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Bank Polski

Report of the PKO Bank Polski S.A. Group for the first quarter of 2022

SELECTED CONSOLIDATED FINANCIAL DATA

| SELECTED FINANCIAL DATA | PLN million | | | EUR million | | |
|--|--|--|---------------------|--|--|---------------------|
| | period from 01.01.2022 to 31.03.2022 | period from 01.01.2021 to 31.03.2021 | Change % (A-B)/B | period from 01.01.2022 to 31.03.2022 | period from 01.01.2021 to 31.03.2021 | Change % (D-E)/E |
| | A | B | C | D | E | F |
| Net interest income/(expense) | 3 200 | 2 312 | 38,41% | 689 | 506 | 36,17% |
| Net fee and commission income | 1 179 | 1 032 | 14,24% | 254 | 226 | 12,39% |
| Net expected credit losses and Net impairment allowances on non-financial assets | (504) | (190) | 165,26% | (108) | (42) | 157,14% |
| Administrative expenses | (1 846) | (1 643) | 12,36% | (397) | (359) | 10,58% |
| Profit before tax | 1 866 | 1 477 | 26,34% | 402 | 323 | 24,46% |
| Net profit (including non-controlling shareholders) | 1 415 | 1 175 | 20,43% | 304 | 257 | 18,29% |
| Net profit attributable to the parent company | 1 416 | 1 177 | 20,31% | 305 | 257 | 18,68% |
| Earnings per share for the period - basic (in PLN/EUR) | 1,13 | 0,94 | 20,21% | 0,24 | 0,21 | 14,29% |
| Earnings per share for the period - diluted (in PLN/EUR) | 1,13 | 0,94 | 20,21% | 0,24 | 0,21 | 14,29% |
| Total net comprehensive income | (1 979) | 663 | (398,49%) | (426) | 145 | (393,79%) |
| Total net cash flows | (2 422) | (2 919) | (17,06%) | (521) | (638) | (18,34%) |

| SELECTED FINANCIAL DATA | PLN million | | | EUR million | | |
|---|-------------|------------|---------------------|-------------|------------|---------------------|
| | 31.03.2022 | 31.12.2021 | Change % (A-B)/B | 31.03.2022 | 31.12.2021 | Change % (D-E)/E |
| | A | B | C | D | E | F |
| Total assets | 421 576 | 418 086 | 0,83% | 90 622 | 90 900 | (0,31%) |
| Total equity | 35 714 | 37 693 | (5,25%) | 7 676 | 8 195 | (6,33%) |
| Share capital | 1 250 | 1 250 | - | 269 | 272 | (1,10%) |
| Number of shares (in million) | 1 250 | 1 250 | - | 1 250 | 1 250 | - |
| Book value per share (in PLN/EUR) | 28,57 | 30,15 | (5,24%) | 6,14 | 6,56 | (6,40%) |
| Diluted number of shares (in million) | 1 250 | 1 250 | - | 1 250 | 1 250 | - |
| Diluted book value per share (in PLN/EUR) | 28,57 | 30,15 | (5,24%) | 6,14 | 6,56 | (6,40%) |
| Total capital adequacy ratio | 17,53 | 18,23 | (3,84%) | 17,53 | 18,23 | (3,84%) |
| Tier 1 | 36 644 | 38 524 | (4,88%) | 7 876 | 8 376 | (5,97%) |
| Tier 2 | 2 700 | 2 700 | - | 580 | 587 | (1,19%) |

SELECTED SEPARATE FINANCIAL DATA

| SELECTED FINANCIAL DATA | PLN million | | | EUR million | | |
|--|--|--|---------------------|--|--|--|
| | period from 01.01.2022 to 31.03.2022 | period from 01.01.2021 to 31.03.2021 | Change % (A-B)/B | period from 01.01.2022 to 31.03.2022 | period from 01.01.2022 to 31.03.2022 | period from 01.01.2021 to 31.03.2021 |
| | A | B | C | D | E | F |
| Net interest income/(expense) | 2 878 | 2 027 | 41,98% | 619 | 443 | 39,73% |
| Net fee and commission income | 931 | 834 | 11,36% | 200 | 182 | 9,89% |
| Net expected credit losses and Net impairment allowances on non-financial assets | (288) | (143) | 101,40% | (62) | (31) | 100% |
| Administrative expenses | (1 600) | (1 420) | 12,68% | (344) | (311) | 10,61% |
| Profit before tax | 1 698 | 1 295 | 31,12% | 365 | 283 | 29,98% |
| Net profit | 1 312 | 1 009 | 30,03% | 282 | 221 | 27,60% |
| Earnings per share for the period - basic (in PLN/EUR) | 1,05 | 0,81 | 29,63% | 0,23 | 0,18 | 27,78% |
| Earnings per share for the period - diluted (in PLN/EUR) | 1,05 | 0,81 | 29,63% | 0,23 | 0,18 | 27,78% |
| Total net comprehensive income | (1 869) | 414 | (551,45%) | (402) | 91 | (541,76%) |
| Total net cash flows | (1 604) | (2 863) | (43,97%) | (345) | (626) | (44,89%) |

| SELECTED FINANCIAL DATA | PLN million | | | EUR million | | |
|---|-------------|------------|---------------------|-------------|------------|------------|
| | 31.03.2022 | 31.12.2021 | Change % (A-B)/B | 31.03.2022 | 31.03.2022 | 31.12.2021 |
| | A | B | C | D | E | F |
| Total assets | 395 053 | 388 816 | 1,60% | 84 912 | 84 536 | 0,44% |
| Total equity | 34 204 | 36 073 | (5,18%) | 7 352 | 7 843 | (6,26%) |
| Share capital | 1 250 | 1 250 | - | 269 | 272 | (1,10%) |
| Number of shares (in million) | 1 250 | 1 250 | - | 1 250 | 1 250 | - |
| Book value per share (in PLN/EUR) | 27,36 | 28,86 | (5,20%) | 5,88 | 6,27 | (6,22%) |
| Diluted number of shares (in million) | 1 250 | 1 250 | - | 1 250 | 1 250 | - |
| Diluted book value per share (in PLN/EUR) | 27,36 | 28,86 | (5,20%) | 5,88 | 6,27 | (6,22%) |
| Total capital adequacy ratio | 19,16 | 20,23 | (5,29%) | 19,16 | 20,23 | (5,29%) |
| Tier 1 | 34 504 | 36 956 | (6,63%) | 7 416 | 8 035 | (7,70%) |
| Tier 2 | 2 700 | 2 700 | - | 580 | 587 | (1,19%) |

| SELECTED FINANCIAL STATEMENT ITEMS HAVE BEEN TRANSLATED INTO EUR AT THE FOLLOWING RATES | period from 01.01.2022 to 31.03.2022 | period from 01.01.2021 to 31.03.2021 |
|---|--|--|
| arithmetic mean of NBP exchange rates at the end of a month (income statement, statement of comprehensive income and cash flow statement items) | 4,6472 | 4,5721 |
| | 31.03.2022 | 31.12.2021 |
| NBP mid exchange rates at the date indicated (statement of financial position items) | 4,6525 | 4,5994 |



Bank Polski

Directors' Commentary
to the financial results
of the PKO Bank Polski S.A. Group
for the three-month period ended
31 March 2022

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

I. SUMMARY OF OPERATIONS IN THE FIRST QUARTER OF 2022

1. THE MOST IMPORTANT EVENTS, INCLUDING OF AN ATYPICAL NATURE

WAR IN UKRAINE AND ITS IMPACT ON THE OPERATIONS OF THE BANK'S GROUP

On 24 February 2022 the Russian Federation (Russia) invaded Ukraine. The beginning of a military conflict on the Polish borders led to a sudden increase in aversion to risk and significantly higher payments drawn from ATMs, purchases of fuel and groceries. The Western world reacted to Russia's aggression by implementing unprecedented economic sanctions and striving to break any and all ties it had with the Russian economy. For the global economy, including mainly Europe, the war is a strong supply shock, related to restricting the availability and increasing the prices of energy resources, agricultural and industrial products, and breaking the supply chains. This is accompanied by increased volatility on the financial markets and higher aversion to risk which mainly affects the assets of countries bordering on Russia and Ukraine. The states in the region, including mainly Poland, became a haven for millions of exiles from Ukraine, and the exile-related crisis they face is unprecedented in terms of its scale in the history of the European Union.

PKO Bank Polski S.A. Group companies, including KREDOBANK S.A. with its registered office in Lviv, and debt collection and financial companies with their registered offices in Kyiv and Lviv, continue to operate in Ukraine.



Since the first moments the Bank's Group was committed to various aid actions. It helps its Ukrainian companies' employees and their families. It became involved in the action supporting Ukraine #PomocDlaUkrainy. The Bank and its Foundation as the first entity in Poland launched a money collection for the war exiles. PKO Bank Polski S.A. proposed helping with the use of basic bank services in Poland to Ukrainian citizens.

AID TO THE BANK GROUP'S UKRAINIAN EMPLOYEES

PKO Bank Polski S.A. granted direct support to the Bank Group's employees who engage in operations in Ukraine and to their families. Among other things, it ensured transport after passing the border, lodging, medical and legal aid, and necessities for everyday life. By 31 March 2022, 872 persons covered by the Bank's support or aid came to Poland.

HUMANITARIAN AID

By 31 March 2022, PLN 10.4 million was paid to the account of the Bank's Foundation, including PLN 3 million by PKO Bank Polski S.A. Of this amount, PLN 4 million has been transferred to NGOs and entities engaged in aid for Ukraine's civilians (which mainly relates to exiles), and an ambulance, specialist medical equipment, transportation vehicles, medicines and food, among other things were financed with the transferred funds¹.

The PKO Bank Polski S.A. Group also organized and financed the transport of 300 people to Poland; they were war exiles from east Ukraine, mainly women and children. Help, support and accommodation in Poland for all of them, in the vicinity of Sandomierz and Lublin were provided.

Employees from the PKO Leasing S.A. Group transported this group of exiles and provided humanitarian aid using Group company cars.

KREDOBANK S.A. donated UAH 2 million in total, in the form of cash and purchases of medication and food. In Lviv it organized a shelter for exiles from regions afflicted by the war; the shelter is run by volunteers – the Company's employees and may accept 50 persons at the same time. The Company also helps its employees and their families, in particular in terms of evacuation and accommodation.

¹ As at the end of April 2022 the value of funds, which were accumulated in the Bank's Foundation account was PLN 11.3 million, of which nearly PLN 5.6 million were transferred to NGOs and entities engaged in aid actions.

VOLUNTEER SUPPORT

Those employees of the PKO Bank Polski S.A. Group who volunteer cooperate with the authorities, local governments and NGOs. They initiate actions and encourage businesses, services and local communities to cooperate. They are present at border crossings, train stations, reception points and everywhere where their support is needed. Their commitment enables thousands of aid actions to be conducted throughout the country, such as collections of food, clothes, cleaning products or toys for children, and transporting exiles. Many employees of the Bank's Group invited guests from Ukraine to their homes.

PRODUCT OFFER

PKO Bank Polski S.A. introduced a facilities package for Ukrainian citizens, including:

- it introduced a special offer for opening bank account – it offers the standard PKO Konto bez Granic (account without borders) account with a card, access to the account via Internet or phone, exempt from fees for 12 months, or Czasowe Konto bez Granic (temporary account without borders), if the customer does not have a document confirming his/her identity necessary to open a PKO Konto bez Granic or other account from the Bank's offer; by 31 March 2022 the Bank opened almost 129 thousand checking accounts (ROR) for Ukrainian citizens;²
- Ukrainian citizens who open ROR accounts with PKO Bank Polski S.A. may receive free-of-charge debit cards, so-called instant cards, in selected branches right away;
- it cancelled fees for transfer orders abroad to banks in Ukraine;
- it offered a promotional company account; the offer is addressed to customers who open a PKO Konto Firmowe (company account) or PKO Konto Firmowe Premium (premium company account) by 30 June 2022;
- it conducts the exchange of UAH to PLN at a rate determined by the National Bank of Ukraine without charging fees or spread; as at 31 March 2022 Ukrainian currency was purchased in 52 branches (currently it is being purchased in 100 branches); 20,313 transactions were conducted from 25 to 31 March 2022 in which over UAH 156 million were purchased;³
- it enabled paying out benefits indicated in the Act on assistance to Ukrainian citizens in PKO Bank Polski S.A. ATMs as part of the PKO Awizo service;
- it prepared especially marked stands in selected branches of the Bank where advisors service the exiles;
- it made available its mobile IKO application, a section on the Bank's website, ATM services, Interactive Voice Responses (IVRs) and about 30 bank documents and materials in Ukrainian.

Non-profit institutions which act on behalf of Ukraine may request exemption by 1 June 2022 from fees and commissions, among other things, for the maintenance of accounts earmarked for helping Ukraine, transfers and cash payments made.

OPERATIONS OF UKRAINIAN COMPANIES FROM THE PKO BANK POLSKI S.A. GROUP

KREDOBANK S.A. is a universal bank, which services customers mainly in the western part of Ukraine and in Kyiv. The Company's head office is in Lviv; there are 81 branches, 12 of which are located in regions most affected by warfare.

From February 2022, in connection with the military aggression of Russia, KREDOBANK S.A.'s priority is to ensure the safety of its employees and maintain uninterrupted operations servicing customers on an on-going basis. The Company services customers in regions where no active military actions are in progress. The Company's management monitors its operations on a daily basis and ensures quick reaction to incidents and changes in the situation. As at 31 March 2022 one of the Company's branch offices in Kyiv was destroyed.

The Company's Management Board estimates potential losses at a level which has no impact on KREDOBANK S.A.'s ability to continue its operations. It assesses that as at the end of March 2022 approx. 20% of the Company's loan portfolio is directly in the regions where battles are or were fought.

² In April 2022 the Bank opened another 89.5 thousand ROR accounts.

³ In April 2022 the Bank performed more than 38 thousand transactions totalling UAH 264 million. The hryvnas purchased by the Bank are transferred to the National Bank of Poland (at the exchange rate at which they were exchanged), and the NBP will resell them to the National Bank of Ukraine.

Other Ukrainian companies from the Bank's Group conduct collection activities and engage in transactions on the non-performing receivables market, and their registered offices are in Kyiv and in Lviv. The financial and organizational position of those companies was stable as at the end of the first quarter of 2022. The companies had no liquidity stresses and they maintain contacts with their former counterparties. The business was adapted to warfare conditions and limited.

IMPLEMENTATION OF SANCTIONS ON RUSSIA AND BELARUS

PKO Bank Polski S.A. implemented the restrictions and changes following from the sanctions imposed on Russia and Belarus. It verified and changed the directions of settlements with the banks which are not covered by the restrictions, changed its correspondent bank in Russian roubles (RUB) and terminated nostro and loro accounts of the banks covered by the sanctions. Therefore, payments in all currencies to and from Russian and Belorussian banks covered by the sanctions were frozen.

PKO Bank Polski S.A. implemented guidelines relating to financing and conducting bank services for entities engaged in business activities related to Russia and Belarus, including customers who are or may be covered by sanctions or restrictions. The Bank's guiding principle is unavailability, limitation or withdrawal from providing finance and financial services.

CHANGES IN THE MANAGEMENT BOARD OF PKO BANK POLSKI S.A.

In the first quarter of 2022:

- On 26 January 2022 the Polish Financial Supervision Commission (PFSA) unanimously agreed to the appointment of Ms Iwona Duda as President of the Management Board of PKO Bank Polski S.A.; therefore, on 26 January 2022 Ms Iwona Duda took up the function of President of the Bank's Management Board;
- On 25 March 2022 the Bank's Supervisory Board appointed Mr Maciej Brzozowski Vice-President of the Management Board and entrusted him with responsibility for the newly created Analyses, Firm and Enterprise Banking, and Affluent Customers Area.

The Remuneration and Nomination Committee of the Bank's Supervisory Board made an assessment which resulted in confirming the individual suitability of the new member of the Bank's Management Board and collective suitability of the whole Management Board. The assessment of suitability was confirmed by the Bank's Supervisory Board.

In connection with the change in the composition of the Bank's Management Board, the internal competences in the Management Board as at 31 March 2022 were divided as follows:

- President of the Management Board Area – Iwona Duda, President of the Management Board;
- Analyses, Firm and Enterprise Banking, and Affluent Customer Area – Maciej Brzozowski, Vice-President of the Management Board;
- Accounting and Finance Area – Bartosz Drabikowski, Vice-President of the Management Board;
- Corporate and Investment Banking Area – Marcin Eckert, Vice-President of the Management Board;
- Administration Area – Wojciech Iwanicki, Vice-President of the Management Board;
- Retail Banking and International Banking Area – Maks Kraczkowski, Vice-President of the Management Board;
- Operations Area – Mieczysław Król, Vice-President of the Management Board;
- Technology Area – Artur Kurcweil, Vice-President of the Management Board;
- Risk Management Area – Piotr Mazur, Vice-President of the Management Board.

DIVIDEND

On 23 February 2022 PKO Bank Polski S.A. received an individual recommendation from PFSA on the payment of dividend. The PFSA recommends that the Bank mitigate the risk inherent in its operations by:

- refraining from paying dividend out of the profit earned in 2021 in an amount higher than 50%;
- refraining from other actions, in particular outside the scope of everyday business and operational activities, which could lead to a reduction in own funds; this includes potential payments of dividend from retained earnings and share buybacks, without prior consultation with the supervising authority.

At the same time, the PFSA confirmed that the Bank meets the requirements for payment of dividend at a level of up to 50% of net profit for 2021 specified in the PFSA's position from December 2021 on the dividend policy of supervised institutions in 2022.

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

The Bank's Management Board recommended that PLN 2,287,500,000 of the net profit for 2021 (i.e. 49.77% of net profit) be earmarked for dividend for the shareholders. At the same time, the Management Board recommended that the remaining portion of the net profit for 2021 of PLN 2,308,836,372 be retained and that the retained earnings from previous years of PLN 5,500,000,000 remain in retained earnings. The Bank's Supervisory Board gave a positive opinion on these recommendations.

Pursuant to Article 395 § 2.2 of the Commercial Companies Code, the decision about the appropriation of profit remains within the competences of the Annual General Shareholders' Meeting. On 12 May 2022, Annual General Shareholders Meeting adopted resolutions on the Bank's profit in line with the above recommendations.

FOREIGN CURRENCY MORTGAGE LOANS

In the first quarter of 2022, PKO Bank Polski S.A. continued offering amicable settlements to individual customers who have active loans in Swiss francs (CHF), which were intended to meet their own housing needs. The amicable settlement is about converting the CHF-denominated loans to PLN-denominated loans as if they had been PLN loans from the beginning, bearing the WIBOR reference rate plus a margin historically used for this type of loan.

To mitigate the interest rate risk from the launch of the programme the Bank offers its borrowers the option of selecting a fixed interest rate for five years. If the period to maturity of the loan after the amicable settlement is shorter than five years, the fixed interest rate will be used until maturity. Fixed-interest-rate bearing loans are popular and in the settlement process 65% of customers who continue to repay the loans after making the settlement chose this option.

By the end of the first quarter of 2022 almost 25 thousand requests for mediation were filed. 13,745 mediations had a positive outcome. As at the end of the first quarter of 2022 there were 4,204 mediations with an unfavourable outcome. The total number of settlements reached as at 31 March 2022 was 12,383, of which 12,193 were concluded in mediation proceedings and 190 in court proceedings.

THE BANK'S NEW REGISTERED OFFICE

PKO Bank Polski S.A. signed a 10-year lease contract with Polski Holding Nieruchomości S.A. for an office building at Świętokrzyska 36 in Warsaw and was guaranteed pre-emption rights. Employees of the Bank's head office and the Bank Group's Companies from several locations in Warsaw will move to the building. The building received the highest level prestigious BREEAM certificate confirming that it is ecological and sustainable, i.e. has limited impact on the natural environment.

THE BANK'S ESG RATINGS

The Bank's operations are reflected in its growing ESG ratings. As at the end of the first quarter of 2022 the ratings were: 3.7 (FTSE Russell), BBB (MSCI), 20.7 (Sustainalytics), and 47 (V.E). In April the MSCI rating rose to A level.

2. BUSINESS CONDITIONS

Between January and March 2022 strong growth trends in the Polish economy continued; the rate of growth of the GDP is estimated to have exceeded 7.6% y/y registered in the fourth quarter of 2021. Industrial production and construction, as well as exports and retail sales grew strongly. The strong growth in business activity was accompanied by further improvement on the labour market – employment in the enterprise sector exceeded the level from before the pandemic, wage increases exceeded 10% y/y, registered unemployment fell to a level below that from before the pandemic of less than 5.5%. The outbreak of the war led to a sudden deterioration in the business climate assessments among firms and households. With respect to enterprises, concerns about demand and supply grew – firms indicated that costs once again are increasing significantly and problems with availability of means of production are more severe. The global shock on the raw materials markets accompanied by abrupt devaluations of the zloty in reaction to the sudden increase in aversion to risk strengthened inflation processes. In March CPI increased to 11% y/y, despite implementing large-scale actions under the Anti-Inflation Shield, which reduces inflation by 2-3 p.p. The increase in inflation was mainly due to factors related to the outbreak of war – higher oil, fuel, gas and food prices. In reaction to the worsening inflation projections, the Monetary Policy Council (MPC) continued to increase the interest rate by 50 b.p. in January and February. The weakening of the zloty caused by the outbreak of war in Ukraine led the MPC to increase the scale of interest rate increases in March, when they grew by 75 b.p., and the reference rate reached a level of 3.50%.

In April and May the MPC increased interest rates by 100 b.p. and 75 b.p. respectively, and the statements made by the members of the Council indicated that the cycle of increases will be continued throughout the time of inflation

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OF THE PKO BANK POLSKI S.A. GROUP
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

growth (according to the forecasts of the central bank indicated by the President of the NBP the growth trend is to last until mid-2022).

As a result of growing inflationary pressure the return on Treasury bonds in Poland continued to grow. Quotations of 2-year securities increased by 225 b.p. to 5.59%, and of 10-year securities by 154 b.p. to 5.24% during the first three months of 2022.

In the first quarter of 2022 the zloty weakened with reference to the euro (EUR) by 6 grosz and with reference to the American dollar (USD) by 16 grosz. Over this period increased volatility on the foreign currency market was noted as a result of the military aggression on Ukraine, which led to increased aversion to risk and a temporary increase in the EUR/PLN exchange rate to almost 5.00 and in the USD/PLN exchange rate over the level of 4.60. The good condition of the Polish economy, increases in interest rates and interventions of the National Bank of Poland (NBP) on the foreign currency market limited the negative impact of external events.

The first quarter of 2022 proved to be very unfavourable to the stock market – the WIG index noted a loss of 6%. The year started off optimistically because investors believed that the post-pandemic revival would exceed the negative impact of higher interest rates. However, the growing tension in Ukraine, and then Russia's invasion on this country led to outselling stock. Financial markets started to be seriously concerned about the stagflation scenario where the slowing of economic growth would leave a mark on the companies' results, and at the same time high inflation would force central banks to further increase interest rates.

3. THE DEVELOPMENT OF BUSINESS ACTIVITIES

DEVELOPMENT OF SERVICES, PRODUCTS AND TOOLS

The Bank's Group developed modern services and products, including those offered via remote channels.

Achievements of PKO Bank Polski S.A.

| Development of functionalities in electronic and mobile banking channels, automation and robotization | |
|--|--|
| IKO mobile application | Enabling verification of the identity of a Bank employee calling a customer. This new solution significantly increases the customers' safety as they may be assured that they are genuinely speaking to a Bank employee and are not subjected to a scam. |
| | Making the internet Forex shop 'iPKO dealer' available to companies. |
| | Enabling users who do not have an account with PKO Bank Polski S.A. to use the internet foreign exchange shop. |
| | Enabling electronic purchases of e-tickets for motorways in the e-TOLL system. This function allows customers to drive through the paid portions of motorways more easily: A2 (Konin-Stryków) and A4 (Wrocław-Sośnica). This is first banking application on the Polish market offering such a service. |
| | Making available information on the amount of fees or commissions for performing a transaction before ordering an ordinary, own or tax bank transfer. |
| | Introducing a three-month mobile deposit (Lokata Mobilna) to the offer. |
| | The number of active IKO applications as at the end of March 2022 exceeded 6.4 million, and the number of transactions performed through the IKO was record-high and was close to 140 million in the first quarter of 2022. |
| Electronic banking services iPKO | Making available an English version of the service. The logging page to the service is available in English (including the section of helping with logging in), the main page after logging in, navigation over the service, details of the account, bank transfer forms and a list of recipients and history of transactions in accounts. |
| | Implementing an additional security measure for logging in to the service on untrusted hardware. |
| | Enabling submission of the Rodzina 500+ (family 500+) for a new settlement period and requests for co-financing a child's participation in a crèche, children's club or of a day carer, including the possibility to file requests for the payment of the 500+ allowance and family guardian capital (RKO) to the Social Insurance Institution (ZUS) through iPKO and Inteligo for parents who earn income outside Poland. |

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OF THE PKO BANK POLSKI S.A. GROUP
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

| | |
|--|--|
| Electronic banking services iPKO biznes | Strengthening the security of transactions by adding an additional confirmation for all transfers ordered to accounts from outside the list of counterparties. |
| | Enabling the authorization of requests filed. |
| | Making the internet Forex exchange shop iPKO dealer available. |
| Contact Center | The Voicebot supporting the work of consultants in the Contact Center had over 4 million dialogues with customers. The Voicebot helps answer the customers' simple questions or indicate the employee with appropriate qualifications to speak on a given topic. |
| Automation | Implementing the first robotized processes in insurance companies of the Bank's Group. |
| | The number of tasks completed by the robots exceeded 100 million in January 2022. |
| Development of retail banking | |
| Mortgage banking | Reducing the credit margin for the standard offer of mortgage loans. |
| | Extending to 31 December 2022 the offer supporting borrowers with mortgage loans in CHF aimed at mitigating the negative effects of changes in the CHF exchange rates. The offer consists of, among other things, reducing the Forex spread, refraining from accruing some commissions and fees, refraining from demanding new collateral and insurance of the loan with respect to borrowers who pay loan instalments on a timely basis. |
| | Increasing the share of loans bearing a fixed interest rate. In the first quarter of 2022 the share of loans with a fixed interest rate in new sales (granted by PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A.) reached 38% (53% in March only), and their share in the portfolio of PLN-denominated mortgage loans was 6.1% as at 31 March 2022 (compared with 2.5% as at the end of 2021). The number of signed annexes to mortgage loan agreements (the annexes include the conversion of the existing floating interest rate loans to fixed interest rate loans) was 10,751 in the first quarter of 2022. Fixed interest rate loans are a product which secures customers from increases in interest rates, which leads to the stabilization of instalment and predictability of the burden on households' budgets over the period of the fixed rate in force. |
| New offer for firms | Implementing a new 'PowerB@nk na start' service, which supports entrepreneurs who are starting a business by enabling them to use a package of tools to set up a website and avail themselves of accounting consultations. The new service was awarded with: Konsumenten Lider Jakości - Debiut Roku 2022 (Consumer Quality Leader - Debut of the year 2022). |
| Development of corporate banking and the services of the Brokerage Office | |
| Corporate banking | Concluding two syndicated loan agreements for a total of PLN 500 million and EUR 314 million, in which the Bank's share was PLN 300 million and EUR 40 million respectively. |
| | Concluding a guarantee in syndicated form for a total of PLN 310 million in which the Bank's share was PLN 155 million. |
| | Concluding two communal bond issue agreements for a total of PLN 22 million and a program on syndicated corporate bond issue agreement of PLN 2.5 billion. |
| Green financing | The Bank's share in financing the construction of solar power generators by the Polish photovoltaic project developer with a total value of PLN 864 million. |
| Sustainable financing | Signing an annexe to the syndicated loan for a company from the media and technology area. ESG clauses and ratios were introduced to the agreement (Sustainability Linked Loan). The margin amount depends on the achievement of goals compliant with the company's ESG strategy. Total financing of nearly PLN 1 billion did not change. |

**DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS
OF THE PKO BANK POLSKI S.A. GROUP
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

| | |
|---|---|
| Services of the Brokerage Office – Biuro Maklerskie PKO Banku Polskiego | Conducting two issues of Echo Investment S.A. bonds as an offering underwriter with a total value of PLN 100 million. As member of the distributing syndicate conducting the issue of bonds of Kruk S.A. with a value of PLN 50 million. |
| Development of insurance services | |
| Home insurance PKO Dom | In February 2022 (i.e. six months of the launch of the sales) the 100,000th PKO Dom policy was sold. Due to the innovative nature of the solution, the product was submitted to many technological competitions. |
| Sale of motor insurance | Total sale to-date comprised approx. 370 thousand policies. As at the end of the first quarter of 2022 there were over 150 thousand active motor insurance packages in the Bank's portfolio. |

Achievements of the PKO Leasing S.A. Group

| | |
|--|--|
| 'Mój elektryk' (my electric car) programme | In the first quarter of 2022 every fourth applicant chose PKO Leasing S.A. Group companies as the leasing companies intermediating in obtaining a subsidy under the 'Mój elektryk' Programme, and every third application accepted by the National Fund for Environmental Protection and Water Management had been submitted through this Group's companies. By 31 March 2022, 188 agreements with customers were signed for the subsidy, more than 150 electric cars were commissioned for use. The PKO Leasing S.A. Group filed over 400 applications for the subsidies on behalf of its customers. |
| Development of the pro-ecological offer | Introducing financing for the electric vehicle charging stations and energy storages. |

KPIs IN THE PROCUREMENT PROCESS

In 2021 the Bank adopted non-financial objectives, including the 'preparation of the Supplier Ethics Code by the end of the first quarter of 2022'.

On 30 March 2022 the Bank's Management Board adopted the 'Ethics Code for Suppliers or bidders cooperating with PKO Bank Polski S.A. in purchase proceedings'.

The new document was implemented from 1 April 2022. The Code was included in the request for proposals. Each Supplier or Bidder participating in the purchase proceedings accepts the Ethics Code and thus is obliged to abide by it. The Purchasing Department is obliged to report information on its application every year. The Ethics Code arranges requirements in the relations between the Bank and the Supplier/Bidder and External Environment taking into consideration, among other things, the safety of information, preventing corruption and conflicts of interest, the natural environment and the relationships in the supply chain. The Bank does not accept any forms or manifestations of forced labour, illicit children's labour or work non-compliant with the occupational health and safety (BHP) regulations. The Suppliers/Bidder should analyse their operations with due diligence with respect to environmental protection (among other things, CO₂ emissions, sewerage management, waste removal, noise reduction, biodiversity protection).

4. RISK MANAGEMENT

The risk management system is aimed at ensuring the profitability of business activities while ensuring control over the risk level and maintaining it within the system of limits and risk tolerance limits adopted by the Bank and the Group in the changing macroeconomic and legal environment. The primary objective is to ensure adequate management of all types of risk related to its business.

