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Bank Hipoteczny

SELECTED FINANCIAL DATA RELATING TO THE FINANCIAL STATEMENTS

SELECTED FINANCIAL DATA	in PLN '000		in EUR '000	
	period from 01.01.2021 to 31.03.2021	period from 01.01.2020 to 31.03.2020	period from 01.01.2021 to 31.03.2021	period from 01.01.2020 to 31.03.2020
Net interest income	75,954	84,417	16,612	19,202
Net fee and commission income	(1,991)	(212)	(435)	(48)
Operating profit	15,862	14,002	3,469	3,185
Profit before tax	15,862	14,002	3,469	3,185
Net profit	9,620	9,002	2,104	2,048
Net comprehensive income	(13,424)	(30,238)	(2,936)	(6,878)
Net cash from/used in operating activities	392,760	(1,774,872)	85,904	(403,720)
Net cash from/used in investing activities	174,281	8,392	38,118	1,909
Net cash from/used in financing activities	(567,047)	1,766,459	(124,023)	401,806
Total net cash flows	(6)	(21)	(1)	(5)

SELECTED FINANCIAL DATA	in PLN '000		in EUR '000	
	as at 31.03.2021	as at 31.12.2020	as at 31.03.2021	as at 31.12.2020
Total assets	26,879,601	27,310,492	5,767,783	5,918,023
Total equity	2,079,781	2,093,205	446,276	453,585
Share capital	1,611,300	1,611,300	345,750	349,159
Number of shares (in thousands)	1,611,300	1,611,300	1,611,300	1,611,300
Book value per share (in PLN/EUR)	1.29	1.30	0.28	0.28
Diluted number of shares (in thousands)	1,611,300	1,611,300	1,611,300	1,611,300
Diluted book value per share (in PLN/EUR)	1.29	1.30	0.28	0.28
Total capital ratio (TCR)	18.9%	18.7%	18.9%	18.7%
Common equity Tier 1 (CET 1)	1,937,024	1,933,805	415,644	419,044
Own funds	1,937,024	1,933,805	415,644	419,044

Selected financial statement items have been translated to EUR at the following foreign exchange rates		
items of the income statement, statement of comprehensive income and statement of cash flows – the average of the NBP exchange rates as at the last day of each month of the period	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
	4.5721	4.3963
items of the statement of financial position - the average NBP exchange rate as at the last day of the period	31.03.2021	31.12.2020
	4.6603	4.6148

Condensed interim
financial statements
of PKO Bank Hipoteczny SA
for the three-month period ended
31 March 2021



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INCOME STATEMENT

INCOME STATEMENT	Note	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Interest income and income similar to interest income, including:	3	126,390	231,395
Interest income recognized under the effective interest rate method		124,796	230,980
Income similar to interest income on instruments measured at fair value through profit or loss		1,594	415
Interest expenses and expenses similar to interest expenses	3	(50,436)	(146,978)
Net interest income		75,954	84,417
Fee and commission income	4	1,938	2,841
Fee and commission expense	4	(3,929)	(3,053)
Net fee and commission income		(1,991)	(212)
Net gain/(loss) on financial instruments measured at fair value through profit or loss		17	14
Net foreign exchange gains / (losses)	5	151	5,633
Net income/(expense) on modification		193	(160)
Net allowances for expected credit losses	6	82	(14,313)
Other operating income		113	91
Other operating expenses		(69)	(184)
Net other operating income and expenses		44	(93)
Administrative expenses	7	(12,357)	(13,751)
Regulatory charges	8	(24,519)	(24,936)
Tax on certain financial institutions		(21,712)	(22,597)
Operating profit		15,862	14,002
Profit before tax		15,862	14,002
Income tax expense	9	(6,242)	(5,000)
Net profit		9,620	9,002



STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Net profit		9,620	9,002
Other comprehensive income		(23,044)	(39,240)
Items which may be reclassified to profit or loss		(23,044)	(39,240)
Cash flow hedges (gross)		(32,030)	(37,545)
Deferred income tax		6,086	7,134
Cash flow hedges (net)	10	(25,944)	(30,411)
Remeasurement of financial assets measured at fair value through other comprehensive income (gross)		3,580	(10,899)
Deferred tax		(680)	2,070
Remeasurement of financial assets measured at fair value through other comprehensive income (net)		2,900	(8,829)
Total net comprehensive income		(13,424)	(30,238)



STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION	Note	31.03.2021	31.12.2020
ASSETS			
Cash and balances with the Central Bank		24	21
Amounts due from banks		14	23
measured at amortized cost		14	23
Derivative hedging instruments	10	1,234,804	1,154,692
Securities	11	1,072,291	1,241,821
measured at fair value through other comprehensive income		1,072,291	1,241,821
Loans and advances to customers	12, 13	24,562,139	24,902,659
measured at amortized cost		24,562,139	24,902,659
Intangible assets		771	1,050
Property, plant and equipment		3,523	3,747
Other assets		6,035	6,479
TOTAL ASSETS		26,879,601	27,310,492
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to banks	14	2,864,079	3,575,133
measured at amortized cost		2,864,079	3,575,133
Derivative hedging instruments	10	413	541
Amounts due to customers		6,313	6,641
measured at amortized cost		6,313	6,641
Liabilities in respect of mortgage covered bonds issued	15	17,319,238	17,205,554
measured at amortized cost		17,319,238	17,205,554
Liabilities in respect of bonds issued	16	4,507,960	4,337,081
measured at amortized cost		4,507,960	4,337,081
Other liabilities	17	59,214	38,428
Current income tax liabilities		3,528	4,055
Deferred income tax provision		38,863	49,634
Provisions	18	212	220
TOTAL LIABILITIES		24,799,820	25,217,287
Equity			
Share capital	19	1,611,300	1,611,300
Supplementary capital		250,733	250,733
Accumulated other comprehensive income		126,598	149,642
Retained earnings		81,530	-
Net profit for the period		9,620	81,530
TOTAL EQUITY		2,079,781	2,093,205
TOTAL LIABILITIES AND EQUITY		26,879,601	27,310,492
Total capital ratio (TCR)	33	18.9%	18.7%
Book value (in PLN '000)		2,079,781	2,093,205
Number of shares (in thousands)	19	1,611,300	1,611,300
Book value per share (in PLN)		1.29	1.30
Diluted number of shares (in thousands)		1,611,300	1,611,300
Diluted book value per share (in PLN)		1.29	1.30



STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 March 2021	Note	Share capital	Supplementary capital	Accumulated other comprehensive income	including:		Retained earnings	Net profit for the period	Total equity
					Cash flow hedges	Financial assets measured at fair value through other comprehensive income			
1 January 2021		1,611,300	250,733	149,642	141,186	8,456	-	81,530	2,093,205
Transfer from retained earnings		-	-	-	-	-	81,530	(81,530)	-
Total comprehensive income, including:		-	-	(23,044)	(25,944)	2,900	-	9,620	(13,424)
Net profit		-	-	-	-	-	-	9,620	9,620
Other comprehensive income		-	-	(23,044)	(25,944)	2,900	-	-	(23,044)
31 March 2021	19	1,611,300	250,733	126,598	115,242	11,356	81,530	9,620	2,079,781

FOR THE PERIOD ENDED 31 March 2020	Note	Share capital	Supplementary capital	Accumulated other comprehensive income	including:		Retained earnings	Net profit for the period	Total equity
					Cash flow hedges	Financial assets measured at fair value through other comprehensive income			
1 January 2020		1,611,300	161,563	137,990	134,421	3,569	-	89,170	2,000,023
Transfer from retained earnings		-	-	-	-	-	89,170	(89,170)	-
Transfer from profit to equity		-	89,170	-	-	-	(89,170)	-	-
Total comprehensive income, including:		-	-	(39,240)	(30,411)	(8,829)	-	9,002	(30,238)
Net profit		-	-	-	-	-	-	9,002	9,002
Other comprehensive income		-	-	(39,240)	(30,411)	(8,829)	-	-	(39,240)
31 March 2020	19	1,611,300	250,733	98,750	104,010	(5,260)	-	9,002	1,969,785



STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS	Note	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Cash flows from operating activities			
Profit before tax		15,862	14,002
Total adjustments:		376,898	(1,788,874)
Amortization and depreciation		623	790
Interest recognized in cash flows from investing activities and cash flows from financing activities		53,454	85,447
Change in:			
derivative financial instruments (asset)		(80,112)	(726,948)
loans and advances to customers (gross)		340,588	(12,314)
securities measured at fair value through other comprehensive income		1,475	3,769
other assets and right-of-use assets		351	186
amounts due to banks		(34,014)	(1,897,773)
derivative financial instruments (liability)		(128)	(45,495)
amounts due to customers		(327)	(4)
liabilities in respect of mortgage covered bonds issued		113,684	805,826
liabilities in respect of bonds issued		4,468	15,957
allowances for expected credit losses and provisions		(76)	14,202
other liabilities, excluding liabilities in respect of unregistered issues of own share		21,075	20,039
Other adjustments (including changes in the measurement of derivative instruments recognized in other comprehensive income)		(32,028)	(37,543)
Income tax paid		(12,135)	(15,013)
Net cash from/used in operating activities		392,760	(1,774,872)
Cash flows from investing activities			
Inflows from investing activities		174,309	358,267
Redemption of securities measured at fair value through other comprehensive income		174,309	358,267
Outflows on investing activities		(28)	(349,875)
Acquisition of securities measured at fair value through other comprehensive income		-	(349,865)
Acquisition of intangible assets and property, plant and equipment		(28)	(10)
Net cash from/used in investing activities		174,281	8,392
Cash flows from financing activities			
Proceeds from issue of bonds		2,467,910	1,296,319
Redemption of bonds issued		(2,301,500)	(1,447,500)
Inflows related to overdraft facilities		556,520	4,887,141
Outflows related to overdraft facilities		(1,293,560)	(2,873,912)
Inflows related to term loans		60,000	-
Repayment of interest on mortgage covered bonds issued, bonds and loans obtained		(56,128)	(95,315)
Payments of lease liabilities (IFRS 16)		(289)	(274)
Net cash from/used in financing activities		(567,047)	1,766,459
Total net cash flows		(6)	(21)
Cash and cash equivalents at the beginning of the period		44	51
Cash and cash equivalents at the end of the period	23	38	30



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

BANKING ACTIVITIES

PKO Bank Hipoteczny Spółka Akcyjna ("PKO Bank Hipoteczny SA", "Bank") with its registered office in Warsaw ul. Puławska 15, 02-515 Warsaw is registered in the Register of Businesses maintained by the District Court for the capital city of Warsaw in Warsaw, 13th Business Department of the National Court Register, with the reference number KRS 0000528469. The Bank was entered to the Register of Businesses on 24 October 2014. The Bank was assigned the statistical number REGON 222181030. Its share capital as at 31 March 2021 was PLN 1,611,300,000 and it was fully paid up.

