



Bank Polski

**Condensed interim consolidated
financial statements of the PKO Bank
Polski SA Group for the six-month
period ended 30 June 2022**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI SA
GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(IN PLN MILLION)



Bank Polski

SELECTED FINANCIAL DATA	PLN million			EUR million		
	period from 01.01.2022- to 30.06.2022	period from 01.01.2021- to 30.06.2021	Change % (A-B)/B	period from 01.01.2022- to 30.06.2022	period from 01.01.2021- to 30.06.2021	Change % (D-E)/E
	A	B	C	D	E	F
Net interest income/(expense)	6 839	4 717	44,99%	1 473	1 037	42,04%
Net fee and commission income	2 428	2 074	17,07%	523	456	14,69%
Net expected credit losses and Net impairment allowances on non-financial assets	(730)	(473)	54,33%	(157)	(104)	50,96%
Administrative expenses	(4 205)	(3 073)	36,84%	(906)	(676)	34,02%
Profit before tax	2 754	3 237	(14,92%)	593	712	(16,71%)
Net profit (including non-controlling shareholders)	1 837	2 412	(23,84%)	396	530	(25,28%)
Net profit attributable to the parent company	1 838	2 413	(23,83%)	396	531	(25,42%)
Earnings per share for the period - basic (in PLN/EUR)	1,47	1,93	(23,83%)	0,32	0,42	(23,81%)
Earnings per share for the period - diluted (in PLN/EUR)	1,47	1,93	(23,83%)	0,32	0,42	(23,81%)
Total net comprehensive income	(4 465)	1 150	(488,26%)	(962)	253	(480,24%)
Total net cash flows	6 148	(1 933)	(418,05%)	1 324	(425)	(411,53%)

SELECTED FINANCIAL DATA	PLN million			EUR million		
	30.06.2022	31.12.2021	Change % (A-B)/B	30.06.2022	31.12.2021	Change % (D-E)/E
	A	B	C	D	E	F
Total assets	428 843	418 086	2,57%	91 621	90 900	0,79%
Total equity	30 940	37 693	(17,92%)	6 610	8 195	(19,34%)
Share capital	1 250	1 250	-	267	272	(1,84%)
Number of shares (in million)	1 250	1 250	-	1 250	1 250	-
Book value per share (in PLN/EUR)	24,75	30,15	(17,91%)	5,29	6,56	(19,36%)
Diluted number of shares (in million)	1 250	1 250	-	1 250	1 250	-
Diluted book value per share (in PLN/EUR)	24,75	30,15	(17,91%)	5,29	6,56	(19,36%)
Total capital adequacy ratio	17,30	18,73	(7,63%)	17,30	18,73	(7,63%)
Tier 1	36 403	39 412	(7,63%)	7 777	8 569	(9,24%)
Tier 2	2 700	2 700	-	577	587	(1,70%)

SELECTED FINANCIAL STATEMENT ITEMS HAVE BEEN TRANSLATED INTO EUR AT THE FOLLOWING RATES	period from 01.01.2022 to 30.06.2022	period from 01.01.2021 to 30.06.2021
arithmetic mean of NBP exchange rates at the end of a month (income statement, statement of comprehensive income and cash flow statement items)	4,6427	4,5472
	30.06.2022	31.12.2021
NBP mid exchange rates at the date indicated (statement of financial position items)	4,6806	4,5994



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CONSOLIDATED INCOME STATEMENT

INCOME STATEMENT	Note	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Net interest income/(expense)		3 639	6 839	2 405	4 717
Interest income	12	5 401	9 267	2 563	5 043
calculated under the effective interest rate method		5 264	9 018	2 350	4 630
Interest expenses	12	(1 762)	(2 428)	(158)	(326)
Net fee and commission income		1 249	2 428	1 042	2 074
Fee and commission income	13	1 644	3 153	1 333	2 612
Fee and commission expense	13	(395)	(725)	(291)	(538)
Other net income		66	196	279	502
Dividend income		11	11	11	11
Gains/(losses) on financial transactions	14	95	167	(26)	(15)
Foreign exchange gains/ (losses)		(67)	(66)	210	370
Gains/(losses) on derecognition of financial instruments of which:	15	(25)	(18)	61	95
measured at amortized cost		4	8	2	2
Net other operating income and expense	16	52	102	23	41
Result on business activities		4 954	9 463	3 726	7 293
Net expected credit losses	17	(218)	(717)	(261)	(430)
Net impairment allowances on non- financial assets	18	(8)	(13)	(22)	(43)
Cost of the legal risk of mortgage loans in convertible currencies	6	(1 176)	(1 176)	-	-
Administrative expenses of which:	19	(2 359)	(4 205)	(1 430)	(3 073)
net regulatory charges		(906)	(1 390)	(79)	(452)
Tax on certain financial institutions		(319)	(626)	(261)	(518)
Share in profits and losses of associates and joint ventures		14	28	8	8
Profit before tax		888	2 754	1 760	3 237
Income tax expense	20	(466)	(917)	(523)	(825)
Net profit (including non-controlling shareholders)		422	1 837	1 237	2 412
Profit (loss) attributable to non-controlling shareholders		-	(1)	1	(1)
Net profit attributable to equity holders of the parent company		422	1 838	1 236	2 413
Earnings per share					
- basic earnings per share for the period (PLN)		0,34	1,47	0,99	1,93
- diluted earnings per share for the period (PLN)*		0,34	1,47	0,99	1,93
Weighted average number of ordinary shares during the period (in million)*		1 250	1 250	1 250	1 250

* Both in the six-month period ended 30 June 2022 and in the same period of 2021, there were no dilutive instruments. Therefore, the amount of diluted earnings per share is the same as the amount of basic earnings per share.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Net profit / (loss) (including non-controlling shareholders)		422	1 837	1 237	2 412
Other comprehensive income		(2 908)	(6 302)	(750)	(1 262)
Items which may be reclassified to profit or loss		(2 908)	(6 302)	(750)	(1 262)
Cash flow hedges (net)		(1 816)	(3 756)	(263)	(697)
Cash flow hedges (gross)	22	(2 239)	(4 629)	(325)	(862)
Deferred income tax	20	423	873	62	165
Hedge of net investment in foreign operation		2	5	(1)	(1)
Share in other comprehensive income of associates and joint ventures		-	(6)	-	-
Fair value of financial assets measured at fair value through other comprehensive income (net)		(1 064)	(2 480)	(474)	(583)
Remeasurement of fair value, gross		(1 346)	(3 090)	(525)	(629)
Gains /losses transferred to the profit or loss (on disposal)	15	29	26	(59)	(93)
Deferred income tax	20	253	584	110	139
Foreign exchange differences on translation of foreign branches		(30)	(65)	(12)	19
Total net comprehensive income, of which attributable to:		(2 486)	(4 465)	487	1 150
equity holders of the parent		(2 486)	(4 464)	486	1 151
non-controlling interest		-	(1)	1	(1)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Nota	30.06.2022	31.12.2021
ASSETS		428 843	418 086
Cash and balances with Central Bank		10 588	11 587
Amounts due from banks	21	16 412	9 010
Hedging derivatives	22	1 440	933
Other derivative instruments	23	19 129	10 903
Securities	24	129 589	135 440
Repo transactions		40	-
Loans and advances to customers	25	234 590	234 300
Liabilities in respect of insurance activities		704	911
Property, plant and equipment under operating lease	26	1 632	1 371
Property, plant and equipment	26	2 933	3 108
Non-current assets held for sale		11	18
Intangible assets	26	3 432	3 463
Investments in associates and joint ventures		276	285
Current income tax receivable		4	36
Deferred income tax assets		5 427	4 116
Other assets	27	2 636	2 605

		30.06.2022	31.12.2021
LIABILITIES AND EQUITY		428 843	418 086
LIABILITIES		397 903	380 393
Amounts due to Central Bank		9	8
Amounts due to banks	28	4 931	3 821
Hedging derivatives	22	9 865	4 806
Other derivative instruments	23	18 787	11 008
Amounts due to customers	29	326 315	322 296
Liabilities in respect of insurance activities		1 811	2 008
Loans and advances received	30	2 516	2 461
Debt securities in issue	30	18 577	23 872
Subordinated liabilities	30	2 717	2 716
Other liabilities	31	10 068	5 366
Current income tax liabilities		186	18
Deferred income tax provision		264	356
Provisions	32	1 857	1 657
EQUITY		30 940	37 693
Share capital		1 250	1 250
Total reserves and accumulated other comprehensive income		19 221	25 313
Retained earnings		8 646	6 270
Net profit or loss for the year		1 838	4 874
Capital and reserves attributable to equity holders of the parent company		30 955	37 707
Non-controlling interests		(15)	(14)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR 6 MONTHS ENDED 30 JUNE 2022	Share capital	Total reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the year	Capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Reserves			Accumulated other comprehensive income	Total reserves and accumulated other comprehensive income					
		Supplementary capital	General banking risk fund	Other reserves							
As at the beginning of the period	1 250	23 003	1 070	6 968	(5 728)	25 313	6 270	4 874	37 707	(14)	37 693
Transfer from retained earnings	-	-	-	-	-	-	4 874	(4 874)	-	-	-
Dividend	-	-	-	-	-	-	(2 288)	-	(2 288)	-	(2 288)
Comprehensive income	-	-	-	-	(6 302)	(6 302)	-	1 838	(4 464)	(1)	(4 465)
Transfer from retained earnings to equity	-	82	-	128	-	210	(210)	-	-	-	-
As at the end of the period	1 250	23 085	1 070	7 096	(12 030)	19 221	8 646	1 838	30 955	(15)	30 940

FOR 6 MONTHS ENDED 30 JUNE 2021	Share capital	Total reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the year	Capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Reserves			Accumulated other comprehensive income	Total reserves and accumulated other comprehensive income					
		Supplementary capital	General banking risk fund	Other reserves							
As at the beginning of the period	1 250	29 519	1 070	3 137	1 363	35 089	6 142	(2 557)	39 924	(13)	39 911
Transfer from retained earnings	-	-	-	-	-	-	(2 557)	2 557	-	-	-
Comprehensive income	-	-	-	-	(1 262)	(1 262)	-	2 413	1 151	(1)	1 150
Special fund set up for the purpose of covering individual balance sheet losses (note 6)	-	(6 700)	-	6 700	-	-	-	-	-	-	-
Offset of accumulated losses	-	-	-	(2 944)	-	(2 944)	2 944	-	-	-	-
Transfer from retained earnings to equity	-	183	-	74	-	257	(257)	-	-	-	-
As at the end of the period	1 250	23 002	1 070	6 967	101	31 140	6 272	2 413	41 075	(14)	41 061



Accumulated other comprehensive income							
FOR 6 MONTHS ENDED 30 JUNE 2022	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedge	Hedge of net investment in foreign operation	Actuarial gains and losses	Foreign exchange differences on translation of foreign branches	Total
As at the beginning of the period	(17)	(1 785)	(3 699)	(4)	(14)	(209)	(5 728)
Comprehensive income	(6)	(2 480)	(3 756)	5	-	(65)	(6 302)
As at the end of the period	(23)	(4 265)	(7 455)	1	(14)	(274)	(12 030)

Accumulated other comprehensive income							
FOR 6 MONTHS ENDED 30 JUNE 2021	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedge	Hedge of net investment in foreign operation	Actuarial gains and losses	Foreign exchange differences on translation of foreign branches	Total
As at the beginning of the period	(4)	1 293	355	-	(21)	(260)	1 363
Comprehensive income	-	(583)	(697)	(1)	-	19	(1 262)
As at the end of the period	(4)	710	(342)	(1)	(21)	(241)	101



CONSOLIDATED STATEMENT OF CASH FLOWS

	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021
Cash flows from operating activities		
Profit / (loss) before tax	2 754	3 237
Income tax paid	(657)	(896)
Total adjustments:	4 520	10 497
Amortization	619	594
(Gains)/losses on investing activities	(41)	(21)
Interest and dividends	(1 276)	(1 004)
Change in:		
amounts due from banks	(257)	685
hedging derivatives	4 552	797
other derivative instruments	(447)	(484)
securities	(1 374)	(1 509)
loans and advances to customers	(883)	(2 084)
receivables in respect of repurchase agreements	(40)	(77)
receivables in respect of insurance activities	207	(49)
non-current assets held for sale	7	113
other assets	(92)	(136)
accumulated allowances for expected credit losses	577	(2)
accumulated allowances on non-financial assets and other provisions	195	143
amounts due to Central bank	1	8
amounts due to banks	1 110	1 781
amounts due to customers	4 019	11 428
transactions for the purpose of repurchase	-	57
liabilities in respect of insurance activities	(197)	107
loan and advances received	(4)	1
liabilities in respect of debt securities in issue	31	(305)
subordinated liabilities	1	-
other liabilities	2 542	1 433
Other adjustments	(4 730)	(979)
Net cash from/used in operating activities	6 617	12 838



	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021
Cash flows from investing activities		
Inflows from investing activities	59 324	37 490
Proceeds from sale of and interest on securities measured at fair value through other comprehensive income	55 902	35 487
Proceeds from sale of and interest on securities measured at amortized cost	3 186	1 614
Proceeds from sale of intangible assets, property, plant and equipment, including under operating lease and assets held for sale	203	214
Other inflows from investing activities including dividends	33	175
Outflows from investing activities	(54 274)	(51 337)
Increase in the capital of joint ventures	-	(18)
Purchase of securities measured at fair value through other comprehensive income	(53 055)	(29 575)
Purchase of securities measured at amortized cost	(435)	(21 116)
Acquisition of intangible assets and property, plant and equipment, including under operating leases	(784)	(628)
Net cash from/used in investing activities	5 050	(13 847)

	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021
Cash flows from financing activities		
Proceeds from debt securities in issue	3 034	5 599
Redemption of debt securities	(8 363)	(6 149)
Taking up loans and advances	618	226
Repayment of loans and advances	(559)	(396)
Payment of lease liabilities	(128)	(126)
Repayment of interest on long-term liabilities	(121)	(78)
Net cash from financing activities	(5 519)	(924)
Total net cash flows	6 148	(1 933)
of which foreign exchange differences on cash and cash equivalents	91	(25)
Cash equivalents at the beginning of the period	20 775	9 701
Cash equivalents at the end of the period	26 923	7 768



GENERAL INFORMATION ABOUT THE GROUP

1. ACTIVITIES OF THE GROUP

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

On 12 April 2000, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was registered and entered into the Commercial Register maintained by the District Court for the City of Warsaw, Commercial Court, 16th Registration Department. At present, the court with jurisdiction over the Bank’s affairs is the District Court in Warsaw, the 13th Business Department of the National Court Register. The Bank was registered under the number KRS 0000026438, the statistical number REGON 016298263 and tax identification number NIP 525-000-77-38.

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

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

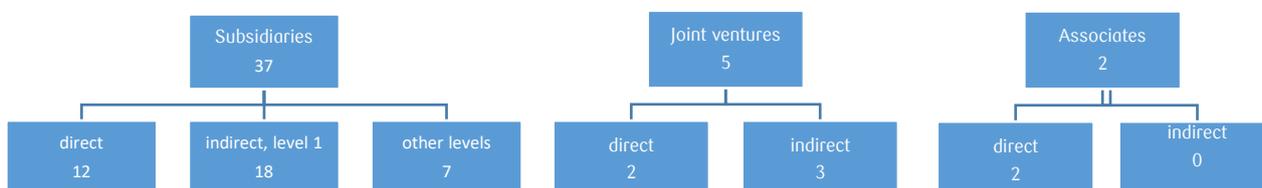
The Powszechna Kasa Oszczędnościowa Bank Polski Spółka Akcyjna Group (“**THE PKO BANK POLSKI S.A. GROUP**”, “**THE GROUP**”) conducts its operations within the territory of the Republic of Poland and through subsidiaries in Ukraine, Sweden and Ireland; it also has branches in the Federal Republic of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

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

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



PKO BANK POLSKI S.A. – the parent company



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

No.	ENTITY NAME	REGISTERED OFFICE	ACTIVITY	% SHARE IN CAPITAL	
				30.06.2022	31.12.2021
DIRECT SUBSIDIARIES					
1	PKO Bank Hipoteczny S.A.	Warsaw	banking activities	100	100
2	PKO Towarzystwo Funduszy Inwestycyjnych S.A.	Warsaw	investment fund management	100	100
3	PKO Leasing S.A.	Łódź	leasing and loans	100	100
4	PKO BP BANKOWY PTE S.A.	Warsaw	pension fund management	100	100
5	PKO BP Finat sp. z o.o.	Warsaw	services, including transfer agent services and IT specialist outsourcing	100	100
6	PKO Życie Towarzystwo Ubezpieczeń S.A.	Warsaw	life insurance	100	100
7	PKO Towarzystwo Ubezpieczeń S.A.	Warsaw	other personal insurance and property insurance.	100	100
8	PKO Finance AB	Sztokholm, Szwecja	financial services	100	100
9	KREDOBANK S.A.	Lwów, Ukraina	banking activities	100	100
10	Merkury - fiz an ¹	Warsaw	investing funds collected from fund participants	100	100
11	NEPTUN - fizan ¹	Warsaw		100	100
12	PKO VC - fizan ¹	Warsaw		100	100

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



No.	ENTITY NAME INDIRECT SUBSIDIARIES	REGISTERED OFFICE	ACTIVITY	% SHARE IN CAPITAL *	
				30.06.2022	31.12.2021
PKO Leasing S.A. GROUP					
1	PKO Agencja Ubezpieczeniowa sp. z o.o.	Warsaw	intermediation in concluding insurance agreements	100	100
1.1	PKO Leasing Finanse sp. z o.o.	Warsaw	sale of post-lease assets	100	100
2	PKO Leasing Sverige AB	Stockholm, Sweden	leasing	100	100
3	Prime Car Management S.A.	Gdańsk	leasing, fleet management	100	100
3.1	Futura Leasing S.A.	Gdańsk	leasing and sales of postlease assets	100	100
3.2	Masterlease sp. z o.o.	Gdańsk	leasing	100	100
3.3	MasterRent24 sp. z o.o.	Gdańsk	short-term lease of cars	100	100
4	PKO Faktoring S.A.	Warsaw	factoring	100	100
5	ROOF Poland Leasing 2014 DAC ¹	Dublin, Ireland	SPV established for securitization of lease receivables	-	-
6	Polish Lease Prime 1 DAC ²	Dublin, Ireland		-	-
PKO Życie Towarzystwo Ubezpieczeń S.A. GROUP					
7	Ubezpieczeniowe Usługi Finansowe sp. z o.o.	Warsaw	services	100	100
KREDOBANK S.A. GROUP					
8	„KREDOLEASING” sp. z o.o.	Lviv, Ukraine	in organisation	100	100
Merkury - fiz an					
9	„Zarząd Majątkiem Górczewska” sp. z o.o.	Warsaw	property management	100	100
10	Molina sp. z o.o.	Warsaw	general partner in partnerships limited by shares of a fund	100	100
11	Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	Warsaw	buying and selling real estate on own account, property management	100	100
12	Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	Warsaw		100	100
13	Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	Warsaw		100	100
14	Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A. w likwidacji ³	Warsaw		100	100
15	Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A. w likwidacji	Warsaw		100	100
NEPTUN - fizan					
16	Qualia sp. z o.o.	Warsaw	sale services in respect of developer products	100	100
17	Sarnia Dolina sp. z o.o.	Warsaw	development activities	100	100
18	Bankowe Towarzystwo Kapitałowe S.A.	Warsaw	services	100	100
18.1	„Inter-Risk Ukraina” spółka z dodatkową odpowiedzialnością ⁴	Kiev, Ukraine	debt collection	99,90	99,90
18.2	Finansowa Kompania „Prywatne Inwestycje” sp.z o.o. ⁵	Kiev, Ukraine	financial services	95,4676	95,4676
18.2.1	Finansowa Kompania „Idea Kapitał” sp. z o.o.	Lviv, Ukraine	service activities	100	100
19	„Sopot Zdrój” sp. z o.o.	Sopot	property management	72,9769	72,9769

* share of the direct parent in equity

¹ In June 2022, the Company was deleted from the Irish register of companies and thus ceased to be part of the PKO Bank Polski S.A. Group. As at 31 December 2021, in accordance with IFRS 10, PKO Leasing S.A. exercised control over the Company, although it did not have an equity share in it

² In accordance with IFRS 10, PKO Leasing S.A. exercises control over the company, although it does not have a capital share in it.

