROOF Poland Leasing 2014 DAC ¹	Dublin, Ireland	SPV established for securitization of lease receivables	-	-
6	Polish Lease Prime 1 DAC ¹	Dublin, Ireland		-	-
GRUPA PKO Życie Towarzystwo Ubezpieczeń S.A.					
7	Ubezpieczeniowe Usługi Finansowe sp. z o.o.	Warsaw	services	100	100
GRUPA KREDOBANK S.A.					
8	Finansowa Kompania „Idea Kapitał” sp. z o.o.	Lviv, Ukraine	services	100	100
Merkury - fiz an					



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

* share in equity of the direct parent

¹ In accordance with IFRS 10, PKO Leasing S.A. exercises control over the company, although it does not have a capital share in it.

² Finansowa Kompania „Prywatne Inwestycje” Sp. z o.o. is the second shareholder of the company.

³ „Inter-Risk Ukraina” – a company with additional liability – is the second shareholder of the company.

⁴ on 14 January 2021, a reverse acquisition of „CENTRUM HAFNERA” sp. z o.o. – as the acquiree – and its subsidiary „Sopot Zdrój” sp. z o.o. – as the acquirer – was registered with the National Court Register (KRS) competent for the acquirer. As at 31 December 2020, NEPTUN – fizan’s share in the share capital of „CENTRUM HAFNERA” sp. z o.o. was presented in the item „Share in capital”.

The Group holds the following associates and joint ventures.

No.	ENTITY NAME	REGISTERED OFFICE	ACTIVITY	% SHARE IN CAPITAL*	
				31.03.2021	31.12.2020
Joint ventures of PKO Bank Polski S.A.					
1	Operator Chmury Krajowej sp. z o.o.	Warsaw	cloud computing services	50	50
2	Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	Warsaw	financial services support activities, including handling transactions concluded using payment instruments	34	34
	1 EVO Payments International s.r.o.	Prague, the Czech Republic	financial services support activities	100	100
Joint venture NEPTUN - fizan					
	2 „Centrum Obsługi Biznesu” sp. z o.o.	Poznań	property management	41,45	41,45
Joint venture PKO VC - fizan					
	3 BSafer sp. z o.o.	Stalowa Wola	managing marketing consents	35,06	35,06
Associates of PKO Bank Polski S.A.					
1	Bank Poczty S.A.	Bydgoszcz	banking activities	25,0001	25,0001
2	„Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.	Poznań	guarantees	33,33	33,33

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



2. CHANGES TO COMPANIES COMPRISING THE GROUP

In the three-month period ended 31 March 2021, there were no significant changes in the structure of the Group.

There was a business combination of "CENTRUM HAFFNERA" sp. z o.o. as the acquiree and its subsidiary "Sopot Zdrój" sp. z o.o. as the acquirer.

The process of the liquidation of ROOF Poland Leasing 2014 DAC was initiated.

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

As at 31 March 2021, the Bank's Supervisory Board consisted of:

- Zbigniew Hajłasz – Chair of the Supervisory Board
- Marcin Izdebski – Vice-Chair of the Supervisory Board
- Grażyna Ciurzyńska – Deputy Chair of the Supervisory Board
- Mariusz Andrzejewski – Member of the Supervisory Board
- Grzegorz Chłopek – Member of the Supervisory Board
- Wojciech Jasiński – Member of the Supervisory Board
- Andrzej Kisielewicz – Member of the Supervisory Board
- Rafał Kos – Member of the Supervisory Board
- Krzysztof Michalski – Member of the Supervisory Board
- Piotr Sadownik – Member of the Supervisory Board

As at 31 March 2021, the Bank's Management Board consisted of:

- Zbigniew Jagiełło – President of the Management Board
- Rafał Antczak – Vice-President of the Management Board
- Rafał Kozłowski – Vice-President of the Management Board
- Maks Kraczkowski – Vice-President of the Management Board
- Mieczysław Król – Vice-President of the Management Board
- Adam Marciniak – Vice-President of the Management Board
- Piotr Mazur – Vice-President of the Management Board
- Jakub Papierski – Vice-President of the Management Board
- Jan Emyrk Rościszewski – Vice-President of the Management Board.

On 11 May 2021, Mr Zbigniew Jagiełło submitted his resignation as President of the Management Board of the Bank and from the Management Board, effective at a future date, i.e. as of the end of the day on which the General Shareholders' Meeting of the Bank convened for 7 June 2021 closed.



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

No.	Name and surname	Number of shares as at 31.03.2021	Purchase	Disposal	Number of shares as at 31.12.2020
The Bank's Management Board					
1.	Zbigniew Jagiełło, President of the Management Board	14 000	0	0	14 000
2.	Rafał Antczak, Vice-President of the Management Board	2 000	0	0	2 000
3.	Rafał Kozłowski, Vice-President of the Management Board	2 200	0	0	2 200
4.	Maks Kraczkowski, Vice-President of the Management Board	0	0	0	0
5.	Mieczysław Król, Vice-President of the Management Board	6 000	0	0	6 000
6.	Adam Marciniak, Vice-President of the Management Board	2 000	0	0	2 000
7.	Piotr Mazur, Vice-President of the Management Board	8 000	0	0	8 000
8.	Jakub Papierski, Vice-President of the Management Board	5 000	0	0	5 000
9.	Jan Emeryk Rościszewski, Vice-President of the Management Board	0	0	0	0

The Supervisory Board members did not hold any shares of PKO Bank Polski SA as at 31 March 2021 and as at 31 December 2020.

4. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements of the Group (hereinafter **FINANCIAL STATEMENTS**), reviewed by the Audit Committee of the Supervisory Board and by the Supervisory Board on 27 May 2021, were accepted for publication by the Bank's Management Board on 27 May 2021.

5. THE BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements cover the three-month period ended 31 March 2021 and contain comparative data for:

- the three-month period ended 31 March 2020 with regard to the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, and consolidated statements of cash flows;
- and comparative data as at 31 December 2020 with regard to the consolidated statement of financial position.

The financial data is presented in Polish zloty (PLN) in millions, unless otherwise indicated. Therefore, discrepancies may occur due to the rounding of amounts to full millions.

The Group prepared the financial statements in accordance with the requirements of the International Accounting Standard No. 34 "Interim Financial Reporting" endorsed by the European Union, taking into account the principle of recognizing income tax expense in the interim financial statements based on the best possible estimate of the weighted average annual income tax rate expected by the Group in the whole financial year.

To prepare the financial statements, the Group applied the accounting policies and calculation methods consistent with those applicable in the financial year ended 31 December 2020, with the exception of changes described in the note "Changes in the accounting policies applicable from 1 January 2021 and explanation of the differences between previously published financial statements and these financial statements".

These financial statements for the three-month period ended 31 March 2021 do not comprise all the information and disclosures which may be required in annual financial statements and should be read jointly with the annual consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2020 that were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union.



GOING CONCERN

The financial statements have been prepared on the basis of the assumption that the Group will continue as a going concern for a period of at least 12 months from the publication date, i.e. from 28 May 2021. As at the date of signing these financial statements, the Bank's Management Board is not aware of any facts or circumstances that would indicate a threat to the ability of the Bank's Group to continue in operation as a going concern for 12 months following the publication date as a result of any intended or compulsory discontinuation or significant limitation of the existing operations of the Bank's Group.

MANAGEMENT REPRESENTATION

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

6. NEW STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS

• STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS EFFECTIVE FROM 2021

STANDARDS AND INTERPRETATIONS*	DESCRIPTION OF CHANGES AND IMPACT
AMENDMENTS TO IFRS 9, IFRS 7, IAS 39 AND IFRS 16, IFRS 4 – IBOR REFORM – PHASE 2 (1.01.2021/14.01. 2021)	<p>Regulations issued under Phase 2 of the IBOR reform relate to the following:</p> <ul style="list-style-type: none"> • changes to contractual cash flows – adding to IFRS 9 a practical expedient which will enable accounting for modifications of contractual cash flows arising from the IBOR reform by updating the effective interest rate of the contract to reflect the transition to an alternative benchmark rate (there will be no obligation to derecognize or adjust carrying amounts of financial instruments); a similar practical expedient was introduced for lessee accounting applying IFRS 16 in the scope of leasing modification; • hedge accounting - there will be no need to discontinue applying hedge accounting solely due to the changes required by the reform, provided that the hedge meets other hedge accounting criteria, and • disclosures - companies will be obliged to disclose information on new risks arising from the reform and on its management of the transition to alternative benchmark rates. <p>The Group is in the process of assessing the impact of these amendments on the consolidated financial statements.</p>
AMENDMENTS TO IFRS 4 “INSURANCE CONTRACTS” (1.01.2021/16.12.2021)	<p>The amendments move the date of termination of the temporary relief from the application of IFRS 9 from 1 January 2021 to 1 January 2023 in order to align it with the effective date of IFRS 17. The amendments provide for optional solutions in order to mitigate the impact of different effective dates of IFRS 9 and IFRS 17.</p> <p>The amendments do not apply to the Group.</p>

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



• **NEW STANDARDS AND INTERPRETATIONS AND AMENDMENTS THERETO THAT HAVE BEEN PUBLISHED AND HAVE NOT YET BEEN ENDORSED BY THE EUROPEAN UNION**

STANDARDS AND INTERPRETATIONS *	DESCRIPTION OF CHANGES AND IMPACT
<p>MSSF 17 INSURANCE CONTRACTS (1.01.2023/no data) AND AMENDMENTS TO IFRS 17 (1.01.2023/ NO DATA)</p>	<p>IFRS 17 will replace IFRS 4 which enabled entities to recognize insurance contracts according to the accounting principles in force in the national standards, which, as a result, meant applying many different solutions. IFRS 17 introduces the requirements to recognize all insurance agreements in a consistent manner, including, among others, with regard to the measurement of insurance liabilities, recognition of the profit or loss over time, accounting for reinsurance, separation of an investment component. The application of the standard should follow the full retrospective approach with certain departures.</p> <p>No material impact on the consolidated financial statements of the Group.</p>
<p>AMENDMENTS TO IAS 1 – CLASSIFICATION OF LIABILITIES (1.01.2023/ NO DATA)</p>	<p>The amendments relate to the presentation of liabilities in the statement of financial position. In particular, the amendment clarifies that classification of liabilities as current or non-current should be based on the contractual arrangements in place at the reporting date. A prospective approach will apply to these amendments.</p> <p>The Group is in the process of estimating the impact on the consolidated financial statements.</p>
<p>ANNUAL IMPROVEMENTS TO IFRS 2018-2021 (1.01.2022/NO DATA)</p>	<ul style="list-style-type: none"> • The amendment to IFRS 1 relates to situations when a subsidiary adopts IFRS for the first time at a later date than its parent; in such a case, the subsidiary may decide to measure cumulative translation differences for all foreign operations using the amounts reported by its parent in its consolidated financial statements, based on the parent's date of transition to IFRS. • The amendment to IAS 41 aligns fair value measurement requirements set out in IAS 41 with the assumptions of IFRS 13. <p>Not applicable to the Group.</p> <ul style="list-style-type: none"> • The amendment to IFRS 9 clarifies which fees should be included for purposes of the '10 per cent' test in the case of derecognition of financial liabilities. • Amendments to illustrative examples in IFRS 16 relating to identification of lease incentives. <p>The Group does not expect these amendments to have a material effect on the consolidated financial statements.</p>
<p>AMENDMENT TO MSSF 3 "BUSINESS COMBINATIONS" (1.01.2022/NO DATA)</p>	<p>Amendments to IFRS 3 have updated references to the Conceptual Framework issued in 2018. In order to ensure that this will not impact assets and liabilities which qualify for the recognition on a business combination, the amendment introduces new exceptions from the recognition and measurement principles of IFRS 3.</p> <p>The Group does not expect these amendments to have a material effect on the consolidated financial statements.</p>
<p>AMENDMENT TO IAS 16 "PROPERTY, PLANT AND EQUIPMENT" (1.01.2022/NO DATA)</p>	<p>The amendment specifies that, among other things, proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the intended manner cannot be deducted from the cost associated with that asset. Instead, such proceeds should be recognized as cost of producing those items, in profit or loss.</p> <p>The Group does not expect these amendments to have a material effect on the consolidated financial statements.</p>



AMENDMENT TO IAS 37 "PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS" (1.01.2022/NO DATA)	The amendments clarify that, when assessing whether or not a contract is onerous, the cost of fulfilling a contract comprises all costs that relate directly to the contract. The Group does not expect these amendments to have a material effect on the consolidated financial statements.
AMENDMENT TO IAS 1 AND IAS 8 (1.01.2023/NO DATA)	Amendments to IAS 1 contain guidelines on the application of the term "material" in disclosures of the accounting policies. Amendments to IAS 8 explain how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group does not expect these amendments to have a material effect on the consolidated financial statements.

* The expected effective date in EU / date of endorsement by EU is provided in parentheses

7. CHANGES IN THE ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2021 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

In the three-month period ended 31 March 2021, the Group did not introduce any changes in its accounting policies.

The changes to previously published data for the period from 1 January to 31 March 2020 and as at 31 March 2020 presented below resulted from the changes introduced by the Group in 2020.

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

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

- **RECLASSIFICATION OF ALLOWANCES FOR CARD COMPLAINTS (2)**

The line "Settlements in respect of card transactions" (under "Other assets") had previously been included in full in other financial assets. Within this line, the Group decided to disclose separately amounts due in respect of card-related complaints which, according to the Group, should be classified as other non-financial assets. The decision affected the presentation of allowances for card complaints which were previously presented in "Allowances for expected credit losses", and due to the Group's decision, now are presented in "Impairment of non-financial assets".

- **RECLASSIFICATION OF THE NET INCOME/(EXPENSE) ON INSURANCE ACTIVITIES, NET INCOME/(EXPENSE) ON OPERATING LEASES, SHORT-TERM RENTAL AND NET INCOME/(EXPENSES) ON THE PROVISION OF FLEET MANAGEMENT SERVICES (3)**

In accordance with the Group's previously applied accounting policy, income and expenses not directly related to banking activities were presented in other operating income or expenses, as appropriate. The Group reviewed its policy and the market practice. The Group believes that income and costs indirectly related to the entity's operations should be presented, as a rule, in operating income and expenses. Both insurance activities and operating leases are classified as core operating activities of the Group and are an element of its strategy.

