



Bank Polski

Report of the PKO Bank Polski SA Group for the first quarter of 2020



SELECTED FINANCIAL DATA CONCERNING CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SELECTED CONSOLIDATED FINANCIAL DATA	PLN million		EUR million	
	period from 01.01.2020 to 31.03.2020	period from 01.01.2019 to 31.03.2019	period from 01.01.2020 to 31.03.2020	period from 01.01.2019 to 31.03.2019
Net interest income/(expense)	2 703	2 455	615	571
Net fee and commission income	886	832	202	194
Operating profit/(loss)	793	1 229	180	286
Profit before tax	797	1 234	181	287
Net profit (including non-controlling shareholders)	499	861	114	200
Net profit attributable to the parent company	503	862	114	201
Earnings per share for the period - basic (in PLN/EUR)	0,40	0,69	0,09	0,16
Earnings per share for the period - diluted (in PLN/EUR)	0,40	0,69	0,09	0,16
Total net comprehensive income	914	738	208	172
Net cash from/used in operating activities	6 790	(4 577)	1 544	(1 065)
Net cash from/used in investing activities	(8 327)	(3 813)	(1 894)	(887)
Net cash from/used in financing activities	(51)	(550)	(12)	(128)
Total net cash flows	(1 588)	(8 940)	(361)	(2 080)

SELECTED CONSOLIDATED FINANCIAL DATA	PLN million		EUR million	
	as at 31.03.2020	as at 31.12.2019	as at 31.03.2020	as at 31.12.2019
Total assets	364 638	348 044	80 100	81 729
Total equity	42 492	41 578	9 334	9 764
Capital and reserves attributable to equity holders of the parent company	42 505	41 587	9 337	9 766
Share capital	1 250	1 250	275	294
Number of shares (in million)	1 250	1 250	1 250	1 250
Book value per share (in PLN/EUR)	33,99	33,26	7,47	7,81
Diluted number of shares (in million)	1 250	1 250	1 250	1 250
Diluted book value per share (in PLN/EUR)	33,99	33,26	7,47	7,81
Total capital adequacy ratio	17,34%	18,42%	17,34%	18,42%
Tier 1	36 473	36 717	8 012	8 622
Tier 2	2 700	2 700	593	634

SELECTED SEPARATE FINANCIAL DATA	PLN million		EUR million	
	period from 01.01.2020 to 31.03.2020	period from 01.01.2019 to 31.03.2019	period from 01.01.2020 to 31.03.2020	period from 01.01.2019 to 31.03.2019
Net interest income/(expense)	2 438	2 231	555	519
Net fee and commission income	763	682	174	159
Operating profit/(loss)	553	1 057	126	246
Profit before tax	553	1 057	126	246
Net profit	360	737	82	171
Earnings per share for the period - basic (in PLN/EUR)	0,29	0,59	0,07	0,14
Earnings per share for the period - diluted (in PLN/EUR)	0,29	0,59	0,07	0,14
Total net comprehensive income	754	597	172	139
Net cash from/used in operating activities	6 777	(1 430)	1 542	(333)
Net cash from/used in investing activities	(8 239)	(3 767)	(1 874)	(876)
Net cash from/used in financing activities	(203)	(3 736)	(46)	(869)
Total net cash flows	(1 665)	(8 933)	(379)	(2 079)

SELECTED SEPARATE FINANCIAL DATA	PLN million		EUR million	
	as at 31.03.2020	as at 31.12.2019	as at 31.03.2020	as at 31.12.2019
Total assets	333 378	317 125	73 233	74 469
Total equity	41 166	40 412	9 043	9 490
Share capital	1 250	1 250	275	294
Number of shares (in million)	1 250	1 250	1 250	1 250
Book value per share (in PLN/EUR)	32,93	32,33	7,23	7,59
Diluted number of shares (in million)	1 250	1 250	1 250	1 250
Diluted book value per share (in PLN/EUR)	32,93	32,33	7,23	7,59
Total capital adequacy ratio	19,18%	20,66%	19,18%	20,66%
Tier 1	35 606	35 890	7 822	8 428
Tier 2	2 700	2 700	593	634

SELECTED FINANCIAL STATEMENT ITEMS HAVE BEEN TRANSLATED INTO EUR AT THE FOLLOWING RATES	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
	31.03.2020	31.12.2019
average of NBP exchange rates at the end of monthly periods (income statement, statement of comprehensive income and statement of cash flows items)	4,3963	4,2978
mid NBP rate at the date (statement of financial position items)	4,5523	4,2585



Bank Polski

**Directors' Commentary
to the financial results
of the PKO Bank Polski SA Group
for the three-month period ended
31 March 2020**

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

The most important event of the first quarter of 2020 is the COVID-19 pandemic – an illness caused by the SARS-CoV-2 virus. The PKO Bank Polski SA Group (the Bank's Group) took actions aimed at preventing the spread of the virus and the socio-economic consequences of the pandemic.

ACTIONS TAKEN FOR THE COMMUNITIES

The Bank's Group took the following actions to support the community:

- donated cash totalling PLN 6 million to hospitals, including those specializing in the treatment of COVID-19 patients, and to laboratories;
- made in-kind donations to hospitals, healthcare institutions, social care institutions and orphanages throughout Poland, including 336.5 thousand protective masks, protective clothing, 141 cars for hospitals, the Chief Sanitary Inspectorate and the Territorial Defence Force;
- cooperated with government institutions in matters relating to the Anti-Crisis Shield in a number of ways, including:
 - seconding several advisors and bank analysts to support the Ministry of Development's Anti-Crisis Shield hotline;
 - participating in the development of the information system for collecting information, providing services and calculating subsidies as part of the Anti-Crisis Shield, as well as its integration with public administration systems, and providing solutions for the mass payment of subsidies by Polski Fundusz Rozwoju SA (the Polish Development Fund);
- based on the agreement between the PKO Bank Polski Foundation and Warsaw Genomics, the Foundation purchased diagnostic tests for SARS-CoV-2, which comply with the guidelines of the Ministry of Health, and ordered their free of charge execution. Furthermore, the Foundation made its account number available to the coalition of employers initiated by Warsaw Genomics and used the funds collected from companies and private individuals to finance another batch of diagnostic tests;
- in cooperation with Operator Chmury Krajowej sp. z o.o., implemented a system for medical consultations via Video;
- commenced an information and educational campaign in its locations throughout the country.

The total amount of aid provided by the Bank Group companies is PLN 22.8 million (excluding the cost of purchase of protective materials for the employees and Customers, data as at 19 May 2020).

ACTIONS TAKEN FOR THE CUSTOMERS

The Bank's Group supports its Customers during the COVID-19 pandemic and is offering them special solutions.

- Loan reliefs which can be used without any extra fees or commissions, at the Customer's request, were introduced. They concern in particular:¹
 - mortgage loans, other loans and advances and leases for retail Customers, firms and enterprises – suspending the repayment of up to maximum 6 instalments comprising the principal and interest or the principal only, depending on the form of the loan (for KREDOBANK SA Customers – up to 3 instalments);
 - Biznes credit cards for firms and enterprises and credit cards for retail Customers of PKO Bank Polski SA (the Bank) – suspending the repayment of up to 3 consecutive minimum repayments.

Applications can be filed via remote channels.

- For selected forms of lending provided to firms and enterprises and corporate Customers, which are due to be repaid by 30 June 2020 (including overdrafts, multipurpose credit limit, SME loans and SME mortgage loans, credit card limits, limits on bank accounts) the Bank defined the simplified principles for extending the lending period by up to 6 months, the validity period of internal customer limits and the term of restructuring agreements, including automatic extension.
- 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 Bank Gospodarstwa Krajowego (BGK) in a higher amount and on new, better terms. The Bank does not charge commission on the applications.

¹ These reliefs are available to Customers who have no overdue liabilities and, in the case of mortgage loans, do not use preference residential loans with interest subsidized by Bank Gospodarstwa Krajowego, as long as the subsidies are available.

- The Bank's Customers may use the Liquidity Guarantees Fund established by BGK to help medium and large firms affected by the pandemic. The funds granted to the Bank amount to PLN 18 billion.
- The Bank provided its Customers with an opportunity to use remote channels (iPKO and iPKO biznes) to apply for financial aid under the PFR (Polish Development Fund) Financial Shield for Firms and Employees – a government programme established to help firms to maintain financial continuity. The applications of micro firms and small and medium enterprises have been accepted since late April 2020.

In addition:

- The Bank increased the contactless payment limit without a PIN to PLN 100;
- The Bank's Customers making mass cash withdrawals may use alternative methods of delivering cash to the recipients, such as withdrawals from ATMs or prepaid cards.
- The Bank's customers may use the cloud-based mSzafr qualified signature free of charge. In accordance with the agreement with Krajowa Izba Rozliczeniowa SA, the Customers may also buy mSzafr Certificate for a signature with a long validity period at a 30% discount.

ACTIONS TAKEN FOR THE EMPLOYEES

The Bank took the following actions to protect its employees:

- it equipped the employees with the necessary means of protection, such as disinfectant gels and liquids, masks, gloves and face shields, and prepared instructions for the disinfection of Customer service desks;
- it protected the advisors' desks with special plastic shields, ensured that branches are cleaned with the use of disinfectants and, if necessary, ozonized;
- it offered employees the opportunity to work remotely (about 50% of the employees), offered a rotational system of work for Customer advisors and introduced special protection of employees who are exposed to a higher risk due to their health;
- it provided cars for employees to travel between home and work and offered reimbursement of the costs of parking their private cars in front of the workplace;
- it adjusted the model of healthcare for employees and provided continuous access to telemedical services and psychological support;
- It launched a special pandemic-related information campaign for the employees;
- it published instructions, good practices and guidelines concerning the organization of remote work on the internal website;
- it provided access to remote development actions.

2. BUSINESS CONDITIONS

The market conditions were affected in particular by the COVID-19 pandemic and the actions of governments aimed at limiting the spread of the virus. Uncertainty as to the duration of the restrictions and the ability of some businesses to survive them affected the activity on the markets of currencies and securities.

Deterioration in economic prospects and disturbances on the domestic financial market triggered the response of the National Bank of Poland (NBP). The Monetary Policy Council decreased the interest rates twice (on 17 March and 8 April) by a total of 100 bp. It also decreased the mandatory reserve rate from 3.5% to 0.5%. The MPC took actions to support the banks' liquidity, such as: repo transactions, purchase of Treasury bonds and debt securities guaranteed by the State Treasury on the secondary market and a bill discount facility for the financing of lending to non-financial entities. In addition, the Financial Stability Committee recommended, and the Ministry of Finance with its decree waived the obligation to use the systemic risk buffer.

In consequence, yields on Treasury bonds decreased for all maturities: 2-year by 57 bp to 0.87%; 5-year by 53 bp to 1.30%; and 10-year by 44 bp to 1.68%.

The outbreak of the COVID-19 pandemic resulted in a strong increase in global risk aversion, which resulted in an outflow of capital from the emerging markets. This currency basket, including the zloty (PLN), rapidly lost to the "safe haven" currencies. The interest rate cuts motivated by growing fears about the condition of the economy also contributed to the depreciation of the Polish zloty. As a result, the EUR/PLN exchange rate amounted to approx. 4.55 at the end of the quarter (PLN 0.30 more than at the beginning of the year).

NBP interest rates:

• reference	0.50%
• bills of exchange discount	0.60%
• bills of exchange rediscount	0.55%
• Lombard	1.00%
• deposit	0.00%

Selling off shares due to fears about the economic effect of the COVID-19 pandemic resulted in a strong drop in stock market indices accompanied by very high variability. The Warsaw Stock Exchange Index (WIG) lost 28% in the first three months of the year, and the difference between the maximum and the minimum value was 37%.

3. FACTORS THAT DETERMINE FUTURE RESULTS

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

IN THE GLOBAL ECONOMY

- the economic crisis associated with the outbreak of the COVID-19 pandemic, including recession in the countries which are the main export markets for the Polish enterprises;
- quantitative easing, mainly using non-standard tools such as asset buyout programmes and programmes that support lending to the non-financial sector;
- a risk of the corporate bond market collapse;
- a risk of political destabilization in a number of countries and growing geopolitical tension;
- uncertainty as to the ultimate shape of economic relations between the UK and the European Union after 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;
- political and economic situation.

IN THE POLISH ECONOMY

- the first recession in almost 30 years;
- deterioration in the situation on the labour market and an increase in the unemployment rate;
- potential further interest rate decreases by the Monetary Policy Council;
- changes in other monetary policy parameters (mandatory reserve rates) and regulatory changes (a decrease in the systemic risk buffer from 3% to 0%);
- a minimum wage increase of more than 15%;
- a significant decrease in trade turnover and currency exchange in connection with the crisis;
- a slow-down in the absorption of European funds and the rate of growth of public investment.

NEW REGULATORY SOLUTIONS

- The Anti-Crisis Shield acts (as amended), including:
 - o the Act of 31 March 2020 amending the Act on specific solutions aimed at preventing, counteracting and fighting COVID-19, other contagious diseases and the resulting crises and certain other acts;
 - o the Act of 31 March 2020 amending the Act on the system of development institutions (the Polish Development Fund - PFR);
 - o the draft Act on granting state aid for the purposes of saving or restructuring entrepreneurs (the new chance policy);which define a range of actions aimed at supporting entrepreneurs and society during the epidemic;
- the Act of 16 April 2020 on specific support instruments used in connection with the spread of the SARS-CoV-2 virus, which supplements the Anti-Crisis Shield package and supports the enterprises' activities during the epidemic;
- draft industry recommendations proposed by the Polish Insurance Chamber, aimed at protecting customers who found themselves in a difficult financial situation due to the pandemic and making it possible for enterprises affected by COVID-19 to continue in operation; the implementation of these recommendations will require a number of procedural and systemic changes and addressing the financial and settlement issues;
- the European Banking Authority (EBA) statements of 31 March 2020 on actions to mitigate the impact of COVID-19 on the EU banking sector: the expectations concerning the banks' dividend policies and the payment of variable remuneration components, additional guidelines in respect of prudential reporting and Pillar 3 reporting, the necessary means of preventing money laundering and terrorist financing;
- potential statutory solutions concerning the transfer of funds accumulated in open pension funds (OFE) to the individual pension accounts maintained by a specialist open investment fund managed by an investment fund company or transfer of the fund members' assets to the Social Insurance Institution (ZUS) (available to those members of open pension funds who give their consent for transfer of the funds accumulated on their accounts);
- potential regulatory solutions concerning foreign currency-denominated residential loans of households,

including the solutions resulting from the Court of Justice of the European Union (CJEU) judgment of 3 October 2019 setting the line of interpretation in the event that a national court finds an abusive clause in a loan agreement;

- the position of the Financial Ombudsman and the UOKiK President and the CJEU judgment of 11 September 2019 on the interpretation of Article 49 of the Act on Consumer Credit, resulting in the reimbursement of a proportional part of the costs associated with a loan to the borrower in the event of early repayment.

TAX CHANGES

- the Act of 4 July 2019 amending the VAT Act and certain other acts; under this Act, certain irregularities in providing documentation required from taxpayers will be penalized as of 1 July 2020.
- the Act of 16 October 2019 on resolving disputes concerning double taxation and concluding advance pricing agreements, which introduces the institution of a cooperation agreement as of 1 July 2020. The taxpayers covered by the agreement will be able to use a number of favourable solutions in the process of fulfilling their tax obligations.
- the Act of 31 March 2020 amending the Act on specific solutions aimed at preventing, counteracting and fighting COVID-19, other contagious diseases and the resulting crises and certain other acts, which made numerous changes to the tax regulations, including in particular: the temporary suspension of procedural and court deadlines and deadlines for tax scheme reporting (MDR-3 and MDR-4); the possibility of deducting donations for counteracting COVID-19 from the tax base; and extending the deadlines for the payment of selected taxes by entities suffering adverse economic effects due to COVID-19.
- the Act of 16 April 2020 on specific support instruments in connection with the spread of the SARS-CoV-2 virus, which as of 18 April 2020 introduced e.g. solutions allowing taxpayers to maintain the status of a tax group in the event of non-compliance with the profitability requirement and having no tax arrears, and exempting agreements for the sale and exchange of virtual currencies from transfer tax.

Due to the epidemic status in Poland and the resulting accelerated procedure for enacting new laws or implementing significant changes in the form of decrees, it is impossible to describe precisely the scope of other potential changes in the tax regulations and their impact on the tax settlements of PKO Bank Polski SA. It seems, however, that they can be expected to simplify and defer the tax obligations.

4. SIGNIFICANT ACHIEVEMENTS AND THE MOST IMPORTANT EVENTS

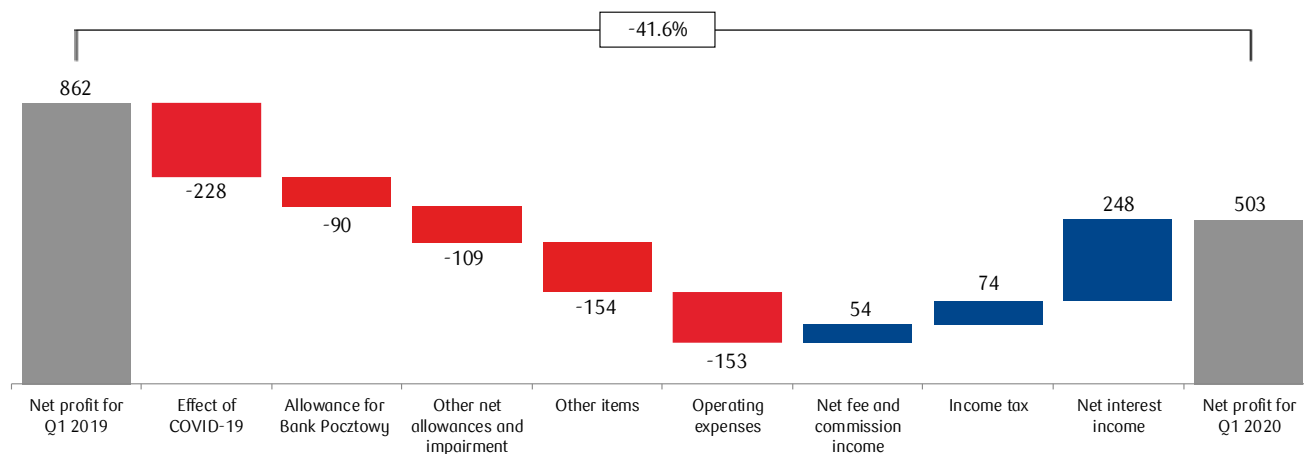
SELECTED FINANCIAL DATA

The net profit of the PKO Bank Polski SA Group for the first quarter of 2020 amounted to PLN 503 million, which is a 41.6%, decrease in relation to the first quarter of the previous year. The decrease in the net profit was due to the following:

- 1) a decrease of PLN 427 million in net allowances and impairment², including the costs of legal risk associated with mortgage loans denominated in convertible currencies;
- 2) an increase in operating expenses of PLN 153 million, comprising mainly regulatory expenses and amortization and depreciation;
- 3) an improvement in the result on business activities, which amounted to PLN 3,658 million (+4.6% y/y), mainly due to the increase in net interest income of 10.1% y/y and the increase in net fee and commission income of 6.5%, while the other result decreased by 67.4%.

² The net allowances and impairment comprises allowances for expected credit losses, net impairment allowances on non-financial assets and the result on loans valued at fair value through profit and loss account.

Change in the net profit of the PKO Bank Polski SA Group (in PLN millions)



Events having a significant impact on the net profit earned by the Bank's Group in the first quarter of 2020:

- recognition of the effect of COVID-19 on the deterioration in the quality of the Bank's Group loan portfolio and other financial assets of PLN -228 million;
- recognition of an impairment allowance in respect of the shares of Bank Pocztowy SA in the amount of PLN -90 million;
- recognition of the costs resulting from the Court of Justice of the European Union (CJEU) judgment 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 in the amount of PLN -138 million;
- recognition of the costs of legal risk associated with mortgage loans denominated in convertible currencies in the amount of PLN -85 million;
- an 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;
- recognition of the valuation of VISA Inc. shares in the amount of PLN -55 million in the result on financial transactions;
- recognition of the effect of Prime Car Management SA, a company acquired in June 2019, on the consolidated result for 2020 – mainly the effect on net other income of PLN +55 million and the effect on operating expenses of PLN -54 million (including: amortization and depreciation of PLN -39 million; personnel expenses of PLN -12 million, and non-personnel expenses of PLN -4 million).

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

- total assets reached a level of approx. PLN 365 billion, which is PLN 39 billion more than in the first quarter of the previous year and PLN 17 billion more than as at the end of the year 2019;
- the financing granted to Customers increased to approx. PLN 253 billion, which is PLN 19 billion more than as at the end of March 2019 and PLN 7 billion more than as at the end of 2019. This increase was mainly due to the increases in the financing granted to corporate Customers and in residential loans;
- Customer deposits increased to PLN 266 billion, which is PLN 29 billion more than as at the end of March 2019 and PLN 10 billion more than as at the end of December 2019. This was mainly the effect of an increase in deposits of individuals, which was accompanied by a decrease in deposits of corporate entities and the stable level of deposits of public entities.

In the first quarter of 2020, the Bank's Group:

- retained a high share in the loans and savings market of 17.8% and 18.3%, respectively;
- was the leader of the market of investment funds for natural persons with a market share of 19.6%.

THE BANK'S GROUP IS IMPROVING THE EFFICIENCY OF USING RESOURCES

The Bank took the following actions to improve its energy efficiency:

- it launched an analysis to prepare for the implementation of the Energy Management System in accordance with ISO 50001 at the Bank;
- it obtained a LEED Gold certificate for the PKO Rotunda building;
- movement sensors reducing electricity consumption were installed in social rooms and restrooms in 20 of the Bank's locations;
- the process of removing the last coal-fired boiler was commenced,

The Bank implemented the following actions aimed at protecting the environment:

- municipal waste sorting in 143 of the Bank's locations which did not apply such solutions before;
- continued installation of water filters in social rooms;
- extended use of biodegradable cups.