³ The liquidation of the company has been completed. On July 4, 2022, the company was removed from the National Court Register.

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

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



The PKO Bank Polski S.A. Group holds the following associates and joint ventures.

No.	ENTITY NAME	REGISTERED OFFICE	ACTIVITY	% SHARE IN CAPITAL*	
				30.06.2022	31.12.2021
Joint ventures of PKO Banku Polskiego S.A.					
1	Operator Chmury Krajowej sp. z o.o.	Warsaw	cloud computing services	50	50
2	Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	Warsaw	financial services support activities, including handling transactions concluded using payment instruments	34	34
1	EVO Payments International s.r.o.	Prague, the Czech Republic	financial services support activities	100	100
Joint venture of NEPTUN – fizan					
2	„Centrum Obsługi Biznesu” sp. z o.o.	Poznań	property management	41,45	41,45
Joint venture PKO VC – fizan					
3	BSafer sp. z o.o.	Stalowa Wola	managing marketing consents	35,06	35,06
Associates of PKO Banku Polskiego S.A.					
1	Bank Pocztowy S.A.	Bydgoszcz	banking activities	25,0001	25,0001
2	„Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.	Poznań	guarantees	33,33	33,33

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

In June 2022, the Bank joined System Ochrony Banków Komercyjnych S.A. As at 30 June 2022, the company was in organization. On 1 August 2022 the company was registered in the National Court Register and from that date was classified as an associate.

2. CHANGES TO COMPANIES COMPRISING THE GROUP

In the six-month period ended 30 June 2022, there were no significant changes in the structure of the Group. The process of liquidation of ROOF Poland Leasing 2014 – a subsidiary of PKO Leasing S.A., was completed. In June 2022, the company was deleted from the Irish register of companies.

3. INFORMATION ON MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

As at 30 June 2022, the Bank’s Supervisory Board consisted of:

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

The Bank’s Annual General Meeting, in accordance with the Policy on the Assessment of Suitability of Candidates for Members and Members of the Supervisory Board of Powszechna Kasa Oszczędności Banku Polskiego S.A., conducted a periodic assessment of the suitability of the Supervisory Board, confirming the individual suitability of the Bank’s Supervisory Board members and the collective suitability of the entire body.



As at 30 June 2022, the Bank's Management Board consisted of:

- Iwona Duda – President of the Management Board
- Maciej Brzozowski – Vice-President of the Management Board
- Bartosz Drabikowski – Vice-President of the Management Board
- Marcin Eckert – Vice-President of the Management Board
- Wojciech Iwanicki – Vice-President of the Management Board
- Maks Kraczkowski – Vice-President of the Management Board
- Mieczysław Król – Vice-President of the Management Board
- Artur Kurcweil – Vice-President of the Management Board
- Piotr Mazur – Vice-President of the Management Board

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

On 24 March 2022, the Bank's Supervisory Board appointed Mr Maciej Brzozowski a Member of the Bank's Management Board for a joint term of office which started on 3 July 2020, and entrusted him with the position of Vice-President of the Bank's Management Board as of 25 March 2022.

On 9 August 2022, Ms Iwona Duda resigned as Chairman of the Bank's Management Board as well as from the Bank's Management Board itself as of the end of 9 August 2022. At the same time, the Bank's Supervisory Board appointed Mr Paweł Gruza as Vice-President of the Bank's Management Board as of 10 August 2022 for the current joint term of office of the Bank's Management Board, which commenced on 3 July 2020, and subject to the approval of the Polish Financial Supervision Authority and as of the date of such approval, appointed Mr Paweł Gruza as President of the Bank's Management Board. Until the approval by the Polish Financial Supervision Authority, the Supervisory Board has entrusted Mr Paweł Gruza with directing the work of the Management Board.

4. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements of the Group (**THE FINANCIAL STATEMENTS**), subject to review by the Audit Committee of the Supervisory Board and by the Supervisory Board on 17 August 2022, were approved for publication by the Management Board on 17 August 2022.

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

In the “**PKO Bank Polski S.A. Group Directors' Report for the first half of 2022**”, note “**MAJOR EVENTS, INCLUDING NON-TYPICAL EVENTS**” describes the activities undertaken by the Group, i.e. assistance to employees of the Ukrainian companies from the Bank's Group, humanitarian aid, support of the Bank's volunteers, a package of facilities for the citizens of Ukraine introduced in the product offering. The note also provides a description of how the Group has implemented sanctions imposed on Russia and Belarus.

- **UKRAINIAN COMPANIES IN THE PKO BANK POLSKI S.A. GROUP**

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

A detailed description of the activities and capital structure of the Ukrainian companies is presented in note “**BUSINESS ACTIVITIES OF THE GROUP**” and in the “**PKO BANK POLSKI SA GROUP DIRECTORS' REPORT FOR THE FIRST HALF OF 2022**”, note “**MAJOR EVENTS, INCLUDING NON-TYPICAL EVENTS**”, item: „**WAR IN UKRAINE AND ITS IMPACT ON THE GROUP'S OPERATIONS.**”

As at 30 June 2022, the Ukrainian companies are continuing to operate. As at 30 June 2022, the Group is continuing to exercise control over the Ukrainian companies and accounts for them using the acquisition accounting method in the financial statements.



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

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

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

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

In principle, the Group adopted the mid-exchange rate announced for a currency by the National Bank of Poland as at the balance sheet date as the closing rate. Due to the fact that the UAH exchange rate announced by the National Bank of Poland as at 30 June 2022 was a rate unchanged since 24 March 2022 (0.1467 UAH), the Group adopted the exchange rate determined by the National Bank of Ukraine and used by the Group for exchanging UAH to PLN, i.e. 1 UAH = 0.13 PLN¹, as the closing rate.

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

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

The warfare has adversely affected the Ukrainian banking sector through:

- disruptions to the operations of Ukrainian branches and ATMs, significant damage to or destruction of the banking infrastructure in war zones;
- a decline in liquidity due to an outflow of customer funds, partially offset by support from the National Bank of Ukraine through refinancing instruments;
- a reduction in the loan portfolio due to the cessation of new lending by banks (with the exception of lending by state banks to sectors and enterprises critical to the state of war);
- a sharp decline in banks’ operating income (due to reduced customer demand for services, “loan holidays” introduced, restrictions on foreign exchange transactions, etc.), which may result in their operating losses in the medium term;
- the inability of some borrowers to service loans, deterioration in repayment due to the closure of many enterprises, loss of sources of income for individuals, the forced relocation of millions of Ukrainian citizens;
- restrictions on the foreign exchange market, including foreign exchange trading;
- reduction in the banks’ equity as a result of lost revenue, material losses and impairment of a part of the loan portfolio.

¹ In March 2022, PKO Bank Polski S.A. signed an agreement with the National Bank of Poland (NBP) for the purchase of hryvnia in the Bank’s branches and its resale to the NBP at the rate set by the National Bank of Ukraine. The performance of the contract was started by PKO Bank Polski S.A. on March 25, 2022, and the agreement with the NBP is to be valid until September 10, 2022. The rate of 1UAH = PLN 0.13 was in force in the period from 09/05/2022 to 01/07/2022



The National Bank of Ukraine (hereinafter “NBU”) has simplified the requirements for banks’ day-to-day operations and is not introducing new regulatory requirements. The regular financial stability assessment of banks was abolished and the application of capital requirements was suspended.

The NBU has also introduced a number of amendments to the legislation governing credit risk assessment. These amendments are aimed at ensuring the timely and adequate assessment of credit risk by banks, preventing banks from losing liquidity.

Starting from 25 February 2022, during the period of martial law and 30 calendar days after its cessation or revocation, when calculating credit risk requirements, Ukrainian banks did not apply requirements concerning overdue balances and thus did not accrue default interest or other charges (effective until 29 June 2022). In the second quarter of 2022, with the gradual recovery of the Ukrainian economy from the shock of the first days of the war, Ukrainian supervision began to reinstate the previously applicable credit risk assessment regulations. This approach is aimed at the banks and the NBU estimating the level of losses incurred and the proper planning of the banks’ capital renewal activities (the calculation of days past due for debt repayment has been reinstated, with the proviso that the number of days past due for debt repayment in the period from 25 February to 29 June inclusive will not be taken into account in the calculation). Requirements have been introduced to analyse all existing information on the status of collateral located in territories subject to warfare. If information is obtained on the loss or damage of collateral, the bank is required to take this into account in its credit risk assessment. In order to support the solvency of borrowers by encouraging banks to carry out loan restructuring, some credit risk assessment requirements have been relaxed. The NBU has also relaxed the requirements for the credit risk process, e.g. Ukrainian banks can carry out an assessment on a group basis for loans of up to UAH 20 million (previously the limit was UAH 5 million). The NBU also reduced the risk weights (RWA) on unsecured consumer loans from 150% to 100%, in order to allow banks to use accumulated capital to partially cover losses caused by Russia’s military aggression.

In addition, in order to support banks’ liquidity, the NBU removed restrictions on carrying out foreign currency swap operations with the bank’s affiliates.

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

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

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



The table below presents the share of Ukrainian companies in the results and assets and liabilities of the Group for the six months ended 30 June 2022 and as at 30 June 2022 (including comparatives) under "Ukraine".

FOR 6 MONTHS ENDED 30 JUNE 2022	Poland	Ukraine	Total
Net interest income	6 694	145	6 839
Net fee and commission income	2 362	66	2 428
Other net income	193	3	196
Dividend income	11	-	11
Gains/(losses) on financial transactions	167	-	167
Foreign exchange gains/ (losses)	(66)	-	(66)
Gains/(losses) on derecognition of financial instruments	(18)	-	(18)
Net other operating income and expense	99	3	102
Result on business activities	9 249	214	9 463
Net expected credit losses	(493)	(224)	(717)
Cost of the legal risk of mortgage loans in convertible currencies	(13)	-	(13)
Net impairment allowances of non-financial assets	(1 176)	-	(1 176)
Administrative expenses, of which:	(4 112)	(93)	(4 205)
amortization	(481)	(22)	(503)
net regulatory charges	(1 384)	(6)	(1 390)
Tax on certain financial institutions	(626)	-	(626)
Share in profits and losses of associates and joint ventures	28	-	28
Profit/(loss) by geographical areas	2 857	(103)	2 754
Income tax expense (tax burden)			(917)
Net profit (loss) (including non-controlling interest)			1 837
Profit (loss) attributable to non-controlling shareholders			(1)
Net profit attributable to equity holders of the parent company			1 838

FOR 6 MONTHS ENDED 30 JUNE 2021	Poland	Ukraine	Total
Net interest income	4 585	132	4 717
Net fee and commission income	2 040	34	2 074
Other net income	493	9	502
Dividend income	11	-	11
Gains/(losses) on financial transactions	(15)	-	(15)
Foreign exchange gains/ (losses)	365	5	370
Gains/(losses) on derecognition of financial instruments	93	2	95
Net other operating income and expense	39	2	41
Result on business activities	7 118	175	7 293
Net expected credit losses	(421)	(9)	(430)
Net impairment allowances of non-financial assets	(43)	-	(43)
Administrative expenses, of which:	(2 976)	(97)	(3 073)
amortization	(470)	(22)	(492)
net regulatory charges	(447)	(5)	(452)
Tax on certain financial institutions	(518)	-	(518)
Share in profits and losses of associates and joint ventures	8	-	8
Profit/(loss) by geographical areas	3 168	69	3 237
Income tax expense (tax burden)			(825)
Net profit (loss) (including non-controlling interest)			2 412
Profit (loss) attributable to non-controlling shareholders			(1)
Net profit attributable to equity holders of the parent company			2 413



30.06.2022	Poland	Ukraine	Total
Assets, of which:	424 487	4 080	428 567
Loans and advances to customers	232 664	1 926	234 590
Investments in associates and joint ventures	276	-	276
Total assets	424 763	4 080	428 843
Liabilities, of which:	394 250	3 653	397 903
Amounts due to customers	322 982	3 334	326 316
Total liabilities	394 250	3 653	397 903

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

As at 30 June 2022, the Group did not record an impairment allowance on non-financial assets of Ukrainian companies.

• RISK MANAGEMENT IN RELATION TO THE SITUATION IN UKRAINE

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

The Group has assessed the potential losses of the loan portfolio of Ukrainian companies, but information is currently limited and a more detailed assessment is not possible. According to available official information on military operations on the territory of Ukraine, a part of the loan portfolio of the Ukrainian companies (approximately 20%) is located directly in or close to regions where warfare is taking place, including less than 4% in temporarily occupied regions or in regions of active military operations. Customers who were found unable to conduct business, whose operations were materially impaired or property damaged were deemed to meet the premise of default and were reclassified to Phase 3. Customers who operate in or near areas of warfare were reclassified into Phase 2. As a result of the assessment of various scenarios for the development of the situation in Ukraine and of the conflict, the Bank's Group recognized impairment allowances for expected credit losses of PLN 224 million.

The Group analysed its business loan portfolio in terms of customers' exposure to the negative effects of the armed conflict in Ukraine. Assuming the threshold of the minimum of 5% of customers' turnover being realized with counterparties from Russia, Belarus or Ukraine, the portfolio exposed to risk amounts to approximately PLN 3.2 billion. As part of the measurement of credit exposures, the Group took into account information on the scale of the economic relations of Polish customers with their counterparties from Ukraine, Belarus and Russia, and assessed various scenarios for the development of the macroeconomic situation. Exposures of customers related to counterparties from Ukraine, Belarus and Russia were classified to Phase 2 and their expected credit losses were measured over their lifetime. Where it was assessed that there was a low probability that these customers would meet their credit obligations, exposures were reclassified to Phase 3. As at 30 June 2022, the portfolio of retail loans to Russian, Belarusian or Ukrainian citizens granted by PKO Bank Polski S.A. amounts to PLN 224 million.



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

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

The Group maintains a safe level of liquidity enabling it to respond quickly and effectively to potential risks.

In the first half of 2022:

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

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

6. MORTGAGE LOANS

6.1. MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

Starting from 23 April 2021, following a decision of the Extraordinary General Meeting of PKO Bank Polski S.A., the Group has been concluding settlements with consumers who had concluded loan agreements or cash advance agreements with the Bank secured by mortgages and indexed to foreign currencies or denominated in foreign currencies (hereinafter: settlements with consumers). To this end, the Group set up a special fund (within the Group's supplementary capital) of PLN 6 700 million for offsetting specific balance sheet losses which will arise as a result of recognizing the financial effects of the settlements with consumers.

In the "PKO BANK POLSKI SA GROUP DIRECTORS' REPORT FOR THE FIRST HALF OF 2022", note "MAJOR EVENTS, INCLUDING NON-TYPICAL EVENTS", item "FOREIGN CURRENCY MORTGAGE LOANS", the actions taken by the Group with regard to offering settlements are described.

As at 30 June 2022, nearly 27.6 thousand applications for mediation were registered (as at 31 December 2021 - more than 19 thousand applications). The total number of settlements concluded as at 30 June 2022 was 15 461, of which 15 151 was reached in mediation proceedings and 310 in court proceedings. As at 31 December 2021, the total number of settlements concluded was 5 806, of which 5 673 was reached in mediation proceedings and 133 in court proceedings. Starting from 20 June 2022, the Bank enabled concluding settlement agreements with respect to MIX mortgage loans granted in CHF designated for housing purposes.

- **MANAGING THE RISK OF MORTGAGE LOANS GRANTED TO INDIVIDUALS IN CONVERTIBLE CURRENCIES**

The Group pays particular attention to analyses of its portfolio of foreign currency mortgage loans for individuals. The Group monitors the quality of the portfolio on an on-going basis and reviews the risk of deterioration in the quality of the portfolio. Currently, the quality of the portfolio is at an acceptable level. The Group takes this risk into account in capital adequacy and equity management.



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

HOUSING LOANS AND ADVANCES TO INDIVIDUALS (RETAIL AND PRIVATE BANKING) BY CURRENCY	30.06.2022			31.12.2021		
	gross	impairment allowance	net	gross	impairment allowance	net
in local currency	97 485	(1 393)	96 092	99 887	(1 212)	98 675
PLN	97 093	(1 349)	95 744	99 435	(1 191)	98 244
UAH	392	(44)	348	452	(21)	431
in foreign currency	13 208	(742)	12 466	15 610	(749)	14 861
CHF	10 802	(673)	10 129	13 100	(679)	12 421
EUR	2 364	(65)	2 299	2 469	(67)	2 402
USD	34	(4)	30	33	(3)	30
OTHER	8	-	8	8	-	8
Total	110 693	(2 135)	108 558	115 497	(1 961)	113 536



FOREIGN CURRENCY HOUSING LOANS AND ADVANCES TO INDIVIDUALS BY THE GRANTING DATE		30.06.2022			31.12.2021		
		Indexed	Denominated	Total	Indexed	Denominated	Total
up to 2002	Gross amount	-	34	34	-	42	42
	Allowances for credit losses	-	(1)	(1)	-	(1)	(1)
	Net amount	-	33	33	-	41	41
	Number of loans granted	-	3 148	3 148	-	3 930	3 930
from 2003 r to 2006	Gross amount	-	2 317	2 317	-	2 939	2 939
	Allowances for credit losses	-	(102)	(102)	-	(108)	(108)
	Net amount	-	2 215	2 215	-	2 831	2 831
	Number of loans granted	-	33 329	33 329	-	37 734	37 734
from 2007 to 2009	Gross amount	-	5 848	5 848	-	7 240	7 240
	Allowances for credit losses	-	(509)	(509)	-	(515)	(515)
	Net amount	-	5 339	5 339	-	6 725	6 725
	Number of loans granted	-	39 442	39 442	-	45 782	45 782
from 2010 to 2012	Gross amount	2 590	2 405	4 995	2 807	2 567	5 374
	Allowances for credit losses	(59)	(69)	(128)	(55)	(68)	(123)
	Net amount	2 531	2 336	4 867	2 752	2 499	5 251
	Number of loans granted	9 082	10 655	19 737	9 739	11 208	20 947
from 2013 to 2016	Gross amount	4	10	14	4	11	15
	Allowances for credit losses	-	(2)	(2)	-	(2)	(2)
	Net amount	4	8	12	4	9	13
	Number of loans granted	18	34	52	18	37	55
Total	Gross amount	2 594	10 614	13 208	2 811	12 799	15 610
	Allowances for credit losses	(59)	(683)	(742)	(55)	(694)	(749)
	Net amount	2 535	9 931	12 466	2 756	12 105	14 861
	Number of loans granted	9 100	86 608	95 708	9 757	98 691	108 448



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

IMPACT OF THE LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES	Gross carrying amount of mortgage loans in convertible currencies before recognition of mortgage loans in convertible currencies legal risk cost	Accumulated cost of the legal risk of mortgage loans in convertible currencies	Gross carrying amount of mortgage loans in convertible currencies after recognition of mortgage loans in convertible currencies legal risk cost
As at 30.06.2022			
Loans and advances to customers - adjustment reducing the carrying amount of loans	20 388	7 180	13 208
- concerning the CHF mortgage portfolio	17 982	7 180	10 802
Provisions (note 32) and other assets' adjustment		777	
Total		7 957	
As at 31.12.2021			
Loans and advances to customers - adjustment reducing the carrying amount of loans	22 038	6 428	15 610
- concerning the CHF mortgage portfolio	19 528	6 428	13 100
Provisions (note 32)		595	
Total		7 023	

CHANGE OVER THE PERIOD OF THE CUMULATIVE COST OF LEGAL RISK RELATED TO MORTGAGE LOANS DENOMINATED IN CONVERTIBLE CURRENCIES	01.01-30.06.2022	01.01-30.06.2021
Carrying amount at the beginning of the period	(7 023)	(7 043)
Revaluation of loss for the period	(653)	527
Using the loss to settle settlements and judgments for the period*	895	4
Increasing the write-off of the gross book value of loans and advances to customers and other assets, increasing provisions for legal risk	(1 176)	-
Carrying amount at the end of the period	(7 957)	(6 512)

* the item also includes the effects of the implementation of final and binding judgments invalidating loan agreements, which for the six-month period ended June 30, 2022 amount to PLN 64 million.