With respect to credit risk:

- The Bank monitors the customers' condition on an on-going basis and appropriately adapts the lending policy in consideration of securing a good quality loan portfolio. As part of the measurement of credit risk exposure the Bank took into account in particular the information on the customers' business relationships with the counterparties from Ukraine, Belarus and Russia. The Bank's Group made an allowance for the part of loan portfolio granted in Ukraine;

DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS
OF THE PKO BANK POLSKI S.A. GROUP
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

- The Bank adopted guidelines for use within the Bank's Group (in Polish entities) relating to financing and providing banking services to:
 - customers engaging in business whose business model bases on benefits derived from active operations on the Russian and Belorussian markets or by significant ties (among other things, business and personal) with these countries,
 - customers who are or may be covered by sanctions or restrictions introduced in connection with Russia's aggression on Ukraine.
- The Bank's internal regulations were adapted to Recommendation R with respect to customers from the corporate market concerning quarterly monitoring of legal security taken into consideration in estimating expected credit losses, to ensure identification of market conditions/events which have or may have an impact on the legal enforcement of the security and its value adopted for the estimation of these losses;
- To mitigate credit risk following from increases in interest rates and inflation PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A. introduced changes to the parameters used to check the creditworthiness of individual customers who are applying for housing mortgage loans (in accordance with Recommendation S and the position of the Office of the Polish Financial Supervision Authority from 7 March 2022 submitted to the banks and branches of credit institutions), including the following: they increased the minimum amount of the interest rate increase buffer to 5 p.p. and the minimum costs of living, and changed the maximum allowable values of the DSTI (debt service to income) ratio, which determines the proportion of income earmarked for servicing debt;
- The Bank started to prepare systemic disclosures of ESG data for the purpose of 2022 reporting. The key requirements for the Bank in the area of disclosures were determined in particular in the Taxonomy⁴ and in the CRR⁵ (Article 449a), as well as in implementing technical standards (ITS) on Pillar 3 ESG disclosures.

The Bank's Group maintains a safe level of liquidity which enables quick and efficient reaction to potential threats. In the first quarter of 2022:

- PKO Bank Polski S.A. monitored cash balances in the Bank's branches and ATMs on a current basis due to the temporarily increased interest in paying out cash (which resulted from the customers' reaction to the outbreak of war in Ukraine) and took all possible action to enable customers access to cash disbursements;
- Despite the on-going conflict in Ukraine, the liquidity position of KREDOBANK S.A. was maintained at a stable and safe level; the Company did not note any decrease in liquidity measures or a material outflow of deposits; in addition, KREDOBANK S.A. was classified by the National Bank of Ukraine in the group of systemically important banks in Ukraine.

In the first quarter of 2022, the higher than anticipated increases in interest rates posed a challenge to the banking sector. The series of increases in interest rates which began in the fourth quarter of 2021 caused an increase in the reference rate to 3.5% as at the end of the first quarter 2022 which translated into an increase in expectations as to a further increase in rates and increased the slump in the measurement of debt instruments and a drop in the measurement of derivatives which hedge the volatility of interest income. At the same time, customers' interest in mortgage loans bearing a temporary fixed interest rate increased significantly, which has an impact both on the measures of sensitivity of interest income and of the Bank's economic value.

At the same time, in connection with the warfare in Ukraine PKO Bank Polski S.A. established a Support Group under the leadership of the Chief of the Crisis Staff, the objective to which is not to allow disturbances in the critical processes of PKO Bank Polski S.A., exchange of information within the Bank's Group and coordinate the support offered. The Bank takes actions to mitigate the risk related to the war in Ukraine, in particular as regards ensuring the availability of the Bank's systems and cybersecurity, and ensuring the continuity of servicing cash and other processes.

A detailed description of risk management principles of the Bank's Group was included in the Bank Group's consolidated financial statements for 2021 and in the report 'Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Subject to Disclosure as at 31 December 2021'.

In the first quarter of 2022 the Bank Group's main goals, principles and risk management organization process did not change.

⁴ The manner of disclosing information by credit institutions is set out in the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021.

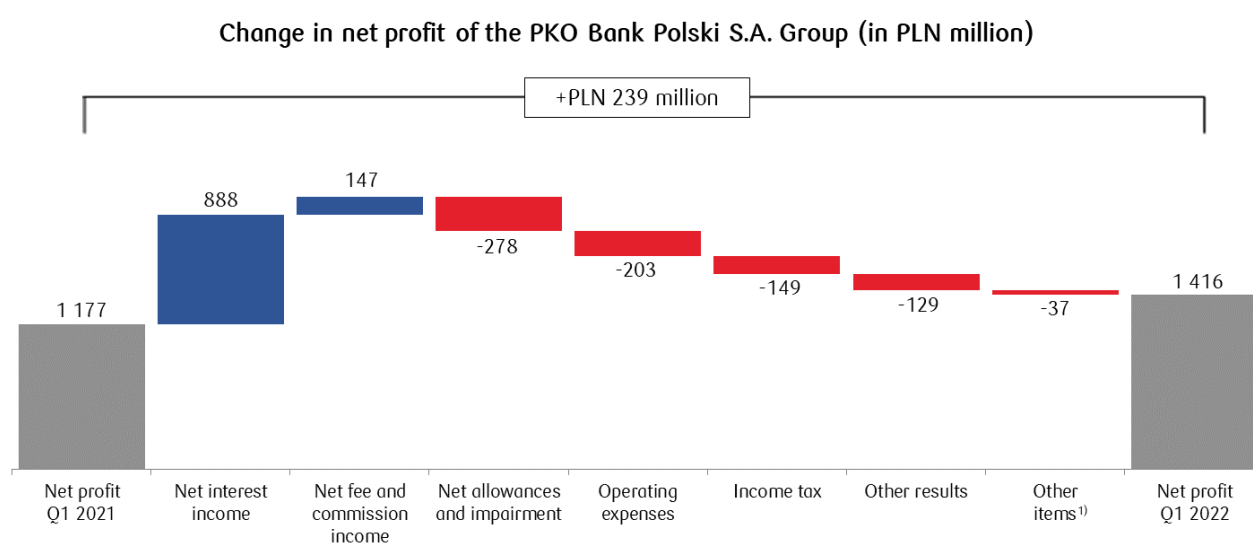
⁵ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended.

II. FINANCIAL POSITION AFTER THE FIRST QUARTER OF 2022

The consolidated net profit of the PKO Bank Polski S.A. Group earned in the first quarter of 2022 amounted to PLN 1,416 million and was PLN 239 million higher than in the corresponding period of 2021.

The increase in net profit was determined by:

- 1) an improvement in the result on business activity,⁶ which reached PLN 4,504 million (a PLN 906 million increase y/y), mainly in effect of an increase in net interest income of PLN 888 million y/y, in net fee and commission income of PLN 147 million y/y, with a drop in the net foreign exchange gains/ (losses) of PLN 159 million;
- 2) a drop in net allowances and impairment of PLN 278 million;⁷
- 3) an increase in operating expenses of PLN 203 million, including an increase in regulatory costs of PLN 111 million y/y, and in costs of employee benefits of PLN 69 million y/y.



¹⁾ This item includes the tax on certain financial institutions, share in profits/(losses) of associates and joint ventures, and gains and losses of non-controlling shareholders.

Events which had a significant impact on the net profit of the Bank's Group in the first quarter of 2022 compared with the corresponding period of 2021:

Result on business activities

- an increase in net interest income determined by an increase in interest income related to increase in market interest rates and an increase in the loan portfolio, with a simultaneous increase in financing costs;
- an improvement in net fee and commission income achieved thanks to higher profits on lending, insurance, card, brokerage and foreign exchange activities;
- a drop in net foreign exchange gains/ (losses) of PLN 159 million, mainly in effect of recognizing net foreign exchange gains/ (losses) of PLN 156 million in the first quarter of 2021 as a result of the decision of the Bank's Extraordinary General Shareholders' Meeting of 23 April 2021 on offering amicable settlements to customers;
- recognizing costs following from the ruling of the Court of Justice of the European Union concerning the consumers' rights to reduce the cost of a prepaid loan in interest income/(expense) of PLN -97 million (PLN -74 million in the corresponding period of 2021).

⁶ The result on business activity does not account for the result on financial transactions with respect to loans measured at fair value through profit or loss.

⁷ The net allowances and impairment: net result on allowances for expected credit losses, net result on impairment of non-financial assets and net result on loans measured at fair value through profit or loss.

Operating expenses

- an increase in regulatory costs of PLN 111 million, mainly in effect of higher contributions and payments to the Bank Guarantee Fund (including a contribution to the mandatory resolution fund increased by PLN 38 million, and the bank guarantee fund by PLN 60 million);

Net allowances and impairment

- deterioration in the result on net credit risk allowances of PLN 294 million⁸, mainly as a result of accounting for the crystallization of risk related to the war in Ukraine of PLN 314 million in the results for the first quarter of 2022.

In effect of the actions taken in the first quarter of 2022 the scale of operations increased, both with respect to the corresponding period of the prior year and to the end of 2021:

- total assets reached almost PLN 422 billion, which is an increase of PLN 37 billion compared with the corresponding period of the previous year and of PLN 4 billion compared with the asset level as at the end of 2021;
- customer deposits were PLN 322 billion, i.e. they increased by PLN 34 billion compared with the balance as at the end of March 2021 (mainly in effect of an increase in corporate deposits and retail and private banking deposits) and dropped by PLN 0.4 billion with respect to the balance as at the end of December 2021;
- the financing offered to customers was nearly PLN 250 billion and increased by PLN 14 billion compared with the end of March 2021 (increases were noted in all categories of financing, the most important related to financing granted to businesses both in the form of loans, leases and factoring) and by PLN 2 billion compared with the end of December 2021 (the reasons included a further increase in the business loan segment, a stable level of consumer loans, accompanied by a drop in the housing loan segment);
- the banking portfolio of securities was almost PLN 121 billion, i.e. it dropped by PLN 2 billion compared with the end of December 2021.

Changes in the fair value of the securities and derivatives portfolio (both speculative and accounted for under hedge accounting) also had an impact on the structure of the statement of financial position off the Bank's Group, in particular compared with the corresponding period of the previous year which translated to an increase in other assets and liabilities, and a drop in equity.

As at 31 March 2022 the Bank's Group:

- retained a high share in the loans and savings market at a level of 17.3% and 19.2% respectively;
- had a leading position on the investment fund market for individuals, with a share of 20.4%;
- was the leader in terms of the number of current accounts maintained on behalf of individual customers (almost 8.7 million).

III. FACTORS WHICH DETERMINE FUTURE RESULTS

The following external factors may have an impact on the operations of the Bank's Group in 2022:

- the war in Ukraine, economic sanctions imposed on Russia and their business consequences;
- reaction of the global economy to the ever more widespread process of tightening the monetary policy, including decisive increases in interest rates in the USA;
- potential continuation or further drop in supply (lack of production components, high energy resource prices or their limited availability), which lead to increased pressure on costs and restrict the pace and scale of economic growth;
- difficulties in global trade related to the continuing zero COVID policy in China;

and the economy and financial sector in Poland:

- the scale and direction of changes in the NBP interest rates and in the level of the mandatory reserve;
- the intensity and duration of external factors which increase inflation;
- the reaction of the household sector to the increased NBP interest rates, including the loan demand profile and the ability to service the liabilities already incurred, and the potentially higher cost of risk for the banks;

⁸ Including loans valued at fair value through profit and loss account.

- the final shape of the programme for supporting families in repaying PLN denominated mortgage loans announced by the government (which stipulates, among other things, introducing loan holidays, support for borrowers with temporary problems and introducing a new loan interest ratio);
- creating an aid fund by commercial banks for the purpose of mutual support and support for mandatory resolution in the banking sector, and contributing respective funds;
- an abrupt drop in creditworthiness of households after the implementation of the position of the Office of the Polish Financial Supervision Authority of 7 March 2022 on actions relating to the mitigation of credit risk;
- the inflow of exiles from Ukraine and their impact on the labour market and private consumption;
- possible further court rulings with respect to mortgage loans in foreign currencies, which may also have an impact on the level of interest in the amicable settlements programme;
- changes in tax regulations with respect to the Polish Deal, including the announced changes to – among other things – Corporate Income Tax (withholding tax – WHT, minimum tax);
- reducing the limits for non-interest expense of consumer loans (fees and commissions) and higher equity requirements from lending institutions under the planned anti-usury regulations;
- regulatory costs of the Bank Guarantee Fund higher than in 2021 (which has a direct impact on lower results of the banking sector);
- draft amendments to the banking law with respect to the mandatory refund of the costs of bridging insurance after the entry of the mortgage securing the loan to the land and mortgage register.



Bank Polski

**Condensed interim consolidated
financial statements of the PKO Bank
Polski S.A. Group for the three-month
period ended 31 March 2022**

SPIS TREŚCI

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CONSOLIDATED INCOME STATEMENT

| INCOME STATEMENT | Note | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|--------------------|----------------------|----------------------|
| Net interest income/(expense) | 12 | 3 200 | 2 312 |
| Interest income | | 3 866 | 2 480 |
| calculated under the effective interest rate method | | 3 754 | 2 280 |
| Interest expenses | | (666) | (168) |
| Net fee and commission income | 13 | 1 179 | 1 032 |
| Fee and commission income | | 1 509 | 1 279 |
| Fee and commission expense | | (330) | (247) |
| Other net income | | 130 | 223 |
| Gains/(losses) on financial transactions | 14 | 72 | 11 |
| Foreign exchange gains/ (losses) | | 1 | 160 |
| Gains/(losses) on derecognition of financial instruments of which: | 15 | 7 | 34 |
| measured at amortized cost | | 4 | - |
| Net other operating income and expense | 16 | 50 | 18 |
| Result on business activities | | 4 509 | 3 567 |
| Net expected credit losses | 17 | (499) | (169) |
| Net impairment allowances on non-financial assets | 18 | (5) | (21) |
| Administrative expenses of which: | 19 | (1 846) | (1 643) |
| net regulatory charges | | (484) | (373) |
| Tax on certain financial institutions | | (307) | (257) |
| Share in profits and losses of associates and joint ventures | | 14 | - |
| Profit before tax | | 1 866 | 1 477 |
| Income tax expense | 20 | (451) | (302) |
| Net profit (including non-controlling shareholders) | | 1 415 | 1 175 |
| Profit (loss) attributable to non-controlling shareholders | | (1) | (2) |
| Net profit attributable to equity holders of the parent company | | 1 416 | 1 177 |
| Earnings per share | | | |
| - basic earnings per share for the period (PLN) | | 1,13 | 0,94 |
| - diluted earnings per share for the period (PLN) | | 1,13 | 0,94 |
| Weighted average number of ordinary shares during the period (in million)* | | 1 250 | 1 250 |

*Both in the three-month period ended 31 March 2022 and in the same period of 2021, there were no dilutive instruments. Therefore, the amount of diluted earnings per share is the same as the amount of basic earnings per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| STATEMENT OF COMPREHENSIVE INCOME | Note | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|--------------------|----------------------|----------------------|
| Net profit / (loss) (including non-controlling shareholders) | | 1 415 | 1 175 |
| Other comprehensive income | | (3 394) | (512) |
| Items which may be reclassified to profit or loss | | (3 394) | (512) |
| Cash flow hedges (net) | | (1 940) | (434) |
| Cash flow hedges (gross) | 22 | (2 390) | (537) |
| Deferred income tax | 20 | 450 | 103 |
| Hedge of net investment in foreign operation | 22 | 3 | - |
| Fair value of financial assets measured at fair value through other comprehensive income (net) | | (1 416) | (109) |
| Remeasurement of fair value, gross | | (1 744) | (104) |
| Gains /losses transferred to the profit or loss (on disposal) | | (3) | (34) |
| Deferred income tax | 20 | 331 | 29 |
| Foreign exchange differences on translation of foreign branches | | (35) | 31 |
| Share in other comprehensive income of associates and joint ventures | | (6) | - |
| Total net comprehensive income, of which attributable to: | | (1 979) | 663 |
| equity holders of the parent | | (1 978) | 665 |
| non-controlling interest | | (1) | (2) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Nota | 31.03.2022 | 31.12.2021 |
|---|--------------------|----------------|----------------|
| ASSETS | | 421 576 | 418 086 |
| Cash and balances with Central Bank | | 6 213 | 11 587 |
| Amounts due from banks | 21 | 12 206 | 9 010 |
| Hedging derivatives | 22 | 982 | 933 |
| Other derivative instruments | 23 | 15 280 | 10 903 |
| Securities | 24 | 133 481 | 135 440 |
| Repo transactions | | 24 | - |
| Loans and advances to customers | 25 | 236 730 | 234 300 |
| Liabilities in respect of insurance activities | | 785 | 911 |
| Property, plant and equipment under operating lease | | 1 513 | 1 371 |
| Property, plant and equipment | | 3 018 | 3 108 |
| Non-current assets held for sale | | 11 | 18 |
| Intangible assets | | 3 425 | 3 463 |
| Investments in associates and joint ventures | | 292 | 285 |
| Current income tax receivable | | 39 | 36 |
| Deferred income tax assets | | 4 866 | 4 116 |
| Other assets | | 2 711 | 2 605 |

| | Note | 31.03.2022 | 31.12.2021 |
|--|--------------------|----------------|----------------|
| LIABILITIES AND EQUITY | | 421 576 | 418 086 |
| LIABILITIES | | 385 862 | 380 393 |
| Amounts due to Central Bank | | 8 | 8 |
| Amounts due to banks | | 3 836 | 3 821 |
| Hedging derivatives | 22 | 7 241 | 4 806 |
| Other derivative instruments | 23 | 15 128 | 11 008 |
| Amounts due to customers | 26 | 321 871 | 322 296 |
| Liabilities in respect of insurance activities | | 1 894 | 2 008 |
| Loans and advances received | 27 | 2 271 | 2 461 |
| Debt securities in issue | 27 | 22 294 | 23 872 |
| Subordinated liabilities | 27 | 2 713 | 2 716 |
| Other liabilities | | 6 509 | 5 366 |
| Current income tax liabilities | | 182 | 18 |
| Deferred income tax provision | | 253 | 356 |
| Provisions | 28 | 1 662 | 1 657 |
| EQUITY | | 35 714 | 37 693 |
| Share capital | | 1 250 | 1 250 |
| Total reserves and other comprehensive income | | 21 919 | 25 313 |
| Retained earnings | | 11 144 | 6 270 |
| Net profit or loss for the year | | 1 416 | 4 874 |
| Capital and reserves attributable to equity holders of the parent company | | 35 729 | 37 707 |
| Non-controlling interests | | (15) | (14) |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| FOR 3 MONTHS ENDED 31 MARCH 2022 | Share capital | Total reserves and other comprehensive income | | | | | Retained earnings | Net profit or loss for the year | Capital and reserves attributable to equity holders of the parent company | Total non-controlling interests | Total equity |
|-------------------------------------|---------------|---|---------------------------|----------------|--|---|-------------------|---------------------------------|---|---------------------------------|---------------|
| | | Reserves | | | Accumulated other comprehensive income | Total reserves and other comprehensive income | | | | | |
| | | Supplementary capital | General banking risk fund | Other reserves | | | | | | | |
| As at the beginning of the period | 1 250 | 23 003 | 1 070 | 6 968 | (5 728) | 25 313 | 6 270 | 4 874 | 37 707 | (14) | 37 693 |
| Transfer from retained earnings | - | - | - | - | - | - | 4 874 | (4 874) | - | - | - |
| Comprehensive income | - | - | - | - | (3 394) | (3 394) | - | 1 416 | (1 978) | (1) | (1 979) |
| As at the end of the period | 1 250 | 23 003 | 1 070 | 6 968 | (9 122) | 21 919 | 11 144 | 1 416 | 35 729 | (15) | 35 714 |

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

| Accumulated other comprehensive income | | | | | | | |
|--|--|--|-----------------|--|----------------------------|---|----------------|
| FOR 3 MONTHS ENDED 31 MARCH 2022 | Share in other comprehensive income of associates and joint ventures | Fair value of financial assets measured at fair value through other comprehensive income | Cash flow hedge | Hedge of net investment in foreign operation | Actuarial gains and losses | Foreign exchange differences on translation of foreign branches | Total |
| As at the beginning of the period | (17) | (1 785) | (3 699) | (4) | (14) | (209) | (5 728) |
| Comprehensive income | (6) | (1 416) | (1 940) | 3 | - | (35) | (3 394) |
| As at the end of the period | (23) | (3 201) | (5 639) | (1) | (14) | (244) | (9 122) |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

| | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| Profit / (loss) before tax | 1 866 | 1 477 |
| Income tax paid | (287) | (415) |
| Total adjustments: | (3 095) | 5 545 |
| Amortization and depreciation, including depreciation of property, plant and equipment under operating leases | 304 | 294 |
| (Gains)/losses on investing activities | (20) | (9) |
| Interest and dividends | (138) | (80) |
| Change in: | | |
| amounts due from banks | (247) | 184 |
| hedging derivatives | 2 386 | 445 |
| other derivative instruments | (255) | (695) |
| securities | (637) | (187) |
| loans and advances to customers | (2 888) | (401) |
| receivables in respect of repurchase agreements | (24) | (11) |
| receivables in respect of insurance activities | 127 | - |
| non-current assets held for sale | 6 | 110 |
| other assets | (110) | 32 |
| accumulated allowances for expected credit losses | 461 | 53 |
| accumulated allowances on non-financial assets and other provisions | (72) | (43) |
| amounts due to banks | 15 | (324) |
| amounts due to customers | (425) | 5 426 |
| liabilities in respect of insurance activities | (114) | 16 |
| loan and advances received | (9) | 24 |
| liabilities in respect of debt securities in issue | (190) | 267 |
| subordinated liabilities | (3) | (12) |
| other liabilities | 1 209 | 903 |
| Other adjustments | (2 471) | (447) |
| Net cash from/used in operating activities | (1 516) | 6 607 |

| | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|----------------------|----------------------|
| Cash flows from investing activities | | |
| Inflows from investing activities | 37 076 | 13 312 |
| Proceeds from sale of and interest on securities measured at fair value through other comprehensive income | 36 723 | 12 790 |
| Proceeds from sale of and interest on securities measured at amortized cost | 254 | 249 |
| Proceeds from sale of intangible assets, property, plant and equipment and assets held for sale | 99 | 101 |
| Other inflows from investing activities including dividends | - | 172 |
| Outflows from investing activities | (36 212) | (23 239) |
| Purchase of securities measured at fair value through other comprehensive income | (35 795) | (11 536) |
| Purchase of securities measured at amortized cost | (53) | (11 417) |
| Acquisition of intangible assets and property, plant and equipment, including under operating leases | (364) | (286) |
| Net cash from/used in investing activities | 864 | (9 927) |
| | | |
| | | |
| | | |
| Cash flows from financing activities | | |
| Proceeds from debt securities in issue | 1 254 | 3 265 |
| Redemption of debt securities | (2 642) | (2 727) |
| Proceeds from loans and borrowings | - | 233 |
| Repayment of loans and advances | (182) | (147) |
| Payment of lease liabilities | (67) | (63) |
| Repayment of interest on long-term liabilities | (133) | (160) |
| Net cash from financing activities | (1 770) | 401 |
| Total net cash flows | (2 422) | (2 919) |
| of which foreign exchange differences on cash and cash equivalents | 60 | 191 |
| Cash equivalents at the beginning of the period | 20 775 | 9 701 |
| Cash equivalents at the end of the period | 18 353 | 6 782 |

GENERAL INFORMATION ABOUT THE GROUP

1. ACTIVITIES OF THE GROUP

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

On 12 April 2000, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was registered and entered into the Commercial Register maintained by the District Court for the City of Warsaw, Commercial Court, 16th Registration Department. At present, the court with jurisdiction over the Bank’s affairs is the District Court in Warsaw, the 13th Business Department of the National Court Register. The Bank was registered under the number KRS 0000026438 and was assigned the statistical number REGON 016298263.

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

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

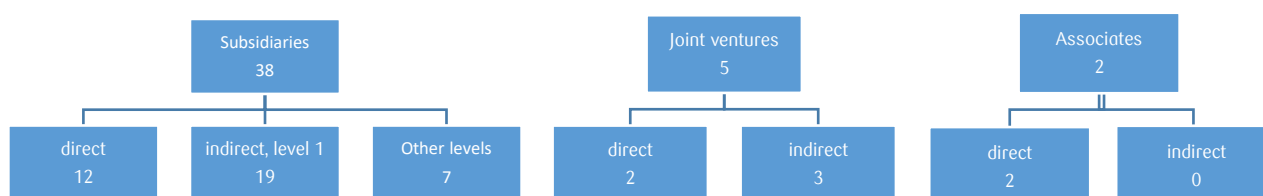
The Powszechna Kasa Oszczędnościowa Bank Polski Spółka Akcyjna Group (“**THE PKO BANK POLSKI S.A. GROUP**”, “**THE BANK’S GROUP**”, “**THE GROUP**”) conducts its operations within the territory of the Republic of Poland and through subsidiaries in Ukraine, Sweden and Ireland; it also has branches in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

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

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

In the three-month period ended 31 March 2022, the Bank did not change the name of the reporting entity or other identification data.

PKO BANK POLSKI SA – the parent company



The PKO Bank Polski SA Group consists of the following subsidiaries:

| No. | ENTITY NAME DIRECT SUBSIDIARIES | REGISTERED OFFICE | ACTIVITY | % SHARE IN CAPITAL | |
|-----|--|----------------------|---|--------------------|------------|
| | | | | 31.03.2022 | 31.12.2021 |
| 1 | PKO Bank Hipoteczny S.A. | Warsaw | banking activities | 100 | 100 |
| 2 | PKO Towarzystwo Funduszy Inwestycyjnych S.A. | Warsaw | investment fund management | 100 | 100 |
| 3 | PKO Leasing S.A. | Łódź | leasing and loans | 100 | 100 |
| 4 | PKO BP BANKOWY PTE S.A. | Warsaw | pension fund management | 100 | 100 |
| 5 | PKO BP Finat sp. z o.o. | Warsaw | services, including transfer agent services and IT specialist outsourcing | 100 | 100 |
| 6 | PKO Życie Towarzystwo Ubezpieczeń S.A. | Warsaw | life insurance | 100 | 100 |
| 7 | PKO Towarzystwo Ubezpieczeń S.A. | Warsaw | other personal insurance and property insurance. | 100 | 100 |
| 8 | PKO Finance AB | Sztokholm, Szwecja | financial services | 100 | 100 |
| 9 | KREDOBANK S.A. | Lwów, Ukraina | banking activities | 100 | 100 |
| 10 | Merkury - fiz an ¹ | Warsaw | investing funds collected from fund participants | 100 | 100 |
| 11 | NEPTUN - fizan ¹ | Warsaw | | 100 | 100 |
| 12 | PKO VC - fizan ¹ | Warsaw | | 100 | 100 |

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

| No. | ENTITY NAME INDIRECT SUBSIDIARIES | REGISTERED OFFICE | ACTIVITY | % SHARE IN CAPITAL* | |
|---|---|-------------------|--|---------------------|------------|
| | | | | 31.03.2022 | 31.12.2021 |
| The PKO Leasing S.A. GROUP | | | | | |
| 1 | PKO Agencja Ubezpieczeniowa sp. z o.o. | Warsaw | intermediation in concluding insurance agreements | 100 | 100 |
| 1.1 | PKO Leasing Finanse sp. z o.o. | Warsaw | sale of post-lease assets | 100 | 100 |
| 2 | PKO Leasing Sverige AB | Stockholm, Sweden | leasing | 100 | 100 |
| 3 | Prime Car Management S.A. | Gdańsk | leasing, fleet management | 100 | 100 |
| 3.1 | Futura Leasing S.A. | Gdańsk | leasing and sales of postlease assets | 100 | 100 |
| 3.2 | Masterlease sp. z o.o. | Gdańsk | leasing | 100 | 100 |
| 3.3 | MasterRent24 sp. z o.o. | Gdańsk | short-term lease of cars | 100 | 100 |
| 4 | PKO Faktoring S.A. | Warsaw | factoring | 100 | 100 |
| 5 | ROOF Poland Leasing 2014 DAC ¹ | Dublin, Ireland | SPV established for securitization of lease receivables | - | - |
| 6 | Polish Lease Prime 1 DAC ¹ | Dublin, Ireland | | - | - |
| PKO Życie Towarzystwo Ubezpieczeń S.A. GROUP | | | | | |
| 7 | Ubezpieczeniowe Usługi Finansowe sp. z o.o. | Warsaw | services | 100 | 100 |
| KREDOBANK S.A. GROUP | | | | | |
| 8 | „KREDOLEASING” sp. z o.o. | Lviv, Ukraine | in organisation | 100 | 100 |
| Merkury - fiz an | | | | | |
| 9 | „Zarząd Majątkiem Górczewska” sp. z o.o. | Warsaw | property management | 100 | 100 |
| 10 | Molina sp. z o.o. | Warsaw | general partner in partnerships limited by shares of a fund | 100 | 100 |
| 11 | Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A. | Warsaw | buying and selling real estate on own account, property management | 100 | 100 |
| 12 | Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A. | Warsaw | | 100 | 100 |
| 13 | Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A. | Warsaw | | 100 | 100 |
| 14 | Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A. w likwidacji ² | Warsaw | | 100 | 100 |
| 15 | Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A. w likwidacji | Warsaw | | 100 | 100 |
| NEPTUN - fizan | | | | | |
| 16 | Qualia sp. z o.o. | Warsaw | sale services in respect of developer products | 100 | 100 |
| 17 | Sarnia Dolina sp. z o.o. | Warsaw | development activities | 100 | 100 |
| 18 | Bankowe Towarzystwo Kapitałowe S.A. | Warsaw | services | 100 | 100 |
| 18.1 | „Inter-Risk Ukraina” spółka z dodatkową odpowiedzialnością ³ | Kiev, Ukraine | debt collection | 99,90 | 99,90 |
| 18.2 | Finansowa Kompania „Prywatne Inwestycje” sp.z o.o. ⁴ | Kiev, Ukraine | financial services | 95,4676 | 95,4676 |
| 18.2.1 | Finansowa Kompania „Idea Kapitał” sp. z o.o. | Lviv, Ukraine | service activities | 100 | 100 |
| 19 | „Sopot Zdrój” sp. z o.o. | Sopot | property management | 72,9769 | 72,9769 |

* share of the direct parent in equity

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

² Liquidation of the company has been completed. By 31 March 2022, the company has not been deleted from the National Court Register.

³ Finansowa Kompania „Prywatne Inwestycje” sp. z o.o. is the second shareholder of the company.

⁴ „Inter-Risk Ukraina” spółka z dodatkową odpowiedzialnością (a company with additional liability) is the second shareholder of the company.

The Group holds the following associates and joint ventures:

| No. | ENTITY NAME | REGISTERED OFFICE | ACTIVITY | % SHARE IN CAPITAL* | |
|---|---|----------------------------|--|---------------------|------------|
| | | | | 31.03.2022 | 31.12.2021 |
| Joint ventures of PKO Bank Polski S.A. | | | | | |
| 1 | Operator Chmury Krajowej sp. z o.o. | Warsaw | cloud computing services | 50 | 50 |
| 2 | Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | Warsaw | financial services support activities, including handling transactions concluded using payment instruments | 34 | 34 |
| 1 | EVO Payments International s.r.o. | Prague, the Czech Republic | financial services support activities | 100 | 100 |
| Joint venture of NEPTUN - fizan | | | | | |
| 2 | „Centrum Obsługi Biznesu” sp. z o.o. | Poznań | property management | 41,45 | 41,45 |
| Joint venture PKO VC - fizan | | | | | |
| 3 | BSafer sp. z o.o. | Stalowa Wola | managing marketing consents | 35,06 | 35,06 |
| Associates of PKO Bank Polski S.A. | | | | | |
| 1 | Bank Pocztowy S.A. | Bydgoszcz | banking activities | 25,0001 | 25,0001 |
| 2 | „Poznański Fundusz Poręczeń Kredytowych” sp. z o.o. | Poznań | guarantees | 33,33 | 33,33 |

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

2. CHANGES TO COMPANIES COMPRISING THE GROUP

In the three-month period ended 31 March 2022, there were no changes in the structure of the Group.