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

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

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

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

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

The Parent of PKO Bank Hipoteczny SA is PKO Bank Polski SA, in which the State Treasury holds a 29.43% share in the share capital. PKO Bank Polski SA prepares consolidated financial statements for the PKO Bank Polski Group.

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

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

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



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

No.	Name and surname	Position	Date of appointment to the Management Board	Date of dismissal / resignation
1	Paulina Strugała	President of the Management Board	16.04.2018	-
2	Daniel Goska	Vice-President of the Management Board	01.10.2020	-
3	Piotr Kochanek	Vice-President of the Management Board	01.01.2019	-

BASIS OF PREPARATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements of PKO Bank Hipoteczny SA cover the three-month period ended 31 March 2021 and contain comparative data for the three-month period ended 31 March 2020 (comprising the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity) as well as comparative data as at 31 December 2020 (comprising the statement of financial position). The financial data is presented in thousands of Polish zlotys (PLN), rounded to a thousand, unless otherwise indicated. Therefore, differences may result from the rounding to full thousand.

1.1 STATEMENT OF COMPLIANCE

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

The accounting principles and calculation methods applied in the preparation of these condensed interim financial statements are consistent with the principles applicable in the financial year ended 31 December 2020, except for the specific principles of taxation relating to interim periods described accordingly in Note 2.4 *Income tax in the interim financial statements*, and were described in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2020.

The condensed interim financial statements for the three months ended 31 March 2021 do not contain all the information and disclosures required in the annual financial statements and they should be read together with the annual financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2020 prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union.

1.2 REPRESENTATIONS OF THE MANAGEMENT BOARD

The Management Board hereby represents that according to its best knowledge the financial statements and the comparative data have been prepared in accordance with the applicable accounting principles (policies) and give a true, fair and clear view of the Bank's financial position and results of operations.

1.3 APPROVAL OF THE FINANCIAL STATEMENTS

These condensed interim financial statements having been reviewed with an opinion issued by the Audit and Finance Committee of the Supervisory Board and evaluated by the Supervisory Board on 30 April 2021 were approved by the Bank's Management Board for publication on 30 April 2021.

2. CHANGES IN ACCOUNTING POLICIES, ESTIMATES

2.1 NEW STANDARDS AND AMENDMENTS TO THE PUBLISHED STANDARDS AND INTERPRETATIONS WHICH BECAME BINDING AS OF 1 JANUARY 2021

2.1.1. AMENDMENTS RELATING TO THE IBOR REFORM

At stage I, amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* published in 2019 modify some detailed requirements concerning hedge accounting, mainly in order to prevent the expected interest rates reform (IBOR reform) from effectively ending hedge accounting. The key exemptions resulting from the amendments concern:

- the requirement that the flows are "highly probable";
- the risk components;



- prospective assessments;
- retrospective effectiveness testing (concerns IAS 39);
- reclassification of the provision for cash flow hedges.

In view of the above, the Bank did not take the impact of uncertainty as to the IBOR rates after 31 December 2021 into account in the prospective tests of the effectiveness of hedges.

In 2020, the International Accounting Standards Board published stage II of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments are related, among other things, to the accounting recognition of changes in cash flows, hedge accounting and disclosures related to the IBOR reform.

The IBOR reform may affect all hedging relationships applied by the Bank. Their nature and the nominal amounts of the instruments designated as hedges as at 31 December 2020 are described in Note 18 "Hedging derivatives" of the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2020. Because the Bank has significant financial assets and liabilities based on variable IBOR rates, an analysis of the impact of the standard on the financial statements has not yet been completed.

2.1.2. OTHER AMENDMENTS

The Bank does not identify any new standards or amendments to standards or interpretations, which have been published and endorsed by the European Union, but are not binding for annual periods beginning on 1 January 2021, but which will have a material impact on the financial statements.

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

The Bank does not identify any new standards or amendments to standards or interpretations, which have been published and endorsed by the European Union, but are not binding for annual periods beginning on 1 January 2021 and have not been applied to the financial statements, but which will have a material impact on the financial statements.

2.3 NEW STANDARDS AND INTERPRETATIONS, AND AMENDMENTS THERETO, WHICH HAVE BEEN PUBLISHED BUT HAVE NOT BEEN ENDORSED BY THE EUROPEAN UNION

Amendments to:

- IAS 1 *Presentation of Financial Statements*, with respect to the classification of liabilities as current and non-current, and the obligation to disclose significant information relating to the accounting policies which were defined in the standard;
 - IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in respect of the definition of estimated amounts;
 - IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in respect of an explanation of the costs which are taken into account by the entity in analysing whether an agreement constitutes an onerous contract;
 - IFRS 16 *Leases* in connection with the COVID-19 pandemic;
- and the introduction of IFRS 17 *Insurance Contracts* will not have a material effect on the Bank's financial statements.

2.4 INCOME TAX IN THE INTERIM FINANCIAL STATEMENTS

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

The calculation of the average effective income tax rate requires the use of a forecast of the income before tax for the whole financial year and the permanent differences between the carrying amounts of assets and liabilities for accounting and tax purposes.



NOTES TO THE INCOME STATEMENT

3. INTEREST INCOME AND EXPENSE

INTEREST INCOME AND INCOME SIMILAR TO INTEREST INCOME	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Interest income recognized using the effective interest rate method, including:	124,796	230,980
on financial instruments measured at amortized cost, including:	123,598	224,881
loans and advances to customers	123,594	224,850
amounts due from banks and on mandatory reserve	4	31
on instruments measured at fair value through other comprehensive income, including:	1,198	6,099
debt securities	1,198	6,099
Income similar to interest income on instruments measured at fair value through profit or loss, including:	1,594	415
hedging IRS transactions (net)	1,594	415
Total	126,390	231,395
including: interest income on impaired financial instruments	200	239

INTEREST EXPENSES AND SIMILAR EXPENSES	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Interest expense on financial instruments measured at amortized cost, including:	(40,789)	(93,788)
loans received and overdraft facility used	(6,679)	(24,929)
liabilities in respect of the purchase of receivables	(360)	(3,696)
mortgage covered bonds issued	(27,841)	(44,143)
bonds issued	(5,892)	(20,985)
lease liabilities	(17)	(35)
Expenses similar to interest expense on instruments measured at fair value through profit or loss, including:	(9,647)	(53,190)
hedging CIRS transactions (net)	(9,647)	(53,190)
Total	(50,436)	(146,978)



4. FEE AND COMMISSION INCOME AND EXPENSE

FEE AND COMMISSION INCOME	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Fees for property valuation	138	417
Fees for property inspection	379	574
Commission for full or partial prepayment of loans	1,190	1,342
Other	231	508
Total	1,938	2,841

FEE AND COMMISSION EXPENSES	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Preparation by property valuers of appraisal reports on Property Value for Mortgage Lending Purposes (MLV)	(189)	(205)
Expenses related to bond issue programmes	(1,591)	(688)
Expenses related to credit lines	(1,273)	(796)
Expenses related to mortgage covered bond issue programmes	(211)	(276)
Loan insurance costs	(597)	(1,011)
Commissions for other operating services	(65)	(77)
Costs of debt collection and intermediation in selling collateral	(3)	-
Total	(3,929)	(3,053)

5. NET FOREIGN EXCHANGE GAINS / (LOSSES)

NET FOREIGN EXCHANGE GAINS/(LOSSES)	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Result on revaluation	143	551
Gain/(loss) on derivative instruments (CIRS, FX-Forward) before designation to hedge accounting	1	1
Gain/(loss) on derivative instruments (CIRS, FX-Forward) related to hedge ineffectiveness	7	5,081
Total	151	5,633

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

6. NET ALLOWANCES FOR EXPECTED CREDIT LOSSES

NET ALLOWANCES FOR EXPECTED CREDIT LOSSES	Note	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Net allowances for loans and advances to customers	13	74	(14,301)
Net provisions for financial commitments related to residential loans not drawn in full	18	8	(12)
Total		82	(14,313)



7. ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Employee benefits	(3,834)	(4,005)
Overheads	(7,900)	(8,956)
Amortization and depreciation, including:	(623)	(790)
property, plant and equipment	(28)	(52)
right-of-use assets, including:	(304)	(312)
real estate	(246)	(258)
cars	(58)	(54)
Intangible assets	(291)	(426)
Total	(12,357)	(13,751)

EMPLOYEE BENEFITS	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Wages and salaries, including:	(3,229)	(3,321)
provisions for disability and retirement benefits	-	-
costs of contributions to the Employee Pension Plan	(69)	(77)
Salary surcharges	(564)	(592)
Other employee benefits	(41)	(92)
Total	(3,834)	(4,005)

OVERHEADS	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Services relating to supporting operations under the Outsourcing Agreement	(993)	(933)
Servicing of loans granted and receivables purchased under the Outsourcing Agreement	(5,440)	(6,360)
External services under other contracts	(567)	(590)
IT costs	(453)	(462)
Life- and non-life insurance costs	(113)	(97)
Costs related to short-term lease contracts	-	-
Costs related to lease contracts for low-value assets (other than short-term), non-deductible VAT expenses and service charges	(172)	(236)
Other	(162)	(278)
Total	(7,900)	(8,956)



8. REGULATORY CHARGES

REGULATORY CHARGES	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Contribution and payments to the Bank Guarantee Fund (BGF), including:	(21,053)	(22,507)
resolution fund	(21,053)	(22,507)
Payments to Polish Financial Supervision Authority (PFSA)	(3,324)	(2,129)
Payments to the Borrowers Support Fund (potential)	(11)	(121)
Other taxes and charges	(131)	(179)
Total	(24,519)	(24,936)

9. CORPORATE INCOME TAX

INCOME TAX EXPENSE	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Current income tax expense	(11,608)	(8,545)
Deferred income tax due to temporary differences	5,366	3,545
Income tax reported in the income statement	(6,242)	(5,000)
Income tax reported in other comprehensive income due to temporary differences	5,406	9,204
Total	(836)	4,204

RECONCILIATION OF THE EFFECTIVE TAX RATE	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Profit / (loss) before income tax	15,862	14,002
Corporate income tax calculated at the statutory tax rate in force in Poland (19%)	(3,014)	(2,660)
Effect of permanent differences between profit before income tax and taxable income, including:	(8,090)	(8,462)
tax on certain financial institutions	(4,125)	(4,293)
fees to BGF	(4,000)	(4,276)
PFRON (State Disabled Persons Fund) costs	(4)	(3)
impact of tax costs under Article 15cb of the CIT Act (internal financing)	48	143
impact of other permanent differences	(9)	(33)
Impact of applying the annual effective tax rate in the interim financial statements	4,862	6,122
Effect of other differences between profit before income tax and taxable income, including adjustments to previous periods	-	-
Income tax reported in the income statement	(6,242)	(5,000)
Effective tax rate	39.35%	35.71%



The Bank's approach to the calculation of the tax charge is to use the tax rate that would be applicable to the expected profit before tax for the whole year, i.e. the estimated effective annual income tax rate used for income before tax in the interim period.

