

# **Condensed Interim Separate Financial Statements of Bank Pekao S.A. for the first half of 2021**



**Warsaw, August 2021**

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

<b>Separate income statement</b> .....	<b>3</b>	36. Additional information to the separate cash flow statement.....	74
<b>Separate statement of comprehensive income</b> .....	<b>4</b>	37. Related party transactions.....	76
<b>Separate statement of financial position</b> .....	<b>5</b>	38. Subsequent events.....	83
<b>Separate statement of changes in equity</b> .....	<b>6</b>	<b>Glossary</b> .....	<b>II</b>
<b>Separate cash flow statement</b> .....	<b>9</b>		
<b>Notes to financial statements</b> .....	<b>11</b>		
1. General information.....	11		
2. Business combinations.....	11		
3. Statement of compliance.....	11		
4. Significant accounting policies.....	15		
5. Accounting estimates.....	19		
6. Risk management.....	21		
7. Interest income and expense.....	49		
8. Fee and commission income and expense.....	51		
9. Dividend income.....	52		
10. Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result.....	52		
11. Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss.....	52		
12. Net allowances for expected credit losses.....	53		
13. Other operating income and expenses.....	53		
14. Administrative expenses.....	54		
15. Depreciation and amortization.....	54		
16. Total gains (losses) from subsidiaries.....	54		
17. Basic components of income tax charge in the income statement and equity.....	55		
18. Earnings per share.....	55		
19. Dividends.....	56		
20. Cash and balances with Central Bank.....	56		
21. Loans and advances to banks.....	57		
22. Financial assets and liabilities held for trading.....	57		
23. Derivative financial instruments (held for trading).....	58		
24. Loans and advances to customers.....	59		
25. Hedge accounting.....	61		
26. Investment (placement) securities.....	66		
27. Intangible assets.....	67		
28. Property, plant and equipment.....	67		
29. Assets pledged as security for liabilities.....	68		
30. Amounts due to other banks.....	69		
31. Amounts due to customers.....	69		
32. Debt securities issued.....	69		
33. Subordinated liabilities.....	70		
34. Provisions.....	71		
35. Contingent commitments.....	72		

**Separate income statement**

	NOTE	II QUARTER 2021 PERIOD FROM 01.04.2021 TO 30.06.2021	I HALF 2021 PERIOD FROM 01.01.2021 TO 30.06.2021	II QUARTER 2021 PERIOD FROM 01.04.2020 TO 30.06.2020 RESTATED	I HALF 2020 PERIOD FROM 01.01.2020 TO 30.06.2020 RESTATED
Interest income	7	1 285 852	2 616 694	1 482 767	3 123 745
Interest income calculated using the effective interest method		1 216 296	2 478 346	1 413 433	2 994 076
Financial assets measured at amortised cost		1 096 818	2 210 375	1 248 876	2 671 279
Financial assets measured at fair value through other comprehensive income		119 478	267 971	164 557	322 797
Other interest income related to financial assets measured at fair value through profit or loss		69 556	138 348	69 334	129 669
Interest expense	7	(8 311)	(61 821)	(155 095)	(409 314)
<b>Net interest income</b>		<b>1 277 541</b>	<b>2 554 873</b>	<b>1 327 672</b>	<b>2 714 431</b>
Fee and commission income	8	703 689	1 342 499	592 536	1 209 498
Fee and commission expense	8	(124 797)	(241 349)	(107 211)	(210 671)
<b>Net fee and commission income</b>		<b>578 892</b>	<b>1 101 150</b>	<b>485 325</b>	<b>998 827</b>
Dividend income	9	167 104	167 104	173 601	173 856
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	10	63 093	89 458	49 085	51 618
Result on fair value hedge accounting	25	847	2 646	992	(752)
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	11	23 194	34 007	22 901	43 586
Net allowances for expected credit losses	12	(138 374)	(335 539)	(441 620)	(788 035)
Operating income	13	25 461	43 343	15 124	32 425
Operating expenses	13	(22 044)	(29 418)	(21 122)	(40 421)
Administrative expenses	14	(923 141)	(2 126 612)	(851 599)	(2 071 048)
Personnel expenses		(468 635)	(1 053 475)	(430 072)	(988 918)
Other administrative expenses		(454 506)	(1 073 137)	(421 527)	(1 082 130)
Depreciation and amortization	15	(149 384)	(295 442)	(124 142)	(237 289)
Gains (losses) on subsidiaries	16	(170)	(170)	-	(365)
<b>PROFIT BEFORE INCOME TAX</b>		<b>903 019</b>	<b>1 205 400</b>	<b>636 217</b>	<b>876 833</b>
Income tax expense	17	(178 893)	(314 327)	(143 573)	(271 111)
<b>NET PROFIT</b>		<b>724 126</b>	<b>891 073</b>	<b>492 644</b>	<b>605 722</b>
Earnings per share (in PLN per share)					
basic for the period	18	2.75	3.39	1.88	2.31
diluted for the period	18	2.75	3.39	1.88	2.31

Notes to the financial statements presented on pages 11 – 83 constitute an integral part of the condensed interim separate financial statements.

**Separate statement of comprehensive income**

	NOTE	II QUARTER 2021 PERIOD FROM 01.04.2021 TO 30.06.2021	I HALF 2021 PERIOD FROM 01.01.2021 TO 30.06.2021	II QUARTER 2021 PERIOD FROM 01.04.2020 TO 30.06.2020	I HALF 2020 PERIOD FROM 01.01.2020 TO 30.06.2020
<b>Net profit</b>		<b>724 126</b>	<b>891 073</b>	<b>492 644</b>	<b>605 722</b>
<b>Other comprehensive income</b>					
<b>Item that are or may be reclassified subsequently to profit or loss:</b>					
Change in fair value of financial assets measured at fair value through other comprehensive income		(338 069)	(586 982)	524 656	364 655
Profit or loss on fair value measurement		(317 257)	(558 534)	548 271	401 269
Profit or loss reclassification to income statement after derecognition		(20 812)	(28 448)	(23 615)	(36 614)
Change in fair value of cash flow hedges	25	(123 581)	(459 101)	118 954	533 889
Tax on items that are or may be reclassified subsequently to profit or loss	17	87 713	198 756	(122 285)	(170 723)
<b>Items that will never be reclassified to profit or loss:</b>					
Effects of the revaluation or sale of investments in equity instruments designated at fair value through other comprehensive		38 595	82 980	21 880	10 647
Remeasurements of the defined benefit liabilities		-	-	-	-
Tax on items that will never be reclassified to profit or loss	17	(7 333)	(15 766)	(4 157)	(2 023)
<b>Other comprehensive income (net of tax)</b>		<b>(342 675)</b>	<b>(780 113)</b>	<b>539 048</b>	<b>736 445</b>
<b>Total comprehensive income</b>		<b>381 451</b>	<b>110 960</b>	<b>1 031 692</b>	<b>1 342 167</b>

Notes to the financial statements presented on pages 11 – 83 constitute an integral part of the condensed interim separate financial statements.

**Separate statement of financial position**

	NOTE	30.06.2021	31.12.2020
<b>ASSETS</b>			
Cash and due from Central Bank	20	7 606 188	4 456 272
Loans and advances to banks	21	3 466 223	2 917 839
Financial assets held for trading	22	915 527	1 613 337
Derivative financial instruments (held for trading)	23	3 577 785	4 842 279
Loans and advances to customers	24	139 720 861	128 726 959
1. Measured at amortised cost		139 183 026	126 951 240
2. Measured at fair value through profit or loss		178 989	187 001
3. Measured at fair value through other comprehensive income		358 846	1 588 718
Hedging instruments	25	604 189	779 063
Investment (placement) securities	26	70 616 708	72 657 423
1. Measured at fair value through profit or loss		173 403	160 486
2. Designated at fair value through profit or loss		-	-
3. Measured at fair value through other comprehensive income (debt securities)		33 259 194	44 606 162
4. Designated at fair value through other comprehensive income (equity instruments)		501 755	331 690
5. Measured at amortised cost		36 682 356	27 559 085
Assets held for sale		35 924	35 738
Investments in subsidiaries		1 542 623	1 542 792
Investments in associates		42 194	-
Intangible assets	27	1 253 852	1 139 355
Property, plant and equipment	28	1 777 450	1 834 635
Investment properties		-	-
Income tax assets		1 125 657	939 978
1. Current tax assets		20 549	-
2. Deferred tax assets		1 105 108	939 978
Other assets		997 038	895 326
<b>TOTAL ASSETS</b>		<b>233 282 219</b>	<b>222 380 996</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Amounts due to Central Bank	20	-	-
Amounts due to other banks	30	3 794 793	5 225 544
Financial liabilities held for trading	22	545 006	742 804
Derivative financial instruments (held for trading)	23	3 448 192	4 636 116
Amounts due to customers	31	192 750 351	178 827 283
Hedging instruments	25	850 601	1 072 959
Debt securities issued	32	48 434	523 305
Subordinated liabilities	33	2 757 773	2 757 876
Income tax liabilities		-	309 449
1. Current tax liabilities		-	309 449
2. Deferred tax liabilities		-	-
Provisions	34	947 726	1 052 781
Other liabilities		3 381 012	2 585 508
<b>TOTAL LIABILITIES</b>		<b>208 523 888</b>	<b>197 733 625</b>
<b>Equity</b>			
Share capital		262 470	262 470
Other capital and reserves		21 077 201	21 573 419
Retained earnings and net profit for the period		3 418 660	2 811 482
<b>TOTAL EQUITY</b>		<b>24 758 331</b>	<b>24 647 371</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>233 282 219</b>	<b>222 380 996</b>

Notes to the financial statements presented on pages 11 – 83 constitute an integral part of the condensed interim separate financial statements.

**Separate statement of changes in equity**

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
<b>Equity as at 1.01.2021</b>	<b>262 470</b>	<b>21 573 419</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>8 852 566</b>	<b>1 368 046</b>	<b>233 127</b>	<b>2 811 482</b>	<b>24 647 371</b>	
<b>Comprehensive income</b>	-	(780 113)	-	-	-	(780 113)	-	891 073	110 960	
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	(475 455)	-	-	-	(475 455)	-	-	(475 455)	
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	67 214	-	-	-	67 214	-	-	67 214	
Revaluation of hedging financial instruments (net of tax)	-	(371 872)	-	-	-	(371 872)	-	-	(371 872)	
Net profit for the period	-	-	-	-	-	-	-	891 073	891 073	
<b>Appropriation of retained earnings</b>	-	<b>283 895</b>	-	-	<b>283 895</b>	-	-	<b>(283 895)</b>	-	
Dividend paid	-	-	-	-	-	-	-	-	-	
Profit appropriation	-	283 895	-	-	283 895	-	-	(283 895)	-	
<b>Equity as at 30.06.2021</b>	<b>262 470</b>	<b>21 077 201</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 136 461</b>	<b>587 933</b>	<b>233 127</b>	<b>3 418 660</b>	<b>24 758 331</b>	

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	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
<b>Equity as at 1.01.2020</b>	<b>262 470</b>	<b>20 016 851</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>8 300 933</b>	<b>363 111</b>	<b>233 127</b>	<b>2 247 467</b>	<b>22 526 788</b>	
<b>Comprehensive income</b>	-	<b>1 004 935</b>	-	-	-	<b>1 004 935</b>	-	<b>1 126 424</b>	<b>2 131 359</b>	
Remeasurements of the defined benefit liabilities (net of tax)	-	(8 400)	-	-	-	(8 400)	-	-	(8 400)	
Revaluation of debt financial instruments and loans measured at fair value through other comprehensive income (net of tax)	-	563 950	-	-	-	563 950	-	-	563 950	
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	71 345	-	-	-	71 345	-	-	71 345	
Revaluation of hedging financial instruments (net of tax)	-	378 040	-	-	-	378 040	-	-	378 040	
Net profit for the period	-	-	-	-	-	-	-	1 126 424	1 126 424	
<b>Appropriation of retained earnings</b>	-	<b>562 409</b>	-	-	<b>562 409</b>	-	-	<b>(562 409)</b>	-	
Dividend paid	-	-	-	-	-	-	-	-	-	
Profit appropriation	-	562 409	-	-	562 409	-	-	(562 409)	-	
<b>Other</b>	-	<b>(10 776)</b>	-	-	<b>(10 776)</b>	-	-	-	<b>(10 776)</b>	
Acquisition of the organised part of the enterprise of the Pekao Investment Banking S.A	-	(10 776)	-	-	(10 776)	-	-	-	(10 776)	
<b>Equity as at 31.12.2020</b>	<b>262 470</b>	<b>21 573 419</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>8 852 566</b>	<b>1 368 046</b>	<b>233 127</b>	<b>2 811 482</b>	<b>24 647 371</b>	

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	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
<b>Equity as at 01.01.2020</b>	<b>262 470</b>	<b>20 016 851</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>8 300 933</b>	<b>363 111</b>	<b>233 127</b>	<b>2 247 467</b>	<b>22 526 788</b>	
<b>Comprehensive income</b>	-	<b>736 445</b>	-	-	-	<b>736 445</b>	-	<b>605 722</b>	<b>1 342 172</b>	
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	295 371	-	-	-	295 371	-	-	295 371	
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	8 624	-	-	-	8 624	-	-	8 624	
Revaluation of hedging financial instruments (net of tax)	-	432 450	-	-	-	432 450	-	-	432 450	
Net profit for the period	-	-	-	-	-	-	-	605 722	605 722	
<b>Appropriation of retained earnings</b>	-	<b>562 409</b>	-	-	<b>562 409</b>	-	-	<b>(562 409)</b>	-	
Dividend paid	-	-	-	-	-	-	-	-	-	
Profit appropriation	-	562 409	-	-	562 409	-	-	(562 409)	-	
<b>Other</b>	-	<b>(10 776)</b>	-	-	<b>(10 776)</b>	-	-	-	<b>(10 776)</b>	
Acquisition of the organised part of the enterprise of the Pekao Investment Banking S.A	-	(10 776)	-	-	(10 776)	-	-	-	(10 776)	
<b>Equity as at 30.06.2020</b>	<b>262 470</b>	<b>21 304 929</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>8 852 566</b>	<b>1 099 556</b>	<b>233 127</b>	<b>2 290 780</b>	<b>23 858 179</b>	

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**Separate cash flow statement**

	NOTE	I HALF 2021 PERIOD FROM 01.01.2021 TO 30.06.2021	I HALF 2020 PERIOD FROM 01.01.2020 TO 30.06.2020 RESTATED
<b>Cash flow from operating activities – indirect method</b>			
<b>Profit before income tax</b>		<b>1 205 400</b>	<b>876 833</b>
<b>Adjustments for:</b>		<b>252 284</b>	<b>25 306 105</b>
Depreciation and amortization	15	295 442	237 289
(Gains) losses on investing activities		(37 584)	(32 907)
Net interest income	7	(2 554 873)	(2 714 431)
Dividend income	9	(167 104)	(173 856)
Interest received		2 442 495	3 010 014
Interest paid		(101 740)	(477 761)
Income tax paid		(370 197)	(347 910)
Change in loans and advances to banks	36	555 912	65 798
Change in financial assets held for trading	36	759 451	245 071
Change in derivative financial instruments (assets)	36	1 273 538	(3 352 859)
Change in loans and advances to customers	36	1 204 011	(2 663 028)
Change in investment (placement) securities	36	512 303	(356 480)
Change in other assets	36	(817 826)	89 586
Change in amounts due to banks	36	(1 443 278)	560 801
Change in financial liabilities held for trading		(197 798)	117 606
Change in derivative financial instruments (liabilities)	36	(1 352 100)	3 201 378
Change in amounts due to customers	36	453 124	26 916 722
Change in debt securities issued		(5 620)	5 635
Change in subordinated liabilities		(103)	(4 979)
Payments for short-term leases and leases of low-value assets		(405)	(7 042)
Change in provisions	36	(108 944)	211 850
Change in other liabilities	36	(86 420)	775 608
<b>Net cash flows from operating activities</b>		<b>1 457 684</b>	<b>26 182 938</b>
<b>Cash flow from investing activities</b>			
<b>Investing activity inflows</b>		<b>144 688 331</b>	<b>85 133 682</b>
Subsidy received for taking over the part of the activities of Idea Bank S.A.		193 904	-
Sale of investment securities		144 415 440	84 959 826
Sale of intangible assets and property, plant and equipment		-	-
Dividend received		78 987	173 856
<b>Investing activity outflows</b>		<b>(142 539 818)</b>	<b>(102 318 890)</b>
Acquisition of associates		(42 193)	-
Acquisition of investment securities		(142 300 519)	(102 023 935)
Acquisition of intangible assets and property, plant and equipment		(197 106)	(294 955)
<b>Net cash flows from investing activities</b>		<b>2 148 513</b>	<b>(17 185 208)</b>

Notes to the financial statements presented on pages 11 – 83 constitute an integral part of the condensed interim separated financial statements.

	NOTE	I HALF 2021 PERIOD FROM 01.01.2021 TO 30.06.2021	I HALF 2020 PERIOD FROM 01.01.2020 TO 30.06.2020 RESTATED
<b>Cash flows from financing activities</b>			
<b>Financing activity inflows</b>		-	<b>479 940</b>
Due to loans and advances received from banks		-	-
Issue of debt securities		-	479 940
<b>Financing activity outflows</b>		<b>(647 496)</b>	<b>(867 678)</b>
Repayment of loans and advances received from banks		(113 535)	(122 599)
Redemption of debt securities		(475 728)	(688 176)
Payments for the principal portion of the lease liabilities		(58 233)	(56 903)
<b>Net cash flows from financing activities</b>		<b>(647 496)</b>	<b>(387 738)</b>
<b>Total net cash flows</b>		<b>2 958 701</b>	<b>8 609 992</b>
including effect of exchange rate fluctuations on cash and cash equivalents held		(34 114)	93 460
<b>Net change in cash and cash equivalents</b>		<b>2 958 701</b>	<b>8 609 992</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>7 296 349</b>	<b>7 220 182</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>36</b>	<b>10 255 050</b>	<b>15 830 174</b>

Notes to the financial statements presented on pages 11 – 83 constitute an integral part of the condensed interim separate financial statements.

**The accompanying notes to the financial statements constitute an integral part of the condensed interim separate financial statements.**

## 1. General information

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

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

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

The condensed unconsolidated interim financial statements of Bank Pekao S.A. for the period from 1 January 2021 to 30 June 2021 contain financial information of all the activities performed by the Bank.

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

The Bank also prepares Consolidated Financial Statements of Bank Pekao S.A. Group.

## 2. Business combinations

### Takeover of Idea Bank S.A.

#### *Description of the Transaction*

On 30 December 2020, the Bank Guarantee Fund (hereinafter 'BGF') decided to apply to Idea Bank S.A. the instrument of resolution due to the fulfillment of the following conditions:

- 1) the bankruptcy of Idea Bank S.A.,
- 2) there are no premises indicating that possible supervisory actions or actions of Idea Bank S.A. will allow to remove the risk of bankruptcy in due time,
- 3) initiation of resolution against Idea Bank S.A. was necessary in the public interest understood as the stability of the financial sector.

The resolution instrument applied by the BGF to Idea Bank S.A. consisted in the takeover by the Bank on 3 January 2021 with the effect specified in Art. 176 sec. 1 of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee system and forced restructuring (hereinafter the 'BGF Act') of Idea Bank SA, covering all its property rights and liabilities as at the end of the day of initiating the resolution, i.e. on 31 December 2020 (hereinafter referred to as 'Transaction'), excluding certain property rights and liabilities indicated in the BGF decision in question, including, inter alia:

- 1) property rights and liabilities related to actual, legal or tort related to:
  - a) trading in financial instruments and other activities relating to:
    - financial instruments issued by GetBack S.A. and related entities of GetBack S.A.,
    - investment certificates, in particular investment certificates issued by Lartiq (formerly Trigon) [Profit XXII NS FIZ, Profit XXIII, NS FIZ, Profit XXIV NS FIZ] represented by Lartiq TFI S.A. (formerly Trigon TFI S.A.), Universe NS FIZ, Universe 2 NS FIZ and other investment funds represented by Altus TFI S.A.,
  - b) providing insurance coverage, performing insurance intermediary activities or distribution of life insurances, if they are related to an insurance capital fund (also life insurance, where the insurance company's performance is determined based on specific indices or other base values),
  - c) providing services as an agent of an investment firm,
  - d) the activities of Idea Bank S.A., which are not covered by the Bank's statute,and claims arising from these rights and liabilities, including those covered by civil and administrative proceedings, regardless of the date when they were raised.
- 2) shares in subsidiaries and associates of Idea Bank S.A.,
- 3) corporate bonds issued by GetBack S.A.,

hereinafter referred to as 'Acquired Business'.

The takeover of the Acquired Business does not have a significant impact on the financial profile of the Bank, in particular on the capital and liquidity parameters of the Bank and the Group.

### *Transaction Justification*

Idea Bank S.A. was a commercial bank offering banking services provided to individual and institutional clients, such as accepting cash deposits payable on demand or on a specified date and keeping accounts of these deposits, granting loans, granting bank guarantees, issuing securities. Idea Bank S.A. The capital adequacy ratio of Idea Bank S.A. according to the last available financial statements prepared as at 30 September 2020 was at the level of 2.51% (compared to 10.5% required by law) and was significantly below the regulatory requirements.

The initiation of the resolution process made it possible to reduce the effects of the bankruptcy risk of Idea Bank S.A., and the negative consequences for the banking sector related to this eventuality.

### *Price conditions*

The takeover of Idea Bank S.A. was not related to the consideration payment by the Bank. As a result of the transaction, the Bank took over the assets and liabilities of Idea Bank S.A., the total estimated fair value of which was negative.

As indicated in the 'Description of the Transaction', the Bank did not acquire all the assets of Idea Bank S.A., in particular, the Bank did not take over shares in subsidiaries and associates.

