

Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2022



Warsaw, August 2022

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

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I. Consolidated income statement

	NOTE	II QUARTER 2022 PERIOD FROM 01.04.2022 TO 30.06.2022	I HALF 2022 PERIOD FROM 01.01.2022 TO 30.06.2022	II QUARTER 2021 PERIOD FROM 01.04.2021 TO 30.06.2021 RESTATE	I HALF 2021 PERIOD FROM 01.01.2021 TO 30.06.2021 RESTATE
Interest income	8	3 058 208	5 312 347	1 364 910	2 769 689
Interest income calculated using the effective interest method		3 090 641	5 274 044	1 296 270	2 632 860
Financial assets measured at amortised cost		2 967 493	5 040 876	1 180 899	2 372 388
Financial assets measured at fair value through other comprehensive income		123 148	233 168	115 371	260 472
Other interest income related to financial assets measured at fair value through profit or loss		(32 433)	38 303	68 640	136 829
Interest expense	8	(491 699)	(676 752)	(25 458)	(96 638)
Net interest income		2 566 509	4 635 595	1 339 452	2 673 051
Fee and commission income	9	866 981	1 703 165	800 788	1 537 586
Fee and commission expense	9	(151 121)	(282 311)	(128 034)	(248 969)
Net fee and commission income		715 860	1 420 854	672 754	1 288 617
Dividend income	10	26 074	26 350	25 597	25 597
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	11	(39 778)	13 647	64 559	93 166
Result on fair value hedge accounting		1 197	2 367	847	2 646
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	12	(7 095)	(11 305)	23 194	34 007
Net allowances for expected credit losses	13	(530 575)	(665 019)	(191 900)	(367 933)
Operating income	14	23 884	52 494	27 944	46 681
Operating expenses	14	(199 060)	(228 479)	(28 495)	(43 466)
General administrative expenses and depreciation	15	(1 797 035)	(3 244 287)	(1 139 277)	(2 556 142)
Gains (losses) on associates	16	565	1 657	355	355
PROFIT BEFORE INCOME TAX		760 546	2 003 874	795 030	1 196 579
Income tax expense	17	(291 813)	(627 253)	(189 672)	(345 125)
NET PROFIT		468 733	1 376 621	605 358	851 454
1. Attributable to equity holders of the Bank		467 925	1 375 090	604 780	850 428
2. Attributable to non-controlling interests		808	1 531	578	1 026
Earnings per share (in PLN per share)					
basic for the period	18	1.78	5.24	2.30	3.24
diluted for the period	18	1.78	5.24	2.30	3.24

Notes to the financial statements presented on pages 12 – 73 constitute an integral part of the condensed interim consolidated financial statements.

II. Consolidated statement of comprehensive income

	II QUARTER 2022 PERIOD FROM 01.04.2022 TO 30.06.2022	I HALF 2022 PERIOD FROM 01.01.2022 TO 30.06.2022	II QUARTER 2021 PERIOD FROM 01.04.2021 TO 30.06.2021 RESTATED	I HALF 2021 PERIOD FROM 01.01.2021 TO 30.06.2021 RESTATED
Net profit	468 733	1 376 621	605 358	851 454
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	(297 356)	(751 518)	(274 631)	(475 569)
Profit or loss on fair value measurement	(295 037)	(744 871)	(257 773)	(452 526)
Profit or loss reclassification to income statement after derecognition	(2 319)	(6 647)	(16 858)	(23 043)
Impact of revaluation of derivative instruments hedging cash flows (net)	(987 309)	(1 787 652)	(100 101)	(371 872)
Items that will never be reclassified to profit or loss:				
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	(45 946)	(67 255)	31 262	67 214
Remeasurements of the defined benefit liabilities (net)	14 251	14 251	-	-
Other comprehensive income (net of tax)	(1 316 360)	(2 592 174)	(343 470)	(780 227)
Total comprehensive income	(847 627)	(1 215 553)	261 888	71 227
1. Attributable to equity holders of the Bank	(848 435)	(1 217 084)	261 310	70 201
2. Attributable to non-controlling interests	808	1 531	578	1 026

Notes to the financial statements presented on pages 12 – 73 constitute an integral part of the condensed interim consolidated financial statements.

III. Consolidated statement of financial position

	NOTE	30.06.2022	31.12.2021
ASSETS			
Cash and due from Central Bank	20	12 865 757	4 696 620
Loans and advances to banks	21	10 100 486	3 328 087
Derivative financial instruments (held for trading)	22	18 479 946	7 928 539
Hedging instruments		305 216	78 216
Loans and advances to customers (including receivables from finance leases)	23	163 236 485	159 228 756
Securities	24	58 565 376	67 320 567
Assets pledged as security for liabilities	25	6 340 556	846 097
Assets held for sale		41 015	12 744
Investments in associates		45 117	44 035
Intangible assets	26	2 118 535	2 300 382
Property, plant and equipment	27	1 638 427	1 830 231
Income tax assets		2 343 272	1 865 347
1. Current tax assets		662 370	216 539
2. Deferred tax assets	17	1 680 902	1 648 808
Other assets		1 487 806	1 086 984
TOTAL ASSETS		277 567 994	250 566 605
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to Central Bank		-	-
Amounts due to other banks	28	12 520 528	8 575 469
Financial liabilities held for trading	29	649 443	639 733
Derivative financial instruments (held for trading)	22	18 259 008	7 969 343
Amounts due to customers	30	203 214 068	195 161 943
Hedging instruments		4 505 571	2 221 732
Debt securities issued	31	7 399 169	5 355 355
Subordinated liabilities		2 782 515	2 761 474
Income tax liabilities		31 250	29 871
1. Current tax liabilities		7 314	4 966
2. Deferred tax liabilities	17	23 936	24 905
Provisions	32	1 006 946	883 108
Other liabilities		5 682 365	3 105 291
TOTAL LIABILITIES		256 050 863	226 703 319
Equity			
Share capital		262 470	262 470
Other capital and reserves		18 063 223	19 554 958
Retained earnings and net profit for the period		3 179 711	4 034 001
Total equity attributable to equity holders of the Bank		21 505 404	23 851 429
Non-controlling interests		11 727	11 857
TOTAL EQUITY		21 517 131	23 863 286
TOTAL LIABILITIES AND EQUITY		277 567 994	250 566 605

Notes to the financial statements presented on pages 12 – 73 constitute an integral part of the condensed interim consolidated financial statements.

IV. Consolidated statement of changes in equity

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTERESTS	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER				
Equity as at 1.01.2022	262 470	19 554 958	9 137 221	1 982 459	9 684 220	(1 618 480)	369 538	4 034 001	23 851 429	11 857	23 863 286
Comprehensive income	-	(2 592 174)	-	-	-	(2 592 174)	-	1 375 090	(1 217 084)	1 531	(1 215 553)
Remeasurements of the defined benefit liabilities (net of tax)	-	14 251	-	-	-	14 251	-	-	14 251	-	14 251
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(751 518)	-	-	-	(751 518)	-	-	(751 518)	-	(751 518)
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(67 255)	-	-	-	(67 255)	-	-	(67 255)	-	(67 255)
Revaluation of cash flow hedging financial instruments (net of tax)	-	(1 787 652)	-	-	-	(1 787 652)	-	-	(1 787 652)	-	(1 787 652)
Net profit for the period	-	-	-	-	-	-	-	1 375 090	1 375 090	1 531	1 376 621
Appropriation of retained earnings	-	1 100 409	-	-	1 116 336	-	(15 927)	(2 229 030)	(1 128 621)	(1 560)	(1 130 181)
Dividend paid	-	-	-	-	-	-	-	(1 128 621)	(1 128 621)	(1 560)	(1 130 181)
Profit appropriation to other reserves	-	1 100 409	-	-	1 116 336	-	(15 927)	(1 100 409)	-	-	-
Other	-	30	-	-	30	-	-	(350)	(320)	(101)	(421)
Other	-	30	-	-	30	-	-	(350)	(320)	(101)	(421)
Equity as at 30.06.2022	262 470	18 063 223	9 137 221	1 982 459	10 800 586	(4 210 654)	353 611	3 179 711	21 505 404	11 727	21 517 131

Notes to the financial statements presented on pages 12 – 73 constitute an integral part of the condensed interim consolidated financial statements.

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER				
Equity as at 1.01.2021	262 470	22 243 269	9 137 221	1 982 459	9 386 555	1 355 621	381 413	2 977 889	25 483 628	11 349	25 494 977
Comprehensive income	-	(2 964 219)	-	-	-	(2 964 219)	-	2 174 897	(789 322)	1 698	(787 624)
Remeasurements of the defined benefit liabilities (net of tax)	-	38 673	-	-	-	38 673	-	-	38 673	37	38 710
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(1 273 417)	-	-	-	(1 273 417)	-	-	(1 273 417)	-	(1 273 417)
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	6 802	-	-	-	6 802	-	-	6 802	-	6 802
Revaluation of cash flow hedging financial instruments (net of tax)	-	(1 736 277)	-	-	-	(1 736 277)	-	-	(1 736 277)	-	(1 736 277)
Net profit for the period	-	-	-	-	-	-	-	2 174 897	2 174 897	1 661	2 176 558
Appropriation of retained earnings	-	275 908	-	-	287 783	-	(11 875)	(1 118 437)	(842 529)	(1 088)	(843 617)
Dividend paid	-	-	-	-	-	-	-	(842 529)	(842 529)	(1 088)	(843 617)
Profit appropriation to other reserves	-	275 908	-	-	287 783	-	(11 875)	(275 908)	-	-	-
Other	-	-	-	-	9 882	(9 882)	-	(348)	(348)	(102)	(450)
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	9 882	(9 882)	-	-	-	-	-
Other	-	-	-	-	-	-	-	(348)	(348)	(102)	(450)
Equity as at 31.12.2021	262 470	19 554 958	9 137 221	1 982 459	9 684 220	(1 618 480)	369 538	4 034 001	23 851 429	11 857	23 863 286

Notes to the financial statements presented on pages 12 – 73 constitute an integral part of the condensed interim consolidated financial statements.

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	TOTAL EQUITY	
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES					OTHER
Equity as at 1.01.2021	262 470	22 243 269	9 137 221	1 982 459	9 386 555	1 355 621	381 413	2 977 889	25 483 628	11 349	25 494 977
Comprehensive income	-	(780 227)	-	-	-	(780 227)	-	850 428	70 201	1 026	71 227
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	(475 569)	-	-	-	(475 569)	-	-	(475 569)	-	(475 569)
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	67 214	-	-	-	67 214	-	-	67 214	-	67 214
Revaluation of hedging financial instruments (net of tax)	-	(371 872)	-	-	-	(371 872)	-	-	(371 872)	-	(371 872)
Net profit for the period	-	-	-	-	-	-	-	850 428	850 428	1 026	851 454
Appropriation of retained earnings	-	275 909	-	-	287 783	-	(11 874)	(275 909)	-	(1 088)	(1 088)
Dividend paid	-	-	-	-	-	-	-	-	-	(1 088)	(1 088)
Profit appropriation to other reserves	-	275 909	-	-	287 783	-	(11 874)	(275 909)	-	-	-
Other	-	-	-	-	-	-	-	(349)	(349)	(102)	(451)
Other	-	-	-	-	-	-	-	(349)	(349)	(102)	(451)
Equity as at 30.06.2021	262 470	21 738 951	9 137 221	1 982 459	9 674 338	575 394	369 539	3 552 059	25 553 480	11 185	25 564 665

Notes to the financial statements presented on pages 12 – 73 constitute an integral part of the condensed interim consolidated financial statements.

V. Consolidated cash flow statement

	NOTE	I HALF 2022 PERIOD FROM 01.01.2022 TO 30.06.2022	I HALF 2021 PERIOD FROM 01.01.2021 TO 30.06.2021 RESTATED
Cash flow from operating activities – indirect method			
Profit before income tax		2 003 874	1 196 579
Adjustments for:		7 563 953	667 620
Depreciation and amortization	15	317 101	317 603
Share in gains (losses) from associates		(1 657)	(355)
(Gains) losses on investing activities		(15 609)	(36 920)
Net interest income	8	(4 635 595)	(2 673 051)
Dividend income	10	(26 350)	(25 597)
Interest received		4 894 030	2 595 203
Interest paid		(593 288)	(149 855)
Income tax paid		(498 172)	(401 950)
Change in loans and advances to banks		(85 533)	1 187 460
Change in derivative financial instruments (assets)		(10 551 407)	1 255 116
Change in loans and advances to customers (in this receivables from financial leases)		(3 702 331)	244 364
Change in securities (including assets pledged as security for liabilities)		167 776	1 329 426
Change in other assets		(3 136 881)	(926 218)
Change in amounts due to banks		3 824 787	(1 040 239)
Change in financial liabilities held for trading		9 710	(197 798)
Change in derivative financial instruments (liabilities)		10 289 665	(1 335 879)
Change in amounts due to customers		8 063 959	689 531
Change in debt securities issued		(231 942)	(7 773)
Change in subordinated liabilities		21 040	(103)
Payments for short-term leases and leases of low-value assets		(1 166)	(1 141)
Change in provisions		123 838	(84 649)
Change in other liabilities		3 331 978	(69 555)
Net cash flows from operating activities		9 567 827	1 864 199
Cash flow from investing activities			
Investing activity inflows		18 445 184	141 657 513
Subsidy received for taking over the part of the activities of Idea Bank S.A. including purchased cash		-	193 904
Sale of securities measured at amortized cost and at fair value through other comprehensive income		18 376 089	141 386 762
Sale of intangible assets and property, plant and equipment		42 745	51 250
Dividend received	10	26 350	25 597
Investing activity outflows		(15 462 393)	(138 567 990)
Acquisition of associates		-	(42 193)
Acquisition of securities measured at amortized cost and at fair value through other comprehensive income		(15 313 998)	(138 316 739)
Acquisition of intangible assets and property, plant and equipment		(148 395)	(209 058)
Net cash flows from investing activities		2 982 791	3 089 523

	NOTE	I HALF 2022 PERIOD FROM 01.01.2022 TO 30.06.2022	I HALF 2021 PERIOD FROM 01.01.2021 TO 30.06.2021 RESTATED
Cash flows from financing activities			
Financing activity inflows		3 194 877	2 871 414
Due to loans and advances received from banks		632 595	-
Issue of debt securities		2 562 282	2 871 414
Financing activity outflows		(892 982)	(5 151 698)
Repayment of loans and advances received from banks		(544 166)	(1 200 922)
Redemption of debt securities		(291 922)	(3 892 540)
Payments for the principal portion of the lease liabilities		(56 894)	(58 236)
Net cash flows from financing activities		2 301 895	(2 280 284)
Total net cash flows		14 852 513	2 673 438
including effect of exchange rate fluctuations on cash and cash equivalents held		107 814	(33 864)
Net change in cash and cash equivalents		14 852 513	2 673 438
Cash and cash equivalents at the beginning of the period		7 735 625	7 005 348
Cash and cash equivalents at the end of the period	34	22 588 138	9 678 786

Notes to the financial statements presented on pages 12 – 73 constitute an integral part of the condensed interim consolidated financial statements.

VI. Notes to the Interim Condensed Consolidated Financial Statements

1. General information

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

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

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

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

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

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

The Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2022 to 30 June 2022 contain financial information of the Bank and its subsidiaries (together referred to as the 'Group'), and the associates accounted for using equity method.

The share ownership structure of the Bank is presented in the Note 5.4 of the Report on the activities of Bank Pekao S.A. Group for the first half of 2022.

2. Group structure

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			30.06.2022	31.12.2021
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Pekao Leasing Sp. z o.o.	Warsaw	Leasing services	100.00	100.00
<i>PeUF Sp. z o.o.</i>	<i>Warsaw</i>	<i>Financial support</i>	<i>100.00</i>	<i>100.00</i>
Pekao Investment Banking S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Transferable agent	66.50	66.50
Pekao Direct Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Pekao Property S.A. (in liquidation)	Warsaw	Real estate development	100.00	100.00
<i>FPB - Media Sp. z o.o. (in bankruptcy)</i>	<i>Warsaw</i>	<i>Real estate development</i>	<i>100.00</i>	<i>100.00</i>
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	Warsaw	Business consulting	100.00	100.00
Pekao Investment Management S.A.	Warsaw	Holding	100.00	100.00
<i>Pekao TFI S.A.</i>	<i>Warsaw</i>	<i>Asset management</i>	<i>100.00</i>	<i>100.00</i>

As at 30 June 2022 and 31 December 2021 all subsidiaries of the Bank have been consolidated.

As at 30 June 2022 and 31 December 2021 the Group held no shares in entities under joint control.

