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SELECTED FINANCIAL DATA RELATING TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

| SELECTED FINANCIAL DATA | in PLN '000 | | in EUR '000 | |
|------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| | period from 01.01.2022 to 30.06.2022 | period from 01.01.2021 to 30.06.2021 | period from 01.01.2022 to 30.06.2022 | period from 01.01.2021 to 30.06.2021 |
| Net interest income | 155,245 | 152,660 | 33,439 | 33,572 |
| Net fee and commission income | 302 | (3,649) | 65 | (802) |
| Operating profit | 76,537 | 55,857 | 16,485 | 12,284 |
| Profit before tax | 76,537 | 55,857 | 16,485 | 12,284 |
| Net profit | 50,764 | 33,877 | 10,934 | 7,450 |
| Net comprehensive income | (88,234) | (19,466) | (19,005) | (4,281) |
| Net cash from/used in operating activities | 2,686,086 | 986,010 | 578,561 | 216,839 |
| Net cash from/used in investing activities | 819,260 | (250,339) | 176,462 | (55,053) |
| Net cash from/used in financing activities | (3,551,497) | (735,684) | (764,964) | (161,789) |
| Net change in cash and cash equivalents | (46,151) | (13) | (9,941) | (3) |

| SELECTED FINANCIAL DATA | in PLN '000 | | in EUR '000 | |
|-------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | as at 30.06.2022 | as at 31.12.2021 | as at 30.06.2022 | as at 31.12.2021 |
| Total assets | 22,459,803 | 25,620,445 | 4,798,488 | 5,570,389 |
| Total equity | 1,938,208 | 2,113,720 | 414,094 | 459,564 |
| Share capital | 1,611,300 | 1,611,300 | 344,251 | 350,328 |
| Number of shares (in thousands) | 1,611,300 | 1,611,300 | 1,611,300 | 1,611,300 |
| Book value per share (in PLN/EUR) | 1.20 | 1.31 | 0.26 | 0.29 |
| Diluted number of shares (in thousands) | 1,611,300 | 1,611,300 | 1,611,300 | 1,611,300 |
| Diluted book value per share (in PLN/EUR) | 1.20 | 1.31 | 0.26 | 0.29 |
| Total capital ratio (TCR) | 22.7% | 20.9% | 22.7% | 20.9% |
| Common equity Tier 1 (CET1) | 1,959,157 | 1,978,394 | 418,570 | 430,142 |
| Own funds | 1,959,157 | 1,978,394 | 418,570 | 430,142 |

| Selected financial statement items have been translated to EUR at the following foreign exchange rates | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| items of the income statement, statement of comprehensive income and statement of cash flows items – the average of the NBP exchange rates prevailing as at the last day of each month of the period | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
| | 4.6427 | 4.5472 |
| items of the statement of financial position – the average NBP exchange rate as at the last day of the period | 30.06.2022 | 31.12.2021 |
| | 4.6806 | 4.5994 |

Condensed interim financial
statements
of PKO Bank Hipoteczny SA
for the six-month period ended
30 June 2022

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INCOME STATEMENT

| INCOME STATEMENT | Note | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|------------------------------------------------------------------------------------------------|------|----------------------------|----------------------------|
| Interest income and income similar to interest income, including: | 4 | 581,071 | 251,246 |
| Interest income recognized under the effective interest rate method | | 581,071 | 248,034 |
| Income similar to interest income on instruments measured at fair value through profit or loss | | - | 3,212 |
| Interest expenses and expenses similar to interest expenses | 4 | (425,826) | (98,586) |
| Net interest income | | 155,245 | 152,660 |
| Fee and commission income | 5 | 5,149 | 3,890 |
| Fee and commission expense | 5 | (4,847) | (7,539) |
| Net fee and commission income | | 302 | (3,649) |
| Net gain/(loss) on financial instruments measured at fair value through profit or loss | | 2 | 33 |
| Net foreign exchange gains / (losses) | 6 | 274 | 14 |
| Net income / (expense) on modification | 7 | 10,223 | 350 |
| Net expected credit losses | 8 | 215 | (1,448) |
| Other operating income | | 149 | 247 |
| Other operating expenses | | (74) | (136) |
| Net other operating income and expenses | | 75 | 111 |
| Administrative expenses | 9 | (21,734) | (24,764) |
| Regulatory charges | 10 | (31,028) | (24,628) |
| Tax on certain financial institutions | | (37,037) | (42,822) |
| Operating profit | | 76,537 | 55,857 |
| Profit before tax | | 76,537 | 55,857 |
| Corporate income tax | 11 | (25,773) | (21,980) |
| Net profit | | 50,764 | 33,877 |

STATEMENT OF COMPREHENSIVE INCOME

| STATEMENT OF COMPREHENSIVE INCOME | Note | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|--------------------------------------------------------------------------------------------------------|------|----------------------------|----------------------------|
| Net profit | | 50,764 | 33,877 |
| Other comprehensive income | | (138,998) | (53,343) |
| Items which may be reclassified to profit or loss | | (138,998) | (53,343) |
| Cash flow hedges (gross) | | (158,493) | (63,840) |
| Deferred tax | | 30,114 | 12,130 |
| Cash flow hedges (net) | 12 | (128,379) | (51,710) |
| Remeasurement of financial assets measured at fair value through other comprehensive income (gross) | | (13,110) | (2,016) |
| Deferred tax | | 2,491 | 383 |
| Remeasurement of financial assets measured at fair value through other comprehensive income (net) | | (10,619) | (1,633) |
| Total net comprehensive income | | (88,234) | (19,466) |

STATEMENT OF FINANCIAL POSITION

| STATEMENT OF FINANCIAL POSITION | Note | 30.06.2022 | 31.12.2021 |
|-----------------------------------------------------------|--------|-------------------|-------------------|
| ASSETS | | | |
| Cash and balances with the Central Bank | | 341 | 50,362 |
| Amounts due from banks | | 4,402 | 532 |
| measured at amortized cost | | 4,402 | 532 |
| Derivative hedging instruments | 12 | 594,204 | 841,541 |
| Securities | 13 | 1,059,826 | 1,870,697 |
| measured at fair value through other comprehensive income | | 1,059,826 | 1,870,697 |
| Loans and advances to customers | 14, 15 | 20,784,513 | 22,848,599 |
| measured at amortized cost | | 20,784,513 | 22,848,599 |
| Intangible assets | | 116 | 166 |
| Property, plant and equipment | | 3,142 | 3,772 |
| Deferred tax assets | | 8,898 | - |
| Other assets | | 4,361 | 4,776 |
| TOTAL ASSETS | | 22,459,803 | 25,620,445 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Amounts due to banks | 16 | 8,408,336 | 6,544,511 |
| measured at amortized cost | | 8,408,336 | 6,544,511 |
| Derivative hedging instruments | 12 | 9,996 | 1,983 |
| Amounts due to customers | | 9,228 | 6,617 |
| measured at amortized cost | | 9,228 | 6,617 |
| Liabilities in respect of mortgage covered bonds issued | 17 | 9,923,353 | 13,146,377 |
| measured at amortized cost | | 9,923,353 | 13,146,377 |
| Liabilities in respect of bonds issued | 18 | 2,088,263 | 3,728,162 |
| measured at amortized cost | | 2,088,263 | 3,728,162 |
| Other liabilities | 19 | 68,789 | 45,225 |
| Current income tax liabilities | | 13,447 | 4,839 |
| Deferred income tax provision | | - | 28,813 |
| Provisions | 20 | 183 | 198 |
| TOTAL LIABILITIES | | 20,521,595 | 23,506,725 |
| Equity | | | |
| Share capital | 21 | 1,611,300 | 1,611,300 |
| Supplementary capital | | 339,852 | 332,263 |
| Accumulated other comprehensive income | | (63,708) | 75,290 |
| Net profit for the period | | 50,764 | 94,867 |
| TOTAL EQUITY | | 1,938,208 | 2,113,720 |
| TOTAL LIABILITIES AND EQUITY | | 22,459,803 | 25,620,445 |
| Total capital ratio (TCR) | 36 | 22.7% | 20.9% |
| Total equity (in PLN '000) | | 1,938,208 | 2,113,720 |
| Number of shares (in thousands) | 21 | 1,611,300 | 1,611,300 |
| Book value per share (in PLN) | | 1.20 | 1.31 |
| Diluted number of shares (in thousands) | | 1,611,300 | 1,611,300 |
| Diluted book value per share (in PLN) | | 1.20 | 1.31 |

STATEMENT OF CHANGES IN EQUITY

| FOR THE PERIOD ENDED 30 JUNE 2022 | Note | Share capital | Supplement ary capital | Accumulated other comprehensive income | including: | | Retained earnings | Net profit for the period | Total equity |
|----------------------------------------|------|---------------|---------------------------|-------------------------------------------------|---------------------|----------------------------------------------------------------------------------|-------------------|------------------------------|--------------|
| | | | | | Cash flow hedges | Financial assets measured at fair value through other comprehensive income | | | |
| 1 January 2022 | | 1,611,300 | 332,263 | 75,290 | 74,979 | 311 | - | 94,867 | 2,113,720 |
| Transfer from retained earnings | | - | - | - | - | - | 94,867 | (94,867) | - |
| Transfer from profit to equity | | - | 7,589 | - | - | - | (7,589) | - | - |
| Payment of dividend | | - | - | - | - | - | (87,278) | - | (87,278) |
| Total comprehensive income, including: | | - | - | (138,998) | (128,379) | (10,619) | - | 50,764 | (88,234) |
| Net profit | | - | - | - | - | - | - | 50,764 | 50,764 |
| Other comprehensive income | | - | - | (138,998) | (128,379) | (10,619) | - | - | (138,998) |
| 30 June 2022 | 21 | 1,611,300 | 339,852 | (63,708) | (53,400) | (10,308) | - | 50,764 | 1,938,208 |

| FOR THE PERIOD ENDED 30 JUNE 2021 | Note | Share capital | Supplement ary capital | Accumulated other comprehensive income | including: | | Retained earnings | Net profit for the period | Total equity |
|----------------------------------------|------|---------------|---------------------------|-------------------------------------------------|---------------------|----------------------------------------------------------------------------------|-------------------|------------------------------|--------------|
| | | | | | Cash flow hedges | Financial assets measured at fair value through other comprehensive income | | | |
| 1 January 2021 | | 1,611,300 | 250,733 | 149,642 | 141,186 | 8,456 | - | 81,530 | 2,093,205 |
| Transfer from retained earnings | | - | - | - | - | - | 81,530 | (81,530) | - |
| Transfer from profit to equity | | - | 81,530 | - | - | - | (81,530) | - | - |
| Total comprehensive income, including: | | - | - | (53,343) | (51,710) | (1,633) | - | 33,877 | (19,466) |
| Net profit | | - | - | - | - | - | - | 33,877 | 33,877 |
| Other comprehensive income | | - | - | (53,343) | (51,710) | (1,633) | - | - | (53,343) |
| 30 June 2021 | 21 | 1,611,300 | 332,263 | 96,299 | 89,476 | 6,823 | - | 33,877 | 2,073,739 |

STATEMENT OF CASH FLOWS

| STATEMENT OF CASH FLOWS | Note | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|-----------------------------------------------------------------------------------------------------------------------------|------|----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 76,537 | 55,857 |
| Income tax paid | | (22,271) | (23,842) |
| Total adjustments: | | 2,631,820 | 953,995 |
| Depreciation and amortization | | 701 | 1,247 |
| Interest recognized in cash flows from investing activities and cash flows from financing activities | | 230,071 | 75,307 |
| Change in: | | | |
| derivative financial instruments (asset) | | 247,338 | 327,009 |
| loans and advances to customers (gross) | | 2,064,816 | 880,162 |
| securities measured at fair value through other comprehensive income | | (11,963) | 709 |
| other assets and right-of-use assets | | 394 | 1,135 |
| amounts due to banks | | (274) | (40,762) |
| derivative financial instruments (liability) | | 8,013 | 161 |
| amounts due to customers | | 2,611 | 579 |
| liabilities in respect of mortgage covered bonds issued | | 202,617 | (258,996) |
| liabilities in respect of bonds issued | | 22,519 | 8,186 |
| allowances for expected credit losses and provisions | | (746) | 1,448 |
| other liabilities, excluding liabilities in respect of unregistered issues of own shares | | 24,217 | 21,650 |
| Other adjustments (including changes in the measurement of derivative instruments recognized in other comprehensive income) | | (158,494) | (63,840) |
| Net cash from/used in operating activities | | 2,686,086 | 986,010 |
| Cash flows from investing activities | | | |
| Inflows from investing activities | | 9,759,013 | 174,688 |
| Redemption of securities measured at fair value through other comprehensive income | | 9,759,013 | 174,688 |
| Outflows on investing activities | | (8,939,753) | (425,027) |
| Acquisition of securities measured at fair value through other comprehensive income | | (8,939,753) | (424,992) |
| Purchase of intangible assets and property, plant and equipment | | - | (35) |
| Net cash from/used in investing activities | | 819,260 | (250,339) |
| Cash flows from financing activities | | | |
| Redemption of mortgage covered bonds issued | | (3,425,640) | (1,000,000) |
| Proceeds from issue of bonds | | 1,556,081 | 3,691,859 |
| Redemption of bonds issued | | (3,218,500) | (3,952,500) |
| Inflows related to overdraft facilities | | 11,487,086 | 2,729,040 |
| Outflows related to overdraft facilities | | (10,876,987) | (2,185,084) |
| Inflows related to term loans | | 1,254,000 | 60,000 |
| Outflows related to term loans | | - | - |
| Dividend paid | | (87,276) | - |
| Repayment of interest on mortgage covered bonds issued, bonds issued and loans obtained | | (239,608) | (78,360) |
| Payments of lease liabilities (IFRS 16) | | (652) | (639) |
| Net cash from/used in financing activities | | (3,551,497) | (735,684) |
| Net change in cash and cash equivalents | | (46,151) | (13) |
| Cash and cash equivalents at the beginning of the period | | 50,894 | 44 |
| Cash and cash equivalents at the end of the period | 25 | 4,743 | 31 |

The notes on pages 9 to 47 are an integral part of the condensed interim financial statements.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

BANKING ACTIVITIES

PKO Bank Hipoteczny Spółka Akcyjna ("PKO Bank Hipoteczny SA", "Bank") with its registered office in Warsaw ul. Puławska 15, 02-515 Warsaw is entered in the Register of Businesses of the National Court Register (KRS) maintained by the District Court in Warsaw, 13th Business Department of the National Court Register with the reference number KRS 0000528469. The Bank was entered in the Register of Businesses on 24 October 2014. The Bank was assigned the statistical number REGON 222181030. Its share capital as at 30 June 2022 was PLN 1,611,300,000 and it was fully paid up.

