



Bank Polski

Report of the PKO Bank Polski S.A. Group for the third quarter of 2020



SELECTED CONSOLIDATED FINANCIAL DATA	PLN million		EUR million	
	period from 01.01.2020 to 30.09.2020	period from 01.01.2019 to 30.09.2019	period from 01.01.2020 to 30.09.2020	period from 01.01.2019 to 30.09.2019
Net interest income/(expense)	7 679	7 653	1 729	1 776
Net fee and commission income	2 894	2 767	652	642
Operating profit/(loss)	3 086	4 609	695	1 070
Profit before tax	3 101	4 632	698	1 075
Net profit (including non-controlling shareholders)	2 015	3 308	454	768
Net profit attributable to the parent	2 018	3 308	454	768
Earnings per share for the period - basic (in PLN/EUR)	1,61	2,65	0,36	0,61
Earnings per share for the period - diluted (in PLN/EUR)	1,61	2,65	0,36	0,61
Total net comprehensive income	3 198	3 707	720	860
Net cash from/used in operating activities	28 524	(1 521)	6 421	(353)
Net cash from/used in investing activities	(38 882)	(9 608)	(8 753)	(2 230)
Net cash from/used in financing activities	(2 287)	(2 325)	(515)	(540)
Total net cash flows	(12 645)	(13 454)	(2 847)	(3 123)

	PLN million		EUR million	
	as at 30.09.2020	as at 31.12.2019	as at 30.09.2020	as at 31.12.2019
Total assets	376 617	347 897	83 197	81 695
Total equity	44 776	41 578	9 891	9 764
Capital and reserves attributable to equity holders of the parent	44 788	41 587	9 894	9 766
Share capital	1 250	1 250	276	294
Number of shares (in million)	1 250	1 250	1 250	1 250
Book value per share (in PLN/EUR)	35,82	33,26	7,91	7,81
Diluted number of shares (in million)	1 250	1 250	1 250	1 250
Diluted book value per share (in PLN/EUR)	35,82	33,26	7,91	7,81
Total capital adequacy ratio	19,58%	18,42%	19,58%	18,42%
Tier 1	40 120	36 717	8 863	8 622
Tier 2	2 700	2 700	596	634

SELECTED STAND-ALONE FINANCIAL DATA	PLN million		EUR million	
	period from 01.01.2020 to 30.09.2020	period from 01.01.2019 to 30.09.2019	period from 01.01.2020 to 30.09.2020	period from 01.01.2019 to 30.09.2019
Net interest income/(expense)	6 905	6 934	1 554	1 609
Net fee and commission income	2 275	2 122	512	493
Operating profit/(loss)	2 735	4 388	616	1 018
Profit before tax	2 735	4 388	616	1 018
Net profit	1 797	3 231	405	750
Earnings per share for the period - basic (in PLN/EUR)	1,44	2,58	0,32	0,60
Earnings per share for the period - diluted (in PLN/EUR)	1,44	2,58	0,32	0,60
Total net comprehensive income	2 861	3 443	644	799
Net cash from/used in operating activities	27 672	1 164	6 230	270
Net cash from/used in investing activities	(38 647)	(8 873)	(8 700)	(2 059)
Net cash from/used in financing activities	(1 677)	(5 831)	(378)	(1 353)
Total net cash flows	(12 652)	(13 540)	(2 848)	(3 143)

SELECTED STAND-ALONE FINANCIAL DATA	PLN million		EUR million	
	as at 30.09.2020	as at 31.12.2019	as at 30.09.2020	as at 31.12.2019
Total assets	346 287	316 978	76 497	74 434
Total equity	43 273	40 412	9 559	9 490
Share capital	1 250	1 250	276	294
Number of shares (in million)	1 250	1 250	1 250	1 250
Book value per share (in PLN/EUR)	34,62	32,33	7,65	7,59
Diluted number of shares (in million)	1 250	1 250	1 250	1 250
Diluted book value per share (in PLN/EUR)	34,62	32,33	7,65	7,59
Total capital adequacy ratio	21,55%	20,66%	21,55%	20,66%
Tier 1	39 072	35 890	8 631	8 428
Tier 2	2 700	2 700	596	634



Bank Polski

SELECTED FINANCIAL STATEMENT ITEMS HAVE BEEN TRANSLATED INTO EUR AT THE FOLLOWING RATES	od 01.01.2020 do 30.09.2020	od 01.01.2019 do 30.09.2019
	30.09.2020	31.12.2019
average of NBP exchange rates at the end of monthly periods (income statement, statement of comprehensive income and statement of cash flow items)	4,4420	4,3086
mid NBP rate at the date (statement of financial position items)	4,5268	4,2585



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Directors' Commentary to the financial results of the PKO Bank Polski S.A. Group for the nine-month period ended 30 September 2020

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

The Powszechna Kasa Oszczędności Bank Polski S.A. Group (PKO Bank Polski S.A. Group of the Bank's Group) is one of the largest financial institutions in Poland and one of the largest financial groups in Central and Eastern Europe. Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (PKO Bank Polski S.A. or the Bank), the Bank's Group's parent company, is the largest commercial bank in Poland and the leader the market in terms of the scale of its operations, equity, loans, savings, number of Customers and the size of the distribution network. The Bank's Group stands out in the Polish market due to its high financial results, which ensure its stable and safe growth.

The Bank's Group continues actions aimed at preventing the socio-economic consequences of the COVID-19 pandemic and adapting its operations (including the scope and form of the services provided) to new conditions resulting from operating in a period of distress and the duration of the pandemic.

The need to limit social contacts caused by the COVID-19 pandemic forces acceleration of digitization processes and technological change. This visibly changes the customer service model and results in the growing importance of remote and mobile channels, as well as the change of work organization and introduction of remote work and solutions facilitating remote communication on a large scale. The Bank's Group actively responds to the challenges related to COVID-19, which translates into the pace and scope of implementations carried out in the third quarter of 2020.

ACTIONS TAKEN FOR THE CUSTOMERS, THE COMMUNITY AND THE EMPLOYEES DURING THE CORONAVIRUS PANDEMIC

ACTIONS TAKEN FOR THE CUSTOMERS

The Bank's Group is supporting those Customers who found themselves in a difficult economic situation.

In the third quarter of 2020:

- it offered solutions to its Customers the common feature of which was to allow the borrowers and lessees, at their request, to suspend or prolong the repayment of instalments (principal, principal-and-interest, or interest - depending on the form of financing) for a period of up to 6 months¹, including in particular:
 - individual Customers who have residential loans and mortgage loans may suspend the repayment of instalments, and Customers that have cash loans or lease contracts may suspend the repayment with the possibility of extending the loan period;
 - firms, businesses and corporate Customers (including local authority units and central government units) may suspend the repayment of instalments and extend the loan period (this applied e.g. to working capital loans, overdrafts, investment and investor loans, and lease contracts).
- The Bank's Group applied fast decision paths for extending and renewing selected revolving products and restructuring agreements.

The actions taken by PKO Bank Polski S.A. and its subsidiaries located in Poland are consistent with the guidelines of the European Banking Authority (EBA).

- From 24 June 2020, the Bank's Customers who have lost their jobs or another main source of income after 13 March 2020, may suspend the execution of their mortgage loan or consumer loan agreements for up to 3 months. During the suspension period the Bank does not accrue interest or charge any other fees relating to the agreements other than insurance premiums. The Customers of PKO Bank Hipoteczny S.A. are also entitled to suspend their mortgage loans.
- From 30 July 2020, the Bank's Customers who have a preferential student loan,² which is in the repayment period, may suspend the repayment of the loan with interest for a period of up to 6 months, while extending the repayment period. Interest due in the period of suspended repayment is covered in full from the Student Loan Fund. The Bank does not charge any commission or fees for preparing an annex to the loan agreement.

The value of loans covered by moratoria has been presented in the Bank's Group's financial statements for the nine-month period ended 30 September 2020 – in Note 37, *Credit risk management*.

¹ This pertains to the following companies: PKO Bank Polski S.A., PKO Bank Hipoteczny S.A., PKO Leasing S.A. and Prime Car Management S.A. KREDOBANK S.A. used loan relief programmes in the third quarter of 2020 on the basis of which the Customers, upon request, will be able to suspend all or a part of their instalments or principal instalments for a period of up to 3 months. Additionally, a fast decision-making track was implemented for renewing credit lines. PKO Faktoring S.A. continued solutions related to factoring payments: departing from default interest and reducing the subscription fee by 50% for a period of 3 months – upon a Customer's request.

² A student loan obtained based on Article 98(1) of the Act of 20 July 2018 - The Law on Higher Education and Science.

The Customers of the PKO Bank Polski S.A. Group may also avail themselves of guarantees, grants and subsidies introduced under the anti-crisis shields and offered by Bank Gospodarstwa Krajowego (BGK) and Polski Fundusz Rozwoju S.A. (The Polish Development Fund or PFR).

- The Bank's Customers (micro firms, small and medium enterprises) may use a guarantee securing a loan repayment provided as part of the de minimis portfolio guarantee line by BGK, which since 18 March 2020 has been offered in a higher amount and on better terms. The total guarantees in the period from January to September 2020 amounted to nearly PLN 3 billion.
- The Bank's Customers may use the Liquidity Guarantees Fund established by BGK to help medium and large firms affected by the pandemic. The Bank initiates changes aimed at developing more favourable terms and conditions of the above-mentioned guarantees (the possibility of covering foreign-currency loans with a guarantee was introduced and the minimum amount of the unit guarantee was removed). In the third quarter of 2020, the Bank concluded an agreement with BGK specifying the rules of cooperation in the scope of granting repayment guarantees for loans made available by the Bank under syndicated financing. Until 30 September 2020, the total amount of guarantees granted to the Bank's Customers was PLN 1.2 billion (out of a total available amount of PLN 18 billion).
- Until the end of July 2020, the Bank's Customers were able to receive, through the Bank, a financial subsidy from the PFR Financial Shield designated to micro firms, small- and medium-sized enterprises. In aggregate, more than 67 thousand enterprises employing 0.5 million employees received a total of PLN 10.5 billion of funds through the Bank. PKO Bank Polski S.A. became the leader among banks in distributing this form of aid.
- From June 2020, entrepreneurs can submit applications for liquidity loans with preferential interest rates and preferential loans under the PFR Financial Shield designated for large enterprises, directly to PFR. The total value of both these financial instruments is PLN 17.5 billion. PKO Bank Polski S.A. is the only bank which services these loans provided under the Shield. The Bank's role includes: maintaining the accounts established to disburse the funds granted under the programme, registration and monitoring of the loans and collateral, and providing operating services.
- PKO Faktoring S.A., as one of the first factors in Poland, concluded a portfolio guarantee line agreement with BGK. In accordance with the agreement, since September of this year the company is offering its Customers the possibility of securing up to 80% of the value of the factoring limit granted under incomplete or reverse factoring. The maximum amount of the guarantee that PKO Faktoring S.A. can provide under the above mentioned guarantee line is PLN 200 million. Until 30 September 2020, the total value of guarantees granted to the company's Customers was PLN 1.6 million.
- Entrepreneurs may apply to the Bank for interest subsidies on working capital loans. The support is intended for companies which, due to the economic situation caused by the COVID-19 pandemic, have lost financial liquidity or are threatened with it. One entrepreneur can benefit from the subsidy only for one working capital loan – new or already taken out. BGK covers a part of interest on the loan for a maximum of 12 months. The surcharge is two percentage points for micro firms, small and medium enterprises and one percentage point for large enterprises. Entrepreneurs may apply for support until the end of 2020 or until the pool of funds, which amounts to PLN 565 million for all banks cooperating with BGK, is exhausted. The bank concluded an agreement with BGK on cooperation in servicing interest rate subsidies for the above-mentioned loans and started to conclude agreements in October of this year.

ACTIONS TAKEN FOR THE COMMUNITY

Since the beginning of the COVID-19 pandemic, the PKO Bank Polski S.A. Group's commitment to combating the spread of the virus has involved supporting local communities.

In the third quarter of 2020, in terms of social support, the Bank's Group, among others:

- provided masks to medical or social establishments and a cash donation to a non-governmental organization that provides full meals for medical staff;
- equipped its branches with personal protection equipment in order to protect its employees and Customers using the Bank's branches;
- took educational measures to encourage Customers to use remote channels;
- supported humanitarian convoys to Kazakhstan and Uzbekistan organized by the Ministry of Foreign Affairs.

The total value of assistance provided by the Bank's Group in the three quarters of 2020 amounted to nearly PLN 23.6 million (excluding the cost of purchase of protective materials for employees and Customers), with the concentration of aid activities taking place in the first half of 2020.

ACTIONS TAKEN FOR THE EMPLOYEES

In the third quarter of 2020, the Bank continued its efforts to ensure the safety of its employees through:

- enabling employees to carry out tasks in various work systems (remote, stationary, rotational), adapting them to epidemic conditions;
- maintaining the rules on social distancing and using personal protective equipment;
- ongoing replenishment of necessary protective products, such as gels and disinfectants, masks, gloves and protective visors;
- maintaining the model of medical care and enabling permanent access to telemedical advice;
- making available to more than 10,000 employees a license to the Microsoft Teams communication tool;
- implementing a solution for the digitization of employee records.

In the third quarter of 2020, the Bank's expenses for employees related to functioning during the pandemic and mitigating its effects amounted to PLN 19.4 million. The Bank's total expenditure in 2020 on this account amounted to PLN 59.4 million (of which: PLN 25.4 million constituted capital expenditure,³ mainly on the purchase of laptops and implementation of Microsoft Teams, PLN 17.1 million – costs of purchase of antibacterial gels and fluids, masks, gloves and visors, PLN 10.3 million – costs of additional cleaning and disinfection services, PLN 2.4 million – costs of adapting Customer service stations, PLN 1.1 million – telecommunications costs).

The other entities of the Bank's Group undertook similar actions adjusted to the nature of their operations and employment structure, mainly with respect to: performing tasks in various work systems and maintaining the principles of social distancing, provision of an appropriate medical care model and provision of equipment and various communication tools.

Total expenses in the Bank's subsidiaries in 2020 for employees related to functioning during the pandemic amounted to PLN 5.4 million.

DEVELOPMENT OF SERVICES, PRODUCTS AND TOOLS, INCLUDING IN SUPPORT OF ACTIVITIES DURING THE PANDEMIC

The Bank's Group developed services offered remotely.

- The number of active IKO applications exceeded the record number of 5 million on the Polish banking market.
- The Bank, together with PKO Leasing S.A. and Prime Car Management S.A., launched the Automarket.pl platform, which ensures safe purchase of new and used cars with documented mileage.
- In the mobile application IKO you can set up an account "based on your selfie" and a company account with simultaneous registration in CEIDG,⁴ check your account balance in another bank, use the services of a video advisor and voice assistant.
- The Bank has prepared a sales model for the elderly and those who have not previously used electronic channels for banking services, combined with the Customer's education with the use of an intuitive application, and has adjusted the sales processes in the branches so that the Customer can sign an agreement (with the advisor's assistance) for a cash loan, bank overdraft or credit card directly in the IKO, without printing documents.
- KREDOBANK S.A. was the first bank on the Ukrainian market to implement, based on the experience of PKO Bank Polski S.A., a video-advisor solution "Wideo Konsultant Online" based on the infrastructure of Operator Chmury Krajowej sp. z o.o.
- The Bank introduced the possibility of remote activation of a tourist voucher and submission of applications for 300+ "Good Start" benefit (iPKO or Inteligo service) and opening an investment account completely online using the e-Signature service mSzafr (iPKO).
- As part of building the Workplace of the Future, the Bank virtualized all workstations (almost 11,000 desktop computers) in retail branches. The project is carried out in cooperation with Operator Chmury Krajowej sp. z o.o.

PKO Bank Polski S.A. is pursuing digitization objectives. It anticipates that in three years' time at the latest, the Bank's key business IT systems will operate in a cloud computing system based on hybrid architecture – which will provide the Clients and the Bank with an innovative, safe and cost-effective environment for development.

³ The value of capital expenditure also includes expenditure on applications related to Customer service (approximately 5% of the total capital expenditure).

⁴ Central Registration and Information on Business.

OTHER ACTIVITIES

PKO Bank Polski S.A. used the time of the pandemic to speed up digitization, including the introduction of a hybrid model of advisors' work, with the growing role of digital channels.

The digitization of Customer service resulted, among other things, in a reduction in the number of the Bank's branches. In the period from January to September 2020, the number of branches decreased by a total of 75 bank outlets, including 65 retail outlets and 10 corporate centres, including 34 retail outlets and 10 corporate centres in the third quarter. Employees of the branches being closed receive job offers for existing vacancies in other parts of the organization. Therefore, the Bank temporarily suspended recruitment processes aimed at attracting candidates from outside the organization for both existing and new vacancies. In addition, the process of renewing fixed-term contracts has undergone a special review. A similar approach was applied within the Bank's Group companies.

As a result, in the period from January to September, the headcount in the Bank's Group decreased by 1,351 FTEs, including 947 FTEs in the third quarter.

The Bank also took measures to rationalize staff costs, applying – in accordance with the guidelines of the Polish Financial Supervision Authority (PFSA) – a conservative approach to the payment of variable salaries, adjusting their level to the forecasted negative impact of the pandemic on the Bank's revenue.

2. RISK MANAGEMENT

During the COVID-19 pandemic, the Bank's Group monitors the situation of its Customers on an ongoing basis and adjusts its credit policy in order to minimize the effects of the pandemic on Customers and secure a good quality loan portfolio.

- In the third quarter of 2020, the Bank developed tools and techniques for credit risk management, including the development of digitization of credit processes and the calibration of credit risk models. It increased the frequency of risk monitoring and continuously adjusted its credit policy.
- In the third quarter of 2020, the Bank gradually phased out special solutions in its credit processes implemented in connection with COVID-19, in particular those related to simplifying internal risk assessment processes (automatic or semi-automatic loan extensions/suspensions).
- In the following months the Bank will continue monitoring the effect of the macroeconomic situation, including the operation of the Government Anti-Crisis Shield, on the situation of its Customers, and, depending on the assessment, adjust its credit risk management tools and techniques.

The Bank's Group maintains a safe level of liquidity, which enables it to react quickly and effectively to potential threats.

With respect to interest rate risk, in response to the challenge of operating in a low interest rate environment, the Bank's Group concluded IRS hedging transactions and shaped the structure of assets and liabilities accordingly. The Bank will continue actions aimed at achieving resilience to the interest rate risk, including mitigating both Interest Income Sensitivity and Economic Value Sensitivity.

The Bank's Group monitors the identified threats in the scope of operational risk resulting from the COVID-19 pandemic and takes steps to ensure security of the Bank's Customers and employees and the continuity of business processes.

3. BUSINESS CONDITIONS

In the third quarter of 2020, there was a revival in the economy thanks to “unfreezing” consumer demand and restoring the operation of international value-added chains. CPI inflation exceeded the target of the National Bank of Poland (NBP) and was 3.2% y/y in September (still less than at the beginning of the year: 4.7% y/y). Core inflation, excluding the prices of food and energy, remained above 4% y/y due to earlier increases in administered prices and prices of services, which were temporarily boosted by sanitary charges. In the following months, inflation should decrease due to disinflationary effects of the crisis caused by the pandemic and the expected drop in the prices of food.

After an unprecedented loosening of monetary policy in the first half of 2020, NBP interest rates remained unchanged in the third quarter. Following the introduction of the possibility of buying treasury bonds or securities guaranteed by the State Treasury on the secondary market, by the end of September the NBP bought bonds (of the State Treasury, PFR and BGK) worth PLN 104 billion (including PLN 7.8 billion in the third quarter).

Deterioration of the economic outlook and further softening of central banks' rhetoric indirectly affected the Polish interest rate market, bringing the yields of the securities to the area of historical minima. In the third quarter of 2020 the return on Polish 5-year Treasury bonds dropped by 12 b.p. to 0.61%, and on the 10-year T-bonds by 7 b.p. to 1.31%.

September brought a marked deterioration in sentiment. The increase in coronavirus infections forced governments of many countries to restore some of the restrictions, which put into question the sustainability of the economic revival and the rebound in companies' financial results. The quarter closed on the stock markets with rates of return close to zero, and the main index of the Warsaw Stock Exchange WIG recorded a symbolic fall of 0.3%. The zloty weakened against the common currency by PLN 0.08, ending September at 4.53.

NBP interest rates

• Reference	0.10%
• bills of exchange discount	0.12%
• bills of exchange rediscount	0.11%
• Lombard	0.50%
• deposit	0.00%

4. FACTORS THAT DETERMINE FUTURE RESULTS

The operations of the Bank's Group in 2020 may be materially affected by the following external conditions:

IN THE GLOBAL ECONOMY

- second wave of coronavirus infection;
- quantitative easing, mainly using non-standard tools such as asset buyout programmes and programmes that support lending to the non-financial sector;
- the emergency fiscal solutions announced by the individual governments and the European Commission, aimed at maintaining employment, protecting the corporate liquidity and stimulating demand;
- the risk of political instability in a number of countries and the growing geopolitical tensions – the US presidential elections scheduled for 3 November are important in this context;
- uncertainty as to the ultimate shape of the economic relations between the UK and the European Union after the Brexit, which took place on 31 January 2020 (the transition period following the UK's exit from the European Union commenced at the end of January and will last until the end of 2020).

IN THE POLISH ECONOMY

- sharp decline in GDP dynamics (first recession in almost 30 years);
- a deterioration in the situation on the labour market, including an increase in the unemployment rate, a decrease in employment and slow-down of wage growth;
- probable stabilization of NBP interest rates at a record low level and changes in other monetary policy parameters (e.g. reduction in the mandatory reserve rate and increase in interest rates on funds in the reserve) and regulatory changes (e.g. reduction in the system risk buffer to 0% from 3%);
- a persistent high level of uncertainty (e.g. as to the further development of the pandemic and its effect on the economy), which leads to risk aversion and increased variability (in terms of market and economic trends);
- likely low investment activity in the second half of the year and its revival in the following years, associated, among other things, with the inflow of funds from the European Union's reconstruction programme;
- maintained lower demand for loans, accompanied by an increased volume of deposits (effects of anti-crisis actions).

NEW REGULATORY SOLUTIONS

- possible further solutions implemented by the government as part of the Anti-Crisis Shields;
- a draft act on amending the Act on the Bank Guarantee Fund, deposit guarantee scheme and resolution and certain other acts, transposing BRRD2 to the Polish legal system;
- planned amendments to the Decree of the Minister of Finance on the criteria and methods for performing the Supervisory Review and Evaluation Process at banks. The aim of the project is to make the necessary changes to the Polish legal system in connection with the implementation of the European legal regulations concerning the capital requirements for financial institutions, i.e. the CRD V/CRR II package;
- potential implementation of a package of quick changes adopted by the European Commission on 28 April 2020 (and by the European Parliament on 18 June 2020) to the CRR Regulation (known as the CRR quick fix), aimed at making it easier for banks to grant loans to households and enterprises in the European Union and, consequently, reducing the significant adverse effect of the coronavirus pandemic on the economy;
- draft guidelines of the European Central Bank concerning the climate and environmental risks, containing a number of supervisory expectations in the area of risk management and disclosures;
- potential statutory solutions for the transfer of funds accumulated in open pension funds (OPFs) to individual pension accounts or to the Social Security Institution;
- potential regulatory solutions concerning foreign currency-denominated residential loans of households, including the solutions resulting from the judgment of the Court of Justice of the European Union (CJEU) of 3 October 2019, and any subsequent court judgments, setting the line of interpretation in the event that a national court finds an abusive clause in a loan agreement.

5. SIGNIFICANT ACHIEVEMENTS AND THE MOST IMPORTANT EVENTS

SELECTED FINANCIAL DATA

The consolidated net profit of the PKO Bank Polski S.A. Group earned in the three quarters of 2020 amounted to PLN 2,018 million and was PLN 1,290 million (-39%) lower than in the corresponding period of 2019.

