



Bank Polski

**Condensed interim financial statements
of PKO Bank Polski S.A. for the six-month
period ended 30 June 2022**



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)	6 207	4 145	49,75%	1 337	912	46,60%
Net fee and commission income	1 888	1 669	13,12%	407	367	10,90%
Net expected credit losses and Net impairment allowances on non-financial assets	(469)	(383)	22,45%	(101)	(84)	20,24%
Administrative expenses	(3 749)	(2 641)	41,95%	(808)	(581)	39,07%
Profit before tax	2 594	3 217	(19,37%)	559	707	(20,93%)
Net profit	1 782	2 486	(28,32%)	384	547	(29,80%)
Earnings per share for the period - basic (in PLN/EUR)	1,43	1,99	(28,14%)	0,31	0,44	(29,55%)
Earnings per share for the period - diluted (in PLN/EUR)	1,43	1,99	(28,14%)	0,31	0,44	(29,55%)
Total net comprehensive income	(4 422)	1 072	(512,50%)	(952)	236	(503,39%)
Total net cash flows	6 681	(2 343)	(385,15%)	1 439	(515)	(379,42%)

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	405 873	388 816	4,39%	86 714	84 536	2,58%
Total equity	29 364	36 073	(18,60%)	6 274	7 843	(20,01%)
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)	23,49	28,86	(18,61%)	5,02	6,27	(19,94%)
Diluted number of shares (in million)	1 250	1 250	-	1 250	1 250	-
Diluted book value per share (in PLN/EUR)	23,49	28,86	(18,61%)	5,02	6,27	(19,94%)
Total capital adequacy ratio	18,20	20,23	(10,03%)	18,20	20,23	(10,03%)
Tier 1	33 112	36 956	(10,40%)	7 074	8 035	(11,96%)
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



TABLE OF CONTENTS

INCOME STATEMENT	4
STATEMENT OF COMPREHENSIVE INCOME.....	5
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF CHANGES IN EQUITY	7
STATEMENT OF CASH FLOWS.....	9
GENERAL INFORMATION	11
1. BUSINESS ACTIVITIES OF THE BANK.....	11
2. CHANGES TO COMPANIES COMPRISING THE GROUP	14
3. INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD	14
4. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS.....	15
5. IMPACT OF THE GEOPOLITICAL SITUATION IN UKRAINE ON THE PKO BANK POLSKI S.A.	15
6. MORTGAGE LOANS	16
6.1. MORTGAGE LOANS IN CONVERTIBLE CURRENCIES.....	16
6.2. THE IMPACT OF THE ACT ON CROWDFUNDING FOR BUSINESS VENTURES AND ASSISTANCE TO BORROWERS.....	20
7. IMPACT OF THE COVID-19 PANDEMIC ON THE BANK'S OPERATIONS	21
8. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS	21
9. NEW STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS	22
10. CHANGES IN THE ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2022 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS.....	24
NOTES TO THE FINANCIAL STATEMENTS.....	26
11. INTEREST INCOME AND EXPENSE	26
12. FEE AND COMMISSION INCOME AND EXPENSES	28
13. OTHER OPERATING INCOME AND EXPENSES	31
14. NET ALLOWANCES FOR EXPECTED CREDIT LOSSES	32
15. NET IMPAIRMENT ALLOWANCES ON NON-FINANCIAL ASSETS.....	34
16. ADMINISTRATIVE EXPENSES.....	35
17. INCOME TAX EXPENSE	36
18. HEDGE ACCOUNTING.....	37
19. SECURITIES	39
20. LOANS AND ADVANCES TO CUSTOMERS.....	43
21. AMOUNTS DUE TO CUSTOMERS	45
22. FINANCING RECEIVED	46
23. PROVISIONS.....	47
24. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	48
25. DIVIDENDS AND PROFIT SHARING	50
26. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET LIABILITIES RECEIVED AND GRANTED	51
27. LEGAL CLAIMS	53
28. TRANSACTIONS WITH THE STATE TREASURY AND RELATED PARTIES.....	57
29. FAIR VALUE HIERARCHY	61
30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT PRESENTED AT FAIR VALUE IN THE STATEMENT OF FINANCIAL POSITION	63
RISK MANAGEMENT	64
31. PRINCIPLES OF RISK MANAGEMENT	64
32. CAPITAL ADEQUACY	66
33. EVENTS THAT TOOK PLACE AFTER THE BALANCE SHEET DATE	67