Considering the above, the Bank received support from the BGF in the form of a subsidy in the amount of PLN 193 million in order to cover the difference between the value of the acquired liabilities and the value of the acquired property rights of Idea Bank S.A. The above funds were received by the Bank on 8 January 2021.

As an inseparable element of the entire Transaction, the Bank also received a guarantee from the BGF to cover losses resulting from the risk related to property rights or the entity's liabilities under the restructuring referred to in Art. 112 sec. 3 point 1 of the BGF Act ('Loss Coverage Guarantee'), which includes a loss coverage guarantee resulting from credit risk related to loan exposures ('CRM Guarantee') and a loss coverage guarantee (other than losses resulting from credit risk) related to the Acquired Business ('Guarantee for Residual Risks').

The takeover involves the takeover of the loan exposures included in the Acquired Business and could result in an increase in the risk-weighted exposure amount (it is calculated by multiplying the exposure amounts and the risk weight resulting from the provisions of the Regulation of the European Parliament and of the Council (EU) No.575/ 2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ('CRR')). An increase in such risk weighted exposure amounts could affect the Bank's capital requirements.

Therefore, the CRM Guarantee is used by the Bank as 'eligible unfunded credit protection' within the meaning of the CRR. This allowed, in terms of credit risk, to assign a risk weight appropriate to the entity providing protection - BGF, qualified as a public sector entity, to the acquired exposures, in accordance with the Polish Financial Supervision Authority opinion referred to in Art. 116 sec. 4 of CRR. As a consequence of obtaining the opinion referred to in Art. 116 sec. 4 of CRR and after the CRM Guarantee fulfills the remaining conditions for 'eligible unfunded credit protection', the exposures covered by the Loss Coverage Guarantee agreement are treated as exposures to the central government, resulting in a significant reduction of the capital requirement for credit risk on the part of the Bank.

### *Provisional settlement of the acquisition of the Acquired Business of Idea Bank S.A.*

The Bank made a provisional settlement of the Transaction using the principles of International Financial Reporting Standard 3 'Business Combinations' (hereinafter 'IFRS 3') as at the date of taking control (i.e. 3 January 2021) based on the data as at 31 December 2020.

In accordance with IFRS 3.45, the Bank makes the final settlement of the acquisition within a maximum period of one year from the date of obtaining control. Application of IFRS 3 requires, inter alia, carrying out the process of identifying and measuring the acquired assets and liabilities at fair value as at the acquisition date, and recognizing and measuring goodwill or a bargain purchase profit. Accordingly, the values of the identifiable assets acquired and the liabilities assumed, measured at fair value, presented below, may change, which may affect the calculation of the settlement.

*Recognition and measurement of identifiable assets acquired and liabilities assumed, measured in accordance with IFRS*

The recognized fair values of the identifiable assets acquired and liabilities assumed are presented in the table below.

ITEM NAME (*)	BOOK VAULE (*)	FAIR VAULE
Cash and due from Central Bank	1 099 662	1 085 742
Loans and advances to banks	200 339	210 088
Financial assets held for trading	65 476	65 172
Derivative financial instruments (held for trading)	9 044	9 044
Loans and advances to customers (in this receivables from financial leases)	12 048 461	12 060 942
Investments (placement) securities	652 453	453 168
Assets held for sale	565	519
Intangible assets	143 825	40 435
Property, plant and equipment	36 496	28 969
Other assets	139 221	64 921
<b>TOTAL ASSETS</b>	<b>14 395 542</b>	<b>14 019 000</b>
Amounts due to other banks	125 484	125 488
Derivative financial instruments (held for trading)	164 176	164 176
Amounts due to customers	13 504 707	13 575 553
Provisions	8 389	3 889
Other liabilities	342 485	343 798
<b>TOTAL LIABILITIES</b>	<b>14 145 241</b>	<b>14 212 904</b>

(\*) Data according to the statement of turnover and balances that the Bank received from the BGF on 3 January 2021

As a result of the above, the Bank recognized goodwill in the amount of PLN 904 thousand, calculated as the difference between the net amount of identifiable assets acquired and liabilities assumed (PLN -193 904 thousand) and the amount of subsidies from BGF (PLN 193 000 thousand). Goodwill will not be tax deductible.

#### *Significant assumptions used for the fair value measurement*

The determination of the fair value of the acquired assets and liabilities as well as the identification and recognition of intangible assets resulting from the acquisition were performed based on the available information and the best estimates as at the date of the financial statements. The basis for the valuation of individual components to their fair value were the book values as at 31 December 2020 received by the Bank from the BGF on 3 January 2021.

#### Cash and due from Central Bank and Loans and advances to banks

The balance of these items has been adjusted to reflect all economic events relating to 31 December 2020 which, for operational reasons, were not included in the statement of turnover and balances received by the Bank on 3 January 2021.

In addition, in the area of loans and advances to banks, a loan was measured at fair value (using the fair value methodology similar to that presented in the area of loans and advances to customers).

#### Loans and advances to customers

Loans and advances to customers were measured at fair value in accordance with the requirements of IFRS 3 and IFRS 13.

In the case of working loans, including purchased receivables, investment loans and operating loans, the fair value measurement was estimated on the basis of the income method, in which future expected capital and interest flows from the portfolio were discounted taking into account prepayments.

Moreover, the Bank decided that the CRM guarantee received from the BGF should be treated as integral with the taken over loan portfolio, which is covered by the guarantee, and therefore the effect of the guarantee was included in the fair value valuation of loans and advances by limiting the expected credit losses.

The future cash flows determined in accordance with the above approach were discounted with the discount rate, which included the following components: the risk-free rate estimated on the basis of IRS contract quotations based on WIBOR 1M, the mark-up on the cost of equity and a component representing the calibration margin.

Due to the recognition of the CRM guarantee as recognized unfunded protection (details in the Price conditions section), reduced risk weights for the cost of capital charge were used in the valuation of the loan portfolio.

#### Investments (placement) securities

The fair value adjustment of investment securities results from the revaluation of:

- the value of corporate bonds with the same rules as presented for loans and advances to customers, and
- the value of the shares of the financial entity, the value of which was estimated using the discounted dividend model.

#### Intangible assets

The adjustment of the fair value of intangible assets results mainly from the adoption of the perspective of an average market participant and taking into account plans for the continuation and further use of individual intangible assets.

As a result of the conducted analyzes, no premises for the recognition of relationships with customers holding savings and settlement accounts ('CDI') or relationships on loan products were identified, mainly due to the lack of a significant difference between the average interest rate of the taken over accounts, and at the cost of alternative financing of the Bank and a significant excess liquidity of the banking sector. In the case of loan products, no significant relationships were identified due to the low level of net interest and commission income in relation to the corresponding significant risk costs, as well as administrative costs.

#### Property, plant and equipment

The adjustment of the fair value of property, plant and equipment results mainly from the perspective of an average market participant adopted for valuation. In terms of lease agreements, the liquidation of the acquired facilities was assumed. The above approach results from the conducted market analysis, the attractiveness of the location of individual outlets and the comparison of the price conditions to currently concluded contracts of a similar size in similar locations.

#### Other assets

Adjustment of the fair value of other assets results mainly from the revaluation of significant receivables from corporate customers, applying the approach analogous to that applied to the valuation of loan exposures.

#### Amounts due to customers

In the case of current accounts, it was assumed that due to their nature (e.g. the possibility of withdrawing funds on demand, renewable with the possibility of changing conditions upon renewal, no maturity), the fair value does not differ from the book value.

The adjustment of the fair value of term deposits was estimated by discounting future values of term deposits including repayments of nominal values and interest accrued until repayment.

#### Provisions

The adjustment of the fair value of provisions results mainly from the write-off of a provision for restructuring.

#### Other liabilities

The adjustment of the fair value of other liabilities results from the revaluation of the provision for future liabilities. The value of liabilities was estimated on the basis of the expected future cash outflow and taking into account discount factors resulting from the current market conditions.

### 3. Statement of compliance

The Condensed Interim Separate Financial Statements of Bank Pekao S.A. for the period of six months ended 30 June of 2021 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union and other applicable regulations.

These financial statements do not include all information required for annual financial statements, and shall be read in conjunction with the separate financial statements of Bank Pekao S.A. for the year ended 31 December 2020.

The separate financial statements of Bank Pekao S.A. as at and for the year ended 31 December 2020 are available at the Bank's website [www.pekao.com.pl](http://www.pekao.com.pl).

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State the Bank is required to publish the financial report for the six months period ended 30 June 2021, i.e. current interim period.

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

These condensed interim separate financial statements were authorized for issue by the Management Board on 3 August 2021.

### 4. Significant accounting policies

#### 4.1 Basis of preparation of Separate Financial Statements

##### General information

Condensed Interim Separate Financial Statements of the Bank for the period of six months ended on 30 June of 2021 have been prepared based on the following valuation methods:

- at fair value for derivatives, financial assets and liabilities held for trading, financial assets designated as measured at fair value through profit and loss at initial recognition, equity instruments, financial assets classified to business model whose objective is achieved by both collecting contractual cash flows and selling financial assets that do not meet SPPI criteria and financial assets that do not meet SPPI criteria,
- at amortized cost for financial assets, classified to business model whose objective is to hold financial assets in order to collect contractual cash and meeting SPPI criteria at the same time, for other financial liabilities,
- at historical cost for non-financial assets and liabilities,
- non-current assets (or disposal groups) classified as held for sale are measured at the lower of the carrying amount or the fair value less costs to sell.

In the period of first half of 2021 the Bank did not amend its accounting policies in respect to valuation of assets and liabilities and profit measurement. The accounting policies applied by the Bank in these condensed interim separate financial statements, are the same as those applied in the Separate Financial Statements of Bank Pekao S.A. for the year ended on 31 December 2020. Those accounting policies have been applied uniformly to all presented reporting periods and by all entities of the Bank.

The separate financial statements include the requirements of all the International Financial Reporting Standards and International Accounting Standards approved by the European Union and related interpretations. Changes in published standards and interpretations, which became effective on or after 1 January 2021, had no material impact on the Bank's financial statements.

The financial statements does not take into consideration interpretations and amendments to Standards, pending approval by the European Union or approved by the European Union but came into force or shall come into force after the balance sheet date (Note 4.3 and Note 4.4). In the Bank's opinion, amendments to Standards and interpretations will not have a material impact on the separate financial statements of the Bank.

##### Comparability of financial data

In the separate financial statements for the year ended on 31 December 2020, the Bank changed the presentation of selected items in the profit and loss account. The item 'Net other operating income and expenses' has been presented in two separate lines, i.e. as 'Other operating income' and 'Other operating expenses'.



The above-mentioned changes made it necessary to transform the comparable data for the 6-month period ended on 30 June 2020, but they did not affect the level of the presented financial result.

The impact of changes on the comparative data of the income statement is presented in the table below:

SEPARATE INCOME STATEMENT	DATA FOR II QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR II QUARTER 2021 AFTER RESTATEMENT
Net other operating income and expenses	(5 998)	5 998	-
Other operating income	-	15 124	15 124
Other operating expenses	-	(21 122)	(21 122)

SEPARATE INCOME STATEMENT	DATA FOR I HALF 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I HALF 2021 AFTER RESTATEMENT
Net other operating income and expenses	(7 996)	7 996	-
Other operating income	-	32 425	32 425
Other operating expenses	-	(40 421)	(40 421)

In the financial statements for the year ended on 31 December 2020 the Bank changed presentation of selected items of the separate statement of cash flows:

- cash flows from operating activities determined using the indirect method have been presented as 'Gross profit' and adjustments (previously 'Net profit' and adjustments), therefore the item 'Income tax' has been rejected from the item 'Total adjustments',
- position 'Other investment inflows' was presented in line 'Changes in investment (placement) securities'.

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

SEPARATE CASH FLOW STATEMENT	DATA FOR I HALF 2020 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I HALF 2020 AFTER RESTATEMENT
Profit before income tax	-	876 833	876 833
Net profit for the period	605 722	(605 722)	-
Income tax	271 111	(271 111)	-
Change in investment (placement) securities	(840 683)	484 203	(356 480)
Other investing inflows	484 203	(484 203)	-



#### 4.2 New standards, interpretations and amendments to published standards that have been approved and published by the European Union and are effective on or after 1 January 2021

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
<b>IFRS 4 (amendment)</b> 'Insurance contracts'	<p>The main amendments include:</p> <ul style="list-style-type: none"> <li>deferral of the date of initial application of IFRS 17 by two years to annual reporting periods beginning on or after 1 January 2023,</li> <li>extension of the temporary exemption from applying IFRS 9 by two years. As a result, the qualifying entities will be required to apply IFRS 9 for annual period beginning on or after 1 January 2023.</li> </ul>	The standard's amendments did not have a material impact on the financial statements in the period of their first application.
<b>IFRS 9 (amendment)</b> 'Financial instruments' and <b>IFRS 7 (amendment)</b> 'Financial instruments: disclosures' and <b>IFRS 17 (amendment)</b> 'Insurance contracts' and <b>IFRS 16 (amendment)</b> 'Leasing'	<p>The main amendments include:</p> <ol style="list-style-type: none"> <li>accounting for modifications to financial assets, financial liabilities and lease liabilities required as a direct consequence of the interest rate benchmark reform and performed on an economically equivalent basis, by updating the effective interest rate.</li> <li>hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.</li> <li>in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interest rate benchmarks to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about: <ul style="list-style-type: none"> <li>how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition,</li> <li>quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark,</li> <li>to the extent that the interest rate benchmark reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.</li> </ul> </li> </ol>	The amendments to the standards did not have a material impact on the financial statements in the period of their first application.

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

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
<b>IFRS 3 (amendment)</b> 'Business combinations'	<p>The amendments to IFRS 3 include:</p> <ul style="list-style-type: none"> <li>Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework,</li> <li>Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination, and</li> <li>Add to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.</li> </ul> <p>Date of application: annual periods beginning on or after 1 January 2022.</p>	The Bank claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 16 (amendment)</b> 'Property, plant and equipment'	<p>The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.</p> <p>Date of application: annual periods beginning on or after 1 January 2022.</p>	The Bank claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 37 (amendment)</b> 'Provisions, contingent liabilities and contingent assets'	<p>The amendments to IAS 37 specify that the 'cost of fulfilling' an onerous contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.</p> <p>Date of application: annual periods beginning on or after 1 January 2022.</p>	The Bank claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.

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

STANDARD/ INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
<b>IFRS 17 'Insurance Contracts'</b>	The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' and related interpretations while applied. Date of application: annual periods beginning on or after 1 January 2023.	The Bank claims that the new standard will not have a material impact on the financial statements in the period of its first application.
<b>IAS 1 (amendment) 'Presentation of financial statements'</b>	The amendments affect requirements in IAS 1 for the presentation of liabilities. In particular, these amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Date of application: annual periods beginning on or after 1 January 2023.	The Bank claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 1 (amendment) 'Presentation of financial statement'</b>	The amendments to IAS 1 include: <ul style="list-style-type: none"> <li>an entity is required to disclose its material accounting policy information instead of its significant accounting policies,</li> <li>clarification that accounting policy information may be material because of its nature, even if the related amounts are immaterial,</li> <li>clarification that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and</li> <li>clarification that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.</li> </ul> Date of application: annual period beginning on or after 1 January 2023.	The Bank claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 8 (amendment) 'Accounting policies, changes in accounting estimates and errors'</b>	The amendments to IAS 8 include: <ul style="list-style-type: none"> <li>the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty,</li> <li>clarification that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors,</li> <li>clarification that a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.</li> </ul> Date of application: annual periods beginning on or after 1 January 2023.	The Bank claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>MSSF 16 (amendment) 'Leasing'</b>	The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognized in profit or loss. The practical expedient will only apply if: <ul style="list-style-type: none"> <li>the revised consideration is substantially the same or less than the original consideration,</li> <li>the reduction in lease payments relates to payments due on or before 30 June 2022, and</li> <li>no other substantive changes have been made to the terms of the lease</li> </ul> Date of application: periods beginning on or after 1 April 2021.	The Bank claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 12 (amendment) 'Income taxes'</b>	The amendments introduce the requirement to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will mainly apply to transactions such as leases for the lessee and decommissioning obligations.	The Bank is currently analyzing the impact of the standard's amendment on the financial statements in the period of its first application.

## 5. Accounting estimates

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

Estimates and assumptions are reviewed on an ongoing basis by the Bank and rely on historic data and other factors including expectation of the future events which seems justified in given circumstances. In particular, as at 30 June 2021, the Bank included in its estimates the impact of the COVID-19 epidemic on individual items of the Bank's assets and liabilities.

However, taking into account the significant uncertainty as to the further development of the economic situation, the estimates made may change in the future.

The uncertainty of the estimates made by the Bank as at 30 June 2021 concerns mainly:

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

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

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

### **Impairment of loans and advances to customers, expected credit losses**

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

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

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

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

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

### **Impairment of non-current assets (including goodwill)**

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

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

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

As at 30 June 2021, there was no need to make impairment allowances for non-current assets.

**Provisions for legal risk regarding foreign currency mortgage loans in CHF**

As at 30 June 2021 the Bank assessed the probability of the impact of legal risk regarding foreign currency mortgage loans in CHF on future expected cash flows from loan exposures and the probability of cash outflows.

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

Details on the main assumptions used to estimate the provisions for legal risk regarding foreign currency mortgage loans in CHF are presented in Note 6.1.

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

As at 30 June 2021 the Bank assessed the legal risk arising from the judgment of the Court of Justice of the European Union (hereinafter the 'CJEU') on consumer loans and estimated the possible amount of cash outflow as a refund of commission to the customer in relation to early repayment of consumer loans (for loans prepaid before the judgment of the CJEU, i.e. before 11 September 2019).

In addition, with regard to balance sheet exposures as at 30 June 2021, the Bank estimated the possible prepayments of these exposures in the future.

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

Details on the estimated provision for earlier repayments of consumer loans are presented in Note 34.

**Fair value measurement**

The principles of estimating fair value of derivative instruments and unquoted debt securities measured at fair value did not change in relation to 31 December 2020.

## 6. Risk management

### 6.1. Credit risk

The general framework for the risk management and credit risk mitigation methods did not change substantially compared to those described in the in the Separate Financial Statements of the Bank Pekao S.A. Bank for the year ended on 31 December 2020.

Due to increased vaccination, a decreased number of new COVID-19 cases is observed, although many uncertainties around macroeconomic situation still persist such as: the risk of restricting activities for some sectors of the economy that are exposed to the effects of pandemic, the risk of the occurrence of new wave of COVID-19 including the emergence of new mutations and the hypothetical inefficiencies of currently used vaccines. The Bank reflects these factors in the applied approach to credit risk management and calculation of expected credit losses.

In order to reduce the risk resulting from the Covid-19 pandemic, the Bank continues the activities of mitigating credit risk and supporting customers, including:

- enhanced monitoring of the loan portfolio with particular emphasis on increased risk industries,
- strengthening the instruments used to limit credit risk, including legal collateral of claims, both at the financing and monitoring stages,
- current adaptation to the changing situation of procedures in the area of crediting individual business lines,
- granting loans with the use of dedicated guarantee programs.

#### ***Changes in the methodology of calculation an expected credit losses***

In the first half of 2021 the Bank did not change the methodology of identification significant credit risk deterioration as the basis for, classification to stage 2 and did not change the classification methodology to stage 3.

Compared to the assumption used in 2020, in the first half of 2021 changes were made in the impairment allowances calculation model in order to reflect the expected observed conditions in the expected credit loss calculation according to details presented below.

In the period of Covid19 pandemic unusual changes took place in the macroeconomic situation and quality of the credit portfolio.

On one hand unprecedented economic collapse was observed (for example GDP decreased by 4% in 2020) and on the other hand unheard before support actions were taken by polish government and banking sector.

Despite the uncertain macroeconomic situation the Bank did not observe significant increase in the overall share of nonperforming exposures in the credit portfolio and the only essential growth was related to designation in 2020 the statutory credit holidays as premise of default. Above situation result in a disorder in previously assumed interdependencies between macroeconomic factors and portfolio loss ratio reflect in the participation rate of new exposures in the default state within one year horizon (Default Rate - DR).

In connection with the above in the first half of 2021 the Bank withdrew from use the previous macroeconomic model to project changes of DR, taking as a base to project DR trend analysis based on medium term DR history for detail portfolio. For nonretail portfolio the Bank decide using the historical information collected about average portfolio loss rate for this portfolio throughout the business cycle with additional expert correction for the next 2 years in order to reflect assumption that it will be return period from downturn phase to typical situation (observed in a stable macroeconomic situation).

Three scenarios are used by the Bank in the applied approach for the DR projection - base, optimistic (assumed positive changes in the credit portfolio quality related to the base scenario in the following years), pessimistic (in which the DR forecast reflect the risk of the occurrence of another wave of the epidemic, for example as a result of the SARS-COV 2 virus mutation and potential ineffectiveness of current vaccines).

Additionally, for some clients, where deterioration in financial quality might take place in connection with Covid19, the Bank took into consideration adequate probability of default in the expected credit loss calculation. For clients operating in the sector at risk and clients for which an increased risk has been identified the rating derived directly from internal models was downgraded by 2 levels (consistent with the standard monitoring process).

In the scope of LGD (Loss Given Default) the Bank reflect potential deterioration in recovery rates in future periods by determination of recovery parameters over a shorter period of historical observations (from 5 years to 2 years) for loans subject to group analysis and the expected recoveries for other non-performing loans assessed on an individual basis.

**Sensitivity analysis concerning the forecast of the macroeconomic situation**

The Bank determines expected credit losses taking into account three scenarios for the macroeconomic situation: base (assumed for the calculation as the most probable – 70%), optimistic (assuming positive changes in the quality of the portfolio in subsequent years as compared to the baseline scenario, with 10% probability of realization) and pessimistic (assuming negative changes in the situation in the following years compared to the baseline scenario, with a probability of 20%).