The decrease in the net profit was due to the following:

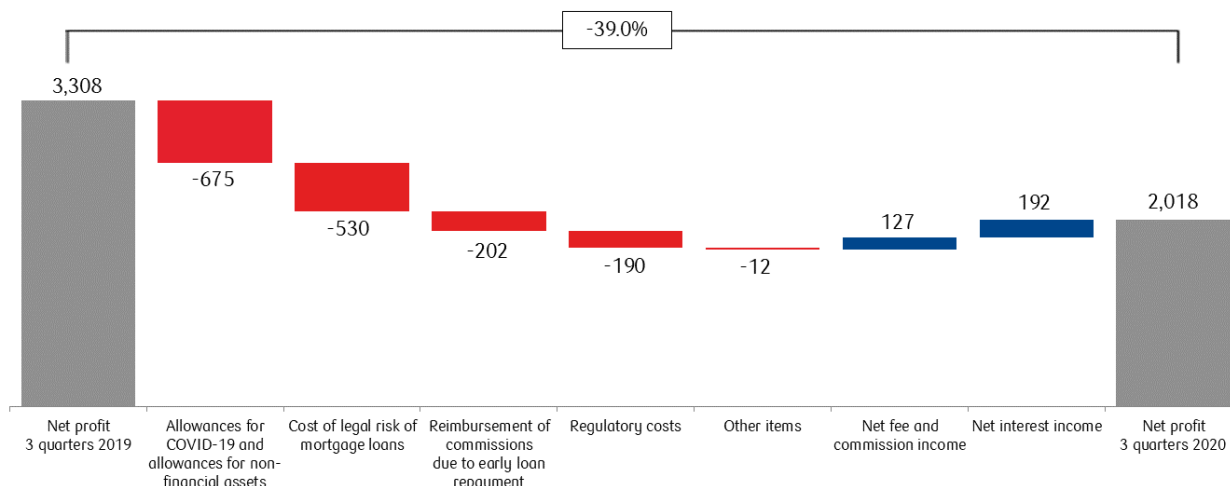
- 1) deterioration by PLN 1,299 million of net write-downs and impairment,⁵ including as a result of recognizing write-downs in connection with COVID-19 and write-downs of non-financial assets in the amount of PLN 675 million, and higher legal risk costs of mortgage loans of PLN 530 million;
- 2) an increase in operating expenses of PLN 69 million, including an increase in regulatory costs of PLN 190 million, accompanied by a decrease in employee benefit costs of PLN 121 million;
- 3) a deterioration in the result on business activities of PLN 125 million, mainly as a result of:
 - PLN 202 million higher reimbursements of commission due to early repayment fees charged to net interest income and net other operating income and expenses;
 - a decrease in other result⁶ of PLN 242 million;
 - an increase in net fee and commission income of PLN 127 million;
 - an increase in net interest income of PLN 192 million⁷.

⁵ The net write-downs and impairment comprise net write-downs for expected credit losses, net impairment write-downs on non-financial assets, the result on loans measured at fair value through profit or loss and costs of legal risk of mortgage loans in convertible currencies.

⁶ Including: a decrease in net other operating income and expenses of PLN 174 million (excluding PLN 36 million higher reimbursements of commission due to early repayment), result on financial transactions of PLN 65 million and foreign exchange result of PLN 5 million, accompanied by an increase in dividend income of PLN 2 million.

⁷ Excluding PLN 166 million higher reimbursements of commission due to early repayment of a loan.

Change in net profit of the PKO Bank Polski S.A. Group (PLN million)



Events that had a material impact on the net profit of the Bank's Group generated in the three quarters of 2020 as compared to three quarters of 2019:

ALLOWANCES FOR COVID-19 AND ALLOWANCES FOR NON-FINANCIAL ASSETS

- recognition of the effect of COVID-19 on the deterioration in the quality of the Bank's Group's loan portfolio and other financial assets of PLN -428 million;
- recognition of an impairment allowance in respect of the shares of Bank Pocztowy S.A. of PLN -100 million;
- recognition of an impairment allowance in respect of the Nordea Bank Polska S.A. corporate CGU⁸ of PLN -116 million and recognition of goodwill impairment allowance on the acquisition of PKO Leasing Pro S.A. of PLN -31 million, resulting from the outbreak of the COVID-19 pandemic and its effects (an increase in the costs of credit risk and an expected decrease in economic activity) and an interest rate decrease, along with the high level of regulatory charges (tax on certain financial institutions and fees to the Bank Guarantee Fund), which caused a significant decrease in the expected profitability of banking activities;

COST OF LEGAL RISK OF MORTGAGE LOANS

- recognition of costs of legal risk of mortgage loans in convertible currencies in the amount of PLN -535 million (in the corresponding period of 2019 PLN -5 million was recognized);

REIMBURSEMENT OF COMMISSIONS DUE TO EARLY LOAN REPAYMENT

- recognition of the costs resulting from the judgment of the Court of Justice of the European Union (CJEU) concerning the consumer's right to reduce the costs of a loan in the case of its repayment before the deadline set in the loan agreement amounting to PLN -271 million, of which PLN -166 million was charged to net interest income as a result of the recognition of automatic repayments and PLN -105 million was charged to other operating income and expenses as a provision for potential return of fees and commission to Customers (in the corresponding period of 2019, PLN -69 million was recorded as a provision in other operating income and expenses);

REGULATORY COSTS

- a PLN 88 million increase in the costs of withholding tax on foreign bond issues in connection with the adjustment to grossing up of interest for the years 2017-2019 recognized in the first quarter of 2019 and the recognition of a 3% tax on the interest paid for the period from 2014 to the first quarter of 2019;

OTHER ITEMS

- recognition of a cost of PLN -41 million of the penalty imposed by the Office of Competition and Consumer Protection on account of the Bank's use of clauses in model agreements with customers concerning the manner of setting foreign currency buying and selling rates;
- recognition of the valuation of VISA Inc. shares in the amount of PLN -2 million in the result on financial transactions (in the corresponding period of 2019, the valuation impact was PLN +47 million);

⁸ I.e. one of the cash generating units to which goodwill is allocated.

- recognition of a gain of PLN 80 million on the bargain acquisition of Prime Car Management S.A. in June 2019;
- recognition in the consolidated profit for 2020 the effect of Prime Car Management S.A. acquired in June 2019 – mainly the effect on net fee and commission income of PLN +42 million and the effect on operating expenses of PLN -31 million (including: personnel expenses of PLN -22 million, and non-personnel expenses of PLN -7 million).

As a result of the actions taken in the three quarters of 2020, the scale of the Group's operations increased significantly, both in relation to the corresponding period of the previous year and to the end of the year 2019:

- total assets reached the level of approx. PLN 377 billion, which is PLN 35 billion more than in the same period of the previous year and PLN 29 billion more than as at the end of the year 2019;
- the financing granted to Customers amounted to approx. PLN 243 billion, which is PLN 1 billion less than as at the end of September 2019 and PLN 1 billion less than as at the end of 2019. This decrease was mainly due to the decreases in the financing granted to corporate Customers;
- Customer deposits increased to PLN 279 billion, which is PLN 30 billion more than as at the end of September 2019 and PLN 23 billion more than as at the end of December 2019. This was mainly the effect of an increase in deposits of individuals.

As at the end of the third quarter of 2020, the share of impaired loans⁹ was 4.3% on a consolidated basis (down by 0.2 pp compared with the third quarter of 2019) and 4.5% on a standalone basis (down by 0.1 pp compared with the third quarter of 2019) – the decrease in the ratios is mainly the effect of selling receivables.

As at 30 September 2020, the Bank's Group:

- retained a high share in the loans and savings market of 17.6% and 17.8%, respectively;
- was the leader of the market of investment funds for private individuals with the market share of 19.0%.

THE GROUP IMPROVES THE EFFICIENCY OF USING RESOURCES

The Bank implemented the following procedures aimed at protecting the natural environment:

- segregation of municipal waste in another 264 locations (in total 471 locations);
- training in the principles of ecological car use for employees;
- obtaining from an electricity seller a guarantee of origin for electricity purchased in 2020 as being produced from low emission sources;
- the replacement of air conditioners and the removal of obsolete and inefficient equipment operating on the cooling factor that has been withdrawn;
- replacement of oil-fired furnaces with heating from the network and gas-fired furnaces.

EMPLOYEE CAPITAL PLANS

In the three quarters of 2020, PKO Towarzystwo Funduszy Inwestycyjnych S.A. (PKO TFI S.A.) signed 3,507 agreements on management of Employee Capital Plans (PPK). The total number of management agreements signed as of 30 September 2020 amounted to 5,285, including 1,301 agreements with companies employing 250 or more employees. PPK accounts managed by the company contain assets of PLN 679 million. PKO TFI S.A. remains the leader on the PPK market – it manages assets which constitute 41% of the assets in programmes operated by investment fund companies and nearly 35% of total assets on the PPK market¹⁰.

⁹ Share of impaired loans in the loan portfolio – calculated by dividing the gross carrying amount of impaired loans and advances including loans at fair value through profit or loss and corporate and municipal bonds (not covered by State Treasury guarantees) by the carrying amount of the gross loans in the portfolio.

¹⁰ Source: Analizy Online, PFSA.



Bank Polski

**Condensed interim
consolidated financial statements
of the PKO Bank Polski S.A. Group
for the nine-month period
ended 30 September 2020**

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CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT	Note	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Interest income	7	2 679	8 939	3 252	9 400
Calculated under the effective interest rate method on financial instruments		2 365	8 037	2 471	8 325
Income similar to interest income on instruments measured at fair value through profit or loss		314	902	781	1 075
Interest expense	7	(237)	(1 260)	(592)	(1 747)
Net interest income		2 442	7 679	2 660	7 653
Fee and commission income	8	1 272	3 674	1 232	3 561
Fee and commission expense	8	(280)	(780)	(279)	(794)
Net fee and commission income		992	2 894	953	2 767
Dividend income		1	15	1	13
Net gain/(loss) on financial instruments measured at fair value through profit or loss	9	(12)	(158)	(8)	49
impact of COVID -19 on loan portfolio	37	(18)	(44)	-	-
Net foreign exchange gains/(losses)		38	81	20	86
Gains/(losses) on derecognition of financial instruments not measured at fair value through profit or loss		68	150	57	143
measured at fair value through OCI		71	177	56	142
measured at amortized cost		(3)	(27)	1	1
Net allowances for expected credit losses, including impact of COVID -19 on loan portfolio	10	(370)	(1 246)	(273)	(917)
Net impairment allowances on non-financial assets	37	(66)	(384)	-	-
Cost of legal risk of mortgage loans in convertible currencies	11	(71)	(336)	(21)	(31)
Net other operating income and expense	38	(345)	(535)	(1)	(5)
Administrative expenses	12	(51)	(97)	(49)	113
Net regulatory charges	13	(1 250)	(3 900)	(1 359)	(4 021)
Tax on certain financial institutions	14	(109)	(667)	(59)	(477)
Operating profit/(loss)		1 072	3 086	1 660	4 609
Share in profits and losses of associates and joint ventures		12	15	9	23
Profit before tax		1 084	3 101	1 669	4 632
Income tax expense	15	(372)	(1 086)	(440)	(1 324)
Net profit (including non-controlling shareholders)		712	2 015	1 229	3 308
Profit (loss) attributable to non-controlling shareholders		-	(3)	-	-
Net profit attributable to equity holders of the parent		712	2 018	1 229	3 308
Earnings per share		-	-	-	-
- basic earnings per share for the period (PLN)		1	1,61	1	3
- diluted earnings per share for the period (PLN)		1	1,61	1	3
Weighted average number of ordinary shares during the period (in million)		1 250	1 250	1 250	1 250
Weighted average diluted number of ordinary shares during the period (in million)		1 250	1 250	1 250	1 250

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Net profit (including non-controlling shareholders)		712	2 015	1 229	3 308
Other comprehensive income:		10	1 183	182	399
Items which may be reclassified to profit or loss		10	1 183	182	399
Cash flow hedges (gross)	17	(96)	528	93	422
Deferred tax	15,17	19	(100)	(18)	(80)
Cash flow hedges (net)		(77)	428	75	342
Revaluation of fair value of financial assets measured at fair value through OCI, gross		210	1 172	126	132
Gains /losses transferred to profit or loss (on disposal)		(71)	(177)	(56)	(142)
Deferred tax	15	(26)	(187)	(14)	3
Fair value of financial assets measured at fair value through OCI (net)		113	808	56	(7)
Foreign exchange differences on translation of foreign operations		(34)	(61)	53	64
Share in other comprehensive income of associates and joint ventures		8	8	(2)	-
Total net comprehensive income		722	3 198	1 411	3 707
Total net comprehensive income, of which attributable to:		722	3 198	1 411	3 707
equity holders of the parent		722	3 201	1 411	3 707
non-controlling shareholders		-	(3)	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30.09.2020	31.12.2019
ASSETS			
Cash and balances with the Central Bank		3 736	14 677
Amounts due from banks	16	2 637	4 092
Hedging derivatives	17	1 394	645
Other derivative instruments	18	5 156	2 795
Securities	19	121 989	80 573
Reverse repo transactions		8	1 081
Loans and advances to customers	20	229 255	230 206
Receivables in respect of insurance activities		819	858
Property, plant and equipment under operating lease		1 133	1 300
Property, plant and equipment		2 997	3 142
Non-current assets held for sale		20	12
Intangible assets		3 023	3 178
Investments in associates and joint ventures		301	377
Current income tax receivables		15	5
Deferred income tax assets		1 753	2 243
Other assets	21	2 381	2 713
TOTAL ASSETS		376 617	347 897
	Note	30.09.2020	31.12.2019
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to banks		2 629	2 135
Hedging derivatives	17	668	589
Other derivative instruments	18	5 278	2 924
Amounts due to customers	22	279 053	256 170
Liabilities in respect of insurance activities		1 754	1 777
Loans and advances received	23	2 452	2 779
Debt securities in issue	23	30 568	31 148
Subordinated liabilities	23	2 704	2 730
Other liabilities	24	5 378	4 791
Current income tax liabilities		143	324
Deferred income tax provision		373	370
Provisions	25	841	582
TOTAL LIABILITIES		331 841	306 319
Equity			
Share capital		1 250	1 250
Other capital		35 382	34 205
Retained earnings		6 138	2 101
Net profit or loss for the year		2 018	4 031
Capital and reserves attributable to equity holders of the parent		44 788	41 587
Non-controlling interests		(12)	(9)
TOTAL EQUITY		44 776	41 578
TOTAL LIABILITIES AND EQUITY		376 617	347 897
Total capital ratio	42	19,58%	18,42%
Book value (in PLN million)		44 776	41 578
Number of shares (in million)		1 250	1 250
Book value per share (in PLN)		35,82	33,26
Diluted number of shares (in million)		1 250	1 250
Diluted book value per share (in PLN)		35,82	33,26



Bank Polski

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR 9 MONTHS ENDED 30 SEPTEMBER 2020	Share capital	Other capital Reserves				Total other capital and reserves	Retained earnings	Net profit for the period	Capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Supplementary capital	General banking risk fund	Other reserves	Accumulated other comprehensive income						
1 January 2020	1 250	29 429	1 070	3 237	469	34 205	2 101	4 031	41 587	(9)	41 578
Transfer of prior year profit	-	-	-	-	-	-	4 031	(4 031)	-	-	-
Total comprehensive income, of which:	-	-	-	-	1 183	1 183	-	2 018	3 201	(3)	3 198
Net profit for the year	-	-	-	-	-	-	-	2 018	2 018	(3)	2 015
Other comprehensive income	-	-	-	-	1 183	1 183	-	-	1 183	-	1 183
Coverage of losses from previous years ¹	-	-	-	(111)	-	(111)	111	-	-	-	-
Transfer from retained earnings to equity	-	90	-	15	-	105	(105)	-	-	-	-
30 September 2020	1 250	29 519	1 070	3 141	1 652	35 382	6 138	2 018	44 788	(12)	44 776

¹ The item includes, among other things, the coverage of the Bank's prior years' losses which arose on the change of accounting policies following from the first-time adoption of IFRS 16, of PLN 111 million, with reserves.

FOR 9 MONTHS ENDED 30 SEPTEMBER 2020	Accumulated other comprehensive income					
	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through OCI	Cash flow hedges	Actuarial gains and losses	Foreign exchange differences on translation of foreign branches	Total
1 January 2020	(13)	456	232	(15)	(191)	469
Total comprehensive income, of which:	8	808	428	-	(61)	1 183
Other comprehensive income	8	808	428	-	(61)	1 183
30 September 2020	(5)	1 264	660	(15)	(252)	1 652

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020
(IN PLN MILLION)



FOR 9 MONTHS ENDED 30 SEPTEMBER 2019	Share capital	Other capital Reserves					Total other capital and reserves	Retained earnings	Net profit for the period	Capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Supplementary capital	General banking risk fund	Other reserves	Accumulated other comprehensive income							
31 December 2018	1 250	29 354	1 070	3 831	250	34 505	(385)	3 741	39 111	(10)	39 101	
Changes due to IFRS 16 implementation	-	-	-	-	-	-	(111)	-	(111)	-	(111)	
As at 1 January 2019 (restated)	1 250	29 354	1 070	3 831	250	34 505	(496)	3 741	39 000	(10)	38 990	
Transfer from retained earnings	-	-	-	-	-	-	3 741	(3 741)	-	-	-	
Dividend paid	-	-	-	-	-	-	(1 662)	-	(1 662)	-	(1 662)	
Total comprehensive income, of which:	-	-	-	-	399	399	-	3 308	3 707	-	3 707	
Net profit for the year	-	-	-	-	-	-	-	3 308	3 308	-	3 308	
Other comprehensive income	-	-	-	-	399	399	-	-	399	-	399	
Transfer from retained earnings to equity	-	75	-	13	-	88	(88)	-	-	-	-	
Coverage of losses from previous years ¹	-	-	-	(606)	-	(606)	606	-	-	-	-	
30 September 2019	1 250	29 429	1 070	3 238	649	34 386	2 101	3 308	41 045	(10)	41 035	

¹ The item includes, among other things, the coverage of the Bank's prior years' losses which arose on the change of accounting policies following from the first-time adoption of IFRS 9, of PLN 535 million, with other reserves.

FOR 9 MONTHS ENDED 30 SEPTEMBER 2019	Accumulated other comprehensive income					
	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through OCI	Cash flow hedges	Actuarial gains and losses	Foreign exchange differences on translation of foreign branches	Total
1 January 2019	(13)	492	22	(10)	(241)	250
Total comprehensive income, of which:	-	(7)	342	-	64	399
Other comprehensive income	-	(7)	342	-	64	399
30 September 2019	(13)	485	364	(10)	(177)	649



CONSOLIDATED STATEMENT OF CASH FLOWS

	01.01- 30.09.2020	01.01- 30.09.2019
Cash flows from operating activities		
Profit before tax	3 101	4 632
Total adjustments:	25 423	(6 153)
Amortization and depreciation	873	782
(Gains)/losses on investing activities	4	(16)
Interest and dividends	(718)	(593)
Change in:		
amounts due from banks	(247)	24
hedging derivatives	(670)	47
other derivatives	(7)	(451)
securities	(1 039)	(1 574)
loans and advances to customers	(154)	(12 832)
reverse repo transactions	1 073	(1 320)
receivables in respect of insurance activities	39	(162)
non-current assets held for sale	(10)	-
other assets	272	(625)
accumulated allowances for expected credit losses	1 343	(434)
accumulated allowances for non-financial assets and other provisions	379	36
amounts due to banks	494	(49)
amounts due to customers	22 883	12 170
liabilities due to insurance activities	(23)	246
loans and advances received	303	(1 851)
debt securities in issue	348	465
subordinated liabilities	(26)	(23)
other liabilities	762	911
Income tax paid	(1 072)	(1 179)
Other adjustments	616	275
Net cash from/used in operating activities	28 524	(1 521)

	01.01- 30.06.2020	01.01- 30.06.2019
Cash flows from investing activities		
Inflows from investing activities	46 618	185 056
Redemption and interest on securities measured at fair value through other comprehensive income	45 475	178 868
Redemption and interest on securities measured at amortized cost	787	6 009
Sale of intangible assets, property, plant and equipment, including transferred under operating leases, and assets held for sale	342	142
Other inflows from investing activities (dividends)	14	37
Outflows from investing activities	(85 500)	(194 664)
Purchase of shares in subsidiaries, net of cash acquired	-	(279)
Purchase of securities measured at fair value through other comprehensive income	(53 874)	(183 270)
Purchase of securities measured at amortized cost	(30 710)	(10 549)
Purchase of intangible assets and property, plant and equipment, including transferred under operating leases	(916)	(566)
Net cash from/used in investing activities	(38 882)	(9 608)
	01.01- 30.06.2020	01.01- 30.06.2019
Cash flows from financing activities		
Proceeds from issue of debt securities	4 968	10 436
Redemption of debt securities	(5 896)	(7 431)
Dividend paid	-	(1 662)
Taking up loans and advances	-	153
Repayment of loans and advances	(630)	(3 164)
Payment of lease liabilities	(175)	(166)
Repayment of interest on long-term borrowings	(554)	(491)
Net cash from/used in financing activities	(2 287)	(2 325)
Total net cash flows	(12 645)	(13 454)
of which foreign exchange differences on cash and cash equivalents	80	93
Cash and cash equivalents at the beginning of the period	18 681	30 526
Cash and cash equivalents at the end of the period	6 036	17 072



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION ABOUT THE GROUP

BUSINESS 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 Minister of Post and Telegraph Hubert Linde, being simultaneously the 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 with its head office in Warsaw, ul. Puławska 15, 02-515 Warsaw, Poland.

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 competent for the Bank's affairs is the District Court in Warsaw, 13th Business Department of the National Court Register. The Bank was registered under the number KRS 000026438 and was assigned the statistical number REGON 016298263.

According to the Bulletin of the Warsaw Stock Exchange (Cedula Giełdowa), the Bank is classified under the macrosector "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, 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, insurance and fleet management services, transfer agent services, provides technological solutions, IT outsourcing and business outsourcing services, and property management services.

INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

As at 26 August 2020 the Bank's General Shareholders' Meeting appointed the following persons as members of the Supervisory Board (Members of the Supervisory Board as at 30 September 2020)

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

The General Shareholders' Meeting of the Bank adopted a policy on the assessment of the suitability of candidates as members of the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski S.A. and confirmed the suitability of the appointed body.

As at 30 September 2020, the Bank's Management Board consisted of:

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

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 30.09.2020	Purchase	Sale	Number of shares as at 31.12.2019
Management Board					
1.	Zbigniew Jagiełło, President of the Management Board	14 000	3 000	0	11 000
2.	Rafał Antczak, Vice-President of the Management Board	2 000	2 000	0	0
3.	Rafał Kozłowski, Vice-President of the Management Board	2 000	2 000	0	0
4.	Maks Kraczkowski, Vice-President of the Management Board	0	0	0	0
5.	Mieczysław Król, Vice-President of the Management Board	6 000	1 000	0	5 000
6.	Adam Marciniak, Vice-President of the Management Board	2 000	2 000	0	0
7.	Piotr Mazur, Vice-President of the Management Board	8 000	3 500	0	4 500
8.	Jakub Papierski, Vice-President of the Management Board	5 000	2 000	0	3 000
9.	Jan Emeryk Rościszewski, Vice-President of the Management Board	0	0	0	0

2. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements of the Group ([FINANCIAL STATEMENTS](#)), subject to review by the Supervisory Board Audit Committee and of the Supervisory Board on 3 November 2020, were approved for publication by the Bank's Management Board on 3 November 2020.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements cover the nine-month period ended 30 September 2020 and contain comparative data:

- for the nine-month period ended 30 September 2019 (with regard to the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows);
- as at 31 December 2019 with regard to the statement of consolidated financial position.

The financial data is presented in Polish zloty (PLN) in millions, unless otherwise indicated. Therefore, differences may arise due to rounding to full PLN millions.

These financial statements were prepared in accordance with the requirements of International Accounting Standard No. 34 Interim Financial Reporting as endorsed by the European Union, taking into account the income tax charge calculated on the profit based on the best estimate of the weighted average of the annual tax rate that the Bank expects for the full financial year.

The accounting policies and calculation methods applied in the preparation of these condensed interim consolidated financial statements are consistent with the principles applied in the financial year ended 31 December 2019, except for the changes described in the note "Amendments to the accounting policies binding as of 1 January 2020 and an explanation of the differences between previously published financial statements and these financial statements".

The financial statements for the nine-months period ended 30 September 2020 do not contain all the information and disclosures that are required in the annual financial statements and they should be read together with the annual consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2019 prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union.

GOING CONCERN

These financial statements were prepared on the assumption that the Group would continue as a going concern for a period of at least 12 months from the publication date, i.e. from 4 November 2020. As at the date of signing these consolidated financial statements, the Bank's Management Board is not aware of any facts or circumstances that would indicate a threat to the Bank 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 Group's existing operations.

The impact of COVID 19 on the activities of the Group and the banking sector is described in detail in the note "Credit Risk Management".

MANAGEMENT REPRESENTATION

The Management Board hereby represents that, to the best of its knowledge, the Group's consolidated financial statements 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.