The calculation of the average effective income tax rate requires the use of a forecast of the income before tax for the whole financial year and the permanent differences between the carrying amounts of assets and liabilities for accounting and tax purposes.

The forecast annual effective tax rate used to calculate the income tax expense in the first quarter of 2021 was 39.35%.



NOTES TO THE STATEMENT OF FINANCIAL POSITION

10. DERIVATIVE HEDGING INSTRUMENTS

As regards hedging strategies, the Bank did not introduce any changes in the three-month period ended 31 March 2021.

CARRYING AMOUNT/FAIR VALUE OF DERIVATIVES USED AS CASH FLOW HEDGES	31.03.2021		31.12.2020	
	Assets	Liabilities	Assets	Liabilities
IRS	12,678	-	15,203	-
CIRS	1,222,012	-	1,139,378	-
FX-Forward	114	413	111	541
Total	1,234,804	413	1,154,692	541

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

CHANGE IN OTHER COMPREHENSIVE INCOME ON CASH FLOW HEDGES AND INEFFECTIVE PORTION OF CASH FLOW HDGES	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Accumulated other comprehensive income on cash flow hedges at the beginning of the period, gross	174,304	165,953
Gains / (Losses) recognized in other comprehensive income during the period	86,353	725,707
Amounts transferred from other comprehensive income to the income statement during the period	(118,383)	(763,252)
- interest income	(1,594)	(415)
- Interest expenses	9,647	53,190
- net foreign exchange gains/(losses)	(126,436)	(816,027)
Accumulated other comprehensive income on cash flow hedges at the end of the period, gross	142,274	128,408
Tax effect	(27,032)	(24,398)
Accumulated other comprehensive income on cash flow hedges at the end of the period, net	115,242	104,010
Ineffective portion of cash flow hedges recognized in the income statement	24	5,095
Impact on other comprehensive income during the period, gross	(32,030)	(37,545)
Deferred tax on cash flow hedges	6,086	7,134
Impact on other comprehensive income during the period, net	(25,944)	(30,411)

11. SECURITIES

SECURITIES	31.03.2021	31.12.2020
Measured at fair value through other comprehensive income, including:	1,072,291	1,241,821
issued by the State Treasury, PLN Treasury bonds	1,072,291	1,241,821
Total	1,072,291	1,241,821



12. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS	31.03.2021	31.12.2020
Measured at amortized cost		
Residential loans, gross, including:		
loans granted	24,640,106	24,980,694
receivables acquired	12,137,332	12,261,768
	12,502,774	12,718,926
Allowances for expected credit losses	(77,967)	(78,035)
Loans and advances to customers, net	24,562,139	24,902,659

In the three-month period ended 31 March 2021, the Bank purchased, based on the Framework Agreement for the Sale of Receivables signed with PKO Bank Polski SA on 17 November 2015, residential mortgage loan receivables portfolios amounting to PLN 157,984 thousand, and in the three-month period ended 31 March 2020, amounting to PLN 154,001 thousand. The purchase price was determined on an arm's length basis, based on a valuation made by an independent expert. The receivables purchased were recognized in the Bank's books of account on the transfer dates set out in the Receivables Sale Agreements, on which the Bank acquired the rights to the cash flows from individual portfolios, and assumed all related liability for costs and economic risks in the constituent receivables. The purchase of the receivable portfolios was financed with a liability the nature of which is described in Note 14 "Amounts due to banks". The Bank ultimately refinances the purchased receivable portfolios primarily through the issue of mortgage covered bonds.

Loans granted and receivables purchased that have been entered in the Bank's cover pool represent collateral for mortgage covered bonds issued by the Bank, as described in Note 15 "Liabilities in respect of mortgage covered bonds issued".

Information about exposure to credit risk for loans and advances to customers measured at amortized cost is described in Note 13 "Expected credit losses".

Information about the quality of the loan portfolio is also presented in Note 27.4 "Loans and advances to customers and impairment".

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CONDENSED INTERIM FINANCIAL STATEMENTS

OF PKO BANK HIPOTECZNY SA

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

(IN PLN THOUSANDS)



Bank Hipoteczny

13. EXPECTED CREDIT LOSSES

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

FINANCIAL ASSETS AND ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31 MARCH 2021	Assets with no significant increase in credit risk since initial recognition, gross (Stage 1)	Allowances for expected credit losses (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired, gross (Stage 2)	Allowances for expected credit losses (Stage 2)	Credit-impaired assets, gross (Stage 3)	Allowances for expected credit losses (Stage 3)	Total gross amount	Total allowances for expected credit losses
Measured at fair value through other comprehensive income								
securities	1,072,291	-	-	-	-	-	1,072,291	-
issued by the State Treasury, PLN Treasury bonds	1,072,291	-	-	-	-	-	1,072,291	-
Total	1,072,291	-	-	-	-	-	1,072,291	-
Measured at amortized cost								
amounts due from banks	14	-	-	-	-	-	14	-
loans and advances to customers	22,726,983	(10,008)	1,867,719	(50,215)	45,404	(17,744)	24,640,106	(77,967)
residential loans	22,726,983	(10,008)	1,867,719	(50,215)	45,404	(17,744)	24,640,106	(77,967)
loans granted	10,936,530	(5,502)	1,182,283	(33,288)	18,519	(6,756)	12,137,332	(45,546)
receivables acquired	11,790,453	(4,506)	685,436	(16,927)	26,885	(10,988)	12,502,774	(32,421)
other financial assets	86	-	-	-	-	-	86	-
Total	22,727,083	(10,008)	1,867,719	(50,215)	45,404	(17,744)	24,640,206	(77,967)

LOAN COMMITMENTS AND PROVISIONS AS AT 31 MARCH 2021	Nominal amount of loan commitments with no significant increase in credit risk since initial recognition (Stage 1)	Provisions for loan commitments (Stage 1)	Nominal amount of loan commitments with a significant increase in credit risk since initial recognition, but not credit-impaired, gross (Stage 2)	Provisions for loan commitments (Stage 2)	Nominal amount of credit-impaired loan commitments (Stage 3)	Provisions for loan commitments (Stage 3)	Total nominal amount	Total provisions for loan commitments
Loan commitments	85,682	(31)	936	(12)	-	-	86,618	(43)

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Bank Hipoteczny

FINANCIAL ASSETS AND ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31 DECEMBER 2020	Assets with no significant increase in credit risk since initial recognition, gross (Stage 1)	Allowances for expected credit losses (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired, gross (Stage 2)	Allowances for expected credit losses (Stage 2)	Credit-impaired assets, gross (Stage 3)	Allowances for expected credit losses (Stage 3)	Total gross amount	Total allowances for expected credit losses
Measured at fair value through other comprehensive income								
securities	1,241,821	-	-	-	-	-	1,241,821	-
issued by the State Treasury, PLN Treasury bonds	1,241,821	-	-	-	-	-	1,241,821	-
Total	1,241,821	-	-	-	-	-	1,241,821	-
Measured at amortized cost								
amounts due from banks	23	-	-	-	-	-	23	-
loans and advances to customers	23,079,938	(9,651)	1,874,060	(55,822)	26,696	(12,562)	24,980,694	(78,035)
residential loans	23,079,938	(9,651)	1,874,060	(55,822)	26,696	(12,562)	24,980,694	(78,035)
loans granted	11,082,641	(5,200)	1,168,965	(35,723)	10,162	(4,694)	12,261,768	(45,617)
receivables acquired	11,997,297	(4,451)	705,095	(20,099)	16,534	(7,868)	12,718,926	(32,418)
other financial assets	31	-	-	-	-	-	31	-
Total	23,079,992	(9,651)	1,874,060	(55,822)	26,696	(12,562)	24,980,748	(78,035)

LOAN COMMITMENTS AND PROVISIONS AS AT 31 December 2020	Nominal amount of loan commitments with no significant increase in credit risk since initial recognition (Stage 1)	Provisions for loan commitments (Stage 1)	Nominal amount of loan commitments with a significant increase in credit risk since initial recognition, but not credit-impaired, gross (Stage 2)	Provisions for loan commitments (Stage 2)	Nominal amount of credit-impaired loan commitments (Stage 3)	Provisions for loan commitments (Stage 3)	Total nominal amount	Total provisions for loan commitments
Loan commitments	114,179	(36)	1,277	(15)	-	-	115,456	(51)

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Bank Hipoteczny

CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES

CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 MARCH 2021	As at 01.01.2021	Increase due to granting and purchase of loans	Changes due to changes in credit risk (net), including total repayment	Changes due to immaterial modification (net)	Decrease due to derecognition	Changes due to lengthening the loss recognition horizon from 12 months to lifetime	Changes due to shortening the loss recognition horizon from lifetime to 12 months	Change due to partial write-off or reversal	Transfers to Stage 1 (S1)	Transfers to Stage 2 (S2)	Transfers to Stage 3 (S3)	Other changes	As at 31.03.2021
Measured at fair value through OCI													
Securities (S1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-
Measured at amortized cost													
amounts due from banks (S1)	-	-	-	-	-	-	-	-	-	-	-	-	-
loans and advances to customers	78,035	79	(2,592)	692	(13)	11,622	(9,862)	6					77,967
residential loans	78,035	79	(2,592)	692	(13)	11,622	(9,862)	6					77,967
Stage 1 (S1)	9,651	70	719	128	(4)	11,622	-	(1)	784	(12,475)	(486)	-	10,008
Stage 2 (S2)	55,822	9	(2,019)	526	(9)	-	(9,862)	6	(784)	13,179	(6,653)	-	50,215
Stage 3 (S3)	12,562	-	(1,292)	38	-	-	-	1	-	(704)	7,139	-	17,744
other financial assets (S1)	-	-	-	-	-	-	-	-					-
Total	78,035	79	(2,592)	692	(13)	11,622	(9,862)	6					77,967

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CONDENSED INTERIM FINANCIAL STATEMENTS

OF PKO BANK HIPOTECZNY SA

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

(IN PLN THOUSANDS)



Bank Hipoteczny

CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020	As at 01.01.2020	Increase due to granting and purchase of loans	Changes due to changes in credit risk (net), including total repayment	Changes due to immaterial modification (net)	Decrease due to derecognition	Changes due to lengthening the loss recognition horizon from 12 months to lifetime	Changes due to shortening the loss recognition horizon from lifetime to 12 months	Change due to partial write-off or reversal	Transfers to Stage 1 (S1)	Transfers to Stage 2 (S2)	Transfers to Stage 3 (S3)	Other changes	As at 31.03.2020
Measured at fair value through OCI													
Securities (S1)	-	-	-	-	-	-	-	-					-
Total	-	-	-	-	-	-	-	-					-
Measured at amortized cost													
amounts due from banks (S1)	-	-	-	-	-	-	-	-					-
loans and advances to customers	42,726	146	2,860	45	(34)	16,676	(5,392)	(111)					56,916
residential loans	42,726	146	2,860	45	(34)	16,676	(5,392)	(111)					56,916
Stage 1 (S1)	9,333	115	2,499	49	(3)	16,676	-	(1)	315	(18,682)	(116)		10,185
Stage 2 (S2)	25,895	31	335	(4)	(31)	-	(5,188)	(1)	(315)	18,719	(1,171)		38,270
Stage 3 (S3)	7,498	-	26	-	-	-	(204)	(109)	-	(37)	1,287		8,461
other financial assets (S1)	-	-	-	-	-	-	-	-					-
Total	42,726	146	2,860	45	(34)	16,676	(5,392)	(111)					56,916



CALCULATION OF ESTIMATES

The Bank performed a simulation of a change in the allowances for expected credit losses resulting from a deterioration or improvement in risk parameters.