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

30.06.2021	BASE SCENARIO	OPTIMISTIC SCENARIO	PESYMIC SCENARIO
Change in the level of expected credit losses for exposures without impairment ( Stage1 and 2), assuming 100% realization of the scenario	(37 427)	(458 485)	360 522

The table below presents the results of the ECL sensitivity analysis for the assumed changes in PD and RR/LGD parameters carried out separately for exposures subject to individual and group analysis. For the exposures included in the Bank analysis, the PD and recovery rate (1-RR=LGD) increase and decrease by 1% and 5% scenario were presented compared to the values used to calculate the expected credit loss as of date 31.06.2021. For the exposures analyzed individually, the estimated impact is presented as a reduction of recoveries from collaterals included in the debt collection scenario by 10% .

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

PARAMETER DELTA	SCENARIO		
	GROUP ANALYSIS		INDIVIDUAL ANALYSIS
	PD CHANGE	RECOVER RATE CHANGE (1-LGD)	RECOVER RATE CHANGE
-10.0%	n/a	n/a	68
-5.0%	(75)	243	n/a
-1.0%	(15)	49	n/a
1.0%	15	(49)	n/a
5.0%	75	(241)	n/a

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

	LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)				TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT	
<b>GROSS CARRYING AMOUNT</b>					
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>3 071 277</b>	<b>168</b>	<b>-</b>	<b>86</b>	<b>3 071 531</b>
Increase due to acquisition of part of Idea Bank S.A. activity	1 295 830	-	-	-	1 295 830
Transfer to Stage 1	12	(12)	-	-	-
Transfer to Stage 2	(34 132)	34 133	-	(1)	-
Transfer to Stage 3	(1)	(8)	-	9	-
New / purchased / granted financial assets	6 239 444	-	-	-	6 239 444
Financial assets derecognised, other than write-offs (repayments)	(3 095 145)	(787)	-	(11)	(3 095 943)
Financial assets written off (**)	-	-	-	-	-
Other, in this changes resulting from exchange rates	5 245	(411)	-	4	4 838
<b>GROSS CARRYING AMOUNT AS AT 30.06.2021</b>	<b>7 482 530</b>	<b>33 083</b>	<b>-</b>	<b>87</b>	<b>7 515 700</b>
<b>IMPAIRMENT ALLOWANCE</b>					
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>3 504</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>3 508</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
New / purchased / granted financial assets	5 779	-	-	-	5 779
Financial assets derecognised, other than write-offs (repayments)	(434)	-	-	(13)	(447)
Financial assets written off (**)	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	3 667	-	-	-	3 667
Other, in this changes resulting from exchange rates	(17)	-	-	10	(7)
<b>IMPAIRMENT ALLOWANCE AS AT 30.06.2021</b>	<b>12 499</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>12 500</b>

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

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



LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)					
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT	
<b>GROSS CARRYING AMOUNT</b>					
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>4 348 373</b>	<b>291</b>	<b>-</b>	<b>96</b>	<b>4 348 760</b>
Transfer to Stage 1	23	(21)	-	(2)	-
Transfer to Stage 2	(34)	45	-	(11)	-
Transfer to Stage 3	(6)	(16)	-	22	-
New / purchased / granted financial assets	1 850 547	-	-	-	1 850 547
Financial assets derecognised, other than write-offs (repayments)	(3 188 349)	(96)	-	(27)	(3 188 472)
Financial assets written off (**)	-	-	-	(2)	(2)
Other, in this changes resulting from exchange rates	60 723	(35)	-	10	60 698
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>3 071 277</b>	<b>168</b>	<b>-</b>	<b>86</b>	<b>3 071 531</b>
<b>IMPAIRMENT ALLOWANCE</b>					
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>3 069</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>3 070</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(2)	-	-	2	-
New / purchased / granted financial assets	1 294	-	-	-	1 294
Financial assets derecognised, other than write-offs (repayments)	(713)	(54)	-	(23)	(790)
Financial assets written off (**)	-	-	-	(2)	(2)
Changes in level of credit risk (excluding the transfers between the Stages)	(50)	-	-	4	(46)
Other, in this changes resulting from exchange rates	(94)	54	-	22	(18)
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2020</b>	<b>3 504</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>3 508</b>

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

(\*\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 2 thousand.



TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>101 192 289</b>	<b>24 774 086</b>	<b>4 849 092</b>	<b>3 085 206</b>	<b>6 565</b>	<b>133 907 238</b>	<b>783 128</b>	<b>805 590</b>	<b>1 588 718</b>
Increase due to acquisition of part of Idea Bank S.A. activity	11 188 837	-	-	-	872 105	12 060 942	-	-	-
Transfer to Stage 1	4 552 191	(4 534 985)	(671)	(16 535)	-	-	-	-	-
Transfer to Stage 2	(9 079 610)	9 218 026	(24 192)	(114 224)	-	-	(50 075)	50 075	-
Transfer to Stage 3	(325 734)	(640 017)	(30 902)	996 653	-	-	-	-	-
New / purchased / granted financial assets	21 248 943	-	-	-	4 944	21 253 887	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(17 212 128)	(2 458 478)	(142 396)	(154 102)	(87 326)	(20 054 430)	(601 022)	(618 704)	(1 219 726)
Financial assets written off (*)	-	-	(47 210)	(188 192)	-	(235 402)	-	-	-
Modifications not resulting in derecognition	(1 367)	(753)	(2)	(177)	-	(2 299)	-	-	-
Other, in this changes resulting from exchange rates	(394 227)	(189 310)	13 605	24 479	144 922	(400 531)	(5 493)	(4 653)	(10 146)
<b>GROSS CARRYING AMOUNT AS AT 30.06.2021</b>	<b>111 169 194</b>	<b>26 168 569</b>	<b>4 617 324</b>	<b>3 633 108</b>	<b>941 210</b>	<b>146 529 405</b>	<b>126 538</b>	<b>232 308</b>	<b>358 846</b>
Including gross carrying amount as at 30.06.2021 of loans and advances from acquisition of part of Idea Bank S.A. activity	7 465 007	1 213 532	41 035	121 948	922 420	9 763 942	-	-	-
<b>IMPAIRMENT ALLOWANCE (**)</b>									
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>385 919</b>	<b>1 145 274</b>	<b>3 449 508</b>	<b>1 971 811</b>	<b>3 486</b>	<b>6 955 998</b>	<b>5 460</b>	<b>22 808</b>	<b>28 268</b>
Transfer to Stage 1	127 611	(121 434)	(543)	(5 634)	-	-	-	-	-
Transfer to Stage 2	(30 243)	75 758	(11 117)	(34 398)	-	-	(1 116)	1 116	-
Transfer to Stage 3	(27 577)	(86 065)	(210 070)	323 712	-	-	-	-	-
New / purchased / granted financial assets	87 486	-	-	-	1 676	89 162	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(26 473)	(30 318)	(23 488)	(19 410)	(17 189)	(116 878)	(4 069)	(19 258)	(23 327)
Financial assets written off (*)	-	-	(47 210)	(188 192)	-	(235 402)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(75 182)	186 629	153 196	196 074	28 646	489 363	1 782	490	2 272
Other, in this changes resulting from exchange rates	5 995	3 946	55 723	54 082	44 390	164 136	(265)	(423)	(688)
<b>IMPAIRMENT ALLOWANCE AS AT 30.06.2021</b>	<b>447 536</b>	<b>1 173 790</b>	<b>3 365 999</b>	<b>2 298 045</b>	<b>61 009</b>	<b>7 346 379</b>	<b>1 792</b>	<b>4 733</b>	<b>6 525</b>

(\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 73 458 thousand.

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

(\*\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 331 651 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 30 June 2021 amounted to PLN 1 497 thousand.

TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>109 352 812</b>	<b>19 170 005</b>	<b>4 836 208</b>	<b>2 795 007</b>	<b>10 049</b>	<b>136 164 081</b>	<b>937 162</b>	<b>608 620</b>	<b>1 545 782</b>
Transfer to Stage 1	3 490 248	(3 457 333)	(220)	(32 695)	-	-	-	-	-
Transfer to Stage 2	(12 162 367)	12 338 589	(13 748)	(162 474)	-	-	(183 753)	183 753	-
Transfer to Stage 3	(1 113 306)	(598 618)	744 205	967 719	-	-	-	-	-
New / purchased / granted financial assets	28 136 800	-	-	-	1 001	28 137 801	100 000	-	100 000
Financial assets derecognised, other than write-offs (repayments)	(27 434 056)	(2 921 962)	(299 563)	(354 277)	(5 550)	(31 015 408)	(127 701)	(51 141)	(178 842)
Financial assets written off (*)	-	-	(642 807)	(216 263)	(867)	(859 937)	-	-	-
Modifications not resulting in derecognition	(6 892)	(1 312)	18	(3 061)	-	(11 247)	-	-	-
Other, in this changes resulting from exchange rates	929 050	244 717	224 999	91 250	1 932	1 491 948	57 420	64 358	121 778
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>101 192 289</b>	<b>24 774 086</b>	<b>4 849 092</b>	<b>3 085 206</b>	<b>6 565</b>	<b>133 907 238</b>	<b>783 128</b>	<b>805 590</b>	<b>1 588 718</b>
<b>IMPAIRMENT ALLOWANCE (**)</b>									
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>315 839</b>	<b>703 006</b>	<b>3 332 521</b>	<b>1 923 480</b>	<b>2 272</b>	<b>6 277 118</b>	<b>4 954</b>	<b>17 402</b>	<b>22 356</b>
Transfer to Stage 1	144 213	(133 700)	(184)	(10 329)	-	-	-	-	-
Transfer to Stage 2	(60 349)	115 369	(2 802)	(52 218)	-	-	(960)	960	-
Transfer to Stage 3	(110 167)	(110 031)	42 882	177 316	-	-	-	-	-
New / purchased / granted financial assets	124 001	-	-	-	793	124 794	331	-	331
Financial assets derecognised, other than write-offs (repayments)	(41 839)	(26 771)	(42 637)	(31 964)	(465)	(143 676)	(1 102)	-	(1 102)
Financial assets written off (*)	-	-	(625 079)	(216 263)	(867)	(842 209)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(12 216)	581 691	568 136	246 411	(1 415)	1 382 607	1 894	2 788	4 682
Other, in this changes resulting from exchange rates	26 437	15 710	176 671	(64 622)	3 168	157 364	343	1 658	2 001
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2020</b>	<b>385 919</b>	<b>1 145 274</b>	<b>3 449 508</b>	<b>1 971 811</b>	<b>3 486</b>	<b>6 955 998</b>	<b>5 460</b>	<b>22 808</b>	<b>28 268</b>

(\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 199 301 thousand.

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

(\*\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 329 655 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 December 2020 amounted to PLN 1 400 thousand.

CORPORATE	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL – NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL – CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL – NOT CREDIT-IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>39 083 311</b>	<b>9 411 630</b>	<b>4 630 879</b>	<b>492 025</b>	<b>3 047</b>	<b>53 620 892</b>	<b>783 128</b>	<b>805 590</b>	<b>1 588 718</b>
Increase due to acquisition of part of Idea Bank S.A. activity	10 945 224	-	-	-	839 930	11 785 154	-	-	-
Transfer to Stage 1	2 402 990	(2 398 645)	(671)	(3 674)	-	-	-	-	-
Transfer to Stage 2	(6 252 041)	6 264 493	(9 932)	(2 520)	-	-	(50 075)	50 075	-
Transfer to Stage 3	(115 033)	(280 861)	(11 078)	406 972	-	-	-	-	-
New / purchased / granted financial assets	14 176 994	-	-	-	2 585	14 179 579	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(12 017 610)	(1 364 332)	(157 248)	(40 543)	(64 432)	(13 644 165)	(601 022)	(618 704)	(1 219 726)
Financial assets written off	-	-	(46 543)	(28 862)	-	(75 405)	-	-	-
Modifications not resulting in derecognition	(34)	189	-	-	-	155	-	-	-
Other, in this changes resulting from exchange rates	(323 058)	(122 152)	18 200	3 369	140 479	(283 162)	(5 493)	(4 653)	(10 146)
<b>GROSS CARRYING AMOUNT AS AT 30.06.2021</b>	<b>47 900 743</b>	<b>11 510 322</b>	<b>4 423 607</b>	<b>826 767</b>	<b>921 609</b>	<b>65 583 048</b>	<b>126 538</b>	<b>232 308</b>	<b>358 846</b>
Including gross carrying amount as at 30.06.2021 of loans and advances from acquisition of part of Idea Bank S.A. activity	7 294 376	1 130 477	23 873	121 515	913 627	9 483 868	-	-	-
<b>IMPAIRMENT ALLOWANCE (*)</b>									
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>249 670</b>	<b>242 905</b>	<b>3 266 152</b>	<b>455 971</b>	<b>1 568</b>	<b>4 216 266</b>	<b>5 460</b>	<b>22 808</b>	<b>28 268</b>
Transfer to Stage 1	42 438	(39 917)	(543)	(1 978)	-	-	-	-	-
Transfer to Stage 2	(19 859)	26 621	(5 086)	(1 676)	-	-	(1 116)	1 116	-
Transfer to Stage 3	(7 137)	(10 755)	(190 209)	208 101	-	-	-	-	-
New / purchased / granted financial assets	65 067	-	-	-	348	65 415	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(20 748)	(17 968)	(23 065)	(6 367)	(16 984)	(85 132)	(4 069)	(19 258)	(23 327)
Financial assets written off	-	-	(46 543)	(28 862)	-	(75 405)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	26 455	118 219	147 715	31 691	28 906	352 986	1 782	490	2 272
Other, in this changes resulting from exchange rates	3 778	(660)	52 602	38 675	45 121	139 516	(265)	(423)	(688)
<b>IMPAIRMENT ALLOWANCE AS AT 30.06.2021</b>	<b>339 664</b>	<b>318 445</b>	<b>3 201 023</b>	<b>695 555</b>	<b>58 959</b>	<b>4 613 646</b>	<b>1 792</b>	<b>4 733</b>	<b>6 525</b>

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

CORPORATE	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL – NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL – CREDIT-IMPAIRE)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL – NOT CREDIT-IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>47 951 914</b>	<b>4 143 731</b>	<b>4 627 824</b>	<b>537 988</b>	<b>5 235</b>	<b>57 266 692</b>	<b>937 162</b>	<b>608 620</b>	<b>1 545 782</b>
Transfer to Stage 1	1 596 124	(1 591 503)	(204)	(4 417)	-	-	-	-	-
Transfer to Stage 2	(8 047 705)	8 063 327	(12 892)	(2 730)	-	-	(183 753)	183 753	-
Transfer to Stage 3	(627 395)	(144 290)	730 787	40 898	-	-	-	-	-
New / purchased / granted financial assets	16 777 995	-	-	-	20	16 778 015	100 000	-	100 000
Financial assets derecognised, other than write-offs (repayments)	(19 492 180)	(1 082 368)	(297 598)	(47 324)	(4 425)	(20 923 895)	(127 701)	(51 141)	(178 842)
Financial assets written off	-	-	(635 288)	(53 941)	(3)	(689 232)	-	-	-
Modifications not resulting in derecognition	(2 135)	(44)	-	1	-	(2 178)	-	-	-
Other, in this changes resulting from exchange rates	926 693	22 777	218 250	21 550	2 220	1 191 490	57 420	64 358	121 778
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>39 083 311</b>	<b>9 411 630</b>	<b>4 630 879</b>	<b>492 025</b>	<b>3 047</b>	<b>53 620 892</b>	<b>783 128</b>	<b>805 590</b>	<b>1 588 718</b>
<b>IMPAIRMENT ALLOWANCE (*)</b>									
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>206 646</b>	<b>99 126</b>	<b>3 157 920</b>	<b>497 134</b>	<b>(369)</b>	<b>3 960 457</b>	<b>4 954</b>	<b>17 402</b>	<b>22 356</b>
Transfer to Stage 1	40 729	(37 606)	(181)	(2 942)	-	-	-	-	-
Transfer to Stage 2	(54 325)	59 125	(2 764)	(2 036)	-	-	(960)	960	-
Transfer to Stage 3	(28 205)	(9 722)	41 037	(3 110)	-	-	-	-	-
New / purchased / granted financial assets	77 639	-	-	-	200	77 839	331	-	331
Financial assets derecognised, other than write-offs (repayments)	(34 787)	(8 022)	(42 411)	(9 290)	(377)	(94 887)	(1 102)	-	(1 102)
Financial assets written off	-	-	(617 560)	(53 941)	(3)	(671 504)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	23 023	137 225	557 879	27 971	(540)	745 558	1 894	2 788	4 682
Other, in this changes resulting from exchange rates	18 950	2 779	172 232	2 185	2 657	198 803	343	1 658	2 001
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2020</b>	<b>249 670</b>	<b>242 905</b>	<b>3 266 152</b>	<b>455 971</b>	<b>1 568</b>	<b>4 216 266</b>	<b>5 460</b>	<b>22 808</b>	<b>28 268</b>

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

MORTGAGE LOANS TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>50 205 103</b>	<b>12 755 580</b>	<b>67 546</b>	<b>958 608</b>	<b>127</b>	<b>63 986 964</b>
Increase due to acquisition of part of Idea Bank S.A. activity	43 943	-	-	-	9 521	53 464
Transfer to Stage 1	1 551 832	(1 546 367)	-	(5 465)	-	-
Transfer to Stage 2	(2 105 740)	2 196 697	(12 863)	(78 094)	-	-
Transfer to Stage 3	(104 215)	(185 557)	(13 207)	302 979	-	-
New / purchased / granted financial assets	4 503 517	-	-	-	72	4 503 589
Financial assets derecognised, other than write-offs (repayments)	(3 078 880)	(657 837)	(3 006)	(44 688)	(935)	(3 785 346)
Financial assets written off	-	-	-	(2 777)	-	(2 777)
Modifications not resulting in derecognition	(514)	(334)	(2)	(34)	-	(884)
Other, in this changes resulting from exchange rates	16 200	(73 693)	196	(4 524)	445	(61 376)
<b>GROSS CARRYING AMOUNT AS AT 30.06.2021</b>	<b>51 031 246</b>	<b>12 488 489</b>	<b>38 664</b>	<b>1 126 005</b>	<b>9 230</b>	<b>64 693 634</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>20 116</b>	<b>520 518</b>	<b>44 334</b>	<b>347 504</b>	<b>(13)</b>	<b>932 459</b>
Transfer to Stage 1	25 291	(24 765)	-	(526)	-	-
Transfer to Stage 2	(406)	21 726	(5 579)	(15 741)	-	-
Transfer to Stage 3	(1 877)	(18 432)	(13 262)	33 571	-	-
New / purchased / granted financial assets	3 110	-	-	-	12	3 122
Financial assets derecognised, other than write-offs (repayments)	(511)	(2 837)	(296)	(5 257)	(119)	(9 020)
Financial assets written off	-	-	-	(2 777)	-	(2 777)
Changes in level of credit risk (excluding the transfers between the Stages)	(25 357)	26 014	2 759	44 710	62	48 188
Other, in this changes resulting from exchange rates	498	2 578	1 187	(1 979)	(371)	1 913
<b>IMPAIRMENT ALLOWANCE AS AT 30.06.2021</b>	<b>20 864</b>	<b>524 802</b>	<b>29 143</b>	<b>399 505</b>	<b>(429)</b>	<b>973 885</b>

MORTGAGE LOANS TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>47 284 003</b>	<b>12 690 965</b>	<b>59 623</b>	<b>738 917</b>	<b>150</b>	<b>60 773 658</b>
Transfer to Stage 1	1 721 139	(1 704 556)	-	(16 583)	-	-
Transfer to Stage 2	(2 877 549)	2 999 787	(855)	(121 383)	-	-
Transfer to Stage 3	(194 119)	(248 174)	12 696	429 597	-	-
New / purchased / granted financial assets	8 054 247	-	-	-	548	8 054 795
Financial assets derecognised, other than write-offs (repayments)	(3 828 280)	(1 189 003)	(1 741)	(76 833)	(167)	(5 096 024)
Financial assets written off	-	-	(5 989)	(11 518)	-	(17 507)
Modifications not resulting in derecognition	(2 681)	(548)	18	(1 023)	-	(4 234)
Other, in this changes resulting from exchange rates	48 343	207 109	3 794	17 434	(404)	276 276
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>50 205 103</b>	<b>12 755 580</b>	<b>67 546</b>	<b>958 608</b>	<b>127</b>	<b>63 986 964</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>20 553</b>	<b>276 139</b>	<b>37 952</b>	<b>286 939</b>	<b>(15)</b>	<b>621 568</b>
Transfer to Stage 1	37 669	(36 210)	-	(1 459)	-	-
Transfer to Stage 2	(478)	29 332	(38)	(28 816)	-	-
Transfer to Stage 3	(8 499)	(26 153)	1 468	33 184	-	-
New / purchased / granted financial assets	4 485	-	-	-	280	4 765
Financial assets derecognised, other than write-offs (repayments)	(511)	(5 793)	(226)	(8 663)	(10)	(15 203)
Financial assets written off	-	-	(5 989)	(11 518)	-	(17 507)
Changes in level of credit risk (excluding the transfers between the Stages)	(34 815)	50 207	8 772	72 844	(158)	96 850
Other, in this changes resulting from exchange rates	1 712	6 107	2 395	4 993	(110)	15 097
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2020</b>	<b>20 116</b>	<b>293 629</b>	<b>44 334</b>	<b>347 504</b>	<b>(13)</b>	<b>705 570</b>