4. AMENDMENTS TO THE ACCOUNTING PRINCIPLES BINDING AS OF 1 JANUARY 2020 AND AN EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

- CHANGES TO THE GROUP'S ACCOUNTING POLICIES

In order to better reflect the Group's operations in the financial statements, changes were made to accounting policies and presentation which have been described in detail in the condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the six months ended on 30 June 2020:



Bank Polski

RESTATED INCOME STATEMENT – FOR THE PERIOD FROM 1 JANUARY – 30 SEPTEMBER 2019, 1 JULY – 30 SEPTEMBER 2019

INCOME STATEMENT - items subject to reclassification and changes	01.01 - 30.09.2019 before restatement	reclassification of premium on debt securities	reclassification of transaction margin	presentation of income and costs relating to currency contracts	reclassification cost of the legal risk of mortgage loans in convertible currencies	reclassification of net income on insurance activities and net income on operating leases	01.01-30.09.2019 restated
Interest income	9 484	(82)	-	(2)	-	-	9 400
Interest expenses	(1 829)	82	-	-	-	-	(1 747)
Net interest income	7 655	-	-	(2)	-	-	7 653
Fee and commission income	3 070	-	276	-	-	215	3 561
Fee and commission expense	(794)	-	-	-	-	-	(794)
Net fee and commission income	2 276	-	276	-	-	215	2 767
Net foreign exchange gains / (losses)	360	-	(276)	2	-	-	86
Cost of the legal risk of mortgage loans in convertible currencies other	-	-	-	-	(5)	-	(5)
Net other operating income and expense	422	-	-	-	5	(314)	113
Administrative expenses	(4 120)	-	-	-	-	99	(4 021)
Net profit attributable to equity holders of the parent company	3 308	-	-	-	-	-	3 308

INCOME STATEMENT- items subject to reclassification and changes	01.01 - 30.09.2019 before restatement	reclassification of premium on debt securities	reclassification of transaction margin	presentation of income and costs relating to currency contracts	reclassification cost of the legal risk of mortgage loans in convertible currencies	reclassification of net income on insurance activities and net income on operating leases	01.01-30.09.2019 restated
Interest income	3 285	(31)	-	(2)	-	-	3 252
Interest expenses	(623)	31	-	-	-	-	(592)
Net interest income	2 662	-	-	(2)	-	-	2 660
Fee and commission income	1 049	-	97	-	-	86	1 232
Fee and commission expense	(279)	-	-	-	-	-	(279)
Net fee and commission income	770	-	97	-	-	86	953
Net foreign exchange gains / (losses)	115	-	(97)	2	-	-	20
Net other operating income and expense	88	-	-	-	1	(138)	(49)
Administrative expenses	(1 411)	-	-	-	-	52	(1 359)
Net profit attributable to equity holders of the parent company	1 229	-	-	-	-	-	1 229



Bank Polski

RESTATED STATEMENT OF FINANCIAL POSITION – ASSETS, LIABILITIES AS AT 31 DECEMBER 2019

ASSETS - items subject to reclassification and changes	31.12.2019 before restatement	Property, plant and equipment provided under operating leases	Receivables in respect of insurance activities	Reverse repo transactions	Reclassification of the potential refunds of costs to customers on expected early repayment of open consumer and mortgage loans	31.12.2019 restated
Reverse repo transactions	-	-	-	1 081	-	1 081
Amounts due to customers	231 434	-	-	(1 081)	(147)	230 206
Receivables in respect of insurance activities	-	-	858	-	-	858
Property, plant and equipment under operating lease	-	1 300	-	-	-	1 300
Property, plant and equipment	4 442	(1 300)	-	-	-	3 142
Other assets	3 571	-	(858)	-	-	2 713
TOTAL ASSETS	348 044	-	-	-	(147)	347 897

LIABILITIES - items subject to reclassification and changes	31.12.2019 before restatement	Loans and borrowings received	Liabilities in respect of insurance activities	Reclassification of “current income tax liabilities” to “deferred income tax provision”	Reclassification of the potential refunds of costs to customers on expected early repayment of open consumer and mortgage loans	31.12.2019 restated
Amounts due to banks	2 885	(750)	-	-	-	2 135
Amounts due to customers	258 199	(2 029)	-	-	-	256 170
Liabilities in respect of insurance activities	1 640	-	137	-	-	1 777
Loans and advances received	-	2 779	-	-	-	2 779
Other liabilities	5 075	-	(137)	-	(147)	4 791
Current income tax liabilities	455	-	-	(131)	-	324
Deferred income tax provision	239	-	-	131	-	370
TOTAL LIABILITIES	306 466	-	-	-	(147)	306 319



Bank Polski

RESTATED STATEMENT OF CASH FLOWS – FOR THE PERIOD FROM 1 JANUARY – 30 SEPTEMBER 2019

CONSOLIDATED STATEMENT OF CASH FLOWS	01.01 - 30.09.2019 before restatement	separate disclosure of "Loans and advances received"	separate disclosure of "Receivables in respect of insurance activities"	reclassified to "Liabilities in respect of insurance activities"	separate disclosure of "Reverse repo transactions" and "Repo transactions"	01.01- 30.09.2019 restated
Cash flows from operating activities						
Change in:	-	-	-	-	-	-
loans and advances to customers	(14 152)	-	-	-	1 320	(12 832)
reverse repo transactions	-	-	-	-	(1 320)	(1 320)
receivables in respect of insurance activities	-	-	(162)	-	-	(162)
other assets	(787)	-	162	-	-	(625)
amounts due to customers	10 319	1 851	-	-	-	12 170
liabilities in respect of insurance activities	274	-	-	(28)	-	246
loans and borrowings received	-	(1 851)	-	-	-	(1 851)
other liabilities	883	-	-	28	-	911
	-	-	-	-	-	-
TOTAL	(3 463)	-	-	-	-	(3 463)

5. NEW STANDARDS AND INTERPRETATIONS, AND AMENDMENTS THERETO

In the Group's condensed interim consolidated financial statements for the six months ended 30 June 2020 the standards and interpretations, and the amendments thereto binding as of 1 January 2020 were described, as well as new standards and interpretations, and the amendments thereto, which have been published but are not yet endorsed by the European Union. New standards and interpretations, and amendments thereto, which have been published but have not been endorsed by the European Union, are presented below.

STANDARDS AND INTERPRETATIONS (IN BRACKETS: EFFECTIVE DATE IN EU / PLANNED DATE OF ENDORSEMENT BY EU)	DESCRIPTION OF CHANGES AND IMPACT
AMENDMENTS 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 they explain that the classification of liabilities as current or non-current should relate to the regulations existing as at the end of the reporting period. The amendments will be applied prospectively.</p> <p>The Group does not expect these amendments to have a material impact on the consolidated financial statements.</p>
AMENDMENTS TO IFRS 16 LEASES (1.06.2020/9.10. 2020)	<p>These amendments stipulate the possibility of not treating the rent concessions as modifications of leases by the recipients of the concessions if they are the direct consequence of COVID-19 and meet the respective criteria.</p> <p>The Group does not expect these amendments to have a material impact on the consolidated financial statements.</p>
AMENDMENTS TO IFRS 4 INSURANCE CONTRACTS (1.01.2021/4TH QUARTER 2020)	<p>The amendments stipulate two optional solutions to reduce the impact of different dates of IFRS 9 and IFRS 17 coming into force.</p> <p>The Group did not estimate the respective impact.</p>
AMENDMENTS TO IFRS 9, IFRS 7, IAS 39 AND IFRS 16, IFRS 4 – IBOR REFORM – PHASE 2 (1.01.2021/4TH QUARTER 2020)	<p>The regulations published under Phase 2 of the IBOR reform relate to:</p> <ul style="list-style-type: none"> • changes in contractual cash flows – adding a solution to IFRS 9 which will enable recognizing modifications of contractual cash flows with respect to the IBOR reform by updating the effective interest rate of the contract to reflect the transition to an alternative reference rate (derecognition or adjustment of the carrying amount of financial instruments will not be compulsory); an analogical solution relates to IFRS 16 regarding the scope of recognition of lease modifications by lessees; • hedge accounting – discontinuation of using hedge accounting only due to the changes required by the reform will not be compulsory if the collateral meets other hedge accounting criteria; and • disclosures – the company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative reference rates. <p>The Group did not estimate the respective impact.</p>

6. INFORMATION ON BUSINESS SEGMENTS

The PKO Bank Polski S.A. Group conducts business activities within the following segments: retail, corporate and investment, and the transfer & other activities centre. Information about the segments was provided in the consolidated financial statements of the Group for the year 2019.

FOR 9 MONTHS ENDED 30 SEPTEMBER 2020	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the PKO Bank Polski SA Group
Net interest income	5 816	2 430	(567)	7 679
Net fee and commission income	2 298	605	(9)	2 894
Other net income	(263)	225	29	(9)
Net gain/(loss) on financial instruments measured at fair value through profit or loss	(102)	(54)	(2)	(158)
Net foreign exchange gains/(losses)	(26)	91	16	81
Gains/(losses) on derecognition of financial assets and financial liabilities not measured at fair value through profit or loss	(12)	162	-	150
Dividend income	-	15	-	15
Net other operating income and expense	(142)	30	15	(97)
Income/(expenses) relating to internal customers	19	(19)	-	-
Allowances for expected credit losses	(834)	(423)	11	(1 246)
Net impairment allowances on non-financial assets	(72)	(18)	(246)	(336)
Cost of legal risk of mortgage loans in convertible currencies	(535)	-	-	(535)
Administrative expenses, of which:	(3 235)	(669)	4	(3 900)
depreciation and amortisation	(619)	(111)	-	(730)
Net regulatory charges	(473)	(159)	(35)	(667)
Tax on certain financial institutions	(555)	(239)	-	(794)
Share in profits and losses of associates and joint ventures	-	-	-	15
Segment profit/(loss), gross	2 147	1 752	(813)	3 101
Income tax expense (tax burden)				(1 086)
Profit (loss) attributable to non-controlling shareholders				(3)
Net profit attributable to equity holders of the parent				2 018

30 SEPTEMBER 2020	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the PKO Bank Polski SA Group
Assets	184 447	184 511	5 590	374 548
Investments in associates and joint ventures	-	301	-	301
Unallocated assets	-	-	-	1 768
Total assets	184 447	184 812	5 590	376 617
Liabilities	240 897	59 799	30 629	331 325
Unallocated liabilities	-	-	-	516
Total liabilities	240 897	59 799	30 629	331 841

In 2020 the Group introduced a change in the manner of determining the management profit/(loss) on operating segments by allocating the benefits from reinvesting the capital from the Transfer Centre to the Retail Segment and to the Corporate and Investment Segment. In addition, during 2019 the manner of determining the management profit/(loss) on the investment securities portfolio was changed. In connection with these changes, the respective data for the nine-month period ended 30 September 2019 was adjusted so as to be comparable.

FOR 9 MONTHS ENDED 30 SEPTEMBER 2019	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the PKO Bank Polski SA Group
Net interest income	6 436	1 353	(136)	7 653
Net fee and commission income	2 192	590	(15)	2 767
Other net income	174	216	14	404
Net gain/(loss) on financial instruments measured at fair value through profit or loss	41	40	(32)	49
Net foreign exchange gains/(losses)	12	33	41	86
Gains/(losses) on derecognition of financial assets and financial liabilities not measures at fair value through profit or loss	5	138	-	143
Dividend income	-	13	-	13
Net other operating income and expense	96	12	5	113
Income/(expenses) from/to internal customers	20	(20)	-	-
Allowances for expected credit losses	(731)	(186)	-	(917)
Net impairment allowances on non-financial assets	(12)	(19)	-	(31)
Cost of legal risk of mortgage loans in convertible currencies	(5)	-	-	(5)
Administrative expenses, of which:	(3 347)	(673)	(1)	(4 021)
depreciation and amortisation	(598)	(85)	-	(683)
Net regulatory charges	(447)	(113)	83	(477)
Tax on certain financial institutions	(521)	(234)	(9)	(764)
Share in profits and losses of associates and joint ventures	-	-	-	23
Segment profit/(loss), gross	3 739	934	(64)	4 632
Income tax expense (tax burden)				(1 324)
Profit (loss) attributable to non-controlling shareholders				-
Net profit attributable to equity holders of the parent				3 308

31 DECEMBER 2019	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the PKO Bank Polski SA Group
Assets	183 815	154 392	7 065	345 272
Investments in associates and joint ventures	-	377	-	377
Unallocated assets	-	-	-	2 248
Total assets	183 815	154 769	7 065	347 897
Liabilities	208 660	59 002	37 963	305 625
Unallocated liabilities	-	-	-	694
Total liabilities	208 660	59 002	37 963	306 319

7. INTEREST INCOME AND EXPENSES

INTEREST INCOME ON:	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
loans to and other receivables from banks	1	30	26	75
hedging derivatives	185	406	81	250
debt securities	463	1 338	384	1 165
measured at amortized cost	163	361	75	217
measured at fair value through OCI	296	957	305	920
measured at fair value through profit or loss	4	20	4	28
loans and advances to customers (excluding finance lease receivables)	1 902	6 659	2 583	7 388
measured at amortized cost	1 777	6 183	1 806	6 591
measured at fair value through profit or loss	125	476	777	797
finance lease receivables	128	506	178	522
	-	-	-	-
Total	2 679	8 939	3 252	9 400
of which: interest income on impaired financial instruments	56	193	56	194

INTEREST INCOME	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Interest income calculated under the effective interest rate method on financial instruments measured	2 365	8 037	2 471	8 325
at amortized cost	2 069	7 080	2 166	7 405
at fair value through OCI	296	957	305	920
Income similar to interest income on instruments measured at fair value through profit or loss	314	902	781	1 075
Total	2 679	8 939	3 252	9 400

In the nine-month period ended 30 September 2020, interest income was reduced by PLN 166 million as a result of a judgment of the Court of Justice of the European Union (CJEU) concerning a consumer's right to reduce the cost of a loan in the event of its prepayment.

INTEREST EXPENSE ON:	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
amounts due to banks	(2)	(7)	(4)	(12)
interbank deposits	(1)	(8)	(2)	(10)
loans and advances received	(6)	(24)	(15)	(37)
lease	(4)	(15)	(7)	(19)
amounts due to customers	(113)	(795)	(416)	(1 227)
securities in issue	(93)	(348)	(126)	(375)
subordinated liabilities	(18)	(63)	(22)	(67)
Total	(237)	(1 260)	(592)	(1 747)

8. FEE AND COMMISSION INCOME AND EXPENSE

FEE AND COMMISSION INCOME	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Loans, insurance, operational leasing and fleet management	319	931	299	855
granting of loans and advances	184	538	176	526
offering insurance products	110	315	96	282
operational leasing and fleet management	25	78	27	47
Investment funds, pension funds and brokerage activities	155	535	179	556
maintenance of investment funds and OFE (including management fees)	95	307	132	408
handling and sale of investment and insurance products	9	27	11	32
conducting brokerage activities	51	201	36	116
Cards	372	988	362	994
Forex transaction margins	127	342	97	276
Bank accounts and other	299	878	295	880
maintenance of bank accounts	224	658	209	633
cash operations	17	55	19	56
servicing foreign mass transactions	19	52	26	74
customer orders	12	37	12	35
fiduciary services	2	5	1	4
other	25	71	28	78
Total	1 272	3 674	1 232	3 561

INCOME ON OPERATING LEASES AND FLEET MANAGEMENT	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
income on operating leases and fleet management	90	277	105	176
costs of operating leases and fleet management	(20)	(56)	(26)	(30)
costs of depreciation of property, plant and equipment transferred under operating leases	(45)	(143)	(52)	(99)
Income on operating leases net	25	78	27	47

FEE AND COMMISSION EXPENSE	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Loans and insurance	(35)	(104)	(38)	(119)
commission paid to external entities for product sales	(10)	(28)	(9)	(32)
cost of construction investment supervision and property valuation	(11)	(27)	(11)	(35)
fees for the Credit Information Bureau	(2)	(12)	(4)	(13)
credit service	(12)	(37)	(14)	(39)
Investment funds, pension funds and brokerage activities	(8)	(31)	(6)	(26)
Cards	(205)	(555)	(207)	(568)
Bank accounts and other	(32)	(90)	(28)	(81)
clearing services	(8)	(25)	(7)	(21)
commissions for operating services provided by banks	-	(5)	(2)	(7)
sending short text messages (SMS)	(10)	(29)	(9)	(25)
servicing foreign mass transactions	(3)	(9)	(2)	(7)
sales of bank products	(2)	(5)	(2)	(6)
other	(9)	(17)	(6)	(15)
Total	(280)	(780)	(279)	(794)

9. NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Financial instruments held for trading	11	16	30	56
Financial instruments not held for trading, measured at fair value through profit or loss	(21)	(177)	(37)	(7)
Hedge accounting	(2)	3	(1)	-
Total	(12)	(158)	(8)	49

10. NET GAIN / (LOSS) ON ALLOWANCES FOR EXPECTED CREDIT LOSSES

ALLOWANCES FOR EXPECTED CREDIT LOSSES	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Amounts due from banks	-	-	(1)	(1)
Debt securities	(22)	(18)	9	4
Loans and advances to customers	(271)	(1 052)	(257)	(898)
Other financial assets	-	-	1	-
Provisions for financial liabilities and guarantees granted	(77)	(176)	(25)	(22)
Total	(370)	(1 246)	(273)	(917)

CHANGES IN ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES	31.12.2019	Net allowances for expected credit losses	Change in allowances due to write-off and other adjustments	30.09.2020
Amounts due from banks	1	-	-	1
Debt securities	25	18	(6)	37
Loans and advances to customers	7 222	1 052	53	8 327
Other financial assets	92	-	47	139
Financial liabilities and guarantees granted	269	176	3	448
Total	7 609	1 246	97	8 952

CHANGES IN ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES	31.12.2018	Net allowances for expected credit losses	Change in allowances due to write-off and other adjustments	30.09.2019
Amounts due from banks	1	1	(2)	-
Debt securities	36	(4)	(10)	22
Loans and advances to customers	8 204	898	(1 343)	7 759
Other financial assets	92	-	8	100
Financial liabilities and guarantees granted	227	22	1	250
Total	8 560	917	(1 346)	8 131

11. NET IMPAIRMENT ALLOWANCES ON NON-FINANCIAL ASSETS

NET IMPAIRMENT ALLOWANCES ON NON-FINANCIAL ASSETS	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Property, plant and equipment	(53)	(51)	-	-
Property, plant and equipment under operating lease	5	3	-	-
Intangible assets	-	(147)	-	(1)
Non-current assets held for sale	(1)	(2)	-	-
Investments in associates and joint ventures	(10)	(99)	-	(4)
Other non-financial assets	(12)	(40)	(21)	(26)
Total	(71)	(336)	(21)	(31)

CHANGES IN ACCUMULATED IMPAIRMENT ALLOWANCES ON NON-FINANCIAL ASSETS	31.12.2019	Net impairment allowances on non-financial assets	Other	30.09.2020
Non-current assets held for sale	1	2	-	3
Property, plant and equipment transferred under operating lease	7	(3)	(2)	2
Property, plant and equipment	52	51	(8)	95
Intangible assets	274	147	-	421
Investments in associates and joint ventures	183	99	-	282
Other non-financial assets	192	40	(27)	205
Total	709	336	(37)	1 008

CHANGES IN ACCUMULATED IMPAIRMENT ALLOWANCES ON NON-FINANCIAL ASSETS	31.12.2018	Net impairment allowances on non-financial assets	Other	30.09.2019
Property, plant and equipment transferred under operating lease	6	-	(3)	3
Property, plant and equipment	44	-	1	45
Intangible assets	221	1	(7)	215
Investments in associates and joint ventures	178	5	-	183
Other non-financial assets including inventories	175	26	(11)	190
Total	624	32	(20)	636

During the nine months ended 30 September 2020, the Group conducted a test for the impairment of goodwill arising:

- on the acquisition of Nordea Bank Polska S.A.
- in consequence of assuming control over PKO Leasing Pro S.A.

As a result of the tests performed the Group set up an allowance totalling PLN 147 million.

In addition, the Group performed a test of the shares held in Bank Pocztowy S.A. for impairment. As a result of the test performed the Group set up a further allowance of PLN 100 million.

More details are presented in the condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the six months ended 30 June 2020.

12. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Net sales of finished goods and services	33	64	28	73
Gains on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	12	30	18	41
Compensation, penalties paid and fines received	8	22	5	17
Ancillary income	4	10	3	9
Recovery of receivables expired, forgiven or written off	-	3	1	4
Release of provision for potential return of fees and commission to customers	-	-	-	58
Release of provision for potential refund of commissions and fees to customers	-	-	1	1
Release of provision for legal claims excluding legal claims related to repaid mortgage loans in convertible currencies	-	4	-	6
Gain from a bargain purchase	-	-	-	80
Refund of collection costs under the portfolio de minimis guarantee line by BGK	-	11	-	-
Other	13	43	14	36
Total	70	187	70	325

OTHER OPERATING EXPENSE	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Cost of finished goods and service sold	(4)	(8)	(6)	(18)
Losses on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	(11)	(34)	(13)	(25)
Compensation, penalties and fines paid	-	-	-	(9)
Costs of donations made	(5)	(27)	(6)	(16)
Ancillary cost	(2)	(8)	(3)	(11)
Provision for potential return of fees and commission to customers	(35)	(105)	(69)	(69)
Provision for future payments	-	-	-	(1)
Provision for legal claims excluding legal claims related to repaid mortgage loans in convertible currencies	(43)	(47)	(1)	(6)
Other	(21)	(55)	(21)	(57)
Total	(121)	(284)	(119)	(212)

In the item "Provisions for legal claims excluding legal claims related to mortgage loans in convertible currencies" the Group recognized a cost of PLN 41 million with respect to the penalty imposed by UOKiK for the Bank's use of clauses concerning the manner of determining foreign currency buy and sell rates in contracts concluded with customers (more details in the note "Legal claims").

13. ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Employee benefits	(706)	(2 244)	(796)	(2 365)
Overheads, including:	(302)	(926)	(329)	(973)
rent	(22)	(66)	(14)	(57)
IT	(86)	(251)	(76)	(228)
Depreciation and amortization	(242)	(730)	(234)	(683)
property, plant and equipment, of which:	(136)	(407)	(133)	(393)
IT	(24)	(75)	(31)	(93)
right-of-use assets	(52)	(163)	(55)	(155)
intangible assets, of which:	(106)	(322)	(100)	(289)
IT	(101)	(300)	(91)	(262)
investment properties	-	(1)	(1)	(1)
Total	(1 250)	(3 900)	(1 359)	(4 021)

EMPLOYEE BENEFITS	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Wages and salaries, including:	(593)	(1 872)	(669)	(1 971)
costs of contributions to the employee pension plan	(16)	(50)	(15)	(46)
restructuring costs	-	-	-	(23)
Social insurance, including:	(97)	(318)	(106)	(329)
contributions for disability and retirement benefits	(82)	(280)	(90)	(280)
Other employee benefits	(16)	(54)	(21)	(65)
Total	(706)	(2 244)	(796)	(2 365)

14. NET REGULATORY CHARGES

NET REGULATORY CHARGES	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Contribution and payments to the Bank Guarantee Fund (BGF), including:	(89)	(578)	(40)	(468)
resolution fund	-	(318)	-	(348)
banks' guarantee fund	(89)	(260)	(40)	(120)
Fees to the PFSA	(4)	(35)	-	(40)
Flat-rate income tax, of which:	(1)	(5)	(2)	83
withheld tax 20%	-	-	-	138
flat-rate income tax 3%	(1)	(5)	(2)	(55)
Other taxes and charges	(15)	(49)	(17)	(52)
Total	(109)	(667)	(59)	(477)

15. INCOME TAX EXPENSE

	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Current income tax expense	(265)	(881)	(420)	(1 209)
Deferred income tax on temporary differences	(107)	(205)	(20)	(115)
Income tax expense recognized in the income statement	(372)	(1 086)	(440)	(1 324)
Income tax expense on temporary differences recognized in other comprehensive income	(7)	(287)	(32)	(77)
Total	(379)	(1 373)	(472)	(1 401)

Reconciliation of the effective tax rate	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Profit / (loss) before income tax	1 084	3 101	1 669	4 632
Tax calculated using the statutory rate in force in Poland of 19%	(206)	(589)	(317)	(880)
Effect of different tax rates of foreign operations	-	-	1	-
Effect of permanent timing differences between profit before tax and net profit, of which:	(167)	(503)	(124)	(444)
write-downs of investments in associates and joint ventures that are not tax deductible costs	-	(17)	-	-
allowances for expected credit losses on credit exposures and securities that are not tax deductible	(8)	(34)	-	-
contribution and payments to BGF	(17)	(110)	(4)	(85)
tax on financial institutions	(49)	(151)	(45)	(141)
allowance on impairment of goodwill	-	(22)	-	-
cost of legal risk of mortgage loans in convertible currencies	(66)	(102)	-	-
tax on foreign exchange gains in Sweden	(9)	(25)	-	(12)
asset/reserve from the average tax rate	(20)	(20)	-	-
provision for a fine imposed by UOKIK	(8)	(8)	-	-
other permanent differences	10	(14)	(75)	(206)
Effect of other differences between profit before tax and taxable income, including tax relief on new technologies and donations	1	6	-	-
Income tax expense recognized in the income statement	(372)	(1 086)	(440)	(1 324)
Effective tax rate	34,32%	35,02%	26,36%	28,58%

The Management Board hereby states that it in the sphere of taxes it acts responsibly, which means it discharges its social responsibility and pays its taxes on time, in amounts adequate to the scope and effects of its activities. In discharging its tax obligations the Bank takes into consideration current domestic tax law regulations, European standards and international treaties.

Tax regulations are applied in consideration of the rulings and guidelines of the tax authorities. To appropriately discharge the tax obligations the Bank has several internal procedures, and specialized Bank units, including the Tax Department, are responsible for discharging them.