Investments in associates

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			30.06.2022	31.12.2021
Krajowy Integrator Płatności S.A.	Poznan	Monetary brokerage	38.33	38.33

3. Business combinations

In 2021, the transaction of taking over the Idea Bank S.A. enterprise by Bank Pekao S.A., covering all its property rights and liabilities as at the end of the day of initiating resolution, took place, i.e. on 31 December 2020, excluding certain property rights and obligations indicated in the BGF decision in question. This transaction was described in detail in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2021.

4. Statement of compliance

The Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2022 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union and other applicable regulations.

These financial statements do not include all information and disclosures required for annual financial statements, and shall be read in conjunction with the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2021.

The consolidated financial statements of Bank Pekao S.A. Group as at and for the year ended 31 December 2021 are available at the Bank's website www.pekao.com.pl.

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State, the Bank is required to publish the financial report for the first half of 2022, i.e. current interim period.

These interim condensed consolidated financial statements were authorized for issue by the Management Board on 3 August 2022.

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

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
IFRS 3 (amendment) 'Business combinations'	The amendments to IFRS 3 include: <ul style="list-style-type: none"> Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework, Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination, and Add to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. 	The standard's amendments did not have a material impact on the financial statements in the period of their first application.
IAS 16 (amendment) 'Property, plant and equipment'	The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	The standard's amendments did not have a material impact on the financial statements in the period of their first application.
IAS 37 (amendment) 'Provisions, contingent liabilities and contingent assets'	The amendments to IAS 37 specify that the 'cost of fulfilling' an onerous contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.	The standard's amendments did not have a material impact on the financial statements in the period of their first application.

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

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
MSSF 17 'Insurance contracts'	The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' and related interpretations while applied. Date of application: annual periods beginning on or after 1 January 2023.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
IAS 1 (amendment) 'Presentation of financial statement'	The amendments to IAS 1 include: <ul style="list-style-type: none"> an entity is required to disclose its material accounting policy information instead of its significant accounting policies, clarification that accounting policy information may be material because of its nature, even if the related amounts are immaterial, clarification that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and clarification that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. Date of application: annual period beginning on or after 1 January 2023.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
IAS 8 (amendment) 'Accounting policies, changes in accounting estimates and errors'	The amendments to IAS 8 include: <ul style="list-style-type: none"> the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty, clarification that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors, clarification that a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods. Date of application: annual periods beginning on or after 1 January 2023.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.

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

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

5. Significant accounting policies

General information

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

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

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

The accounting policies applied by the Group in these interim condensed consolidated financial statements, apart from changes described above are the same as those applied in the Consolidated Financial Statements of Bank Pekao S.A. Group for the year ended on 31 December 2021. Those accounting policies have been applied uniformly to all presented reporting periods and by all entities of the Group.

The consolidated financial statements include the requirements of all the International Financial Reporting Standards and International Accounting Standards approved by the European Union and related interpretations. Changes in published standards and interpretations, which became effective on or after 1 January 2022, had no material impact on the Group's financial statements.

The financial statements does not take into consideration interpretations and amendments to standards, pending approval by the European Union or approved by the European Union but came into force or shall come into force after the balance sheet date (Note 4.2 and Note 4.3). In the Group's opinion, amendments to standards and interpretations will not have a material impact on the consolidated financial statements of the Group.

Comparability of financial data

In the interim condensed consolidated financial statements of Bank Pekao S.A. Group for the first half of 2022, the Group and the Bank made the following changes to the accounting principles:

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

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

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

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

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

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

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

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

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

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

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

The above-mentioned changes of the accounting principles made it necessary to transform the comparable data, but they did not affect the level of the presented financial result.

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

CONSOLIDATED INCOME STATEMENT	DATA FOR II QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR II QUARTER 2021 AFTER RESTATEMENT
General administrative expenses	(985 347)	985 347	-
Depreciation and amortization	(160 520)	160 520	-
General administrative expenses and depreciation	-	(1 139 277)	(1 139 277)
Other operating expenses	(21 905)	(6 590)	(28 495)

CONSOLIDATED INCOME STATEMENT	DATA FOR I HALF 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I HALF 2021 AFTER RESTATEMENT
General administrative expenses	(2 250 916)	2 250 916	-
Depreciation and amortization	(317 603)	317 603	-
General administrative expenses and depreciation	-	(2 556 142)	(2 556 142)
Other operating expenses	(31 089)	(12 377)	(43 466)

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

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

The above-mentioned changes made it necessary to transform the comparable data for the 6-month period ended on 30 June 2021, but they did not affect the level of the presented result of comprehensive income.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	DATA FOR II QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR II QUARTER 2021 AFTER RESTATEMENT
Change in fair value of financial assets measured at fair value through other comprehensive income:	(339 051)	339 051	-
profit or loss on fair value measurement	(318 239)	318 239	-
profit or loss reclassification to income statement after derecognition	(20 812)	20 812	-
Change in fair value of cash flow hedges	(123 581)	123 581	-
Tax on items that are or may be reclassified subsequently to profit or loss	87 900	(87 900)	-
Effects of the revaluation of investments in equity instruments designated at fair value through other comprehensive	38 595	(38 595)	-
Tax on items that will never be reclassified to profit or loss	(7 333)	7 333	-
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	-	(274 631)	(274 631)
profit or loss on fair value measurement	-	(257 773)	(257 773)
profit or loss reclassification to income statement after derecognition	-	(16 858)	(16 858)
Revaluation of derivative instruments hedging cash flows (net)	-	(100 101)	(100 101)
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	-	31 262	31 262
Other comprehensive income (net of tax)	(343 470)	-	(343 470)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	DATA FOR I HALF 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I HALF 2021 AFTER RESTATEMENT
Change in fair value of financial assets measured at fair value through other comprehensive income:	(587 123)	587 123	-
profit or loss on fair value measurement	(558 675)	558 675	-
profit or loss reclassification to income statement after derecognition	(28 448)	28 448	-
Change in fair value of cash flow hedges	(459 101)	459 101	-
Tax on items that are or may be reclassified subsequently to profit or loss	198 783	(198 783)	-
Effects of the revaluation of investments in equity instruments designated at fair value through other comprehensive	82 980	(82 980)	-
Tax on items that will never be reclassified to profit or loss	(15 766)	15 766	-
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	-	(475 569)	(475 569)
profit or loss on fair value measurement	-	(452 526)	(452 526)
profit or loss reclassification to income statement after derecognition	-	(23 043)	(23 043)
Revaluation of derivative instruments hedging cash flows (net)	-	(371 872)	(371 872)
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	-	67 214	67 214
Other comprehensive income (net of tax)	(780 227)	-	(780 227)

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

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

The above-mentioned changes made it necessary to transform the comparable data for the 6-month period ended on 30 June 2021, and they related to cash flows from operating activities, the total level of which did not change.

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

CONSOLIDATED CASH FLOW STATEMENT	DATA FOR I HALF 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I HALF 2021 AFTER RESTATEMENT
Change in financial assets held for trading	895 937	(895 937)	-
Change in investment (placement) securities	433 489	(433 489)	-
Change in securities (including assets pledged as security for liabilities)	-	1 329 426	1 329 426

6. Accounting estimates

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

Estimates and assumptions are reviewed on an ongoing basis by the Group and rely on historic data and other factors including expectation of the future events which seems justified in given circumstances.

However, taking into account the significant uncertainty as to the further development of the economic situation, in particular due to the current geopolitical situation and the ongoing armed conflict in the eastern part of Europe, the estimates made may change in the future. The uncertainty of the estimates made by the Group as at 30 June 2022 concerns mainly:

- forecasts regarding macroeconomic assumptions, in particular those relating to key economic indicators (i.e. the level of the expected economic slowdown, GDP, employment, housing prices, inflation, levels of market interest rates, possible disruptions in capital markets, etc.),
- possible business disruptions due to decisions made by public institutions, enterprises and consumers to help contain the spread of the virus Covid-19,
- the effectiveness of the support programs that have been designed to support businesses and consumers.

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

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

Impairment of loans and advances to customers, expected credit losses

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

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

In order to determine the expected credit losses, the Group distinguishes individually significant exposures, in particular: all financial assets towards the borrower for which the Group's total exposure as at the balance sheet date is at least PLN 4 million or PLN 1 million in the case of customers overdue more than 90 days or in the case of which the condition for restructuring has been met on at least one contract.

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

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

Impairment of non-current assets (including goodwill)

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

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

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

As at 30 June 2022, there was no need to make impairment allowances for non-current assets.

Provisions for legal risk regarding foreign currency mortgage loans in CHF

As at 30 June 2022 the Group assessed the probability of the impact of legal risk regarding foreign currency mortgage loans in CHF on future expected cash flows from loan exposures and the probability of cash outflows.

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

Details on the main assumptions used to estimate the provisions for legal risk regarding foreign currency mortgage loans in CHF are presented in Note 36.2.

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

As at 30 June 2022 the Bank assessed the legal risk arising from the judgment of the Court of Justice of the European Union (hereinafter the 'CJEU') on consumer loans and estimated the possible amount of cash outflow as a refund of commission to the customer in relation to early repayment of those loans (for loans prepaid before the judgment of the CJEU, i.e. before 11 September 2019).

The Group also estimated the possible amount of cash outflow as a refund of commission to the customer in relation to early repayment of mortgage loans.

In addition, with regard to balance sheet exposures as at 30 June 2022, the Bank estimated the possible prepayments of these exposures in the future.

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

Details on the estimated provision for earlier repayments of consumer loans and mortgage loans are presented in Note 32.

Fair value measurement

The principles of estimating fair value of derivative instruments and unquoted debt securities measured at fair value did not change in relation to 31 December 2021.

7. Operating segments

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

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

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

Operating segments

The operating segments of the Group are as follows:

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

Operating segments reporting for the period from 1 January to 30 June 2022

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ENTERPRISE BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
External interest income	2 619 589	4 880	1 439 443	563 929	684 506	5 312 347
External interest expenses	(83 770)	(21 575)	(455 192)	(18 240)	(97 975)	(676 752)
Net external interest income	2 535 819	(16 695)	984 251	545 689	586 531	4 635 595
Internal interest income	1 572 141	150 775	921 435	290 991	(2 935 342)	-
Internal interest expenses	(1 603 386)	(5 250)	(1 165 570)	(395 830)	3 170 036	-
Net internal interest income	(31 245)	145 525	(244 135)	(104 839)	234 694	-
Total net interest income	2 504 574	128 830	740 116	440 850	821 225	4 635 595
Fee and commission income and expense	588 731	76 001	367 161	364 519	24 442	1 420 854
Other non-interest income	(1 260)	(505)	70 704	42 144	(256 009)	(144 926)
Operating income	3 092 045	204 326	1 177 981	847 513	589 658	5 911 523
Personnel expenses	(481 321)	(41 184)	(126 470)	(112 081)	(378 310)	(1 139 366)
Other administrative expenses and depreciation and amortisation (including allocation of operating costs)	(785 099)	(29 560)	(118 616)	(161 927)	170 975	(924 227)
Operating costs	(1 266 420)	(70 744)	(245 086)	(274 008)	(207 335)	(2 063 593)
Gross operating profit	1 825 625	133 582	932 895	573 505	382 323	3 847 930
Net allowances for expected credit losses	(444 096)	(1 042)	(92 862)	(86 770)	(40 249)	(665 019)
Net operating profit	1 381 529	132 540	840 033	486 735	342 074	3 182 911
Contributions to the Bank Guarantee Fund	(151 661)	(371)	(102 128)	(42 518)	(27 581)	(324 259)
Fee paid for the Protection Scheme	-	-	-	-	(440 302)	(440 302)
Tax on certain financial institutions	-	-	-	-	(416 133)	(416 133)
Gains (losses) on associates	-	-	-	-	1 657	1 657
Profit before tax	1 229 868	132 169	737 905	444 217	(540 285)	2 003 874
Income tax expense						(627 253)
Net profit for the period						1 376 621
Attributable to equity holders of the Bank						1 375 090
Attributable to non-controlling interests						1 531
Allocated assets	79 136 940	268 446	75 095 249	24 391 509	67 010 612	245 902 756
Unallocated assets						31 665 238
Total assets						277 567 994
Allocated liabilities	112 182 432	12 752 971	66 338 558	28 402 316	5 977 286	225 653 563
Unallocated liabilities						30 397 300
Total liabilities						256 050 863

Operating segments reporting for the period from 1 January to 30 June 2021

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ENTERPRISE BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
External interest income	1 323 939	1 991	595 982	199 216	648 561	2 769 689
External interest expenses	(27 621)	(6 416)	(31 772)	(1 590)	(29 239)	(96 638)
Net external interest income	1 296 318	(4 425)	564 210	197 626	619 322	2 673 051
Internal interest income	1 225 208	135 402	379 474	238 090	(1 978 174)	-
Internal interest expenses	(395 610)	(1 441)	(166 146)	(65 065)	628 262	-
Net internal interest income	829 598	133 961	213 328	173 025	(1 349 912)	-
Total net interest income	2 125 916	129 536	777 538	370 651	(730 590)	2 673 051
Fee and commission income and expense	554 555	94 386	327 056	302 713	9 907	1 288 617
Other non-interest income	7 505	(518)	89 948	18 369	43 327	158 631
Operating income	2 687 976	223 404	1 194 542	691 733	(677 356)	4 120 299
Personnel expenses	(460 324)	(40 493)	(108 707)	(96 342)	(473 143)	(1 179 009)
Other administrative expenses and depreciation and amortisation (including allocation of operating costs)	(713 532)	(28 945)	(106 915)	(144 330)	201 963	(791 759)
Operating costs	(1 173 856)	(69 438)	(215 622)	(240 672)	(271 180)	(1 970 768)
Gross operating profit	1 514 120	153 966	978 920	451 061	(948 536)	2 149 531
Net allowances for expected credit losses	(158 766)	623	(95 947)	(84 121)	(29 722)	(367 933)
Net operating profit	1 355 354	154 589	882 973	366 940	(978 258)	1 781 598
Contributions to the Bank Guarantee Fund	(148 175)	(399)	(88 409)	(34 469)	39 234	(232 218)
Tax on certain financial institutions	-	-	-	-	(353 156)	(353 156)
Gains (losses) on associates	-	-	-	-	355	355
Profit before tax	1 207 179	154 190	794 564	332 471	(1 291 825)	1 196 579
Income tax expense						(345 125)
Net profit for the period						851 454
Attributable to equity holders of the Bank						850 428
Attributable to non-controlling interests						1 026
Allocated assets	80 562 294	1 355 814	64 741 096	19 006 970	62 727 372	228 393 546
Unallocated assets						14 699 507
Total assets						243 093 053
Allocated liabilities	112 164 546	15 696 648	48 690 543	25 980 258	6 114 910	208 646 905
Unallocated liabilities						8 881 483
Total liabilities						217 528 388

Reconciliations of operating income for reportable segments

	I HALF 2022	I HALF 2021
Net interest income	4 635 595	2 673 051
Net fee and commission income	1 420 854	1 288 617
Dividend income	26 350	25 597
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	13 647	93 166
Result on fair value hedge accounting	2 367	2 646
Profit (loss) from derecognition of financial assets and financial liabilities not at fair value through profit or loss	(11 305)	34 007
Operating income	6 087 508	4 117 084
Other operating income	52 494	46 681
Other operating expenses	(228 479)	(43 466)
Total operating income for reportable segments	5 911 523	4 120 299

8. Interest income and expense

Interest income

	II QUARTER 2022			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	2 967 493	123 148	-	3 090 641
Loans and advances (in this receivables from financial leases)	2 534 741	4 969	-	2 539 710
Interbank placements	113 491	-	-	113 491
Reverse repo transactions	54 172	-	-	54 172
Debt securities	265 089	118 179	-	383 268
Other interest income related to financial assets measured at fair value through profit or loss	-	-	(32 433)	(32 433)
Loans and other receivables from customers	-	-	2 423	2 423
Hedging derivatives	-	-	(38 728)	(38 728)
Debt securities held for trading	-	-	3 872	3 872
Total	2 967 493	123 148	(32 433)	3 058 208

	I HALF 2022			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	5 040 876	233 168	-	5 274 044
Loans and advances (in this receivables from financial leases)	4 342 096	6 984	-	4 349 080
Interbank placements	151 715	-	-	151 715
Reverse repo transactions	78 405	-	-	78 405
Debt securities	468 660	226 184	-	694 844
Other interest income related to financial assets measured at fair value through profit or loss	-	-	38 303	38 303
Loans and other receivables from customers	-	-	3 827	3 827
Hedging derivatives	-	-	29 282	29 282
Debt securities held for trading	-	-	5 194	5 194
Total	5 040 876	233 168	38 303	5 312 347