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

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

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

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

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

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

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

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

| No. | Name and surname | Position | Date of appointment | Date of ceasing to perform the role |
|-----|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------------|
| 1 | Mieczysław Król | Chairman of the Supervisory Board | 13.08.2021 | - |
| 2 | Maciej Brzozowski | Deputy Chairman of the Supervisory Board (from 05.05.2022) / Member of the Supervisory Board (from 24.04.2022 to 05.05.2022) | 28.04.2022 | - |
| 3 | Paweł Metrycki | Member of the Supervisory Board (from 30.03.2019 to 07.10.2019 & from 05.05.2022) / Deputy Chairman of the Supervisory Board (from 07.10.2019 to 05.05.2022) | 30.03.2019 | - |
| 4 | Elżbieta Bugaj | Member of the Supervisory Board (independent) | 28.04.2022 | - |
| 5 | Lucyna Kopińska | Member of the Supervisory Board | 01.09.2019 | - |
| 6 | Piotr Kwiecień | Member of the Supervisory Board (independent) | 18.10.2017 | 27.04.2022 |
| 7 | Jadwiga Lesisz | Member of the Supervisory Board (independent) | 01.09.2019 | - |
| 8 | Jakub Niestuchowski | Member of the Supervisory Board | 28.04.2022 | - |
| 9 | Ilona Wołyniec | Member of the Supervisory Board | 30.03.2019 | - |

The following changes in the composition of the Supervisory Board took place in the period covered by the condensed interim financial statements:

- On 25 April 2022, Mr Piotr Kwiecień submitted his resignation as a Supervisory Board Member, effective as of 27 April 2022;
- On 28 April 2022, the Ordinary Shareholders Meeting of the Bank appointed Mr Maciej Brzozowski, Ms Elżbieta Bugaj and Mr Jakub Niestuchowski as Members of the Bank's Supervisory Board for a joint four-year term of office.

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

| No. | Name and surname | Position | Date of appointment | Date of ceasing to perform the role |
|-----|------------------|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------------|
| 1 | Daniel Goska | President of the Management Board (since 26.01.2022) / Vice-President of the Management Board ¹⁾ (from 01.10.2020 to 25.01.2022) | 01.10.2020 | 31.07.2022 |
| 2 | Piotr Kochanek | Vice-President of the Management Board | 01.01.2019 | - |
| 3 | Katarzyna Surdy | Vice-President of the Management Board | 01.10.2021 | - |

¹⁾ In the period from 01.01.2021 to 25.01.2022, Mr Daniel Goska directed the work of the Management Board.

The following changes in the composition of the Management Board took place after the end of the reporting period:

- On 25 July 2022, Mr Daniel Goska submitted his resignation as a Management Board Member, effective as of 31 July 2022.
- On 2 April 2022 the Supervisory Board has delegated Mr Jakub Niesluchowski, Member of the Supervisory Board of the Bank to temporarily perform the duties of the Management Board Member with the powers provided to the President of the Management Board. The above described delegation is temporary, from 2 August 2022 until the date of appointment of a Member of the Management Board of the Bank in charge of the work of the Management Board, but no longer than until 1 November 2022.

2. BASIS FOR THE PREPARATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements of PKO Bank Hipoteczny Spółka Akcyjna cover the six-month period ended 30 June 2022 and contain comparative data:

- for the six months ended 30 June 2021 in respect of the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity;
- as at 31 December 2021 in respect of the statement of financial position.

The financial data is presented in thousands of Polish zlotys (PLN), rounded to a thousand, unless otherwise indicated. Therefore, there might be differences resulting from rounding the amounts to full thousands.

2.1 STATEMENT OF COMPLIANCE

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

Except for the specific principles of taxation relating to interim periods referred to in Note 3.4 *Income tax in the interim financial statements*, the accounting policies and calculation methods used in the preparation of these condensed interim financial statements are consistent with the policies applied in the financial year ended 31 December 2021 and they are described in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2021.

The condensed interim financial statements for the six months ended 30 June 2022 do not contain all the information and disclosures that are required in the annual financial statements and they should be read together with the annual financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2021 prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union.

2.2 REPRESENTATIONS OF THE MANAGEMENT BOARD

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

2.3 APPROVAL OF THE FINANCIAL STATEMENT

These condensed interim financial statement, having been reviewed with an opinion issued by the Audit and Finance Committee of the Supervisory Board and reviewed by the Supervisory Board on 10 August 2022 were approved by the Bank's Management Board for publication on 10 August 2022.

3. CHANGES IN ACCOUNTING POLICIES AND EXPLANATION OF DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED REPORTS

3.1 NEW STANDARDS AND AMENDMENTS TO THE PUBLISHED STANDARDS AND INTERPRETATIONS WHICH BECAME BINDING AS OF 1 JANUARY 2022

Amendments to:

- IFRS 3 *Business Combinations* with respect to amending the Conceptual Framework;
 - IAS 16 *Property, Plant and Equipment* with respect to revenue from items produced while the property, plant and equipment is being prepared to commence operation;
 - IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* with respect to clarification of the costs that an entity considers when analysing whether a contract is onerous;
- and Annual Improvements 2018-2020 containing clarifications and more precise guidelines for the recognition and measurement: IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and the illustrative examples to IFRS 16 *Leases* will not have a material effect on the Bank's financial statements.

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

Amendments to:

- IAS 1 *Presentation of Financial Statements* and IFRS Board Guidelines on accounting policies in practice – the issue of materiality with regard to accounting policies;
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, with respect to the definition of estimates; and the introduction of IFRS 17 *Insurance Contracts* will not have a material effect on the Bank's financial statements.

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

Amendments to:

- IAS 1 *Presentation of Financial Statements*, with respect to classification of liabilities as current or non-current;
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, with respect to the definition of estimates;
- IAS 12 *Income Taxes* with respect to an obligation to recognize deferred tax on a transaction, i.e. on leases;
- IFRS 17 *Insurance Contracts – first-time Adoption of IFRS 17 and IFRS 9 – Comparative Information* will not have a material impact on the Bank's financial statements.

3.4 INCOME TAX IN THE INTERIM FINANCIAL STATEMENTS

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

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

3.5 EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

The Bank did not make any changes in the recognition or presentation in the condensed interim financial statements of PKO Bank Hipoteczny SA for the six months ended 30 June 2022.

NOTES TO THE INCOME STATEMENT

4. INTEREST INCOME AND EXPENSES

| INTEREST INCOME AND INCOME SIMILAR TO INTEREST INCOME | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|-------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Interest income recognized under the effective interest rate method, including: | 581,071 | 248,034 |
| on financial instruments measured at amortized cost, including: | 559,573 | 245,691 |
| loans and advances to customers | 558,267 | 245,683 |
| amounts due from banks and on mandatory reserve | 1,306 | 8 |
| on instruments measured at fair value through other comprehensive income, including: | 21,498 | 2,343 |
| debt securities | 21,498 | 2,343 |
| Income similar to interest income on instruments measured at fair value through profit or loss, including: | - | 3,212 |
| hedging IRS transactions (net) | - | 3,212 |
| Total | 581,071 | 251,246 |
| including: interest income on impaired financial instruments | 1,015 | 378 |

| INTEREST EXPENSES AND EXPENSES SIMILAR TO INTEREST EXPENSES | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|----------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Interest expense on financial instruments measured at amortized cost, including: | (261,981) | (78,602) |
| loans received and overdraft facility used | (134,475) | (13,309) |
| liabilities in respect of the purchase of receivables | - | (719) |
| mortgage covered bonds issued | (89,548) | (53,919) |
| bonds issued | (37,928) | (10,627) |
| lease liabilities | (30) | (28) |
| Expenses similar to interest expense on instruments measured at fair value through profit or loss, including: | (163,845) | (19,984) |
| hedging CIRS transactions (net) | (163,634) | (19,984) |
| hedging IRS transactions (net) | (211) | - |
| Total | (425,826) | (98,586) |

5. FEE AND COMMISSION INCOME AND EXPENSE

| FEE AND COMMISSION INCOME | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|----------------------------------------------------|----------------------------|----------------------------|
| Commission for full or partial prepayment of loans | 4,337 | 2,556 |
| Fees for property inspection | 211 | 669 |
| Fees for property valuation | 147 | 226 |
| Other | 454 | 439 |
| Total | 5,149 | 3,890 |

| FEE AND COMMISSION EXPENSE | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Preparation by property valuers of appraisal reports on Property Value for Mortgage Lending Purposes (MLV) | (277) | (408) |
| Expenses related to bond issue programmes | (1,355) | (2,983) |
| Expenses related to credit lines | (2,027) | (2,496) |
| Expenses related to mortgage covered bond issue programmes | (468) | (411) |
| Loan insurance costs | (572) | (1,107) |
| Commissions for other operating services | (141) | (121) |
| Costs of debt collection and intermediation in selling collateral | (7) | (13) |
| Total | (4,847) | (7,539) |

6. NET FOREIGN EXCHANGE GAINS / (LOSSES)

| NET FOREIGN EXCHANGE GAINS / (LOSSES) | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Result on revaluation | (529) | 14 |
| Gain/(loss) on derivative instruments (CIRS, FX-Forward) in the speculative period (before designation to hedge accounting and in respect of the final settlement) | 795 | (11) |
| Gain/loss on derivative instruments (CIRS, FX-Forward) related to hedge ineffectiveness | 8 | 11 |
| Total | 274 | 14 |

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

7. NET INCOME / (EXPENSE) ON MODIFICATION

| NET INCOME/(EXPENSE) ON MODIFICATION | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|----------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Financial instruments measured at fair value through other comprehensive income (debt instruments) | - | - |
| Financial instruments measured at amortized cost | 10,223 | 350 |
| Total | 10,223 | 350 |

The increase in the net income on modification was caused by a significant increase in the number of loans for which annexes were signed changing the interest rate from floating to permanent over a 5-year period.

8. NET EXPECTED CREDIT LOSSES

| NET ALLOWANCES FOR EXPECTED CREDIT EXPECTED LOSSES | Note | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|-----------------------------------------------------------------------------------------|------|-------------------------|-------------------------|
| Net allowances for loans and advances to customers | 15 | 194 | (1,436) |
| Net provisions for financial commitments related to residential loans not drawn in full | 20 | 21 | (12) |
| Total | | 215 | (1,448) |

9. ADMINISTRATIVE EXPENSES

| ADMINISTRATIVE EXPENSES | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|-------------------------------------------|----------------------------|----------------------------|
| Employee benefits | (8,123) | (7,810) |
| Overheads | (12,910) | (15,707) |
| Amortization and depreciation, including: | (701) | (1,247) |
| property, plant and equipment | (36) | (57) |
| right-of-use assets, including: | (615) | (609) |
| real estate | (504) | (496) |
| cars | (111) | (113) |
| intangible assets | (50) | (581) |
| Total | (21,734) | (24,764) |

| EMPLOYEE BENEFITS | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|-----------------------------------------------------|----------------------------|----------------------------|
| Wages and salaries, including: | (6,833) | (6,574) |
| provisions for disability and retirement benefits | (6) | (48) |
| costs of contributions to the Employee Pension Plan | (167) | (158) |
| Salary surcharges | (1,115) | (1,092) |
| Other employee benefits | (175) | (144) |
| Total | (8,123) | (7,810) |

| OVERHEADS | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|--------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Services relating to supporting operations under Outsourcing Agreement | (1,920) | (1,965) |
| Servicing of loans granted and receivables purchased under Outsourcing Agreement | (8,073) | (10,830) |
| External services under other contracts | (1,163) | (1,243) |
| IT costs | (822) | (789) |
| Life- and non-life insurance costs | (276) | (227) |
| Costs related to lease contracts for low-value assets (other than short-term), non-deductible VAT expenses and service charges | (358) | (367) |
| Other | (298) | (286) |
| Total | (12,910) | (15,707) |

10. REGULATORY CHARGES

| REGULATORY CHARGES | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|-------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Contribution and payments to the Bank Guarantee Fund (BGF), including: resolution fund | (27,553) | (21,053) |
| Payments to Polish Financial Supervision Authority (PFSA) | (3,243) | (3,324) |
| Payments to Borrowers Support Fund (potential) | (18) | (22) |
| Other taxes and charges | (214) | (229) |
| Total | (31,028) | (24,628) |

11. CORPORATE INCOME TAX

| INCOME TAX EXPENSE | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|--------------------------------------------------------------------------------|----------------------------|----------------------------|
| Current income tax expense | (30,880) | (25,008) |
| Deferred income tax due to temporary differences | 5,107 | 3,028 |
| Income tax reported in the income statement | (25,773) | (21,980) |
| Income tax reported in other comprehensive income due to temporary differences | 32,605 | 12,513 |
| Total | 6,832 | (9,467) |

| RECONCILIATION OF THE EFFECTIVE TAX RATE | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|--------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Profit / (loss) before income tax | 76,537 | 55,857 |
| Corporate income tax calculated at the statutory tax rate in force in Poland (19%) | (14,542) | (10,613) |
| Effect of permanent differences between profit before income tax and taxable income, including: | (12,262) | (12,116) |
| tax on certain financial institutions | (7,037) | (8,136) |
| fees to the BGF | (5,235) | (4,000) |
| PFRON (State Disabled Persons Fund) costs | (4) | (9) |
| impact of tax costs under Article 15cb of the CIT Act (internal financing) | 48 | 48 |
| impact of other permanent differences | (34) | (19) |
| Impact of applying the annual effective tax rate in the interim financial statements | 1,031 | 749 |
| Income tax reported in the income statement | (25,773) | (21,980) |
| Effective tax rate | 33.67% | 39.35% |