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)		3 329	6 207	2 118	4 145
Interest income	11	4 859	8 252	2 224	4 367
calculated under the effective interest rate method		4 724	8 005	2 005	3 946
Interest expenses	11	(1 530)	(2 045)	(106)	(222)
Net fee and commission income		957	1 888	835	1 669
Fee and commission income	12	1 335	2 578	1 110	2 176
Fee and commission expense	12	(378)	(690)	(275)	(507)
Other net income		415	478	668	898
Dividend income		465	465	429	463
Gains/(losses) on financial transactions		112	185	(22)	(27)
Foreign exchange gains/ (losses)		(111)	(127)	207	388
Gains/(losses) on derecognition of financial instruments of which:		(24)	(17)	60	92
measured at amortized cost		3	7	1	1
Net other operating income and expense	13	(27)	(28)	(6)	(18)
Result on business activities		4 701	8 573	3 621	6 712
Net expected credit losses	14	(171)	(404)	(217)	(340)
Net impairment allowances on non- financial assets	15	(10)	(65)	(23)	(43)
Legal risk cost of mortgage loans in convertible currencies	6	(1176)	(1 176)	-	-
Administrative expenses of which:	16	(2 149)	(3 749)	(1 221)	(2 641)
net regulatory charges		(899)	(1 345)	(72)	(413)
Tax on certain financial institutions		(299)	(585)	(238)	(471)
Profit before tax		896	2 594	1 922	3 217
Income tax expense	17	(426)	(812)	(445)	(731)
Net profit		470	1 782	1 477	2 486
Earnings per share					
- basic earnings per share for the period (PLN)		0,38	1,43	1,18	1,99
- diluted earnings per share for the period (PLN)*		0,38	1,43	1,18	1,99
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.



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)		470	1 782	1 477	2 486
Other comprehensive income		(3 023)	(6 204)	(819)	(1 414)
Items which may be reclassified to profit or loss		(3 023)	(6 204)	(819)	(1 414)
Cash flow hedges (net)		(1 808)	(3 660)	(240)	(667)
Cash flow hedges (gross)	18	(2 233)	(4 519)	(296)	(823)
Deferred income tax	17	425	859	56	156
Fair value of financial assets measured at fair value through other comprehensive income (net)		(1 215)	(2 544)	(579)	(747)
Remeasurement of fair value, gross		(1 528)	(3 166)	(655)	(831)
Gains /losses transferred to the profit or loss (on disposal)		27	24	(59)	(91)
Deferred income tax	17	286	598	135	175
Total net comprehensive income		(2 553)	(4 422)	658	1 072



STATEMENT OF FINANCIAL POSITION

	Nota	30.06.2022	31.12.2021
ASSETS		405 873	388 816
Cash and balances with Central Bank		10 490	11 421
Amounts due from banks		23 661	14 296
Hedging derivatives	18	645	327
Other derivative instruments		19 630	11 143
Securities	19	126 282	130 838
Repo transactions		40	-
Loans and advances to customers	20	208 904	205 677
Property, plant and equipment		2 533	2 639
Non-current assets held for sale		11	18
Intangible assets		2 854	2 896
Investments in subsidiaries	24	3 560	3 617
Investments in associates and joint ventures	24	275	275
Current income tax receivable		-	33
Deferred income tax assets		4 960	3 599
Other assets		2 028	2 037

