



SELECTED FINANCIAL DATA RELATING TO THE FINANCIAL STATEMENTS

SELECTED FINANCIAL DATA	in PLN'000		in EUR'000	
	period from 01.01.2020 to 31.03.2020	period from 01.01.2019 to 31.03.2019	period from 01.01.2020 to 31.03.2020	period from 01.01.2019 to 31.03.2019
Net interest income	84,417	71,877	19,202	16,724
Net fee and commission income	(212)	(1,051)	(48)	(245)
Operating profit	14,002	15,390	3,185	3,581
Profit before tax	14,002	15,390	3,185	3,581
Net profit	9,002	4,740	2,048	1,103
Net earnings per share – basic (in PLN/EUR)	0.01	0.00	0.00	0.00
Net earnings per share – diluted (in PLN/EUR)	0.01	0.00	0.00	0.00
Total net comprehensive income	(30,238)	2,584	(6,878)	601
Net cash used in operating activities	(1,785,740)	(2,637,311)	(406,192)	(613,642)
Net cash used in investing activities	8,392	(139,401)	1,909	(32,435)
Net cash used in financing activities	1,777,327	2,776,867	404,278	646,113
Total net cash flows	(21)	155	(5)	36

SELECTED FINANCIAL DATA	in PLN'000		in EUR'000	
	as at 31.03.2020	as at 31.12.2019	as at 31.03.2020	as at 31.12.2019
Total assets	27,964,183	27,253,301	6,142,869	6,399,742
Total equity	1,969,785	2,000,023	432,701	469,654
Share capital	1,611,300	1,611,300	353,953	378,373
Number of shares (in thousands)	1,611,300	1,611,300	1,611,300	1,611,300
Book value per share (in PLN/EUR)	1.22	1.24	0.27	0.29
Number of diluted shares (in thousands)	1,611,300	1,611,300	1,611,300	1,611,300
Diluted book value per share (in PLN/EUR)	1.22	1.24	0.27	0.29
Total capital ratio (TCR)	17.0%	16.6%	17.0%	16.6%
Common equity Tier 1 (CET1)	1,870,544	1,820,780	410,901	427,564
Total own funds	1,870,544	1,820,780	410,901	427,564

Selected consolidated financial statement items have been translated to EUR at the following foreign exchange rates	
items of the income statement, statement of comprehensive income and statement of cash flows – the average of the NBP exchange rates prevailing as at the last day of each month of the reporting period	01.01.2020 - 31.03.2020 4.3963 01.01.2019 - 31.03.2019 4.2978
items of the statement of financial position – the average NBP exchange rate as at the last day of the reporting period	31.03.2020 4.5523 31.12.2019 4.2585

Condensed interim
Financial statements
of PKO Bank Hipoteczny SA
for the three-month period ended
31 March 2020



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INCOME STATEMENT

INCOME STATEMENT	Note	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Interest income, including	4	231,395	192,522
Interest income recognized under the effective interest rate method		230,980	192,136
Income similar to interest income on instruments measured at fair value through profit or loss		415	386
Interest expense	4	(146,978)	(120,645)
Net interest income		84,417	71,877
Fee and commission income	5	2,841	3,534
Fee and commission expense	5	(3,053)	(4,585)
Net fee and commission income		(212)	(1,051)
Net gain/(loss) on financial instruments measured at fair value through profit or loss		14	16
Net foreign exchange gains / (losses)	6	5,633	(631)
Net gain / (loss) on modification		(160)	101
Net allowances for expected credit losses	7	(14,313)	180
Other operating income		91	124
Other operating expenses		(184)	(111)
Net other operating income and expense		(93)	13
Administrative expenses	8	(13,751)	(12,168)
Regulatory charges	9	(24,936)	(24,396)
Tax on certain financial institutions		(22,597)	(18,551)
Operating profit		14,002	15,390
Profit before tax		14,002	15,390
Income tax expense	10	(5,000)	(10,650)
Net profit		9,002	4,740
Earnings per share - basic (PLN)		0.01	0.00
Earnings per share - diluted (PLN)		0.01	0.00
Weighted average number of ordinary shares during the period (in thousands)		1,611,300	1,338,333
Weighted average number of diluted ordinary shares during the period (in thousands)		1,611,300	1,338,333



STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Net profit		9,002	4,740
Other comprehensive income		(39,240)	(2,156)
Items which may be reclassified to profit or loss		(39,240)	(2,156)
Cash flow hedges (gross)		(37,545)	2,438
Deferred tax		7,134	(463)
Cash flow hedges (net)	11	(30,411)	1,975
Remeasurement of financial assets measured at fair value through other comprehensive income (gross)		(10,899)	(5,100)
Deferred tax		2,070	969
Remeasurement of financial assets measured at fair value through other comprehensive income (net)		(8,829)	(4,131)
Total net comprehensive income		(30,238)	2,584



STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION	Note	31.03.2020	31.12.2019
ASSETS			
Cash and balances with the Central Bank		15	20
Amounts due from banks		15	31
measured at amortized cost		15	31
Derivative hedging instruments	11	900,223	173,275
Securities	12	1,226,959	1,240,161
measured at fair value through other comprehensive income		1,226,959	1,240,161
Loans and advances to customers	13	25,819,194	25,821,070
measured at amortized cost		25,819,194	25,821,070
Intangible assets		1,969	2,395
Property, plant and equipment		4,936	5,271
Other assets		10,872	11,078
TOTAL ASSETS		27,964,183	27,253,301
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to banks	15	4,926,716	4,811,259
measured at amortized cost		4,926,716	4,811,259
Derivative hedging instruments	11	589	46,084
Amounts due to customers		4,881	4,885
measured at amortized cost		4,881	4,885
Mortgage covered bonds issued	16	17,045,801	16,239,975
measured at amortized cost		17,045,801	16,239,975
Unsecured bonds issued	17	3,924,802	4,060,026
measured at amortized cost		3,924,802	4,060,026
Other liabilities	18	55,725	35,960
Current income tax liabilities	10	4,905	11,373
Deferred income tax provision		30,673	43,422
Provisions	19	306	294
TOTAL LIABILITIES		25,994,398	25,253,278
Equity			
Share capital	20	1,611,300	1,611,300
Supplementary capital		250,733	161,563
Accumulated other comprehensive income		98,750	137,990
Net profit for the period		9,002	89,170
TOTAL EQUITY		1,969,785	2,000,023
TOTAL LIABILITIES AND EQUITY		27,964,183	27,253,301
Total capital ratio (TCR)	36	17.0%	16.6%
Book value (in PLN '000)		1,969,785	2,000,023
Number of shares (in thousands)	20	1,611,300	1,611,300
Book value per share (in PLN)		1.22	1.24
Number of diluted shares (in thousands)		1,611,300	1,611,300
Diluted book value per share (in PLN)		1.22	1.24



STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2020	Note	Share capital	Supplementary capital	Accumulated other comprehensive income		Retained earnings	Net profit for the period	Total equity
				Cash flow hedges	Financial assets measured at fair value through other comprehensive income			
As at 31 December 2019		1,611,300	161,563	134,421	3,569	-	89,170	2,000,023
Transfer of profit to retained earnings		-	-	-	-	89,170	(89,170)	-
Transfer of profit to equity		-	89,170	-	-	(89,170)	-	-
Total comprehensive income, including:		-	-	(30,411)	(8,829)	-	9,002	(30,238)
Net profit		-	-	-	-	-	9,002	9,002
Other comprehensive income		-	-	(30,411)	(8,829)	-	-	(39,240)
As at 31 March 2020	20	1,611,300	250,733	104,010	(5,260)	-	9,002	1,969,785

FOR THE PERIOD ENDED 31 MARCH 2019	Note	Share capital	Supplementary capital	Accumulated other comprehensive income		Retained earnings	Net profit for the period	Total equity
				Cash flow hedges	Financial assets measured at fair value through other comprehensive income			
As at 31 December 2018		1,295,000	54,932	59,462	4,427	(11,787)	85,849	1,487,883
Issue of series I shares	20	100,000	-	-	-	-	-	100,000
Transfer of profit to retained earnings		-	-	-	-	85,849	(85,849)	-
Transfer of profit to equity		-	74,062	-	-	(74,062)	-	-
Total comprehensive income, including:		-	-	1,975	(4,131)	-	4,740	2,584
Net profit		-	-	-	-	-	4,740	4,740
Other comprehensive income		-	-	1,975	(4,131)	-	-	(2,156)
As at 31 March 2019	20	1,395,000	128,994	61,437	296	-	4,740	1,590,467



STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS	Note	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Cash flows from operating activities			
Profit before tax		14,002	15,390
Total adjustments:		(1,799,742)	(2,652,701)
Amortization and depreciation		790	822
Interest on mortgage covered bonds, unsecured bonds issued and loans obtained		84,447	60,489
Change in derivative financial instruments (asset)		(726,948)	1,049
Change in loans and advances to customers (gross)		(12,314)	(1,967,053)
Change in other assets and right-of-use assets		186	272
Change in liabilities to banks		(1,897,773)	(786,362)
Change in derivative financial instruments (liability)		(45,495)	9,206
Change in amounts due to customers		(4)	1,382
Change in liabilities in respect of mortgage covered bonds issued		805,826	(9,410)
Change in liabilities in respect of unsecured bonds issued		15,957	17,344
Change in allowances for expected credit losses and provisions		14,202	(283)
Change in other liabilities, excluding liabilities in respect of unregistered issues of own shares		20,039	24,795
Income tax paid		(15,013)	(3,159)
Other adjustments (including changes in the measurement of securities and derivative instruments recognized in other comprehensive income)		(43,642)	(1,793)
Net cash used in operating activities		(1,785,740)	(2,637,311)
Cash flows from investing activities			
Inflows from investing activities		358,267	211,172
Repurchase of and interest on securities measured at fair value through other comprehensive income		358,267	211,172
Outflows on investing activities		(349,875)	(350,573)
Acquisition of securities measured at fair value through other comprehensive income		(349,865)	(350,538)
Acquisition of intangible assets and property, plant and equipment		(10)	(35)
Net cash used in investing activities		8,392	(139,401)
Cash flows from financing activities			
Proceeds from issue of own shares and payments towards issue of own shares		-	149,240
Proceeds from issue of mortgage covered bonds		-	3,005,129
Proceeds from issue of unsecured bonds		1,296,319	1,219,927
Repurchase of unsecured bonds issued		(1,447,500)	(840,200)
Proceeds from loans obtained		4,887,141	1,009,161
Proceeds from loans repaid		(2,873,912)	(1,705,637)
Repayment of interest on mortgage covered bonds issued, unsecured bonds issued and loans obtained		(84,447)	(60,489)
Payments of lease liabilities (IFRS 16)		(274)	(264)
Net cash used in financing activities		1,777,327	2,776,867
Total net cash flows		(21)	155
Cash and cash equivalents at the beginning of the period		51	28
Cash and cash equivalents at the end of the period	24	30	183



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

BANKING ACTIVITIES

PKO Bank Hipoteczny Spółka Akcyjna ("PKO Bank Hipoteczny SA", "Bank") with its registered office in Gdynia, ul. Jerzego Waszyngtona 17, 81-342 Gdynia, was entered in the Register of Businesses maintained by the District Court Gdańsk-Północ in Gdańsk, 8th Business Department of the National Court Register, with the number KRS 0000528469, on 24 October 2014. The Bank was assigned the statistical number REGON 222181030. Its share capital as at 31 March 2020 was PLN 1,611,300,000 and was fully paid up.