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

The calculation of the average annual effective income tax rate requires the use of a forecast of the income before tax for the whole financial year and the permanent differences between the carrying amounts of assets and liabilities for accounting and tax purposes. The forecast annual effective tax rate used to calculate the income tax expense in the first half of 2022 was 33.67%.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

12. DERIVATIVE HEDGING INSTRUMENTS

The Bank uses cash flow hedge accounting. As regards hedging strategies, the Bank did not introduce any changes in the six-month period ended 30 June 2022.

| CARRYING AMOUNT / FAIR VALUE OF DERIVATIVES USED AS CASH FLOW HEDGES | 30.06.2022 | | 31.12.2021 | |
|-------------------------------------------------------------------------|----------------|--------------|----------------|--------------|
| | Assets | Liabilities | Assets | Liabilities |
| IRS | - | 9,962 | - | 1,663 |
| CIRS | 593,951 | - | 841,412 | - |
| FX forward | 253 | 34 | 129 | 320 |
| Total | 594,204 | 9,996 | 841,541 | 1,983 |

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

| CHANGE IN OTHER COMPREHENSIVE INCOME ON CASH FLOW HEDGES AND INEFFECTIVE PORTION OF CASH FLOW HEDGES | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|---------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Accumulated other comprehensive income on cash flow hedges at the beginning of the period, gross | 92,567 | 174,304 |
| Gains / (Losses) recognized in other comprehensive income during the period | (128,621) | (341,587) |
| Amounts transferred from other comprehensive income to the income statement during the period | (29,872) | 277,747 |
| - interest income | - | (3,212) |
| - interest expense | 163,845 | 19,984 |
| - net foreign exchange gains/(losses) | (193,717) | 260,975 |
| Accumulated other comprehensive income on cash flow hedges as at the end of the period, gross | (65,926) | 110,464 |
| Tax effect | 12,526 | (20,988) |
| Accumulated other comprehensive income on cash flow hedges at the end of the period, net | (53,400) | 89,476 |
| Ineffective portion of cash flow hedges recognized in the income statement | 10 | 45 |
| Impact on other comprehensive income during the period, gross | (158,493) | (63,840) |
| Deferred tax on cash flow hedges | 30,114 | 12,130 |
| Impact on other comprehensive income during the period, net | (128,379) | (51,710) |

13. SECURITIES

| SECURITIES | 30.06.2022 | 31.12.2021 |
|-----------------------------------------------------------------------|------------------|------------------|
| Measured at fair value through other comprehensive income, including: | 1,059,826 | 1,870,697 |
| issued by the State Treasury, PLN Treasury bonds | 1,059,826 | 1,060,935 |
| NBP bills | - | 809,762 |
| Total | 1,059,826 | 1,870,697 |

14. LOANS AND ADVANCES TO CUSTOMERS

| LOANS AND ADVANCES TO CUSTOMERS | 30.06.2022 | 31.12.2021 |
|---------------------------------------|-------------------|-------------------|
| Measured at amortized cost | | |
| Residential loans, gross, including: | | |
| loans granted | 20,865,028 | 22,929,844 |
| receivables acquired | 10,788,672 | 11,587,340 |
| | 10,076,356 | 11,342,504 |
| Allowances for expected credit losses | (80,515) | (81,245) |
| Loans and advances to customers, net | 20,784,513 | 22,848,599 |

The division into loans granted and receivables acquired presented in the table above solely relates to the source of obtaining credit. The Bank manages its whole loan portfolio in a uniform manner.

In the six-month period ended 30 June 2022, the Bank did not purchase residential mortgage loan receivables portfolios based on the Framework Agreement for the Sale of Receivables signed with PKO Bank Polski SA on 17 November 2015 and in the six-month period of ended 30 June 2021, the Bank purchased receivables portfolios amounting to PLN 157,984 thousand.

Loans granted and receivables purchased that have been entered in the Bank's cover pool represent collateral for mortgage covered bonds issued by the Bank, as described in Note 17 "Liabilities in respect of mortgage covered bonds issued".

Information about exposure to credit risk for loans and advances to customers granted measured at amortized cost is described in Note 15 "Expected credit losses". Information about the quality of the loan portfolio is presented in Note 30 "Monitoring of credit risk".

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**CONDENSED INTERIM FINANCIAL STATEMENTS
OF PKO BANK HIPOTECZNY SA
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(IN PLN THOUSANDS)**



15. EXPECTED CREDIT LOSSES

FINANCIAL ASSETS AND ALLOWANCES FOR EXPECTED CREDIT LOSSES

| FINANCIAL ASSETS AND ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 30 JUNE 2022 | Assets with no significant increase in credit risk since initial recognition, gross (Stage 1) | Allowances for expected credit losses (Stage 1) | Assets with a significant increase in credit risk since initial recognition, but not credit-impaired, gross (Stage 2) | Allowances for expected credit losses (Stage 2) | Purchased or originated credit-impaired assets, gross (Stage 3 and POCI) | Allowances for expected credit losses (Stage 3 and POCI) | Total gross amount | Total allowances for expected credit losses |
|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------|--------------------|---------------------------------------------|
| Measured at fair value through other comprehensive income | | | | | | | | |
| securities | 1,059,826 | - | - | - | - | - | 1,059,826 | - |
| issued by the State Treasury, PLN Treasury bonds | 1,059,826 | - | - | - | - | - | 1,059,826 | - |
| NBP bills | - | - | - | - | - | - | - | - |
| Total | 1,059,826 | - | - | - | - | - | 1,059,826 | - |
| Measured at amortized cost | | | | | | | | |
| amounts due from banks | 4,402 | - | - | - | - | - | 4,402 | - |
| loans and advances to customers | 18,961,409 | (5,890) | 1,849,004 | (51,104) | 54,615 | (23,521) | 20,865,028 | (80,515) |
| residential loans | 18,961,409 | (5,890) | 1,849,004 | (51,104) | 54,615 | (23,521) | 20,865,028 | (80,515) |
| loans granted | 9,558,377 | (3,471) | 1,206,562 | (34,492) | 23,733 | (10,607) | 10,788,672 | (48,570) |
| receivables acquired | 9,403,032 | (2,419) | 642,442 | (16,612) | 30,882 | (12,914) | 10,076,356 | (31,945) |
| other financial assets | 101 | - | - | - | - | - | 101 | - |
| Total | 18,965,912 | (5,890) | 1,849,004 | (51,104) | 54,615 | (23,521) | 20,869,531 | (80,515) |

As at 30 June 2022, the Bank had purchased or originated credit-impaired assets (POCI) of PLN 882 thousand, gross.

| LOAN COMMITMENTS AND PROVISIONS AS AT 30 JUNE 2022 | Nominal amount of loan commitments with no significant increase in credit risk since initial recognition (Stage 1) | Provisions for loan commitments (Stage 1) | Nominal amount of loan commitments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2) | Provisions for loan commitments (Stage 2) | Nominal amount of credit-impaired loan commitments (Stage 3) | Provisions for loan commitments (Stage 3) | Total nominal amount | Total provisions for loan commitments |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------|-------------------------------------------|----------------------|---------------------------------------|
| Loan commitments | 27,322 | (6) | 261 | (2) | - | - | 27,583 | (8) |

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**CONDENSED INTERIM FINANCIAL STATEMENTS
OF PKO BANK HIPOTECZNY SA
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(IN PLN THOUSANDS)**



| FINANCIAL ASSETS AND ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31 DECEMBER 2021 | Assets with no significant increase in credit risk since initial recognition, gross (Stage 1) | Allowances for expected credit losses (Stage 1) | Assets with a significant increase in credit risk since initial recognition, but not credit-impaired, gross (Stage 2) | Allowances for expected credit losses (Stage 2) | Purchased or originated credit-impaired assets, gross (Stage 3 and POCI) | Allowances for expected credit losses (Stage 3 and POCI) | Total gross amount | Total allowances for expected credit losses |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------|--------------------|---------------------------------------------|
| Measured at fair value through other comprehensive income | | | | | | | | |
| securities | 1,870,697 | - | - | - | - | - | 1,870,697 | - |
| issued by the State Treasury, PLN Treasury bonds | 1,060,935 | - | - | - | - | - | 1,060,935 | - |
| NBP bills | 809,762 | - | - | - | - | - | 809,762 | - |
| Total | 1,870,697 | - | - | - | - | - | 1,870,697 | - |
| Measured at amortized cost | | | | | | | | |
| amounts due from banks | 532 | - | - | - | - | - | 532 | - |
| loans and advances to customers | 21,068,222 | (8,925) | 1,804,202 | (48,803) | 57,420 | (23,517) | 22,929,844 | (81,245) |
| residential loans | 21,068,222 | (8,925) | 1,804,202 | (48,803) | 57,420 | (23,517) | 22,929,844 | (81,245) |
| loans granted | 10,396,455 | (5,130) | 1,166,328 | (32,452) | 24,557 | (9,427) | 11,587,340 | (47,009) |
| receivables acquired | 10,671,767 | (3,795) | 637,874 | (16,351) | 32,863 | (14,090) | 11,342,504 | (34,236) |
| other financial assets | 26 | - | - | - | - | - | 26 | - |
| Total | 21,068,780 | (8,925) | 1,804,202 | (48,803) | 57,420 | (23,517) | 22,930,402 | (81,245) |

As at 31 December 2021, the Bank had purchased or originated credit-impaired assets (POCI) of PLN 156 thousand, gross.

| LOAN COMMITMENTS AND PROVISIONS AS AT 31 DECEMBER 2021 | Nominal amount of loan commitments with no significant increase in credit risk since initial recognition (Stage 1) | Provisions for loan commitments (Stage 1) | Nominal amount of loan commitments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2) | Provisions for loan commitments (Stage 2) | Nominal amount of credit-impaired loan commitments (Stage 3) | Provisions for loan commitments (Stage 3) | Total nominal amount | Total provisions for loan commitments |
|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------|-------------------------------------------|----------------------|---------------------------------------|
| Loan commitments | 56,907 | (22) | 92 | (7) | - | - | 56,999 | (29) |

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CONDENSED INTERIM FINANCIAL STATEMENTS

OF PKO BANK HIPOTECZNY SA

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

(IN PLN THOUSANDS)



Bank Hipoteczny

CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES

| CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022 | As at 01.01.2022 | Increase due to granting and purchase of loans | Changes due to changes in credit risk (net), including total repayment | Changes due to non-substantial modification, net | Decrease due to derecognition | Changes due to lengthening the loss recognition horizon from 12 months to lifetime | Changes due to shortening the loss recognition horizon from lifetime to 12 months | Decrease in connection with a partial write-down | Transfers to Stage 1 (S1) | Transfers to Stage 2 (S2) | Transfers to Stage 3 and POCI (S3 and POCI) | Other changes | As at 30.06.2022 |
|-------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------|-------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------|---------------------------|---------------------------|---------------------------------------------|---------------|------------------|
| Measured at fair value through other comprehensive income | | | | | | | | | | | | | |
| securities (S1) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Measured at amortized cost | | | | | | | | | | | | | |
| amounts due from banks (S1) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| loans and advances to customers | 81,245 | 1,256 | (3,243) | (543) | (1,572) | 19,198 | (15,290) | (536) | | | | | 80,515 |
| residential loans | 81,245 | 1,256 | (3,243) | (543) | (1,572) | 19,198 | (15,290) | (536) | | | | | 80,515 |
| Stage 1 (S1) | 8,925 | 237 | (2,712) | 41 | (204) | 19,198 | - | (1) | 1,255 | (19,450) | (1,399) | - | 5,890 |
| Stage 2 (S2) | 48,803 | 1,019 | 3,922 | (585) | (1,076) | - | (15,067) | (47) | (1,255) | 19,907 | (4,517) | - | 51,104 |
| Stage 3 and POCI (S3 and POCI) | 23,517 | - | (4,453) | 1 | (292) | - | (223) | (488) | - | (457) | 5,916 | - | 23,521 |
| other financial assets (S1) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 81,245 | 1,256 | (3,243) | (543) | (1,572) | 19,198 | (15,290) | (536) | | | | | 80,515 |

| CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS FOR THE PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021 | As at 01.01.2021 | Increase due to granting and purchase of loans | Changes due to changes in credit risk (net), including total repayment | Changes due to non-substantial modification, net | Decrease due to derecognition | Changes due to lengthening the loss recognition horizon from 12 months to lifetime | Changes due to shortening the loss recognition horizon from lifetime to 12 months | Change due to partial write-off or reversal | Transfers to Stage 1 (S1) | Transfers to Stage 2 (S2) | Transfers to Stage 3 and POCI (S3 and POCI) | Other changes | As at 30.06.2021 |
|-------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------|-------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------|---------------------------|---------------------------|---------------------------------------------|---------------|------------------|
| Measured at fair value through other comprehensive income | | | | | | | | | | | | | |
| securities (S1) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Measured at amortized cost | | | | | | | | | | | | | |
| amounts due from banks (S1) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| loans and advances to customers | 78,035 | 157 | (2,732) | 625 | (46) | 21,704 | (18,272) | (48) | | | | | 79,423 |
| residential loans | 78,035 | 157 | (2,732) | 625 | (46) | 21,704 | (18,272) | (48) | | | | | 79,423 |
| Stage 1 (S1) | 9,651 | 105 | 788 | 131 | (9) | 21,704 | - | (1) | 1,386 | (22,989) | (934) | - | 9,832 |
| Stage 2 (S2) | 55,822 | 52 | (1,409) | 456 | (37) | - | (18,261) | (10) | (1,386) | 23,940 | (8,732) | - | 50,435 |
| Stage 3 and POCI (S3 and POCI) | 12,562 | - | (2,111) | 38 | - | - | (11) | (37) | - | (951) | 9,666 | - | 19,156 |
| other financial assets (S1) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 78,035 | 157 | (2,732) | 625 | (46) | 21,704 | (18,272) | (48) | | | | | 79,423 |