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

Based on the customer behavior observed in the first half of 2022, caused by changes in the market environment (including an increase in market interest rates in PLN loans, weakening of the PLN exchange rate against foreign currencies) and an increase in the number of lawsuits filed against the Bank, the Capital Group updated the forecast dynamics voluntary settlements signed by clients and the forecast number of lawsuits. The Capital Group has also updated the estimated probabilities of court dispute resolution scenarios, adjusting them to the emerging jurisprudence. Taking the above into account, the Capital Group recognized in the six-month period ended June 30, 2022 the cost of legal risk related to mortgage loans in convertible currencies in the amount of PLN 1 176 million.

SENSITIVITY ANALYSIS OF THE MODEL TO CHANGE OF KEY PARAMETERS	Increase of legal risk costs related to mortgage loans in convertible currencies	
	30.06.2022	31.12.2021
1 pp decrease the probability of the Bank winning in court (at the cost of an increase by 1 pp of the probability of annulment)	58	42
1 pp decrease the number of settlements at the expense of the increase in the number of lawsuits	25	37
1 pp increase the likelihood of capital cost compensation	(35)	(12)
1 pp increase claims to settlement conversion rate	(10)	(11)



In addition, during the six months ended 30 June 2022, the Group recognized the effects of final judgments declaring the invalidity of loan agreements in convertible currencies. As a consequence of the aforementioned judgments, the Group ceased to recognize in the Group's assets (under "Loans and advances to customers"), receivables from active loan agreements. At the same time, the the Group recognized, under "Other assets", receivables from principal paid out to customers and the Bank's claims for reimbursement for non-contractual use of principal, as well as liabilities, relating to the reimbursement of principal and interest instalments paid by customers (item "Other liabilities").

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

6.2. THE IMPACT OF THE ACT ON CROWDFUNDING FOR BUSINESS VENTURES AND ASSISTANCE TO BORROWERS

On 14 July 2022, the President signed the Act on crowdfunding for business ventures and assistance to borrowers (hereinafter "the Act"), which includes a package of support for borrowers repaying mortgage loans, including, inter alia, a suspension of loan repayments, the so-called "loan holidays", subsidies for loans from the Borrower Support Fund and the announcement of introducing a replacement for the WIBOR index.

- **LOAN HOLIDAYS**

Under the terms of the Act:

- loan holidays apply to mortgage loans granted in Polish zloty;
- statutory loan holidays provide the possibility to suspend loan repayment for up to 8 months between 2022 and 2023 - two months in each of Q3 and Q4 of 2022 and one month in each of the four quarters of 2023;
- the suspension of loan repayment can be used by the customer if the agreement was concluded before 1 July 2022 and the loan period ends after 31 December 2022;
- loan holidays will only be available for one loan;
- the repayment schedule of loan instalments is extended by the number of loan holiday months used.

The Group adopted a judgment on when to recognize the impact of the loan holidays introduced by the Act on crowdfunding for business ventures and assistance to borrowers. The Group considers that the entitlement of customers to benefit from the suspension of loan repayments is a statutory cash flow modification that occurs on the date the Act has been signed by the President, i.e. 14 July 2022, i.e. it is a non-adjusting post balance sheet event as at 30 June 2022. In addition, the lack of final legislation as at 30 June 2022 made it impossible to estimate the impact of the loan holidays as at that date.

The Group made an adjustment to the gross carrying amount of mortgage loans in July 2022 for an estimated amount of approximately PLN 3 billion in correspondence with a reduction in interest income. The value of the adjustment was determined as the difference between the present value of the estimated cash flows arising from the loan agreements, taking into account the suspension of instalment payments, and the present gross carrying amount of the loan portfolio. The estimate of the loss is based on the assumption that approximately 63% of customers holding a mortgage loan granted in PLN will decide to take advantage of the loan holidays (customer participation rate). The amount of the loss, estimated on the assumption that 100% of customers take advantage of the loan holidays, would be PLN 4.8 billion.

The actual impact of the loan holiday arrangements on the the Group's results will depend, among other things, on the number of customers who take advantage of these arrangements.

The sensitivity of the amount of the loss to a +/- 10 pp change in the customer participation rate is shown in the table below:

	increase in the customer participation rate by 10 pp	decrease in the customer participation rate by 10 pp
impact on the loan holiday loss ("+" increase; "()" decrease)	482	(482)



- **SUBSIDIES FOR LOANS FROM THE BORROWER SUPPORT FUND**

The Act also introduced changes to the operation of the Borrower Support Fund, which will offer support to borrowers of up to PLN 2 000 per month, disbursed for up to 36 months. Repayment of the support will begin after two years in equal and interest-free 144 instalments. Part of the support can be waived for those customers who repay the first 100 instalments on time. A customer can benefit from the support when one of the following conditions is met:

- at least one of the borrowers is unemployed;
- the monthly housing loan servicing costs exceed 50 per cent of monthly income;
- monthly income after deduction of the loan costs does not exceed PLN 1 552 per person in a one-person household and PLN 1 200 per person in a multi-person household in 2022.

The Fund will be injected with additional funds of approximately PLN 1.4 billion by the end of 2022. The Group estimates that the cost of additional payments to the Borrower Support Fund will amount to PLN 0.3 billion. The final amount of contributions will be determined by the Borrower Support Fund Board and the cost of additional contributions to the fund will be charged to the results of the second half of 2022.

- **ANNOUNCEMENT OF A REPLACEMENT FOR THE WIBOR INDEX**

The Act also provides for the replacement of the WIBOR index with another index. The process of establishing a replacement for WIBOR will be regulated by law. The procedure for the designation of the replacement, upon the occurrence of a triggering event, as defined in the EU BMR, will be initiated by the Polish Financial Supervision Authority, and the FSC will be involved in the process. The Minister of Finance will be able to establish the replacement in a regulation. If the index is not established as described above, there will be an option to establish it based on the POLONIA rate.

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

The COVID-19 pandemic increased the level of uncertainty. Its consequences for the global economy and measures adopted by governments and regulators affected the Group's financial results and position, including, among others, on the expected credit losses or goodwill recognized. In the six-month period ended 30 June 2022, the Group did not identify any additional negative effects related to the COVID pandemic. The Group is monitoring the development on an ongoing basis and takes them into account in the current period.

At its meeting held on 25 March 2022, the FSC assessed that low profitability and credit losses associated directly to COVID-19 ceased to be a material source of risk for banks.

8. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements cover the six-month period ended 30 June 2022 and contain comparative data for:

- the six-month period ended 30 June 2021 (with regard to the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, and consolidated statements of cash flows),
- as at 31 December 2021 (with regard to the consolidated statement of financial position).

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

The Group prepared the financial statements in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

To prepare the financial statements, the Group applied the accounting policies and calculation methods consistent with those applicable in the financial year ended 31 December 2021, with the exception of changes described in the note ["CHANGES IN THE ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2022 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS"](#). Moreover, the Group applied the principle of recognizing income tax expense in the interim financial statements based on the best possible estimate of the weighted average annual income tax rate expected in the full financial year.



These financial statements for the six-month period ended 30 June 2022 do not comprise all the information and disclosures which may be required in annual financial statements and should be read jointly with the annual consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2021 that were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union.

GOING CONCERN

The Group prepared the financial statements on the basis of the assumption that the Group will continue as a going concern for a period of at least 12 months from the date of their approval for publication by the Management Board, i.e. from 17 August 2022. As at the date of signing these financial statements, the Bank's Management Board is not aware of any facts or circumstances that would indicate a threat to the Group's ability to continue as a going concern for the 12 months following the publication date as a result of any intended or compulsory discontinuation or significant limitation of the Group's existing operations.

The Bank's Management Board has considered the impact of the current situation in Ukraine and the loan holidays introduced by the Act on crowdfunding for business ventures and assistance to borrowers and has determined that this does not create significant uncertainty as to the Group's ability to continue as a going concern.

MANAGEMENT REPRESENTATION

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

9. NEW STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS

STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS EFFECTIVE FROM 2022

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



	<ul style="list-style-type: none"> • The amendment clarifies which fees should be included for purposes of the '10 per cent' test in the case of derecognition of financial liabilities. • Amendments to illustrative examples in IFRS 16 relating to the identification of lease incentives. <p>No material impact on the consolidated financial statements.</p>
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* the effective date in the EU / date of endorsement by the EU is given in parentheses

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

STANDARDS AND INTERPRETATIONS*	DESCRIPTION OF CHANGES AND IMPACT
<p>IFRS 17 "Insurance Contracts" (1.01.2023/19.11. 2021) and amendments to IFRS 17 (1.01.2023/19.11. 2021)</p>	<p>DESCRIPTION OF CHANGES</p> <p>IFRS 17 will replace the existing IFRS 4 "Insurance contracts" which enabled entities to recognize insurance contracts according to the accounting principles in force in the national standards. As a new accounting standard, IFRS 17 will change the recognition, measurement, presentation and disclosure of insurance contracts. The standard applies to insurance contracts, reinsurance contracts and investment contracts with discretionary participation in profits. The application of the standard should follow the full retrospective approach with certain departures.</p> <p>Entities to which IFRS 17 applies identify portfolios of insurance contracts that are subject to similar risks and are jointly managed. The entity divides the portfolio of insurance contracts concluded into at least:</p> <ul style="list-style-type: none"> • the group of contracts that are onerous upon initial recognition; • the group of contracts that, on initial recognition, do not carry a significant probability of subsequently becoming onerous; and • the group of other contracts in the portfolio, if any. <p>Insurance contracts are to be measured on the basis of three basic principles:</p> <ul style="list-style-type: none"> • discounted probability-weighted cash flows; • risk adjustments (a) an adjustment reflecting the time value of money and financial risk associated with future cash flows to the extent that the financial risk is not included in the estimates of future cash flows; (b) a risk adjustment for non-financial risk; • the margin for contractual services, representing unrealized profit on the contract, which is distributed evenly. <p>The standard treats gains and losses in an asymmetric manner. Gains, in principle, are deferred over the life of the policy, while losses are recognized immediately.</p>



	<p>DESCRIPTION OF THE IMPACT</p> <p>IFRS 17 will affect the Group which offers insurance products, including insurance connected with loans and advances and leasing products. The said products are offered by the following insurance companies: PKO Życie Towarzystwo Ubezpieczeń S.A. and PKO Towarzystwo Ubezpieczeń S.A.</p> <p>The Implementation of IFRS 17 will also involve the need for the Group to identify and implement a number of changes relating to the accounting, reporting, tax and planning and control areas. Changes will also be required in the applications and systems used by the Group from which the source data is extracted.</p> <p>Starting in 2021, the Group's insurance companies are conducting an IFRS 17 implementation project with the support of an External Consultant. The scope of the project covers mainly the development and implementation of a dedicated tool to make actuarial calculations in accordance with the requirements of IFRS 17 and methodology. Starting from Q2 2022, the scope of work for the implementation of IFRS 17 has been extended to the Group, including the Bank and the Group's leasing companies. The scope of work mainly includes:</p> <ul style="list-style-type: none"> • a gap analysis (IFRS 15, IFRS 9, IFRS 4, Recommendation U) versus IFRS 17; • recommendation on the implementation of IFRS 17; • development of changes to accounting policies; • comprehensive consideration of reporting and tax aspects; • calculation of adjustments to the opening balance sheet as at 1 January 2022; • support in the development of a planning concept for the Bank's insurance business; • development of IT solutions. <p>As at 30 June 2022, the Group has not yet estimated the quantitative impact of the implementation of IFRS 17; however, it has identified that the key areas of impact of the standard relate to the insurance products offered by the Group that are linked to the Group's loans and advances to customers (including leases). In subsequent financial statements, the Group plans to expand the disclosures regarding its work on the implementation of IFRS 17 and its impact on the Group's financial statements.</p>
<p>AMENDMENT TO IAS 1 AND IAS 8 (1.01.2023/2.03.2022)</p>	<p>Amendments to IAS 1 contain guidelines on the application of the term "material" in disclosures of the accounting policies.</p> <p>Amendments to IAS 8 explain how companies should distinguish changes in accounting policies from changes in accounting estimates.</p> <p>The Group does not expect these amendments to have a material impact on the consolidated financial statements.</p>

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



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

STANDARDS AND INTERPRETATIONS*	DESCRIPTION OF CHANGES AND IMPACT
AMENDMENT TO IAS 1 – CLASSIFICATION OF LIABILITIES (1.01.2023/NO DATA)	The amendments relate to the presentation of liabilities in the statement of financial position. In particular, the amendment clarifies that classification of liabilities as current or non-current should be based on the contractual arrangements in place at the reporting date. A prospective approach will apply to these amendments. The Group is in the process of estimating the impact on the consolidated financial statements.
AMENDMENT TO IFRS 12 (1.01.2023/NO DATA)	The amendment to IFRS 12 clarifies uncertainty with regard to the deferred tax on transactions where entities recognize both an asset and a liability, which in turn gives rise to both taxable and deductible temporary differences at the same time. This relates to transactions such as leases or decommissioning liabilities. The amendment clarifies that entities are obliged to recognize a deferred tax on such transactions. The Group does not expect these amendments to have a material impact on the consolidated financial statements.
AMENDMENT TO IFRS 17: FIRST-TIME ADOPTION OF IFRS 17 AND IFRS 9 – COMPARATIVE INFORMATION (1.01.2023/NO DATA)	The proposed amendment enables an entity which adopted for the first time both IFRS 17 and IFRS 9 to present comparative information on a financial asset as if the classification and measurement requirements included in IFRS 9 had already been applied earlier to that financial asset.

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

10. CHANGES IN THE ACCOUNTING POLICIES APPLICABLE FROM 01 JANUARY 2022 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

• RECLASSIFICATION OF COSTS CHARGED TO A CUSTOMER (1)

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

• RECLASSIFICATION OF CARD-RELATED COSTS (2)

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

• RECLASSIFICATION OF THE COST OF CASH-IN-TRANSIT SERVICES TO THE GROUP'S CUSTOMERS (3)

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

• RECLASSIFICATION OF VOLUNTARY MEMBERSHIP FEE COSTS (4)

Starting from the first quarter of 2022, the Group has been presenting the costs of voluntary membership fees as a component of other operating expenses. Previously, these costs were presented as administrative expenses.



CONSOLIDATED INCOME STATEMENT – selected items	01.01-30.06.2021 before restatement	(1)	(2)	(3)	(4)	01.01-30.06.2021 restated
Net fee and commission income	2 099	-	(23)	(2)	-	2 074
Fee and commission expense	(513)	-	(23)	(2)	-	(538)
Other net income	493	10	-	-	(1)	502
Net other operating income and expenses	32	10	-	-	(1)	41
Result on business activities	7 309	10	(23)	(2)	(1)	7 293
Net impairment allowances on non-financial assets	(33)	(10)	-	-	-	(43)
Administrative expenses	(3 099)	-	23	2	1	(3 073)
of with net regulatory charges	(453)	-	-	-	1	(452)
Net profit attributable to equity holders of the parent company	2 413	-	-	-	-	2 413

CONSOLIDATED INCOME STATEMENT – selected items	01.04-30.06.2021 before restatement	(1)	(2)	(3)	(4)	01.04-30.06.2021 restated
Net fee and commission income	1 055	-	(12)	(1)	-	1 042
Fee and commission expense	(278)	-	(12)	(1)	-	(291)
Other net income	276	4	-	-	(1)	279
Net other operating income and expenses	20	4	-	-	(1)	23
Result on business activities	3 736	4	(12)	(1)	(1)	3 726
Net impairment allowances on non-financial assets	(18)	(4)	-	-	-	(22)
Administrative expenses	(1 444)	-	12	1	1	(1 430)
of with net regulatory charges	(80)	-	-	-	1	(79)
Net profit attributable to equity holders of the parent company	1 236	-	-	-	-	1 236



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. SEGMENT REPORTING

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

Income statement by segments	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the Group
FOR 6 MONTHS ENDED 30 JUNE 2022				
Net interest income	4 815	1 426	598	6 839
Net fee and commission income	1 813	620	(5)	2 428
Other net income	177	92	(73)	196
Dividend income	-	11	-	11
Gains/(losses) on financial transactions	97	69	1	167
Foreign exchange gains/ (losses)	11	9	(86)	(66)
Gains/(losses) on derecognition of financial instruments	7	(23)	(2)	(18)
Net other operating income and expense	49	39	14	102
Income/(expenses) relating to internal customers	13	(13)	-	-
Result on business activities	6 805	2 138	520	9 463
Net expected credit losses	(488)	(229)	-	(717)
Net impairment allowances of non-financial assets	(3)	1	(11)	(13)
Cost of the legal risk of mortgage loans in convertible currencies	(1 176)	-	-	(1 176)
Administrative expenses, of which:	(3 400)	(776)	(29)	(4 205)
depreciation and amortization	(435)	(68)	-	(503)
net regulatory charges	(1 014)	(348)	(28)	(1 390)
Tax on certain financial institutions	(371)	(193)	(62)	(626)
Share in profits and losses of associates and joint ventures	-	-	-	28
Segment profit/(loss)	1 367	941	418	2 754
Income tax expense (tax burden)				(917)
Net profit (loss) (including non-controlling interest)				1 837
Profit (loss) attributable to non-controlling shareholders				(1)
Net profit attributable to equity holders of the parent company				1 838

Assets and liabilities by segments	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the Group
30.06.2022				
Assets	181 009	147 333	94 794	423 136
Investments in associates and joint ventures	-	276	-	276
Unallocated assets	-	-	-	5 431
Total assets	181 009	147 609	94 794	428 843
Liabilities	263 813	98 357	35 283	397 453
Unallocated liabilities	-	-	-	450
Total liabilities	263 813	98 357	35 283	397 903



Income statement by segments	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total activity of the Group
FOR 6 MONTHS ENDED 30 JUNE 2021				
Net interest income	3 334	899	484	4 717
Net fee and commission income	1 558	523	(7)	2 074
Other net income	(48)	189	361	502
Dividend income	-	11	-	11
Gains/(losses) on financial transactions	(70)	58	(3)	(15)
Foreign exchange gains/ (losses)	(8)	47	331	370
Gains/(losses) on derecognition of financial instruments	2	64	29	95
Net other operating income and expense	15	22	4	41
Income/(expenses) relating to internal customers	13	(13)	-	-
Result on business activities	4 844	1 611	838	7 293
Net expected credit losses	(384)	(46)	-	(430)
Net impairment allowances of non-financial assets	(14)	2	(31)	(43)
Administrative expenses, of which:	(2 502)	(545)	(26)	(3 073)
depreciation and amortization	(419)	(73)	-	(492)
net regulatory charges	(312)	(115)	(25)	(452)
Tax on certain financial institutions	(383)	(158)	23	(518)
Share in profits and losses of associates and joint ventures	-	-	-	8
Segment profit/(loss)	1 561	864	804	3 237
Income tax expense (tax burden)				(825)
Net profit (loss) (including non-controlling interest)				2 412
Profit (loss) attributable to non-controlling shareholders				(1)
Net profit attributable to equity holders of the parent company				2 413

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



12. INTEREST INCOME AND EXPENSE

INTEREST INCOME	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Loans to and other receivables from banks ¹	252	337	17	20
Hedging derivatives	-	-	110	198
Debt securities	825	1 457	455	889
measured at amortized cost	340	627	213	395
measured at fair value through other comprehensive income	476	816	239	488
measured at fair value through profit or loss	9	14	3	6
Loans and advances to customers (excluding finance lease receivables)	3 998	6 902	1 822	3 621
measured at amortized cost	3 870	6 667	1 722	3 412
measured at fair value through profit or loss	128	235	100	209
Finance lease receivables	316	552	155	307
Amounts due to customers (excluding loans and advances received)	10	19	4	8
Total	5 401	9 267	2 563	5 043
of which: interest income on impaired financial instruments	87	157	59	114
Interest income calculated under the effective interest rate method on financial instruments measured at:				
amortized cost	5 264	9 018	2 350	4 630
at fair value through other comprehensive income	4 788	8 202	2 111	4 142
at fair value through profit or loss	476	816	239	488
Income similar to interest income on instruments measured at fair value through profit or loss	137	249	213	413
Total	5 401	9 267	2 563	5 043

In the item loans and other receivables from banks, the Capital Group in the six-month period ended June 30, 2022 recognized income from interest on funds on the current account with the National Bank of Poland in the amount of PLN 180 million (in the corresponding period of 2021, PLN 1 million).