Bank Polski

Condensed interim consolidated
financial statements of the PKO Bank
Polski SA Group for the three-month
period ended 31 March 2020

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT	Note	01.01- 31.03.2020	01.01- 31.03.2019
Interest income	6	3 289	3 031
Interest income calculated under the effective interest rate method on financial instruments measured		3 008	2 921
at amortized cost		2 672	2 614
at fair value through OCI		336	307
Income similar to interest income on instruments measured at fair value through profit or loss		281	110
Interest expense	6	(586)	(576)
Net interest income		2 703	2 455
Fee and commission income	7	1 157	1 075
Fee and commission expense	7	(271)	(243)
Net fee and commission income		886	832
Net gain/(loss) on financial instruments measured at fair value through profit or loss	8	(150)	24
impact of COVID 19 on loan portfolio		(22)	-
Net foreign exchange gains/(losses)		16	54
Gains/(losses) on derecognition of financial instruments not measured at fair value through profit or loss		43	53
measured at fair value through OCI		56	50
measured at amortized cost		(13)	3
Allowances for expected credit losses	9	(507)	(325)
impact of COVID 19 on loan portfolio		(206)	-
Net impairment allowances on non-financial assets	9	(100)	(7)
Cost of legal risk of mortgage loans in convertible currencies	39	(85)	(4)
Net other operating income and expense	10	87	80
Administrative expenses	11	(1 387)	(1 326)
Net regulatory charges	12	(451)	(359)
Tax on certain financial institutions		(262)	(248)
Operating profit/(loss)		793	1 229
Share in profits and losses of associates and joint ventures		4	5
Profit before tax		797	1 234
Income tax expense	13	(298)	(373)
Net profit (including non-controlling shareholders)		499	861
Profit (loss) attributable to non-controlling shareholders		(4)	(1)
Net profit attributable to equity holders of the parent company		503	862
Earnings per share			
- basic earnings per share for the period (PLN)		0,40	0,69
- diluted earnings per share for the period (PLN)		0,40	0,69
Weighted average number of ordinary shares during the period (in million)		1 250	1 250
Weighted average diluted number of ordinary shares during the period (in million)		1 250	1 250

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note	01.01- 31.03.2020	01.01- 31.03.2019
Net profit (including non-controlling shareholders)		499	861
Other comprehensive income		415	(123)
Items which may be reclassified to profit or loss		415	(123)
Cash flow hedges (gross)	16	558	149
Deferred tax	13,16	(106)	(28)
Cash flow hedges (net)		452	121
Revaluation of fair value of financial assets measured at fair value through other comprehensive income, gross		35	(264)
Gains /losses transferred to profit or loss (on disposal)		(56)	(50)
Deferred tax	13	5	58
Fair value of financial assets measured at fair value through other comprehensive income (net)		(16)	(256)
Foreign exchange differences on translation of foreign branches		(21)	10
Share in other comprehensive income of associates and joint ventures		-	2
Total net comprehensive income		914	738
Total net comprehensive income, of which attributable to:		914	738
equity holders of the parent		918	739
non-controlling shareholders		(4)	(1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31.03.2020	31.12.2019
ASSETS			
Cash and balances with the Central Bank	14	11 410	14 677
Amounts due from banks	15	5 699	4 092
Hedging derivatives	16	1 317	645
Other derivative instruments	17	5 924	2 795
Securities	18	89 098	80 573
- held for trading		828	1 112
- not held for trading, measured at fair value through profit or loss		1 918	2 199
- measured at fair value through OCI		66 851	63 807
- measured at amortized cost		19 501	13 455
Reverse repo transactions		112	1 081
Loans and advances to customers	19	237 209	230 353
- not held for trading, measured at fair value through profit or loss		7 413	8 286
- measured at amortized cost		229 796	222 067
Receivables in respect of insurance activities		845	858
Property, plant and equipment in operating leases		1 292	1 300
Property, plant and equipment		3 069	3 142
Non-current assets held for sale		10	12
Intangible assets		3 129	3 178
Investments in associates and joint ventures		291	377
Current income tax receivables		6	5
Deferred income tax assets		2 250	2 243
Other assets	20	2 977	2 713
TOTAL ASSETS		364 638	348 044

CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS OF THE PKO BANK POLSKI SA GROUP FOR
THE THREE-MONTH PERIOD ENDED
31 MARCH 2020
(IN PLN MILLION)

	Note	31.03.2020	31.12.2019
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the Central Bank		7	-
- measured at fair value through profit or loss		7	-
Amounts due to banks	21	2 106	2 135
- measured at fair value through profit or loss		5	317
- measured at amortized cost		2 101	1 818
Hedging derivatives	16	1 248	589
Other derivative instruments	17	5 765	2 924
Amounts due to customers	22	266 155	256 170
- measured at fair value through profit or loss		26	45
- measured at amortized cost		266 129	256 125
Liabilities in respect of insurance activities		1 785	1 777
Loans and advances received		2 787	2 779
Debt securities in issue	23	32 937	31 148
Subordinated liabilities		2 708	2 730
Other liabilities	24	5 494	4 938
Current income tax liabilities		117	324
Deferred income tax provision		399	370
Provisions	25	638	582
TOTAL LIABILITIES		322 146	306 466
Equity			
Share capital		1 250	1 250
Other capital		34 709	34 205
Retained earnings		6 043	2 101
Net profit or loss for the year		503	4 031
Capital and reserves attributable to equity holders of the parent company		42 505	41 587
Non-controlling interests		(13)	(9)
TOTAL EQUITY		42 492	41 578
TOTAL LIABILITIES AND EQUITY		364 638	348 044
Total capital ratio	42	17,34%	18,42%
Book value (in PLN million)		42 492	41 578
Number of shares (in million)		1 250	1 250
Book value per share (in PLN)		33,99	33,26
Diluted number of shares (in million)		1 250	1 250
Diluted book value per share (in PLN)		33,99	33,26

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR 3 MONTHS ENDED 31 MARCH 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
Dividend paid	-	-	-	-	-	-	4 031	(4 031)	-	-	-
Total comprehensive income, of which:	-	-	-	-	415	415	-	503	918	(4)	914
Net profit for the year	-	-	-	-	-	-	-	503	503	(4)	499
Other comprehensive income	-	-	-	-	415	415	-	-	415	-	415
Transfer from retained earnings to equity	-	89	-	-	-	89	(89)	-	-	-	-
31 March 2020	1 250	29 518	1 070	3 237	884	34 709	6 043	503	42 505	(13)	42 492

FOR 3 MONTHS ENDED 31 MARCH 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:	-	(16)	452	-	(21)	415
Other comprehensive income	-	(16)	452	-	(21)	415
31 March 2020	(13)	440	684	(15)	(212)	884

CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS OF THE PKO BANK POLSKI SA GROUP FOR
THE THREE-MONTH PERIOD ENDED
31 MARCH 2020
(IN PLN MILLION)



Bank Polski

FOR 3 MONTHS ENDED 31 MARCH 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)	-	-	-
Total comprehensive income, of which:	-	-	-	-	(123)	(123)	-	862	739	(1)	738
Net profit for the year	-	-	-	-	-	-	-	862	862	(1)	861
Other comprehensive income	-	-	-	-	(123)	(123)	-	-	(123)	-	(123)
Covering of prior year loss	-	74	-	-	-	74	(74)	-	-	-	-
31 March 2019	1 250	29 428	1 070	3 831	127	34 456	3 171	862	39 739	(11)	39 728
FOR 3 MONTHS ENDED 31 MARCH 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:	2	(256)	121	-	10	(123)					
Other comprehensive income	2	(256)	121	-	10	(123)					
31 March 2019	(11)	236	143	(10)	(231)	127					

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	01.01- 31.03.2020	01.01- 31.03.2019
Cash flows from operating activities			
Profit before tax		797	1 234
Total adjustments:		5 993	(5 811)
Amortization and depreciation	11	293	240
(Gains)/losses on investing activities		(3)	(4)
Interest and dividends		(30)	(35)
Change in:			
amounts due from banks		76	21
hedging derivatives		(13)	(12)
other derivatives		(288)	(109)
securities		(20)	(1 636)
- held for trading		284	(1 153)
- not held for trading, measured at fair value through profit or loss		281	(33)
- measured at fair value through OCI		(450)	(379)
- measured at amortized cost		(135)	(71)
loans and advances to customers		(7 465)	(3 154)
- not held for trading, measured at fair value through profit or loss		873	45
- measured at amortized cost		(8 338)	(3 199)
reverse repo transactions		969	(1 345)
receivables in respect of insurance activities		13	(56)
non-current assets held for sale		2	5
other assets		(337)	143
accumulated allowances for expected credit losses		732	292
accumulated allowances for non-financial assets and other provisions		83	19
liabilities to the Central Bank		7	(1)
- measured at fair value through profit or loss		7	-
- measured at amortized cost		-	(1)
amounts due to banks		(29)	783
- measured at fair value through profit or loss		(312)	191
- measured at amortized cost		283	592
amounts due to customers		9 985	(1 695)
- measured at fair value through profit or loss		(19)	69
- measured at amortized cost		10 004	(1 764)
liabilities in respect of insurance activities		8	143
loans and advances received		139	(47)
debt securities in issue		1 408	(94)
subordinated liabilities		(22)	(24)
other liabilities		617	775
Income tax paid		(563)	(132)
Other adjustments		431	112
Net cash from/used in operating activities		6 790	(4 577)

CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS OF THE PKO BANK POLSKI SA GROUP FOR
THE THREE-MONTH PERIOD ENDED
31 MARCH 2020
(IN PLN MILLION)

	Note	01.01- 31.03.2020	01.01- 31.03.2019
Cash flows from investing activities			
Inflows from investing activities		23 039	85 484
Redemption and interest on securities measured at fair value through other comprehensive income		22 807	85 148
Redemption and interest on securities measured at amortized cost		146	269
Sale of intangible assets, property, plant and equipment and assets held for sale		86	46
Other inflows from investing activities (dividends)		-	21
Outflows from investing activities		(31 366)	(89 297)
Purchase of securities measured at fair value through other comprehensive income		(25 132)	(83 172)
Purchase of securities measured at amortized cost		(6 014)	(5 960)
Purchase of intangible assets and property, plant and equipment		(220)	(165)
Net cash from/used in investing activities		(8 327)	(3 813)

	Note	01.01- 31.03.2020	01.01- 31.03.2019
Cash flows from financing activities			
Proceeds from issue of debt securities		1 979	4 239
Redemption of debt securities		(1 598)	(2 984)
Repayment of loans and advances		(131)	(1 498)
Payment of lease liabilities		(61)	(55)
Repayment of interest on long-term borrowings		(240)	(252)
Net cash from/used in financing activities		(51)	(550)
Total net cash flows		(1 588)	(8 940)
of which foreign exchange differences on cash and cash equivalents		273	67
Cash and cash equivalents at the beginning of the period		18 681	30 526
Cash and cash equivalents at the end of the period		17 093	21 586

CASH AND CASH EQUIVALENTS	31.03.2020	31.12.2019	31.03.2019
Cash and balances with the Central Bank	11 410	14 677	14 570
Deposits with the Central Bank	-	-	850
Current amounts due from banks	5 453	3 768	5 978
Restricted cash and cash equivalents	230	236	188
Total	17 093	18 681	21 586

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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 SA** 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 the Minister of Postal and Telegraph Services Hubert Linde, first founder and first president of Poczтовая 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 of 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 registered 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 Capital 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 0000026438 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 macro-sector "Finance", in the "Banks" sector.

The Powszechna Kasa Oszczędnościowa Bank Polski Spółka Akcyjna Group ("the PKO Bank Polski SA 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 a branch in the Federal Republic of Germany ("the German Branch") and in the Czech Republic ("the Czech Branch").

PKO Bank Polski SA, as the parent, is a universal deposit and credit bank which services both Polish and foreign individuals, legal entities and other entities. The Bank may hold cash in foreign currencies and trade in those 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, IT outsourcing and business outsourcing services, and real estate management.

INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

As at 31 March 2020, the Supervisory Board consisted of:

- Piotr Sadownik – Chairman of the Supervisory Board
- Grażyna Ciurzyńska – Deputy Chair of the Supervisory Board
- Zbigniew Hajłasz – Secretary of the Supervisory Board
- Mariusz Andrzejewski – Member of the Supervisory Board
- Mirosław Barszcz – Member of the Supervisory Board
- Adam Budnikowski – Member of the Supervisory Board
- Wojciech Jasiński – Member of the Supervisory Board
- Andrzej Kisielewicz – Member of the Supervisory Board
- Elżbieta Mączyńska-Ziemacka – Member of the Supervisory Board
- Krzysztof Michalski – Member of the Supervisory Board

As at 31 March 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 SA SHARES AND THE RIGHTS ATTACHED TO THEM BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY STAFF

No.	Name and surname	Number of shares as at 31.03.2020	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

The Supervisory Board members did not hold any shares of PKO BP SA as at 31 March 2020 and as at 31 December 2019.

2. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements of the Group (hereinafter **FINANCIAL STATEMENTS**), reviewed by the Audit Committee of the Supervisory Board and by the Supervisory Board on 27 May 2020, were accepted for publication by the Bank's Management Board on 27 May 2020.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The condensed interim consolidated financial statements of the Group cover the three-month period ended 31 March 2020 and contain comparative data for:

- the three-month period ended 31 March 2019 with regard to the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, and consolidated cash flow statement,
- as at 31 December 2019 in respect of the consolidated statement of financial position.

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

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

The accounting principles and calculation methods applied in the preparation of these condensed interim consolidated financial statements are consistent with the principles applicable in the financial year ended 31 December 2019, except for the changes described in the note "Explanation of the differences between previously published financial statements and these financial statements", relating to the recognition of transactional (Forex) margins earned on foreign exchange transactions concluded by the Bank with customers as part of the purchase and sale of foreign currencies and recognition of foreign exchange gains and losses in respect of income and costs (accrued interest, discount, premium, valuation) on financial assets and financial liabilities denominated in foreign currencies in net foreign exchange gains/(losses). Additionally, in the year 2020 the Group started to recognize income tax expense in the interim financial statements based on the best possible estimate of the weighted average annual income tax rate expected in the whole financial year.

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

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

STANDARDS AND INTERPRETATIONS, AND AMENDMENTS THERETO, WHICH ARE BINDING FROM 1 JANUARY 2020

STANDARDS AND INTERPRETATIONS	DATE OF ISSUE / PUBLICATION	EFFECTIVE DATE IN EU / DATE OF ENDORSEMENT BY EU	DESCRIPTION OF CHANGES AND IMPACT
AMENDMENTS TO REFERENCES TO THE CONCEPTUAL FRAMEWORK IN IFRS	29.03.2018	1.01.2020/ 29.11.2019	The purpose of the amendments is to replace references to the previous conceptual framework in a number of standards and interpretations with references to the amended conceptual framework. The implementation of the conceptual framework did not affect the consolidated financial statements.
AMENDMENTS TO IAS 1 AND IAS 8: DEFINITION OF THE TERM "MATERIAL"	31.10.2018	1.01.2020/ 29.11.2019	The amendments to IAS 1 and IAS 8 standardize and clarify the definition of 'material' and contain guidelines to increase the consistency of application of this concept in the International Financial Reporting Standards. The Group assesses the materiality of disclosures on a current basis, in accordance with the requirements of IAS 1, based on which it implements appropriate changes to the presentation of data in its financial statements. The changes in the presentation of these financial statements are described in the note "Explanation of the differences between previously published financial statements and these financial statements".
AMENDMENTS TO IFRS 9, IAS 39, AND IFRS 7 – IBOR REFORM	26.09.2019	1.01.2020/ 15.01.2020	The amendments introduce certain temporary, narrow departures from the requirement of prospective verification of the effectiveness of hedges included in IAS 39 and IFRS 9 which will enable entities to continue to comply with the applicable requirements, provided that the existing interest rate benchmarks do not change as a result of the interbank offering rate reform. The Group is in the process of analysing the impact of the planned IBOR reform on the consolidated financial statements.
AMENDMENTS TO IFRS 3 BUSINESS COMBINATIONS	22.10.2018	1.01.2020/ 21.04.2020	The amendments to IFRS 3 narrow down and clarify the definition of a venture. They also allow for a simplified assessment of whether a set of assets and activities is a group of assets and not a venture. The amendments will be applied prospectively. The Group does not expect these amendments to have a material impact on the consolidated financial statements.

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

STANDARDS AND INTERPRETATIONS	DATE OF ISSUE / EFFECTIVE DATE	EFFECTIVE DATE IN EU / DATE OF ENDORSEMENT BY EU	DESCRIPTION OF CHANGES AND IMPACT
IFRS 17 INSURANCE CONTRACTS	18.05.2017 / 1.01.2023*	no data	IFRS 17 "Insurance Contracts" will replace IFRS 4 "Insurance Contracts" which enabled entities to continue to recognize insurance contracts according to the accounting principles in force in the national standards, which, as a result, meant applying many different solutions. IFRS 17 introduces the requirement of consistent recognition of all insurance contracts with respect to: the method of measurement of insurance liabilities, recognition of profit or loss over time, recognition of reinsurance, separate presentation of the investment component. The application of the standard should follow the full retrospective approach. The Group is in the process of analysing the impact of IFRS 17 on the financial statements.
AMENDMENTS TO IAS 1 - CLASSIFICATION OF LIABILITIES	23.01.2020 / 1.01.2023*	no data	The amendments to IAS 1 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. The Group does not expect these amendments to have a material effect on the financial statements.

* The International Accounting Standards Board postponed the effective date until 1 January 2023.

4. EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

In order to better reflect the operations of the Group, the following changes were made to the presentation of the Group's assets and liabilities in the financial statements.

- **Property, plant and equipment leased out under operating lease**: In order to separate property, plant and equipment used for the Group's own purposes from property, plant and equipment leased out to the Group's customers under operating lease, the Group has decided to present "Property, plant and equipment leased out under operating lease" as a separate line item. The comparative data has been adjusted accordingly.
- **"Receivables in respect of insurance activities" and "Liabilities in respect of insurance activities"**: in previous periods, the Group presented ceded technical reserves and reinsurance commissions under "Other assets" and "Other liabilities", respectively. Starting from these financial statements, these amounts are presented under "Receivables in respect of insurance activities" and "Liabilities in respect of insurance activities", respectively, in order to better reflect the insurance activities conducted by the Group. The comparative data has been adjusted accordingly.

- “Reverse repo transactions” and “Repo transactions”: Starting with these financial statements, the Group presents “repo and reverse repo transactions” as a separate line item (previously such transactions were presented in “Amounts due from banks”, “Loans and advances to customers”, “Amounts due to banks” or “Amounts due to customers”, respectively, depending on whether the transaction was concluded with an interbank customer or another customer). The comparative data has been adjusted accordingly. The Group did not recognize any repo transactions as at 31 December 2019.
- “Loans and advances received”: up to and including the year 2019, loans and advances received by the Group were presented as “Amounts due to banks” and “Amounts due to customers”. Starting with these financial statements, the Group decided to present them separately in liabilities in order to achieve consistency with the presentation of interest expenses on loans and advances received and due to the fact that these loans and advances represent financing activities in the statement of cash flows.

Furthermore, the Group reclassified the amount of PLN 131 million representing tax on foreign exchange differences in Sweden (see the note “Income tax expense”) recognized as at 31 December 2019 in “Current income tax liabilities”. The Group changed its judgment and reclassified this item to the “Deferred income tax provision”.

STATEMENT OF FINANCIAL POSITION	31.12.2019 before adjustment	Property, plant and equipment leased out under operating lease	Receivables in respect of insurance activities	Reverse repo transactions	31.12.2019 restated
Cash and balances with the Central Bank	14 677	-	-	-	14 677
Amounts due from banks	4 092	-	-	-	4 092
Derivative hedging instruments	645	-	-	-	645
Other derivative instruments	2 795	-	-	-	2 795
Securities	80 573	-	-	-	80 573
- held for trading	1 112	-	-	-	1 112
- not held for trading measured at fair value through profit or loss	2 199	-	-	-	2 199
- measured at fair value through other comprehensive income	63 807	-	-	-	63 807
- measured at amortized cost	13 455	-	-	-	13 455
Reverse repo transactions	-	-	-	1 081	1 081
Loans and advances to customers	231 434	-	-	(1 081)	230 353
- not held for trading measured at fair value through profit or loss	8 286	-	-	-	8 286
- measured at amortized cost	223 148	-	-	(1 081)	222 067
Receivables in respect of insurance activity	-	-	858	-	858
Property, plant and equipment leased out under operating lease	-	1 300	-	-	1 300
Property, plant and equipment	4 442	(1 300)	-	-	3 142
Fixed assets held for sale	12	-	-	-	12
Intangible assets	3 178	-	-	-	3 178
Investments in associates and joint ventures	377	-	-	-	377
Current income tax receivables	5	-	-	-	5
Deferred income tax assets	2 243	-	-	-	2 243
Other assets	3 571	-	(858)	-	2 713
TOTAL ASSETS	348 044	-	-	-	348 044

Liabilities	31.12.2019 before adjustment	Loans and advances received	Liabilities in respect of insurance activities	Reclassification of a part of “current income tax liability” to “deferred income tax provision”	31.12.2019 restated
Amounts due to banks	2 885	(750)	-	-	2 135
- measured at fair value through profit or loss	317	-	-	-	317
- measured at amortized cost	2 568	(750)	-	-	1 818
Derivative hedging instruments	589	-	-	-	589
Other derivative instruments	2 924	-	-	-	2 924
Amounts due to customers	258 199	(2 029)	-	-	256 170
- measured at fair value through profit or loss	45	-	-	-	45
- measured at amortized cost	258 154	(2 029)	-	-	256 125
Liabilities in respect of insurance activity	1 640	-	137	-	1 777
Loans and advances received	0	2 779	-	-	2 779
Liabilities in respect of issues of securities	31 148	-	-	-	31 148
Subordinated liabilities	2 730	-	-	-	2 730
Other liabilities	5 075	-	(137)	-	4 938
Current income tax liabilities	455	-	-	(131)	324
Deferred income tax provisions	239	-	-	131	370
Provisions	582	-	-	-	582
TOTAL LIABILITIES	306 466	-	-	-	306 466

In order to better reflect the Group's operations in the financial statements, the following changes were made to the income statement:

- "Reclassification of premium on debt securities" – as of the year 2020, the Group decided to present the costs of premium on debt securities under "Interest income" as "debt securities". Previously the premium was presented under "Interest expenses" as "debt securities".
- "Reclassification of transactional margin": in the three-month period ended 31 March 2020, the Group decided to reclassify the Forex margin accounted for in foreign exchange rates of currencies offered to the Bank's customers as part of foreign currency purchase/sale services, which had previously been presented in "Net foreign exchange gains/(losses)", to "Fee and commission income". In the Group's opinion, the nature of the Forex margin is similar to other fees and commissions charged by the Group for the provision of services.
- "Presentation of foreign exchange gains/(losses) on income and costs (accrued interest, discount, premium, valuation) on financial assets and financial liabilities denominated in foreign currencies": in the three-month period ended 31 March 2020, the Group decided to reclassify foreign exchange gains/(losses) on income and costs accrued on financial assets (e.g. loans, securities, other receivables) and financial liabilities in foreign currencies from "Interest income" to "Net foreign exchange gains/(losses)". In accordance with the previous approach the said income and costs were recognized in the profit or loss in the currency of the contract and translated to the base currency in the process of annual closing of accounts or when interest was added or paid back by the customer, according to the NBP average fixing rate. This meant that during the financial year the said income and expenses were recognized jointly with foreign exchange gains/(losses). Currently, the said income and expenses will be recognized in the profit/(loss) at the mid NBP exchange fixing rate for a given currency as at the date of recognition, which will allow recognizing foreign exchange differences for particular income and expense items in net foreign exchange gains/(losses). The amount reclassified between the income statement items in the three-month period ended 31 March 2019 was PLN 255 thousand.