CALCULATION OF ESTIMATES

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

| ESTIMATED CHANGE IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DUE TO A DETERIORATION OR IMPROVEMENT IN RISK PARAMETERS, INCLUDING: ¹ | 30.06.2022 | | 31.12.2021 | |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| | scenario +10% | scenario -10% | scenario +10% | scenario -10% |
| changes in probability of default | 4,509 | (5,517) | 5,095 | (5,782) |
| changes in rates of recovery | (15,922) | 15,950 | (17,789) | 17,790 |

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

The table below presents the estimated sensitivity of allowances for expected credit losses to macroeconomic conditions, calculated as the change in allowances for expected credit losses on non-impaired exposures as a result of the materialization of various macroeconomic scenarios as at 30 June 2022 and 31 December 2021.

| ESTIMATED CHANGE IN ALLOWANCES FOR EXPECTED CREDIT LOSSES ON NON-IMPAIRED EXPOSURES AS A RESULT OF THE MATERIALIZATION OF VARIOUS MACROECONOMIC SCENARIOS (IN PLN MILLION) | 30.06.2022 | | 31.12.2021 | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------|------------|-------------|
| | optimistic | pessimistic | optimistic | pessimistic |
| | (14) | 10 | (8) | 6 |

16. AMOUNTS DUE TO BANKS

| AMOUNTS DUE TO BANKS | 30.06.2022 | 31.12.2021 |
|-------------------------------------------|------------------|------------------|
| Measured at amortized cost | | |
| overdraft within the limit available | - | - |
| liability related to overdraft facilities | 6,944,649 | 6,334,664 |
| liability related to term loans | 1,463,687 | 209,847 |
| Total | 8,408,336 | 6,544,511 |

LIABILITIES IN RESPECT OF LOANS

| LENDER | Effective date of agreement | Maturity date | Amount of loan granted as at 30 June 2022 | Amount of loan drawn as at 30 June 2022 | Liability as at 30 June 2022 |
|----------------------------------|-----------------------------|---------------|-------------------------------------------|-----------------------------------------|------------------------------|
| PKO Bank Polski SA | 29.10.2015 | 29.10.2025 | 2,000,000 | 2,000,000 | 1,971,622 |
| PKO Bank Polski SA | 02.02.2017 | 03.02.2026 | 2,000,000 | 2,000,000 | - |
| PKO Bank Polski SA | 10.07.2019 | 01.07.2025 | 5,000,000 | 5,000,000 | 4,823,000 |
| PKO Bank Polski SA ¹⁾ | 10.09.2020 | 22.03.2026 | 210,000 | 210,000 | 209,868 |
| PKO Bank Polski SA | 11.02.2022 | 11.02.2028 | 2,000,000 | 2,000,000 | 1,253,819 |
| Other bank 1 | 10.06.2019 | 15.05.2023 | 150,000 | 150,000 | 150,027 |
| Total | | | 11,360,000 | 11,360,000 | 8,408,336 |

¹⁾ The period during which the tranches may be used expired on 10 September 2021. Therefore, the amount of the loan granted and made available was presented in the amount of the tranches used, and the maturity date was shown for the last tranche drawn.

| LENDER | Effective date of agreement | Maturity date | Amount of loan granted as at 31 December 2021 | Amount of loan drawn as at 31 December 2021 | Liability as at 31 December 2021 |
|----------------------------------|-----------------------------|---------------|-----------------------------------------------|---------------------------------------------|----------------------------------|
| PKO Bank Polski SA | 29.10.2015 | 29.10.2025 | 2,000,000 | 2,000,000 | 865,651 |
| PKO Bank Polski SA | 02.02.2017 | 03.02.2026 | 2,000,000 | 2,000,000 | 2,000,013 |
| PKO Bank Polski SA | 10.07.2019 | 01.07.2025 | 5,000,000 | 5,000,000 | 3,469,000 |
| PKO Bank Polski SA ¹⁾ | 10.09.2020 | 22.03.2026 | 210,000 | 210,000 | 209,847 |
| Other bank 1 | 10.06.2019 | 14.06.2022 | 150,000 | 150,000 | - |
| Total | | | 9,360,000 | 9,360,000 | 6,544,511 |

¹⁾ The period during which the tranches may be used expired on 10 September 2021. Therefore, the amount of the loan granted and made available was presented in the amount of the tranches used, and the maturity date was shown for the last tranche drawn.

17. LIABILITIES IN RESPECT OF MORTGAGE COVERED BONDS ISSUED

| LIABILITIES IN RESPECT OF MORTGAGE COVERED BONDS ISSUED | 30.06.2022 | 31.12.2021 |
|---------------------------------------------------------|------------------|-------------------|
| Measured at amortized cost | | |
| mortgage covered bonds, including issued under: | 9,923,353 | 13,146,377 |
| International Mortgage Covered Bonds Issue Programme | 7,415,571 | 10,052,583 |
| National Mortgage Covered Bonds Issue Programme | 2,507,782 | 3,093,794 |
| Total | 9,923,353 | 13,146,377 |

In the six-month period ended 30 June 2022, the Bank did not issue any mortgage covered bonds and redeemed four issues of mortgage covered bonds totalling PLN 600,000 thousand and EUR 600,000 thousand. Moreover, on 27 June 2022, PKO Bank Hipoteczny conducted a subscription for series 8 green mortgage covered bonds in EUR with the nominal value of EUR 500 million to be issued on 4 July 2022 and maturing on 25 June 2025. The securities bear a fixed interest rate of 2.125%. It was the first issue of green covered bonds secured exclusively with PLN-denominated high-quality housing loans carried out in Poland and in Central and Eastern Europe.

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

As at 30 June 2022, the PLN- and EUR-denominated mortgage covered bonds issued by the Bank were rated by Moody's Investors Service at Aa1, i.e. the highest level achievable by Polish securities. The limit for the ratings is the Polish country ceiling for debt instruments (i.e. the highest level achievable in Poland), which currently is at the level of Aa1.

The total nominal value of the issued mortgage covered bonds as at 30 June 2022 amounted to PLN 9,880,667 thousand and PLN 13,112,093 as at 31 December 2021.

SECURITY FOR MORTGAGE COVERED BONDS

The mortgage covered bonds are secured with loans secured with the highest priority mortgage entered in the Land and Mortgage Register. Additionally, the mortgage covered bonds may also be issued based on the Bank's own funds:

- invested in securities issued or guaranteed by the National Bank of Poland, the European Central Bank, the governments and central banks of the Member States of the European Union, the Organization for Economic Cooperation and Development, excluding countries that are restructuring or have restructured their foreign debt in the past 5 years;
- deposited with the National Bank of Poland;
- held in cash.

The nominal value of loans entered in the Bank's cover pool and representing collateral for the mortgage covered bonds issued as at 30 June 2022 amounted to PLN 19,915,974 million, whereas the nominal value of additional

collateral in the form of PLN-denominated securities issued by the State Treasury amounted to PLN 235,000 thousand. As at 31 December 2021, these amounted to PLN 21,778,536 thousand and PLN 130,000 thousand respectively. The Bank's mortgage covered bonds cover pool also included CIRS and FX-Forward transactions hedging the currency and interest rate risk of mortgage covered bonds denominated in EUR, and IRS transactions hedging the interest rate risk of fixed rate mortgage covered bonds denominated in PLN.

In the first half of 2022, and in the previous years, the Bank's mortgage covered bonds cover pool did not include asset-backed securities (ABS), which do not meet the requirements specified in paragraph 1 of Article 80 of the Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (recast).

18. LIABILITIES IN RESPECT OF BONDS ISSUED

| LIABILITIES IN RESPECT OF BONDS ISSUED | 30.06.2022 | 31.12.2021 |
|---------------------------------------------|------------------|------------------|
| Measured at amortized cost | | |
| bonds issued under the Bond Issue Programme | 2,088,263 | 3,728,162 |
| Total | 2,088,263 | 3,728,162 |

BOND ISSUE PROGRAMME

In the six-month period ended 30 June 2022, as part of the Bond Issue Programme, the Bank issued bonds with a total nominal value of PLN 1,595,000 thousand (i.e. 2,206 bonds with PLN 500,000 nominal value each and 492 bonds with PLN 1,000,000 nominal value each) and redeemed bonds with a total nominal value of PLN 3,218,500 thousand (i.e. 6,437 bonds with PLN 500,000 nominal value each).

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

As at 30 June 2022, the Bank's liability in respect of bonds issued as part of the Bond Issue Programme had a nominal value of PLN 2,107,000 thousand, and as at 31 December 2021 its nominal value was PLN 3,730,500 thousand. As at 30 June 2022 and as at 31 December 2021, PKO Bank Polski SA did not hold any bonds under the Underwriting Agreement.

19. OTHER LIABILITIES

| OTHER LIABILITIES | 30.06.2022 | 31.12.2021 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Expenses to be paid * | 10,413 | 9,525 |
| Liabilities in respect of the contribution to the Bank Guarantee Fund (BGF), including: | 47,946 | 20,393 |
| the contribution to the resolution fund accrued by BGF / payable to BGF | 27,553 | - |
| maintained in the form of payments commitments to the resolution fund | 20,393 | 20,393 |
| Deferred commissions and costs relating to loans granted, in the part corresponding to unpaid principal and adjustments of deferred commission income on loans granted | - | 2,402 |
| Other liabilities, including: | 7,311 | 9,191 |
| sundry creditors* | 1,256 | 1,686 |
| settlements with the state budget, including: | 6,055 | 7,505 |
| liabilities in respect of tax on certain financial institutions | 5,670 | 6,812 |
| Lease liabilities * | 3,119 | 3,714 |
| Total | 68,789 | 45,225 |
| including liabilities marked with * above | 14,788 | 14,925 |

* The symbol designates financial liabilities.

As at 30 June 2022 and 31 December 2021, the Bank had no overdue contractual liabilities.

20. PROVISIONS

| PROVISIONS FOR THE PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2022 | Provision for disability and retirement benefits | Provisions for loan commitments | Total |
|---------------------------------------------------------------------|-----------------------------------------------------|------------------------------------|------------|
| As at 1 January 2022, including: | 169 | 29 | 198 |
| Short-term provision | - | 29 | 29 |
| Long-term provision | 169 | - | 169 |
| Set-up/reassessment of provisions | 6 | - | 6 |
| Release/utilization | - | (21) | (21) |
| As at 30 June 2022, including: | 175 | 8 | 183 |
| Short-term provision | - | 8 | 8 |
| Long-term provision | 175 | - | 175 |

| PROVISIONS FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2021 | Provision for disability and retirement benefits | Provisions for loan commitments | Total |
|---------------------------------------------------------------------|-----------------------------------------------------|------------------------------------|------------|
| As at 1 January 2021, including: | 169 | 51 | 220 |
| Short-term provision | - | 51 | 51 |
| Long-term provision | 169 | - | 169 |
| Set-up/reassessment of provisions | 48 | 31 | 79 |
| Release/utilization | - | (19) | (19) |
| As at 30 June 2021, including: | 217 | 63 | 280 |
| Short-term provision | - | 63 | 63 |
| Long-term provision | 217 | - | 217 |

21. EQUITY AND SHAREHOLDING STRUCTURE OF THE BANK

| EQUITY | 30.06.2022 | 31.12.2021 |
|----------------------------------------------------------------------------------------------|------------------|------------------|
| Share capital | 1,611,300 | 1,611,300 |
| Supplementary capital | 339,852 | 332,263 |
| Accumulated other comprehensive income, including: | (63,708) | 75,290 |
| cash flow hedges | (53,400) | 74,979 |
| measurement of financial assets measured at fair value through other comprehensive income | (10,308) | 311 |
| Net profit for the period | 50,764 | 94,867 |
| Total equity | 1,938,208 | 2,113,720 |

SHAREHOLDING STRUCTURE

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

PKO Bank Polski SA was the Bank's sole shareholder as at 30 June 2022 and 31 December 2021.

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

On 28 April 2022, the Ordinary Shareholders Meeting of PKO Bank Hipoteczny SA adopted a resolution on the appropriation of the net profit for the financial year 2021 as follows:

- PLN 7,589 thousand, i.e. 8% of the net profit to be transferred to the Bank's supplementary capital pursuant to Articles 348 and 396 of the Commercial Companies Code;
- PLN 87,278 thousand, i.e. the remaining part of the net profit to be paid out as dividend. On 29 April 2022, the Bank transferred the funds for the payment of the dividend to PKO Bank Polski SA to the non-public market register maintained by Biuro Maklerskie of PKO Bank Polski SA. The Bank did not pay dividend in 2021.

OTHER NOTES

22. CONTINGENT LIABILITIES GRANTED AND RECEIVED

22.1 CONTRACTUAL COMMITMENTS

As at 30 June 2022 and 31 December 2021 the Bank had no contractual commitments relating to the purchase of intangible assets and property, plant and equipment.

22.2 LOAN COMMITMENTS

| LOAN COMMITMENTS (CONTINGENT) | 30.06.2022 | 31.12.2021 |
|-----------------------------------------------------------------|---------------|---------------|
| Relating to residential loans not drawn in full (nominal value) | 27,583 | 56,999 |
| provision for residential loans not drawn in full | (8) | (29) |
| Total, net | 27,575 | 56,970 |
| including irrevocable loan commitments | - | - |

22.3 GUARANTEE COMMITMENTS GRANTED

PKO Bank Hipoteczny SA does not grant guarantee commitments.