		30.06.2022	31.12.2021
LIABILITIES AND EQUITY		405 873	388 816
LIABILITIES		376 509	352 743
Amounts due to Central Bank		9	8
Amounts due to banks		5 109	3 762
Hedging derivatives	18	9 287	4 624
Other derivative instruments		19 751	11 704
Transactions for the purpose of repurchase		49	49
Amounts due to customers	21	322 240	318 032
Loans and advances received	22	5 593	5 142
Subordinated liabilities		2 750	2 716
Other liabilities		9 765	5 090
Current income tax liabilities		143	-
Provisions	23	1 813	1 616
EQUITY		29 364	36 073
Share capital		1 250	1 250
Total reserves and accumulated other comprehensive income		18 523	24 727
Retained earnings		7 809	5 500
Net profit or loss for the year		1 782	4 596



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	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	22 468	1 070	6 746	(5 557)	24 727	5 500	4 596	36 073
Transfer from retained earnings	-	-	-	-	-	-	4 596	(4 596)	-
Dividend	-	-	-	-	-	-	(2 287)	-	(2 287)
Comprehensive income	-	-	-	-	(6 204)	(6 204)	-	1 782	(4 422)
As at the end of the period	1 250	22 468	1 070	6 746	(11 761)	18 523	7 809	1 782	29 364

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	Total equity
		Reserves			Accumulated other comprehensive income	Total reserves and other comprehensive income			
		Supplementary capital	General banking risk fund	Other reserves					
As at the beginning of the period	1 250	29 168	1 070	2 990	1 543	34 771	5 500	(2 944)	38 577
Transfer from retained earnings	-	-	-	-	-	-	(2 944)	2 944	-
Comprehensive income	-	-	-	-	(1 414)	(1 414)	-	2 486	1 072
Special fund set up for the purpose of covering individual balance sheet losses	-	(6 700)	-	6 700	-	-	-	-	-
Offset of accumulated losses	-	-	-	(2 944)	-	(2 944)	2 944	-	-
As at the end of the period	1 250	22 468	1 070	6 746	129	30 413	5 500	2 486	39 649



Accumulated other comprehensive income				
FOR 6 MONTHS ENDED 30 JUNE 2022	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedge	Actuarial gains and losses	Total
As at the beginning of the period	(1 842)	(3 702)	(13)	(5 557)
Comprehensive income	(2 544)	(3 660)	-	(6 204)
As at the end of the period	(4 386)	(7 362)	(13)	(11 761)

Accumulated other comprehensive income				
FOR 6 MONTHS ENDED 30 JUNE 2021	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedge	Actuarial gains and losses	Total
As at the beginning of the period	1 244	319	(20)	1 543
Comprehensive income	(747)	(667)	-	(1 414)
As at the end of the period	497	(348)	(20)	129



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	2 594	3 217
Income tax paid	(605)	(851)
Total adjustments:	(3)	9 547
Amortization	442	427
(Gains)/losses on investing activities	(3)	(7)
Interest and dividends	(1 704)	(1 425)
Change in:		
amounts due from banks	(1 757)	(592)
hedging derivatives	4 345	550
other derivative instruments	(440)	(527)
securities	(1 885)	(629)
loans and advances to customers	(3 522)	(1 882)
receivables in respect of repurchase agreements	(40)	(77)
non-current assets held for sale	7	111
other assets	(54)	(20)
accumulated allowances for expected credit losses	281	(30)
accumulated allowances on non-financial assets and other provisions	259	139
amounts due to Central bank	1	8
amounts due to banks	1 347	1 750
amounts due to customers	4 209	11 314
transactions for the purpose of repurchase	-	1
loan and advances received	451	40
liabilities in respect of debt securities in issue	-	(92)
subordinated liabilities	34	-
other liabilities	2 507	1 441
Other adjustments	(4 481)	(953)
Net cash from/used in operating activities	1 986	11 913