Consequently, the Group reclassified net income on insurance activities, which had previously been presented in "Other operating income", to "Fee and commission income", as a separate line "offering insurance products". Net income on insurance activities comprises premium income, costs of insurance activities, claims and change in technical reserves, and the impact of the reinsurer's share in the aforementioned items.

Moreover, the Group reclassified net income on operating leases, short-term rent and net income on fleet management services, which had previously been presented jointly in "Other operating income and "Other operating expenses", as appropriate, to "Fee and commission income", as a separate line of "operating leases and fleet management". Such income comprises mainly fees for using leased assets, income on short-term rentals and net income on fleet management services (including service, tyre replacement, provision of replacement vehicles). Income on operating leases and on fleet management was included in fee and commission income, together with the cost of depreciation of property, plant and equipment under operating leases, which had previously been presented in "Operating expenses".



- **INCLUSION OF NET REGULATORY CHARGES IN ADMINISTRATIVE EXPENSES (4)**

In order to make the presentation of administrative expenses more consistent with the market practice, the Group combined the line “Administrative expenses” with “Net regulatory charges”.

INCOME STATEMENT	01.01- 31.03.2020 before restatement	(1)	(2)	(3)	(4)	01.01- 31.03.2020 restated
Net interest income	2 703	5	-	-	-	2 708
Interest income	3 289	5	-	-	-	3 294
of which calculated using effective interest method	3 008	5	-	-	-	3 013
Net fee and commission income	886	(5)	-	97	-	978
Fee and commission income	1 157	(5)	-	97	-	1 249
Other net income	(4)	-	-	(147)	-	(151)
Net operating income and expense	87	-	-	(147)	-	(60)
Result on business activities	3 585	-	-	(50)	-	3 535
Net expected credit losses	(507)	-	16	-	-	(491)
Net impairment allowances on non-financial assets	(100)	-	(16)	-	-	(116)
Administrative expense	(1 387)	-	-	50	(451)	(1 788)
Net regulatory charges	(451)	-	-	-	451	-
Net profit (including non-controlling shareholders)	499	-	-	-	-	499
Net profit attributable to equity holders of the parent company	503	-	-	-	-	503

- **RECLASSIFICATION OF HOLIDAY PAY PROVISIONS FROM OTHER LIABILITIES TO PROVISIONS (1)**

The Group reclassified holiday pay provisions from “Other liabilities” to “Provisions”, because the Group believes that they are similar in nature to other provisions and are based on estimates, similarly to other employee provisions presented in provisions, i.e.: pension provisions and other post-employment defined benefit obligations.

Cash flows from operating activities	01.01- 31.03.2020 before restatement	(1)	01.01- 31.03.2020 restated
Change in:			
accumulated allowances on non-financial assets and other provisions		83	(2)
other liabilities		617	2
			619



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. SEGMENT REPORTING

The PKO Bank Polski SA Group conducts business activities within the following segments: retail, corporate and investment segment, and the transfer centre and other activities. Information about the segments was provided in the consolidated financial statements of the Group for the year ended 2020.

Income statement by segments	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the Group
FOR THE THREE-MONTH PERIOD ENDED 31.03.2021				
Net interest income	1 635	418	259	2 312
Net fee and commission income	782	266	(4)	1 044
Other net income	(19)	96	140	217
Gains/(losses) on financial transactions	(25)	40	(4)	11
Foreign exchange gains/ (losses)	(14)	35	139	160
Gains/(losses) on derecognition of financial instruments	1	24	9	34
Net other operating income and expense	12	4	(4)	12
Income/(expenses) relating to internal customers	7	(7)	-	-
Result on business activities	3 399	779	395	3 573
Net expected credit losses	(177)	8	-	(169)
Net impairment allowances of non-financial assets	(3)	2	(15)	(16)
Administrative expenses, of which:	(1 311)	(321)	(23)	(1 655)
depreciation and amortization	(210)	(34)	-	(244)
net regulatory charges	(241)	(109)	(24)	(374)
Tax on certain financial institutions	(189)	(78)	11	(256)
Segment profit/(loss)	718	391	368	1 477
Income tax expense (tax burden)				(302)
Net profit (loss) attributable to non-controlling shareholders				1 175
Net profit expense				(2)
Net profit attributable to equity holders of the parent company				1 177

Assets and liabilities by segments	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the Group
31.03.2021				
Assets	179 415	113 152	88 643	381 210
Investments in associates and joint ventures	-	258	-	258
Unallocated assets	-	-	-	2 785
Total assets	179 415	113 410	88 643	384 253
Liabilities	251 946	54 555	36 630	343 131
Unallocated liabilities	-	-	-	548
Total liabilities	251 946	54 555	36 630	343 679



Income statement by segments FOR THE THREE-MONTH PERIOD ENDED 31.03.2020	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the Group
Net interest income	2 207	445	56	2 708
Net fee and commission income	755	226	(3)	978
Other net income	(122)	(53)	24	(151)
Gains/(losses) on financial transactions	(39)	(112)	1	(150)
Foreign exchange gains/ (losses)	(16)	32	-	16
Gains/(losses) on derecognition of financial instruments	(7)	32	18	43
Net other operating income and expense	(66)	1	5	(60)
Income/(expenses) relating to internal customers	6	(6)	-	-
Result on business activities	2 840	618	77	3 535
Net expected credit losses	(360)	(131)	-	(491)
Net impairment allowances of non-financial assets	(10)	(9)	(97)	(116)
Cost of the legal risk of mortgage loans in convertible currencies	(85)	-	-	(85)
Administrative expenses, of which:	(1 381)	(375)	(32)	(1 788)
depreciation and amortization	(207)	(36)	-	(243)
net regulatory charges	(265)	(154)	(32)	(451)
Tax on certain financial institutions	(185)	(82)	5	(262)
Share in profits and losses of associates and joint ventures	-	-	-	4
Segment profit/(loss)	819	21	(47)	797
Income tax expense (tax burden)				(298)
Net profit (loss) (including non-controlling interest)				499
Profit (loss) attributable to non-controlling shareholders				(4)
Net profit attributable to equity holders of the parent company				503

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

The data for 2020 was brought to comparability to the extent covering the changes in the accounting policies and methods for determining the profit/loss of business segments for management accounting purposes as described in the consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2020.



9. INTEREST INCOME AND EXPENSE

INTEREST INCOME	01.01- 31.03.2021	01.01- 31.03.2020
Loans to and other receivables from banks	3	21
Hedging derivatives	88	72
Debt securities	434	439
measured at amortized cost	182	95
measured at fair value through other comprehensive income	249	336
measured at fair value through profit or loss	3	8
Loans and advances to customers (excluding finance lease receivables)	1 799	2 565
measured at amortized cost	1 690	2 364
measured at fair value through profit or loss	109	201
Finance lease receivables	152	192
Amounts due to customers	4	5
Total	2 480	3 294
of which: interest income on impaired financial instruments	55	208
Interest income calculated under the effective interest rate method on financial instruments measured at:	2 280	3 013
amortized cost	2 031	2 677
at fair value through other comprehensive income (FVOCI)	249	336
Income similar to interest income on instruments measured at fair value through profit or loss	200	281
Total	2 480	3 294

INTEREST EXPENSE	01.01- 31.03.2021	01.01- 31.03.2020
Amounts due to banks	(2)	(3)
Interbank deposits	(1)	(4)
Loans and advances received	(8)	(10)
Leases	(3)	(5)
Amounts due to customers	(54)	(404)
Debt securities in issue	(88)	(138)
Subordinated liabilities	(12)	(22)
Total	(168)	(586)



10. FEE AND COMMISSION INCOME AND EXPENSE

FEE AND COMMISSION INCOME	01.01- 31.03.2021	01.01- 31.03.2020
Loans, insurance, operating leases and fleet management	313	314
lending	180	177
offering insurance products	105	109
operating leases and fleet management	28	28
Investment funds, pension funds and brokerage activities	204	216
servicing investment funds and OFE (including management fees)	101	123
servicing and selling investment and insurance products	8	9
brokerage activities	95	84
Cards	311	321
Margins on foreign exchange transactions	132	110
Bank accounts and other	319	288
servicing bank accounts	245	212
cash operations	16	20
servicing foreign mass transactions	19	17
customer orders	13	12
fiduciary services	2	2
other	24	25
Total	1 279	1 249

FEE AND COMMISSION EXPENSE	01.01- 31.03.2021	01.01- 31.03.2020
Loans and insurance	(23)	(42)
commission paid to external entities for product sales	(6)	(11)
cost of construction investment supervision and property valuation	(8)	(9)
fees to Biuro Informacji Kredytowej	(5)	(8)
loan handling	(4)	(14)
Investment funds, pension funds and brokerage activities	(15)	(9)
Cards	(167)	(186)
Bank accounts and other	(30)	(34)
clearing services	(8)	(10)
commissions for operating services provided by banks	(3)	(4)
sending short text messages (SMS)	(13)	(11)
selling banking products	(1)	(3)
servicing foreign mass transactions	(3)	-
other	(2)	(6)
Total	(235)	(271)

NET INCOME ON OPERATING LEASES AND FLEET MANAGEMENT	01.01- 31.03.2021	01.01- 31.03.2020
Income on operating leases and fleet management	96	99
Cost net income on operating leases and fleet management	(18)	(21)
Depreciation of property, plant and equipment under operating leases	(50)	(50)
Net income on operating leases and fleet management	28	28



11. GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS

GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS	01.01- 31.03.2021	01.01- 31.03.2020
Financial instruments held for trading, of which:	31	(2)
Derivative instruments	29	(2)
Financial instruments not held for trading, measured at fair value through profit or loss, of which:	(16)	(153)
Loans and advances to customers	(31)	(72)
Hedge accounting	(4)	5
Total	11	(150)

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

GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL INSTRUMENTS	01.01- 31.03.2021	01.01- 31.03.2020
Measured at fair value through OCI	34	56
Measured at amortized cost	-	(13)
Razem	34	43

13. OTHER OPERATING INCOME AND EXPENSE

OTHER OPERATING INCOME	01.01- 31.03.2021	01.01- 31.03.2020
Net revenues from the sale of products and services	16	15
Gains on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	16	11
Damages, compensation and penalties received	8	6
Ancillary income	3	3
Recovery of receivables expired, forgiven or written off	1	1
Release of provision for future payments	5	-
Release of provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies	1	4
Other	18	22
Total	68	62

OTHER OPERATING EXPENSE	01.01- 31.03.2021	01.01- 31.03.2020
Costs of products and services sold	(1)	(3)
Losses on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	(6)	(8)
Damages, compensation and penalties paid	-	-
Donations made	(14)	(20)
Sundry expenses	(5)	(3)
Provision recognized for potential refunds of fees and commission to customers	-	(70)
Provision for future payments	(10)	-
Provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies	(2)	(3)
Other	(18)	(15)
Total	(56)	(122)



14. NET EXPECTED CREDIT LOSSES

ALLOWANCES FOR EXPECTED CREDIT LOSSES	01.01- 31.03.2021	01.01- 31.03.2020
Amounts due from banks	(1)	-
Debt securities	-	(1)
Loans and advances to customers	(219)	(432)
Other financial assets	2	(1)
Provisions for financial liabilities and guarantees granted	49	(57)
Total	(169)	(491)

15. NET IMPAIRMENT ALLOWANCES OF NON-FINANCIAL ASSETS

NET IMPAIRMENT ALLOWANCES OF NON-FINANCIAL ASSETS	01.01- 31.03.2021	01.01- 31.03.2020
Property, plant and equipment under operating lease	-	(8)
Investments in associates and joint ventures	-	(90)
Other financial assets, including inventories	(15)	(18)
Total	(15)	(116)

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

	01.01- 31.03.2021	01.01- 31.03.2020
Cost of the legal risk of mortgage loans in convertible currencies	-	(85)

IMPACT OF LEGAL RISK RELATING TO MORTGAGE LOANS IN CONVERTIBLE CURRENCIES	31.03.2021	31.12.2020
Loans and advances to customers – adjustment decreasing the carrying amount of loans, due to:	6 370	6 617
- potential future settlements and court cases	5 762	6 122
- pending proceedings	608	495
Reserves	470	426
- potential future settlements and court cases	370	351
- pending proceedings	100	75
Total	6 840	7 043

As at 31 March 2021, the Group recognized in the financial statements the impact of the legal risk associated with the portfolio of mortgage loans in convertible currencies granted to households.

The change in the adjustment of the gross carrying amount of mortgage loans to reflect the expected impact of potential settlements and litigation from 31 December 2020 was mainly due to the decline in the CHF rate.

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



17. ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES	01.01- 31.03.2021	01.01- 31.03.2020
Employee benefits	(730)	(776)
Overheads, of which:	(308)	(318)
rent	(25)	(22)
IT	(91)	(81)
Depreciation and amortization	(244)	(243)
property, plant and equipment, of which:	(133)	(136)
IT	(24)	(36)
investment properties	(58)	-
intangible assets, of which:	(111)	(107)
IT	(105)	(98)
Net regulatory charges	(373)	(451)
Total	(1 655)	(1 788)

EMPLOYEE BENEFITS	01.01- 31.03.2021	01.01- 31.03.2020
Wages and salaries, including:	(606)	(641)
costs of contributions to the employee pension plan	(17)	(18)
Social insurance, of which:	(109)	(114)
contributions for disability and retirement benefits	(99)	(103)
Other employee benefits	(15)	(21)
Total	(730)	(776)

NET REGULATORY CHARGES	01.01- 31.03.2021	01.01- 31.03.2020
Contribution and payments to the Bank Guarantee Fund (BGF), including:	(309)	(401)
to the Resolution Fund	(253)	(318)
to the Banks' Guarantee Fund	(56)	(83)
Fees to PFSA	(44)	(31)
Flat-rate income tax	(2)	(2)
Other taxes and fees	(18)	(17)
Total	(373)	(451)



18. INCOME TAX EXPENSE

- INCOME TAX EXPENSE

	01.01- 31.03.2021	01.01- 31.03.2020
Income tax expense recognized in the income statement	(302)	(298)
Current income tax expense	(387)	(377)
Deferred income tax on temporary differences	85	79
Income tax reported in other comprehensive income in respect of temporary differences	132	(101)
Total	(170)	(399)

- RECONCILIATION OF THE EFFECTIVE TAX RATE

RECONCILIATION OF THE EFFECTIVE TAX RATE	01.01- 31.03.2021	01.01- 31.03.2020
Profit or loss before tax	1 477	797
Tax calculated using the enacted rate in force in Poland (19%)	(281)	(151)
Effect of different tax rates of foreign entities	-	-
Effect of permanent timing differences, of which:	(23)	(149)
non-deductible impairment allowance on investments in subordinated entities	-	(17)
non-deductible allowances for expected credit losses on credit exposures and securities	(11)	(12)
contributions and payments to the Bank Guarantee Fund	(59)	(76)
tax on certain financial institutions	(49)	(50)
cost of the legal risk of mortgage loans in convertible currencies	-	(16)
interest on foreign exchange gains in Sweden	(13)	(53)
asset from the average tax rate	113	83
dividend income	6	-
other permanent differences	(10)	(8)
Effect of other timing differences, including new technologies tax relief and donations	2	2
Income tax expense recognized in the income statement	(302)	(298)
Effective tax rate (w %)	20,45	37,39

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

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

Due to the doubts relating to taxation of foreign exchange differences on loans granted to the Bank and issue commitments in the territory of Sweden, PKO Finance AB, whose reporting currency is the EUR, applied to the Swedish Council for Tax Rulings (Skatterättsnämnden) for an individual ruling. PKO Finance AB lends funds to the Bank obtained from bonds issued and at the same time recognizes receivables from the loans and liabilities relating to the issue.