22.4 CONTINGENT LIABILITIES RECEIVED

| CONTINGENT COMMITMENTS RECEIVED AT THE NOMINAL VALUE | 30.06.2022 | 31.12.2021 |
|------------------------------------------------------|------------------|------------------|
| Contingent commitments received | | |
| financial | 2,951,378 | 2,815,477 |
| guarantees | 2,000,000 | 2,000,000 |
| Total | 4,951,378 | 4,815,477 |

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

RIGHT TO SELL OR PLEDGE COLLATERAL ESTABLISHED FOR THE BANK

As at 30 June 2022 and 31 December 2021, no collateral was established for the Bank, which the Bank would be entitled to sell or re-pledge, in the event of fulfilling all obligations by the owner of the collateral.

23. LEGAL CLAIMS

As at 30 June 2022 and 31 December 2021 there were no legal claims.



24. INFORMATION ABOUT LEASES

ACCOUNTING POLICIES

LEASES – LESSEE

| LEASE AMOUNTS RECOGNIZED IN THE INCOME STATEMENT - LESSEE | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|--------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Amortization of the right-of-use assets | (615) | (609) |
| real estate | (504) | (496) |
| cars | (111) | (113) |
| Interest expense | (30) | (28) |
| Costs related to lease contracts for low-value assets (other than short-term), non-deductible VAT expenses and service charges | (358) | (367) |
| Total | (1,003) | (1,004) |

LEASES – LESSOR

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

25. NOTES TO THE STATEMENT OF CASH FLOWS

| CASH AND CASH EQUIVALENTS | 30.06.2022 | 31.12.2021 |
|-------------------------------------------|--------------|---------------|
| Cash and balances with the Central Bank | 341 | 50,362 |
| Amounts due from banks – current accounts | 4,402 | 532 |
| Total | 4,743 | 50,894 |

As at 30 June 2022 and 31 December 2021 there were no cash and cash equivalents with restricted availability for use.

| INTEREST INCOME – RECEIVED | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|-------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| From operating activities | | |
| Interest received on loans and advances to customers | 531,552 | 256,354 |
| Interest received on CIRS transactions | 38,102 | 37,902 |
| Interest received on IRS transactions | - | - |
| Interest received on deposits | 14 | - |
| Other interest received | 1,292 | 8 |
| From investing activities | | |
| Interest received on securities measured at fair value through other comprehensive income | 9,535 | 3,052 |
| Total | 580,495 | 297,316 |



| INTEREST EXPENSE – PAID | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|------------------------------------------------------------------------|--------------------------------|--------------------------------|
| From operating activities | | |
| Interest paid on CIRS transactions | 142,833 | 50,916 |
| Interest paid on IRS transactions | 961 | 1,369 |
| Interest paid for extending overdraft limits | 34 | 46 |
| Interest paid on liabilities in respect of the purchase of receivables | - | 583 |
| Other interest paid | 0 | 0 |
| From financing activities | | |
| Interest paid on loans | 134,140 | 12,151 |
| Interest paid on mortgage covered bonds issued | 80,515 | 51,650 |
| Discount and interest paid on bonds issued | 24,951 | 14,558 |
| Total | 383,434 | 131,273 |

26. RELATED PARTY TRANSACTIONS

26.1 TRANSACTIONS WITH THE STATE TREASURY AND ITS RELATED ENTITIES

Since the State Treasury holds 29.43% of the share capital of PKO Bank Polski SA, PKO Bank Hipoteczny SA (which is a part of the PKO Bank Polski SA Group) is a related entity of the State Treasury.

The Bank concludes the following transactions with the State Treasury and its related entities:

- purchases of Treasury bonds issued by the State Treasury and NBP bills, which are described in Note 13 “Securities”;
- purchases of goods and services from related entities of the State Treasury as part of the Bank’s operating activities, which are immaterial individually and cumulatively from the financial statements perspective.

26.2 RELATED PARTY TRANSACTIONS – CAPITAL LINKS

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

Details of transactions with related parties with capital links were presented in Note 35.1 of the PKO Bank Hipoteczny SA financial statements for the year ended 31 December 2021.

Furthermore, in the six-month period ended 30 June 2022:

- On 11 February 2022, the Bank concluded with PKO Bank Polski SA a non-revolving working capital facility agreement in PLN with a limit of PLN 400,000 thousand for a period of 6 years. The loan will be disbursed over a period of 1 year of the date of conclusion in tranches, each of which is repayable within 5 years of its drawing. The tranches bear interest at a fixed rate, which is determined for each drawing separately. By signing an annex to the agreement, the limit was increased to PLN 2,000,000 thousand.
- On 24 March 2022, upon approval of the Basic Prospectus of PKO Bank Hipoteczny SA relating to the issue of mortgage covered bonds for the European market (including the Polish market) by Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg, PKO Bank Hipoteczny SA signed the Programme Agreement with PKO Bank Polski SA, on the basis of which PKO Bank Polski SA acts as the Arranger and Dealer.

AS AT 30 JUNE 2022

| ENTITY | ASSETS | |
|--------------------|----------------|-----------------------|
| | Receivables | including derivatives |
| PKO Bank Polski SA | 598,685 | 594,204 |
| Total | 598,685 | 594,204 |

| ENTITY | LIABILITIES | | | | |
|--------------------------------------|---------------------|----------------------------|----------------------------------|-------------------|-----------------------|
| | Loans and overdraft | Acquisition of receivables | Mortgage covered bonds and bonds | Other liabilities | including derivatives |
| PKO Bank Polski SA | 8,258,845 | - | 49,864 | 15,369 | 9,996 |
| PKO BP Finat Sp. z o.o. | - | - | 13,570 | 22 | - |
| PKO Leasing SA | - | - | - | 64 | - |
| Prime Car Management SA | - | - | - | 128 | - |
| PKO Towarzystwo Ubezpieczeń SA | - | - | 75,813 | - | - |
| PKO Życie Towarzystwo Ubezpieczeń SA | - | - | 42,422 | - | - |
| PKO VC -fizan | - | - | 20,201 | - | - |
| Bankowe Towarzystwo Kapitałowe SA | - | - | 14,500 | - | - |
| Total | 8,258,845 | - | 216,370 | 15,583 | 9,996 |

| ENTITY | Loan commitments | Contingent commitments received |
|--------------------|------------------|---------------------------------|
| PKO Bank Polski SA | - | 4,951,378 |
| Total | - | 4,951,378 |

FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022

| ENTITY | Total revenues | including interest and commissions | Total costs | including interest and commissions | Net income / (expense) from financial instruments measured at fair value | Net foreign exchange gains / (losses) |
|--------------------------------------|----------------|------------------------------------|----------------|------------------------------------|--------------------------------------------------------------------------|---------------------------------------|
| PKO Bank Polski SA | 14 | 14 | 313,960 | 302,928 | 2 | 194,260 |
| PKO BP Finat Sp. z o.o. | - | - | 268 | 151 | - | - |
| PKO Leasing SA | - | - | 40 | 1 | - | - |
| Prime Car Management SA | - | - | 14 | 1 | - | - |
| PKO Towarzystwo Ubezpieczeń SA | - | - | 2,063 | 2,063 | - | - |
| PKO Życie Towarzystwo Ubezpieczeń SA | - | - | 862 | 862 | - | - |
| PKO VC -fizan | - | - | 395 | 395 | - | - |
| Bankowe Towarzystwo Kapitałowe SA | - | - | 272 | 272 | - | - |
| Total | 14 | 14 | 317,874 | 306,673 | 2 | 194,260 |

AS AT 31 DECEMBER 2021

| ENTITY | ASSETS | |
|--------------------|----------------|-----------------------|
| | Receivables | including derivatives |
| PKO Bank Polski SA | 842,080 | 841,541 |
| Total | 842,080 | 841,541 |

| ENTITY | LIABILITIES | | | | |
|--------------------------------------|---------------------|----------------------------|----------------------------------|-------------------|-----------------------|
| | Loans and overdraft | Acquisition of receivables | Mortgage covered bonds and bonds | Other liabilities | including derivatives |
| PKO Bank Polski SA | 6,544,672 | - | 63,577 | 7,844 | 1,983 |
| PKO BP Finat Sp. z o.o. | - | - | - | 18 | - |
| PKO Leasing SA | - | - | - | 147 | - |
| Prime Car Management SA | - | - | - | 153 | - |
| PKO Towarzystwo Ubezpieczeń SA | - | - | 97,246 | - | - |
| PKO Życie Towarzystwo Ubezpieczeń SA | - | - | 61,757 | - | - |
| PKO VC -fizan | - | - | 20,973 | - | - |
| Bankowe Towarzystwo Kapitałowe SA | - | - | 15,995 | - | - |
| Total | 6,544,672 | - | 259,548 | 8,162 | 1,983 |

| ENTITY | Loan commitments | Contingent commitments received |
|--------------------|------------------|---------------------------------|
| PKO Bank Polski SA | - | 4,665,477 |
| Total | - | 4,665,477 |

FOR THE PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

| ENTITY | Total revenues | including interest and commissions | Total costs | including interest and commissions | Net income / (expense) from financial instruments measured at fair value | Net foreign exchange gains / (losses) |
|--------------------------------------|----------------|------------------------------------|---------------|------------------------------------|--------------------------------------------------------------------------|---------------------------------------|
| PKO Bank Polski SA | 3,298 | 3,212 | 54,213 | 40,384 | 33 | (260,900) |
| PKO BP Finat Sp. z o.o. | - | - | 103 | - | - | - |
| PKO Leasing SA | - | - | 151 | 3 | - | - |
| Prime Car Management SA | - | - | 15 | 0 | - | - |
| PKO Towarzystwo Ubezpieczeń SA | - | - | 1,356 | 1,356 | - | - |
| PKO Życie Towarzystwo Ubezpieczeń SA | - | - | 192 | 192 | - | - |
| PKO VC -fizan | - | - | 49 | 49 | - | - |
| NEPTUN - fizan | - | - | 54 | 54 | - | - |
| Bankowe Towarzystwo Kapitałowe SA | - | - | 68 | 68 | - | - |
| Total | 3,298 | 3,212 | 56,201 | 42,106 | 33 | (260,900) |

26.3 RELATED-PARTY TRANSACTIONS – PERSONAL LINKS

As at 30 June 2022, 4 entities were related to the Bank through key management personnel of PKO Bank Hipoteczny SA or close relatives of key management personnel, whereas at 31 December 2017 it was 6 entities. In the aforementioned periods, the Bank had an active agreement with and made payments for the purchases of goods to only one of these entities.

26.4 BENEFITS FOR PKO BANK HIPOTECZNY SA KEY MANAGEMENT PERSONNEL

The principles for determining a policy of variable remuneration components for the Bank's managers are described in Section 6.6 of the PKO Bank Hipoteczny SA Directors' Report for the year ended 31 December 2021.

| COST OF REMUNERATION OF THE BANK'S MANAGEMENT BOARD AND SUPERVISORY BOARD | 01.01.2022 - 30.06.2022 | 01.01.2021 - 30.06.2021 |
|----------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| The Bank's Management Board¹⁾ | | |
| Short-term employee benefits ²⁾ | 817 | 884 |
| Post-employment benefits | 153 | 119 |
| Long-term benefits ³⁾ | 183 | 179 |
| Share-based payments settled in cash ⁴⁾ | 183 | 179 |
| Total | 1,336 | 1,361 |
| The Bank's Supervisory Board (independent Supervisory Board members) | | |
| Short-term employee benefits ²⁾ | 68 | 69 |
| Total | 68 | 69 |

¹⁾ Including the Management Board members who no longer perform their functions.

²⁾ Short-term employee benefits comprise remuneration, social insurance contributions, employee pension plans, other benefits and the provision for not deferred variable remuneration components, which have been or will be settled within 12 months of the end of a reporting period;

³⁾ Long-term benefits comprise provisions for deferred variable remuneration components granted in cash, which will be payable after 12 months from the end of a reporting period;

⁴⁾ Share-based payments settled in cash (IAS 19) comprise cost of accruals for deferred variable remuneration components granted in the form of financial instruments, i.e. phantom shares. Phantom shares are converted into cash after the retention period.

26.5 LOANS AND ADVANCES GRANTED BY THE BANK TO ITS MANAGEMENT

In the six-month period ended 30 June 2022 and in 2021, no loans or advances were granted to the Bank's management. As at 30 June 2022, the carrying amount of loans or advances granted to the Bank's management was PLN 565 thousand, and as at 31 December 2021 it was PLN 627 thousand. The interest rate and repayment terms are consistent with the arm's length principle.

27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

The classification of financial instruments and the methods for determining their fair value are described in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2021.

| ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS AT 30 JUNE 2022 | Note | Carrying amount | Level 1 | Level 2 | Level 3 |
|-------------------------------------------------------------------------|-------------|------------------------|----------------------------------------|---------------------------------------------------------------|-------------------------------------|
| | | | Prices quoted on active markets | Measurement techniques based on observable market data | Other measurement techniques |
| Derivative hedging instruments | 12 | 594,204 | - | 594,204 | - |
| CIRS | | 593,951 | - | 593,951 | - |
| FX forward | | 253 | - | 253 | - |
| IRS | | - | - | - | - |
| Securities | 13 | 1,059,826 | 1,059,826 | - | - |
| measured at fair value through other comprehensive income | | 1,059,826 | 1,059,826 | - | - |
| Total financial assets measured at fair value | | 1,654,030 | 1,059,826 | 594,204 | - |
| Derivative hedging instruments | 12 | 9,996 | - | 9,996 | - |
| CIRS | | - | - | - | - |
| FX forward | | 34 | - | 34 | - |
| IRS | | 9,962 | - | 9,962 | - |
| Total financial liabilities measured at fair value | | 9,996 | - | 9,996 | - |

| ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS AT 31 DECEMBER 2021 | Note | Carrying amount | Level 1 | Level 2 | Level 3 |
|----------------------------------------------------------------------|------|------------------|---------------------------------|--------------------------------------------------------|------------------------------|
| | | | Prices quoted on active markets | Measurement techniques based on observable market data | Other measurement techniques |
| Derivative hedging instruments | 12 | 841,541 | - | 841,541 | - |
| CIRS | | 841,412 | - | 841,412 | - |
| FX forward | | 129 | - | 129 | - |
| IRS | | - | - | - | - |
| Securities | 13 | 1,870,697 | 1,060,935 | 809,762 | - |
| measured at fair value through other comprehensive income | | 1,870,697 | 1,060,935 | 809,762 | - |
| Total financial assets measured at fair value | | 2,712,238 | 1,060,935 | 1,651,303 | - |
| Derivative hedging instruments | 12 | 1,983 | - | 1,983 | - |
| CIRS | | - | - | - | - |
| FX forward | | 320 | - | 320 | - |
| IRS | | 1,663 | - | 1,663 | - |
| Total financial liabilities measured at fair value | | 1,983 | - | 1,983 | - |

In the six-month period ended 30 June 2022 there were no changes to the measurement techniques and input data for the respective levels of the fair value hierarchy. The measurement techniques have been described in detail in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2021.