The Management Board hereby states that the approach to taxes is transparent. The Bank maintains constant relations with Polish tax authorities based on transparency and mutual trust under the binding tax law regulations. All contacts with tax authorities are maintained in a professional, polite and timely manner. Irrespective of this, all efforts are made to maintain regular, understandable and transparent communication (both public and internal) with respect to the approach to particular aspects of tax settlements, on the dates and in the scope required by the generally binding law.

In connection with the business activities in which the Bank engages and in accordance with the generally binding law, the Management Board hereby states that the Bank is obliged to pay not only corporate income tax but also other taxes such as VAT, real estate tax or tax on certain financial institutions. The Bank as the tax remitter also collects and pays personal income tax on the amounts payable to employees, customers and counterparties. With respect to revenue earned by foreign clients and counterparties, the Bank collects and pays withholding tax to domestic tax authorities.

The Management Board hereby states that the Bank consistently avoids actions which would require using structures designed for aggressive tax planning or tax evasion (including using tax havens) and avoids solutions which would obviously be contrary to the regulator's intentions or the spirit of the law (the principle of tax fairness).

The above solutions also relate to tax settlements made in each country in which the Bank engages in business.

The following issues were described in detail in the consolidated financial statements of the Group for the year ended 31 December 2019 and in the interim condensed consolidated financial statements of the PKO Bank Polski S.A. Group for the six-month period ended 30 June 2020:

- the doubts concerning tax collected in Sweden on foreign exchange differences on the advances granted by PKO Finance AB and liabilities relating to the bond issue;
- the actions taken by the Group.

As at 30 September 2020, the deferred income tax provision amounted to PLN 299 million (PLN 274 million as at 31 December 2019). The Group is analysing the impact of the decision of the Swedish tax authority on the taxation of foreign exchange differences of PKO Finance AB, which may lead to changing the respective judgement in future reporting periods.

16. AMOUNTS DUE FROM BANKS

AMOUNTS DUE FROM BANKS	30.09.2020	31.12.2019
Measured at amortized cost	2 638	4 093
Deposits with banks	1 350	2 995
Current accounts	940	997
Loans and advances granted	340	99
Cash in transit	8	2
Total, gross	2 638	4 093
Allowances for expected credit losses	(1)	(1)
Total	2 637	4 092

As at 30 September 2020 and 31 December 2019, the amounts due from banks were in stage 1.

17. HEDGE ACCOUNTING

TYPES OF HEDGING STRATEGIES APPLIED BY THE GROUP

As at 30 September 2020, the Group had active relationships as part of:

- nine strategies for hedging cash flow volatility
- four strategies for hedging fair value volatility.

In the nine months of 2020, the Group implemented a new fair value hedging strategy:

- "Fair value hedge of fixed-rate PLN securities measured at fair value through other comprehensive income against interest rate risk with the use of IRS transactions"
- "Cash flow hedge of floating-rate loans in convertible currencies against interest rate risk and currency risk, and cash flow hedge of financial liabilities in convertible currencies against currency risk with the use of CIRS transactions."

In addition, during the nine months of 2020 due to the absence of the hedged item, the Group dissolved two hedging relationships "Cash flow hedge of floating-rate loans in convertible currencies against interest rate risk and currency risk, and cash flow hedge of fixed-rate financial liabilities in convertible currencies against currency risk using CIRS transactions". The total impact of the discontinuation of the said relationships on other comprehensive income was minus (-) PLN 33 million, whilst simultaneously increasing the net interest income by this amount.

In addition, during the nine months of 2020 due to the annulment, the Group dissolved a hedging relationship under the hedging strategy "Fair value hedge of fixed-rate securities in PLN measured at fair value through OCI against interest rate risk with the use of IRS transactions." The total impact of the discontinuation of the said relationships on the income statement was minus (-) PLN 7.7 million.

No changes were made to any other strategies during the nine-month period of 2020.

In 2019, the Group introduced two new fair value hedging strategies.

FINANCIAL INFORMATION

CARRYING AMOUNT OF HEDGING INSTRUMENTS	30.09.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	1 394	608	641	582
Hedges of interest rate risk - IRS	937	15	262	10
Hedges of currency and interest rate risks - CIRS	457	593	379	572
Fair value hedges	-	60	4	7
Hedges of interest rate risk - IRS	-	60	4	7
Total	1 394	668	645	589

CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO CASH FLOW HEDGES AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Other comprehensive income at the beginning of the period, gross	737	232	357	22
Impact on other comprehensive income during the period, gross	(96)	528	93	422
Gains/losses recognized in other comprehensive income during the period	755	1 239	116	292
Amount transferred from other comprehensive income to the income statement:	(851)	(711)	(23)	130
- interest income	(185)	(406)	(81)	(250)
- net foreign exchange gains/(losses)	(666)	(305)	58	380
Tax effect	19	(100)	(18)	(80)
Other comprehensive income at the end of the period	660	660	432	364
Ineffective portion of cash flow hedges recognized in the income statement, including in:	2	4	(2)	(21)
Net foreign exchange gains/(losses)	1	2	(2)	(22)
Net gain/(loss) on financial instruments measured at fair value	1	2	-	1

18. OTHER DERIVATIVE FINANCIAL INSTRUMENTS

OTHER DERIVATIVE INSTRUMENTS - TYPE OF CONTRACT	30.09.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
IRS	3 771	3 861	1 523	1 624
CIRS	385	389	151	145
FX Swap	182	196	217	186
Options	299	276	312	336
Commodity swap	180	177	287	283
FRA	10	14	1	1
Forward	186	228	304	348
Futures	-	-	-	1
Commodity Forward	143	137	-	-
Total	5 156	5 278	2 795	2 924

NOMINAL AMOUNTS OF UNDERLYING HEDGING INSTRUMENTS (BUY AND SELL TOGETHER) hedging instruments and other derivative instruments	30.09.2020	31.12.2019
IRS	547 396	480 513
hedging	148 508	102 808
Purchase	74 254	51 404
Sale	74 254	51 404
other	398 888	377 705
Purchase	199 444	188 853
Sale	199 444	188 852
CIRS	84 734	84 174
hedging	59 416	70 369
Purchase	32 256	36 115
Sale	27 160	34 254
other	25 318	13 805
Purchase	12 659	8 721
Sale	12 659	5 084
FX Swap	41 290	48 538
Purchase of currencies	20 675	24 305
Sales of currencies	20 615	24 233
Options	45 503	68 397
Purchase	22 718	33 965
Sale	22 785	34 432
FRA	27 321	23 211
Purchase	15 073	12 897
Sale	12 248	10 314
Forward	48 241	58 045
Purchase	24 091	29 004
Sale	24 150	29 041
Others, including Commodity swap and Futures (including on the stock index)	6 550	4 710
Purchase	3 278	2 470
Sale	3 272	2 240
TOTAL	801 035	767 588

The Group has access to two clearing houses through which it settles derivative interest rate transactions specified in EMIR (European Market Infrastructure Regulation) with Polish and foreign counterparties. To limit credit risk in derivative transactions and in transactions in securities the Group concludes framework agreements with its counterparties (according to the Polish Bank Association – PBA, ISDA and ICMA standards). The framework agreements allow offsetting mutual matured (mitigation of settlement risk) and non-matured liabilities of the parties (mitigation of pre-settlement risk) resulting from the transaction, as well as the use of close-out netting upon terminating the framework agreement due to an event of its violation or an event justifying its termination with respect to one or two parties to the agreement.

In addition, the Group concludes collateral agreements (CSA –Credit Support Annex according to the ISDA standard or a Security Agreement according to the PBA standards), based on which, after meeting the premises specified in the agreement, each of the parties undertakes to set up an appropriate collateral accompanied by a right to deduct it. The only exception are derivative transactions between Group entities: PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A., which have been exempted from the duties imposed by the EMIR with respect to exchanging collateral.

19. SECURITIES

SECURITIES	30.09.2020	31.12.2019
Securities (excluding adjustments relating to fair value hedge accounting)	121 983	80 572
Adjustment relating to fair value hedge accounting	6	1
Total	121 989	80 573

SECURITIES (excluding adjustments relating to fair value hedge accounting) 30.09.2020	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through OCI	measured at amortized cost	Total
Debt securities	1 264	545	75 557	43 167	120 533
Treasury bonds (in PLN)	402	365	55 308	27 758	83 833
Treasury bonds (in foreign currencies)	4	-	2 635	39	2 678
Treasury bills (in PLN)	749	-	499	-	1 248
corporate bonds (in PLN) secured by guarantees from the State Treasury	-	-	8 095	9 074	17 169
municipal bonds (in PLN)	15	-	4 876	4 719	9 610
corporate bonds (in PLN)	94	180	4 144	1 212	5 630
corporate bonds (in foreign currencies)	-	-	-	365	365
Equity securities	32	1 418	-	-	1 450
shares in other entities - not listed	-	422	-	-	422
shares in other entities - listed	30	112	-	-	142
investment fund units and investment certificates, rights to shares, pre-emptive rights	2	884	-	-	886
Total	1 296	1 963	75 557	43 167	121 983

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2019	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through OCI	measured at amortized cost	Total
Debt securities	1 095	493	63 807	13 454	78 849
NBP money market bills	-	-	1 000	-	1 000
Treasury bonds (in PLN)	982	301	51 541	7 406	60 230
Treasury bonds (in foreign currencies)	2	-	2 520	60	2 582
municipal bonds (in PLN)	15	-	5 232	4 563	9 810
corporate bonds (in PLN)	95	192	3 514	1 083	4 884
corporate bonds (in foreign currencies)	1	-	-	342	343
Equity securities	17	1 706	-	-	1 723
shares in other entities - not listed	-	436	-	-	436
shares in other entities - listed	15	150	-	-	165
investment fund units and investment certificates, rights to shares, pre-emptive rights	2	1 120	-	-	1 122
Total	1 112	2 199	63 807	13 454	80 572

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020
(IN PLN MILLION)



Bank Polski

BY MEASUREMENT MODEL (excluding adjustments relating to fair value hedge accounting)	30.09.2020			31.12.2019		
	stage 1	stage 2	stage 3	stage 1	stage 2	stage 3
Gross amount						
Measured at fair value through OCI						
NBP money market bills, Treasury bonds and bills and corporate bonds in PLN secured by guarantees from the State Treasury	66 537	-	-	55 061	-	-
corporate and municipal bonds	8 354	218	465	8 229	59	463
Total	74 891	218	465	63 290	59	463
POCI	-	-	443	-	-	463
Measured at amortized cost						
NBP money market bills, Treasury bonds and bills and corporate bonds in PLN bsecured by guarantees from the State Treasury	36 872	-	-	7 467	-	-
corporate and municipal bonds	6 224	91	-	5 983	20	4
Total	43 096	91	-	13 450	20	4
Allowances for expected credit losses						
Measured at fair value through OCI						
corporate and municipal bonds	-	-	(17)	-	-	(5)
Total	-	-	(17)	-	-	(5)
POCI	-	-	(17)	-	-	(5)
Measured at amortized cost						
NBP money market bills, Treasury bonds and bills and corporate bonds in PLN bsecured by guarantees from the State Treasury	(1)	-	-	(1)	-	-
corporate and municipal bonds	(17)	(2)	-	(15)	-	(4)
Total	(18)	(2)	-	(16)	-	(4)
POCI						
TOTAL NET						
Measured at fair value through OCI						
NBP money market bills, Treasury bonds and bills and corporate bonds in PLN bsecured by guarantees from the State Treasury	66 537	-	-	55 061	-	-
corporate and municipal bonds	8 354	218	448	8 229	59	458
Total	74 891	218	448	63 290	59	458
POCI	-	-	426	-	-	458
Measured at amortized cost						
NBP money market bills, Treasury bonds and bills and corporate bonds in PLN bsecured by guarantees from the State Treasury	36 871	-	-	7 466	-	-
corporate and municipal bonds	6 207	89	-	5 968	20	-
Total	43 078	89	-	13 434	20	-

20. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS	30.09.2020	31.12.2019
	Net amount	Net amount
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	229 250	230 202
Adjustment relating to fair value hedge accounting	5	4
Total loans and advances to customers	229 255	230 206

LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 30.09.2020	not held for trading, measured at fair value through profit or loss	measured at amortized cost	Total
retail and private	6 350	138 312	144 662
property	9	115 532	115 541
finance lease receivables	-	111	111
consumer	6 341	22 669	29 010
firms and enterprises	45	30 337	30 382
corporate	45	13 065	13 110
property	-	5 677	5 677
finance lease receivables	-	11 442	11 442
factoring	-	153	153
corporate	74	54 132	54 206
corporate	74	48 005	48 079
finance lease receivables	-	4 850	4 850
property	-	19	19
factoring	-	1 258	1 258
Total	6 469	222 781	229 250

LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 31.12.2019	not held for trading, measured at fair value through profit or loss	measured at amortized cost	Total
retail and private	8 138	134 051	142 189
property	15	112 397	112 412
finance lease receivables	-	115	115
consumer	8 123	21 539	29 662
firms and enterprises	54	30 700	30 754
corporate	54	13 314	13 368
property	-	5 769	5 769
finance lease receivables	-	11 425	11 425
factoring	-	192	192
corporate	94	57 165	57 259
corporate	94	50 980	51 074
finance lease receivables	-	4 784	4 784
property	-	282	282
factoring	-	1 119	1 119
Total	8 286	221 916	230 202

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020
(IN PLN MILLION)



Bank Polski

BY MEASUREMENT MODEL (excluding adjustments relating to fair value hedge accounting)	30.09.2020			31.12.2019		
	stage 1	stage 2	stage 3	stage 1	stage 2	stage 3
Gross amount						
Measured at fair value through OCI						
loans consumer	-	-	1	-	-	1
Total	-	-	1	-	-	1
Measured at amortized cost						
loans	188 631	16 507	9 032	191 000	12 446	8 903
property	114 740	6 565	2 121	112 498	5 806	2 110
corporate	52 237	7 406	5 322	57 503	4 837	5 506
consumer	20 336	2 446	1 565	19 801	1 722	1 236
factoring	1 318	90	24	1 198	81	51
finance lease receivables	13 195	2 918	824	13 589	2 377	822
Total	201 826	19 425	9 856	204 589	14 823	9 725
POCI	-	-	304	-	-	387
Allowances for expected credit losses						
Measured at fair value through OCI						
loans consumer	-	-	(1)	-	-	(1)
Total	-	-	(1)	-	-	(1)
Measured at amortized cost						
loans	(687)	(1 422)	(5 683)	(584)	(1 072)	(5 101)
property	(70)	(597)	(1 531)	(55)	(527)	(1 384)
corporate	(412)	(435)	(3 048)	(363)	(314)	(2 875)
consumer	(203)	(390)	(1 085)	(164)	(231)	(825)
factoring	(2)	-	(19)	(2)	-	(17)
finance lease receivables	(40)	(89)	(405)	(35)	(70)	(359)
Total	(727)	(1 511)	(6 088)	(619)	(1 142)	(5 460)
POCI	-	-	(43)	-	-	(67)
NET AMOUNT						
Measured at fair value through OCI						
loans consumer	-	-	-	-	-	-
Total	-	-	-	-	-	-
Measured at amortized cost						
loans	187 944	15 085	3 349	190 416	11 374	3 802
property	114 670	5 968	590	112 443	5 279	726
corporate	51 825	6 971	2 274	57 140	4 523	2 631
consumer	20 133	2 056	480	19 637	1 491	411
factoring	1 316	90	5	1 196	81	34
finance lease receivables	13 155	2 829	419	13 554	2 307	463
Total	201 099	17 914	3 768	203 970	13 681	4 265
POCI	-	-	261	-	-	320

21. OTHER ASSETS

OTHER ASSETS	30.09.2020	31.12.2019
Settlements in respect of card transactions	958	1 301
Settlement of financial instruments	99	73
Receivables in respect of cash settlements	99	193
Receivables and settlements in respect of trading in securities	11	3
Dividend receivables	9	-
Settlements in respect of sale of currency	47	-
Inventories	137	141
Assets for sale	149	140
Prepayments and deferred costs	204	186
Trade receivables	210	146
VAT receivables	303	270
Settlements with the state budget in respect of flat-rate income tax	-	115
Other	155	145
Total	2 381	2 713
of which: other financial assets	1 501	1 766

OTHER FINANCIAL ASSETS	30.09.2020	31.12.2019
Total, gross	1 640	1 858
Stage 1	1 502	1 766
Stage 3	138	92
Allowances for expected credit losses	(139)	(92)
Stage 1	(1)	-
Stage 3	(138)	(92)
Net amount	1 501	1 766
Stage 1	1 501	1 766
Stage 3	-	-

22. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS	30.09.2020	31.12.2019
Measured at fair value through profit or loss	9	45
Short position in securities	9	45
Measured at amortized cost	279 044	256 125
Amounts due to households	215 698	193 449
Cash on current accounts and overnight deposits, of which:	163 016	127 521
savings accounts and other interest bearing funds	48 060	45 177
Term deposits	51 756	65 535
Other liabilities	926	393
Amounts due to corporate entities	48 383	49 648
Cash on current accounts and overnight deposits, of which:	46 195	40 381
savings accounts and other interest bearing funds	22 370	16 799
Term deposits	1 469	8 435
Other liabilities	719	832
Amounts due to public entities	13 459	11 354
Current accounts and overnight deposits	13 374	10 997
Term deposits	63	331
Other liabilities	22	26
Liabilities in respect of insurance products	1 504	1 674
Total	279 053	256 170

AMOUNTS DUE TO CUSTOMERS BY SEGMENT	30.09.2020	31.12.2019
retail and private banking	192 553	175 776
corporate	47 353	49 918
firms and enterprises	39 147	30 476
Total	279 053	256 170

23. BORROWINGS RECEIVED BY THE GROUP

FINANCING RECEIVED	30.09.2020	31.12.2019
Loans and advances received from:	2 452	2 779
banks	923	750
international financial institutions	1 517	2 029
other financial institutions	12	-
Liabilities arising from the issue of securities:	30 568	31 148
mortgage covered bonds issued by PKO Bank Hipoteczny SA	16 946	16 198
bonds issued by PKO Bank Hipoteczny SA	3 345	3 947
bonds issued by PKO Bank Polski SA	3 944	4 769
bonds issued by PKO Finance AB	3 338	4 057
bonds issued by the PKO Leasing SA Group	2 942	2 132
bonds issued by Kredobank SA	53	45
Subordinated liabilities - subordinated bonds in PLN	2 704	2 730
Total	35 724	36 657

- LOANS AND ADVANCES FROM BANKS**

In the nine-month period ended 30 September 2020, the Group drew loans totalling UAH 1 700 million and PLN 4 million.

- LOANS AND ADVANCES FROM INTERNATIONAL FINANCIAL INSTITUTIONS**

In the nine-month period ended 30 September 2020, the Group repaid the following loans and advances from international financial institutions:

Date of receipt of a loan and advance	Nominal amount	Currency	Maturity	Wartość bilansowa na 30.09.2020	Carrying amount at 31.12.2019
28.12.2006	5	EUR	30.04.2022	-	21
28.12.2006	97	PLN	30.04.2020	-	97
28.12.2006	7	CHF	30.04.2020	-	28
23.12.2010	75	EUR	23.12.2020	68	64
25.09.2013	75	EUR	25.09.2023	204	256
11.06.2015	132	PLN	31.07.2021	26	46
11.06.2015	42	PLN	30.09.2020	-	6
11.06.2015	10	EUR	30.09.2020	-	6
11.06.2015	10	EUR	31.03.2021	5	11
11.06.2015	20	EUR	30.04.2021	14	26
25.09.2015	15	EUR	30.11.2020	4	16
25.09.2015	25	EUR	30.09.2021	28	47
25.09.2015	43	PLN	30.11.2020	3	11
16.03.2016	175	PLN	01.12.2020	9	34
18.03.2016	66	EUR	31.12.2022	42	120
28.10.2016	20	EUR	31.12.2021	23	34
28.10.2016	20	EUR	31.01.2022	27	39
28.09.2017	50	EUR	30.11.2022	127	159
28.11.2018	50	EUR	30.11.2022	184	213
08.12.2017	40	EUR	31.01.2022	106	130
23.10.2018	646	PLN	23.10.2023	647	649
10.10.2019	100	UAH	08.10.2021	-	16
Total				1 517	2 029

- ISSUE OF MORTGAGE COVERED BONDS BY PKO BANK HIPOTECZNY S.A.**

In the nine-month period ended 30 September 2020, PKO Bank Hipoteczny S.A. did not issue any mortgage covered bonds and no such bonds issued by the Company matured in that period.

- OTHER BONDS ISSUED BY PKO BANK HIPOTECZNY S.A.**

In the nine-month period ended 30 September 2020 the total value of matured PKO Bank Hipoteczny S.A. bond issues was PLN 3 813 million, and new issues totalled PLN 3 192 million.

Issuance date	Type of interest rate	Interest rate (index + margin)	Nominal amount	Currency	Maturity	Carrying amount at 30.09.2020	Carrying amount at 31.12.2019
2018-12-21	zero coupon	-	350	PLN	2020-02-21	-	351
2019-02-05	zero coupon	-	102	PLN	2020-02-05	-	102
2019-07-10	variable	WIBOR6M + 0,30	162	PLN	2020-01-10	-	163
2019-07-11	variable	WIBOR3M + 0,60	49	PLN	2021-07-12	49	46
2019-07-23	zero coupon	-	634	PLN	2020-01-23	-	633
2019-08-23	zero coupon	-	200	PLN	2020-02-21	-	200
2019-08-28	variable	WIBOR3M + 0,60	43	PLN	2021-08-30	43	44
2019-10-02	zero coupon	-	900	PLN	2020-04-01	-	895
2019-10-17	variable	WIBOR3M + 0,60	38	PLN	2021-10-18	38	40
2019-11-06	zero coupon	-	727	PLN	2020-05-08	-	722
2019-12-06	zero coupon	-	738	PLN	2020-06-08	-	731
2019-12-18	variable	WIBOR3M + 0,60	28	PLN	2021-12-20	29	20
2020-02-05	zero coupon	-	25	PLN	2021-02-03	24	-
2020-02-24	variable	-	350	PLN	2021-02-24	350	-
2020-06-08	zero coupon	-	838	PLN	2020-12-07	837	-
2020-06-29	zero coupon	-	254	PLN	2020-10-28	254	-
2020-07-23	zero coupon	-	820	PLN	2021-01-20	818	-
2020-08-24	zero coupon	-	555	PLN	2021-03-08	554	-
2020-09-11	zero coupon	-	350	PLN	2021-03-29	349	-
Total						3 345	3 947

- BONDS ISSUED BY PKO BANK POLSKI S.A.**

During the nine-month period ended 30 September 2020 the Bank made a partial early repurchase of its bonds (which matured on 25 July 2021) in the amount of EUR 250 million. The outstanding part of the nominal value of the issue amounted to EUR 500 million as at 30 September 2020.

- BONDS ISSUED BY PKO FINANCE AB**

During the nine-month period ended 30 September 2020 the Bank made a partial early repurchase of bonds issued by PKO Finance AB (which matured on 26 September 2022) from third parties in the amount of USD 195 million. The bonds repurchased by the Bank are held by PKO Bank Polski S.A., which reserved the right to resell them or to earmark them for redemption in the future. The bonds are still quoted on the Luxembourg Stock Exchange. The outstanding part of the nominal value of the issue amounted to USD 805 million as at 30 September 2020.

- BONDS ISSUED BY THE PKO LEASING S.A. GROUP COMPANIES**

In the nine-month period ended 30 September 2020 the PKO Leasing S.A. Group made an early repurchase of bonds with a nominal value of PLN 146 million and repurchased a matured bond issue with a nominal value of PLN 150 million. The nominal value of the new bond issues was PLN 1 108 million.

Issuance date	Type of interest rate	Nominal amount	Currency	Maturity	Carrying amount at 30.09.2020	Carrying amount at 31.12.2019
2014-12-01	variable	146	PLN	2025-10-02	-	147
2019-08-30	variable	150	PLN	2020-02-28	-	149
2019-09-26	variable	2 475	PLN	2029-12-28	2 475	1 836
2020-08-28	variable	324	PLN	2021-02-26	323	-
2020-09-25	variable	144	PLN	2020-12-23	144	-
Total					2 942	2 132

¹ the bonds taken up by the PKO Leasing S.A. Group as part of the acquisition of Raiffeisen Leasing Polska S.A. and under the transaction of securitization of lease receivables conducted in September 2019. The repayment of the bonds is secured with the lease receivables subject to securitization.

- BONDS ISSUED BY KREDOBANK S.A.**

In the nine-month period ended 30 September 2020 the company did not carry out any new bond issues and during this period there were no maturity dates for bonds issued by the company.