Changes in foreign exchange rates have a symmetrical impact on the valuation of such receivables and liabilities, because foreign exchange differences on the valuation of loans granted are matched with the opposite foreign exchange differences on the valuation of liabilities in respect of the bonds issued.



According to the interpretation obtained on 14 March 2019, a company for which EUR is the reporting currency should tax the EUR/SEK exchange differences on the loans granted as at the maturity date, and at the same time it is not possible to recognize at the maturity date a tax cost related to foreign exchange differences on the Company's liabilities in respect of the bond issue. If the Council's interpretation is upheld by the Swedish Supreme Administrative Court (Högsta förvaltningsdomstolen), it would mean that a different approach is applied in Sweden to companies reporting in EUR compared with companies reporting in SEK (which can also include foreign exchange differences on liabilities in their tax settlements), and this would increase the economic risk and hamper effective hedging of the currency risk. In the opinion of the Group, such an approach would be contrary to Art. 63 of the Treaty on the Functioning of the European Union (TFEU) related to the need to ensure free flow of capital in the EU or Art. 49 and 54 of TFEU related to the freedom of business activities. On 3 April 2019, the company appealed to the Swedish Supreme Administrative Court against the Council's interpretation and on 1 July submitted extended arguments to dismiss the case. In its opinion of 23 August 2019, the Swedish Tax Office (Skatteverket) took a negative stance on the company's appeal. The Company sustained its position in the response to the opinion submitted to the Swedish Supreme Administrative Court on 25 September 2019. In addition, on 10 October 2019, the Company submitted complementary documents to its appeal, in which it emphasized, among other things, the importance of the resolution for companies operating in the territory of Sweden and reporting in euro.

On 5 May 2020, the Swedish Supreme Administrative Court dismissed, for formal reasons, an appeal by PKO Finance AB, resulting in the interpretation of 14 March 2019 becoming expired. On 13 May 2020, PKO Finance AB received two decisions of the Swedish tax office which confirmed the correctness of the Company's tax settlements for 2015 and 2016. In these decisions, PKO Finance AB adopted a symmetrical settlement of foreign exchange differences on loans granted and due, and on liabilities in respect of eurobond issues. The decisions are favourable for the Group, but inconsistent with the line of interpretations previously issued by the tax office.

In accordance with IFRIC 23 "Uncertainty over Income Tax Treatments", the Group made a judgment regarding the uncertain treatment of taxable income earned in the territory of Sweden in respect of foreign exchange differences on loans and liabilities relating to the bond issue. The Group reflected the effect of uncertainty by using the "most probable amount" method.

As at 31 March 2021, the deferred income tax provision amounted to PLN 291 million (PLN 279 million as at 31 December 2020). The Group is analysing the impact of the decisions of the Swedish tax office on the taxation of foreign exchange differences of PKO Finance AB, which may lead to changing the related judgment in the next reporting periods..

19. AMOUNTS DUE FROM BANKS

AMOUNTS DUE FROM BANKS	31.03.2021	31.12.2020
Measured at amortized cost	2 664	2 557
Deposits with banks	1 726	1 311
Current accounts	795	887
Loans and advances granted	141	358
Cash in transit	2	1
Gross amount	2 664	2 557
Allowances for expected credit losses	-	-
Net amount	2 664	2 557

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

20. HEDGE ACCOUNTING

TYPES OF HEDGING STRATEGIES APPLIED BY THE GROUP

As at 31 March 2021 the Group had had active relationships as part of:

- 5 strategies for hedging cash flow volatility,
- 4 strategies for hedging fair value volatility.



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

- due to their failing to pass the prospective test of sufficient nominal amount. The effect of the discontinuation of hedge accounting as part of the said relationship on the profit or loss amounted to PLN 0.4 million;
- due to the discontinuation of hedge accounting. The effect of the discontinuation of hedge accounting as part of the said relationship on the profit or loss amounted to PLN 0.3 million.

No changes were made to other hedging strategies in the first quarter of 2021.

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

FINANCIAL INFORMATION

CARRYING AMOUNT OF HEDGING INSTRUMENTS	31.03.2021		31.12.2020	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	727	577	958	324
- interest rate risk IRS	385	317	626	14
- foreign exchange risk and interest rate risk - CIRS	342	260	332	310
Fair value hedges	8	23	-	54
- interest rate risk IRS	8	23	-	54
Total	735	600	958	378

CASH FLOW HEDGES

CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO CASH FLOW HEDGES AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES	01.01-31.03.2021	01.01-31.03.2020
Accumulated other comprehensive income at the beginning of the period, net	355	232
Impact on other comprehensive income during the period, gross	(537)	558
Gains/losses recognized in other comprehensive income during the period	(368)	119
Amounts transferred from other comprehensive income to the income statement:	(169)	439
- interest income	(92)	(72)
- net foreign exchange gains/(losses)	(77)	511
Tax effect	103	(106)
Accumulated other comprehensive income at the end of the period, net	(79)	684
Ineffective portion of cash flow hedges recognized in the income statements, including in:	(1)	2
Foreign exchange gains/ (losses)	1	1
Gain/(loss) on financial instruments measured at fair value	(2)	1

FAIR VALUE HEDGES

HEDGES OF INTEREST RATE RISK	31.03.2021	31.12.2020
Fair value measurement of the hedging derivative instrument - IRS	(15)	(54)
Fair value adjustment of the hedged instrument attributable to the hedged risk	12	47
Securities	2	6
Loans and advances to customers	2	5
Fair value adjustment of securities recognized in OCI	8	36



21. OTHER DERIVATIVE INSTRUMENTS

OTHER DERIVATIVE INSTRUMENTS - BY TYPE	31.03.2021		31.12.2020	
	Assets	Liabilities	Assets	Liabilities
IRS	2 495	2 683	3 178	3 405
CIRS	740	667	652	978
FX Swap	477	325	358	314
Opcje	491	535	260	383
Commodity swap	433	429	411	408
FRA	1	1	4	3
Forward	362	275	312	293
Commodity Forward	768	760	326	320
Total	5 767	5 675	5 501	6 104

NOMINAL AMOUNTS OF UNDERLYING INSTRUMENTS (BUY AND SELL TOGETHER) hedging instruments and other derivative instruments	31.03.2021	31.12.2020
IRS	568 306	528 520
hedging instruments	162 344	151 832
Purchase	81 172	75 916
Sale	81 172	75 916
other derivative instruments	405 962	376 688
Purchase	202 981	188 344
Sale	202 981	188 344
CIRS	91 623	69 411
hedging instruments	10 169	11 042
Purchase	5 100	5 493
Sale	5 069	5 549
other derivative instruments	81 454	58 369
Purchase	40 345	29 180
Sale	41 109	29 189
FX Swap	69 139	55 370
Purchase of currencies	34 688	27 721
Sale of currencies	34 451	27 649
Options	99 015	50 193
Purchase	49 340	25 032
Sale	49 675	25 161
FRA	20 686	18 648
Purchase	11 576	9 259
Sale	9 110	9 389
Forward	43 429	47 467
Purchase of currencies	21 735	23 728
Sale of currencies	21 694	23 739
Other, including Commodity swap and Futures (including on stock exchange indices)	7 282	7 228
Purchase	3 635	3 633
Sale	3 647	3 595
Total	899 480	776 837



22. SECURITIES

SECURITIES	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through OCI	measured at amortized cost	Total
31.03.2021					
Debt securities	590	950	72 712	58 008	132 260
Treasury bonds (in PLN)	474	405	52 391	40 170	93 440
Treasury bonds (in foreign currencies)	4	358	3 116	-	3 478
corporate bonds (in PLN) secured with the State Treasury guarantees	-	-	8 747	10 529	19 276
municipal bonds (in PLN)	14	-	4 392	5 068	9 474
corporate bonds (in PLN)	98	187	3 977	1 860	6 122
corporate bonds (in foreign currencies)	-	-	89	381	470
Equity securities	26	1 353	-	-	1 379
shares in other entities - not listed	-	325	-	-	325
shares in other entities - listed	25	147	-	-	172
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	1	881	-	-	882
Total (excluding adjustment relating to fair value hedge accounting)	616	2 303	72 712	58 008	133 639
Adjustment relating to fair value hedge accounting	-	-	-	2	2
Total	616	2 303	72 712	58 010	133 641



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

The item T-bonds in PLN and in foreign currencies comprises Polish T-bonds. As at 31 March 2021 and 31 December 2020 the item "Treasury bonds in foreign currencies" also includes bonds issued by the State Treasury of Ukraine of PLN 999 and PLN 820 million, respectively.



SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.03.2021	stage 1	stage 2	stage 3	Total	including POCI
Measured at: fair value through OCI					
Gross amount	72 216	60	443	72 719	424
Treasury bonds (in PLN)	52 391	-	-	52 391	-
Treasury bonds (in foreign currencies)	3 116	-	-	3 116	-
corporate bonds (in PLN) secured with the State Treasury guarantees	8 747	-	-	8 747	-
municipal bonds (in PLN)	4 333	59	-	4 392	-
corporate bonds (in PLN)	3 540	1	443	3 984	424
corporate bonds (in foreign currencies)	89	-	-	89	-
Allowances for expected credit losses	-	-	(7)	(7)	(7)
corporate bonds (in PLN)	-	-	(7)	(7)	(7)
Net amount	72 216	60	436	72 712	417
Treasury bonds (in PLN)	52 391	-	-	52 391	-
Treasury bonds (in foreign currencies)	3 116	-	-	3 116	-
corporate bonds (in PLN) secured with the State Treasury guarantees	8 747	-	-	8 747	-
municipal bonds (in PLN)	4 333	59	-	4 392	-
corporate bonds (in PLN)	3 540	1	436	3 977	417
corporate bonds (in foreign currencies)	89	-	-	89	-
Measured at amortized cost					
Gross amount	57 798	249	-	58 047	-
Treasury bonds (in PLN)	40 170	-	-	40 170	-
corporate bonds (in PLN) secured with the State Treasury guarantees	10 532	-	-	10 532	-
municipal bonds (in PLN)	5 059	24	-	5 083	-
corporate bonds (in PLN)	1 655	225	-	1 880	-
corporate bonds (in foreign currencies)	382	-	-	382	-
Allowances for expected credit losses	(21)	(18)	-	(39)	-
corporate bonds (in PLN) secured with the State Treasury guarantees	(3)	-	-	(3)	-
municipal bonds (in PLN)	(15)	-	-	(15)	-
corporate bonds (in PLN)	(2)	(18)	-	(20)	-
corporate bonds (in foreign currencies)	(1)	-	-	(1)	-
Net amount	57 777	231	-	58 008	-
corporate bonds (in PLN) secured with the State Treasury guarantees	10 529	-	-	10 529	-
municipal bonds (in PLN)	5 044	24	-	5 068	-
corporate bonds (in PLN)	1 653	207	-	1 860	-
corporate bonds (in foreign currencies)	381	-	-	381	-
Total securities					
Gross amount	130 014	309	443	130 766	424
Allowances for expected credit losses	(21)	(18)	(7)	(46)	(7)
Net amount	129 993	291	436	130 720	417



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



23. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS 31.03.2021	not held for trading, measured at fair value through profit or loss	measured at amortized cost	Total
retail and private banking	5 402	133 578	138 980
housing loans	5	110 088	110 093
consumer loans	5 397	23 382	28 779
finance lease receivables	-	108	108
SME	45	30 309	30 354
housing loans	-	5 542	5 542
corporate loans	45	12 906	12 951
factoring receivables	-	153	153
finance lease receivables	-	11 708	11 708
corporate	64	53 485	53 549
housing loans	-	196	196
corporate loans	64	46 636	46 700
factoring receivables	-	1 553	1 553
finance lease receivables	-	5 100	5 100
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	5 511	217 372	222 883
Adjustment relating to fair value hedge accounting	2	-	2
Total	5 513	217 372	222 885

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



LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 31.03.2021	Stage 1	Stage 2	Stage 3	Total	including POCI
Measured at: amortized cost					
Gross amount	181 603	34 080	10 622	226 305	243
housing loans	102 433	13 306	2 140	117 879	84
corporate loans	44 417	14 130	5 542	64 089	45
consumer loans	20 669	2 805	1 628	25 102	57
factoring receivables	1 590	109	28	1 727	-
finance lease receivables	12 494	3 730	1 284	17 508	57
Allowances for expected credit losses	(665)	(2 001)	(6 267)	(8 933)	(25)
housing loans	(60)	(549)	(1 444)	(2 053)	(26)
corporate loans	(333)	(919)	(3 295)	(4 547)	(5)
consumer loans	(223)	(441)	(1 056)	(1 720)	7
factoring receivables	(3)	-	(18)	(21)	-
finance lease receivables	(46)	(92)	(454)	(592)	(1)
Net amount	180 938	32 079	4 355	217 372	218
housing loans	102 373	12 757	696	115 826	58
corporate loans	44 084	13 211	2 247	59 542	40
consumer loans	20 446	2 364	572	23 382	64
factoring receivables	1 587	109	10	1 706	-
finance lease receivables	12 448	3 638	830	16 916	56
Loans and advances to customers, total					
Gross amount	181 603	34 080	10 622	226 305	243
Allowances for expected credit losses	(665)	(2 001)	(6 267)	(8 933)	(25)
Net amount	180 938	32 079	4 355	217 372	218



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



24. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS	Amounts due to households	Amounts due to corporate entities	Amounts due to public entities	Total
31.03.2021				
Measured at fair value through profit or loss	1 177	11	-	1 188
Liabilities in respect of short position in securities	-	11	-	11
Liabilities for insurance products	1 177	-	-	1 177
Measured at amortized cost	230 699	40 909	14 985	286 593
Cash on current accounts and overnight deposits of which	185 471	40 247	14 969	240 687
savings accounts and other interest-bearing assets	55 527	15 417	6 807	77 751
Term deposits	44 570	606	14	45 190
Other liabilities	340	56	2	398
Liabilities in respect of insurance products	318	-	-	318
Total	231 876	40 920	14 985	287 781

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



25. FINANCING RECEIVED

FINANCING RECEIVED	31.03.2021	31.12.2020
Loans and advances received from:	2 377	2 267
banks	859	875
international financial institutions	1 504	1 379
other financial institutions	14	13
Debt securities in issue:	32 904	32 098
mortgage covered bonds issued by PKO Bank Hipoteczny S.A.	17 316	17 201
bonds issued by PKO Bank Hipoteczny S.A.	4 299	4 036
bonds issued by PKO Bank Polski S.A.	4 028	4 020
bonds issued by PKO Finance AB	3 432	3 294
bonds issued by the PKO Leasing S.A. Group	3 774	3 496
bonds issued by KREDOBANK S.A.	55	51
Subordinated liabilities	2 704	2 716
Total	37 985	37 081

- **RECEIVED FUNDING FROM BANKS**

During the three-month period ended March 31, 2021, the Capital Group did not take out new loans from banks. At the same time, during the three-month period ended March 31, 2021, the Capital Group repaid loans from banks in the amount of PLN 30 million.