	II QUARTER 2021			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	1 180 899	115 371	-	1 296 270
Loans and advances (in this receivables from financial leases)	1 056 000	7 554	-	1 063 554
Interbank placements	(286)	-	-	(286)
Reverse repo transactions	340	-	-	340
Debt securities	124 845	107 817	-	232 662
Other interest income related to financial assets measured at fair value through profit or loss	-	-	68 640	68 640
Loans and other receivables from customers	-	-	107	107
Hedging derivatives	-	-	68 618	68 618
Debt securities held for trading	-	-	(85)	(85)
Total	1 180 899	115 371	68 640	1 364 910

Interest income

	I HALF 2021			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	2 372 388	260 472	-	2 632 860
Loans and advances (in this receivables from financial leases)	2 146 143	15 898	-	2 162 041
Interbank placements	(37)	-	-	(37)
Reverse repo transactions	361	-	-	361
Debt securities	225 921	244 574	-	470 495
Other interest income related to financial assets measured at fair value through profit or loss	-	-	136 829	136 829
Loans and other receivables from customers	-	-	214	214
Hedging derivatives	-	-	136 370	136 370
Debt securities held for trading	-	-	245	245
Total	2 372 388	260 472	136 829	2 769 689

Interest expense

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Deposits from customers	(259 574)	(336 258)	8 486	(27 720)
Interbank deposits	(27 344)	(36 869)	(1 100)	(2 174)
Repo transactions	(59 859)	(90 026)	(8)	(26)
Loans and advances received	(25 264)	(40 570)	(6 406)	(12 851)
Leasing	(2 664)	(5 242)	(2 449)	(5 035)
Debt securities	(116 994)	(167 787)	(23 981)	(48 832)
Total	(491 699)	(676 752)	(25 458)	(96 638)

9. Fee and commission income and expense

Fee and commission income

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Accounts maintenance, payment orders and cash transactions	183 569	377 486	180 226	349 914
Payment cards	188 287	353 825	147 205	282 448
Loans and advances	119 697	223 698	124 102	218 272
Margin on foreign exchange transactions with clients	188 330	372 466	139 332	264 526
Service and sell investment and insurance products	96 552	187 430	119 757	236 627
Securities operations	26 940	60 973	30 637	68 539
Custody activity	17 568	36 315	17 250	33 285
Guarantees, letters of credit and similar transactions	21 727	41 681	18 914	36 780
Other	24 311	49 291	23 365	47 195
Total	866 981	1 703 165	800 788	1 537 586

Fee and commission expense

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Payment cards	(113 839)	(208 722)	(82 916)	(161 962)
Money orders and transfers	(6 489)	(12 464)	(5 337)	(10 630)
Securities and derivatives operations	(12 015)	(25 745)	(12 826)	(25 646)
Acquisition services	(5 291)	(9 089)	(13 574)	(26 117)
Custody activity	(6 066)	(12 656)	(6 394)	(12 186)
Accounts maintenance	(1 456)	(2 532)	(1 207)	(2 087)
Investment funds management	(618)	(1 338)	(278)	(487)
Other	(5 347)	(9 765)	(5 502)	(9 854)
Total	(151 121)	(282 311)	(128 034)	(248 969)

10. Dividend income

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Issuers of securities measured at fair value through profit or loss	1	277	20	20
Issuers of equity instruments designated at fair value through other comprehensive income	26 073	26 073	25 577	25 577
Total	26 074	26 350	25 597	25 597

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

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Gains (losses) on loans and advances to customers measured mandatorily at fair value through profit or loss	1 478	618	45	1 273
Gains (losses) on securities measured mandatorily at fair value through profit or loss	(21 627)	(17 657)	16 225	10 998
Foreign exchange result	(31 891)	20 386	72 727	73 181
Gains (losses) on derivatives	16 942	14 419	(29 880)	(5 107)
Gains (losses) on securities held for trading	(4 680)	(4 119)	5 442	12 821
Total	(39 778)	13 647	64 559	93 166

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

Realized gains

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Financial assets measured at amortised cost	3 236	4 190	2 897	6 582
Financial assets measured at fair value through other comprehensive income	2 864	8 207	21 111	28 747
Financial liabilities measured at amortized cost	57	64	-	-
Total	6 157	12 461	24 008	35 329

Realized losses

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Financial assets measured at amortised cost	(13 252)	(23 764)	(499)	(996)
Financial assets measured at fair value through other comprehensive income	-	-	(298)	(298)
Financial liabilities measured at amortized cost	-	(2)	(17)	(28)
Total	(13 252)	(23 766)	(814)	(1 322)

Net realized profit/loss	(7 095)	(11 305)	23 194	34 007
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13. Net allowances for expected credit losses

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Loans and other financial assets measured at amortized cost (*)	(207 969)	(345 641)	(284 182)	(471 485)
Debt securities measured at amortized cost	(595)	(31)	12 370	7 206
Loans measured at fair value through other comprehensive income	(679)	(145)	21 827	22 008
Debt securities measured at fair value through other comprehensive income	(768)	2 252	24 073	24 222
Off-balance sheet commitments	(20 503)	(12 757)	38 006	55 533
Provision for legal risk regarding foreign currency mortgage loans	(300 061)	(308 697)	(3 994)	(5 417)
Total	(530 575)	(665 019)	(191 900)	(367 933)

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

14. Other operating income and expenses

Other operating income

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Gains on disposal of property, plant and equipment	4 547	6 860	9 195	9 673
Premises rental income, terminals and IT equipment	5 759	11 302	5 171	10 279
Operating leasing net income (*)	1 335	1 670	1 087	1 674
Compensation, recoveries, penalty fees and fines received	2 784	7 329	4 819	7 897
Miscellaneous income	828	5 405	2 799	6 394
Recovery of debt collection costs	4 234	9 829	2 391	3 683
Net revenues from sale of products, goods and services	1 344	2 697	1 265	2 763
Other	3 053	7 402	1 217	4 318
Total	23 884	52 494	27 944	46 681

(*) Operating leasing net income

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Income from operating leases	3 165	5 368	3 053	5 554
Costs of depreciation of fixed assets provided under operating leases	(1 830)	(3 698)	(1 966)	(3 880)
Total	1 335	1 670	1 087	1 674

Other operating expenses

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Provision for liabilities disputable and other provisions (*)	(25 426)	(28 042)	(13 526)	(13 932)
Provision for legal risk regarding foreign currency mortgage loans	(104 256)	(110 562)	1 674	3 097
Credit and factoring debt collection costs	(5 841)	(13 125)	(6 590)	(12 377)
Loss on disposal of property, plant and equipment and intangible assets	(189)	(261)	(1 058)	(2 241)
Card transactions monitoring costs	(4 834)	(8 984)	(3 471)	(5 417)
Sundry expenses	(2 220)	(4 234)	(974)	(2 570)
Costs of litigation and claims	(2 903)	(4 850)	(666)	(1 500)
Impairment allowance on fixed assets, litigations and other assets	(47 438)	(46 472)	86	(1 179)
Compensation, penalty fees and fines	438	(1 141)	(816)	(1 095)
Other	(6 391)	(10 808)	(3 154)	(6 252)
Total	(199 060)	(228 479)	(28 495)	(43 466)

(*) The item also includes the provision for commission refunds in case of early repayment of consumer loans paid before the CJEU judgment and a provision for commission refunds for prepaid mortgage loans. (Note 32).

15. General administrative expenses and depreciation

Personnel expenses

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Wages and salaries	(487 412)	(958 799)	(446 527)	(1 008 579)
Insurance and other charges related to employees	(88 410)	(170 036)	(81 090)	(160 707)
Share-based payments expenses	(5 405)	(10 531)	(4 861)	(9 723)
Total	(581 227)	(1 139 366)	(532 478)	(1 179 009)

Other administrative expenses

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Overheads (*)	(353 403)	(559 731)	(229 603)	(430 041)
Tax on certain financial institutions	(214 375)	(416 133)	(177 696)	(353 156)
Fee paid for the Protection Scheme	(440 302)	(440 302)	-	-
Contributions to the Bank Guarantee Fund, including:	(57 040)	(324 259)	(28 861)	(232 218)
to the resolution fund	-	(210 179)	-	(170 592)
to the banks' guarantee fund	(57 040)	(114 080)	(28 861)	(61 626)
Fees to cover costs of supervision over banks (KNF)	(55)	(26 852)	(105)	(24 393)
Other taxes and fees	(10 519)	(20 543)	(10 014)	(19 722)
Total	(1 075 694)	(1 787 820)	(446 279)	(1 059 530)

(*) including: an increase in the II quarter of 2022 of the cost related to reclassification of part of IT expenses from intangible assets to administrative expenses in the amount of PLN 123.8 million.

Depreciation

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Property, plant and equipment	(80 790)	(162 779)	(78 793)	(160 699)
Intangible assets (*)	(59 324)	(154 322)	(81 727)	(156 904)
Total	(140 114)	(317 101)	(160 520)	(317 603)

(*) including: a decrease in the II quarter of 2022 in the cost related to reclassification of part of IT expenses from intangible assets to administrative expenses in the amount of PLN 41.0 million.

Total administrative expenses and depreciation	(1 797 035)	(3 244 287)	(1 139 277)	(2 556 142)
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16. Gains (losses) on associates

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Share in gains (losses) from associates				
Krajowy Integrator Płatności S.A.	565	1 657	355	355
Total	565	1 657	355	355

17. Income tax

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
INCOME STATEMENT				
Current tax	(34 372)	(52 273)	(148 862)	(330 332)
Current tax charge in the income statement	(24 319)	(40 177)	(142 488)	(323 951)
Adjustments related to the current tax from previous years	(9 444)	(11 190)	(5 994)	(5 994)
Other taxes (e.g. withholding tax)	(609)	(906)	(380)	(387)
Deferred tax	(257 441)	(574 980)	(40 810)	(14 793)
Occurrence and reversal of temporary differences	(257 441)	(574 980)	(40 810)	(14 793)
Tax charge in the consolidated income statement	(291 813)	(627 253)	(189 672)	(345 125)
EQUITY				
Deferred tax	308 775	608 042	80 567	183 017
Income and costs disclosed in other comprehensive income:				
revaluation of financial instruments - cash flows hedges	231 591	419 326	23 480	87 229
fair value revaluation through other comprehensive income	69 750	176 283	64 420	111 554
Tax on items that are or may be reclassified subsequently to profit or loss	301 341	595 609	87 900	198 783
Tax charge on items that will never be reclassified to profit or loss	7 434	12 433	(7 333)	(15 766)
fair value revaluation through other comprehensive income – equity securities	10 777	15 776	(7 333)	(15 766)
remeasurements the defined benefit liabilities	(3 343)	(3 343)	-	-
Total charge	16 962	(19 211)	(109 105)	(162 108)

18. Earnings per share

Basic earnings per share

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

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Net profit	467 925	1 375 090	604 780	850 428
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Earnings per share (in PLN per share)	1.78	5.24	2.30	3.24

Diluted earnings per share

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

As at 30 June 2022 and 30 June 2021 there were no diluting instruments in the form of convertible bonds in the Group.

	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Net profit	467 925	1 375 090	604 780	850 428
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 470 034	262 470 034	262 470 034	262 470 034
Diluted earnings per share (in PLN per share)	1.78	5.24	2.30	3.24

19. Dividends

On 15 June 2022, the Ordinary General Meeting of Bank Pekao S.A. adopted a resolution on the distribution of the Bank's profit for 2021. The amount of PLN 1 128 621 146.20 was allocated to the dividend for shareholders, with the amount of dividend per share being PLN 4.30. The dividend record date is 25 July 2022, and the dividend payment date is 4 August 2022.

20. Cash and balances with Central Bank

CASH AND DUE FROM CENTRAL BANK	30.06.2022	31.12.2021
Cash	4 626 774	3 699 683
Current account at Central Bank	8 224 798	996 945
Placements	20 977	-
Other	98	67
Gross carrying amount	12 872 647	4 696 695
Impairment allowances	(6 890)	(75)
Net carrying amount	12 865 757	4 696 620

21. Loans and advances to banks

Loans and advances to banks by product type

	30.06.2022	31.12.2021
Current accounts	1 289 543	271 163
Interbank placements	5 495 374	623 227
Loans and advances	175 411	156 073
Cash collaterals	2 239 168	1 458 469
Reverse repo transactions	698 972	583 012
Cash in transit	204 719	237 324
Total gross amount	10 103 187	3 329 268
Impairment allowances	(2 701)	(1 181)
Total net amount	10 100 486	3 328 087

22. Derivative financial instruments (held for trading)

Fair value of trading derivatives

30.06.2022	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	15 972 390	15 996 229
Forward Rate Agreements (FRA)	15 505	18 328
Options	66 325	89 390
Other	849	839
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	158 671	118 259
Currency Forward Agreements	469 512	650 969
Currency Swaps (FX-Swap)	563 546	207 472
Options for currency and gold	133 273	111 732
Transactions based on equity securities and stock indexes		
Options	3 007	2 991
Other	-	-
Transactions based on commodities and precious metals		
Options	42 804	42 771
Other	1 054 064	1 020 028
Total	18 479 946	18 259 008

Fair value of trading derivatives

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

23. Loans and advances to customers

Loans and advances to customers by product type

	30.06.2022			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	79 278 039	130 458	10 917	79 419 414
Current accounts	14 296 501	-	-	14 296 501
Operating loans	12 183 733	-	10 075	12 193 808
Investment loans	25 778 394	260 156	12 319	26 050 869
Cash loans	13 163 080	-	-	13 163 080
Payment cards receivables	1 074 483	-	-	1 074 483
Financial leasing	9 103 077	-	-	9 103 077
Factoring	7 819 083	-	-	7 819 083
Other loans and advances	7 320 813	-	109 526	7 430 339
Reverse repo transactions	1 332 625	-	-	1 332 625
Cash in transit	47 496	-	-	47 496
Gross carrying amount	171 397 324	390 614	142 837	171 930 775
Impairment allowances (*) (**)	(8 694 290)	-	-	(8 694 290)
Net Carrying amount	162 703 034	390 614	142 837	163 236 485

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 4 023 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 797 601 thousand.

Loans and advances to customers by product type

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

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 877 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

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

Loans and advances to customers by customer type

	30.06.2022					TOTAL
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	NET CARRYING AMOUNT			
Corporate	88 223 843	(5 545 393)	82 678 450	390 614	21 146	83 090 210
Individuals	81 185 514	(3 029 312)	78 156 202	-	109 526	78 265 728
Budget entities	1 987 967	(119 585)	1 868 382	-	12 165	1 880 547
Loans and advances to customers	171 397 324	(8 694 290)	162 703 034	390 614	142 837	163 236 485

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 4 023 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 797 601 thousand.