INTEREST EXPENSE ON	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
amounts due to banks ¹	(36)	(60)	(4)	(6)
hedge accounting	(856)	(1 124)	-	-
interbank deposits	(3)	(5)	(2)	(3)
loans and advances received	(22)	(40)	(9)	(17)
leases	(4)	(7)	(3)	(6)
amounts due to customers	(648)	(861)	(42)	(96)
debt securities in issue	(156)	(273)	(86)	(174)
subordinated liabilities	(37)	(58)	(12)	(24)
Total	(1 762)	(2 428)	(158)	(326)

In the amount due to banks, the Capital Group in the six-month period ended June 30, 2022 recognized the cost of interest on funds on call accounts due to a negative interest rate in the amount of PLN 13 million (in the corresponding period of 2021, PLN 4 million).

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

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



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

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

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

INTEREST INCOME BY SEGMENT	second quarter period from 01.04.2022 to 30.06.2022			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans to and other receivables from banks	-	110	142	252
Debt securities	12	416	397	825
Loans and advances to customers (excluding finance lease receivables)	3 152	846	-	3 998
Finance lease receivables	238	78	-	316
Amounts due to customers	-	10	-	10
Total	3 402	1 460	539	5 401

INTEREST INCOME BY SEGMENT	2 quarters cumulative period from 01.01.2022 to 30.06.2022			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans to and other receivables from banks	4	151	182	337
Debt securities	19	639	799	1 457
Loans and advances to customers (excluding finance lease receivables)	5 504	1 398	-	6 902
Finance lease receivables	415	137	-	552
Amounts due to customers	-	19	-	19
Total	5 942	2 344	981	9 267

INTEREST INCOME BY SEGMENT	second quarter period from 01.04.2021 to 30.06.2021			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans to and other receivables from banks	-	16	1	17
Hedging derivatives	-	-	110	110
Debt securities	1	94	360	455
Loans and advances to customers (excluding finance lease receivables)	1 546	276	-	1 822
Finance lease receivables	114	41	-	155
Amounts due to customers	-	4	-	4
Total	1 661	431	471	2 563



INTEREST INCOME BY SEGMENT	2 quarters cumulative period from 01.01.2021 to 30.06.2021			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans to and other receivables from banks	-	18	2	20
Hedging derivatives	-	-	198	198
Debt securities	3	239	647	889
Loans and advances to customers (excluding finance lease receivables)	3 026	595	-	3 621
Finance lease receivables	225	82	-	307
Amounts due to customers	-	8	-	8
Total	3 254	942	847	5 043

13. FEE AND COMMISSION INCOME AND EXPENSES

FEE AND COMMISSION INCOME	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Loans, insurance, operating leases and fleet management	399	764	333	646
lending	212	419	194	374
offering insurance products	146	271	112	217
operating leases and fleet management	41	74	27	55
Investment funds, pension funds and brokerage activities	209	435	190	394
servicing investment funds and OFE (including management fees)	100	207	114	215
servicing and selling investment and insurance products	5	13	7	15
brokerage activities	104	215	69	164
Cards	497	908	352	663
Margins on foreign exchange transactions	207	394	142	274
Bank accounts and other	332	652	316	635
servicing bank accounts	238	472	239	484
cash operations	19	40	17	33
servicing foreign mass transactions	24	47	22	41
customer orders	16	31	14	27
fiduciary services	3	5	2	4
other	32	57	22	46
Total	1 644	3 153	1 333	2 612



FEE AND COMMISSION EXPENSE	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Loans and insurance	(24)	(53)	(30)	(53)
commission paid to external entities for product sales	(7)	(14)	(5)	(11)
cost of construction investment supervision and property valuation	(8)	(15)	(12)	(20)
fees to Biuro Informacji Kredytowej	(1)	(10)	(4)	(9)
loan handling	(8)	(14)	(9)	(13)
Investment funds, pension funds and brokerage activities	(11)	(24)	(14)	(29)
Cards	(317)	(569)	(213)	(391)
Bank accounts and other	(43)	(79)	(34)	(65)
clearing services	(14)	(27)	(10)	(19)
commissions for operating services provided by banks	(4)	(7)	(4)	(7)
sending short text messages (SMS)	(14)	(25)	(13)	(26)
selling banking products	-	-	-	(1)
servicing foreign mass transactions	(6)	(10)	(4)	(7)
other	(5)	(10)	(3)	(5)
Total	(395)	(725)	(291)	(538)

NET INCOME ON OPERATING LEASES AND FLEET MANAGEMENT	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Income on operating leases and fleet management	125	237	97	193
Cost net income on operating leases and fleet management	(25)	(47)	(18)	(36)
Depreciation of property, plant and equipment under operating leases	(59)	(116)	(52)	(102)
Net income on operating leases and fleet management	41	74	27	55

FEE AND COMMISSION INCOME BY SEGMENT	second quarter period from 01.04.2022 to 30.06.2022			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans, insurance, operational leasing and fleet management	305	94	-	399
granting of loans and advances	135	77	-	212
offering insurance products	141	5	-	146
operational leasing and fleet management	29	12	-	41
Loans, insurance, operational leasing and fleet management	127	82	-	209
granting of loans and advances	98	2	-	100
offering insurance products	5	-	-	5
operational leasing and fleet management	24	80	-	104
Cards	479	18	-	497
Forex transaction margins	122	85	-	207
Bank accounts and other	252	80	-	332
maintenance of bank accounts	202	36	-	238
cash operations	7	12	-	19
servicing foreign mass transactions	14	10	-	24
customer orders	7	9	-	16
fiduciary services	-	3	-	3
other	22	10	-	32
Total	1 285	359	-	1 644



FEE AND COMMISSION INCOME BY SEGMENT	2 quarters cumulative period from 01.01.2022 to 30.06.2022			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans, insurance, operational leasing and fleet management	584	180	-	764
granting of loans and advances	267	152	-	419
offering insurance products	263	8	-	271
operational leasing and fleet management	54	20	-	74
Loans, insurance, operational leasing and fleet management	261	174	-	435
granting of loans and advances	202	5	-	207
offering insurance products	13	-	-	13
operational leasing and fleet management	46	169	-	215
Cards	878	30	-	908
Forex transaction margins	254	140	-	394
Bank accounts and other	501	151	-	652
maintenance of bank accounts	402	70	-	472
cash operations	16	24	-	40
servicing foreign mass transactions	27	20	-	47
customer orders	14	17	-	31
fiduciary services	-	5	-	5
other	42	15	-	57
Total	2 478	675	-	3 153

FEE AND COMMISSION INCOME BY SEGMENT	second quarter period from 01.04.2021 to 30.06.2021			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans, insurance, operational leasing and fleet management	254	79	-	333
granting of loans and advances	123	71	-	194
offering insurance products	107	5	-	112
operational leasing and fleet management	24	3	-	27
Loans, insurance, operational leasing and fleet management	134	56	-	190
granting of loans and advances	98	16	-	114
offering insurance products	7	-	-	7
operational leasing and fleet management	29	40	-	69
Cards	340	12	-	352
Forex transaction margins	93	49	-	142
Bank accounts and other	242	74	-	316
maintenance of bank accounts	203	36	-	239
cash operations	7	10	-	17
servicing foreign mass transactions	12	10	-	22
customer orders	5	9	-	14
fiduciary services	-	2	-	2
other	15	7	-	22
Total	1 063	270	-	1 333



FEE AND COMMISSION INCOME BY SEGMENT	2 quarters cumulative period from 01.01.2021 to 30.06.2021			
	Retail segment	Corporate and investment segment	Transfer centre and other	Total
Loans, insurance, operational leasing and fleet management	492	154	-	646
granting of loans and advances	237	137	-	374
offering insurance products	208	9	-	217
operational leasing and fleet management	47	8	-	55
Loans, insurance, operational leasing and fleet management	249	145	-	394
granting of loans and advances	184	31	-	215
offering insurance products	15	-	-	15
operational leasing and fleet management	50	114	-	164
Cards	640	23	-	663
Forex transaction margins	179	95	-	274
Bank accounts and other	489	146	-	635
maintenance of bank accounts	406	78	-	484
cash operations	15	18	-	33
servicing foreign mass transactions	22	19	-	41
customer orders	12	15	-	27
fiduciary services	-	4	-	4
other	34	12	-	46
Total	2 049	563	-	2 612

14. GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS

GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Financial instruments held for trading, of which:	132	231	17	48
Derivative instruments	117	214	14	43
Equity instruments	(5)	(3)	(1)	-
Debt securities	20	20	4	5
Financial instruments not held for trading, measured at fair value through profit or loss, of which:	(37)	(65)	(44)	(60)
Equity instruments	(23)	(38)	11	20
Debt securities	(2)	(19)	(4)	2
Loans and advances to customers	(12)	(8)	(51)	(82)
Hedge accounting	-	1	1	(3)
Total	95	167	(26)	(15)



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

GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL INSTRUMENTS	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Measured at fair value through other comprehensive income	(29)	(26)	59	93
Measured at amortized cost	4	8	2	2
Total	(25)	(18)	61	95

16. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Net revenues from the sale of products and services	30	53	22	38
Gains on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	22	46	22	38
Damages, compensation and penalties received	13	24	15	26
Ancillary income	2	6	4	7
Recovered debts that are time-barred, remitted, uncollectible	-	1	2	3
Release of the provision for unpaid costs	-	-	-	1
Release of provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies	2	3	-	1
Income from the sale of CO ₂ emission allowances	11	14	-	2
Other	23	46	20	33
Total	103	193	85	149

OTHER OPERATING EXPENSE	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Costs of products and services sold	-	-	(1)	(2)
Losses on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	(3)	(7)	(11)	(17)
Donations made	(11)	(15)	-	(14)
Sundry expenses	(3)	(8)	(3)	(8)
Provision recognized for potential refunds of fees and commission to customers	(13)	(13)	(26)	(26)
Provision for future payments	-	-	(2)	(2)
Provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies	(2)	(3)	(3)	(5)
Cost of selling CO ₂ emission allowances	-	(7)	-	(1)
Other	(19)	(38)	(16)	(33)
Total	(51)	(91)	(62)	(108)



17. NET ALLOWANCES FOR EXPECTED CREDIT LOSSES

ALLOWANCES FOR EXPECTED CREDIT LOSSES	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Amounts due from banks	(1)	(1)	1	-
Debt securities	48	57	2	2
- measured at fair value through OCI	49	55	-	2
- measured at amortized cost	(1)	2	2	-
Loans and advances to customers	(226)	(722)	(262)	(481)
- measured at amortized cost	(226)	(722)	(262)	(481)
Other financial assets	(13)	(13)	-	2
Provisions for financial liabilities and guarantees granted	(26)	(38)	(2)	47
Total	(218)	(717)	(261)	(430)

CHANGES IN ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES	As at the beginning of the period	Net allowances for expected credit losses	Change in allowances due to write-off and other adjustments	State at the end of the period
Period from 01.01 to 30.06.2022				
Amounts due from banks	-	(1)	-	(1)
Debt securities	(108)	57	16	(35)
Loans and advances to customers	(8 688)	(722)	129	(9 281)
Other financial assets	(136)	(13)	(2)	(151)
Provisions for financial liabilities and guarantees granted	(675)	(38)	(2)	(715)
Total	(9 607)	(717)	141	(10 183)

CHANGES IN ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES	As at the beginning of the period	Net allowances for expected credit losses	Change in allowances due to write-off and other adjustments	State at the end of the period
Period from 01.01 to 30.06.2021				
Debt securities	(50)	2	-	(48)
Loans and advances to customers	(8 824)	(481)	430	(8 875)
Other financial assets	(138)	2	-	(136)
Provisions for financial liabilities and guarantees granted	(629)	47	1	(581)
Total	(9 641)	(430)	431	(9 640)



CALCULATION OF ESTIMATES

In the macroeconomic model, the Bank dropped the solutions resulting directly from the approach adopted during the pandemic, i.e. the inclusion of the 2-year average GDP and unemployment forecasts from the pandemic period as the basis for estimating macroeconomic indicators and the inclusion of the impact of loan holidays on the reduced materialization of credit risk. At the same time, factors are included in the model to reflect current domestic and global events: the impact of the current macroeconomic situation (high inflation) on customers' ability to settle their obligations, as well as the impact of Russia's invasion of Ukraine on fuel prices and, consequently, on the health of companies. Additional factors in the model include:

- consideration of interest rate increases for retail loans on portfolio quality;
- consideration of the effect of exchange rate volatility on the quality of the foreign currency housing loan portfolio, as a result of the escalation of hostilities in Ukraine.

In addition, due to the significant influx of refugees and the uncertainty of its impact on the labour market, the model in all portfolios does not take into account a decrease in unemployment as a factor improving the quality of the loan portfolio.

The applied approach to the impact of macroeconomic forecasts on risk parameters describes the situation simultaneously in all branches of the economy and may not take into account the problems of individual industries caused by the pandemic, which is why the Group has conducted additional analyses of the loan portfolio. These analyses, carried out by risk experts, mainly included an assessment of the impact of specific macroeconomic conditions not taken into account in the portfolio approach and helped identify clients and industries particularly affected by the current economic situation. This includes the construction, hotel, automotive and lease of office and retail space sectors, as well as the heating sector. Exposures with the highest PD values that belonged to the identified industries were flagged with the premise of "significant increase in credit risk" and covered by increased allowances, which account for approximately 29% of the allowances on the entire portfolio of loans classified in Phase 2.

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

scenario as at 30.06.2022	baseline			optimistic			pessimistic		
probability	75%			5%			20%		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
GDP dynamics	5.1	1.3	3.1	9.3	6.8	4.5	1.0	(4.2)	1.7
Unemployment rate	2.8	2.5	2.6	2.5	2.5	2.8	2.9	2.6	2.6
Property price index	99.9	94.0	99.4	102.6	104.0	103.1	97.2	84.8	96.2
WIBOR 3M (%)	6.3	6.3	2.8	6.7	7.5	3.5	5.7	5.2	2.5
CHF/PLN	4.4	4.1	3.9	4.2	3.7	3.7	4.8	4.8	4.2

scenario as at 31.12.2021	baseline			optimistic			pessimistic		
probability	75%			5%			20%		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
GDP dynamics	5.2	3.7	3.0	10.9	6.6	3.0	(0.5)	0.9	3.0
Unemployment rate	3.0	2.6	2.5	2.0	1.7	2.5	4.0	3.5	2.5
Property price index	109.4	106.6	102.5	116.3	112.8	102.5	102.4	100.8	102.5
WIBOR 3M (%)	0.3	1.5	2.4	1.7	2.7	2.4	(0.4)	1.0	2.4
CHF/PLN	4.0	3.9	3.9	3.8	3.7	3.7	4.5	4.3	4.0



18. NET IMPAIRMENT ALLOWANCES OF NON-FINANCIAL ASSETS

NET IMPAIRMENT OF NON-FINANCIAL ASSETS	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Property, plant and equipment under operating lease	-	-	(1)	(1)
Non-current assets held for sale	-	-	(2)	(2)
Other financial assets, including inventories	(8)	(13)	(19)	(40)
Total	(8)	(13)	(22)	(43)

CHANGES IN ACCUMULATED IMPAIRMENT ALLOWANCES ON NON-FINANCIAL ASSETS	As at the beginning of the period	Net impairment allowances on non-financial assets	Others	State at the end of the period
Period from 01.01 to 30.06.2022				
Property, plant and equipment under operating lease	(3)	-	-	(3)
Property, plant and equipment	(99)	-	1	(98)
Non-current assets held for sale	(1)	-	-	(1)
Intangible assets	(396)	-	12	(384)
Investments in associates and joint ventures	(264)	-	1	(263)
Other financial assets, including inventories	(354)	(13)	(35)	(402)
Total	(1 117)	(13)	(21)	(1 151)

CHANGES IN ACCUMULATED IMPAIRMENT ALLOWANCES ON NON-FINANCIAL ASSETS	As at the beginning of the period	Net impairment allowances on non-financial assets	Others	State at the end of the period
Period from 01.01 to 30.06.2021				
Property, plant and equipment under operating lease	(1)	(1)	(1)	(3)
Property, plant and equipment	(101)	-	2	(99)
Non-current assets held for sale	(3)	(2)	1	(4)
Intangible assets	(415)	-	(1)	(416)
Investments in associates and joint ventures	(275)	-	-	(275)
Other financial assets, including inventories	(292)	(40)	23	(309)
Total	(1 087)	(43)	24	(1 106)



19. ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Employee benefits	(854)	(1 653)	(792)	(1 522)
Overheads, of which:	(343)	(659)	(311)	(607)
rent	(25)	(47)	(23)	(48)
IT	(93)	(182)	(92)	(179)
Depreciation and amortization	(256)	(503)	(248)	(492)
property, plant and equipment, of which:	(131)	(263)	(134)	(267)
investment estates	-	-	(1)	(1)
IT	(29)	(58)	(24)	(48)
right of use assets	(58)	(115)	(60)	(118)
intangible assets, of which:	(125)	(240)	(114)	(225)
IT	(119)	(230)	(108)	(213)
Net regulatory charges	(906)	(1 390)	(79)	(452)
Total	(2 359)	(4 205)	(1 430)	(3 073)

EMPLOYEE BENEFITS	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Wages and salaries, including:	(709)	(1 371)	(663)	(1 269)
costs of contributions to the employee pension plan	(19)	(37)	(17)	(34)
Social insurance, of which:	(122)	(240)	(109)	(218)
contributions for disability and retirement benefits	(105)	(215)	(91)	(190)
Other employee benefits	(23)	(42)	(20)	(35)
Total	(854)	(1 653)	(792)	(1 522)

NET REGULATORY CHARGES	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Contribution and payments to the Bank Guarantee Fund (BGF), including:	-	(407)	(58)	(367)
to the Resolution Fund	-	(291)	-	(253)
to the Banks' Guarantee Fund	-	(116)	(58)	(114)
Fees to PFSA	(2)	(48)	(2)	(46)
Fee for the assistance fund run by the Commercial Bank Protection System S.A.	(872)	(872)	-	-
Flat-rate income tax	(1)	(3)	(2)	(4)
Other taxes and fees	(31)	(60)	(17)	(35)
Total	(906)	(1 390)	(79)	(452)



- **COMMERCIAL BANK PROTECTION SYSTEM**

On 14 June 2022, PKO Bank Polski S.A., together with 7 commercial banks, i.e. Alior Bank S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Millennium Bank S.A., Bank Polska Kasa Opieki S.A. and Santander Bank Polska S.A. (Participating Banks) have set up a protection system for commercial banks, as referred to in Article 130c of the Banking Act and which is subject to the supervision of the PFSA. The purpose of the protection system is to ensure the liquidity and solvency of the Participating Banks on the terms and to the extent set out in the protection system agreement, as well as to support the forced restructuring carried out by the BFG. The Participating Banks have established Commercial Bank's Protection System S.A. (as at 30 June 2022, Commercial Bank's Protection System S.A. in organization) as the Managing Entity of the system, with a share capital of PLN 1 million. The Bank paid for 21,113 shares in the company with a total nominal value of PLN 211 130, representing 21.1% of its share capital.