3. INFORMATION ON MEMBERS OF THE SUPERVISORY AND MANAGEMENT

As at 31 March 2022, the Bank's Supervisory Board consisted of:

- Maciej Łopiński - Chair of the Supervisory Board
- Wojciech Jasiński - Deputy Chair of the Supervisory Board
- Dominik Kaczmarek - Secretary of the Supervisory Board
- Mariusz Andrzejewski - Member of the Supervisory Board
- Grzegorz Chłopek - Member of the Supervisory Board
- Andrzej Kisielewicz - Member of the Supervisory Board
- Rafał Kos - Member of the Supervisory Board
- Tomasz Kuczur - Member of the Supervisory Board
- Krzysztof Michalski - Member of the Supervisory Board
- Bogdan Szafranski - Member of the Supervisory Board
- Agnieszka Winnik-Kalamba - Member of the Supervisory Board.

As at 31 March 2022, the Bank's Management Board consisted of:

- Iwona Duda - President of the Management Board
- Maciej Brzozowski - Vice-President of the Management Board - appointed on 24 March 2022
- Bartosz Drabikowski - Vice-President of the Management Board
- Marcin Eckert - Vice-President of the Management Board
- Wojciech Iwanicki - Vice-President of the Management Board
- Maks Kraczkowski - Vice-President of the Management Board
- Mieczysław Król - Vice-President of the Management Board
- Artur Kurcweil - Vice-President of the Management Board
- Piotr Mazur - Vice-President of the Management Board.

On 26 January 2022, the Polish Financial Supervision Authority unanimously approved the appointment of Ms Iwona Duda for the position of the President of the Management Board of PKO Bank Polski S.A. and therefore on 26 January 2022, Ms Iwona Duda started performing the function of the President of the Bank's Management Board.

On 24 March 2022, the Bank's Supervisory Board appointed Mr Maciej Brzozowski a Member of the Bank's Management Board for a joint term of office which started on 3 July 2020, and entrusted him the position of Vice-President of the Bank's Management Board.

The Bank's Ordinary General Shareholders' Meeting adopted the Policy on evaluation of suitability of candidates for members of the Management and Supervisory Boards of Powszechna Kasa Oszczędności Bank Polski S.A. and confirmed the suitability of the appointed body.

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

| No. | Name and surname | Number of shares as at 31.03.2022 | Purchase | Disposal | Number of shares as at 31.12.2021 |
|------------------------------------|---|-----------------------------------|----------|----------|-----------------------------------|
| The Bank's Management Board | | | | | |
| 1 | Iwona Duda, President of the Management Board | - | - | - | - |
| 2 | Maciej Brzozowski, Vice-President of the Management Board | - | - | - | - |
| 3 | Bartosz Drabikowski, Vice-President of the Management Board | - | - | - | - |
| 4 | Marcin Eckert, Vice-President of the Management Board | - | - | - | - |
| 5 | Wojciech Iwanicki, Vice-President of the Management Board | - | - | - | - |
| 6 | Maks Kraczkowski, Vice-President of the Management Board | - | - | - | - |
| 7 | Mieczysław Król, Vice-President of the Management Board | 6 000 | - | - | 6 000 |
| 8 | Artur Kurcweil, Vice-President of the Management Board | - | - | - | - |
| 9 | Piotr Mazur, Vice-President of the Management Board | 8 000 | - | - | 8 000 |

The Supervisory Board members did not hold any shares of PKO Bank Polski S.A. as at 31 March 2022.

4. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements of the Group ([THE FINANCIAL STATEMENTS](#)), subject to review by the Audit Committee and the Supervisory Board of the Bank on 18 May 2022, were approved for publication by the Management Board on 18 May 2022.

5. IMPACT OF THE GEOPOLITICAL SITUATION IN UKRAINE ON THE PKO BANK POLSKI S.A. GROUP

In the "[DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2022](#)", note "[MAJOR EVENTS, INCLUDING NON-TYPICAL EVENTS](#)" describes activities undertaken by the Group, i.e. assistance to employees of the Ukrainian companies from the Bank's Group, humanitarian aid, support of the Bank's volunteers, a package of facilities for the citizens of Ukraine introduced in the product offering. Sanctions implemented by the Group on Russia and Belarus are also presented.

• UKRAINIAN COMPANIES IN THE PKO BANK POLSKI S.A. GROUP

The PKO Bank Polski S.A. Group conducts activities in Ukraine through the KREDOBANK S.A. Group, "Inter-Risk Ukraina" spółka z dodatkową odpowiedzialnością (company with additional liability), Finansowa Kompania "Prywatne Inwestycje" sp. z o.o. and Finansowa Kompania "Idea Kapital" sp. z o.o. (hereinafter "the Ukrainian companies").

A detailed description of the activities and capital structure of the Ukrainian companies is presented in note "[ACTIVITIES OF THE GROUP](#)" and in "[DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2022](#)", note "[MAJOR EVENTS, INCLUDING NON-TYPICAL EVENTS](#)", item: "[PKO GROUP ACTIVITIES OF THE UKRAINIAN COMPANIES FROM THE PKO BANK POLSKI S.A. GROUP](#)"

• TRANSLATION OF THE FINANCIAL STATEMENTS OF THE UKRAINIAN COMPANIES PREPARED IN THEIR FUNCTIONAL CURRENCY

The functional currency of the entities operating in Ukraine is the Ukrainian hryvnia (UAH). The financial data of the companies are translated to the presentation currency, i.e. the Polish złoty, for the purpose of inclusion in the consolidated financial statements of the Group as follows:

- assets and liabilities are translated at the closing rate as at the date of the statement of financial position;
- revenue and costs in each of the income statements and statements of other comprehensive income are translated at exchange rates applicable on the transaction date or at an appropriate average exchange rate, and
- all foreign exchange gains and losses arising are recognized in other comprehensive income.

Paragraph 8 of IAS 21 “The Effects of changes in foreign exchange rates” defines the closing rate as the spot exchange rate at the end of the reporting period, which means that the closing rate should reflect the exchange rate at which the Group would pay or be paid for the currency on the market.

In principle, the Group adopted the mid-exchange rate announced for a currency by the National Bank of Poland as at the balance sheet date as the closing rate. Due to the fact that the UAH exchange rate announced by the National Bank of Poland as at 31 March 2022 was a rate unchanged since 24 March 2022 (0.1467 UAH), the Group adopted the exchange rate determined by the National Bank of Ukraine and used by the bank for exchanging UAH to PLN, i.e. 0.14 UAH, as the closing rate (see [“Other information”](#)).

• THE IMPACT OF WAR ON THE OPERATIONS AND FINANCIAL RESULTS OF THE UKRAINIAN COMPANIES

Armed aggression of the Russian Federation and the war between Russia and Ukraine have serious negative consequences for the financial system and the banking sector of Ukraine, and the scale of these consequences is still growing. The fighting and indiscriminate shelling covered areas where more than 50% of Ukraine’s GDP is generated. Many companies operating in the war zone had to suspend their activities. Transport and logistics between regions have been broken, infrastructure has been significantly damaged and many Ukrainian citizens have been affected by the war. All this will have long-term consequences for Ukraine’s economy and its banking sector.

The foreign exchange market operates under significant restrictions imposed by the martial law, and banks are banned from trading in foreign exchange instruments, except in a few cases. At the same time, the National Bank of Ukraine has simplified the requirements for banks’ day-to-day operations and is not introducing new regulatory requirements. The regular stability assessment has been abolished, capital requirements for market risk have been deferred and capital buffers are not triggered.

In addition, on 25 February 2022, the Management Board of the National Bank of Ukraine issued regulations according to which Ukrainian banks, when calculating credit risk requirements during the period of martial law and 30 calendar days after its cessation or revocation, do not apply requirements relating to overdue payments and do not charge penalty interest and other fees.

The impact of the war on the Ukrainian banking sector manifests itself in elements such as:

- disruptions to the work of Ukrainian bank’s branches, banks and ATMs, significant damage to or destruction of banking infrastructure in war zones;
- a decline in liquidity due to an outflow of customer funds, partially offset by NBU support through refinancing instruments;
- a reduction in the credit portfolio due to the effective cessation of new lending by banks (with the exception of lending by state banks to sectors and enterprises crucial to martial law);
- a sharp (at least 50%) decline in banks’ operating income (due to reduced customer demand for services, “credit holidays” introduced, restrictions on foreign exchange transactions, etc.), which may result in their operating losses in the medium term;
- inability of some borrowers to service loans, deterioration of repayment due to closure of many enterprises, loss of sources of income for individuals (including refugees), forced relocation of millions of Ukrainian citizens;
- a decrease in the size of the banks’ equity as a result of lost revenue, material losses and the loss of part of the loan portfolio.

The unpredictability of scenarios for further developments in the military operations makes it impossible to estimate precisely what proportion of customers will be able to return to normal loan servicing and in what time horizon. However, even in an optimistic scenario, it is estimated that bank losses will be significant.

The Group conducts ongoing operational monitoring of the activities of the Ukrainian companies and ensures rapid response to incidents and developments.

In assessing the possible scenarios and location of assets of the Ukrainian companies, the Group estimates potential losses to be lower than the industry average and not to impact the ability of the Ukrainian companies to continue as a going concern.

The table below presents the share of Ukrainian companies in the results and assets and liabilities of the Group for the three months ended 31 March 2022 and as at 31 March 2022 (including comparative data) under "Ukraine".

| FOR 3 MONTHS ENDED 31 MARCH 2022 | Poland | Ukraine | Total |
|--|--------------|--------------|--------------|
| Net interest income | 3 125 | 75 | 3 200 |
| Net fee and commission income | 1 160 | 19 | 1 179 |
| Other net income | 131 | (1) | 130 |
| Gains/(losses) on financial transactions | 72 | - | 72 |
| Foreign exchange gains/ (losses) | 1 | - | 1 |
| Gains/(losses) on derecognition of financial instruments | 7 | - | 7 |
| Net other operating income and expense | 51 | (1) | 50 |
| Result on business activities | 4 416 | 93 | 4 509 |
| Net expected credit losses | (296) | (203) | (499) |
| Net impairment allowances of non-financial assets | (5) | - | (5) |
| Administrative expenses, of which: | (1 795) | (51) | (1 846) |
| Amortization | (235) | (12) | (247) |
| Net regulatory charges | (481) | (3) | (484) |
| Tax on certain financial institutions | (307) | - | (307) |
| Share in profits and losses of associates and joint ventures | 14 | - | 14 |
| Profit/(loss) by geographical areas | 2 027 | (161) | 1 866 |
| Income tax expense (tax burden) | | | (451) |
| Net profit (loss) (including non-controlling interest) | | | 1 415 |
| Profit (loss) attributable to non-controlling shareholders | | | (1) |
| Net profit attributable to equity holders of the parent company | | | 1 416 |

| FOR 3 MONTHS ENDED 31 MARCH 2021 | Poland | Ukraine | Total |
|--|--------------|-----------|--------------|
| Net interest income | 2 246 | 66 | 2 312 |
| Net fee and commission income | 1 016 | 16 | 1 032 |
| Other net income | 219 | 4 | 223 |
| Gains/(losses) on financial transactions | 11 | - | 11 |
| Foreign exchange gains/ (losses) | 158 | 2 | 160 |
| Gains/(losses) on derecognition of financial instruments | 34 | - | 34 |
| Net other operating income and expense | 16 | 2 | 18 |
| Result on business activities | 3 481 | 86 | 3 567 |
| Net expected credit losses | (163) | (6) | (169) |
| Net impairment allowances of non-financial assets | (21) | - | (21) |
| Administrative expenses, of which: | (1 596) | (47) | (1 643) |
| Amortization | (232) | (12) | (244) |
| Net regulatory charges | (370) | (3) | (373) |
| Tax on certain financial institutions | (257) | - | (257) |
| Profit/(loss) by geographical areas | 1 444 | 33 | 1 477 |
| Income tax expense (tax burden) | | | (302) |
| Net profit (loss) (including non-controlling interest) | | | 1 175 |
| Profit (loss) attributable to non-controlling shareholders | | | (2) |
| Net profit attributable to equity holders of the parent company | | | 1 177 |

| 31.03.2022 | Poland | Ukraine | Total |
|--|----------------|--------------|----------------|
| Assets, of which: | 417 056 | 4 228 | 421 284 |
| Loans and advances to customers | 234 544 | 2 186 | 236 730 |
| Investments in associates and joint ventures | 292 | - | 292 |
| Total assets | 417 348 | 4 228 | 421 576 |
| Liabilities, of which: | 382 029 | 3 833 | 385 862 |
| Amounts due to customers | 318 541 | 3 330 | 321 871 |
| Total liabilities | 382 029 | 3 833 | 385 862 |

| 31.12.2021 | Poland | Ukraine | Total |
|--|----------------|--------------|----------------|
| Assets, of which: | 412 872 | 4 929 | 417 801 |
| Loans and advances to customers | 231 795 | 2 505 | 234 300 |
| Investments in associates and joint ventures | 285 | - | 285 |
| Total assets | 413 157 | 4 929 | 418 086 |
| Liabilities, of which: | 376 063 | 4 330 | 380 393 |
| Amounts due to customers | 318 670 | 3 626 | 322 296 |
| Total liabilities | 376 063 | 4 330 | 380 393 |

• RISK MANAGEMENT IN RELATION TO THE SITUATION IN UKRAINE

The Financial Stability Committee (hereinafter "FSC"), at its meeting of 25 March 2022, assessed that a new systemic risk had materialised, i.e. the geopolitical risk resulting from the armed aggression of the Russian Federation against Ukraine. The shock of this situation may materialise through many channels, but the Polish banking system is resilient due to its capital resources and liquidity buffers. FSC appreciated the banks' efforts to support refugees and enable them to use financial services and encouraged them to further intensify these efforts.

At the unconsolidated level, the Bank increased the impairment loss on the investment in KREDOBANK S.A by PLN 52 million, thereby reducing the net carrying amount of the investment in KREDOBANK S.A to PLN 227 million (see "[INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES](#)")

In terms of the impact on the quality of the loan portfolio of Ukrainian companies, potential losses have been assessed, but information is currently limited and a more detailed assessment is not possible. According to available official information on military operations on the territory of Ukraine, a part of the loan portfolio of the Ukrainian companies (approximately 20%) is located directly in or close to regions where hostilities are taking place. As a result of the assessment of various scenarios for the development of the situation in Ukraine and of the conflict, the Bank's Group recognized an additional impairment allowance for loans granted in Ukraine in the amount of PLN 203 million.

The Group analysed its business loan portfolio in terms of customers' exposure to the negative effects of the armed conflict in Ukraine. Assuming the threshold of the minimum of 5% of customers' turnover being realized with counterparties of Russia, Belarus or Ukraine, the portfolio exposed to risk amounts to approximately PLN 3.2 billion. As part of the measurement of credit exposures, the Group took into account information on the scale of economic relations of Polish customers with their counterparties from Ukraine, Belarus and Russia, and assessed various scenarios for the development of the macroeconomic situation. Exposures of customers with their counterparties from Ukraine, Belarus and Russia were classified to Stage 2 and the expected credit losses were measured over their lifetime. In case of the assessment that there is little likelihood of customers meeting their credit obligations, the exposures were reclassified into Stage 3.

The portfolio of retail loans to Russian, Belarusian or Ukrainian citizens granted by PKO Bank Polski S.A. amounts to PLN 227 million.

Group-wide guidelines were adopted for use in the financing and providing banking services for:

- customers conducting business activity, whose business model is based on benefits resulting from active operation on the markets of Russia and Belarus or from significant connections (e.g. economic, personal),
- customers who are or may become subject to sanctions or restrictions introduced in connection with Russia's aggression in Ukraine.

The Bank's Group maintains a safe level of liquidity enabling it to respond quickly and effectively to potential risks. In the first quarter of 2022:

- PKO Bank Polski S.A. monitored cash balances in the Bank's branches and ATMs on an ongoing basis due to temporarily increased interest in cash withdrawals (which resulted from customers' reactions to the outbreak of war in Ukraine) and took all possible measures to enable customers to access cash withdrawals;
- the liquidity position of KREDOBANK S.A., despite the ongoing conflict in Ukraine, remained stable and secure; the company did not record a drop in liquidity measures or a significant outflow of deposits; moreover, KREDOBANK S.A. was classified by the National Bank of Ukraine as one of the systemic banks of Ukraine.

At the same time, in connection with the war in Ukraine, PKO Bank Polski S.A. set up a Support Group chaired by the Chief of the Crisis Management Team, which aims, among other things, at preventing any disruption of PKO Bank Polski S.A.'s critical processes, exchanging information within the Bank's Group, and coordinating the assistance provided. The Bank takes measures on an ongoing basis to mitigate the risks associated with the war in Ukraine, in particular in terms of ensuring the availability of the Bank's systems and cybersecurity, ensuring continuity of cash handling and other processes.

6. MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

In December 2020, the Chairman of the Polish Financial Supervision Authority presented a proposal aimed at solving the problem of housing loans in Swiss francs at a systemic level. The proposed solution provides that banks would voluntarily offer their customers the possibility of entering into a settlement based on which the customers' loans would be treated as if they had been originally granted in Polish zloty and had borne interest rate equal to the WIBOR benchmark rate plus a margin historically applied to such loans.

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

Starting from 4 October 2021, following a decision from 23 April 2021 of the Extraordinary General Shareholders' Meeting of PKO Bank Polski S.A., the Group has been concluding settlements with consumers who had concluded loan agreements or cash advance agreements with the Bank secured by mortgages and indexed to foreign currencies or denominated in foreign currencies (hereinafter: settlements with consumers).

To this end, the Group set up a special fund (within the Group's supplementary capital) of PLN 6,700 million for offsetting specific balance sheet losses which will arise as a result of recognizing the financial effects of the settlements with consumers.

In the "**DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2022**", note "**MAJOR EVENTS, INCLUDING NON-TYPICAL EVENTS**", item "**FOREIGN CURRENCY MORTGAGE LOANS**", the actions taken by the Group with regard to offering settlements are described.

As at 31 March 2022, nearly 25 thousand applications for mediation were registered. As at the end of 2021, more than 19 thousand applications for mediation were registered. The total number of settlements concluded as at 31 March 2022 was 12 383, of which 12 193 was reached in mediation proceedings and 190 in court proceedings. As at 31 December 2021, the total number of settlements concluded was 5 806, of which 5 673 was reached in mediation proceedings and 133 in court proceedings.

- **MANAGING FOREIGN CURRENCY RISK OF MORTGAGE LOANS FOR INDIVIDUALS**

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

On 28 March 2022, a notice from the meeting of the Financial Stability Committee (hereinafter FSC) held on 25 March 2022 was published. The legal risk of foreign currency housing loans remains the most significant source of risks to financial system stability identified by the FSC, as the number of court cases related to these loans continues to increase and a significant share of these cases ends in the annulment of loan agreements. In the FSC's view, court decisions leading to the annulment of a contract, and even more so those compromising the economic logic of settlements between the parties after such annulment, are not proportionate to the effects of the most frequently challenged contractual provisions, distort the functioning of basic market mechanisms and generate very significant burdens for the banking sector. This could result in a significant weakening of its resilience, with negative consequences for depositors and the banks' ability to continue to finance the development of the Polish economy. In the FSC's opinion, it is reasonable to recall the publicly available positions presented by the NBP and the Office of the Polish Financial Supervision Authority in relation to the proceedings before the Supreme Court. The legal system should not disregard the principles of economics and social justice and unjustifiably favour foreign currency borrowers over those who, at the same time, decided to take a PLN loan, for example to avoid the exchange risk. The abusiveness of contractual provisions, as raised by borrowers, cannot be used instrumentally to avoid unfavourable consequences of the agreement concluded, related to the materialisation of the exchange rate risk. In accordance with market economy principles, including the principles of consideration and equivalence of benefits, the provision of financial capital should be accompanied by an obligation to return it and by remuneration from the recipient of the capital, at least covering the costs incurred. In the FSC's view, amicable solutions (customer settlements) remain a valuable alternative to the judicial route to dispute resolution.

| HOUSING LOANS AND ADVANCES TO INDIVIDUALS (RETAIL AND PRIVATE BANKING) BY CURRENCY | 31.03.2022 | | | 31.12.2021 | | |
|--|----------------|-------------------------|----------------|----------------|-------------------------|----------------|
| | gross | impairment allowance | net | gross | impairment allowance | net |
| in local currency | 99 325 | (1 293) | 98 032 | 99 887 | (1 212) | 98 675 |
| PLN | 98 889 | (1 229) | 97 660 | 99 435 | (1 191) | 98 244 |
| UAH | 436 | (64) | 372 | 452 | (21) | 431 |
| in foreign currency | 14 731 | (787) | 13 944 | 15 610 | (749) | 14 861 |
| CHF | 12 271 | (720) | 11 551 | 13 100 | (679) | 12 421 |
| EUR | 2 420 | (64) | 2 356 | 2 469 | (67) | 2 402 |
| USD | 32 | (3) | 29 | 33 | (3) | 30 |
| OTHER | 8 | - | 8 | 8 | - | 8 |
| Total | 114 056 | (2 080) | 111 976 | 115 497 | (1 961) | 113 536 |

| FOREIGN CURRENCY HOUSING LOANS AND ADVANCES TO INDIVIDUALS BY THE GRANTING DATE | | Indexed | Denominated | Total | Indexed | Denominated | Total |
|---|-------------------------------------|--------------|---------------|----------------|--------------|---------------|----------------|
| | | 31.03.2022 | | | 31.12.2021 | | |
| up to 2002 | Gross amount | - | 39 | 39 | - | 42 | 42 |
| | Allowances for credit losses | - | (1) | (1) | - | (1) | (1) |
| | Net amount | - | 38 | 38 | - | 41 | 41 |
| | Number of loans granted | - | 3 522 | 3 522 | - | 3 930 | 3 930 |
| from 2003 r to 2006 | Gross amount | - | 2 721 | 2 721 | - | 2 939 | 2 939 |
| | Allowances for credit losses | - | (107) | (107) | - | (108) | (108) |
| | Net amount | - | 2 614 | 2 614 | - | 2 831 | 2 831 |
| | Number of loans granted | - | 34 938 | 34 938 | - | 37 734 | 37 734 |
| from 2007 to 2009 | Gross amount | - | 6 751 | 6 751 | - | 7 240 | 7 240 |
| | Allowances for credit losses | - | (549) | (549) | - | (515) | (515) |
| | Net amount | - | 6 202 | 6 202 | - | 6 725 | 6 725 |
| | Number of loans granted | - | 41 734 | 41 734 | - | 45 782 | 45 782 |
| from 2010 to 2012 | Gross amount | 2 704 | 2 501 | 5 205 | 2 807 | 2 567 | 5 374 |
| | Allowances for credit losses | (58) | (70) | (128) | (55) | (68) | (123) |
| | Net amount | 2 646 | 2 431 | 5 077 | 2 752 | 2 499 | 5 251 |
| | Number of loans granted | 9 351 | 10 849 | 20 200 | 9 739 | 11 208 | 20 947 |
| from 2013 to 2016 | Gross amount | 4 | 11 | 15 | 4 | 11 | 15 |
| | Allowances for credit losses | - | (2) | (2) | - | (2) | (2) |
| | Net amount | 4 | 9 | 13 | 4 | 9 | 13 |
| | Number of loans granted | 18 | 37 | 55 | 18 | 37 | 55 |
| Total | Gross amount | 2 708 | 12 023 | 14 731 | 2 811 | 12 799 | 15 610 |
| | Allowances for credit losses | (58) | (729) | (787) | (55) | (694) | (749) |
| | Net amount | 2 650 | 11 294 | 13 944 | 2 756 | 12 105 | 14 861 |
| | Number of loans granted | 9 369 | 91 080 | 100 449 | 9 757 | 98 691 | 108 448 |

• COST OF THE LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

| IMPACT OF THE LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES | Gross carrying amount of mortgage loans in convertible currencies before recognition of mortgage loans in convertible currencies legal risk cost | Accumulated cost of the legal risk of mortgage loans in convertible currencies | Gross carrying amount of mortgage loans in convertible currencies after recognition of mortgage loans in convertible currencies legal risk cost |
|--|--|--|---|
| As at 31.03.2022 | | | |
| Loans and advances to customers – adjustment reducing the carrying amount of loans | 18 340 | 6 069 | 12 271 |
| Provisions (nota 28) | | 597 | |
| Total | | 6 666 | |
| As at 31.12.2021 | | | |
| Loans and advances to customers – adjustment reducing the carrying amount of loans | 19 528 | 6 428 | 13 100 |
| Provisions (nota 28) | | 595 | |
| Total | | 7 023 | |

As at 31 March 2022, the Group recognized in the financial statements the impact of the legal risk associated with the portfolio of mortgage loans in convertible currencies.

| CHANGE OVER THE PERIOD OF THE CUMULATIVE COST OF LEGAL RISK RELATED TO MORTGAGE LOANS DENOMINATED IN CONVERTIBLE CURRENCIES | 01.01-31.03.2022 | 01.01-31.03.2021 |
|---|------------------|------------------|
| Carrying amount at the beginning of the period | (7 023) | (7 043) |
| Revaluation of loss for the period | (208) | 202 |
| Using the loss to settle settlements and judgments for the period | 565 | 1 |
| Carrying amount at the end of the period | (6 666) | (6 840) |

Revaluation of the loss due to the legal risk is associated with the impact of a foreign currency exchange rate on the part of the loss recognized in the convertible currency as an adjustment of the gross amount of the loans.

Additional information on the portfolio of mortgage loans in convertible currencies and consumer settlements is presented by the Group in note: "[Legal claims](#)"

7. IMPACT OF COVID-19 PANDEMIC ON THE OPERATIONS OF THE GROUP

The impact of the COVID-19 pandemic, which started in 2020, on the operations of the Group and the banking sector and measures adopted by the Group since the beginning of the pandemic to ensure the safety of its Customers and employees and business process continuity are described in detail in the Group financial statements and the PKO Bank Polski S.A. Group Directors' Report for 2021 and 2020.

The COVID-19 pandemic increased the level of uncertainty. Its consequences for the global economy and measures adopted by governments and regulators affected the Group's financial results and position, including, among others, on the expected credit losses or goodwill recognized. In the three-month period ended 31 March 2022, the Group did not identify any additional negative consequences relating to the COVID pandemic and all negative consequences which could have been reasonably estimated had been identified already in 2020.

The Group is monitoring the development on an ongoing basis and takes it into account in the current period.

At its meeting held on 25 March 2022, the Financial Stability Committee concluded that low profitability and credit losses associated directly to Covid-19 ceased to be a material source of risk for banks.

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

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

| Loans and advances covered by statutory and non-statutory moratoria by residual period of the moratoria | 31.03.2022 | | | | | | | | |
|---|-------------------|-------------------------------|-------------------|------------------------------|------------------------|------------------------|-------------|----------|-----|
| | Number of debtors | Carrying amount, gross | | Residual period of moratoria | | | | | |
| | | Of which: statutory moratoria | Of which: expired | <= 3 months | > 3 months <= 6 months | > 6 months <= 9 months | <= 3 months | > 1 year | |
| | | | | | | | | | |
| Loans and advances in respect of which moratoria were offered | 162 815 | 25 645 | | | | | | | |
| Loans and advances covered by moratoria in line with the EBA guidelines | 159 026 | 24 622 | 70 | 24 450 | 52 | 3 | 3 | 5 | 109 |
| retail and private banking | | 16 118 | 70 | 16 079 | 39 | - | - | - | - |
| housing | | 13 477 | 51 | 13 469 | 8 | - | - | - | - |
| finance lease receivables | | 2 | - | 2 | - | - | - | - | - |
| consumer | | 2 639 | 19 | 2 608 | 31 | - | - | - | - |
| SME | | 4 047 | - | 3 992 | 8 | 3 | 3 | 2 | 39 |
| business | | 755 | - | 737 | 2 | - | - | - | 16 |
| housing | | 1 500 | - | 1 500 | - | - | - | - | - |
| finance lease receivables | | 1 792 | - | 1 755 | 6 | 3 | 3 | 2 | 23 |
| corporate entities | | 4 457 | - | 4 379 | 5 | - | - | 3 | 70 |
| business | | 2 872 | - | 2 868 | 1 | - | - | 3 | - |
| finance lease receivables | | 825 | - | 751 | 4 | - | - | - | 70 |
| housing | | 760 | - | 760 | - | - | - | - | - |

| Loans and advances covered by statutory and non-statutory moratoria by residual period of the moratoria | 31.12.2021 | | | | | | | | |
|---|-------------------|-------------------------------|-------------------|------------------------------|------------------------|------------------------|-------------|----------|-----|
| | Number of debtors | Carrying amount, gross | | Residual period of moratoria | | | | | |
| | | Of which: statutory moratoria | Of which: expired | <= 3 months | > 3 months <= 6 months | > 6 months <= 9 months | <= 3 months | > 1 year | |
| | | | | | | | | | |
| Loans and advances in respect of which moratoria were offered | 163 953 | 27 051 | | | | | | | |
| Loans and advances covered by moratoria in line with the EBA guidelines | 160 185 | 25 969 | 78 | 25 752 | 70 | 6 | 4 | 19 | 118 |
| retail and private banking | | 16 758 | 78 | 16 713 | 38 | 2 | - | 5 | - |
| housing | | 13 826 | 56 | 13 817 | 9 | - | - | - | - |
| finance lease receivables | | 2 | - | 2 | - | - | - | - | - |
| consumer | | 2 930 | 22 | 2 894 | 29 | 2 | - | 5 | - |
| SME | | 4 508 | - | 4 425 | 28 | 3 | 4 | 5 | 43 |
| business | | 854 | - | 829 | 6 | - | 1 | 1 | 17 |
| housing | | 1 598 | - | 1 598 | - | - | - | - | - |
| finance lease receivables | | 2 056 | - | 1 998 | 22 | 3 | 3 | 4 | 26 |
| corporate entities | | 4 703 | - | 4 614 | 4 | 1 | - | 9 | 75 |
| business | | 3 000 | - | 2 986 | 1 | 1 | - | 9 | 3 |
| finance lease receivables | | 915 | - | 840 | 3 | - | - | - | 72 |
| housing | | 788 | - | 788 | - | - | - | - | - |

| Gross carrying amount of active exposures | | | | | |
|---|------------------------|-------------------|-----|---|---|
| Loans and advances covered by moratoria in line with the EBA guidelines (statutory and non-statutory) | Carrying amount, gross | | | | |
| | Performing | | | Non-performing | |
| | | of which: Stage 2 | | including: exposures covered by restructuring | of which: there is little probability that the liability will be repaid, but the liability is not overdue or is overdue < = 90 days |
| 31.03.2022 | | | | | |
| Loans and advances covered by moratoria in line with the EBA guidelines | 172 | 155 | 88 | 17 | 8 |
| retail and private banking | 40 | 31 | 9 | 9 | 3 |
| housing | 9 | 8 | 2 | 1 | 1 |
| consumer | 31 | 23 | 7 | 8 | 2 |
| SME | 54 | 49 | 25 | 5 | 5 |
| corporate | 17 | 16 | 5 | 1 | 1 |
| finance lease receivables | 37 | 33 | 20 | 4 | 4 |
| corporate entities | 78 | 75 | 54 | 3 | - |
| corporate | 5 | 2 | 1 | 3 | - |
| finance lease receivables | 73 | 73 | 53 | - | - |
| 31.12.2021 | | | | | |
| Loans and advances covered by moratoria in line with the EBA guidelines | 213 | 189 | 103 | 25 | 16 |
| retail and private banking | 44 | 34 | 2 | 10 | 4 |
| housing | 9 | 8 | - | 1 | 1 |
| consumer | 35 | 26 | 2 | 9 | 3 |
| SME | 81 | 69 | 37 | 12 | 12 |
| corporate | 24 | 23 | 11 | 1 | 1 |
| finance lease receivables | 57 | 46 | 26 | 11 | 11 |
| corporate entities | 88 | 86 | 64 | 3 | - |
| corporate | 12 | 10 | 9 | 3 | - |
| finance lease receivables | 76 | 76 | 55 | - | - |

| Loans and advances covered by moratoria in line with the EBA guidelines (statutory and non-statutory) | Accumulated impairment of active exposure values | | | | |
|---|---|------------|-------------------|----------------|---|
| | Accumulated impairment, accumulated loss of fair value due to credit risk | | | | |
| | | Performing | of which: Stage 2 | Non-performing | of which: there is little probability that the liability will be repaid, but the liability is not overdue or is overdue < = 90 days |
| 31.03.2022 | | | | | |
| Loans and advances covered by moratoria in line with the EBA guidelines | (13) | (2) | (1) | (11) | (3) |
| retail and private banking | (6) | (1) | (1) | (5) | (1) |
| consumer | (6) | (1) | (1) | (5) | (1) |
| SME | (3) | - | - | (3) | (2) |
| corporate | (1) | - | - | (1) | - |
| finance lease receivables | (2) | - | - | (2) | (2) |
| corporate entities | (4) | (1) | - | (3) | - |
| corporate | (3) | - | - | (3) | - |
| finance lease receivables | (1) | (1) | - | - | - |
| 31.12.2021 | | | | | |
| Loans and advances covered by moratoria in line with the EBA guidelines | (22) | (6) | (5) | (16) | (8) |
| retail and private banking | (7) | (1) | (1) | (6) | (1) |
| consumer | (7) | (1) | (1) | (6) | (1) |
| SME | (8) | (1) | (1) | (7) | (7) |
| corporate | (1) | (1) | - | - | - |
| finance lease receivables | (7) | - | - | (7) | (7) |
| corporate entities | (7) | (4) | (4) | (3) | - |
| corporate | (6) | (3) | (4) | (3) | - |
| finance lease receivables | (1) | (1) | - | - | - |

| Newly granted loans and advances under new public guarantee programmes introduced in relation to the COVID-19 crisis | Gross carrying amount and maximum recognizable amount of guarantees for newly granted loans covered by guarantees | | |
|--|---|---|--|
| | Carrying amount, gross | | Maximum recognizable amount of guarantees |
| | | Including: exposures covered by restructuring | Public guarantee received in relation to the COVID-19 crisis |
| 31.03.2022 | | | |
| Newly granted loans and advances covered by public guarantee programmes | 7 856 | 71 | 6 254 |
| SME | 6 046 | 46 | 4 837 |
| corporate | 6 044 | 46 | 4 835 |
| factoring receivable | 2 | - | 2 |
| corporate entities | 1 810 | 25 | 1 417 |
| corporate | 1 285 | 25 | 1 028 |
| factoring receivable | 525 | - | 389 |
| 31.12.2021 | | | |
| Newly granted loans and advances covered by public guarantee programmes | 5 287 | 47 | 4 211 |
| SME | 3 983 | 28 | 3 187 |
| corporate | 3 981 | 28 | 3 185 |
| factoring receivable | 2 | - | 2 |
| corporate entities | 1 304 | 19 | 1 024 |
| corporate | 923 | 19 | 738 |
| factoring receivable | 381 | - | 286 |

8. BASIS FOR PREPARING THE FINANCIAL STATEMENTS

The financial statements cover the three-month period ended 31 March 2022 and contains comparative data for:

- the three-month period ended 31 March 2021 (with regard to the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, and consolidated statements of cash flows);
- as at 31 December 2021 (with regard to the consolidated statement of financial position).