In the six-month period ended 30 June 2022 and in 2021, there were no transfers between the different levels of fair value hierarchy.

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

The fair value measurement methods and assumptions used in the estimation of fair value of financial instruments which are not presented at fair value have been described in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2021.

| FINANCIAL ASSETS AND LIABILITIES NOT PRESENTED AT FAIR VALUE AS AT 30 JUNE 2022 | fair value hierarchy level | measurement method | 30.06.2022 | |
|---------------------------------------------------------------------------------|----------------------------|------------------------------------------------------------|-----------------|------------|
| | | | carrying amount | fair value |
| Cash and balances with the Central Bank | N/A | amount of consideration due | 341 | 341 |
| Amounts due from banks | 2 | discounted cashflows | 4,402 | 4,402 |
| Loans and advances to customers, including: | | | 20,784,513 | 19,764,525 |
| residential loans | 3 | discounted cashflows | 20,784,513 | 19,764,525 |
| Other financial assets | 3 | amount of consideration due taking into account impairment | 100 | 100 |
| Amounts due to banks | 2 | discounted cashflows | 8,408,336 | 8,334,427 |
| Amounts due to customers | 2 | discounted cashflows | 9,228 | 9,228 |
| Liabilities in respect of mortgage covered bonds issued | 1 | quotation on the regulated market | 9,923,353 | 9,868,183 |
| Liabilities in respect of bonds issued | 2 | discounted cashflows | 2,088,263 | 2,088,263 |
| Other financial liabilities | 3 | amount of consideration due | 14,788 | 14,788 |



| FINANCIAL ASSETS AND LIABILITIES NOT PRESENTED AT FAIR VALUE AS AT 31 DECEMBER 2021 | fair value hierarchy level | measurement method | 31.12.2021 | |
|-------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------------|-----------------|------------|
| | | | carrying amount | fair value |
| Cash and balances with the Central Bank | N/A | amount of consideration due | 50,362 | 50,362 |
| Amounts due from banks | 2 | discounted cashflows | 532 | 532 |
| Loans and advances to customers, including: | | | 22,848,599 | 22,406,196 |
| residential loans | 3 | discounted cashflows | 22,848,599 | 22,406,196 |
| Other financial assets | 3 | amount of consideration due taking into account impairment | 26 | 26 |
| Amounts due to banks | 2 | discounted cashflows | 6,544,511 | 6,544,511 |
| Amounts due to customers | 2 | discounted cashflows | 6,617 | 6,617 |
| Liabilities in respect of mortgage covered bonds issued | 1 | quotation on the regulated market | 13,146,377 | 13,283,746 |
| Liabilities in respect of bonds issued | 2 | discounted cashflows | 3,728,162 | 3,728,162 |
| Other financial liabilities | 3 | amount of consideration due | 14,925 | 14,925 |

28. OPERATING SEGMENTS

In the six-month period ended 30 June 2022 and in 2021, the Bank did not analyse its operations by segments due to the specific nature of its operations. The whole loan portfolio of the Bank is uniform and consists of residential loans granted to retail customers for the financing of real estate located in Poland. All operations of the Bank represent one segment. The main operational decision-maker is the Bank's Management Board. The Bank's gross profit/(loss) is analysed at the level of all operations of the Bank. Therefore, the financial data presented in the statement of financial position and the income statement is representative for the Bank as a whole, which consists of a single operating segment.

OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT

29. RISK MANAGEMENT AT PKO BANK HIPOTECZNY SA

Risk management at PKO Bank Hipoteczny SA is aimed at ensuring the financial stability of the Bank, safeguarding the value and security of the mortgage covered bonds issued and guaranteeing the safety of funds resulting from the issue of bonds and the other sources of financing of the Bank's operations. The risk management system is also intended to ensure appropriate and as comprehensive as possible information on the risk when making decisions, and to effectively embed risk management in the Bank's organizational culture. The assumed level of risk plays an important role in the planning process.

The risk management at PKO Bank Hipoteczny SA was described in detail in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2021. In the six-month period ended 30 June 2022, the following changes were introduced in the risk management principles:

- Starting from 1 January 2022, the Bank has introduced changes to comply with the amended Recommendation R of the Polish Financial Supervision Authority relating to classification principles for credit exposures, estimating and recognizing expected credit losses and managing credit risk. The changes ensuring the Bank's compliance with the amended Recommendation were introduced in, among other things, the area of regulations governing the process of reporting controls, classification criteria for Stages 2 and 3, and the criteria for a significant modification, and the principles and methods of validating models for the estimation of the expected credit losses.
- Starting from 10 February 2022, the Bank applies an additional capital buffer of 0.5 pp imposed by the Polish Financial Supervision Authority (hereinafter: the "PFSA") following the Pillar 2 (P2G) recommendation.
- Starting from 1 April 2022, the Bank introduced changes to comply with the new guidelines of the PFSA relating to the application of Recommendation S. The most important modification in the process of assessing a customer's creditworthiness include: increasing the interest rate risk buffer applied in the assessment of creditworthiness from 2.5% to 5%, decreasing the maximum allowed DstI level (i.e. debt service to income) depending on the source and level of income, introducing indexation of the minimum household expenditure using the inflation rate.

30. CREDIT RISK MANAGEMENT

30.1 MAXIMUM EXPOSURE TO CREDIT RISK

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

| MAXIMUM EXPOSURE TO CREDIT RISK | 30.06.2022 | 31.12.2021 |
|---------------------------------------|----------------|----------------|
| Derivative hedging instruments | 594,204 | 841,541 |
| Balance sheet exposure - total | 594,204 | 841,541 |

30.2 AMOUNTS DUE FROM BANKS

| AMOUNTS DUE FROM BANKS | 30.06.2022 | 31.12.2021 |
|------------------------------------------------------------|--------------|------------|
| Amounts not overdue, not impaired (counterparty rating A2) | 4,402 | 532 |
| Total, gross | 4,402 | 532 |
| Allowances for expected credit losses | - | - |
| Total, net | 4,402 | 532 |

30.3 SECURITIES

| SECURITIES | 30.06.2022 | 31.12.2021 |
|-------------------------------------------------------------|------------------|------------------|
| Issued by the State Treasury, PLN Treasury bonds (rating A) | 1,059,826 | 1,060,935 |
| NBP bills | - | 809,762 |
| Total, gross | 1,059,826 | 1,870,697 |
| Allowances for expected credit losses | - | - |
| Total, net | 1,059,826 | 1,870,697 |

30.4 LOANS AND ADVANCES TO CUSTOMERS

The loan portfolio is characterized by a low level of impaired exposures. At 30 June 2022, 301 impaired loans were identified (including in the POCI basket), and their share in the total loan portfolio amount was 0.26%, whereas as at 31 December 2021, 299 impaired loans were identified, and their share in the total loan portfolio amount was 0.25%.

The structure of overdue loans is presented below:

| LOANS OVERDUE AND IMPAIRED OR IMPAIRED AS AT 30.06.2022 | up to 30 days | from 30 to 90 days | more than 90 days | TOTAL |
|---------------------------------------------------------|----------------|--------------------|-------------------|----------------|
| Stage 1 | 40,031 | 153 | - | 40,184 |
| Stage 2 | 89,696 | 23,521 | 3,335 | 116,552 |
| Stage 3 and POCI | 7,209 | 4,789 | 17,769 | 29,767 |
| Total, gross | 136,936 | 28,463 | 21,104 | 186,503 |

| LOANS OVERDUE AND IMPAIRED OR IMPAIRED AS AT 31.12.2021 | up to 30 days | from 30 to 90 days | more than 90 days | TOTAL |
|---------------------------------------------------------|---------------|--------------------|-------------------|----------------|
| Stage 1 | 19,312 | - | - | 19,312 |
| Stage 2 | 52,601 | 14,518 | 1,863 | 68,982 |
| Stage 3 and POCI | 5,090 | 2,904 | 16,536 | 24,530 |
| Total, gross | 77,003 | 17,422 | 18,399 | 112,824 |

LOAN PORTFOLIO AND FINANCIAL LIABILITIES GRANTED BY PD RANGE

The PD parameter presented below refers to the probability of default in the 12-monthly horizon.

| LOANS AND ADVANCES TO CUSTOMERS | 30.06.2022 | | | |
|---------------------------------|-------------------|------------------|------------------|-------------------|
| PD RANGE | Stage 1 | Stage 2 | Stage 3 and POCI | Total, gross |
| <0.01% | 78,234 | 306 | - | 78,540 |
| 0.01% - 0.02% | 1,374,190 | 1,801 | - | 1,375,991 |
| 0.02% - 0.05% | 5,299,899 | 16,681 | - | 5,316,580 |
| 0.05% - 0.1% | 4,865,566 | 42,449 | 100 | 4,908,115 |
| 0.1% - 0.3% | 5,780,250 | 559,853 | 48 | 6,340,151 |
| 0.3% - 1.0% | 1,433,166 | 761,504 | 107 | 2,194,777 |
| 1.0% - 10% | 130,104 | 360,003 | 237 | 490,344 |
| 10% - 99.99% | - | 106,407 | - | 106,407 |
| 100% | - | - | 54,123 | 54,123 |
| Total gross amount | 18,961,409 | 1,849,004 | 54,615 | 20,865,029 |



| LOANS AND ADVANCES TO CUSTOMERS | | 31.12.2021 | | |
|---------------------------------|-------------------|------------------|------------------|-------------------|
| PD RANGE | Stage 1 | Stage 2 | Stage 3 and POCI | Total, gross |
| <0.01% | 13,166 | 143 | | 13,309 |
| 0.01% - 0.02% | 996,494 | 128 | | 996,622 |
| 0.02% - 0.05% | 5,605,454 | 2,664 | | 5,608,118 |
| 0.05% - 0.1% | 5,001,909 | 3,365 | | 5,005,274 |
| 0.1% - 0.3% | 7,051,692 | 347,571 | 104 | 7,399,367 |
| 0.3% - 1.0% | 2,180,635 | 928,849 | | 3,109,484 |
| 1.0% - 10% | 218,872 | 391,720 | | 610,592 |
| 10% - 99.99% | - | 129,762 | | 129,762 |
| 100% | - | - | 57,316 | 57,316 |
| Total gross amount | 21,068,222 | 1,804,202 | 57,420 | 22,929,844 |

| FINANCIAL LIABILITIES GRANTED | | 30.06.2022 | | |
|-------------------------------|---------------|------------|------------------|---------------|
| PD RANGE | Stage 1 | Stage 2 | Stage 3 and POCI | Total |
| <0.01% | 314 | - | - | 314 |
| 0.01% - 0.02% | 2,116 | - | - | 2,116 |
| 0.02% - 0.05% | 7,418 | - | - | 7,418 |
| 0.05% - 0.1% | 4,037 | - | - | 4,037 |
| 0.1% - 0.3% | 12,569 | - | - | 12,569 |
| 0.3% - 1.0% | 868 | 261 | - | 1,129 |
| 1.0% - 10% | - | - | - | - |
| 10% - 99.99% | - | - | - | - |
| 100% | - | - | - | - |
| Total nominal amount | 27,322 | 261 | - | 27,583 |

| FINANCIAL LIABILITIES GRANTED | | 31.12.2021 | | |
|-------------------------------|---------------|------------|------------------|---------------|
| PD RANGE | Stage 1 | Stage 2 | Stage 3 and POCI | Total |
| <0.01% | 762 | - | - | 762 |
| 0.01% - 0.02% | 5,998 | - | - | 5,998 |
| 0.02% - 0.05% | 17,708 | - | - | 17,708 |
| 0.05% - 0.1% | 9,732 | - | - | 9,732 |
| 0.1% - 0.3% | 16,917 | - | - | 16,917 |
| 0.3% - 1.0% | 5,790 | - | - | 5,790 |
| 1.0% - 10% | 0 | 92 | - | 92 |
| 10% - 99.99% | - | - | - | - |
| 100% | - | - | - | - |
| Total nominal amount | 56,907 | 92 | - | 56,999 |

30.5 FORBEARANCE PRACTICES

| EXPOSURES SUBJECT TO FORBEARANCE IN THE LOAN PORTFOLIO | 30.06.2022 | 31.12.2021 |
|---------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Gross loans and advances to customers, including: subject to forbearance | 20,865,028 10,484 | 22,929,844 8,964 |
| Allowances for expected credit losses, including: on loans and advances subject to forbearance | (80,515) (2,953) | (81,245) (1,915) |
| Net loans and advances to customers, including: subject to forbearance | 20,784,513 7,531 | 22,848,599 7,049 |