The Managing Entity has set up an aid fund to provide funds to finance the tasks of the protection system, which will be fed by contributions from the Participating Banks. Each Participating Bank will contribute an amount equivalent to 0.40% of the amount of guaranteed funds at the end of the first quarter of 2022. The value of the Bank's contribution to the assistance fund was PLN 872 million and was made on August 2, 2022. The above payment, pursuant to Article 15(1h)(5) of the Corporate Income Tax Act, is a deductible cost. According to IFRIC 21 "Levies", it is recognized in the income statement when the obligating event occurs. Accordingly, as at 30 June 2022, it has been recognized in the Group's result as an element of operating expenses, in "Net regulatory charges", line item "Fee to the aid fund run by Commercial Bank Protection System S.A." in correspondence with "Other liabilities" ("other non-financial liabilities").

Further contributions to the aid fund will require a unanimous resolution of the general meeting of the Managing Entity. Other domestic banks will be able to join the protection system, provided they meet the conditions set out in the applicable legislation and the protection system agreement. Pursuant to the provisions of the BGF Act, the BGF Board may decide to reduce the level of deposit guarantee scheme funds in banks taking into account, among other things, the amount of funds accumulated by the protection system. The BGF has suspended until 31 October 2022 the obligation to pay the contributions due for the year 2022 to the mandatory deposit guarantee scheme. The determination and payment of the contributions due for Q2 and Q3 2022 will take place in Q4 2022.

The responsibility of each Participating Bank for the liabilities associated with its participation in the protection system is limited to the amount of the contributions that the respective Participating Bank is required to make to take up shares in the Managing Entity and the contributions that the respective Participating Bank is required to make to the aid fund. Each Participating Bank will be able to terminate the protection system agreement with 24 months' notice. Upon termination, the agreement will continue to apply to the remaining Participating Banks.

20. INCOME TAX EXPENSE

- **INCOME TAX EXPENSE**

	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Income tax expense recognized in the income statement	(466)	(917)	(523)	(825)
Current income tax expense	(343)	(869)	(460)	(847)
Deferred income tax on temporary differences	(123)	(48)	(63)	22
Income tax reported in other comprehensive income in respect of temporary differences	676	1 457	172	304
Total	210	540	(351)	(521)



• RECONCILIATION OF THE EFFECTIVE TAX RATE

RECONCILIATION OF THE EFFECTIVE TAX RATE	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Profit or loss before tax	888	2 754	1 760	3 237
Tax calculated using the enacted rate in force in Poland (19%)	(168)	(523)	(334)	(615)
Effect of different tax rates of foreign entities	-	-	-	-
Effect of permanent timing differences, of which:	(298)	(394)	(189)	(210)
non-deductible impairment allowance on investments in subordinated entities	-	(10)	-	-
non-deductible allowances for expected credit losses on credit exposures and securities	(17)	(55)	(15)	(26)
contributions and payments to the Bank Guarantee Fund	-	(77)	(11)	(70)
tax on certain financial institutions	(61)	(119)	(49)	(98)
cost of the legal risk of mortgage loans in convertible currencies	(307)	(307)	-	-
tax on foreign exchange gains in Sweden	(25)	(32)	14	1
asset from the average tax rate	131	204	(122)	(9)
dissolution of assets due to reclassification of temporary differences to non-current differences	(18)	(18)	-	-
dividend income	2	2	(4)	2
other permanent differences	(3)	18	(2)	(10)
Income tax expense recognized in the income statement	(466)	(917)	(523)	(825)
Effective tax rate (in %)	52,48	33,30	29,72	25,49

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

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

On 23 December 2021, PKO Finance AB received a negative decision from the Swedish tax authorities concerning the long-standing dispute relating to doubts about taxation in Sweden of foreign exchange gains on loans granted to the Bank and liabilities in respect of the issue. Based on this decision, the company must pay SEK 160 726 808. This amount comprises additional income tax and interest for the tax year 2019.

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



In accordance with IFRIC 23 “Uncertainty over Income Tax Treatments” entering into force, the Group made a judgment regarding the uncertain treatment of taxable income earned in the territory of Sweden in respect of foreign exchange differences on loans and liabilities relating to the bond issue. The Group reflected the effect of uncertainty by using the “most probable amount” method. As at 30 June 2022, the deferred income tax provision amounted to PLN 250 million (PLN 288 million as at 31 December 2021).

21. AMOUNTS DUE FROM BANKS

AMOUNTS DUE FROM BANKS	30.06.2022	31.12.2021
Measured at amortized cost	16 413	9 010
Deposits with banks	15 076	7 218
Current accounts	1 196	1 243
Loans and advances granted	139	546
Cash in transit	2	3
Gross amount	16 413	9 010
Allowances for expected credit losses	(1)	-
Net amount	16 412	9 010

As at 30 June 2022 and 31 December 2021, all amounts due from banks were classified as Phase 1.

22. HEDGE ACCOUNTING

TYPES OF HEDGING STRATEGIES APPLIED BY THE GROUP

As at 30 June 2022, the Group had active relationships as part of:

- 7 strategies for hedging cash flow volatility;
- 3 strategies for hedging fair value volatility;
- 1 strategy for hedging net investments in foreign operations.

In the six-month period ended 30 June 2022, the Group closed hedging relationships:

- as part of the hedging strategy “Cash flow hedge of floating interest rate loans in PLN, resulting from the risk of fluctuations in interest rates, using IRS transactions” as a result of ceasing to apply hedge accounting. The effect of discontinuation of hedge accounting as part of the said relationships on the profit or loss amounted to PLN - 3.4 million;
- as part of the hedging strategy “Cash flow hedge of floating interest rate loans in convertible currencies, resulting from the risk of fluctuations in interest rates, using IRS transactions” as a result of failing the test or prospective hedge effectiveness. The effect of discontinuation of hedge accounting as part of the said relationships on the profit or loss amounted to PLN 1.1 million.

No other changes were made to the remaining active hedging strategies in the six months ended 30 June 2020. In 2021, the Group introduced one hedging strategy in respect of interest in the net assets of a foreign entity and three hedging strategies in respect of cash flows.

FINANCIAL INFORMATION

CARRYING AMOUNT OF HEDGING INSTRUMENTS	30.06.2022		31.12.2021	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	1 373	9 865	924	4 794
interest rate risk IRS	39	9 186	65	4 363
foreign exchange risk and interest rate risk - CIRS	1 334	679	859	431
Fair value hedges	66	-	8	9
interest rate risk IRS	66	-	8	9
Hedges of net investments in foreign operations	1	-	1	3
foreign exchange risk - Forward	1	-	1	3
Total	1 440	9 865	933	4 806



CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO CASH FLOW HEDGES AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Accumulated other comprehensive income at the beginning of the period, net	(5 639)	(3 699)	(79)	355
Impact on other comprehensive income during the period, gross	(2 239)	(4 629)	(325)	(862)
Gains/losses recognized in other comprehensive income during the period	(2 777)	(5 221)	(345)	(713)
Amounts transferred from other comprehensive income to the income statement:	538	592	20	(149)
- net interest income	856	1 121	(114)	(206)
- net foreign exchange gains/(losses)	(318)	(529)	134	57
Tax effect	423	873	62	165
Accumulated other comprehensive income at the end of the period, net	(7 455)	(7 455)	(342)	(342)
Ineffective portion of cash flow hedges recognized in the income statements, including in:	3	1	1	-
Foreign exchange gains/ (losses)	3	1	1	2
Gain/(loss) on financial instruments measured at fair value	-	-	-	(2)

HEDGE OF INTEREST RATE AND FOREIGN EXCHANGE RISK	30.06.2022	31.12.2021
Fair value measurement of the hedging derivative instrument	67	(3)
hedge of the interest rate risk - IRS fixed - float	66	(1)
hedge of currency risk - forward	1	(2)
Adjustment to the fair value of the instrument due to the hedged risk	(91)	(25)
hedge of interest rate	(91)	(25)
Securities	(22)	(2)
Loans and advances to customers	(10)	(1)
Fair value adjustment recognized in other comprehensive income	(59)	(22)
Hedging of currency risk - share in net assets of a foreign entity	1	(4)

CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES	second quarter period from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter period from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Accumulated other comprehensive income at the beginning of the period, net	(1)	(4)	-	-
Impact on other comprehensive income during the period, gross	2	5	(1)	(1)
Gains/losses recognized in other comprehensive income during the period	2	5	(1)	(1)
Accumulated other comprehensive income at the end of the period, net	1	1	(1)	(1)

23. OTHER DERIVATIVE INSTRUMENTS

OTHER DERIVATIVE INSTRUMENTS - BY TYPE	30.06.2022		31.12.2021	
	Assets	Liabilities	Assets	Liabilities
IRS	11 085	10 976	4 640	4 791
CIRS	610	536	694	602
FX Swap	1 443	952	586	312
Options	786	836	520	665
Commodity swap ¹	3 455	3 454	2 812	2 807
FRA	45	59	44	44
Forward	476	773	321	497
Commodity Forward ²	1 228	1 201	1 286	1 276
Other	1	-	-	14
Total	19 129	18 787	10 903	11 008

¹ The item includes the valuation of contracts for the share in the gaseous fuels market: assets in the amount of PLN 3 172 million (as at December 31, 2021, PLN 2 574 million) and liabilities in the amount of PLN 3 175 million (as at December 31, 2021, PLN 2 574 million).

² The item includes the valuation of contracts for CO₂ emission allowances.



NOMINAL AMOUNTS OF UNDERLYING INSTRUMENTS (BUY AND SELL TOGETHER) hedging instruments and other derivative instruments	30.06.2022	31.12.2021
IRS	651 788	628 790
hedging instruments	199 154	195 398
Purchase	99 577	97 699
Sale	99 577	97 699
other derivative instruments	452 634	433 392
Purchase	226 317	216 696
Sale	226 317	216 696
CIRS	95 378	95 222
hedging instruments	42 821	42 057
Purchase	21 853	21 208
Sale	20 968	20 849
other derivative instruments	52 557	53 165
Purchase	26 077	26 384
Sale	26 480	26 781
FX Swap	127 828	105 129
Purchase of currencies	64 189	52 620
Sale of currencies	63 639	52 509
Options	130 891	143 877
Purchase	65 364	71 867
Sale	65 527	72 010
FRA	31 646	13 457
Purchase	15 798	6 126
Sale	15 848	7 331
Forward	66 288	64 205
hedging instruments	46	155
Purchase of currencies	22	74
Sale of currencies	24	81
other derivative instruments	66 242	64 050
Purchase of currencies	33 052	31 948
Sale of currencies	33 190	32 102
Other, including Commodity swap and Futures (including on stock exchange indices)	10 401	9 944
Purchase	5 214	4 974
Sale	5 187	4 970
Total	1 114 220	1 060 624



24. SECURITIES

SECURITIES	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
30.06.2022					
Debt securities	437	676	57 583	69 859	128 555
Treasury bonds (in PLN)	334	282	38 785	49 009	88 410
Treasury bonds (in foreign currencies)	2	321	2 391	302	3 016
corporate bonds (in PLN) secured by guarantees from the State Treasury	1	-	9 004	12 023	21 028
municipal bonds (in PLN)	17	-	4 117	5 020	9 154
corporate bonds (in PLN)	83	63	2 881	1 999	5 026
corporate bonds (in foreign currencies)	-	10	405	1 506	1 921
Equity securities	27	1 029	-	-	1 056
shares in other entities - not listed	-	312	-	-	312
shares in other entities - listed	25	111	-	-	136
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	606	-	-	608
Total (excluding adjustment relating to fair value hedge accounting)	464	1 705	57 583	69 859	129 611
Adjustment relating to fair value hedge accounting	-	-	-	(22)	(22)
Total	464	1 705	57 583	69 837	129 589

¹ The item comprises bonds from international financial institutions of PLN 3 518 million.



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

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

The item “T-bonds in PLN and in foreign currencies” comprises bonds issued by the State Treasury of the Republic of Poland. As at 30 June 2022 and 31 December 2021, the item “Treasury bonds in foreign currencies” also includes bonds issued by the State Treasury of Ukraine of PLN 557 million and PLN 1 162 million, respectively.



SECURITIES (excluding adjustments relating to fair value hedge accounting) 30.06.2022	stage 1	stage 2	stage 3	Total	including POCI
measured at fair value through OCI					
Gross amount	57 137	2	425	57 564	409
Treasury bonds (in PLN)	38 785	-	-	38 785	-
Treasury bonds (in foreign currencies)	2 391	-	-	2 391	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9 004	-	-	9 004	-
municipal bonds (in PLN)	4 115	2	-	4 117	-
corporate bonds (in PLN)	2 437	-	425	2 862	409
corporate bonds (in foreign currencies)	405	-	-	405	-
Allowances for expected credit losses	-	-	19	19	19
corporate bonds (in PLN)	-	-	19	19	19
Net amount	57 137	2	444	57 583	428
Treasury bonds (in PLN)	38 785	-	-	38 785	-
Treasury bonds (in foreign currencies)	2 391	-	-	2 391	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9 004	-	-	9 004	-
municipal bonds (in PLN)	4 115	2	-	4 117	-
corporate bonds (in PLN)	2 437	-	444	2 881	428
corporate bonds (in foreign currencies)	405	-	-	405	-
Measured at amortized cost					
Gross amount	69 627	286	-	69 913	-
Treasury bonds (in PLN)	49 014	-	-	49 014	-
Treasury bonds (in foreign currencies)	302	-	-	302	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12 027	-	-	12 027	-
municipal bonds (in PLN)	5 036	-	-	5 036	-
corporate bonds (in PLN)	1 874	143	-	2 017	-
corporate bonds (in foreign currencies)	1 374	143	-	1 517	-
Allowances for expected credit losses	(32)	(22)	-	(54)	-
Treasury bonds (in PLN)	(5)	-	-	(5)	-
corporate bonds (in PLN) secured with the State Treasury guarantees	(4)	-	-	(4)	-
municipal bonds (in PLN)	(16)	-	-	(16)	-
corporate bonds (in PLN)	(4)	(14)	-	(18)	-
corporate bonds (in foreign currencies)	(3)	(8)	-	(11)	-
Net amount	69 595	264	-	69 859	-
Treasury bonds (in PLN)	49 009	-	-	49 009	-
Treasury bonds (in foreign currencies)	302	-	-	302	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12 023	-	-	12 023	-
municipal bonds (in PLN)	5 020	-	-	5 020	-
corporate bonds (in PLN)	1 870	129	-	1 999	-
corporate bonds (in foreign currencies)	1 371	135	-	1 506	-
Total securities					
Gross amount	126 764	288	425	127 477	409
Allowances for expected credit losses	(32)	(22)	19	(35)	19
Net amount	126 732	266	444	127 442	428



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



25. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS 30.06.2022	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
retail and private banking	3 969	2	134 812	138 783
housing	3	-	108 555	108 558
consumer	3 966	2	26 157	30 125
finance lease receivables	-	-	100	100
SME	46	-	31 887	31 933
housing	-	-	5 407	5 407
corporate	46	-	14 065	14 111
factoring receivables	-	-	241	241
finance lease receivables	-	-	12 174	12 174
corporate	40	-	63 844	63 884
housing	-	-	63	63
corporate	40	-	55 238	55 278
factoring receivables	-	-	3 125	3 125
finance lease receivables	-	-	5 418	5 418
Loans and advances to customers (excluding adjustments relating to fair value hedge)	4 055	2	230 543	234 600
Adjustment relating to fair value hedge	-	-	(10)	(10)
Total	4 055	2	230 533	234 590

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



LOANS AND ADVANCES TO CUSTOMERS (excluding adjustments relating to fair value hedge accounting) 30.06.2022	Stage 1	Stage 2	Stage 3	Total	including POCI
Measured at: fair value through OCI					
Gross amount	-	-	2	2	2
consumer loans	-	-	2	2	2
Net amount	-	-	2	2	2
consumer loans	-	-	2	2	2
Measured at: amortized cost					
Gross amount	189 853	40 963	9 008	239 824	198
housing loans	98 374	16 005	1 910	116 289	90
corporate loans	53 134	16 082	4 338	73 554	51
consumer loans	22 794	3 686	1 681	28 161	54
factoring receivables	3 347	15	28	3 390	-
finance lease receivables	12 204	5 175	1 051	18 430	3
Allowances for expected credit losses	(743)	(2 939)	(5 599)	(9 281)	(10)
housing loans	(72)	(855)	(1 337)	(2 264)	(20)
corporate loans	(332)	(1 225)	(2 694)	(4 251)	(17)
consumer loans	(264)	(679)	(1 061)	(2 004)	28
factoring receivables	(5)	-	(19)	(24)	-
finance lease receivables	(70)	(180)	(488)	(738)	(1)
Net amount	189 110	38 024	3 409	230 543	188
housing loans	98 302	15 150	573	114 025	70
corporate loans	52 802	14 857	1 644	69 303	34
consumer loans	22 530	3 007	620	26 157	82
factoring receivables	3 342	15	9	3 366	-
finance lease receivables	12 134	4 995	563	17 692	2
Loans and advances to customers, total					
Gross amount	189 853	40 963	9 010	239 826	200
Allowances for expected credit losses	(743)	(2 939)	(5 599)	(9 281)	(10)
Net amount	189 110	38 024	3 411	230 545	190



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



26. PROPERTY, PLANT AND EQUIPMENT SENT IN OPERATING LEASES, PROPERTY, PLANT AND INTANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT SENT IN OPERATING LEASES	30.06.2022	31.12.2021
Land and buildings	9	9
Other, including means of transport	1 623	1 362
Total	1 632	1 371

PROPERTY, PLANT AND EQUIPMENT	30.06.2022	31.12.2021
Land and buildings	2 047	2 093
Machinery and equipment, including IT equipment	414	415
Assets under construction	122	213
Other, including vehicles	350	387
Total, of which:	2 933	3 108
right-of-use assets	874	901

INTANGIBLE ASSETS	30.06.2022	31.12.2021
Software	1 792	1 687
Goodwill	1 053	1 053
Future profit on concluded insurance contracts	19	22
Customer relationships	29	32
Other, including capital expenditure	539	669
of which: software	512	640
Total	3 432	3 463

Net goodwill	30.06.2022	31.12.2021
Nordea Bank Polska S.A.	747	747
PKO Życie Towarzystwo Ubezpieczeń S.A.	91	91
Raiffeisen - Leasing Polska SA and its subsidiaries (PKO Leasing S.A.)	57	57
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	150	150
Assets taken over from CFP sp. z o.o.	8	8
Total	1 053	1 053



27. OTHER ASSETS

OTHER ASSETS	30.06.2022	31.12.2021
Other financial assets	1 824	1 895
Settlements in respect of card transactions	808	1 252
Settlement of financial instruments	143	109
Receivables in respect of cash settlements	135	233
Receivables and settlements in respect of trading in securities	51	14
Receivables from dividends to be received and subsidies from subsidiaries	9	-
Sale of foreign currencies	245	4
Trade receivables	301	215
Other	132	68
Other non-financial assets	812	710
Inventories	204	191
Assets for sale	91	89
Prepayments and deferred costs	132	99
VAT receivable	111	195
Receivables from settlements with KIR	1	-
Other ¹	273	136
Total	2 636	2 605

¹ as at June 30, 2022, the amount of PLN 137 million was included in the item "Other" due to the recognition of receivables due to the capital paid to customers and the Group's claim for reimbursement of costs for non-contractual use of capital (see the note "Mortgage loans in convertible currencies").