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

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 877 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

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

24. Securities

	30.06.2022	31.12.2021
Debt securities held for trading	703 659	499 727
Debt securities measured at amortised cost	40 017 258	44 276 101
Debt securities measured at fair value through other comprehensive income	17 335 219	21 954 170
Equity instruments held for trading	1 661	1 061
Equity instruments designated for measurement at fair value through other comprehensive income	335 609	418 012
Equity instruments mandatorily measured at fair value through profit or loss	171 970	171 496
Total	58 565 376	67 320 567

Debt securities held for trading

	30.06.2022	31.12.2021
Debt securities issued by central governments	493 273	212 941
T- bills	-	-
T- bonds	493 273	212 941
Debt securities issued by banks	53 362	94 264
Debt securities issued by business entities	156 556	192 205
Debt securities issued by local governments	468	317
Total	703 659	499 727

Debt securities measured at amortised cost

	30.06.2022	31.12.2021
Debt securities issued by State Treasury	18 960 759	23 834 022
T-bills	-	-
T-bonds	18 960 759	23 834 022
Debt securities issued by central banks	28 675	20 893
Debt securities issued by banks	8 695 053	8 337 709
Debt securities issued by business entities	8 972 589	8 793 876
Debt securities issued by local governments	3 360 182	3 289 601
Total	40 017 258	44 276 101
including impairment of assets	(123 851)	(132 754)

Debt securities measured at fair value through other comprehensive income

	30.06.2022	31.12.2021
Debt securities issued by State Treasury	9 337 171	13 126 929
T-bills	-	-
T-bonds	9 085 301	12 876 749
Other	251 870	250 180
Debt securities issued by central banks	-	-
Debt securities issued by banks	3 309 258	3 409 191
Debt securities issued by business entities	2 864 683	3 411 382
Debt securities issued by local governments	1 824 107	2 006 668
Total	17 335 219	21 954 170
including impairment of assets (*)	(45 971)	(48 628)

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

Equity securities held for trading

	30.06.2022	31.12.2021
Shares	1 661	1 061
Total	1 661	1 061

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

	30.06.2022	31.12.2021
Shares	335 609	418 012
Total	335 609	418 012

Equity instruments mandatorily measured at fair value through profit or loss

	30.06.2022	31.12.2021
Shares	171 970	171 496
Total	171 970	171 496

25. Assets pledged as security for liabilities

TYPE OF TRANSACTION AS AT 30.06.2022	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES)	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	Bonds held for trading (measured at fair value through profit or loss)	44 426	51 930	44 420
Repo transactions	Bonds measured at amortised cost	5 646 417	5 570 000	5 300 193
Repo transactions	Bonds measured at fair value through other comprehensive income	649 713	703 080	649 406
Total		6 340 556	6 325 010	5 994 019

TYPE OF TRANSACTION AS AT 31.12.2021	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES)	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	Bonds held for trading (measured at fair value through profit or loss)	48 474	49 104	48 590
Repo transactions	Bonds measured at fair value through other comprehensive income	797 623	800 000	799 631
Total		846 097	849 104	848 221

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

TYPE OF TRANSACTION AS AT 30.06.2022	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	788 934	740 000	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	bonds	202 630	200 000	173 465
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	bonds	469 815	493 400	309 539
Lombard and technical loan	bonds	5 037 874	5 797 643	-
Other loans	bonds	317 015	315 200	266 360
Debt securities issued	loans, bonds	1 379 980	1 395 474	955 080
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	29 398	29 398	-
Derivatives	bonds	147 199	145 288	105 478
Uncommitted Collateralized Intraday Technical Overdraft Facility Agreement	bonds	28 370	32 764	-

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

26. Intangible assets

	30.06.2022	31.12.2021
Intangible assets, including:	1 369 983	1 551 830
research and development expenditures	10 537	10 624
licenses and patents	858 415	913 080
other	125 609	130 842
assets under construction	375 422	497 284
Goodwill	748 552	748 552
Total	2 118 535	2 300 382

27. Property, plant and equipment

	30.06.2022	31.12.2021
Non-current assets, including:	1 584 814	1 720 780
land and buildings	978 591	1 099 493
machinery and equipment	382 345	387 813
transport vehicles	117 909	122 782
other	105 969	110 692
Non-current assets under construction and prepayments	53 613	109 451
Total	1 638 427	1 830 231

In the period from 1 January to 30 June 2022 the Group acquired 'Property, plant and equipment' amounted PLN 31 638 thousand (in 2021 - PLN 230 637 thousand), while the value of property, plant and equipment sold amounted to PLN 9 118 thousand (in 2021 - PLN 28 317 thousand).

In the period from 1 January to 30 June 2022 and in 2021 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 30 June 2022 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 12 430 thousand, (as at 31 December 2021 - PLN 8 498 thousand).

28. Amounts due to other banks

Amounts due to other banks by product type

	30.06.2022	31.12.2021
Current accounts	991 415	844 693
Interbank deposits and other liabilities	2 445 880	2 275 862
Loans and advances received	4 700 690	4 577 576
Repo transactions	4 057 510	848 221
Cash in transit	324 930	29 031
Lease liabilities	103	86
Total	12 520 528	8 575 469

29. Financial liabilities held for trading

Financial liabilities held for trading by issuer and product type

	30.06.2022	31.12.2021
Debt securities issued by central governments	649 443	639 733
t- bonds	649 443	639 733
Total	649 443	639 733

30. Amounts due to customers

Amounts due to customers by entity and product type

	30.06.2022	31.12.2021
Amounts due to corporate, including:	69 418 775	61 716 411
current accounts	59 533 776	59 747 288
term deposits and other liabilities	9 884 999	1 969 123
Amounts due to budget entities, including:	20 078 822	16 420 528
current accounts	14 818 583	16 369 501
term deposits and other liabilities	5 260 239	51 027
Amounts due to individuals, including:	110 684 283	116 346 734
current accounts	95 029 747	105 422 043
term deposits and other liabilities	15 654 536	10 924 691
Repo transactions	1 936 510	-
Cash in transit	756 604	320 304
Lease liabilities	339 074	357 966
Total	203 214 068	195 161 943

31. Debt securities issued

Debt securities issued by type

	30.06.2022	31.12.2021
Liabilities from bonds	3 720 450	4 086 984
Certificates of deposit	2 734 427	178 573
Mortgage bonds	944 292	1 089 798
Total	7 399 169	5 355 355

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

32. Provisions

Changes in provisions in the reporting period

I HALF 2022	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	211 909	17 330	240 368	360 133	53 368	883 108
Provision charges/revaluation	140 548	-	9 987	209 141	10 531	370 207
Provision utilization	(11 037)	(3 299)	(20 870)	-	(376)	(35 582)
Provision releases	(1 944)	-	-	(196 384)	-	(198 328)
Foreign currency exchange differences	755	-	-	4 380	-	5 135
Other changes	-	-	(17 594)	-	-	(17 594)
Closing balance	340 231	14 031	211 891	377 270	63 523	1 006 946
Short term	4 343	14 031	349	85 125	512	104 360
Long term	335 888	-	211 542	292 145	63 011	902 586

(*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 236 611 thousand and a provision for early repayments of consumer and mortgage loans in the amount of PLN 36 459 thousand as at 30 June 2022.

2021	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	178 589	81 077	294 880	383 415	50 743	988 704
Increase due to acquisition of part of Idea Bank S.A. activity	392	-	-	1 608	-	2 000
Provision charges/revaluation	60 774	72 385	18 013	196 880	14 793	362 845
Provision utilization	(24 343)	(136 132)	(24 874)	-	(12 168)	(197 517)
Provision releases	(4 372)	-	-	(222 285)	-	(226 657)
Foreign currency exchange differences	587	-	-	515	-	1 102
Other changes	282	-	(47 651)	-	-	(47 369)
Closing balance	211 909	17 330	240 368	360 133	53 368	883 108
Short term	2 785	17 330	14 456	61 895	848	97 314
Long term	209 124	-	225 912	298 238	52 520	785 794

(*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 130 185 thousand and a provision for early repayments of consumer loans in the amount of PLN 16 107 thousand as at 31 December 2021.

Provisions for litigation and claims

Provisions for litigation and claims include court, administrative and other legal proceedings. Provisions for litigation and claims were estimated in the amount of expected outflow of resources embodying economic benefits.

Provisions for litigation and claims also include the part of total provision created for legal risk related to foreign currency mortgage loans in CHF, in part relating to exposures already repaid (fully or partially). Details about the above provisions are presented in Note 36.2 of these condensed interim consolidated financial statements.

An issue related to the judgment of the Court of Justice of the European Union regarding consumer credit agreements

On 11 September 2019, the Court of Justice of the European Union (hereinafter the 'CJEU') issued a judgment in Case C-383/18 concerning preliminary questions regarding the consumer's right to reduce the total cost of loan in the event of early repayment of consumer loan.

The Group analyzed the legal risk resulting from the above judgment and in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets,' assessed the probability of cash outflow as a refund of commission in connection with early repayment of loans made by borrowers before the abovementioned judgment of the CJEU.

For the purpose of estimating the aforementioned provision, the Group performed an analysis of data on early repayment of loans and complaints. As a result of the above, the Group has determined a matrix of probability of repayment depending on the amount of commission to be repaid and the period when the earlier repayment was made.

As at 30 June 2022 the provision regarding early repayment of consumer loans made before the judgment of the CJEU (i.e. before 11 September 2019) amounts to PLN 9.9 million (as at 31 December 2021 - PLN 16.1 million).

The estimates required the Group to adopt expert assumptions and are associated with uncertainty. The Group monitors the validity of all assumptions adopted in the process of creating the above provision on an ongoing basis.

In the case of early repayment of consumer loans made by borrowers after the judgment of the CJEU (i.e. after 11 September 2019), the Group automatically reduces the borrower's total cost of loan and returns the funds to the customer.

The Group also reimburses its customers a part of the mortgage loan costs incurred, in the event of early full and partial repayment of the mortgage loan resulting in a shortening of the loan period, granted to consumers under a loan agreement concluded from 22 July 2017 (date of entry into force of the Act on Mortgage Loans and Supervision of Mortgage Brokers and Agents). As at 30 June 2022, the balance of the provision created for this purpose is PLN 32.2 million (including the amount of PLN 5.7 million for the current reimburses presented in the line 'Other liabilities').

In addition, with respect to balance sheet exposures consumer loans and mortgage loans as at 30 June 2022, the Group estimated possible future prepayments of these exposures. In accordance with the above, the Group recognized the amount of PLN 32.3 million in 'Other liabilities' (as at 31 December 2021 - PLN 13.8 million).

The performed estimates required the Group to adopt expert assumptions and are associated with uncertainty. The Group monitors the validity of all the assumptions adopted in the process of creating the aforementioned provision on an ongoing basis.

Provisions for defined benefits plans

Provisions for defined benefits plans consist of provisions for retirement benefits and death-in-service benefits. The present value of such obligations is measured by an independent actuary using the projected unit credit method.

Other provisions

Other provisions include in particular provisions for other employee benefits.

33. Contingent commitments

Court cases

As of 30 June 2022 the following court cases for payment are pending with involvement of the Group, that are important in view of the value of the object of litigation:

- 1) in the group of liabilities (against the Group):
 - brought by the receiver for a joint stock company in liquidation bankruptcy – lawsuit for payment of compensation for a damage incurred as a result of the Bank's demanding immediate payment of the amounts due in virtue of payment of the price from the credit receivables transfer agreement and conducting debt enforcement collection of the portion of the price remaining for payment by a court enforcement officer, value of the object of litigation PLN 57 450 130 litigation initiation date – 30 April 2015, in the present factual and legal circumstances the Bank assesses the funds outflow risk as possible,
 - brought by a natural person – lawsuit for payment by the Bank of an amount charged by virtue of settlement of financial future or forward transactions, value of the object of litigation PLN 38 916 555.18, litigation initiation date – 2 October 2016, on 6 May 2019 the Regional Court in Warsaw issued a sentence ordering the Bank to pay the amount of PLN 3 392 349.18 and as to the remainder the Court dismissed the suit, the sentence is not legally valid, the Bank and the plaintiff appealed against the judgment. On the 16 December 2020 the Court of Appeal in Warsaw quashed the sentence of the Regional Court in its entirety and remitted the case to that Court. The Bank maintains it is current assessment of the risk of outflow of found and, in terms of the amount awarded by the Regional Court, the Bank assesses the funds outflow risk as probable and in the remaining scope as possible,
 - brought by a legal person – lawsuit for payment of compensation for the loss of value of the leased assets; value of the object of litigation PLN 21 001 551, litigation initiation date – 10 March 2011, in the present factual and legal circumstances the Bank assesses the funds outflow risk as minor,
 - brought by a legal person – lawsuit for payment of damages for a tort and improper performance of a bank account agreement in connection with the execution of payment instructions from the plaintiff's bank accounts, value of the object of litigation PLN 14 579 152.50, litigation initiation date – 17 August 2015, in the present factual and legal circumstances, the Bank assesses the funds outflow risk as possible.
- 2) in the group of receivables (brought by the Group):
 - Bank's lawsuit for payment against limited debtor by virtue of mortgage collateralizing repayment of the granted credit, value of the object of litigation PLN 132 877 901, litigation initiation date – 21 January 2016,
 - Bank's lawsuit for payment against limited debtor by virtue of mortgage collateralizing repayment of the Bank's receivables resulting from banking activities, value of the object of litigation PLN 46 695 088, litigation initiation date – 15 September 2010, invalid sentence of the Regional Court in Warsaw of 13 January 2015 awarding for the benefit of the Bank the amount of PLN 40 425 047,

- proceedings on the Bank's appeal against the decision of the President of the Office of Competition and Consumer Protection of 16 October 2020, pursuant to which the provisions on the rules for determining exchange rates in the exchange rate table, used by the Bank in annexes to currency-denominated mortgage loan agreements, value of the object of litigation PLN 21 088 807, litigation initiation date – 16 November 2020, on 14 July 2022 the Regional Court in Warsaw issued a sentence revoking the contested decision, the sentence is not final,
- Bank's lawsuit for payment against a legal person for improper performance of the agreement on the term and procedure of assigning receivables from leasing transactions and their redemption, value of the object litigation PLN 20 485 377.32, litigation initiation date – 12 June 2002.

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

The Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the provisions as at 30 June 2022 is PLN 340 231 thousand (PLN 211 909 thousand as at 31 December 2021).

In addition, as at 30 June 2022 the Group assessed the legal risk of foreign currency mortgage loans in CHF and created a provision related to this risk. Details are presented in Note 36.2.

Financial commitments granted

Financial commitments granted by entity

	30.06.2022	31.12.2021
Financial commitments granted to:		
banks	523 399	623 903
customers	44 070 594	42 259 888
budget entities	856 897	341 534
Total	45 450 890	43 225 325

Guarantees issued

Guarantees issued by entity

	30.06.2022	31.12.2021
Issued to banks:	1 516 292	1 716 034
guarantees	1 410 568	1 590 262
securities' underwriting guarantees	-	-
confirmed export letters of credit	105 724	125 772
Issued to customers	10 055 860	11 330 096
guarantees	7 416 987	8 106 033
securities' underwriting guarantees	2 274 674	2 865 321
sureties	364 199	358 742
Issued to budget entities:	1 141 933	1 401 817
guarantees	23 162	26 522
securities' underwriting guarantees	1 118 771	1 375 295
Total	12 714 085	14 447 947

Off-balance sheet commitments received

Off-balance sheet commitments received by entity

	30.06.2022	31.12.2021
Financial received from:	741 070	1 127 531
banks	335 291	927 533
customers	405 779	199 998
budget entities	-	-
Guarantees received from:	26 605 665	23 179 416
banks	12 780 342	11 656 688
customers	12 299 953	10 357 310
budget entities	1 525 370	1 165 418
Total	27 346 735	24 306 947

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

34. Additional information to the consolidated cash flow statement

Cash and cash equivalents

	30.06.2022	30.06.2021
Cash and amounts due from Central Bank	12 865 757	7 606 790
Loans and receivables from banks with maturity up to 3 months	9 722 381	2 071 996
Cash and Cash equivalents presented in the cash flow statement	22 588 138	9 678 786

Restricted availability cash and cash equivalents as at 30 June 2022 amounted to PLN 8 217 909 thousand (PLN 4 037 803 thousand as at 30 June 2021).

35. Related party transactions

The transactions between the Bank and related parties are typical transactions arising from current operating activities conducted by the Bank. Such transactions mainly include loans, deposits, foreign currency transactions and guarantees.

The credit granting process applicable to the Bank's management and entities related to the Bank

According to the Banking Act, credit transactions with Members of the Bank's Management Board and Supervisory Board, persons holding managerial positions at the Bank, with the entities related financially or organizationally therewith, shall be effected according to Regulation adopted by the Supervisory Board of the Bank.

The Regulation provides detailed decision-making procedures, applicable to transactions with such persons and entities, also defining the decision-making levels authorized to take decisions. In particular, the transactions with the Members of the Bank's Management Board or Supervisory Board or with an entity related therewith financially or organizationally, are subject to decisions taken by the Bank's Management Board and Supervisory Board.

Members of the Bank's Management Board and entities related therewith financially or organizationally may take advantage of credit products offered by the Bank on standard terms and conditions of the Bank. In particular, the Bank may not offer more advantageous credit interest rates to such persons or entities.

Credit risk assessment is performed using the methodology applied by the Bank, tailored to the client's segment and type of transaction.

In case of entities related to the Bank, the standard credit procedures are applied, with transaction-related decisions taken exclusively at level of the Bank's Head Office.