- “Reclassification of the cost of legal risk related to mortgage loans in convertible currencies”: since December 2019, the Group has presented the “Cost of legal risk related to mortgage loans in convertible currencies” as a separate line item (for details see note “Legal risk related to mortgage loans in convertible currencies”). These amounts were presented under “Other operating expenses” in the interim financial statements in 2019. In order to ensure consistent presentation, the comparative data was reclassified as appropriate.

INCOME STATEMENT	01.01 - 31.03.2019 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 - 31.03.2019 restated
Interest income	3 058	(27)	-	(0,3)	-	3 031
Interest expense	(603)	27	-	-	-	(576)
Net interest income/(expense)	2 455	-	-	(0,3)	-	2 455
Fee and commission income	989	-	86	-	-	1 075
Fee and commission expenses	(243)	-	-	-	-	(243)
Net fee and commission income/(expenses)	746	-	86	-	-	832
Net gain/(loss) on financial instruments measured at fair value through profit or loss	24	-	-	-	-	24
Net foreign exchange gains/(losses)	140	-	(86)	0,3	-	54
Gain/(loss) on recognition of financial instruments not valued at fair value through profit or loss	53	-	-	-	-	53
measured at fair value through OCI	50	-	-	-	-	50
measured at amortized cost	3	-	-	-	-	3
Allowances for expected credit losses	(325)	-	-	-	-	(325)
Net impairment of non-financial assets	(7)	-	-	-	-	(7)
Cost of legal risk of mortgage loans in convertible currencies	-	-	-	-	(4)	(4)
Other net operating income/expenses	76	-	-	-	4	80
Administrative expenses	(1 326)	-	-	-	-	(1 326)
Net regulatory charges	(359)	-	-	-	-	(359)
Tax on certain financial institutions	(248)	-	-	-	-	(248)
Net operating income/(expenses)	1 229	-	-	-	-	1 229
Share in profits and losses of associates and joint ventures	5	-	-	-	-	5
Profit before tax	1 234	-	-	-	-	1 234
Income tax expense	(373)	-	-	-	-	(373)
Net profit (including non-controlling shareholders)	861	-	-	-	-	861
Profits and losses of non-controlling shareholders	(1)	-	-	-	-	(1)
Net profit attributable to equity holders of the parent	862	-	-	-	-	862

Respective changes to comparative data are recognized in the statement of cash flows:

CONSOLIDATED STATEMENT OF CASH FLOWS	01.01 - 31.03.2019 before restatement	"Loans and advances received" presented as a separate item	"Receivables in respect of insurance activities" presented as a separate item	reclassification to "Liabilities in respect of insurance activities"	"Reverse repo transactions" and "Repo transactions" presented as separate items	01.01 - 31.03.2019 restated
Cash flows from operating activities						
Change in:						
loans and advances to customers	(4 499)	-	-	-	1 345	(3 154)
reverse repo transactions	-	-	-	-	(1 345)	(1 345)
receivables in respect of insurance activities	-	-	(56)	-	-	(56)
other assets	87	-	56	-	-	143
amounts due to customers	(1 742)	47	-	-	-	(1 695)
liabilities in respect of insurance activities	84	-	-	59	-	143
loans and advances received	-	(47)	-	-	-	(47)
other liabilities	834	-	-	(59)	-	775
TOTAL	(5 236)	-	-	-	-	(5 236)

5. INFORMATION ON BUSINESS SEGMENTS

The PKO Bank Polski SA Group conducts business activities within the following segments: retail, corporate and investment segment, and the transfer & other activities centre.

Information about the segments was provided in the consolidated financial statements of the Group for the year ended 2019.

FOR 3 MONTHS ENDED 31 MARCH 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	2 254	494	(45)	2 703
Net fee and commission income	674	215	(3)	886
Other net income	(4)	(9)	9	(4)
Net gain/(loss) on financial instruments measured at fair value through profit or loss	(39)	(113)	2	(150)
Net foreign exchange gains/(losses)	(21)	35	2	16
Gains/(losses) on derecognition of financial assets and financial liabilities not measures at fair value through profit or loss	(7)	50	-	43
Net other operating income and expense	57	25	5	87
Income/(expenses) relating to internal customers	6	(6)	-	-
Allowances for expected credit losses	(367)	(140)	-	(507)
Net impairment allowances on non-financial assets	(5)	(5)	(90)	(100)
Cost of legal risk of mortgage loans in convertible currencies	(85)	-	-	(85)
Administrative expenses, of which:	(1 151)	(236)	-	(1 387)
depreciation and amortisation	(241)	(52)	-	(293)
Net regulatory charges	(265)	(154)	(32)	(451)
Tax on certain financial institutions	(185)	(82)	5	(262)
Share in profits and losses of associates and joint ventures	-	-	-	4
Segment profit/(loss), gross	866	83	(156)	797
Income tax expense (tax burden)	-	-	-	(298)
Profit (loss) attributable to non-controlling shareholders	-	-	-	(4)
Net profit attributable to equity holders of the parent company	866	83	(156)	503

31 MARCH 2020	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the PKO Bank Polski SA Group
Assets	186 510	170 553	5 319	362 382
Unallocated assets	-	-	-	2 256
Total assets	186 510	170 553	5 319	364 638
Liabilities	218 415	64 466	38 749	321 630
Unallocated liabilities	-	-	-	516
Total liabilities	218 415	64 466	38 749	322 146

CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS OF THE PKO BANK POLSKI SA GROUP FOR
THE THREE-MONTH PERIOD ENDED
31 MARCH 2020
(IN PLN MILLION)

FOR 3 MONTHS ENDED 31 MARCH 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	2 037	447	(29)	2 455
Net fee and commission income	661	175	(4)	832
Other net income	102	82	27	211
Net gain/(loss) on financial instruments measured at fair value through profit or loss	13	9	2	24
Net foreign exchange gains/(losses)	11	13	30	54
Gains/(losses) on derecognition of financial assets and financial liabilities not measures at fair value through profit or loss	4	49	-	53
Net other operating income and expense	68	17	(5)	80
Income/(expenses) relating to internal customers	6	(6)	-	-
Allowances for expected credit losses	(250)	(75)	-	(325)
Net impairment allowances on non-financial assets	(1)	(6)	-	(7)
Cost of legal risk of mortgage loans in convertible currencies	(4)	-	-	(4)
Administrative expenses, of which:	(1 100)	(226)	-	(1 326)
depreciation and amortisation	(202)	(38)	-	(240)
Net regulatory charges	(335)	(110)	86	(359)
Tax on certain financial institutions	(168)	(76)	(4)	(248)
Share in profits and losses of associates and joint ventures	-	-	-	5
Segment profit/(loss), gross	942	211	76	1 234
Income tax expense (tax burden)	-	-	-	(373)
Profit (loss) attributable to non-controlling shareholders	-	-	-	(1)
Net profit attributable to equity holders of the parent company	942	211	76	862

In 2020 the Bank introduced a change in the manner of determining the profit/(loss) on operating segments management 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 three-month period ended 31 March 2019 was adjusted so as to be comparable.

31 December 2019	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the PKO Bank Polski SA Group
Assets	183 962	154 769	7 065	345 796
Unallocated assets	-	-	-	2 248
Total assets	183 962	154 769	7 065	348 044
Liabilities	208 771	59 030	37 971	305 772
Unallocated liabilities	-	-	-	694
Total liabilities	208 771	59 030	37 971	306 466

6. INTEREST INCOME AND EXPENSES

INTEREST INCOME ON:	01.01- 31.03.2020	01.01- 31.03.2019
loans to and other receivables from banks	21	27
hedging derivatives	72	89
debt securities	439	383
measured at amortized cost	95	66
measured at fair value through OCI	336	307
measured at fair value through profit or loss	8	10
loans and advances to customers (excluding finance lease receivables)	2 565	2 367
measured at amortized cost	2 364	2 356
measured at fair value through profit or loss	201	11
finance lease receivables	192	165
Total	3 289	3 031
of which: interest income on impaired financial instruments	78	64

In the three-month period ended 31 March 2020, interest income was reduced by PLN 68 million as a result of a judgment of the CJEU concerning a consumer's right to reduce the cost of a loan in the event of its prepayment.

INTEREST EXPENSE ON:	01.01- 31.03.2020	01.01- 31.03.2019
amounts due to banks	(3)	(4)
placements	(4)	(3)
loans and advances received	(10)	(8)
lease	(5)	(6)
amounts due to customers	(404)	(408)
debt securities in issue	(138)	(125)
subordinated liabilities	(22)	(22)
Total	(586)	(576)

INTEREST INCOME BY SEGMENT ON:	01.01-31.03.2020			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
loans to and other receivables from banks	-	1	20	21
hedging derivatives	-	-	72	72
debt securities	5	428	6	439
loans and advances to customers (excluding finance lease receivables)	2 183	382	-	2 565
finance lease receivables	140	52	-	192
Total	2 328	863	98	3 289

INTEREST INCOME BY SEGMENT ON:	01.01-31.03.2019			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
loans to and other receivables from banks	-	17	10	27
hedging derivatives	-	-	89	89
debt securities	5	374	4	383
loans and advances to customers (excluding finance lease receivables)	1 929	438	-	2 367
finance lease receivables	117	48	-	165
Total	2 051	877	103	3 031

7. FEE AND COMMISSION INCOME AND EXPENSE

FEE AND COMMISSION INCOME	01.01- 31.03.2020	01.01- 31.03.2019
Loans and insurance	217	204
granting of loans and advances	177	167
offering insurance products	40	37
Investment funds, pension funds and brokerage activities	216	198
maintenance of investment funds and OFE (including management fees)	123	142
handling and sale of investment and insurance products	9	12
conducting brokerage activities	84	44
Cards	321	297
Margins on currency exchange transactions	110	86
Bank accounts and other	293	290
maintenance of bank accounts	217	210
cash operations	20	19
servicing foreign mass transactions	17	23
customer orders	12	11
fiduciary services	2	1
other	25	26
Total	1 157	1 075

FEE AND COMMISSION EXPENSE	01.01- 31.03.2020	01.01- 31.03.2019
Loans and insurance	(42)	(36)
commission paid to external entities for product sales	(11)	(10)
cost of construction investment supervision and property valuation	(9)	(10)
fees for the Credit Information Bureau	(8)	(4)
credit service	(14)	(12)
Investment funds, pension funds and brokerage activities	(9)	(10)
Cards	(186)	(171)
Bank accounts and other	(34)	(26)
clearing services	(10)	(7)
commissions for operating services provided by banks	(4)	(3)
sending short text messages (SMS)	(11)	(8)
sale of banking products	(3)	(2)
other	(6)	(6)
Total	(271)	(243)

FEE AND COMMISSION INCOME BY SEGMENT	01.01-31.03.2020			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans and insurance	157	60	-	217
granting of loans and advances	120	57	-	177
offering insurance products	37	3	-	40
Investment funds, pension funds and brokerage activities	145	71	-	216
maintenance of investment funds and OFE (including management fees)	107	16	-	123
handling and sale of investment and insurance products	9	-	-	9
conducting brokerage activities	29	55	-	84
Cards	308	13	-	321
Margins on currency exchange transactions	72	38	-	110
Bank accounts and other	238	55	-	293
maintenance of bank accounts	187	30	-	217
cash operations	13	7	-	20
servicing foreign mass transactions	9	8	-	17
customer orders	7	5	-	12
fiduciary services	-	2	-	2
other	22	3	-	25
Total	920	237	-	1 157

FEE AND COMMISSION INCOME BY SEGMENT	01.01-31.03.2019			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans and insurance	145	59	-	204
granting of loans and advances	111	56	-	167
offering insurance products	34	3	-	37
Investment funds, pension funds and brokerage activities	147	51	-	198
maintenance of investment funds and OFE (including management fees)	124	18	-	142
handling and sale of investment and insurance products	12	-	-	12
conducting brokerage activities	11	33	-	44
Cards	286	11	-	297
Margins on currency exchange transactions	49	37	-	86
Bank accounts and other	234	56	-	290
maintenance of bank accounts	186	24	-	210
cash operations	12	7	-	19
servicing foreign mass transactions	12	11	-	23
customer orders	6	5	-	11
fiduciary services	-	1	-	1
other	18	8	-	26
Total	861	214	-	1 075

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

NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	01.01-31.03.2020	01.01-31.03.2019
Financial instruments held for trading	(2)	3
Financial instruments not held for trading, measured at fair value through profit or loss	(153)	22
Debt securities	(15)	(3)
Equity securities	(66)	27
Loans ¹	(72)	(2)
Hedge accounting	5	(1)
Total	(150)	24

¹ PLN 22 million was recognized in "Loans". The amount relates to the impact of COVID-19 on the deterioration of the quality of the loan portfolio.

9. NET GAIN/(LOSS) ON ALLOWANCES FOR EXPECTED CREDIT LOSSES AND NET IMPAIRMENT OF NON-FINANCIAL ASSETS

ALLOWANCES FOR EXPECTED CREDIT LOSSES	01.01-31.03.2020	01.01-31.03.2019
Debt securities	(1)	2
measured at fair value through OCI	(2)	-
measured at amortized cost	1	2
Loans and advances to customers	(432)	(319)
measured at amortized cost	(432)	(319)
property	(122)	(10)
corporate	(80)	(134)
consumer	(206)	(156)
finance lease receivables	(23)	(15)
factoring	(1)	(4)
Other financial assets	(17)	-
Provisions for financial liabilities and guarantees granted	(57)	(8)
Total	(507)	(325)

In the three-month period ended 31 March 2020, the Group recognized the negative impact of COVID-19 on the quality of the Group's loan portfolio in the amount of PLN 228 million, including:

- the impact on the net gain/(loss) on allowances for expected credit losses of PLN 206 million (this concerns the portfolio of loans measured at amortized cost and measured at fair value through other comprehensive income);
- the impact on the net gain/(loss) on financial instruments measured at fair value through profit or loss of PLN 22 million (this concerns the portfolio of loans measured at fair value through profit or loss).

ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES (BALANCE)	31.03.2020	31.12.2019
Amounts due from banks	1	1
Debt securities	23	25
measured at fair value through OCI	3	5
measured at amortized cost	20	20
Loans and advances to customers	7 826	7 222
measured at fair value through OCI	-	1
measured at amortized cost	7 826	7 221
Provisions for financial liabilities and guarantees granted	328	269
Other financial assets	163	92
Total	8 341	7 609

NET IMPAIRMENT ALLOWANCES ON NON-FINANCIAL ASSETS	01.01- 31.03.2020	01.01- 31.03.2019
Property, plant and equipment	(8)	-
Investments in associates and joint ventures	(90)	(4)
Other non-financial assets	(2)	(3)
Total	(100)	(7)

ACCUMULATED IMPAIRMENT ALLOWANCES ON NON-FINANCIAL ASSETS (BALANCE)	31.03.2020	31.12.2019
Non-current assets held for sale	1	1
Property, plant and equipment under operating lease	7	7
Property, plant and equipment	54	52
Intangible assets	270	274
Investments in associates and joint ventures	269	183
Other non-financial assets	194	192
Total	795	709

As at 31 March 2020, the Group tested the shares held in Bank Pocztowy SA for impairment. The valuation was performed using the discounted dividend method. The valuation model took into account the effect of NBP interest rate decreases introduced by the MPC in March and April 2020 (100 bp in total) and the effect of the pandemic on the financial projections, including in particular the expected increase in the cost of credit risk.

Bank Pocztowy SA operates on the basis of the agency model in cooperation with the Polish Post (Poczta Polska, its majority shareholder) and on the basis of its own network in the retail and corporate segment. The agency model based on cooperation with the Polish Post is permanently profitable, whereas the own network of Bank Pocztowy SA is not profitable. The NBP interest rate decreases and the increase in the cost of risk due to COVID-19 will make it even more unprofitable.

Despite the profitable agency model with the Polish Post, the result of the impairment test of the Bank Pocztowy SA shares held by the Group resulted in the recognition of a further provision for the Group's capital exposure to Bank Pocztowy SA in the amount of PLN 90 million.

10. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME	01.01- 31.03.2020	01.01- 31.03.2019
Net sales of finished goods and services	100	23
Income from insurance activities	69	48
Income on operating leases	15	20
Gains on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	11	9
Compensation, penalties paid and sundry costs	6	6
Ancillary income	3	4
Recovery of receivables expired, forgiven or written off	1	1
Release of provision for legal claims excluding legal claims related to mortgage loans in convertible currencies	4	4
Other	21	16
Total	230	131

The increase in operating lease income is the result of the Group's acquisition of the Prime Car Management SA Group in Q2 2019 which was described in detail in the PKO BP SA Group's Consolidated Financial Statements for 2019.

OTHER OPERATING EXPENSE	01.01- 31.03.2020	01.01- 31.03.2019
Cost on operating leases	(3)	(4)
Losses on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	(8)	(5)
Compensation, penalties paid and sundry costs and ancillary cost	-	(9)
Costs of donations made	(20)	(5)
Ancillary cost	(3)	(3)
Costs relating to a potential return of fees and commission to customers	(70)	-
Provision for legal claims excluding legal claims related to mortgage loans in convertible currencies	(3)	(2)
Other	(36)	(23)
Total	(143)	(51)

A detailed description of the provision set up was provided in the note "Legal claims".

11. ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES	01.01- 31.03.2020	01.01- 31.03.2019
Employee benefits	(776)	(771)
Overheads, including:	(318)	(315)
rent	(22)	(21)
IT	(81)	(75)
Depreciation and amortization	(293)	(240)
property, plant and equipment, of which:	(186)	(146)
IT	(26)	(31)
right-of-use assets	(55)	(49)
assets subject to operating lease	(50)	(18)
intangible assets, of which:	(107)	(94)
IT	(98)	(86)
Total	(1 387)	(1 326)

EMPLOYEE BENEFITS	01.01- 31.03.2020	01.01- 31.03.2019
Wages and salaries, including:	(641)	(641)
costs of contributions to the employee pension plan	(18)	(16)
restructuring costs	-	(23)
Social insurance, including:	(114)	(109)
contributions for disability and retirement benefits	(103)	(96)
Other employee benefits	(21)	(21)
Total	(776)	(771)

12. NET REGULATORY CHARGES

NET REGULATORY CHARGES	01.01- 31.03.2020	01.01- 31.03.2019
Contribution and payments to the Bank Guarantee Fund (BGF), including:	(401)	(388)
resolution fund	(318)	(348)
banks' guarantee fund	(83)	(40)
Fees to the PFSA	(31)	(40)
Flat-rate income tax, of which:	(2)	86
withheld tax 20%	-	138
flat-rate income tax 3%	(2)	(52)
Other taxes and charges	(17)	(17)
Total	(451)	(359)

Due to the fact that the Group collected 20% withholding tax on interest paid to PKO Finance AB for 2017–2018, on 12 February 2019, it filed a request to determine overpayment of tax together with corrected tax returns. The request was granted without issuing a decision in this respect. The tax authority notified the Group about granting the request and asked about the Group's decision as to the method of settlement of the overpayment. The Group recognized the overpayment in the liabilities in respect of tax on certain financial institutions in the three-month period ended 31 March 2020.

The correction of the 20% withholding tax, increasing it by PLN 138 million and recognition of the 3% tax on interest accrued for the years 2014–2018 (of PLN 50 million) are one-off events. The possibility of applying the 3% tax rate to the interest on loans granted to PKO Finance AB follows from Article 21 of the Act amending the Personal Income Tax Act, the Corporate Income Tax Act, the Tax Code and certain other acts (Journal of Laws of 2018, item 2193 as amended). The Group paid the tax within the statutory deadline, i.e. by 31 July 2019 and by 31 March 2020.

13. INCOME TAX EXPENSE

• INCOME TAX BURDEN

	01.01- 31.03.2020	01.01- 31.03.2019
Current income tax expense	(377)	(361)
Deferred income tax on temporary differences	79	(12)
Income tax expense recognized in the income statement	(298)	(373)
Income tax expense on temporary differences recognized in other comprehensive income	(101)	30
Total	(399)	(343)

In the year 2020 the Group started to recognize income tax expense in the interim financial statements based on the best possible estimate of the weighted average annual income tax rate expected in the whole financial year.

• **RECONCILIATION OF THE EFFECTIVE TAX RATE**

	01.01- 31.03.2020	01.01- 31.03.2019
Profit / (loss) before income tax	797	1 234
Tax calculated using the enacted rate in force in Poland of 19%	(151)	(234)
Effect of different tax rates of foreign entities	-	(1)
Effect of permanent timing differences between profit before tax and net profit, of which:	(149)	(140)
non-tax-deductible allowances for expected credit losses	(17)	-
write-offs for expected credit losses not constituting tax deductible costs	(12)	(7)
contribution and payments to BGF	(76)	(69)
tax on financial institutions	(50)	(47)
cost of legal risk of mortgage loans in convertible currencies	(16)	-
tax on foreign exchange gains in Sweden	(53)	-
difference between tax and accounting depreciation of property, plant and equipment	83	-
other permanent differences	(8)	(17)
Effect of other differences between profit before tax and taxable income, including tax relief on new technologies and donations	2	2
Income tax expense recognized in the income statement	(298)	(373)
Effective tax rate	37,39%	30,23%

The following issues were described in detail in the consolidated financial statements of the Group for the year ended 31 December 2019:

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

On 5 May 2020, the Swedish Supreme Administrative Court dismissed PKO Finance's appeal for formal reasons. As a result, the tax ruling dated 14 March 2019 expired. On 13 May 2020, PKO Finance AB received two decisions of Swedish tax authority, that confirmed the correctness of tax declarations for years 2015 and 2016. PKO Finance AB adopted the symmetrical settlement of exchange differences from the loans granted and due loans as well as liabilities arising from the issue of eurobonds. These decisions are favorable for the Group, however, they are inconsistent with the current interpretation practice of this body. In accordance with IFRIC 23 Uncertainty over Income Tax Treatments, the Group applied judgment as to the uncertain tax treatment of income generated in Sweden in respect of foreign exchange differences on loans granted to the Bank and liabilities relating to the bond issue. The Group applied the most likely amount method to reflect the impact of uncertainty. As at 31 December 2019, the Group recognized the deferred income tax provision in the amount PLN 274 million. As at 31 March 2020, the amount of the deferred income tax provision increased to PLN 327 million. The Group has been analyzing the impact of the Swedish tax authority's decision on taxation of exchange differences of PKO Finance AB, which may lead to a change in this judgment in subsequent reporting periods.