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

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

To prepare the financial statements, the Group applied the accounting policies and calculation methods consistent with those applicable in the financial year ended 31 December 2021, with the exception of changes described in the note ["CHANGES IN THE ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2022 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS"](#).

These financial statements for the three-month period ended 31 March 2022 do not comprise all the information and disclosures which may be required in annual financial statements and should be read jointly with the annual consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2021 that were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union.

GOING CONCERN

The Group prepared the financial statements on the basis of the assumption that the Group will continue as a going concern for a period of at least 12 months from the date of their approval for publication by the Management Board, i.e. from 18 May 2022. As at the date of signing these financial statements, the Bank's Management Board is not aware of any facts or circumstances that would indicate a threat to the Bank's Group's ability to continue in operation as a going concern for 12 months following the publication date as a result of any intended or compulsory discontinuation or significant limitation of the Bank's Group's existing operations.

MANAGEMENT REPRESENTATION

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

9. NEW STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS

STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS EFFECTIVE FROM 1 JANUARY 2022

| STANDARDS AND INTERPRETATIONS* | DESCRIPTION OF CHANGES AND IMPACT |
|--|--|
| AMENDMENT TO IFRS 3 "BUSINESS COMBINATIONS" (1.01.2022/28.06.2021) | Amendments to IFRS 3 have updated references to the Conceptual Framework issued in 2018. In order to ensure that this will not impact assets and liabilities which qualify for the recognition of a business combination, the amendment introduces new exceptions from the recognition and measurement principles of IFRS 3. The Group will apply these amendments prospectively. |
| AMENDMENT TO IAS 16 "PROPERTY, PLANT AND EQUIPMENT" (1.01.2022/28.06.2021) | The amendment specifies that, among other things, proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the intended manner cannot be deducted from the cost associated with that asset. Instead, such proceeds should be recognized as cost of producing those items, in profit or loss. No material impact on the consolidated financial statements. |
| AMENDMENT TO IAS 37 "PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS" (1.01.2022/28.06.2021) | The amendment clarifies that, when assessing whether or not a contract is onerous, the cost of fulfilling a contract comprises all costs that relate directly to the contract. No material impact on the consolidated financial statements. |
| ANNUAL IMPROVEMENTS TO IFRS 2018-2020 (1.01.2022/28.06.2021) | <ul style="list-style-type: none"> The amendment to IFRS 1 relates to situations when a subsidiary adopts IFRS for the first time at a later date than its parent; in such a case, the subsidiary may decide to measure cumulative translation differences for all foreign operations using the amounts reported by its parent in its consolidated financial statements, based on the parent's date of transition to IFRS. The amendment to IAS 41 aligns fair value measurement requirements set out in IAS 41 with the assumptions of IFRS 13. <p>Not applicable to the Group.</p> <ul style="list-style-type: none"> The amendment clarifies which fees should be included for purposes of the '10 per cent' test in the case of derecognition of financial liabilities. Amendments to illustrative examples in IFRS 16 relating to identification of lease incentives. <p>No material impact on the consolidated financial statements.</p> |

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

NEW STANDARDS AND INTERPRETATIONS AND AMENDMENTS THERETO THAT HAVE BEEN PUBLISHED AND ENDORSED BY THE EUROPEAN UNION, BUT HAVE NOT COME INTO FORCE YET AND ARE NOT APPLIED BY THE BANK

| STANDARDS AND INTERPRETATIONS* | DESCRIPTION OF CHANGES AND IMPACT |
|--|--|
| IFRS 17 “Insurance Contracts” (1.01.2023/19.11. 2021) and amendments to IFRS 17 (1.01.2023/19.11. 2021) | <p>IFRS 17 will replace the existing IFRS 4 “Insurance contracts” which enabled entities to recognize insurance contracts according to the accounting principles in force in the national standards. As a new accounting standards, IFRS 17 will change the recognition, measurement, presentation and disclosure of insurance contracts. The standard applies to insurance contracts, reinsurance contracts and investment contracts with discretionary participation in profits. The application of the standard should follow the full retrospective approach with certain departures.</p> <p>IFRS 17 will affect the Group which offers insurance products, including insurance connected with loans and advances and leasing products. The said products are offered by the following insurance companies: PKO Życie Towarzystwo Ubezpieczeń S.A. and PKO Towarzystwo Ubezpieczeń S.A.</p> <p>Insurance products offered within the Group are related to:</p> <ul style="list-style-type: none"> • loans and advances granted by the Bank (e.g. insurance of mortgage loans, cash advances, credit cards); • lease contracts offered by PKO Leasing S.A. (e.g. insurance of leased assets, automotive insurance). <p>IFRS 17 also applies to products offered by the Bank, namely performance guarantees.</p> <p>Through its companies, the Group is executing IFRS 17 implementation projects with the support of an External Consultant. The scope of the project covers mainly the development and implementation of a dedicated tool to make actuarial calculation in accordance with the requirements of IFRS 17 and methodology. The Implementation of IFRS 17 at the consolidated level of the Group and at the stand-alone level of the Bank also means that it is necessary to identify and implement a number of changes relating to the accounting, reporting, tax and planning and control areas.</p> |
| AMENDMENT TO IAS 1 AND IAS 8 (1.01.2023/2.03.2022) | <p>Amendments to IAS 1 contain guidelines on the application of the term “material” in disclosures of the accounting policies.</p> <p>Amendments to IAS 8 explain how companies should distinguish changes in accounting policies from changes in accounting estimates.</p> <p>The Group does not expect these amendments to have a material effect on the consolidated financial statements.</p> |

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

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

| STANDARDS AND INTERPRETATIONS* | DESCRIPTION OF CHANGES AND IMPACT |
|--|--|
| AMENDMENT TO IAS 1 – CLASSIFICATION OF LIABILITIES (1.01.2023/NO DATA) | <p>The amendments relate to the presentation of liabilities in the statement of financial position. In particular, the amendment clarifies that classification of liabilities as current or non-current should be based on the contractual arrangements in place at the reporting date. A prospective approach will apply to these amendments.</p> <p>The Group is in the process of estimating the impact on the consolidated financial statements.</p> |
| AMENDMENT TO IAS 1 AND IAS 8 (1.01.2023/NO DATA) | <p>Amendments to IAS 1 contain guidelines on the application of the term “material” in disclosures of the accounting policies.</p> |

| | |
|--|---|
| | Amendments to IAS 8 explain how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group does not expect these amendments to have a material effect on the consolidated financial statements. |
| AMENDMENT TO IAS 12 (1.01.2023/NO DATA) | The amendment to IAS 12 clarifies uncertainty with regard to the deferred tax on transactions where entities recognize both an asset and a liability, which in turn gives rise to both taxable and deductible temporary differences at the same time. This is related to transactions such as leases or decommissioning liabilities. The amendment clarifies that entities are obliged to recognize a deferred tax on such transactions. The Group does not expect these amendments to have a material effect on the consolidated financial statements. |
| Amendment to IFRS 17: First-time adoption of IFRS 17 and IFRS 9 – Comparative information (1.01.2023/no data) | The proposed amendment enables an entity which adopted for the first time both IFRS 17 and IFRS 9 to present comparative information on a financial asset as if the classification and measurement requirements included in IFRS 9 had been already applied earlier to that financial asset. |

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

10. CHANGES IN THE ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2022 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

In order to better reflect its operations, the Group made the following changes:

- RECLASSIFICATION OF COSTS CHARGED TO A CUSTOMER**

Until the second quarter of 2021, the Group presented costs relating to executory seizures, judicial enforcement, court and related proceedings under commission expense or other operating expenses. When charged to the Group customers, such costs were recognized as commission income. Starting from the third quarter of 2021, the Group has been presenting this income and costs under impairment of non-financial assets.

- RECLASSIFICATION OF CARD-RELATED COSTS**

Starting from the first quarter of 2022, the Group has been presenting card-related costs in net fee and commission income under Cards. Previously, they have been presented in administrative expenses as Overheads.

- RECLASSIFICATION OF THE COST OF CASH-IN-TRANSIT SERVICES TO THE BANK'S CUSTOMERS**

Starting from the first quarter of 2022, the Group has been presenting the cost of cash-in-transit services in net fee and commission income under cost of bank accounts in item clearing services. Previously, they have been presented in administrative expenses as Overheads relating to IT services.

| CONSOLIDATED INCOME STATEMENT – selected items | 01.01-31.03.2021 before restatement | reclassification of costs charged to the customer | reclassification of card-related costs | reclassification of cost of cash-in-transit services to the Bank's customers | 01.01-31.03.2021 restated |
|--|-------------------------------------|---|--|--|---------------------------|
| Net fee and commission income | 1 044 | - | (11) | (1) | 1 032 |
| Fee and commission expense | (235) | - | (11) | (1) | (247) |
| Other net income | 217 | 6 | - | - | 223 |
| Net other operating income and expenses | 12 | 6 | - | - | 18 |
| Result on business activities | 3 573 | 6 | (11) | (1) | 3 567 |
| Net impairment allowances on non-financial assets | (15) | (6) | - | - | (21) |
| Administrative expenses | (1 655) | - | 11 | 1 | (1 643) |
| Net profit attributable to equity holders of the parent company | 1 177 | - | - | - | 1 177 |

| STANDALONE INCOME STATEMENT – selected items | 01.01-31.03.2021 before restatement | reclassification of costs charged to the customer | reclassification of card-related costs | reclassification of cost of cash-in-transit services to the Bank's customers | 01.01-31.03.2021 restated |
|---|-------------------------------------|---|--|--|---------------------------|
| Net fee and commission income | 846 | - | (11) | (1) | 834 |
| Fee and commission expense | (220) | - | (11) | (1) | (232) |
| Other net income | 224 | 6 | - | - | 230 |
| Result on business activities | 3 097 | 6 | (11) | (1) | 3 091 |
| Net Impairment allowances on non-financial assets | (14) | (6) | - | - | (20) |
| Administrative expenses | (1 432) | - | 11 | 1 | (1 420) |
| Net profit | 1 009 | - | - | - | 1 009 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. SEGMENT REPORTING

The PKO Bank Polski SA Group conducts business activities within segments offering specific products and services addressed to specific groups of customers. The manner in which the operating segments are divided ensures consistency with the sales management model and offers customers a comprehensive product mix which comprises both traditional banking products and more complex investment products, as well as services provided by the Group entities. Information about the segments was described in the consolidated financial statements of the Group for 2021.

FINANCIAL INFORMATION

| Income statement by segments | Continuing operations | | | |
|--|-----------------------|----------------------------------|---------------------------|-----------------------------|
| | Retail segment | Corporate and investment segment | Transfer centre and other | Total activity of the Group |
| FOR 3 MONTHS ENDED 31 MARCH 2022 | | | | |
| Net interest income | 2 233 | 642 | 325 | 3 200 |
| Net fee and commission income | 891 | 290 | (2) | 1 179 |
| Other net income | 98 | 72 | (40) | 130 |
| Gains/(losses) on financial transactions | 48 | 24 | - | 72 |
| Foreign exchange gains/ (losses) | 9 | 36 | (44) | 1 |
| Gains/(losses) on derecognition of financial instruments | 4 | 3 | - | 7 |
| Net other operating income and expense | 30 | 16 | 4 | 50 |
| Income/(expenses) relating to internal customers | 7 | (7) | - | - |
| Result on business activities | 3 222 | 1 004 | 283 | 4 509 |
| Net expected credit losses | (266) | (233) | - | (499) |
| Net impairment allowances of non-financial assets | - | (3) | (2) | (5) |
| Administrative expenses, of which: | (1 463) | (370) | (13) | (1 846) |
| depreciation and amortization | (212) | (35) | - | (247) |
| net regulatory charges | (321) | (150) | (13) | (484) |
| Tax on certain financial institutions | (186) | (103) | (18) | (307) |
| Share in profits and losses of associates and joint ventures | - | - | - | 14 |
| Segment profit/(loss) | 1 307 | 295 | 250 | 1 866 |
| Income tax expense (tax burden) | | | | (451) |
| Net profit (loss) (including non-controlling interest) | | | | 1 415 |
| Profit (loss) attributable to non-controlling shareholders | | | | (1) |
| Net profit attributable to equity holders of the parent company | | | | 1 416 |

| Assets and liabilities by segments | | | | |
|--|----------------|----------------------------------|---------------------------|-----------------------------|
| 31.03.2022 | Retail segment | Corporate and investment segment | Transfer centre and other | Total activity of the Group |
| Assets | 184 825 | 134 349 | 97 205 | 416 379 |
| Investments in associates and joint ventures | - | 292 | - | 292 |
| Unallocated assets | - | - | - | 4 905 |
| Total assets | 184 825 | 134 641 | 97 205 | 421 576 |
| Liabilities | 260 622 | 91 050 | 33 755 | 385 427 |
| Unallocated liabilities | - | - | - | 435 |
| Total liabilities | 260 622 | 91 050 | 33 755 | 385 862 |

| Income statement by segments | | | | |
|--|-----------------------|----------------------------------|---------------------------|-----------------------------|
| FOR 3 MONTHS ENDED 31 MARCH 2021 | Continuing operations | | | |
| | Retail segment | Corporate and investment segment | Transfer centre and other | Total activity of the Group |
| Net interest income | 1 635 | 418 | 259 | 2 312 |
| Net fee and commission income | 771 | 265 | (4) | 1 032 |
| Other net income | (14) | 96 | 141 | 223 |
| Gains/(losses) on financial transactions | (25) | 40 | (4) | 11 |
| Foreign exchange gains/ (losses) | (14) | 35 | 139 | 160 |
| Gains/(losses) on derecognition of financial instruments | 1 | 24 | 9 | 34 |
| Net other operating income and expense | 17 | 4 | (3) | 18 |
| Income/(expenses) relating to internal customers | 7 | (7) | - | - |
| Result on business activities | 2 392 | 779 | 396 | 3 567 |
| Net expected credit losses | (177) | 8 | - | (169) |
| Net impairment allowances of non-financial assets | (8) | 2 | (15) | (21) |
| Administrative expenses, of which: | (1 299) | (320) | (24) | (1 643) |
| depreciation and amortization | (210) | (34) | - | (244) |
| net regulatory charges | (240) | (109) | (24) | (373) |
| Tax on certain financial institutions | (190) | (78) | 11 | (257) |
| Segment profit/(loss) | 718 | 391 | 368 | 1 477 |
| Income tax expense (tax burden) | | | | (302) |
| Net profit (loss) (including non-controlling interest) | | | | 1 175 |
| Profit (loss) attributable to non-controlling shareholders | | | | (2) |
| Net profit attributable to equity holders of the parent company | | | | 1 177 |

| Assets and liabilities by segments | | | | |
|--|----------------|----------------------------------|---------------------------|-----------------------------|
| 31.12.2021 | Retail segment | Corporate and investment segment | Transfer centre and other | Total activity of the Group |
| Assets | 186 401 | 130 908 | 96 341 | 413 650 |
| Investments in associates and joint ventures | - | 285 | - | 285 |
| Unallocated assets | - | - | - | 4 151 |
| Total assets | 186 401 | 131 193 | 96 341 | 418 086 |
| Liabilities | 267 713 | 79 132 | 33 175 | 380 020 |
| Unallocated liabilities | - | - | - | 373 |
| Total liabilities | 267 713 | 79 132 | 33 175 | 380 393 |

12. INTEREST INCOME AND EXPENSE

| INTEREST INCOME | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|---|----------------------|----------------------|
| Loans to and other receivables from banks ¹ | 85 | 3 |
| Hedging derivatives | - | 88 |
| Debt securities | 632 | 434 |
| measured at amortized cost | 287 | 182 |
| measured at fair value through other comprehensive income | 340 | 249 |
| measured at fair value through profit or loss | 5 | 3 |
| Loans and advances to customers (excluding finance lease receivables) | 2 904 | 1 799 |
| measured at amortized cost | 2 797 | 1 690 |
| measured at fair value through profit or loss | 107 | 109 |
| Finance lease receivables | 236 | 152 |
| Amounts due to customers (excluding loans and advances received) | 9 | 4 |
| Total | 3 866 | 2 480 |
| of which: interest income on impaired financial instruments | 70 | 55 |
| Interest income calculated under the effective interest rate method on financial instruments measured at: | | |
| amortized cost | 3 754 | 2 280 |
| at fair value through other comprehensive income | 3 414 | 2 031 |
| at fair value through profit or loss | 340 | 249 |
| Income similar to interest income on instruments measured at fair value through profit or loss | 112 | 200 |
| Total | 3 866 | 2 480 |

¹ As at 31 March 2022, in the item Loans to and other receivables from banks, the Group recognized interest income on cash on call accounts with a negative interest rate of PLN 3 million (PLN 1 million as at 31 March 2021) and interest income on cash on the current account with the NBP of PLN 41 million (PLN 0 million as at 31 March 2021).

In the three-month period ended 31 March 2022, interest income was decreased by PLN 97 million (PLN 74 million in the corresponding period of 2021) due to the European Union Court of Justice's ruling on consumer rights to reduce the cost of loans repaid before contractual maturity.

| INTEREST EXPENSE ON | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|-----------------------------------|----------------------|----------------------|
| Amounts due to banks ¹ | (24) | (2) |
| Hedge derivatives | (268) | - |
| Interbank deposits | (2) | (1) |
| Loans and advances received | (18) | (8) |
| Leases | (3) | (3) |
| Amounts due to customers | (213) | (54) |
| Debt securities in issue | (117) | (88) |
| Subordinated liabilities | (21) | (12) |
| Total | (666) | (168) |

¹ As at 31 March 2022, in amounts due to Banks, the Group recognized interest income on cash on call accounts with a negative interest rate of PLN 6 million (PLN 2 million as at 31 March 2021).

The Group applies hedge accounting to hedge its interest rate risk, among other things. The risk management strategies and accounting policies relating to hedge accounting were presented in detail in the consolidated financial statements of the Group for 2021.

In the case of cash flow hedges, amounts recognized directly in other comprehensive income are transferred to the income statement in the same period or periods in which the hedged planned transaction affects the income statement. Interest on hedging instruments are reported in the income statement under "Net interest income".

In the case of fair value hedges, both the interest component of the hedging instrument and interest on the hedged item are presented in the income statements in "Net interest income"

The Group hedges both interest-generating assets (floating- and fixed-interest loans and fixed-interest securities) and interest-bearing liabilities (negotiated deposits, floating-interest rate regular savings products), using IRS or CIRS transactions.

The Group consistently applies the method of presenting the total net interest income/(expense) on hedging instruments for all hedging strategies in the line "derivative hedging instruments" under "Net interest income" - the positive total amount for a period is presented in "Interest income" and the negative total amount is presented in "Interest expenses".

13. FEE AND COMMISSION INCOME AND EXPENSES

| FEE AND COMMISSION INCOME | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|----------------------|----------------------|
| Loans, insurance, operating leases and fleet management | 365 | 313 |
| lending | 207 | 180 |
| offering insurance products | 125 | 105 |
| operating leases and fleet management | 33 | 28 |
| Investment funds, pension funds and brokerage activities | 226 | 204 |
| servicing investment funds and OFE (including management fees) | 107 | 101 |
| servicing and selling investment and insurance products | 8 | 8 |
| brokerage activities | 111 | 95 |
| Cards | 411 | 311 |
| Margins on foreign exchange transactions | 187 | 132 |
| Bank accounts and other | 320 | 319 |
| servicing bank accounts | 234 | 245 |
| cash operations | 21 | 16 |
| servicing foreign mass transactions | 23 | 19 |
| customer orders | 15 | 13 |
| fiduciary services | 2 | 2 |
| other | 25 | 24 |
| Total, of which: | 1 509 | 1 279 |
| income from of financial instruments not measured at fair value through profit or loss | 1 282 | 1 086 |

| FEE AND COMMISSION EXPENSE | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|----------------------|----------------------|
| Loans and insurance | (29) | (23) |
| commission paid to external entities for product sales | (7) | (6) |
| cost of construction investment supervision and property valuation | (7) | (8) |
| fees to Biuro Informacji Kredytowej | (9) | (5) |
| loan handling | (6) | (4) |
| Investment funds, pension funds and brokerage activities | (13) | (15) |
| Cards | (252) | (178) |
| Bank accounts and other | (36) | (31) |
| clearing services | (13) | (9) |
| commissions for operating services provided by banks | (3) | (3) |
| sending short text messages (SMS) | (11) | (13) |
| selling banking products | - | (1) |
| servicing foreign mass transactions | (4) | (3) |
| other | (5) | (2) |
| Total | (330) | (247) |

| NET INCOME ON OPERATING LEASES AND FLEET MANAGEMENT | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|----------------------|----------------------|
| Income on operating leases and fleet management | 112 | 96 |
| Cost net income on operating leases and fleet management | (22) | (18) |
| Depreciation of property, plant and equipment under operating leases | (57) | (50) |
| Net income on operating leases and fleet management | 33 | 28 |

14. GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS

| GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|---|----------------------|----------------------|
| Financial instruments held for trading, of which: | 99 | 31 |
| Derivative instruments | 97 | 29 |
| Financial instruments not held for trading, measured at fair value through profit or loss, of which: | (28) | (16) |
| Loans and advances to customers | (15) | 9 |
| Hedge accounting | 1 | (4) |
| Total | 72 | 11 |

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

| GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL INSTRUMENTS | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|---|----------------------|----------------------|
| Measured at fair value through other comprehensive income | 3 | 34 |
| Measured at amortized cost | 4 | - |
| Total | 7 | 34 |

16. OTHER OPERATING INCOME AND EXPENSES

| OTHER OPERATING INCOME | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|----------------------|----------------------|
| Net revenues from the sale of products and services | 23 | 16 |
| Gains on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale | 24 | 16 |
| Damages, compensation and penalties received | 11 | 11 |
| Ancillary income | 4 | 3 |
| Recovered debts that are time-barred, remitted, uncollectible | 1 | 1 |
| Release of the provision for unpaid costs | - | 1 |
| Release of provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies | 1 | 1 |
| Income from the sale of CO ₂ emission allowances | 3 | 2 |
| Other | 23 | 13 |
| Razem | 90 | 64 |

| OTHER OPERATING EXPENSE | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|---|----------------------|----------------------|
| Costs of products and services sold | - | (1) |
| Losses on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale | (4) | (6) |
| Donations made | (4) | (14) |
| Sundry expenses | (5) | (5) |
| Provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies | (1) | (2) |
| Cost of selling CO ₂ emission allowances | (7) | (1) |
| Other | (19) | (17) |
| Total | (40) | (46) |

17. NET ALLOWANCES FOR EXPECTED CREDIT LOSSES

| ALLOWANCES FOR EXPECTED CREDIT LOSSES | NOTE | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|--------------|----------------------|----------------------|
| Amounts due from banks | <u>21</u> | - | (1) |
| Debt securities | <u>24</u> | 9 | - |
| - measured at fair value through OCI | | 6 | 2 |
| - measured at amortized cost | | 3 | (2) |
| Loans and advances to customers | <u>25</u> | (496) | (219) |
| - measured at amortized cost | | (496) | (219) |
| Other financial assets | | - | 2 |
| Provisions for financial and guarantee commitments granted | <u>28 31</u> | (12) | 49 |
| Total | | (499) | (169) |

| CHANGES IN CUMULATIVE LOSSES FOR EXPECTED CREDIT LOSSES | As at the beginning of the period | Net impairment allowance for expected credit losses | Change in write-offs in connection with writing off and other adjustments | As at the end of the period |
|---|-----------------------------------|---|---|-----------------------------|
| Period from 01.01 to 31.03.2022 | | | | |
| Amounts due from banks | - | - | (1) | (1) |
| Debt securities | (108) | 9 | 6 | (93) |
| Loans and advances to customers | (8 688) | (496) | 38 | (9 146) |
| Other financial assets | (136) | - | (1) | (137) |
| Financial and guarantee commitments granted | (675) | (12) | (1) | (688) |
| Total | (9 607) | (499) | 41 | (10 065) |

| CHANGES IN CUMULATIVE LOSSES FOR EXPECTED CREDIT LOSSES | As at the beginning of the period | Net impairment allowance for expected credit losses | Change in write-offs in connection with writing off and other adjustments | As at the end of the period |
|---|-----------------------------------|---|---|-----------------------------|
| Period from 01.01 to 31.03.2021 | | | | |
| Amounts due from banks | - | (1) | 1 | - |
| Debt securities | (50) | - | 4 | (46) |
| Loans and advances to customers | (8 825) | (219) | 111 | (8 933) |
| Other financial assets | (138) | 2 | 2 | (134) |
| Financial and guarantee commitments granted | (629) | 49 | (2) | (582) |
| Total | (9 642) | (169) | 116 | (9 695) |

CALCULATION OF ESTIMATES

The tables below present forecasts of the key macroeconomic parameters and the adopted probabilities of their realization.

| scenario as at 31.03.2022 | baseline | | | optimistic | | | pessimistic | | |
|---------------------------|----------|-------|-------|------------|-------|-------|-------------|-------|-------|
| | 75% | | | 5% | | | 20% | | |
| probability | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 |
| GDP dynamics | 3,4 | 4,3 | 3,0 | 9,0 | 9,8 | 3,0 | (2,1) | (1,3) | 3,0 |
| Unemployment rate | 2,8 | 2,4 | 2,3 | 2,7 | 2,3 | 2,3 | 3,0 | 3,0 | 2,3 |
| Property price index | 103,2 | 101,5 | 102,5 | 107,7 | 113,8 | 102,5 | 98,8 | 90,3 | 102,5 |
| CHF/PLN | 4,4 | 4,1 | 3,8 | 4,2 | 3,8 | 3,7 | 4,9 | 4,8 | 4,0 |

| scenario as at 31.12.2021 | baseline | | | optimistic | | | pessimistic | | |
|---------------------------|----------|-------|-------|------------|-------|-------|-------------|-------|-------|
| | 75% | | | 5% | | | 20% | | |
| probability | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| GDP dynamics | 5,2 | 3,7 | 3,0 | 10,9 | 6,6 | 3,0 | (0,5) | 0,9 | 3,0 |
| Unemployment rate | 3,0 | 2,6 | 2,5 | 2,0 | 1,7 | 2,5 | 4,0 | 3,5 | 2,5 |
| Property price index | 109,4 | 106,6 | 102,5 | 116,3 | 112,8 | 102,5 | 102,4 | 100,8 | 102,5 |
| CHF/PLN | 4,0 | 3,9 | 3,9 | 3,8 | 3,7 | 3,7 | 4,5 | 4,3 | 4,0 |

18. NET IMPAIRMENT ALLOWANCES OF NON-FINANCIAL ASSETS

| NET IMPAIRMENT OF NON-FINANCIAL ASSETS | 01.01-31.03.2022 | 01.01-31.03.2021 |
|---|------------------|------------------|
| Other financial assets, including inventories | (5) | (21) |
| Total | (5) | (21) |

| CHANGES IN CUMULATIVE IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS | As at the beginning of the period | Net loss on non-financial assets | Other | As at the end of the period |
|---|-----------------------------------|----------------------------------|-----------|-----------------------------|
| Period from 01.01 to 31.03.2022 | | | | |
| Property, plant and equipment leased out under operating leases | (3) | - | - | (3) |
| Property, plant and equipment | (99) | - | - | (99) |
| Non-current assets held for sale | (1) | - | - | (1) |
| Intangible assets | (339) | - | 12 | (327) |
| Investments in associates and joint ventures | (264) | - | - | (264) |
| Other non-financial assets including inventories | (354) | (5) | 2 | (357) |
| Total | (1 060) | (5) | 14 | (1 051) |

| CHANGES IN CUMULATIVE IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS | As at the beginning of the period | Net loss on non-financial assets | Other | As at the end of the period |
|---|-----------------------------------|----------------------------------|------------|-----------------------------|
| Period from 01.01 to 31.03.2021 | | | | |
| Property, plant and equipment leased out under operating leases | (1) | - | - | (1) |
| Property, plant and equipment | (101) | - | - | (101) |
| Non-current assets held for sale | (3) | - | - | (3) |
| Intangible assets | (416) | - | 78 | (338) |
| Investments in associates and joint ventures | (275) | - | - | (275) |
| Other non-financial assets including inventories | (292) | (21) | 22 | (291) |
| Total | (1 088) | (21) | 100 | (1 009) |

19. ADMINISTRATIVE EXPENSES

| ADMINISTRATIVE EXPENSES | 01.01-31.03.2022 | 01.01-31.03.2021 |
|--|------------------|------------------|
| Employee benefits | (799) | (730) |
| Overheads, of which: | (316) | (296) |
| rent | (22) | (25) |
| IT | (89) | (87) |
| Depreciation and amortization | (247) | (244) |
| property, plant and equipment, of which: | (132) | (133) |
| right of use assets | (57) | (58) |
| IT | (29) | (24) |
| intangible assets, of which: | (115) | (111) |
| IT | (111) | (105) |
| Net regulatory charges | (484) | (373) |
| Total | (1 846) | (1 643) |

| EMPLOYEE BENEFITS | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|----------------------|----------------------|
| Wages and salaries, including: | (662) | (606) |
| costs of contributions to the employee pension plan | (18) | (17) |
| Social insurance, of which: | (118) | (109) |
| contributions for disability and retirement benefits | (110) | (99) |
| Other employee benefits | (19) | (15) |
| Total | (799) | (730) |

| NET REGULATORY CHARGES | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|----------------------|----------------------|
| Contribution and payments to the Bank Guarantee Fund (BGF), including: | (407) | (309) |
| to the Resolution Fund | (291) | (253) |
| to the Banks' Guarantee Fund | (116) | (56) |
| Fees to PFSA | (46) | (44) |
| Flat-rate income tax | (2) | (2) |
| Other taxes and fees | (29) | (18) |
| Total | (484) | (373) |

20. INCOME TAX EXPENSE

- INCOME TAX EXPENSE

| | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|---|----------------------|----------------------|
| Income tax expense recognized in the income statement | (451) | (302) |
| Current income tax expense | (526) | (387) |
| Deferred income tax on temporary differences | 75 | 85 |
| Income tax reported in other comprehensive income in respect of temporary differences | 781 | 132 |
| Total | 330 | (170) |

- RECONCILIATION OF THE EFFECTIVE TAX RATE

| RECONCILIATION OF THE EFFECTIVE TAX RATE | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|---|----------------------|----------------------|
| Profit or loss before tax | 1 866 | 1 477 |
| Tax calculated using the enacted rate in force in Poland (19%) | (355) | (281) |
| Effect of different tax rates of foreign entities | | 1 |
| Effect of permanent timing differences, of which: | (97) | (23) |
| non-deductible impairment allowance on investments in subordinated entities | (10) | - |
| non-deductible allowances for expected credit losses on credit exposures and securities | (38) | (11) |
| contributions and payments to the Bank Guarantee Fund | (77) | (59) |
| tax on certain financial institutions | (58) | (49) |
| interest on foreign exchange gains in Sweden | (7) | (13) |
| asset/reserve from the average tax rate | 73 | 113 |
| dividend income | - | 6 |
| other permanent differences | 20 | (10) |
| Effect of other timing differences, including new technologies tax relief and donations | 1 | 1 |
| Income tax expense recognized in the income statement | (451) | (302) |
| Effective tax rate (%) | 24,17 | 20,45 |

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

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

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

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

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

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

In connection with the actions taken by the Swedish tax authority in relation to PKO Finance AB and other Swedish issuing companies belonging to other Polish groups, on 16 September 2021 the Company presented its arguments in writing to the Swedish Tax Agency (STA), and repeated those arguments at the meeting with STA on 14 October 2021. On 23 December 2021, PKO Finance AB received from the Swedish tax authorities a negative decision concerning the dispute relating to doubts about taxation in Sweden of foreign exchange gains on loans granted to the Bank and liabilities in respect of the issue. Based on this decision, the company had to pay SEK 160 726 808 due to additional income tax and interest for the tax year 2019. On 21 January 2022, the Swedish tax authorities refused to postpone the deadline for payment of the said amount until a binding court decision is issued.