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

During the three-month period ended March 31, 2021, the Capital Group took out a loan from an international financial institution in the amount of PLN 233 million and repaid loans from international financial institutions and other institutions in the amount of PLN 115 million.

- **ISSUE OF MORTGAGE-COVERED BONDS BY PKO BANK HIPOTECZNY SA**

During the three-month period ended March 31, 2021, the company carried out new bond issues for the amount of PLN 2 360 million and redeemed bonds for the amount of PLN 2 099 million.

- **BONDS ISSUED BY PKO BANK POLSKI SA**

In the three-month period ended March 31, 2021, the company did not carry out any new bond issues and there were no redemption dates for the bonds issued by the company in this period.

- **BONDS ISSUED BY PKO FINANCE AB**

In the three-month period ended March 31, 2021, the company did not carry out any new bond issues and there were no redemption dates for the bonds issued by the company in this period.

- **BONDS ISSUED BY THE PKO LEASING SA GROUP**

During the three-month period ended March 31, 2021, the company carried out new bond issues in the amount of PLN 905 million and redeemed bonds in the amount of PLN 628 million.

- **BONDS ISSUED BY KREDOBANK SA**

In the three-month period ended March 31, 2021, the company did not carry out any new bond issues and there were no redemption dates for the bonds issued by the company in this period.



26. PROVISIONS

FOR 3 MONTHS ENDED 31 MARCH 2021	Provisions for financial liabilities and guarantees granted	Provisions for legal claims, excluding legal claims relating to repaid mortgage loans in convertible currencies	Provisions for legal claims against the bank relating to repaid mortgage loans in convertible currencies	Provisions for reimbursement of costs to customers on early repayment of consumer and mortgage loans	Provisions for pensions and other defined post- employment benefits	Restructuring	Provision for holiday pay	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	629	102	426	24	63	39	96	123	1 502
Increases, including increases of existing provisions	(47)	2	45	-	-	1	8	14	23
Utilized amounts	-	(1)	-	(13)	-	(3)	(2)	(3)	(22)
Unused provisions reversed during the period	(2)	(1)	-	-	-	(1)	(3)	(7)	(14)
Other changes and reclassifications	2	-	(1)	-	-	(1)	-	-	-
As at the end of the period	582	102	470	11	63	35	99	127	1 489
Short-term provisions	494	6	-	10	7	35	99	3	654
Long-term provisions	88	96	470	1	56	-	-	124	835

FOR 3 MONTHS ENDED 31 MARCH 2020	Provisions for financial liabilities and guarantees granted	Provisions for legal claims, excluding legal claims relating to repaid mortgage loans in convertible currencies	Provisions for legal claims against the bank relating to repaid mortgage loans in convertible currencies	Provisions for reimbursement of costs to customers on early repayment of consumer and mortgage loans	Provisions for pensions and other defined post- employment benefits	Restructuring	Provision for holiday pay	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	269	52	29	105	57	41	99	29	681
Increases, including increases of existing provisions	58	3	40	70	-	-	20	3	194
Utilized amounts	-	(1)	-	(106)	-	(5)	(3)	(3)	(118)
Unused provisions reversed during the period	(1)	(4)	-	-	-	-	(19)	(2)	(26)
Other changes and reclassifications	2	-	3	-	-	-	-	(1)	4
As at the end of the period	328	50	72	69	57	36	97	26	735
Short-term provisions	285	2	-	69	7	36	97	3	499
Long-term provisions	43	48	72	-	50	-	-	23	236



27. SHAREHOLDING STRUCTURE OF THE BANK

According to PKO Bank Polski's best knowledge, as at the date of submitting this report, the following three shareholders hold directly or indirectly qualifying holdings (of at least 5% of the shares): the State Treasury, Nationale-Nederlanden Open Pension Fund¹, and Aviva Open Pension Fund¹.

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

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

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

² Including Bank Gospodarstwa Krajowego which, as at 31.03.2021, held 24 487 297 shares, constituting a 1.96% share of the votes at the General Shareholders' Meeting.

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

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

As at 31 March 2021 and in 2020 there were no changes in the amount of the share capital of PKO Bank Polski S.A.. Shares of PKO Bank Polski S.A. issued are not preference shares and are fully paid up..

28. DIVIDEND AND PROFIT APPROPRIATION

PKO Bank Polski S.A. on 14 January 2021 received an individual recommendation of the Polish Financial Supervision Authority, in which the Polish Financial Supervision Authority recommended the Bank:

- suspension of dividend payments in the first half of 2021 (including retained earnings from previous years),
- not to undertake in the first half of 2021, without prior consultation with the supervisory authority, other activities outside the scope of current business and operating activities that may result in a reduction in the capital base, including buyouts of treasury shares.



The Management Board of the Bank and the Supervisory Board of the Bank adopted resolutions that, within the limits of their competences, they will supervise the implementation of the above recommendation of the PFSA.

Pursuant to Art. 395.2.2 of the Commercial Companies Code, the decision on the distribution of profit remains within the competence of the Bank's Ordinary General Meeting.

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

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.03.2021	STAGE 1		STAGE 2		STAGE 3		Total	Provisions according to IFRS 9	Net amount
	Nominal value	Provision	Nominal value	Provision	Nominal value	Provision			
Credit lines and limits	52 186	(88)	6 768	(212)	136	(31)	59 090	(331)	58 759
housing	4 611	(10)	106	(4)	3	(1)	4 720	(15)	4 705
corporate	36 534	(61)	4 972	(164)	115	(26)	41 621	(251)	41 370
consumer	9 044	(17)	1 457	(44)	18	(4)	10 519	(65)	10 454
factoring	1 867	-	233	-	-	-	2 100	-	2 100
finance lease	130	-	-	-	-	-	130	-	130
Other	3 197	-	-	-	-	-	3 197	-	3 197
Total financial commitments granted, including:	55 383	(88)	6 768	(212)	136	(31)	62 287	(331)	61 956
irrevocable commitments granted	20 962	(41)	2 448	(83)	56	(13)	23 466	(137)	23 329
POCI	-	-	-	-	15	-	15	-	15
guarantees in domestic and foreign trading	5 488	(3)	1 536	(75)	338	(170)	7 362	(248)	7 114
financial	1 153	-	-	-	-	-	1 153	-	1 153
non-financial	4 238	(3)	1 536	(75)	338	(170)	6 112	(248)	5 864
public	97	-	-	-	-	-	97	-	97
Domestic municipal bonds (budgetary entities)	232	-	-	-	-	-	232	-	232
Letters of credit to non-financial entities	1 164	-	50	(3)	1	-	1 215	(3)	1 212
payment guarantees to financial entities	115	-	-	-	-	-	115	-	115
Total guarantees and pledges granted, including:	6 999	(3)	1 586	(78)	339	(170)	8 924	(251)	8 673
irrevocable commitments granted	3 593	(4)	1 536	(75)	338	(169)	5 467	(248)	5 219
performance guarantee	1 261	(1)	958	(48)	190	(143)	2 409	(192)	2 217
POCI	-	-	-	-	2	-	2	-	2
Total	62 382	(91)	8 354	(290)	475	(201)	71 211	(582)	70 629



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



- **OFF-BALANCE SHEET LIABILITIES RECEIVED**

OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE	31.03.2021	31.12.2020
Financial	99	147
Guarantees	5 691	4 312
Total	5 790	4 459

- **SECURITIES PROGRAMMES COVERED WITH UNDERWRITING AGREEMENTS**

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

- **CONTRACTUAL COMMITMENTS**

VALUE OF CONTRACTUAL COMMITMENTS CONCERNING	31.03.2021	31.12.2020
intangible assets	25	27
property, plant and equipment	216	76
Total	241	103

30. LEGAL CLAIMS

As at 31 March 2021, the total value of the subject matter of litigation in court proceedings (trials) pending in which the companies belonging to the PKO Bank Polski SA Group were defendants amounted to PLN 2 446 million (as at 31 December 2020: PLN 2 064 million), and the total value of the subject matter of the litigation in court proceedings (trials) pending in which the companies belonging to the PKO Bank Polski SA Group were claimants as at 31 March 2021 was PLN 2 320 million (as at 31 December 2020: PLN 2 607 million).

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

As at 31 March 2021, 6 949 court proceedings (as at 31 December 2020: 5 372) were pending against the Bank relating to mortgage loans granted in previous years in foreign currency with a total value in dispute of PLN 1 872 million (as at 31 December 2020: PLN 1 404 million), including one group proceeding with 72 loan agreements. The Bank's customers' claims concerned mainly demands to determine the invalidity of all or part of the agreements or to receive refunds of allegedly undue benefits in connection with the abusive nature of the foreign currency clauses. None of the clauses used by the Bank in the agreements was entered in the register of prohibited contractual provisions. The number of legal claims submitted by customers against the Bank was significantly affected by an intense advertising campaign of law firms which encouraged borrowers to engage them, for a fee, to bring cases to court against the Bank.

The Group is continuously monitoring the judgments issued in cases involving loans indexed to or denominated in a foreign currency from the perspective of development and any potential changes in the line of jurisprudence.

By 31 March 2021, courts issued 85 valid judgments in cases against the Bank (including 43 judgments after 3 October 2019). 52 of these judgments (including 14 judgments issued after 3 October 2019) are favourable for the Bank. The Bank is filing cassation complaints to the Supreme Court concerning judgments which are unfavourable to the Bank.

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

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



If the above question is answered in the negative:

2. If it is impossible to determine an exchange rate of a foreign currency binding for both parties of an agreement for a loan indexed to such a foreign currency, can the agreement remain binding with regard to other contractual provisions?
3. If it is impossible to determine an exchange rate of a foreign currency binding for both parties of an agreement for a loan denominated in such a foreign currency, can the agreement remain binding with regard to other contractual provisions?

Irrespective of the answers to questions 1-3:

4. Where a loan agreement is invalid or ineffective, but the bank, in the performance of the loan agreement, has disbursed to the borrower all or part of the amount of the credit and the borrower has made repayments on the credit, do separate claims for wrongful performance arise in favour of each of the parties, or does a single claim, equal to the difference in performance, arise in favour of the party whose total performance was higher?
5. If the loan agreement is invalid or ineffective as a result of the unlawful nature of some of its provisions, does the limitation period for the bank's claim for repayment of the sums paid under the loan begin to run from the time at which those sums were paid?
6. If, in the event that a loan agreement is invalid or ineffective, any of the parties is entitled to claim the repayment of the performance fulfilled in execution of such an agreement, can that party also claim consideration for the use of its money by the other party?

The session of the full panel of the Civil Chamber to consider the above-mentioned motion took place on 11 May 2021. Before issuing its resolution, the Supreme Court decided to consult five public institutions.

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

In December 2020, the Chair of the Polish Financial Supervision Authority (the "Chair of the PFSA") presented a proposal aimed at resolving the problem of housing loans in CHF at a systemic level. The proposed solution provides that banks would voluntarily offer their customers the possibility of entering into a settlement whereby the customers' loans would be treated as if they had been granted in PLN and had borne an interest rate equal to the reference WIBOR rate plus a margin historically applied to such loans.

The Group analysed the benefits and risks associated with the possible variants of dealing with the foreign currency housing loans. In the Group's opinion, for both the Group and its customers reaching a compromise and concluding a settlement is more favourable than engaging in lengthy court cases with an uncertain outcome.

The Group conducted a survey among its customers which showed that approximately 70% of the customers are interested in reaching a settlement with the Bank. Currently, the Group is implementing a pilot programme of settlements as part of which the Group participates in mediation in the arbitration court of the PFSA and reaches settlements before common courts.

On 23 April 2021, the Extraordinary Shareholders' Meeting approved the possibility of offering settlements to the customer.

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

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

- Proceedings initiated on 26 July 2017 ex officio concerning using practices which violate the collective interests of customers. The violation with which the Bank has been charged consists of collecting higher instalments on loans and advances denominated in foreign currencies to customers than those following from the advice about currency risk provided to customers before they had concluded the contracts, and transferring possible currency risk to the customers. The Bank presented its position on the claims in its letter dated 23 September 2017. In a letter dated 14 March 2019, the UOKiK President asked the Bank 16 detailed questions in order to establish the circumstances that are necessary to resolve the case. The Bank gave the answers in a letter dated 10 May 2019. As at 31 December 2020, the President of UOKiK did not undertake any further steps in this matter. As at 31 March 2021, the Bank did not set up a provision for the proceedings.
- Proceedings opened ex officio on 12 March 2019 on the acknowledgement that the provisions of the model contract are inadmissible. The proceedings are related to modification clauses which specify the circumstances in which the Bank is entitled to amend the terms and conditions of the agreement, including the amount of fees



and commission. In the opinion of the President of UOKiK the modification clauses applied by the Bank give the Bank unilateral unlimited and arbitrary possibilities of modifying the execution of the agreement. Consequently, the President of UOKiK is of the opinion that the clauses applied by the Bank shape the rights and obligations of the consumers in a way that is contrary to good practice and are a gross violation of their interests, which justifies the conclusion that they are abusive. In its letter of 31 May 2019, the Bank presented its position on the charges made by the President of UOKiK. In a letter dated 30 March 2021, the President of UOKiK extended the term for concluding the proceedings until 30 June 2021. As at 31 March 2021, the Bank did not set up a provision against the proceedings.