14. CASH AND BALANCES WITH THE CENTRAL BANK

CASH AND BALANCES WITH THE CENTRAL BANK	31.03.2020	31.12.2019
Current account with the Central Bank	7 737	10 777
Cash in hand	3 673	3 900
Total	11 410	14 677

15. AMOUNTS DUE FROM BANKS

AMOUNTS DUE FROM BANKS	31.03.2020	31.12.2019
Measured at amortized cost	5 700	4 093
Deposits with banks	4 556	2 995
Current accounts	1 119	997
Loans and advances granted given	22	99
Cash in transit	3	2
Total, gross	5 700	4 093
Allowances for expected credit losses	(1)	(1)
Total, net	5 699	4 092

AMOUNTS DUE FROM BANKS	31.03.2020	31.12.2019
Total, gross	5 700	4 093
Stage 1	5 700	4 093
Allowances for expected credit losses	(1)	(1)
Stage 1	(1)	(1)
Net amount	5 699	4 092
Stage 1	5 699	4 092

16. HEDGE ACCOUNTING

TYPES OF HEDGING STRATEGIES APPLIED BY THE GROUP

As at 31 March 2020, the Group had had active relationships as part of:

- 8 strategies for hedging cash flow volatility
- 4 strategies for hedging fair value volatility.

During the three-month period ended 31 March 2020 the Group implemented a new fair value hedging strategy, i.e. "Hedging the variability of the fair value of fixed-rate PLN securities measured at fair value through other comprehensive income resulting from interest rate risk with the use of IRS transactions". No changes were made to any other strategies.

FINANCIAL INFORMATION

CARRYING AMOUNT OF HEDGING INSTRUMENTS	31.03.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	1 316	1 201	641	582
Hedges of interest rate risk - IRS	770	5	262	10
Hedges of currency and interest rate risks - CIRS	546	1 196	379	572
Fair value hedges	1	47	4	7
Hedges of interest rate risk - IRS	1	47	4	7
Total	1 317	1 248	645	589

CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO CASH FLOW HEDGES AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES	01.01- 31.03.2020	01.01- 31.03.2019
Other comprehensive income at the beginning of the period, gross	232	22
Impact on other comprehensive income during the period, gross	558	149
Gains/losses recognized in other comprehensive income during the period	119	96
Amount transferred from other comprehensive income to the income statement:	439	53
- interest income	(72)	(89)
- net foreign exchange gains/(losses)	511	142
Tax effect	(106)	(28)
Accumulated other comprehensive income at the end of the period, net	684	143
Ineffective portion of cash flow hedges recognized in the income statement, including in:	2	5
Net foreign exchange gains/(losses)	1	4
Gain/(loss) on financial instruments measured at fair value	1	1

17. OTHER DERIVATIVE FINANCIAL INSTRUMENTS

OTHER DERIVATIVE INSTRUMENTS - TYPE OF CONTRACT	31.03.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
IRS	3 195	3 296	1 523	1 624
CIRS	450	462	151	145
FX Swap	698	539	217	186
Options	520	383	312	336
Commodity swap	556	548	287	283
FRA	32	46	1	1
Forward	469	484	304	348
Futures	-	4	-	1
Commodity Forward	4	3		
Total	5 924	5 765	2 795	2 924

NOMINAL AMOUNTS OF UNDERLYING HEDGING INSTRUMENTS (BUY AND SELL TOGETHER) hedging instruments and other derivative instruments	31.03.2020	31.12.2019
IRS	524 114	480 513
Purchase	262 057	240 257
Sale	262 057	240 256
CIRS	86 887	84 174
Purchase	44 542	44 836
Sale	42 345	39 338
FX Swap	54 346	48 538
Purchase of currencies	27 252	24 305
Sales of currencies	27 094	24 233
Options	47 708	68 397
Purchase	26 128	33 965
Sale	21 580	34 432
FRA	27 394	23 211
Purchase	18 476	12 897
Sale	8 918	10 314
Forward	54 377	58 045
Purchase of currencies	27 171	29 004
Sales of currencies	27 206	29 041
Other, including Commodity swap and Futures (including on stock exchange indices)	12 128	4 710
Purchase	6 071	2 470
Sale	6 057	2 240
TOTAL	806 954	767 588

18. SECURITIES

SECURITIES	31.03.2020	31.12.2019
Securities (excluding adjustments relating to fair value hedge accounting)	89 094	80 572
Adjustment relating to fair value hedge accounting	4	1
Total	89 098	80 573

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.03.2020	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	812	585	66 851	19 497	87 745
Treasury bonds (in PLN)	770	409	54 270	13 444	68 893
Treasury bonds (in foreign currencies)	2	-	3 379	66	3 447
municipal bonds (in PLN)	15	-	5 134	4 571	9 720
corporate bonds (in PLN)	25	176	4 068	1 051	5 320
corporate bonds (in foreign currencies)	-	-	-	365	365
Equity securities	16	1 333	-	-	1 349
shares in other entities - not listed	-	404	-	-	404
shares in other entities - listed	12	113	-	-	125
investment certificates, rights to shares, pre-emptive rights	4	816	-	-	820
Total	828	1 918	66 851	19 497	89 094

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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 certificates, rights to shares, pre-emptive rights	2	1 120	-	-	1 122
Razem	1 112	2 199	63 807	13 454	80 572

SECURITIES 31.03.2020	measured at fair value through OCI			measured at amortized cost		
	Gross amount	Allowances for expected credit losses	Net amount	Gross amount	Allowances for expected credit losses	Net amount
Debt securities	66 854	(3)	66 851	19 517	(20)	19 497
Treasury bonds (in PLN)	54 270	-	54 270	13 444	-	13 444
Treasury bonds (in foreign currencies)	3 379	-	3 379	67	(1)	66
municipal bonds (in PLN)	5 134	-	5 134	4 582	(11)	4 571
corporate bonds (in PLN)	4 071	(3)	4 068	1 055	(4)	1 051
corporate bonds (in foreign currencies)	-	-	-	369	(4)	365
Total	66 854	(3)	66 851	19 517	(20)	19 497

SECURITIES 31.12.2019	measured at fair value through OCI			measured at amortized cost		
	Gross amount	Allowances for expected credit losses	Net amount	Gross amount	Allowances for expected credit losses	Net amount
Debt securities	63 812	(5)	63 807	13 474	(20)	13 454
NBP money market bills	1 000	-	1 000	-	-	-
Treasury bonds (in PLN)	51 541	-	51 541	7 406	-	7 406
Treasury bonds (in foreign currencies)	2 520	-	2 520	61	(1)	60
municipal bonds (in PLN)	5 232	-	5 232	4 574	(11)	4 563
corporate bonds (in PLN)	3 519	(5)	3 514	1 087	(4)	1 083
corporate bonds (in foreign currencies)	-	-	-	346	(4)	342
Total	63 812	(5)	63 807	13 474	(20)	13 454

The item "Treasury bonds in PLN and in foreign currencies" comprises Polish Treasury bonds. As at 31 March 2019 and 31 December 2019 the item Treasury bonds in foreign currencies included Ukrainian Treasury bonds amounting to PLN 537 million and PLN 492 million respectively.

Information relating to credit risk exposure in respect of securities measured at amortized cost or at fair value through other comprehensive income is provided below:

BY MEASUREMENT MODEL (excluding adjustments relating to fair value hedge accounting)	31.03.2020			31.12.2019		
	(stage 1)	(stage 2)	(stage 3)	(stage 1)	(stage 2)	(stage 3)
Gross amount						
securities						
NBP money market bills	-	-	-	1 000	-	-
Treasury bonds	57 649	-	-	54 061	-	-
other	8 637	113	455	8 229	59	463
Total measured at fair value through other comprehensive income	66 286	113	455	63 290	59	463
of which: financial assets impaired upon initial recognition – POCI						
securities	-	-	-	-	-	-
NBP money market bills	13 511	-	-	7 467	-	-
other	5 935	67	4	5 983	20	4
Total measured at amortized cost	19 446	67	4	13 450	20	4
Allowances for expected credit losses						
securities other	-	-	(3)	-	-	(5)
Total measured at fair value through other comprehensive income	-	-	(3)	-	-	(5)
of which: financial assets impaired upon initial recognition – POCI	-	-	(3)	-	-	(6)
securities	-	-	-	-	-	-
NBP money market bills	(1)	-	-	(1)	-	-
other	(15)	-	(4)	(15)	-	(4)
Total measured at amortized cost	(16)	-	(4)	(16)	-	(4)
Net amount						
securities						
NBP money market bills	-	-	-	1 000	-	-
Treasury bonds	57 649	-	-	54 061	-	-
other	8 637	113	452	8 229	59	458
Total measured at fair value through other comprehensive income	66 286	113	452	63 290	59	458
of which: financial assets impaired upon initial recognition – POCI	-	-	452	-	-	458
securities	-	-	-	-	-	-
NBP money market bills	13 510	-	-	7 466	-	-
other	5 920	67	-	5 968	20	-
Total measured at amortized cost	19 430	67	-	13 434	20	-

19. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS	31.03.2020	31.12.2019
	Net amount	Net amount
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	237 205	230 349
Adjustment relating to fair value hedge accounting	4	4
Total loans and advances to customers	237 209	230 353

LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 31.03.2020	not held for trading, measured at fair value through profit or loss	measured at amortized cost			Total
		Net amount	Gross amount	Allowances for expected credit losses	
Loans and advances to customers		7 413	237 618	(7 826)	229 792
retail and private		7 273	141 115	(3 427)	137 688
property		12	117 251	(1 999)	115 264
consumer		7 261	23 753	(1 427)	22 326
finance lease receivables		-	111	(1)	110
corporate		88	62 883	(1 858)	61 025
property		-	458	(25)	433
corporate		88	56 427	(1 725)	54 702
factoring		-	1 230	(13)	1 217
finance lease receivables		-	4 768	(95)	4 673
firms and enterprises		52	33 620	(2 541)	31 079
property		-	5 870	(134)	5 736
corporate		52	15 554	(2 008)	13 546
factoring		-	191	(7)	184
finance lease receivables		-	12 005	(392)	11 613
Total		7 413	237 618	(7 826)	229 792

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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
		Net amount	Gross amount	Allowances for expected credit losses	Net amount
Loans and advances to customers		8 286	229 284	(7 221)	222 063
retail and private		8 138	137 225	(3 027)	134 198
property		15	114 233	(1 806)	112 427
consumer		8 123	22 876	(1 220)	21 656
finance lease receivables		-	116	(1)	115
corporate		94	58 934	(1 769)	57 165
property		-	308	(26)	282
corporate		94	52 615	(1 635)	50 980
factoring		-	1 130	(11)	1 119
finance lease receivables		-	4 881	(97)	4 784
firms and enterprises		54	33 125	(2 425)	30 700
property		-	5 903	(134)	5 769
corporate		54	15 231	(1 917)	13 314
factoring		-	200	(8)	192
finance lease receivables		-	11 791	(366)	11 425
Total		8 286	229 284	(7 221)	222 063

The item gross property loans measured at amortized cost includes an adjustment reducing the carrying amount by loans of PLN 504 million as at 31 March 2020 (PLN 422 million as at 31 December 2019) in respect of the legal risk of the mortgage loans in convertible currencies (for details, see the note "Legal risk associated with mortgage loans in convertible currencies").

Information about credit risk exposure for loans and advances to customers measured at amortized cost and at fair value through other comprehensive income is provided below:

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BY MEASUREMENT MODEL (excluding adjustments relating to fair value hedge accounting)	31.03.2020			31.12.2019		
Gross amount	(stage 1)	(stage 2)	(stage 3)	(stage 1)	(stage 2)	(stage 3)
loans						
consumer	-	-	-	-	-	1
Total measured at fair value through other comprehensive income	-	-	-	-	-	1
Loans and advances to customers	211 105	16 666	9 847	204 736	14 823	9 725
property	115 171	6 192	2 216	112 528	5 806	2 110
corporate	60 873	5 747	5 361	57 503	4 837	5 506
consumer	20 200	2 180	1 373	19 918	1 722	1 236
factoring	1 240	159	22	1 198	81	51
finance lease receivables	13 621	2 388	875	13 589	2 377	822
Total measured at amortized cost	211 105	16 666	9 847	204 736	14 823	9 725
of which: financial assets impaired upon initial recognition - POCI	-	-	457	-	-	386
Allowances for expected credit losses	(stage 1)	(stage 2)	(stage 3)	(stage 1)	(stage 2)	(stage 3)
loans						
consumer	-	-	-	-	-	(1)
Total measured at fair value through other comprehensive income	-	-	-	-	-	(1)
Loans and advances to customers	(662)	(1 356)	(5 808)	(619)	(1 142)	(5 460)
property	(61)	(589)	(1 508)	(55)	(527)	(1 384)
corporate	(398)	(376)	(2 959)	(363)	(314)	(2 875)
consumer	(173)	(317)	(937)	(164)	(231)	(825)
factoring	(2)	-	(18)	(2)	-	(17)
finance lease receivables	(28)	(74)	(386)	(35)	(70)	(359)
Total measured at amortized cost	(662)	(1 356)	(5 808)	(619)	(1 142)	(5 460)
of which: financial assets impaired upon initial recognition - POCI	-	-	(60)	-	-	(66)
Net amount	(stage 1)	(stage 2)	(stage 3)	(stage 1)	(stage 2)	(stage 3)
loans consumer	-	-	-	-	-	-
Total measured at fair value through other comprehensive income	-	-	-	-	-	-
Loans and advances to customers	210 443	15 310	4 039	204 117	13 681	4 265
property	115 110	5 603	708	112 473	5 279	726
corporate	60 475	5 371	2 402	57 140	4 523	2 631
consumer	20 027	1 863	436	19 754	1 491	411
factoring	1 238	159	4	1 196	81	34
finance lease receivables	13 593	2 314	489	13 554	2 307	463
Total measured at amortized cost	210 443	15 310	4 039	204 117	13 681	4 265
of which: financial assets impaired upon initial recognition - POCI	-	-	397	-	-	320

20. OTHER ASSETS

OTHER ASSETS	31.03.2020	31.12.2019
Settlements in respect of card transactions	1 183	1 301
Settlement of financial instruments	96	73
Receivables in respect of cash settlements	73	193
Receivables and settlements in respect of trading in securities	12	3
Dividend receivables	5	-
Settlements in respect of sale of currency	490	-
Inventories	120	141
Assets for sale	142	140
Prepayments and deferred costs	230	186
Trade receivables	184	146
VAT receivables	262	270
Settlements with the state budget in respect of flat-rate income tax	-	115
Other	180	145
Total	2 977	2 713
of which: other financial assets	2 387	2 624

OTHER FINANCIAL ASSETS	31.03.2020	31.12.2019
Total, gross	2 549	2 716
Stage 1	2 411	2 624
Stage 3	138	92
Allowances for expected credit losses	(162)	(92)
Stage 1	(24)	-
Stage 3	(138)	(92)
Net amount	2 387	2 624
Stage 1	2 387	2 624
Stage 3	-	-

21. AMOUNTS DUE TO BANKS

AMOUNTS DUE TO BANKS	31.03.2020	31.12.2019
Measured at fair value through profit or loss	5	317
Short position in securities	5	317
Measured at amortized cost	2 101	1 818
Bank deposits	1 160	786
Current accounts	756	915
Other monetary market deposits	185	117
Total	2 106	2 135

22. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS	31.03.2020	31.12.2019
Measured at fair value through profit or loss	26	45
Short position in securities	26	45
Measured at amortized cost	266 129	256 125
Amounts due to households	202 990	193 449
Cash on current accounts and overnight deposits, of which:	135 369	127 521
savings accounts and other interest bearing amounts	47 486	45 177
Term deposits	67 164	65 535
Other liabilities	457	393
Amounts due to business entities	49 790	49 648
Cash on current accounts and overnight deposits, of which:	35 277	40 381
savings accounts and other interest bearing amounts	17 940	16 799
Term deposits	13 747	8 435
Other liabilities	766	832
Amounts due to public entities	11 899	11 354
Current accounts and overnight deposits	10 680	10 997
Term deposits	1 197	331
Other liabilities	22	26
Liabilities in respect of insurance products	1 450	1 674
Total	266 155	256 170

AMOUNTS DUE TO CUSTOMERS BY SEGMENT	31.03.2020	31.12.2019
retail and private banking	184 654	175 776
corporate	51 178	49 918
firms and enterprises	30 323	30 476
Total	266 155	256 170

23. SECURITIES IN ISSUE

DEBT SECURITIES IN ISSUE	31.03.2020	31.12.2019
Measured at amortized cost	32 937	31 148
mortgage covered bonds issued by PKO Bank Hipoteczny SA	16 981	16 198
bonds issued by PKO Bank Hipoteczny SA	3 631	3 947
bonds issued by PKO Bank Polski SA	5 150	4 769
bonds issued by PKO Finance AB	4 379	4 057
bonds issued by the PKO Leasing SA Group ¹	2 738	2 132
bonds issued by Kredobank SA	58	45
Total	32 937	31 148

- ISSUE OF MORTGAGE-COVERED BONDS BY PKO BANK HIPOTECZNY SA**

In the three-month period ended 31 March 2020 PKO Bank Hipoteczny SA did not issue any mortgage covered bonds and no such bonds issued by the Company matured in that period.

- BONDS ISSUED BY PKO BANK HIPOTECZNY SA**

Issuance date	Type of interest rate	Interest rate (index + margin)	Nominal amount	Currency	Maturity	Carrying amount at 31.03.2020	Carrying amount at 31.12.2019
2018-12-21	zero-coupon bonds	-	350	PLN	43 882,0	-	351
2019-02-05	zero-coupon bonds	-	102	PLN	43 866,0	-	102
2019-07-10	variables	WIBOR6M + 0,30	162	PLN	43 840,0	-	163
2019-07-11	variables	WIBOR3M + 0,60	46	PLN	44 389,0	46	46
2019-07-23	zero-coupon bonds	-	634	PLN	43 853,0	-	633
2019-08-23	zero-coupon bonds	-	200	PLN	43 882,0	-	200
2019-08-28	variables	WIBOR3M + 0,60	44	PLN	44 438,0	44	44
2019-10-02	zero-coupon bonds	-	900	PLN	43 922,0	900	895
2019-10-17	variables	WIBOR3M + 0,60	40	PLN	44 487,0	40	40
2019-11-06	zero-coupon bonds	-	727	PLN	43 959,0	725	722
2019-12-06	zero-coupon bonds	-	709	PLN	43 990,0	706	731
2019-12-18	variables	WIBOR3M + 0,60	29	PLN	44 550,0	29	20
2020-01-10	zero-coupon bonds	-	100	PLN	43 990,0	100	-
2020-01-23	zero-coupon bonds	-	599	PLN	44 035,0	594	-
2020-02-05	zero-coupon bonds	-	25	PLN	44 230,0	23	-
2020-02-21	zero-coupon bonds	-	74	PLN	44 067,0	73	-
2020-02-24	variables	-	350	PLN	44 251,0	351	-
Total						3 631	3 947

- BONDS ISSUED BY PKO BANK POLSKI SA**

In the three-month period ended March 31, 2020, the Bank did not carry out any new bond issues and during this period there were no maturity dates for the bonds issued by the Bank.

- BONDS - PKO FINANCE AB**

In the three-month period ended March 31, 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.

• **BONDS ISSUED BY THE PKO LEASING SA GROUP**

Issuance date	Type of interest rate	Nominal amount	Currency	Maturity	Carrying amount at 31.03.2020	Carrying amount at 31.12.2019
01.12.2014 ¹	variables	61	PLN	45 932,0	62	147
2019-08-30	variables	150	PLN	43 889,0	-	149
26.09.2019 ¹	variables	2 475	PLN	47 480,0	2 478	1 836
2020-02-28	variables	200	PLN	44 071,0	198	-
Total					2 738	2 132

¹ bonds taken up by the PKO Leasing SA Group as part of the acquisition of Raiffeisen Leasing Polska SA and securitization of lease receivables conducted in September 2019, respectively. The bonds are secured with lease receivables subject to securitization.

• **BONDS ISSUED BY KREDOBANK SA**

In the three-month period ended March 31, 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	31.03.2020	31.12.2019
Expenses to be paid	762	813
Deferred income	490	454
Liability in respect of tax on certain financial institutions	88	86
Interbank settlements	684	461
Liabilities arising from investing activities and internal operations	76	251
Amounts due to suppliers	178	204
Liabilities and settlements in respect of trading in securities	719	586
Settlements of financial instruments	29	22
Liabilities in respect of contribution to the Bank Guarantee Fund, of which:	733	394
due to the premium calculated by BFG / to be paid to BFG (forced restructuring fund)	318	-
maintained in the form of payment commitments, of which:	415	394
to the resolution Fund	213	217
to the banks' guarantee fund	202	177
Liabilities under the public law	185	158
Liabilities in respect of foreign exchange activities	277	201
Liabilities in respect of payment cards	56	20
Lease liabilities	905	894
Other	312	394
Total	5 494	4 938
of which: other financial liabilities	3 686	3 452

"Expenses to be paid" account for the impact of potential future reimbursements of costs to customers in respect of the anticipated prepayment of active consumer loans and mortgage loans of PLN 148 million as at 31 March 2020 and PLN 147 million as at 31 December 2019.