The company did not have funds for the payment of this tax liability, which was due by 26 January 2022. Pursuant to the guarantee agreement concluded on 15 May 2020 between the Bank and PKO Finance AB, the company asked the Bank to pay SEK 160 726 808 to its current account with the Swedish tax office. Despite having made the payment, the Company disagrees with the verdict of the Swedish tax office and intends to use the appeal procedure to regain the amount mentioned above. The tax consultancy from Sweden was engaged for this purpose.

In accordance with IFRIC 23 “Uncertainty over Income Tax Treatments” entering into force, the Group made a judgment regarding the uncertain treatment of taxable income earned in the territory of Sweden in respect of foreign exchange differences on loans and liabilities relating to the bond issue. The Group reflected the effect of uncertainty by using the “most probable amount” method. As at 31 March 2022, the deferred income tax provision amounted to PLN 226 million (PLN 288 million as at 31 December 2021).

21. AMOUNTS DUE FROM BANKS

| AMOUNTS DUE FROM BANKS | 31.03.2022 | 31.12.2021 |
|---------------------------------------|---------------|--------------|
| Measured at amortized cost | 12 207 | 9 010 |
| Deposits with banks | 11 222 | 7 218 |
| Current accounts | 818 | 1 243 |
| Loans and advances granted | 164 | 546 |
| Other receivables | 1 | - |
| Cash in transit | 2 | 3 |
| Gross amount | 12 207 | 9 010 |
| Allowances for expected credit losses | (1) | - |
| Net amount | 12 206 | 9 010 |

As at 31 March 2022 and 31 December 2021, all amounts due from banks were classified as Stage 1.

22. HEDGE ACCOUNTING

TYPES OF HEDGING STRATEGIES APPLIED BY THE GROUP

As at 31 March 2022, the Group had active relationships as part of:

- 7 cash flow hedge strategies;
- 3 fair value hedge strategies;
- 1 hedges of net investments in foreign operations strategy.

In the three-month period ended 31 March 2022, no changes were introduced in the existing strategies and no new strategies were introduced.

In 2021, the Group introduced one hedge of net investment in foreign operations strategy and three cash flow hedge strategies.

FINANCIAL INFORMATION

| CARRYING AMOUNT OF HEDGING INSTRUMENTS | 31.03.2022 | | 31.12.2021 | |
|--|------------|--------------|------------|--------------|
| | Assets | Liabilities | Assets | Liabilities |
| Cash flow hedges | 942 | 7 239 | 924 | 4 794 |
| - interest rate risk - IRS | 8 | 6 704 | 65 | 4 363 |
| - foreign exchange risk and interest rate risk - CIRS | 934 | 535 | 859 | 431 |
| Fair value hedges | 39 | - | 8 | 9 |
| - interest rate risk IRS | 39 | - | 8 | 9 |
| Hedges of net investments in foreign operations | 1 | 2 | 1 | 3 |
| - foreign exchange risk - Forward | 1 | 2 | 1 | 3 |
| Total | 982 | 7 241 | 933 | 4 806 |

CASH FLOW HEDGES

| CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO CASH FLOW HEDGES AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES | 01.01-31.03.2022 | 01.01-31.03.2021 |
|--|------------------|------------------|
| Accumulated other comprehensive income at the beginning of the period, net | (3 699) | 355 |
| Impact on other comprehensive income during the period, gross | (2 390) | (537) |
| Gains/losses recognized in other comprehensive income during the period | (2 444) | (368) |
| Amounts transferred from other comprehensive income to the income statement: | 54 | (169) |
| - net interest income | 265 | (92) |
| - net foreign exchange gains/(losses) | (211) | (77) |
| Tax effect | 450 | 103 |
| Accumulated other comprehensive income at the end of the period, net | (5 639) | (79) |
| Ineffective portion of cash flow hedges recognized in the income statements, including in: | (2) | (1) |
| Foreign exchange gains/ (losses) | (2) | 1 |
| Gain/(loss) on financial instruments measured at fair value | - | (2) |

FAIR VALUE HEDGES AND HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

| HEDGE OF INTEREST RATE AND FOREIGN EXCHANGE RISK | 31.03.2022 | 31.12.2021 |
|--|------------|------------|
| Fair value measurement of the hedging derivative instrument | 38 | (3) |
| hedge of interest rate - IRS fixed - float | 39 | (1) |
| hedge of a foreign entity - forward | (1) | (2) |
| Fair value adjustment of the hedged instrument attributable to the hedged risk | (64) | (25) |
| Hedge of interest rate, in it: | (64) | (25) |
| Securities | (12) | (2) |
| Loans and advances to customers | (7) | (1) |
| Fair value adjustment of securities recognized in other comprehensive income | (45) | (22) |
| Foreign exchange risk hedge - net investments in foreign operations | (1) | (4) |

HEDGE OF INTEREST IN THE NET ASSETS OF A FOREIGN ENTITY

| CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES | 31.03.2022 | 31.12.2021 |
|---|------------|------------|
| Accumulated other comprehensive income at the beginning of the period, net | (4) | - |
| Impact on other comprehensive income during the period, gross | 3 | - |
| Gains/losses recognized in other comprehensive income during the period | 3 | - |
| Accumulated other comprehensive income at the end of the period, net | (1) | - |

23. OTHER DERIVATIVE INSTRUMENTS

| OTHER DERIVATIVE INSTRUMENTS - BY TYPE | 31.03.2022 | | 31.12.2021 | |
|---|---------------|---------------|---------------|---------------|
| | Assets | Liabilities | Assets | Liabilities |
| IRS | 7 524 | 7 539 | 4 640 | 4 791 |
| CIRS | 655 | 566 | 694 | 602 |
| FX Swap | 1 066 | 481 | 586 | 312 |
| Options | 750 | 834 | 520 | 665 |
| Commodity swap ¹ | 3 966 | 3 964 | 2 812 | 2 807 |
| FRA | 29 | 48 | 44 | 44 |
| Forward | 434 | 639 | 321 | 497 |
| Commodity Forward ² | 856 | 1 053 | 1 286 | 1 276 |
| Other | - | 4 | - | 14 |
| Total | 15 280 | 15 128 | 10 903 | 11 008 |

¹ The item comprises contracts for participation in the gas fuel market assets in the amount of PLN 3 434 million (as at 31 December 2021: PLN 2 574 million) and liabilities in the amount of PLN 2 436 million (as at 31 December 2021: PLN 2 574 million).

² The item comprises valuation of contracts for CO₂ emission rights.

| NOMINAL AMOUNTS OF UNDERLYING INSTRUMENTS (BUY AND SELL TOGETHER) hedging instruments and other derivative instruments | 31.03.2022 | 31.12.2021 |
|--|------------------|------------------|
| IRS | 642 106 | 628 790 |
| Hedging instruments | 201 830 | 195 398 |
| Purchase | 100 915 | 97 699 |
| Sale | 100 915 | 97 699 |
| Other derivative instruments | 440 276 | 433 392 |
| Purchase | 220 138 | 216 696 |
| Sale | 220 138 | 216 696 |
| CIRS | 97 488 | 95 222 |
| Hedging instruments | 42 593 | 42 057 |
| Purchase | 21 580 | 21 208 |
| Sale | 21 013 | 20 849 |
| Other derivative instruments | 54 895 | 53 165 |
| Purchase | 27 247 | 26 384 |
| Sale | 27 648 | 26 781 |
| FX Swap | 124 673 | 105 129 |
| Purchase of currencies | 62 669 | 52 620 |
| Sale of currencies | 62 004 | 52 509 |
| Opcje | 123 243 | 143 877 |
| Purchase | 61 546 | 71 867 |
| Sale | 61 697 | 72 010 |
| FRA | 27 497 | 13 457 |
| Purchase | 12 637 | 6 126 |
| Sale | 14 860 | 7 331 |
| Forward | 63 704 | 64 217 |
| Hedging instruments | 99 | 155 |
| Purchase of currencies | 46 | 74 |
| Sale of currencies | 53 | 81 |
| Other derivative instruments | 63 605 | 64 062 |
| Purchase of currencies | 31 709 | 31 948 |
| Sale of currencies | 31 896 | 32 114 |
| Other (including on stock exchange indices) | 9 823 | 9 944 |
| Purchase | 5 019 | 4 974 |
| Sale | 4 804 | 4 970 |
| Total | 1 088 534 | 1 060 636 |



24. SECURITIES

| SECURITIES | held for trading | not held for trading, measured at fair value through profit or loss | measured at fair value through other comprehensive income | measured at amortized cost | Total |
|--|------------------|---|---|----------------------------|----------------|
| 31.03.2022 | | | | | |
| Debt securities | 296 | 802 | 59 686 | 71 511 | 132 295 |
| Treasury bonds (in PLN) | 145 | 303 | 39 274 | 50 951 | 90 673 |
| Treasury bonds (in foreign currencies) | 2 | 332 | 2 644 | - | 2 978 |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 4 | - | 9 458 | 12 122 | 21 584 |
| municipal bonds (in PLN) | 17 | - | 4 151 | 5 030 | 9 198 |
| corporate bonds (in PLN) ¹ | 128 | 157 | 3 736 | 1 953 | 5 974 |
| corporate bonds (in foreign currencies) | - | 10 | 423 | 1 455 | 1 888 |
| Equity securities | 34 | 1 164 | - | - | 1 198 |
| shares in other entities - not listed | - | 315 | - | - | 315 |
| shares in other entities - listed | 33 | 133 | - | - | 166 |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1 | 716 | - | - | 717 |
| Total (excluding adjustment relating to fair value hedge accounting) | 330 | 1 966 | 59 686 | 71 511 | 133 493 |
| Adjustment relating to fair value hedge accounting | - | - | - | (12) | (12) |
| Total | 330 | 1 966 | 59 686 | 71 499 | 133 481 |

¹ The item comprises bonds from international financial institutions of PLN 3 595 million.



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| SECURITIES | held for trading | not held for trading, measured at fair value through profit or loss | measured at fair value through other comprehensive income | measured at amortized cost | Total |
|--|------------------|--|---|-------------------------------|----------------|
| 31.12.2021 | | | | | |
| Debt securities | 216 | 785 | 61 863 | 71 282 | 134 146 |
| NBP money market bills | - | - | 810 | - | 810 |
| Treasury bonds (in PLN) | 69 | 261 | 39 613 | 50 816 | 90 759 |
| Treasury bonds (in foreign currencies) | 2 | 350 | 3 169 | - | 3 521 |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 4 | - | 9 894 | 12 092 | 21 990 |
| municipal bonds (in PLN) | 16 | - | 4 135 | 5 022 | 9 173 |
| corporate bonds (in PLN) ¹ | 125 | 174 | 3 810 | 1 937 | 6 046 |
| corporate bonds (in foreign currencies) | - | - | 432 | 1 415 | 1 847 |
| Equity securities | 32 | 1 264 | - | - | 1 296 |
| shares in other entities – not listed | - | 326 | - | - | 326 |
| shares in other entities – listed | 31 | 144 | - | - | 175 |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1 | 794 | - | - | 795 |
| | | | | | |
| Total (excluding adjustment relating to fair value hedge accounting) | 248 | 2 049 | 61 863 | 71 282 | 135 442 |
| Adjustment relating to fair value hedge accounting | - | - | - | (2) | (2) |
| | | | | | |
| Total | 248 | 2 049 | 61 863 | 71 280 | 135 440 |

¹ The item comprises bonds from international financial institutions of PLN 3,652 million.

The item “Treasury bonds in PLN and in foreign currencies” comprises Polish Treasury bonds. As at 31 March 2022 and 31 December 2021, the item “Treasury bonds in foreign currencies” also includes bonds issued by the State Treasury of Ukraine of PLN 828 million and PLN 1 162 million, respectively.

SECURITIES - CLASSIFICATION OF FINANCIAL ASSETS BY STAGE

| SECURITIES (excluding adjustment relating to fair value hedge accounting) 31.03.2022 | Stage 1 | Stage 2 | Stage 3 | Total | of which POCI |
|---|----------------|-------------|-------------|----------------|---------------|
| Measured at: fair value through OCI | | | | | |
| Gross amount | 59 312 | 44 | 371 | 59 727 | 355 |
| Treasury bonds (in PLN) | 39 274 | - | - | 39 274 | - |
| Treasury bonds (in foreign currencies) | 2 644 | - | - | 2 644 | - |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 9 458 | - | - | 9 458 | - |
| municipal bonds (in PLN) | 4 107 | 44 | - | 4 151 | - |
| corporate bonds (in PLN) | 3 406 | - | 371 | 3 777 | 355 |
| corporate bonds (in foreign currencies) | 423 | - | - | 423 | - |
| Allowances for expected credit losses | - | - | (41) | (41) | (41) |
| corporate bonds (in PLN) | - | - | (41) | (41) | (41) |
| Net amount | 59 312 | 44 | 330 | 59 686 | 314 |
| Treasury bonds (in PLN) | 39 274 | - | - | 39 274 | - |
| Treasury bonds (in foreign currencies) | 2 644 | - | - | 2 644 | - |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 9 458 | - | - | 9 458 | - |
| municipal bonds (in PLN) | 4 107 | 44 | - | 4 151 | - |
| corporate bonds (in PLN) | 3 406 | - | 330 | 3 736 | 314 |
| corporate bonds (in foreign currencies) | 423 | - | - | 423 | - |
| Measured at: amortized cost | | | | | |
| Gross amount | 71 164 | 399 | - | 71 563 | - |
| Treasury bonds (in PLN) | 50 951 | - | - | 50 951 | - |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 12 126 | - | - | 12 126 | - |
| municipal bonds (in PLN) | 4 989 | 58 | - | 5 047 | - |
| corporate bonds (in PLN) | 1 771 | 201 | - | 1 972 | - |
| corporate bonds (in foreign currencies) | 1 327 | 140 | - | 1 467 | - |
| Allowances for expected credit losses | (28) | (24) | - | (52) | - |
| corporate bonds (in PLN) secured with the State Treasury guarantees | (4) | - | - | (4) | - |
| municipal bonds (in PLN) | (16) | (1) | - | (17) | - |
| corporate bonds (in PLN) | (3) | (16) | - | (19) | - |
| corporate bonds (in foreign currencies) | (5) | (7) | - | (12) | - |
| Net amount | 71 136 | 375 | - | 71 511 | - |
| Treasury bonds (in PLN) | 50 951 | - | - | 50 951 | - |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 12 122 | - | - | 12 122 | - |
| municipal bonds (in PLN) | 4 973 | 57 | - | 5 030 | - |
| corporate bonds (in PLN) | 1 768 | 185 | - | 1 953 | - |
| corporate bonds (in foreign currencies) | 1 322 | 133 | - | 1 455 | - |
| Total securities | | | | | |
| Gross amount | 130 476 | 443 | 371 | 131 290 | 355 |
| Allowances for expected credit losses | (28) | (24) | (41) | (93) | (41) |
| Net amount | 130 448 | 419 | 330 | 131 197 | 314 |

| SECURITIES (excluding adjustment relating to fair value hedge accounting) 31.12.2021 | Stage 1 | Stage 2 | Stage 3 | Total | of which POCI |
|---|----------------|-------------|-------------|----------------|---------------|
| Measured at: fair value through OCI | | | | | |
| Gross amount | 61 474 | 44 | 397 | 61 915 | 380 |
| NBP money market bills | 810 | - | - | 810 | - |
| Treasury bonds (in PLN) | 39 613 | - | - | 39 613 | - |
| Treasury bonds (in foreign currencies) | 3 169 | - | - | 3 169 | - |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 9 894 | - | - | 9 894 | - |
| municipal bonds (in PLN) | 4 091 | 44 | - | 4 135 | - |
| corporate bonds (in PLN) | 3 465 | - | 397 | 3 862 | 380 |
| corporate bonds (in foreign currencies) | 432 | - | - | 432 | - |
| Allowances for expected credit losses | - | - | (52) | (52) | (52) |
| corporate bonds (in PLN) | - | - | (52) | (52) | (52) |
| Net amount | 61 474 | 44 | 345 | 61 863 | 328 |
| NBP money market bills | 810 | - | - | 810 | - |
| Treasury bonds (in PLN) | 39 613 | - | - | 39 613 | - |
| Treasury bonds (in foreign currencies) | 3 169 | - | - | 3 169 | - |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 9 894 | - | - | 9 894 | - |
| municipal bonds (in PLN) | 4 091 | 44 | - | 4 135 | - |
| corporate bonds (in PLN) | 3 465 | - | 345 | 3 810 | 328 |
| corporate bonds (in foreign currencies) | 432 | - | - | 432 | - |
| Measured at: amortized cost | | | | | |
| Gross amount | 70 936 | 402 | - | 71 338 | - |
| Treasury bonds (in PLN) | 50 816 | - | - | 50 816 | - |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 12 097 | - | - | 12 097 | - |
| municipal bonds (in PLN) | 4 982 | 57 | - | 5 039 | - |
| corporate bonds (in PLN) | 1 750 | 207 | - | 1 957 | - |
| corporate bonds (in foreign currencies) | 1 291 | 138 | - | 1 429 | - |
| Allowances for expected credit losses | (30) | (26) | - | (56) | - |
| corporate bonds (in PLN) secured with the State Treasury guarantees | (5) | - | - | (5) | - |
| municipal bonds (in PLN) | (16) | (1) | - | (17) | - |
| corporate bonds (in PLN) | (3) | (17) | - | (20) | - |
| corporate bonds (in foreign currencies) | (6) | (8) | - | (14) | - |
| Net amount | 70 906 | 376 | - | 71 282 | - |
| Treasury bonds (in PLN) | 50 816 | - | - | 50 816 | - |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 12 092 | - | - | 12 092 | - |
| municipal bonds (in PLN) | 4 966 | 56 | - | 5 022 | - |
| corporate bonds (in PLN) | 1 747 | 190 | - | 1 937 | - |
| corporate bonds (in foreign currencies) | 1 285 | 130 | - | 1 415 | - |
| Total securities | | | | | |
| Gross amount | 132 410 | 446 | 397 | 133 253 | 380 |
| Allowances for expected credit losses | (30) | (26) | (52) | (108) | (52) |
| Net amount | 132 380 | 420 | 345 | 133 145 | 328 |

25. LOANS AND ADVANCES TO CUSTOMERS

| LOANS AND ADVANCES TO CUSTOMERS 31.03.2022 | not held for trading, measured at fair value through profit or loss | measured at fair value through other comprehensive income | measured at amortized cost | Total |
|---|--|---|----------------------------|----------------|
| retail and private banking | 4 160 | 2 | 138 042 | 142 204 |
| housing | 3 | - | 111 973 | 111 976 |
| consumer | 4 157 | 2 | 25 964 | 30 123 |
| finance lease receivables | - | - | 105 | 105 |
| SME | 45 | - | 31 817 | 31 862 |
| housing | - | - | 5 446 | 5 446 |
| corporate | 45 | - | 14 021 | 14 066 |
| factoring receivables | - | - | 221 | 221 |
| finance lease receivables | - | - | 12 129 | 12 129 |
| corporate | 51 | - | 62 620 | 62 671 |
| housing | - | - | 63 | 63 |
| corporate | 51 | - | 54 159 | 54 210 |
| factoring receivables | - | - | 3 108 | 3 108 |
| finance lease receivables | - | - | 5 290 | 5 290 |
| Loans and advances to customers (excluding adjustments relating to fair value hedge) | 4 256 | 2 | 232 479 | 236 737 |
| Adjustment relating to fair value hedge | - | - | (7) | (7) |
| Total | 4 256 | 2 | 232 472 | 236 730 |

| LOANS AND ADVANCES TO CUSTOMERS 31.12.2021 | not held for trading, measured at fair value through profit or loss | measured at fair value through other comprehensive income | measured at amortized cost | Total |
|---|--|---|----------------------------|----------------|
| retail and private banking | 4 462 | 2 | 139 716 | 144 180 |
| housing | 4 | - | 113 532 | 113 536 |
| consumer | 4 458 | 2 | 26 077 | 30 537 |
| finance lease receivables | - | - | 107 | 107 |
| SME | 43 | - | 31 443 | 31 486 |
| housing | - | - | 5 532 | 5 532 |
| corporate | 43 | - | 13 579 | 13 622 |
| factoring receivables | - | - | 150 | 150 |
| finance lease receivables | - | - | 12 182 | 12 182 |
| corporate | 54 | - | 58 581 | 58 635 |
| housing | - | - | 75 | 75 |
| corporate | 54 | - | 50 471 | 50 525 |
| factoring receivables | - | - | 2 773 | 2 773 |
| finance lease receivables | - | - | 5 262 | 5 262 |
| Loans and advances to customers (excluding adjustments relating to fair value hedge) | 4 559 | 2 | 229 740 | 234 301 |
| Adjustment relating to fair value hedge | - | - | (1) | (1) |
| Total | 4 559 | 2 | 229 739 | 234 300 |

LOANS AND ADVANCES TO CUSTOMERS - CLASSIFICATION OF FINANCIAL ASSETS BY STAGE

| LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 31.03.2022 | Stage 1 | Stage 2 | Stage 3 | Total | including POCI |
|---|---------|---------|---------|---------|-------------------|
| Measured at: fair value through OCI | | | | | |
| Gross amount | - | - | 2 | 2 | 2 |
| consumer loans | - | - | 2 | 2 | 2 |
| Net amount | - | - | 2 | 2 | 2 |
| consumer loans | - | - | 2 | 2 | 2 |
| Measured at: amortized cost | | | | | |
| Gross amount | 192 414 | 39 914 | 9 297 | 241 625 | 236 |
| housing loans | 101 812 | 15 891 | 1 982 | 119 685 | 84 |
| corporate loans | 52 172 | 15 760 | 4 455 | 72 387 | 57 |
| consumer loans | 22 615 | 3 616 | 1 746 | 27 977 | 51 |
| factoring receivables | 3 311 | 10 | 32 | 3 353 | - |
| finance lease receivables | 12 504 | 4 637 | 1 082 | 18 223 | 44 |
| Allowances for expected credit losses | (690) | (2 732) | (5 724) | (9 146) | (10) |
| housing loans | (57) | (794) | (1 352) | (2 203) | (19) |
| corporate loans | (319) | (1 096) | (2 792) | (4 207) | (16) |
| consumer loans | (243) | (671) | (1 099) | (2 013) | 26 |
| factoring receivables | (5) | - | (19) | (24) | - |
| finance lease receivables | (66) | (171) | (462) | (699) | (1) |
| Net amount | 191 724 | 37 182 | 3 573 | 232 479 | 226 |
| housing loans | 101 755 | 15 097 | 630 | 117 482 | 65 |
| corporate loans | 51 853 | 14 664 | 1 663 | 68 180 | 41 |
| consumer loans | 22 372 | 2 945 | 647 | 25 964 | 77 |
| factoring receivables | 3 306 | 10 | 13 | 3 329 | - |
| finance lease receivables | 12 438 | 4 466 | 620 | 17 524 | 43 |
| Loans and advances to customers, total | | | | | |
| Gross amount | 192 414 | 39 914 | 9 299 | 241 627 | 238 |
| Allowances for expected credit losses | (690) | (2 732) | (5 724) | (9 146) | (10) |
| Net amount | 191 724 | 37 182 | 3 575 | 232 481 | 228 |

| LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 31.12.2021 | Stage 1 | Stage 2 | Stage 3 | Total | including POCI |
|---|---------|---------|---------|---------|-------------------|
| Measured at: fair value through OCI | | | | | |
| Gross amount | - | - | 3 | 3 | 3 |
| consumer loans | - | - | 3 | 3 | 3 |
| Allowances for expected credit losses | - | - | (1) | (1) | (1) |
| consumer loans | - | - | (1) | (1) | (1) |
| Net amount | - | - | 2 | 2 | 2 |
| consumer loans | - | - | 2 | 2 | 2 |
| Measured at: amortized cost | | | | | |
| Gross amount | 192 555 | 36 543 | 9 329 | 238 427 | 235 |
| housing loans | 104 386 | 14 830 | 2 005 | 121 221 | 81 |
| corporate loans | 49 182 | 14 471 | 4 537 | 68 190 | 50 |
| consumer loans | 23 064 | 3 152 | 1 643 | 27 859 | 47 |
| factoring receivables | 2 900 | 18 | 28 | 2 946 | - |
| finance lease receivables | 13 023 | 4 072 | 1 116 | 18 211 | 57 |
| Allowances for expected credit losses | (708) | (2 263) | (5 716) | (8 687) | (6) |
| housing loans | (68) | (671) | (1 343) | (2 082) | (19) |
| corporate loans | (337) | (933) | (2 870) | (4 140) | (14) |
| consumer loans | (233) | (525) | (1 024) | (1 782) | 28 |
| factoring receivables | (5) | - | (18) | (23) | - |
| finance lease receivables | (65) | (134) | (461) | (660) | (1) |
| Net amount | 191 847 | 34 280 | 3 613 | 229 740 | 229 |
| housing loans | 104 318 | 14 159 | 662 | 119 139 | 62 |
| corporate loans | 48 845 | 13 538 | 1 667 | 64 050 | 36 |
| consumer loans | 22 831 | 2 627 | 619 | 26 077 | 75 |
| factoring receivables | 2 895 | 18 | 10 | 2 923 | - |
| finance lease receivables | 12 958 | 3 938 | 655 | 17 551 | 56 |
| Loans and advances to customers, total | | | | | |
| Gross amount | 192 555 | 36 543 | 9 332 | 238 430 | 238 |
| Allowances for expected credit losses | (708) | (2 263) | (5 717) | (8 688) | (7) |
| Net amount | 191 847 | 34 280 | 3 615 | 229 742 | 231 |

26. AMOUNTS DUE TO CUSTOMERS

| AMOUNTS DUE TO CUSTOMERS | Amounts due to households | Amounts due to corporate entities | Amounts due to public entities | Total |
|---|---------------------------|-----------------------------------|--------------------------------|----------------|
| 31.03.2022 | | | | |
| Measured at fair value through profit or loss | 966 | - | 23 | 989 |
| Liabilities for a short position in securities | - | - | 23 | 23 |
| Liabilities in respect of insurance products | 966 | - | - | 966 |
| Measured at amortized cost | 239 501 | 61 671 | 19 710 | 320 882 |
| Cash on current accounts and overnight deposits of which: | 200 761 | 46 344 | 17 600 | 264 705 |
| -savings accounts and other interest-bearing assets | 53 988 | 16 743 | 9 073 | 79 804 |
| Term deposits | 37 897 | 14 522 | 2 082 | 54 501 |
| Other liabilities | 719 | 805 | 28 | 1 552 |
| Liabilities in respect of insurance products | 124 | - | - | 124 |
| Total | 240 467 | 61 671 | 19 733 | 321 871 |

| AMOUNTS DUE TO CUSTOMERS | Amounts due to households | Amounts due to corporate entities | Amounts due to public entities | Total |
|---|---------------------------|-----------------------------------|--------------------------------|----------------|
| 31.12.2021 | | | | |
| Measured at fair value through profit or loss | 1 067 | - | - | 1 067 |
| Liabilities in respect of insurance products | 1 067 | - | - | 1 067 |
| Measured at amortized cost | 244 545 | 56 854 | 19 830 | 321 229 |
| Cash on current accounts and overnight deposits of which: | 204 465 | 45 991 | 19 731 | 270 187 |
| -savings accounts and other interest-bearing assets | 57 213 | 16 585 | 13 301 | 87 099 |
| Term deposits | 39 201 | 10 125 | 76 | 49 402 |
| Other liabilities | 735 | 738 | 23 | 1 496 |
| Liabilities in respect of insurance products | 144 | - | - | 144 |
| Total | 245 612 | 56 854 | 19 830 | 322 296 |

| AMOUNTS DUE TO CUSTOMERS BY SEGMENT | 31.03.2022 | 31.12.2021 |
|--|----------------|----------------|
| retail and private banking | 211 886 | 215 028 |
| corporate | 65 197 | 58 389 |
| SME | 43 686 | 47 657 |
| other liabilities (including liabilities in respect of insurance products) | 1 102 | 1 222 |
| Total | 321 871 | 322 296 |

27. FINANCING RECEIVED

| FINANCING RECEIVED | 31.03.2022 | 31.12.2021 |
|---|---------------|---------------|
| Loans and advances received from: | 2 271 | 2 461 |
| banks | 580 | 740 |
| international financial institutions | 1 677 | 1 706 |
| other financial institutions | 14 | 15 |
| Debt securities in issue: | 22 294 | 23 872 |
| mortgage covered bonds issued by PKO Bank Hipoteczny S.A. | 13 248 | 13 143 |
| bonds issued by PKO Bank Hipoteczny S.A. | 2 323 | 3 474 |
| bonds issued by PKO Finance AB | 3 604 | 3 541 |
| bonds issued by the PKO Leasing S.A. Group | 3 049 | 3 642 |
| bonds issued by KREDOBANK S.A. | 70 | 72 |
| Subordinated liabilities | 2 713 | 2 716 |
| Total | 27 278 | 29 049 |

LOANS AND ADVANCES RECEIVED FROM BANKS

In the three-month period ended 31 March 2022, the Group repaid bank loans of PLN 137 million.