PKO Bank Hipoteczny SA is a specialized bank that operates on the basis of the Polish Mortgage Covered Bonds and Mortgage Banks Act dated 29 August 1997, the Banking Law of 29 August 1997, the Commercial Companies Code and other generally applicable provisions of the law, the principles of good banking practice and the Bank's Articles of Association.

The Bank specializes in granting residential mortgage loans for individuals and acquires receivables following from such loans from PKO Bank Polski SA. The Bank acquires loans for its portfolio based on its strategic cooperation with PKO Bank Polski SA.

The Bank's principal objective, in terms of financing, is to issue mortgage covered bonds, which are to serve as the primary source of long-term financing for the residential mortgage loans.

INDICATION AS TO WHETHER THE BANK IS A PARENT OR KEY INVESTOR AND WHETHER IT PREPARES CONSOLIDATED FINANCIAL STATEMENTS

PKO Bank Hipoteczny SA is not a parent or a significant investor in associates and jointly-controlled entities. Therefore, PKO Bank Hipoteczny SA does not prepare consolidated financial statements.

The Parent of PKO Bank Hipoteczny SA is PKO Bank Polski SA, which prepares consolidated financial statements for the PKO Bank Polski SA Group.

INFORMATION ON THE COMPOSITION OF THE BANK'S SUPERVISORY AND MANAGEMENT BOARDS

The following table presents the composition of the Supervisory Board of PKO Bank Hipoteczny SA during the period covered by the condensed interim financial statements:

No.	Name and surname	Position	Date of appointment	Date of dismissal / resignation / end of term
1	Jakub Papierski	Chairman of the Supervisory Board	06.10.2014	-
2	Paweł Metrycki	Member of the Supervisory Board (from 30.03.2019 to 07.10.2019) / Deputy Chairman of the Supervisory Board (from 07.10.2019)	30.03.2019	-
3	Justyna Borkiewicz	Member of the Supervisory Board	28.10.2016	-
4	Lucyna Kopińska	Member of the Supervisory Board	01.09.2019	-
5	Piotr Kwiecień	Member of the Supervisory Board (independent)	18.10.2017	-
6	Jadwiga Lesisz	Member of the Supervisory Board (independent)	01.09.2019	-
7	Dariusz Odzioba	Member of the Supervisory Board	01.09.2019	-
8	Ilona Wołyniec	Member of the Supervisory Board	30.03.2019	-

The following table presents the composition of the Management Board of PKO Bank Hipoteczny SA during the period covered by the condensed interim financial statements:

No.	Name and surname	Position	Date of appointment	Date of dismissal / resignation
1	Paulina Strugała	President of the Management Board	16.04.2018	-
2	Piotr Kochanek	Vice-President of the Management Board	01.01.2019	-
3	Agnieszka Krawczyk	Vice-President of the Management Board	01.01.2018	-

2. BASIS OF PREPARATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements of PKO Bank Hipoteczny SA cover the three-month period ended 31 March 2020 and contain comparative data for the three-month period ended 31 March 2019 (comprising the



income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity) as well as comparative data as at 31 December 2019 (comprising the statement of financial position). The financial data is presented in thousands of Polish zlotys (PLN), rounded to a thousand, unless otherwise indicated.

2.1 STATEMENT OF COMPLIANCE

The condensed interim consolidated financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34, "Interim Financial Reporting", as endorsed by the European Union.

Except for the changes referred to in Note 3.4 *Income tax in the interim financial statements*, the accounting policies and calculation methods used in the preparation of these condensed interim financial statements are consistent with the policies applied in the financial year ended 31 December 2019 and they are described in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2019.

The condensed interim financial statements for three months of 2020 do not contain all the information and disclosures that are required in the annual financial statements and they should be read together with the annual financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2019 prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union.

2.2 APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements, having been reviewed by the Audit and Finance Committee of the Supervisory Board on 21 May 2020, and by the Supervisory Board on 22 May 2020, were approved by the Bank's Management Board for publication on 26 May 2020.

3. CHANGES TO ACCOUNTING POLICIES

3.1 NEW STANDARDS AND AMENDMENTS TO THE PUBLISHED STANDARDS AND INTERPRETATIONS WHICH BECAME BINDING AS OF 1 JANUARY 2020

The implementation of new standards and interpretations and amendments thereto, which became binding on 1 January 2020, such as, among other things, changes to: IAS 1 *Presentation of Financial Statements*, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 34 *Interim Financial Reporting*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments*, IFRS 7 *Financial Instruments: Disclosures and References to the IFRS Conceptual Framework* did not have a material impact on these financial statements.

3.2 NEW STANDARDS AND INTERPRETATIONS, AND AMENDMENTS THERETO, WHICH HAVE BEEN PUBLISHED AND HAVE BEEN ENDORSED BY THE EUROPEAN UNION, BUT ARE NOT YET BINDING AND HAVE NOT BEEN APPLIED BY THE BANK

The Bank does not identify any new standards or amendments to standards, or interpretations which have been published and endorsed by the European Union, but are not binding for annual periods beginning on 1 January 2020 and have not been applied to the condensed interim financial statements, but which will have a material impact on the financial statements.

3.3 NEW STANDARDS AND INTERPRETATIONS, AS WELL AS AMENDMENTS THERETO WHICH WERE PUBLISHED AND HAVE NOT YET BEEN ENDORSED BY THE EUROPEAN UNION

Amendments to IFRS 3 *Business Combinations*, IFRS 10 *Consolidated Financial Statements*, IAS 28 *Investments in Associates* and the implementation of IFRS 17 *Insurance Contracts* will not have a material impact on the Bank's financial statements.

3.4 INCOME TAX IN THE INTERIM FINANCIAL STATEMENTS

In the interim financial statements, income tax is determined in accordance with IAS 34. The income tax expense for the interim period is calculated using the tax rate that would be applicable to the expected profit before tax for the whole year, i.e. using the estimated average annual effective income tax rate applicable to income before tax in the interim period.

This document is a translation of a document originally issued in Polish.
The only binding version is the original Polish version.

CONDENSED INTERIM FINANCIAL STATEMENTS OF
PKO BANK HIPOTECZNY SA
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(IN PLN THOUSANDS)



Bank Hipoteczny

In order to calculate the average annual effective income tax rate, the forecast income before tax for the whole financial year and the permanent differences between the carrying amounts of assets and liabilities and their tax bases must be used. The forecast annual effective tax rate used to calculate the income tax expense in the first quarter of 2020 was 35.71%.

The Bank applied the approach described above for the first time to calculate income tax in the interim financial statements for the first quarter of 2020. The Bank did not make any changes with respect to the previous periods.



NOTES TO THE INCOME STATEMENT

4. INTEREST INCOME AND EXPENSES

INTEREST INCOME	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Interest income recognized under the effective interest rate method, including:	230,980	192,136
on financial instruments measured at amortized cost, including:	224,881	187,906
loans and advances to customers	224,850	187,888
amounts due from banks and on mandatory reserve	31	18
on instruments measured at fair value through other comprehensive income, including:	6,099	4,230
debt securities	6,099	4,230
Income similar to interest income on instruments measured at fair value through profit or loss, including:	415	386
IRS hedging transactions (net)	415	386
Total	231,395	192,522
including: interest income on impaired financial instruments	239	106
INTEREST EXPENSE	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Interest expense on financial instruments measured at amortized cost, including:	(93,788)	(72,749)
loans received and overdraft facility used	(24,929)	(9,894)
deferred payment for acquisition of receivables	(3,696)	(5,612)
mortgage covered bonds issued	(44,143)	(38,318)
unsecured bonds issued	(20,985)	(18,885)
lease liabilities	(35)	(40)
Cost similar to interest income on instruments measured at fair value through profit or loss, including:	(53,190)	(47,896)
CIRS hedging transactions (net)	(53,190)	(47,896)
Total	(146,978)	(120,645)

5. FEE AND COMMISSION INCOME AND EXPENSE

FEE AND COMMISSION INCOME	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Fees for property valuation	417	1,263
Fees for property inspection	574	595
Commission for full or partial prepayment of loans	1,342	1,222
Other	508	454
Total	2,841	3,534



FEE AND COMMISSION EXPENSE	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Preparation by property valuers of appraisal reports on Property Value for Mortgage Lending Purposes (BHWN)	(205)	(1,954)
Expenses related to unsecured bond issue programmes	(688)	(614)
Expenses related to credit lines	(796)	(728)
Expenses related to mortgage covered bond issue programmes	(276)	(308)
Loan insurance costs	(1,011)	(900)
Commission on other operating services	(77)	(60)
Costs of debt collection and intermediation in selling collateral	-	(21)
Total	(3,053)	(4,585)

6. NET FOREIGN EXCHANGE GAINS / (LOSSES)

NET FOREIGN EXCHANGE GAINS / (LOSSES)	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Result on revaluation	551	4
Gain / loss on derivative instruments (CIRS, FX-Forward) before designation to hedge accounting	1	(390)
Gain / loss on derivative instruments (CIRS, FX-Forward) related to hedge ineffectiveness	5,081	(245)
Total	5,633	(631)

The Bank concludes and maintains CIRS and FX Forward derivative instruments solely for hedging purposes.

7. NET ALLOWANCES FOR CREDIT LOSSES

NET ALLOWANCES FOR EXPECTED CREDIT LOSSES	Note	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Net allowances on loans and advances to customers	14	(14,301)	278
Net provisions for loan commitments	19	(12)	(98)
Total		(14,313)	180

The impact of COVID-19 pandemic on allowances for expected credit losses is described in Note 29.4.

8. ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Employee benefits	(4,005)	(4,440)
Overheads	(8,956)	(6,906)
Amortization and depreciation, including:	(790)	(822)
property, plant and equipment	(52)	(60)
right-of-use-assets, including:	(312)	(279)
property	(258)	(251)
cars	(54)	(28)
intangible assets	(426)	(483)
Total	(13,751)	(12,168)



EMPLOYEE BENEFITS	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Wages and salaries, including:	(3,321)	(3,768)
Provisions for disability and retirement benefits	-	-
Salary surcharges	(592)	(572)
Other employee benefits	(92)	(100)
Total	(4,005)	(4,440)

OVERHEADS	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Services relating to supporting operations under Outsourcing Agreement	(933)	(823)
Servicing of loans granted and receivables purchased under Outsourcing Agreement	(6,360)	(4,565)
External services under other contracts	(590)	(472)
IT costs	(462)	(427)
Life- and non-life insurance costs	(97)	(82)
Costs related to short-term lease contracts	-	(10)
Costs related to lease contracts for low-value assets (other than short-term), non-deductible VAT expenses and service charges	(236)	(222)
Other	(278)	(305)
Total	(8,956)	(6,906)

9. REGULATORY CHARGES

REGULATORY CHARGES	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Contribution and payments to the Bank Guarantee Fund (BGF), including:	(22,507)	(22,058)
mandatory resolution fund	(22,507)	(22,058)
Payments to Polish Financial Supervision Authority (PFSA)	(2,129)	(2,235)
Payments to Borrowers Support Fund	(121)	-
Tax on civil law transactions (due to share capital increase)	-	-
Other taxes and charges	(179)	(103)
Total	(24,936)	(24,396)

10. INCOME TAX EXPENSE

INCOME TAX EXPENSE	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Current income tax expense	(8,545)	(6,486)
Deferred income tax due to temporary differences	3,545	(4,164)
Income tax reported in the income statement	(5,000)	(10,650)
Income tax reported in other comprehensive income due to temporary differences	9,204	506
Total	4,204	(10,144)



RECONCILIATION OF THE EFFECTIVE TAX RATE	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Profit / (loss) before income tax	14,002	15,390
Corporate income tax calculated at the statutory tax rate in force in Poland (19%)	(2,660)	(2,924)
Effect of permanent differences between profit before income tax and taxable income, including:	(8,462)	(7,726)
tax on certain financial institutions	(4,293)	(3,525)
fees to BGF	(4,276)	(4,191)
PFRON (State Disabled Persons Fund) costs	(3)	(4)
costs exceeding the limit set in Article 15cb of the CIT Act (internal financing)	143	-
impact of other permanent differences	(33)	(6)
Impact of applying the annual effective tax rate on the interim financial	6,122	
Effect of other differences between profit before income tax and taxable income, including adjustments of previous periods	-	-
Income tax reported in the income statement	(5,000)	(10,650)
Effective tax rate	35.71%	69.20%

The income tax expense for the first quarter of 2020 is calculated using the tax rate that would be applicable to the expected profit before tax for the whole year, i.e. using the estimated average annual effective income tax rate applicable to income before tax in the interim period.

In order to calculate the average annual effective income tax rate, the forecast income before tax for the whole financial year and the permanent differences between the carrying amounts of assets and liabilities and their tax bases must be used. The forecast annual effective tax rate used to calculate the income tax expense in the first quarter of 2020 was 35.71%.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

11. DERIVATIVE HEDGING INSTRUMENTS

As regards hedging strategies, the Bank did not introduce any changes in the three-month period ended 31 March 2020.

STRATEGY 1 HEDGING CASH FLOW VOLATILITY FROM MORTGAGE LOANS IN PLN DUE TO CHANGES IN REFERENCE INTEREST RATES AND FROM CONVERTIBLE CURRENCY MORTGAGE COVERED BONDS RESULTING FROM CHANGES IN THE EXCHANGE RATE, USING CIRS AND FX-FORWARD HEDGING INSTRUMENTS

DERIVATIVE HEDGING INSTRUMENTS	NOMINAL VALUE OF DERIVATIVE HEDGING INSTRUMENTS	CARRYING AMOUNT / FAIR VALUE OF HEDGING INSTRUMENTS		INEFFECTIVE PORTION OF CASH FLOW HEDGES RECOGNIZED IN THE INCOME STATEMENT	CHANGE IN THE FAIR VALUE OF HEDGING INSTRUMENT SINCE DESIGNATION
		Assets	Liabilities		
31.03.2020					
CIRS EUR/PLN	fixed EUR	2,775,514	880,970	-	5,031
	float PLN	11,863,682			
					877,444
FX Forward	purchase EUR	2,852	150	589	50
	sale EUR	1,539			
31.12.2019					
CIRS EUR/PLN	fixed EUR	2,775,514	163,676	45,237	(1,423)
	float PLN	11,863,682			
					114,888
FX Forward	purchase EUR	2,852	382	847	(26)
	sale EUR	1,654			

The average fixed rate weighted with the nominal value for CIRS transactions amounted to 0.504% as at 31 March 2020, and 0.502% as at 31 December 2019.

HEDGED ITEMS	CARRYING AMOUNT OF HEDGED ITEMS	ITEM OF THE STATEMENT OF FINANCIAL POSITION	CHANGE IN THE FAIR VALUE OF HEDGED ITEMS SINCE DESIGNATION
31.03.2020			
floating rate PLN loans	11,863,682	Loans and advances to customers	(893,851)
fixed-rate mortgage covered bonds issued in a convertible currency	12,640,950	Mortgage covered bonds issued	
31.12.2019			
floating rate PLN loans	11,863,682	Loans and advances to customers	(125,679)
fixed-rate mortgage covered bonds issued in a convertible currency	11,824,628	Mortgage covered bonds issued	

STRATEGY 2 HEDGING CASH FLOW VOLATILITY FROM CASH LOANS IN PLN WITH FLUCTUATING INTEREST RATES, RESULTING FROM THE RISK OF FLUCTUATIONS IN INTEREST RATES, USING IRS TRANSACTIONS

DERIVATIVE HEDGING INSTRUMENTS	NOMINAL VALUE OF DERIVATIVE HEDGING INSTRUMENTS	CARRYING AMOUNT / FAIR VALUE OF HEDGING INSTRUMENTS		INEFFECTIVE PORTION OF CASH FLOW HEDGES RECOGNIZED IN THE INCOME STATEMENT	CHANGE IN THE FAIR VALUE OF HEDGING INSTRUMENT SINCE DESIGNATION
		Assets	Liabilities		
31.03.2020					
IRS PLN	PLN	325,000	19,103	-	14
					19,316
31.12.2019					
IRS PLN	PLN	325,000	9,217	-	65
					9,430

The average fixed rate weighted with the nominal value for IRS transactions amounted to 2.84% as at 31 March 2020 as well as at 31 December 2019.



	CARRYING AMOUNT OF HEDGED ITEMS	ITEM OF THE STATEMENT OF FINANCIAL POSITION	CHANGE IN THE FAIR VALUE OF HEDGED ITEMS SINCE DESIGNATION
31.03.2020			
floating rate PLN loans	325,000	Loans and advances to customers	(19,248)
31.12.2019			
floating rate PLN loans	325,000	Loans and advances to customers	(9,371)

FINANCIAL INFORMATION:

CARRYING AMOUNT / FAIR VALUE OF DERIVATIVES USED AS CASH FLOW HEDGES	31.03.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
IRS	19,103	-	9,217	-
CIRS	880,970	-	163,676	45,237
FX-Forward	150	589	382	847
Total	900,223	589	173,275	46,084

The Bank concludes and maintains derivative instruments exclusively for hedging purposes.

CHANGE IN OTHER COMPREHENSIVE INCOME ON CASH FLOW HEDGES AND INEFFECTIVE PORTION OF CASH FLOW HEDGES	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Accumulated other comprehensive income on cash flow hedges at the beginning of the period, gross	165,953	73,411
Gains / (Losses) recognized in other comprehensive income during the period	725,707	(39,963)
Amounts transferred from other comprehensive income to the income statement during the period	(763,252)	42,401
- interest income	(415)	(386)
- Interest expense	53,190	47,896
- net foreign exchange gains/(losses)	(816,027)	(5,109)
Accumulated other comprehensive income on cash flow hedges at the end of the period, gross	128,408	75,849
Tax effect	(24,398)	(14,412)
Accumulated other comprehensive income on cash flow hedges at the end of the period, net	104,010	61,436
Ineffective portion of cash flow hedges recognized in the income statement	5,095	(229)
Impact on other comprehensive income during the period, gross	(37,545)	2,438
Deferred tax on cash flow hedges	7,134	(463)
Impact on other comprehensive income during the period, net	(30,411)	1,975

12. SECURITIES

SECURITIES	31.03.2020	31.12.2019
Measured at fair value through other comprehensive income, including:		
issued by the State Treasury, PLN Treasury bonds	1,226,959	1,240,161
	1,226,959	1,240,161
Total	1,226,959	1,240,161



13. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS	31.03.2020	31.12.2019
Measured at amortized cost		
Residential loans, gross, including:		
loans granted	25,876,110	25,863,796
receivables acquired	12,315,402	12,090,010
	13,560,708	13,773,786
Allowances for expected credit losses	(56,916)	(42,726)
Loans and advances to customers, net	25,819,194	25,821,070

Based on the Framework Agreement for the Sale of Receivables signed with PKO Bank Polski SA on 17 November 2015, in the three-month period of 2020 the Bank purchased receivables portfolios relating to residential mortgage loans amounting to PLN 154,001 thousand, and in the three-month period of 2019 – in the amount of PLN 1,509,975 thousand. The purchase price was determined on an arm's length basis, based on the valuation made by an independent expert. The receivables purchased were recognized in the Bank's books of account on the transfer dates set in the Receivables Sales Agreements, on which the Bank acquired the rights to the cash flows from individual portfolios, and assumed all related liability for costs and economic risks in the constituent receivables. The purchase of the receivables portfolios was financed by the liability, the nature of which is described in Note 15 "Amounts due to Banks".

Loans granted and receivables purchased that have been entered in the Bank's cover pool represent collateral for mortgage covered bonds issued, as described in Note 16 "Mortgage covered bonds issued".

Information about the quality of the loan portfolio is presented in Note 29 "Credit Risk Management".

Information about exposure to credit risk for loans and advances to customers measured at amortized cost are described in Note 14 "Expected credit losses".