25. PROVISIONS

FOR 3 MONTHS ENDED 31 MARCH 2020	Provisions for legal claims excluding legal claims relating to mortgage loans in convertible currencies	Provision for pensions and other liabilities from defined-benefit postemployment plans	Restructuring	Provision for refunds of costs to customers on early repayment of consumer loans and mortgage loans	Provisions for potential legal claims against the Bank relating to repaid mortgage loans in convertible currencies	Provisions for financial liabilities and guarantees granted	Other provisions, including provisions for employee disputed claims	Total
1 January 2020, of which:	52	57	41	105	29	269	29	582
Short-term provision	2	7	41	105	-	226	5	386
Long-term provision	50	50	-	-	29	43	24	196
Increases, including increases in existing provisions	3	-	-	70	40	58	3	174
Utilization	(1)	-	(5)	(106)	-	-	(3)	(115)
Amounts not utilized released during the period	(4)	-	-	-	-	(1)	(2)	(7)
Other changes and reclassifications	-	-	-	-	3	2	(1)	4
31 March 2020, of which:	50	57	36	69	72	328	26	638
Short-term provision	2	7	36	69	-	285	3	402
Long-term provision	48	50	-	-	72	43	23	236

FOR 3 MONTHS ENDED 31 MARCH 2019	Provisions for legal claims excluding legal claims relating to mortgage loans in convertible currencies	Provision for pensions and other liabilities from defined-benefit postemployment plans	Restructuring	Provision for refunds of costs to customers on early repayment of consumer loans and mortgage loans	Provisions for potential legal claims against the Bank relating to repaid mortgage loans in convertible currencies	Provisions for financial liabilities and guarantees granted	Other provisions, including provisions for employee disputed claims	Total
1 January 2019, of which:	54	50	24	-	-	227	91	446
Short-term provision	54	8	24	-	-	177	91	354
Long-term provision	-	42	-	-	-	50	-	92
Increases, including increases in existing provisions	2	-	23	-	4	58	1	88
Utilization	-	(1)	(5)	-	-	-	(3)	(9)
Amounts not utilized released during the period	(4)	-	-	-	-	(50)	-	(54)
31 March 2019, of which:	52	49	42	-	4	235	89	471
Short-term provision	-	8	42	-	-	182	63	295
Long-term provision	52	41	-	-	4	53	26	176

26. EQUITY AND SHAREHOLDING STRUCTURE OF THE BANK

According to PKO Bank Polski's best knowledge, 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 Otwarty Fundusz Emerytalny, and Aviva Otwarty Fundusz Emerytalny.

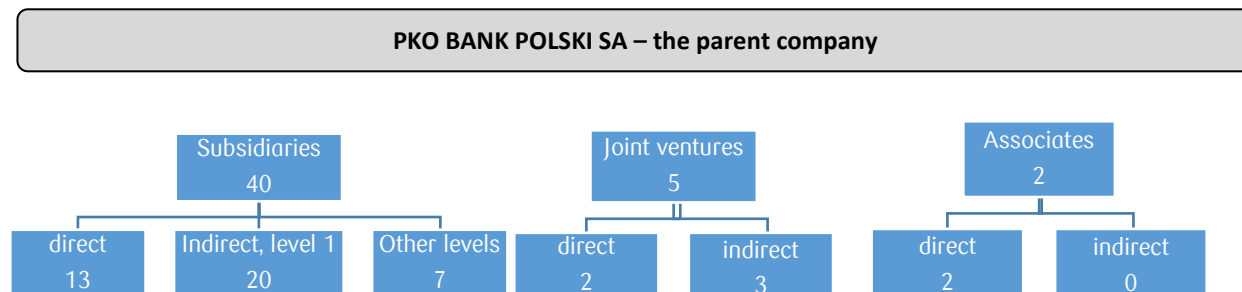
According to the information available as at 31 March 2020 and 31 December 2019 the Bank's shareholding structure is as follows:

NAME OF ENTITY	number of shares	number of votes %	Nominal value of 1 share	Interest in share capital %
As at 31 March 2020				
State Treasury	367 918 980	29,43%	PLN 1	29,43%
Nationale Nederlanden Otwarty Fundusz Emerytalny	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%
As at 31 December 2019				
State Treasury	367 918 980	29,43%	PLN 1	29,43%
Nationale Nederlanden Otwarty Fundusz Emerytalny	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 year published by PTE in 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 31.03.2020, 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 SA GROUP, JOINT VENTURES AND ASSOCIATES



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

No.	ENTITY NAME	REGISTERED OFFICE	BUSINESS ACTIVITIES	% SHARE IN CAPITAL	
	DIRECT SUBSIDIARIES			31.03.2020	31.12.2019
1	PKO Bank Hipoteczny SA	Gdynia	Banking activities	100	100
2	PKO Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	Investment fund management	100	100
3	PKO Leasing SA	Łódź	Leasing and lending	100	100
4	PKO BP BANKOWY PTE SA	Warsaw	Pension fund management	100	100
5	PKO BP Finat sp. z o.o.	Warsaw	Provision of services, including transfer agent services and IT outsourcing services	100	100
6	PKO Życie Towarzystwo Ubezpieczeń SA	Warsaw	Life insurance	100	100
7	PKO Towarzystwo Ubezpieczeń SA	Warsaw	Other personal and property insurance	100	100
8	PKO Finance AB	Stockholm, Sweden	Financial services	100	100
9	KREDOBANK SA	Lwów, Ukraine	Banking activities	100	100
10	ZenCard sp. z o.o.	Warsaw	IT support for trade and services	100	100
11	Merkury - fiz an ¹	Warsaw	investing money collected from fund participants	100	100
12	NEPTUN - fizan ¹	Warsaw		100	100
13	PKO VC - fizan ¹	Warsaw		100	100

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

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No.	ENTITY NAME	REGISTERED OFFICE	BUSINESS ACTIVITIES	% SHARE IN CAPITAL *	
	INDIRECT SUBSIDIARIES			31.03.2020	31.12.2019
PKO Leasing SA GROUP					
1	PKO Agencja Ubezpieczeniowa sp. z o.o.	Warsaw	agency services 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 SA	Gdańsk	leasing and fleet management	100	100
	3.1 Futura Leasing SA	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 rental	100	100
4	PKO Faktoring SA	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		-	100
PKO Życie Towarzystwo Ubezpieczeń SA GROUP					
7	Ubezpieczeniowe Usługi Finansowe sp. z o.o.	Warsaw	services	100	100
KREDOBANK SA GROUP					
8	Finansowa Kompania "Idea Kapital" sp. z o.o.	Lwów, 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 fund's companies	100	100
11	Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	Warsaw	buying and selling property on own account, property management	100	100
12	Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	Warsaw		100	100
13	Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A. w likwidacji (in liquidation)	Warsaw		100	100
14	Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	Warsaw		100	100
15	Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	Warsaw		100	100
16	Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	Warsaw		100	100
NEPTUN - fiz an					
17	Qualia sp. z o.o.	Warsaw	post-sale services in respect of developer products	100	100
18	Sarnia Dolina sp. z o.o.	Warsaw	property development	100	100
19	Bankowe Towarzystwo Kapitałowe SA	Warsaw	services	100	100
	19.1 "Inter-Risk Ukraina" spółka z dodatkową odpowiedzialnością ³	Kiev, Ukraine	debt collection	99,90	99,90
	19.2 Finansowa Kompania "Prywatne Inwestycje" sp. z o.o. ⁴	Kiev, Ukraine	financial services	95,4676	95,4676
20	"CENTRUM HAFNERA" sp. z o.o.	Sopot	managing a subsidiary	72,9766	72,9766
	20.1 "Sopot Zdrój" sp. z o.o.	Sopot	property management	100	100

* share in equity of the direct parent

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

² On 28 February 2020 Qualia Development sp. z o.o. (as the acquired company) was combined with PKO Leasing SA as the acquiring company.

³ The second shareholder of the company is Finansowa Kompania "Prywatne Inwestycje" Sp. z o.o.

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

The Group holds the following associates and joint ventures:

No.	ENTITY NAME	REGISTERED OFFICE	BUSINESS ACTIVITIES	% SHARE IN CAPITAL*	
				31.03.2020	31.12.2019
Joint ventures of PKO Bank Polski SA					
1	Operator Chmury Krajowej sp. z o.o.	Warsaw	cloud computing services	50	50
2	Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	Warsaw	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 SA					
1	Bank Poczty SA	Bydgoszcz	banking activities	25,0001	25,0001
2	"Poznański Fundusz Poreczeń Kredytowych" sp. z o.o.	Poznań	pledges	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 - fizan as of 18 March 2020

28. CHANGES TO COMPANIES COMPRISING THE GROUP

In the three-month period ended 31 March 2020 there were no significant changes in the structure of the PKO Bank Polski SA Group. Information concerning all the changes in the structure of the Group and on joint ventures and associates is presented in the previous note, in tables presenting the above-mentioned entities.

29. DIVIDENDS

On 9 March 2020, the Bank received an individual recommendation from the Polish Financial Supervision Authority to increase its own funds by retaining at least 50% of the profit earned from 1 January to 31 December 2019. At the same time, the PFSA confirmed that the Bank meets the requirements to pay dividend at a level of up to 50% of the net profit for 2019.

Both the Bank's Management and Supervisory Boards passed resolutions stating that they would implement the recommendation of the PFSA within the scopes of their respective competencies. At the same time, in accordance with Article 395 § 2.2 of the Commercial Companies Code, the decision about the appropriation of profit remains within the competences of the General Shareholders' Meeting.

On 26 March 2020 the Bank received a letter from the PFSA concerning the payment of dividend by banks. In the letter, the PFSA expects that in view of the current situation related to the state of epidemic in Poland and the possible further negative business consequences of the said state and its expected impact on the banking sector, banks – irrespective of the actions already taken in this respect – will retain all the profits earned in prior years.

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

- FINANCIAL AND GUARANTEE COMMITMENTS GRANTED

FINANCIAL LIABILITIES AND GUARANTEE COMMITMENTS GRANTED AS AT 31.03.2020	Commitments granted at the nominal value	Provisions for commitments granted under IFRS 9	Net financial liabilities and guarantee commitments
Financial liabilities granted:			
Credit lines and limits	49 138	(211)	48 927
property	1 963	(28)	1 935
corporate	35 321	(123)	35 198
consumer	10 165	(60)	10 105
factoring	1 613	-	1 613
financial leasing	76	-	76
Other	4 095	(28)	4 067
Total	53 233	(239)	52 994
of which irrevocable loan commitments	21 033	(109)	20 924
Guarantees and pledges granted			
Guarantees granted in domestic and foreign trading	9 406	(86)	9 320
to financial entities	627	-	627
to non-financial entities	8 546	(86)	8 460
to public entities	233	-	233
Guarantees and pledges granted – domestic corporate bonds	33	-	33
to non-financial entities	33	-	33
Letters of credit issued	1 545	(3)	1 542
to non-financial entities	1 545	(3)	1 542
to public entities	-	-	-
Payment guarantee to financial entities	241	-	241
Guarantees and pledges granted – domestic municipal bonds	101	-	101
Total	11 326	(89)	11 237
of which irrevocable loan commitments	7 720	(85)	7 635
of which performance guarantees granted	2 561	(62)	2 499
Total financial liabilities and guarantees	64 559	(328)	64 231

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FINANCIAL LIABILITIES AND GUARANTEE COMMITMENTS GRANTED AS AT 31.12.2019	Commitments granted at the nominal value	Provisions for commitments granted under IFRS 9	Net financial liabilities and guarantee commitments
Financial liabilities granted:			
Credit lines and limits	51 360	(196)	51 164
property	3 329	(30)	3 299
corporate	36 428	(119)	36 309
consumer	9 765	(47)	9 718
factoring	1 551	-	1 551
financial leasing	287	-	287
Other	4 008	(13)	3 995
Total	55 368	(209)	55 159
of which irrevocable loan commitments	22 756	(87)	22 669
	-	-	-
Guarantees and pledges granted			
Guarantees granted in domestic and foreign trading	10 137	(57)	10 080
to financial entities	595	-	595
to non-financial entities	9 383	(57)	9 326
to public entities	159	-	159
Guarantees and pledges granted - domestic corporate bonds	36	-	36
to non-financial entities	36	-	36
Letters of credit issued - to non-financial entities	1 201	(3)	1 198
Payment guarantee to financial entities	35	-	35
Guarantees and pledges granted - domestic municipal bonds	101	-	101
Total	11 510	(60)	11 450
of which irrevocable loan commitments	8 147	(56)	8 091
of which performance guarantees granted	2 560	(14)	2 546
	-	-	-
Total financial liabilities and guarantees	66 878	(269)	66 609

FINANCIAL LIABILITIES AND GUARANTEE COMMITMENTS GRANTED AS AT 31.03.2020	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)
Financial liabilities granted:						
Credit lines and limits	46 016	(82)	2 928	(84)	194	(45)
Other	4 095	(28)	-	-	-	-
Total financial liabilities	50 111	(110)	2 928	(84)	194	(45)
Guarantees and pledges granted						
Guarantees granted in domestic and foreign trading	8 378	(6)	660	(14)	368	(66)
Guarantees and pledges granted - domestic corporate bonds	33	-	-	-	-	-
Letters of credit issued	1 465	(1)	62	-	18	(2)
Payment guarantee to financial entities	241	-	-	-	-	-
Guarantees and pledges granted - domestic municipal bonds	101	-	-	-	-	-
Total guarantees and pledges granted	10 218	(7)	722	(14)	386	(68)

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)
Financial liabilities granted:						
Credit lines and limits	48 365	(91)	2 812	(77)	183	(28)
Other	4 005	(13)	3	-	-	-
Total financial liabilities	52 370	(104)	2 812	(77)	183	(28)
Guarantees and pledges granted						
Guarantees granted in domestic and foreign trading	9 345	(6)	501	(11)	291	(40)
Guarantees and pledges granted - domestic corporate bonds	36	-	-	-	-	-
Letters of credit issued	1 188	(1)	-	-	13	(2)
Payment guarantee to financial entities	35	-	-	-	-	-
Guarantees and pledges granted - domestic municipal bonds	101	-	-	-	-	-
Total guarantees and pledges granted	10 705	(7)	501	(11)	304	(42)

• **OFF-BALANCE SHEET COMMITMENTS RECEIVED**

OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE	31.03.2020	31.12.2019
Financial	100	119
Guarantee-related	2 048	2 478
Total	2 148	2 597

• **INFORMATION ON SIGNIFICANT AGREEMENTS ON PLEDGING LOANS OR ADVANCES, OR GRANTING GUARANTEES BY THE ISSUER OR ITS SUBSIDIARY**

In the three-month period ended 31 March 2020, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not conclude any significant agreements relating to guaranteeing the repayment of loans or advances and pledging the repayment of loans or advances.

31. LEGAL CLAIMS

As at 31 March 2020, the total value of court cases (litigation), in which PKO Bank Polski SA Group companies (including the Bank) are the respondent was PLN 1 334 million (as at 31 December 2019, the aggregate value of such litigation was PLN 1 194 million), while the total litigated amount in court cases which PKO Bank Polski SA Group companies (including the Bank) are the claimant, as at 31 March 2020, was PLN 2 269 million (as at 31 December 2018, the total such litigated amount was PLN 2 527 million).

LITIGATION AGAINST THE BANK RELATING TO FOREIGN CURRENCY LOANS GRANTED

As at 31 March 2020, 2110 court proceedings relating to foreign currency loans granted were pending against the Bank (1645 court proceedings as at 31 December 2019) with a total disputed amount of PLN 505 million (as at 31 December 2019 the disputed amount under these proceedings was PLN 392 million), including two group proceedings regarding 75 loan agreements in the first, and 8 loan agreements in the second proceeding. The court proceedings were initiated against the Bank by its customers in connection with foreign currency loan agreements concluded. 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. Taking a prudent approach to the protection against the legal risk relating to the court cases which were pending as at 31 March 2020, the Group set up a provision for these pending litigations of PLN 228 million, of which PLN 204 million reduced the gross carrying amount of loans due to the legal risk associated with mortgage loans and PLN 24 million was recognized in "Provisions for legal claims against the Bank concerning repaid mortgage loans in convertible currencies".

The issue of court cases brought against the Bank in respect of foreign currency loans granted is described in detail in the consolidated financial statements of the PKO BP SA Group for 2019.

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. The detailed description of the effects such judgments may have on the Bank is shown in the consolidated financial statements of the PKO BP SA Group for 2019.

The Group assessed the legal risk related to the whole foreign currency mortgage loans portfolio following from potential future litigation at PLN 299 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 31 March 2020 (Note "Loans and advances to customers").

In addition, as at 31 March 2020 the Group maintained a provision of PLN 48 million for potential litigation relating to mortgage loans repaid (note "Provisions", item "Provisions for litigation against the Bank in respect of convertible currency mortgage loans repaid").

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

As at 31 March 2020, 119 court proceedings relating to commission reimbursement in the event of early repayment of a loan or a part thereof by a customer were pending against the Bank (102 court proceedings as at 31 December 2019) with a total disputed amount of PLN 763 thousand (PLN 640 thousand as at 31 December 2019).

The provision for such proceedings as at 31 March 2020 amounted to PLN 223 thousand (PLN 355 thousand as at 31 December 2019).

The court cases brought against the Bank in respect of reimbursement of commission in the event of loan prepayment is described in detail in the consolidated financial statements of the PKO BP SA Group for 2019.

On 11 September 2019, the Court of Justice of the European Union ("CJEU") handed down its judgment in Case C-383/18 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 effects the judgment may have on the Bank is shown in the consolidated financial statements of the PKO BP SA Group for 2019.

The Group estimated the possible prepayments which may occur in the future in relation to the consumer and mortgage loans as at 31 March 2020, recognizing their impact in the item "Other liabilities" at PLN 148 million. Moreover, the Group estimated the likely costs of satisfying customer complaints relating to the reimbursement of commission in connection with early repayments in the past. These costs amounting to PLN 69 million were included in the balance of provisions at PLN 69 million (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 UOKiK, may be considered inadmissible in the light of Article 385 § 1 of the Civil Code. In the opinion of the President of UOKiK, a part of the provisions included in the appendix to the annexe is imprecise, and the manner of determining exchange rates on this basis depends on factors randomly adopted by the Bank. In the opinion of the President of UOKiK, such wording of the provisions may lead to the inability of consumers to verify whether the Bank accurately estimated the exchange rate at which it translates loan/mortgage loan instalments. In its letter of 9 August 2017, the Bank commented on the charges raised by the President of UOKiK. On 31 July 2018 the Bank filed a motion for the issuance of a consent decree. In his letter dated 20 September 2019 the President of UOKiK extended the term to the conclusion of the proceedings until 31 December 2019. On 23 December 2019 the Bank submitted a letter in which it informed about its intent to close the proceedings by issuance of a consent decree and asked for a meeting with the representatives of UOKiK to discuss the Bank's position concerning the obligations. In his letter of 26 February 2020, the President of UOKiK informed about extending the deadline for concluding the proceedings to 30 June 2020. As at 31 March 2020, the Group had not set up a provision for these proceedings.

- Proceedings were initiated ex officio on 26 July 2017 for applying practices breaching collective consumer interests. The violation with which the Bank has been charged consists of collecting higher instalments on loans and advances denominated in foreign currencies to customers than those following from the advice about interest rate risk provided to customers before they had concluded the contracts, and transferring potential 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. The Bank provided answers in a letter dated 10 May 2019. As at 31 March 2020 the President of UOKiK did not undertake any further steps in this matter. As at 31 March 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 contract 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 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 31 March 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

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 'interchange' fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO Bank Polski SA, in the amount of PLN 16.6 million. The Bank appealed against the decision of the President of UOKiK to CCCP (Court for the Competition and Consumer Protection / Sąd Ochrony Konkurencji i Konsumentów - SOKiK). By judgment of 21 November 2013 CCCP reduced the penalty imposed on the Bank to the amount of PLN 10.4 million. The parties to the proceedings appealed against the judgment. 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 SA) and a fine amounting to PLN 4.8 million (fine imposed on Nordea Bank Polska SA; PKO Bank Polski SA is the legal successor of Nordea Bank Polska SA through a merger pursuant to Article 492 § 1 point 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 fine paid by the Bank was 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 31 March 2020 the Bank maintained a provision for this litigation of PLN 21 million.

OTHER UNFAIR COMPETITION PROCEEDINGS

As at 31 March 2020 no proceedings were pending with respect to unfair competition practices towards other companies of the Bank's Group. In the three-month period ended 31 March 2020 these companies also did not engage in any arrangements with UOKiK in respect of investigation procedures and the addresses made by the

President of UOKiK without instituting proceedings (pursuant to Article 49a of the Act on Competition and Consumer Protection).

CLAIMS FOR DAMAGES IN RESPECT OF THE INTERCHANGE FEE

The Bank was served four summons to participate, as an intervening party on the respondent's side, in cases relating to the interchange fees. Other banks are respondents in the case. The claims vis-à-vis the sued banks amount to almost PLN 146 million and are pursued as damages for differences in interchange fees resulting from applying practices that restrict competition.

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 SA. The Bank entered the proceedings as a side intervener.

REPRIVATIZATION CLAIMS RELATING TO PROPERTIES USED BY THE BANK

As at the date of these consolidated financial statements there are

- 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 the invalidity of the decision refusing to grant temporary ownership of the Bank's property to the applicant, the cassation complaint has been lodged with the Voivodeship Administrative Court against the final decision discontinuing the proceedings as groundless;
- seven proceedings, including one suspended in respect of properties of other members of the Bank's Group, related to declaring the invalidity of administrative decisions or return of the property.

The Management Board of PKO Bank Polski SA 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% interest 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, PKO Bank Polski SA receives payments from the State budget as the repurchase of interest receivable on housing loans.

INCOME DUE TO TEMPORARY REDEMPTION BY THE STATE TREASURY OF INTEREST ON HOUSING LOANS FROM THE 'OLD' PORTFOLIO	01.01- 30.09.2017	01.01- 30.09.2016
Income recognized for this period	76	65
Income received in cash	10	7
Difference - 'Loans and advances to customers'	66	58

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, granting guarantee bonuses, 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 of repurchase of interest on housing loans by the State budget and in the three-month period ended 31 March 2020 and the corresponding period of 2019 it did not receive any commission in this respect.

As of 1 January 1996 the Bank is the general distributor of revenue stamps – and in the three-month period ended 31 March 2020 and the corresponding period of 2019 it did not receive any commission in this respect.

Biuro Maklerskie PKO BP plays the role of an agent for the issue of retail treasury bonds under the agreement signed with the Ministry of Finance on 11 February 2003. Under this agreement, Biuro Maklerskie PKO BP receives a fee for providing the services of an agent for the issue of bonds- in the three-month period ended 31 March 2020 in the amount of PLN 58 million, and in the three-month period ended 31 March 2019 in the amount of PLN 21 million.

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

Transactions of the parent with associates and joint ventures are presented in the table below. All transactions with joint ventures and associates presented below were arm's length transactions. Repayment terms are within a range of from one month to seventeen years.