24. OTHER LIABILITIES

OTHER LIABILITIES	30.09.2020	31.12.2019
Expenses to be paid	505	567
Deferred income	501	454
Liability in respect of tax on certain financial institutions	87	86
Interbank settlements	578	461
Liabilities arising from investing activities and internal operations	54	251
Amounts due to suppliers	140	204
Liabilities and settlements in respect of trading in securities	864	586
Settlements of financial instruments	34	22
Liabilities in respect of contribution to the Bank Guarantee Fund, of which:	563	394
maintained in the form of payment commitments, of which:	563	394
to the resolution Fund	308	217
to the banks' guarantee fund	255	177
Liabilities under public law	73	158
Liabilities in respect of foreign exchange activities	400	201
Liabilities in respect of payment cards	54	20
Lease liabilities	902	894
Settlements in respect of purchase of currency	112	99
Other	511	394
Total	5 378	4 791
of which: other financial liabilities	3 643	3 305



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25. PROVISIONS

FOR 9 MONTHS ENDED 30 SEPTEMBER 2020	Provisions for financial liabilities and guarantees granted	Provisions for unsettled legal claims excluding legal claims relating to repaid mortgage loans in convertible currencies	Provisions for potential legal claims against the Bank relating to repaid mortgage loans in convertible currencies	Provisions for reimbursement of costs to customers for early repayment of consumer loans and mortgage loans	Provision for pensions and other liabilities from defined benefit post- employment plans	Restructuring	Other provisions, including provisions for disputed employee claims	Total
1 January 2020	269	52	29	105	57	41	29	582
Increases in provisions	176	47	117	105	-	-	3	448
Utilization	-	(3)	-	(168)	(2)	(4)	(3)	(180)
Amounts not utilized released during the period	-	(4)	-	-	(2)	(8)	(2)	(16)
Other changes and reclassifications	3	-	4	-	-	-	-	7
30 September 2020	448	92	150	42	53	29	27	841
Short-term provision	396	4	-	41	6	29	5	481
Long-term provision	52	88	150	1	47	-	22	360

FOR 9 MONTHS ENDED 30 SEPTEMBER 2019	Provisions for financial liabilities and guarantees granted	Provisions for unsettled legal claims excluding legal claims relating to repaid mortgage loans in convertible currencies	Provisions for potential legal claims against the Bank relating to repaid mortgage loans in convertible currencies	Provisions for reimbursement of costs to customers for early repayment of consumer loans and mortgage loans	Provision for pensions and other liabilities from defined benefit post- employment plans	Restructuring	Other provisions, including provisions for disputed employee claims	Total
1 January 2019	227	54	-	-	50	24	91	446
Taking control over subsidiaries	-	-	-	-	-	-	3	3
Increases in provisions	154	6	5	69	-	23	4	261
Utilization	-	(3)	-	-	(1)	(14)	(4)	(22)
Amounts not utilized released during the period	(132)	(6)	-	-	(2)	-	(61)	(201)
Other changes and reclassifications	1	-	-	-	-	-	-	1
30 September 2019	250	51	5	69	47	33	33	488
Short-term provision	200	51	5	69	8	33	33	399
Long-term provision	50	-	-	-	39	-	-	89

26. SHAREHOLDING STRUCTURE OF THE BANK

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

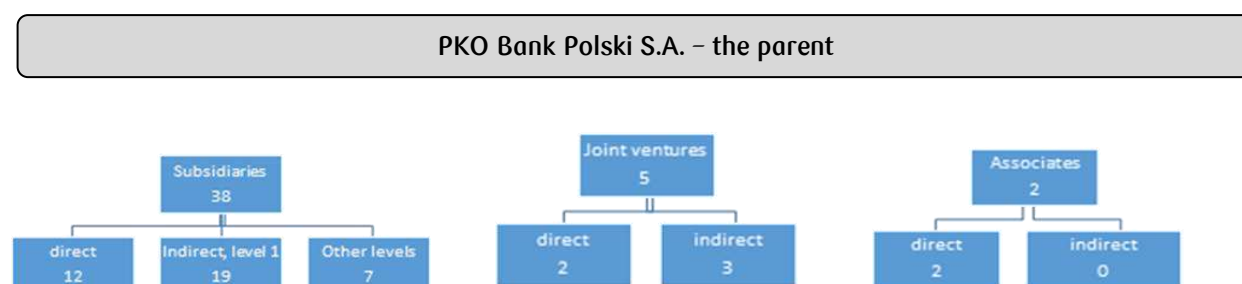
According to the information available as at 30 September 2020 and 31 December 2019 the Bank's shareholding structure is as follows:

NAME OF SHAREHOLDER	number of shares	voting rights%	Nominal value of 1 share	Interest held%
As at 30 September 2020				
State Treasury	367 918 980	29,43%	PLN 1	29,43%
Nationale Nederlanden Open Pension Fund ¹	100 883 023	8,07%	PLN 1	8,07%
Aviva Open Pension Fund ¹	91 910 319	7,35%	PLN 1	7,35%
Other shareholders ²	689 287 678	55,15%	PLN 1	55,15%
Total	1 250 000 000	100,00%	---	100,00%
As at 31 December 2019				
State Treasury	367 918 980	29,43%	PLN 1	29,43%
Nationale Nederlanden Open Pension Fund ¹	94 500 000	7,56%	PLN 1	7,56%
Aviva Open Pension Fund ¹	88 010 319	7,04%	PLN 1	7,04%
Other shareholders ²	699 570 701	55,97%	PLN 1	55,97%
Total	1 250 000 000	100,00%	---	100,00%

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

² Including Bank Gospodarstwa Krajowego which, as at 30 September 2020, held 24 487 297 shares constituting a 1.96% share of the votes at the General Shareholders' Meeting.

27. INFORMATION ABOUT MEMBERS OF THE PKO BANK POLSKI S.A. GROUP, JOINT VENTURES AND ASSOCIATES



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

No.	ENTITY NAME	REGISTERED OFFICE	BUSINESS ACTIVITIES	% SHARE IN CAPITAL	
DIRECT SUBSIDIARIES				30.09.2020	31.12.2019
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 lending	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 outsourcing of IT specialists	100	100
6	PKO Życie Towarzystwo Ubezpieczeń S.A.	Warsaw	Life insurance	100	100
7	PKO Towarzystwo Ubezpieczeń S.A.	Warsaw	Other personal and property insurance	100	100
8	PKO Finance AB	Stockholm, Sweden	Financial services	100	100
9	KREDOBANK S.A.	Lviv, Ukraine	Banking activities	100	100
10	Merkury - fiz an ¹	Warsaw	Investing money collected from fund participants	100	100
11	NEPTUN - fiz an ¹	Warsaw	Investing money collected from fund participants	100	100
12	PKO VC - fiz an ¹	Warsaw	Investing money collected from fund participants	100	100
13	ZenCard sp. z o.o. ²	Warsaw	IT services and products supporting trade and services	-	100

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

² On 31 July 2020 ZenCard sp. z o.o., as the acquired company, was combined with PKO BP Finat sp. z o.o. as the acquiring company.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020
(IN PLN MILLION)

No.	ENTITY NAME	REGISTERED OFFICE	BUSINESS ACTIVITIES	% SHARE IN CAPITAL*	
				30.09.2020	31.12.2019
	INDIRECT SUBSIDIARIES				
	PKO Leasing S.A. GROUP				
1	PKO Agencja Ubezpieczeniowa sp. z o.o.	Warsaw	Intermediation in concluding insurance contracts	100	100
	1.1 PKO Leasing Finanse sp. z o.o.	Warsaw	Sale of post-lease items	100	100
2	PKO Leasing Sverige AB	Stockholm, Sweden	Leasing	100	100
3	Prime Car Management S.A.	Gdańsk	Leasing and fleet management	100	100
	3.1 Futura Leasing S.A.	Gdańsk	Leasing and selling post-lease items	100	100
	3.2 Masterlease sp. z o.o.	Gdańsk	Leasing	100	100
	3.3 MasterRent24 sp. z o.o.	Gdańsk	Short-term car rent	100	100
4	PKO Faktoring S.A.	Warsaw	Factoring activities	100	100
5	ROOF Poland Leasing 2014 DAC ¹	Dublin, Ireland	SPV created for securitization of lease receivables	-	-
6	Polish Lease Prime 1 DAC ¹	Dublin, Ireland		-	-
	PKO Leasing Nieruchomości sp. z o.o. ²	Warsaw	Leasing	-	100
	PKO Życie Towarzystwo Ubezpieczeń S.A. GROUP			-	-
7	Ubezpieczeniowe Usługi Finansowe sp. z o.o.	Warsaw	Services	100	100
	KREDOBANK S.A. GROUP			-	-
8	Finansowa Kompania „Idea Kapitał” sp. z o.o.	Lviv, Ukraine	Services	100	100
	Merkury - fiz an			-	-
9	“Zarząd Majątkiem Górczewska” sp. z o.o.	Warsaw	Property management	100	100
10	Molina sp. z o.o.	Warsaw	General partner in the limited joint stock partnerships	100	100
11	Molina spółka z ograniczoną odpowiedzialnością 1	Warsaw		100	100
12	Molina spółka z ograniczoną odpowiedzialnością 2	Warsaw		100	100
13	Molina spółka z ograniczoną odpowiedzialnością 4	Warsaw		100	100
14	Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A. w likwidacji (in liquidation) ³	Warsaw	Buying and selling real estate on own account, property management	100	100
15	Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A. w likwidacji (in liquidation) ³	Warsaw		100	100
	Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A. w likwidacji (in liquidation) ³	Warsaw		-	100
	NEPTUN - fiz an			-	-
16	Qualia sp. z o.o.	Warsaw	Post-sale services in respect of developer products	100	100
17	Sarnia Dolina sp. z o.o.	Warsaw	Property development	100	100
18	Bankowe Towarzystwo Kapitałowe S.A..	Warsaw	Services	100	100
	18.1 „Inter-Risk Ukraina” additional liability company ⁴	Kiev, Ukraine	Debt collection	100	99,90
	18.2 Finansowa Kompania “Prywatne Inwestycje” sp. z o.o. ⁵	Kiev, Ukraine	Financial services	95,4676	95,4676
19	“CENTRUM HAFFNERA” sp. z o.o.	Sopot	Managing a subsidiary	72,9766	72,9766
	19.1 “Sopot Zdróń” sp. z o.o.	Sopot	Property management	100	100

* 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⁾ On 28 February 2020 PKO Leasing Nieruchomości sp. z o.o., as the acquired company, was combined with PKO Leasing S.A. as the acquiring company.

³⁾ the Company was put in liquidation as of 1 September 2020 – the change had not been registered in the National Court Register by 30 September 2020.

⁴⁾ On 18 June 2020 liquidation proceedings were concluded and the Company was deleted from the National Court Register.

⁵⁾ Finansowa Kompania „Prywatne Inwestycje” Sp. z o.o. is the second shareholder of the company.

⁶⁾ „Inter-Risk Ukraina” additional liability company is the second shareholder of the company.

The Group has the following associates and joint ventures:

No.	ENTITY NAME	REGISTERED OFFICE	BUSINESS ACTIVITIES	% SHARE IN CAPITAL*	
				30.09.2020	31.12.2019
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	Warsaw	Activities supporting financial services, including processing transactions concluded using payment instruments	34	34
1	EVO Payments International s.r.o.	Prague, the Czech Republic	Activities supporting financial services	100	100
Joint venture of NEPTUN - fizan					
2	"Centrum Obsługi Biznesu" sp. z o.o.	Poznań	Property management	41,45	41,45
Joint venture of PKO VC - fizan					
3	BSafer sp. z o.o. ¹	Stalowa Wola	Managing marketing consents	35,06	-
Associates of PKO Bank Polski S.A.					
1	Bank Pocztowy S.A.	Bydgoszcz	Banking activities	25,0001	25,0001
2	"Poznański Fundusz Poreczeń Kredytowych" Sp. z o.o.	Poznań	Sureties	33.33	33.33

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

¹⁾ Joint venture PKO VC - fiz an as of 18 March 2020

28. CHANGES TO COMPANIES COMPRISING THE GROUP

In the nine-month period ended 30 September 2020 there were no significant changes in the structure of the PKO Bank Polski S.A. Group (detailed information on these entities is presented in the previous note).

PKO Leasing Nieruchomości sp. z o.o. (as the acquiree) was merged with PKO Leasing S.A. (as the acquirer) and ZenCard sp. z o.o. (as the acquiree) was merged with PKO BP Finat sp. z o.o. (as the acquirer).

Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A. was liquidated, and Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A. and Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A. were put in liquidation.

At the beginning of July 2020 in connection with the closing of the transaction of securitization of lease receivables of PKO Leasing S.A. performed in cooperation with the special purpose company ROOF Poland Leasing 2014 DAC, the liquidation process of the special purpose company began.

29. DIVIDEND AND PROFIT APPROPRIATION

On 26 August 2020, the General Shareholders' Meeting of the Bank passed a resolution to retain the net profit earned by the Bank in prior years in full:

- with respect to profit earned in 2019 – PLN 2 155 113 to be earmarked for reserves and the balance of PLN 3 832 348 976 to be retained as unappropriated profit;
- to continue to retain the retained earnings from prior years of PLN 1 667 651 024.

30. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET COMMITMENTS RECEIVED AND GRANTED

• OFF-BALANCE SHEET COMMITMENTS RECEIVED

OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE	30.09.2020	31.12.2019
Financial	93	119
Guarantee-related	3 895	2 478
Total	3 988	2 597



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• FINANCIAL AND GUARANTEE COMMITMENTS GRANTED

FINANCIAL LIABILITIES AND GUARANTEE COMMITMENTS GRANTED AS AT 30.09.2020	Nominal value of liabilities (stage 1)	Provision for expected credit losses (stage 1)	Nominal value of liabilities (stage 2)	Provision for expected credit losses (stage 2)	Nominal value of liabilities (stage 3)	Provision for expected credit losses (stage 3)	Total nominal amount	Total allowances	Total, net
Financial liabilities granted:									
Credit lines and limits	52 647	(99)	4 687	(96)	115	(40)	57 449	(235)	57 214
Other	3 919	(16)	-	-	-	-	3 919	(16)	3 903
Total financial liabilities	56 566	(115)	4 687	(96)	115	(40)	61 368	(251)	61 117
Guarantees and pledges granted									
Guarantees granted in domestic and foreign trading	8 024	(9)	446	(14)	318	(172)	8 788	(195)	8 593
Guarantees and pledges granted - domestic corporate bonds	28	-	-	-	-	-	28	-	28
Letters of credit issued	1 416	-	75	-	25	(1)	1 516	(1)	1 515
Payment guarantee to financial entities	41	-	-	-	-	-	41	-	41
Guarantees and pledges granted - domestic municipal bonds	890	(1)	-	-	-	-	890	(1)	889
Total guarantees and pledges granted	10 399	(10)	521	(14)	343	(173)	11 263	(197)	11 066

FINANCIAL LIABILITIES AND GUARANTEE COMMITMENTS GRANTED AS AT 31.12.2019	Nominal value of liabilities (stage 1)	Provision for expected credit losses (stage 1)	Nominal value of liabilities (stage 2)	Provision for expected credit losses (stage 2)	Nominal value of liabilities (stage 3)	Provision for expected credit losses (stage 3)	Total nominal amount	Total allowances	Total, net
Financial liabilities granted:									
Credit lines and limits	48 365	(91)	2 812	(77)	183	(28)	51 360	(196)	51 164
Other	4 005	(13)	3	-	-	-	4 008	(13)	3 995
Total financial liabilities	52 370	(104)	2 815	(77)	183	(28)	55 368	(209)	55 159
Guarantees and pledges granted									
Guarantees granted in domestic and foreign trading	9 345	(6)	501	(11)	291	(40)	10 137	(57)	10 080
Guarantees and pledges granted - domestic corporate bonds	36	-	-	-	-	-	36	-	36
Letters of credit issued	1 188	(1)	-	-	13	(2)	1 201	(3)	1 198
Payment guarantee to financial entities	35	-	-	-	-	-	35	-	35
Guarantees and pledges granted - domestic municipal bonds	101	-	-	-	-	-	101	-	101
Total guarantees and pledges granted	10 705	(7)	501	(11)	304	(42)	11 510	(60)	11 450

- **INFORMATION ABOUT SIGNIFICANT AGREEMENTS ON THE ISSUER OR ITS SUBSIDIARIES GRANTING GUARANTEES OR WARRANTIES FOR LOANS AND ADVANCES**

In the nine-month period ended 30 September 2020 PKO Bank Polski SA and its subsidiaries did not conclude any significant agreements relating to guaranteeing the repayment of loans or advances and warranting the repayment of loans or advances other than in day-to-day business.

31. LEGAL CLAIMS

As at 30 September 2020, the total value of court cases (litigation) in which the PKO Bank Polski S.A. Group companies are the respondent was PLN 1 689 million (as at 31 December 2019: PLN 1 194 million), while the total value of court cases (litigation) in which PKO Bank Polski S.A. Group companies are the claimant, as at 30 September 2020 was PLN 2 533 million (as at 31 December 2019: PLN 2 527 million).

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

As at 30 September 2020, 4 122 court proceedings relating to foreign currency mortgage loans granted in previous years were pending against the Bank (1 645 as at 31 December 2019) with a total disputed amount of PLN 1.67 billion PLN (PLN 392 million as at 31 December 2019), including one group proceeding regarding 73 loan agreements. The Bank's customers' claims concerned mainly the determination of the invalidity of all or part of the agreement or payment in respect of the refund of allegedly undue benefits in connection with the abusive nature of the foreign currency clauses. None of the clauses used by the Bank in the agreements was entered in the register of prohibited contractual provisions. The intensive advertising of services by law firms, which tempt borrowers to commission to them – at a charge – litigation services against banks has a significant impact on the number of claims filed by customers with respect to the Bank.

On 3 October 2019 the Court of Justice of the European Union ("CJEU") handed down its judgment in Case C-260/18 initiated by requests for a preliminary ruling from the Sąd Okręgowy w Warszawie (Regional Court in Warsaw). The Bank was not a party to the proceedings before the CJEU. A detailed description of the effects this judgment may have on the Bank is shown in the PKO Bank Polski S.A. Group's financial statements for 2019.

Until 30 September 2020 courts issued 63 final rulings in cases to which PKO Bank Polski S.A. was party (including 19 rulings after 3 October 2019). In 48 rulings (including 7 rulings issued after 3 October 2019) the courts dismissed the customers' lawsuits. PKO Bank Polski files cassation complaints with the Supreme Court with respect to final rulings that accepted the customers' claims.

Due to: 1) the absence of a representative sample of final court resolutions as to the estimated costs of legal risk of mortgage loans denominated in convertible currencies and 2) a large number of complicated legal issues that arose with respect to those issues, the Group takes into consideration expert opinions as to the probable future decisions of common courts. In the Group's opinion, respective jurisprudence will evolve, and consecutive judgments of the CJEU and resolutions of the Supreme Court, which will take into consideration the different structures of loan agreements, circumstances surrounding the granting of the loans and exercising the agreements, as well as the good morals and principles of social justice, will have a significant impact on rulings. The Group is of the opinion that jurisprudence of common courts will take the direction towards socially acceptable principles, so as to prevent the use of law with respect to borrowers who concluded PLN-denominated loan agreements which would cause them to incur charges grossly higher than those borrowers who concluded convertible currency loan agreements in the same period.

Taking a prudent approach to the protection against the legal risk relating to the court cases which were pending as at 30 September 2020, the Group maintained the provision for this pending litigation of PLN 394 million, of which PLN 341 million reduced the gross carrying amount of loans due to the legal risk associated with mortgage loans and PLN 53 million was recognized in "Provisions for legal claims against the Bank relating to repaid mortgage loans in convertible currencies".

The Group assessed the legal risk related to the whole foreign currency mortgage loans portfolio following from the potential future litigation at PLN 515 million. Due to the fact that the amount relates to a new assessment of cash flows from an active mortgage loans portfolio, in connection with the provisions of IFRS 9.B.5.4.6, the amount reduced the gross balance of the loans as at 30 September 2020 (Note "Loans and advances to customers").

Furthermore, as at 30 September 2020, the Group maintained the provision for potential legal claims relating to repaid mortgage loans of PLN 97 million (see the note "Provisions", the item "Provisions for legal claims against the Bank relating to repaid mortgage loans in convertible currencies").

- **COURT PROCEEDINGS AGAINST THE BANK CONCERNING REIMBURSEMENT OF THE COMMISSION IN THE EVENT OF PREPAYMENT OF LOANS**

As at 30 September 2020, 177 court proceedings were pending against the Bank with a total disputed amount of PLN 940 thousand, relating to commission reimbursement in the event of the prepayment of a loan or a part thereof by a customer (as at 31 December 2019: 102 court proceedings with a total disputed amount of PLN 640 thousand).

The provision for such proceedings as at 30 September 2020 amounted to PLN 299 thousand (PLN 355 thousand as at 31 December 2019).

On 11 September 2019, the Court of Justice of the European Union ("CJEU") handed down its judgment in Case C383/18 initiated by a request for a preliminary ruling from the Sąd Rejonowy Lublin-Wschód w Lublinie (Lublin-Wschód District Court in Lublin) with its seat in Świdnik. The Bank was not a party to the proceedings before the CJEU. The detailed description of the effect this judgment may have on the Bank is shown in the PKO Bank Polski S.A. Group's consolidated financial statements for 2019.

The Group assessed the potential prepayments which may occur in the future and which relate to the portfolio of consumer and mortgage loans recognizing their impact as a reduction in the gross carrying amount of consumer and property loans of PLN 149 million as at 30 September 2020. Moreover, the Group estimated the likely costs of satisfying customer complaints relating to reimbursement of commission in connection with prepayments in the past. These costs amounting to PLN 42 million were included in the balance of provisions as at 30 September 2020 (note "Provisions").

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

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

- Proceedings initiated ex officio on 28 June 2017 on the acknowledgement that the provisions of the template contract are inadmissible. The breach, of which the Bank is being accused, involves the use of contractual provisions in template mortgage loan agreements which are revalued/indexed/denominated in foreign currencies and their appendices, presenting the method of setting the foreign currency buy and sell rates, which, according to the President of the UOKiK, may be considered inadmissible in the light of Article 385 § 1 of the Civil Code. In his decision dated 16 October 2020 the UOKiK President recognized the provisions in the template agreement "Annexe to the housing mortgage loan/advance agreement" being assessed in the part "Appendix to the Annexe 'Principles of determining the Forex spread by PKO BP S.A.'" as inadmissible and forbid their use. In addition, the President of the UOKiK ordered that all consumers who are party to the assessed annexes be notified of their being inadmissible and of the consequences of the fact within three months of the date of the decision becoming final and binding at the latest and ordered the Bank to place a statement on its website with the content indicated in the decision within one month of the date the decision becoming final and binding at the latest and maintain it on the website over a period of four months. In addition the President of the UOKiK penalized the Bank with a fine of PLN 41 million, payable to the Financial Education Fund. The Bank intends to appeal against the decision of the President of UOKiK within 30 days of its receipt. As at 30 September 2020 the Bank recognized a provision for this claim of PLN 41 million.

- Proceedings initiated on 26 July 2017 ex officio about using practices which violate the collective interests of customers. The violation with which the Bank has been charged consists of collecting higher instalments on loans and advances to customers denominated in foreign currencies than those following from the information about interest rate risk provided to customers before they had concluded the respective agreements, and transferring possible currency risk to the customers. The Bank presented its position on the claims in its letter dated 23 September 2017. In its letter of 14 March 2019, the President of UOKiK requested that the Bank present answers to 16 detailed questions in order to determine the circumstances necessary to settle the case, to which the Bank responded in its letter dated 10 May 2019. As at 30 September 2020 the President of UOKiK had not taken any further steps in this matter. As at 30 September 2020, the Group had not set up a provision for these proceedings.
- Proceedings initiated ex officio on 12 March 2019 on 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 commission. In the opinion of the President of UOKiK the modification clauses applied by the Bank give the Bank unilateral unlimited and arbitrary possibilities of modifying the manner of execution of the agreement. Consequently, the President of UOKiK is of the opinion that the clauses applied by the Bank shape the rights and obligations of the consumers in a way that is contrary to good practice and are a gross violation of their interests, which justifies the conclusion that they are abusive. In its letter of 31 May 2019, the Bank presented its position on the charges made by the President of UOKiK. By a letter dated 12 August 2019, the President of UOKiK extended the deadline for the closure of the proceeding to 31 December 2019, and then by a letter dated 19 December 2019 to 30 April 2020. As at 30 September 2020 the President of UOKiK had not taken any further steps in this matter. As at 30 September 2020, the Group had not set up a provision for these proceedings.