ESTIMATED CHANGE IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DUE TO A DETERIORATION OR IMPROVEMENT IN RISK PARAMETERS, INCLUDING: ¹	31.03.2021		31.12.2020	
	scenario +10%	scenario +10%	scenario +10%	scenario -10%
changes in probability of default	8,505	(11,754)	10,125	(12,807)
changes in rates of recovery	(22,153)	22,159	(17,034)	17,045

¹ in plus – an increase in allowances; in minus – a decrease in allowances

FINANCIAL ASSETS IMPAIRED UPON INITIAL RECOGNITION – POCI

As at 31 March 2021 and 31 December 2020, the Bank had no purchased or originated credit-impaired financial assets (POCI).

14. AMOUNTS DUE TO BANKS

AMOUNTS DUE TO BANKS	31.03.2021	31.12.2020
Measured at amortized cost		
overdraft within the limit available	10,768	14,275
liability related to overdraft facilities	2,485,401	3,222,246
liability related to term loans	209,816	149,864
liability in respect of the purchase of receivables	158,094	188,748
Total	2,864,079	3,575,133

LIABILITIES IN RESPECT OF LOANS

LENDER	Effective date of agreement	Maturity date	Amount of loan granted as at 31 March 2021	Amount of loan drawn as at 31 March 2021	Liability as at 31 March 2021
PKO Bank Polski SA	29.10.2015	29.10.2022	2,000,000	2,000,000	203
PKO Bank Polski SA	02.02.2017	03.02.2023	2,000,000	2,000,000	135,195
PKO Bank Polski SA	10.07.2019	01.07.2022	2,500,000	2,500,000	2,200,000
PKO Bank Polski SA	10.09.2020	10.09.2026	300,000	300,000	209,816
Other bank 1	10.06.2019	13.06.2021	150,000	150,000	150,003
Total			6,950,000	6,950,000	2,695,217

LENDER	Effective date of agreement	Maturity date	Amount of loan granted as at 31 December 2020	Amount of loan drawn as at 31 December 2020	Liability as at 31 December 2020
PKO Bank Polski SA	29.10.2015	29.10.2022	2,000,000	2,000,000	621,517
PKO Bank Polski SA	02.02.2017	03.02.2023	2,000,000	2,000,000	-
PKO Bank Polski SA	10.07.2019	01.07.2022	2,500,000	2,500,000	2,450,726
PKO Bank Polski SA	10.09.2020	10.09.2026	300,000	300,000	149,864
Other bank 1	10.06.2019	13.06.2021	150,000	150,000	150,003
Total			6,950,000	6,950,000	3,372,110

LIABILITY IN RESPECT OF THE PURCHASE OF RECEIVABLES

The line “Liability in respect of the purchase of receivables” represents the liability arising from the purchases of residential mortgage loan portfolios from PKO Bank Polski SA, as specified in Note 12 “Loans and advances to customers”. The repayment date of the liability resulting from the purchase of receivables is agreed by the parties each time in the Receivables Sale Agreement. For receivables acquired in 2021 and 2020, the parties agreed that the payment would be due no later than 18 months from the date of transfer. If the liability is not settled within 1 month from the date of transfer the price is increased by interest. The Bank ultimately refinances the purchased receivable portfolios primarily through the issue of mortgage covered bonds. The liability resulting from the purchase of receivables as at 31 March 2021 concerns portfolios purchased in the first quarter of 2021, whereas as at 31 December 2020 the liability concerned portfolios purchased in the third quarter of 2020.

15. LIABILITIES IN RESPECT OF MORTGAGE COVERED BONDS ISSUED

LIABILITIES IN RESPECT OF MORTGAGE COVERED BONDS ISSUED	31.03.2021	31.12.2020
Measured at amortized cost		
mortgage covered bonds, including issued under:		
International Mortgage Covered Bonds Issue Programme	17,319,238	17,205,554
National Mortgage Covered Bonds Issue Programme	12,958,991	12,847,883
	4,360,247	4,357,671
Total	17,319,238	17,205,554

In the three-month periods ended 31 March 2021 and 31 March 2020 the Bank did not issue and did not redeem any mortgage covered bonds.

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

As at 31 March 2021 and 31 December 2020, the PLN- and EUR-denominated mortgage covered bonds issued were rated by Moody’s Investors Service at Aa1, i.e. the highest achievable by Polish securities. The limit for the ratings is the Polish country ceiling for debt instruments, which currently is at the level of Aa1.

The total nominal value of the issued mortgage covered bonds as at 31 March 2021 amounted to PLN 17,305,974 thousand, and as at 31 December 2020 – PLN 17,179,529 thousand. The increase in the value was mainly due to the changes in the EUR/PLN exchange rate.

SECURITY FOR MORTGAGE COVERED BONDS

The mortgage covered bonds are secured with loans secured with the highest priority mortgage. Additionally, the mortgage covered bonds may also be issued based on the Bank’s own funds:

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

The nominal value of loans entered in the Bank’s cover pool and representing collateral for the mortgage covered bonds issued as at 31 March 2020 totalled PLN 22,919,739 thousand, whereas the nominal value of additional collateral in the form of PLN-denominated securities issued by the State Treasury amounted to PLN 250,000 thousand. As at 31 December 2020, these amounted to PLN 23,106,628 thousand and PLN 250,000 thousand respectively. The Bank’s mortgage covered bonds cover pool also included CIRS and FX-Forward transactions hedging the currency and interest rate risk of mortgage covered bonds denominated in EUR and IRS transactions hedging the interest rate risk of fixed rate mortgage covered bonds issued in PLN.

In the three-month period ended 31 March 2021 and in the previous years the Bank’s mortgage covered bonds cover pool did not include asset-backed securities (ABS), which do not meet the requirements specified in paragraph 1 of Article 80 of the Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (recast).

16. LIABILITIES IN RESPECT OF BONDS ISSUED

LIABILITIES IN RESPECT OF BONDS ISSUED	31.03.2021	31.12.2020
Measured at amortized cost		
bonds, including bonds issued under:	4,507,960	4,337,081
Bond Issue Programme	4,292,836	3,771,812
Public Bond Issue Programme	215,124	214,969
an individual agreement	-	350,300
Total	4,507,960	4,337,081

BOND ISSUE PROGRAMME

In the three-month period ended 31 March 2021, a part of the Bond Issue Programme, the Bank issued bonds with a total nominal value of PLN 2,472,000 thousand (i.e. 4,944 bonds with PLN 500,000 nominal value each) and redeemed bonds with a total nominal value of PLN 1,951,500 thousand (i.e. 3,903 bonds with PLN 500,000 nominal value each), whereas in the three-month period ended 31 March 2020, this amounted to PLN 957,000 thousand (i.e. 1,914 bonds with PLN 500,000 nominal value each) PLN 936,000 thousand (i.e. 1,020 bonds with PLN 100,000 nominal value each and 1,668 bonds with PLN 500,000 nominal value each).

The above-mentioned issues of bonds are regulated by the Bond Issue Programme Agreement concluded with PKO Bank Polski SA. In accordance with the Agreement, the maximum nominal value of bonds issued and not yet redeemed is PLN 6,000,000 thousand. At the same time, pursuant to the Underwriting Agreement concluded, PKO Bank Polski SA as the Underwriter shall be obliged to take up the issuer's bonds up to the amount of PLN 2,000,000 thousand.

As at 31 March 2021, the Bank's liability in respect of bonds issued as part of the Bond Issue Programme had a nominal value of PLN 4,297,000 thousand, and as at 31 December 2019 its nominal value was PLN 4,297,000 thousand. As at 31 December 2020 the nominal value was PLN 3,776,500 thousand. As at 31 March 2021 and 31 December 2020, PKO Bank Polski SA did not hold any bonds under the Underwriting Agreement.

PUBLIC BOND ISSUE PROGRAMME

In the three-month period ended 31 March 2021, the Bank did not issue and did not redeem bonds under the Public Bond Issue Programme, and in the three-month period ended 31 March 2020, the Bank did not issue bonds under the programme, but redeemed bonds with a total nominal value of PLN 161,500 thousand (i.e. 1,615 bonds with PLN 100,000 nominal value each).

As at 31 March 2021 and as at 31 December 2020, the Bank's liability in respect of bonds issued as part of the Public Bond Issue Programme amounted to PLN 215,000 thousand (the nominal value), of which bonds issued under the underwriting agreement with the PKO Bank Polski Brokerage Office amounted to PLN 0.

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

OTHER ISSUES OF UNSECURED BONDS (BASED ON AN INDIVIDUAL AGREEMENT)

In the three-month period ended 31 March 2021, the Bank did not issue unsecured bonds under an individual agreement.

On 24 February 2021, PKO Bank Hipoteczny SA redeemed unsecured bonds with a nominal value of PLN 350,000 thousand (i.e. 350 bonds with a nominal value of PLN 1,000,000 each), and therefore, as at 31 March 2021, the Bank's liability in respect of the aforesaid bonds totalled PLN 0 (as at 31 December 2020 it was PLN 350,000 thousand).



17. OTHER LIABILITIES

OTHER LIABILITIES	31.03.2021	31.12.2020
Expenses to be paid*	30,972	9,331
Liabilities in respect of contribution to the Bank Guarantee Fund (BGF), including: maintained in the form of payment commitments to the resolution fund	14,077	14,581
Deferred commissions and costs relating to loans granted in the part corresponding to unpaid principal and adjustment of deferred commission income on loans granted	949	588
Other liabilities, including: sundry creditors*	9,804	10,303
settlements with the state budget, including: liabilities in respect of tax on certain financial institutions	2,134	2,218
	7,670	8,085
	7,284	7,380
Lease liabilities*	3,412	3,625
Total	59,214	38,428
Including financial liabilities marked with* above	36,518	15,174

* This symbol designates financial liabilities.