OTHER FINANCIAL ASSETS	30.06.2022	31.12.2021
Total, gross	1 975	2 031
Stage 1	1 825	1 895
Stage 3	150	136
Allowances for expected credit losses	(151)	(136)
Stage 1	(2)	-
Stage 3	(149)	(136)
Net amount	1 824	1 895
Stage 1	1 823	1 895
Stage 3	1	-

28. AMOUNTS DUE TO BANKS

AMOUNTS DUE TO BANKS	30.06.2022	31.12.2021
Measured at amortized cost		
Bank deposits	3 351	2 814
Current accounts	1 571	995
Other monetary market deposits	9	12
Total	4 931	3 821



29. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS	Amounts due to households	Amounts due to corporate entities	Amounts due to public entities	Total
30.06.2022				
Measured at fair value through profit or loss	829	15	-	844
Liabilities for a short position in securities	-	15	-	15
Liabilities in respect of insurance products	829	-	-	829
Measured at amortized cost	242 291	64 877	18 303	325 471
Cash on current accounts and overnight deposits of which:	192 723	46 073	15 777	254 573
-savings accounts and other interest-bearing assets	48 708	14 561	8 386	71 655
Term deposits	47 805	18 044	2 517	68 366
Other liabilities	1 637	760	9	2 406
Liabilities in respect of insurance products	126	-	-	126
Total	243 120	64 892	18 303	326 315

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

AMOUNTS DUE TO CUSTOMERS BY SEGMENT	30.06.2022	31.12.2021
retail and private banking	213 539	215 028
corporate	67 449	58 389
SME	44 360	47 657
other liabilities (including liabilities in respect of insurance products)	967	1 222
Total	326 315	322 296



30. FINANCING RECEIVED

FINANCING RECEIVED	30.06.2022	31.12.2021
Loans and advances received from:	2 516	2 461
banks	389	740
international financial institutions	2 114	1 706
other financial institutions	13	15
Debt securities in issue:	18 577	23 872
mortgage covered bonds issued by PKO Bank Hipoteczny S.A.	9 918	13 143
bonds issued by PKO Bank Hipoteczny S.A.	1 892	3 474
bonds issued by PKO Finance AB	3 896	3 541
bonds issued by the PKO Leasing S.A. Group	2 807	3 642
bonds issued by KREDOBANK S.A.	64	72
Subordinated liabilities	2 717	2 716
Total	23 810	29 049

- **RECEIVED FUNDING FROM BANKS**

In the six-month period ended 30 June 2022, the Group took out a loan from a bank of PLN 150 million and repaid loans from banks of PLN 474 million.

- **RECEIVED FUNDING FROM INTERNATIONAL FINANCIAL INSTITUTIONS AND OTHER FINANCIAL INSTITUTIONS**

In the six-month period ended 30 June 2022, the Group took out a loan from an international financial institution of PLN 468 million and repaid loans from international financial institutions and other financial institutions of PLN 85 million.

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

In the six-month period ended 30 June 2022, the Company carried out new bond issues of PLN 1 345 million and redeemed bonds of PLN 6 448 million.

- **BONDS ISSUED BY PKO FINANCE AB**

In the six-month period ended 30 June 2022, the Company did not carry out any new bond issues and there were no bonds issued by the company matured in this period.

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

In the six-month period ended 30 June 2022, the Company carried out new bond issues of PLN 1 689 million and redeemed bonds of PLN 1 913 million.

- **BONDS ISSUED BY KREDOBANK SA**

In the six-month period ended 30 June 2022, the Company did not carry out any new bond issues and there were no bonds issued by the Company that matured in this period.



31. OTHER LIABILITIES

OTHER LIABILITIES	30.06.2022	31.12.2021
Other financial liabilities	4 504	3 335
Costs to be paid	675	669
Interbank settlements	974	377
Liabilities arising from investing activities and internal operations	74	176
Amounts due to suppliers	173	222
Liabilities and settlements in respect of trading in securities	628	295
Settlement of financial instruments	70	47
Liabilities in respect of foreign exchange activities	794	329
Liabilities in respect of payment cards	165	244
Lease liabilities	930	959
Other	21	17
Other non-financial liabilities	5 564	2 031
Deferred income	555	651
Liability to shareholders due to dividends (see note Dividends and profit sharing)	2 288	-
Liability in respect of tax on certain financial institutions	105	100
Liabilities in respect of a contribution to the Bank Guarantee Fund maintained in the form of payment obligations	1 023	725
to the Resolution Fund	637	374
to the Banks' Guarantee Fund	386	351
Liabilities under the public law	186	258
Other ¹	1 407	297
Total	10 068	5 366

¹ As at June 30, 2022, the "Other" item includes the amount of PLN 872 million in respect of the fee for the assistance fund operated by the Commercial Bank Protection System S.A. (see the note "Operating expenses") and PLN 112 million due to the recognition of a liability relating to the reimbursement of principal and interest installments paid by customers on mortgage loans in convertible currencies (see the note "Mortgage loans in convertible currencies").



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32. PROVISIONS

FOR 6 MONTHS ENDED 30 JUNE 2022	Provisions for financial liabilities and guarantees granted	Provisions for legal claims, excluding legal claims relating to repaid mortgage loans in convertible currencies	Provisions for legal claims against the bank relating to mortgage loans in convertible currencies	Provisions for reimbursement of costs to customers on early repayment of consumer and mortgage loans	Provisions for pensions and other defined post- employment benefits	Restructuring	Provision for holiday pay	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	675	106	595	17	57	47	111	49	1 657
Increases, including increases of existing provisions	40	3	202	13	1	-	34	13	306
Utilized amounts	-	-	(67)	(7)	(2)	(5)	(8)	(12)	(101)
Unused provisions reversed during the period	(2)	(3)	-	-	(1)	-	(1)	(1)	(8)
Other changes and reclassifications	2	-	-	1	-	-	-	-	3
As at the end of the period	715	106	730	24	55	42	136	49	1 857
Short-term provisions	626	5	-	23	7	42	136	7	846
Long-term provisions	89	101	730	1	48	-	-	42	1 011

FOR 6 MONTHS ENDED 30 JUNE 2021	Provisions for financial liabilities and guarantees granted	Provisions for legal claims, excluding legal claims relating to repaid mortgage loans in convertible currencies	Provisions for legal claims against the bank relating to mortgage loans in convertible currencies	Provisions for reimbursement of costs to customers on early repayment of consumer and mortgage loans	Provisions for pensions and other defined post- employment benefits	Restructuring	Provision for holiday pay	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	629	102	426	24	63	39	96	123	1 502
Increases, including increases of existing provisions	-	5	91	26	-	-	40	19	181
Utilized amounts	-	(1)	(1)	(22)	(1)	(5)	(8)	(9)	(47)
Unused provisions reversed during the period	(47)	(1)	(1)	-	-	-	(1)	(8)	(58)
Other changes and reclassifications	(1)	-	-	1	1	(1)	1	1	2
As at the end of the period	581	105	515	29	63	33	128	126	1 580
Short-term provisions	496	7	-	28	7	33	128	2	701
Long-term provisions	85	98	515	1	56	-	-	124	879



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33. EQUITY AND SHAREHOLDING STRUCTURE OF THE BANK

According to PKO Bank Polski S.A.'s information, as at the date of this report three shareholders held directly or indirectly significant blocks of shares (at least 5%): the State Treasury, Nationale-Nederlanden Otwarty Fundusz Emerytalny and Aviva Otwarty Fundusz Emerytalny.

According to the information available as at 30 June 2022 and 31 December 2021 the Bank's shareholding structure is as follows:

NAME OF SHAREHOLDER	number of shares	% of shares	Nominal value of 1 share	Interest in the share capital (%)
As at 30 June 2022				
State Treasury	367 918 980	29,43%	1 PLN	29,43%
Nationale Nederlanden Open Pension Fund ¹	101 860 000	8,15%	1 PLN	8,15%
Aviva Open Pension Fund1	90 711 483	7,26%	1 PLN	7,26%
Other shareholders ²	689 509 537	55,16%	1 PLN	55,16%
Total	1 250 000 000	100%	---	100%
As at 31 December 2021				
State Treasury	367 918 980	29,43%	1 PLN	29,43%
Nationale Nederlanden Open Pension Fund ¹	103 500 000	8,28%	1 PLN	8,28%
Aviva Open Pension Fund1	90 810 319	7,27%	1 PLN	7,27%
Other shareholders ²	687 770 701	55,02%	1 PLN	55,02%
Total	1 250 000 000	100%	---	100%

¹ Calculations according to the number of shares held at the end of a given period published by PTE in semi-annual or annual information on the structure of the fund's assets and the price from the WSE Statistical Bulletin.

² including Bank Gospodarstwa Krajowego, which as at June 30, 2022 and as at December 31, 2021 held 24 487 297 shares, which constitutes 1.96% of the number of votes at the General Meeting.

STRUCTURE OF PKO BANK POLSKI SA'S SHARE CAPITAL:

Serie	Type of shares	Number of shares	Nominal value of 1 share	Nominal value of the series
Serie A	ordinary registered shares	312 500 000	1 PLN	312 500 000
Serie A	ordinary bearer shares	197 500 000	1 PLN	197 500 000
Serie B	ordinary bearer shares	105 000 000	1 PLN	105 000 000
Serie C	ordinary bearer shares	385 000 000	1 PLN	385 000 000
Serie D	ordinary bearer shares	250 000 000	1 PLN	250 000 000
Total	---	1 250 000 000	---	1 250 000 000

In the period ended 30 June 2022 and in 2021, there were no changes in the amount of share capital of PKO Bank Polski SA. Issued shares of PKO Bank Polski SA are not preference shares and are fully paid up.



34. DIVIDENDS AND PROFIT SHARING

The Bank's intention, in accordance with the Dividend Policy adopted in 2021, is the stable execution of dividend payments over a long period in keeping with the principle of prudent management of the Bank and the Bank's Group, in accordance with the law and the PFSA positions on the assumptions for the dividend policies of commercial banks.

In March 2021, the Bank's Supervisory Board adopted the "Dividend Policy of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group" (hereinafter Dividend Policy). The Dividend Policy assumes the intention of the Bank to make stable dividend payments in the long term, maintaining the principle of prudent management of the Bank and the Bank's Group in accordance with the law and the PFSA positions on the assumptions of the dividend policies of commercial banks. The objective of the dividend policy is to optimally shape the Bank's and the Group's capital structure, taking into account the return on capital employed and its cost, and capital requirements related to development, accompanied by the need to ensure an appropriate level of the capital adequacy ratios. Pursuant to the adopted Dividend Policy, the purchase of own shares with a view to their redemption is another instrument for redistribution of capital, and the purchase of shares may be executed when the book value of shares is higher than their current market price upon permission of the PFSA.

On 12 May 2022, the Annual General Meeting of PKO Bank Polski S.A. (AGM) passed a resolution on the distribution of PKO Bank Polski S.A.'s profit generated in 2021, according to which:

- PLN 2 287 500 000 (i.e. 49.77% of the Bank's net profit) was allocated to dividends;
- the remaining part of the net profit in the amount of PLN 2 308 836 372 was left undistributed.

The dividend amounts to PLN 1.83 gross per share. The AGM set the dividend (vesting) date as 4 August 2022 and the dividend payment date as 23 August 2022. The dividend is payable on all 1 250 million shares.

At the same time, the AGM passed a resolution to leave PKO Bank Polski S.A.'s undistributed profit from previous years, in the amount of PLN 5 500 000 000, undistributed.

The aforementioned resolutions are consistent with the individual recommendation of the Polish Financial Supervision Authority of 23 February 2022, according to which the PFSA recommended that the Bank reduce the risks inherent in its operations by:

- not paying a dividend of more than 50% of the profit generated in 2021;
- not taking, without prior consultation with the supervision authority, other actions, in particular those outside the scope of its current business and operational activities, which may result in a reduction of its own funds, including possible dividend payments from undistributed profit from previous years and own share buybacks.

At the same time, the PFSA confirmed that the Bank fulfils the requirements to pay dividends of up to 50% of the net profit for 2021 as set out in the PFSA's position of December 2021 on the dividend policy of supervised institutions in 2022.

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

- FINANCIAL AND GUARANTEE COMMITMENTS GRANTED

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 30.06.2022	STAGE 1		STAGE 2		STAGE 3		Total nominal value	Provisions per IFRS 9	Net amount
	Nominal value	Provision	Nominal value	Provision	Nominal value	Provision			
credit lines and limits	58 090	(142)	7 535	(301)	149	(38)	65 774	(481)	65 293
housing	4 568	(14)	135	(5)	3	(2)	4 706	(21)	4 685
corporate	42 025	(107)	5 643	(168)	124	(30)	47 792	(305)	47 487
consumer	8 697	(21)	1 753	(128)	22	(6)	10 472	(155)	10 317
factoring	2 237	-	4	-	-	-	2 241	-	2 241
finance lease	563	-	-	-	-	-	563	-	563
Other	2 638	-	-	-	-	-	2 638	-	2 638
Total financial commitments granted, including:	60 728	(142)	7 535	(301)	149	(38)	68 412	(481)	67 931
irrevocable commitments granted	24 014	(51)	3 543	(151)	51	(21)	27 608	(223)	27 385
POCI	-	-	-	-	58	-	58	-	58
guarantees in domestic and foreign trading	7 964	(6)	1 041	(55)	598	(167)	9 603	(228)	9 375
to financial entities	2 192	-	-	-	-	-	2 192	-	2 192
to non-financial entities	5 749	(6)	1 041	(55)	598	(167)	7 388	(228)	7 160
to budget entities	23	-	-	-	-	-	23	-	23
domestic municipal bonds (budgetary entities)	622	(1)	-	-	-	-	622	(1)	621
letters of credit (to non-financial entities)	1 711	(4)	18	(1)	-	-	1 729	(5)	1 724
payment guarantee for financial entities	61	-	-	-	-	-	61	-	61
Total guarantees and pledges granted, including:	10 358	(11)	1 059	(56)	598	(167)	12 015	(234)	11 781
irrevocable commitments granted	2 921	(6)	1 031	(55)	589	(167)	4 541	(228)	4 313
performance guarantee	1 931	(2)	667	(36)	285	(151)	2 883	(189)	2 694
POCI	-	-	-	-	207	(5)	207	(5)	202
Total financial and guarantee commitments granted	71 086	(153)	8 594	(357)	747	(205)	80 427	(715)	79 712



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



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- **OFF-BALANCE SHEET LIABILITIES RECEIVED**

OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE	30.06.2022	31.12.2021
Financial	590	258
Guarantees	8 492	7 331
Total	9 082	7 589

- **SECURITY PROGRAMMES COVERED WITH UNDERWRITING AGREEMENTS**

As at 30 June 2022 and as at 31 December 2021 there were no underwriting agreements concluded.

- **CONTRACTUAL COMMITMENTS**

VALUE OF CONTRACTUAL COMMITMENTS CONCERNING	30.06.2022	31.12.2021
intangible assets	41	19
property, plant and equipmen	331	115
Total	372	134

36. LEGAL CLAIMS

As at 30 June 2022, the total value of the subject matter of litigation in court proceedings (trials) pending in which the companies belonging to the PKO Bank Polski S.A. Group were defendants amounted to PLN 5 975 million (as at 31 December 2021: PLN 4 350 million), and the total value of the subject matter of litigation in court proceedings (trials) pending in which the companies belonging to the PKO Bank Polski S.A. Group were claimants as at 30 June 2022 was PLN 2 624 million (as at 31 December 2021: PLN 2 792 million).

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

As at 30 June 2022, 15 870 court proceedings were pending against the Bank (as at 31 December 2021: 12 349) relating to mortgage loans granted in previous years in foreign currency with a total value in dispute of PLN 5 533 million (as at 31 December 2021: PLN 3 855 million), including one group proceeding with 72 loan agreements. The Bank's customers' claims concerned mainly the determination of the invalidity of all or part of the agreement or payment in respect of the refund of allegedly undue benefits in connection with the abusive nature of the foreign currency clauses. None of the clauses used by the Bank in the agreements was entered in the register of prohibited contractual provisions. The number of legal claims submitted by customers against the Bank was significantly affected by an intense advertising campaign of law firms which encouraged borrowers to engage them, for a fee, to bring cases to court against the Bank.

The Group is continuously monitoring the judgments issued in cases involving loans indexed to or denominated in, a foreign currency from the perspective of development and any potential changes in the line of jurisprudence.

By 30 June 2022, courts issued 497 valid judgments in cases against the Bank (including 457 judgments after 3 October 2019). Of these judgments 81 (including 43 judgments issued after 3 October 2019) are favourable for the Bank. The Bank is filing cassation complaints to the Supreme Court concerning judgments which are unfavourable to the Bank.