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
OTHER LOANS AND ADVANCE TO INDIVIDUAL CLIENTS	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>9 868 644</b>	<b>2 468 403</b>	<b>38 628</b>	<b>1 634 565</b>	<b>3 387</b>	<b>14 013 627</b>
Increase due to acquisition of part of Idea Bank S.A. activity	13 985	-	-	-	4 889	18 874
Transfer to Stage 1	503 355	(495 959)	-	(7 396)	-	-
Transfer to Stage 2	(627 869)	662 877	(1 397)	(33 611)	-	-
Transfer to Stage 3	(106 487)	(173 599)	(6 600)	286 686	-	-
New / purchased / granted financial assets	2 401 683	-	-	-	2 287	2 403 970
Financial assets derecognised, other than write-offs (repayments)	(1 878 650)	(423 887)	(364)	(68 874)	(841)	(2 372 616)
Financial assets written off	-	-	(624)	(156 552)	-	(157 176)
Modifications not resulting in derecognition	(819)	(608)	-	(143)	-	(1 570)
Other, in this changes resulting from exchange rates	(77 919)	7 183	824	25 640	644	(43 628)
<b>GROSS CARRYING AMOUNT AS AT 30.06.2021</b>	<b>10 095 923</b>	<b>2 044 410</b>	<b>30 467</b>	<b>1 680 315</b>	<b>10 366</b>	<b>13 861 481</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>113 225</b>	<b>375 356</b>	<b>26 986</b>	<b>1 168 338</b>	<b>1 931</b>	<b>1 685 836</b>
Transfer to Stage 1	57 410	(54 280)	-	(3 130)	-	-
Transfer to Stage 2	(9 975)	27 408	(452)	(16 981)	-	-
Transfer to Stage 3	(18 563)	(56 878)	(6 595)	82 036	-	-
New / purchased / granted financial assets	19 233	-	-	-	1 316	20 549
Financial assets derecognised, other than write-offs (repayments)	(5 183)	(9 513)	(127)	(7 786)	(86)	(22 695)
Financial assets written off	-	-	(624)	(156 552)	-	(157 176)
Changes in level of credit risk (excluding the transfers between the Stages)	(75 012)	44 097	2 554	119 673	(322)	90 990
Other, in this changes resulting from exchange rates	1 704	2 030	643	17 382	(406)	21 353
<b>IMPAIRMENT ALLOWANCE AS AT 30.06.2021</b>	<b>82 839</b>	<b>328 220</b>	<b>22 385</b>	<b>1 202 980</b>	<b>2 433</b>	<b>1 638 857</b>

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
OTHER LOANS AND ADVANCE TO INDIVIDUAL CLIENTS	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>11 419 405</b>	<b>2 239 287</b>	<b>36 722</b>	<b>1 518 099</b>	<b>4 661</b>	<b>15 218 174</b>
Transfer to Stage 1	169 974	(158 262)	(17)	(11 695)	-	-
Transfer to Stage 2	(1 178 443)	1 216 803	-	(38 360)	-	-
Transfer to Stage 3	(291 792)	(206 154)	723	497 223	-	-
New / purchased / granted financial assets	3 196 989	-	-	-	434	3 197 423
Financial assets derecognised, other than write-offs (repayments)	(3 393 436)	(637 382)	(226)	(230 122)	(958)	(4 262 124)
Financial assets written off	-	-	(1 436)	(150 803)	(864)	(153 103)
Modifications not resulting in derecognition	(2 076)	(720)	-	(2 039)	-	(4 835)
Other, in this changes resulting from exchange rates	(51 977)	14 831	2 862	52 262	114	18 092
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>9 868 644</b>	<b>2 468 403</b>	<b>38 628</b>	<b>1 634 565</b>	<b>3 387</b>	<b>14 013 627</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>85 375</b>	<b>323 562</b>	<b>24 612</b>	<b>1 139 407</b>	<b>2 655</b>	<b>1 575 611</b>
Transfer to Stage 1	65 748	(59 817)	(4)	(5 927)	-	-
Transfer to Stage 2	(4 847)	26 212	-	(21 365)	-	-
Transfer to Stage 3	(73 463)	(74 156)	377	147 242	-	-
New / purchased / granted financial assets	41 555	-	-	-	312	41 867
Financial assets derecognised, other than write-offs (repayments)	(6 398)	(12 955)	-	(14 011)	(78)	(33 442)
Financial assets written off	-	-	(1 436)	(150 803)	(864)	(153 103)
Changes in level of credit risk (excluding the transfers between the Stages)	(212)	392 575	1 486	140 725	(717)	533 857
Other, in this changes resulting from exchange rates	5 467	6 822	1 951	(66 930)	623	(52 067)
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2020</b>	<b>113 225</b>	<b>602 243</b>	<b>26 986</b>	<b>1 168 338</b>	<b>1 931</b>	<b>1 912 723</b>



	DEBT SECURITIES MEASURED AT AMORTISED COST					DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)	PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>								
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>27 563 173</b>	<b>38 433</b>	<b>32 971</b>	<b>-</b>	<b>27 634 577</b>	<b>44 461 777</b>	<b>144 385</b>	<b>44 606 162</b>
Increase due to acquisition of part of Idea Bank S.A. activity	15 080	-	-	40 266	55 346	312 513	-	312 513
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(140 647)	140 647	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	11 762 616	-	-	-	11 762 616	130 548 781	-	130 548 781
Financial assets derecognised, other than write-offs (repayments)	(2 862 103)	-	-	-	(2 862 103)	(142 192 918)	(30 161)	(142 223 079)
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	155 398	4	483	(906)	154 979	14 056	761	14 817
<b>GROSS CARRYING AMOUNT AS AT 30.06.2021</b>	<b>36 493 517</b>	<b>179 084</b>	<b>33 454</b>	<b>39 360</b>	<b>36 745 415</b>	<b>33 144 209</b>	<b>114 985</b>	<b>33 259 194</b>
<b>IMPAIRMENT ALLOWANCE (*)</b>								
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>41 944</b>	<b>582</b>	<b>32 971</b>	<b>(5)</b>	<b>75 492</b>	<b>72 240</b>	<b>3 102</b>	<b>75 342</b>
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(4 406)	4 406	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	10 878	-	-	-	10 878	15 367	-	15 367
Financial assets derecognised, other than write-offs (repayments)	(2 016)	-	-	-	(2 016)	(10 559)	(9)	(10 568)
Changes in level of credit risk (excluding the transfers between the Stages)	(18 270)	189	-	-	(18 081)	(29 659)	602	(29 057)
Other, in this changes resulting from exchange rates	(101)	-	483	(3 596)	(3 214)	-	-	-
<b>GROSS CARRYING AMOUNT AS AT 30.06.2021</b>	<b>28 029</b>	<b>5 177</b>	<b>33 454</b>	<b>(3 601)</b>	<b>63 059</b>	<b>47 389</b>	<b>3 695</b>	<b>51 084</b>

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

	DEBT SECURITIES MEASURED AT AMORTISED COST				DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED) INDIVIDUAL ASSESSMENT	PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	TOTAL
<b>GROSS CARRYING AMOUNT</b>								
<b>GROSS CARRYING AMOUNT AS AT 1.01.2020</b>	<b>14 268 631</b>	<b>331 816</b>	<b>32 370</b>	<b>-</b>	<b>14 632 817</b>	<b>30 951 820</b>	<b>12 860</b>	<b>30 964 680</b>
Transfer to Stage 1	298 600	(298 600)	-	-	-	11 799	(11 799)	-
Transfer to Stage 2	(38 434)	38 434	-	-	-	(144 385)	144 385	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	20 398 512	-	-	-	20 398 512	356 783 532	-	356 783 532
Financial assets derecognised, other than write-offs (repayments)	(7 679 491)	(33 191)	-	-	(7 712 682)	(344 082 025)	(1 376)	(344 083 401)
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	315 355	(26)	601	-	315 930	941 036	315	941 351
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>27 563 173</b>	<b>38 433</b>	<b>32 971</b>	<b>-</b>	<b>27 634 577</b>	<b>44 461 777</b>	<b>144 385</b>	<b>44 606 162</b>
<b>IMPAIRMENT ALLOWANCE (*)</b>								
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2020</b>	<b>25 661</b>	<b>16 955</b>	<b>32 370</b>	<b>-</b>	<b>74 986</b>	<b>32 425</b>	<b>671</b>	<b>33 096</b>
Transfer to Stage 1	15 961	(15 961)	-	-	-	671	(671)	-
Transfer to Stage 2	(171)	171	-	-	-	(3 102)	3 102	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	15 529	-	-	-	15 529	29 843	-	29 843
Financial assets derecognised, other than write-offs (repayments)	(9 682)	(694)	-	-	(10 376)	(4 777)	-	(4 777)
Changes in level of credit risk (excluding the transfers between the Stages)	(5 783)	111	-	(5)	(5 677)	17 181	-	17 181
Other, in this changes resulting from exchange rates	429	-	601	-	1 030	(1)	-	(1)
<b>GROSS CARRYING AMOUNT AS AT 31.12.2020</b>	<b>41 944</b>	<b>582</b>	<b>32 971</b>	<b>(5)</b>	<b>75 492</b>	<b>72 240</b>	<b>3 102</b>	<b>75 342</b>

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

### **Moratoria implemented in the year of 2020 due to COVID-19**

In 2021, the Bank continued to use loan repayment programs and portfolio guarantee agreements with Bank Gospodarstwa Krajowego ('BGK'), limiting the effects of COVID-19, described in the financial statements of the Bank Pekao S.A. for the year ended on 31 December 2020.

On 31 March 2021, the Bank ended the application of moratoria developed by the Bank in accordance with the EBA Guidelines (non-statutory moratoria) for business entities. The term of portfolio guarantee agreements with Bank Gospodarstwa Krajowego ('BGK') was extended until 31 December 2021.

As at 30 June 2021, the gross carrying amount of the loan portfolio covered by the above-mentioned moratoria (active and expired) amounted to PLN 12 643 million (PLN 12 697 million as at 31 December 2020) and 62 336 customers were covered by moratoria (59 185 customers as at 31 December 2020). The negative result on insignificant modifications recognized in the first half of 2021 related to these moratoria amounted to PLN -2.1 million (in the first half of 2020 PLN -6.1 million) and was recognized in the net interest income.

As at 30 June 2021, the gross carrying amount of the loan portfolio covered by BGK's portfolio guarantees limiting the effects of COVID-19 was PLN 5 085 million (as at 31 December 2020 PLN 3 252 million) and guarantees covered 7 321 customers (4 530 customers as at 31 December 2020).

**Forbearance measures**

The forbome exposure identifying process has not changed substantially in relation to the principles described in the financial statements of Bank Pekao S.A. for the year ended 31 December 2020. The Bank has not modified the identification rules for 'forborne' exposures. In the case of granting credit holidays or other measures mitigating the effects of the COVID-19 epidemic, the Bank applies an approach consistent with regulatory guidelines in this respect. Granting credit holidays or other mitigation measures for the COVID-19 epidemic did not identify forbome exposures automatically.

Share of forbome exposures in the Bank's loan portfolio

	30.06.2021					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>Loans and advances measured at amortised cost, including:</b>	<b>110 721 658</b>	<b>24 994 779</b>	<b>1 251 325</b>	<b>1 335 063</b>	<b>880 201</b>	<b>139 183 026</b>
Forborne exposures gross	1 000 014	356 180	2 319 789	799 342	125 334	4 600 659
Loss allowance	(1 425)	(28 416)	(1 657 625)	(465 673)	(2 380)	(2 155 519)
Forborne exposures net	998 589	327 764	662 164	333 669	122 954	2 445 140
<b>Loans and advances measured at fair value through other comprehensive income, including:</b>	<b>126 538</b>	<b>232 308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>358 846</b>
Forborne exposures	-	-	-	-	-	-
Impairment allowance (*)	-	-	-	-	-	-
<b>Loans and advances measured at fair value through profit or loss, including:</b>						<b>178 989</b>
Forborne exposures						750

	31.12.2020					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>Loans and advances measured at amortised cost, including:</b>	<b>113 125 147</b>	<b>24 803 762</b>	<b>1 667 995</b>	<b>1 205 241</b>	<b>23 596</b>	<b>140 825 741</b>
Forborne exposures gross	1 066 433	392 180	2 391 141	635 583	1 201	4 486 538
Loss allowance	(2 207)	(34 871)	(1 797 164)	(325 652)	(219)	(2 160 113)
Forborne exposures net	1 064 226	357 309	593 977	309 931	982	2 326 425
<b>Loans and advances measured at fair value through other comprehensive income, including:</b>	<b>783 128</b>	<b>805 590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 588 718</b>
Forborne exposures	-	-	-	-	-	-
Impairment allowance (*)	-	-	-	-	-	-
<b>Loans and advances measured at fair value through profit or loss, including:</b>						<b>187 001</b>
Forborne exposures						1 068

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

**Issue related to the provision for legal risk regarding foreign currency mortgage loans in CHF**
**1) *Portfolio characteristics***

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

As at 30 June 2021, the Bank had a portfolio of foreign currency mortgage loans in CHF with a total gross carrying amount of PLN 2 418 million (i.e. CHF 586.7 million) compared to PLN 2 660 million (i.e. CHF 623.8 million) as at 31 December 2020.

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

	30.06.2021					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>Gross carrying amount, of which:</b>	<b>2 237</b>	<b>2 211 660</b>	<b>16 275</b>	<b>187 800</b>	-	<b>2 417 972</b>
denominated in CHF	2 237	2 208 265	16 275	187 457	-	2 414 234
indexed to CHF	-	3 395	-	343	-	3 738
<b>Impairment allowances, of which: (*)</b>	<b>-</b>	<b>(346 685)</b>	<b>(12 596)</b>	<b>(96 874)</b>	<b>-</b>	<b>(456 155)</b>
denominated in CHF	-	(346 654)	(12 596)	(96 744)	-	(455 994)
indexed to CHF	-	(31)	-	(130)	-	(161)
<b>Carrying amount, of which:</b>	<b>2 237</b>	<b>1 864 975</b>	<b>3 679</b>	<b>90 926</b>	<b>-</b>	<b>1 961 817</b>
denominated in CHF	2 237	1 861 611	3 679	90 713	-	1 958 240
indexed to CHF	-	3 364	-	213	-	3 577

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 331 651 thousand.

	31.12.2020					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>Gross carrying amount, of which:</b>	<b>2 602</b>	<b>2 438 951</b>	<b>34 705</b>	<b>183 547</b>	-	<b>2 659 805</b>
denominated in CHF	2 602	2 433 395	34 705	182 953	-	2 653 655
indexed to CHF	-	5 556	-	594	-	6 150
<b>Impairment allowances, of which: (*)</b>	<b>(1)</b>	<b>(353 883)</b>	<b>(23 976)</b>	<b>(91 229)</b>	<b>-</b>	<b>(469 089)</b>
denominated in CHF	(1)	(353 845)	(23 976)	(91 033)	-	(468 855)
indexed to CHF	-	(38)	-	(196)	-	(234)
<b>Carrying amount, of which:</b>	<b>2 601</b>	<b>2 085 068</b>	<b>10 729</b>	<b>92 318</b>	<b>-</b>	<b>2 190 716</b>
denominated in CHF	2 601	2 079 550	10 729	91 920	-	2 184 800
indexed to CHF	-	5 518	-	398	-	5 916

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 329 655 thousand.

As of 30 June 2021 the average LTV for CHF loans to individuals granted by the Bank amounted to 33.4% (37.1% as at 31 December 2020), with an average LTV for the whole portfolio of mortgage loans of 53.6% (55.5% as at 31 December 2020).

## 2) Court proceedings related to foreign currency mortgage loans in CHF

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

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

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

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

In the Bank's opinion, the expected ruling of the Supreme Court on the above-mentioned issues may have a significant impact on the further shaping of the line of judicial decisions in this regard. Until the date of approval of these financial statements, this ruling has not been issued.

In December 2020, the Chairman of the Polish Financial Supervision Authority presented a proposal to resolve the issue of loans in CHF. According to this proposal, the banks would offer their clients settlements under which the loan would be settled as if it had been granted in PLN from the beginning. The interest rate on the loan would depend on the WIBOR rate and the margin corresponding to the levels of margins in PLN offered on the market during the loan origination period. Historically repayments by the borrower would be counted towards the interest and principal repayment of such a notional loan in PLN, and its outstanding principal at the settlement date would be further repaid by the borrower.

As at 30 June 2021, 924 individual court cases were pending against the Bank regarding FX mortgage loans in CHF, which were granted in previous years, with the total value of the claim in the amount of PLN 228 million (as at 31 December 2020, the number of cases was 515, and the corresponding value of the dispute is PLN 126 million). The main cause of the dispute, as indicated by the plaintiffs, concerns the questioning of the provisions of the loan agreement with regard to the Bank's application of conversion rates and results in claims regarding the partial or complete invalidity of the loan agreements.

In the first half of 2021, the Bank received 34 unfavorable court judgments in cases brought by borrowers, including 6 final judgment and 2 favorable court judgments, including 1 judgment dismissing the claim to declare the loan agreement invalid and an action for payment in connection with the invalidity of the loan agreement (in 2020: 33 unfavorable court judgments in cases brought by borrowers, including 3 final judgments declaring the invalidity of the loan agreement and 10 favorable court judgments, including 2 final judgments dismissing the claim to declare the loan agreement invalid and an action for payment in connection with the invalidity of the loan agreement).

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

As at 30 June 2021, the level of the provision for the above-mentioned legal risk related to foreign currency mortgage loans in CHF estimated by the Bank amounted to PLN 410 million (PLN 410 million as at 31 December 2020).

The above amount includes the provision for individual pending litigation to which the Bank is a party in the amount of PLN 114.7 million as at 30 June 2021 (PLN 69 million as at 31 December 2020) and the portfolio provision for other foreign currency mortgage loan agreements in CHF, which are subject to legal risk related to the nature of these agreements, in the amount of PLN 295 million as at 30 June 2021 (PLN 341 million as at 31 December 2020).

The principles for estimating these provisions by the Bank as at 30 June 2021, including parameters adopted in individual scenarios, were consistent with the principles applied as at 31 December 2020 and were described in detail in the Separate Financial Statements of the Bank for the year ended on 31 December 2020.

Taking into account the short history of data on the scale of lawsuits (in particular in the field of final judgments), the significant level of complexity of various legal aspects that may occur in relation to these loan agreements, and, as a result, the unshaped direction of possible court decisions, the estimates of the above provision required by the Bank of many expert assumptions based on professional judgment.

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

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

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

PARAMETR	SCENARIO	IMPACT ON THE PROVISION LEVEL 30.06.2021
Number of lawsuits	+20%	54 888
	-20%	(54 888)
Probability of failure	+10 p.p. (no more than 100%)	21 639
	-10 p.p.	(32 727)
Probability of a contract invalidity scenario	+10 p.p. (no more than 100%)	14 068
	-10 p.p.	(24 823)

#### 4) *Provision related to foreign currency mortgage loans in CHF - accounting treatment and presentation*

As indicated in the section of the financial statements concerning accounting policies, the Bank recognizes that the legal risk affects the expected cash flows from the credit exposure and the amount of the provision is the difference between the expected cash flows from a given exposure and the contractual flows as defined in IFRS 9.

Therefore, with regard to currency exposures of mortgage loans in CHF unpaid as at 30 June 2021, the Bank adopts the approach that the amount of the provision for credit exposures outstanding as at 30 June 2021 (including existing and possible future claims) is recognized in 'Expected credit losses for loan receivables' (in correspondence with the item 'Net allowances for expected credit losses') up to the amount of credit exposure. Thus, the Bank recognizes that with regard to the CHF portfolio, there has been a significant increase in credit risk since the initial recognition date and classifies these loans to Basket 2.

In the case of part of the provision relating to repaid foreign currency mortgage loans in CHF (including existing and possible future lawsuits), or when the amount of the provision exceeds the net carrying amount of the credit exposure, the provision amount is recorded as 'Provisions' in correspondence with 'Other operating expenses'.

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

STATEMENT OF FINANCIAL POSITION	30.06.2021	31.12.2020
<b>Impairment allowances for loan exposures, in this:</b>	<b>331 651</b>	<b>329 655</b>
Individual provisions	96 604	58 859
Portfolio provisions	235 047	270 796
<b>Provisions for litigation and claims, in this:</b>	<b>78 078</b>	<b>80 325</b>
Individual provisions	18 117	10 127
Portfolio provisions	59 961	70 198
<b>Total</b>	<b>409 729</b>	<b>409 980</b>

INCOME STATEMENT	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Net allowances for expected credit losses	(517)	(2 084)	(9 049)	(10 894)
Other operating expenses	517	2 084	(5 981)	(4 416)
Total	-	-	(15 030)	(15 310)

## 6.2. Market risk

### Market risk of the trading book

The model of market risk measurement has not changed in relation to the one described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2020.

The table below presents the market risk exposure of the trading portfolio of the Bank measured by Value at Risk as at 30 June 2021 and as at 31 December 2020:

	30.06.2021	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	29	14	71	413
interest rate risk	1 958	801	2 100	4 072
Trading portfolio	2 092	810	2 081	3 592

	31.12.2020	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	23	6	67	1 153
interest rate risk	2 578	859	2 028	6 419
Trading portfolio	3 020	844	2 071	6 863

### Interest rate risk of the banking book

The banking book interest rate risk management process has not changed significantly in relation to the one described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2020.

Currently, very low NBP interest rates and high liquidity of the banking system exert a significant impact on the Bank's exposure to interest rate risk and Net Interest Income realised. Bank protects economic value of equity and the net interest income by concluding due amounts of IRS transactions and purchasing fixed-coupon bonds.

The table below presents the sensitivity of contractual interest income (NII) to the interest rate change by 100 b.p. and sensitivity of economic value of the Bank's equity (EVE) to the interest rate change by 200 b.p. (standard regulatory shock excluding the risk profile of own funds) as at 30 June 2021 and as at 31 December 2020:

SENSITIVITY IN %	30.06.2021	31.12.2020
NII	(6.47)	(6.13)
EVE	(5.40)	(7.04)

### Currency risk

The foreign currency exchange risk management process has not changed significantly in relation to the one described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2020.