14. EXPECTED CREDIT LOSSES

GROSS FINANCIAL ASSETS AND ALLOWANCES FOR EXPECTED CREDIT LOSSES AND NOMINAL AMOUNT OF LOAN COMMITMENTS AND PROVISIONS

FINANCIAL ASSETS AND ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31.03.2020	Assets with no significant increase in credit risk since initial recognition, gross (Stage 1)	Allowances for expected credit losses (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired, gross (Stage 2)	Allowances for expected credit losses (Stage 2)	Credit-impaired assets, gross (Stage 3)	Allowances for expected credit losses (Stage 3)	Total gross amount	Total allowances for expected credit losses
Measured at fair value through OCI								
securities	1,226,959	-	-	-	-	-	1,226,959	-
issued by the State Treasury, PLN Treasury bonds	1,226,959	-	-	-	-	-	1,226,959	-
Total	1,226,959	-	-	-	-	-	1,226,959	-
Measured at amortized cost								
amounts due from banks	15	-	-	-	-	-	15	-
loans and advances to customers	25,383,590	(10,185)	472,389	(38,270)	20,131	(8,461)	25,876,110	(56,916)
residential loans	25,383,590	(10,185)	472,389	(38,270)	20,131	(8,461)	25,876,110	(56,916)
loans granted	12,001,098	(5,978)	307,050	(24,936)	7,254	(3,394)	12,315,402	(34,308)
receivables acquired	13,382,492	(4,207)	165,339	(13,334)	12,877	(5,067)	13,560,709	(22,608)
other financial assets	264	-	-	-	-	-	264	-
Total	25,383,869	(10,185)	472,389	(38,270)	20,131	(8,461)	25,876,389	(56,916)

As at 31 March 2020 there were no purchased or originated credit-impaired assets (POCI).

The impact of COVID-19 pandemic on allowances for expected credit losses is described in Note 29.4.

LOAN COMMITMENTS AND PROVISIONS AS AT 31.03.2020	Nominal amount of loan commitments with no significant increase in credit risk since initial recognition (Stage 1)	Provisions for loan commitments (Stage 1)	Nominal amount of loan commitments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Provisions for loan commitments (Stage 2)	Nominal amount of credit-impaired loan commitments (Stage 3)	Provisions for loan commitments (Stage 3)	Total nominal amount	Total provisions for loan commitments
Loan commitments granted	297,147	(88)	2,035	(64)	-	-	299,182	(152)

**CONDENSED INTERIM FINANCIAL STATEMENTS OF
PKO BANK HIPOTECZNY SA
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(IN PLN THOUSANDS)**



FINANCIAL ASSETS AND ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31.12.2019	Assets with no significant increase in credit risk since initial recognition, gross (Stage 1)	Allowances for expected credit losses (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired, gross (Stage 2)	Allowances for expected credit losses (Stage 2)	Credit-impaired assets, gross (Stage 3)	Allowances for expected credit losses (Stage 3)	Total gross amount	Total allowances for expected credit losses
Measured at fair value through OCI								
Securities	1,240,161	-	-	-	-	-	1,240,161	-
issued by the State Treasury, PLN Treasury bonds	1,240,161	-	-	-	-	-	1,240,161	-
Total	1,240,161	-	-	-	-	-	1,240,161	-
Measured at amortized cost								
amounts due from banks	31	-	-	-	-	-	31	-
loans and advances to customers	25,504,795	(9,333)	341,078	(25,895)	17,923	(7,498)	25,863,796	(42,726)
residential loans	25,504,795	(9,333)	341,078	(25,895)	17,923	(7,498)	25,863,796	(42,726)
loans granted	11,881,240	(5,283)	202,712	(16,334)	6,058	(2,951)	12,090,010	(24,568)
receivables acquired	13,623,555	(4,050)	138,366	(9,561)	11,865	(4,547)	13,773,786	(18,158)
other financial assets	217	-	-	-	-	-	217	-
Total	25,505,043	(9,333)	341,078	(25,895)	17,923	(7,498)	25,864,044	(42,726)

As at 31 December 2019 there were no purchased or originated credit-impaired assets (POCI).

LOAN COMMITMENTS AND PROVISIONS AS AT 31.12.2019	Nominal amount of loan commitments with no significant increase in credit risk since initial recognition (Stage 1)	Provisions for loan commitments (Stage 1)	Nominal amount of loan commitments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Provisions for loan commitments (Stage 2)	Nominal amount of credit-impaired loan commitments (Stage 3)	Provisions for loan commitments (Stage 3)	Total nominal amount	Total provisions for loan commitments
Loan commitments granted	482,236	(111)	450	(29)	-	-	482,686	(140)

15. AMOUNTS DUE TO BANKS

AMOUNTS DUE TO BANKS	31.03.2020	31.12.2019
Measured at amortized cost		
overdraft within the limit available	8,992	10,081
liabilities in respect of overdraft facilities	4,434,390	2,422,408
liabilities in respect of term loans	100,005	100,007
liabilities in respect of the purchase of receivables	383,329	2,278,763
Total	4,926,716	4,811,259

LIABILITIES IN RESPECT OF LOANS

LENDER	Effective date of agreement	Maturity date	Amount of loan granted as at 31 March 2020	Amount of loan drawn as at 31 March 2020	Liability as at 31 March 2020
PKO Bank Polski SA	29.10.2015	29.10.2022	2,000,000	2,000,000	1,519,736
PKO Bank Polski SA	02.02.2017	03.02.2023	2,000,000	2,000,000	631,309
PKO Bank Polski SA	10.07.2019	01.07.2022	4,000,000	4,000,000	2,133,339
Other bank 1	10.06.2019	12.06.2020	150,000	150,000	150,006
Other bank 2	27.12.2018	28.12.2020	100,000	100,000	100,005
Total			8,250,000	8,250,000	4,534,395

LENDER	Effective date of agreement	Maturity date	Amount of loan granted as at 31 December 2019	Amount of loan drawn as at 31 December 2019	Liability as at 31 December 2019
PKO Bank Polski SA	29.10.2015	29.10.2022	2,000,000	2,000,000	1,579,996
PKO Bank Polski SA	02.02.2017	03.02.2023	1,500,000	1,500,000	692,404
PKO Bank Polski SA	10.07.2019	08.07.2022	1,000,000	1,000,000	-
Other bank 1	10.06.2019	12.06.2020	150,000	150,000	150,008
Other bank 2	27.12.2018	28.12.2020	100,000	100,000	100,007
Total			4,750,000	4,750,000	2,522,415

LIABILITY IN RESPECT OF THE PURCHASE OF RECEIVABLES

The line "Liability in respect of the purchase of receivables" represents the liability arising from the purchase transactions of receivables in respect of residential mortgage loan portfolios from PKO Bank Polski SA, as specified in Note 13 "Loans and advances to customers". The maturity date of the liability resulting from the purchase of receivables is agreed by the parties in the Receivables Sales Agreement for each transaction. The parties agreed that the payment would be due no later than 18 months from the date of transfer. If the liability is not settled within 1 month from the date of transfer, the price is subject to interest. The liability resulting from the purchase of receivables at 31 March 2020 concerns portfolios purchased as of the third quarter of 2019, whereas as at 31 December 2019 the liability concerned portfolios purchased in 2019.



16. MORTGAGE COVERED BONDS ISSUED

LIABILITIES IN RESPECT OF MORTGAGE COVERED BONDS ISSUED	31.03.2020	31.12.2019
Measured at amortized cost		
mortgage covered bonds, including issued under:		
International Mortgage Covered Bonds Issue Programme	17,045,801	16,239,975
National Mortgage Covered Bonds Issue Programme	12,650,346	11,847,023
	4,395,455	4,392,952
Total	17,045,801	16,239,975

The Bank did not issue any covered bonds in the three-month period of 2020. However, in the three-month period of 2019, the bank carried out three issues of mortgage covered bonds denominated in EUR amounting to EUR 700,000 thousand. In the three-month period of 2020 and in 2019, the Bank did not redeem any mortgage covered bonds.

Domestic issues of mortgage covered bonds are listed on the parallel market of the Warsaw Stock Exchange and on BondSpot, and issues of foreign mortgage covered bonds are listed on the Luxembourg Stock Exchange and the Warsaw Stock Exchange (the WSE parallel market).

As at 31 March 2020 and 31 December 2019, the issued PLN- and EUR-mortgage covered bonds were rated by Moody's Investors Service at Aa3, i.e. the highest achievable by Polish securities. The limit for the ratings is the Polish country ceiling for debt instruments (i.e. the highest rating which can be obtained in Poland) which is currently at the level of Aa3.

The total nominal value of the issued mortgage covered bonds as at 31 March 2020 amounted to PLN 17,035,842 thousand, and as at 31 December 2019 to PLN 16,219,372 thousand.

COLLATERAL FOR MORTGAGE COVERED BONDS

The mortgage covered bonds are secured by loans secured by the highest priority mortgage. Additionally, the basis for the issue of mortgage covered bonds may also be the Bank's own funds:

- invested in securities issued or guaranteed by the National Bank of Poland, the European Central Bank, the governments and central banks of the Member States of the European Union, the Organization for Economic Cooperation and Development, with the exception of countries that are having or have had their foreign debt restructured in the past 5 years;
- invested in the National Bank of Poland;
- held in cash.

The nominal value of loans included in the cover pool and constituting collateral for issues of mortgage covered bonds as at 31 March 2019 stood at PLN 22,105,497 thousand. The amount of additional collateral entered in the covered bonds cover pool maintained in the form of Treasury securities in PLN was PLN 250,000 thousand. As at 31 December 2019 these amounts were PLN 21,662,027 and PLN 250,000 respectively. The Bank's mortgage covered bonds cover pool also included CIRS and FX-Forward transactions hedging the currency and interest-rate risk of issued mortgage covered bonds denominated in EUR and IRS transactions securing the interest rate risk of fixed rate mortgage covered bonds issued in PLN.

In the three months of 2020 and in the previous years the Bank's covered bonds cover pool did not include asset-backed securities (ABS), which do not meet the requirements specified in paragraph 1 of Article 80 of the Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (recast).



17. UNSECURED BONDS ISSUED

UNSECURED BONDS ISSUED	31.03.2020	31.12.2019
Measured at amortized cost		
unsecured bonds, including bonds issued under:		
Non Public Bond Issue Programme	3,924,802	4,060,026
Public Bond Issue Programme	3,409,066	3,380,932
an individual agreement	165,092	328,148
	350,644	350,946
Total	3,924,802	4,060,026

NON PUBLIC BOND ISSUE PROGRAMME

In the three months of 2020, as part of the Non-Public Bond Issue Programme, the Bank issued bonds with a total nominal value of PLN 957,000 thousand (i.e. 1,914 bonds with PLN 500,000 nominal value each) and repurchased bonds with a total nominal value of PLN 936,000 thousand (i.e. 1,020 bonds with PLN 100,000 nominal value each, and 1,668 bonds with PLN 500,000 nominal value each). The figures for the three-months of 2019 were PLN 1,230,600 thousand (i.e. 12,306 bonds at PLN 100,000 nominal value each) and PLN 840,200 thousand (i.e. 8,402 bonds at PLN 100,000 nominal value each).