LOANS AND ADVANCES RECEIVED FROM INTERNATIONAL FINANCIAL ORGANIZATIONS

In the three-month period ended 31 March 2022, the Group repaid loans from international financial institutions of PLN 45 million.

BONDS ISSUED BY PKO BANK POLSKI S.A.

In the three-month period ended 31 March 2022, the company did not carry out any new bond issues and there were no redemption dates for the bonds issued by the company.

MORTGAGE COVERED BONDS AND BONDS ISSUED BY PKO BANK HIPOTECZNY S.A.

In the three-month period ended 31 March 2022, the company issued new bonds for the amount of PLN 378 million and redeemed bonds in the amount of PLN 1 552 million.

BONDS ISSUED BY PKO FINANCE AB

In the three-month period ended 31 March 2022, the company did not carry out any new bond issues and there were no redemption dates for the bonds issued by the company.

BONDS ISSUED BY THE PKO LEASING S.A. GROUP

In the three-month period ended 31 March 2022, the company issued new bonds for the amount of PLN 835 million and redeemed bonds in the amount of PLN 1 090 million.

BONDS ISSUED BY KREDOBANK S.A.

In the three-month period ended 31 March 2022, the company did not carry out any new bond issues and there were no redemption dates for the bonds issued by the company.



28. PROVISIONS

FINANCIAL INFORMATION

| FOR 3 MONTHS ENDED 31 MARCH 2022 | Provisions for financial liabilities and guarantees granted | Provisions for legal claims, excluding legal claims relating to repaid mortgage loans in convertible currencies | Provisions for legal claims against the bank relating to mortgage loans in convertible currencies | Provisions for reimbursement of costs to customers on early repayment of consumer and mortgage loans | Provisions for pensions and other defined post- employment benefits | Restructuring | Provision for holiday pay | Other provisions, including provisions for employee disputed claims | Total |
|---|---|---|---|--|--|---------------|------------------------------|---|--------------|
| As at the beginning of the period | 675 | 106 | 595 | 17 | 57 | 47 | 111 | 49 | 1 657 |
| Increases, including increases of existing provisions | 14 | 1 | 35 | - | 1 | - | 6 | 2 | 59 |
| Utilized amounts | - | - | (33) | (4) | (2) | (3) | (3) | (4) | (49) |
| Unused provisions reversed during the period | (2) | (1) | - | - | - | - | (1) | (4) | (8) |
| Other changes and reclassifications | 1 | - | - | - | - | - | - | 2 | 3 |
| As at the end of the period | 688 | 106 | 597 | 13 | 56 | 44 | 113 | 45 | 1 662 |
| Short-term provisions | 596 | 6 | - | 12 | 7 | 44 | 113 | 8 | 786 |
| Long-term provisions | 92 | 100 | 597 | 1 | 49 | - | - | 37 | 876 |

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

29. EQUITY AND SHAREHOLDING STRUCTURE OF THE BANK

According to the information available as at 31 March 2022, the Bank's shareholding structure is as follows:

| NAME OF SHAREHOLDER | number of shares | % of shares | Nominal value of 1 share | Interest in the share capital (%) |
|--|----------------------|-------------|--------------------------|-----------------------------------|
| As at 31 March 2022 | | | | |
| State Treasury | 367 918 980 | 29,43% | 1 zł | 29,43% |
| Nationale Nederlanden Open Pension Fund ¹ | 103 500 000 | 8,28% | 1 zł | 8,28% |
| Aviva Open Pension Fund 1 | 90 810 319 | 7,27% | 1 zł | 7,27% |
| Other shareholders ² | 687 770 701 | 55,02% | 1 zł | 55,02% |
| Total | 1 250 000 000 | 100% | --- | 100% |
| As at 31 December 2021 | | | | |
| State Treasury | 367 918 980 | 29,43% | 1 zł | 29,43% |
| Nationale Nederlanden Open Pension Fund ¹ | 103 500 000 | 8,28% | 1 zł | 8,28% |
| Aviva Open Pension Fund 1 | 90 810 319 | 7,27% | 1 zł | 7,27% |
| Other shareholders ² | 687 770 701 | 55,02% | 1 zł | 55,02% |
| Total | 1 250 000 000 | 100% | --- | 100% |

¹ Calculation of shareholdings as at the end of the year published by PTE in bi-annual and annual information about the structure of fund assets and quotation from the WSE Statistics Bulletin.

² including Bank Gospodarstwa Krajowego, which as at 31.03.2022 and 31.12.2021 held 24 487 297 shares carrying 1.96% of the votes at the GSM.

30. DIVIDENDS AND PROFIT SHARING

The intention of the Bank, in accordance with the dividend policy adopted in 2021, is the stable implementation of long-term dividend payments to shareholders, in accordance with the principle of prudent management of the Bank and the Bank's Capital Group in accordance with the requirements of the law and the positions of the Polish Financial Supervision Authority on the assumptions of the dividend policy of commercial banks.

On 23 February 2022 the Bank received an individual recommendation from the PFSA to mitigate the risks associated with the Bank's operations by:

1. refraining from paying a dividend in excess of 50% of the profit generated in the period from 1 January to 31 December 2021;
2. refraining from any other actions taken without consultation with the supervisory authority, in particular not included in the scope of the current business and operating activities, which could result in a decrease in own funds, including any payment of dividend from retained earnings or redemption of treasury shares.

At the same time, the PFSA confirmed that the Bank met the requirements for the payment of dividend at a level of up to 50% of the net profit for 2021.

On 12 May 2022, the Annual General Shareholders' Meeting of the Bank adopted the resolution:

- with respect to the net profit earned in 2021 of PLN 4 596 336 372: the amount of PLN 2 287 500 000 (49.77% of the net profit) was earmarked for payment of dividend to the shareholders, and the remaining part of the profit of PLN 2 308 836 372 was retained;
- the retained earnings of PKO Bank Polski S.A. from previous years of PLN 5 500 000 000 remained retained.

The resolution was consistent with the recommendation of the Polish Financial Supervision Authority given to the Bank on 23 February 2022.

The dividend record date was set for 4 August 2022, and the dividend payment date - for 23 August 2022.

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

- FINANCIAL AND GUARANTEE COMMITMENTS GRANTED

| FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.03.2022 | STAGE 1 | | STAGE 2 | | STAGE 3 | | Total nominal value | Provisions per IFRS 9 | Net amount |
|---|---------------|--------------|---------------|--------------|---------------|--------------|---------------------|-----------------------|---------------|
| | Nominal value | Provision | Nominal value | Provision | Nominal value | Provision | | | |
| credit lines and limits | 55 576 | (126) | 7 487 | (272) | 210 | (39) | 63 273 | (437) | 62 836 |
| Housing | 4 725 | (11) | 144 | (5) | 5 | (3) | 4 874 | (19) | 4 855 |
| corporate | 39 073 | (97) | 5 726 | (172) | 183 | (29) | 44 982 | (298) | 44 684 |
| consumer | 8 912 | (18) | 1 615 | (95) | 22 | (7) | 10 549 | (120) | 10 429 |
| factoring | 2 081 | - | 2 | - | - | - | 2 083 | - | 2 083 |
| finance lease | 785 | - | - | - | - | - | 785 | - | 785 |
| Other | 2 612 | - | - | - | - | - | 2 612 | - | 2 612 |
| Total financial commitments granted, including: | 58 188 | (126) | 7 487 | (272) | 210 | (39) | 65 885 | (437) | 65 448 |
| irrevocable commitments granted | 21 638 | (50) | 3 754 | (144) | 49 | (22) | 25 441 | (216) | 25 225 |
| POCI | - | - | - | - | 123 | (2) | 123 | (2) | 121 |
| guarantees in domestic and foreign trading | 7 672 | (8) | 1 821 | (53) | 563 | (183) | 10 056 | (244) | 9 812 |
| to financial entities | 2 202 | - | - | - | - | - | 2 202 | - | 2 202 |
| to non-financial entities | 5 448 | (8) | 1 821 | (53) | 563 | (183) | 7 832 | (244) | 7 588 |
| to budget entities | 22 | - | - | - | - | - | 22 | - | 22 |
| domestic municipal bonds (budgetary entities) | 487 | (1) | - | - | - | - | 487 | (1) | 486 |
| letters of credit | 1 340 | (1) | 56 | (5) | 1 | - | 1 397 | (6) | 1 391 |
| to financial entities | 5 | - | - | - | - | - | 5 | - | 5 |
| to non-financial entities | 1 335 | (1) | 56 | (5) | 1 | - | 1 392 | (6) | 1 386 |
| payment guarantee for financial entities | 76 | - | - | - | - | - | 76 | - | 76 |
| Total guarantees and pledges granted, including: | 9 575 | (10) | 1 877 | (58) | 564 | (183) | 12 016 | (251) | 11 765 |
| irrevocable commitments granted | 3 164 | (7) | 1 810 | (53) | 563 | (183) | 5 537 | (243) | 5 294 |
| performance guarantee | 1 778 | (2) | 1 349 | (35) | 286 | (151) | 3 413 | (188) | 3 225 |
| POCI | - | - | - | - | 139 | (5) | 139 | (5) | 134 |
| Total financial and guarantee commitments granted | 67 763 | (136) | 9 364 | (330) | 774 | (222) | 77 901 | (688) | 77 213 |

| FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2021 | STAGE 1 | | STAGE 2 | | STAGE 3 | | Total nominal value | Provisions per IFRS 9 | Net amount |
|--|---------------|--------------|---------------|--------------|---------------|--------------|------------------------|--------------------------|---------------|
| | Nominal value | Provision | Nominal value | Provision | Nominal value | Provision | | | |
| credit lines and limits | 57 054 | (125) | 8 580 | (262) | 98 | (28) | 65 732 | (415) | 65 317 |
| Housing | 5 130 | (12) | 131 | (5) | 4 | (2) | 5 265 | (19) | 5 246 |
| corporate | 39 921 | (96) | 6 949 | (187) | 71 | (20) | 46 941 | (303) | 46 638 |
| consumer | 9 179 | (17) | 1 496 | (70) | 23 | (6) | 10 698 | (93) | 10 605 |
| factoring | 2 112 | - | 4 | - | - | - | 2 116 | - | 2 116 |
| finance lease | 712 | - | - | - | - | - | 712 | - | 712 |
| Other | 2 670 | - | - | - | - | - | 2 670 | - | 2 670 |
| Total financial commitments granted, including: | 59 724 | (125) | 8 580 | (262) | 98 | (28) | 68 402 | (415) | 67 987 |
| irrevocable commitments granted | 17 917 | (47) | 4 401 | (129) | 56 | (14) | 22 374 | (190) | 22 184 |
| POCI | - | - | - | - | 14 | (1) | 14 | (1) | 13 |
| guarantees in domestic and foreign trading | 7 777 | (9) | 1 842 | (56) | 469 | (191) | 10 088 | (256) | 9 832 |
| to financial entities | 2 288 | - | - | - | - | - | 2 288 | - | 2 288 |
| to non-financial entities | 5 463 | (9) | 1 842 | (56) | 469 | (191) | 7 774 | (256) | 7 518 |
| to budget entities | 26 | - | - | - | - | - | 26 | - | 26 |
| domestic municipal bonds (budgetary entities) | 408 | - | - | - | - | - | 408 | - | 408 |
| letters of credit | 1 172 | - | 65 | (4) | 1 | - | 1 238 | (4) | 1 234 |
| to non-financial entities | 1 172 | - | 65 | (4) | 1 | - | 1 238 | (4) | 1 234 |
| payment guarantee for financial entities | 65 | - | - | - | - | - | 65 | - | 65 |
| Total guarantees and pledges granted, including: | 9 422 | (9) | 1 907 | (60) | 470 | (191) | 11 799 | (260) | 11 539 |
| irrevocable commitments granted | 2 794 | (8) | 1 837 | (56) | 469 | (191) | 5 100 | (255) | 4 845 |
| performance guarantee | 1 200 | (2) | 1 948 | (38) | 241 | (163) | 3 389 | (203) | 3 186 |
| POCI | - | - | - | - | 45 | (2) | 45 | (2) | 43 |
| Total financial and guarantee commitments granted | 69 146 | (134) | 10 487 | (322) | 568 | (219) | 80 201 | (675) | 79 526 |



- **OFF-BALANCE SHEET LIABILITIES RECEIVED**

| OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE | 31.03.2022 | 31.12.2021 |
|---|--------------|--------------|
| Financial | 392 | 258 |
| Guarantees | 8 120 | 7 331 |
| Total | 8 512 | 7 589 |

32. LEGAL CLAIMS

As at 31 March 2022, the total value of the subject matter of litigation in court proceedings (trials) pending in which the PKO Bank Polski S.A. Group companies were defendants, amounted to PLN 5 058 million (as at 31 December 2021: PLN 4 350 million), and the total value of the subject matter of litigation in court proceedings (trials) pending in which the PKO Bank Polski S.A. Group companies were claimants as at 31 March 2022 was PLN 2 708 million (as at 31 December 2021: PLN 2 792 million)

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

As at 31 March 2022, 14 020 court proceedings concerning mortgage loans granted in previous years in foreign currencies were pending against the Bank (as at 31 December 2021: 12 349), including one group proceeding concerning 72 loan agreements. Their combined value was PLN 4 704 million (as at 31 December 2021: PLN 3 855 million). The Bank's customers most frequently bring claims for declaring an agreement or a part thereof invalid or for reimbursement of an allegedly undue payment in connection with the abusive nature of foreign currency clauses. None of the clauses used by the Bank in the agreements has been entered in the register of abusive clauses. The number of lawsuits filed by customers against the Bank is significantly influenced by the intensive advertising campaign of law firms, which encourages borrowers to commission to them – for a fee – the conducting of cases against banks.

The Group monitors on an ongoing basis the court rulings on loans indexed to or denominated in foreign currencies to be aware of the general trend and possible changes to the rulings.

As at 31 March 2022, 327 final rulings have been issued by the courts in cases against the Bank (including 283 rulings after 3 October 2019). 74 of these rulings (including 34 rulings issued after 3 October 2019) are favourable for the Bank. The Bank files cassation appeals to the Supreme Court against final rulings which are unfavourable to the Bank.

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

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

If the above question is answered in the negative:

2. In the event that it is impossible to establish a foreign currency exchange rate binding on the parties in a loan agreement indexed to such a currency, can the remainder of the agreement still be binding for the parties?
3. In the event that it is impossible to establish a foreign currency exchange rate binding on the parties in a loan agreement denominated in a foreign currency, can the remainder of the agreement still be binding for the parties?

Notwithstanding the answers to questions 1 to 3:

4. In the event of the invalidity or ineffectiveness of a loan agreement, in the performance of which the bank disbursed to the borrower all or part of the amount of the loan and the borrower made repayments of the loan, do separate claims for wrongful performance arise for each of the parties, or does only a single claim arise, equal to the difference in performance, for the party whose total performance was higher?

5. Where a loan agreement is invalid or ineffective as a result of the unlawful nature of certain of its terms, does the limitation period for the bank's claim for repayment of the sums paid under the loan begin to run from the time at which those sums were paid?
6. If, in the case of the invalidity or ineffectiveness of a loan agreement, either party has a claim for repayment of a performance made in the performance of that agreement, can that party also claim a fee for the use of its funds by the other party?

A session of the full panel of the Civil Chamber for the examination of the aforementioned motion took place on 11 May 2021. Before passing its resolution, the Supreme Court decided to consult five public institutions. Their opinions were prepared and sent to the Supreme Court. On 2 September 2021, the Supreme Court decided to apply to the CJEU for preliminary rulings on questions relating to the judicial system, which do not directly concern the issue of foreign currency loans.

Two resolutions of the Supreme Court and one ruling of the Court of Justice of the European Union issued in 2021 were significant from the perspective of the claims of Swiss franc borrowers. On 7 May 2021, the Supreme Court, represented by 7 judges of the Civil Chamber, passed the following resolution in the case III CZP 6/21:

- 1) A prohibited contractual clause (Article 385¹ § 1 of the Civil Code) is from the beginning, by operation of law, ineffective in favour of the consumer, who may however subsequently grant informed and voluntary consent for such a clause and thus make it effective retrospectively.
- 2) If a loan agreement cannot be binding without the ineffective clause, the consumer and the lender are entitled to bring separate claims for repayment of the benefits provided in the performance of the agreement (Article 410 § 1 in conjunction with Article 405 of the Civil Code). The lender may claim repayment of the benefit from the moment when the loan agreement became permanently ineffective.

The resolution has the force of a legal rule, which means that the ordinary panel of the Supreme Court may not withdraw from the interpretation presented in an earlier resolution having the force of a legal rule. If any panel of the Supreme Court intends to withdraw from a legal rule, it must present the legal issue for resolution to the full panel of the Chamber. In its justification of the said resolution, the Supreme Court referred to an earlier opinion (resolution III CZP 11/20 dated 16 February 2021) that the period of limitation of claims resulting from a loan agreement which is invalid due to the elimination of abusive clauses commences after the consumer has expressed an informed consent not to be bound by the abusive clauses. The Supreme Court decided that since a consumer has the right to remedy an abusive contractual clause and express his/her willingness to be bound by it, the lender cannot be certain whether the agreement is effective until the consumer makes such a decision, and the agreement is ineffective (suspended) until such time. The lender's claims may not arise before such ineffectiveness (suspension) ceases to exist (which generally occurs as a result of the borrower's statement), and therefore their period of limitation commences at that moment.

Taking into account the content of the Supreme Court's resolution III CZP 6/21 and the non-uniform decisions of the common courts based on it, the Bank has filed lawsuits against customers whose agreements have been validly annulled, or whose lawsuits were served on the Bank before 31 December 2018, for repayment of the principal paid out and the cost of using the capital.

A motion for a preliminary ruling was filed with the CJEU in a matter concerning the Bank, i.e. whether the competent authorities may file extraordinary appeals with the Supreme Court in cases which ended with a valid ruling issued in favour of the Bank. The case was registered at the CJEU under file reference C-720/21.

The information on the actions taken by the Group in connection with the proposal of the Chairman of the Polish Financial Supervision Authority is presented in the note "[MORTGAGE LOANS IN CONVERTIBLE CURRENCIES](#)".

- **LITIGATION AGAINST THE BANK RELATING TO VARIABLE INTEREST RATE MORTGAGE LOANS**

In March 2022, the Bank was served a summons in which a customer challenged the fact that his mortgage loan agreement was based on a variable interest rate structure and the principles for determining the WIBOR reference rate.

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

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

- Proceedings initiated on 26 July 2017 ex officio concerning using practices which violate the collective interests of consumers. The Bank is charged with collecting higher instalments on loans and advances denominated in

foreign currencies than those arising from the information on foreign exchange risk presented to the consumers before concluding agreements and transferring potential foreign exchange risk to the consumers. The Bank responded to the charges in its letter of 23 September 2017. In a letter dated 14 March 2019, the UOKiK President asked the Bank 16 detailed questions in order to establish the circumstances that are necessary to resolve the case. The Bank gave the answers in a letter dated 10 May 2019. In a letter of 9 June 2021, the President of UOKiK extended the deadline for concluding the proceedings until 30 September 2021. By the decision of 18 November 2021, the President of UOKiK called on the Bank to provide further information, extending the deadline for concluding the proceedings to 31 December 2021. The Bank fulfilled the UOKiK President's request on 6 December 2021. As at 31 March 2022, the Bank had not set up a provision for the proceedings.

- Proceedings initiated ex officio on 12 March 2019 for the acknowledgement that the provisions of the template agreement are inadmissible. The proceedings are related to modification clauses which specify the circumstances in which the Bank is entitled to amend the terms and conditions of the agreement, including the amount of fees and commissions. In the opinion of the President of UOKiK the modification clauses applied by the Bank provide the Bank with a unilateral, unlimited and arbitrary ability to modify the performance of the agreement. Consequently, the President of UOKiK is of the opinion that the clauses applied by the Bank shape the rights and obligations of the consumers in a way that is contrary to good practice and are in gross violation of their interests, which justifies the conclusion that they are abusive. In a letter of 31 May 2019, the Bank commented on the allegations of the President of UOKiK. In a letter of 30 March 2022, the UOKiK President extended the deadline for concluding the proceedings until 30 June 2022. As at 31 March 2022, the Bank did not set up a provision for the proceedings.
- **PROCEEDINGS BEFORE THE COURT OF COMPETITION AND CONSUMER PROTECTION REGARDING SPREAD CLAUSES**

The proceedings were initiated by the Bank's appeal (submitted on 13 November 2020) against the decision of the President of UOKiK 16 October 2020. In the said decision, the President of UOKiK declared the provisions of the template agreement "Annex to the housing loan/mortgage loan agreement" in the section "Appendix to the annex 'Rules for determining foreign exchange spreads at PKO BP S.A.'" as inadmissible provisions and prohibited their use. In addition, the President of UOKiK ordered that all consumers being the parties to the assessed annexes be informed about the decision to declare them inadmissible and its consequences not later than within nine months from the effective date of the decision and ordered that a declaration whose text was indicated in the decision on the Bank's website be published not later than 1 month from the effective date of the decision and be kept there for 4 months. Furthermore, the President of UOKiK imposed on the Bank a fine of PLN 41 million, payable to the Financial Education Fund. In its appeal against that decision, the Bank requested that the decision be amended by finding that there had been no breach of the ban on the use of prohibited contractual clauses, or by discontinuing the proceedings. It was also requested that the decision be annulled or amended by waiving or substantially reducing the fine. The appeal raised a number of substantive and procedural grounds of appeal. The Bank's main arguments consist in pointing out that the decision of the President of UOKiK is a manifestation of unlawful and groundless interference with the Bank's pricing policy, pointing out that there are no substantive grounds for the intervention of the President of UOKiK, i.e. there are no grounds for concluding that the Bank applied prohibited contractual provisions, and pointing out that the penalty imposed on the Bank is abnormally high. In response to the appeal, the President of UOKiK sustained the position expressed in the decision appealed against. The Bank is currently awaiting for a hearing date to be set.

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

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

The claims under these proceedings relate to the use of practices restricting competition on the market of card payments in Poland, consisting of applying pre-agreed 'interchange' fees for transactions made using the Visa and Europay/ Eurocard/ Mastercard cards, as well as restricting access to this market for external entities. On 29 December 2006, UOKiK decided that the practices consisting of joint determination of 'interchange' fees did limit market competition and ordered that any such practices should be discontinued, and imposed a fine of PLN 16.6 million on a number of entities including the Bank. The Bank appealed against the said decision of the President of UOKiK to CCCP (Court for the Competition and Consumer Protection / *Sąd Ochrony Konkurencji i Konsumentów* – SOKiK). In its judgment of 21 November 2013, SOKiK reduced the penalty imposed on the Bank to PLN 10.4 million. The parties to the proceedings filed appeals. The Court of Appeal in Warsaw in its ruling dated 6 October 2015 reinstated the initial amount of the imposed fines set in the decision of the UOKiK, i.e. the fine of PLN 16.6 million (the fine imposed on PKO Bank Polski S.A.) and the fine of PLN 4.8 million (the fine imposed on Nordea Bank Polska S.A.,

and PKO Bank Polski S.A. is a legal successor of Nordea Bank Polska SA through a merger under Article 492 § 1(1) of the Commercial Companies Code). The Bank paid the fine in October 2015. As a result of a cassation appeal brought by the Bank, the Supreme Court in a judgment of 25 October 2017 annulled the contested judgement of the Court of Appeal in Warsaw and submitted the case for re-examination. The fine paid by the Bank was reimbursed to the Bank on 21 March 2018. On 23 November 2020, the Court of Appeal in Warsaw issued a ruling in which it revoked the ruling of the District Court in Warsaw 21 November 2013 and submitted it for re-examination. As at 31 March 2022, the Bank recognized a provision for this litigation of PLN 21 million.

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

The Bank was served eight summons to participate, as an outside intervener on the defendant's side, in cases relating to the interchange fees. Other banks are defendants in the case. The claims vis-à-vis the sued banks total of PLN 903 million and are pursued as damages for differences in interchange fees resulting from applying practices that restrict competition. Since these proceedings are not pending against the Bank, their value was not included in the total value of the cases against the Bank.

If the courts find the claims justified, the defendants may claim recourse in separate court proceedings from other banks, including, among others, from PKO Bank Polski S.A. As at 31 March 2022, the Bank joined seven proceedings as an outside intervener. In two of these cases the court ruled in favour of the banks, i.e. issued non-final verdicts dismissing the claims.

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

As at the date of these financial statements, the following proceedings are pending:

- two proceedings involving reprivatization claims. In one of the proceedings, which ended with a final court ruling favourable to the Bank, the opposing party lodged a cassation complaint, and the Supreme Court revoked a part of the appealed judgement of the District Court and submitted the case for re-examination. In the second proceedings, the subject matter of which is to confirm the invalidity of the decision refusing to grant temporary ownership of the Bank's property to the applicant, the opposing party has appealed to the Supreme Administrative Court;
- four proceedings, two of which have been suspended, in respect of real properties of other companies of the Bank's Group, related to declaring the invalidity of administrative decisions or returning the properties.

The Management Board of PKO Bank Polski S.A. believes that the probability of serious claims arising against the Group as a result of the aforesaid proceedings is low.

33. TRANSACTIONS WITH THE STATE TREASURY AND RELATED PARTIES

- **TRANSACTIONS WITH THE STATE TREASURY**

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

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

| TRANSACTIONS WITH THE STATE TREASURY | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|----------------------|----------------------|
| Income recognized on an accruals basis | 64 | 64 |
| Income recognized on a cash basis | 1 | - |
| Income from temporary redemption by the State Treasury of interest on housing loans in the "old portfolio" | 63 | 64 |

As of 1 January 2018, pursuant to the Act of 30 November 1995 on the state support in the repayment of certain housing loans, granting guarantee bonuses and reimbursement of guarantee bonuses paid to the banks, the borrowers acquired the right to be forgiven the remaining debt by the State Treasury, which will result in the gradual (until 2026) full settlement of the housing loan indebtedness from the so-called "old" portfolio. The Bank conducts settlements in respect of repurchase of interest on housing loans by the State budget and in the three-month period ended 31 March 2022 and the corresponding period of 2021 it received a commission in this respect of less than PLN 1 million.