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

#### Value at Risk

CURRENCY	30.06.2021	31.12.2020
Currencies total (*)	492	242

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



**Currency position**

30.06.2021	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS- DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	24 881 268	21 981 172	22 278 956	25 231 621	(52 569)
USD	7 837 274	9 565 540	8 109 730	6 375 530	5 934
CHF	2 522 934	650 158	2 210 678	4 076 848	6 606
GBP	400 704	1 071 559	775 485	103 491	1 139
NOK	299 962	63 028	5 033	242 255	(288)
SEK	92 464	76 170	31 445	47 957	(218)
CAD	20 667	63 978	48 108	3 866	931
DKK	58 258	18 576	43 648	83 204	126
CZK	36 398	20 705	502 636	522 122	(3 793)
CNY	6 215	40 925	809 647	774 846	91
Other currencies	94 949	101 480	563 787	555 855	1 401
<b>Total</b>	<b>36 251 093</b>	<b>33 653 291</b>	<b>35 379 153</b>	<b>38 017 595</b>	<b>(40 640)</b>

31.12.2020	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	24 216 874	18 927 452	26 661 391	32 081 060	(130 247)
USD	9 270 686	9 623 831	11 066 970	10 678 559	35 266
CHF	2 670 755	649 867	2 730 324	4 755 311	(4 099)
SEK	140 628	68 185	67 506	139 623	326
CAD	17 125	55 492	43 007	4 380	260
CZK	56 995	17 554	650 361	689 607	195
DKK	82 206	16 849	57 989	123 156	190
GBP	392 429	1 106 959	2 126 362	1 411 961	(129)
NOK	516 555	66 514	207 543	657 470	114
CNY	25 253	16 707	356 180	364 812	(86)
Other currencies	44 312	95 914	380 329	327 595	1 132
<b>Total</b>	<b>37 433 818</b>	<b>30 645 324</b>	<b>44 347 962</b>	<b>51 233 534</b>	<b>(97 078)</b>



### 6.3. Liquidity risk

The liquidity risk management process has not changed significantly in relation to that described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2020.

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

SUPERVISORY LIQUIDTY NORMS		REGULATORY LIMIT	30.06.2021	31.12.2020
M3	Own funds to non-liquid assets cover ratio	1	7.01	8.45
M4	Own funds and stable external funds to non-liquid and limited liquidity assets cover ratio	1	1.31	1.38
LCR	Liquidity coverage ratio	100%	204%	234%
NSFR	Net Stable Funding Ratio	100%	151%	145%

(\*) The values of regulatory liquidity norms have been determined in accordance with the principles set out by Resolution 386/2008 of UKNF of 17 December 2008 and the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation No. 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions.

The tables below present adjusted liquidity gap:

30.06.2021	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	63 675 616	5 740 086	27 645 826	74 525 244	61 695 447	233 282 219
Equity and liabilities	21 542 308	11 840 824	28 950 020	33 457 661	137 491 406	233 282 219
Off-balance sheet assets/liabilities (net)	(10 649 003)	992 034	1 930 753	1 892 310	5 462 033	(371 873)
<b>Periodic gap</b>	<b>31 484 305</b>	<b>(5 108 704)</b>	<b>626 559</b>	<b>42 959 893</b>	<b>(70 333 926)</b>	<b>(371 873)</b>
<b>Cumulated gap</b>	<b>-</b>	<b>26 375 601</b>	<b>27 002 160</b>	<b>69 962 053</b>	<b>(371 873)</b>	<b>-</b>

31.12.2020	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	66 669 376	5 103 139	25 313 566	66 859 460	58 435 455	222 380 996
Equity and liabilities	17 672 273	8 803 973	24 148 925	32 262 001	139 493 824	222 380 996
Off-balance sheet assets/liabilities (net)	(9 876 652)	22 925	2 970 600	2 282 755	3 910 122	(690 250)
<b>Periodic gap</b>	<b>39 120 451</b>	<b>(3 677 909)</b>	<b>4 135 241</b>	<b>36 880 214</b>	<b>(77 148 247)</b>	<b>(690 250)</b>
<b>Cumulated gap</b>	<b>-</b>	<b>35 442 542</b>	<b>39 577 783</b>	<b>76 457 997</b>	<b>(690 250)</b>	<b>-</b>

### 6.4. Operational risk

There have been no significant changes in the operational risk management process in relation to the one described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2020.

### 6.5. Fair value of financial assets and liabilities

**Financial instruments that are measured at fair value in the separate statement of financial position of the Bank**

There have been no significant changes in the measurement process of the financial instruments that are measured at fair value in relation to the one described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2020.

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

30.06.2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets:</b>	<b>10 067 191</b>	<b>16 240 985</b>	<b>13 261 512</b>	<b>39 569 688</b>
Financial assets held for trading	369 661	486 750	59 116	915 527
Derivative financial instruments, including:	-	3 566 088	11 697	3 577 785
Banks	-	895 816	11 697	907 513
Customers	-	2 670 272	-	2 670 272
Hedging instruments, including:	-	604 189	-	604 189
Banks	-	128 547	-	128 547
Customers	-	475 642	-	475 642
Securities measured at fair value through other comprehensive income	9 697 530	11 583 958	12 479 461	33 760 949
Securities measured at fair value through profit or loss	-	-	173 403	173 403
Loans and advances to customers measured at fair value through other comprehensive income	-	-	358 846	358 846
Loans and advances to customers measured at fair value through profit or loss	-	-	178 989	178 989
<b>Liabilities:</b>	<b>545 006</b>	<b>4 293 919</b>	<b>4 874</b>	<b>4 843 799</b>
Financial liabilities held for trading	545 006	-	-	545 006
Derivative financial instruments, including:	-	3 443 318	4 874	3 448 192
Banks	-	764 821	-	764 821
Customers	-	2 678 497	4 874	2 683 371
Hedging instruments, including:	-	850 601	-	850 601
Banks	-	675 188	-	675 188
Customers	-	175 413	-	175 413

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

31.12.2020	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets:</b>	<b>14 211 836</b>	<b>26 853 336</b>	<b>13 043 564</b>	<b>54 108 736</b>
Financial assets held for trading	938 452	629 783	45 102	1 613 337
Derivative financial instruments, including:	-	4 840 567	1 712	4 842 279
Banks	-	1 252 211	1 712	1 253 923
Customers	-	3 588 356	-	3 588 356
Hedging instruments, including:	-	779 063	-	779 063
Banks	-	26 070	-	26 070
Customers	-	752 993	-	752 993
Securities measured at fair value through other comprehensive income	13 273 384	20 603 923	11 060 545	44 937 852
Securities measured at fair value through profit or loss	-	-	160 486	160 486
Loans and advances to customers measured at fair value through other comprehensive income	-	-	187 001	187 001
Loans and advances to customers measured at fair value through profit or loss	-	-	1 588 718	1 588 718
<b>Liabilities:</b>	<b>742 804</b>	<b>5 709 075</b>	<b>-</b>	<b>6 451 879</b>
Financial liabilities held for trading	742 804	-	-	742 804
Derivative financial instruments, including:	-	4 636 116	-	4 636 116
Banks	-	1 230 815	-	1 230 815
Customers	-	3 405 301	-	3 405 301
Hedging instruments, including:	-	1 072 959	-	1 072 959
Banks	-	995 230	-	995 230
Customers	-	77 729	-	77 729

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

I HALF 2021	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
<b>Opening balance</b>	<b>45 102</b>	<b>1 712</b>	<b>1 588 718</b>	<b>187 001</b>	<b>160 486</b>	<b>11 060 545</b>	<b>-</b>
Increases, including:	2 868 440	9 985	91 187	1 502	12 917	5 921 185	4 390
Increase due to acquisition of part of Idea Bank S.A. activity	-	4 453	-	-	-	85 309	4 390
Reclassification	924	-	-	-	-	616 602	-
Transactions made in 2021	-	-	52 830	363	-	-	-
Acquisition/Granting	2 864 400	-	-	-	-	5 063 741	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments	3 116	5 532	38 357	1 139	12 917	155 533	-
recognized in the income statement	3 106	5 532	38 357	1 139	12 917	141 842	-
recognized in revaluation reserves	10	-	-	-	-	13 691	-
Decreases, including:	(2 854 426)	-	(1 321 059)	(9 514)	-	(4 502 269)	484
Reclassification	(6 015)	-	-	-	-	(393 824)	-
Settlement/Redemption	(22 899)	-	(1 102 324)	(9 514)	-	(1 730 692)	-
Sale/Repayment	(2 823 363)	-	(195 501)	-	-	(2 310 770)	-
Losses on financial instruments	(2 149)	-	(23 234)	-	-	(66 983)	484
recognized in the income statement	(4)	-	-	-	-	(1 395)	484
recognized in revaluation reserves	(2 145)	-	(23 234)	-	-	(65 588)	-
<b>Closing balance</b>	<b>59 116</b>	<b>11 697</b>	<b>358 846</b>	<b>178 989</b>	<b>173 403</b>	<b>12 479 461</b>	<b>4 874</b>
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>(1 693)</b>	<b>5 532</b>	<b>(5 811)</b>	<b>1 126</b>	<b>-</b>	<b>(49 777)</b>	<b>(484)</b>
Income statement:	(1 693)	5 532	(704)	1 126	-	35 787	(484)
net interest income	484	-	1 568	49	-	35 131	-
net allowances for expected credit losses	-	-	(2 272)	-	-	656	-
result on financial assets and liabilities held for trading	(2 177)	5 532	-	1 077	-	-	(484)
Other comprehensive income	-	-	(5 107)	-	-	(85 564)	-

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

2020	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
<b>Opening balance</b>	<b>8 171</b>	<b>3 042</b>	<b>1 545 782</b>	<b>242 639</b>	<b>125 454</b>	<b>7 077 273</b>	<b>-</b>
Increases, including:	5 617 622	-	146 092	652	36 159	17 667 218	-
Reclassification	28 947	-	-	-	-	42 937	-
Transactions made in 2020	-	-	-	-	-	-	-
Acquisition/Granting	5 584 669	-	99 437	604	-	17 345 323	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments recognized in the income statement	4 006	-	46 653	48	36 159	278 958	-
recognized in revaluation reserves	4 006	-	32 560	48	36 159	258 424	-
recognized in revaluation reserves	-	-	14 093	-	-	20 534	-
Decreases, including:	(5 580 691)	(1 330)	(103 154)	(56 290)	(1 127)	(13 683 946)	-
Reclassification	(136)	-	-	-	-	(194 800)	-
Settlement/Redemption	(1 953 741)	-	(52 324)	(56 290)	-	(513 030)	-
Sale/Repayment	(3 626 800)	-	(50 830)	-	-	(12 944 895)	-
Losses on financial instruments recognized in the income statement	(14)	(1 330)	-	-	(1 127)	(31 221)	-
recognized in the income statement	(14)	(1 330)	-	-	(1 127)	(76)	-
recognized in revaluation reserves	-	-	-	-	-	(31 145)	-
<b>Closing balance</b>	<b>45 102</b>	<b>1 712</b>	<b>1 588 718</b>	<b>187 001</b>	<b>160 486</b>	<b>11 060 545</b>	<b>-</b>
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>2 315</b>	<b>(1 330)</b>	<b>10 712</b>	<b>(82)</b>	<b>-</b>	<b>117 510</b>	<b>-</b>
Income statement:	2 315	(1 330)	(3 304)	(82)	-	34 704	-
net interest income	14	-	1 708	557	-	55 590	-
net allowances for expected credit losses	-	-	(5 012)	-	-	(20 886)	-
result on financial assets and liabilities held for trading	2 301	(1 330)	-	(639)	-	-	-
Other comprehensive income	-	-	14 016	-	-	82 806	-

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

In the period from 1 January to 30 June 2021 the following transfers of financial instruments between the levels of the fair value hierarchy were made:

- from Level 3 to Level 2: corporate and municipal bonds which were valued based on information on the prices of comparable financial instruments and corporate bonds with immaterial impact of the estimated credit parameters on the valuation,
- from Level 2 to Level 3: municipal and corporate bonds, for which impact of estimated credit parameters was material.

The impact of estimated parameters on measurement of financial instruments for which the Bank applies fair value valuation according to Level 3 as at 30 June 2021 is as follows:

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 30.06.2021	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 30.06.2021	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Corporate and municipal debt securities	12 055 846	Discounted cash flow	Credit spread	0.15% -1.07%	167 685	(211 452)
Sovereign securities	38 681	Discounted cash flow	Spread to benchmark bond	0.07% -0.69%	2 349	(2 349)
Derivatives	8 011	Black Scholes model	Correlation	0-1	422	(235)
Derivatives	4 023	Black Scholes model	Volatility	2.7-4.0	1 082	(1 004)
Loans and advances measured at fair value through profit or loss	178 989	Discounted cash flow	Credit spread	0.30% -1.39%	3 336	(3 243)
Loans and advances measured at fair value through other comprehensive income	358 846	Discounted cash flow	Credit spread	0.27% -0.36%	3 641	(3 591)

FINANCIAL ASSET	FAIR VALUE AS AT 30.06.2021	PARAMETR	SCENARIO	IMPACT ON FAIR VALUE AS AT 30.06.2021	
				POSITIVE SCENARIO	NEGATIVE SCENARIO
Equity instruments mandatorily measured at fair value through profit or loss	173 403	Conversion discount	+10% / -10%	9 614	(19 263)
Equity instrument in entity providing credit information designated for measurement at fair value through other comprehensive income	387 239	Discount rate	+1% / -1%	76 452	(53 800)

The impact of estimated parameters on measurement of financial instruments for which the Bank applies fair value valuation according to Level 3 as at 31 December 2020 is as follows:

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 31.12.2020	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 31.12.2020	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Corporate and municipal debt securities	10 799 404	Discounted cash flow	Credit spread	0.20% -1.02%	131 754	(142 002)
Sovereign securities	28 116	Discounted cash flow	Spread to benchmarking bond	0.04% -0.71%	1 878	(1 878)
Derivatives	1 712	Black Scholes Model	Correlation	0-1	17	(1 099)
Loans and advances measured at fair value through profit or loss	187 001	Discounted cash flow	Credit spread	0.30% -1.19%	3 735	(3 641)
Loans and advances measured at fair value through other comprehensive income	1 588 718	Discounted cash flow	Credit spread	2.34% -3.24%	19 426	(19 141)

FINANCIAL ASSET	FAIR VALUE AS AT 31.12.2020	PARAMETR	SCENARIO	IMPACT ON FAIR VALUE AS AT 31.12.2020	
				POSITIVE SCENARIO	NEGATIVE SCENARIO
Equity instruments mandatorily measured at fair value through profit or loss	160 486	Conversion discount	+10% / -10%	8 911	(17 831)
Equity instrument in entity providing credit information designated for measurement at fair value through other comprehensive income	239 617	Discount rate	+1% / -1%	47 508	(33 966)

#### Financial instruments that are not measured at fair value in the separate statement of financial position of the Bank

There have been no significant changes in the measurement process of the financial instruments which are not presented at fair value in the financial statements in relation to the one described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2020.

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

30.06.2021	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>Assets</b>					
Cash and due from Central Bank	7 606 188	7 606 466	3 569 212	4 037 254	-
Loans and advance to banks	3 466 223	3 494 874	-	1 760 253	1 734 621
Loans and advances to customers measured at amortised cost	139 183 026	138 816 181	-	990 007	137 826 174
Debt securities measured at amortised cost	36 682 356	37 111 501	22 586 972	7 049 822	7 474 707
Other assets	997 038	997 038	-	-	997 038
<b>Total Assets</b>	<b>187 934 831</b>	<b>188 026 060</b>	<b>26 156 184</b>	<b>13 837 336</b>	<b>148 032 540</b>
<b>Liabilities</b>					
Amounts due to Central Bank	-	-	-	-	-
Amounts due to other banks	3 794 793	3 806 959	-	1 241 555	2 565 404
Amounts due to customers	192 750 351	192 434 834	-	-	192 434 834
Debt securities issued	48 434	48 474	-	48 474	-
Subordinated liabilities	2 757 773	2 759 653	-	2 759 653	-
Other liabilities	3 366 012	3 366 012	-	-	3 366 012
<b>Total Liabilities</b>	<b>202 717 363</b>	<b>202 415 932</b>	<b>-</b>	<b>4 049 682</b>	<b>198 366 250</b>

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

31.12.2020	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>Assets</b>					
Cash and due from Central Bank	4 456 272	4 456 230	4 306 089	150 141	-
Loans and advance to banks	2 917 839	2 914 802	-	1 455 460	1 459 342
Loans and advances to customers measured at amortised cost	126 951 240	126 140 716	-	280 627	125 860 089
Debt securities measured at amortised cost	27 559 085	28 610 710	19 803 027	4 410 186	4 397 497
Other assets	895 326	895 326	-	-	895 326
<b>Total Assets</b>	<b>162 779 762</b>	<b>163 017 784</b>	<b>24 109 116</b>	<b>6 296 414</b>	<b>132 612 254</b>
<b>Liabilities</b>					
Amounts due to Central Bank	-	-	-	-	-
Amounts due to other banks	5 225 544	5 240 842	-	2 475 559	2 765 283
Amounts due to customers	178 827 283	177 998 857	-	-	177 998 857
Debt securities issued	523 305	523 940	-	523 940	-
Subordinated liabilities	2 757 876	2 761 026	-	2 761 026	-
Other liabilities	2 585 508	2 585 508	-	-	2 585 508
<b>Total Liabilities</b>	<b>189 919 516</b>	<b>189 110 173</b>	<b>-</b>	<b>5 760 525</b>	<b>183 349 648</b>



## 7. Interest income and expense

### Interest income

	II QUARTER 2021			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	1 096 818	119 478	-	1 216 296
Loans and advances (in this receivables from financial leases)	971 656	8 206	-	979 862
Interbank placements	(286)	-	-	(286)
Reverse repo transactions	340	-	-	340
Investment securities	125 108	111 272	-	236 380
Other interest income related to financial assets measured at fair value through profit or loss	-	-	69 556	69 556
Loans and other receivables from customers	-	-	107	107
Hedging derivatives	-	-	68 618	68 618
Financial assets held for trading	-	-	831	831
<b>Total</b>	<b>1 096 818</b>	<b>119 478</b>	<b>69 556</b>	<b>1 285 852</b>

	I HALF 2021			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	2 210 375	267 971	-	2 478 346
Loans and advances (in this receivables from financial leases)	1 983 143	17 294	-	2 000 437
Interbank placements	(37)	-	-	(37)
Reverse repo transactions	361	-	-	361
Investment securities	226 908	250 677	-	477 585
Other interest income related to financial assets measured at fair value through profit or loss	-	-	138 348	138 348
Loans and other receivables from customers	-	-	214	214
Hedging derivatives	-	-	136 370	136 370
Financial assets held for trading	-	-	1 764	1 764
<b>Total</b>	<b>2 210 375</b>	<b>267 971</b>	<b>138 348</b>	<b>2 616 694</b>

	II QUARTER 2020			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	1 248 876	164 557	-	1 413 433
Loans and advances (in this receivables from financial leases)	1 137 009	9 122	-	1 146 131
Interbank placements	2 802	-	-	2 802
Reverse repo transactions	2 983	-	-	2 983
Investment securities	106 082	155 435	-	261 517
Other interest income related to financial assets measured at fair value through profit or loss	-	-	69 334	69 334
Loans and other receivables from customers	-	-	482	482
Hedging derivatives	-	-	64 875	64 875
Financial assets held for trading	-	-	3 977	3 977
<b>Total</b>	<b>1 248 876</b>	<b>164 557</b>	<b>69 334</b>	<b>1 482 767</b>

	I HALF 2020			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	2 671 279	322 797	-	2 994 076
Loans and advances (in this receivables from financial leases)	2 442 967	17 521	-	2 460 488
Interbank placements	12 993	-	-	12 993
Reverse repo transactions	10 230	-	-	10 230
Investment securities	205 089	305 276	-	510 365
Other interest income related to financial assets measured at fair value through profit or loss	-	-	129 669	129 669
Loans and other receivables from customers	-	-	1 794	1 794
Hedging derivatives	-	-	120 579	120 579
Financial assets held for trading	-	-	7 296	7 296
<b>Total</b>	<b>2 671 279</b>	<b>322 797</b>	<b>129 669</b>	<b>3 123 745</b>

#### Interest expense

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Deposits from customers	8 480	(27 735)	(124 483)	(336 074)
Interbank deposits	(1 100)	(2 174)	(2 355)	(5 815)
Repo transactions	(8)	(26)	(1 182)	(6 993)
Loans and advances received	(358)	(720)	(690)	(1 560)
Leasing	(2 497)	(5 180)	(3 182)	(6 261)
Debt securities	(12 828)	(25 986)	(23 203)	(52 611)
<b>Total</b>	<b>(8 311)</b>	<b>(61 821)</b>	<b>(155 095)</b>	<b>(409 314)</b>

The amounts shown above contain interest expense relating to the financial liabilities measured at amortised cost.