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

1. If it is held that a provision of a loan agreement for a loan indexed to or denominated in a foreign currency, which refers to how the rate of exchange of the foreign currency is to be determined constitutes a prohibited contractual provision, may it be assumed that that provision has been replaced by another manner of determining the rate of exchange of the foreign currency which results from legal or customary rules?



If the above question is answered in the negative:

2. If it is impossible to determine an exchange rate of a foreign currency binding for both parties of an agreement for a loan indexed to such a foreign currency, may the agreement remain binding with regard to other contractual provisions?
3. If it is not possible to establish a binding rate for a foreign currency in a loan agreement denominated in a foreign currency, can the remainder of the agreement still be binding to the parties?

Irrespective of the answers to questions 1-3:

4. Where a loan agreement is invalid or ineffective, but the bank, in the performance of the loan agreement, has disbursed to the borrower all or part of the amount of the loan and the borrower has made repayments of the loan, do separate claims for wrongful performance arise in favour of each of the parties or does a single claim equal to the difference in performance arise in favour of the party whose total performance was higher?
5. If the loan agreement is invalid or ineffective as a result of the unlawful nature of some of its provisions, does the limitation period for the bank's claim for repayment of the sums paid under the loan begin to run from the time at which those sums were paid?
6. If, in the event that a loan agreement is invalid or ineffective, any of the parties is entitled to claim the repayment of the performance fulfilled in execution of such an agreement, may that party also claim consideration for the use of its money by the other party?

The hearing of the full panel of the Civil Chamber to consider the aforementioned motion was held on 11 May 2021. Before issuing its ruling, the Supreme Court decided to consult five public institutions. Their opinions were prepared and sent to the Supreme Court. On 2 September 2021, the Supreme Court decided to apply to the CJEU for preliminary rulings on questions relating to the judicial system, which do not directly concern the issue of foreign currency loans.

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

- 1) A prohibited contractual provision (Article 385¹ § 1 of the Civil Code) is from the outset, by operation of the law, rendered ineffective in favour of the consumer, who may subsequently give his informed and free consent to the provision and thus restore its retroactive effectiveness.
- 2) If, without an ineffective provision, a loan agreement cannot be binding, the consumer and the lender have separate claims for the return of pecuniary performances made in performance of that agreement (Article 410 § 1 in connection with Article 405 of the Civil Code). The lender may demand repayment from the moment the loan agreement has become permanently ineffective.

The resolution was given the force of legal principle, which means that the ordinary composition of the Supreme Court cannot depart from the interpretation given in the earlier resolution, which has the force of legal principle. If any panel of the Supreme Court wishes to depart from the legal principle, it must refer the legal issue arising to the full bench for determination. When justifying the aforementioned resolution, the Supreme Court agreed with the view expressed earlier in case law (resolution III CZP 11/20 of 16 February 2021) that the running of the limitation period for claims arising from a loan agreement that is invalid as a result of the removal of abusive provisions starts only after the consumer expresses a conscious will not to be bound by the abusive provisions. The Supreme Court held that since the consumer is entitled to remedy a defective (abusive) contractual clause and express his or her will to be bound by it, until this decision is taken the lender remains in uncertainty as to the validity of the agreement and the agreement itself is in a state of suspended ineffectiveness. It is only when this state of affairs ceases, which occurs as a rule as a result of a declaration by the borrower, that the lender's claims can arise and thus their period of limitation starts to run.

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

In the Bank's case, a question was referred to the CJEU for a preliminary ruling on the possibility for the Authorities entitled to do so to bring extraordinary actions before the Supreme Court in cases that ended with a final and favourable decision for the Bank. The case has been registered with the CJEU under case number C-720/21. The Bank has filed a written position in the case and is awaiting action on the side of the CJEU.

Information on the portfolio of mortgage loans in convertible currencies is presented in the note ["MORTGAGE LOANS IN CONVERTIBLE CURRENCIES"](#).



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

In March 2022, the Bank was served with a lawsuit in which a customer challenged the reliance of the mortgage loan agreement on a variable interest rate structure and the rules for setting the WIBOR reference rate. In June 2022, the Bank filed a response to the lawsuit in which it disputed the validity of the claim.

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

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

- Proceedings initiated on 26 July 2017 ex officio concerning using practices which violate the collective interests of customers. The Bank is charged with collecting higher instalments on loans and advances denominated in foreign currencies than those arising from the information on foreign exchange risk presented to the consumers before concluding agreements and transferring potential foreign exchange risk to the consumers. The Bank responded to the charges in its letter of 23 September 2017. In a letter dated 14 March 2019, the UOKiK President asked the Bank 16 detailed questions in order to establish the circumstances that are necessary to resolve the case. The Bank gave the answers in a letter dated 10 May 2019. In a letter of 9 June 2021, the President of UOKiK extended the deadline for concluding the proceedings until 30 September 2021. By a decision of 18 November 2021, the President of UOKiK called on the Bank to provide further information, extending the deadline for concluding the proceedings to 31 December 2021. The Bank fulfilled the UOKiK President's request on 6 December 2021. In a letter dated 3 January 2022, the Bank requested that the proceedings be discontinued. As at 30 June 2022, the Bank had not set up a provision for the proceedings.
- Proceedings initiated ex officio on 12 March 2019 on the acknowledgement that the provisions of the template agreement are inadmissible. The proceedings are related to modification clauses which specify the circumstances in which the Bank is entitled to amend the terms and conditions of the agreement, including the amount of fees and commission. In the opinion of the President of UOKiK the modification clauses applied by the Bank give the Bank unilateral unlimited and arbitrary possibilities of modifying the execution of the agreement. Consequently, the President of UOKiK is of the opinion that the clauses applied by the Bank shape the rights and obligations of the consumers in a way that is contrary to good practice and are a gross violation of their interests, which justifies the conclusion that they are abusive. In a letter of 31 May 2019, the Bank commented on the allegations of the President of UOKiK. By a decision of 7 June 2022, the President of UOKiK extended the deadline for completion of the proceedings until 30 December 2022. At the same time, the President of UOKiK summoned the Bank to submit a series of information concerning the disputed clauses, the Bank's turnover and the revenue generated from changes in fees and commission based on the disputed clauses. The Bank complied with UOKiK's summons in substance on 11 July 2022, while with regard to the question concerning the revenue generated in connection with the change in tariffs, the deadline for submitting a response was extended to 30 September 2022. As at 30 June 2022, the Bank had not set up a provision for the proceedings.

- **PROCEEDINGS BEFORE THE COURT OF COMPETITION AND CONSUMER PROTECTION REGARDING SPREAD CLAUSES**

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



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

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

The proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed “interchange” fees for transactions made using the Visa and Europay/Eurocard/Mastercard cards as well as limiting access to this market for external entities. On 29 December 2006, UOKiK decided that the practices, consisting of joint determination of the “interchange” fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among other things, the Bank, in the amount of PLN 16.6 million. The Bank appealed against the decision of the President of UOKiK to the Court for Competition and Consumer Protection (Sąd Ochrony Konkurencji i Konsumentów - SOKiK). By judgment of 21 November 2013 SOKiK reduced the penalty imposed on the Bank to PLN 10.4 million. The parties to the proceedings filed appeals. The Court of Appeal in Warsaw in its ruling dated 6 October 2015 reinstated the initial amount of the imposed fines set in the decision of the UOKiK, i.e. the fine of PLN 16.6 million (the fine imposed on PKO Bank Polski S.A.) and the fine of PLN 4.8 million (the fine imposed on Nordea Bank Polska S.A., and PKO Bank Polski S.A. is a legal successor of Nordea Bank Polska SA through a merger under Article 492 § 1(1) of the Commercial Companies Code). The fine was paid by the Bank in October 2015. As a result of the cassation complaint made by the Bank, in its ruling dated 25 October 2017, the Supreme Court revoked the appealed ruling of the Court of Appeal in Warsaw and submitted the case for re-examination. The fine paid by the Bank was reimbursed to the Bank on 21 March 2018. On 23 November 2020, the Court of Appeal in Warsaw issued a ruling in which it revoked the ruling of the District Court in Warsaw dated 21 November 2013 and submitted it for re-examination. As at 30 June 2022, the Bank recorded a provision for this litigation of PLN 21 million.

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

The Bank was served seven summons to participate, as an outside intervener on the defendant’s side, in cases relating to the interchange fees. There are other banks on the defendant’s side, in some cases also companies of card organizations. The claims vis-à-vis the sued banks amount to a total of PLN 903 million and are pursued as damages for differences in interchange fees resulting from applying practices that limit competition. Since these proceedings are not pending against the Bank, their value was not included in the total value of the cases against the Bank.

If the courts find the claims justified, the defendants may claim recourse in separate court proceedings from other banks, including, among others, from PKO Bank Polski S.A. As at 30 June 2022, the Bank entered seven proceedings as a secondary intervener. Three of these proceedings resulted in judgments in favour of the banks - two dismissing the claim in its entirety and one partial judgment dismissing the claim by a majority. One of the judgments dismissing the claim in its entirety has become final.

- **REPRIVATIZATION CLAIMS RELATING TO PROPERTIES HELD BY THE GROUP**

As at the date of the financial statements, there are:

- two proceedings involving reprivatization claims. In one proceeding, conducted after the Supreme Court overturned a judgment favourable to the Bank, there was an unfavourable final judgment dismissing the Bank’s claims, and the Bank filed a motion for justification of this judgment; the other proceeding, the subject of which is the annulment of the decision refusing to grant the applicant temporary ownership of the Bank’s property, is pending before the Supreme Administrative Court, as the other party filed a cassation appeal.
- four proceedings, including one suspended in respect of real properties of other members of the Bank’s Group, related to declaring the invalidity of administrative decisions or refund of the property.

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



37. TRANSACTIONS WITH THE STATE TREASURY AND RELATED PARTIES

- TRANSACTIONS WITH THE STATE TREASURY

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

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

TRANSACTIONS WITH THE STATE TREASURY	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Income recognized on an accruals basis	64	64
Income recognized on a cash basis	5	4
Income from temporary redemption by the State Treasury of interest on housing loans in the "old portfolio"	59	60

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

Since 1 January 1996, the Group has been the general distributor of revenue stamps, and in this respect, in the six-month period ended 30 June 2022 and in the corresponding period of 2021, the Group received commission of less than PLN 1 million.

The Group through Biuro Maklerskie PKO BP plays the role of an agent for the issue of retail treasury bonds under the agreement signed with the Ministry of Finance on 11 February 2003. Pursuant to the agreement, the Group receives commission for its role which amounted to PLN 140 million in the six-month period ended 30 June 2022 and PLN 82 million in the six-month period ended 30 June 2021.

- SIGNIFICANT TRANSACTIONS WITH ENTITIES RELATED TO THE STATE TREASURY

Transactions with parties related to the State Treasury comprise mainly loans and advances, credit lines, guarantees granted and deposits made. The transactions were concluded on terms not significantly differing from arm's length.

SIGNIFICANT TRANSACTIONS WITH ENTITIES AFFILIATED WITH THE STATE TREASURY	BALANCE SHEET EXPOSURE, INCLUDING EXPOSURE TO LOANS AND DEBT INSTRUMENTS		OFF-BALANCE SHEET EXPOSURE		LIABILITIES IN RESPECT OF DEPOSITS	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021
counterparty 1	-	-	2 453	2 453	365	2 870
counterparty 2	15 715	16 337	30	30	5 870	1 068
counterparty 3	4 444	3 392	5 600	4 438	15	71
counterparty 4	221	277	2 327	2 111	4 111	86
counterparty 5	783	697	2 243	1 976	66	54
counterparty 6	118	118	1 500	-	1 330	3 225
counterparty 7	107	247	1 797	1 598	302	453
counterparty 8	538	575	1 474	1 410	-	-
counterparty 9	663	717	877	820	96	874
counterparty 10	1 195	896	160	444	150	-

	30.06.2022	30.06.2021
Interest and commission income	159	58
Interest and commission expenses	163	1

As at 30 June 2022, the allowance for expected credit losses on an individualized basis for the above exposures amounted to PLN 2 million (as at 31 December 2021 it amounted to PLN 0 million).

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

Transactions of the Bank as the parent company with associates and joint ventures are presented in the table below. All transactions described below were concluded on terms not significantly differing from arm's length.

30.06.2022 Company name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	119	15	128	47
„Centrum Obsługi Biznesu" sp. z o.o.	16	16	1	-
Bank Pocztowy S.A.	-	-	-	1
„Poznański Fundusz Poręczeń Kredytowych" sp. z o.o.	-	-	1	-
Operator Chmury Krajowej sp. z o.o.	-	-	11	923
Total joint ventures and associates	135	31	141	971

FOR 6 MONTHS ENDED 30 JUNE 2022 Company name	Total income	of which interest and commission expense	Total expenses	of which interest and commission expense
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	402	319	84	84
Operator Chmury Krajowej sp. z o.o.	-	-	12	-
Total joint ventures and associates	402	319	96	84

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

FOR 6 MONTHS ENDED 30 JUNE 2021 Company name	Total income	of which interest and commission expense	Total expenses	of which interest and commission expense
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	265	225	33	33
Total joint ventures and associates	265	225	33	33

• BENEFITS FOR THE KEY MANAGEMENT PERSONNEL (IN PLN '000)

COSTS OF REMUNERATION OF THE BANK'S MANAGEMENT BOARD AND SUPERVISORY BOARD	01.01.2022-30.06.2022	01.01.2021-30.06.2021
Management Board of the Bank		
Short-term employee benefits ¹	5 040	3 818
Long-term benefits ²	2 051	1 546
Share-based payments settled in cash ³	(694)	6 824
Benefits to the Bank's Management Board members who ceased to perform their functions ⁴	754	467
Total	7 151	12 655
Supervisory Board of the Bank		
Short-term employee benefits	936	634
Total	936	634

¹ Short-term employee benefits comprise: remuneration, social insurance contributions and other benefits which were or will be settled within 12 months of the end of the reporting period.

² Long-term benefits include provisions for deferred remuneration components granted in cash.

³ Non-deferred and deferred remuneration components granted in the form of financial instruments i.e. phantom shares (for which conversion into cash is carried out after an additional period of retention) are recognized as "Share-based payments settled in cash." A decrease in the cost of variable remuneration components of the Bank's Management Board (negative cost amount) in the line "Share-based payments settled in cash" in the six-month period ended 30 June 2022 in relation to the comparative period was due to remeasurement of the provisions for variable remuneration components for previous years based on the current price of the Bank's shares.

⁴ "Benefits to Members of the Bank's Management Board who ceased to hold office" include severance payments and non-competition benefits.

In the six-month period ended 30 June 2022, members of the Bank's Management Board received remuneration from the Bank's related entities of PLN 42 thousand (in the corresponding period of 2021, they did not receive any remuneration from entities related to the Bank).

LOANS AND LOANS GRANTED BY THE BANK FOR THE BANK'S MANAGEMENT AND SUPERVISORY BOARD	30.06.2022	31.12.2021
Supervisory Board of the Bank	1 615	2 214
Management Board of the Bank	81	89
Total	1 696	2 303

The Bank did not grant any new loans or advances to its Management and Supervisory Board members in the first half of 2022 or in 2021. The interest rates and repayment terms do not differ from the arm's-length conditions and repayment terms for similar banking products. The Bank provides the key management personnel, members of the Supervisory Board and their families with standard financial services which comprise, among other things, operating bank accounts, accepting deposits, granting loans and providing other financial services. The terms of these transactions do not differ from arm's length terms either.

COSTS OF REMUNERATION OF THE COMPANIES MANAGEMENT BOARDS AND SUPERVISORY BOARDS	01.01.2022-30.06.2022	01.01.2021-30.06.2021
Management boards of companies		
Short-term employee benefits ¹	10 957	11 328
Long-term benefits ²	2 121	4 077
Share-based payments settled in cash ³	1 621	2 230
Benefits to the Bank's Management Board members who ceased to perform their functions	542	124
Razem	15 241	17 759
The supervisory Board of Companies		
Short-term employee benefits ¹	525	519
Total	525	519

¹ Short-term employee benefits comprise: remuneration, social insurance contributions and other benefits which were or will be settled within 12 months of the end of the reporting period.

² Long-term benefits include provisions for deferred remuneration components granted in cash.

³ Non-deferred and deferred remuneration components granted in the form of financial instruments i.e. phantom shares (for which conversion into cash is carried out after an additional period of retention)

FAIR VALUE HIERARCHY

The classification of financial instruments and methods for determining fair value are described in the Group's consolidated financial statements for 2021.

ASSETS MEASURED AT FAIR VALUE 30.06.2022	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	1 440	-	1 440	-
Other derivative instruments	19 129	1	19 128	-
Securities	59 752	46 748	11 884	1 120
held for trading	464	421	-	43
debt securities	437	394	-	43
shares in other entities – listed	25	25	-	-
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	2	-	-
not held for trading, measured at fair value through profit or loss	1 705	1 314	23	368
debt securities	676	603	16	57
shares in other entities – listed	111	111	-	-
shares in other entities – not listed	312	-	1	311
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	606	600	6	-
measured at fair value through other comprehensive income – debt securities	57 583	45 013	11 861	709
Loans and advances to customers	4 057	-	-	4 057
not held for trading, measured at fair value through profit or loss	4 055	-	-	4 055
housing loans	3	-	-	3
corporate loans	86	-	-	86
consumer loans	3 966	-	-	3 966
measured at fair value through other comprehensive income – consumer loans	2	-	-	2
Total financial assets measured at fair value	84 378	46 749	32 452	5 177

In the second quarter of 2022, the Group changed the presentation of the fair value of Ukrainian government bonds measured at fair value through other comprehensive income from Level 1 to Level 2.

LIABILITIES MEASURED AT FAIR VALUE 30.06.2022	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	9 865	-	9 865	-
Other derivative instruments	18 787	1	18 786	-
Liabilities for a short position in securities	15	15	-	-
Liabilities in respect of insurance products	829	-	829	-
Total financial liabilities measured at fair value	29 496	16	29 480	-

ASSETS MEASURED AT FAIR VALUE 31.12.2021

Level 1

Level 2

Level 3



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

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

In the six-month period ended 30 June 2021 there were no changes to the measurement techniques and input data for the respective levels of the fair value hierarchy and there were no transfers between levels.

30.06.2022

31.12.2021

IMPACT OF ESTIMATES ON FAIR VALUE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS	Fair value under		Fair value under	
	positive scenario	negative scenario	positive scenario	negative scenario
Shares in Visa Inc. ¹	128	113	128	113
Other equity investments ²	178	161	191	173
Corporate bonds ³	750	747	762	760
Loans and advances to customers ⁴	4 057	4 057	4 561	4 561

¹ a scenario assuming a discount rate in respect of the future conditions of converting C-series shares to ordinary shares at a level of 0%/100% respectively

² a scenario assuming a change in the company's value of +/-5%

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

⁴ a scenario assuming a change in the discount rate of +/- 0.5 p.p.

The reconciliation of changes to fair value of the financial instruments at Level 3 is presented in the table below.