PROCEEDINGS BEFORE THE COURT OF COMPETITION AND CONSUMER PROTECTION CONCERNING THE SPREAD PROVISIONS

The proceedings were initiated by the Bank's appeal (submitted on 13 November 2020) against the decision of the President of UOKiK dated 16 October 2020. In the said decision, the President of UOKiK declared the provisions of the template agreement "Annex to the housing loan/mortgage loan agreement" in the section "Appendix to the annex 'Rules for determining foreign exchange spreads at PKO BP SA'" as inadmissible provisions and prohibited their use. In addition, the President of UOKiK ordered that all consumers being parties to the assessed annexes be informed about the decision to declare them inadmissible and about the consequences resulting therefrom, not later than within three months from the date the decision became legally binding and ordered that a declaration, with the contents as indicated in the decision, be submitted not later than 1 month from the date the decision became legally binding, which is to be kept on the website for 4 months. Furthermore, the President of UOKiK imposed on the Bank a fine of PLN 41 million, payable to the Financial Education Fund.

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

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

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

The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed "interchange" fees for transactions made using Visa and Europay/Eurocard/Mastercard cards as well as limiting access to this market for external entities. On 29 December 2006, UOKiK decided that the practices, consisting of joint determination of the "interchange" fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, the Bank, in the amount of PLN 16.6 million. The Bank appealed against the decision of the President of UOKiK to the Court for Competition and Consumer Protection (Sąd Ochrony Konkurencji i Konsumentów – SOKiK). By the ruling dated 21 November 2013 SOKiK reduced the fine imposed on the Bank to PLN 10.4 million. The parties to the proceedings appealed against the ruling. The Court of Appeal in Warsaw in its ruling dated 6 October 2015 reinstated the initial amount of the imposed fines set in the decision of the UOKiK, i.e. the fine of PLN 16.6 million (the fine imposed on PKO Bank Polski S.A.) and the fine of PLN 4.8 million (the fine imposed on Nordea Bank Polska SA. PKO Bank Polski S.A. is a legal successor of Nordea Bank Polska SA through a merger in accordance with Article 492 § 1(1) of the Commercial Companies Code). The fine was paid by the Bank in October 2015. As a result of the cassation complaint made by the Bank, in its ruling dated 25 October 2017, the Supreme Court revoked the appealed ruling of the Court of Appeal in Warsaw and submitted the case for re-examination. The fine paid by the Bank was reimbursed to the Bank on 21 March 2018. On 23 November 2020, the Court of Appeal in Warsaw issued a ruling in which it revoked the ruling of the District Court in Warsaw dated 21 November 2013 and submitted it for re-examination. As at 31 March 2021 the Bank recognized a provision for this litigation of PLN 21 million (PLN 21 million as at 31 December 2020).

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

The Bank was served seven summons to participate, as an outside intervener on the defendant's side in cases relating to the interchange fees. Other banks are respondents in the case. The claims vis-à-vis the sued banks amount to a total of PLN 798 million and are pursued as damages for differences in interchange fees resulting from



applying practices that limit competition. Since these proceedings are not pending against the Bank, their value was not included in the total value of the cases against the Bank.

If the courts find the claims justified, the defendants may claim recourse in separate court proceedings from other banks, including, among others, from PKO Bank Polski SA. As at 31 March 2021, the Bank entered seven proceedings as an outside intervener.

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

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

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

The Management Board of PKO Bank Polski SA is of the opinion that it is unlikely that serious claims may be brought against the Bank in these matters.

31. TRANSACTIONS WITH THE STATE TREASURY AND RELATED PARTIES

- **TRANSACTIONS WITH THE STATE TREASURY**

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

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

TRANSACTIONS WITH THE STATE TREASURY	01.01 - 31.03.2021	01.01 - 31.03.2020
Income recognized on an accruals basis	64	76
Income recognized on a cash basis	-	10
Income from temporary redemption by the State Treasury of interest on housing loans in the "old portfolio"	64	66

As of 1 January 2018 based on the provisions of the Act of 30 November 1995 on state support in the repayment of certain housing loans, granting guarantee bonuses and reimbursement of guarantee bonuses paid, the borrowers acquired the right to be forgiven the remaining debt by the State Treasury, which will result in the gradual (until 2026) full settlement of the housing loan indebtedness from the so-called "old" portfolio. The Bank conducts settlements in respect of repurchase of interest on housing loans by the State budget and in the three-month period ended 31 March 2021 and the corresponding period of 2020 received a commission below PLN 1 million in this respect.

As of 1 January 1996, the Bank became the general distributor of value marks. The Bank received in the three-month period ended 31 March 2021 and the corresponding period of 2020 a commission below PLN 1 million in this respect.

Biuro Maklerskie PKO BP plays the role of an agent for the issue of retail Treasury bonds under the agreement signed with the Ministry of Finance on 11 February 2003. Under this agreement, Biuro Maklerskie PKO BP receives a fee for providing the services of an agent for the issue of bonds - in the three-month period ended 31 March 2021 in the amount of PLN 49 million, and in the three-month period ended 31 March 2020 in the amount of PLN 58 million.



• RELATED-PARTY TRANSACTIONS – CAPITAL LINKS

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

31.03.2021 Company name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	2	-	88	62
„Centrum Obsługi Biznesu” sp. z o.o.	19	19	5	-
Bank Pocztowy SA	-	-	-	1
„Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.	-	-	12	-
Operator Chmury Krajowej sp. z o.o.	-	-	15	809
Total joint ventures and associates	21	19	120	872

FOR 3 MONTHS ENDED 31 MARCH 2021	Total income	of which interest and commission expense	Total expenses	of which interest and commission expense
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	134	100	15	15
Total joint ventures and associates	134	100	15	15

31.12.2020 Company name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	54	6	168	54
„Centrum Obsługi Biznesu” sp. z o.o.	17	17	4	-
Bank Pocztowy SA	-	-	-	1
„Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.	-	-	22	-
Operator Chmury Krajowej sp. z o.o.	-	-	18	767
Total joint ventures and associates	71	23	212	822

FOR 3 MONTHS ENDED 31 MARCH 2020	Total income	of which interest and commission expense	Total expenses	of which interest and commission expense
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	89	87	21	21
Total joint ventures and associates	89	87	21	21

32. FAIR VALUE HIERARCHY

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

ASSETS MEASURED AT FAIR VALUE 31.03.2021	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	735	-	735	-
Other derivative instruments	5 767	1	5 766	-
Securities	75 631	61 281	13 146	1 204
held for trading	616	612	4	-
debt securities	590	586	4	-
shares in other entities – listed	25	25	-	-
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	1	1	-	-
not held for trading, measured at fair value through profit or loss	2 303	1 783	34	486
debt securities	950	763	25	162
shares in other entities – listed	147	147	-	-
shares in other entities – not listed	325	-	1	324
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	881	873	8	-
measured at fair value through other comprehensive income – corporate bonds	72 712	58 886	13 108	718
Loans and advances to customers	5 511	-	-	5 511
not held for trading, measured at fair value through profit or loss	5 511	-	-	5 511
housing loans	5	-	-	5
corporate loans	109	-	-	109
consumer loans	5 397	-	-	5 397
Total financial assets measured at fair value	87 644	61 282	19 647	6 715

LIABILITIES MEASURED AT FAIR VALUE 31.03.2021	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	600	-	600	-
Other derivative instruments	5 675	-	5 675	-
Liabilities in respect of short position in securities	11	11	-	-
Liabilities in respect of insurance products	1 177	-	1 177	-
Total financial liabilities measured at fair value	7 463	11	7 452	-



ASSETS MEASURED AT FAIR VALUE 31.12.2020	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	958	-	958	-
Other derivative instruments	5 501	-	5 501	-
Securities	77 155	68 647	7 175	1 333
held for trading	1 178	824	354	-
debt securities	1 151	797	354	-
shares in other entities – listed	25	25	-	-
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	2	-	-
not held for trading, measured at fair value through profit or loss	2 466	1 832	27	607
debt securities	978	799	21	158
shares in other entities – listed	135	135	-	-
shares and stocks in other entities – not listed	451	-	2	449
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	902	898	4	-
measured at fair value through other comprehensive income – debt securities	73 511	65 991	6 794	726
debt securities	73 511	65 991	6 794	726
Loans and advances to customers	6 009	-	-	6 009
not held for trading, measured at fair value through profit or loss	6 009	-	-	6 009
housing loans	7	-	-	7
corporate loans	114	-	-	114
consumer loans	5 888	-	-	5 888
Total financial assets measured at fair value	89 623	68 647	13 634	7 342

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



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

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

	level of fair value hierarchy	31.03.2021		31.12.2020	
		carrying amount	fair value	carrying amount	fair value
Cash and balances with Central Bank	nd	4 275	4 275	7 474	7 474
Amounts due from banks	2	2 664	2 664	2 557	2 557
Securities (excluding adjustments relating to fair value hedge accounting)	1, 2, 3	58 008	58 554	46 522	47 733
Treasury bonds (in PLN)	1	40 170	40 715	29 647	30 682
Treasury bonds (in foreign currencies)	1	-	-	39	39
corporate bonds (in PLN) secured with the State Treasury guarantees	1	10 529	10 650	9 887	10 015
Municipal bonds (in PLN)	2	5 068	5 067	5 060	5 060
Corporate bonds (in PLN)	1, 2, 3	1 860	1 724	1 518	1 539
Corporate currency (in foreign currencies)	2	381	398	371	398
Reverse repo transactions	2	10	10	-	-
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)		217 372	218 021	216 590	216 993
housing loans	3	115 826	114 772	116 318	115 054
corporate loans	3	59 542	60 723	58 961	60 134
consumer loans	3	23 382	23 844	22 932	23 386
factoring receivables	3	1 706	1 706	1 628	1 628
finance lease receivables	3	16 916	16 976	16 751	16 791
Receivables in respect of insurance activities	3	798	798	798	798
Other financial assets	3	1 707	1 707	1 937	1 937
Amounts due to banks	2	2 302	2 302	2 626	2 626
Amounts due to customers		286 593	286 591	281 140	281 167
amounts due to households	3	230 699	230 698	223 691	223 689
amounts due to business entities	3	40 909	40 908	43 705	43 734
amounts due to budgetary units	3	14 985	14 985	13 744	13 744
Liabilities in respect of insurance activities	3	1 756	1 756	1 740	1 740
Loans and advances received	3	2 377	2 377	2 267	2 267
Debt securities in issue	1, 2, 3	32 904	33 367	32 098	32 584
Subordinated liabilities	2	2 704	2 757	2 716	27 678
Other financial liabilities	3	3 591	3 591	3 011	3 011



34. OTHER INFORMATION

SEASONALITY OR CYCLICALITY OF ACTIVITIES DURING THE REPORTING PERIOD

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

THE POSITION OF THE MANAGEMENT BOARD OF PKO BANK POLSKI SA CONCERNING THE ACHIEVEMENT OF THE PREVIOUSLY PUBLISHED FORECASTS CONCERNING THE RESULTS FOR THE YEAR

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

In the current report no. 15/2021 of 5 May 2021 there was an information on hedging of the currency position related to the Bank's intention to conclude settlements with consumers who entered into mortgage loan agreements in foreign currencies, including an information on the positive result on foreign exchange to be recognized in 2021.

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

PKO Bank Polski S.A. is obliged to inform in the current reports about all agreements meeting the conditions of the definition of a confidential information provided in the Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse. In the three-month period ended 31 March 2021, the Bank did not conclude, and therefore did not publish, any information on agreements fulfilling the conditions of a confidential information.

The subsidiaries of the PKO Bank Polski S.A. in the three-month period ended 31 March 2021 did not conclude any significant agreements or material agreements with the central bank or supervisory authorities.

INFORMATION ON MATERIAL PROCEEDINGS PENDING AT COURT, A COMPETENT ARBITRATION INSTITUTION OR A PUBLIC ADMINISTRATION AUTHORITY

The Bank considered significant (taking into account the value and growth in the number of proceedings) court proceedings concerning mortgage loans in convertible currencies. As at 31 March 2021, 6 949 court proceedings (as at 31 December 2020: 5 372) were pending against the Bank relating to mortgage loans granted in previous years in foreign currency with a total value in dispute of PLN 1 872 million (as at 31 December 2020: PLN 1 404 million), including one group proceeding. The Bank's customers' claims concerned mainly demands to determine the invalidity of all or part of the agreements or to receive refunds of allegedly undue benefits in connection with the abusive nature of the foreign currency clauses. None of the clauses used by the Bank in the agreements was entered in the register of prohibited contractual provisions.

The most essential legal claims, including those related to mortgage loans in convertible currencies, are described in the note "Legal claims".

LOANS AND ADVANCES TAKEN OUT AND LOAN GUARANTEE AND PLEDGE AGREEMENTS UNRELATED TO THE GROUP'S OPERATIONS

In the three-month period ended 31 March 2021, neither PKO Bank Polski SA nor its subsidiaries drew any loans or advances or received any guarantees or pledges which were not related to operating activities.

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

The Group has not identified any unpaid loans or advances and any breach of material provisions of a loan or advance agreement where the Group acts as a borrower with regard to which no remedial action was taken until 31 March 2021.

INFORMATION ABOUT CONCLUDING TRANSACTIONS WITH RELATED ENTITIES BY THE ISSUER OR ITS SUBSIDIARY, IF THEY WERE CONCLUDED ON TERMS DIFFERENT THAN MARKET CONDITIONS

In the period from January to March 2021, neither PKO Bank Polski S.A. nor the subsidiaries of PKO Bank Polski S.A. concluded any material transactions with related parties on terms other than arm's length.