## 8. Fee and commission income and expense

### Fee and commission income

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Accounts maintenance, payment orders and cash transactions	180 957	351 018	145 892	294 438
Payment cards	147 209	282 456	141 443	287 551
Loans and advances	109 251	189 916	83 439	164 440
Margin on foreign exchange transactions with clients	139 332	264 526	115 709	250 028
Service and sell investment and insurance products	41 224	82 449	35 612	76 649
Securities operations	25 372	55 017	21 623	37 584
Custody activity	18 979	36 909	16 106	30 259
Guarantees, letters of credit and similar transactions	20 569	40 050	16 339	33 023
Other	20 796	40 158	16 373	35 526
<b>Total</b>	<b>703 689</b>	<b>1 342 499</b>	<b>592 536</b>	<b>1 209 498</b>

### Fee and commission expense

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Payment cards	(82 916)	(161 962)	(75 049)	(150 105)
Money orders and transfers	(5 337)	(10 630)	(5 123)	(10 634)
Securities and derivatives operations	(12 649)	(25 350)	(8 270)	(15 994)
Acquisition services	(12 162)	(22 417)	(10 437)	(18 956)
Custody activity	(6 394)	(12 186)	(5 365)	(9 544)
Accounts maintenance	(1 199)	(2 079)	(1 239)	(2 102)
Other	(4 140)	(6 725)	(1 728)	(3 336)
<b>Total</b>	<b>(124 797)</b>	<b>(241 349)</b>	<b>(107 211)</b>	<b>(210 671)</b>

Fee and commission income and expense (other than the amounts included in determining the effective interest rate) arising from financial assets and financial liabilities that are not at fair value through profit or loss.

## 9. Dividend income

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Subsidiaries	141 507	141 507	147 859	147 859
Issuers of securities measured at fair value through profit or loss	20	20	256	511
Issuers of equity instruments designated at fair value through other comprehensive income	25 577	25 577	25 486	25 486
<b>Total</b>	<b>167 104</b>	<b>167 104</b>	<b>173 601</b>	<b>173 856</b>

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

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Gains (losses) on loans and advances to customers measured mandatorily at fair value through profit or loss	45	1 273	(5 354)	(3 663)
Gains (losses) on securities measured mandatorily at fair value through profit or loss	16 226	10 998	21 488	2 928
Foreign exchange result	72 406	71 771	3 873	(27 174)
Gains (losses) on derivatives	(31 026)	(7 405)	12 633	49 247
Gains (losses) on securities held for trading	5 442	12 821	16 445	30 280
<b>Total</b>	<b>63 093</b>	<b>89 458</b>	<b>49 085</b>	<b>51 618</b>

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

### Realized gains

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Financial assets measured at amortised cost	2 897	6 582	967	9 405
Financial assets measured at fair value through other comprehensive income	21 111	28 747	25 590	38 630
Financial liabilities not measured at fair value through profit or loss	-	-	-	1
<b>Total</b>	<b>24 008</b>	<b>35 329</b>	<b>26 557</b>	<b>48 036</b>

### Realized losses

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Financial assets measured at amortised cost	(499)	(996)	(1 643)	(2 347)
Financial assets measured at fair value through other comprehensive income	(298)	(298)	(1 974)	(2 016)
Financial liabilities not measured at fair value through profit or loss	(17)	(28)	(39)	(87)
<b>Total</b>	<b>(814)</b>	<b>(1 322)</b>	<b>(3 656)</b>	<b>(4 450)</b>

<b>Net realized profit</b>	<b>23 194</b>	<b>34 007</b>	<b>22 901</b>	<b>43 586</b>
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## 12. Net allowances for expected credit losses

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Loans and other financial assets measured at amortized cost (*)	(267 954)	(468 562)	(385 244)	(648 104)
Debt securities measured at amortized cost	13 326	9 219	14 642	2 309
Loans measured at fair value through other comprehensive income	20 844	21 055	(4 001)	(5 084)
Debt securities measured at fair value through other comprehensive income	23 722	24 258	459	(16 695)
Off-balance sheet commitments	72 205	80 575	(58 427)	(109 567)
Provision for legal risk regarding foreign currency mortgage loans	(517)	(2 084)	(9 049)	(10 894)
<b>Total</b>	<b>(138 374)</b>	<b>(335 539)</b>	<b>(441 620)</b>	<b>(788 035)</b>

(\*) Item includes impairment losses on loans and advances to banks.

## 13. Other operating income and expenses

### Other operating income

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Gains on disposal of property, plant and equipment	9 175	9 627	-	-
Premises rental income, terminals and IT equipment	8 014	15 776	7 452	14 786
Compensation, recoveries, penalty fees and fines received	3 022	5 722	2 749	5 743
Miscellaneous income	2 565	6 058	2 970	7 160
Recovery of debt collection costs	2 352	3 546	1 864	4 073
Other	333	2 614	89	663
<b>Total</b>	<b>25 461</b>	<b>43 343</b>	<b>15 124</b>	<b>32 425</b>

### Other operating expenses

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Provision for liabilities disputable and other provisions (*)	(13 569)	(14 065)	(10 641)	(11 324)
Provision for legal risk regarding foreign currency mortgage loans	517	2 084	(5 981)	(4 416)
Loss on disposal of property, plant and equipment and intangible assets	(348)	(1 531)	(39)	(9 974)
Card transactions monitoring costs	(3 471)	(5 417)	(2 616)	(4 054)
Sundry expenses	(948)	(2 457)	(562)	(2 400)
Costs of litigation and claims	(658)	(1 492)	(401)	(1 351)
Impairment allowance on fixed assets, litigations and other assets	(51)	(120)	(229)	(238)
Compensation, penalty fees and fines	(753)	(1 024)	(79)	(271)
Other	(2 763)	(5 396)	(574)	(6 393)
<b>Total</b>	<b>(22 044)</b>	<b>(29 418)</b>	<b>(21 122)</b>	<b>(40 421)</b>

(\*) The item also includes the provision for commission reimbursements on previously repaid consumer loans.

## 14. Administrative expenses

### Personnel expenses

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Wages and salaries	(393 069)	(903 515)	(356 097)	(840 523)
Insurance and other charges related to employees	(70 705)	(140 237)	(69 634)	(139 714)
Share-based payments expenses	(4 861)	(9 723)	(4 341)	(8 681)
<b>Total</b>	<b>(468 635)</b>	<b>(1 053 475)</b>	<b>(430 072)</b>	<b>(988 918)</b>

### Other administrative expenses

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
General expenses	(239 610)	(449 223)	(201 009)	(431 534)
Taxes and charges	(8 339)	(16 427)	(7 595)	(14 935)
Bank Guarantee Fund fee	(28 861)	(230 456)	(43 080)	(291 428)
Financial supervision authority fee (KNF)	-	(23 875)	-	(17 884)
Tax on certain financial institutions	(177 696)	(353 156)	(169 843)	(326 349)
<b>Total</b>	<b>(454 506)</b>	<b>(1 073 137)</b>	<b>(421 527)</b>	<b>(1 082 130)</b>

<b>Total administrative expenses</b>	<b>(923 141)</b>	<b>(2 126 612)</b>	<b>(851 599)</b>	<b>(2 071 048)</b>
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From 1 January 2017 new rules for making contributions to Bank Guarantee Fund (hereinafter 'BGF'), defined in the Act of 10 June 2016 on Bank Guarantee Fund, deposit guarantee schemes and resolution of banks (hereinafter 'BGF Act'), have to be applied.

In accordance with BGF Act, the banks are committed to make quarterly contributions to deposit guarantee fund of banks and annual contribution to resolution fund of banks. Such contributions are expenses not deductible for tax purposes. The obligation to make quarterly contribution to deposit guarantee fund of banks arises at the first day of each quarter, whereas the obligation to make annual contribution to resolution fund of banks arises at 1 January of the year concerned.

As a result of application of the Interpretation IFRIC 21 *Levies* for recognition of the above obligations, the costs of quarterly contribution to deposit guarantee fund of banks in the amount of PLN 61 625 thousand for the first half of 2021 (for the first half of 2020 - PLN 83 398 thousand) and the costs of annual contribution to resolution fund of banks in the amount of PLN 168 831 thousand (PLN 208 030 thousand in 2020).

## 15. Depreciation and amortization

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Property, plant and equipment	(73 333)	(149 868)	(73 041)	(141 078)
Intangible assets	(76 051)	(145 574)	(51 101)	(96 211)
<b>Total</b>	<b>(149 384)</b>	<b>(295 442)</b>	<b>(124 142)</b>	<b>(237 289)</b>

## 16. Total gains (losses) from subsidiaries

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Impairment losses on shares in subsidiaries	(170)	(170)	-	(365)
<b>Total</b>	<b>(170)</b>	<b>(170)</b>	<b>-</b>	<b>(365)</b>

## 17. Basic components of income tax charge in the income statement and equity

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
<b>INCOME STATEMENT</b>				
<b>Current tax</b>	<b>(125 529)</b>	<b>(296 466)</b>	<b>(247 959)</b>	<b>(524 892)</b>
Current tax charge in the income statement	(119 479)	(290 409)	(242 502)	(519 304)
Adjustments related to the current tax from previous years	(5 670)	(5 670)	(5 067)	(5 067)
Other taxes (e.g. withholding tax)	(380)	(387)	(390)	(521)
<b>Deferred tax</b>	<b>(53 364)</b>	<b>(17 861)</b>	<b>104 386</b>	<b>253 781</b>
Occurrence and reversal of temporary differences	(53 364)	(17 861)	104 386	253 781
<b>Tax charge in the separate income statement</b>	<b>(178 893)</b>	<b>(314 327)</b>	<b>(143 573)</b>	<b>(271 111)</b>
<b>EQUITY</b>				
<b>Deferred tax</b>	<b>80 380</b>	<b>182 990</b>	<b>(126 442)</b>	<b>(172 746)</b>
Income and costs disclosed in other comprehensive income:				
revaluation of financial instruments - cash flows hedges	23 480	87 229	(22 601)	(101 439)
fair value revaluation through other comprehensive income	64 233	111 527	(99 684)	(69 284)
<b>Tax on items that are or may be reclassified subsequently to profit or loss</b>	<b>87 713</b>	<b>198 756</b>	<b>(122 285)</b>	<b>(170 723)</b>
<b>Tax charge on items that will never be reclassified to profit or loss</b>	<b>(7 333)</b>	<b>(15 766)</b>	<b>(4 157)</b>	<b>(2 023)</b>
fair value revaluation through other comprehensive income –equity securities	(7 333)	(15 766)	(4 157)	(2 023)
remeasurements the defined benefit liabilities	-	-	-	-
<b>TOTAL CHARGE</b>	<b>(98 513)</b>	<b>(131 337)</b>	<b>(270 015)</b>	<b>(443 857)</b>

## 18. Earnings per share

### Basic earnings per share

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

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Net profit	724 126	891 073	492 644	605 722
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Earnings per share (in PLN per share)	2.75	3.39	1.88	2.31

### Diluted earnings per share

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

As at 30 June 2021 and 30 June 2020 here were no diluting instruments in the form of convertible bonds in the Bank.

	II QUARTER 2021	I HALF 2021	II QUARTER 2020	I HALF 2020
Net profit	724 126	891 073	492 644	605 722
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 470 034	262 470 034	262 470 034	262 470 034
Diluted earnings per share (in PLN per share)	2.75	3.39	1.88	2.31

## 19. Dividends

On 11 June 2021, the Bank's Ordinary General Meeting passed a Profit Distribution Resolution. The Profit Distribution Resolution provided that the distribution of the Bank's net profit for 2020 will take place in one of four manners, depending on the fulfilment or non-fulfilment of the Dividend Payment Conditions, making the payment of dividends dependent on Polish Financial Supervision Authority ('KNF') Position relating to the dividend policy of commercial banks in the second half of 2021 and KNF Recommendation relating to the Bank's dividend policy in the second half of 2021.

Profit Distribution Resolution defines three Dividend Payment Conditions:

- 1) 75% Dividend Payment Condition - the condition will be met when the KNF Position and KNF Recommendation allow to allocate for dividend - from the Bank's net profit for 2020 - at least the amount of PLN 842 528 809.14,
- 2) 50% Dividend Payment Condition - the condition will be met when the KNF Position and KNF Recommendation allow to allocate for the dividend - from the Bank's net profit for 2020 - at least the amount of PLN 561 685 872.76, but less than the amount of PLN 842 528 809.14,
- 3) 25% Dividend Payment Condition - the condition will be met when the KNF Position and KNF Recommendation would allow to allocate for the dividend - from the Bank's net profit for 2020 - at least the amount of PLN 280 842 936.38 but less than the amount of PLN 561 685 872.76.

In case:

- 1) the 75% Dividend Payment Condition is fulfilled - the amount of PLN 842 528 809.14 will be allocated to dividend;
- 2) if the Dividend Payment Condition of 50% is met - the amount of PLN 561 685 872.76 will be allocated to dividend;
- 3) if the Dividend Payment Condition of 25% is met - the amount of PLN 280 842 936.38 will be allocated to dividend;
- 4) if none of the Dividend Payment Conditions (i.e. 75% Dividend Payment Condition, 50% Dividend Payment Condition, 25% Dividend Payment Condition) is met, no dividend will be paid for the year 2020.

Paragraph 5 (1) of the Profit Distribution Resolution requires the Management Board of the Bank will adopt a resolution on the fulfilment or non-fulfilment of the individual Dividend Payment Conditions by 2 September 2021 at the latest, with the proviso that if no KNF Position or KNF Recommendation has been issued by 31 August 2021 (inclusive), none of the Dividend Payment Conditions are met.

The Management Board of the Bank on 16 July 2021, pursuant to § 5 (1) of the Profit Distribution Resolution, in connection with the KNF Position and KNF Recommendation, adopted a resolution on the Dividend Payment Conditions. It stated therein that: the Dividend Payment Condition of 75% set in the Profit Distribution Resolution was fulfilled, therefore the following conditions were not fulfilled: Dividend Payment Condition 50% and Dividend Payment Condition 25%. The above means that: 74.8% of the Bank's net profit for 2020, i.e. the amount of PLN 842 528 809.14 was allocated to dividend. The dividend day is 10 September 2021 and the dividend payment date is 29 September 2021.

## 20. Cash and balances with Central Bank

<b>CASH AND DUE FROM CENTRAL BANK</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
Cash	3 569 211	4 306 088
Current account at Central Bank	4 037 204	150 197
Other	51	-
<b>Gross carrying amount</b>	<b>7 606 466</b>	<b>4 456 285</b>
Impairment allowances	(278)	(13)
<b>Net carrying amount</b>	<b>7 606 188</b>	<b>4 456 272</b>

<b>AMOUNTS DUE TO CENTRAL BANK</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
Term deposits	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



## 21. Loans and advances to banks

Loans and advances to banks by product type

	30.06.2021	31.12.2020
Current accounts	1 242 693	561 002
Interbank placements	66 618	179 332
Loans and advances	789 347	86 007
Cash collaterals	900 725	1 176 927
Reverse repo transactions	450 952	719 015
Cash in transit	28 110	199 051
<b>Total gross amount</b>	<b>3 478 445</b>	<b>2 921 334</b>
Impairment allowances	(12 222)	(3 495)
<b>Total net amount</b>	<b>3 466 223</b>	<b>2 917 839</b>

Loans and advances to banks are measured at amortised cost.

## 22. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

	30.06.2021	31.12.2020
<b>FINANCIAL ASSETS</b>		
Debt securities	913 450	1 607 944
Equity securities	2 077	5 393
<b>Total financial assets</b>	<b>915 527</b>	<b>1 613 337</b>
<b>FINANCIAL LIABILITIES</b>		
Debt securities	545 006	742 804
<b>Total financial liabilities</b>	<b>545 006</b>	<b>742 804</b>

Financial assets and liabilities held for trading are measured at fair value through profit or loss.

Debt securities held for trading

	30.06.2021	31.12.2020
<b>FINANCIAL ASSETS</b>		
Debt securities issued by State Treasury	415 275	976 025
T- bills	-	100
T- bonds	415 275	975 925
Debt securities issued by banks	33 144	172 165
Debt securities issued by business entities	465 031	459 754
<b>Total financial assets</b>	<b>913 450</b>	<b>1 607 944</b>
<b>FINANCIAL LIABILITIES</b>		
Debt securities issued by State Treasury	545 006	742 804
T- bonds	545 006	742 804
<b>Total financial liabilities</b>	<b>545 006</b>	<b>742 804</b>

Equity securities held for trading

	30.06.2021	31.12.2020
Shares	2 077	5 393
<b>Total</b>	<b>2 077</b>	<b>5 393</b>

## 23. Derivative financial instruments (held for trading)

### Fair value of trading derivatives

30.06.2021	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	2 905 820	2 878 864
Forward Rate Agreements (FRA)	-	827
Options	14 188	8 076
Other	900	982
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	117 067	54 410
Currency Forward Agreements	108 685	159 892
Currency Swaps (FX-Swap)	133 979	40 523
Options for currency and gold	44 156	54 634
Transactions based on equity securities and stock indexes		
Options	39 678	39 600
Other	-	-
Transactions based on commodities and precious metals		
Options	18 015	16 203
Other	195 297	194 181
<b>Total</b>	<b>3 577 785</b>	<b>3 448 192</b>

31.12.2020	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	4 071 770	4 027 296
Forward Rate Agreements (FRA)	605	586
Options	6 580	2 171
Other	831	847
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	119 417	70 622
Currency Forward Agreements	257 942	272 972
Currency Swaps (FX-Swap)	193 335	83 919
Options for currency and for gold	60 286	51 295
Transactions based on equity securities and stock indexes		
Options	1 712	1 712
Other	-	-
Transactions based on commodities and precious metals		
Options	56 268	52 659
Other	73 533	72 037
<b>Total</b>	<b>4 842 279</b>	<b>4 636 116</b>

Derivative financial instruments are measured at fair value through profit or loss.

## 24. Loans and advances to customers

### Loans and advances to customers by product type

	30.06.2021			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	74 716 715	232 307	14 202	74 963 224
Current accounts	10 448 842	-	-	10 448 842
Operating loans	13 055 713	-	17 561	13 073 274
Investment loans	23 052 301	126 539	18 318	23 197 158
Cash loans	13 699 689	-	-	13 699 689
Payment cards receivables	1 040 344	-	-	1 040 344
Financial leasing	-	-	-	-
Factoring	8 401 041	-	-	8 401 041
Other loans and advances	955 910	-	128 908	1 084 818
Reverse repo transactions	990 005	-	-	990 005
Cash in transit	168 845	-	-	168 845
<b>Gross carrying amount</b>	<b>146 529 405</b>	<b>358 846</b>	<b>178 989</b>	<b>147 067 240</b>
Impairment allowances (*) (**)	(7 346 379)	-	-	(7 346 379)
<b>Carrying amount</b>	<b>139 183 026</b>	<b>358 846</b>	<b>178 989</b>	<b>139 720 861</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 6 525 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 331 651 thousand.

	31.12.2020			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	73 636 275	867 948	15 902	74 520 125
Current accounts	9 409 954	-	-	9 409 954
Operating loans	10 912 352	443 778	19 285	11 375 415
Investment loans	21 801 214	276 992	20 339	22 098 545
Cash loans	13 618 453	-	-	13 618 453
Payment cards receivables	1 013 454	-	-	1 013 454
Factoring	2 103 256	-	-	2 103 256
Other loans and advances	982 335	-	131 475	1 113 810
Reverse repo transactions	280 620	-	-	280 620
Cash in transit	149 325	-	-	149 325
<b>Gross carrying amount</b>	<b>133 907 238</b>	<b>1 588 718</b>	<b>187 001</b>	<b>135 682 957</b>
Impairment allowances (*) (**)	(6 955 998)	-	-	(6 955 998)
<b>Carrying amount</b>	<b>126 951 240</b>	<b>1 588 718</b>	<b>187 001</b>	<b>128 726 959</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 28 268 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 329 655 thousand.

**Loans and advances to customers by customer type**

	30.06.2021					TOTAL
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	CARRYING AMOUNT			
Corporate	65 583 048	(4 613 646)	60 969 402	358 846	28 864	61 357 112
Individuals	78 555 115	(2 612 742)	75 942 373	-	128 908	76 071 281
Budget entities	2 391 242	(119 991)	2 271 251	-	21 217	2 292 468
<b>Loans and advances to customers</b>	<b>146 529 405</b>	<b>(7 346 379)</b>	<b>139 183 026</b>	<b>358 846</b>	<b>178 989</b>	<b>139 720 861</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 6 525 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 331 651 thousand.

	31.12.2020					TOTAL
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	CARRYING AMOUNT			
Corporate	53 620 892	(4 216 266)	49 404 626	1 588 718	32 234	51 025 578
Individuals	78 000 591	(2 618 293)	75 382 298	-	131 474	75 513 772
Budget entities	2 285 755	(121 439)	2 164 316	-	23 293	2 187 609
<b>Loans and advances to customers</b>	<b>133 907 238</b>	<b>(6 955 998)</b>	<b>126 951 240</b>	<b>1 588 718</b>	<b>187 001</b>	<b>128 726 959</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 28 268 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 329 655 thousand.

## 25. Hedge accounting

The Bank decided to take advantage of the choice given by IFRS 9 and continues to apply hedge accounting procedures according to IAS 39. This decision concerns all hedging relationships, for which the Bank applies and will apply hedge accounting in the future.

As of 30 June 2021 the Bank applies fair value hedge accounting and cash flow hedge accounting:

**FVH** - fair value hedge accounting:

- Interest rate swaps (IRS) designated to hedge debt securities denominated in PLN, EUR and USD (hereafter: **FVH IRS bonds**).

**CFH** - cash flow hedge accounting:

- Interest rate swaps (IRS) designated to hedge floating rate loans and securities denominated in PLN (hereafter: **CFH IRS loans**),
- Interest rate swaps (IRS) designated to hedge deposits denominated in PLN and EUR, which economically constitute a long-term variable-rate liability and own issues in PLN (hereafter: **CFH IRS deposits**),
- cross-currency interest rate swaps (basis swap) designated to hedge floating rate loans denominated in CHF and floating rate loans and leasing receivables denominated in EUR and liabilities denominated in PLN, which economically constitute a long-term variable-rate liability (relationship extended by current and future cash flows resulting from loans and lease receivables with a variable interest rate in EUR, hereafter: **CFH CIRS**),
- FX-Swaps designated to hedge floating rate loans denominated in EUR and current and term deposits denominated in USD (hereafter: **CFH FX-Swap**).