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

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

The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed “interchange” fees for transactions made using the above cards as well as limiting access to this market for external entities. On 29 December 2006, UOKiK decided that the practices, consisting of joint establishment of the “interchange” fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, the Bank, in the amount of PLN 16.6 million. The Bank appealed against the decision of the President of UOKiK to the Court for Competition and Consumer Protection (Sąd Ochrony Konkurencji i Konsumentów – SOKiK). By judgement of 21 November 2013 SOKiK reduced the penalty imposed on the Bank to PLN 10.4 million. The parties to the proceedings appealed against the judgement. In its judgment of 6 October 2015, the Court of Appeal in Warsaw restored the original amount of the imposed penalties stipulated in the decision of the UOKiK, i.e. a fine amounting to PLN 16.6 million (fine imposed on PKO Bank Polski S.A.) and a fine amounting to PLN 4.8 million (fine imposed on Nordea Bank Polska S.A.). PKO Bank Polski S.A. is the legal successor of Nordea Bank Polska S.A. through a merger pursuant to Article 492 § 1.1 of the Commercial Companies Code. The fine was paid by the Bank in October 2015. As a result of the cassation complaint made by the Bank, in its judgment dated 25 October 2017, the Supreme Court revoked the appealed judgment of the Court of Appeal in Warsaw and submitted the case for re-examination. The fines paid by the Bank were reimbursed to the Bank on 21 March 2018. Currently, the case is being examined by the Court of Appeal in Warsaw. After two hearings, the Court of Appeal adjourned the trial without setting a date. As at 30 September 2020 the Bank maintained a provision for this litigation of PLN 21 million.

• CLAIMS FOR DAMAGES IN RESPECT OF THE INTERCHANGE FEE

The Bank was served six summons to participate, as an intervening party on the defendant’s side, in cases relating to the interchange fees. Other banks are on the defendant’s side. The claims vis-à-vis the sued banks amount to almost PLN 783 million and are pursued as damages for differences in interchange fees resulting from applying practices that restrict competition. As these proceedings are not pending against the Bank, they have not been included in the total value of cases in dispute against the Bank.

If the courts find the claims justified, the respondents may claim recourse in separate court proceedings from other banks, including, among others, from PKO Bank Polski S.A. As at 30 September 2020 the Bank entered four proceedings as a side intervener.

- **REPRIVATISATION CLAIMS RELATING TO PROPERTIES USED BY THE GROUP**

As at the date of the financial statements the following proceedings are being conducted:

- three proceedings pertaining to reprivatization claims. One of the proceedings has been suspended. In the second proceeding ended with a final court judgment favourable to the Bank, the opposing party lodged a cassation complaint, and the Supreme Court accepted it for consideration; in the third proceeding the subject matter of which is to confirm invalidity of the decision refusing to grant temporary ownership of the Bank's property to the applicant, the opponent lodged a cassation complaint with the Voivodeship Administrative Court against the final decision of discontinuing the proceedings as groundless; the complaint was dismissed by the court; however the opponent appealed against it;
- seven proceedings, of which one is suspended with respect to the real estate of the other companies from the Bank's Group, the subject matter of which is to confirm that the administrative decisions are invalid or to return the property.

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

32. TRANSACTIONS WITH THE STATE TREASURY AND RELATED PARTIES

- **TRANSACTIONS WITH THE STATE TREASURY**

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

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

INCOME DUE TO TEMPORARY REDEMPTION OF INTEREST ON HOUSING LOANS FROM THE 'OLD' PORTFOLIO BY THE STATE BUDGET	01.01- 30.09.2020	01.01- 30.09.2019
Income recognized for this period	81	67
Income received in cash	62	46
Difference - 'Loans and advances to customers'	19	21

As of 1 January 2018 based on the provisions of the Act of 30 November 1995 on state support in the repayment of certain housing loans, and reimbursement of guarantee bonuses paid, the borrowers acquired the right to be forgiven the remaining debt by the State Treasury, which will result in gradual (until 2026) full settlement of the housing loan indebtedness from the so-called "old" portfolio. The Bank conducts settlements in respect repurchase of interest on housing loans by the State budget and in the nine-month period ended 30 September 2020, and the corresponding period of 2019, it received commission of less than PLN 1 million.

As of 1 January 1996 the Bank is the general distributor of revenue stamps – and in the nine-month period ended 30 September 2020, and the corresponding period of 2019, the Bank received commission of less than PLN 1 million.

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 nine-month period ended 30 September 2020 in the amount of PLN 108 million, and in the nine-month period ended 30 September 2019 in the amount of PLN 61 million.

• **RELATED-PARTY TRANSACTIONS - CAPITAL LINKS – ASSOCIATES AND JOINT VENTURES**

AS OF 30 SEPTEMBER 2020 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	75		4	187
'Centrum Obsługi Biznesu' Sp z o.o.	20		20	5
Bank Poczty SA	-		-	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-		-	-
Operator Chmury Krajowej sp. z o.o.	1		-	4
Total joint ventures and associates	96		24	196

AS OF 31 DECEMBER 2019 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	80		26	43
'Centrum Obsługi Biznesu' Sp z o.o.	19		19	6
Bank Poczty SA	-		-	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-		-	1
Operator Chmury Krajowej sp. z o.o.	-		-	59
Total joint ventures and associates	99		45	109

FOR THE PERIOD ENDED 30 SEPTEMBER 2020 / ENTITY	Total income	of which interest and fee and commission	Total expenses	of which interest and fee and commission
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	354		350	72
Total joint ventures and associates	354		350	72

FOR THE PERIOD ENDED 30 SEPTEMBER 2019 / ENTITY	Total income	of which interest and fee and commission	Total expenses	of which interest and fee and commission
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	362		335	93
„Centrum Obsługi Biznesu” sp. z o.o.	1		1	-
Total joint ventures and associates	363		336	93

33. FAIR VALUE HIERARCHY

The classification of financial instruments and the method of determining their fair value was described in the consolidated financial statements of the Group for 2019.

ASSETS MEASURED AT FAIR VALUE 30.09.2020	Level 1	Level 2	Level 3
	Carrying amount	Prices quoted on active markets	Valuation techniques based on observable market data
Hedging derivatives	1 394	-	1 394
Other derivative instruments	5 156	1	5 155
Securities	78 816	63 475	13 970
Loans and advances to customers	6 469	-	-
Total financial assets measured at fair value	91 835	63 476	20 519

LIABILITIES MEASURED AT FAIR VALUE 30.09.2020	Level 1	Level 2	Level 3
	Carrying amount	Prices quoted on active markets	Valuation techniques based on observable market data
Hedging derivatives	668	-	668
Other derivative instruments	5 278	-	5 278
Liabilities in respect of a short position in securities	9	9	-
Total financial liabilities measured at fair value	5 955	9	5 946

ASSETS MEASURED AT FAIR VALUE 31.12.2019	Level 1	Level 2	Level 3
	Carrying amount	Prices quoted on active markets	Valuation techniques based on observable market data
Hedging derivatives	645	-	645
Other derivative instruments	2 795	1	2 794
Securities	67 118	57 089	7 206
Loans and advances to customers	8 286	-	-
Total financial assets measured at fair value	78 844	57 090	10 645

LIABILITIES MEASURED AT FAIR VALUE 31.12.2019	Level 1	Level 2	Level 3
	Carrying amount	Prices quoted on active markets	Valuation techniques based on observable market data
Hedging derivatives	589	-	589
Other derivative instruments	2 924	-	2 924
Liabilities in respect of a short position in securities	362	362	-
Total financial liabilities measured at fair value	3 875	362	3 513

In the nine-month period ended 30 September 2020 there were no changes to the measurement techniques and input data for particular levels of the fair value hierarchy.

In the nine-month period ended 30 September 2020, corporate bonds in the amount of PLN 1 457 million were transferred from level 3 to level 2 due to a change in the method of calculation of the risk margin.

In the nine-month period ended 30 September 2019, corporate bonds in the amount of PLN 1 466 million were transferred from level 2 to level 3 due to a change in the method of the calculation of the risk margin.

IMPACT OF ESTIMATES ON FAIR VALUE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS	30.09.2020		31.12.2019	
	Fair value under		Fair value under	
	positive scenario	negative scenario	positive scenario	negative scenario
Loans and advances to customers ¹	7 070	5 890	8 526	8 054
Shares in Visa Inc. ²	228	217	225	199
Corporate bonds ³	950	948	2 392	2 382
Equity investments ⁴	201	182	226	204

¹ Scenario assuming a change in the discount rate of +/- 0.5 p.p.

² Scenario assuming a discount rate in respect of the future conditions of converting C-series shares to ordinary shares at a level of 0%/100% respectively

³ Scenario assuming a change in credit spread of +/- 10%

⁴ Scenario assuming a change in the company's value of +/- 5%

RECONCILIATION OF CHANGES DURING THE REPORTING PERIOD TO FAIR VALUE AT LEVEL 3	01.01- 30.09.2020	01.01- 30.09.2019
Opening balance at the beginning of the period	11 109	3 025
Foreign exchange differences	7	12
Increase in exposure to equity instruments	4	-
Issues and redemptions of corporate bonds	114	(440)
Transfers from level 3 to level 2	(1 457)	-
Transfers from level 2 to level 3	-	1 466
Reclassification of credit exposures from measured at amortized cost to measured at fair value through profit or loss	-	8 204
Change due to new sales, repayments and write-offs during the period	(1 645)	(139)
Net gain/(loss) on financial instruments measured at fair value through profit or loss	(174)	34
Change in the valuation recognized in OCI	(118)	10
As at the end of the period	7 840	12 172

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

The methods and assumptions for determining their fair value were described in the Group's financial statements for 2019.

	level of fair value hierarchy	30.09.2020	
		carrying amount	fair value
Cash and balances with the Central Bank	not applicable	3 736	3 736
Amounts due from banks	2	2 637	2 637
Securities (excluding adjustments relating to fair value hedge accounting)	1, 3	43 167	43 762
Reverse repo transactions	2	8	8
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	3	222 781	221 157
Receivables from insurance activity	3	819	819
Other financial assets	3	1 501	1 501
Amounts due to banks	2	2 629	2 629
Amounts due to customers	3	277 540	277 548
Liabilities from insurance activity	3	1 754	1 754
Loans and advances received	3	2 452	2 567
Debt securities in issue	1, 2	30 568	30 921
Subordinated liabilities	2	2 704	2 732
Other financial liabilities	3	3 643	3 643

	level of fair value hierarchy	31.12.2019	
		carrying amount	fair value
Cash and balances with the Central Bank	not applicable	14 677	14 677
Amounts due from banks	2	4 092	4 092
Securities (excluding adjustments relating to fair value hedge accounting)	1, 3	13 454	13 518
Reverse repo transactions	2	1 081	1 081
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	3	221 916	220 927
Receivables from insurance activity	3	858	858
Other financial assets	3	1 766	1 766
Amounts due to banks	2	1 818	1 818
Amounts due to customers	3	254 451	254 397
Liabilities from insurance activity	3	1 777	1 777
Loans and advances received	3	2 779	2 779
Debt securities in issue	1, 2	31 148	31 595
Subordinated liabilities	2	2 730	2 730
Other financial liabilities	3	3 305	3 305

35. OTHER INFORMATION

SEASONAL OR CYCLICAL NATURE OF OPERATIONS DURING THE REPORTING PERIOD

The activities of the Bank and other companies of the PKO Bank Polski S.A. Group do not show any significant features of seasonal or cyclical nature.

IDENTIFICATION OF MATERIAL PROCEEDINGS PENDING BEFORE COURTS, ARBITRATION BODIES OR PUBLIC ADMINISTRATION AUTHORITIES

In the nine-month period ended 30 September 2020 PKO Bank Polski S.A. and its subsidiaries did not engage in any proceedings relating to liabilities or receivables before arbitration bodies or public administration bodies that would be material from the Group's perspective. Liabilities or receivables were considered to be material if their amount constituted at least 5% of PKO Bank Polski S.A.'s equity.

The description of disputed claims was presented in the note "Legal claims".

LOANS DRAWN AND AGREEMENTS ON ADVANCES, GUARANTEES AND WARRANTIES NOT RELATED TO THE OPERATING ACTIVITIES

In the nine months ended 30 September 2020, PKO Bank Polski S.A. and subsidiaries of PKO Bank Polski S.A. did not draw any loans or advances and did not receive any guarantees or warranties not related to their operating activities.

SIGNIFICANT AGREEMENTS AND MATERIAL AGREEMENTS WITH THE CENTRAL BANK AND REGULATORY AUTHORITIES

During the nine months ended 30 September 2020, PKO Bank Polski S.A. and its subsidiaries did not conclude significant agreements with the Central Bank or with the regulators. In August 2020, KREDOBANK S.A. signed an annexe to the general loan agreement with the National Bank of Ukraine concerning refinancing from 2018, pursuant to which the amount of the agreement was increased from UAH 600 million to UAH 1 700 million. As at 30 September 2020 KREDOBANK S.A.'s debt under the agreement referred to above was UAH 1 700 million (PLN 232 million at the mid NBP exchange rate from 30 September 2020).

POSITION OF THE MANAGEMENT BOARD OF PKO BANK POLSKI S.A. CONCERNING THE REALIZATION OF PREVIOUSLY PUBLISHED FORECASTS OF THE RESULTS FOR THE CURRENT YEAR

PKO Bank Polski S.A. did not make public any forecasts of its results for 2020.

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

During the nine-month period of 2020 there were no other significant events in PKO Bank Polski S.A. or in the subsidiaries of PKO Bank Polski S.A. which would be material to the assessment of its human resources, asset and financial position.

INFORMATION ON RELATED-PARTY TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY IF THEY ARE MATERIAL AND WERE CONCLUDED ON TERMS OTHER THAN AN ARM'S LENGTH BASIS

In the period from January to September 2020 PKO Bank Polski S.A. and its subsidiaries did not conclude any material transactions with related entities on conditions other than arm's length.

OTHER INFORMATION

The PKO Bank Polski S.A. Group does not identify unpaid loans and advances, or serious infringements of provisions of loan or advance agreements with respect to which no corrective measures were taken until 30 September 2020.

36. OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT

Risk management is one of the most important internal processes in both PKO Bank Polski S.A. and other entities of the PKO Bank Polski S.A. Group. Risk management is aimed at ensuring profitability of the business activities 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 and legal environment. The level of risk is an important part of the planning processes.

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

In the consolidated financial statements of the Group for 2019 and in the Report on Capital Adequacy and other information subject to publication by the Group as at 31 December 2019, the following elements of the risk management system were described in detail: risk definition, objectives of managing the specific risk, identification of the risk, measurement and evaluation, control, forecasting and monitoring, reporting and management activities to identify material types of risk.

In the nine-month period ended 30 September 2020 the main objectives, principles and organization of the risk management process in the Group did not change vis-à-vis the principles described in the consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 2019, with the exception of the actions described below.

37. CREDIT RISK MANAGEMENT

The outbreak of the COVID-19 pandemic has a significant impact on the economic position of many enterprises and individuals, leading to their financial illiquidity and difficulties in the timely payment of financial liabilities. The Group immediately took certain measures to support its customers in their battle against the business effects of the COVID pandemic, thus minimizing the deterioration of its credit portfolio.

These measures covered, among other things: moratoria on loan repayments pursuant to the guidelines of the European Banking Authority and granting loans and advances covered by public guarantee programmes in the context of the COVID-19 crisis.

- Under the loan moratoria, the Group introduced facilitations, the common element of which is to enable borrowers and lessees, at their request, to suspend or extend payments of instalments (of the principal, principal and interest or interest – depending on the form of financing) for a maximum of six months. Individuals with mortgage loans may suspend payments of instalments and individuals with cash loans or lease contracts may suspend the payment of instalments with the possibility of extending the lending period.
- Firms, enterprises and corporates (including local and central government entities) may suspend payments of instalments with the option of extending the lending period (among others: working capital loans, overdrafts, investment and investor loans, leases).
- The Bank also offered the option of suspending the payment of credit cards held by individual customers and business credit cards held by firms and enterprises.
- With respect to financing of firms, enterprises and corporates, simplified policies for extending the selected renewable products by a maximum of six months were introduced (or renewing the contractual lending period), as well as internal customer limits and restructuring agreements (this relates to products, limits and agreements that mature by 30 September 2020).
- KREDOBANK S.A. prepared credit relief programmes relating to the suspension, at the Customer's request, of part or all instalments or principal instalments by a maximum of three months and introduced fast track decisions for renewals of credit lines.

- As of 24 June 2020 customers of the Group (the Bank and PKO Bank Hipoteczny S.A.) who lost their jobs or other main sources of income after 13 March 2020 and who are indebted in the form of mortgage or consumer loans (including: cash loans/advances, renewable limits and credit cards) may suspend the performance of the agreement for a maximum of three months. During the suspension period interest is not accrued and no other fees are collected with respect to the agreement with the exception of insurance instalments paid on a monthly basis.
- The Bank's customers (micro, small and medium enterprises) may submit requests for financial subsidies stipulated in the Polish Development Fund's Financial Shield under the government programme aimed at helping firms maintain financial viability through the Bank's electronic channels. In total, over 67 thousand enterprises received funds of PLN 10.5 billion through the Bank.
- As of 16 June 2020 firms can file requests with the Polish Development Fund (Polski Fundusz Rozwoju S.A.) for preferential interest rates on liquidity and preferential borrowings under the PFR Financial Shield for large companies. The Bank's role is to maintain, among other things, accounts for disbursements of funds under the programme, registering and monitoring the advances and respective security, as well as operational services.
- On 18 March 2020 the Bank concluded an Annex to the de minimis guarantee line portfolio agreement dated 22 June 2018 (as amended), based on which in connection with the COVID-19 pandemic, Bank Gospodarstwa Krajowego implemented special terms and conditions for granting guarantees (binding until 31 December 2020):
 - 1) a commission of PLN 0 instead of the former 0.5% for new and extended de minimis guarantees securing loans;
 - 2) no annual commission will be charged for the continuation of provision of the de minimis guarantees;
 - 3) the guarantee may be granted for up to 80% of the loan amount;
 - 4) the period for the guarantee remaining in force was extended from 27 months to 39 months.
- On 10 April 2020 the Bank concluded a portfolio guarantee line agreement from the Liquidity Guarantee Fund with Bank Gospodarstwa Krajowego. Based on the agreement up to 80% of the amount of each loan which meets the requirements of the agreement may be covered by a guarantee granted by the Bank until 31 December 2020. The limit granted under the Liquidity Guarantee Fund is PLN 18 billion.



Bank Polski

The tables below present the exposures subject to the facilitation services:

Information on loans and advances subject to moratoria in line with EBA guidelines (legislative and non-legislative)	30.09.2020						
	Gross carrying amount						
		Performing			Non performing		
			of which: exposures with forbearance measures	of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)		of which: exposures with forbearance measures	of which: unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium in line with EBA guidelines	18 767	18 440	136	3 812	327	174	139
retail and private	8 085	8 030	117	1 526	55	4	49
property	6 132	6 121	104	1 093	11	2	9
consumer	1 953	1 909	13	433	44	2	40
firms and enterprises	4 757	4 662	10	1 166	95	-	84
corporate	1 335	1 316	5	323	19	-	19
property	1 316	1 303	5	166	13	-	13
finance lease receivables	2 106	2 043	-	677	63	-	52
corporate	5 925	5 748	9	1 120	177	170	6
corporate	3 635	3 635	9	310	-	-	-
finance lease receivables	697	690	-	254	7	-	6
property	1 593	1 423	-	556	170	170	-

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020
(IN PLN MILLION)



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30.09.2020									
Information on loans and advances subject to moratoria in line with EBA guidelines (legislative and non-legislative)	Accumulated impairment, cumulative negative changes in fair value due to credit risk						Gross carrying amount	Inflows to non-performing exposures	
	Performing			Non performing					
		of which: exposures with forbearance measures	of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)		of which: exposures with forbearance measures	of which: unlikely to pay that are not past-due or past-due <= 90 days			
Loans and advances subject to moratorium	532	465	9	346	67	18	45	-	
retail and private	259	241	9	205	18	2	15	-	
property	134	130	6	121	4	1	3	-	
consumer	125	111	3	84	14	1	12	-	
firms and enterprises	120	89	-	68	31	-	28	-	
corporate	48	39	-	31	9	-	9	-	
property	33	28	-	19	5	-	5	-	
finance lease receivables	39	22	-	18	17	-	14	-	
corporate	153	135	-	73	18	16	2	-	
corporate	63	63	-	18	-	-	-	-	
finance lease receivables	13	11	-	9	2	-	2	-	
property	77	61	-	46	16	16	-	-	
Breakdown of loans and advances covered by statutory and non-statutory moratoria according to the residual term of moratoria	30.09.2020								
	Number of obligors	Gross carrying amount		Of which: expired	Residual maturity of moratoria				
			of which: legislative moratoria		<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Credits and loans on which moratoria have been proposed	201 101	36 042							
Loans and advances subject to moratoria in line with EBA guidelines	197 878	34 941	26	16 174	10 646	8 075	25	6	15
retail and private		21 466	26	13 382	7 537	544	1	2	-
property		16 785	15	10 654	6 101	29	1	-	-
finance lease receivables		3	-	3	-	-	-	-	-
consumer		4 678	11	2 725	1 436	515	-	2	-
firms and enterprises		6 878	-	2 122	2 284	2 431	24	2	15
corporate		2 060	-	725	76	1 240	2	2	15
property		1 315	-	-	119	1 175	21	-	-
finance lease receivables		3 503	-	1 397	2 089	16	1	-	-
corporate		6 597	-	670	825	5 100	-	2	-
corporate		3 687	-	52	124	3 509	-	2	-
finance lease receivables		1 314	-	618	694	2	-	-	-
property		1 596	-	-	7	1 589	-	-	-



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Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	30.09.2020			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received in connection with COVID-19 crisis	Inflows to non-performing exposures
New loans and advances granted under public guarantee schemes	2 445	-	1 956	-
firms and enterprises	1 710	-	1 369	-
corporate	1 709	-	1 368	-
factoring	1	-	1	-
corporate	735	-	587	-
corporate	735	-	587	-

THE IMPACT OF COVID-19 ON THE DETERIORATION IN THE QUALITY OF THE LOAN PORTFOLIO	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020
the portfolio of loans valued at amortized cost and valued at fair value through other comprehensive income - result on write-offs for expected credit losses	(66)	(384)
the portfolio of loans valued at fair value through profit and loss - result on financial instruments valued at fair value through profit and loss	(18)	(44)

The Group estimated the adverse impact of the COVID-19 pandemic on the quality of the Group's loan portfolio and other financial assets at PLN 428 million. Recognizing the impact of COVID-19 on the loan portfolio, the Group took into account the current development forecasts for the key macroeconomic parameters pursuant to three scenarios. The estimation of the effect of the pandemic is based on the relationship between the expected loss and the changes in the macroeconomic parameters stipulated in each of the three scenarios prepared on the basis of the Group's own internal forecasts. The forecast ratios include, among other things, GDP growth rates and the unemployment rate, since these parameters have the biggest impact on the recognized changes in the measurement of the Group's assets. In the models of risk parameters (in particular, the probability of default (PD) model), average values of these ratios over a period of two years have been used in order to adequately reflect the significant quarterly variability of macroeconomic parameters. The additional allowance in respect of COVID-19 results from a significant deterioration in macroeconomic forecasts in all three scenarios and from recognizing a material increase in credit risk for exposures covered by moratoria with the highest PD values. The increase in PD, which results from the forecasts, causes increases in the expected losses on the individual loans and, for some of them, increased migrations to Stage 2.

The tables below present the forecasts of the key macroeconomic indicators as at 30 September 2020 and 31 December 2019, and the probability of their materialization.

scenario for 30.09.2020	base	optimistic	pessimistic
probability	75%	5%	20%
	average over the period 2Q2020-1Q2022	average over the period 2Q2020-1Q2022	average over the period 2Q2020-1Q2022
Dynamics GDP y/y	1,8	5,8	(2,1)
Unemployment rate	5,2	4,6	6,6
WIBOR 3M	0,3	1,6	(0,2)
Index of changes in real estate prices	97,8	104,8	94,6
CHF/PLN	4,1	4,0	4,2

scenario for 31.12.2019	base	optimistic	pessimistic
probability	75%	5%	20%
	average over the period 4Q2019-3Q2021	average over the period 4Q2019-3Q2021	average over the period 4Q2019-3Q2021
Dynamics GDP y/y	3,9	5,7	2,1
Unemployment rate	3,3	2,5	4,5
WIBOR 3M	1,7	2,7	0,9
Index of changes in real estate prices	112,1	120,7	91,5
CHF/PLN	4,0	3,7	4,2

• **FINANCIAL ASSETS WRITTEN OFF DURING THE DEBT RECOVERY PERIODS**

The table below presents the outstanding amounts to be repaid in respect of financial assets which were written down during the reporting period and which are still the subject of debt recovery activities.

FINANCIAL ASSETS WRITTEN OFF	01.01-30.09.2020		01.01-30.09.2019	
	Partly written off	Fully written off	Partly written off	Fully written off
Securities				
measured at fair value through other comprehensive income	-	3	9	-
Loans and advances to customers				
measured at amortized cost	17	216	100	561
property	2	7	60	26
corporate	3	49	27	310
consumer	12	124	13	155
finance lease receivables	-	36	-	70
Other financial assets	-	1	-	1
Total	17	220	109	562

38. LEGAL RISKS RELATED TO MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

The Group analyses its portfolio of mortgage loans in convertible currencies 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.