As at 31 March 2021 and 31 December 2020, the Bank had no overdue contractual liabilities.

18. PROVISIONS

PROVISIONS FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 MARCH 2021	Provision for disability and retirement benefits	Provision for loan commitments	Total
As at 1 January 2021, including:	169	51	220
Short-term provision	-	51	51
Long-term provision	169	-	169
Set-up/reassessment of provisions	-	3	3
Release/utilization	-	(11)	(11)
As at 31 March 2021, including:	169	43	212
Short-term provision	-	43	43
Long-term provision	169	-	169

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



19. EQUITY AND SHAREHOLDING STRUCTURE OF THE BANK

EQUITY	31.03.2021	31.12.2020
Share capital	1,611,300	1,611,300
Supplementary capital	250,733	250,733
Accumulated other comprehensive income, including:	126,598	149,642
cash flow hedges	115,242	141,186
measurement of financial assets measured at fair value through other comprehensive income	11,356	8,456
Retained earnings	81,530	-
Net profit for the period	9,620	81,530
Total equity	2,079,781	2,093,205

SHAREHOLDING STRUCTURE

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

PKO Bank Polski SA was the Bank's sole shareholder as at 31 March 2021 and 31 December 2020.

The Bank's share capital amounts to PLN 1,611,300,000 and comprised 1,611,300,000 ordinary registered shares with a nominal value of (one) PLN 1 each. The PKO Bank Hipoteczny SA shares are non-preference shares and have been paid up in full.

The Bank did not pay dividend in the three-month period ended 31 March 2021 or in 2020



OTHER NOTES

20. CONTINGENT LIABILITIES GRANTED AND RECEIVED

20.1 CONTRACTUAL COMMITMENTS

As at 31 March 2021 and 31 December 2020 the Bank had no contractual commitments relating to the purchase of intangible assets and property, plant and equipment.

20.2 LOAN COMMITMENTS

LOAN COMMITMENTS (CONTINGENT)	31.03.2021	31.12.2020
Relating to residential loans not drawn in full (nominal value)	86,618	115,456
provisions for residential loans not drawn in full	(43)	(51)
Total, net	86,575	115,405
including irrevocable loan commitments	-	-

20.3 GUARANTEE COMMITMENTS GRANTED

PKO Bank Hipoteczny SA does not grant guarantee commitments.

20.4 CONTINGENT LIABILITIES RECEIVED

CONTINGENT COMMITMENTS RECEIVED AT THE NOMINAL VALUE	31.03.2021	31.12.2020
Contingent commitments received		
financial	4,254,797	3,577,757
guarantees	2,000,000	2,000,000
Total	6,254,797	5,577,757

Contingent liabilities received of a financial nature represent initiated and available loans, while guarantee commitments received represent the available guarantees to underwrite bond issues.

RIGHT TO SELL OR PLEDGE COLLATERAL ESTABLISHED FOR THE BANK

As at 31 March 2021 and 31 December 2020 no collateral was established for the Bank, which the Bank would be entitled to sell or re-pledge, in the event of fulfilling all obligations by the owner of the collateral.

21. LEGAL CLAIMS

As at 31 March 2021 and 31 December 2020 there were no legal claims.



22. INFORMATION ABOUT LEASES

LEASES - LESSEE

LEASE AMOUNTS RECOGNIZED IN THE INCOME STATEMENT - LESSEE	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Amortization of the right-of-use assets	(304)	(312)
real estate	(246)	(258)
cars	(58)	(54)
Interest expense	(17)	(35)
Costs related to short-term lease contracts	-	-
Costs related to lease contracts for low-value assets (other than short-term), non-deductible VAT expenses and service charges	(172)	(236)
Total	(493)	(583)

LEASES - LESSOR

The Bank does not conclude contracts in which it acts as the lessor.

23. NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents	31.03.2021	31.12.2020
Cash and balances with the Central Bank	24	21
Amounts due from banks – current accounts	14	23
Total	38	44

As at 31 March 2021 and 31 December 2020 there were no cash and cash equivalents with restricted availability for use.

24. RELATED-PARTY TRANSACTIONS – CAPITAL LINKS

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

Details of transactions with related parties with capital links were presented in note 35.1 of the PKO Bank Hipoteczny SA financial statements for the year ended 31 December 2020.

Furthermore in the first quarter of 2021:

- On 15 March 2021, the Bank concluded with PKO Bank Polski SA Annex No. 9 to the Bond Issue Programme Agreement of 30 September 2015, based on which the amount of the Programme was increased from PLN 4,000,000 thousand to PLN 6,000,000 thousand.



AS AT 31 MARCH 2021

ENTITY	ASSETS	
	Receivables	including derivatives
PKO Bank Polski SA	1,234,900	1,234,804
Total	1,234,900	1,234,804

ENTITY	LIABILITIES				
	Loans and overdraft	Acquisition of receivables	Mortgage covered bonds and bonds	Other liabilities	including derivatives
PKO Bank Polski SA	2,556,175	158,094	19,938	6,724	413
PKO BP Finat Sp. z o.o.	-	-	-	22	-
PKO Leasing SA	-	-	-	306	-
Prime Car Management SA	-	-	-	67	-
PKO Towarzystwo Ubezpieczeń SA	-	-	77,549	-	-
PKO life Towarzystwo Ubezpieczeń SA	-	-	41,981	-	-
PKO VC - fizan	-	-	20,990	-	-
NEPTUN - fizan	-	-	29,967	-	-
Bankowe Towarzystwo Kapitałowe SA	-	-	24,968	-	-
Total	2,556,175	158,094	215,393	7,119	413

ENTITY	Loan commitments	Contingent commitments received
PKO Bank Polski SA	-	6,254,797
Total	-	6,254,797



FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 MARCH 2021

ENTITY	Total revenues	including interest and commissions	Total costs	including interest and commissions	Net income/(expense) from financial instruments measured at fair value	Net foreign exchange gains / (losses)
PKO Bank Polski SA	1,640	1,594	26,959	20,020	17	126,441
PKO BP Finat Sp. z o.o.	-	-	56	-	-	-
PKO Leasing SA	-	-	78	2	-	-
Prime Car Management SA	-	-	8	0	-	-
PKO Towarzystwo Ubezpieczeń SA	-	-	775	775	-	-
PKO life Towarzystwo Ubezpieczeń SA	-	-	132	132	-	-
PKO VC – fizan	-	-	21	21	-	-
NEPTUN – fizan	-	-	26	26	-	-
Bankowe Towarzystwo Kapitałowe SA	-	-	66	66	-	-
Total	1,640	1,594	28,121	21,042	17	126,441

AS AT 31 DECEMBER 2020

ENTITY	ASSETS	
	Receivables	including derivatives
PKO Bank Polski SA	1,154,740	1,154,692
Total	1,154,740	1,154,692

ENTITY	LIABILITIES				
	Loans and overdraft	Acquisition of receivables	Mortgage covered bonds and bonds	Other liabilities	including derivatives
PKO Bank Polski SA	3,236,523	188,748	19,338	7,212	541
PKO BP Finat Sp. z o.o.	-	-	-	17	-
PKO Leasing SA	-	-	-	359	-
Prime Car Management SA	-	-	-	72	-
PKO Towarzystwo Ubezpieczeń SA	-	-	97,458	-	-
PKO life Towarzystwo Ubezpieczeń SA	-	-	116,885	-	-
PKO VC – fizan	-	-	20,969	-	-
NEPTUN – fizan	-	-	29,995	-	-
Bankowe Towarzystwo Kapitałowe SA	-	-	24,934	-	-
Total	3,236,523	188,748	309,579	7,660	541



ENTITY	Loan commitments	Contingent commitments received
PKO Bank Polski SA	-	5,577,757
Total	-	5,577,757

FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020

ENTITY	Total revenues	including interest and commissions	Total costs	including interest and commissions	Net income/(expense) from financial instruments measured at fair value	Net foreign exchange gains / (losses)
PKO Bank Polski SA	476	431	91,252	83,334	14	821,127
PKO BP Finat Sp. z o.o.	-	-	59	-	-	-
PKO Leasing SA	-	-	82	3	-	-
PKO Towarzystwo Ubezpieczeń SA	-	-	1,199	1,199	-	-
PKO life Towarzystwo Ubezpieczeń SA	-	-	329	329	-	-
PKO VC – fizan	-	-	218	218	-	-
Total	476	431	93,139	85,083	14	821,127

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

The classification of financial instruments and the methods for determining their fair value are described in the annual financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2020.



ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS AT 31 MARCH 2021	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on active markets	Measurement techniques based on observable market data	Other measurement techniques
Derivative hedging instruments	10	1,234,804	-	1,234,804	-
CIRS		1,222,012	-	1,222,012	-
FX-Forward		114	-	114	-
IRS		12,678	-	12,678	-
Securities	11	1,072,291	1,072,291	-	-
measured at fair value through other comprehensive income		1,072,291	1,072,291	-	-
Total financial assets measured at fair value		2,307,095	1,072,291	1,234,804	-
Derivative hedging instruments	10	413	-	413	-
CIRS		-	-	-	-
FX-Forward		413	-	413	-
IRS		-	-	-	-
Total financial liabilities measured at fair value		413	-	413	-

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS AT 31 DECEMBER 2020	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on active markets	Measurement techniques based on observable market data	Other measurement techniques
Derivative hedging instruments	10	1,154,692	-	1,154,692	-
CIRS		1,139,378	-	1,139,378	-
FX-Forward		111	-	111	-
IRS		15,203	-	15,203	-
Securities	11	1,241,821	1,241,821	-	-
measured at fair value through other comprehensive income		1,241,821	1,241,821	-	-
Total financial assets measured at fair value		2,396,513	1,241,821	1,154,692	-
Derivative hedging instruments	10	541	-	541	-
CIRS		-	-	-	-
FX-Forward		541	-	541	-
IRS		-	-	-	-
Total financial liabilities measured at fair value		541	-	541	-

In the three-month period ended 31 March 2021, there were no changes in the measurement techniques or input data for the respective fair value hierarchy levels. The measurement techniques have been described in detail in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2020.

In the three-month period ended 31 March 2021 and in 2020 there were no transfers between the different levels of fair value hierarchy.



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

The fair value measurement methods and assumptions used in the estimation of fair value of financial instruments which are not presented at fair value have been described in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2020.