Related party transactions

Related party transactions as at 30 June 2022

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank's parent entity	11 855	-	6 129	6 971	173 190	-	230 717
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	3 833	-	5 216	15 081	239 177	280	796
Subsidiaries of Bank Pekao S.A Group entities							
Krajowy Integrator Platności S.A.	-	-	-	14	27 433	-	-
Key management personnel of the Bank Pekao S.A.	774	-	-	-	2 954	-	-
Total	16 462	-	11 345	22 066	442 754	280	231 513

Related party transactions as at 31 December 2021

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank's parent entity	11 838	-	4 061	4 770	151 803	-	1 976
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	618	-	209	9 455	181 649	802	996
Subsidiaries of Bank Pekao S.A Group entities							
Krajowy Integrator Platności S.A.	-	-	-	7	50 743	-	-
Key management personnel of the Bank Pekao S.A.	654	-	-	-	2 508	-	-
Total	13 110	-	4 270	14 232	386 703	802	2 972

Income and expenses from transactions with related parties for the period from 1 January 2022 to 30 June 2022

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	(908)	(2 266)	23 085	(170)	1 082	(889)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	112	(1 501)	25 558	(157)	1 044	(15 444)
Subsidiaries of Bank Pekao S.A Group entities						
Krajowy Integrator Płatności S.A.	-	-	151	-	-	-
Key management personnel of the Bank Pekao S.A.	22	(6)	-	-	-	-
Total	(774)	(3 773)	48 794	(327)	2 126	(16 333)

Income and expenses from transactions with related parties for the period from 1 January 2021 to 30 June 2021

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	(889)	-	24 155	(431)	455	(255)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	(1)	(2)	26 400	(106)	1 009	(11 641)
Subsidiaries of Bank Pekao S.A Group entities						
Krajowy Integrator Płatności S.A.	-	-	148	-	-	-
Key management personnel of the Bank Pekao S.A.	25	-	-	-	-	-
Total	(865)	(2)	50 703	(537)	1 464	(11 896)

Off-balance sheet financial liabilities and guarantees as at 30 June 2022

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	2 757	106 994	-	538 269
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	5 621	102 093	-	-
Subsidiaries of Bank Pekao S.A Group entities				
Krajowy Integrator Płatności S.A.	-	1 300	-	-
Key management personnel of the Bank Pekao S.A.	253	-	-	-
Total	8 631	210 387	-	538 269

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

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

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

	VALUE OF BENEFITS	
	I HALF 2022	I HALF 2021
Management Board of the Bank		
Short-term employee benefits (*)	5 268	4 663
Post-employment benefits	-	410
Long-term benefits (**)	1 989	1 735
Share-based payments (***)	1 951	1 571
Total	9 208	8 379
Supervisory Board of the Bank		
Short-term employee benefits (*)	746	595
Total	746	595

(*) Short-term employee benefits include: base salary, bonuses and other benefits due in next 12 months from the date of the balance sheet.

(**) The item 'Other long-term benefit' includes: provisions for deferred bonus payments.

(***) The value of share-based payments is a part of Personnel Expenses, recognized according to IFRS 2 during the reporting period in the income statement, representing the settlement of fair value of share options and shares, including phantom shares, granted to the Members of the Bank's Management Board.

The Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associates in the period from 1 January to 30 June 2022 and in the period from 1 January to 30 June 2021.

Remuneration expenses of Supervisory Boards and Management Boards of subsidiaries

	VALUE OF BENEFITS	
	I HALF 2022	I HALF 2021
Companies' Management Boards		
Short-term employee benefits	7 124	6 255
Post-employment benefits	600	463
Long-term benefits	-	-
Paid termination benefits	242	-
Total	7 966	6 718
Companies' Supervisory Boards		
Short-term employee benefits	337	532
Total	337	532

36. Risk management and fair value

36.1. Credit risk

The general framework for the risk management, credit risk mitigation methods and rating models did not change substantially compared to those described in the in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

Due to the risk:

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

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

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

Armed conflict in Ukraine

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

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

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

In the second quarter of 2022, the Group selected clients operating in high-risk industries and increased their PD level (by 20%-50% depending on the risk assessment), which consequently led to an increase in the expected credit losses in the working portfolio by PLN 59 million. The analysis of the industries took into account the impact of the armed conflict in Ukraine. The impact was taken into account for loans with a total gross carrying amount of PLN 11 075 million. Higher risk industries included in particular land and pipeline transport, trade, rental and production of means of transport, production of metal products.

As at 30 June 2022, the Group's balance sheet net exposure to countries involved in the conflict amounted to PLN 254 million (which represents 0.15% of the Group's total exposure).

The tables below present the Group's exposures to countries involved in the armed conflict in Ukraine as at 30 June 2022 and 31 December 2021.

30.06.2022	UKRAINE	RUSSIA	BELARUS	TOTAL
Balance sheet exposures				
Loans and advances to banks	-	-	143 324	143 324
Loans and advances to customers (including receivables from finance leases)	39 152	70	75 390	114 612
Gross carrying amount	39 152	70	218 714	257 936
Impairment allowances	(783)	(41)	(2 940)	(3 764)
Net carrying amount	38 369	29	215 774	254 172
Off- balance sheet exposures				
Financial commitments granted	177	11	81 742	81 930
Guarantees issued	-	70 209	-	70 209
Total nominal value	177	70 220	81 742	152 139
Impairment allowances of granted off-balance sheet liabilities	-	(7 021)	(817)	(7 838)

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

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

Changes in the methodology of calculation an expected credit losses

In the second quarter of 2022, the Bank introduced changes to the rules for calculating allowances related to the implementation of the updated Recommendation R of the Polish Financial Supervision Authority. The changes included:

- 1) The use of the so-called New Default Definition ('NDD') in line with the EBA/GL/2016/07 guidelines,
- 2) Updating the portfolio segmentation to bring it into line with NDD,
- 3) Reconstruction of the default probability ('PD') model to better reflect the risk level dependence of the exposure age for retail portfolios,
- 4) Reconstruction of the Transfer Logic ('TL') model in order to ensure that the thresholds for classification to Stage 2 remain unchanged during the term of the contract, as expected by the Polish Financial Supervision Authority,
- 5) Other changes related to the above (including recalibration of other models).

The main changes related to the implementation of NDD in the area of calculation an expected credit losses (in terms of the capital adequacy, NDD was implemented at the beginning of 2021) are: adjustment of segmentation (division of the portfolio into retail and non-retail clients with an additional division of retail clients into sub-portfolios by segment or product) taking into account the relative threshold in the calculation of the days past due, adjustment of the absolute threshold in the calculation of days past due, adjustment of the rules of contagion of default exposures, taking into account the quarantine for qualitative premises and taking into account additional qualitative indications of unlikelihood to pay.

In area of segmentation, the division of portfolios for all relevant models used in the estimation of allowances was adjusted to the segmentation used under NDD, which was not ensured in the previous approach, where the segmentation for each model was independent. The alignment addresses the highest level of segmentation and ensures consistency in the application of NDD and all models used. At the lower level of segmentation, the divisions appropriate for the modeled observation / risk parameter are used.

In area of the PD model, changes are of a different nature for the modeled portfolios (for which the Bank has sufficient historical data and uses them to set risk parameters) and benchmark portfolios (for which it does not have sufficient data and determines risk parameters based on internal benchmarks extrapolated from other portfolios or external data). The main change for the modeled portfolios in relation to the current approach is the use of the migration matrix, instead of the survival analysis, to estimate the risk of default, which in a more consistent way allows for taking into account time dependencies such as the survival effect (quick entry into default loans with high PD and improvement of quality credit portfolio) or the effect of negative selection (faster repayment of good loans and remaining in the portfolio of loans with an average higher risk in the late years after origination). Additionally, migration matrices allow for effective use of historical data to determine the dependence of PD on credit age and are resistant to potential data disturbances, which is important when using long time series. For benchmark portfolios, the most important change consists in replacing the periodic expert assessment used so far with an algorithmic approach based on the long-term average loss ratio of the analyzed portfolio, or with the external rating of the exposure / client.

As regards the TL model, the approach was completely rebuilt in order to meet the requirements of Recommendation R. The measure of credit risk change was simplified, which is determined as the quotient of the average annual PD value over the exposure life horizon as at the reporting date and the initial recognition date determined in accordance with the previous paragraph. The increase in risk measured by this measure is considered significant if it exceeds the established threshold. This threshold is 2 increased by the calibration parameter 'a'. Calibration of parameter 'a' is performed separately for each homogeneous group of portfolios modeled to correspond to the Group's risk appetite in the period at the time of origination the transaction. The parameter 'a' determined in a given quarter is assigned to all exposures that will be defined as initially recognized in the next quarter of the recognition and parameter is constant during the life of the exposure. The described criterion of classification to Stage 2 allows to minimize the deviations of the exposure valuation from the hypothetical valuation in which the write-offs would be estimated as a change in the lifetime loss expected from the moment of initial recognition. The second quantitative criterion for classification into Stage 2 is the value of one-year PD determined using scoring / rating models above the level of 25%. This criterion results from the fact that the Bank granting loans does not accept the risk higher than approximately 10%. A 25% PD therefore by definition means a significant increase in credit risk. The last quantitative criterion for classification into Stage 2 is the benchmarking results based on NBP data and the average long-term DR (default rate) of a given portfolio. If the share of Stage 2 in the Bank is lower than the long-term average for the polish banking sector in a given portfolio (or three times DR), then the Bank classifies exposures into the Stage 2 until the average is reached, where the credits are moved in the order corresponding to their distance from Stage 2 in based on the other 2 criteria mentioned before. This approach ensures, to the minimum extent required, the consistency of the shares of Stages in the Bank with the average share in the banking sector. The described solution replaced the quantile regression used so far in order to statistically identify significant changes in risk. Each of the three criteria described is applied separately.

The other significant changes to the models concerned the consistency of segmentation for other models from NDD (for the recovery rate / RR / and exposures at default / EAD / models) and the calculation of these risk parameters into NDD time series.

However, compared to the end of 2021, the bank did not introduce any significant changes in portfolio quality forecasting and continues to use trend analysis for retail portfolios and quantitative / expert analysis for the other portfolios. In particular, due to the instability of internal and external conditions, the probability of the pessimistic scenario (50%) is still high.

In total, the changes described above did not have a significant impact on the level of expected credit losses on the date of implementation (end of April). The amount of impairment losses for the Bank decreased by PLN 3 million. Changes in the default definition resulted in decrease in the level of assets classified in Stage 3 by PLN 147 million gross carrying amount, mainly due to the implementation of a relative threshold (1%) in the calculation of days past due.

Sensitivity analysis concerning the forecast of the macroeconomic situation

The Bank determines expected credit losses taking into account three scenarios for the macroeconomic situation: base (assumed for the calculation as the most probable – 45%), optimistic (assuming positive changes in the quality of the portfolio in subsequent years as compared to the baseline scenario, with 5% probability of realization) and pessimistic (assuming negative changes in the situation in the following years compared to the baseline scenario, with a probability of 50%).

The changes in expected credit losses presented in the table below for exposures without impairment were designated as the difference between the expected credit losses calculated for a specific macroeconomic scenario and expected credit losses calculated taking into account all scenarios macroeconomic factors weighted with the probability of their realization (in accordance with IFRS 9).

30.06.2022	BASE SCENARIO	OPTIMISTIC SCENARIO	PESYMIC SCENARIO
Change in the level of expected credit losses for exposures without impairment (Stage1 and 2), assuming 100% realization of the scenario	(171.9)	(1 013.1)	313.5

The table below presents the results of the ECL sensitivity analysis for the assumed changes in PD and RR/LGD parameters carried out separately for exposures subject to individual and group analysis. For the exposures included in the Bank analysis, the PD and recovery rate (1-RR=LGD) increase and decrease by 1% and 5% scenario were presented compared to the values used to calculate the expected credit loss as of date 30 June 2022. For the exposures analyzed individually, the estimated impact is presented as a reduction of recoveries from collaterals included in the debt collection scenario by 10%.

Changes in impairment allowances level (ECL) in different scenarios of changing the influencing parameters for the calculation of write-offs (in millions of zlotys).

PARAMETER DELTA	SCENARIO		
	GROUP ANALYSIS		INDIVIDUAL ANALYSIS
	PD CHANGE	RECOVERY RATE CHANGE (1-LGD)	PD CHANGE
-10.0%	n/a	n/a	74.8
-5.0%	(88.9)	185.5	n/a
-1.0%	(17.5)	37.0	n/a
1.0%	18.0	(36.9)	n/a
5.0%	88.8	(180.8)	n/a

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

	LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)				TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT	
GROSS CARRYING AMOUNT					
GROSS CARRYING AMOUNT AS AT 1.01.2022	4 276 944	49 296	-	40	4 326 280
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(143 364)	-	143 364	-	-
New / purchased / granted financial assets	15 689 681	-	-	-	15 689 681
Financial assets derecognised, other than write-offs (repayments)	(1 672 788)	(49 187)	-	-	(1 721 975)
Financial assets written off (**)	-	-	(41)	-	(41)
Other, including changes resulting from exchange rates	55 122	1	-	(8)	55 115
GROSS CARRYING AMOUNT AS AT 30.06.2022	18 205 595	110	143 323	32	18 349 060
IMPAIRMENT ALLOWANCE					
IMPAIRMENT ALLOWANCE AS AT 1.01.2022	1 255	-	-	1	1 256
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(770)	-	770	-	-
New / purchased / granted financial assets	170	-	-	-	170
Financial assets derecognised, other than write-offs (repayments)	(256)	-	-	-	(256)
Financial assets written off (**)	-	-	(41)	-	(41)
Changes in level of credit risk (excluding the transfers between the Stages)	6 783	-	1 177	-	7 960
Other, including changes resulting from exchange rates	502	-	-	-	502
IMPAIRMENT ALLOWANCE AS AT 30.06.2022	7 684	-	1 906	1	9 591

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

(**) Including the value of contractual interest subject to partial write-off in the amount of PLN 41 thousand.

LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)					
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT	
GROSS CARRYING AMOUNT					
GROSS CARRYING AMOUNT AS AT 1.01.2021	2 729 506	168	-	86	2 729 760
Increases due to the acquisition of part of the activities of Idea Bank S.A.	1 295 830	-	-	-	1 295 830
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(49 187)	49 187	-	-	-
Transfer to Stage 3	-	-	-	-	-
New / purchased / granted financial assets	3 301 324	-	-	-	3 301 324
Financial assets derecognised, other than write-offs (repayments)	(2 976 180)	-	-	(3)	(2 976 183)
Financial assets written off (**)	-	-	-	-	-
Other, including changes resulting from exchange rates	(24 349)	(59)	-	(43)	(24 451)
GROSS CARRYING AMOUNT AS AT 31.12.2021	4 276 944	49 296	-	40	4 326 280
IMPAIRMENT ALLOWANCE					
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	1 232	-	-	4	1 236
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
New / purchased / granted financial assets	1 274	-	-	-	1 274
Financial assets derecognised, other than write-offs (repayments)	(87)	-	-	-	(87)
Financial assets written off (**)	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	4 594	-	-	(3)	4 591
Other, including changes resulting from exchange rates	(5 758)	-	-	-	(5 758)
IMPAIRMENT ALLOWANCE AS AT 31.12.2021	1 255	-	-	1	1 256

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

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

TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED))		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
GROSS CARRYING AMOUNT									
GROSS CARRYING AMOUNT AS AT 1.01.2022	132 465 053	25 032 106	4 501 279	3 541 375	983 888	166 523 701	115 140	130 689	245 829
Transfer to Stage 1	8 762 477	(8 539 248)	(135 231)	(87 998)	-	-	-	-	-
Transfer to Stage 2	(7 131 494)	7 431 958	(14 781)	(285 683)	-	-	-	-	-
Transfer to Stage 3	(1 964 209)	(797 438)	1 438 714	1 322 933	-	-	-	-	-
New / purchased / granted financial assets	27 927 645	-	-	-	17 694	27 945 339	150 000	-	150 000
Financial assets derecognised, other than write-offs (repayments)	(20 699 927)	(1 723 835)	(1 100 954)	(182 977)	(65 702)	(23 773 395)	(2 753)	(3 345)	(6 098)
Financial assets written off (*)	-	-	(112 421)	(163 261)	(154)	(275 836)	-	-	-
Modifications not resulting in derecognition	(1 654)	(942)	-	(88)	(22)	(2 706)	-	-	-
Other, including changes resulting from exchange rates	287 463	235 239	157 958	105 039	194 522	980 221	(2 234)	3 117	883
GROSS CARRYING AMOUNT AS AT 30.06.2022	139 645 354	21 637 840	4 734 564	4 249 340	1 130 226	171 397 324	260 153	130 461	390 614
IMPAIRMENT ALLOWANCE (**)									
IMPAIRMENT ALLOWANCE AS AT 1.01.2022	586 640	1 101 304	3 412 466	2 357 048	243 695	7 701 153	1 954	1 923	3 877
Transfer to Stage 1	299 861	(237 338)	(35 306)	(27 217)	-	-	-	-	-
Transfer to Stage 2	(57 721)	155 898	(3 632)	(94 545)	-	-	-	-	-
Transfer to Stage 3	(30 561)	(64 317)	11 465	83 413	-	-	-	-	-
New / purchased / granted financial assets	108 551	-	-	-	2 765	111 316	1 880	-	1 880
Financial assets derecognised, other than write-offs (repayments)	(36 813)	(24 438)	(13 006)	(33 807)	(1 334)	(109 398)	-	-	-
Financial assets written off (*)	-	-	(112 421)	(163 261)	(154)	(275 836)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(205 282)	510 280	83 323	250 619	5 606	644 546	(533)	(1 202)	(1 735)
Other, including changes resulting from exchange rates	7 232	(31 541)	154 559	238 118	254 141	622 509	-	1	1
IMPAIRMENT ALLOWANCE AS AT 30.06.2022	671 907	1 409 848	3 497 448	2 610 368	504 719	8 694 290	3 301	722	4 023

(*) Including the value of contractual interest subject to partial write-off in the amount of PLN 265 311 thousand.