PROPERTY LOANS AND ADVANCES TO INDIVIDUALS (RETAIL AND PRIVATE BANKING) BY CURRENCY	30.09.2020			31.12.2019		
	gross	impairment allowance	net	gross	impairment allowance	net
in local currencies	93 608	(1 180)	92 428	89 924	(1 055)	88 869
PLN	93 379	(1 162)	92 217	89 715	(1 034)	88 681
UAH	229	(18)	211	209	(21)	188
in foreign currencies	23 976	(863)	23 113	24 294	(751)	23 543
CHF	21 129	(798)	20 331	21 410	(692)	20 718
EUR	2 800	(61)	2 739	2 825	(53)	2 772
USD	39	(4)	35	50	(6)	44
OTHER	8	-	8	9	-	9
TOTAL	117 584	(2 043)	115 541	114 218	(1 806)	112 412

PROPERTY/REAL ESTATE LOANS AND ADVANCES TO INDIVIDUALS IN FOREIGN CURRENCIES BY GRANTING DATE		INDEXED	DENOMINATED	Total
30.09.2020				
up to 2002	Gross amount	-	82	82
	Allowances for credit losses	-	(2)	(2)
	Net amount	-	80	80
	Number of loans granted [number of items]	-	5 870	5 870
from 2003 to 2006	Gross amount	-	4 758	4 758
	Allowances for credit losses	-	(122)	(122)
	Net amount	-	4 636	4 636
	Number of loans granted [number of items]	-	44 146	44 146
from 2007 to 2009	Gross amount	-	12 716	12 716
	Allowances for credit losses	-	(627)	(627)
	Net amount	-	12 089	12 089
	Number of loans granted [number of items]	-	52 755	52 755
from 2010 to 2012	Gross amount	3 344	3 057	6 401
	Allowances for credit losses	(45)	(65)	(110)
	Net amount	3 299	2 992	6 291
	Number of loans granted [number of items]	10 792	12 149	22 941
from 2013 to 2016	Gross amount	5	14	19
	Allowances for credit losses	-	(2)	(2)
	Net amount	5	12	17
	Number of loans granted [number of items]	16	46	62
Total	Gross amount	3 349	20 627	23 976
	Allowances for credit losses	(45)	(818)	(863)
	Net amount	3 304	19 809	23 113
	Number of loans granted [number of items]	10 808	114 966	125 774

PROPERTY/REAL ESTATE LOANS AND ADVANCES TO INDIVIDUALS IN FOREIGN CURRENCIES BY GRANTING DATE		INDEXED	DENOMINATED	Total
31.12.2019				
up to 2002	Gross amount	-	98	98
	Allowances for credit losses	-	(2)	(2)
	Net amount	-	96	96
	Number of loans granted [number of items]	-	6 704	6 704
from 2003 to 2006	Gross amount	-	4 974	4 974
	Allowances for credit losses	-	(107)	(107)
	Net amount	-	4 867	4 867
	Number of loans granted [number of items]	-	47 821	47 821
from 2007 to 2009	Gross amount	-	12 756	12 756
	Allowances for credit losses	-	(544)	(544)
	Net amount	-	12 212	12 212
	Number of loans granted [number of items]	-	54 056	54 056
from 2010 to 2012	Gross amount	3 362	3 085	6 447
	Allowances for credit losses	(39)	(57)	(96)
	Net amount	3 323	3 028	6 351
	Number of loans granted [number of items]	11 115	12 709	23 824
from 2013 to 2016	Gross amount	5	14	19
	Allowances for credit losses	-	(2)	(2)
	Net amount	5	12	17
	Number of loans granted [number of items]	18	47	65
Total	Gross amount	3 367	20 927	24 294
	Allowances for credit losses	(39)	(712)	(751)
	Net amount	3 328	20 215	23 543
	Number of loans granted [number of items]	11 133	121 337	132 470

IMPACT OF LEGAL RISK CONCERNING MORTGAGE LOANS IN CONVERTIBLE CURRENCIES	30.09.2020	31.12.2019
Loans and advances to customers - adjustment reducing the carrying amount of loans due to:	856	422
- potential future court cases	515	281
- pending proceedings	341	141
Provisions due to:	150	29
- potential future court cases	97	29
- pending proceedings	53	-
TOTAL	1 006	451

IMPACT OF LEGAL RISK CONCERNING MORTGAGE LOANS IN CONVERTIBLE CURRENCIES	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Cost of legal risk of convertible currencies	(345)	(535)	(1)	(5)

39. INTEREST RATE RISK MANAGEMENT

• SENSITIVITY OF INTEREST INCOME

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

NAME OF SENSITIVITY MEASURE	30.09.2020	31.12.2019
Sensitivity of interest income (PLN million)	(558)	907

The table below presents the economic value sensitivity measure at a shift in the yield curve of the banking book of the Group of + 1 bp (BPV) in all currencies:

NAME OF SENSITIVITY MEASURE	30.09.2020	31.12.2019
Sensitivity of economic value (PLN million)	(5)	3

• VALUE AT RISK

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

NAME OF SENSITIVITY MEASURE	30.09.2020	31.12.2019
IR VaR for a 10-day time horizon at the confidence level of 99% (in PLN million):		
Average value	10	5
Maximum value	16	10
As at the end of the period	7	6

40. CURRENCY RISK MANAGEMENT

• SENSITIVITY MEASURES

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

SENSITIVITY MEASURE	30.09.2020	31.12.2019
VaR for a 10-day time horizon at the confidence level of 99% (in PLN million) ¹	5	9

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 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 PLN 0.2 million as at 30 September 2020 and to PLN 0.1 million as at 31 December 2019.

- FOREIGN CURRENCY POSITION

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

FOREIGN CURRENCY POSITION	30.09.2020	31.12.2019
EUR	(46)	(152)
CHF	(218)	(238)
Other (Global, Net)	57	7

41. LIQUIDITY RISK MANAGEMENT

- LIQUIDITY GAP

	on demand	0-1 month	1-3 months	3-6 months	6-12 months	12-24 months	24-60 months	over 60 months
30.09.2020								
Adjusted periodic gap	3 065	70 090	(7 052)	(8 700)	4 940	638	19 649	(82 630)
Adjusted cumulative periodic gap	3 065	73 155	66 103	57 403	62 343	62 981	82 630	-
31.12.2019								
Adjusted periodic gap	11 355	30 783	(8 092)	(7 285)	(3 317)	5 024	18 205	(46 673)
Adjusted cumulative periodic gap	11 355	42 138	34 046	26 761	23 444	28 468	46 673	-

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, PKO Leasing S.A., KREDOBANK and PKO Życie Towarzystwo Ubezpieczeń S.A. and the contractual liquidity gaps of the other Group companies, was positive both as at 30 September 2020 and 31 December 2019. This means that the Group has a surplus of the assets receivable over the liabilities payable.

- SUPERVISORY LIQUIDITY MEASURES

SUPERVISORY LIQUIDITY MEASURES	30.09.2020	31.12.2019
M3 - coverage ratio of non-liquid assets to own funds	14,76	14,92
M4 - coverage ratio of non-liquid assets and liquidity-restricted assets with own funds and stable external funds	1,36	1,25
NSFR - net stable funding ratio	133,1%	123,1%
LCR - liquidity coverage ratio	215,5%	146,3%

The supervisory liquidity measures remained above their respective supervisory limits. The LCR and NSFR ratios in the table refer to the Group, while the M3-M4 indicators refer to the Bank.

42. CAPITAL ADEQUACY

• CAPITAL ADEQUACY

The minimum level of capital ratios maintained by the Group pursuant to Article 92 of the CRR

• total capital ratio (TCR)	8.0%
• Tier 1 capital ratio (T1)	6.0%
• Common Equity Tier 1 capital ratio (CET1)	4.5%

Combined buffer requirement above the minima specified in Article 92 of CRR, constituting the sum of the following mandatory buffers:	30.09.2020	31.12.2019
TOTAL	3,51%	6,51%
• conservation	2.5%	2.5%
• anticyclical	0.01%	0.01%
• systemic risk	0% ¹	3% ²
• O-SII buffer related to the Bank being identified as a systemically important institution	1% ³	1% ³

¹ On 19 March 2020, in connection with the COVID-19 epidemic, the Regulation of the Minister of Finance abolishing the need to use the systemic buffer became binding.

² The buffer is calculated for exposures in the territory of the Republic of Poland. Due to the fact that the Group also conducts its operations abroad, the systemic risk buffer for the Bank's Group amounted to 2.88% as at the end of December 2019.

³ of the total amount of the risk exposure calculated according to the CRR.

Discretionary capital requirement (additional capital requirement to hedge the risk resulting from mortgage loans and advances to households denominated in foreign currencies)	30.09.2020	31.12.2019
• for the combined capital ratio	0.36 p.p.	0.36 p.p.
• for the Tier 1 capital ratio	0.27 p.p.	0.27 p.p.
• for the CET1 ratio	0.20 p.p.	0.20 p.p.

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

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

The Group's capital adequacy level remained at a safe level, significantly above the supervisory limits.

	30.09.2020	31.12.2019
Total equity	44 776	41 578
share capital, supplementary capital, other reserves, general banking risk fund	34 980	34 986
retained earnings	6 138	2 101
changes due to IFRS 16 implementation	-	(111)
net profit for the period	2 018	4 031
accumulated other comprehensive income and non-controlling interests	1 640	460
Total equity exclusions	2 409	4 015
adjustments for prudential consolidation	(253)	(267)
net profit for the period	2 004	4 050
retained earning for the previous year	-	-
cash flow hedges	658	232
Other funds adjustments	3 012	2 914
goodwill	961	1 109
other intangible assets	1 707	1 711
securitization positions	70	-
additional asset adjustments (AVA, DVA)	274	94
Temporary reverse impact of IFRS 9	765	1 030
Profit included with the consent of the PFSA	-	1 038
Tier 1 capital	40 120	36 717
Tier 2 capital (subordinated debt)	2 700	2 700
Own Funds	42 820	39 417
Requirements as regards own funds	17 498	17 120
Credit risk	15 669	15 835
Operational risk ¹	1 308	843
Market risk	495	419
Credit valuation adjustment risk	26	23
Total capital adequacy ratio	19,58%	18,42%
Tier 1 capital ratio	18,34%	17,16%

¹ In the nine-month period ended 30 September 2020 the own fund requirement in respect of operational risk increased by PLN 465 million, mainly as a result of including the cost of legal risk associated with the convertible currency mortgage loan portfolio in the fourth quarter of 2019.

The impact of the provisions of IFRS 9 on equity and capital adequacy measures is regulated by Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending EU Regulation no 575/2013 regarding transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State. In accordance with this regulation, the banks may apply transitional provisions for own funds and increase Tier 1 common equity relating to the implementation of the new impairment model over five consecutive years after 1 January 2018, with the scaling factor decreasing from one period to another. In addition, on 27 June 2020 the Regulation (EU) 2020/873 of the European Parliament and of the Council dated 24 June 2020 amending Regulations (EU) no 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic became binding. This regulation allows mitigating the impact of the allowances set up as of 1 January 2020 on Tier 1 capital.

This solution may be applied until 2024 inclusive, and the attributed scaling factor decreases from period to period. In the light of Article 473a(7a) of the CRR introduced by the said regulation the Bank decided to use the option in accordance with which a risk weight equal to 100% is applied to the adjustment mitigating the effect of implementing IFRS 9 on own funds and the resulting amount is added to the total exposure measure. With respect to data for December 2019 an adjusting coefficient was used to correct specific risk by which the exposure amount calculated according to the provisions of Article 473a (7b) of CRR was decreased.

For prudential consolidation purposes the Group consists of: PKO Bank Polski S.A.; PKO Leasing S.A. Group; PKO BP BANKOWY PTE S.A.; PKO Towarzystwo Funduszy Inwestycyjnych S.A.; KREDOBANK S.A. Group; PKO Finance AB; PKO BP Finat sp. z o.o.; PKO Bank Hipoteczny S.A.; Bankowe Towarzystwo Kapitałowe S.A. Group.

Non-financial and insurance entities are excluded from the prudential consolidation.

• **CONSOLIDATED INCOME STATEMENT COMPLIANT WITH CRR**

CONSOLIDATED INCOME STATEMENT	01.01.2020- 30.09.2020	01.01.2019- 30.09.2019
Interest income	9 037	9 474
Interest expense	(1 377)	(1 842)
Net interest income	7 660	7 633
Fee and commission income	3 543	3 156
Fee and commission expense	(780)	(795)
Net fee and commission income	2 763	2 361
Dividend income	15	13
Net gain/(loss) on financial instruments measured at fair value through profit or loss	(160)	55
Net foreign exchange gains/(losses)	90	364
Gains/(losses) on derecognition of financial instruments not measured at fair value through profit or loss	135	141
Net allowances for expected credit losses, including:	(1 249)	(915)
Net impairment allowances on non-financial assets	(341)	(31)
Cost of legal risk of mortgage loans in convertible currencies	(535)	(5)
Net other operating income and expense	(121)	215
Administrative expenses	(3 813)	(4 032)
Net regulatory charges	(663)	(473)
Tax on certain financial institutions	(788)	(758)
Operating profit/(loss)	2 994	4 567
Share in profits and losses of associates and joint ventures	90	58
Profit before tax	3 084	4 625
Income tax expense	(1 080)	(1 304)
Net profit (including non-controlling shareholders)	2 004	3 321
Profit (loss) attributable to non-controlling shareholders	-	-
Net profit attributable to equity holders of the parent	2 004	3 321



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The table below shows a reconciliation of items of the statement of financial position used to calculate own funds with the regulatory own funds as at 30 September 2020 and 31 December 2019.

30.09.2020	Statement of financial position under IFRS	Elimination of companies excluded from prudential consolidation	Prudential consolidation/ Statement of financial position under CRR	Items not included in regulatory own funds	Items included in regulatory own funds
ASSETS					
Intangible assets	3 023	(173)	2 850	(182)	2 668
LIABILITIES					
Subordinated liabilities	2 704	-	2 704	(4)	2 700
EQUITY					
Share capital	1 250	-	1 250	-	1 250
Supplementary capital	29 519	1	29 520	-	29 520
General banking risk fund	1 070	-	1 070	-	1 070
Other reserves	3 141	(85)	3 056	-	3 056
Accumulated other comprehensive income	1 652	(7)	1 645	(658)	987
Net profit or loss for the year	2 018	(14)	2 004	(2 004)	-
Retained earnings	6 138	346	6 484	-	6 484
Non-controlling interests	(12)	12	-	-	-
TOTAL EQUITY	44 776	253	45 029	(2 662)	42 367
ADDITIONAL ADJUSTMENTS					421
TOTAL OWN FUNDS FOR CALCULATION OF THE TOTAL CAPITAL RATIO					42 820



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31.12.2019	Statement of financial position under IFRS	Elimination of companies excluded from prudential consolidation	Prudential consolidation/ Statement of financial position under CRR	Items not included in regulatory own funds	Items included in regulatory own funds
ASSETS					
Intangible assets	3 178	(164)	3 014	(194)	2 820
LIABILITIES					
Subordinated liabilities	2 730	-	2 730	(30)	2 700
EQUITY					
Share capital	1 250	-	1 250	-	1 250
Supplementary capital	29 429	(1)	29 428	-	29 428
General banking risk fund	1 070	-	1 070	-	1 070
Other reserves	3 237	(77)	3 160	-	3 160
Accumulated other comprehensive income	469	-	469	(231)	238
Net profit or loss for the year	4 031	19	4 050	(3 012)	1 038
Retained earnings	2 101	316	2 417	-	2 417
Non-controlling interests	(9)	9	-	-	-
TOTAL EQUITY	41 578	266	41 844	(3 243)	38 601
ADDITIONAL ADJUSTMENTS					936
TOTAL OWN FUNDS FOR CALCULATION OF THE TOTAL CAPITAL RATIO					39 417



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

	30.09.2020		31.12.2019	
	with IFRS 9 or analogous ECLs transitional arrangements applied	as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	with IFRS 9 or analogous ECLs transitional arrangements applied	as if IFRS 9 or analogous ECLs transitional arrangements had not been applied
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital / Tier 1 capital	40 120	39 355	36 717	35 687
Total capital	42 820	42 055	39 417	38 387
Risk-weighted assets (amounts)				
Total risk-weighted assets	218 725	217 960	214 005	213 152
Capital ratios				
Common Equity Tier 1 / Tier 1 capital (as a percentage of risk exposure amount)	18,34%	18,06%	17,16%	16,74%
Total capital (as a percentage of risk exposure amount)	19,58%	19,29%	18,42%	18,01%
Leverage ratio				
Leverage ratio total exposure measure	395 233	394 467	364 618	363 782
Leverage ratio	10,15%	9,98%	10,07%	9,81%

	Risk weighted assets		Minimum capital requirement	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Credit risk (excluding counterparty credit risk)	193 321	195 614	15 466	15 650
of which the standardised approach	193 321	195 614	15 466	15 650
Counterparty credit risk	2 858	2 610	229	208
of which mark to market	2 441	1 917	195	153
of which risk exposure amount for contributions to the default fund of a Central Counterparty and other exposures to the central counterparty	97	403	8	32
of which Credit Valuation Adjustment	320	290	26	23
Market risk	6 192	5 241	495	419
of which the standardised approach	6 192	5 241	495	419
Operational risk	16 354	10 540	1 308	843
of which basic indicator approach	3 631	3 277	290	262
of which advanced measurement approach (AMA)	12 723	7 263	1 018	581
Amounts below the thresholds for deduction (subject to 250% risk weight) - included in credit risk requirement	7 266	8 375	-	-
Total	218 725	214 005	17 498	17 120

LEVERAGE RATIO

	Leverage ratio exposures specified in CRR	
	30.09.2020	31.12.2019
Total capital and exposure measure		
Tier 1 capital	40 120	36 717
Total exposure measure for leverage ratio calculation	395 233	364 618
Leverage ratio		
Leverage ratio	10,15%	10,07%

SEPARATE INCOME STATEMENT

INCOME STATEMENT	Note	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Interest income	44	2 355	7 913	2 892	8 394
Interest income calculated under the effective interest rate method on financial instruments		2 026	6 907	1 974	7 161
Income similar to interest income on instruments measured at fair value through profit or loss		329	1 006	918	1 233
Interest expense	44	(182)	(1 008)	(491)	(1 460)
Net interest income		2 173	6 905	2 401	6 934
Fee and commission income	45	1 055	3 021	1 003	2 907
Fee and commission expense	45	(270)	(746)	(279)	(785)
Net fee and commission income		785	2 275	724	2 122
Dividend income		80	281	130	512
Net gain/(loss) on financial instruments measured at fair value through profit or loss		(8)	(145)	(1)	59
impact of COVID -19 on loan portfolio		(18)	(44)		
Net foreign exchange gains/(losses)		30	49	13	91
Gains/(losses) on derecognition of financial instruments not measured at fair value through profit or loss		68	133	57	141
Allowances for expected credit losses		(323)	(1 096)	(243)	(815)
impact of COVID -19 on loan portfolio		(42)	(325)		
Net impairment allowances on non-financial assets		(61)	(318)	(18)	(23)
Cost of legal risk of mortgage loans in convertible currencies		(345)	(535)	(1)	(5)
Net other operating income and expense		(82)	(137)	(60)	3
Administrative expenses		(1 066)	(3 331)	(1 166)	(3 496)
Net regulatory charges		(103)	(626)	(54)	(438)
Tax on certain financial institutions		(236)	(720)	(237)	(697)
Operating profit/(loss)		912	2 735	1 545	4 388
Profit before tax		912	2 735	1 545	4 388
Income tax expense		(300)	(938)	(389)	(1 157)
Net profit		612	1 797	1 156	3 231
Earnings per share					
- basic earnings per share for the period (PLN)		0,49	1,44	0,92	2,58
- diluted earnings per share for the period (PLN)		0,49	1,44	0,92	2,58
Weighted average number of ordinary shares during the period (in million)		1 250	1 250	1 250	1 250
Weighted average diluted number of ordinary shares during the period (in million)		1 250	1 250	1 250	1 250

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Net profit	612	1 797	1 156	3 231
Other comprehensive income	(126)	1 064	130	212
Items which may be reclassified to profit or loss	(126)	1 064	130	212
Cash flow hedges (gross)	(103)	500	52	248
Deferred tax	20	(95)	(10)	(47)
Cash flow hedges (net)	(83)	405	42	201
Revaluation of fair value of financial assets measured at fair value through OCI, gross	186	974	163	149
Gains / losses transferred to profit or loss (on disposal)	(72)	(161)	(55)	(139)
Deferred tax	(157)	(154)	(20)	1
Fair value of financial assets measured at fair value through OCI (net)	(43)	659	88	11
Total net comprehensive income	486	2 861	1 286	3 443

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	30.09.2020	31.12.2019
ASSETS			
Cash and balances with the Central Bank		3 663	14 602
Amounts due from banks		6 347	7 953
Hedging derivatives		1 112	594
Other derivative instruments		5 175	2 798
Securities	46	118 754	76 422
Reverse repo transactions		9	1 081
Loans and advances to customers	47	199 601	200 867
Property, plant and equipment		2 576	2 738
Non-current assets held for sale		18	9
Intangible assets		2 483	2 606
Investments in subsidiaries, associates and joint ventures	49	3 892	3 994
Current income tax receivables		13	-
- of the subsidiaries belonging to the Tax Group		13	-
Deferred income tax assets		1 044	1 290
Other assets		1 600	2 024
TOTAL ASSETS		346 287	316 978

	Note	30.09.2020	31.12.2019
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to banks		2 535	1 976
Hedging derivatives		1 314	668
Other derivative instruments		5 279	2 927
Amounts due to customers	48	275 943	252 943
Repo transactions		47	46
Loans and advances received		5 016	5 026
Debt securities in issue		3 944	4 769
Subordinated liabilities		2 704	2 730
Other liabilities		5 274	4 597
Current income tax liabilities		130	311
- of the Bank		130	282
- of the subsidiaries belonging to the Tax Group		-	29
Provisions		828	573
TOTAL LIABILITIES		303 014	276 566
Equity			
Share capital		1 250	1 250
Other capital and reserves		34 726	33 771
Retained earnings		5 500	1 556
Net profit or loss for the year		1 797	3 835
TOTAL EQUITY		43 273	40 412
TOTAL LIABILITIES AND EQUITY		346 287	316 978
Total capital ratio	51	21,55%	20,66%
Book value (in PLN million)		43 273	40 412
Number of shares (in million)		1 250	1 250
Book value per share (in PLN)		34,62	32,33
Diluted number of shares (in million)		1 250	1 250
Diluted book value per share (in PLN)		34,62	32,33

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR 9 MONTHS ENDED 30 SEPTEMBER 2020	Share capital	Other capital Reserves			Accumulated other comprehensive income	Total other capital and reserves	Retained earnings	Net profit for the period	Total equity
		Supplementary capital	General banking risk fund	Other reserves					
1 January 2020	1 250	29 168	1 070	3 099	434	33 771	1 556	3 835	40 412
Transfer from retained earnings	-	-	-	-	-	-	3 835	(3 835)	-
Total comprehensive income, of which:	-	-	-	-	1 064	1 064	-	1 797	2 861
Net profit for the year	-	-	-	-	-	-	-	1 797	1 797
Other comprehensive income	-	-	-	-	1 064	1 064	-	-	1 064
Coverage of losses from previous years ¹	-	-	-	(111)	-	(111)	111	-	-
Transfer of profit for capital	-	-	-	2	-	2	(2)	-	-
30 September 2020	1 250	29 168	1 070	2 990	1 498	34 726	5 500	1 797	43 273

¹ The item includes the coverage of the Bank's prior years' losses which arose on the change of accounting policies following from the first-time adoption of IFRS 16, of PLN 111 million, with reserves.

FOR 9 MONTHS ENDED 30 SEPTEMBER 2020	Accumulated other comprehensive income			
	Fair value of financial assets measured at fair value through OCI	Cash flow hedges	Actuarial gains and losses	Total
1 January 2020	354	95	(15)	434
Other comprehensive income	659	405	-	1 064
30 September 2020	1 013	500	(15)	1 498

FOR 9 MONTHS ENDED 30 SEPTEMBER 2019	Share capital	Other capital Reserves			Accumulated other comprehensive income	Total other capital and reserves	Retained earnings	Net profit for the period	Total equity
		Supplementary capital	General banking risk fund	Other reserves					
31 December 2018	1 250	29 168	1 070	3 629	443	34 310	(535)	3 335	38 360
Changes due to IFRS 16 implementation	-	-	-	-	-	-	(111)	-	(111)
1 January 2019 (restated)	1 250	29 168	1 070	3 629	443	34 310	(646)	3 335	38 249
Transfer from retained earnings	-	-	-	-	-	-	3 335	(3 335)	-
Dividend paid	-	-	-	-	-	-	(1 662)	-	(1 662)
Total comprehensive income, of which:	-	-	-	-	212	212	-	3 231	3 443
Net profit for the year	-	-	-	-	-	-	-	3 231	3 231
Other comprehensive income	-	-	-	-	212	212	-	-	212
Coverage of losses from previous years ¹	-	-	-	(535)	-	(535)	535	-	-
Transfer of profit for capital	-	-	-	6	-	6	(6)	-	-
30 September 2019	1 250	29 168	1 070	3 100	655	33 993	1 556	3 231	40 030

¹ The item includes the coverage of the Bank's prior years' losses which arose on the change of accounting policies following from the first-time adoption of IFRS 9, of PLN 535 million, with reserves.