The above-mentioned issues of bonds are governed by the Bond Issue Programme Agreement concluded with PKO Bank Polski SA. In accordance with the Agreement, the nominal value of bonds issued and not yet redeemed is PLN 4,000,000 thousand. At the same time, under the Underwriting Agreement, PKO Bank Polski SA as the Underwriter shall be obliged to take up the issuer's bonds up to the amount of PLN 2,000,000 thousand.

As at 31 December 2019, the Bank's liability in respect of bonds issued as part of the Non-Public Bond Issue Programme had a nominal value of PLN 3,421,000 thousand, and as at 31 December 2019 its nominal value was PLN 3,400,000 thousand. As at 31 March 2020 and 31 December 2019 PKO Bank Polski SA did not hold any bonds under the underwriting agreement.

PUBLIC BOND ISSUE PROGRAMME

On 11 April 2019 the Bank established a Public Bond Issue Programme, and as at 31 May 2019, the PFSA approved the Base Prospectus for the Issue of Bonds by PKO Bank Hipoteczny SA. In the first three months of 2020, the Bank did not issue any bonds under this programme; however, it redeemed bonds with a total nominal value of PLN 161,500 thousand (i.e. 1,615 bonds of PLN 100,000 nominal value each).

The bonds issued under the Public Bond Issue Programme are admitted to trading on the parallel market of the Warsaw Stock Exchange.

The nominal value of the bonds issued as at 31 March 2020 amounted to PLN 165,000 thousand, and as at 31 December 2019 it amounted to PLN 326,500 thousand.

OTHER UNSECURED BONDS ISSUED

In February 2020, the Bank redeemed unsecured bonds with a nominal value of PLN 350,000 thousand and issued unsecured bonds with a nominal value of PLN 350,000 thousand and the redemption date on 24 February 2021.



18. OTHER LIABILITIES

OTHER LIABILITIES	31.03.2020	31.12.2019
Expenses to be paid	9,550	9,767
Liabilities in respect of contribution to the Bank Guarantee Fund (BGF), including:	30,335	7,984
in respect of contribution accrued by BGF / payable to BGF to the mandatory resolution fund	22,507	-
maintained in the form of payment commitments to the resolution fund	7,828	7,984
Other liabilities, including:	11,069	13,158
sundry creditors	3,040	5,295
settlements with the state budget, including:	8,029	7,863
liabilities in respect of tax on certain financial institutions	7,652	7,404
Lease liabilities	4,771	5,051
Total	55,725	35,960
including financial liabilities	17,361	20,113

As at 31 March 2020 and 31 December 2019, the Bank had no overdue contractual liabilities.

19. PROVISIONS

PROVISIONS FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020	Provisions for disability and retirement benefits	Total provisions for loan commitments	Total
As at 1 January 2020, including:	154	140	294
Short-term provision	-	140	140
Long-term provision	154	-	154
Increase/reassessment of provisions	-	43	43
Release/utilization	-	(31)	(31)
As at 31 March 2020, including:	154	152	306
Short-term provision	-	152	152
Long-term provision	154	-	154

PROVISIONS FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 MARCH 2019	Provisions for disability and retirement benefits	Total provisions for loan commitments	Total
As at 1 January 2019, including:	124	144	268
Short-term provision	-	144	144
Long-term provision	124	-	124
Increase/reassessment of provisions	-	98	98
Release	-	-	-
As at 31 March 2019, including:	124	242	366
Short-term provision	-	242	242
Long-term provision	124	-	124



20. EQUITY AND SHAREHOLDING STRUCTURE OF THE BANK

EQUITY	31.03.2020	31.12.2019
Share capital	1,611,300	1,611,300
Supplementary capital	250,733	161,563
Accumulated other comprehensive income, including:	98,750	137,990
cash flow hedges	104,010	134,421
measurement of financial assets measured at fair value through other comprehensive income	(5,260)	3,569
Net profit for the period	9,002	89,170
Total equity	1,969,785	2,000,023

SHAREHOLDING STRUCTURE

Series	Type of shares	Number of shares	Nominal value of 1 share (in PLN)	Series value at nominal value (in PLN)	Date of passing the resolution by the GSM	Issue date	Date of registration in the National Court Register
A	ordinary registered	300,000,000	1	300,000,000	06.10.2014	06.10.2014	24.10.2014
B	ordinary registered	200,000,000	1	200,000,000	14.03.2016	07.04.2016	22.04.2016
C	ordinary registered	200,000,000	1	200,000,000	01.07.2016	15.07.2016	28.07.2016
D	ordinary registered	100,000,000	1	100,000,000	28.10.2016	18.11.2016	01.12.2016
E	ordinary registered	150,000,000	1	150,000,000	21.03.2017	04.04.2017	12.04.2017
F	ordinary registered	150,000,000	1	150,000,000	28.06.2017	04.07.2017	11.09.2017
G	ordinary registered	100,000,000	1	100,000,000	18.10.2017	20.10.2017	16.11.2017
H	ordinary registered	95,000,000	1	95,000,000	13.08.2018	17.08.2018	08.10.2018
I	ordinary registered	100,000,000	1	100,000,000	19.12.2018	21.12.2018	21.02.2019
J	ordinary registered	131,500,000	1	131,500,000	07.03.2019	19.03.2019	16.05.2019
K	ordinary registered	84,800,000	1	84,800,000	27.06.2019	01.07.2019	20.08.2019
Total		1,611,300,000		1,611,300,000			

PKO Bank Polski SA was the Bank's sole shareholder as at 31 March 2020 and 31 December 2019.

The Bank's share capital as at 31 March 2020 amounts to PLN 1,611,300,000 and comprises 1,611,300,000 ordinary registered shares with a nominal value of PLN 1 each. The PKO Bank Hipoteczny SA shares are non-preference shares and have been paid up in full.

The Bank did not pay dividend in the first quarter of 2020 or in 2019

OTHER NOTES

21. CONTINGENT LIABILITIES GRANTED AND RECEIVED

21.1 CONTRACTUAL COMMITMENTS

As at 31 March 2020 and 31 December 2019 the Bank had no contractual commitments relating to the purchase of intangible assets and property, plant and equipment.

21.2 FINANCIAL LIABILITIES GRANTED

LOAN COMMITMENTS (CONTINGENT)	31.03.2020	31.12.2019
Undrawn residential mortgage loans (nominal value)		
residential mortgage loans to individuals	299,182	482,686
provisions for loan commitments	(152)	(140)
Total, net	299,030	482,546
including irrevocable loan commitments	-	-

Information on provisions on financial liabilities granted is provided in Note 19 "Provisions".

21.3 GUARANTEE COMMITMENTS GRANTED

PKO Bank Hipoteczny SA does not grant guarantee commitments.

21.4 CONTINGENT LIABILITIES RECEIVED

CONTINGENT COMMITMENTS RECEIVED AT NOMINAL VALUE	31.03.2020	31.12.2019
Contingent commitments received		
financial	3,717,337	2,230,566
guarantees	2,000,000	2,000,000
Total	5,717,337	4,230,566

The contingent liabilities received of a financial nature represent initiated and available revolving current account overdraft facilities, while guarantee commitments received represent the available guarantees to underwrite bond issues.

RIGHT TO SELL OR PLEDGE COLLATERAL ESTABLISHED FOR THE BANK

As at 31 March 2020 and 31 December 2019 no collateral was established for the Bank, which the Bank would be entitled to sell or re-pledge, in the event of fulfilling all obligations by the owner of the collateral.

22. LEGAL CLAIMS

As at 31 March 2020 and 31 December 2019 there were no legal claims.



23. INFORMATION ABOUT LEASES

LEASES – LESSEE

LEASE AMOUNTS RECOGNIZED IN THE INCOME STATEMENT - LESSEE	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Amortization of the right-of-use assets	(312)	(279)
property	(258)	(251)
cars	(54)	(28)
Interest expense	(35)	(40)
Costs related to short-term lease contracts	-	(10)
Costs related to lease contracts for low-value assets (other than short-term), non-deductible VAT expenses and service charges	(236)	(222)
Total	(583)	(551)

LEASES – LESSOR

The Bank does not conclude contracts in which it has the role of lessor.

24. NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents	31.03.2020	31.12.2019
Cash and balances with the Central Bank	15	20
Amounts due from banks - current accounts	15	31
Total	30	51

As at 31 March 2020 and 31 December 2019 there were no restricted cash and cash equivalents.

25. RELATED-PARTY TRANSACTIONS – CAPITAL LINKS

PKO Bank Polski SA and PKO Bank Polski SA Group entities are the Bank's related parties.

Details of transactions with related parties with capital links were presented in note 37.1 of the PKO Bank Hipoteczny SA financial statements for the year ended 31 December 2019.

Furthermore in the first quarter of 2020:

- In accordance with an annex to the Bond Issue Programme Agreement of 30 September 2015 signed on 11 February 2020, the maximum value of bonds issued and outstanding under the programme was increased by PLN 500,000 thousand to PLN 4,000,000 thousand;
- In accordance with an annex to the agreement of 10 July 2019 signed on 18 March 2020, the limit was increased by PLN 1,500,000 thousand to PLN 4,000,000 thousand. The amount of the increase may be used to redeem the Bank's own bonds redeemable in the first half of 2020 in the event of problems with refinancing the individual series of own bonds resulting from the situation on the financial market.