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

(***) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 797 601 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 30 June 2022 amounted to PLN 23 322 thousand.

TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
GROSS CARRYING AMOUNT									
GROSS CARRYING AMOUNT AS AT 01.01.2021	113 515 763	25 978 924	5 236 011	3 292 482	39 572	148 062 752	720 770	754 285	1 475 055
Change in accounting policies	-	-	(164 697)	(120 569)	181 671	(103 595)	-	-	-
GROSS CARRYING AMOUNT AS AT 01.01.2021 (AFTER CHANGE)	113 515 763	25 978 924	5 071 314	3 171 913	221 243	147 959 157	720 770	754 285	1 475 055
Increases due to the acquisition of part of the activities of Idea Bank S.A.	11 188 837	-	-	-	872 105	12 060 942	-	-	-
Transfer to Stage 1	7 016 857	(6 840 700)	(7 080)	(169 077)	-	-	-	-	-
Transfer to Stage 2	(11 201 335)	11 453 901	(43 973)	(208 593)	-	-	-	-	-
Transfer to Stage 3	(549 762)	(1 091 496)	59 204	1 582 054	-	-	-	-	-
New / purchased / granted financial assets	41 934 360	-	-	-	8 206	41 942 566	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(28 884 540)	(4 516 026)	(624 103)	(704 941)	(277 655)	(35 007 265)	(600 683)	(622 051)	(1 222 734)
Financial assets written off (*)	-	-	(143 005)	(282 258)	(66)	(425 329)	-	-	-
Modifications not resulting in derecognition	(2 150)	(999)	(2)	(214)	-	(3 365)	-	-	-
Other, including changes resulting from exchange rates	(552 977)	48 502	188 924	152 491	160 055	(3 005)	(4 947)	(1 545)	(6 492)
GROSS CARRYING AMOUNT AS AT 31.12.2021	132 465 053	25 032 106	4 501 279	3 541 375	983 888	166 523 701	115 140	130 689	245 829
Including the gross carrying amount as at 31 December 2021 loans and credits from the acquisition of some of the activities of Idea Bank S.A.	5 679 719	751 651	19 285	339 364	757 506	7 547 525	-	-	-
IMPAIRMENT ALLOWANCE									
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	390 616	1 175 162	3 568 016	2 087 241	15 976	7 237 011	5 242	21 329	26 571
Change in accounting policies	-	-	(35 045)	(68 550)	-	(103 595)	-	-	-
IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)	390 616	1 175 162	3 532 971	2 018 691	15 976	7 133 416	5 242	21 329	26 571
Transfer to Stage 1	240 293	(187 274)	(1 553)	(51 466)	-	-	-	-	-
Transfer to Stage 2	(31 711)	(70 247)	(8 089)	110 047	-	-	-	-	-
Transfer to Stage 3	(62 455)	(140 571)	(188 770)	391 796	-	-	-	-	-
New / purchased / granted financial assets	210 484	-	-	-	2 573	213 057	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(56 214)	(54 219)	(46 927)	(52 712)	(49 294)	(259 366)	(3 733)	(19 258)	(22 991)
Financial assets written off (*)	-	-	(143 005)	(282 258)	(66)	(425 329)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(122 535)	278 303	159 173	368 289	162 598	845 828	1 903	(2 074)	(171)
Other, including changes resulting from exchange rates	18 162	100 150	108 666	(145 339)	111 908	193 547	(1 458)	1 926	468
IMPAIRMENT ALLOWANCE AS AT 31.12.2021	586 640	1 101 304	3 412 466	2 357 048	243 695	7 701 153	1 954	1 923	3 877

(*) Including the value of contractual interest subject to partial write-off in the amount of PLN 209 110 thousand.

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

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

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 December 2021 amounted to PLN 11 026 thousand.

CORPORATE	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
GROSS CARRYING AMOUNT									
GROSS CARRYING AMOUNT AS AT 1.01.2022	64 585 717	10 454 389	4 245 739	1 135 228	923 901	81 344 974	115 140	130 689	245 829
Transfer to Stage 1	2 484 797	(2 339 348)	(135 231)	(10 218)	-	-	-	-	-
Transfer to Stage 2	(4 215 980)	4 234 852	(11 243)	(7 629)	-	-	-	-	-
Transfer to Stage 3	(1 778 074)	(486 239)	1 425 245	839 068	-	-	-	-	-
New / purchased / granted financial assets	22 235 435	-	-	-	15 566	22 251 001	150 000	-	150 000
Financial assets derecognised, other than write-offs (repayments)	(14 120 334)	(555 291)	(1 094 185)	(63 876)	(45 819)	(15 879 505)	(2 753)	(3 345)	(6 098)
Financial assets written off	-	-	(101 521)	(62 919)	(154)	(164 594)	-	-	-
Modifications not resulting in derecognition	(495)	(484)	-	-	-	(979)	-	-	-
Other, including changes resulting from exchange rates	233 261	91 944	129 108	51 650	166 983	672 946	(2 234)	3 117	883
GROSS CARRYING AMOUNT AS AT 30.06.2022	69 424 327	11 399 823	4 457 912	1 881 304	1 060 477	88 223 843	260 153	130 461	390 614
IMPAIRMENT ALLOWANCE (*)									
IMPAIRMENT ALLOWANCE AS AT 1.01.2022	447 553	287 293	3 179 916	842 741	223 626	4 981 129	1 954	1 923	3 877
Transfer to Stage 1	115 019	(75 075)	(35 306)	(4 638)	-	-	-	-	-
Transfer to Stage 2	(44 086)	50 325	(2 365)	(3 874)	-	-	-	-	-
Transfer to Stage 3	(15 573)	(11 242)	5 588	21 227	-	-	-	-	-
New / purchased / granted financial assets	88 941	-	-	-	1 922	90 863	1 880	-	1 880
Financial assets derecognised, other than write-offs (repayments)	(27 903)	(4 726)	(10 408)	(12 186)	(9)	(55 232)	-	-	-
Financial assets written off	-	-	(101 521)	(62 919)	(154)	(164 594)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	(98 643)	68 320	64 859	118 873	13 618	167 027	(533)	(1 202)	(1 735)
Other, including changes resulting from exchange rates	9 014	6 148	152 396	111 868	246 774	526 200	-	1	1
IMPAIRMENT ALLOWANCE AS AT 30.06.2022	474 322	321 043	3 253 159	1 011 092	485 777	5 545 393	3 301	722	4 023

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

CORPORATE	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT -IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
GROSS CARRYING AMOUNT									
GROSS CARRYING AMOUNT AS AT 1.01.2021	49 845 330	10 386 311	4 957 895	609 049	31 859	65 830 444	720 770	754 285	1 475 055
Change in accounting policies	-	-	(163 715)	(14 527)	135 826	(42 416)	-	-	-
GROSS CARRYING AMOUNT AS AT 1.01.2021 (AFTER CHANGE)	49 845 330	10 386 311	4 794 180	594 522	167 685	65 788 028	720 770	754 285	1 475 055
Increases due to the acquisition of part of the activities of Idea Bank S.A.	10 945 224	-	-	-	839 930	11 785 154	-	-	-
Transfer to Stage 1	3 532 047	(3 519 786)	(4 901)	(7 360)	-	-	-	-	-
Transfer to Stage 2	(6 474 680)	6 517 656	(31 149)	(11 827)	-	-	-	-	-
Transfer to Stage 3	(261 410)	(439 031)	65 122	635 319	-	-	-	-	-
New / purchased / granted financial assets	26 412 947	-	-	-	2 551	26 415 498	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(19 134 729)	(2 331 040)	(610 827)	(105 712)	(260 179)	(22 442 487)	(600 683)	(622 051)	(1 222 734)
Financial assets written off	-	-	(133 981)	(50 925)	-	(184 906)	-	-	-
Modifications not resulting in derecognition	(154)	189	-	-	-	35	-	-	-
Other, including changes resulting from exchange rates	(278 858)	(159 910)	167 295	81 211	173 914	(16 348)	(4 947)	(1 545)	(6 492)
GROSS CARRYING AMOUNT AS AT 31.12.2021	64 585 717	10 454 389	4 245 739	1 135 228	923 901	81 344 974	115 140	130 689	245 829
Including the gross carrying amount as at 31 December 2021 loans and credits from the acquisition of some of the activities of Idea Bank S.A.	5 572 909	672 163	19 285	338 739	744 682	7 347 778	-	-	-
IMPAIRMENT ALLOWANCE (*)									
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	253 166	256 267	3 360 851	531 917	12 773	4 414 974	5 242	21 329	26 571
Change in accounting policies	-	-	(34 804)	(7 612)	-	(42 416)	-	-	-
IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)	253 166	256 267	3 326 047	524 305	12 773	4 372 558	5 242	21 329	26 571
Transfer to Stage 1	64 495	(60 948)	(1 052)	(2 495)	-	-	-	-	-
Transfer to Stage 2	(26 133)	33 825	(2 921)	(4 771)	-	-	-	-	-
Transfer to Stage 3	(15 285)	(37 951)	(174 715)	227 951	-	-	-	-	-
New / purchased / granted financial assets	156 346	-	-	-	247	156 593	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(42 745)	(24 969)	(41 694)	(15 352)	(48 943)	(173 703)	(3 733)	(19 258)	(22 991)
Financial assets written off	-	-	(133 981)	(50 925)	-	(184 906)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	48 719	91 114	118 407	67 677	164 085	490 002	1 903	(2 074)	(171)
Other, including changes resulting from exchange rates	8 990	29 955	89 825	96 351	95 464	320 585	(1 458)	1 926	468
IMPAIRMENT ALLOWANCE AS AT 31.12.2021	447 553	287 293	3 179 916	842 741	223 626	4 981 129	1 954	1 923	3 877

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

MORTGAGE LOANS TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 1.01.2022	55 327 153	12 593 477	69 525	1 180 331	36 463	69 206 949
Transfer to Stage 1	5 799 591	(5 744 305)	-	(55 286)	-	-
Transfer to Stage 2	(1 705 068)	1 926 550	(3 538)	(217 944)	-	-
Transfer to Stage 3	(88 997)	(189 634)	11 447	267 184	-	-
New / purchased / granted financial assets	3 264 979	-	-	-	93	3 265 072
Financial assets derecognised, other than write-offs (repayments)	(3 987 136)	(823 824)	(4 848)	(62 826)	(7 105)	(4 885 739)
Financial assets written off	-	-	(5 713)	(28 518)	-	(34 231)
Modifications not resulting in derecognition	(472)	(222)	-	(20)	(5)	(719)
Other, including changes resulting from exchange rates	48 296	172 610	10 011	65 600	11 906	308 423
GROSS CARRYING AMOUNT AS AT 30.06.2022	58 658 346	7 934 652	76 884	1 148 521	41 352	67 859 755
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 1.01.2022	29 499	477 022	51 664	635 779	16 182	1 210 146
Transfer to Stage 1	130 463	(119 358)	-	(11 105)	-	-
Transfer to Stage 2	(283)	56 553	(1 267)	(55 003)	-	-
Transfer to Stage 3	(1 703)	(13 402)	5 294	9 811	-	-
New / purchased / granted financial assets	577	-	-	-	369	946
Financial assets derecognised, other than write-offs (repayments)	(790)	(6 281)	(2 566)	(10 633)	(725)	(20 995)
Financial assets written off	-	-	(5 713)	(28 518)	-	(34 231)
Changes in level of credit risk (excluding the transfers between the Stages)	(100 036)	405 950	13 082	88 584	(2 230)	405 350
Other, including changes resulting from exchange rates	(2 500)	(38 803)	(2 006)	122 969	2 476	82 136
IMPAIRMENT ALLOWANCE AS AT 30.06.2022	55 227	761 681	58 488	751 884	16 072	1 643 352

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
MORTGAGE LOANS TO INDIVIDUAL CLIENTS	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 1.01.2021	51 376 624	12 877 516	93 775	1 004 285	1 330	65 353 530
Change in accounting policies	-	-	(767)	(53 535)	28 833	(25 469)
GROSS CARRYING AMOUNT AS AT 1.01.2021 (AFTER CHANGE)	51 376 624	12 877 516	93 008	950 750	30 163	65 328 061
Increase due to acquisition of part of Idea Bank S.A. activity	43 943	-	-	-	9 521	53 464
Transfer to Stage 1	2 930 054	(2 824 869)	(2 174)	(103 011)	-	-
Transfer to Stage 2	(4 058 665)	4 207 116	(11 328)	(137 123)	-	-
Transfer to Stage 3	(128 805)	(420 251)	(6 630)	555 686	-	-
New / purchased / granted financial assets	11 021 723	-	-	-	492	11 022 215
Financial assets derecognised, other than write-offs (repayments)	(5 813 051)	(1 381 284)	(12 991)	(95 860)	(2 615)	(7 305 801)
Financial assets written off	-	-	(3 146)	(7 558)	-	(10 704)
Modifications not resulting in derecognition	(818)	(434)	(2)	(39)	-	(1 293)
Other, including changes resulting from exchange rates	(43 852)	135 683	12 788	17 486	(1 098)	121 007
GROSS CARRYING AMOUNT AS AT 31.12.2021	55 327 153	12 593 477	69 525	1 180 331	36 463	69 206 949
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	20 648	528 449	55 782	365 269	173	970 321
Change in accounting policies	-	-	(82)	(25 387)	-	(25 469)
IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)	20 648	528 449	55 700	339 882	173	944 852
Transfer to Stage 1	66 831	(48 427)	(439)	(17 965)	-	-
Transfer to Stage 2	(453)	(145 082)	(4 913)	150 448	-	-
Transfer to Stage 3	(5 751)	(24 538)	(10 724)	41 013	-	-
New / purchased / granted financial assets	8 418	-	-	-	41	8 459
Financial assets derecognised, other than write-offs (repayments)	(1 089)	(7 128)	(4 581)	(13 033)	(135)	(25 966)
Financial assets written off	-	-	(3 146)	(7 558)	-	(10 704)
Changes in level of credit risk (excluding the transfers between the Stages)	(54 937)	114 004	9 730	142 940	3 408	215 145
Other, including changes resulting from exchange rates	(4 168)	59 744	10 037	52	12 695	78 360
IMPAIRMENT ALLOWANCE AS AT 31.12.2021	29 499	477 022	51 664	635 779	16 182	1 210 146

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
OTHER LOANS AND ADVANCE TO INDIVIDUAL CLIENTS	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 1.01.2022	10 534 201	1 846 367	73 760	1 225 794	23 522	13 703 644
Transfer to Stage 1	469 327	(446 833)	-	(22 494)	-	-
Transfer to Stage 2	(1 165 524)	1 225 634	-	(60 110)	-	-
Transfer to Stage 3	(96 266)	(121 565)	2 022	215 809	-	-
New / purchased / granted financial assets	2 429 333	-	-	-	2 036	2 431 369
Financial assets derecognised, other than write-offs (repayments)	(2 298 427)	(327 849)	(1 924)	(56 278)	(12 779)	(2 697 257)
Financial assets written off	-	-	(5 187)	(71 751)	-	(76 938)
Modifications not resulting in derecognition	(687)	(236)	-	(68)	(17)	(1 008)
Other, including changes resulting from exchange rates	(26 241)	(30 209)	19 058	(12 289)	15 630	(34 051)
GROSS CARRYING AMOUNT AS AT 30.06.2022	9 845 716	2 145 309	87 729	1 218 613	28 392	13 325 759
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 1.01.2022	103 822	332 855	68 852	878 525	3 888	1 387 942
Transfer to Stage 1	53 346	(41 872)	-	(11 474)	-	-
Transfer to Stage 2	(12 382)	48 050	-	(35 668)	-	-
Transfer to Stage 3	(13 284)	(39 673)	583	52 374	-	-
New / purchased / granted financial assets	18 987	-	-	-	473	19 460
Financial assets derecognised, other than write-offs (repayments)	(8 084)	(12 396)	(32)	(10 989)	(601)	(32 102)
Financial assets written off	-	-	(5 187)	(71 751)	-	(76 938)
Changes in level of credit risk (excluding the transfers between the Stages)	(3 579)	34 465	5 382	43 010	(5 782)	73 496
Other, including changes resulting from exchange rates	719	1 122	4 169	3 200	4 892	14 102
IMPAIRMENT ALLOWANCE AS AT 30.06.2022	139 545	322 551	73 767	847 227	2 870	1 385 960