### Impact of the IBOR reform on hedge accounting

In relation to the amendments to IAS 39 and IFRS 9 published on 16 January 2020, the Bank took advantage of the possibility of early adoption of the above-mentioned amendments to IAS 39 and IFRS 9 concerning the impact of the interest rate benchmark reform on hedge accounting (*Interbank Offer Rate* - 'IBOR reform').

As part of the established hedging relationships, the Bank identifies the following interest rate benchmarks: WIBOR, EURIBOR, LIBOR CHF, LIBOR USD. As of the reporting date, these benchmarks rates are quoted and available each day and resulting cash flows are exchanged with its counterparties as usual.

In the case of WIBOR and EURIBOR the Bank assessed that, there is currently no uncertainty about the timing or amounts of cash flows arising from the IBOR reform. Both indicators have been reformed and are being developed by Administrators authorized under the European Union Benchmark Regulation (BMR Regulation). The Bank not anticipate changing the hedged risk to a different benchmarks.

For LIBOR CHF and LIBOR USD, the established hedging relationships extend beyond the anticipated cessation dates for both benchmarks, i.e. December 31, 2021 for CHF LIBOR and June 20, 2023 for USD LIBOR. The bank expects that these benchmarks will be replaced by new benchmarks: CHF LIBOR by the SARON (Swiss Averaged Rate Overnight) administered by the SIX Swiss Exchange and LIBOR USD by the SOFR (Secured Overnight Financing Rate) administered by the Federal Reserve Bank of New York, but there is uncertainty about the timing and amounts of cash flows for the new rates. Such uncertainty may impact the assessment of: the effectiveness of the relationship and the high probability of the hedged item. For the purposes of these assessments, the Bank assumes that the hedged interest rates benchmarks on which the cash flows of the hedged item and / or the hedging instrument are based will not be altered as a result of IBOR reform.

Below is the list of hedging relationships and the nominal amounts of hedging instruments designated thereto, which may be affected by the cessation of the LIBOR interest rate benchmarks as at 30 June 2021:

- CFH CIRS deposits / loans (CHF 543 million transactions based on CHF LIBOR, maturing after 31 December 2021),
- FVH IRS bonds (USD 133 million transactions based on USD LIBOR, maturing after 30 June 2023).

The bank has developed an action plan in case of significant changes or the discontinuation of the benchmark. One of the activities of the above-mentioned plan is to introduce appropriate clauses in contracts with counterparties. Regarding the hedging instruments, the Bank actively cooperates with counterparties in order to implement rules of conduct in line with the ISDA methodology (ISDA Fallbacks Protocol).

### Fair value hedge accounting

The Bank applies fair value hedge accounting for fixed coupon debt securities denominated in PLN, EUR and USD, hedged with interest rate swap (IRS) transactions in the same currencies. The Bank hedges component of interest rate risk related to the fair value changes of the hedged item resulting exclusively from the volatility of market interest rates (WIBOR, EURIBOR, LIBOR USD). In the past, hedged risk component accounted for a significant portion of changes in fair value of the hedged item.

Risk management strategy regarding fair value hedge relationships, hedge accounting system and main sources of hedge ineffectiveness were described in separate financial statements of Bank Pekao S.A. for the year ended 31 December 2020 and have not changed substantially since then.

The approach of the Bank to market risk management, including interest rate risk, and details regarding exposure of the Bank to interest rate risk are disclosed in Note 6.2.

The tables below present interest rate swaps which are used by the Bank as instruments hedging interest rate risk in fair value hedge accounting as of 30 June 2021 and 30 December 2020.

#### Impact of fair value hedge (interest rate risk hedging) on balance sheet and financial result

30.06.2021	FVH IRS BONDS – IRS HEDGING DEBT SECURITIES MEASURED AT		TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	
<b>HEDGING INSTRUMENTS</b>			
Nominal value	200 000	2 060 952	2 260 952
Carrying amount – assets	-	-	-
Carrying amount – liabilities	16 099	111 337	127 436
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments
Amount of changes in fair value of the hedging instrument in the reporting period used for estimating hedge inefficiency	10 830	40 939	51 769
Amount of hedge ineffectiveness recognized in the income statement 'Result on fair value hedge accounting'	518	2 128	2 646
<b>HEDGED ITEM</b>			
Carrying amount – assets	215 162	2 230 687	2 445 849
Accumulated amount of the adjustment to the fair value of the hedged item included in the carrying amount of the hedged item recognized in the balance sheet - assets	15 183	146 011	161 194
Balance sheet item in which hedged item is reported	Hedging instruments	Hedging instruments	Hedging instruments
Change in the value of hedged item used for estimating hedge inefficiency in the reporting period	(10 311)	(38 811)	(49 122)
Accumulated amount of the adjustment to the fair value of the hedged item remaining in the balance sheet for those hedged items for which adjustments of the balance sheet item for adjustment to fair value has been discontinued	-	-	-

31.12.2020	FVH IRS BONDS – IRS HEDGING DEBT SECURITIES MEASURED AT		TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	
<b>HEDGING INSTRUMENTS</b>			
Nominal value	200 000	2 359 246	2 559 246
Carrying amount – assets	-	-	-
Carrying amount – liabilities	26 944	171 136	198 080
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments
Amount of changes in fair value of the hedging instrument in the reporting period used for estimating hedge inefficiency	(11 384)	(34 162)	(45 546)
Amount of hedge ineffectiveness recognized in the income statement 'Result on fair value hedge accounting'	(179)	(669)	(847)
<b>HEDGED ITEM</b>			
Carrying amount – assets	225 471	2 595 811	2 821 282
Accumulated amount of the adjustment to the fair value of the hedged item included in the carrying amount of the hedged item recognized in the balance sheet - assets	25 494	187 793	213 287
Balance sheet item in which hedged item is reported	Hedging instruments	Hedging instruments	Hedging instruments
Change in the value of hedged item used for estimating hedge inefficiency in the reporting period	11 205	33 496	44 701
Accumulated amount of the adjustment to the fair value of the hedged item remaining in the balance sheet for those hedged items for which adjustments of the balance sheet item for adjustment to fair value has been discontinued	-	-	-

### Cash flow hedge accounting

The Bank applies:

- cross-currency interest rate swaps (basis swap) to hedge exposure to interest rate risk related to volatility of market reference rates (WIBOR, LIBOR CHF, EURIBOR) and exposure to currency risk. Portfolios of: variable-rate loans denominated in CHF, variable-rate loans and leasing receivables denominated in EUR and deposits in PLN (which economically constitute a long-term variable-rate liability) are hedged items in this hedging relationship. CIRS transactions are decomposed into the part hedging the portfolio of assets and the part hedging the portfolio of liabilities,
- interest rate swaps (IRS) to hedge the exposure to interest rate risk related to the volatility of market reference rates (WIBOR), generated by portfolios of variable-rate loans denominated in PLN,
- currency swaps (FX-Swap) to hedge the exposure to the currency risk, generated by both, portfolios of loans denominated in EUR and portfolios of current and term deposits denominated in USD,
- interest rate swaps (IRS) to hedge the exposure to interest rate risk related to the volatility of market reference rates (WIBOR, EURIBOR), generated by portfolio of deposits denominated in PLN and EUR, which economically constitute a long-term, variable-rate liability and variable rate PLN own issues.

In the last half-year, Bank extended the existing relationship (CFH CIRS deposits/loans) with the current and future cash flows resulting from floating interest rate loans and lease receivables in EUR, as well as EUR/PLN basis swap transactions hedging currency and interest rate risk.

The Bank's risk management strategy regarding cash flow hedge relationships, hedge accounting system and main sources of hedge ineffectiveness were described in separate financial statements of Bank Pekao S.A. for the year ended 31 December 2020 and have not changed substantially since then.

**Impact of cash flow hedge on balance sheet and financial result**

HEDGE IN RELATIONSHIP AS AT 30.06.2021	INTEREST RATE RISK		INTEREST RATE RISK / CURRENCY RISK	
	CFH IRS loans	CFH IRS deposits	CFH CIRS	CFH FX-Swap
<b>HEDGING INSTRUMENTS</b>				
Nominal value	17 824 000	1 097 328	9 297 916	20 330 017
Carrying amount – assets	487 545	3 665	930	112 049
Carrying amount – liabilities	136 793	28 117	549 880	8 375
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments	Hedging instruments
Change in the fair value of the hedging instrument used for estimating hedge ineffectiveness	(489 488)	15 700	9 486	(1 878)
Gains or losses resulting from hedging, recognized in other comprehensive income	-	-	-	-
Amount of hedge ineffectiveness recognized in the income statement in item 'Result on financial assets and liabilities measured at fair value through profit or loss'	(8 871)	-	1 247	-
Amount transferred from the revaluation reserves due to cash flow hedge accounting to the income statement as a reclassification adjustment	-	-	-	-
Income statement item in which reclassification adjustment is reported	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss
Amount of change in the fair value of a hypothetical derivative representing the hedged item used for estimating the hedge ineffectiveness in the reporting period	482 094	(15 700)	(3 489)	1 878
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting will be continued after the end of the reporting period	188 205	(21 040)	(31 622)	(1 165)
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting is no longer applied	-	-	-	-



HEDGE IN RELATIONSHIP AS AT 31.12.2020	INTEREST RATE RISK		INTEREST RATE RISK / CURRENCY RISK	
	CFH IRS loans	CFH IRS deposits	CFH CIRS	CFH FX--Swap
<b>HEDGING INSTRUMENTS</b>				
Nominal value	15 692 000	1 155 289	4 706 380	28 146 997
Carrying amount – assets	766 961	6 765	-	5 337
Carrying amount – liabilities	2 085	47 829	561 308	263 657
Balance sheet item in which hedging instrument is reported	Hedging instruments	Hedging instruments	Hedging instruments	Hedging instruments
Change in the fair value of the hedging instrument used for estimating hedge ineffectiveness	475 586	(14 395)	14 303	(1 080)
Gains or losses resulting from hedging, recognized in other comprehensive income	-	-	-	-
Amount of hedge ineffectiveness recognized in the income statement in item 'Result on financial assets and liabilities measured at fair value through profit or loss'	7 742	-	-	4
Amount transferred from the revaluation reserves due to cash flow hedge accounting to the income statement as a reclassification adjustment	-	-	-	-
Income statement item in which reclassification adjustment is reported	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss	Result on financial assets and liabilities measured at fair value through profit or loss
<b>HEDGED ITEM</b>				
Amount of change in the fair value of a hypothetical derivative representing the hedged item used for estimating the hedge ineffectiveness in the reporting period	(466 966)	14 395	(16 776)	1 077
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting will be continued after the end of the reporting period	668 822	(36 727)	(39 329)	713
Revaluation reserve due to cash flow hedge accounting for relationships for which hedge accounting is no longer applied	-	-	-	-

**Changes in the revaluation reserve from the valuation of hedging derivatives in cash flow hedge accounting**

	I HALF 2021	I HALF 2020
<b>Opening balance</b>	<b>593 479</b>	<b>126 763</b>
<b>INTEREST RATE RISK</b>		
Gains or losses resulting from hedging, recognized in other comprehensive income during the reporting period	(464 930)	514 373
Part of the loss transferred to the income statement due to the lack of expectation of materialization of the hedged item	-	-
<b>INTEREST RATE RISK/CURRENCY RISK</b>		
Gains or losses resulting from hedging, recognized in other comprehensive income during the reporting period	5 829	19 516
Part of the loss transferred to the income statement due to the lack of expectation of materialization of the hedged item	-	-
<b>Closing balance</b>	<b>134 378</b>	<b>660 652</b>

## 26. Investment (placement) securities

	30.06.2021	31.12.2020
Debt securities measured at amortised cost	36 682 356	27 559 085
Debt securities measured at fair value through other comprehensive income	33 259 194	44 606 162
Equity instruments designated at fair value through other comprehensive income	501 755	331 690
Equity instruments mandatorily measured at fair value through profit or loss	173 403	160 486
<b>Total</b>	<b>70 616 708</b>	<b>72 657 423</b>

### Debt securities measured at amortised cost

	30.06.2021	31.12.2020
Securities issued by State Treasury	22 222 836	19 759 086
T-bills	-	808 649
T-bonds	22 222 836	18 950 437
Securities issued by central banks	19 500	74 678
Securities issued by banks	6 358 031	2 229 516
Securities issued by business entities	5 020 392	2 334 813
Securities issued by local governments	3 061 597	3 160 992
<b>Total</b>	<b>36 682 356</b>	<b>27 559 085</b>
including impairment of assets	(63 059)	(75 492)

### Debt securities measured at fair value through other comprehensive income

	30.06.2021	31.12.2020
Securities issued by State Treasury	15 420 299	21 247 521
T-bills	-	1 737 500
T-bonds	15 170 222	19 260 041
Other	250 077	249 980
Securities issued by central banks	999 995	1 000 000
Securities issued by banks	5 636 942	9 238 452
Securities issued by business entities	9 208 537	10 491 102
Securities issued by local governments	1 993 421	2 629 087
<b>Total</b>	<b>33 259 194</b>	<b>44 606 162</b>
including impairment of assets (*)	(51 084)	(75 342)

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

### Equity instruments designated at fair value through other comprehensive income

	30.06.2021	31.12.2020
Shares	501 755	331 690
<b>Total</b>	<b>501 755</b>	<b>331 690</b>

### Equity instruments mandatorily measured at fair value through profit or loss

	30.06.2021	31.12.2020
Shares	173 403	160 486
<b>Total</b>	<b>173 403</b>	<b>160 486</b>

## 27. Intangible assets

	30.06.2021	31.12.2020
Intangible assets, including:	1 200 313	1 086 720
research and development expenditures	2 626	1 276
licenses and patents	890 311	738 613
other	3 165	4 121
assets under construction	304 211	342 710
Goodwill (*)	53 539	52 635
<b>Total</b>	<b>1 253 852</b>	<b>1 139 355</b>

(\*) In this goodwill arose on the provisional settlement of the acquisition of Idea Bank S.A. in the amount of PLN 904 thousand, as described in Note 2.

## 28. Property, plant and equipment

	30.06.2021	31.12.2020
Non-current assets, including:	1 706 151	1 707 692
land and buildings	1 164 761	1 221 945
machinery and equipment	384 207	360 786
transport vehicles	45 340	17 322
other	111 843	107 639
Non-current assets under construction and prepayments	71 299	126 943
<b>Total</b>	<b>1 777 450</b>	<b>1 834 635</b>

In the period from 1 January to 30 June 2021 the Bank acquired 'Property, plant and equipment' amounted PLN 54 400 thousand (including PLN 32 291 thousand 'Property, plant and equipment' arising from the acquisition of part of the activities of Idea Bank S.A.; in 2020 - PLN 233 769 thousand, while the value of property, plant and equipment sold amounted to PLN 6 986 thousand (in 2020 - PLN 925 thousand).

In the period from 1 January to 30 June 2021 and in 2020 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

### Contractual commitments

As at 30 June 2021 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 20 223 thousand, (as at 31 December 2020 - PLN 45 043 thousand).

## 29. Assets pledged as security for liabilities

TYPE OF TRANSACTION AS AT 30.06.2021	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	bonds	113 850	109 806	113 700
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	722 074	674 000	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	bonds	168 608	165 000	147 362
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	bonds	325 445	315 000	256 211
Lombard and technical loan	bonds	5 787 887	5 649 592	-
Other loans	bonds	355 286	343 200	286 549
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	47 745	47 745	-
Derivatives	bonds	44 820	43 861	27 637
Uncommitted Collateralized Intraday Technical Overdraft Facility Agreement	bonds	38 733	31 646	-

TYPE OF TRANSACTION AS AT 31.12.2020	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	bonds	742 928	699 155	742 491
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	704 821	660 000	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	bonds	145 331	140 000	130 265
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	bonds	304 186	290 000	265 370
Lombard and technical loan	bonds	5 852 305	5 628 888	-
Other loans	bonds	361 456	349 400	302 880
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	cash deposits	43 034	43 034	-
Derivatives	bonds	34 389	33 128	11 252
Uncommitted Collateralized Intraday Technical Overdraft Facility Agreement	bonds	42 345	32 304	-

## 30. Amounts due to other banks

Amounts due to other banks by product type

	30.06.2021	31.12.2020
Current accounts	1 059 239	1 239 659
Interbank deposits and other liabilities	1 418 050	2 070 855
Loans and advances received	1 166 873	1 292 792
Repo transactions	113 700	589 928
Cash in transit	36 850	32 175
Lease liabilities	81	135
<b>Total</b>	<b>3 794 793</b>	<b>5 225 544</b>

Amounts due to other banks are measured at amortised cost.

## 31. Amounts due to customers

Amounts due to customers by entity and product type

	30.06.2021	31.12.2020
Amounts due to corporate, including:	59 990 429	59 918 474
current accounts	57 916 672	56 639 155
term deposits and other liabilities	2 073 757	3 279 319
Amounts due to budget entities, including:	17 123 667	12 281 660
current accounts	17 070 250	12 109 189
term deposits and other liabilities	53 417	172 471
Amounts due to individuals, including:	114 745 889	105 776 434
current accounts	100 879 848	88 796 952
term deposits and other liabilities	13 866 041	16 979 482
Repo transactions	-	152 563
Cash in transit	479 982	299 842
Lease liabilities	410 384	398 310
<b>Total</b>	<b>192 750 351</b>	<b>178 827 283</b>

Amounts due to customers are measured at amortised cost.

## 32. Debt securities issued

Debt securities issued by type

	30.06.2021	31.12.2020
Certificates of deposit	48 434	523 305
<b>Total</b>	<b>48 434</b>	<b>523 305</b>

Amounts debt securities issued are measured at amortised cost.  
The Bank redeems its own debt securities issued on a timely basis.

### 33. Subordinated liabilities

Subordinated liabilities by type

TYPE OF TRANSACTION	NOMINAL AMOUNT	CURRENCY	INTEREST RATE	ISSUE DATE	MATURITY DATE	SPECIAL TERMS	BALANCE SHEET VALUE AS AT 30.06.2021
Subordinated bonds	1 250 000	PLN	variable, WIBOR 6M + margin	30.10.2017	29.10.2027	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	1 253 737
Subordinated bonds	550 000	PLN	variable, WIBOR 6M + margin	15.10.2018	16.10.2028	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	552 089
Subordinated bonds	200 000	PLN	variable, WIBOR 6M + margin	15.10.2018	14.10.2033	Call option giving the Bank the right of early redemption within 10 years from the issue date, subject to the approval of the PFSA	200 865
Subordinated bonds	350 000	PLN	variable, WIBOR 6M + margin	04.06.2019	04.06.2031	Call option giving the Bank the right of early redemption within 12 years from the issue date, subject to the approval of the PFSA	350 505
Subordinated bonds	400 000	PLN	variable, WIBOR 6M + margin	04.12.2019	04.06.2031	Call option giving the Bank the right of early redemption within 12 years from the issue date, subject to the approval of the PFSA	400 577
<b>TOTAL</b>	<b>2 750 000</b>						<b>2 757 773</b>

TYPE OF TRANSACTION	NOMINAL AMOUNT	CURRENCY	INTEREST RATE	ISSUE DATE	MATURITY DATE	SPECIAL TERMS	BALANCE SHEET VALUE AS AT 31.12.2020
Subordinated bonds	1 250 000	PLN	variable, WIBOR 6M + margin	30.10.2017	29.10.2027	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	1 253 762
Subordinated bonds	550 000	PLN	variable, WIBOR 6M + margin	15.10.2018	16.10.2028	Call option giving the Bank the right of early redemption within 5 years from the issue date, subject to the approval of the PFSA	552 116
Subordinated bonds	200 000	PLN	variable, WIBOR 6M + margin	15.10.2018	14.10.2033	Call option giving the Bank the right of early redemption within 10 years from the issue date, subject to the approval of the PFSA	200 876
Subordinated bonds	350 000	PLN	variable, WIBOR 6M + margin	04.06.2019	04.06.2031	Call option giving the Bank the right of early redemption within 12 years from the issue date, subject to the approval of the PFSA	350 524
Subordinated bonds	400 000	PLN	variable, WIBOR 6M + margin	04.12.2019	04.06.2031	Call option giving the Bank the right of early redemption within 12 years from the issue date, subject to the approval of the PFSA	400 598
<b>TOTAL</b>	<b>2 750 000</b>						<b>2 757 876</b>

## 34. Provisions

Changes in provisions in the reporting period

I HALF 2021	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
<b>Opening balance</b>	<b>166 800</b>	<b>81 078</b>	<b>289 971</b>	<b>468 231</b>	<b>46 701</b>	<b>1 052 781</b>
Increase due to acquisition of part of Idea Bank S.A. activity	392	-	-	1 608	-	2 000
Provision charges/revaluation	14 065	120 000	10 669	151 051	9 723	305 508
Provision utilization	(17 346)	(126 812)	(17 827)	-	(68)	(162 053)
Provision releases	(2 084)	(15 000)	-	(231 626)	-	(248 710)
Foreign currency exchange differences	81	-	-	(1 881)	-	(1 800)
<b>Closing balance</b>	<b>161 908</b>	<b>59 266</b>	<b>282 813</b>	<b>387 383</b>	<b>56 356</b>	<b>947 726</b>
Short term	35 081	59 266	14 102	78 510	-	186 959
Long term	126 827	-	268 711	308 873	56 356	760 767

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 78 078 thousand and a provision for early repayments of consumer loans in the amount of PLN 17 132 thousand as at 30 June 2021.