FINANCIAL INFORMATION:

AS AT 31 MARCH 2020

ENTITY	ASSETS	
	Receivables	including derivatives
PKO Bank Polski SA	900,495	900,223
Total	900,495	900,223

ENTITY	LIABILITIES				
	Current account credit limits, overdrafts	Liabilities in respect of the purchase of receivables	Mortgage covered bonds and unsecured bonds	Other liabilities	including derivatives
PKO Bank Polski SA	4,293,376	383,329	168,748	8,708	589
PKO BP Finat Sp. z o.o.	-	-	-	22	-
PKO Leasing SA	-	-	-	520	-
PKO Towarzystwo Ubezpieczeń SA	-	-	96,742	-	-
PKO Życie Towarzystwo Ubezpieczeń SA	-	-	64,839	-	-
PKO VC - fizan	-	-	33,916	-	-
Total	4,293,376	383,329	364,245	9,250	589

ENTITY	Loan commitments	Contingent commitments received
PKO Bank Polski SA	-	5,717,337
Total	-	5,717,337

FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020

ENTITY	Total Revenues	including interest and commission	Total costs	including interest and commission	Gain / (loss) on financial instruments measured at fair value	Net foreign exchange gains / (losses)
PKO Bank Polski SA	476	431	91,252	83,334	14	821,127
PKO BP Finat sp. z o.o.	-	-	59	-	-	-
PKO Leasing SA	-	-	82	3	-	-
PKO Towarzystwo Ubezpieczeń SA	-	-	1,199	1,199	-	-
PKO Życie Towarzystwo Ubezpieczeń SA	-	-	329	329	-	-
PKO VC - fizan	-	-	218	218	-	-
Total	476	431	93,139	85,083	14	821,127



AS AT 31 DECEMBER 2019

ENTITY	ASSETS	
	Receivables	including derivatives
PKO Bank Polski SA	173,515	173,275
Total	173,515	173,275

ENTITY	LIABILITIES				
	Current account credit limits, overdrafts	Liabilities in respect of the purchase of receivables	Mortgage covered bonds and unsecured bonds	Other liabilities	including derivatives
PKO Bank Polski SA	2,282,481	2,278,763	62,416	57,897	46,084
PKO BP Finat sp. z o.o.	-	-	-	19	-
PKO Leasing SA	-	-	-	577	-
PKO Towarzystwo Ubezpieczeń SA	-	-	-	31	-
PKO Życie Towarzystwo Ubezpieczeń SA	-	-	64,423	-	-
PKO VC - fizan	-	-	33,698	-	-
Total	2,282,481	2,278,763	160,537	58,524	46,084

ENTITY	Loan commitments	Contingent commitments received
PKO Bank Polski SA,	-	4,230,566
Total	-	4,230,566

FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 MARCH 2019

ENTITY	Total Revenues	including interest and commission	Total costs	including interest and commission	Gain / (loss) on financial instruments measured at fair value	Net foreign exchange gains / (losses)
PKO Bank Polski SA,	478	404	71,974	66,523	16	4,476
PKO BP Finat sp. z o.o.	-	-	51	-	-	-
PKO Leasing SA	-	-	51	2	-	-
PKO Towarzystwo Ubezpieczeń SA	-	-	730	730	-	-
PKO VC - fizan	-	-	-	184	-	-
Total	478	404	72,806	67,439	16	4,476

During the reporting period the Bank did not conclude transactions with related parties other than on an arm's length basis.

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

26.1 CATEGORIES OF FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE IN THE STATEMENT OF FINANCIAL POSITION

The classification of financial instruments and the methods for determining their fair value are described in the annual financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2019.



ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS AT 31 MARCH 2020	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Derivative hedging instruments	11	900,223	-	900,223	-
CIRS		880,970	-	880,970	-
FX-Forward		150	-	150	-
IRS		19,103	-	19,103	-
Securities	12	1,226,959	1,226,959	-	-
measured at fair value through other comprehensive income		1,226,959	1,226,959	-	-
Total financial assets measured at fair value		2,127,182	1,226,959	900,223	-
Derivative hedging instruments	11	589	-	589	-
CIRS		-	-	-	-
FX Forward		589	-	589	-
IRS		-	-	-	-
Total financial liabilities measured at fair value		589	-	589	-

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS AT 31 DECEMBER 2019	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Derivative hedging instruments	11	173,275	-	173,275	-
CIRS		163,676	-	163,676	-
FX-Forward		382	-	382	-
IRS		9,217	-	9,217	-
Securities	12	1,240,161	1,240,161	-	-
measured at fair value through other comprehensive income		1,240,161	1,240,161	-	-
Total financial assets measured at fair value		1,413,436	1,240,161	173,275	-
Derivative hedging instruments	11	46,084	-	46,084	-
CIRS		45,237	-	45,237	-
FX-Forward		847	-	847	-
IRS		-	-	-	-
Total financial liabilities measured at fair value		46,084	-	46,084	-

In the three months ended 31 March 2020, there were no changes in the measurement techniques or input data for the respective fair value hierarchy levels. The measurement techniques have been described in detail in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2019.

In the three months ended 31 March 2020, as well as in the three months ended 31 March 2019, there were no transfers between the fair value hierarchy levels.



26.2 FINANCIAL ASSETS AND LIABILITIES NOT PRESENTED AT FAIR VALUE IN THE STATEMENT OF FINANCIAL POSITION

ASSETS AND LIABILITIES NOT PRESENTED AT FAIR VALUE AS AT 31 MARCH 2020	Fair value hierarchy level	Valuation method	31.03.2020	
			Carrying amount	Fair value
Cash and balances with the Central Bank	N/A	amount of consideration due	15	15
Amounts due from banks	2	discounted cash flows	15	15
Loans and advances to customers, including:			25,819,194	25,075,992
residential loans	3	discounted cash flows	25,819,194	25,075,992
Other financial assets	3	amount of consideration due taking into account impairment	264	264
Amounts due to banks	2	discounted cash flows	4,926,716	4,926,716
Amounts due to customers	2	discounted cash flows	4,881	4,881
Mortgage covered bonds issued	1.2	discounted cash flows, quotations on a regulated market	17,045,801	17,245,697
Unsecured bonds issued	2	discounted cash flows	3,924,802	3,924,802
Other financial liabilities	3	amount of consideration due	17,361	17,361

ASSETS AND LIABILITIES NOT PRESENTED AT FAIR VALUE AS AT 31 DECEMBER 2019	Fair value hierarchy level	Valuation method	31.12.2019	
			Carrying amount	Fair value
Cash and balances with the Central Bank	N/A	amount of consideration due	20	20
Amounts due from banks	2	discounted cash flows	31	31
Loans and advances to customers, including:			25,821,070	25,138,514
residential loans	3	discounted cash flows	25,821,070	25,138,514
Other financial assets	3	amount of consideration due taking into account impairment	217	217
Amounts due to banks	2	discounted cash flows	4,811,259	4,811,259
Amounts due to customers	2	discounted cash flows	4,885	4,885
Mortgage covered bonds issued	1.2	discounted cash flows, quotations on a regulated market	16,239,975	16,452,033
Unsecured bonds issued	2	discounted cash flows	4,060,026	4,060,026
Other financial liabilities	3	amount of consideration due	20,113	20,113

27. OPERATING SEGMENTS

In the reporting period and in the period ended 31 March 2019, the Bank did not analyse its operations by segments due to the specific nature of its operations.

OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT

28. RISK MANAGEMENT IN PKO BANK HIPOTECZNY SA

Risk management at PKO Bank Hipoteczny SA is aimed at ensuring the financial stability of the Bank, safeguarding the value and security of the mortgage covered bonds issued and to guarantee the safety of funds deriving from the issue of bonds and the other sources of financing the Bank's operations. The assumed level of risk plays an important role in the planning process.

Respective risk policies have been described in detail in the annual financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2019. In the first quarter of 2020 there were no changes to the objectives and principles of risk management.

29. CREDIT RISK MANAGEMENT

29.1 MAXIMUM EXPOSURE TO CREDIT RISK

The following table presents the maximum exposure to credit risk with respect to financial instruments covered by the provisions of IFRS 7 to which the requirements of IFRS 9 relating to impairment do not apply.

MAXIMUM EXPOSURE TO CREDIT RISK	31.03.2020	31.12.2019
Derivative hedging instruments	900,223	173,275
Total balance sheet exposure	900,223	173,275

29.2 AMOUNTS DUE FROM BANKS

AMOUNTS DUE FROM BANKS	31.03.2020	31.12.2019
Amounts not overdue, not impaired (counterparty rating A2)	15	31
Total, gross	15	31
Allowances for expected credit losses	-	-
Total, net	15	31

29.3 SECURITIES

SECURITIES	31.03.2020	31.12.2019
Issued by the State Treasury, PLN Treasury bonds (rating A)	1,226,959	1,240,161
Total, gross	1,226,959	1,240,161
Allowances for expected credit losses	-	-
Total, net	1,226,959	1,240,161

29.4 LOANS AND ADVANCES TO CUSTOMERS

The loan portfolio is characterized by low exposure to impaired loans and advances. At 31 March 2020, 93 impaired loans were recognized, and their share in the total loan portfolio amount was 0.08%, whereas as at 31 December 2019, 88 impaired loans were recognized, and their share in the total loan portfolio amount was 0.07%.

Due to the COVID-19 pandemic and its adverse effect on the financial situation of the customers, the Bank expects the quality of its loan portfolio to deteriorate in the following reporting periods. Even though the Bank's knowledge about the effect of the pandemic on the macroeconomic situation is still incomplete, an additional write-down for



a projected deterioration in the loan portfolio quality of PLN 9,000 thousand was recognized as at 31 March 2020. The Bank considered the negative macroeconomic scenarios, whose base version assumes recession and increased unemployment.

LOANS AND ADVANCES TO CUSTOMERS	31.03.2020	31.12.2019
Loans not overdue, not impaired	25,735,318	25,728,434
Loans overdue, not impaired	120,661	117,439
Loans Impaired	20,131	17,923
Total, gross	25,876,110	25,863,796
Allowances for loans not overdue, not impaired	(37,896)	(27,212)
Allowances for loans overdue, not impaired	(10,559)	(8,016)
Allowances for loans Impaired	(8,461)	(7,498)
Total, net	25,819,194	25,821,070

LOANS AND ADVANCES TO CUSTOMERS, NOT IMPAIRED	31.03.2020	31.12.2019
not past due	25,735,318	25,728,434
up to 30 days overdue	110,993	107,093
from 31 to 60 days overdue	6,404	8,406
from 61 to 90 days overdue	3,264	1,940
Total, gross	25,855,979	25,845,873

LOAN PORTFOLIO AND FINANCIAL LIABILITIES GRANTED BY PD RANGE

The PD parameter presented in the following tables defines the probability of default over a 12-month horizon.