FOR 9 MONTHS ENDED 30 SEPTEMBER 2019	Accumulated other comprehensive income			
	Fair value of financial assets measured at fair value through OCI	Cash flow hedges	Actuarial gains and losses	Total
1 January 2019	471	(18)	(10)	443
Other comprehensive income	11	201	-	212
30 September 2019	482	183	(10)	655

SEPARATE STATEMENT OF CASH FLOWS

	01.01- 30.09.2020	01.01- 30.09.2019
Cash flows from operating activities		
Profit before tax	2 735	4 388
Total adjustments:	24 937	(3 224)
Amortization and depreciation	632	610
(Gains)/losses on investing activities	(6)	(14)
Interest and dividends	(1 116)	(1 081)
Change in:		
amounts due from banks	(110)	(441)
hedging derivatives	128	397
other derivative instruments	(26)	(451)
securities	(1 824)	(1 284)
loans and advances to customers	254	(8 419)
reverse repo transactions	1 072	(1 320)
non-current assets held for sale	(11)	(2)
other assets	340	(825)
accumulated allowances for expected credit losses	1 265	(565)
accumulated allowances for non-financial assets and other provisions	355	13
amounts due to banks	559	125
amounts due to customers	23 068	13 206
loans and advances received	(9)	(3 535)
repo transactions	1	1
debt securities in issue	304	146
subordinated liabilities	(26)	(23)
other liabilities	837	1 084
Income tax paid	(1 093)	(985)
Other adjustments	343	139
Net cash from/used in operating activities	27 672	1 164

	01.01- 30.09.2020	01.01- 30.09.2019
Cash flows from investing activities		
Inflows from investing activities	44 839	183 632
Redemption and interest on securities measured at fair value through other comprehensive income	43 807	177 203
Redemption and interest on securities measured at amortized cost	783	5 963
Sale of intangible assets, property, plant and equipment and assets held for sale	19	51
Other inflows from investing activities (dividends)	230	415
Outflows from investing activities	(83 486)	(192 505)
Capital increases in subsidiaries, associates and joint ventures	(5)	(306)
Purchase of securities measured at fair value through other comprehensive income	(52 293)	(181 419)
Purchase of securities measured at amortized cost	(30 710)	(10 495)
Purchase of intangible assets and property, plant and equipment	(478)	(285)
Net cash from/used in investing activities	(38 647)	(8 873)
	01.01- 30.09.2020	01.01- 30.09.2019
Cash flows from financing activities		
Proceeds from issue of debt securities	-	596
Redemption of debt securities	(1 129)	(615)
Dividend paid	-	(1 662)
Repayment of loans and advances	(68)	(3 657)
Payment of lease liabilities	(161)	(151)
Repayment of interest on long-term borrowings	(319)	(342)
Net cash from/used in financing activities	(1 677)	(5 831)
Total net cash flows	(12 652)	(13 540)
of which foreign exchange differences on cash and cash equivalents	102	87
Cash and cash equivalents at the beginning of the period	17 993	30 024
Cash and cash equivalents at the end of the period	5 341	16 484

NOTES TO THE FINANCIAL STATEMENTS

43. AMENDMENTS TO THE ACCOUNTING PRINCIPLES BINDING AS OF 1 JANUARY 2020 AND AN EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

In order to better reflect the Bank's operations, changes were made to its accounting principles and presentation which have been described in detail in the financial statements of PKO Bank Polski S.A. for the six-month period ended 30 June 2020:

RESTATED STATEMENT OF FINANCIAL POSITION – ASSETS, LIABILITIES AS AT 31 DECEMBER 2019

STATEMENT OF FINANCIAL POSITION	31.12.2019 before restatement	Reverse repo transactions	Reclassification of the potential refunds of costs to customers on expected early repayment of open consumer and mortgage loans	31.12.2019 restated
Reverse repo transactions	-	1 081	-	1 081
Loans and advances to customers	202 095	(1 081)	(147)	200 867
TOTAL ASSETS	317 125	-	(147)	316 978

LIABILITIES	31.12.2019 before restatement	Loans and advances received	Repo transactions	Reclassification of the potential refunds of costs to customers on expected early repayment of open consumer and mortgage loans	31.12.2019 restated
Amounts due to customers	258 015	(5 026)	(46)	-	252 943
Repo transactions	-	-	46	-	46
Loans and advances received	-	5 026	-	-	5 026
Other liabilities	4 744	-	-	(147)	4 597
TOTAL LIABILITIES	276 713	-	-	(147)	276 566



Bank Polski

RESTATED INCOME STATEMENT – FOR THE PERIOD FROM TO 1 JANUARY – 30 SEPTEMBER 2019, 1 JULY – 30 SEPTEMBER 2019

INCOME STATEMENT	01.01 - 30.09.2019 before restatement	reclassification of premium on debt securities	reclassification of transactional margins	presentation of income and costs relating to Forex contracts	reclassification of the cost of legal risk related to mortgage loans in convertible currencies	01.01 - 30.09.2019 restated
Interest income	8 478	(82)	-	(2,0)	-	8 394
Interest expense	(1 542)	82	-	-	-	(1 460)
Net interest income/(expense)	6 936	-	-	(2,0)	-	6 934
Fee and commission income	2 631	-	276	-	-	2 907
Fee and commission expenses	(785)	-	-	-	-	(785)
Net fee and commission income/(expenses)	1 846	-	276	-	-	2 122
Net foreign exchange gains/(losses)	365	-	(276)	2,0	-	91
Cost of legal risk of mortgage loans in convertible currencies	-	-	-	-	(5)	(5)
Other net operating income/expenses	(2)	-	-	-	5	3
Net profit	3 231	-	-	-	-	3 231

INCOME STATEMENT	01.07 - 30.09.2019 before restatement	reclassification of premium on debt securities	reclassification of transactional margins	presentation of income and costs relating to Forex contracts	reclassification of the cost of legal risk related to mortgage loans in convertible currencies	01.07 - 30.09.2019 restated
Interest income	2 923	(29)	-	(2,0)	-	2 892
Interest expense	(520)	29	-	-	-	(491)
Net interest income/(expense)	2 403	-	-	(2,0)	-	2 401
Fee and commission income	906	-	97	-	-	1 003
Fee and commission expenses	(279)	-	-	-	-	(279)
Net fee and commission income/(expenses)	627	-	97	-	-	724
Net foreign exchange gains/(losses)	108	-	(97)	2,0	-	13
Cost of legal risk of mortgage loans in convertible currencies	-	-	-	-	(1)	(1)
Other net operating income/expenses	(61)	-	-	-	1	(60)
Net profit	1 156	-	-	-	-	1 156

RESTATED STATEMENT OF CASH FLOWS – FOR THE PERIOD FROM 1 JANUARY – 30 SEPTEMBER 2019

STATEMENT OF CASH FLOWS	01.01 - 30.09.2019 before restatement	"Loans and advances received" presented as a separate item	"Reverse repo transactions" and "Repo transactions" presented as separate items	01.01 - 30.09.2019 restated
Cash flows from operating activities				
Change in:				
loans and advances to customers	(9 739)	-	1 320	(8 419)
reverse repo transactions	-	-	(1 320)	(1 320)
amounts due to customers	9 672	3 535	(1)	13 206
loans and advances received	-	(3 535)	-	(3 535)
repo transactions	-	-	1	1
TOTAL	(67)	-	-	(67)

44. INTEREST INCOME AND EXPENSE

INTEREST INCOME ON:	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
loans to and other receivables from banks	12	86	49	126
hedging derivatives	201	512	135	406
debt securities	452	1 328	369	1 113
measured at amortized cost	174	401	75	212
measured at fair value through OCI	275	909	290	873
measured at fair value through profit or loss	3	18	4	28
loans and advances to customers	1 690	5 987	2 339	6 749
measured at amortized cost	1 473	5 207	1 487	5 755
measured at fair value through OCI	92	304	73	195
measured at fair value through profit or loss	125	476	779	799
Total	2 355	7 913	2 892	8 394
of which: interest income on impaired financial instruments	50	171	48	173

INTEREST EXPENSE ON:	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
amounts due to banks	(2)	(7)	(3)	(9)
interbank deposits	(1)	(8)	(2)	(10)
loans and advances received	(49)	(154)	(56)	(160)
lease	(3)	(11)	(5)	(15)
amounts due to customers	(102)	(743)	(392)	(1 167)
debt securities in issue	(6)	(21)	(11)	(32)
subordinated liabilities	(19)	(64)	(22)	(67)
Total	(182)	(1 008)	(491)	(1 460)

45. FEE AND COMMISSION INCOME AND EXPENSE

FEE AND COMMISSION INCOME	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Loans and insurance	218	645	228	664
granting of loans and advances	171	504	177	519
offering insurance products	47	141	51	145
Investment funds and brokerage activity	65	238	48	161
maintenance of investment funds and OFE (including management fees)	11	27	8	32
handling and sale of investment and insurance products	3	8	3	9
conducting brokerage activities	51	203	37	120
Cards	365	969	354	974
Forex transaction margins	127	342	97	276
Bank accounts and other	280	827	276	832
maintenance of bank accounts	216	636	201	611
cash operations	14	47	16	48
servicing foreign mass transactions	19	52	26	74
customer orders	12	37	12	35
fiduciary services	2	5	1	4
other	17	50	20	60
Total	1 055	3 021	1 003	2 907

FEE AND COMMISSION EXPENSE	third quarter period from 01.07.2020 to 30.09.2020	3 quarters cumulative period from 01.01.2020 to 30.09.2020	third quarter period from 01.07.2019 to 30.09.2019	3 quarters cumulative period from 01.01.2019 to 30.09.2019
Loans and insurance	(33)	(102)	(47)	(138)
commission paid to external entities for product sales	(9)	(27)	(18)	(51)
cost of construction investment supervision and property valuation	(10)	(26)	(11)	(35)
fees for the Credit Information Bureau	(2)	(12)	(4)	(13)
credit service	(12)	(37)	(14)	(39)
Investment funds and brokerage activity	(6)	(18)	(4)	(13)
Cards	(202)	(543)	(202)	(555)
Bank accounts and other	(29)	(83)	(26)	(79)
clearing services	(7)	(24)	(7)	(21)
commissions for operating services provided by banks	(2)	(6)	(2)	(6)
sending short text messages (SMS)	(10)	(29)	(9)	(25)
servicing foreign mass transactions	(9)	(9)	(2)	(7)
sales of bank products	(2)	(5)	(2)	(6)
other	(5)	(10)	(4)	(14)
Total	(270)	(746)	(279)	(785)

46. SECURITIES

SECURITIES	30.09.2020	31.12.2019
Securities (excluding adjustments relating to fair value hedge accounting)	118 748	76 421
Adjustment relating to fair value hedge accounting	6	1
Total	118 754	76 422

SECURITIES (excluding adjustments relating to fair value hedge accounting) 30.09.2020	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through OCI	measured at amortized cost	Total
Debt securities	1 307	286	72 816	43 876	118 285
Treasury bonds (in PLN)	402	119	53 124	27 725	81 370
Treasury bonds (in foreign currencies)	4	-	2 078	-	2 082
Treasury bills (in PLN)	749	-	499	-	1 248
corporate bonds in PLN secured with State Budget guarantees	-	-	8 095	9 074	17 169
municipal bonds (in PLN)	15	-	4 876	4 719	9 610
corporate bonds (in PLN)	101	167	4 144	1 212	5 624
corporate bonds (in foreign currencies)	-	-	-	1 146	1 146
mortgage covered bonds	36	-	-	-	36
Equity securities	32	431	-	-	463
shares in other entities - not listed	-	415	-	-	415
shares in other entities - listed	30	16	-	-	46
investment certificates, rights to shares, pre-emptive rights	2	-	-	-	2
Total	1 339	717	72 816	43 876	118 748

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2019	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through OCI	measured at amortized cost	Total
Debt securities	1 158	298	61 130	13 361	75 947
NBP money market bills	-	-	1 000	-	1 000
Treasury bonds (in PLN)	982	118	49 299	7 373	57 772
Treasury bonds (in foreign currencies)	2	-	2 085	-	2 087
municipal bonds (in PLN)	15	-	5 232	4 563	9 810
corporate bonds (in PLN)	111	180	3 514	1 083	4 888
corporate bonds (in foreign currencies)	1	-	-	342	343
mortgage covered bonds	47	-	-	-	47
Equity securities	17	457	-	-	474
shares in other entities - not listed	-	433	-	-	433
shares in other entities - listed	15	24	-	-	39
investment certificates, rights to shares, pre-emptive rights	2	-	-	-	2
Total	1 175	755	61 130	13 361	76 421

47. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS	30.09.2020	31.12.2019
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	199 596	200 863
Adjustment relating to fair value hedge accounting	5	4
Total loans and advances to customers	199 601	200 867

LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 30.09.2020	not held for trading, measured at fair value through profit or loss	measured at fair value through OCI	measured at amortized cost	Total
retail and private banking	6 350	13 531	98 320	118 201
property	9	13 531	76 225	89 765
consumer	6 341	-	22 095	28 436
firms and enterprises	45	-	17 100	17 145
property	-	-	5 677	5 677
corporate	45	-	11 423	11 468
corporate	74	-	64 176	64 250
property	-	-	252	252
corporate	74	-	63 924	63 998
Total	6 469	13 531	179 596	199 596

LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 31.12.2019	not held for trading, measured at fair value through profit or loss	measured at fair value through OCI	measured at amortized cost	Total
retail and private banking	8 138	9 623	97 765	115 526
property	15	9 623	76 890	86 528
consumer	8 123	-	20 875	28 998
firms and enterprises	54	-	17 791	17 845
property	-	-	5 768	5 768
corporate	54	-	12 023	12 077
corporate	94	-	67 398	67 492
property	-	-	283	283
corporate	94	-	67 115	67 209
Total	8 286	9 623	182 954	200 863

48. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS	30.09.2020	31.12.2019
Measured at fair value through profit or loss:	9	45
Short position in securities	9	45
Measured at amortized cost	275 934	252 898
Amounts due to households	214 402	192 391
Cash on current accounts and overnight deposits, of which:	162 290	127 159
savings accounts and other interest bearing funds	48 008	45 134
Term deposits	51 203	64 855
Other liabilities	909	377
Amounts due to corporate entities	48 073	49 153
Cash on current accounts and overnight deposits, of which:	45 994	39 835
savings accounts and other interest bearing funds	22 276	16 799
Term deposits	1 361	8 486
Other liabilities	718	832
Amounts due to public entities	13 459	11 354
Current accounts and overnight deposits	13 374	10 997
Term deposits	63	331
Other liabilities	22	26
Total	275 943	252 943

49. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

AS AT 30 SEPTEMBER 2020	Gross amount	Impairment allowance	Carrying amount
SUBSIDIARIES			
PKO Bank Hipoteczny SA	1 650	-	1 650
KREDOBANK SA	1 072	(793)	279
PKO Leasing SA	496	-	496
PKO Życie Towarzystwo Ubezpieczeń SA	241	-	241
PKO Towarzystwo Funduszy Inwestycyjnych SA	225	-	225
PKO VC - fizan1	200	-	200
PKO BP BANKOWY PTE SA	151	(15)	136
NEPTUN - fizan ¹	132	-	132
Merkury - fiz an ¹	120	-	120
PKO Towarzystwo Ubezpieczeń SA	110	-	110
PKO Finance AB	23	-	23
PKO BP Finat sp. z o.o.	23	-	23
JOINT VENTURES			
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	197	-	197
Operator Chmury Krajowej sp. z o.o.	60	-	60
ASSOCIATES			
Bank Pocztowy SA	184	(184)	-
„Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.	2	(2)	-
Total	4 886	(994)	3 892

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

AS AT 31 DECEMBER 2019	Gross amount	Impairment allowance	Carrying amount
SUBSIDIARIES			
PKO Bank Hipoteczny SA	1 650	-	1 650
KREDOBANK SA	1 072	(793)	279
PKO Leasing SA	496	-	496
PKO Życie Towarzystwo Ubezpieczeń SA	241	-	241
PKO Towarzystwo Funduszy Inwestycyjnych SA	225	-	225
PKO VC - fizan ¹	200	-	200
PKO BP BANKOWY PTE SA	151	-	151
NEPTUN - fizan ¹	132	-	132
Merkury - fiz an ¹	120	-	120
PKO Towarzystwo Ubezpieczeń SA	110	-	110
PKO Finance AB	24	-	24
ZenCard sp. z o.o.	24	(23)	1
PKO BP Finat sp. z o.o.	21	-	21
JOINT VENTURES			
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	197	-	197
Operator Chmury Krajowej sp. z o.o.	60	-	60
ASSOCIATES			
Bank Pocztowy SA	184	(97)	87
„Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.	2	(2)	-
Total	4 909	(915)	3 994

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

50. RELATED-PARTY TRANSACTIONS – SUBSIDIARIES

The Bank provided services on market terms 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, and services offered by Biuro Maklerskie of PKO Bank Polski.

The Bank provided services to PKO Bank Hipoteczny SA within the scope of intermediation in sales of housing loans for individuals, performing post-transaction services in respect of these loans and support tasks under the outsourcing agreement.

Transactions with associates and joint ventures were described in the note “Transactions with the State Treasury and related entities”.

AS AT 30 SEPTEMBER 2020 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
KREDOBANK SA and its subsidiary	54	-	19	120
Merkury - fiz an and its subsidiaries	-	-	31	-
NEPTUN - fizan and its subsidiaries	154	154	63	-
PKO Bank Hipoteczny SA	4 429	4 179	934	5 965
PKO BP BANKOWY PTE SA	-	-	26	-
PKO BP Finat sp. z o.o.	-	-	3	10
PKO Finance AB	755	-	4 396	-
PKO Leasing SA and its subsidiaries	16 612	16 612	31	4 831
PKO Towarzystwo Funduszy Inwestycyjnych SA	-	-	180	-
PKO Towarzystwo Ubezpieczeń SA	-	-	23	1
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	-	-	510	1
Total subsidiaries	22 004	20 945	6 216	10 928

AS AT 31 DECEMBER 2019 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
KREDOBANK SA and its subsidiary	82	-	16	115
Merkury - fiz an and its subsidiaries	-	-	36	-
NEPTUN - fizan and its subsidiaries	148	148	62	-
PKO Bank Hipoteczny SA	4 681	2 282	174	4 231
PKO BP BANKOWY PTE SA	-	-	21	-
PKO BP Finat sp. z o.o.	-	-	38	13
PKO Finance AB	-	-	4 331	-
PKO Leasing SA and its subsidiaries	17 172	17 172	9	5 541
PKO Towarzystwo Funduszy Inwestycyjnych SA	38	-	245	-
PKO Towarzystwo Ubezpieczeń SA	-	-	45	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	-	-	501	-
ZenCard sp. z o.o.	4	4	1	-
Total subsidiaries	22 125	19 606	5 479	9 900

FOR THE 9 MONTH PERIOD ENDED 30 SEPTEMBER 2020 / ENTITY	Total income	of which interest and commission	Total expense	of which interest and commission
NEPTUN - fizan and its subsidiaries	2	2	-	-
PKO Bank Hipoteczny SA	196	180	3	3
PKO BP Finat sp. z o.o.	2	-	4	-
PKO Finance AB	16	16	146	146
PKO Leasing SA and its subsidiaries	192	190	-	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	222	5	1	1
PKO Towarzystwo Ubezpieczeń SA	42	42	-	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	40	40	8	8
Total subsidiaries	712	475	162	158

FOR THE 9 MONTH PERIOD ENDED 30 SEPTEMBER 2019 / ENTITY	Total income	of which interest and commission	Total expense	of which interest and commission
KREDOBANK and its subsidiary	2	2	-	-
NEPTUN - fizan and its subsidiaries	2	2	-	-
PKO Bank Hipoteczny SA	290	276	1	1
PKO BP BANKOWY PTE	13	-	-	-
PKO BP Finat sp. z o.o.	38	-	4	1
PKO Finance AB	-	-	143	143
PKO Leasing SA and its subsidiaries	433	273	1	1
PKO Towarzystwo Funduszy Inwestycyjnych SA	251	7	2	2
PKO Towarzystwo Ubezpieczeń SA	89	65	9	9
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	45	44	18	18
Operator Chmury Krajowej sp. z o.o.	1	1	1	-
Total subsidiaries	1 164	670	179	175

51. CAPITAL ADEQUACY

	30.09.2020	31.12.2019
Total equity	43 273	40 412
share capital, supplementary capital, other reserves, general banking risk fund	34 478	34 587
retained earnings	5 500	1 556
changes due to IFRS 16 implementation	-	(111)
net profit for the period	1 797	3 835
accumulated other comprehensive income	1 498	434
Total equity exclusions	2 297	3 930
net profit for the period	1 797	3 835
cash flow hedges	500	95
Other Own funds adjustments	2 567	2 518
goodwill	755	871
other intangible assets	1 547	1 540
additional asset adjustments (AVA, DVA, capital investments)	265	107
Temporary reverse impact of IFRS 9	663	884
Profit included with the consent of the PFSA	-	1 042
Tier 1 capital	39 072	35 890
Tier 2 capital (subordinated debt)	2 700	2 700
Own Funds	41 772	38 590
Requirements as regards own funds	15 507	14 946
Credit risk	13 947	13 900
Operational risk	1 018	582
Market risk	516	441
Credit valuation adjustment risk	26	23
Total capital adequacy ratio	21,55%	20,66%
Tier 1 capital ratio	20,16%	19,21%

52. SUBSEQUENT EVENTS

- On 15 October 2020 the Polish Financial Supervision Authority issued its permission for making most of the requested amendments in the Articles of Association of PKO Bank Polski S.A. pursuant to Resolution No. 3/2019 of the Bank's Extraordinary General Shareholders' Meeting dated 17 September 2019 (the Resolution). The regulator positively replied to the amendments implementing the Act on the principles of management of State-owned property (such as expanding the competences of the Supervisory Board) and updating and formal amendments – i.e. amendments to the Articles of Association included in § 1.1, 1.3, 1.4, 1.5, 1.6, 1.7 and 1.8 of the Resolution (current report no. 16/2019 dated 17 September 2019). Amendments to the Articles of Association require registration with the National Court Register.
- On 29 October 2020 PKO Bank Polski SA received a decision of the Prime Minister who acted pursuant to Article 11h (3) and (4) of the Act of 2 March 2020 on special solutions for preventing, countering and combating COVID-19, other infectious diseases, and crises caused by them and certain other acts, which obliged the Bank to carry out actions aimed at counteracting the COVID-19 epidemic.

The actions will be organized immediately and will consist of creating two temporary hospitals in locations agreed with the certain Voivode, in accordance with the guidelines submitted by the hospital designated as competent for the given location, and of maintaining the two hospitals in operation. The construction and maintenance of the two hospitals will be financed from the Fund for Countering COVID - 19 (Article 65 of the Act of 31 March 2020 on amending the Act on special solutions for preventing, countering and combating COVID-19, other infectious diseases, and crises caused by them and certain other acts) based on an agreement concluded by the Bank with the Minister of State Assets.

- On 29 October 2020, the Polish Financial Supervision Authority granted permission to include in the Tier 1 capital the net profit of the Bank and the profit of the Bank's Group subject to prudential consolidation, achieved for the period from 1 January 2020 to 30 June 2020, net of any predictable charges and dividends, verified by the entity responsible for the audit of the Bank's financial statements. The aforementioned permission will result in an increase in own funds calculated for capital adequacy purposes of PLN 1 019 million in the case of the Bank's Group's, and PLN 890 million in the case of the Bank.

SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

03.11.2020	ZBIGNIEW JAGIEŁŁO	PRESIDENT OF THE MANAGEMENT BOARD
03.11.2020	RAFAŁ ANTCAK	VICE-PRESIDENT OF THE MANAGEMENT BOARD
03.11.2020	RAFAŁ KOZŁOWSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
03.11.2020	MAKS KRACZKOWSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
03.11.2020	MIECZYŚŁAW KRÓL	VICE-PRESIDENT OF THE MANAGEMENT BOARD
03.11.2020	ADAM MARCINIAK	VICE-PRESIDENT OF THE MANAGEMENT BOARD
03.11.2020	PIOTR MAZUR	VICE-PRESIDENT OF THE MANAGEMENT BOARD
03.11.2020	JAKUB PAPIERSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
03.11.2020	JAN EMERYK ROŚCISZEWSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD

SIGNATURE OF THE PERSON RESPONSIBLE
FOR MAINTAINING THE BOOKS OF ACCOUNT

DANUTA SZYMAŃSKA
DIRECTOR OF THE ACCOUNTING DIVISION