FINANCIAL ASSETS AND LIABILITIES NOT PRESENTED AT FAIR VALUE AS AT 31 MARCH 2021	fair value hierarchy level	measurement method	31.03.2021	
			carrying amount	fair value
Cash and balances with the Central Bank	N/A	amount of consideration due	24	24
Amounts due from banks	2	discounted cash flows	14	14
Loans and advances to customers, including:			24,562,139	23,941,678
residential loans	3	discounted cash flows	24,562,139	23,941,678
Other financial assets	3	amount of consideration due taking into account impairment	86	86
Amounts due to banks	2	discounted cash flows	2,864,079	2,864,079
Amounts due to customers	2	discounted cash flows	6,313	6,313
Liabilities in respect of mortgage covered bonds issued	1	quotation on the regulated market	17,319,238	17,591,967
Liabilities in respect of bonds issued, including issued under:			4,507,960	4,507,982
Public Bond Issue Programme	1	quotation on the regulated market	215,124	215,146
Bond Issue Programme and an individual agreement	2	discounted cash flows	4,292,836	4,292,836
Other financial liabilities	3	amount of consideration due	36,518	36,518

FINANCIAL ASSETS AND LIABILITIES NOT PRESENTED AT FAIR VALUE AS AT 31 DECEMBER 2020	fair value hierarchy level	measurement method	31.12.2020	
			carrying amount	fair value
Cash and balances with the Central Bank	N/A	amount of consideration due	21	21
Amounts due from banks	2	discounted cash flows	23	23
Loans and advances to customers, including:			24,902,659	24,072,854
residential loans	3	discounted cash flows	24,902,659	24,072,854
Other financial assets	3	amount of consideration due taking into account impairment	31	31
Amounts due to banks	2	discounted cash flows	3,575,133	3,575,133
Amounts due to customers	2	discounted cash flows	6,641	6,641
Liabilities in respect of mortgage covered bonds issued	1	quotation on the regulated market	17,205,554	17,478,010
Liabilities in respect of bonds issued, including issued under:			4,337,081	4,337,362
Public Bond Issue Programme	1	quotation on the regulated market	214,969	215,250
Bond Issue Programme and an individual agreement	2	discounted cash flows	4,122,112	4,122,112
Other financial liabilities	3	amount of consideration due	15,174	15,174

OPERATING SEGMENTS

In the three-month period ended 31 March 2021 and in 2020, the Bank did not analyse its operations by segments due to the specific nature of its operations.

OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT

26. RISK MANAGEMENT AT PKO BANK HIPOTECZNY SA

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

The risk management at PKO Bank Hipoteczny SA was described in detail in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2020. In the three-month period ended 31 March 2021, the following changes were introduced in the risk management principles:

- As of 1 January 2021, the Bank started applying a new definition of default in accordance with Guidelines EBA/GL/2016/07 of 18 January 2017 on the application of the definition of default under in Article 178 of Regulation (EU) No. 575/2013 using the materiality thresholds in line with the Regulation of the Minister of Finance, Investments and Development of 3 October 2019 on the materiality level of overdue loan liabilities.
- As of 31 March 2021, the Bank included the derivative instruments risk to the list of risk types identified in the Bank, whereas the Bank concludes derivative transactions solely in order to hedge risks related to its operations, in particular interest rate risk and foreign exchange risk. The Bank manages the derivative instruments risk as part of managing other types of risks, including credit risk, interest rate risk, foreign exchange risk and liquidity risk. The purpose of managing the derivative instruments risk is to limit losses relating to derivative transactions, mainly resulting from the potential ineffectiveness of hedging strategies by appropriate, i.e. consistent with the management of other risks, positions in such instruments and by implementing appropriate procedures and controls specific for derivative instruments.
- As of 31 March 2021 the Bank introduced an economic capital sensitivity measure to the interest risk limits system. The sensitivity measure is calculated assuming a parallel shift in yield curves of 100 b.p. The former sensitivity measure was based on the Basis Point Value, i.e. "BPV". The change made allows for more accurate accounting for automatic options embedded in particular transactions consisting of setting interest rate floors.

27. CREDIT RISK MANAGEMENT

27.1 MAXIMUM EXPOSURE TO CREDIT RISK

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

MAXIMUM EXPOSURE TO CREDIT RISK	31.03.2021	31.12.2020
Derivative hedging instruments	1,234,804	1,154,692
Balance sheet exposure - total	1,234,804	1,154,692



27.2 AMOUNTS DUE FROM BANKS

AMOUNTS DUE FROM BANKS	31.03.2021	31.12.2020
Amounts not overdue, not impaired (counterparty rating A2)	14	23
Total, gross	14	23
Allowances for expected credit losses	-	-
Total, net	14	23

27.3 SECURITIES

SECURITIES	31.03.2021	31.12.2020
issued by the State Treasury, PLN Treasury bonds (rating A)	1,072,291	1,241,821
Total, gross	1,072,291	1,241,821
Allowances for expected credit losses	-	-
Total, net	1,072,291	1,241,821

27.4 LOANS AND ADVANCES TO CUSTOMERS AND IMPAIRMENT

PKO Bank Hipoteczny SA performs monthly reviews of credit exposures in order to identify those that are at risk of impairment or whose credit risk has increased significantly since the initial recognition, to measure the impairment of credit exposures and to set up provisions for expected credit losses.

The loan portfolio is characterized by a low level of exposure to impairment. At 31 March 2021, 224 impaired loans were recognized, and their share in the total loan portfolio was 0.18%, whereas as at 31 December 2020, 130 impaired loans were recognized, and their share in the total loan portfolio was 0.11%. The increase in the share of impaired loans in the three-month period ended 31 March 2021 is mainly due to the application, as of 1 January 2021, of the new definition of default in line with Guidelines EBA/GL/2016/07.

LOANS AND ADVANCES TO CUSTOMERS	31.03.2021	31.12.2020
Loans not overdue, not impaired	24,512,994	24,839,142
Loans overdue, not impaired	81,708	114,856
Loans Impaired	45,404	26,696
Total, gross	24,640,106	24,980,694
Allowances for loans not overdue, not impaired	(47,523)	(53,140)
Allowances for loans overdue, not impaired	(12,700)	(12,333)
Allowances for loans impaired	(17,744)	(12,562)
Total, net	24,562,139	24,902,659



LOANS AND ADVANCES TO CUSTOMERS, NOT IMPAIRED	31.03.2021	31.12.2020
not overdue	24,512,994	24,839,142
up to 30 days overdue	65,516	103,767
from 31 to 60 days overdue	10,150	9,187
from 61 to 90 days overdue	6,042	1,902
Total, gross	24,594,702	24,953,998

In calculating the value of allowances for expected credit losses, the Bank considers the impact of macroeconomic scenarios on the respective parameters (PD, LGD). The tables below present forecasts of the main macroeconomic indices adopted as at 31 March 2021 and 31 December 2020, and the respective probabilities of occurrence assumed.

Scenario as at 31.03.2021	base	optimistic	pessimistic
probability	75%	5%	20%
	average for the period 1Q2021-4Q2022	average for the period 1Q2021-4Q2022	average for the period 1Q2021-4Q2022
GDP dynamics y/y	1.2	4.6	(2.2)
Unemployment rate	3.8	3.5	5.7
3M WIBOR	0.6	2.4	0.0
Real estate price index	101.2	102.9	97.3

Scenario as at 31.12.2020	base	optimistic	pessimistic
probability	75%	5%	20%
	average for the period 4Q2020-3Q2022	average for the period 4Q2020-3Q2022	average for the period 4Q2020-3Q2022
GDP dynamics y/y	1.9	5.7	(1.9)
Unemployment rate	5.2	4.5	6.5
3M WIBOR	0.4	2.1	(0.2)
Real estate price index	100.6	102.9	97.3

Due to the COVID-19 pandemic, in 2020 the Bank allowed the customers to suspend up to 6 capital or capital-and-interest instalments on the terms and conditions adopted by the banking sector in cooperation with the Polish Bank Association. Taking advantage of the above-mentioned moratorium does not automatically change the classification of exposures to exposures under restructuring, unless they have been classified as such previously. Throughout the period of the moratorium and afterwards, the Bank will assess the probability of default by debtors covered by the moratorium in accordance with the standard procedures, taking into account in particular the repayment delays occurring after the suspension period. The moratorium was offered until 30 September 2020, therefore, up until 31 March 2021, the Bank continued suspending instalments for its customers who took advantage of this option when it was offered.

Moreover, on 24 June 2020 the Bank gave customers the possibility to suspend the performance of a loan agreement based on the Act on subsidization of interest on bank loans granted to entities affected by COVID-19 and a simplified arrangement approval procedure due to COVID-19 of 19 June 2020 (the "Shield 4.0"). By 31 March 2021, a total of 22 loan agreements were subject to the statutory moratorium. As at 31 March 2021 there were 6 such loans totalling PLN 1,995 thousand.



LOAN PORTFOLIO AND FINANCIAL LIABILITIES GRANTED BY PD RANGE

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

LOANS AND ADVANCES TO CUSTOMERS		31.03.2021			
PD RANGE	Stage 1	Stage 2	Stage 3	Total, gross	
<0.01%	1,360	-	-	1,360	
0.01% - 0.02%	658,758	118	-	658,876	
0.02% - 0.05%	5,635,278	2,721	-	5,637,999	
0.05% - 0.1%	5,537,031	3,238	-	5,540,269	
0.1% - 0.3%	7,921,582	206,204	-	8,127,786	
0.3% - 1.0%	2,683,834	1,069,488	-	3,753,322	
1.0% - 10%	289,140	437,711	-	726,851	
10% - 99.99%	-	148,239	-	148,239	
100%	-	-	45,404	45,404	
Total gross amount	22,726,983	1,867,719	45,404	24,640,106	

LOANS AND ADVANCES TO CUSTOMERS		31.12.2020			
PD RANGE	Stage 1	Stage 2	Stage 3	Total, gross	
<0.01%	10,867	-	-	10,867	
0.01% - 0.02%	1,303,648	836	-	1,304,484	
0.02% - 0.05%	6,469,842	5,407	-	6,475,249	
0.05% - 0.1%	5,508,591	3,375	-	5,511,966	
0.1% - 0.3%	7,591,281	411,563	-	8,002,844	
0.3% - 1.0%	2,009,449	931,096	-	2,940,545	
1.0% - 10%	186,260	380,439	-	566,699	
10% - 99.99%	-	141,344	-	141,344	
100%	-	-	26,696	26,696	
Total gross amount	23,079,938	1,874,060	26,696	24,980,694	

FINANCIAL LIABILITIES GRANTED		31.03.2021			
PD RANGE	Stage 1	Stage 2	Stage 3	Total	
<0.01%	-	-	-	-	
0.01% - 0.02%	1,877	-	-	1,877	
0.02% - 0.05%	17,310	-	-	17,310	
0.05% - 0.1%	16,410	-	-	16,410	
0.1% - 0.3%	44,514	-	-	44,514	
0.3% - 1.0%	4,988	706	-	5,694	
1.0% - 10%	583	230	-	813	
10% - 99.99%	-	-	-	-	
100%	-	-	-	-	
Total nominal amount	85,682	936	-	86,618	