LOANS AND ADVANCES TO CUSTOMERS		31.03.2020			
PD RANGE	Stage 1	Stage 2	Stage 3	Total, gross	
<.01%	407,703	305	-	408,008	
0.01% - 0.02%	2,696,872	2,225	-	2,699,097	
0.02% - 0.05%	7,048,689	2,955	-	7,051,644	
0.05% - 0.1%	5,759,352	2,416	-	5,761,768	
0.1% - 0.3%	7,320,564	7,267	-	7,327,831	
0.3% - 1.0%	1,921,354	139,527	-	2,060,881	
1.0% - 10%	229,056	242,243	-	471,299	
10% - 100%	-	75,451	20,131	95,582	
Total gross amount	25,383,590	472,389	20,131	25,876,110	

LOANS AND ADVANCES TO CUSTOMERS		31.12.2019			
PD RANGE	Stage 1	Stage 2	Stage 3	Total, gross	
<.01%	764,248	609	-	764,857	
0.01% - 0.02%	3,329,464	2,525	-	3,331,989	
0.02% - 0.05%	7,219,473	3,198	-	7,222,671	
0.05% - 0.1%	6,027,817	2,188	-	6,030,005	
0.1% - 0.3%	6,447,869	3,233	-	6,451,102	
0.3% - 1.0%	1,517,342	85,740	-	1,603,082	
1.0% - 10%	187,143	200,619	-	387,762	
10% - 100%	11,439	42,966	17,923	72,328	
Total gross amount	25,504,795	341,078	17,923	25,863,796	



LOAN COMMITMENTS					31.03.2020
PD RANGE	Stage 1	Stage 2	Stage 3	Total	
<.01%	10,184	-	-	-	10,184
0.01% - 0.02%	44,365	-	-	-	44,365
0.02% - 0.05%	82,911	-	-	-	82,911
0.05% - 0.1%	86,918	-	-	-	86,918
0.1% - 0.3%	53,570	-	-	-	53,570
0.3% - 1.0%	18,786	1,714	-	-	20,500
1.0% - 10%	413	321	-	-	734
10% - 100%	-	-	-	-	-
Total nominal amount	297,147	2,035	-	-	299,182

LOAN COMMITMENTS					31.12.2019
PD RANGE	Stage 1	Stage 2	Stage 3	Total	
<.01%	25,661	-	-	-	25,661
0.01% - 0.02%	70,390	29	-	-	70,419
0.02% - 0.05%	100,533	-	-	-	100,533
0.05% - 0.1%	206,437	-	-	-	206,437
0.1% - 0.3%	59,841	-	-	-	59,841
0.3% - 1.0%	19,324	49	-	-	19,373
1.0% - 10%	50	372	-	-	422
10% - 100%	-	-	-	-	-
Total nominal amount	482,236	450	-	-	482,686

29.5 FORBEARANCE PRACTICES

EXPOSURES SUBJECT TO FORBEARANCE IN THE LOAN PORTFOLIO	31.03.2020	31.12.2019
Gross loans and advances to customers, including: subject to forbearance	25,876,110 5,164	25,863,796 4,469
Impairment allowances on loans and advances to customers, of which: on loans and advances to customers subject to forbearance	(56,916) (1,032)	(42,726) (953)
Net loans and advances to customers, including: subject to forbearance	25,819,194 4,132	25,821,070 3,516

30. CONCENTRATION RISK MANAGEMENT

The following table presents the loans and advances exposure concentrations measured with the share of largest exposures in the Bank's total loan portfolio.

GROSS LOANS AND ADVANCES TO CUSTOMERS - CONCENTRATION RATIO	31.03.2020	31.12.2019
10 largest exposures	0.05%	0.05%
20 largest exposures	0.09%	0.09%
50 largest exposures	0.21%	0.21%
100 largest exposures	0.39%	0.39%

31. RESIDUAL RISK MANAGEMENT

The following table presents the concentration ratio for the portfolio of loans and advances measured in terms of LtV based on market valuation.



GROSS LOANS BY LTV BASED ON MARKET VALUATION	31.03.2020	31.12.2019
below 50%	37%	34%
51% – 60%	22%	21%
61% – 70%	21%	22%
71% – 80%	14%	16%
81% – 90%	6%	7%
Total	100%	100%
Average LtV based on market valuation	55%	56%

The following table presents the concentration ratio for the portfolio of loans and advances by geographical region in which the property put up as collateral for the loan is located.

GROSS LOANS AND ADVANCES TO CUSTOMERS – BY GEOGRAPHICAL REGION	31.03.2020	31.12.2019
mazowiecki	23.8%	23.7%
śląsko-opolski	11.7%	11.7%
dolnośląski	10.7%	10.7%
wielkopolski	9.2%	9.2%
pomorski	8.2%	8.2%
małopolsko-świętokrzyski	8.1%	8.1%
lubelsko-podkarpacki	6.4%	6.5%
zachodnio-pomorski i lubuski	6.3%	6.3%
łódzki	4.9%	4.9%
kujawsko-pomorski	4.8%	4.8%
warmińsko-mazurski	3.4%	3.4%
podlaski	2.5%	2.5%
Total	100.0%	100.0%

32. LIQUIDITY RISK MANAGEMENT

32.1 LIQUIDITY RISK MEASUREMENT AND ASSESSMENT

The Bank applies the following liquidity risk measures:

- contractual, actualized and stress-test liquidity gap;
- liquidity surplus and survival horizon;
- regulatory liquidity measures:
 - M3 – Non-liquid assets to own funds;
 - M4 – Non-liquid assets and assets with limited liquidity to own funds and stable external funds ratio;
- short-term liquidity measure:
 - Liquidity coverage ratio (LCR) – the coverage ratio of net outflows up to 1 month;
- the concentration of funding sources;
- coverage ratio of long-term assets with long-term funding;
- the liquidity stress tests.

The actualized liquidity gaps as at 31 March 2020 and as at 31 December 2019 are presented below.

LIQUIDITY GAP AS AT	on demand	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
Adjusted periodic gap	1,850,707	696,801	(636,470)	(561,588)	(250,583)	(5,143,684)	(14,411,064)	18,946,368
Adjusted cumulative periodic gap	1,850,707	2,547,508	1,911,038	1,349,450	1,098,867	(4,044,817)	(18,455,881)	490,487



As at 31 March 2020, in the bands up to 12 months, the cumulative adjusted liquidity gap has positive values, which means a surplus of maturing assets increased by estimated inflows from available overdraft limit over mature liabilities in the short and medium term.

LIQUIDITY GAP AS AT 31.12.2019	on demand	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
Adjusted periodic gap	1,230,618	839,626	41,039	(1,899,778)	(1,777,819)	(5,084,028)	(11,893,775)	18,025,394
Adjusted cumulative periodic gap	1,230,618	2,070,244	2,111,283	211,505	(1,566,314)	(6,650,342)	(18,544,117)	(518,723)

The liquidity surplus is determined with account taken of outflows of funds under stress conditions. The survival horizon means the time during which the Bank will see a surplus of inflows over outflows under stress conditions.

A liquidity surplus comprises liquid assets (consisting of the main part aimed at providing protection from the most acute crises, and the supplementary part providing protection from less acute, but longer lasting crises) adjusted for net stress test flows (outflows less inflows) over a 30-day horizon.

SENSITIVITY MEASURE	31.03.2020	31.12.2019
Liquidity surplus in a horizon of up to 1 month	2,045,048	1,605,939

The Bank monitors all mandatory liquidity standards specified in the Resolution of the PFSA 386/2008 dated 17 December 2008. The values of liquidity standards binding as at 31 March 2020 and 31 December 2019, as well as the average, minimum and maximum values during the reporting period are shown in the following table:

31.03.2020	at the end of the period	average during the period	minimum for the period	period high	regulatory minimum
M3	359.47	339.05	308.74	373.69	>1.0
M4	1.07	1.04	1.03	1.07	>1.0

31.12.2019	at the end of the period	average during the period	minimum for the period	period high	regulatory minimum
M3	331.27	306.32	145.75	1,807.65	>1.0
M4	1.03	1.03	1.03	1.05	>1.0

The liquidity coverage ratio (LCR) of net outflows up to 1 month is shown in the following table:

SENSITIVITY MEASURE	31.03.2020	31.12.2019
Liquidity coverage ratio up to 1 month (LCR)	159%	163%
LCR regulatory limit	100%	100%

32.2 LIQUIDITY RISK CONTROL

The control of liquidity consists of determining strategic tolerance limits appropriate for the scale and complexity of the Bank, and internal liquidity risk limits for short-, medium-, and long-term liquidity, which are monitored, and if overrun, the Bank initiates management actions.

32.3 LIQUIDITY RISK FORECASTING AND MONITORING

The liquidity risk exposure of PKO Bank Hipoteczny SA as at 31 March 2020 and 31 December 2019 was within the strategic and internal limits set. In the period ended 31 March 2020 and in the period ended 31 December 2019 the Bank did not exceed any of the standards or any strategic or internal limits.

The Bank regularly reviews the business assumptions which may have a material effect on the projections of liquidity risk measures. Forecasts of the basic liquidity risk measures are prepared periodically and on an on-going basis and these are juxtaposed with the internal limits.

32.4 LIQUIDITY GAP IN THE PRESENTATION OF CONTRACTUAL CASH FLOWS

The liquidity gap in the presentation of contractual cash flows is a mismatch between the inflows and outflows classified in a given range. In the calculation of liquidity gap relating to cash flows, the Bank takes into account all instruments concluded as at the balance sheet date. An increase in the amount of loans granted or rolling over of financing for a consecutive period is not taken into account. It is assumed that the funds available under the existing credit lines will be utilized.

31.03.2020	on demand	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months	Total
Inflows	1,850,706	1,052,362	1,271,139	474,956	1,123,169	1,898,655	6,128,792	28,457,555	42,257,334
securities	-	-	2,712	8,368	180,618	6,083	547,384	543,451	1,288,616
loans and advances to customers	-	152,362	301,766	466,588	942,551	1,892,572	5,581,408	27,914,104	37,251,351
credit lines	1,850,676	900,000	966,661	-	-	-	-	-	3,717,337
other	30	-	-	-	-	-	-	-	30
Outflows	7,787	1,023,187	1,939,430	887,499	998,566	4,549,087	20,477,814	803,839	30,687,209
amounts due to banks	7,787	13,367	173,687	27,886	385,782	267,373	8,063,398	-	8,939,280
mortgage covered bonds issued	-	11,519	14,147	44,478	107,308	4,100,550	12,414,197	803,839	17,496,038
unsecured bonds issued	-	900,522	1,666,500	757,417	456,960	166,278	-	-	3,947,677
disbursement of loan commitments	-	92,746	85,096	57,718	48,516	14,886	219	-	299,181
other	-	5,033	-	-	-	-	-	-	5,033
Inflows on hedging derivative instruments	-	75	7,226	26,896	42,323	2,806,820	10,033,729	8,370	12,925,439
Outflows on hedging derivative instruments	-	25,718	44,309	89,169	186,401	2,950,322	9,777,950	8,580	13,082,449
Periodic gap	1,842,919	3,532	(705,374)	(474,816)	(19,475)	(2,793,934)	(14,093,243)	27,653,506	11,413,115
Cumulative gap	1,842,919	1,846,451	1,141,077	666,261	646,786	(2,147,148)	(16,240,391)	11,413,115	

31.12.2019	on demand	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months	Total
Inflows	1,230,617	324,458	805,969	465,731	948,690	2,079,744	6,144,228	28,507,319	40,506,756
securities	-	168,267	-	1,280	9,806	190,568	566,007	388,754	1,324,682
loans and advances to customers	-	156,191	305,969	464,451	938,884	1,889,176	5,578,221	28,118,565	37,451,457
credit lines	1,230,566	-	500,000	-	-	-	-	-	1,730,566
other	51	-	-	-	-	-	-	-	51
Outflows	5,167	1,003,723	798,562	2,750,597	2,387,780	4,439,653	15,912,104	810,655	28,108,241
amounts due to banks	5,167	10,370	9,780	162,269	2,186,462	276,384	4,046,808	-	6,697,240
mortgage covered bonds issued	-	40,967	12,601	27,360	112,319	3,967,011	11,864,800	810,655	16,835,713
unsecured bonds issued	-	797,728	654,564	2,464,978	2,028	168,279	-	-	4,087,577
disbursement of loan commitments	-	149,633	121,617	95,990	86,971	27,979	496	-	482,686
other	-	5,025	-	-	-	-	-	-	5,025
Inflows on hedging derivative instruments	-	30,274	873	6,883	34,275	2,626,435	9,417,809	8,370	12,124,919
Outflows on hedging derivative instruments	-	26,415	46,277	87,886	181,515	2,963,035	9,858,376	9,166	13,172,670
Periodic gap	1,225,450	(675,406)	(37,997)	(2,365,869)	(1,586,330)	(2,696,509)	(10,208,443)	27,695,868	11,350,764
Cumulative gap	1,225,450	550,044	512,047	(1,853,822)	(3,440,152)	(6,136,661)	(16,345,104)	11,350,764	

32.5 CONCENTRATION OF FUNDING SOURCES

The Bank recognizes the risk of concentration of funding sources, as an element of liquidity risk, determined by circumstances under which the funding structure becomes susceptible to the occurrence of individual events or single factors, such as sudden significant withdrawal of funds or insufficient access to new funding.