AS OF 31 MARCH 2020 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	1	-	111	58
'Centrum Obsługi Biznesu' Sp z o.o.	19	-	19	-
Bank Pocztowy SA	-	-	-	1
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	1	-
Operator Chmury Krajowej sp. z o.o.	-	-	25	830
	-	-	-	-
Total joint ventures and associates	20	19	143	889

FOR THE PERIOD ENDED 31 MARCH 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.	89	-	87	21
	-	-	-	-
Total joint ventures and associates	89	87	21	21

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 Pocztowy SA	-	-	-	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	-	1
Walcownia Blach Grubych Batory Sp. z o.o.	-	-	-	59
	-	-	-	-
Total joint ventures and associates	99	45	109	802

FOR THE PERIOD ENDED 31 DECEMBER 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.	82	-	81	19
„Centrum Obsługi Biznesu” sp. z o.o.	1	-	1	-
	-	-	-	-
Total joint ventures and associates	83	82	19	19

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

In the three-month period ended 31 March 2020, neither PKO Bank Polski SA nor the subsidiaries of PKO Bank Polski SA concluded any material transactions with related parties on terms other than arm's length.

33. FAIR VALUE HIERARCHY

The classification of financial instruments and the method of determining their fair value were described in the Consolidated Financial Statements of the Group for 2019.

ASSETS MEASURED AT FAIR VALUE 31.03.2020	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	1 317	-	-	1 317
Other derivative instruments	5 924	3	-	5 921
Securities	69 597	62 694	5 622	1 281
held for trading	828	828	-	-
debt securities	812	812	-	-
shares in other entities - listed	12	12	-	-
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	4	4	-	-
not held for trading, measured at fair value through profit or loss	1 918	1 336	14	568
debt securities	585	410	11	164
shares in other entities - listed	113	113	-	-
shares in other entities - not listed	404	-	-	404
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	816	813	3	-
measured at fair value through OCI	66 851	60 530	5 608	713
debt securities	66 851	60 530	5 608	713
Loans and advances to customers	7 413	-	-	7 413
not held for trading measured at fair value through profit or loss	7 413	-	-	7 413
Total financial assets measured at fair value	84 251	62 697	12 860	8 694

LIABILITIES MEASURED AT FAIR VALUE 31.03.2020	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	1 248	-	-	1 248
Other derivative instruments	5 765	1	-	5 764
Short position in securities	38	38	-	-
Total financial liabilities measured at fair value	7 051	39	7 012	-

ASSETS MEASURED AT FAIR VALUE 31.12.2019	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	645	-	-	645
Other derivative instruments	2 795	1	-	2 794
Securities	67 118	57 089	7 206	2 823
held for trading	1 112	1 112	-	-
debt securities	1 095	1 095	-	-
shares in other entities - listed	15	15	-	-
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	2	-	-
not held for trading - measured at fair value through profit or loss	2 199	1 439	144	616
debt securities	493	301	12	180
shares in other entities - listed	150	150	-	-
shares in other entities - not listed	436	-	-	436
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	1 120	988	132	-
measured at fair value through OCI	63 807	54 538	7 062	2 207
debt securities	63 807	54 538	7 062	2 207
Loans and advances to customers	8 286	-	-	8 286
not held for trading - measured at fair value through profit or loss	8 286	-	-	8 286
Total financial assets measured at fair value	78 844	57 090	10 645	11 109

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

In the three-month period ended 31 March 2020, corporate bonds in the amount of PLN 1 491 million were transferred from level 3 to level 2 due to a change in the method of calculation of the risk margin. In the three-month period ended 31 March 2019, corporate bonds in the amount of PLN 1 461 million were transferred from level 2 to level 3 due to a change in the method of calculation of the risk margin.

	31.03.2020		31.12.2019	
IMPACT OF ESTIMATES ON FAIR VALUE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS	Fair value under		Fair value under	
	positive scenario	negative scenario	positive scenario	negative scenario
Not held for trading, measured at fair value through profit or loss				
Loans and advances to customers ¹	7 628	7 502	8 526	8 054
Shares in Visa Inc. ²	189	170	225	199
Corporate bonds ³	164	164	180	180
Equity investments ⁴	224	202	226	204
Measured at fair value through other comprehensive income				
Corporate bonds ³	717	709	2 212	2 202

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 IN FAIR VALUE DURING THE PERIODS ON FAIR VALUE HIERARCHY LEVEL 3	01.01- 31.03.2020	01.01- 31.03.2019
Opening balance at the beginning of the period	11 109	3 025
Foreign exchange differences	20	3
Increased exposure in equity instruments	5	-
Issues and redemptions of corporate bonds	-	(589)
Transfer from level 2 to level 3	-	1 461
Transfer from level 3 to level 2	(1 491)	-
Reclassification of loan exposures from measured at amortized cost to measured at fair value through profit or loss	5	-
Loans granted to customers during the period	9	4
Write off/repayment of loans during the period	(814)	(63)
Net gain / (loss) on financial instruments measured at fair value through profit or loss	(129)	26
Loans and advances to customers	(73)	(2)
Other equity instruments	(56)	28
Change in valuation recognized in OCI	(20)	(111)
Balance as at the end of the period	8 694	3 756

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

	level of fair value hierarchy	31.03.2020	
		carrying amount	fair value
Cash and balances with the Central Bank	n/a	11 410	11 410
Amounts due from banks	2	5 699	5 699
Securities (excluding adjustments relating to fair value hedge accounting)	1, 3	19 497	19 789
Reverse repo transactions	2	112	112
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	3	229 792	229 533
property loans	3	121 421	120 037
corporate loans	3	68 248	69 069
consumer loans	3	22 326	22 593
factoring	3	1 401	1 401
finance lease receivables	3	16 396	16 433
Other financial assets	3	2 387	2 387
Amounts due to banks	2	2 106	2 106
Amounts due to customers	3	264 679	264 615
amounts due to households	3	202 990	202 926
amounts due to business entities	3	49 790	49 790
amounts due to public sector entities	3	11 899	11 899
Loans and advances received	3	2 787	2 787
Liabilities in respect of securities in issue	1, 2	32 937	33 021
Subordinated liabilities	2	2 708	2 708
Other financial liabilities	3	3 686	3 686

	level of fair value hierarchy	31.12.2019	
		carrying amount	fair value
Cash and balances with the Central Bank	n/a	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	222 063	221 074
property loans	3	118 478	116 435
corporate loans	3	64 294	65 074
consumer loans	3	21 656	21 926
factoring	3	1 311	1 311
finance lease receivables	3	16 324	16 328
Other financial assets	3	2 624	2 624
Amounts due to banks	2	2 135	2 135
Amounts due to customers	3	254 451	254 397
amounts due to households	3	193 449	193 395
amounts due to business entities	3	49 648	49 648
amounts due to public sector entities	3	11 354	11 354
Loans and advances received	3	2 779	2 779
Liabilities in respect of securities in issue	1, 2	31 148	31 595
Subordinated liabilities	2	2 730	2 730
Other financial liabilities	3	3 452	3 452

35. OTHER INFORMATION

SEASONALITY AND CYCLICALITY OF ACTIVITIES DURING THE REPORTING PERIOD

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

INFORMATION ON MATERIAL PROCEEDINGS PENDING AT COURT, A COMPETENT ARBITRATION INSTITUTION OR A PUBLIC ADMINISTRATION AUTHORITY

In the three-month period ended 31 March 2020, neither PKO Bank Polski SA nor the subsidiaries of PKO Bank Polski SA had any material proceedings pending at court, before a competent arbitration institution or a public administration authority with respect to liabilities or receivables, which would be material from the Group's perspective (the liabilities or receivables are considered material if their value represents at least 5% of PKO Bank Polski SA's equity).

Legal claims are described in the note "Legal claims".

LOANS AND ADVANCES TAKEN OUT AND LOAN GUARANTEE AND PLEDGE AGREEMENTS UNRELATED TO THE GROUP'S OPERATIONS

In the three-month period 31 March 2020 PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not draw any loans or advances and did not receive any guarantees or pledges that did not relate to their operations.

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

PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not conclude any significant agreements or material agreements with the Central Bank or with the supervisory authorities in the three-month period ended 31 March 2020.

THE POSITION OF THE MANAGEMENT BOARD OF PKO BANK POLSKI SA CONCERNING THE ACHIEVEMENT OF THE PREVIOUSLY PUBLISHED FORECASTS CONCERNING THE RESULTS FOR THE YEAR

PKO Bank Polski SA did not publish forecasts of financial results for 2020. In current reports No. 13/2020 dated 20 March 2020 and 19/2020 dated 20 April 2020, the Bank informed of the impact of the proliferation of the Coronavirus, the decision of the Monetary Policy Council and other institutions on the operations of the Bank's Group.

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

In the three-month period ended 31 March 2020 there were no other significant events in PKO Bank Polski SA or in the subsidiaries of PKO Bank Polski SA material to the assessment of the Human Resources, asset and financial position and the results of the Issuer.

OTHER INFORMATION

The PKO Bank Polski SA Group has not identified any outstanding loans or advances or violations of significant provisions of loan or advance agreements in respect of which no recovery action had been taken by 31 March 2020.

36. OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT

The Group identifies risks in its activities and analyses the impact of particular risks on the business operations of the Group. All the risks are managed; some of them have a material impact on the profitability and capital needed to cover them. The following risks are considered material: credit risk, currency risk of mortgage loans for households, currency risk, interest rate risk, liquidity risk (including financing risk), operational risk, business risk, risk of macroeconomic changes and model risk. The materiality of all the identified risks is assessed 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 are 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 for identifying material risks.

In the three-month period ended 31 March 2020 the Group's main objective, principles and organization of the risk management process did not change compared with the principles described in the consolidated financial statements of the PKO Bank Polski S.A Group for the year ended 2019.

SPECIFIC ACTIVITIES IN THE AREA OF RISK MANAGEMENT UNDERTAKEN BY THE GROUP IN THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

- The Group recognized the adverse effect of the COVID-19 pandemic on the quality of the Group's loan portfolio and other financial assets of PLN 228 million. When estimating the effect of COVID-19 on the loan portfolio, the Group considered the negative macroeconomic scenarios, including economic recession, increase in unemployment and a significant deterioration in the quality of the banking sector's loan portfolio. At the same time, the Group took into account the lower cost of risk of the Group compared with the peer group in 2019, and the relatively lower exposure of the Group to the business sectors that are the most exposed to the risks associated with the pandemic.
- As a result of the depreciation of the Polish zloty against other currencies, the Group recognized an increase of PLN 360 million in the own funds requirement in respect of credit risk relating to currency exposures.
- To mitigate the economic effects of the spread of COVID-19, the Group implemented several preventive actions in respect of individuals, firms, enterprises, corporates and local government entities which enable returning to regular payments after the COVID-19 epidemic is overcome. The common element of these actions is enabling all borrowers – at their request – to suspend or extend payments of instalments for up to six months.

The Group offers customers who are individuals and who have:

- 1) mortgage loans – suspension of the principal and interest instalments or of the interest instalments;
- 2) cash loans – suspension of repayment of the principal and interest instalments or suspension of repayment with a simultaneous extension of the lending period for up to six months.

The firms, enterprises, corporates and local government entities may avail themselves of the suspension of payments with the option of extending the lending period by a maximum of six months.

During the COVID-19 epidemic, the Group encourages its customers to use electronic channels to approve amendments to their contractual terms and conditions in respect of loan transactions.

- In the three-month period ended 31 March 2020, the European Investment Bank acquired the mezzanine tranche under the programme of securitization of PKO Leasing SA's assets launched in 2019, which made it possible to transfer a significant part of the credit risk and improve the capital ratios.
- On 18 March 2020 the Bank concluded an Annexe 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 up to 80% of the loan amount;
- 4) the period for the guarantee remaining in force was extended from 27 months to 39 months.

37. CREDIT RISK - FINANCIAL INFORMATION

MAXIMUM EXPOSURE TO CREDIT RISK – FINANCIAL INSTRUMENTS NOT SUBJECT TO IMPAIRMENT REQUIREMENTS	31.03.2020	31.12.2019
Hedging derivatives	1 317	645
Other derivative instruments	5 924	2 795
Securities:	2 746	3 311
held for trading	828	1 112
not held for trading, measured at fair value through profit or loss	1 918	2 199
Loans and advances to customers not held for trading, measured at fair value through profit or loss	7 413	8 286
property	12	15
corporate	140	148
consumer	7 261	8 123
Total	17 400	15 037

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

FINANCIAL ASSETS WRITTEN OFF	01.01 - 31.03.2020		01.01 - 31.03.2019	
	Partly written off	Fully written off	Partly written off	Fully written off
Securities				
measured at fair value through other comprehensive income	-	-	4	-
Loans and advances to customers				
measured at amortized cost	4	46	119	49
property	1	-	32	-
corporate	1	17	67	17
consumer	2	28	20	23
finance lease receivables	-	1	-	9
Other financial assets	-	1	-	-
Total	4	47	123	49

CREDIT QUALITY RATIOS (without adjustment for fair value hedge accounting)	31.03.2020	31.12.2019
Share of exposures with recognized impairment ¹	4,0%	4,1%
Coverage ratio of impaired loans ²	79,6%	74,4%
Share of loans more than 90 days overdue in gross loans and advances	2,6%	2,6%

¹ The share of impaired exposures was determined for loans and securities (excluding NBP bills and Treasury bonds), measured at amortized cost, and loans measured at fair value through other comprehensive income, as the ratio of gross amount of impaired exposures to the total gross amount of loans and securities, excluding NBP bills and Treasury bonds measured at amortized cost and loans measured at fair value through other comprehensive income.

² The coverage ratio for impaired loans was determined as the ratio of total allowances for expected credit losses for loans and securities (excluding NBP bills and Treasury bonds), measured at amortized cost and loans measured at fair value through other comprehensive income, to the gross amount of impaired exposures from this portfolio.

38. LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

The Group analyses its portfolio of foreign currency property loans to individuals in a specific manner. The Group monitors the quality of the portfolio on an on-going basis and reviews the risk of deterioration in the quality of the portfolio.

HOUSING LOANS AND ADVANCES TO HOUSEHOLD (RETAIL AND PRIVATE BANKING) BY CURRENCY	31.03.2020			31.12.2019		
	gross	allowance	net	gross	allowance	net
in local currencies	91 310	(1 127)	90 183	89 954	(1 055)	88 899
PLN	91 093	(1 105)	89 988	89 745	(1 034)	88 711
UAH	217	(22)	195	209	(21)	188
in foreign currencies	25 953	(872)	25 081	24 294	(751)	23 543
CHF	22 959	(806)	22 153	21 410	(692)	20 718
EUR	2 939	(62)	2 877	2 825	(53)	2 772
USD	46	(4)	42	50	(6)	44
OTHER	9	-	9	9	-	9
TOTAL	117 263	(1 999)	115 264	114 248	(1 806)	112 442

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PROPERTY LOANS AND ADVANCES TO INDIVIDUALS IN FOREIGN CURRENCIES BY GRANTING DATE 31.03.2020		INDEXED	DENOMINATED	Total
up to 2002	Gross amount	-	98	98
	Allowances for credit losses	-	(2)	(2)
	Net amount	-	96	96
	Number of loans granted	-	6 451	6 451
		-	-	-
from 2003 to 2006	Gross amount	-	5 269	5 269
	Allowances for credit losses	-	(124)	(124)
	Net amount	-	5 145	5 145
	Number of loans granted	-	46 610	46 610
		-	-	-
from 2007 to 2009	Gross amount	-	13 737	13 737
	Allowances for credit losses	-	(634)	(634)
	Net amount	-	13 103	13 103
	Number of loans granted	-	53 621	53 621
		-	-	-
from 2010 to 2012	Gross amount	3 593	3 236	6 829
	Allowances for credit losses	(46)	(65)	(111)
	Net amount	3 547	3 171	6 718
	Number of loans granted	9 952	13 552	23 504
		-	-	-
from 2013 to 2016	Gross amount	5	15	20
	Allowances for credit losses	-	(1)	(1)
	Net amount	5	14	19
	Number of loans granted	15	49	64
		-	-	-
Total	Gross amount	3 598	22 355	25 953
	Allowances for credit losses	(46)	(826)	(872)
	Net amount	3 552	21 529	25 081
	Number of loans granted	9 967	120 283	130 250

PROPERTY LOANS AND ADVANCES TO INDIVIDUALS IN FOREIGN CURRENCIES BY GRANTING DATE 31.12.2019		INDEXED	DENOMINATED	Total
up to 2002	Gross amount	-	98	98
	Allowances for credit losses	-	(2)	(2)
	Net amount	-	96	96
	Number of loans granted	-	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	-	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	-	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	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	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	11 133	121 337	132 470

IMPACT OF LEGAL RISK RELATED TO MORTGAGE LOANS IN CONVERTIBLE CURRENCIES	31.03.2020	31.12.2019
Loans and advances to customers - adjustment reducing the carrying amount of loans, in respect of:	503	422
- potential future litigation	299	281
- pending litigation	204	141
Provisions	72	29
- potential future litigation	48	29
- pending litigation	24	
TOTAL	575	451
	01.01- 31.03.2020	01.01- 31.03.2019
Cost of legal risk related to mortgage loans in convertible currencies	(85)	(4)

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	31.03.2020	31.12.2019
Sensitivity of interest income (PLN million)	963	907

The table below presents the economic value sensitivity measure (BPV) of the banking book of the Group in all currencies:

NAME OF SENSITIVITY MEASURE	31.03.2020	31.12.2019
Sensitivity of economic value (PLN million)	0,4	3

• VALUE AT RISK

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

NAME OF SENSITIVITY MEASURE	31.03.2020	31.12.2019
IR VaR for a 10-day time horizon at the confidence level of 99% (in PLN million):		
Average value	6	5
Maximum value	13	10
As at the end of the period	12	6

40. CURRENCY RISK MANAGEMENT

• SENSITIVITY MEASURES

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

NAME OF SENSITIVITY MEASURE	31.03.2020	31.12.2019
VaR for a 10-day time horizon at the confidence level of 99% (in PLN million) ¹	10	9

¹ Taking into account the nature of the operation of the other Group companies which generate material currency risk and the specificity 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 SA applies the 10-day VaR which amounted to approx. PLN 0.1 million as at 31 March 2020 and approx. PLN 0.1 million as at 31 December 2019.

FOREIGN CURRENCY POSITION

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

FOREIGN CURRENCY POSITION	31.03.2020	31.12.2019
EUR	(184)	(152)
CHF	(152)	(238)
Other (Global, Net)	(277)	7

Currency positions (in addition to volatility of foreign exchange rates) are a key factor determining the level of currency risk to which the Group is exposed. The foreign currency position is determined by all foreign currency transactions concluded both in the statement of financial position and off-balance sheet transactions. The Group's exposure to currency risk is low.

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
31.03.2020								
Adjusted periodic gap in real terms	7 635	42 037	(9 258)	(7 590)	4 484	6 485	17 533	(61 326)
Adjusted cumulative periodic gap in real terms	7 635	49 672	40 414	32 824	37 308	43 793	61 326	-
31.12.2019								
Adjusted periodic gap in real terms	11 355	30 783	(8 092)	(7 285)	(3 317)	5 024	18 205	(46 673)
Adjusted cumulative periodic gap in real terms	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 SA, KREDOBANK and PKO Życie Towarzystwo Ubezpieczeń SA and the contractual liquidity gaps of the other Group companies, was positive both as at 31 March 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	31.03.2020	31.12.2019
M3 - coverage ratio of non-liquid assets to own funds	13,22	14,92
M4 - coverage ratio of non-liquid assets and liquidity-restricted assets with own funds and stable external funds	1,25	1,25
NSFR - net stable funding ratio	124,0%	123,1%
LCR - liquidity coverage ratio	164,8%	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

In accordance with Article 92 of the CRR, the minimum levels of the capital ratios to be maintained by the Group are as follows:

- total capital ratio (TCR) – 8.0%;
- Tier 1 capital ratio (T1) – 6.0%;
- Tier 1 core capital ratio (CET1) – 4.5%.

In accordance with the Act on macro-prudential supervision, the Group is obliged to maintain a combined buffer above the minimum set in Article 92 of the CRR, representing the sum of the applicable buffers, namely:

- a capital conservation buffer which applies to all banks. As at 31 March 2020, the conservation buffer amounted to 2.5%;
- the countercyclical buffer imposed to mitigate the systemic risk arising from the credit cycle. The Group calculates the countercyclical buffer at the level specified by the relevant authority of the country where the Group has exposures. The countercyclical buffer for loan exposures on the territory of Poland is equal to 0%. Due to the fact that the Group also conducts foreign activities, the level of the countercyclical buffer specific to the Group at 31 March 2020 is 0.01%;
- a systemic risk buffer – intended to prevent and mitigate long-term non-cyclical risk or macro-prudential risk which may result in strong negative consequences for the financial system and the economy of a given country. On 19 March 2020, as a result of the COVID-19 epidemic, the systemic risk buffer was cancelled by decree of the Minister of Finance. As a result, as at 31 March 2020, the systemic risk buffer amounted to 0%.
- The O-SII buffer related to the Bank being identified as a systemically important institution, which did not change as at 31 March 2020 and amounts to 1% of the total exposure to risk calculated in accordance with the CRR.

Furthermore, the Group is obliged to maintain own funds to cover an additional capital requirement in order to hedge the risk resulting from mortgage-secured loans and advances to households denominated in foreign currencies (“a discretionary capital requirement”) which for consolidated capital ratios at 31 March 2020 was 0.36 p.p. for the total capital ratio; 0.27 p.p. for Tier 1 capital ratio, and 0.20 p.p. for Tier 1 core capital ratio.

Irrespective of the above buffers, to meet the requirements for distributing 100% of the profit, the Polish Financial Supervision Authority 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, well above the supervisory limits.

	31.03.2020	31.12.2019
Total own funds	39 173	39 417
Tier 1 capital	36 473	36 717
Share capital	1 250	1 250
Supplementary capital	29 517	29 428
General banking risk fund	1 070	1 070
Other reserves	3 160	3 160
Accumulated other comprehensive income (excluding cash flow hedges)	200	238
share in other comprehensive income of associates and joint ventures	(12)	(12)
fair value of financial assets measured at fair value through OCI	441	459
actuarial gains and losses	(16)	(16)
foreign exchange differences on translation of foreign branches	(213)	(193)
Current period profit/loss (lowered by expected charges, included by permission from the PFSA)	-	1 038
Undivided profit/uncovered losses (including part of the result for 2019 included by permission of PFSA)	3 455	2 417
Intangible assets	(2 777)	(2 820)
(-) Goodwill	(1 109)	(1 109)
(-) Other intangible assets	(1 668)	(1 711)
Adjustments to Tier 1	598	936
fair value gains and losses arising from the institution's own credit risk related to derivative liabilities (DVA)	(10)	(10)
additional valuation adjustment (AVA)	(170)	(84)
adjustment resulting from application of temporary solutions alleviating the impact of IFRS 9 on own funds ¹	848	1 030
securitisation positions	(70)	-
Tier 2 capital	2 700	2 700
Equity instruments and subordinated loans eligible as Tier 2 capital	2 700	2 700
Requirements for own funds	18 069	17 120
Credit risk	16 451	15 835
Operational risk ²	1 178	843
Market risk	409	419
Credit valuation adjustment risk	31	23
Total capital adequacy ratio	17,34%	18,42%
Tier 1 capital ratio	16,15%	17,16%

¹ The impact of IFRS 9 on own funds and capital adequacy measures is regulated by Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending the CRR as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 (...). 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 5 consecutive years after 1 January 2018, with the scaling factor decreasing from one period to another.