RECONCILIATION OF CHANGES DURING THE REPORTING PERIOD TO FAIR VALUE AT LEVEL 3	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Opening balance at the beginning of the period	5 711	7 343
Increase/ decrease in exposure to equity instruments	(26)	(105)
Increase/ decrease in exposure to corporate bond	(9)	-
Increase/ decrease in exposure to loans and advances to customers	(448)	(927)
Reclassification from measured at "amortized cost" to "measured at fair value through profit or loss"	(139)	14
Net gain/(loss) on financial instruments measured at fair value through profit or loss	(48)	(82)
Change in the valuation recognized in OCI	97	(53)
Foreign exchange differences	14	212
Other	26	-
As at the end of the period	5 177	6 402



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

Methods for determining fair value are described in the Group's consolidated financial statements for 2021.

30.06.2022	Carrying amount	Level 1	Level 2	Level 3
Cash and balances with Central Bank	10 588	10 588	-	-
Amounts due from banks	16 412	-	16 409	-
Securities (excluding adjustments relating to fair value hedge accounting)	69 859	51 110	6 438	1 692
treasury bonds (in PLN)	49 009	40 908	-	-
treasury bonds (in foreign currencies)	302	299	-	-
corporate bonds (in PLN) secured with State Treasury guarantees	12 023	9 903	-	-
municipal bonds (in PLN)	5 020	-	5 097	-
corporate bonds (in PLN)	1 999	-	-	1 692
corporate bonds (in foreign currencies)	1 506	-	1 341	-
Reverse repo transactions	40	-	40	-
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	230 543	-	-	230 993
housing loans*	114 025	-	-	111 884
corporate loans	69 303	-	-	71 335
consumer loans	26 157	-	-	26 758
factoring receivables	3 366	-	-	3 366
finance lease receivables	17 692	-	-	17 650
Other financial assets	1 824	-	-	1 824
Amounts due to Central bank	9	-	9	-
Amounts due to banks	4 931	-	4 931	-
Amounts due to customers	325 471	-	-	325 030
amounts due to households	242 291	-	-	241 849
amounts due to business entities	64 877	-	-	64 877
amounts due to public sector	18 303	-	-	18 304
Loans and advances received	2 516	-	-	2 442
Securities in issue	18 577	13 829	1 892	2 806
Subordinated liabilities	2 717	-	2 663	-
Other financial liabilities	4 504	-	-	4 504

* fair value measurement takes into account the effect of credit holidays described in Note 6.2 "The impact of the Act on crowdfunding for business ventures and assistance to borrowers".



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



RISK MANAGEMENT

40. RISK MANAGEMENT WITHIN THE GROUP

Risk management is one of the most important internal processes in both the Bank and in other entities of the Group.

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

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

A detailed description of the principles for managing significant risks is included in the 2021 consolidated financial statements and in the report "Capital adequacy and other information of the Powszechna Kasa Oszczędności Bank Polska Spółka Akcyjna Group subject to publication as at 31 December 2021."

During the six months ended 30 June 2022:

- Internal regulations were adapted to the requirements of Recommendation R of the PFSA regarding the quarterly monitoring of legal collateral that is taken into account in the estimation of expected credit losses in order to ensure the identification of market conditions/events that may or do affect the legal effectiveness of the collateral and its value taken into account in the estimation of these losses.
- In order to mitigate the level of credit risk arising from interest rate increases and inflation, changes have been made to the parameters used in the examination of the creditworthiness of individual borrowers who apply for a housing loan (in accordance with Recommendation S of the PFSA), including: raising the minimum buffer for interest rate increases to 5 p.p. and the minimum maintenance costs, and changing the maximum permissible values of the DStI (debt service to income) ratio, which determines the percentage of income allocated to debt servicing.
- Tasks are being carried out to expand the IT systems that allow for the collection of ESG data, in particular concerning environmental risks, and to prepare for the systemic disclosure of this data for reporting for 2022 and beyond, as required by the European authorities. The key requirements in the area of disclosures are primarily set out in the Taxonomy¹ and the CRR11² Regulation (Article 449a) and the final draft of the Implementation Technical Standards (ITS) on 3-pillar ESG disclosures.
- In the first half of 2022, in terms of interest rate risk, the banking sector was challenged by higher-than-expected increases in interest rates. The series of interest rate raises initiated in the fourth quarter of 2021 increased the reference rate to 6% at the end of the first half of 2022, which translated into increased expectations of further rate increases and exacerbated the decline in the valuation of debt instruments and the decline in the valuation of derivatives that hedge interest income volatility. At the same time, there has been a significant increase in customer interest in periodically fixed-rate mortgage loans, which has an impact on both measures of interest income sensitivity and the of the Group's economic value sensitivity.

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

² Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012, as amended by the Regulation of the European Parliament and Council (EU) No. 876/2019 of May 20, 2019

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

Financial data relating to amounts due from banks securities portfolio, loans and advances to customers other financial assets and off-balance-sheet liabilities by phase, as well as information on the allowances for expected credit losses, is presented in the relevant notes in the “[NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS](#)”.

- **INTEREST RATE RISK MANAGEMENT**

SENSITIVITY OF THE INTEREST INCOME IN THE CAPITAL GROUP'S BANKING PORTFOLIO TO THE 100 P.B. DOWN ON A HORIZON OF ONE YEAR IN ALL CURRENCIES	30.06.2022	31.12.2021
Sensitivity of interest income (PLN million)	(732)	(864)

SENSITIVITY OF THE ECONOMIC VALUE (STRESS-TEST) OF THE GROUP'S BANKING PORTFOLIO IN ALL CURRENCIES	30.06.2022	31.12.2021
Sensitivity of economic value (PLN million)	(1 063)	(1 319)

IR VAR AT RISK IN THE TRADING PORTFOLIO OF THE BANK	30.06.2022	31.12.2021
IR VaR for a 10-day time horizon at the confidence level of 99% (PLN million):		
Average value	28	17
Maximum value	53	34
Value at the end of the period	46	31

- **CURRENCY RISKMANAGEMENT**

BANK FX VAR, TOTAL FOR ALL CURRENCIES	30.06.2022	31.12.2021
VaR for a 10-day time horizon at a confidence level of 99% (in PLN million) ¹	29	3

¹ Taking into account the nature of the activities of other companies of the Capital Group generating significant currency risk and the specificity of the market on which they operate, the parent company does not set a consolidated measure of VaR sensitivity. These companies use their own risk measures to manage currency risk. The 10-day VaR is used by KREDOBANK S.A., its value as at June 30, 2022 was approximately PLN 0.1 million, and as at December 31, 2021, approximately PLN 0.1 million.

FOREIGN CURRENCY POSITION ¹	30.06.2022	31.12.2021
EUR	(181)	106
CHF	479	(44)
Other (Global. Net)	(102)	(84)

The items do not include the structural items in UAH (PLN 1 072.3 million), for which the Bank obtained the approval of the Polish Financial Supervision Authority for the exclusion from the determination of currency positions, which did not affect the Bank's result.

Currency positions (in addition to volatility of foreign exchange rates) are a key factor determining the level of currency risk to which the Group is exposed. The foreign currency positions are affected by all foreign currency transactions concluded, both in the statement of financial position and off-balance sheet transactions, with the exception of structural positions in UAH (PLN 1 072.3 million), for which the Group obtained approval from the PFSA to exclude them from the calculation of foreign currency positions.

• LIQUIDITY RISK MANAGEMENT

Liquidity gap	on demand	0 – 1 month	1 – 3 months	3 – 6 months	6 – 12 months	12 – 24 months	24 – 60 months	over 60 months
30.06.2022								
Adjusted periodic gap	8 486	66 974	(13 841)	(2 166)	917	22 550	30 137	(113 057)
Adjusted cumulative periodic gap	8 486	75 460	61 619	59 453	60 370	82 920	113 057	-
31.12.2021								
Adjusted periodic gap	10 053	88 341	(7 419)	(6 794)	(826)	15 397	32 251	(131 003)
Adjusted cumulative periodic gap	10 053	98 394	90 975	84 181	83 355	98 752	131 003	-

In all time horizons, the adjusted cumulative liquidity gap of the Group, determined as the sum of the adjusted liquidity gaps of the Bank, PKO Bank Hipoteczny S.A., PKO Leasing S.A., KREDOBANK S.A. and PKO Życie Towarzystwo Ubezpieczeń S.A. and the contractual liquidity gaps of the other Group companies, was positive both as at 30 June 2022 and 31 December 2021, which indicates the surplus of maturing assets over matured liabilities.

SUPERVISORY LIQUIDITY MEASURES	30.06.2022	31.12.2021
NSFR – net stable funding ratio	127,4%	129,0%
LCR – liquidity coverage ratio	151,5%	193,3%

In the period ended 30 June 2022 and 31 December 2021, liquidity measures remained above their respective supervisory limits. .

41. CAPITAL ADEQUACY

• ADEKWATNOŚĆ KAPITAŁOWA

The minimum levels of the capital ratios maintained by the Group in accordance with Article 92 of the CRR are as follows:	
• total capital ratio (TCR)	8,0%
• Tier 1 capital ratio (T1)	6,0%
• Common Equity Tier 1 capital ratio (CET1)	4,5%

Obligation to maintain a combined buffer above the minimum amounts specified in Article 92 of the CRR representing the sum of the applicable buffers	30.06.2022	31.12.2021
Total:	3,51%	3,51%
• conservation buffer	2,5%	2,5%
• countercyclical buffer	0,01%	0,01%
• systemic risk buffer ¹	0%	0%
• a buffer due to identifying the Bank as an “other systemically important institution” (“O-SII”) ²	1%	1%

¹ On March 19, 2020, due to the COVID-19 epidemic, the Regulation of the Minister of Finance, abolishing the systemic risk buffer, entered into force. However, the previously applicable buffer of 3% is included in the calculation of the required level of factors to meet the dividend payment conditions.

² of the total risk exposure amount calculated in accordance with the CRR.



Discretionary capital requirement (an additional capital requirement in order to hedge the risk resulting from mortgage-secured loans and advances to households)	30.06.2022	31.12.2021
• for the total capital ratio:	0,11 p.p.	0,11 p.p.
• for Tier 1 capital ratio:	0,08 p.p.	0,08 p.p.
• for Common Equity Tier 1 capital ratio:	0,06 p.p.	0,06 p.p.

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

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

The required levels are specified in the table below:

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



• **OWN FUNDS FOR CAPITAL ADEQUACY PURPOSES**

During the six-month period ended 30 June 2022 and in the twelve months ended 31 December 2021, the Group's capital adequacy level remained safe, well above the supervisory limits. The minimum capital requirements were satisfied over the entire period.

	30.06.2022	31.12.2021 before restatement	31.12.2021 restated
Equity	30 940	37 693	37 693
capital: share capital, supplementary capital, other reserves and general risk reserve	32 501	32 291	32 291
retained earnings	8 646	6 270	6 270
net profit or loss for the year	1 838	4 874	4 874
other comprehensive income and non-controlling interests	(12 045)	(5 742)	(5 742)
Exclusions from equity:	(5 886)	895	895
deconsolidation – adjustments due to prudential consolidation	(263)	(268)	(268)
net profit or loss for the year	1 833	4 862	4 862
retained earnings for the previous year	-	-	-
cash flow hedges	(7 456)	(3 699)	(3 699)
Other fund reductions:	3 236	2 962	2 966
goodwill	961	961	961
other intangible assets	1 366	1 461	1 461
securitization items	27	54	54
additional asset adjustments (AVA, DVA, NPE)	882	486	490
Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI according to Art. 468 of the CRR	1 627	1 238	1 235
Temporary reversal of IFRS 9 impact	1 186	1 763	1 482
Profit/(loss) for the current year	-	2 575	1 975
Tier 1 capital	36 403	39 412	38 524
Tier 2 capital (subordinated debt)	2 700	2 700	2 700
Own funds	39 103	42 112	41 224
Capital requirements for own funds	18 080	17 990	18 093
Credit risk	15 766	15 973	16 076
Operational risk	2 133	1 793	1 793
Market risk	138	183	183
Credit valuation adjustment risk	43	41	41
Total capital ratio	17,30%	18,73%	18,23%
Tier 1 capital ratio	16,11%	17,53%	17,03%



The minimum level of the Group's capital ratios including the combined buffer requirement and the capital add-on for foreign currency loans was 11.62% for the total capital ratio and 9.59% for the Tier 1 capital ratio, respectively, both as at 30 June 2022 and 31 December 2021.

In accordance with Article 26(2) of the CRR, institutions may include interim or year-end profits in common equity Tier 1 capital after the institution has taken a formal decision confirming the final profit or loss of the institution for the year, or before making the aforementioned formal decision with the prior permission of the competent authority. According to the European Banking Authority's (EBA) guidance contained in the single rulebook Q&A setting out the EBA's position on the moment of recognition of the annual and interim profits in capital adequacy data (Q&A 2018_3822, Q&A 2018_4085 and Q&A 2013_208), from the point at which the institution formally meets the criteria allowing it to recognize the profit for the period as Tier 1 capital, it is considered that the profit should be recognized on a retrospective date (the date of the profit rather than the date the criterion is met) and an adjustment to own funds should be made as at the date to which the profit relates.

In addition, if the event allowing the result to be recognized occurred before the publication of the financial statements for the period, the result should already be included in those financial statements. As the Bank's Annual General Meeting approved the distribution of the Bank's profit on 12 May 2022, and the formal distribution of profits of some of the other prudentially consolidated entities of the Bank's Group was completed by the end of June 2022, the above guidelines apply to the Group's own funds for the data as at 31 December 2021.

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

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

For the purposes of prudential consolidation, the Group consists of the following entities: PKO Bank Polski S.A., PKO Leasing S.A. Group, PKO BP BANKOWY PTE S.A., PKO Towarzystwo Funduszy Inwestycyjnych S.A., KREDOBANK S.A. Group, PKO Finance AB, PKO BP Finat sp. z o.o., PKO Bank Hipoteczny S.A., Bankowe Towarzystwo Kapitałowe S.A. Group. Non-financial and insurance entities are excluded from prudential consolidation.



CONSOLIDATED INCOME STATEMENT IN ACCORDANCE WITH THE CRR

CONSOLIDATED INCOME STATEMENT	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021
Interest income	9 241	5 037
Interest expenses	(2 434)	(332)
Net interest income/(expense)	6 807	4 705
Fee and commission income	3 032	2 538
Fee and commission expense	(722)	(514)
Net fee and commission income	2 310	2 024
Dividend income	11	11
Gains/(losses) on financial transactions	179	(19)
Foreign exchange gains/ (losses)	(62)	367
Gains/(losses) on derecognition of financial instruments	(17)	94
Net other operating income and expense	75	17
Result on business activities	9 303	7 199
Net expected credit losses	(695)	(430)
Net impairment allowances on non-financial assets	(13)	(33)
Cost of the legal risk of mortgage loans in convertible currencies	(1 176)	-
Administrative expenses	(4 127)	(3 034)
Tax on certain financial institutions	(622)	(514)
Share in profits and losses of associates and joint ventures	78	18
Profit before tax	2 748	3 206
Income tax expense	(915)	(817)
Net profit (including non-controlling shareholders)	1 833	2 389
Profit (loss) attributable to non-controlling shareholders	-	-
Net profit attributable to equity holders of the parent company	1 833	2 389

42. LEVERAGE RATIO

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

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

For the purpose of measuring the risk of excessive financial leverage, a leverage ratio is calculated by the Group as a measure of Tier 1 capital divided by the measure of total exposure and is expressed as a percentage rate. The leverage ratio as at 30 June 2022 and 31 December 2021 was above internal and external limits, as well as above the minimum levels as recommended by the PFSA.

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

	Leverage ratio exposures specified in CRR		
	30.06.2022	31.12.2021 before restatement	31.12.2021 restated
Total capital and exposure measure			
Tier 1 capital	36 403	39 412	38 524
Total exposure measure for leverage ratio calculation	450 922	436 860	439 933
Leverage ratio			
Leverage ratio	8,07	9,02	8,76



43. EVENTS THAT TOOK PLACE AFTER THE BALANCE SHEET DATE

- On 14 July 2022, the President of the Republic of Poland signed the Act on crowdfunding for business ventures and assistance to borrowers – a detailed description is presented in Note 6.2. [“The impact of the Act on crowdfunding for business ventures and assistance to borrowers”](#).
- On 1 August 2022, the Management Board of PKO Bank Polski S.A. decided not to issue subordinated bonds with a ten-year maturity and to abandon the early redemption of the subordinated bonds series OP0827 issued by the Bank on 28 August 2017. The decision is due to unfavourable market conditions for this type of issue.
- On 8 August 2022, the Management Board of PKO Bank Polski S.A. approved the establishment of a programme for the issue of Eurobonds by the Bank as the issuer (the Euro Medium Term Notes Programme – the “EMTN Programme”):
 1. amount of the EMTN Programme: maximum EUR 4 billion;
 2. under the EMTN Programme, it will be possible to issue unsecured Eurobonds in any currency, including those in respect of which obligations may be classified as eligible liabilities or as the Bank’s own funds;
 3. EMTN Programme format: Regulation S;
 4. The Bank may apply for admission of individual series of Eurobonds to trading on a regulated market operated by the Luxembourg Stock Exchange, the Warsaw Stock Exchange or any other non-US market selected by the Bank;
 5. the bonds will be registered in the international central securities depository (ICSD) operated by Euroclear Bank SA/NV or Clearstream Banking société anonyme;
 6. The Bank will apply to the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg for approval of the prospectus for the EMTN Programme;
 7. The Bank will apply for the EMTN Programme to be rated by Moody’s rating agency.

The Bank has also decided to close the EMTN Eurobond Issue Programme, established in 2017.

- On 9 August 2022, Ms Iwona Duda resigned as Chairman of the Bank’s Management Board as well as from the Bank’s Management Board itself as of the end of 9 August 2022. At the same time, the Bank’s Supervisory Board appointed Mr Paweł Gruza as Vice-President of the Bank’s Management Board as of 10 August 2022 for the current joint term of office of the Bank’s Management Board, which commenced on 3 July 2020, and subject to the approval of the Polish Financial Supervision Authority and as of the date of the approval, appointed Mr Paweł Gruza as President of the Bank’s Management Board. Until such approval by the Polish Financial Supervision Authority, the Supervisory Board has entrusted Mr Paweł Gruza with directing the work of the Management Board.



SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

17.08.2022	PAWEŁ GRUZA	VICE-PRESIDENT OF THE MANAGEMENT BOARD MANAGING THE WORK OF THE MANAGEMENT BOARD
17.08.2022	MACIEJ BRZozowski	VICE-PRESIDENT OF THE MANAGEMENT BOARD
17.08.2022	BARTOSZ DRABIKOWSKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
17.08.2022	MARCIN ECKERT	VICE-PRESIDENT OF THE MANAGEMENT BOARD
17.08.2022	WOJCIECH IWANICKI	VICE-PRESIDENT OF THE MANAGEMENT BOARD
17.08.2022	MAKS KRACzkowski	VICE-PRESIDENT OF THE MANAGEMENT BOARD
17.08.2022	MIECZYŚLAW KRÓL	VICE-PRESIDENT OF THE MANAGEMENT BOARD
17.08.2022	ARTUR KURCWEIL	VICE-PRESIDENT OF THE MANAGEMENT BOARD
17.08.2022	PIOTR MAZUR	VICE-PRESIDENT OF THE MANAGEMENT BOARD

SIGNATURE OF THE PERSON RESPONSIBLE
FOR MAINTAINING THE BOOKS OF ACCOUNT

DANUTA SZYMAŃSKA
DIRECTOR OF THE ACCOUNTING DIVISION

DOCUMENT SIGNED BY QUALIFIED ELECTRONIC SIGNATURES