FINANCIAL LIABILITIES GRANTED		31.12.2020			
PD RANGE	Stage 1	Stage 2	Stage 3	Total	
<0.01%	665	-	-	665	
0.01% - 0.02%	8,607	-	-	8,607	
0.02% - 0.05%	32,522	-	-	32,522	
0.05% - 0.1%	42,772	-	-	42,772	
0.1% - 0.3%	24,824	634	-	25,458	
0.3% - 1.0%	4,160	435	-	4,595	
1.0% - 10%	629	208	-	837	
10% - 99.99%	-	-	-	-	
100%	-	-	-	-	
Total nominal amount	114,179	1,277	-	115,456	

27.5 FORBEARANCE PRACTICES

EXPOSURES SUBJECT TO FORBEARANCE IN THE LOAN PORTFOLIO	31.03.2021	31.12.2020
Gross loans and advances to customers, including: subject to forbearance	24,640,106 6,756	24,980,694 6,201
Allowances for expected credit losses, of which: on loans and advances subject to forbearance	(77,967) (1,283)	(78,035) (1,174)
Net loans and advances to customers, including: subject to forbearance	24,562,139 5,473	24,902,659 5,027

28. CONCENTRATION RISK MANAGEMENT

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

GROSS LOANS AND ADVANCES TO CUSTOMERS – CONCENTRATION RATIO	31.03.2021	31.12.2020
10 largest exposures	0.05%	0.05%
20 largest exposures	0.10%	0.09%
50 largest exposures	0.22%	0.21%
100 largest exposures	0.40%	0.40%

29. RESIDUAL RISK MANAGEMENT

The following tables present the concentration ratio for the portfolio of loans and advances measured in terms of LtV based on market valuation. The Bank does not have exposures with LtV above 90%.

GROSS LOANS BY LTV BASED ON MARKET VALUATION – SHARE	31.03.2021	31.12.2020
below 50%	50%	47%
51% – 60%	24%	24%
61% – 70%	17%	18%
71% – 80%	8%	9%
81% – 90%	1%	2%
Total	100%	100%
Average LtV based on market valuation	49%	50%



GROSS LOANS BY LTV BASED ON MARKET VALUATION – AMOUNT	31.03.2021	31.12.2020
below 50%	12,309,392	11,767,792
51% – 60%	5,893,297	5,960,726
61% – 70%	4,238,569	4,521,396
71% – 80%	2,012,262	2,341,902
81% – 90%	186,586	388,878
Total, gross	24,640,106	24,980,694

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

GROSS LOANS AND ADVANCES TO CUSTOMERS – BY GEOGRAPHICAL REGION	31.03.2021	31.12.2020
Warsaw region	22.0%	22.1%
Wrocław region	12.4%	12.4%
Gdańsk region	11.3%	11.3%
Poznań region	10.9%	10.9%
Katowice region	9.8%	9.8%
Kraków region	8.1%	8.1%
Szczecin region	7.3%	7.3%
Łódź region	6.9%	6.8%
Lublin region	5.9%	5.9%
Białystok region	5.4%	5.4%
Total	100.0%	100.0%

30. LIQUIDITY RISK MANAGEMENT

30.1 LIQUIDITY RISK MEASUREMENT AND ASSESSMENT

The Bank applies the following liquidity risk measures:

- contractual, adjusted and stress-test liquidity gap;
- liquidity surplus and survival horizon with no external support;
- regulatory liquidity measures:
 - M3 – Non-liquid assets to own funds;
 - M4 – Non-liquid assets and assets with limited liquidity to own funds and stable external funds ratio;
 - Liquidity coverage ratio (LCR) – the coverage ratio of net outflows up to 1 month;
- the concentration of funding sources;
- coverage ratio of long-term assets with long-term funding;
- liquidity stress tests.

The actualized liquidity gaps as at 31 March 2021 and as at 31 December 2020 are presented below.

LIQUIDITY GAP 31.03.2021	on demand	0 – 1 month	1 – 3 months	3 – 6 months	6 – 12 months	12 – 24 months	24 – 60 months	over 60 months
Adjusted periodic gap	3,864,834	164,021	(490,854)	(954,424)	(2,878,426)	(13,381,282)	(3,182,889)	16,859,020
Adjusted cumulative periodic gap	3,864,834	4,028,855	3,538,001	2,583,577	(294,849)	(13,676,131)	(16,859,020)	-

As at 31 March 2021, in the ranges of up to 6 months, the cumulative adjusted liquidity gap was positive, which means the surplus of maturing assets increased by estimated inflows from the available overdraft limit over mature liabilities in the short and medium term.

LIQUIDITY GAP 31.12.2020	on demand	0 – 1 month	1 – 3 months	3 – 6 months	6 – 12 months	12 – 24 months	24 – 60 months	over 60 months
Adjusted periodic gap	3,378,527	934,217	(148,748)	(2,542,571)	(2,455,179)	(9,135,493)	(7,510,715)	17,479,962
Adjusted cumulative periodic gap	3,378,527	4,312,744	4,163,996	1,621,425	(833,754)	(9,969,247)	(17,479,962)	-

The liquidity surplus is determined taking account of outflows of funds under stress conditions.

The liquidity surplus consists of liquid assets (comprising the main part aimed at providing protection against the most acute crises and the supplementary part providing protection against less acute, but longer lasting crises) adjusted for net stress test flows (outflows less inflows) over a 30-day horizon:

SENSITIVITY MEASURE	31.03.2021	31.12.2020
Excess liquidity in the horizon of up to 1 month	3,843,239	3,829,808

The Bank monitors all liquidity standards specified in the PFSA Resolution 386/2008 dated 17 December 2008. The values of liquidity standards binding as at the end of the reporting periods ended 31 March 2021 and 31 December 2020 and the average, minimum and maximum values during the reporting periods are shown in the following table:

31.03.2021	as at the end of the period	average during the period	minimum for the period	maximum for the period	regulatory minimum
M3	497.82	483.94	461.93	510.64	>1.0
M4	1.07	1.06	1.05	1.07	>1.0

31.12.2020	as at the end of the period	average during the period	minimum for the period	maximum for the period	regulatory minimum
M3	472.97	401.68	308.74	496.70	>1.0
M4	1.08	1.05	1.03	1.08	>1.0

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

SENSITIVITY MEASURE	31.03.2021	31.12.2020
Liquidity coverage ratio up to 1 month (LCR)	1,586%	1,763%
LCR regulatory limit	100%	100%

30.2 LIQUIDITY RISK CONTROL

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

30.3 LIQUIDITY RISK FORECASTING AND MONITORING

The liquidity risk exposure of PKO Bank Hipoteczny SA as at 31 March 2021 and 31 December 2020 was within the strategic and internal limits set. In the period ended 31 March 2021 and in the period ended 31 December 2020 the Bank did not exceed any of the standards nor any strategic or internal limits.

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

30.4 LIQUIDITY GAP IN THE PRESENTATION OF CONTRACTUAL CASH FLOWS

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

31.03.2021	on demand	0 - 1 month	1-- 3 months	3 - 6 months	6-- 12 months	12-- 24 months	24 - 60 months	over 60 months	Total
Inflows	37	144,534	269,872	406,178	813,073	1,768,275	5,697,553	22,421,435	31,520,957
securities	-	-	379	953	1,428	148,922	949,937	-	1,101,619
loans and advances to customers	-	144,534	269,493	405,225	811,645	1,619,353	4,747,616	22,421,435	30,419,301
other	37	-	-	-	-	-	-	-	37
Outflows	-	842,220	2,044,917	2,017,695	3,731,538	8,886,146	7,550,347	66,280	25,139,143
amounts due to banks	-	12,412	154,221	5,586	11,055	2,504,351	218,039	-	2,905,664
liabilities in respect of mortgage covered bonds issued	-	503,928	507,597	298,017	2,850,161	6,065,646	7,332,308	66,280	17,623,937
liabilities in respect of bonds issued	-	296,180	1,355,842	1,696,078	855,608	312,902	-	-	4,516,610
disbursement of loan commitments	-	23,387	27,257	18,014	14,714	3,247	-	-	86,619
other	-	6,313	-	-	-	-	-	-	6,313
Inflows/outflows due to initialled and available revolving current account loans	3,864,797	-	-	390,000	-	(4,164,797)	-	(90,000)	-
Inflows from derivative hedging instruments	-	-	7,398	27,316	2,838,411	5,436,679	4,837,011	6,278	13,153,093
Outflows on derivative hedging instruments	-	9,709	18,031	98,096	2,755,852	5,218,581	4,561,757	6,215	12,668,241
Periodic gap	3,864,834	(707,395)	(1,785,678)	(1,292,297)	(2,835,906)	(11,064,570)	(1,577,540)	22,265,218	6,866,666
Cumulative gap	3,864,834	3,157,439	1,371,761	79,464	(2,756,442)	(13,821,012)	(15,398,552)	6,866,666	



31.12.2020	on demand	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months	Total
Inflows	44	318,928	270,486	407,983	818,516	1,777,452	5,348,444	23,226,022	32,167,875
securities	-	174,309	-	379	1,382	145,503	559,190	380,581	1,261,344
loans and advances to customers	-	144,619	270,486	407,604	817,134	1,631,949	4,789,254	22,845,441	30,906,487
other	44	-	-	-	-	-	-	-	44
Outflows	-	937,705	1,510,110	2,853,360	3,295,579	7,233,971	9,774,097	66,280	25,671,102
amounts due to banks	-	14,429	14,945	164,946	29,634	3,308,857	159,621	-	3,692,432
liabilities in respect of mortgage covered bonds issued	-	35,773	5,025	1,011,857	3,081,327	3,696,710	9,614,476	66,280	17,511,448
liabilities in respect of bonds issued	-	849,689	1,453,232	1,651,806	166,113	224,285	-	-	4,345,125
disbursement of loan commitments	-	31,173	36,908	24,751	18,505	4,119	-	-	115,456
other	-	6,641	-	-	-	-	-	-	6,641
Inflows/outflows due to initialled and available revolving current account loans	3,378,483		-	49,274	150,000	(1,427,757)	(2,000,000)	(150,000)	-
Inflows from derivative hedging instruments	-	32,776	946	7,345	2,804,112	3,076,443	7,130,769	6,278	13,058,669
Outflows on derivative hedging instruments	-	10,562	16,458	96,420	2,772,821	3,106,127	6,754,715	6,821	12,763,924
Periodic gap	3,378,527	(596,563)	(1,255,136)	(2,485,178)	(2,295,772)	(6,913,960)	(6,049,599)	23,009,199	6,791,518
Cumulative gap	3,378,527	2,781,964	1,526,828	(958,350)	(3,254,122)	(10,168,082)	(16,217,681)	6,791,518	

30.5 CONCENTRATION OF FUNDING SOURCES

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

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

STRUCTURE OF THE BANK'S FINANCING	31.03.2021	31.12.2020
Mortgage covered bonds issued	64.4%	63.0%
Funds from the parent entity	10.1%	12.5%
Bonds issued	16.8%	15.9%
Equity	7.7%	7.7%
Other	1.0%	0.9%
Total	100.0%	100.0%

The share of funding raised from the parent entity amounted to 10.1% as at 31 March 2021 (12.5% as at 31 December 2020). This share decreased in relation to the share observed as at 31 December 2020 in connection with an increase in exposure to own bonds issues. The funding concentration risk is assessed as acceptable.