31. CONCENTRATION RISK MANAGEMENT

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

| GROSS LOANS AND ADVANCES TO CUSTOMERS – CONCENTRATION RATIO | 30.06.2022 | 31.12.2021 |
|-------------------------------------------------------------|------------|------------|
| 10 largest exposures | 0.06% | 0.05% |
| 20 largest exposures | 0.11% | 0.10% |
| 50 largest exposures | 0.24% | 0.22% |
| 100 largest exposures | 0.45% | 0.42% |

32. RESIDUAL RISK MANAGEMENT

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

| GROSS LOANS AND ADVANCES TO CUSTOMERS BY LTV BASED ON MARKET VALUATION – SHARE | 30.06.2022 | 31.12.2021 |
|--------------------------------------------------------------------------------|-------------|-------------|
| below 50% | 74% | 64% |
| 51% - 60% | 18% | 22% |
| 61% - 70% | 7% | 11% |
| 71% - 80% | 1% | 3% |
| 81% - 90% | 0% | 0% |
| Total | 100% | 100% |
| Average LTV based on market valuation | 40% | 44% |

| GROSS LOANS AND ADVANCES TO CUSTOMERS BY LTV BASED ON MARKET VALUATION – AMOUNT | 30.06.2022 | 31.12.2021 |
|---------------------------------------------------------------------------------|-------------------|-------------------|
| below 50% | 15,449,017 | 14,642,602 |
| 51% - 60% | 3,805,198 | 4,990,063 |
| 61% - 70% | 1,412,160 | 2,646,614 |
| 71% - 80% | 183,269 | 640,347 |
| 81% - 90% | 15,384 | 10,218 |
| Total, gross | 20,865,028 | 22,929,844 |

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

| GROSS LOANS AND ADVANCES TO CUSTOMERS - BY GEOGRAPHICAL REGION | 30.06.2022 | 31.12.2021 |
|----------------------------------------------------------------|---------------|---------------|
| Warsaw region | 21.5% | 21.9% |
| Wrocław region | 12.0% | 11.9% |
| Gdańsk region | 11.4% | 11.4% |
| Poznań region | 10.5% | 10.4% |
| Katowice region | 9.9% | 9.8% |
| Kraków region | 8.2% | 8.2% |
| Szczecin region | 7.4% | 7.3% |
| Łódź region | 7.3% | 7.3% |
| Lublin region | 6.3% | 6.3% |
| Białystok region | 5.5% | 5.5% |
| Total | 100.0% | 100.0% |

33. LIQUIDITY RISK MANAGEMENT

33.1 LIQUIDITY RISK MEASUREMENT AND ASSESSMENT

The Bank applies the following liquidity risk measures:

- contractual, adjusted and stress-test liquidity gap;
- liquidity surplus and survival horizon with no external support;
- regulatory liquidity measures:
 - LCR (*liquidity coverage ratio*) - the coverage ratio of net outflows up to 1 month;
 - NSFR - *net stable funding ratio*
- the concentration of funding sources;
- coverage ratio of long-term assets with long-term funding;
- liquidity stress tests.

The adjusted liquidity gaps as at 30 June 2022 and as at 31 December 2021 are presented below.

| LIQUIDITY GAP AS AT 30.06.2022 | on demand | 0-1 month | 1-3 months | 3-6 months | 6-12 months | 12-24 months | 24-60 months | over 60 months |
|----------------------------------|-----------|-----------|------------|------------|-------------|--------------|--------------|----------------|
| Adjusted periodic gap | 2,033,120 | 415,158 | 88,205 | 2,447,120 | (1,723,705) | (4,355,299) | (14,005,919) | 15,101,320 |
| Adjusted cumulative periodic gap | 2,033,120 | 2,448,278 | 2,536,483 | 4,983,603 | 3,259,898 | (1,095,401) | (15,101,320) | - |

As at 30 June 2022, in the ranges of up to 12 months, the cumulative adjusted liquidity gap was positive, which means the surplus of maturing assets increased by estimated inflows from the available overdraft limit over mature liabilities in the short and medium term.

| LIQUIDITY GAP AS AT 31.12.2021 | on demand | 0-1 month | 1-3 months | 3-6 months | 6-12 months | 12-24 months | 24-60 months | over 60 months |
|----------------------------------|-----------|-----------|------------|-------------|-------------|--------------|--------------|----------------|
| Adjusted periodic gap | 1,335,371 | 1,511,967 | 151,151 | (2,797,460) | (254,439) | (3,633,745) | (12,406,027) | 16,093,182 |
| Adjusted cumulative periodic gap | 1,335,371 | 2,847,338 | 2,998,489 | 201,029 | (53,410) | (3,687,155) | (16,093,182) | - |

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

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

| SENSITIVITY MEASURE | 30.06.2022 | 31.12.2021 |
|--------------------------------------------------|------------|------------|
| Excess liquidity in the horizon of up to 1 month | 2,475,314 | 2,291,169 |

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

| SENSITIVITY MEASURE | 30.06.2022 | 31.12.2021 |
|----------------------------------------------|------------|------------|
| Liquidity coverage ratio up to 1 month (LCR) | 269.5% | 187.8% |
| LCR regulatory limit | 100.0% | 100.0% |

The net stable funding ratio (NSFR) is presented in the table below:

| SENSITIVITY MEASURE | 30.06.2022 | 31.12.2021 |
|---------------------------------|------------|------------|
| Net stable funding ratio (NSFR) | 128.4% | 100.9% |
| NSFR regulatory limit | 100.0% | 100.0% |

33.2 LIQUIDITY RISK CONTROL

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

33.3 LIQUIDITY RISK FORECASTING AND MONITORING

The liquidity risk exposure of PKO Bank Hipoteczny SA as at 30 June 2022 and 31 December 2021 was within the strategic and internal limits set. During the first half of 2022 and in 2021 the Bank did not exceed any of the liquidity standards or any strategic or internal limits.

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

33.4 LIQUIDITY GAP IN THE PRESENTATION OF CONTRACTUAL CASH FLOWS

Liquidity gap in the presentation of contractual cash flows is a mismatch between the inflows and outflows classified in a given range. In the calculation of liquidity gap relating to cash flows, the Bank takes into account all instruments concluded as at the balance sheet date. An increase in the amount of loans granted or rolling over of financing for a consecutive period is not taken into account. However, in accordance with the Bank's internal methodology, it is assumed that funds available under credit lines will be used, given the nature of these instruments (stand-by line used to finance current operations).

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

The only binding version is the original Polish version.

**CONDENSED INTERIM FINANCIAL STATEMENTS
OF PKO BANK HIPOTECZNY SA
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(IN PLN THOUSANDS)**



| 30.06.2022 | on demand | 0 - 1 month | 1-3 months | 3-6 months | 6-12 months | 12-24 months | 24-60 months | over 60 months | Total |
|--------------------------------------------------------------------------------|-----------|-------------|------------|------------|-------------|--------------|--------------|----------------|------------|
| Inflows | 4,743 | 2,541,579 | 355,497 | 690,641 | 1,117,132 | 2,615,167 | 6,961,682 | 30,610,282 | 44,896,723 |
| securities | - | 12,230 | - | 153,120 | 34,271 | 456,509 | 602,353 | - | 1,258,483 |
| loans and advances to customers | - | 189,517 | 355,497 | 537,521 | 1,082,861 | 2,158,658 | 6,359,329 | 30,610,282 | 41,293,665 |
| other | 4,743 | 2,339,832 | - | - | - | - | - | - | 2,344,575 |
| Outflows | - | 2,454,704 | 183,262 | 2,173,934 | 3,617,956 | 4,104,465 | 12,651,223 | 64,187 | 25,249,731 |
| amounts due to banks | - | 2,348,857 | 126,253 | 67,610 | 458,987 | 487,872 | 6,587,770 | - | 10,077,349 |
| liabilities in respect of mortgage covered bonds issued | - | 22,230 | 38,429 | 302,121 | 3,018,271 | 3,411,622 | 6,063,447 | 64,187 | 12,920,307 |
| unsecured bonds issued | - | 4,156 | 9,244 | 1,798,592 | 136,912 | 203,851 | - | - | 2,152,755 |
| disbursement of loan commitments | - | 7,723 | 9,336 | 5,611 | 3,786 | 1,120 | 6 | - | 27,582 |
| other | - | 71,738 | - | - | - | - | - | - | 71,738 |
| Inflows due to initialled and available revolving current account loans | 2,028,378 | - | - | 2,525,030 | 746,000 | - | - | - | 5,299,408 |
| Outflows due to repayment of current account loans used | - | - | - | - | - | - | 4,553,408 | 746,000 | 5,299,408 |
| Inflows from derivative hedging instruments | - | 2,351,541 | 20,272 | 253,933 | 2,423,107 | 2,546,126 | 4,754,100 | 4,185 | 12,353,264 |
| Outflows on derivative hedging instruments | - | 2,410,882 | 88,267 | 344,433 | 2,341,670 | 2,559,124 | 4,691,291 | 3,172 | 12,438,839 |
| Periodic gap | 2,033,121 | 27,534 | 104,240 | 951,237 | (1,673,387) | (1,502,296) | (10,180,140) | 29,801,108 | 19,561,417 |
| Cumulative gap | 2,033,121 | 2,060,655 | 2,164,895 | 3,116,132 | 1,442,745 | (59,551) | (10,239,691) | 19,561,417 | |

| 31.12.2021 | on demand | 0 - 1 month | 1-3 months | 3-6 months | 6-12 months | 12-24 months | 24-60 months | over 60 months | Total |
|--------------------------------------------------------------------------------|-----------|-------------|------------|-------------|-------------|--------------|--------------|----------------|------------|
| Inflows | 50,894 | 963,932 | 282,139 | 427,181 | 1,006,578 | 1,723,071 | 5,920,100 | 22,953,330 | 33,327,225 |
| securities | - | 810,953 | - | 3,060 | 159,138 | 37,031 | 977,650 | - | 1,987,832 |
| loans and advances to customers | - | 152,979 | 282,139 | 424,121 | 847,440 | 1,686,040 | 4,942,450 | 22,953,330 | 31,288,499 |
| other | 50,894 | - | - | - | - | - | - | - | 50,894 |
| Outflows | - | 936,684 | 870,497 | 5,029,481 | 916,730 | 3,099,973 | 13,565,896 | 64,187 | 24,483,448 |
| amounts due to banks | - | - | 34,367 | 34,256 | 69,740 | 138,412 | 6,788,991 | - | 7,065,766 |
| liabilities in respect of mortgage covered bonds issued | - | 36,432 | 10,992 | 3,388,751 | 315,315 | 2,959,397 | 6,776,905 | 64,187 | 13,551,979 |
| unsecured bonds issued | - | 827,141 | 809,084 | 1,594,114 | 521,214 | - | - | - | 3,751,553 |
| disbursement of loan commitments | - | 15,960 | 16,054 | 12,360 | 10,461 | 2,164 | - | - | 56,999 |
| other | - | 57,151 | - | - | - | - | - | - | 57,151 |
| Inflows due to initialled and available revolving current account loans | 1,284,477 | - | - | 1,381,000 | - | - | - | - | 2,665,477 |
| Outflows due to repayment of current account loans used | - | - | - | - | - | - | 2,665,477 | - | 2,665,477 |
| Inflows from derivative hedging instruments | - | 32,681 | 943 | 2,763,073 | 269,490 | 2,353,079 | 4,756,009 | 4,185 | 10,179,460 |
| Outflows on derivative hedging instruments | - | 15,680 | 33,542 | 2,671,441 | 353,566 | 2,318,965 | 4,438,169 | 4,400 | 9,835,763 |
| Periodic gap | 1,335,371 | 44,249 | (620,957) | (3,129,668) | 5,772 | (1,342,788) | (9,993,433) | 22,888,928 | 9,187,474 |
| Cumulative gap | 1,335,371 | 1,379,620 | 758,663 | (2,371,005) | (2,365,233) | (3,708,021) | (13,701,454) | 9,187,474 | |

33.5 CONCENTRATION OF FUNDING SOURCES

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

The Bank's business model assumes that the risk of concentration of funding sources results from:

- a high proportion of covered bonds in the funding structure (covered bonds are a stable source of funding, however the balloon nature of their redemption causes the further need for a new issue or alternative source of funding to arise at redemption in most cases);
- funding supplied by the parent entity;
- issue of own bonds.

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

| STRUCTURE OF THE BANK'S FINANCING | 30.06.2022 | 31.12.2021 |
|-----------------------------------|---------------|---------------|
| Mortgage covered bonds issued | 44.2% | 51.3% |
| Funds from the parent entity | 36.8% | 25.5% |
| Bonds issued | 9.3% | 14.6% |
| Equity | 8.6% | 8.3% |
| Other | 1.1% | 0.3% |
| Total | 100.0% | 100.0% |

The share of funding raised from the parent entity amounted to 36.8% as at 30 June 2022 and 25.5% as at 31 December 2021. This share increased compared with the level at 31 December 2021 due to the redemption of mortgage covered bonds issued maturing in the first half of 2022 using funds obtained from the parent company. On 4 July 2022, i.e. after the balance sheet date, the Bank issued series 8 green covered bonds in EUR with a nominal value of EUR 500 million. As a result, in the funding structure, the share of covered bonds issued increased at the cost of funds from the parent entity.

Seeking to reduce the concentration risk of funding sources, the Bank has implemented a system of internal limits, both short- and long-term, taking into account the dates of mortgage covered bond issues carried out by the Bank. In the period ended 30 June 2022 and 31 December 2021, none of these limits were exceeded.

34. INTEREST RATE RISK MANAGEMENT

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

The net interest income sensitivity (NIIS) measure is a measure determining the change in net interest income arising from a sudden change in the interest rates while the economic value of capital sensitivity measure is a measure illustrating the impact of such a change on the fair value of an item in the banking portfolio. The measures are calculated assuming a parallel shift in the yield curves of 100 bp. up and down (whichever scenario is more unfavourable), and take into account the diversification of repricing dates for individual interest items in each subsequent time band.

| SENSITIVITY MEASURE | 30.06.2022 | 31.12.2021 |
|----------------------------------------|------------|------------|
| Net interest income sensitivity (NIIS) | (3,803) | (13,502) |
| Economic value of capital sensitivity | (20,019) | (7,515) |

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

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

The only binding version is the original Polish version.