As of 1 January 1996, the Bank became the general distributor of value marks. The Bank receives commissions in this respect from the State Treasury – in the three months ended 31 March 2022 and in the corresponding period of 2021 the Bank received commission in this respect of less than PLN 1 million

The Brokerage House of PKO BP (Biuro Maklerskie PKO BP) plays the role of an agent for the issue of retail Treasury bonds under the agreement signed with the Minister of Finance on 11 February 2003. Under this agreement, Biuro Maklerskie PKO BP receives a fee for providing the services of an agent for the issue of bonds – in the three-month period ended 31 March 2022 in the amount of PLN 65 million, and in the three-month period ended 31 March 2021 – in the amount of PLN 49 million

- **RELATED-PARTY TRANSACTIONS – CAPITAL LINKS**

Transactions of the Bank as the parent company with associates and joint ventures are presented in the table below. All transactions with subsidiaries, joint ventures and associates presented below were arm's length transactions. Repayment terms are within a range of from one month to seventeen years (see "Other information").

| 31.03.2022 Company name | Receivables | of which loans | Liabilities | Off-balance sheet liabilities granted |
|---|-------------|----------------|-------------|---|
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 103 | 15 | 166 | 47 |
| „Centrum Obsługi Biznesu” sp. z o.o. | 16 | 16 | 2 | - |
| Bank Pocztowy S.A. | - | - | - | 1 |
| „Poznański Fundusz Poręczeń Kredytowych” sp. z o.o. | - | - | 1 | - |
| Operator Chmury Krajowej sp. z o.o. | 2 | 2 | 8 | 861 |
| Total joint ventures and associates | 121 | 33 | 177 | 909 |

| FOR 3 MONTHS ENDED 31 MARCH 2022 Company name | Total income | of which interest and commission expense | Total expenses | of which interest and commission expense |
|---|--------------|---|----------------|---|
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 167 | 130 | 32 | 32 |
| Operator Chmury Krajowej sp. z o.o. | - | - | 7 | - |
| Total joint ventures and associates | 167 | 130 | 39 | 32 |

| 31.12.2021 Company name | Receivables | of which loans | Liabilities | Off-balance sheet liabilities granted |
|---|-------------|----------------|-------------|---|
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 83 | 28 | 133 | 33 |
| „Centrum Obsługi Biznesu” sp. z o.o. | 17 | 17 | 5 | - |
| Bank Pocztowy S.A. | - | - | - | 1 |
| „Poznański Fundusz Poręczeń Kredytowych” sp. z o.o. | - | - | 1 | - |
| Operator Chmury Krajowej sp. z o.o. | - | - | 12 | 852 |
| Total joint ventures and associates | 100 | 45 | 151 | 886 |

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

34. FAIR VALUE HIERARCHY

| ASSETS MEASURED AT FAIR VALUE 31.03.2022 | Carrying amount | Level 1 | Level 2 | Level 3 |
|--|-----------------|---------------------------------|--|----------------------------|
| | | Prices quoted on active markets | Valuation techniques based on observable market data | Other valuation techniques |
| Hedging derivatives | 982 | - | 982 | - |
| Other derivative instruments | 15 280 | 1 | 15 279 | - |
| Securities | 61 982 | 48 323 | 12 593 | 1 066 |
| held for trading | 330 | 330 | - | - |
| debt securities | 296 | 296 | - | - |
| shares in other entities – listed | 33 | 33 | - | - |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1 | 1 | - | - |
| not held for trading, measured at fair value through profit or loss | 1 966 | 1 479 | 17 | 470 |
| debt securities | 802 | 636 | 10 | 156 |
| shares in other entities – listed | 133 | 133 | - | - |
| shares in other entities – not listed | 315 | - | 1 | 314 |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 716 | 710 | 6 | - |
| measured at fair value through other comprehensive income | 59 686 | 46 514 | 12 576 | 596 |
| debt securities | 59 686 | 46 514 | 12 576 | 596 |
| Loans and advances to customers | 4 258 | - | - | 4 258 |
| not held for trading, measured at fair value through profit or loss | 4 256 | - | - | 4 256 |
| housing loans | 3 | - | - | 3 |
| corporate loans | 96 | - | - | 96 |
| consumer loans | 4 157 | - | - | 4 157 |
| measured at fair value through other comprehensive income | 2 | - | - | 2 |
| consumer loans | 2 | - | - | 2 |
| Total financial assets measured at fair value | 82 502 | 48 324 | 28 854 | 5 324 |

| LIABILITIES MEASURED AT FAIR VALUE | | Level 1 | Level 2 | Level 3 |
|---|-----------------|---------------------------------|--|----------------------------|
| 31.03.2022 | Carrying amount | Prices quoted on active markets | Valuation techniques based on observable market data | Other valuation techniques |
| Hedging derivatives | 7 241 | - | 7 241 | - |
| Other derivative instruments | 15 128 | 1 | 15 127 | - |
| Liabilities for a short position in securities | 23 | 23 | - | - |
| Liabilities in respect of insurance products | 966 | - | 966 | - |
| Total financial liabilities measured at fair value | 23 358 | 24 | 23 334 | - |

| ASSETS MEASURED AT FAIR VALUE 31.12.2021 | | Level 1 | Level 2 | Level 3 |
|--|-----------------|---------------------------------|--|----------------------------|
| | Carrying amount | Prices quoted on active markets | Valuation techniques based on observable market data | Other valuation techniques |
| Hedging derivatives | 933 | - | 933 | - |
| Other derivative instruments | 10 903 | - | 10 903 | - |
| Securities | 64 160 | 49 262 | 13 748 | 1 150 |
| held for trading | 248 | 191 | - | 57 |
| debt securities | 216 | 159 | - | 57 |
| shares in other entities - listed | 31 | 31 | - | - |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1 | 1 | - | - |
| not held for trading, measured at fair value through profit or loss | 2 049 | 1 546 | 26 | 477 |
| debt securities | 785 | 614 | 19 | 152 |
| shares in other entities - listed | 144 | 144 | - | - |
| shares in other entities - not listed | 326 | - | 1 | 325 |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 794 | 788 | 6 | - |
| measured at fair value through other comprehensive income | 61 863 | 47 525 | 13 722 | 616 |
| debt securities | 61 863 | 47 525 | 13 722 | 616 |
| Loans and advances to customers | 4 561 | - | - | 4 561 |
| not held for trading, measured at fair value through profit or loss | 4 559 | - | - | 4 559 |
| housing loans | 4 | - | - | 4 |
| corporate loans | 97 | - | - | 97 |
| consumer loans | 4 458 | - | - | 4 458 |
| measured at fair value through other comprehensive income | 2 | - | - | 2 |
| consumer loans | 2 | - | - | 2 |
| Total financial assets measured at fair value | 80 557 | 49 262 | 25 584 | 5 711 |

| LIABILITIES MEASURED AT FAIR VALUE | | Level 1 | Level 2 | Level 3 |
|---|-----------------|---------------------------------|--|----------------------------|
| 31.12.2021 | Carrying amount | Prices quoted on active markets | Valuation techniques based on observable market data | Other valuation techniques |
| Hedging derivatives | 4 806 | - | 4 806 | - |
| Other derivative instruments | 11 008 | - | 11 008 | - |
| Liabilities in respect of insurance products | 1 067 | - | 1 067 | - |
| Total financial liabilities measured at fair value | 16 881 | - | 16 881 | - |

The following table presents the reconciliation of fair value changes of stage 3 financial instruments in the period.

| RECONCILIATION OF CHANGES DURING THE REPORTING PERIOD TO FAIR VALUE AT LEVEL 3 | 01.01-31.03.2022 | 01.01-31.03.2021 |
|---|------------------|------------------|
| Opening balance at the beginning of the period | 5 711 | 7 344 |
| Increase in exposure to equity instruments | 3 | 1 |
| Decrease in exposure to equity instruments | (17) | (131) |
| Increase in exposure to corporate bond | 9 | - |
| Decrease in exposure to corporate bond | (4) | - |
| Increase in exposure to loans and advances to customers | 481 | 728 |
| Decrease in exposure to loans and advances to customers | (738) | (1 348) |
| Reclassification from measured at "amortized cost" to "measured at fair value through profit or loss" | (73) | 10 |
| Net gain/(loss) on financial instruments measured at fair value through profit or loss | 1 | (29) |
| Change in the valuation recognized in OCI | (16) | (19) |
| Foreign exchange differences | 4 | 186 |
| Other | (37) | (27) |
| As at the end of the period | 5 324 | 6 715 |

¹due to a change in the method of calculating risk margin

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

| 31.03.2022 | Carrying amount | Level 1 | Level 2 | Level 3 |
|---|-----------------|---------|---------|---------|
| Cash and balances with Central Bank | 6 213 | 6 213 | - | - |
| Amounts due from banks | 12 206 | - | 12 204 | - |
| Securities (excluding adjustments relating to fair value hedge accounting) | 71 511 | 55 340 | 6 476 | 1 727 |
| treasury bonds (in PLN) | 50 951 | 44 786 | - | - |
| corporate bonds (in PLN) secured with State Treasury guarantees | 12 122 | 10 554 | - | - |
| municipal bonds (in PLN) | 5 030 | - | 5 112 | - |
| corporate bonds (in PLN) | 1 953 | - | - | 1 727 |
| corporate bonds (in foreign currencies) | 1 455 | - | 1 364 | - |
| Reverse repo transactions | 24 | - | 24 | - |
| Loans and advances to customers (excluding adjustments relating to fair value hedge accounting) | 232 479 | - | - | 234 426 |
| housing loans | 117 482 | - | - | 116 776 |
| corporate loans | 68 180 | - | - | 70 196 |
| consumer loans | 25 964 | - | - | 26 561 |
| factoring receivables | 3 329 | - | - | 3 329 |
| finance lease receivables | 17 524 | - | - | 17 564 |
| Receivables in respect of insurance activities | 785 | - | - | 785 |
| Other financial assets | 1 593 | - | - | 1 593 |
| Amounts due to Central bank | 8 | - | 8 | - |
| Amounts due to banks | 3 836 | - | 3 836 | - |
| Amounts due to customers | 320 882 | - | - | 320 649 |
| amounts due to households | 239 501 | - | - | 239 268 |
| amounts due to business entities | 61 671 | - | - | 61 671 |
| amounts due to public sector | 19 710 | - | - | 19 710 |
| Liabilities in respect of insurance activities | 1 894 | - | - | 1 894 |
| Loans and advances received | 2 271 | - | - | 2 465 |
| Securities in issue | 22 294 | 16 975 | 2 324 | 3 050 |
| Subordinated liabilities | 2 713 | - | 2 687 | - |
| Other financial liabilities | 4 175 | - | - | 4 175 |

| 31.12.2021 | Carrying amount | Level 1 | Level 2 | Level 3 |
|---|-----------------|---------|---------|---------|
| Cash and balances with Central Bank | 11 587 | 11 587 | - | - |
| Amounts due from banks | 9 010 | - | 9 009 | - |
| Securities (excluding adjustments relating to fair value hedge accounting) | 71 282 | 57 930 | 6 507 | 1 780 |
| treasury bonds (in PLN) | 50 816 | 46 867 | - | - |
| corporate bonds (in PLN) secured with State Treasury guarantees | 12 092 | 11 063 | - | - |
| municipal bonds (in PLN) | 5 022 | - | 5 075 | - |
| corporate bonds (in PLN) | 1 937 | - | - | 1 780 |
| corporate bonds (in foreign currencies) | 1 415 | - | 1 432 | - |
| Loans and advances to customers (excluding adjustments relating to fair value hedge accounting) | 229 740 | - | - | 231 385 |
| housing loans | 119 139 | - | - | 118 351 |
| corporate loans | 64 050 | - | - | 65 907 |
| consumer loans | 26 077 | - | - | 26 636 |
| factoring receivables | 2 923 | - | - | 2 923 |
| finance lease receivables | 17 551 | - | - | 17 568 |
| Receivables in respect of insurance activities | 911 | - | - | 911 |
| Other financial assets | 1 895 | - | - | 1 895 |
| Amounts due to Central bank | 8 | - | 8 | - |
| Amounts due to banks | 3 821 | - | 3 821 | - |
| Amounts due to customers | 321 229 | - | - | 321 213 |
| amounts due to households | 244 545 | - | - | 244 529 |
| amounts due to business entities | 56 854 | - | - | 56 854 |
| amounts due to public sector | 19 830 | - | - | 19 830 |
| Liabilities in respect of insurance activities | 2 008 | - | - | 2 008 |
| Loans and advances received | 2 461 | - | - | 2 461 |
| Securities in issue | 23 872 | 16 989 | 3 475 | 3 642 |
| Subordinated liabilities | 2 716 | - | 2 719 | - |
| Other financial liabilities | 3 335 | - | - | 3 335 |

36. OTHER INFORMATION

- SEASONAL OR CYCLICAL NATURE OF ACTIVITIES IN THE REPORTING PERIOD

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

- THE POSITION OF THE MANAGEMENT BOARD OF PKO BANK POLSKI S.A. ON THE POSSIBILITY OF THE ACHIEVEMENT OF PREVIOUSLY PUBLISHED FORECASTS OF THE RESULTS FOR THE YEAR

PKO Bank Polski S.A. did not publish forecasts of financial results for 2022.

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

PKO Bank Polski S.A. is obliged to inform in the current reports about all agreements meeting the definition of confidential information provided in Regulation (EU) no. 596/2014 of the European Parliament and of the Council on market abuse. The Bank did not sign any agreements meeting the definition of confidential information in the period from January to March 2022 and therefore it did not publish any information on such agreements.

In March 2022, PKO Bank Polski S.A. signed with the National Bank of Poland (NBP) an agreement on the purchase of hryvnias in the Bank's branches and their resale to the NBP at the rate determined by the National Bank of Ukraine. PKO Bank Polski S.A. commenced the performance of this agreement on 25 March 2022. The agreement with the NBP shall remain in force until 10 June 2022.

The subsidiaries of PKO Bank Polski S.A. did not conclude any significant agreements or material agreements with the Central Bank or with the supervisory authorities in the three-month period ended 31 March 2022.

- **LOANS DRAWN AND AGREEMENTS REGARDING ADVANCES, GUARANTEES AND PLEDGES WHICH ARE NOT RELATED TO OPERATING ACTIVITIES**

In the three-month period ended 31 March 2022 neither PKO Bank Polski S.A. nor its subsidiaries took out any loans or advances or received any guarantees or pledges which were not related to their operating activities.

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

The Group has not identified any unpaid loans or advances or any breach of material provisions of a loan or advance agreement where the Group acts as a borrower with regard to which no remedial action had been taken until 31 March 2022.

- **INFORMATION ON RELATED-PARTY TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY ON NON-ARM'S LENGTH TERMS**

In the three-month period ended 31 March 2022 PKO Bank Polski S.A. provided services to its related (subordinated) entities within the scope of maintaining bank accounts, accepting deposits, granting loans and advances, issuing debt securities, granting guarantees and spot exchange transactions and offering units and certificates of investment funds, lease products, factoring products and insurance products of the Bank's Group companies, as well as the services offered by the Bank's Brokerage House.

The Bank provided services to PKO Bank Hipoteczny S.A. within the scope of intermediation in sales of housing loans for individuals, performing tasks as part of the post-transaction services in respect of these loans and support tasks under the outsourcing agreement. The Bank offered its infrastructure and information and communications technology services and rented office space to selected companies of the Bank's Group. The Bank, together with Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o., provided payment transaction clearing services.

The aforementioned services were provided on terms and conditions which did not deviate significantly from the arm's length basis.

In the three-month period ended 31 March 2022, the subsidiaries of PKO Bank Polski S.A. did not conclude any material transactions with related parties on non-arm's length terms.

- **INFORMATION ON SIGNIFICANT AGREEMENTS ON WARRANTING LOANS OR ADVANCES OR GRANTING GUARANTEES BY THE ISSUER OR ITS SUBSIDIARY**

PKO Bank Polski S.A. and its subsidiaries have not identified any guarantees or pledges relating to the repayment of loans or advances granted to a single entity or its subsidiaries whose combined value would be significant.

- **INFORMATION ON MATERIAL PROCEEDINGS PENDING IN COURT, BEFORE AN ARBITRATION INSTITUTION OR A PUBLIC ADMINISTRATION AUTHORITY**

Taking into account the value and growing number of proceedings, the Bank considered the court proceedings relating to mortgage loans in convertible currencies to be material. As at 31 March 2022, 14 020 court proceedings concerning mortgage loans granted in previous years in foreign currencies were pending against the Bank (as at 31 December 2021: 12 349), including one class action. Their combined value was PLN 4 704 million (as at 31 December 2021: PLN 3 855 million). The Bank's Customers most frequently bring claims for declaring an agreement or a part thereof invalid or for the reimbursement of an allegedly undue payment in connection with the abusive nature of foreign currency clauses. None of the clauses used by the Bank in the agreements has been entered in the register of abusive clauses.

The major disputes, including those concerning mortgage loans in convertible currencies, are described in the note "[LEGAL CLAIMS](#)".

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

In the three-month period ended 31 March 2022, no other material events which are relevant to the assessment of the human resources, assets, financial position and results of operations occurred in PKO Bank Polski S.A or its subsidiaries.

RISK MANAGEMENT

37. RISK MANAGEMENT WITHIN THE GROUP

Risk management is one of the key internal processes, both at the Bank and in the other entities of the Group.

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

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

A detailed description of management policies for material risks is presented in the consolidated financial statements for 2021 and in the [“REPORT ON CAPITAL ADEQUACY AND OTHER INFORMATION SUBJECT TO PUBLICATION IN THE PKO BANK POLSKI S.A. GROUP”](#).

In the three-month period ended 31 March 2022:

- The Bank adjusted its internal regulations for corporate customers to the requirements of the PFSA's Recommendation R with respect to the quarterly monitoring of the legal security which is taken into account in estimating expected credit losses in order to ensure that the market conditions/events which affect the effectiveness or value of such security are identified.
- In order to mitigate the level of credit risk resulting from interest rate increases and inflation, PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A. made changes to the parameters used in the assessment of the creditworthiness of individual borrowers applying for housing loans (in accordance with the PFSA's Recommendation S). Among other things, they increased the minimum value of the interest rate buffer to 5 p.p. and the minimum subsistence costs and changed the maximum acceptable DStI (debt service to income) values.
- The Bank started to prepare for systemic ESG disclosure for the purposes of the Bank's reporting for 2022. The key disclosure requirements for the Bank primarily include Taxonomy^[1] and the CRR^[2] (Article 449a), as well as the implementing technical standards (ITS) on pillar III disclosures in the area of ESG.
- As far as the interest rate risk is concerned, higher-than-expected interest rate increases were a challenge to the banking sector in the first quarter of 2022. In a series of increases commenced in the fourth quarter of 2021, the reference rate was increased to 3.5% as at the end of the first quarter of 2022, causing higher expectations as to further rate increases and deeper declines in the valuation of debt instruments and derivative instruments hedging interest income. At the same time, the customers' interest in mortgage loans temporarily based on fixed interest rates increased significantly, affecting both the interest income sensitivity measures and the Bank's economic value sensitivity measures.

The specific risk management actions taken by the Group in connection with the situation in Ukraine are presented in the note [“IMPACT OF THE GEOPOLITICAL SITUATION IN UKRAINE ON THE PKO BANK POLSKI S.A. GROUP”](#), in the section [“RISK MANAGEMENT IN CONNECTION WITH THE SITUATION IN UKRAINE”](#).

The financial data concerning the portfolio of securities and loans and advances granted to customers by stage, as well as the information on the expected credit loss allowances, is presented in the relevant sections of the [“NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS”](#).

^[1] The method of disclosing information by credit institutions is defined in the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021.

^[2] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

• **INTEREST RATE RISK MANAGEMENT**

| SENSITIVITY OF THE INTEREST INCOME IN THE CAPITAL GROUP'S BANKING PORTFOLIO TO THE 100 P.B. DOWN ON A HORIZON OF ONE YEAR IN ALL CURRENCIES | 31.03.2022 | 31.12.2021 |
|--|-------------------|-------------------|
| Sensitivity of interest income (PLN million) | (941) | (864) |

| SENSITIVITY OF THE ECONOMIC VALUE (STRESS-TEST) OF THE GROUP'S BANKING PORTFOLIO IN ALL CURRENCIES | 31.03.2022 | 31.12.2021 |
|---|-------------------|-------------------|
| Sensitivity of economic value (PLN million) | (954) | (1 319) |

| IR VAR AT RISK IN THE TRADING PORTFOLIO OF THE BANK | 31.03.2022 | 31.12.2021 |
|--|-------------------|-------------------|
| IR VaR for a 10-day time horizon at the confidence level of 99% (PLN million): | | |
| Average value | 26 | 17 |
| Maximum value | 52 | 34 |
| Value at the end of the period | 31 | 31 |

• **CURRENCY RISK MANAGEMENT**

| BANK FX VAR, TOTAL FOR ALL CURRENCIES | 31.03.2022 | 31.12.2021 |
|--|-------------------|-------------------|
| VaR for a 10-day time horizon at a confidence level of 99% (in PLN million) ¹ | 25 | 3 |

¹ Taking into account the nature of the operations of the other Group companies which generate material currency risk and the specific characteristics of the market in which they operate, the Parent Entity does not determine the consolidated VaR sensitivity measure. Such companies use their own risk measures to manage their interest rate risk. KREDOBANK S.A. applies the 10-day VaR, which amounted to approx. PLN 0.1 million as at 31 March 2022 and approx. PLN 0.1 million as at 31 December 2021..

| FOREIGN CURRENCY POSITION¹ | 31.03.2022 | 31.12.2021 |
|--|-------------------|-------------------|
| EUR | (227) | 106 |
| CHF | (38) | (44) |
| Other (Global. Net) | (63) | (84) |

¹ The positions do not include structural positions in UAH (PLN 1 072.3 million) and in EUR (PLN 23.5 million), for which the Bank obtained approval from the PFSA to exclude them from the calculation of the currency positions, not affecting the Bank's profit or loss.

Currency positions (in addition to volatility of foreign exchange rates) are a key factor determining the level of currency risk to which the Group is exposed. The foreign currency positions are determined by all foreign currency transactions concluded, whether or not recognized in the balance sheet, with the exception of structural positions in UAH (PLN 1 072.3 million) and in EUR (PLN 23.5 million), for which the Bank obtained approval from the PFSA to exclude them from the calculation of the currency positions

• **LIQUIDITY RISK MANAGEMENT**

| | on demand | 0 – 1 month | 1 – 3 months | 3 – 6 months | 6 – 12 months | 12 – 24 months | 24 – 60 months | over 60 months |
|----------------------------------|------------------|--------------------|---------------------|---------------------|----------------------|-----------------------|-----------------------|-----------------------|
| 31.03.2022 | | | | | | | | |
| Adjusted periodic gap | 4 527 | 75 808 | (8 756) | (7 774) | 504 | 17 517 | 36 378 | (118 204) |
| Adjusted cumulative periodic gap | 4 527 | 80 335 | 71 579 | 63 805 | 64 309 | 81 826 | 118 204 | - |
| 31.12.2021 | | | | | | | | |
| Adjusted periodic gap | 10 053 | 88 341 | (7 419) | (6 794) | (826) | 15 397 | 32 251 | (131 003) |
| Adjusted cumulative periodic gap | 10 053 | 98 394 | 90 975 | 84 181 | 83 355 | 98 752 | 131 003 | - |

In all time horizons, the adjusted cumulative liquidity gap of the Group, determined as the sum of the adjusted liquidity gaps of the Bank, PKO Bank Hipoteczny S.A., PKO Leasing S.A., KREDOBANK S.A. and PKO Życie Towarzystwo Ubezpieczeń S.A. and the contractual liquidity gaps of the other Group companies, was positive as at 31 March 2022

and as at 31 December 2021. This means that the Group has a surplus of the assets receivable over the liabilities payable.

| SUPERVISORY LIQUIDITY MEASURES | 31.03.2022 | 31.12.2021 |
|---------------------------------|------------|------------|
| NSFR – net stable funding ratio | 128,2% | 129,0% |
| LCR – liquidity coverage ratio | 143,6% | 193,3% |

In the three-month period ended 31 March 2022 and 31 December 2021, liquidity measures remained above their respective supervisory limits.

38. CAPITAL ADEQUACY

• CAPITAL ADEQUACY

The minimum levels of the capital ratios maintained by the Group in accordance with Article 92 of the CRR are as follows:

| | |
|---|------|
| • total capital ratio (TCR) | 8,0% |
| • Tier 1 capital ratio (T1) | 6,0% |
| • Common Equity Tier 1 capital ratio (CET1) | 4,5% |

| Obligation to maintain a combined buffer above the minimum amounts specified in Article 92 of the CRR representing the sum of the applicable buffers | 31.03.2022 | 31.12.2021 |
|--|--------------|--------------|
| Total: | 3,51% | 3,51% |
| • conservation buffer | 2,5% | 2,5% |
| • countercyclical buffer | 0,01% | 0,01% |
| • systemic risk buffer ¹ | 0% | 0% |
| • a buffer due to identifying the Bank as an “other systemically important institution” (“O-SII”) ² | 1% | 1% |

¹ On 19 March 2020, in connection with COVID-19, the Regulation of the Minister of Finance cancelling the systemic risk buffer came into effect. Nevertheless, the previously applicable buffer of 3% is taken into account in the calculation of the required level of ratios to meet dividend payment conditions.

² of total exposure to the risks calculated in accordance with the CRR.

| Discretionary capital requirement (an additional capital requirement in order to hedge the risk resulting from mortgage-secured loans and advances to households) | 31.03.2022 | 31.12.2021 |
|---|------------|------------|
| • for the total capital ratio: | 0,11 p.p. | 0,11 p.p. |
| • for Tier 1 capital ratio: | 0,08 p.p. | 0,08 p.p. |
| • for Common Equity Tier 1 capital ratio: | 0,06 p.p. | 0,06 p.p. |

On 11 February 2022, the Bank received an individual recommendation from the PFSA regarding the level of the capital surcharge under Pillar II (P2G) with an indication to mitigate the risks present in the Bank’s operations by maintaining, both at the standalone and consolidated level, own funds sufficient to cover the additional capital surcharge in order to absorb potential losses resulting from stress events, at 0.29% above the total capital ratio referred to in Article 92(1)(c) of the CRR Regulation, plus the additional own funds requirement referred to in Article 138(2)(2) of the Banking Law and the combined buffer requirement referred to in Article 55(4) of the Act on macro-prudential supervision. The additional surcharge should consist entirely of common Tier 1 capital.

On 2 December 2021, PKO Bank Polski S.A. received a letter from the Bank Guarantee Fund (BGF) on the minimum requirement for own funds and eligible liabilities (MREL). The BGF set the target MREL requirement for the Bank based on the consolidated data at the total risk exposure amount (TREA) and the total exposure measure (TEM), which must be fulfilled at the end of 2023. Additionally, the BGF set interim targets.

The required levels are specified in the table below:

| in % | 31.12.2021 | 31.12.2022 | 31.12.2023 |
|-------------|------------|------------|------------|
| MREL (TREA) | 12,02 | 13,91 | 15,80 |
| MREL (TEM) | 3,00 | 4,46 | 5,91 |

• **OWN FUNDS FOR THE PURPOSE OF CAPITAL ADEQUACY**

In the three-month period ended 31 March 2022 and in the twelve-month period ended 31 December 2021, the Group's capital adequacy remained at a safe level, well above the supervisory limits. The minimum capital requirements were satisfied over the entire period.

| | 31.03.2022 | 31.12.2021 |
|---|---------------|---------------|
| Equity | 35 714 | 37 693 |
| capital: share capital, supplementary capital, other reserves, and general risk reserve | 32 291 | 32 291 |
| retained earnings | 11 144 | 6 270 |
| net profit or loss for the year | 1 416 | 4 874 |
| other comprehensive income and non-controlling interests | (9 137) | (5 742) |
| Exclusions from equity: | 370 | 895 |
| deconsolidation – adjustments due to prudential consolidation | (277) | (268) |
| net profit or loss for the year | 1 425 | 4 862 |
| retained earnings for the previous year | 4 862 | - |
| cash flow hedges | (5 640) | (3 699) |
| Other fund reductions: | 2 895 | 2 966 |
| goodwill | 961 | 961 |
| other intangible assets | 1 372 | 1 461 |
| securitization items | 39 | 54 |
| additional asset adjustments (AVA, DVA, NPE) | 523 | 490 |
| Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI according to Art. 468 of the CRR | 1 245 | 1 235 |
| Temporary reversal of IFRS 9 impact | 975 | 1 482 |
| Profit/(loss) for the current year | 1 975 | 1 975 |
| Tier 1 capital | 36 644 | 38 524 |
| Tier 2 capital (subordinated debt) | 2 700 | 2 700 |
| Own funds | 39 344 | 41 224 |
| Capital requirements for own funds | 17 959 | 18 093 |
| Credit risk | 15 914 | 16 076 |
| Operational risk | 1 822 | 1 793 |
| Market risk | 180 | 183 |
| Credit valuation adjustment risk | 43 | 41 |
| Total capital ratio | 17,53% | 18,23% |
| Tier 1 capital ratio | 16,32% | 17,03% |

Under Article 26(2) of the CRR, institutions may include interim or year-end profits in Tier 1 capital after the institution has taken a formal decision confirming the final profit or loss of the institution for the year or, before taking the said decision, only with the prior permission of the competent authority. In accordance with the guidelines of the European Banking Authority (EBA) contained in the Single Rulebook Q&A, which present the EBA position on the moment of recognition of annual and interim profits in the capital adequacy data (Q&A 2018_3822, Q&A 2018_4085 and Q&A 2013_208), from the moment of meeting the formal requirements that allow the Bank to include the profit for a given period in Tier I capital it is assumed that such profit should be recognized retrospectively (as at the date of earning the profit rather than as at the date of meeting the criterion) and own funds should be adjusted as at the date of earning the profit.

Furthermore, if the event allowing profit or loss recognition occurred before the publication of the financial statements for a given period, the profit or loss should be recognized in those financial statements. Due to the fact that the Annual General Shareholders' Meeting of the Bank approved distribution of the Bank's profit on 12 May 2022, but the formal distribution of the profits of the other entities of the Bank's Group, which are subject to prudential consolidation, had not been completed by that date, the aforementioned guidelines do not apply to the Group's own funds as at the date of the publication of the financial statements, i.e. as at 31 December 2021 and as at 31 March 2022. An adequate adjustment will be made in the following quarter, when the final distribution of the Group's profit which is subject to prudential consolidation has been completed.

Pursuant to the CRR, prudential consolidation is used for capital adequacy purposes, which, unlike consolidation in compliance with the IFRS, covers only the subsidiaries which meet the definition of an institution, a financial institution or an ancillary services undertaking. In addition, pursuant to Article 19 (1) of the CRR, prudential consolidation may exclude entities whose total value of assets and off-balance sheet items is less than EUR 10 million.

Other subsidiaries, not consolidated under the acquisition accounting method for the purposes of prudential consolidation, are measured using the equity method.

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

39. LEVERAGE RATIO

The Group calculates the leverage ratio as one of its capital adequacy measures.

The objective of managing the risk of excessive leverage is to ensure an appropriate relationship between the amount of the Tier 1 capital and the sum of balance sheet assets and off-balance sheet liabilities granted by the Group.

For the purpose of measuring the risk of excessive financial leverage, a leverage ratio is calculated by the Group as a measure of Tier I capital divided by the measure of total exposure and is expressed as a percentage. The leverage ratio as at 31 March 2022 and 31 December 2021 was above the internal and external limits and above the minimum levels recommended by the PFSA.

To maintain the leverage ratio at an acceptable level, the Group set up a strategic tolerance limit and a threshold for the ratio, which are regularly monitored and periodically verified.

| Leverage ratio exposures specified in CRR | | |
|---|------------|------------|
| | 31.03.2022 | 31.12.2021 |
| Total capital and exposure measure | | |
| Tier 1 capital | 36 644 | 38 524 |
| Total exposure measure for leverage ratio calculation | 444 043 | 442 954 |
| Leverage ratio | | |
| Leverage ratio | 8,25 | 8,70 |

STANDALONE INCOME STATEMENT

| INCOME STATEMENT | Note | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|--------------------|----------------------|----------------------|
| Net interest income/(expense) | 40 | 2 878 | 2 027 |
| Interest income | | 3 393 | 2 143 |
| calculated under the effective interest rate method | | 3 281 | 1 941 |
| Interest expenses | | (515) | (116) |
| Net fee and commission income | 41 | 931 | 834 |
| Fee and commission income | | 1 243 | 1 066 |
| Fee and commission expense | | (312) | (232) |
| Other net income | | 63 | 230 |
| Dividend income | | - | 34 |
| Gains/(losses) on financial transactions | | 73 | (5) |
| Foreign exchange gains/ (losses) | | (16) | 181 |
| Gains/(losses) on derecognition of financial instruments of which: | | 7 | 32 |
| measured at amortized cost | | 4 | - |
| Net other operating income and expense | | (1) | (12) |
| Result on business activities | | 3 872 | 3 091 |
| Net expected credit losses | | (233) | (123) |
| Net impairment allowances on non-financial assets | | (55) | (20) |
| Administrative expenses of which: | | (1 600) | (1 420) |
| net regulatory charges | | (446) | (341) |
| Tax on certain financial institutions | | (286) | (233) |
| Profit before tax | | 1 698 | 1 295 |
| Income tax expense | | (386) | (286) |
| Net profit | | 1 312 | 1 009 |
| Earnings per share | | | |
| - basic earnings per share for the period (PLN) | | 1,05 | 0,81 |
| - diluted earnings per share for the period (PLN) | | 1,05 | 0,81 |
| Weighted average number of ordinary shares during the period (in million)* | | 1 250 | 1 250 |

* Both in the three-month period ended 31 March 2022 and in the same period of 2021, there were no dilutive instruments. Therefore, the amount of diluted earnings per share is the same as the amount of basic earnings per share.