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
OTHER LOANS AND ADVANCE TO INDIVIDUAL CLIENTS	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 1.01.2021	9 914 404	2 576 845	72 081	1 679 138	6 381	14 248 849
Change in accounting policies	-	-	(215)	(52 507)	17 012	(35 710)
GROSS CARRYING AMOUNT AS AT 1.01.2021 (AFTER CHANGE)	9 914 404	2 576 845	71 866	1 626 631	23 393	14 213 139
Increases due to the acquisition of part of the activities of Idea Bank S.A.	13 985	-	-	-	4 889	18 874
Transfer to Stage 1	461 306	(402 595)	(5)	(58 706)	-	-
Transfer to Stage 2	(616 738)	677 877	(1 496)	(59 643)	-	-
Transfer to Stage 3	(159 547)	(232 213)	716	391 044	-	-
New / purchased / granted financial assets	4 385 232	-	-	-	5 163	4 390 395
Financial assets derecognised, other than write-offs (repayments)	(3 331 808)	(787 685)	(287)	(503 371)	(3 517)	(4 626 668)
Financial assets written off	-	-	(5 787)	(223 774)	(66)	(229 627)
Modifications not resulting in derecognition	(1 178)	(754)	-	(175)	-	(2 107)
Other, including changes resulting from exchange rates	(131 455)	14 892	8 753	53 788	(6 340)	(60 362)
GROSS CARRYING AMOUNT AS AT 31.12.2021	10 534 201	1 846 367	73 760	1 225 794	23 522	13 703 644
IMPAIRMENT ALLOWANCE						
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	113 302	383 954	39 344	1 190 054	3 031	1 729 685
Change in accounting policies	-	-	(159)	(35 551)	-	(35 710)
IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)	113 302	383 954	39 185	1 154 503	3 031	1 693 975
Transfer to Stage 1	106 269	(75 264)	-	(31 005)	-	-
Transfer to Stage 2	(4 969)	40 854	(255)	(35 630)	-	-
Transfer to Stage 3	(41 379)	(78 082)	(3 367)	122 828	-	-
New / purchased / granted financial assets	45 719	-	-	-	2 284	48 003
Financial assets derecognised, other than write-offs (repayments)	(12 188)	(22 070)	(651)	(24 324)	(215)	(59 448)
Financial assets written off	-	-	(5 787)	(223 774)	(66)	(229 627)
Changes in level of credit risk (excluding the transfers between the Stages)	(106 293)	73 580	30 352	157 556	575	155 770
Other, including changes resulting from exchange rates	3 361	9 883	9 375	(241 629)	(1 721)	(220 731)
IMPAIRMENT ALLOWANCE AS AT 31.12.2021	103 822	332 855	68 852	878 525	3 888	1 387 942

	DEBT SECURITIES MEASURED AT AMORTISED COST (*)					DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)		
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED) INDIVIDUAL ASSESSMENT	PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
GROSS CARRYING AMOUNT								
GROSS CARRYING AMOUNT AS AT 1.01.2022	44 016 625	318 725	34 554	38 951	44 408 855	22 662 766	89 027	22 751 793
Transfer to Stage 1	243 690	(243 690)	-	-	-	25 833	(25 833)	-
Transfer to Stage 2	(78 096)	78 096	-	-	-	(149 496)	149 496	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	3 687 335	-	-	-	3 687 335	11 634 231	-	11 634 231
Financial assets derecognised, other than write-offs (repayments)	(2 814 680)	(37 364)	-	-	(2 852 044)	(16 243 482)	(11 830)	(16 255 312)
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Other, including changes resulting from exchange rates	538 234	(9)	1 573	6 061	545 859	(147 334)	1 554	(145 780)
GROSS CARRYING AMOUNT AS AT 30.06.2022	45 593 108	115 758	36 127	45 012	45 790 005	17 782 518	202 414	17 984 932
IMPAIRMENT ALLOWANCE (**)								
IMPAIRMENT ALLOWANCE AS AT 1.01.2022	60 717	7 625	34 554	29 858	132 754	45 615	3 073	48 688
Transfer to Stage 1	936	(936)	-	-	-	107	(107)	-
Transfer to Stage 2	(5 114)	5 114	-	-	-	(9 127)	9 127	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	7 568	-	-	-	7 568	262	-	262
Financial assets derecognised, other than write-offs (repayments)	(1 382)	(48)	-	-	(1 430)	(1 800)	(100)	(1 900)
Changes in level of credit risk (excluding the transfers between the Stages)	(479)	(5 628)	-	-	(6 107)	(1 455)	841	(614)
Other, including changes resulting from exchange rates	474	-	1 573	(8 502)	(6 455)	-	-	-
GROSS CARRYING AMOUNT AS AT 30.06.2022	62 720	6 127	36 127	21 356	126 330	33 602	12 834	46 436

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

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

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

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

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

Moratoria and portfolio guarantees implemented due to COVID-19

In 2022, the Group continued to use loan repayment programs and portfolio guarantee agreements with Bank Gospodarstwa Krajowego (BGK) and European Investment Fund (EIF), limiting the effects of COVID-19, described in the financial statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

As at 30 June 2022, the gross carrying amount of the loan portfolio covered by the above-mentioned moratoria (active and expired) amounted to PLN 12 210 million (PLN 13 049 million as at 31 December 2021) and 65 578 customers were covered by moratoria (67 372 customers as at 31 December 2021). The gross carrying amount of the loan portfolio subject to active moratoria as at 30 June 2022 was PLN 89 million (as at 31 December 2021, PLN 54 million). The negative result on insignificant modifications recognized in the first half of 2022 related to these moratoria amounted to PLN –1.1 million (in the 2021 year PLN –3.2 million) and was recognized in the net interest income.

As at 30 June 2022, the gross carrying amount of the loan portfolio covered by BGK's and EIF's portfolio guarantees limiting the effects of COVID-19 was PLN 7 856 million (as at 31 December 2021 PLN 6 494 million) and guarantees covered 11 483 customers (9 893 customers as at 31 December 2021).

36.2. Legal risk regarding foreign currency mortgage loans in CHF**1) Adopted accounting principles**

The Group recognizes that the legal risk related to the outstanding portfolio of foreign currency mortgage loans in CHF as at 30 June 2022 affects the expected cash flows from this portfolio and the level of expected credit loss within the meaning of IFRS 9 that can be incurred by the Group.

However, with regard to the repaid portfolio of foreign currency mortgage loans in CHF, the Group applies IAS 37 and recognizes provisions allocated to this part of the portfolio under 'Provisions' and 'Other operating expenses'.

2) Portfolio characteristics

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

As at 30 June 2022, the Group had a portfolio of foreign currency mortgage loans in CHF with a total gross carrying amount of PLN 2 666.6 million (i.e. CHF 568.5 million) compared to PLN 2 716.5 million (i.e. CHF 610.7 million) as at 31 December 2021.

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

	30.06.2022					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
Gross carrying amount, of which:	882	2 102 344	74 562	481 754	7 070	2 666 612
denominated in CHF	882	2 101 132	74 562	481 468	7 070	2 665 114
indexed to CHF	-	1 212	-	286	-	1 498
Impairment allowances, of which: (*)	(8)	(516 903)	(48 199)	(407 960)	(1 586)	(974 656)
denominated in CHF	(8)	(516 879)	(48 199)	(407 810)	(1 586)	(974 482)
indexed to CHF	-	(24)	-	(150)	-	(174)
Carrying amount, of which:	874	1 585 441	26 363	73 794	5 484	1 691 956
denominated in CHF	874	1 584 253	26 363	73 658	5 484	1 690 632
indexed to CHF	-	1 188	-	136	-	1 324

(*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 797 601 thousand.

	31.12.2021					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
Gross carrying amount, of which:	2 078	2 211 523	64 638	431 157	7 127	2 716 523
denominated in CHF	2 078	2 209 618	64 638	430 730	7 127	2 714 191
indexed to CHF	-	1 905	-	427	-	2 332
Impairment allowances, of which: (*)	(1)	(275 193)	(44 021)	(332 096)	(6 728)	(658 039)
denominated in CHF	(1)	(275 174)	(44 021)	(331 883)	(6 728)	(657 807)
indexed to CHF	-	(19)	-	(213)	-	(232)
Carrying amount, of which:	2 077	1 936 330	20 617	99 061	399	2 058 484
denominated in CHF	2 077	1 934 444	20 617	98 847	399	2 056 384
indexed to CHF	-	1 886	-	214	-	2 100

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

As of 30 June 2022 the average LTV for CHF loans to individuals granted by the Group amounted to 33.6% (35.5% as at 31 December 2021), with an average LTV for the whole portfolio of mortgage loans of 49.2% (52.3% as at 31 December 2021).

3) *Court proceedings related to foreign currency mortgage loans in CHF*

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

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

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

- 1) whether the abusive provisions relating to the method of determining the currency rate in an indexed or denominated loan agreement can be replaced by provisions of civil or customary law,

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

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

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

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

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

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

As at 30 June 2022, 2 201 individual court cases were pending against the Group regarding foreign currency mortgage loans in CHF, which were granted in previous years, with the total value of the claim in the amount of PLN 662.9 million (as at 31 December 2021, the number of cases was 1 596, and the corresponding value of the dispute is PLN 459.2 million). The main cause of the dispute, as indicated by the plaintiffs, concerns the questioning of the provisions of the loan agreement with regard to the Group's application of conversion rates and results in claims regarding the partial or complete invalidity of the loan agreements. In first half of 2022, the Group received 242 unfavorable court judgments in cases brought by borrowers, including 36 final judgments and 13 favorable court judgments, including 4 final judgments (in 2021: 124 unfavorable court judgments, including 19 final judgments stating the invalidity of the loan agreement and 11 favorable court judgments, including 4 final judgments).

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

As at 30 June 2022, the level of the provision for the above-mentioned legal risk related to foreign currency mortgage loans in CHF estimated by the Group amounted to PLN 1 034.2 million and increased compared to the level of these provisions as at 31 December 2021.

The above amount includes the provision for individual pending litigation to which the Group is a party in the amount of PLN 354.7 million as at 30 June 2022 (PLN 266.1 million as at 31 December 2021) and the portfolio provision for other foreign currency mortgage loan agreements in CHF, which are subject to legal risk related to the nature of these agreements, in the amount of PLN 679.5 million as at 30 June 2022 (PLN 360.1 million as at 31 December 2021).

The principles for estimating these provisions by the Group as at 30 June 2022, including the parameters adopted in individual scenarios, were consistent with the principles applied as at 31 December 2021 and were described in detail in the Consolidated Financial Statements of the Group for the year ended on 31 December 2021.

With regard to the portfolio provision, as at 30 June 2022, the Bank based its calculations on 3 possible scenarios in order to best account for the various possible solutions which are currently being analyzed in the banking sector, in the estimation.

The calculation of the provision performed by the Bank as at 30 June 2022 was based on the following scenarios:

- 1) the baseline scenario - considered as the most probable, in which based on the analysis of the number and trend of the lawsuits to date, the Group estimates the number of borrowers who will bring lawsuits against the Group regarding the questioning of the loan agreement and the probability of losing the lawsuits, as well as possible financial consequences in the event of losing a court case, accepting as possible settlement:
 - invalidation of the entire agreement for a foreign currency mortgage loan in CHF as a result of recognizing the indexation clause as illegal, which the decision is considered to be the most probable,

- recognition that the clauses contained in the loan agreement constitute prohibited contractual provisions resulting in the determination of the loan balance in PLN and the interest rate on the loan based on the LIBOR rate, the so-called 'defrancation',
- recognizing the valorization clause as abusive and replacing the Bank's exchange rate table in its content with the average exchange rate of the National Bank of Poland,
- dismissal of the claim.

In the baseline scenario as at 30 June 2022, the Bank took into account the current state of the macroeconomic environment, including the currently observed trends in court judgments regarding foreign currency mortgage loans in CHF, consequently, increasing the expected number of litigation cases by around 40% compared to the assumptions made as at 31 December 2021. As a result, the Group estimates that in total around 17% of foreign currency borrowers (with both active and repaid loans) have filed or will file lawsuits against the Group.

Moreover, the Group updated the expectations, including the probability distribution of possible dispute resolution and the amount of expected financial consequences in the event of losing a court case, taking into account the statistics for currently pending disputes. In particular, the share of loan agreement cancellation in possible settlement scenarios increased to 90% (compared to 80% at the end of 2021). In this scenario, the Group does not assume any settlements with customers.

- 2) settlement scenario – as a possible scenario of events in the Bank's opinion in the current market conditions, in which the majority of customers (approximately 85% of the portfolio value) will qualify for the option of settlements with the Bank based on solutions implemented in the banking sector, as proposed by the Chairman of the Polish Financial Supervision Authority.

In the settlement scenario, the financial effects for the Bank are equal to the sum of the differences between the current balance of the foreign currency mortgage loan in CHF and the balance of the hypothetical loan in PLN based on the WIBOR rate increased by the margin of the loan granted at the same time and for the same period as the loan in CHF and repaid by the borrower in accordance with the repayments made on the CHF loan. As a result, with the current market parameters, the Bank's costs of concluding settlements would amount to approximately PLN 550 million. For contracts currently in dispute, the Bank assesses the possible propensity of customers to withdraw the lawsuit and conclude a settlement, taking into account the ratio of the benefit that can be achieved by the customer from the settlement to the potential benefit from the lawsuit (including the costs of pursuing a lawsuit) and the expected resolution of the dispute.

- 3) negative scenario - as a possible scenario to occur in a situation of a significant deterioration of the macroeconomic environment, in particular in terms of a significant intensification and deepening of the negative trend regarding unfavorable jurisprudence and common courts of law regarding foreign currency mortgage loans in CHF, the number of possible claims will be twice as high as assumed in the baseline scenario, with a simultaneous greater likelihood with regard to unfavorable court judgments. Moreover, with regard to the probability distribution of possible settlements of disputes in this scenario, the Group also assumed a higher probability of invalidity of the entire agreement of a foreign currency CHF mortgage loan (at the level of 95% of decisions - unchanged compared to those adopted in 2021). In this scenario, the Group does not assume any settlements with customers.

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

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

In line with the above principles, as at 30 June 2022, the Group allocated the total amount of the provision in the amount of PLN 1 034.2 million as follows:

1. PLN 797.6 million for current and future disputes regarding balance sheet exposures, recognized as an element of impairment allowances for loan receivables in correspondence with 'Net allowances for expected credit losses' (PLN 496 million as at 31 December 2021),
2. PLN 236.6 million for current and future legal disputes regarding repaid exposures, recognized as provisions in correspondence with 'Other operating expenses' (PLN 130.2 million as at 31 December 2021).

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

STATEMENT OF FINANCIAL POSITION	30.06.2022	31.12.2021
Impairment allowances for loan exposures, including:	797 601	496 022
Individual provisions	280 536	215 421
Portfolio provisions	517 065	280 601
Provisions for litigation and claims, including:	236 611	130 185
Individual provisions	74 193	50 681
Portfolio provisions	162 418	79 504
Total	1 034 212	626 207

INCOME STATEMENT	II QUARTER 2022	I HALF 2022	II QUARTER 2021	I HALF 2021
Net allowances for expected credit losses	(300 061)	(308 697)	(3 994)	(5 417)
Other operating expenses	(104 256)	(110 562)	1 674	3 097
Total	(404 317)	(419 259)	(2 320)	(2 320)

Sensitive analysis

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

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

PARAMETR	SCENARIO	IMPACT ON THE PROVISION LEVEL on 30.06.2022
Number of lawsuits	+20%	161 222
	-20%	(160 993)
Probability of failure	+10 p.p. (no more than 100%)	84 269
	-10 p.p.	(102 033)
Probability of a contract invalidity scenario	+10 p.p. (no more than 100%)	78 605
	-10 p.p.	(94 749)

PARAMETR	SCENARIO	IMPACT ON THE PROVISION LEVEL on 31.12.2021
Number of lawsuits	+20%	96 882
	-20%	(72 669)
Probability of failure	+10 p.p. (no more than 100%)	60 614
	- 10 p.p.	(46 926)
Probability of a contract invalidity scenario	+10 p.p. (no more than 100%)	52 915
	- 10 p.p.	(37 412)

36.3. Market risk

Market risk of the trading book

The model of market risk measurement has not changed in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

The table below presents the market risk exposure of the trading portfolio of the Group measured by Value at Risk as at 30 June 2022 and as at 31 December 2021.

	30.06.2022	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	57	14	118	1 296
interest rate risk	3 573	1 680	2 643	4 107
Trading portfolio	3 667	1 719	2 701	3 990

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

Interest rate risk of the banking book

The banking book interest rate risk management process has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

The continuation of dynamic increases in interest rates recorded in the first half of 2022 had an impact on i.a. an increase in deposits' rate and resulted on decrease of the sensitivity of NII under a scenario of an interest rates down. A significant increase in the volume of loans with a fixed or periodically fixed interest rate had a similar effect. The Bank continued its efforts to maintain a balanced structural exposure to interest rate risk, which results in stabilization of the sensitivity of economic value of the Bank's equity.