**CONDENSED INTERIM FINANCIAL STATEMENTS
OF PKO BANK HIPOTECZNY SA
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(IN PLN THOUSANDS)**



| 30.06.2022 | 0-1 month | 1-3 months | 3-6 months | 6-12 months | 1-2 years | 2-5 years | >5 years | Total |
|---------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|--------------|
| Assets, including: | 6,463,551 | 11,524,970 | 1,818,906 | 56,588 | 114,150 | 1,563,135 | 195,956 | 21,737,256 |
| balances with the Central Bank | 341 | - | - | - | - | - | - | 341 |
| securities | 762,000 | - | 303,000 | - | - | - | - | 1,065,000 |
| loans and advances to customers | 5,701,210 | 11,524,970 | 1,515,906 | 56,588 | 114,150 | 1,563,135 | 195,956 | 20,671,915 |
| Liabilities | (8,669,122) | (1,542,000) | (1,523,252) | (2,340,300) | (2,457,315) | (3,804,300) | (60,000) | (20,396,289) |
| amounts due to banks | (6,944,622) | - | - | - | - | (1,464,000) | - | (8,408,622) |
| liabilities in respect of mortgage covered bonds issued | (1,430,000) | (1,000,000) | (252,752) | (2,340,300) | (2,457,315) | (2,340,300) | (60,000) | (9,880,667) |
| unsecured bonds issued | (294,500) | (542,000) | (1,270,500) | - | - | - | - | (2,107,000) |
| Derivative hedging instruments - assets | - | 316 | 252,752 | 2,340,776 | 2,457,348 | 2,340,243 | 60,000 | 7,451,435 |
| Derivative hedging instruments - liabilities | (4,232,131) | (2,532,188) | - | (1,146) | (2,609) | (2,344) | - | (6,770,418) |
| Periodic gap | (6,437,702) | 7,451,098 | 548,406 | 55,918 | 111,574 | 96,734 | 195,956 | 2,021,984 |
| Cumulative gap | (6,437,702) | 1,013,396 | 1,561,802 | 1,617,720 | 1,729,294 | 1,826,028 | 2,021,984 | |

| 31.12.2021 | 0-1 month | 1-3 months | 3-6 months | 6-12 months | 1-2 years | 2-5 years | >5 years | Total |
|---------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|--------------|
| Assets, including: | 8,447,790 | 13,811,908 | 2,168,512 | 2,942 | 5,456 | 262,014 | - | 24,698,622 |
| balances with the Central Bank | 50,362 | - | - | - | - | - | - | 50,362 |
| securities | 1,572,000 | - | 303,000 | - | - | - | - | 1,875,000 |
| loans and advances to customers | 6,825,428 | 13,811,908 | 1,865,512 | 2,942 | 5,456 | 262,014 | - | 22,773,260 |
| Liabilities | (6,786,023) | (5,089,000) | (3,979,640) | (248,368) | (2,299,700) | (4,924,385) | (60,000) | (23,387,116) |
| amounts due to banks | (4,334,523) | (2,000,000) | - | - | - | (210,000) | - | (6,544,523) |
| liabilities in respect of mortgage covered bonds issued | (1,530,000) | (1,500,000) | (2,759,640) | (248,368) | (2,299,700) | (4,714,385) | (60,000) | (13,112,093) |
| unsecured bonds issued | (921,500) | (1,589,000) | (1,220,000) | - | - | - | - | (3,730,500) |
| Derivative hedging instruments - assets | 531 | - | 2,757,706 | 248,684 | 2,300,341 | 4,713,570 | 60,000 | 10,080,832 |
| Derivative hedging instruments - liabilities | (4,232,660) | (5,114,987) | (7,681) | (305) | (1,294) | (4,122) | - | (9,361,049) |
| Periodic gap | (2,570,362) | 3,607,921 | 938,897 | 2,953 | 4,803 | 47,077 | - | 2,031,289 |
| Cumulative gap | (2,570,362) | 1,037,559 | 1,976,456 | 1,979,409 | 1,984,212 | 2,031,289 | 2,031,289 | |

35. FOREIGN EXCHANGE RISK MANAGEMENT

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

| FOREIGN CURRENCY POSITION IN PLN '000 | 30.06.2022 | 31.12.2021 |
|---------------------------------------|------------|------------|
| EUR | (5) | (30) |
| USD | 3 | 3 |

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

| SENSITIVITY MEASURE | 30.06.2022 | 31.12.2021 |
|---------------------------------------------------|------------|------------|
| 10-day FX VaR at 99% confidence level in PLN '000 | 0.1 | 0.9 |

The foreign exchange risk exposure of PKO Bank Hipoteczny SA as at 30 June 2022 and 31 December 2021 was within the strategic and internal limits set.

36. CAPITAL ADEQUACY AND THE MANAGEMENT OF CAPITAL RISK

At 30 June 2022, the total capital ratio of the Bank amounted to 22.7% (as at 31 December 2021: 20.9%). If the temporary solutions resulting from the implementation of IFRS 9 and relating to the COVID-19 pandemic had not been taken into account, the total capital ratio of the Bank would have amounted to 22.5% (as at 31 December 2021: 20.5%).

All capital ratios as at 30 June 2022 and throughout the first half of 2022 remained at safe levels, much above the internal limits adopted by the Bank and the external capital requirements.

36.1 OWN FUNDS FOR THE PURPOSE OF CAPITAL ADEQUACY

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

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

| BANK'S OWN FUNDS | 30.06.2022 | 31.12.2021 |
|---------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Share capital | 1,611,300 | 1,611,300 |
| Supplementary capital | 339,852 | 332,263 |
| Net profit for the period | 50,764 | 94,867 |
| Accumulated other comprehensive income - cash flow hedges | (53,400) | 74,979 |
| Accumulated other comprehensive income - financial assets measured at fair value through other comprehensive income | (10,308) | 311 |
| Equity | 1,938,208 | 2,113,720 |
| Equity adjustments | 20,949 | (135,326) |
| Net profit for the period | (50,764) | (94,867) |
| Accumulated other comprehensive income - cash flow hedges | 53,400 | (74,979) |
| Intangible assets | - | - |
| Adjustment to assets measured at fair value (AVA) | (1,576) | (2,577) |
| Adjustment relating to the transitional period, including: | 19,889 | 37,097 |
| - due to IFRS 9 implementation | 6,306 | 12,611 |
| - due to COVID-19 pandemic | 13,583 | 24,486 |
| Own funds | 1,959,157 | 1,978,394 |

As at 30 June 2022, the Bank's own funds, Tier 1 common equity capital and Tier 1 capital would have amounted to PLN 1,939,268 thousand without taking into account the transitional solution, and as at 31 December 2021 they would have amounted to PLN 1,941,298 thousand. The appropriation of the profit for 2021 has been discussed in Note 21 "Equity and shareholding structure of the Bank".

36.2 FINANCIAL LEVERAGE

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

| LEVERAGE | 30.06.2022 | 31.12.2021 |
|---------------------|------------|------------|
| Leverage ratio (LR) | 9.0% | 8.0% |

As at 30 June 2022 and 31 December 2021, the Bank's financial leverage ratio was above the 3% level resulting from Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019, which entered into force on 28 June 2021.

As at 30 June 2022, the leverage ratio, without taking account of the transitional solutions resulting from the implementation of IFRS 9 and relating to COVID-19, would have amounted to 8.9%, and as at 31 December 2021 it would have amounted to 7.8%.

36.3 REQUIREMENTS REGARDING OWN FUNDS (PILLAR I)

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

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

At 30 June 2022 and as at 31 December 2021, the own fund requirements in respect of the risk of credit valuation adjustment, settlement and delivery, and market risk were nil, therefore, the total requirement in respect of own funds comprised the requirements in respect of credit and operational risk.

| OWN FUNDS REQUIREMENTS | 30.06.2022 | 31.12.2021 |
|-------------------------------------------|----------------|----------------|
| Credit risk | 644,537 | 714,533 |
| Operational risk | 47,034 | 44,320 |
| Total own funds requirement | 691,571 | 758,853 |
| Common equity Tier 1 capital ratio (CET1) | 22.7% | 20.9% |
| Tier 1 capital ratio (T1); | 22.7% | 20.9% |
| Total capital ratio (TCR) | 22.7% | 20.9% |

EVENTS AFTER THE END OF THE REPORTING PERIOD

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

ISSUE OF GREEN MORTGAGE COVERED BONDS

On 4 July 2022, PKO Bank Hipoteczny SA issued series 8 green mortgage covered bonds in EUR with a nominal value of EUR 500 million. The subscription for these bonds took place on 27 June 2022. It was the first issue of green covered bonds secured exclusively with PLN-denominated high-quality mortgage loans carried out in Poland and in Central and Eastern Europe.

IMPACT ON THE ACT ON CROWDFUNDING FOR BUSINESSES AND AID TO BORROWERS

On 14 July 2022, the President of the Republic of Poland signed the Act on crowdfunding for businesses and aid to borrowers (the "Act") which has enabled customers to suspend the repayment of mortgage loans granted in the Polish currency for two months per quarter between 1 August and 30 September 2022 and from 1 October to 31 December 2022 and for one month per quarter between 1 January and 31 December 2023. In connection with the above, the Bank estimated an adjustment reducing interest income as a result of modification of the expected future cash flows relating to loan agreements of PLN 644 million. As at the balance sheet date, no final and accurate estimation existed and the Bank used judgment and decided to recognize the impact of the Act immediately after its publication in the Journal of Laws.

Following the introduction of the Act, the Bank estimated its impact which, in accordance with paragraph B.5.4.6 of IFRS 9, requires adjusting the gross carrying amount of financial assets so that it reflects the actual and revised contractual cash flows. The Bank recalculated the gross carrying amount of the financial asset as the present value of the estimated future contractual cash flows which are discounted using the original effective interest rate of the financial instrument.

In the first step, the Bank estimated the maximum adjustment determined as the difference between the present value of estimated cash flows from loan agreements taking into account the suspension of instalment repayments and the present gross carrying amount of the loan portfolio. When calculating the maximum loss, it was assumed that all customers having active loan agreements with the Bank would apply for suspension of the repayment to the full extent (i.e. for 8 months). In such a case, the estimated adjustment would amount to approximately PLN 1,021 million.

Next, in order to determine the share of agreements in the case of which customers will apply for suspension of the repayment within the PKO Bank Polski Group, a behavioural model was developed, based on which it was estimated that 63% of the Bank's customers would take advantage of the repayment suspension. Consequently, the adjustment recognized amounted to PLN 644 million. The actual impact of the "credit vacation" option on the Bank's financial results will depend, inter alia, on the number of customers who will take advantage of this option and the number and date of installments suspended by each of these customers.

In spite of the recognition of the impact of the Act, and the expected net loss for 2022, the Bank's capital and liquidity position remains safe. It is estimated that the Tier 1 (T1) ratio and total capital ratio (TCR) will decrease by 4.9 pp, and the leverage ratio (LR) by 2.1 pp, as a result of the the impact of the Act. Consequently, the Management Board of the Bank adopted a resolution not to undertake any corrective measures defined in the Group Correction Plan and notified the Office of the Polish Financial Supervision Authority and the Bank Guarantee Fund of that decision.

In the Bank's opinion, the possibility of suspending the repayment of loan instalments by customers will be a factor which mitigates a potential increase in the credit risk relating to strong increases in interest rates, by limiting the increase in the number of delinquent loans. Consequently, the impact of the Act has not been taken into account in the risk parameters as at the balance sheet date.

In addition, the Act obliged lenders to make additional contributions to the Borrowers Support Fund ("BSF") in the total amount of PLN 1.4 billion by 31 December 2022. The exact date of payment and the amount of the contribution for a given lender will be determined by a resolution by the Council of the BSF. The fee level for a given bank will be determined taking into account:

- the share of a given bank in the gross book value of the portfolio of mortgage loans where the delay in repayment of principal or interest exceeds 90 days compared to the entire banking sector in Poland;
- possible exemption from the obligation to make payments to the BSF by some lenders that do not meet the regulatory capital and liquidity requirements.

Given the limited availability of data on the above factors, the Bank is not able to reliably estimate its share in the additional contribution to the BSF.

RESIGNATION OF THE PRESIDENT OF THE MANAGEMENT BOARD

On 25 July 2022, Mr Daniel Goska submitted his resignation as a Management Board Member, effective as of 31 July 2022.

DELEGATION OF A MEMBER OF THE SUPERVISORY BOARD TO TEMPORARY PERFORMANCE OF THE MEMBER OF THE MANAGEMENT BOARD

On 2 August 2022 the Supervisory Board has delegated Mr Jakub Niesłuchowski, Member of the Supervisory Board of the Bank to temporarily perform the duties of the Management Board Member with the powers provided to the President of the Management Board. The above described delegation is temporary, from 2 August 2022 until the date of appointment of a Member of the Management Board of the Bank in charge of the work of the Management Board, but no longer than until 1 November 2022.

Signatures of all Members of the Bank's Management Board

| | | | |
|----------------|---------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------|
| 10 August 2022 | Jakub Niesłuchowski | Member of the Supervisory Board perform the duties of the Management Board Member | <i>Signed on Polish original</i> (signature) |
| 10 August 2022 | Piotr Kochanek | Vice-President of the Management Board | <i>Signed on Polish original</i> (signature) |
| 10 August 2022 | Katarzyna Surdy | Vice-President of the Management Board | <i>Signed on Polish original</i> (signature) |

Signature of the person responsible for the Bank's accounts

10 August 2022

Tomasz Rynkowski
Director, the Bank's Chief Accountant

Signed on Polish original
.....
(signature)