STANDALONE STATEMENT OF COMPREHENSIVE INCOME

| STATEMENT OF COMPREHENSIVE INCOME | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|----------------------|----------------------|
| Net profit / (loss) | 1 312 | 1 009 |
| Other comprehensive income | (3 181) | (595) |
| Items which may be reclassified to profit or loss | (3 181) | (595) |
| Cash flow hedges (net) | (1 852) | (427) |
| Cash flow hedges (gross) | (2 286) | (527) |
| Deferred income tax | 434 | 100 |
| Fair value of financial assets measured at fair value through other comprehensive income (net) | (1 329) | (168) |
| Remeasurement of fair value, gross | (1 638) | (176) |
| Gains /losses transferred to the profit or loss (on disposal) | (3) | (32) |
| Deferred income tax | 312 | 40 |
| Total net comprehensive income | (1 869) | 414 |

STANDALONE STATEMENT OF FINANCIAL POSITION

| | Note | 31.03.2022 | 31.12.2021 |
|--|------|----------------|----------------|
| ASSETS | | 395 053 | 388 816 |
| Cash and balances with Central Bank | | 6 082 | 11 421 |
| Amounts due from banks | | 17 337 | 14 296 |
| Hedging derivatives | | 350 | 327 |
| Other derivative instruments | | 15 572 | 11 143 |
| Securities | 42 | 130 062 | 130 838 |
| Repo transactions | | 24 | - |
| Loans and advances to customers | 43 | 209 847 | 205 677 |
| Property, plant and equipment | | 2 611 | 2 639 |
| Non-current assets held for sale | | 12 | 18 |
| Intangible assets | | 2 855 | 2 896 |
| Investments in subsidiaries | 44 | 3 562 | 3 617 |
| Investments in associates and joint ventures | 44 | 275 | 275 |
| Current income tax receivable | | 35 | 33 |
| - of the Bank | | - | 11 |
| - of the subsidiaries belonging to the Tax Group | | 35 | 22 |
| Deferred income tax assets | | 4 377 | 3 599 |
| Other assets | | 2 052 | 2 037 |

| | Note | 31.03.2022 | 31.12.2021 |
|---|------|----------------|----------------|
| LIABILITIES AND EQUITY | | 395 053 | 388 816 |
| LIABILITIES | | 360 849 | 352 743 |
| Amounts due to Central Bank | | 8 | 8 |
| Amounts due to banks | | 4 305 | 3 762 |
| Hedging derivatives | | 7 009 | 4 624 |
| Other derivative instruments | | 15 882 | 11 704 |
| Transactions for the purpose of repurchase | | 49 | 49 |
| Amounts due to customers | 45 | 317 732 | 318 032 |
| Loans and advances received | | 5 225 | 5 142 |
| Subordinated liabilities | | 2 713 | 2 716 |
| Other liabilities | | 6 142 | 5 090 |
| Current income tax liabilities | | 165 | - |
| - of the Bank | | 165 | - |
| Provisions | | 1 619 | 1 616 |
| EQUITY | | 34 204 | 36 073 |
| Share capital | | 1 250 | 1 250 |
| Total reserves and other comprehensive income | | 21 546 | 24 727 |
| Retained earnings | | 10 096 | 5 500 |
| Net profit or loss for the year | | 1 312 | 4 596 |



Bank Polski

STANDALONE STATEMENT OF CHANGES IN EQUITY

| FOR 3 MONTHS ENDED 31 MARCH 2022 | Share capital | Reserves and accumulated other comprehensive income | | | | Reserves and accumulated other comprehensive income | Retained earnings | Net profit or loss for the year | Total equity |
|-------------------------------------|---------------|---|---------------------------|----------------|----------------------------|---|-------------------|---------------------------------|---------------|
| | | Reserves | | | Other comprehensive income | | | | |
| | | Supplementary capital | General banking risk fund | Other reserves | | | | | |
| As at the beginning of the period | 1 250 | 22 468 | 1 070 | 6 746 | (5 557) | 24 727 | 5 500 | 4 596 | 36 073 |
| Transfer from retained earnings | - | - | - | - | - | - | 4 596 | (4 596) | - |
| Comprehensive income | - | - | - | - | (3 181) | (3 181) | - | 1 312 | (1 869) |
| As at the end of the period | 1 250 | 22 468 | 1 070 | 6 746 | (8 738) | 21 546 | 10 096 | 1 312 | 34 204 |

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



STANDALONE STATEMENT OF CHANGES IN EQUITY

| FOR 3 MONTHS ENDED 31 MARCH 2022 | Accumulated other comprehensive income | | | |
|-------------------------------------|--|------------------|----------------------------|----------------|
| | Fair value of financial assets measured at fair value through other comprehensive income | Cash flow hedges | Actuarial gains and losses | Total |
| As at the beginning of the period | (1 842) | (3 702) | (13) | (5 557) |
| Total comprehensive income | (1 329) | (1 852) | - | (3 181) |
| As at the end of the period | (3 171) | (5 554) | (13) | (8 738) |

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

STANDALONE CASH FLOW STATEMENT

| Cash flows from operating activities | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|---|----------------------|----------------------|
| Profit before tax | 1 698 | 1 295 |
| Income tax paid | (242) | (375) |
| Total adjustments: | (2 951) | 6 441 |
| Amortization | 216 | 213 |
| (Gains)/losses on investing activities | (1) | (5) |
| Interest and dividends | (208) | (169) |
| Change in the balance of: | | |
| amounts due from banks | 695 | 766 |
| hedging derivatives | 2 362 | 482 |
| other derivative instruments | (251) | (632) |
| securities | (728) | 44 |
| loans and advances to customers | (4 375) | (93) |
| reverse repo transactions | (24) | (11) |
| non-current assets held for sale | 6 | 110 |
| other assets | (16) | 141 |
| accumulated allowances for expected credit losses | 203 | 7 |
| accumulated allowances on non-financial assets and other provisions | 42 | 42 |
| amounts due to banks | 543 | (305) |
| amounts due to customers | (299) | 5 404 |
| loans and advances received | 83 | 166 |
| liabilities in respect of securities in issue | - | 8 |
| subordinated liabilities | (3) | (12) |
| other liabilities | 1 114 | 921 |
| Other adjustments | (2 310) | (636) |
| Net cash from/used in operating activities | (1 495) | 7 361 |

| Cash flows from investing activities | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|------------------------------|------------------------------|
| Inflows from investing activities | 28 213 | 12 472 |
| Proceeds from sale of and interest on securities measured at fair value through other comprehensive income | 27 895 | 12 114 |
| Proceeds from sale of and interest on securities measured at amortized cost | 228 | 152 |
| Proceeds from sale of intangible assets, property, plant and equipment and assets held for sale | 5 | 13 |
| Other inflows from investing activities including dividends | 85 | 193 |
| Outflows on investing activities | (28 139) | (22 527) |
| Purchase of securities measured at fair value through other comprehensive income | (27 974) | (11 006) |
| Purchase of securities measured at amortized cost | (29) | (11 413) |
| Purchase of intangible assets and property, plant and equipment | (136) | (108) |
| Net cash used in investing activities | 74 | (10 055) |
| Cash flows from financing activities | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
| Payment of lease liabilities | (62) | (56) |
| Repayment of interest on long-term liabilities | (121) | (113) |
| Net cash from/used in financing activities | (183) | (169) |
| Total net cash flows | (1 604) | (2 863) |
| of which foreign exchange gains/(losses) on cash and cash equivalents | 59 | 181 |
| Cash and cash equivalents at the beginning of the period | 19 128 | 16 328 |
| Cash and cash equivalents at the end of the period | 17 524 | 13 465 |

40. INTEREST INCOME AND EXPENSE

| INTEREST INCOME | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|--|----------------------|----------------------|
| Loans and other amounts due from banks ¹ | 126 | 8 |
| Derivative hedging instruments | - | 92 |
| Debt securities: | 604 | 419 |
| measured at amortized cost | 292 | 187 |
| measured at fair value through other comprehensive income | 307 | 230 |
| measured at fair value through profit or loss | 5 | 2 |
| Loans and advances to customers | 2 654 | 1 620 |
| measured at amortized cost | 2 397 | 1 429 |
| measured at fair value through other comprehensive income | 150 | 83 |
| measured at fair value through profit or loss | 107 | 108 |
| Amounts due to customers (excluding loans and advances received) | 9 | 4 |
| Total | 3 393 | 2 143 |
| of which: interest income on impaired financial instruments | 55 | 42 |
| Interest income calculated using the effective interest rate method on financial instruments measured: | | |
| at amortized cost | 3 281 | 1 941 |
| at fair value through other comprehensive income | 2 824 | 1 628 |
| at fair value through profit or loss | 457 | 313 |
| Income similar to interest income on instruments measured at fair value through profit or loss | 112 | 202 |
| Total | 3 393 | 2 143 |

¹ Loans and other amounts due from banks as at 31 March 2022 include interest income on cash on call accounts with a negative interest rate of PLN 3 million (as at 31 March 2021: PLN 1 million) and interest income on cash on the current account with the NBP of PLN 41 million (as at 31 March 2021: PLN 0 million).

In the three-month period ended 31 March 2022, interest income was reduced by PLN 97 million (PLN 74 million in the corresponding period of 2021) due to the ruling of the Court of Justice of the European Union on the consumers' right to reduce the cost of loans repaid before contractual maturity.

| INTEREST EXPENSE | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|-----------------------------------|----------------------|----------------------|
| Amounts due to banks ¹ | (24) | (2) |
| Hedge derivatives | (215) | - |
| Interbank deposits | (2) | (1) |
| Loans and advances received | (55) | (48) |
| Leases | (3) | (2) |
| Amounts due to customers | (195) | (45) |
| Issues of securities | - | (6) |
| Subordinated liabilities | (21) | (12) |
| Total | (515) | (116) |

¹ As at 31 March 2022, the Bank recognized interest expenses on cash on call accounts with a negative interest rate of PLN 6 million in amounts due to banks (as at 31 March 2021: PLN 2 million).

41. FEE AND COMMISSION INCOME AND EXPENSES

| FEE AND COMMISSION INCOME | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|---|----------------------|----------------------|
| Loans and insurance | 234 | 217 |
| lending | 185 | 169 |
| offering insurance products | 49 | 48 |
| Investment funds, pension funds and brokerage activities | 119 | 109 |
| servicing investment funds and OFE (including management fees) | 5 | 11 |
| servicing and selling investment and insurance products | 2 | 1 |
| brokerage activities | 112 | 97 |
| Cards | 404 | 305 |
| Margins on foreign exchange transactions | 181 | 132 |
| Bank accounts and other | 305 | 303 |
| servicing bank accounts | 228 | 238 |
| cash operations | 19 | 14 |
| servicing foreign mass transactions | 23 | 19 |
| customer orders | 15 | 13 |
| fiduciary services | 2 | 2 |
| other | 18 | 17 |
| Total, of which: | 1 243 | 1 066 |
| income from financial instruments not measured at fair value through profit or loss | 1 205 | 1 026 |

| FEE AND COMMISSION EXPENSE | 01.01- 31.03.2022 | 01.01- 31.03.2021 |
|---|----------------------|----------------------|
| Loans and insurance | (26) | (22) |
| commission paid to external entities for product sales | (5) | (6) |
| cost of construction project supervision and property appraisal | (6) | (8) |
| fees to Biuro Informacji Kredytowej | (10) | (4) |
| loan handling | (5) | (4) |
| Investment funds, pension funds and brokerage activities | (9) | (8) |
| Cards | (246) | (174) |
| Bank accounts and other | (31) | (28) |
| clearing services | (13) | (9) |
| commissions for operating services provided by banks | (2) | (2) |
| sending short text messages (SMS) | (11) | (13) |
| selling banking products | - | (1) |
| servicing foreign mass transactions | (4) | (3) |
| other | (1) | - |
| Total | (312) | (232) |



Bank Polski

42. SECURITIES

| SECURITIES | held for trading | not held for trading, measured at fair value through profit or loss | measured at fair value through other comprehensive income | measured at amortized cost | Total |
|--|------------------|---|---|-------------------------------|----------------|
| 31.03.2022 | | | | | |
| Debt securities | 430 | 478 | 56 516 | 72 295 | 129 719 |
| Treasury bonds (in PLN) | 145 | - | 36 940 | 50 921 | 88 006 |
| Treasury bonds (in foreign currencies) | 2 | 332 | 1 816 | - | 2 150 |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 4 | - | 9 458 | 12 122 | 21 584 |
| municipal bonds (in PLN) | 17 | - | 4 143 | 5 030 | 9 190 |
| corporate bonds (in PLN) ¹ | 255 | 146 | 3 736 | 1 943 | 6 080 |
| corporate bonds (in foreign currencies) | - | - | 423 | 2 279 | 2 702 |
| mortgage covered bonds | 7 | - | - | - | 7 |
| Equity securities | 34 | 321 | - | - | 355 |
| shares in other entities – not listed | - | 298 | - | - | 298 |
| shares in other entities – listed | 33 | 23 | - | - | 56 |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1 | - | - | - | 1 |
| Total (excluding adjustment relating to fair value hedge accounting) | 464 | 799 | 56 516 | 72 295 | 130 074 |
| Adjustment relating to fair value hedge accounting | - | - | - | (12) | (12) |
| Total | 464 | 799 | 56 516 | 72 283 | 130 062 |

¹ The item includes bonds of international financial organizations of PLN 3 595 million

| SECURITIES | held for trading | not held for trading, measured at fair value through profit or loss | measured at fair value through other comprehensive income | measured at amortized cost | Total |
|--|------------------|---|---|-------------------------------|----------------|
| 31.12.2021 | | | | | |
| Debt securities | 279 | 503 | 57 641 | 72 055 | 130 478 |
| Treasury bonds (in PLN) | 69 | - | 37 371 | 50 787 | 88 227 |
| Treasury bonds (in foreign currencies) | 2 | 350 | 2 007 | - | 2 359 |
| corporate bonds (in PLN) secured with the State Treasury guarantees | 4 | - | 9 894 | 12 092 | 21 990 |
| municipal bonds (in PLN) | 15 | - | 4 127 | 5 022 | 9 164 |
| corporate bonds (in PLN) ¹ | 182 | 153 | 3 810 | 1 927 | 6 072 |
| corporate bonds (in foreign currencies) | - | - | 432 | 2 227 | 2 659 |
| mortgage covered bonds | 7 | - | - | - | 7 |
| Equity securities | 32 | 330 | - | - | 362 |
| shares in other entities - not listed | - | 308 | - | - | 308 |
| shares in other entities - listed | 31 | 22 | - | - | 53 |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1 | - | - | - | 1 |
| Total (excluding adjustment relating to fair value hedge accounting) | 311 | 833 | 57 641 | 72 055 | 130 840 |
| Adjustment relating to fair value hedge accounting | - | - | - | (2) | (2) |
| Total | 311 | 833 | 57 641 | 72 053 | 130 838 |

¹ The item includes bonds of international financial organizations of PLN 3 652 million



43. LOANS AND ADVANCES TO CUSTOMERS

| LOANS AND ADVANCES TO CUSTOMERS 31.03.2022 | not held for trading, measured at fair value through profit or loss | measured at fair value through other comprehensive income | measured at amortized cost | Total |
|--|---|---|----------------------------|----------------|
| retail and private banking | 4 160 | 13 221 | 102 034 | 119 415 |
| housing | 3 | 13 221 | 76 655 | 89 879 |
| consumer | 4 157 | - | 25 379 | 29 536 |
| SME | 45 | - | 17 717 | 17 762 |
| housing | - | - | 5 446 | 5 446 |
| corporate | 45 | - | 12 271 | 12 316 |
| SME | 51 | - | 72 626 | 72 677 |
| housing | - | - | 63 | 63 |
| corporate | 51 | - | 72 563 | 72 614 |
| Loans and advances to customers (excluding adjustments relating to fair value hedge) | 4 256 | 13 221 | 192 377 | 209 854 |
| Adjustment relating to fair value hedge | - | - | (7) | (7) |
| Total | 4 256 | 13 221 | 192 370 | 209 847 |

| LOANS AND ADVANCES TO CUSTOMERS 31.12.2021 | not held for trading, measured at fair value through profit or loss | measured at fair value through other comprehensive income | measured at amortized cost | Total |
|--|---|---|----------------------------|----------------|
| retail and private banking | 4 462 | 13 531 | 102 189 | 120 182 |
| housing | 4 | 13 531 | 76 849 | 90 384 |
| consumer | 4 458 | - | 25 340 | 29 798 |
| SME | 43 | - | 17 343 | 17 386 |
| housing | - | - | 5 533 | 5 533 |
| corporate | 43 | - | 11 810 | 11 853 |
| SME | 54 | - | 68 056 | 68 110 |
| housing | - | - | 75 | 75 |
| corporate | 54 | - | 67 981 | 68 035 |
| Loans and advances to customers (excluding adjustments relating to fair value hedge) | 4 559 | 13 531 | 187 588 | 205 678 |
| Adjustment relating to fair value hedge | - | - | (1) | (1) |
| Total | 4 559 | 13 531 | 187 587 | 205 677 |

44. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

| | 31.03.2022 | | | 31.12.2021 | | |
|---|--------------|----------------|--------------|--------------|----------------|--------------|
| | Gross amount | Impairment | Net amount | Gross amount | Impairment | Net amount |
| SUBSIDIARIES | | | | | | |
| PKO Bank Hipoteczny S.A. | 1 650 | - | 1 650 | 1 650 | - | 1 650 |
| KREDOBANK S.A. | 1 072 | (845) | 227 | 1 072 | (793) | 279 |
| PKO Leasing S.A. | 496 | - | 496 | 496 | - | 496 |
| PKO Życie Towarzystwo Ubezpieczeń S.A. | 241 | - | 241 | 241 | - | 241 |
| PKO Towarzystwo Funduszy Inwestycyjnych S.A. | 225 | - | 225 | 225 | - | 225 |
| PKO VC – fizan | 200 | - | 200 | 200 | - | 200 |
| PKO BP BANKOWY PTE S.A. | 151 | (37) | 114 | 151 | (37) | 114 |
| NEPTUN – fizan | 132 | - | 132 | 132 | - | 132 |
| Merkury – fiz an | 120 | - | 120 | 120 | - | 120 |
| PKO Towarzystwo Ubezpieczeń S.A. | 110 | - | 110 | 110 | - | 110 |
| PKO Finance AB | 24 | - | 24 | 24 | - | 24 |
| PKO BP Finat sp. z o.o. | 21 | - | 21 | 21 | - | 21 |
| JOINT VENTURES | | | | | | |
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 197 | - | 197 | 197 | - | 197 |
| Operator Chmury Krajowej sp. z o.o. | 78 | - | 78 | 78 | - | 78 |
| ASSOCIATES | | | | | | |
| Bank Pocztowy S.A. | 184 | (184) | - | 184 | (184) | - |
| „Poznański Fundusz Poręczeń Kredytowych” sp. z o.o. | 2 | (2) | - | 2 | (2) | - |
| Adjustment relating to fair value hedge accounting | 2 | - | 2 | 5 | - | 5 |
| Total | 4 905 | (1 068) | 3 837 | 4 908 | (1 016) | 3 892 |

The Bank performs quarterly impairment tests in respect of Kredobank using the discounted dividend method. The tests performed in recent years showed an excess of value in use over the net carrying amount; however, for prudential reasons the provisions for exposure to Kredobank had been maintained at the same level since 2015.

The test update performed as at 31 March 2022 taking into account the effect of the war in Ukraine and the additional discount associated with uncertainty as to the further developments in this regard revealed a need to increase the impairment allowance by PLN 52 million and reduce the net carrying amount to PLN 227 million.

45. AMOUNTS DUE TO CUSTOMERS

| AMOUNTS DUE TO CUSTOMERS 31.03.2022 | Amounts due to households | Amounts due to corporate entities | Amounts due to public entities | Total |
|--|---------------------------|-----------------------------------|--------------------------------|----------------|
| Measured at fair value through profit or loss | - | - | 23 | 23 |
| Liabilities for a short position in securities | - | - | 23 | 23 |
| Measured at amortized cost | 237 462 | 60 537 | 19 710 | 317 709 |
| Cash on current accounts and overnight deposits of which | 199 426 | 45 440 | 17 600 | 262 466 |
| savings accounts and other interest-bearing assets | 53 897 | 16 567 | 9 073 | 79 537 |
| Term deposits | 37 337 | 14 295 | 2 082 | 53 714 |
| Other liabilities | 699 | 802 | 28 | 1 529 |
| Total | 237 462 | 60 537 | 19 733 | 317 732 |

| AMOUNTS DUE TO CUSTOMERS 31.12.2022 | Amounts due to households | Amounts due to corporate entities | Amounts due to public entities | Total |
|--|---------------------------|-----------------------------------|--------------------------------|----------------|
| Measured at amortized cost | 242 522 | 55 680 | 19 830 | 318 032 |
| Cash on current accounts and overnight deposits of which | 203 299 | 45 442 | 19 731 | 268 472 |
| savings accounts and other interest-bearing assets | 57 147 | 16 055 | 13 301 | 86 503 |
| Term deposits | 38 506 | 9 529 | 76 | 48 111 |
| Other liabilities | 717 | 709 | 23 | 1 449 |
| Total | 242 522 | 55 680 | 19 830 | 318 032 |

46. TRANSACTIONS WITH RELATED ENTITIES - SUBSIDIARIES

| 31.03.2022 Company name | Receivables | of which loans | Liabilities | Off-balance sheet liabilities granted |
|---|---------------|----------------|--------------|---------------------------------------|
| KREDOBANK SA and its subsidiary | - | - | 520 | 335 |
| Merkury - fiz an and its subsidiaries | - | - | 15 | - |
| NEPTUN - fizan and its subsidiaries | 153 | 153 | 31 | - |
| PKO Bank Hipoteczny S.A. | 5 885 | 5 785 | 802 | 5 813 |
| PKO BP BANKOWY PTE S.A. | - | - | 14 | - |
| PKO BP Finat sp. z o.o. | - | - | 47 | 10 |
| PKO Finance AB | 817 | - | 4 652 | - |
| PKO Leasing S.A. and its subsidiaries | 19 905 | 19 904 | 27 | 3 454 |
| PKO Towarzystwo Funduszy Inwestycyjnych S.A. | - | - | 224 | - |
| PKO Towarzystwo Ubezpieczeń S.A. | - | - | 30 | 1 |
| PKO Życie Towarzystwo Ubezpieczeń S.A. and its subsidiaries | - | - | 155 | - |
| Total | 26 760 | 25 842 | 6 517 | 9 613 |

| FOR 3 MONTHS ENDED 31 MARCH 2022 Company name | Total income | of which interest and commission income | Total expense | of which interest and commission expense |
|---|--------------|---|---------------|--|
| NEPTUN - fizan and its subsidiaries | 1 | 1 | - | - |
| PKO Bank Hipoteczny S.A. | 111 | 107 | - | - |
| PKO BP Finat sp. z o.o. | 1 | - | 1 | - |
| PKO Finance AB | 9 | 9 | 50 | 50 |
| PKO Leasing S.A. and its subsidiaries | 137 | 136 | - | - |
| PKO Towarzystwo Funduszy Inwestycyjnych S.A. | 1 | 1 | - | 1 |
| PKO Towarzystwo Ubezpieczeń S.A. | 13 | 13 | - | - |
| PKO Życie Towarzystwo Ubezpieczeń S.A. and its subsidiary | 9 | 9 | 1 | 1 |
| Total | 282 | 276 | 52 | 52 |

| 31.12.2021 Company name | Receivables | of which loans | Liabilities | Off-balance sheet liabilities granted |
|---|---------------|----------------|--------------|---------------------------------------|
| KREDOBANK SA and its subsidiary | 19 | - | 29 | 325 |
| NEPTUN - fizan and its subsidiaries | 130 | 130 | 31 | - |
| PKO Bank Hipoteczny S.A. | 6 597 | 6 545 | 842 | 4 665 |
| PKO BP BANKOWY PTE S.A. | - | - | 10 | - |
| PKO BP Finat sp. z o.o. | - | - | 36 | 10 |
| PKO Finance AB | 802 | - | 4 637 | - |
| PKO Leasing S.A. and its subsidiaries | 19 018 | 19 018 | 212 | 4 940 |
| PKO Towarzystwo Funduszy Inwestycyjnych S.A. | - | - | 194 | - |
| PKO Towarzystwo Ubezpieczeń S.A. | - | - | 40 | - |
| PKO Życie Towarzystwo Ubezpieczeń S.A. and its subsidiary | - | - | 342 | - |
| Total | 26 566 | 25 693 | 6 373 | 9 940 |

| FOR 3 MONTHS ENDED 31 MARCH 2021 Company name | Total income | of which interest and commission income | Total expense | of which interest and commission expense |
|---|--------------|---|---------------|--|
| KREDOBANK SA and its subsidiary | 1 | 1 | - | - |
| NEPTUN - fizan and its subsidiaries | 1 | 1 | - | - |
| PKO Bank Hipoteczny S.A. | 114 | 86 | 2 | 2 |
| PKO BP Finat sp. z o.o. | 1 | - | 1 | - |
| PKO Finance AB | 9 | 9 | 46 | 46 |
| PKO Leasing S.A. and its subsidiaries | 41 | 40 | - | - |
| PKO Towarzystwo Funduszy Inwestycyjnych S.A. | 23 | 1 | - | - |
| PKO Towarzystwo Ubezpieczeń S.A. | 12 | 12 | - | - |
| PKO Życie Towarzystwo Ubezpieczeń S.A. and its subsidiary | 10 | 10 | 2 | 2 |
| Total | 212 | 160 | 51 | 50 |

47. CAPITAL ADEQUACY

| Adequacy equity | 31.03.2022 | 31.12.2021 restated | 31.12.2021 published data |
|---|----------------|------------------------|------------------------------|
| Equity | 34 204 | 36 073 | 36 073 |
| capital: share capital, supplementary capital, other reserves, and general risk reserve | 31 534 | 31 534 | 31 534 |
| retained earnings | 10 096 | 5 500 | 5 500 |
| net profit or loss for the year | 1 312 | 4 596 | 4 596 |
| other comprehensive income | (8 738) | (5 557) | (5 557) |
| Exclusions from equity: | (1 955) | 894 | 894 |
| net profit or loss for the year | 1 312 | 4 596 | 4 596 |
| retained earnings for the last year | 2 287 | - | - |
| cash flow hedges | (5 554) | (3 702) | (3 702) |
| Other fund reductions: | 3 948 | 3 336 | 3 417 |
| goodwill | 755 | 755 | 755 |
| other intangible assets | 1 244 | 1 333 | 1 333 |
| additional asset adjustments (AVA, DVA, NPE, capital exposures and DTA above the thresholds specified in Art. 48 of the CRR) | 1 949 | 1 248 | 1 329 |
| Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI according to Art. 468 of the CRR | 1 244 | 1 249 | 1 249 |
| Temporary reversal of IFRS 9 impact | 1 049 | 1 555 | 1 361 |
| Current period profit/loss, included by permission from the PFSA | - | 2 309 | 2 073 |
| Tier 1 capital | 34 504 | 36 956 | 36 445 |
| Tier 2 capital (subordinated debt) | 2 700 | 2 700 | 2 700 |
| Own funds | 37 204 | 39 656 | 39 145 |
| Capital requirements for own funds | 15 537 | 15 685 | 15 787 |
| Credit risk | 13 802 | 13 967 | 14 069 |
| Operational risk | 1 507 | 1 490 | 1 490 |
| Market risk | 180 | 183 | 183 |
| Credit valuation adjustment risk | 48 | 45 | 45 |
| Total capital ratio | 19,16 | 20,23 | 19,84 |
| Tier 1 capital ratio | 17,77 | 18,85 | 18,47 |

Under Article 26(2) of the CRR, institutions may include interim or year-end profits in Common Equity Tier 1 capital after the institution has taken a formal decision confirming the final profit or loss of the institution for the year or, before taking the said decision, only with the prior permission of the competent authority. In accordance with the guidelines of the European Banking Authority (EBA) contained in the Single Rulebook Q&A, which present the EBA position on the moment of recognition of annual and interim profits in the capital adequacy data (Q&A 2018_3822, Q&A 2018_4085 and Q&A 2013_208), from the moment of meeting the formal requirements that allow the Bank to include the profit for a given period in Tier I capital it is assumed that such profit should be recognized retrospectively (as at the date of earning the profit rather than as at the date of meeting the criterion) and own funds should be adjusted as at the date of earning the profit. Furthermore, if the event allowing profit or loss recognition occurred before the publication of the financial statements for a given period, the profit or loss should be recognized in those financial statements. Due to the above, the columns "31.12.2021 - restated" and "31.03.2022" present the amounts of own funds, capital requirements and capital ratios taking into account the distribution of the 2021 profit approved by the Annual General Shareholders' Meeting on 12 May 2022. The Bank's own funds calculated for capital adequacy purposes, after taking into account the Bank's profit for 2021 and the expected charges, increased by PLN 236 million in relation to the previously recognized amount of net profit for the first half of 2021, which was included in own funds with the consent of the PFSA.

48. SUBSEQUENT EVENTS

1. On 26 April 2022, the Bank's Management Board passed a resolution on the approval of the issue of 10-year subordinated bonds with an option of early redemption. The nominal value of a bond will not be lower than PLN 500 000, and the combined nominal value of the bonds will not be lower than PLN 1 700 000 000 and not higher than PLN 2 000 000 000. The bonds will bear market interest which will accrue semi-annually. After obtaining the approval of the PFSA, the proceeds from the issue will be used for increasing the Bank's Tier II capital, in place of the proceeds from an earlier redemption of the OP0827 subordinated bonds (provided that the PFSA approval for early redemption had been obtained), which the Bank chose to carry out and approved by resolution of the Management Board dated 26 April 2022 on early redemption (call option) of the Bank's subordinated bonds.
2. On 12 May 2022, the Annual General Shareholders' Meeting of the Bank passed the resolution on amending the Articles of Association of Powszechna Kasa Oszczędności Bank Polski S.A. (the Articles). The amendments concerned § 30 and § 34a of the Articles.

Clause 1 of § 30 of the Articles shall now read as follows: "In addition to the supplementary capital, the Bank creates the reserves for the purposes of offsetting potential balance sheet losses or for other purposes, including in particular the payment of dividend or interim dividend or the purchase of the Bank's treasury shares in accordance with § 7, clause 4.

The third sentence of § 34a of the Articles shall now read as follows: "Interim dividend may not exceed half of the Bank's profit earned since the end of the previous financial year and recognized in the audited financial statements, increased by the reserves created for interim dividend payment and reduced by accumulated losses and treasury shares."

SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

| | | | |
|------------|---------------------|--|---------------------------------|
| 18.05.2022 | IWONA DUDA | PRESIDENT OF THE MANAGEMENT BOARD | {#iwona.duda@pkobp.pl} |
| 18.05.2022 | MACIEJ BRZozowski | VICE-PRESIDENT OF THE MANAGEMENT BOARD | {#maciej.brzozowski@pkobp.pl} |
| 18.05.2022 | BARTOSZ DRABIKOWSKI | VICE-PRESIDENT OF THE MANAGEMENT BOARD | {#bartosz.drabikowski@pkobp.pl} |
| 18.05.2022 | MARCIN ECKERT | VICE-PRESIDENT OF THE MANAGEMENT BOARD | {#marcin.eckert@pkobp.pl} |
| 18.05.2022 | WOJCIECH IWANICKI | VICE-PRESIDENT OF THE MANAGEMENT BOARD | {#wojciech.iwanicki@pkobp.pl} |
| 18.05.2022 | MAKS KRACzkowski | VICE-PRESIDENT OF THE MANAGEMENT BOARD | {#maks.krackowski@pkobp.pl} |
| 18.05.2022 | MIECZYSLAW KRól | VICE-PRESIDENT OF THE MANAGEMENT BOARD | {#mieczyslaw.krol@pkobp.pl} |
| 18.05.2022 | ARTUR KURCWEIL | VICE-PRESIDENT OF THE MANAGEMENT BOARD | {#artur.kurcweil@pkobp.pl} |
| 18.05.2022 | PIOTR MAZUR | VICE-PRESIDENT OF THE MANAGEMENT BOARD | {#piotr.mazur@pkobp.pl} |

SIGNATURE OF THE PERSON RESPONSIBLE
FOR MAINTAINING THE BOOKS OF ACCOUNT
{#danuta.szymanska@pkobp.pl}

DANUTA SZYMAŃSKA
DIRECTOR OF THE ACCOUNTING DIVISION

DOCUMENT SIGNED WITH QUALIFIED ELECTRONIC SIGNATURES