The table below presents the sensitivity of contractual interest income (NII) to the interest rate change by 100 b.p. and sensitivity of economic value of the Bank's equity (EVE) to the interest rate change by 200 b.p. (standard regulatory shock excluding the risk profile of own funds) as at 30 June 2022 and as at 31 December 2021.

SENSITIVITY IN % (*)	30.06.2022	31.12.2021
NII	(4.26)	(7.51)
EVE	(6.46)	(6.31)

(*) The risk profile of own funds is taken into account by the Bank in estimating the sensitivity of the economic value of capital for the purposes of internal analyses.

Currency risk

The foreign currency exchange risk management process has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

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

Value at Risk

CURRENCY (*)	30.06.2022	31.12.2021
Currencies total (**)	347	732

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

Currency position

30.06.2022	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS- DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	41 747 494	33 815 819	21 862 629	29 860 901	(66 597)
USD	8 158 107	11 609 751	14 258 123	10 821 593	(15 114)
CHF	2 963 587	763 115	927 050	3 130 549	(3 027)
GBP	515 738	1 236 896	782 494	59 067	2 269
NOK	285 981	79 224	5 159	211 158	758
SEK	84 768	82 470	8 246	10 068	476
CAD	62 454	84 331	27 537	4 954	706
DKK	42 493	22 413	14 932	35 292	(280)
CZK	37 969	36 024	421 351	421 864	1 432
RON	27 406	12 085	440 817	455 120	1 018
CNY	7 701	35 154	717 763	693 578	(3 268)
HRK	1 482	2 880	63 404	60 904	1 102
HUF	52 741	26 250	228 513	254 910	94
Other currencies	41 255	49 967	86 854	79 376	(1 234)
Total	54 029 176	47 856 379	39 844 872	46 099 334	(81 665)

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

36.4. Liquidity risk

The liquidity risk management process has not changed significantly in relation to that described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021. The liquidity attention state introduced in the Bank at the end of February 2022, due to the escalation of the armed conflict in Ukraine, which contributed to the turmoil in the financial markets and changed the model of customer behavior, was cancelled in May 2022 after the situation stabilized. The liquidity situation of the Bank remains fully safe and stable with liquidity ratios remain at a high and safe level.

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

SUPERVISORY LIQUIDITY NORMS		LIMIT	30.06.2022	31.12.2021
LCR	Liquidity coverage ratio	100%	167%	190%
NSFR	Net stable funding ratio	100%	137%	141%

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

The tables below present adjusted liquidity gap:

30.06.2022	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	64 699 380	10 064 187	29 080 424	103 144 319	70 579 684	277 567 994
Equity and liabilities	31 884 982	13 330 731	29 347 768	52 649 140	150 355 373	277 567 994
Off-balance sheet assets/liabilities (net)	(3 996 557)	(2 771 279)	(70 898)	2 087 503	4 466 510	(284 721)
Periodic gap	28 817 841	(6 037 823)	(338 242)	52 582 682	(75 309 179)	(284 721)
Cumulated gap	-	22 780 018	22 441 776	75 024 458	(284 721)	-

31.12.2021	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	58 533 152	6 812 658	32 746 498	85 758 703	66 715 594	250 566 605
Equity and liabilities	18 992 088	16 235 633	30 475 107	42 857 218	142 006 559	250 566 605
Off-balance sheet assets/liabilities (net)	(9 708 164)	17 907	1 064 407	3 561 182	4 420 559	(644 109)
Periodic gap	29 832 900	(9 405 068)	3 335 798	46 462 667	(70 870 406)	(644 109)
Cumulated gap	-	20 427 832	23 763 630	70 226 297	(644 109)	-

36.5. Operational risk

There have been no significant changes in the operational risk management process in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

36.6. Fair value of financial assets and liabilities

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

The process of measuring financial instruments at fair value has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

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

30.06.2022	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	7 555 596	25 538 513	5 466 761	38 560 870
Financial assets held for trading	532 210	179 922	37 614	749 746
Derivative financial instruments, including:	-	18 479 606	340	18 479 946
Banks	-	3 708 565	340	3 708 905
Customers	-	14 771 041	-	14 771 041
Hedging instruments, including:	-	305 216	-	305 216
Banks	-	221 564	-	221 564
Customers	-	83 652	-	83 652
Securities measured at fair value through other comprehensive income	7 023 386	6 573 769	4 723 386	18 320 541
Securities measured at fair value through profit or loss	-	-	171 970	171 970
Loans and advances to customers measured at fair value through other comprehensive income	-	-	390 614	390 614
Loans and advances to customers measured at fair value through profit or loss	-	-	142 837	142 837
Liabilities:	649 443	22 763 815	764	23 414 022
Financial liabilities held for trading	649 443	-	-	649 443
Derivative financial instruments, including:	-	18 258 244	764	18 259 008
Banks	-	3 355 423	-	3 355 423
Customers	-	14 902 821	764	14 903 585
Hedging instruments, including:	-	4 505 571	-	4 505 571
Banks	-	850 713	-	850 713
Customers	-	3 654 858	-	3 654 858

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

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

I HALF 2022	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	94 433	5 860	245 829	160 379	171 496	5 181 843	-
Increases, including:	852 877	849	158 143	1 306	474	1 491 998	-
Reclassification from other levels	19 071	849	-	-	-	1 381 688	-
Transactions made in 2022	-	-	-	-	-	-	-
Acquisition/Granting	833 068	-	151 084	5	-	48 478	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments	738	-	7 059	1 301	474	61 832	-
recognized in the income statement	738	-	7 059	1 301	474	55 501	-
recognized in revaluation reserves	-	-	-	-	-	6 331	-
Decreases, including:	(909 696)	(6 369)	(13 358)	(18 848)	-	(1 950 455)	764
Reclassification to other levels	(44 718)	(1 455)	-	-	-	(1 239 720)	-
Settlement/Redemption	(13 000)	(3 044)	(8 370)	(18 848)	-	(306 564)	-
Sale/Repayment	(851 950)	-	-	-	-	(143 636)	-
Losses on financial instruments	(28)	(1 870)	(4 988)	-	-	(260 535)	764
recognized in the income statement	(28)	(1 870)	-	-	-	(75 046)	764
recognized in revaluation reserves	-	-	(4 988)	-	-	(185 489)	-
Closing balance	37 614	340	390 614	142 837	171 970	4 723 386	764
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	195	(509)	(2 620)	1 250	-	(204 484)	(764)
Income statement:	195	(509)	2 368	1 250	-	26 972	(764)
net interest income	38	-	2 514	982	-	25 687	-
net allowances for expected credit losses	-	-	(146)	-	-	1 285	-
result on financial assets and liabilities held for trading	157	(509)	-	268	-	-	(764)
Other comprehensive income	-	-	(4 988)	-	-	(231 456)	-

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

2021	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	43 532	1 712	1 475 055	187 001	160 486	10 490 998	-
Increases, including:	5 940 649	11 973	96 431	764	11 010	4 046 238	4 390
Increase due to acquisition of part of Idea Bank S.A. activity	-	4 453	-	-	-	85 309	4 390
Reclassification from other levels	32 977	-	-	-	-	788 236	-
Transactions made in 2021	-	-	52 830	764	-	-	-
Acquisition/Granting	5 904 973	-	-	-	-	3 050 445	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments	2 699	7 520	43 601	-	11 010	122 248	-
recognized in the income statement	2 649	7 520	43 601	-	11 010	119 579	-
recognized in revaluation reserves	50	-	-	-	-	2 669	-
Decreases, including:	(5 889 748)	(7 825)	(1 325 657)	(27 386)	-	(9 355 393)	4 390
Reclassification to other levels	(209)	-	-	-	-	(298 662)	3 696
Settlement/Redemption	(21 729)	(7 825)	(1 099 062)	(23 634)	-	(4 357 890)	694
Sale/Repayment	(5 856 240)	-	(203 000)	-	-	(4 654 666)	-
Losses on financial instruments	(11 570)	-	(23 595)	(3 752)	-	(44 175)	-
recognized in the income statement	-	-	-	(3 752)	-	(125)	-
recognized in revaluation reserves	(11 570)	-	(23 595)	-	-	(44 050)	-
Closing balance	94 433	5 860	245 829	160 379	171 496	5 181 843	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	(11 304)	2 102	(5 376)	(3 782)	-	(233 588)	-
Income statement:	(11 304)	2 102	4	(3 782)	-	10 990	-
net interest income	486	-	1 494	273	-	14 456	-
net allowances for expected credit losses	-	-	(1 490)	-	-	(3 466)	-
result on financial assets and liabilities held for trading	(11 790)	2 102	-	(4 055)	-	-	-
Other comprehensive income	-	-	(5 380)	-	-	(244 578)	-

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

In the period from 1 January to 30 June 2022 the following transfers of financial instruments between the levels of the fair value hierarchy were made:

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

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

The process of valuation of financial instruments that are not presented at fair value in the financial statements has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

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

30.06.2022	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	12 865 757	12 823 716	4 626 773	8 196 846	97
Loans and advance to banks	10 100 486	10 116 283	-	7 498 892	2 617 391
Loans and advances to customers measured at amortised cost	162 703 034	161 102 425	-	1 332 403	159 770 022
Debt securities measured at amortised cost	45 663 675	40 219 067	21 846 770	12 990 320	5 381 977
Other assets	1 487 806	1 487 806	-	-	1 487 806
Total Assets	232 820 758	225 749 297	26 473 543	30 018 461	169 257 293
Liabilities					
Amounts due to Central Bank	-	-	-	-	-
Amounts due to other banks	12 520 528	12 484 280	-	4 843 579	7 640 701
Amounts due to customers	203 214 068	202 945 573	-	-	202 945 573
Debt securities issued	7 399 169	7 396 506	-	7 396 506	-
Subordinated liabilities	2 782 515	2 768 290	-	2 768 290	-
Other liabilities	5 682 365	5 682 365	-	-	5 682 365
Total Liabilities	231 598 645	231 277 014	-	15 008 375	216 268 639

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

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

37. Subsequent events

On 14 July 2022, the Act on social financing for business ventures and support to borrowers (the 'Act') was signed, as a result of which events after the balance sheet date have occurred/will occur affecting the Group's future financial results, i.e.:

1) the right to suspend loan repayment for consumers with PLN mortgage loan agreements.

Pursuant to the Act, consumers with PLN mortgage loan agreements were granted the right to suspend loan repayment under the following conditions:

- a) from 1 August 2022 to 30 September 2022 – for a period of two months;
- b) from 1 October 2022 to 31 December 2022 - for a period of two months;
- c) from 1 January 2023 to 31 December 2023 - one month in each calendar quarter.

Pursuant to the requirements of the International Financial Reporting Standard 9 'Financial Instruments' ('IFRS 9'), the entitlement for customers to suspend their loan repayments introduced by the provisions of the Act requires the adjustment of the gross carrying amount of the abovementioned loans by designating and recognizing in the Group's financial result the estimated cost resulting from the above-mentioned permissions as the difference between:

- 1) the present value of the expected cash flows from the loan portfolio that meets the criteria of the Act (gross carrying amount of this portfolio),
- 2) the present value of the expected cash flows of the portfolio, determined based on the modified cash flows taking into account the terms of the Act (i.e. the possibility of suspending the repayment of loan installments within the specified time frame with the simultaneous extension of the loan period) discounted with the current effective interest rate of the above-mentioned portfolio,

taking into account the estimated level of participation of eligible customers who, in the Group's opinion, will exercise this right.

The Group assumed expertly that the estimated participation rate (using the rights resulting from the Act) would be 85%.

As a result of the above, the Group estimated the cost related to the modification of PLN mortgage loan agreements granted to consumers due to the suspension of their loan repayments at the gross amount of PLN 2 428 649 thousand. This cost will be recognized in the Group's results in the third quarter of 2022, which will result in a negative financial result for the third quarter of 2022.

If we assume that the participation ratio is 100%, the above cost would amount to PLN 2 857 234 thousand.

Due to the fact that the above calculation is an estimate of the expected use by customers of the rights resulting from the Act, and the actual implementation will take place in the period specified in the Act, i.e. from the third quarter of 2022 to the end of 2023 under the conditions specified in the Act, it is necessary will periodically update the above-mentioned calculations - in particular with regard to the estimated level of customer participation - and recognition of any revaluation in the current financial results of the Group.

2) payment to the Borrowers Support Fund

Under the Act, lenders were required to make additional contributions to the Borrowers Support Fund in the total amount of PLN 1.4 billion by 31 December 2022. The exact payment date and the amount of the fee for a given lender will be determined by a resolution by the Council of the Borrowers Support Fund, and the determination of the fee level for a given bank will be primarily impacted by the following factors:

- a) the share of a given bank in the gross book value of the portfolio of housing loans where the delay in repayment of principal or interest exceeds 90 days compared to the entire banking sector in Poland,
- b) possible exclusion from the obligation to make payments to the Borrowers Support Fund some lenders that do not meet the regulatory capital and liquidity requirements.

Taking into account the limited availability of data on the above factors, in particular the possible exclusion from the obligation to make payments to the Borrowers Support Fund, the Group was not able to reliably estimate its share in the additional payment to the Borrowers Support Fund.

The final amount of the payment to the Borrowers Support Fund by the Group will be known after its determination by the Council of the Borrowers Support Fund.

3) introduction of a substitute for the WIBOR reference index

The Act provides for the possibility of introducing a substitute for the WIBOR reference index, with the details of the substitute and the date of its introduction being determined by a dedicated regulation of the Minister of Finance.

In connection with the above, in July 2022, a national working group for the reform of reference indexes ('NGR') was established from representatives of the Ministry of Finance, the National Bank of Poland, the Office of the Polish Financial Supervision Authority, as well as the largest banks, insurance companies and investment companies.

The purpose of NGR is to prepare a new index and a schedule for its implementation in such a way as to ensure the security of the financial system.

As at the date of approval of these financial statements, taking into account the early stage of work related to the introduction of a substitute for the WIBOR benchmark, the Group was not able to reliably estimate the possible impact of this planned change.

03.08.2022	Leszek Skiba	President of the Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
03.08.2022	Jaroslaw Fuchs	Vice President of the Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
03.08.2022	Marcin Gadomski	Vice President of the Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
03.08.2022	Jerzy Kwieciński	Vice President of the Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
03.08.2022	Paweł Strączyński	Vice President of the Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
03.08.2022	Błażej Szczeci	Vice President of the Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
03.08.2022	Wojciech Werochowski	Vice President of the Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
03.08.2022	Piotr Zborowski	Vice President of the Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
03.08.2022	Magdalena Zmitrowicz	Vice President of the Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature

Glossary

IFRS – International Financial Reporting Standards – the standards, interpretations and their structure adopted by the International Accounting Standards Board (IASB).

IAS – International Accounting Standards – previous name of the standards forming part of the current IFRS.

IFRIC – International Financial Reporting Interpretations Committee – the committee operating under the International Accounting Standards Board publishing interpretations of IFRS.

CIRS – Currency Interest Rate Swap – the transaction exchange of principal amounts and interest payments in different currencies between two counterparties.

IRS – Interest Rate Swap – the agreement between two counterparties, under which the counterparties pay each other (at specified intervals during the contract life) interest on contractual principal of the contract, charged at a different interest rate.

FRA – Forward Rate Agreement – the contract under which two counterparties fix the interest rate that will apply in the future for a specified amount expressed in currency of the transaction for a predetermined period.

CAP – the financial agreement, which limits the risk borne by lender on a variable interest rate, exposed to the potential loss as a result of increase in interest rates. Cap option is a series of call options on interest rates, in which the issuer guarantees the buyer the compensation of the additional interest costs, that the buyer must pay if the interest rate on loan increases above the fixed interest rate.

FLOOR – the financial agreement, which limits the risk of incurring losses resulting from decrease in interest rates by the lender providing the loan at a variable interest rate. Floor option is a series of put options on interest rates, in which the issuer guarantees the interest to be paid on the loan if the interest rate on the loan decreases below the fixed interest rate.

PD – Probability Default – the parameter used in Internal Ratings-Based Approach which determines the likelihood that the debtor will be unable to meet its obligation. PD is a financial term describing the likelihood of a default over an one year time horizon.

LGD – Loss Given Default – the percentage of loss over the total exposure when bank's counterparty goes to default.

EAD – Exposure at Default.

EL – Expected Loss.

Life-time ECL – Lifetime Expected Credit Loss.

CCF – Credit Conversion Factor.

VaR – Value at Risk – the risk measure by which the market value of an asset or portfolio may be reduced for a given assumptions, probability and time horizon.

ICAAP – Internal Capital Adequacy Assessment Process – the process of assessing internal capital adequacy.

FVH – fair value hedge accounting.

CFH – cash flow hedge accounting.