2020	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
<b>Opening balance</b>	<b>99 335</b>	<b>18 954</b>	<b>285 987</b>	<b>324 288</b>	<b>44 493</b>	<b>773 057</b>
Provision charges/revaluation	99 130	144 430	22 969	299 645	13 173	579 347
Provision utilization	(17 744)	(82 306)	(29 584)	-	(10 965)	(140 599)
Provision releases	(9 039)	-	-	(159 965)	-	(169 004)
Foreign currency exchange differences	(164)	-	-	4 263	-	4 099
Other changes	(4 718)	-	10 599	-	-	5 881
<b>Closing balance</b>	<b>166 800</b>	<b>81 078</b>	<b>289 971</b>	<b>468 231</b>	<b>46 701</b>	<b>1 052 781</b>
Short term	32 644	81 078	24 302	65 578	-	203 602
Long term	134 156	-	265 669	402 653	46 701	849 179

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 80 325 thousand and a provision for early repayments of consumer loans in the amount of PLN 19 661 thousand as at 31 December 2020.

### Provisions for litigation and claims

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

Provisions for litigation and claims also include the part of total provision created for legal risk related to foreign currency mortgage loans in CHF, in part relating to exposures already repaid (fully or partially). Details about the above provisions are presented in Note 6.1 of these condensed interim separate financial statements.

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

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

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

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

As at 30 June 2021 the provision regarding early repayment of consumer loans made before the judgment of the CJEU (i.e. before 11 September 2019) amounts to PLN 17.1 million (as at 31 December 2020 - PLN 19.7 million) and includes an increase in the provision in the amount of PLN 8.5 million during the first half of 2021.

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

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

In addition, with respect to balance sheet exposures as at 30 June 2021, the Bank estimated possible future prepayments of these exposures. In accordance with the above, the Bank recognized the amount of PLN 11.7 million in 'Other liabilities' (as at 31 December 2020 - PLN 10 million).

### **Restructuring provision**

The Management Board of Bank Pekao S.A. informed in the current report No. 8/2021 that on 3 March 2021, in accordance with the Act of 13 March 2003 on special rules of terminating employment contracts for reasons not attributable to the employees, adopted a resolution on the intended collective redundancies and the start of the consultation procedure for collective redundancies.

The intention of the Bank's Management Board was to terminate employment contracts with up to 1 110 employees and amend terms and conditions of employment with up to 1 250 employees in the period from 24 March 2021 to 30 June 2021.

The Bank estimated all the costs of termination of employment contracts and amendment of terms and conditions of employment the Bank's employees related to the collective redundancies for the amount of PLN 120 million and the restructuring provision in this amount was created in the Bank's accounting books.

### **Provisions for defined benefits plans**

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

### **Other provisions**

Other provisions include in particular provisions for other employee benefits.

## **35. Contingent commitments**

### **Court cases**

As of 30 June 2021 the following court cases for payment are pending with involvement of the Bank, that are important in view of the value of the object of litigation:

- 1) in the group of liabilities (against the Bank):
  - brought by the receiver for a joint stock company in liquidation bankruptcy – lawsuit for payment of compensation for a damage incurred as a result of the Bank's demanding immediate payment of the amounts due in virtue of payment of the price from the credit receivables transfer agreement and conducting debt enforcement collection of the portion of the price remaining for payment by a court enforcement officer, value of the object of litigation PLN 57 450 130 litigation initiation date – 30 April 2015, in the present factual and legal circumstances the Bank assesses the funds outflow risk as possible,
  - brought by a natural person – lawsuit for payment by the Bank of an amount charged by virtue of settlement of financial future or forward transactions, value of the object of litigation PLN 38 916 555.18, litigation initiation date – 2 October 2016, on 6 May 2019 the Regional Court in Warsaw issued a sentence ordering the Bank to pay the amount of PLN 3 392 349.18 and as to the remainder the Court dismissed the suit, the sentence is not legally valid, the Bank and the plaintiff appealed against the judgment. On the 16 December 2020 the Court of Appeal quashed the sentence of the Regional Court in its entirety and remitted the case to that Court. The Bank maintains its current assessment of the risk of outflow of funds and, in terms of the amount awarded by the Regional Court, the Bank assesses the funds outflow risk as probable and in the remaining scope as possible,
  - brought by a beneficiary of warranty – lawsuit for payment of a claim by virtue of the warranty issued by the Bank, value of the object of litigation PLN 32 750 000 litigation initiation date – 14 January 2014, in the present factual and legal circumstances the Bank assesses the funds outflow risk as minor,
  - brought by a natural person – lawsuit for payment of damages by the Bank resulting from improper conduct of a Group entity – former Pekao S.A. Central Brokerage House, the value of the object of litigation is PLN 30 000 000 - the date of the litigation initiation is 16 May 2019. On 7 February 2020 the Regional Court in Warsaw issued a sentence dismissing the suit in its entirety, the sentence is not legally valid. In the present factual and legal circumstances the Bank assesses the funds outflow risk as minor,
- 2) in the group of receivables (brought by the Bank):
  - Bank's main intervention lawsuit against the parties of the main lawsuit – the object of the intervention is the demand for payment by virtue of the assignment of receivables securing Bank's liabilities, value of the object of litigation is PLN 321 979 666.87, litigation initiation date – 26 October 2018,



- Bank's lawsuit for payment against limited debtor by virtue of mortgage collateralizing repayment of the granted credit, value of the object of litigation PLN 132 877 901, litigation initiation date – 21 January 2016,
- Bank's main intervention lawsuit against the parties of the main lawsuit – the object of the intervention is the demand for payment by virtue of the assignment of receivables securing Bank's liabilities, value of the object of litigation PLN 119 020 334, litigation initiation date – 26 October 2018,
- Bank's mutual lawsuit for payment of amounts due by virtue of the transfer of receivables, value of the object of litigation PLN 89 977 886, litigation initiation date – 28 February 2013,
- Bank's main intervention lawsuit against the parties of the main lawsuit – the object of the intervention is the demand to execute (pay) the liabilities purchased by the Bank from one of the defendants against the other defendant, value of the object of litigation PLN 67 432 617.21, litigation initiation date – 23 January 2006.

None of the litigations pending in the first half of the year 2021 before the court, authority competent for arbitrary proceedings or a body of public administration posed a threat for financial liquidity of the Bank.

The Bank created provisions for litigations against the Bank entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the provisions as at 30 June 2021 is PLN 161 908 thousand (PLN 166 800 thousand as at 31 December 2020).

In addition, as at 30 June 2021 the Bank assessed the legal risk of foreign currency mortgage loans in CHF and created a provision related to this risk. Details are presented in Note 6.1.

### Financial commitments granted

Financial commitments granted by entity

	30.06.2021	31.12.2020
Financial commitments granted to:		
banks	894 892	966 326
customers	41 623 460	43 406 882
budget entities	605 282	721 915
<b>Total</b>	<b>43 123 634</b>	<b>45 095 123</b>

### Guarantees issued

Guarantees issued by entity

	30.06.2021	31.12.2020
Issued to banks:		
guarantees	3 628 313	2 147 420
securities' underwriting guarantees	2 286 142	1 609 041
sureties	1 000 000	-
confirmed export letters of credit	304 500	494 500
Issued to customers	37 671	43 879
guarantees	24 787 884	23 455 223
securities' underwriting guarantees	13 726 533	13 590 925
sureties	2 819 481	3 013 647
Issued to budget entities:	8 241 870	6 850 651
guarantees	1 356 717	1 360 653
securities' underwriting guarantees	35 272	35 551
<b>Total</b>	<b>29 772 914</b>	<b>26 963 296</b>

**Off-balance sheet commitments received**

Off-balance sheet commitments received by entity

	30.06.2021	31.12.2020
Financial received from:	1 524 767	563 455
banks	1 524 767	563 455
customers	-	-
budget entities	-	-
Guarantees received from:	19 848 526	19 815 138
banks	9 424 065	8 596 465
customers	9 258 173	10 112 082
budget entities	1 166 288	1 106 591
<b>Total</b>	<b>21 373 293</b>	<b>20 378 593</b>

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

## 36. Additional information to the separate cash flow statement

**Cash and cash equivalents**

	30.06.2021	30.06.2020
Cash and amounts due from Central Bank	7 606 188	7 362 096
Loans and receivables from banks with maturity up to 3 months	2 648 862	8 468 078
<b>Cash and Cash equivalents presented in the cash flow statement</b>	<b>10 255 050</b>	<b>15 830 174</b>

Restricted availability cash and cash equivalents as at 30 June 2021 amounted to PLN 4 036 926 thousand (PLN 1 778 350 thousand as at 30 June 2020).

As at 3 January 2021, the value of acquired cash and cash equivalents related to the acquisition of the part of the activities of Idea Bank S.A. amounted to PLN 1 259 939 thousand.

**Explanation of reasons for the differences between changes in the statement of financial position and changes in the status of these items in the operating activities of the cash flow statement**
**Change in loans and advances to banks**

	I HALF 2021
Change in balance sheet	(739 918)
Change in business combination	1 295 830
<b>Total</b>	<b>555 912</b>

**Change in financial assets held for trading**

	I HALF 2021
Change in balance sheet	694 279
Change in business combination	65 172
<b>Total</b>	<b>759 451</b>

**Change in derivative financial instruments (assets)**

	I HALF 2021
Change in balance sheet	1 264 494
Change in business combination	9 044
<b>Total</b>	<b>1 273 538</b>

**Change in loans and advances to customers**

	I HALF 2021
Change in balance sheet	(10 856 931)
Change in business combination	12 060 942
<b>Total</b>	<b>1 204 011</b>

**Change in investment (placement) securities**

	I HALF 2021
Change in balance sheet	59 135
Change in business combination	453 168
<b>Total</b>	<b>512 303</b>

**Change in other assets**

	I HALF 2021
Change in balance sheet	(952 670)
Change in business combination	134 844
<b>Total</b>	<b>(817 826)</b>

**Change in amounts due to banks**

	I HALF 2021
Change in balance sheet	(1 317 790)
Change in business combination	(125 488)
<b>Total</b>	<b>(1 443 278)</b>

**Change in derivative financial instruments (liabilities)**

	I HALF 2021
Change in balance sheet	(1 187 924)
Change in business combination	(164 176)
<b>Total</b>	<b>(1 352 100)</b>

**Change in amounts due to customers**

	I HALF 2021
Change in balance sheet	14 028 677
Change in business combination	(13 575 553)
<b>Total</b>	<b>453 124</b>

**Change in provisions**

	I HALF 2021
Change in balance sheet	(105 055)
Change in business combination	(3 889)
<b>Total</b>	<b>(108 944)</b>

**Change in other liabilities**

	I HALF 2021
Change in balance sheet	257 378
Change in business combination	(343 798)
<b>Total</b>	<b>(86 420)</b>

## 37. Related party transactions

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

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

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

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

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

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

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

**Related party transactions**

Related party transactions as at 30 June 2021

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank 's parent entity	8	-	1 200	3 031	98 477	-	-
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	29	-	127	9 185	273 149	45	-
<b>Bank Pekao S.A. Group entities</b>							
<b>Subsidiaries</b>							
Pekao Investment Banking S.A.	-	-	-	-	140 412	-	-
Pekao Leasing Sp. z o.o.	481 074	1 733 041	162	1 822	61 878	-	-
Pekao Faktoring Sp. z o.o.	1 585 536	1 582 321	-	8	3 874	-	883
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	11	-	-	-	52 835	-	-
Centrum Kart S.A.	-	-	-	3	24 719	-	9 948
Pekao Financial Services Sp. z o. o.	-	-	-	8	10 825	-	-
Pekao Bank Hipoteczny S.A.	1 358 305	571 800	11 981	-	5 967	2 570	126
Pekao Property S.A. (in liquidation)	49	-	-	6 231	25 632	-	-
Pekao Direct Sp. z o.o.	-	-	-	4	9 679	-	8 809
FPB – Media Sp. z o. o. (in bankruptcy)	8 971	-	-	-	-	-	-
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	-	8	51 397	-	--
Pekao Investment Management S.A.	-	-	-	62 541	817	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	-	-	-	34 757	63 072	-	-
<b>Associates</b>							
Krajowy Integrator Płatności S.A.	-	-	-	-	654	-	-
<b>Total of Bank Pekao S.A. Group entities</b>	<b>3 433 946</b>	<b>3 887 162</b>	<b>12 143</b>	<b>105 382</b>	<b>451 761</b>	<b>2 570</b>	<b>19 766</b>
Key management personnel of the Bank Pekao S.A.	1 626	-	-	-	2 582	-	-
<b>Total</b>	<b>3 435 609</b>	<b>3 887 162</b>	<b>13 470</b>	<b>117 598</b>	<b>825 969</b>	<b>2 615</b>	<b>19 766</b>

## Related party transactions as at 31 December 2020

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank's parent entity	1	-	911	1 414	87 519	-	2 044
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	1	-	9 517	9 544	308 929	322	2
<b>Bank Pekao S.A. Group entities</b>							
<b>Subsidiaries</b>							
Pekao Investment Banking S.A.	-	-	-	-	236 093	-	-
Pekao Leasing Sp. z o.o.	257 457	1 487 996	1 711	121	24 020	8 399	-
Pekao Faktoring Sp. z o.o.	1 389 285	771 459	-	181	1 470	-	1 049
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	14	-	-	-	52 947	-	-
Centrum Kart S.A.	-	-	-	10	29 288	-	7 892
Pekao Financial Services Sp. z o.o.	-	-	-	7	11 708	-	-
Pekao Bank Hipoteczny S.A.	342 300	332 985	28 403	-	180	10 527	27
Pekao Property S.A. (in liquidation)	55	-	-	6 231	25 819	-	-
Pekao Direct Sp. z o.o.	-	-	-	46	15 304	-	7 187
FPB – Media Sp. z o.o. (in bankruptcy)	8 971	-	-	-	-	-	-
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	-	5	80 422	-	-
Pekao Investment Management S.A.	-	-	-	-	956	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	-	-	-	15 731	160 612	-	-
<b>Total of Bank Pekao S.A. Group entities</b>	<b>1 998 082</b>	<b>2 592 440</b>	<b>30 114</b>	<b>22 332</b>	<b>638 819</b>	<b>18 926</b>	<b>16 155</b>
Key management personnel of the Bank Pekao S.A.	1 640	-	-	-	2 943	-	-
<b>Total</b>	<b>1 999 724</b>	<b>2 592 440</b>	<b>40 542</b>	<b>33 290</b>	<b>1 038 210</b>	<b>19 248</b>	<b>18 201</b>

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

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	INCOME FROM DERIVATIVES AND OTHER	EXPENSES FROM DERIVATIVES AND OTHER
PZU S.A. – the Bank 's parent entity	(889)	-	24 155	(431)	455	(255)
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	(1)	(2)	26 400	(106)	1 009	(11 641)
<b>Bank Pekao S.A. Group entities</b>						
<b>Subsidiaries</b>						
Pekao Investment Banking S.A.	-	-	414	-	-	(102)
Pekao Leasing Sp. z o.o.	7 578	(390)	10 515	-	7 871	(172)
Pekao Faktoring Sp. z o.o.	7 649	(24)	4 992	-	222	(29)
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	-	-	56	-	4	-
Centrum Kart S.A.	-	-	633	-	4 655	(29 876)
Pekao Financial Services Sp. z o.o.	-	-	102	-	37	-
Pekao Bank Hipoteczny S.A.	4 185	-	1 227	-	443	(1 788)
Pekao Direct Sp. z o.o. (ex. Centrum Bankowości Bezpośredniej Sp. z o.o.)	(137)	-	4	(13 376)	1 052	(22 380)
Pekao Property S.A. (in liquidation)	-	-	29	-	20	-
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	162	-	119	-
Pekao Investment Management S.A.	-	-	15	-	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	-	-	36 806	-	-	-
<b>Associates</b>						
Krajowy Integrator Płatności S.A.	-	-	148	-	-	-
<b>Total of Bank Pekao S.A. Group entities</b>	<b>19 275</b>	<b>(414)</b>	<b>55 103</b>	<b>(13 376)</b>	<b>14 423</b>	<b>(54 347)</b>
Key management personnel of the Bank Pekao S.A.	25	-	-	-	-	-
<b>Total</b>	<b>18 410</b>	<b>(416)</b>	<b>105 658</b>	<b>(13 913)</b>	<b>15 887</b>	<b>(66 243)</b>

## Income and expenses from transactions with related parties for the period from 1 January 2020 to 30 June 2020

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	INCOME FROM DERIVATIVES AND OTHER	EXPENSES FROM DERIVATIVES AND OTHER
PZU S.A. – the Bank 's parent entity	(763)	(278)	11 350	(83)	117	(2 812)
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	176	(387)	6 010	(119)	269	(1 513)
<b>Bank Pekao S.A. Group entities</b>						
<b>Subsidiaries</b>						
Pekao Investment Banking S.A.	-	(471)	155	(55)	35	-
Pekao Leasing Sp. z o.o.	12 028	(1 189)	7 463	(12)	4 906	(265)
Pekao Faktoring Sp. z o.o.	21 053	(19)	1 579	-	216	-
Pekao Powszechne Towarzystwo Emerytalne S.A. (in liquidation)	-	(153)	5	-	18	-
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	-	(183)	3	-	5	-
Centrum Kart S.A.	-	(41)	489	-	5 364	(24 442)
Pekao Financial Services Sp. z o.o.	-	(15)	44	-	38	-
Pekao Bank Hipoteczny S.A.	3 877	(80)	341	-	58	(6 074)
Pekao Direct Sp. z o.o. (ex. Centrum Bankowości Bezpośredniej Sp. z o.o.)	(79)	-	2	(11 728)	903	(25 154)
Pekao Property S.A. (in liquidation)	-	(78)	3	-	22	-
Dom Inwestycyjny Xelion Sp. z o.o.	-	(193)	43	-	39	-
Pekao Investment Management S.A.	-	(345)	7	-	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	-	(733)	45 346	-	-	-
<b>Total of Bank Pekao S.A. Group entities</b>	<b>36 879</b>	<b>(3 500)</b>	<b>55 480</b>	<b>(11 795)</b>	<b>11 604</b>	<b>(55 935)</b>
Key management personnel of the Bank Pekao S.A.	1	(14)	-	-	-	-
<b>Total</b>	<b>36 293</b>	<b>(4 179)</b>	<b>72 840</b>	<b>(11 997)</b>	<b>11 990</b>	<b>(60 260)</b>



## Off-balance sheet financial liabilities and guarantees as at 30 June 2021

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	2 729	107 159	-	-
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	7 069	102 252	-	-
<b>Bank Pekao S.A. Group entities</b>				
<b>Subsidiaries</b>				
Pekao Investment Banking S.A.	88	-	-	-
Pekao Leasing Sp. z o.o.	3 513 937	10 014 972	-	-
Pekao Faktoring Sp. z o.o.	2 572 286	3 843 323	-	-
Centrum Kart S.A.	43	3 000	-	-
Pekao Financial Services Sp. z o.o.	45	1 268	-	-
Pekao Bank Hipoteczny S.A.	188 656	2 300 266	-	-
Pekao Direct Sp. z o.o.	62	-	-	-
Dom Inwestycyjny Xelion Sp. z o.o.	10	-	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	114	-	-	-
<b>Total of Bank Pekao S.A. Group entities</b>	<b>6 275 241</b>	<b>16 162 829</b>	-	-
Key management personnel of the Bank Pekao S.A.	204	-	-	-
<b>Total</b>	<b>6 285 243</b>	<b>16 372 240</b>	-	-

Off-balance sheet financial liabilities and guarantees as at 31 December 2020

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	2 710	108 637	-	-
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	1 085	103 730	-	-
<b>Bank Pekao S.A. Group entities</b>				
<b>Subsidiaries</b>				
Pekao Investment Banking S.A.	104	-	-	-
Pekao Leasing Sp. z o.o.	4 391 287	9 432 068	-	-
Pekao Faktoring Sp. z o.o.	2 626 646	3 408 376	-	-
Centrum Kart S.A.	39	3 000	-	-
Pekao Financial Services Sp. z o.o.	65	1 295	-	-
Pekao Bank Hipoteczny S.A.	414 823	500 272	-	-
Pekao Direct Sp. z o.o.	60	-	-	-
Dom Inwestycyjny Xelion Sp. z o.o.	4	-	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	107	-	-	-
<b>Total of Bank Pekao S.A. Group entities</b>	<b>7 433 135</b>	<b>13 345 011</b>	-	-
Key management personnel of the Bank Pekao S.A.	255	-	-	-
<b>Total</b>	<b>7 437 185</b>	<b>13 557 378</b>	-	-

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

	VALUE OF BENEFITS	
	I HALF 2021	I HALF 2020
<b>Management Board of the Bank</b>		
Short-term employee benefits (*)	4 663	4 102
Post-employment benefits	410	-
Long-term benefits (**)	1 735	1 812
Share-based payments (***)	1 571	1 719
<b>Total</b>	<b>8 379</b>	<b>7 633</b>
<b>Supervisory Board of the Bank</b>		
Short-term employee benefits (*)	595	575
<b>Total</b>	<b>595</b>	<b>575</b>

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

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

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

The Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associates in the period from 1 January to 30 June 2021 and in the period from 1 January to 30 June 2020.

## 38. Subsequent events

Significant subsequent events are presented in the Note 10.10 'Subsequent events' of the Report on the activities of Bank Pekao S.A. Group for the first half of 2021.

03.08.2021 Date	Leszek Skiba Name/Surname	President of the Management Board Position/Function	Signature
03.08.2021 Date	Jarosław Fuchs Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Marcin Gadomski Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Krzysztof Kozłowski Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Tomasz Kubiak Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Jerzy Kwieciński Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Błażej Szczecki Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Wojciech Werochowski Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Magdalena Zmitrowicz Name/Surname	Vice President of the Management Board Position/Function	Signature

## Glossary

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

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

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

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

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

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

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

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

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

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

**EAD** – Exposure at Default.

**EL** – Expected Loss.

**Life-time ECL** – Lifetime Expected Credit Loss.

**CCF** – Credit Conversion Factor.

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

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

**FVH** – fair value hedge accounting.

**CFH** – cash flow hedge accounting.