INFORMATION ON SIGNIFICANT AGREEMENTS ON LOAN OR ADVANCE PLEDGES OR GUARANTEES GRANTING BY THE ISSUER OR ITS SUBSIDIARY



In the three-month period ended 31 March 2021, the Bank and the subsidiaries of PKO Bank Polski SA did not conclude any significant agreements relating to guaranteeing the repayment of loans or advances and warranting the repayment of loans or advances to non-Group entities.

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

In the three-month period ended 31 March 2021, no other material events which are relevant to the assessment of the human resources, assets, financial position and results of operations of PKO Bank Polski SA occurred in PKO Bank Polski SA or its domestic subsidiaries.

35. RISK MANAGEMENT WITHIN THE GROUP

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

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

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

In the three-month period ended 31 March 2021, the Group's main objectives, principles and organization of the risk management process have not changed compared with the principles described in the consolidated financial statements of Group for 2020, with the exception of the impact of the activities described below.



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36. CREDIT RISK MANAGEMENT

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

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

a) gross carrying amount of active and expired exposures

Loans and advances covered by statutory and non-statutory moratoria by residual period of the moratoria	31.03.2021								
	Number of debtors	Carrying amount, gross			Residual period of moratoria				
			Of which: statutory moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances in respect of which moratoria were offered	194 238	31 885							
Loans and advances covered by moratoria in line with the EBA guidelines	190 382	30 825	76	29 291	1 353	28	3	33	116
retail and private banking		18 851	76	18 054	788	3	-	6	-
housing		14 957	51	14 377	580	-	-	-	-
finance lease receivables		3	-	3	-	-	-	-	-
consumer		3 891	25	3 674	208	3	-	6	-
SME		6 007	-	5 581	342	22	3	13	44
corporate		1 688	-	1 520	144	4	-	5	15
housing		1 328	-	1 254	74	-	-	-	-
finance lease receivables		2 990	-	2 807	124	19	3	8	30
corporate entities		5 967	-	5 656	223	3	-	13	72
corporate		3 341	-	3 232	95	-	-	10	3
finance lease receivables		1 242	-	1 041	127	3	-	2	69
housing		1 384	-	1 384	-	-	-	-	-



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



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b) gross carrying amount of active exposures

Loans and advances covered by moratoria in line with the EBA guidelines (statutory and non-statutory)	31.03.2021						
	Carrying amount, gross						
		Performing	Non-performing				
including: exposures covered by restructuring			of which: Stage 2		including: exposures covered by restructuring		
Loans and advances covered by moratoria in line with the EBA guidelines	1 533	1 275	10	687	259	3	238
retail and private banking	797	739	7	468	58	3	43
housing	580	550	7	399	30	3	25
consumer	217	189	-	69	28	-	18
SME	425	338	3	194	88	-	85
corporate	168	160	-	71	8	-	8
housing	74	74	3	62	-	-	-
finance lease receivables	183	104	-	61	79	-	78
corporate entities	-	-	-	-	-	-	-
corporate	311	198	-	25	113	-	110
finance lease receivables	109	106	-	2	3	-	-
housing	202	92	-	23	109	-	109



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



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c) accumulated impairment of active exposures

Loans and advances covered by moratoria in line with the EBA guidelines (statutory and non-statutory)	31.03.2021						
	Accumulated impairment, accumulated loss of fair value due to credit risk						
	Performing			Non-performing			
		including: exposures covered by restructuring	of which: Stage 2		including: exposures covered by restructuring	of which: there is little probability that the liability will be repaid, but the liability is not overdue or is overdue < = 90 days	
Loans and advances covered by moratoria in line with the EBA guidelines	(106)	(37)	-	(33)	(69)	-	(58)
retail and private banking	(47)	(26)	-	(24)	(21)	-	(13)
housing	(17)	(10)	-	(13)	(7)	-	(5)
consumer	(30)	(15)	-	(11)	(14)	-	(8)
SME	(34)	(10)	-	(9)	(24)	-	(24)
corporate	(6)	(4)	-	(4)	(2)	-	(2)
housing	(4)	(4)	-	(3)	-	-	-
finance lease receivables	(24)	(2)	-	(2)	(22)	-	(22)
corporate entities	(26)	(1)	-	-	(24)	-	(21)
corporate	(4)	(1)	-	-	(3)	-	-
finance lease receivables	(22)	(1)	-	-	(21)	-	(21)



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

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

Newly granted loans and advances under new public guarantee programmes introduced in relation to the COVID-19 crisis	31.03.2021		
	Carrying amount, gross		Maximum recognizable amount of guarantees
		Including: exposures covered by restructuring	Public guarantee received in relation to the COVID-19 crisis
Newly granted loans and advances covered by public guarantee programmes	4 868	34	143
SME	3 822	14	143
corporate	3 634	14	-
factoring receivable	188	-	143
corporate entities	1 046	20	-
corporate	1 046	20	-

Newly granted loans and advances under new public guarantee programmes introduced in relation to the COVID-19 crisis	31.12.2020		
	Carrying amount, gross		Maximum recognizable amount of guarantees
		Including: exposures covered by restructuring	Public guarantee received in relation to the COVID-19 crisis
Newly granted loans and advances covered by public guarantee programmes	3 699	22	133
SME	2 761	11	133
corporate	2 478	11	-
factoring receivable	283	-	133
corporate entities	938	11	-
corporate	938	11	-

The Group estimated the impact of the COVID-19 pandemic on the deterioration in the quality of its loan portfolio and other financial assets in the three-month period ended 31 March 2021 at PLN 167 million (PLN 219 million in the three-month period ended 31 March 2020), of which the impact on net expected credit losses was PLN 169 million (comparative period: PLN 197 million), and impact on gains/(losses) on financial transactions at a gain of PLN 2 million (comparative period: PLN 22 million).

When recognizing the impact of COVID-19 on the loan portfolio, the Group took into account three scenarios of the development of the main macroeconomic parameters. The impact of the pandemic is estimated on the basis of the dependencies between the expected loss and the change in macroeconomic parameters in each of the three scenarios developed based on the Group's internal forecasts. The scope of the ratios covered by the forecasts includes, among other things, GDP growth rates and employment rates, since these parameters have the most significant impact on the level of identified changes in the measurement of the Group's assets. In order to adequately take into account, in the risk parameter models, the high quarterly volatility of macroeconomic indicators (in particular the default probability (PD) parameter), the average values of these indicators over a two-year period were adopted. An additional allowance relating to COVID-19 is due to the significant deterioration in macroeconomic forecasts in all three of the adopted scenarios and the recognition of a material increase in credit risk for exposures covered by moratoria with the highest PD values. An increase in the PD parameter translates into an increase in the expected loss on individual loans, resulting in increased migration to Stage 2 for a part of them.

The tables below present the forecasts of the main macroeconomic indicators adopted in the calculation of expected credit losses, taking into account the development of these parameters since the outbreak of the pandemic, together with the assumed probabilities of their implementation.

scenario as at 31.03.2021	baseline	optimistic	pessimistic
probability	75%	5%	20%
	average for 1Q2021-4Q2022	average for 1Q2021-4Q2022	average for 1Q2021-4Q2022
GDP growth y/y	1,2	4,6	(2,2)
Unemployment rate according to BAEL	3,8	3,5	5,7
WIBOR 3M	0,6	2,4	0,0
Property price index	101,2	102,9	97,3
CHF/PLN	4,0	3,7	4,3

scenario as at 31.12.2020	baseline	optimistic	pessimistic
probability	75%	5%	20%
	average for 4Q2020-3Q2022	average for 4Q2020-3Q2022	average for 4Q2020-3Q2022
GDP growth y/y	1,9	5,7	(1,9)
Unemployment rate according to BAEL	5,2	4,5	6,5
WIBOR 3M	0,4	2,1	(0,2)
Property price index	100,6	102,9	97,3
CHF/PLN	4,0	3,8	4,4

37. MANAGEMENT OF CURRENCY RISK ASSOCIATED WITH MORTGAGE LOANS FOR INDIVIDUALS

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

HOUSING LOANS AND ADVANCES TO INDIVIDUALS (RETAIL AND PRIVATE BANKING) BY CURRENCY	31.03.2021			31.12.2020		
	gross	impairment allowance	net	gross	impairment allowance	net
in local currency	94 358	(1 231)	93 127	94 088	(1 207)	92 881
PLN	94 049	(1 210)	92 839	93 828	(1 188)	92 640
UAH	309	(21)	288	260	(19)	241
in foreign currency	17 663	(697)	16 966	18 197	(719)	17 478
CHF	14 870	(625)	14 245	15 366	(647)	14 719
EUR	2 748	(68)	2 680	2 787	(68)	2 719
USD	37	(4)	33	36	(4)	32
OTHER	8	-	8	8	-	8
Total	112 021	(1 928)	110 093	112 285	(1 926)	110 359



FOREIGN CURRENCY HOUSING LOANS AND ADVANCES TO INDIVIDUALS BY THE GRANTING DATE		INDEXED	DENOMINATED	Total
31.03.2021				
up to 2002	Gross amount	-	56	56
	Allowances for credit losses	-	(1)	(1)
	Net amount	-	55	55
	Number of loans granted		5 056	5 056
from 2003 to 2006	Gross amount	-	3 465	3 465
	Allowances for credit losses	-	(102)	(102)
	Net amount	-	3 363	3 363
	Number of loans granted		41 529	41 529
from 2007 to 2009	Gross amount	-	8 218	8 218
	Allowances for credit losses	-	(478)	(478)
	Net amount	-	7 740	7 740
	Number of loans granted		50 768	50 768
from 2010 to 2012	Gross amount	3 052	2 856	5 908
	Allowances for credit losses	(44)	(71)	(115)
	Net amount	3 008	2 785	5 793
	Number of loans granted	10 498	11 827	22 325
from 2013 to 2016	Gross amount	5	11	16
	Allowances for credit losses	-	(1)	(1)
	Net amount	5	10	15
	Number of loans granted	18	39	57
Total	Gross amount	3 057	14 606	17 663
	Allowances for credit losses	(44)	(653)	(697)
	Net amount	3 013	13 953	16 966
	Number of loans granted	10 516	109 219	119 735



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

38. INTEREST RATE RISK MANAGEMENT

- **SENSITIVITY OF INTEREST INCOME**

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

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

NAME OF THE MEASURE	31.03.2021	31.12.2020
Sensitivity of interest income (PLN million)	(516)	(527)



- **SENSITIVITY OF ECONOMIC VALUE**

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

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

NAME OF THE MEASURE	31.03.2021	31.12.2020
Sensitivity of economic value (PLN million)	(1 648)	(443)

TRADING BOOK

- **VALUE AT RISK**

The IR VaR measure is a potential amount of loss that may be incurred in normal market conditions in a specific time (i.e. horizon) and with an assumed level of probability related to changes in the interest rate curves.

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

NAME OF THE MEASURE	31.03.2021	31.12.2020
IR VaR for a 10-day time horizon at the confidence level of 99% (PLN million):		
Average value	13	11
Maximum value	28	20
Value at the end of the period	13	13

39. CURRENCY RISK MANAGEMENT

- **SENSITIVITY MEASURES**

The FX VaR measure is a potential value of loss that may occur in normal market conditions at a specific time (i.e. horizon) and with an assumed level of probability related to changes in foreign exchange rates.

Stress tests are used to estimate loss in an event of abrupt changes on the currency market which are not described using statistical measures by default.

The Bank's FX VaR, in aggregate for all currencies, is presented in the table below:

NAME OF THE SENSITIVITY MEASURE	31.03.2021	31.12.2020
VaR for a 10-day time horizon at a confidence level of 99% (in PLN million) ¹	453	615

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

- **FOREIGN CURRENCY POSITION**

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

FOREIGN CURRENCY POSITION	31.03.2021	31.12.2020
EUR	(162)	(326)
CHF	(11 182)	(14 361)
Other (Global, Net)	5	(50)

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

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



By the end of April 2021, the Group fully hedged this foreign exchange position by concluding and subsequently closing option transactions which gave the Bank the right to purchase foreign currencies, and by concluding and settling a series of foreign currency exchange transactions under which the Group purchased foreign currencies for PLN. After hedging this foreign exchange position, the capital requirement for market risk significantly decreased.

40. LIQUIDITY RISK MANAGEMENT

- LIQUIDITY GAP

	on demand	0 – 1 month	1 – 3 months	3 – 6 months	6 – 12 months	12 – 24 months	24 – 60 months	over 60 months
31.03.2021								
Adjusted periodic gap	2 555	85 356	(1 223)	(8 406)	(2 875)	10 070	18 420	(103 897)
Adjusted cumulative periodic gap	2 555	87 911	86 688	78 282	75 407	85 477	103 897	
31.12.2020								
Adjusted periodic gap	6 920	70 393	(5 774)	(4 210)	(3 114)	3 468	18 210	(85 893)
Adjusted cumulative periodic gap	6 920	77 313	71 539	67 329	64 215	67 683	85 893	-

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

In all time horizons, the adjusted cumulative liquidity gap of the Group, determined as the sum of the adjusted liquidity gaps of the Bank, PKO Bank Hipoteczny S.A., PKO Leasing S.A., KREDOBANK and PKO Życie Towarzystwo Ubezpieczeń S.A. and the contractual liquidity gaps of the other Group companies with respect to items of the statement of financial position, was positive both as at 31 March 2021 and 31 December 2020. This means a surplus of the assets receivable over the liabilities payable.

- SUPERVISORY LIQUIDITY MEASURES

SUPERVISORY LIQUIDITY MEASURES	31.03.2021	31.12.2020
M3 - coverage ratio of non-liquid assets to own funds	13,12	12,59
M4 - coverage ratio of non-liquid assets and liquidity-restricted assets with own funds and stable external funds	1,46	1,43
NSFR - net stable funding ratio	137,3%	134,7%
LCR - liquidity coverage ratio	241,3%	227,6%

In the period ended 31 March 2021 and 31 December 2020 liquidity measures remained above their respective supervisory limits. The LCR and NSFR ratios in the table refer to the Group, while the M3-M4 indicators refer to the Bank.



41. CAPITAL ADEQUACY

• CAPITAL ADEQUACY

Minimum level of capital ratios maintained by the Group in accordance with Art. 92 of the CRR Regulation	
• total capital ratio (TCR);	8,0%
• Tier 1 capital ratio (T1);	6,0%
• Tier 1 core capital ratio (CET1);	4,5%

Obligation to maintain a combined buffer above the minimum amounts specified in Article 92 of the CRR, representing the sum of the applicable buffers	31.03.2021	31.12.2020
Total:	3,51%	3,51%
• conservation buffer	2,5%	2,5%
• countercyclical buffer	0,01%	0,01%
• systemic risk buffer	0% ¹	0% ¹
• due to identifying the Bank as another systemically important institution ("O-SII")	1% ³	1% ³

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

² The buffer is calculated for the exposure within the territory of the Republic of Poland. Due to the fact that the Group also conducts foreign activities, the systemic risk buffer specific to the Group was 2.88% as at the end of December 2020.