The following table presents the structure of the Bank's funding sources:



STRUCTURE OF THE BANK'S FINANCING	31.03.2020	31.12.2019
Mortgage covered bonds issued	60.9%	59.6%
Funds from the parent	16.7%	16.7%
Unsecured bonds issued	14.0%	14.9%
Equity	7.0%	7.3%
Other	1.4%	1.5%
Total	100.0%	100.0%

The share of funding raised from the parent entity amounted to 16.7% as at 31 March 2020 and also as at 31 December 2019. Such level of the indicator is consistent with the financial plan at the current stage of the Bank's operations. The funding concentration risk is assessed as acceptable.

Seeking to reduce the concentration risk of funding sources, the Bank has implemented a system of internal limits, both in short-term and long-term horizons, according to the mortgage covered bond issues carried out by the Bank. In the period ended 31 March 2020 and 31 December 2019 none of these limits were exceeded.

33. INTEREST RATE RISK MANAGEMENT

33.1 INTEREST RATE RISK MEASUREMENT AND ASSESSMENT

The repricing gap report presented below includes assets and liabilities and financial liabilities granted which are sensitive to changes in interest rates. They do not include contingent liabilities which are insensitive to interest rate risk, the Bank's own funds, deposits from banks in the form of current account balances and current account overdrafts.

31.03.2020	0-1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	>5 years	Total
Assets, including:	8,043,704	16,456,881	2,388,296	5,663	5,115	54,366	-	26,954,025
securities	-	303,000	935,000	-	-	-	-	1,238,000
loans and advances to customers	8,043,704	16,153,881	1,453,296	5,663	5,115	54,366	-	25,716,025
Liabilities	(6,823,075)	(5,228,571)	(755,000)	(102,000)	(2,996,380)	(9,919,462)	(60,000)	(25,884,488)
amounts due to banks	(3,803,075)	(1,109,571)	-	-	-	-	-	(4,912,646)
mortgage covered bonds issued	(2,030,000)	(2,030,000)	-	-	(2,996,380)	(9,919,462)	(60,000)	(17,035,842)
unsecured bonds issued	(990,000)	(2,089,000)	(755,000)	(102,000)	-	-	-	(3,936,000)
Derivative hedging instruments - assets	-	1,914	302	1,292	2,998,883	9,917,700	60,000	12,980,091
Derivative hedging instruments - liabilities	(4,232,131)	(7,958,449)	(302)	(1,303)	(3,955)	(13,392)	-	(12,209,532)
Periodic gap	(3,011,502)	3,271,775	1,633,296	(96,348)	3,663	39,212	-	1,840,096
Cumulative gap	(3,011,502)	260,273	1,893,569	1,797,221	1,800,884	1,840,096	1,840,096	
31.12.2019	0-1 months	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	>5 years	Total
Assets, including:	8,997,175	16,188,124	1,722,523	3,928	6,544	25,274	-	26,943,568
securities	1,093,480	-	143,000	-	-	-	-	1,236,480
loans and advances to customers	7,903,695	16,188,124	1,579,523	3,928	6,544	25,274	-	25,707,088
Liabilities	(5,710,816)	(4,726,662)	(2,464,000)	-	(2,820,100)	(9,279,272)	(60,000)	(25,060,850)
amounts due to banks	(2,795,316)	(1,969,662)	-	-	-	-	-	(4,764,978)
mortgage covered bonds issued	(2,030,000)	(2,030,000)	-	-	(2,820,100)	(9,279,272)	(60,000)	(16,219,372)
unsecured bonds issued	(885,500)	(727,000)	(2,464,000)	-	-	-	-	(4,076,500)
Derivative hedging instruments - assets	507	-	1,914	1,059	2,822,610	9,278,223	60,000	12,164,313
Derivative hedging instruments - liabilities	(4,232,621)	(7,956,551)	(1,775)	(1,028)	(3,780)	(13,816)	-	(12,209,571)
Periodic gap	(945,755)	3,504,911	(741,338)	3,959	5,274	10,409	-	1,837,460
Cumulative gap	(945,755)	2,559,156	1,817,818	1,821,777	1,827,051	1,837,460	1,837,460	

34. FOREIGN EXCHANGE RISK MANAGEMENT

The following table presents the Bank's currency position.

FOREIGN CURRENCY POSITION IN PLN'000	31.03.2020	31.12.2019
EUR	70	86
USD	8	4

The foreign exchange risk exposure of PKO Bank Hipoteczny SA as at 31 March 2020 and 31 December 2019 was within the strategic and internal limits set.

35. OPERATIONAL RISK MANAGEMENT

In the three-month period ended 31 March 2020, 12 operational risk incidents were disclosed at the Bank, which involved operational losses totalling PLN 9 thousand whereas in the three month period ended 31 March 2019 there were 5 incidents with a financial loss of PLN 1 thousand.

In order to limit losses arising from operational risk, the Bank applies ad hoc and systemic management measures. Ad hoc measures include a direct response to the identified risks, eliminating reversible irregularities and recovering losses.

36. CAPITAL ADEQUACY AND THE MANAGEMENT OF CAPITAL RISK

At 31 March 2020, the total capital ratio of the Bank amounted to 17.0% (as at 31 December 2019: 16.6%). Without taking account of the temporary solutions resulting from the implementation of IFRS 9, the total capital ratio of the Bank would have amounted to 16.8% (16.5% as at 31 December 2019).

On 19 March 2020 the Minister of Finance signed a regulation abolishing the systemic risk buffer, of 3%, thereby lowering the regulatory requirements concerning the total capital ratio (TCR) to a level of 10.5%.

36.1 OWN FUNDS FOR THE PURPOSE OF CAPITAL ADEQUACY

The Bank's own funds for capital adequacy purposes have been calculated in accordance with the Banking Law and the CRR with implementing legislation.

The Bank's own funds consist entirely of core Tier 1 capital (CET 1). In determining its own funds, the Bank makes use of the transitional provisions following from the implementation of IFRS 9.

BANK'S OWN FUNDS	31.03.2020	31.12.2019
Share capital	1,611,300	1,611,300
Supplementary capital	250,733	161,563
Net profit for the period	9,002	89,170
Accumulated other comprehensive income - cash flow hedges	104,010	134,421
Accumulated other comprehensive income - financial assets measured at fair value through other comprehensive income	(5,260)	3,569
Equity	1,969,785	2,000,023
Equity adjustments	(99,241)	(179,243)
Net profit for the period	(9,002)	(89,170)
Current profit, included by permission from the PFSA	-	30,629
Accumulated other comprehensive income - cash flow hedges	(104,010)	(134,421)
Intangible assets	(1,969)	(2,395)
Adjustment to assets measured at fair value (AVA)	(1,915)	(1,360)
Adjustment relating to the transitional period for IFRS 9 implementation	17,655	17,474
Total own funds	1,870,544	1,820,780



As at 31 March 2020, the Bank's own funds Tier I common equity capital and Tier 1 capital, without accounting for transitional solutions following from the implementation of IFRS 9, would have amounted to PLN 1,852,889 thousand and to PLN 1,803,306 thousand as at 31 December 2019.

36.2 FINANCIAL LEVERAGE

The financial leverage ratio is monitored on a monthly basis, whereas the Bank recognizes a ratio in excess of 5% to be safe and not requiring further action.

FINANCIAL LEVERAGE	31.03.2020	31.12.2019
Leverage ratio (LR)	6.9%	6.7%

As at 31 March 2020 and as at 31 December 2019, the Bank's financial leverage ratio was above the 3% level recommended for banks by the Basel Committee.

As at 31 March 2020, the leverage ratio, without taking account of the transitional solutions resulting from the implementation of IFRS 9, would have amounted to 6.8%, whereas it would have been 6.6% as at 31 December 2019.

36.3 REQUIREMENTS REGARDING OWN FUNDS (PILLAR I)

In accordance with the CRR, the Bank calculates requirements in respect of own funds for the following risk types:

- credit risk – according to the standardized approach;
- credit valuation adjustment (CVA) risk – according to the standardized approach;
- settlement and delivery risk – according to the standardized approach;
- operational risk – according to the basic indicator approach (BIA);
- market risk (foreign exchange risk only) – according to basic methods.

At 31 March 2020 and as at 31 December 2019, the own fund requirements in respect of the risk of credit valuation adjustment, settlement and delivery, and market risk were nil, therefore, the total requirement in respect of own funds comprised the requirements in respect of credit and operational risk.

OWN FUNDS REQUIREMENTS	31.03.2020	31.12.2019
Credit risk	845,316	854,550
Operational risk	35,171	22,695
Total own funds requirements	880,487	877,245
Common Equity Tier 1 capital ratio (CET1)	17.0%	16.6%
Tier 1 capital ratio (T1)	17.0%	16.6%
Total capital ratio (TCR)	17.0%	16.6%



EVENTS AFTER THE END OF THE REPORTING PERIOD

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

Not applicable.

Signatures of all Members of the Bank's Management Board

26.05.2020	Paulina Strugała	President of the Management Board	<i>Signed on Polish original</i> (signature)
26.05.2020	Piotr Kochanek	Vice-President of the Management Board	<i>Signed on Polish original</i> (signature)
26.05.2020	Agnieszka Krawczyk	Vice-President of the Management Board	<i>Signed on Polish original</i> (signature)

Signature of the person responsible for maintaining the books of account

26.05.2020

Tomasz Rynkowski
Director, the Bank's Chief Accountant

Signed on Polish original

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(signature)