² During the three months ended 31 March 2020, the consolidated own funds requirement for operational risk increased by PLN 335 million, mainly as a consequence of the recognition of the costs of legal risk in the fourth quarter of 2019 regarding the portfolio of mortgage loans in convertible currencies

For prudential consolidation purposes the Group consists of:

- PKO Bank Polski SA;
- PKO Leasing SA Group;
- PKO BP BANKOWY PTE SA;
- PKO Towarzystwo Funduszy Inwestycyjnych SA;
- KREDOBANK SA Group;
- PKO Finance AB;
- PKO BP Finat sp. z o.o.;
- PKO Bank Hipoteczny SA;
- Bankowe Towarzystwo Kapitałowe SA Group.

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

31.03.2020	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	3 129	(163)	2 966	(189)	2 777
LIABILITIES					
Subordinated liabilities	2 708	-	2 708	(8)	2 700
EQUITY					
Share capital	1 250	-	1 250	-	1 250
Supplementary capital	29 518	(1)	29 517	-	29 517
General banking risk fund	1 070	-	1 070	-	1 070
Other reserves	3 237	(77)	3 160	-	3 160
Accumulated other comprehensive income	884	(1)	883	(683)	200
share in other comprehensive income of subsidiaries, associates and joint ventures	(13)	1	(12)	-	(12)
fair value of financial assets measured at fair value through other comprehensive income	440	1	441	-	441
cash flow hedges	684	(1)	683	(683)	-
actuarial gains and losses	(15)	(1)	(16)	-	(16)
foreign exchange differences on translation of foreign branches	(212)	(1)	(213)	-	(213)
Net profit or loss for the year	503	(42)	461	(461)	-
Retained earnings	6 043	335	6 378	(2 923)	3 455
Non-controlling interests	(13)	13	-	-	-
TOTAL EQUITY	42 492	227	42 719	(4 067)	38 652
Additional adjustments					598
fair value gains and losses arising from the institution's own credit risk related to derivative liabilities (DVA)					(10)
additional valuation adjustment (AVA)					(170)
adjustment resulting from transitional solutions to mitigate the impact of IFRS 9 adoption on equity					848
securitisation positions					(70)
TOTAL OWN FUNDS FOR CALCULATION OF THE TOTAL CAPITAL RATIO					39 173

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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
share in other comprehensive income of subsidiaries, associates and joint ventures	(13)	1	(12)	-	(12)
fair value of financial assets measured at fair value through other comprehensive income	456	3	459	-	459
cash flow hedges	232	(1)	231	(231)	-
actuarial gains and losses	(15)	(1)	(16)	-	(16)
foreign exchange differences on translation of foreign branches	(191)	(2)	(193)	-	(193)
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
fair value gains and losses arising from the institution's own credit risk related to derivative liabilities (DVA)					(10)
additional valuation adjustment (AVA)					(84)
adjustment resulting from transitional solutions to mitigate the impact of IFRS 9 adoption on equity					1 030
TOTAL OWN FUNDS FOR CALCULATION OF THE TOTAL CAPITAL RATIO					39 417

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

	31.03.2020		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	36 473	35 625	36 717	35 687
Total capital	39 173	38 325	39 417	38 387
Risk-weighted assets (amounts)				
Total risk-weighted assets	225 857	225 081	214 005	213 152
Capital ratios				
Common Equity Tier 1 / Tier 1 capital (as a percentage of risk exposure amount)	16,15%	15,83%	17,16%	16,74%
Total capital (as a percentage of risk exposure amount)	17,34%	17,03%	18,42%	18,01%
Leverage ratio				
Leverage ratio total exposure measure	376 535	375 763	364 618	363 782
Leverage ratio	9,69%	9,48%	10,07%	9,81%

	RWA's		Minimum capital requirement
	31.03.2020	31.12.2019	31.03.2020
Credit risk (excluding CCR)	202 151	195 614	16 172
Of which the standardised approach	202 151	195 614	16 172
CCR	3 874	2 610	310
Of which mark to market	2 726	1 917	218
Of which risk exposure amount for contributions to the default fund of a CCP and other exposures to the central counterparty	761	403	61
Of which CVA	387	290	31
Market risk	5 111	5 241	409
Of which the standardised approach	5 111	5 241	409
Operational risk	14 721	10 540	1 178
Of which basic indicator approach	3 631	3 277	291
Of which standardised approach	-	-	-
Of which advanced measurement approach (AMA)	11 090	7 263	887
Amounts below the thresholds for deduction (subject to 250% risk weight) - included in the credit risk requirement	8 466	8 375	677
Total	225 857	214 005	18 069

• LEVERAGE RATIO

	Leverage ratio exposures specified in CRR	
	31.03.2020	31.12.2019
Total capital and exposure measure		
Tier 1 capital	36 473	36 717
Total exposure measure for leverage ratio calculation	376 535	364 618
Leverage ratio		
Leverage ratio	9,69%	10,07%

43. SUBSEQUENT EVENTS

1. In response to the tender offer dated 8 April 2020 for the repurchase of selected bonds issued by the Bank and its subsidiary PKO Finance AB (repurchase offer), the Bank accepted the following bonds for repurchase:

- bonds issued by the Bank on 25 July 2017, maturing in 2021 (the 2021 Bonds) with a total nominal value of EUR 250 million;
- bonds issued by PKO Finance AB on 26 September 2012, maturing in 2022 (the 2022 Bonds) with a total nominal value of USD 195 million.

The Bank published the results of the public bond repurchase offer on 17 April 2020. The repurchase offer was settled on 21 April 2020. The Bank also paid accrued and outstanding interest on the repurchased bonds. The 2021 Bonds repurchased by the Bank were redeemed, and the 2022 Bonds repurchased by the Bank are still held by the Bank, which has reserved the right to resell them or put them up for redemption at a later date. The bonds that have not been redeemed are still traded on the regulated market of the Luxembourg stock exchange.

2. On 10 April 2020, the Bank and Bank Gospodarstwa Krajowego concluded a portfolio guarantee line agreement for the Liquidity Guarantee Fund. Under the contract, the guarantee may cover up to 80% of the amount of each loan granted by the Bank until December 31, 2020 meeting the terms of the contract. The limit granted under the Liquidity Guarantee Fund was PLN 18 billion.

3. From 29 April 2020, the Capital Group enabled entrepreneurs from the micro and SME segment to submit applications for financial subsidies under the PFR Financial Shield through the electronic banking services iPKO and iPKO biznes. As of May 27, 2020, the assistance paid to our clients amounted to PLN 6.3 billion, of which PLN 2.1 billion for micro enterprises and PLN 4.1 billion for small and medium enterprises.

SEPARATE INCOME STATEMENT

INCOME STATEMENT	Note	01.01- 31.03.2020	01.01- 31.03.2019
Interest income	2	2 912	2 721
Interest income calculated under the effective interest rate method on financial instruments measured:		2 578	2 564
at amortized cost		2 155	2 206
at fair value through OCI		423	358
Income similar to interest income on instruments measured at fair value through profit or loss		334	157
Interest expense	2	(474)	(490)
Net interest income		2 438	2 231
Fee and commission income	3	1 024	921
Fee and commission expense	3	(261)	(239)
Net fee and commission income		763	682
Dividend income		-	21
Net gain/(loss) on financial instruments measured at fair value through profit or loss		(135)	25
impact of COVID 19 on loan portfolio		(22)	
Net foreign exchange gains/(losses)		6	42
Gains/(losses) on derecognition of financial instruments not measured at fair value through profit or loss		35	52
measured at fair value through OCI		49	49
measured at amortized cost		(14)	3
Net allowances for expected credit losses	4	(453)	(286)
impact of COVID 19 on loan portfolio		(197)	
Net impairment allowances on non-financial assets		(99)	(3)
Cost of legal risk of mortgage loans in convertible currencies		(85)	(4)
Net other operating income and expense		(116)	2
Administrative expenses		(1 143)	(1 148)
Net regulatory charges		(421)	(329)
Tax on certain financial institutions		(237)	(228)
Operating profit/(loss)		553	1 057
Profit before tax		553	1 057
Income tax expense	5	(193)	(320)
		-	-
Net profit		360	737
Earnings per share		-	-
- basic earnings per share for the period (PLN)		0,29	0,59
- diluted earnings per share for the period (PLN)		0,29	0,59
Weighted average number of ordinary shares during the period (in million)		1 250	1 250
Weighted average number of diluted ordinary shares during the period (in million)		1 250	1 250

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	01.01- 31.03.2020	01.01- 31.03.2019
Net profit	360	737
Other comprehensive income	394	(140)
Items which may be reclassified to profit or loss	394	(140)
Cash flow hedges (gross)	609	155
Deferred tax	(116)	(29)
Cash flow hedges (net)	493	126
Revaluation of fair value of financial assets measured at fair value through other comprehensive income, gross	(74)	(279)
Gains / losses transferred to profit or loss (on disposal)	(49)	(49)
Deferred tax	24	62
Fair value of financial assets measured at fair value through other comprehensive income (net)	(99)	(266)
Items which cannot be reclassified to profit or loss	-	-
Actuarial gains and losses (gross)	-	-
Deferred tax	-	-
Actuarial gains and losses (net)	-	-
Total net comprehensive income	754	597

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	31.03.2020	31.12.2019
ASSETS			
Cash and balances with the Central Bank		11 326	14 602
Amounts due from banks		9 676	7 953
Hedging derivatives		1 048	594
Other derivative instruments		5 945	2 798
Securities	6	85 283	76 422
- held for trading		997	1 175
- not held for trading, measured at fair value through profit or loss		701	755
- measured at fair value through OCI		64 183	61 130
- measured at amortized cost		19 402	13 362
Reverse repo transactions		112	1 081
Loans and advances to customers	7	207 297	201 014
- not held for trading, measured at fair value through profit or loss		7 413	8 286
- measured at fair value through OCI		11 033	9 623
- measured at amortized cost		188 851	183 105
Property, plant and equipment		2 669	2 738
Non-current assets held for sale		8	9
Intangible assets		2 559	2 606
Investments in subsidiaries, associates and joint ventures	10	3 907	3 994
Deferred income tax assets		1 321	1 290
Other assets		2 227	2 024
TOTAL ASSETS		333 378	317 125

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	Note	31.03.2020	31.12.2019
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the Central Bank		7	-
- measured at fair value through profit or loss		7	-
Amounts due to banks		2 021	1 976
- measured at fair value through profit or loss		5	317
- measured at amortized cost		2 016	1 659
Hedging derivatives		1 877	668
Other derivative instruments		5 765	2 927
Amounts due to customers	8	263 168	252 943
- measured at fair value through profit or loss		26	45
- measured at amortized cost		263 142	252 898
Repo transactions		46	46
Loans and advances received	9	5 369	5 026
Debt securities in issue		5 150	4 769
Subordinated liabilities		2 708	2 730
Other liabilities		5 366	4 744
Current income tax liabilities		106	311
- of the Bank		101	282
- of the subsidiaries belonging to the Tax Group		5	29
Provisions		629	573
TOTAL LIABILITIES		292 212	276 713
Equity			
Share capital		1 250	1 250
Other capital		34 165	33 771
Retained earnings		5 391	1 556
Net profit or loss for the year		360	3 835
TOTAL EQUITY		41 166	40 412
TOTAL LIABILITIES AND EQUITY		333 378	317 125
Total capital ratio	12	19,18%	20,66%
Book value (in PLN million)		41 166	40 412
Number of shares (in million)		1 250	1 250
Book value per share (in PLN)		32,93	32,33
Number of diluted shares (in million)		1 250	1 250
Diluted book value per share (in PLN)		32,93	32,33

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR 3 MONTHS ENDED 31 MARCH 2020	Share capital	Other capital				Accumulated other comprehensive income	Total other capital and reserves	Retained earnings	Net profit for the period	Total equity
		Reserves								
		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:	-	-	-	-	394	394	-	360	754	
Net profit for the year	-	-	-	-	-	-	-	360	360	
Other comprehensive income	-	-	-	-	394	394	-	-	394	
31 March 2020	1 250	29 168	1 070	3 099	828	34 165	5 391	360	41 166	

FOR 3 MONTHS ENDED 31 MARCH 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
Total comprehensive income, of which:	(99)	493	-	394
Other comprehensive income	(99)	493	-	394
31 March 2020	255	588	(15)	828

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Bank Polski

FOR 3 MONTHS ENDED 31 MARCH 2019	Share capital	Other capital Reserves				Total other capital and reserves	Retained earnings	Net profit for the period	Total equity
		Supplementary capital	General banking risk fund	Other reserves	Accumulated other comprehensive income				
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)	-
Total comprehensive income, of which:	-	-	-	-	(140)	(140)	-	737	597
Net profit for the year	-	-	-	-	-	-	-	737	737
Other comprehensive income	-	-	-	-	(140)	(140)	-	-	(140)
31 March 2019	1 250	29 168	1 070	3 629	303	34 170	2 689	737	38 846

FOR 3 MONTHS ENDED 31 MARCH 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
Total comprehensive income, of which:	(266)	126	-	(140)
Other comprehensive income	(266)	126	-	(140)
31 March 2019	205	108	(10)	303



SEPARATE STATEMENT OF CASH FLOWS

	01.01- 31.03.2020	01.01- 31.03.2019
Cash flows from operating activities		
Profit before tax	553	1 057
Total adjustments:	6 224	(2 487)
Amortization and depreciation	212	200
(Gains)/losses on investing activities	(3)	(1)
Interest and dividends	(105)	(85)
Change in:	-	-
amounts due from banks	(111)	1 472
hedging derivatives	755	(22)
other derivatives	(309)	(109)
securities	(472)	(1 502)
- held for trading	178	(1 145)
- not held for trading, measured at fair value through profit or loss	54	(8)
- measured at fair value through OCI	(574)	(285)
- measured at amortized cost	(130)	(64)
loans and advances to customers	(6 838)	(1 196)
- not held for trading, measured at fair value through profit or loss	873	45
- measured at fair value through OCI	(1 410)	1 421
- measured at amortized cost	(6 301)	(2 662)
reverse repo transactions	969	(1 345)
non-current assets held for sale	1	-
other assets	(272)	289
accumulated allowances for expected credit losses	682	244
accumulated allowances for non-financial assets and other provisions	93	16
amounts due to the Central Bank	7	(1)
- measured at fair value through profit or loss	7	-
- measured at amortized cost	-	(1)
amounts due to banks	45	825
- measured at fair value through profit or loss	(312)	191
- measured at amortized cost	357	634
amounts due to customers	10 225	1 524
- measured at fair value through profit or loss	(19)	69
- measured at amortized cost	10 244	1 455
loans and advances received	343	(3 585)
securities in issue	381	25
subordinated liabilities	(22)	(24)
other liabilities	678	911
Income tax paid	(496)	(94)
Other adjustments	461	(29)
Net cash from/used in operating activities	6 777	(1 430)



	01.01- 31.03.2020	01.01- 31.03.2019
Cash flows from investing activities		
Inflows from investing activities	21 917	84 855
Redemption of and interest on securities measured at fair value through other comprehensive income	21 764	84 579
Redemption of and interest on securities measured at amortized cost	144	250
Sale of intangible assets, property, plant and equipment and assets held for sale	9	5
Other inflows from investing activities (dividends)	-	21
Outflows from investing activities	(30 156)	(88 622)
Capital increases in subsidiaries, associates and joint ventures	(5)	(150)
Purchase of securities measured at fair value through other comprehensive income	(24 035)	(82 456)
Purchase of securities measured at amortized cost	(6 014)	(5 960)
Purchase of intangible assets and property, plant and equipment	(102)	(56)
Net cash from/used in investing activities	(8 239)	(3 767)

	01.01- 31.03.2020	01.01- 31.03.2019
Cash flows from financing activities		
Repayment of loans and advances	-	(3 495)
Payment of lease liabilities	(56)	(53)
Repayment of interest on long-term borrowings	(147)	(188)
Net cash from/used in financing activities	(203)	(3 736)
Total net cash flows	(1 665)	(8 933)
of which foreign exchange differences on cash and cash equivalents	267	66
Cash and cash equivalents at the beginning of the period	17 993	21 091
Cash and cash equivalents at the end of the period	16 328	17 993

CASH AND CASH EQUIVALENTS	31.03.2020	31.12.2019	31.03.2019
Cash and balances with the Central Bank	11 326	14 602	14 505
Deposits with the Central Bank	-	-	850
Current amounts due from banks	4 994	3 379	5 728
Restricted cash and cash equivalents	8	12	8
Total	16 328	17 993	21 091

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

In order to better reflect the Bank's operations, the following changes were made to the presentation of the Bank's assets and liabilities in the financial statements.

- "Reverse repo transactions" and "Repo transactions": Starting with these financial statements, the Bank presents "repo and reverse repo transactions" as a separate line item (previously such transactions were presented in "Amounts due from banks", "Loans and advances to customers", "Amounts due to banks" or "Amounts due to customers", respectively, depending on whether the transaction was concluded with an interbank customer or another customer. The comparative data has been adjusted accordingly.
- "Loans and advances received": Up to and including the year 2019, loans and advances received by the Bank were presented as "Amounts due to banks" and "Amounts due to customers". Starting with these financial statements, the Bank decided to present them separately in liabilities in order to achieve consistency with the presentation of interest expenses on loans and advances received and due to the fact that these loans and advances represent financing activities in the statement of cash flows.

STATEMENT OF FINANCIAL POSITION	31.12.2019 before adjustment	"Loans and advances received" presented as a separate item	"Reverse repo transactions" and "Repo transactions" presented as separate items	31.12.2019 restated
Cash and balances with the Central Bank	14 602	-	-	14 602
Amounts due from banks	7 953	-	-	7 953
Hedging derivatives	594	-	-	594
Other derivative instruments	2 798	-	-	2 798
Securities	76 422	-	-	76 422
- held for trading	1 175	-	-	1 175
- not held for trading, measured at fair value through profit or loss	755	-	-	755
- measured at fair value through OCI	61 130	-	-	61 130
- measured at amortized cost	13 362	-	-	13 362
Loans and advances to customers	201 014	-	-	201 014
- not held for trading, measured at fair value through profit or loss	8 286	-	-	8 286
- measured at fair value through OCI	9 623	-	-	9 623
- measured at amortized cost	184 186	-	(1 081)	183 105
Reverse repo transactions	-	-	1 081	1 081
Investments in subsidiaries, associates and joint ventures	3 994	-	-	3 994
Non-current assets held for sale	9	-	-	9
Intangible assets	2 606	-	-	2 606
Property, plant and equipment	2 738	-	-	2 738
Current income tax receivables	-	-	-	-
Deferred income tax assets	1 290	-	-	1 290
Other assets	2 024	-	-	2 024
	-	-	-	-
TOTAL ASSETS	316 044	-	1 081	317 125

LIABILITIES AND EQUITY	31.12.2019 before adjustment	"Loans and advances received" presented as a separate item	"Reverse repo transactions" and "Repo transactions" presented as separate items	31.12.2019 restated
Liabilities	-	-	-	-
Amounts due to the Central Bank	-	-	-	-
- measured at fair value through profit or loss	-	-	-	-
- measured at amortized cost	-	-	-	-
Amounts due to banks	1 976	-	-	1 976
- measured at fair value through profit or loss	317	-	-	317
- measured at amortized cost	1 659	-	-	1 659
Hedging derivatives	668	-	-	668
Other derivative instruments	2 927	-	-	2 927
Amounts due to customers	258 015	(5 026)	(46)	252 943
- measured at fair value through profit or loss	45	-	-	45
- measured at amortized cost	257 970	(5 026)	(46)	252 898
Repo transactions	-	-	46	46
Loans and advances received	-	5 026	-	5 026
Debt securities in issue	4 769	-	-	4 769
Subordinated liabilities	2 730	-	-	2 730
Other liabilities	4 744	-	-	4 744
Current income tax liabilities	311	-	-	311
- of the Bank	282	-	-	282
- of the subsidiaries belonging to the Tax Group	29	-	-	29
Provisions	573	-	-	573
	-	-	-	-
TOTAL LIABILITIES	276 713	-	-	276 713

In order to better reflect the Bank's operations in the financial statements, the following changes were made to the income statement:

- "Reclassification of premium on debt securities" – as of the year 2020, the Bank decided to present the costs of premium on debt securities under "Interest income" as "debt securities". Previously the premium was presented under "Interest expenses" as "debt securities".
- "Reclassification of transactional margin": In the three-month period ended 31 March 2020, the Bank decided to reclassify the Forex margin accounted for in foreign exchange rates of currencies offered to the Bank's customers as part of foreign currency purchase/sale services, which had previously been presented in "Net foreign exchange gains/(losses)", to "Fee and commission income". In the Bank's opinion, the nature of the Forex margin is similar to other fees and commissions charged by the Bank for the provision of services.
- Presentation of foreign exchange gains/(losses) on income and costs (accrued interest, discount, premium, valuation) on financial assets and financial liabilities denominated in foreign currencies: In the three-month period ended 31 March 2020, the Bank decided to reclassify foreign exchange gains/(losses) on income and costs accrued on financial assets (e.g. loans, securities, other receivables) and financial liabilities in foreign currencies from "Interest income" to "Net foreign exchange gains/(losses)". In accordance with the previous approach the said income and costs were recognized in the profit or loss in the currency of the contract and translated to the base currency in the process of annual closing of accounts or when interest was added or paid back by the customer, according to the NBP average fixing rate. This meant that during the financial year the said income and expenses were recognized jointly with foreign exchange gains/(losses). Currently, the said income and expenses will be recognized in the profit/(loss) at the mid NBP exchange fixing rate for a given currency as at the date of recognition, which will allow recognizing foreign exchange differences for particular income and expense items in net foreign exchange gains/(losses). The amount reclassified between the income statement items in the three-month period ended 31 March 2019 was PLN 255 thousand.
- "Reclassification of the cost of legal risk related to mortgage loans in convertible currencies": since December 2019, the Group has presented the "Cost of legal risk related to mortgage loans in convertible currencies" as a separate line item (for details see note 39 "Legal risk related to mortgage loans in convertible currencies"). These amounts were presented under "Other operating expenses" in the interim financial statements in 2019. In order to ensure consistent presentation, the comparative data was reclassified as appropriate.