³ of total exposure to the risks calculated in accordance with the CRR.

Discretionary capital requirement (an additional capital requirement in order to hedge the risk resulting from mortgage-secured loans and advances to households)	31.03.2021	31.12.2020
• for the total capital ratio:	0,24 p.p.	0,24 p.p.
• for the Tier 1 capital ratio:	0,18 p.p.	0,18 p.p.
• for the Tier 1 core capital ratio:	0,14 p.p.	0,14 p.p.

Irrespective of the above buffers, to meet the requirements for distributing 100% of the profit, the Polish Financial Supervision Authority determined an add-on in respect of the Bank's sensitivity to an adverse macroeconomic scenario, of 0.10 p.p.

• OWN FUNDS FOR CAPITAL ADEQUACY PURPOSES

During the three months ended 31 March 2021 and in 2020, the Group's capital adequacy measures remained at a safe level, well above the supervisory limits.

- **REQUIREMENTS RELATING TO OWN FUNDS (PILLAR I)**

The Group calculates own funds requirements for the following types of risk:

	31.03.2021	31.12.2020
Equity	40 574	39 911
capital: share capital, supplementary capital, other reserves, and general risk reserve	34 976	34 976
retained earnings	3 586	6 142
net profit or loss for the year	1 177	(2 557)
other comprehensive income and non-controlling interests	836	1 350
Exclusions from equity:	820	76
deconsolidation - adjustments due to prudential consolidation	(265)	(279)
net profit or loss for the year	1 164	-
cash flow hedge	(79)	355
Other fund reductions:	2 665	2 671
goodwill	961	961
other intangible assets	1 296	1 264
securitization items	62	67
additional asset adjustments (AVA, DVA)	346	379
Temporary reversal of IFRS 9 impact	1 434	1 652
Tier 1 capital	38 523	38 816
Tier 2 capital (subordinated debt)	2 700	2 700
Equity	41 223	41 516
Requirements for own funds	18 221	18 273
Credit risk	14 940	14 985
Operational risk	1 876	1 629
Market risk	1 383	1 631
Credit valuation adjustment risk	22	28
Total capital ratio	18,10%	18,18%
Tier 1 capital ratio	16,91%	16,99%

According to CRR, for capital adequacy purposes, prudential consolidation is used, unlike consolidation in accordance with IFRS, includes only subsidiaries that meet the definition of an institution, financial institution or any ancillary services enterprise. In addition, pursuant to Article 19 Paragraph 1 of the CRR, prudential consolidation may exclude entities whose total value of assets and off-balance sheet items are less than EUR 10 million. Other subsidiaries, not consolidated under the full method for the purposes of prudential consolidation are measured using the equity method.

The Group for the purposes of prudential consolidation consists of the following entities: PKO Bank Polski S.A., the PKO Leasing S.A. Group, PKO BP BANKOWY PTE S.A., PKO Towarzystwo Funduszy Inwestycyjnych S.A., the KREDOBANK SA Group, PKO Finance AB, PKO BP Finat Sp. z o.o., PKO Bank Hipoteczny S.A., the Bankowe Towarzystwo Kapitałowe S.A. Group. Non-financial and insurance entities are not subject to prudential consolidation.

The table below shows a reconciliation of items of the statement of financial position used to calculate own funds with the regulatory own funds as at 31 March 2021 and as at 31 December 2020.



31.03.2021	Statement of financial position under IFRS	Deconsolidation of companies excluded from prudential consolidation	Prudential consolidation/ Statement of financial position under CRR	Items not included in regulatory own funds	Items included in regulatory own funds
ASSETS					
Intangible assets	3 250	(162)	3 088	(831)	2 257
LIABILITIES					
Subordinated liabilities	2 704	-	2 704	(4)	2 700
EQUITY					
Share capital	1 250	-	1 250	-	1 250
Supplementary capital	29 519	-	29 519	-	29 519
General banking risk fund	1 070	-	1 070	-	1 070
Other reserves	3 137	(78)	3 059	-	3 059
Accumulated other comprehensive income	851	(1)	850	79	929
Net profit or loss for the year	1 177	(9)	1 164	(1 164)	-
Retained earnings	3 586	306	3 927	-	3 927
Non-controlling interests	(15)	15	-	-	-
TOTAL EQUITY	40 574	234	40 839	(1 085)	39 754
ADDITIONAL ADJUSTMENTS					1 026
TOTAL OWN FUNDS FOR CALCULATION OF THE TOTAL CAPITAL RATIO					41 223

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

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



	31.03.2021		31.12.2020	
	with IFRS 9 or analogous ECLs transitional arrangements applied	as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	with IFRS 9 or analogous ECLs transitional arrangements applied	as if IFRS 9 or analogous ECLs transitional arrangements had not been applied
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital / Tier 1 capital	38 523	37 089	38 816	37 164
Total capital	41 223	39 789	41 516	39 864
Risk-weighted assets (amounts)				
Total risk-weighted assets	227 774	226 340	228 413	226 767
Capital ratios				
Common Equity Tier 1 / Tier 1 capital (as a percentage of risk exposure amount)	16,91%	16,39%	16,99%	16,39%
Total capital (as a percentage of risk exposure amount)	18,10%	17,58%	18,18%	17,58%
Leverage ratio				
Total exposure measure for leverage ratio calculation	402 805	401 371	394 468	392 816
Leverage ratio	9,56%	9,24%	9,84%	9,46%



	Risk weighted assets		Minimum capital requirement	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Credit risk (excluding counterparty credit risk)	184 529	184 761	14 762	14 781
of which the standardised approach	184 529	184 761	14 762	14 781
Counterparty credit risk	2 501	2 906	200	232
of which mark to market	2 128	2 444	170	195
of which risk exposure amount for contributions to the default fund of a Central Counterparty and other exposures to the central counterparty	96	112	8	9
of which Credit Valuation Adjustment	277	350	22	28
Market risk	17 291	20 383	1 383	1 631
of which the standardised approach	17 291	20 383	1 383	1 631
Operational risk	23 453	20 363	1 876	1 629
of which basic indicator approach	3 779	3 631	302	290
of which advanced measurement approach (AMA)	19 674	16 732	1 574	1 339
Amounts below the thresholds for deduction (subject to 250% risk weight) - included in credit risk requirement	9 578	8 998	-	-
Total	227 774	228 413	18 221	18 273

- **LEVERAGE RATIO**

	Leverage ratio exposures specified in CRR	
	31.03.2021	31.12.2020
Total capital and exposure measure		
Tier 1 capital	38 523	38 816
Total exposure measure for leverage ratio calculation	402 805	394 468
Leverage ratio		
Leverage ratio	9,56%	9,84%



STANDALONE INCOME STATEMENT

INCOME STATEMENT	Note	01.01- 31.03.2021	01.01- 31.03.2020
Net interest income	43	2 027	2 443
Interest income		2 143	2 917
of which calculated under the effective interest rate method		1 941	2 578
Interest expenses		(116)	(474)
Net fee and commission income	44	846	758
Fee and commission income		1 066	1 019
Fee and commission expense		(220)	(261)
Other net income		224	(210)
Dividend income		34	-
Gains/(losses) on financial transactions		(5)	(135)
of which due to impact of macroeconomic variables on the loan portfolio		2	(22)
Foreign exchange gains/ (losses)		181	6
Gains/(losses) on derecognition of financial instruments		32	35
of which measured at amortized cost		-	(14)
Net other operating income and expense		(18)	(116)
Result on business activities		3 097	2 991
Net expected credit losses		(123)	(437)
of which due to impact of macroeconomic variables on the loan portfolio		70	(197)
Net impairment allowances on non-financial assets		(14)	(115)
Cost of the legal risk of mortgage loans in convertible currencies		-	(85)
Administrative expenses		(1 432)	(1 564)
of which net regulatory charges		(341)	(421)
Tax on certain financial institutions		(233)	(237)
Profit before tax		1 295	553
Income tax expense		(286)	(193)
Net profit		1 009	360
Earnings per share			
- basic earnings per share for the period (PLN)		0,81	0,29
- diluted earnings per share for the period (PLN)*		0,81	0,29
Weighted average number of ordinary shares during the period (in million)		1 250	1 250

* Both in the three month period ended March 31, 2021 and in the corresponding period of 2020 there were no instruments diluting earnings per share. Therefore, the value of diluted earnings per share corresponds with the value of basic earnings per share for the periods.



STANDALONE STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	01.01- 31.03.2021	01.01- 31.03.2020
Net profit		1 009	360
Other comprehensive income		(595)	394
Items which may be reclassified to profit or loss		(595)	394
Cash flow hedges (net)		(427)	493
Cash flow hedges (gross)		(527)	609
Deferred income tax		100	(116)
Fair value of financial assets measured at fair value through other comprehensive income (net)		(168)	(99)
Remeasurement of financial assets measured at fair value through other comprehensive income (gross)		(176)	(74)
Gains /losses transferred to the profit or loss (on disposal)		(32)	(49)
Deferred income tax		40	24
Items which cannot be reclassified to profit or loss		-	-
Total net comprehensive income		414	754



STANDALONE STATEMENT OF FINANCIAL POSITION

	Note	31.03.2021	31.12.2020
ASSETS		351 406	345 027
Cash and balances with Central Bank		4 177	7 397
Amounts due from banks		4 908	5 304
Hedging derivatives		384	618
Other derivative instruments		5 679	5 416
Securities	45	129 968	119 973
Reverse repo transactions		11	-
Loans and advances to customers	46	193 080	193 063
Property, plant and equipment		2 760	2 737
Non-current assets held for sale		14	124
Intangible assets		2 705	2 737
Investments in subsidiaries	47	3 612	3 612
Investments in associates and joint ventures	47	257	257
Assets income tax assets		2 016	1 806
Other assets		1 835	1 983

	Note	31.03.2021	31.12.2020
LIABILITIES AND EQUITY		351 406	345 027
Liabilities		312 415	306 450
Amounts due to banks		2 278	2 583
Hedging derivatives		790	543
Other derivative instruments		6 263	6 632
Repo transactions		48	47
Amounts due to customers	48	284 298	278 894
Loans and advances received		5 071	4 906
Debt securities in issue		4 028	4 020
Subordinated liabilities		2 704	2 716
Other liabilities		5 328	4 464
Current income tax liabilities		158	178
- of the Bank		148	166
- of the subsidiaries belonging to the Tax Group		10	12
Provisions		1 449	1 467
EQUITY		38 991	38 577
Share capital		1 250	1 250
Other capital		34 176	34 771
Retained earnings		2 556	5 500
Net profit or loss for the year		1 009	(2 944)



Bank Polski

STANDALONE STATEMENT OF CHANGES IN EQUITY

FOR 3 MONTHS ENDED 31 MARCH 2021	Share capital	Other capital				Accumulated other comprehensive income	Total other capital and reserves	Retained earnings	Net profit or loss for the year	Total equity
		Reserves								
		Supplementary capital	General banking risk fund	Other reserves						
As at the beginning of the period	1 250	29 168	1 070	2 990	1 543	34 771	5 500	(2 944)	38 577	
Transfer from retained earnings	-	-	-	-	-	-	(2 944)	2 944	-	
Comprehensive income	-	-	-	-	(595)	(595)	-	1 009	414	
As at the end of the period	1 250	29 168	1 070	2 990	948	34 176	2 556	1 009	38 991	

FOR 3 MONTHS ENDED 31 MARCH 2020	Share capital	Other capital				Accumulated other comprehensive income	Total other capital and reserves	Retained earnings	Net profit or loss for the year	Total equity
		Reserves								
		Supplementary capital	General banking risk fund	Other reserves						
As at the beginning of the period	1 250	29 168	1 070	3 099	434	33 771	1 556	3 835	40 412	
Transfer from retained earnings	-	-	-	-	-	-	3 835	(3 835)	-	
Comprehensive income	-	-	-	-	394	394	-	360	754	
As at the end of the period	1 250	29 168	1 070	3 099	828	34 165	5 391	360	41 166	



FOR 3 MONTHS ENDED 31 MARCH 2021	Accumulated other comprehensive income			
	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Total
As at the beginning of the period	1 244	319	(20)	1 543
Total comprehensive income	(168)	(427)	-	(595)
As at the end of the period	1 076	(108)	(20)	948

FOR 3 MONTHS ENDED 31 MARCH 2020	Accumulated other comprehensive income			
	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Total
As at the beginning of the period	354	95	(15)	434
Total comprehensive income	(99)	493	-	394
As at the end of the period	255	588	(15)	828



STANDALONE CASH FLOW STATEMENT

	Note	01.01- 31.03.2021	01.01- 31.03.2020
Cash flows from operating activities			
Profit before tax		1 295	553
Total adjustments:		6 066	6 224
Depreciation and amortization		213	212
(Gains)/losses on investing activities		(5)	(3)
Interest and dividends		(169)	(105)
Change in:			
amounts due from banks		766	(111)
hedging derivatives		482	755
other derivative instruments		(632)	(309)
securities		44	(472)
loans and advances to customers		(93)	(6 838)
receivables in respect of repurchase agreements		(11)	969
non-current assets held for sale		110	1
other assets		141	(272)
accumulated allowances for expected credit losses		7	682
accumulated allowances on non-financial assets and other provisions		42	93
amounts due to Central Bank		-	7
amounts due to banks		(305)	45
amounts due to customers		5 403	10 225
repo transactions		1	-
loan and advances received		166	343
liabilities in respect of debt securities in issue		8	381
subordinated liabilities		(12)	(22)
other liabilities		921	678
Income tax paid		(375)	(496)
Other adjustments		(636)	461
Net cash from/used in operating activities		7 361	6 777



	Note	01.01- 31.03.2021	01.01- 31.03.2020
Cash flows from investing activities			
Inflows from investing activities		12 472	21 917
Proceeds from sale of and interest on securities measured at fair value through other comprehensive income		12 114	21 764
Proceeds from sale of and interest on securities measured at amortized cost		152	144
Proceeds from sale of intangible assets, property, plant and equipment and assets held for sale		13	9
Other inflows from investing activities		193	-
Outflows from investing activities		(22 527)	(30 156)
Increase in equity of an associate		-	(5)
Purchase of securities measured at fair value through other comprehensive income		(11 006)	(24 035)
Purchase of securities measured at amortized cost		(11 413)	(6 014)
Purchase of intangible assets and property, plant and equipment		(108)	(102)
Net cash from/used in investing activities		(10 055)	(8 239)

	Note	01.01- 31.03.2021	01.01- 31.03.2020
Cash flows from financing activities			
Payment of lease liabilities		(56)	(56)
Repayment of interest on long-term liabilities		(113)	(147)
Net cash from financing activities		(169)	(203)
Total net cash flows		(2 863)	(1 665)
of which foreign exchange differences on cash and cash equivalents		181	267
Cash equivalents at the beginning of the period		9 126	17 993
Cash equivalents at the end of the period		6 263	16 328



42. CHANGES IN THE ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2021 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

In the three-month period ended 31 March 2021, the Bank did not introduce any changes in its accounting policies.