Seeking to reduce the concentration risk of funding sources, the Bank has implemented a system of internal limits, both short- and long-term, taking into account the dates of mortgage covered bond issues carried out by the Bank. In the three-month period ended 31 March 2021 and in 2020 none of these limits were exceeded.

31. INTEREST RATE RISK MANAGEMENT

The operations of PKO Bank Hipoteczny SA are exposed to interest rate risk, which is defined as the risk of loss on balance sheet items and off-balance sheet positions, sensitive to movements in the interest rates, as a result of changes in the market interest rates.

The aim of interest rate risk management is to limit any potential losses incurred due to changes in the market interest rates to an acceptable level by the proper shaping of the structure of the balance sheet items and off-balance sheet positions, among other things, in terms of the matching of the repricing periods.

31.1 INTEREST RATE RISK MEASUREMENT AND ASSESSMENT

In the process of interest rate risk management, the Bank uses the net interest income sensitivity (NIIS) measure, the Basis Point Value (BPV) measure, stress tests and repricing gap reports.

The net interest income sensitivity (NIIS) measure is a measure determining the change in net interest income arising from a sudden change in the interest rates while the Basis Point Value (BPV) measure is a measure illustrating the impact of such a change on the economic value of capital. The measures are calculated assuming a parallel shift in the yield curves of 100 b.p. up and down (more unfavourable of the aforesaid scenarios), and take into account the diversification of repricing dates for individual interest items in each subsequent time band.

SENSITIVITY MEASURE	31.03.2021	31.12.2020
Interest income sensitivity (NIIS) in PLN'000	(20,340)	(14,943)
Economic value of capital sensitivity in PLN'000	(2,507)	(2,881)

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

This document is a translation of a document originally issued in Polish.

The only binding version is the original Polish version.

CONDENSED INTERIM FINANCIAL STATEMENTS
OF PKO BANK HIPOTECZNY SA
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021
(IN PLN THOUSANDS)



Bank Hipoteczny

31.03.2021	0-1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	>5 years	Total
Assets, including:	7,506,305	15,359,745	2,465,066	2,431	7,601	212,820	-	25,553,968
securities	-	303,000	762,000	-	-	-	-	1,065,000
loans and advances to customers	7,506,305	15,056,745	1,703,066	2,431	7,601	212,820	-	24,488,968
Liabilities	(4,776,971)	(4,164,484)	(1,959,500)	(3,356,180)	(5,377,986)	(4,986,808)	(60,000)	(24,681,929)
amounts due to banks	(2,360,971)	(292,984)	-	-	-	(210,000)	-	(2,863,955)
liabilities in respect of mortgage covered bonds issued	(2,030,000)	(2,000,000)	(265,000)	(2,796,180)	(5,377,986)	(4,776,808)	(60,000)	(17,305,974)
liabilities in respect of bonds issued	(386,000)	(1,871,500)	(1,694,500)	(560,000)	-	-	-	(4,512,000)
Active positions on derivative hedging instruments	-	1,960	265,309	2,796,407	5,376,657	4,776,307	60,000	13,276,640
Passive positions on derivative hedging instruments	(4,232,131)	(7,958,494)	(309)	(1,768)	(8,985)	(4,432)	-	(12,206,119)
Periodic gap	(1,502,797)	3,238,727	770,566	(559,110)	(2,713)	(2,113)	-	1,942,560
Cumulative gap	(1,502,797)	1,735,930	2,506,496	1,947,386	1,944,673	1,942,560	1,942,560	

31.12.2020	0-1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	>5 years	Total
Assets, including:	8,463,404	15,282,116	2,127,482	2,811	6,285	183,319	-	26,065,417
securities	935,000	-	303,000	-	-	-	-	1,238,000
loans and advances to customers	7,528,404	15,282,116	1,824,482	2,811	6,285	183,319	-	24,827,417
Liabilities	(6,380,158)	(3,751,000)	(1,651,000)	(3,033,880)	(3,018,079)	(7,187,570)	(60,000)	(25,081,687)
amounts due to banks	(3,410,658)	-	-	-	-	(150,000)	-	(3,560,658)
liabilities in respect of mortgage covered bonds issued	(2,030,000)	(2,000,000)	-	(3,033,880)	(3,018,079)	(7,037,570)	(60,000)	(17,179,529)
liabilities in respect of bonds issued	(939,500)	(1,751,000)	(1,651,000)	-	-	-	-	(4,341,500)
Active positions on derivative hedging instruments	519	-	1,960	3,033,888	3,016,986	7,037,393	60,000	13,150,746
Passive positions on derivative hedging instruments	(4,232,662)	(7,956,551)	(1,924)	(1,538)	(8,518)	(5,419)	-	(12,206,612)
Periodic gap	(2,148,897)	3,574,565	476,518	1,281	(3,326)	27,723	-	1,927,864
Cumulative gap	(2,148,897)	1,425,668	1,902,186	1,903,467	1,900,141	1,927,864	1,927,864	



32. FOREIGN EXCHANGE RISK MANAGEMENT

The Bank's FX positions are presented in the following table:

FOREIGN CURRENCY POSITION IN PLN '000	31.03.2021	31.12.2020
EUR	0	(18)
USD	2	3

The Bank's combined FX VaR for all currencies is presented in the following table:

SENSITIVITY MEASURE	31.03.2021	31.12.2020
10-day FX VaR at 99% confidence level in PLN '000	0.1	0.7

The foreign exchange risk exposure of PKO Bank Hipoteczny SA as at 31 March 2021 and 31 December 2020 was within the strategic and internal limits set.

33. CAPITAL ADEQUACY AND THE MANAGEMENT OF CAPITAL RISK

At 31 March 2021, the total capital ratio of the Bank amounted to 18.9% (as at 31 December 2020: 18.7%). If the temporary solutions resulting from the implementation of IFRS 9 and relating to the COVID-19 pandemic were not taken into account, the total capital ratio of the Bank would amount to 18.6% (as at 31 December 2020: 18.5%). As at 31 March 2021 all capital ratios were at safe levels, considerably higher than internal limits adopted in the Bank and external capital requirements.

33.1 OWN FUNDS FOR THE PURPOSE OF CAPITAL ADEQUACY`

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

BANK'S OWN FUNDS	31.03.2021	31.12.2020
Share capital	1,611,300	1,611,300
Supplementary capital	250,733	250,733
Retained earnings	81,530	-
Net profit for the period	9,620	81,530
Accumulated other comprehensive income – cash flow hedges	115,242	141,186
Accumulated other comprehensive income – financial assets measured at fair value through other comprehensive income	11,356	8,456
Equity	2,079,781	2,093,205
Equity adjustments	(142,757)	(159,400)
Retained earnings before approval	(81,530)	-
Net profit for the period	(9,620)	(81,530)
Net profit for the first half of 2020 included by permission from the PFSA	35,475	35,475
Accumulated other comprehensive income – cash flow hedges	(115,242)	(141,186)
Intangible assets	(493)	(742)
Adjustment to assets measured at fair value (AVA)	(2,061)	(2,131)
Adjustment relating to the transitional period, including:	30,714	30,714
- due to IFRS 9 implementation	17,656	17,656
- due to COVID-19 pandemic	13,058	13,058
Own funds	1,937,024	1,933,805

The Bank's own funds consist entirely of common equity Tier 1 capital (CET 1). In determining its own funds, the Bank makes use of the transitional provisions following from the implementation of IFRS 9 and related to the COVID-19 pandemic.

As at 31 March 2021, the Bank's own funds, the common equity Tier 1 capital and Tier 1 capital would have amounted to PLN 1,906,310 thousand without taking into account the transitional solutions, whereas as at 31 December 2020 they would have amounted to PLN 1,903,091 thousand.

33.2 FINANCIAL LEVERAGE

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

LEVERAGE	31.03.2021	31.12.2020
Leverage ratio (LR)	7.5%	7.4%

As at 31 March 2021 and 31 December 2020, the Bank's financial leverage ratio was above the 3% level resulting from Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019, which will apply from 28 June 2021.

As at 31 March 2021, the leverage ratio without taking into account the transitional solutions following from the implementation of IFRS 9 and relating to the COVID-19 pandemic would have amounted to 7.4%, and as at 31 December 2020 it would have amounted to 7.3%.

33.3 REQUIREMENTS REGARDING OWN FUNDS (PILLAR I)

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

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

As at 31 March 2021 and as at 31 December 2020, the own fund requirements in respect of the risk of credit valuation adjustment, settlement and delivery, and market risk were nil, therefore, the total requirement in respect of own funds comprised the requirements in respect of credit and operational risk.

OWN FUNDS REQUIREMENTS	31.03.2021	31.12.2020
Credit risk	775,679	790,074
Operational risk	44,320	35,171
Total own funds requirement	819,999	825,245
Common Equity Tier 1 capital ratio (CET1)	18.9%	18.7%
Tier 1 capital ratio (T1)	18.9%	18.7%
Total capital ratio (TCR)	18.9%	18.7%



EVENTS AFTER THE END OF THE REPORTING PERIOD

34. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 6 April 2021, Mr Jakub Papierski resigned as member of the Bank's Supervisory Board with effect as at the date of the Annual General Shareholders' Meeting approving the Financial Statements for the financial year 2020.

On 13 April, the Annual General Shareholders' Meeting of PKO Bank Hipoteczny SA:

- appointed Mr Jan Emeryk Rościszewski a member of the Bank's Supervisory Board under a mutual four-year term;
- decided to earmark the 2020 net profit in full for the Bank's supplementary capital.

Signatures of all Members of the Bank's Management Board

30.04.2021	Paulina Strugała	President of the Management Board	<i>Signed on Polish original</i> (signature)
30.04.2021	Daniel Goska	Vice-President of the Management Board	<i>Signed on Polish original</i> (signature)
30.04.2021	Piotr Kochanek	Vice-President of the Management Board	<i>Signed on Polish original</i> (signature)

Signature of the person responsible for the Bank's accounts

30.04.2021

Tomasz Rynkowski
Director, the Bank's Chief Accountant

Signed on Polish original

.....
(signature)