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INCOME STATEMENT	01.01 - 31.03.2019 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 - 31.03.2019 restated
Interest income	2 748	(27)	-	(0,3)	-	2 721
Interest expense	(517)	27	-	-	-	(490)
Net interest income	2 231	-	-	(0,3)	-	921
Fee and commission income	835	-	86	-	-	(239)
Fee and commission expense	(239)	-	-	-	-	682
Net fee and commission income	596	-	86	-	-	21
Dividend income	21	-	-	-	-	25
Net gain/(loss) on financial instruments measured at fair value through profit or loss	25	-	-	-	-	42
Net foreign exchange gains/(losses)	128	-	(86)	0,3	-	52
Gains/(losses) on derecognition of financial instruments not measured at fair value through profit or loss	52	-	-	-	-	49
measured at fair value through OCI	49	-	-	-	-	3
measured at amortized cost	3	-	-	-	-	(286)
Net allowances for expected credit losses	(286)	-	-	-	-	-
credit risk due to COVID 19	-	-	-	-	-	(3)
Net impairment allowances on non-financial assets	(3)	-	-	-	-	(4)
Cost of legal risk of mortgage loans in convertible currencies	-	-	-	-	(4)	29
Other operating income	29	-	-	-	-	(27)
Other operating expenses	(31)	-	-	-	4	2
Net other operating income and expense	(2)	-	-	-	4	(1 148)
Administrative expenses	(1 148)	-	-	-	-	(329)
Net regulatory charges	(329)	-	-	-	-	(228)
Tax on certain financial institutions	(228)	-	-	-	-	1 057
Operating profit/(loss)	1 057	-	-	-	-	1 057
Profit before tax	1 057	-	-	-	-	(320)
	(320)	-	-	-	-	-
Net profit	737	-	-	-	-	737

The respective changes in the comparative data are presented in the statement of cash flows.

STATEMENT OF CASH FLOWS	01.01 - 31.03.2019 before restatement	"Loans and advances received" presented as a separate item	"Reverse repo transactions" and "Repo transactions" presented as separate items	01.01 - 31.03.2019 restated
Cash flows from operating activities				
Change in:				
loans and advances to customers	(2 541)	-	1 345	(1 196)
reverse repo transactions	-	-	(1 345)	(1 345)
other assets	-	-	-	-
amounts due to customers	(2 061)	3 585	-	1 524
loans and advances received	-	(3 585)	-	(3 585)
other liabilities	-	-	-	-
	-	-	-	-
Total	(4 602)	-	-	(4 602)

2. INTEREST INCOME AND EXPENSES

INTEREST INCOME FROM:	01.01- 31.03.2020	01.01- 31.03.2019
loans to and other receivables from banks	44	40
hedging derivatives	126	136
debt securities	421	365
measured at amortized cost	94	64
measured at fair value through OCI	320	291
measured at fair value through profit or loss	7	10
loans and advances to customers	2 321	2 180
measured at amortized cost	2 017	2 102
measured at fair value through OCI	103	67
measured at fair value through profit or loss	201	11
Total	2 912	2 721
of which: interest income on impaired financial instruments	70	58

INTEREST EXPENSE ON:	01.01- 31.03.2020	01.01- 31.03.2019
amounts due to banks	(3)	(3)
deposits	(4)	(3)
loans and advances received	(52)	(54)
lease	(4)	(5)
amounts due to customers	(381)	(392)
securities in issue	(8)	(11)
subordinated liabilities	(22)	(22)
Total	(474)	(490)

INTEREST INCOME BY SEGMENT FROM:	01.01-31.03.2020			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
loans to and other receivables from banks	-	20	24	44
hedging derivatives	-	-	126	126
debt securities	-	421	-	421
loans and advances to customers	1 942	379	-	2 321
Total	1 942	820	150	2 912

INTEREST INCOME BY SEGMENT FROM:	01.01-31.03.2019			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
loans to and other receivables from banks	-	30	10	40
hedging derivatives	-	-	136	136
debt securities	-	365	-	365
loans and advances to customers	1 725	455	-	2 180
Total	1 725	850	146	2 721

3. FEE AND COMMISSION INCOME AND EXPENSE

FEE AND COMMISSION INCOME	01.01- 31.03.2020	01.01- 31.03.2019
Loans and insurance	222	208
granting of loans and advances	170	165
offering insurance products	52	43
Investment funds and brokerage activity	102	63
maintenance of investment funds and OFE (including management fees)	13	16
handling and sale of investment and insurance products	3	3
conducting brokerage activities	86	44
Cards	314	291
Margins on currency exchange transactions	110	86
Bank accounts and other	276	273
maintenance of bank accounts	210	204
cash operations	17	16
servicing foreign mass transactions	17	23
customer orders	12	11
fiduciary services	2	1
other	18	18
Total	1 024	921

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FEE AND COMMISSION EXPENSE	01.01- 31.03.2020	01.01- 31.03.2019
Loans and insurance	(43)	(42)
commission paid to external entities for product sales	(12)	(16)
cost of construction investment supervision and property valuation	(9)	(10)
fees for the Credit Information Bureau	(8)	(4)
credit services	(14)	(12)
Investment funds and brokerage activity	(5)	(5)
Cards	(181)	(167)
Bank accounts and other	(32)	(25)
clearing services	(10)	(7)
commissions for operating services provided by banks	(3)	(2)
sending short text messages (SMS)	(11)	(8)
sale of banking products	(3)	(2)
other	(5)	(6)
Total	(261)	(239)

	01.01-31.03.2020			
FEE AND COMMISSION INCOME BY SEGMENT	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans and insurance	168	54	-	222
granting of loans and advances	116	54	-	170
offering insurance products	52	-	-	52
Investment funds and brokerage activity	44	58	-	102
maintenance of investment funds and OFE (including management fees)	10	3	-	13
handling and sale of investment and insurance products	3	-	-	3
conducting brokerage activities	31	55	-	86
Cards	308	6	-	314
Margins on currency exchange transactions	72	38	-	110
Bank accounts and other	231	45	-	276
maintenance of bank accounts	187	23	-	210
cash operations	12	5	-	17
servicing foreign mass transactions	9	8	-	17
customer orders	7	5	-	12
fiduciary services	-	2	-	2
other	16	2	-	18
Total	823	201	-	1 024

	01.01-31.03.2019			
FEE AND COMMISSION INCOME BY SEGMENT	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans and insurance	155	53	-	208
granting of loans and advances	112	53	-	165
offering insurance products	43	-	-	43
Investment funds and brokerage activity	28	35	-	63
maintenance of investment funds and OFE (including management fees)	14	2	-	16
handling and sale of investment and insurance products	3	-	-	3
conducting brokerage activities	11	33	-	44
Cards	286	5	-	291
Margins on currency exchange transactions	49	37	-	86
Bank accounts and other	230	43	-	273
maintenance of bank accounts	187	17	-	204
cash operations	12	4	-	16
servicing foreign mass transactions	12	11	-	23
customer orders	6	5	-	11
fiduciary services	-	1	-	1
other	13	5	-	18
Total	748	173	-	921

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

NET ALLOWANCES FOR EXPECTED CREDIT LOSSES	01.01- 31.03.2020	01.01- 31.03.2019
Amounts due from banks	(3)	1
Debt securities	1	(1)
measured at fair value through OCI	-	(2)
measured at amortized cost	1	1
Loans and advances to customers	(377)	(278)
measured at fair value through OCI	(9)	-
property	(9)	-
measured at amortized cost	(368)	(278)
property	(98)	(9)
corporate	(73)	(119)
consumer	(197)	(150)
Other financial assets	(17)	-
Provisions for financial liabilities and guarantees granted	(57)	(8)
Total	(453)	(286)

ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES (BALANCE)	31.03.2020	31.12.2019
Amounts due from banks	7	4
Debt securities	18	20
measured at fair value through OCI	3	5
measured at amortized cost	15	15
Loans and advances to customers	6 994	6 443
measured at amortized cost	6 994	6 443
property	2 045	1 872
corporate	3 586	3 410
consumer	1 363	1 161
Provisions for financial liabilities and guarantees granted	327	268
Other financial assets	161	90
Total	7 507	6 825

5. INCOME TAX EXPENSE

	01.01- 31.03.2020	01.01- 31.03.2019
Current income tax expense	(315)	(311)
Deferred income tax on temporary differences	122	(9)
Income tax expense recognized in the income statement	(193)	(320)
Income tax expense on temporary differences recognized in other comprehensive income	(92)	33
Total	(285)	(287)

In the year 2020 the Bank started to recognize income tax expense in the interim financial statements based on the best possible estimate of the weighted average annual income tax rate expected in the whole financial year.

	01.01- 31.03.2020	01.01- 31.03.2019
Profit / (loss) before income tax	553	1 057
Tax calculated using the statutory rate in force in Poland of 19%	(105)	(201)
Effect of permanent timing differences between profit before tax and taxable income, of which:	(90)	(121)
non-tax-deductible impairment allowances on investments in subsidiaries, associates and joint ventures	(17)	(7)
non-tax-deductible allowances for expected credit losses on credit exposures and securities	(12)	-
contribution and payments to BGF	(76)	(69)
tax on financial institutions	(45)	(43)
cost of legal risk of mortgage loans in convertible currencies	(16)	-
3% flat-rate income tax on interest to non-residents	(11)	-
difference between tax and accounting depreciation of property, plant and equipment	5	-
asset on averaged tax rate	84	-
other permanent differences	(2)	(6)
dividend income	-	4
Effect of other differences between profit before tax and taxable income, including tax relief on new technologies and donations	2	2
Income tax expense recognized in the income statement	(193)	(320)
Effective tax rate	34,90%	30,27%

6. SECURITIES

SECURITIES	31.03.2020	31.12.2019
Securities (excluding adjustments relating to fair value hedge accounting)	85 279	76 421
Adjustments relating to fair value hedge accounting	4	1
Total	85 283	76 422

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.03.2020	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	981	285	64 183	19 398	84 847
Treasury bonds (in PLN)	770	120	52 075	13 411	66 376
Treasury bonds (in foreign currencies)	2	-	2 906	-	2 908
municipal bonds (in PLN)	15	-	5 134	4 571	9 720
corporate bonds (in PLN)	124	165	4 068	1 051	5 408
corporate bonds (in foreign currencies)	-	-	-	365	365
mortgage covered bonds	70	-	-	-	70
Equity securities	16	416	-	-	432
shares in other entities - not listed	-	396	-	-	396
shares in other entities - listed	12	20	-	-	32
investment certificates, rights to shares, pre-emptive rights	4	-	-	-	4
Total	997	701	64 183	19 398	85 279

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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

SECURITIES 31.03.2020	measured at fair value through OCI			measured at amortized cost		
	Gross amount	Allowances for expected credit losses	Net amount	Gross amount	Allowances for expected credit losses	Net amount
Debt securities	64 186	(3)	64 183	19 413	(15)	19 398
Treasury bonds (in PLN)	52 075	-	52 075	13 411	-	13 411
Treasury bonds (in foreign currencies)	2 906	-	2 906	-	-	-
municipal bonds (in PLN)	5 134	-	5 134	4 582	(11)	4 571
corporate bonds (in PLN)	4 071	(3)	4 068	1 055	(4)	1 051
corporate bonds (in foreign currencies)	-	-	-	365	-	365
Total	64 186	(3)	64 183	19 413	(15)	19 398

SECURITIES 31.12.2019	measured at fair value through OCI			measured at amortized cost		
	Gross amount	Allowances for expected credit losses	Net amount	Gross amount	Allowances for expected credit losses	Net amount
Debt securities	61 135	(5)	61 130	13 376	(15)	13 361
NBP money market bills	1 000	-	1 000	-	-	-
Treasury bonds (in PLN)	49 299	-	49 299	7 373	-	7 373
Treasury bonds (in foreign currencies)	2 085	-	2 085	-	-	-
municipal bonds (in PLN)	5 232	-	5 232	4 574	(11)	4 563
corporate bonds (in PLN)	3 519	(5)	3 514	1 087	(4)	1 083
corporate bonds (in foreign currencies)	-	-	-	342	-	342
Total	61 135	(5)	61 130	13 376	(15)	13 361

7. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS	31.03.2020	31.12.2019
	Net amount	Net amount
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	207 293	201 010
Adjustment relating to fair value hedge accounting	4	4
Total loans and advances to customers	207 297	201 014

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LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 31.03.2020	not held for trading, measured at fair value through profit or loss	measured at fair value through OCI	measured at amortized cost		Total	
	Net amount	Net amount	Gross amount	Allowances for expected credit losses	Net amount	Net amount
Loans and advances to customers	7 413	11 033	195 841	(6 994)	188 847	207 293
retail and private banking	7 273	11 033	103 173	(3 249)	99 924	118 230
property	12	11 033	80 122	(1 886)	78 236	89 281
consumer	7 261	-	23 051	(1 363)	21 688	28 949
corporate	88	-	72 504	(1 672)	70 832	70 920
property	-	-	458	(25)	433	433
corporate	88	-	72 046	(1 647)	70 399	70 487
firms and enterprises	52	-	20 164	(2 073)	18 091	5 736
property	-	-	5 870	(134)	5 736	5 736
corporate	52	-	14 294	(1 939)	12 355	-
Total	7 413	11 033	195 841	(6 994)	188 847	207 293

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	
	Net amount	Net amount	Gross amount	Allowances for expected credit losses	Net amount	Net amount
Loans and advances to customers	8 286	9 623	189 544	(6 443)	183 101	201 010
retail and private banking	8 138	9 623	100 785	(2 873)	97 912	115 673
property	15	9 623	78 632	(1 712)	76 920	86 558
consumer	8 123	-	22 153	(1 161)	20 992	29 115
corporate	94	-	68 986	(1 588)	67 398	67 492
property	-	-	309	(26)	283	283
corporate	94	-	68 677	(1 562)	67 115	67 209
firms and enterprises	54	-	19 773	(1 982)	17 791	17 845
property	-	-	5 902	(134)	5 768	5 768
corporate	54	-	13 871	(1 848)	12 023	12 077
Total	8 286	9 623	189 544	(6 443)	183 101	201 010

8. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS	31.03.2020	31.12.2019
Measured at fair value through profit or loss:	26	45
Short position in securities	26	45
Measured at amortized cost	263 142	252 898
Amounts due to households	201 634	192 391
Cash on current accounts and overnight deposits, of which:	134 728	127 159
savings accounts and other interest bearing amounts	47 445	45 134
Term deposits	66 465	64 855
Other liabilities	441	377
Amounts due to business entities	49 609	49 153
Cash on current accounts and overnight deposits, of which:	35 255	39 835
savings accounts and other interest bearing amounts	17 940	16 799
Term deposits	13 588	8 486
Other liabilities	766	832
Amounts due to public entities	11 899	11 354
Current accounts and overnight deposits	10 680	10 997
Term deposits	1 197	331
Other liabilities	22	26
Total	263 168	252 943

9. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

AS AT 31 MARCH 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 - 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	(184)	-
FERRUM SA	-	-	-
"Poznański Fundusz Poręczeń Kredytowych" sp. z o.o.	2	(2)	-
Total	4 909	(1 002)	3 907

¹ PKO Bank Polski SA holds investment certificates of the Fund which allow to control the Fund in accordance with IFRS.

NA 31 GRUDNIA 2019 ROKU	Wartość brutto	Utrata wartości	Wartość bilansowa
JEDNOSTKI ZALEŻNE			
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
WSPÓLNE PRZEDSIĘWZIĘCIA			
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	197	-	197
Operator Chmury Krajowej sp. z o.o.	60	-	60
JEDNOSTKI STOWARZYSZONE			
Bank Pocztowy SA	184	(97)	87
„Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.	2	(2)	-
Razem	4 909	(915)	3 994

¹ PKO Bank Polski SA holds investment certificates of the Fund which allow to control the Fund in accordance with IFRS.

10. RELATED PARTY TRANSACTIONS – CAPITAL LINKS

RELATED-PARTY TRANSACTIONS – CAPITAL LINKS

PKO Bank Polski SA provided arm's length services to its related (subordinated) entities within the scope of maintaining bank accounts, accepting deposits, granting loans and advances, issue of debt securities, granting of 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 SA.

The Bank provided services to PKO Bank Hipoteczny SA within the scope of intermediation in sales of housing loans for individuals, performing tasks as part of post-transaction services in respect of these loans and support tasks under the outsourcing agreement. The Bank offered its infrastructure and IT services and rented office space to selected companies of the PKO Bank Polski SA Group. Together with Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o. the Bank rendered services of payment transaction clearance.

AS AT 31 MARCH 2020 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet commitments granted
KREDOBANK SA and its subsidiary	32	-	11	126
Merkury - fiz an and its subsidiaries	-	-	38	-
NEPTUN - fiz an and its subsidiaries	157	157	61	-
PKO Bank Hipoteczny SA	4 844	4 279	900	5 625
PKO BP BANKOWY PTE SA	-	-	23	-
PKO BP Finat sp. z o.o.	-	-	49	13
PKO Finance AB	-	-	4 709	-
PKO Leasing SA and its subsidiaries	16 847	16 846	60	6 494
PKO Towarzystwo Funduszy Inwestycyjnych SA	1	-	274	-
PKO Towarzystwo Ubezpieczeń SA	-	-	28	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	-	-	479	1
ZenCard sp. z o.o.	-	-	1	-
Total subsidiaries	21 881	21 282	6 633	12 259

AS AT 31 MARCH 2020 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet commitments granted
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	1	-	111	58
"Centrum Obsługi Biznesu" sp. z o.o.	19	19	6	-
Bank Pocztowy SA	-	-	-	1
"Poznański Fundusz Poręczeń Kredytowych" sp. z o.o.	-	-	1	-
Centrum Operacyjne Sp. z o.o.	-	-	25	830
Operator Chmury Krajowej sp. z o.o.	-	-	-	-
Total joint ventures and associates	20	19	143	889

AS AT 31 DECEMBER 2019 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet commitments granted
KREDOBANK SA and its subsidiary	82	-	16	115
Merkury - fiz an and its subsidiaries	-	-	36	-
NEPTUN - fiz an 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	3
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	9 890

CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS OF THE PKO BANK POLSKI SA GROUP FOR
THE THREE-MONTH PERIOD ENDED
31 MARCH 2020
(IN PLN MILLION)

AS AT 31 DECEMBER 2019 / ENTITY	Receivables	of which loans	Liabilities	Off-balance sheet commitments granted
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	80	26	43	32
"Centrum Obsługi Biznesu" sp. z o.o.	19	19	6	-
Bank Poczty SA	-	-	-	1
"Poznański Fundusz Poręczeń Kredytowych" sp. z o.o.	-	-	1	-
Operator Chmury Krajowej sp. z o.o.	-	-	59	769
Total joint ventures and associates	99	45	109	802

FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2020 / ENTITY	Total income	of which interest and commission	Total expense	of which interest and commission
NEPTUN - fizan and its subsidiaries	1	1	-	-
PKO Bank Hipoteczny SA	144	138	-	-
PKO BP Finat sp. z o.o.	1	-	1	-
PKO Finance AB	-	-	52	49
PKO Leasing SA and its subsidiaries	91	89	-	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	3	-	-	-
PKO Towarzystwo Ubezpieczeń SA	17	17	-	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	14	14	3	3
Total subsidiaries	271	259	56	52

FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2020 / ENTITY	Total income	of which interest and commission	Total expense	of which interest and commission
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	89	87	21	21
Total joint ventures and associates	89	87	21	21

FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2019 / ENTITY	Total income	of which interest and commission	Total expense	of which interest and commission
NEPTUN - fizan and its subsidiaries	1	1	52	-
PKO Bank Hipoteczny SA	82	77	11	11
PKO BP Finat sp. z o.o.	1	-	1	-
PKO Finance AB	-	-	50	50
PKO Leasing SA and its subsidiaries	82	81	-	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	3	3	1	1
PKO Towarzystwo Ubezpieczeń SA	18	18	-	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	12	12	3	3
Qualia Development sp. z o.o. and its subsidiaries	-	-	1	1
Total subsidiaries	199	192	119	66

FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2019 / ENTITY	Total income	of which interest and commission	Total expense	of which interest and commission
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	82	81	19	19
"Centrum Obsługi Biznesu" sp. z o.o.	1	1	-	-
Total joint ventures and associates	83	82	19	19

11. CAPITAL ADEQUACY

	31.03.2020	31.12.2019
Total own funds	38 306	38 590
Tier 1 capital	35 606	35 890
Share capital	1 250	1 250
Supplementary capital	29 168	29 168
General banking risk fund	1 070	1 070
Other reserves	3 099	3 099
Accumulated other comprehensive income (excluding cash flow hedges)	240	339
Fair value of financial assets measured at fair value through OCI	255	354
Actuarial gains and losses	(15)	(15)
Current period profit/loss (decreased by expected charges, included with permission of the PFSA)	-	1 042
Retained earnings (including part of 2019 profit included with permission of the PFSA)	2 598	1 556
Intangible assets	(2 370)	(2 411)
(-) goodwill	(871)	(871)
(-) other intangible assets	(1 499)	(1 540)
Adjustments in Tier 1 capital	551	777
gains and losses measured at fair value resulting from the institution's internal credit risk, related to derivatives which are liabilities (DVA)	(11)	(11)
additional value adjustments (AVA)	(166)	(91)
adjustment resulting from transitional solutions to mitigate the impact of IFRS 9 adoption on own funds	728	884
(-) equity exposures deducted from own funds	-	(5)
Tier 2 capital	2 700	2 700
Equity instruments and subordinated loans eligible as Tier 2 capital	2 700	2 700
Requirements as regards own funds	15 981	14 946
Credit risk	14 634	13 900
Operational risk ¹	887	582
Market risk	429	441
Credit valuation adjustment risk	31	23
Total capital adequacy ratio	19,18%	20,66%
Tier 1 capital ratio	17,82%	19,21%

¹ During the three months ended 31 March 2020, the own funds requirement for operational risk increased by PLN 305 million, mainly as a consequence of the recognition of the costs of legal risk in the fourth quarter of 2019 regarding the portfolio of mortgage loans in convertible currencies

SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

27.05.2020	ZBIGNIEW JAGIEŁŁO	PRESIDENT OF THE MANAGEMENT BOARD
27.05.2020	RAFAŁ ANTČZAK	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2020	RAFAŁ KOZŁOWSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2020	MAKS KRACZKOWSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2020	MIECZYSLAW KRÓL	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2020	ADAM MARCINIAK	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2020	PIOTR MAZUR	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2020	JAKUB PAPIERSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
27.05.2020	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