The changes to previously published data for the period from 1 January to 31 March 2021 and as at 31 March 2021 presented below resulted from the changes introduced by the Bank in 2020:

- reclassification of fees collected from customers compensating for negative interest rates of financial liabilities (1)
- reclassification of allowances for card complaints (2)
- reclassification of net regulatory charges (3)

INCOME STATEMENT	01.01- 31.03.2020 before restatement	(1)	(2)	(3)	01.01- 31.03.2020 restated
Net interest income	2 438		5		2 443
Interest income	2 912		5		2 917
Net fee and commission income	763	(5)			758
Fee and commission income	1 024	(5)			1 019
Result on business activities	2 991	-			2 991
Net expected credit losses	(453)	-		16	(437)
Net impairment allowances on non-financial assets	(99)	-		(16)	(115)
Administrative expenses	(1 143)	-		(421)	(1 564)
Net regulatory charges	(421)	-		421	-
Profit before tax	553	-		-	553
Net profit	360	-		-	360

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

43. INTEREST INCOME AND EXPENSE

INTEREST INCOME	01.01- 31.03.2021	01.01- 31.03.2020
Loans to and other receivables from banks	8	40
Cash pooling	-	4
Hedging derivatives	92	126
Debt securities:	419	421
measured at amortized cost	187	94
measured at fair value through other comprehensive income	230	320
measured at fair value through profit or loss	2	7
Loans and advances to customers	1 620	2 321
measured at amortized cost	1 429	2 017
measured at fair value through other comprehensive income	83	103
measured at fair value through profit or loss	108	201
Amounts due to customers	4	5
Total	2 143	2 917
of which: interest income on impaired financial instruments measured at fair value through profit or loss	42	70



INTEREST EXPENSE	01.01- 31.03.2021	01.01- 31.03.2020
Amounts due to banks	(2)	(3)
Interbank deposits	(1)	(4)
Loans and advances received	(48)	(52)
Leases	(2)	(4)
Amounts due to customers	(45)	(381)
Debt securities in issue	(6)	(8)
Subordinated liabilities	(12)	(22)
Total	(116)	(474)

44. FEE AND COMMISSION INCOME AND EXPENSE

FEE AND COMMISSION INCOME	01.01- 31.03.2021	01.01- 31.03.2020
Loans, insurance, operating leases and fleet management	217	222
lending	169	170
offering insurance products	48	52
Investment funds, pension funds and brokerage activities	109	102
servicing investment funds and OFE (including management fees)	11	13
servicing and selling investment and insurance products	1	3
brokerage activities	97	86
Cards	305	314
Margins on foreign exchange transactions	132	110
Bank accounts and other	303	271
servicing bank accounts	238	205
cash operations	14	17
servicing foreign mass transactions	19	17
client orders	13	12
fiduciary services	2	2
other	17	18
Total	1 066	1 019



FEE AND COMMISSION EXPENSE	01.01- 31.03.2021	01.01- 31.03.2020
Loans and insurance	(22)	(43)
commission paid to external entities for product sales	(6)	(12)
cost of construction investment supervision and property valuation	(8)	(9)
fees to Biuro Informacji Kredytowej	(4)	(8)
loan handling	(4)	(14)
Investment funds, pension funds and brokerage activities	(8)	(5)
Cards	(163)	(181)
Bank accounts and other	(27)	(32)
clearing services	(8)	(10)
commissions for operating services provided by banks	(2)	(3)
sending short text messages (SMS)	(13)	(11)
selling banking products	(1)	(3)
servicing foreign mass transactions	(3)	-
other	-	(5)
Total	(220)	(261)

45. SECURITIES

SECURITIES	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through OCI	measured at amortized cost	Total
31.03.2021					
Debt securities	611	638	69 586	58 772	129 607
Treasury bonds (in PLN)	475	119	50 274	40 139	91 007
Treasury bonds (in foreign currencies)	4	358	2 116	-	2 478
corporate bonds (in PLN) secured with the State Treasury guarantees	-	-	8 747	10 530	19 277
municipal bonds (in PLN)	14	-	4 383	5 068	9 465
corporate bonds (in PLN)	112	161	3 977	1 860	6 110
corporate bonds (in foreign currencies)	-	-	89	1 175	1 264
mortgage covered bonds	6	-	-	-	6
Equity securities	26	333	-	-	359
shares in other entities – not listed	-	311	-	-	311
shares in other entities – listed	25	22	-	-	47
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	1	-	-	-	1
Total (excluding adjustment relating to fair value hedge accounting)	637	971	69 586	58 772	129 966
Adjustment relating to fair value hedge accounting	-	-	-	2	2
Total	637	971	69 586	58 774	129 968



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



46. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS 31.03.2021	not held for trading, measured at fair value through profit or loss	measured at fair value through OCI	measured at amortized cost	Total
retail and private banking	5 402	13 830	94 345	113 577
housing loans	5	13 830	71 554	85 389
consumer loans	5 397	-	22 791	28 188
SME	45	-	17 022	17 067
housing loans	-	-	5 541	5 541
corporate loans	45	-	11 481	11 526
corporate	64	-	62 370	62 434
housing loans	-	-	196	196
corporate loans	64	-	62 174	62 238
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	5 511	13 830	173 737	193 078
Adjustment relating to fair value hedge accounting	2	-	-	2
Total	5 513	13 830	173 737	193 080

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



47. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

31.03.2021	Gross amount	Impairment	Net amount
SUBSIDIARIES			
PKO Bank Hipoteczny SA	1 650	-	1 650
KREDOBANK SA	1 072	(793)	279
PKO Leasing SA	496	-	496
PKO Życie Towarzystwo Ubezpieczeń SA	241	-	241
PKO Towarzystwo Funduszy Inwestycyjnych SA	225	-	225
PKO VC – fizan	200	-	200
PKO BP BANKOWY PTE SA	151	(37)	114
NEPTUN – fizan	132	-	132
Merkury – fiz an ¹	120	-	120
PKO Towarzystwo Ubezpieczeń SA	110	-	110
PKO Finance AB	24	-	24
PKO BP Finat sp. z o.o.	21	-	21
JOINT VENTURES			
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	197	-	197
Operator Chmury Krajowej sp. z o.o.	60	-	60
ASSOCIATES			
Bank Pocztowy SA	184	(184)	-
„Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.	2	(2)	-
Total	4 885	(1 016)	3 869

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

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

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



48. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS	Amounts due to households	Amounts due to corporate entities	Amounts due to public entities	Total
31.03.2021				
Measured at fair value through profit or loss	-	11	-	11
Liabilities in respect of short position in securities	-	11	-	11
Measured at amortized cost	228 881	40 421	14 985	284 287
Cash on current accounts and overnight deposits of which	184 604	39 934	14 969	239 507
savings accounts and other interest-bearing assets	55 470	15 298	6 807	77 575
Term deposits	43 955	431	14	44 400
Other liabilities	322	56	2	380
Total	228 881	40 432	14 985	284 298

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



49. TRANSACTIONS WITH RELATED PARTIES - SUBSIDIARIES

Transactions between the Bank as the parent and its subsidiaries, associates and joint ventures are presented in the table below. All transactions presented below were arm's length transactions.

31.03.2021 Company name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
KREDOBANK SA and its subsidiary	139	131	25	182
Merkury - fiz an and its subsidiary	-	-	31	-
NEPTUN - fizan and its subsidiary	156	156	31	-
PKO Bank Hipoteczny SA	2 731	2 698	1 235	7 755
PKO BP BANKOWY PTE SA	-	-	14	-
PKO BP Finat sp. z o.o.	-	-	2	10
PKO Finance AB	755	-	4 484	-
PKO Leasing SA and its subsidiary	16 787	16 787	13	4 979
PKO Towarzystwo Funduszy Inwestycyjnych SA	-	-	198	-
PKO Towarzystwo Ubezpieczeń SA	-	-	42	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	-	-	564	-
Total	20 568	19 772	6 639	12 926
FOR 3 MONTHS ENDED 31 MARCH 2021 Company name	Total income	of which interest and commission income	Total expenses	of which interest and commission expense
KREDOBANK SA and its subsidiary	1	1	-	-
NEPTUN - fizan and its subsidiary	1	1	-	-
PKO Bank Hipoteczny SA	114	86	2	2
PKO BP Finat sp. z o.o.	1	-	1	-
PKO Finance AB	9	9	46	46
PKO Leasing SA and its subsidiary	41	40	-	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	23	1	-	-
PKO Towarzystwo Ubezpieczeń SA	12	12	-	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	10	10	2	2
Total	212	160	51	50

In the three-month period ended 31 March 2021, the Bank granted another loan repayment guarantee to its subsidiary PKO Leasing S.A. The total original amount of loans received by the company and covered by the Bank's guarantee was PLN 674 million and EUR 320 million as at 31 March 2021. The guarantees were issued for no longer than until May 2028.



31.12.2020 Company name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
KREDOBANK SA and its subsidiary	11	-	19	296
Merkury - fiz an and its subsidiary	-	-	25	-
NEPTUN - fizan and its subsidiary	156	156	34	-
PKO Bank Hipoteczny SA	3 439	3 215	1 155	7 078
PKO BP BANKOWY PTE SA	-	-	13	-
PKO BP Finat sp. z o.o.	-	-	9	10
PKO Finance AB	742	-	4 343	-
PKO Leasing SA and its subsidiary	16 753	16 753	16	5 708
PKO Towarzystwo Funduszy Inwestycyjnych SA	21	-	164	-
PKO Towarzystwo Ubezpieczeń SA	-	-	14	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	-	-	494	-
Total	21 122	20 124	6 286	13 092
FOR 3 MONTHS ENDED 31 MARCH 2020 Company name	Total income	of which interest and commission income	Total expenses	of which interest and commission expense
NEPTUN - fizan and its subsidiary	1	1	-	-
PKO Bank Hipoteczny SA	144	138	-	-
PKO BP Finat sp. z o.o.	1	-	1	-
PKO Finance AB	-	-	105	49
PKO Leasing SA and its subsidiary	91	89	-	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	3	-	-	-
PKO Towarzystwo Ubezpieczeń SA	17	17	-	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	14	14	3	3
Total	271	259	109	52



50. CAPITAL ADEQUACY

	31.03.2021	31.12.2020
Equity	38 991	38 577
capital: share capital, supplementary capital, other reserves, and general risk reserve	34 478	34 478
retained earnings	2 556	5 500
net profit or loss for the year	1 009	(2 944)
other comprehensive income and non-controlling interests	948	1 543
Exclusions from equity:	901	319
net profit or loss for the year	1 009	-
cash flow hedges	(109)	319
Other fund reductions:	2 306	2 254
goodwill	754	755
other intangible assets	1 167	138
additional asset adjustments (AVA, DVA, capital investments)	385	361
Temporary reversal of IFRS 9 impact	1 372	1 560
Tier 1 capital	37 156	37 564
Tier 2 capital (subordinated debt)	2 700	2 700
Equity	39 856	40 264
Requirements for own funds	16 119	16 287
Credit risk	13 118	13 268
Operational risk	1 574	1 339
Market risk	1 405	1 652
Credit valuation adjustment risk	22	28
Total capital ratio	19,78%	19,78%
Tier 1 capital ratio	18,44%	18,45%

51. SUBSEQUENT EVENTS

- On 23 April 2021, the Extraordinary General Meeting of PKO Bank Polski S.A. decided to enter into settlement agreements with consumers who have entered into mortgage loan agreements with the Bank indexed to foreign currencies or denominated in foreign currencies (hereinafter: settlement agreements with consumers). According to the adopted resolution:
 - PKO Bank Polski S.A. creates a special fund in the amount of PLN 6.7 billion for the purpose of covering specific balance sheet losses that will arise as a result of recognizing the financial effects of the settlement agreements with consumers;
 - the amount of PLN 6.7 billion shall be allocated from the Bank's supplementary capital, in the part created from retained earnings available for distribution and transferred to the aforementioned special fund;
 - the General Meeting shall oblige the Bank's Management Board to present for approval to the Bank's Supervisory Board the terms and conditions on which the settlement agreements shall be concluded, including the terms and conditions of releasing from debt;



- The Bank's Management Board may enter into settlement agreements with consumers (including those releasing from debt) after the Bank's Supervisory Board has issued a positive opinion on the terms and conditions under which the agreements will be concluded, including in respect of releasing from debt. The content of individual settlement agreements should be within the terms and conditions approved by the Bank's Supervisory Board..
2. Pursuant to Article 399 §1 and Article 395 of the Commercial Companies Code, the Management Board of PKO Bank Polski S.A. convened a General Shareholders' Meeting of the Bank to take place on 7 June 2021 at 10 a.m. in Warsaw, ul. Puławska 15.

SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

27.05.2021	ZBIGNIEW JAGIEŁŁO	PRESIDENT OF THE MANAGEMENT BOARD
27.05.2021	RAFAŁ ANTCZAK	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2021	RAFAŁ KOZŁOWSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2021	MAKS KRACZKOWSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2021	MIECZYŚLAW KRÓL	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2021	ADAM MARCINIAK	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2021	PIOTR MAZUR	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2021	JAKUB PAPIERSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2021	JAN EMERYK ROŚCISZEWSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD

SIGNATURE OF THE PERSON RESPONSIBLE
FOR MAINTAINING THE BOOKS OF ACCOUNT

DANUTA SZYMAŃSKA
DIRECTOR OF THE ACCOUNTING DIVISION