	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021
Cash flows from investing activities		
Inflows from investing activities	48 984	35 793
Proceeds from sale of and interest on securities measured at fair value through other comprehensive income	45 264	33 943
Proceeds from sale of and interest on securities measured at amortized cost	3 186	1 227
Proceeds from sale of intangible assets, property, plant and equipment and assets held for sale	10	24
Other inflows from investing activities including dividends	524	599
Outflows from investing activities	(44 041)	(49 827)
Increase in the capital of joint ventures	-	(18)
Purchase of securities measured at fair value through other comprehensive income	(43 655)	(28 468)
Purchase of securities measured at amortized cost	(117)	(21 112)
Acquisition of intangible assets and property, plant and equipment, including under operating leases	(269)	(229)
Net cash from/used in investing activities	4 943	(14 034)

	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021
Cash flows from financing activities		
Payment of lease liabilities	(121)	(107)
Repayment of interest on long-term liabilities	(127)	(115)
Net cash from financing activities	(248)	(222)
Total net cash flows	6 681	(2 343)
of which foreign exchange differences on cash and cash equivalents	91	(30)
Cash equivalents at the beginning of the period	19 129	9 126
Cash equivalents at the end of the period	25 810	6 783



GENERAL INFORMATION

1. BUSINESS ACTIVITIES OF THE BANK

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 Pocztaowa 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.

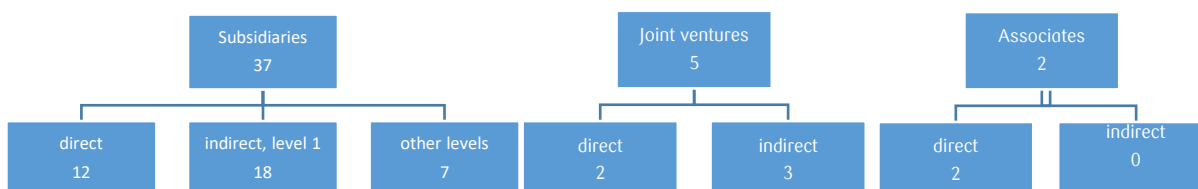
Country of registration	Poland
Registered office	Warsaw
Address of the registered office of the entity	ul. Puławska 15, 02-515 Warsaw

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

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.



PKO BANK POLSKI S.A. – the parent company



The PKO Bank Polski S.A. 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 BOARD AND MANAGEMENT BOARD

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 Kaczmarek - 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 FINANCIAL STATEMENTS

These condensed interim financial statements of PKO Bank Polski S.A. ([THE FINANCIAL STATEMENTS](#)), having been reviewed by the Supervisory Board Audit Committee and by the Supervisory Board on 17 August 2022, were approved for publication by the Bank's Management Board on 17 August 2022.

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

In the "[PKO BANK POLSKI SA 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 the note "[BUSINESS ACTIVITIES OF THE BANK](#)" 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.](#)"



Impairment testing of KREDOBANK S.A., carried out using the discounted dividend method on a quarterly basis, has shown an excess of value in use over the net carrying amount in recent years, but for prudential reasons the level of impairment charges on the Kredobank shares has been kept unchanged since 2015. A test performed as at 31 March 2022, taking into account the impact of the war in Ukraine to date (including an updated forecast of KREDOBANK S.A.'s future results), combined with the application of an additional discount of 25% related to the uncertainty of further developments, showed a need to increase the impairment charge by PLN 52 million and reduce the net carrying amount of KREDOBANK S.A.'s shares to PLN 227 million. A subsequent test conducted as at 30 June 2022 showed no need to change the level of the write-down, thus confirming the correctness of the main assumptions adopted previously in the valuation model.

- **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 Bank analysed its business loan portfolio in terms of customers' exposure to the negative effects of the armed conflict in Ukraine. Assuming the threshold of a 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 Bank 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.

The Bank has adopted guidelines on financing and providing banking services to:

- 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 be subjected to sanctions or restrictions introduced in connection with Russia's aggression in Ukraine.

The Bank has maintained a safe level of liquidity, allowing for a quick and effective response to potential threats. In the first half of 2022, the Bank 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 access to cash withdrawals to its customers;

At the same time, in connection with the war in Ukraine, the Bank set up a Support Group chaired by the Chief of the Crisis Management Team, which aims, among other things, at preventing any disruption of the Bank'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 4 October 2021, following a decision of 23 April 2021 of the Extraordinary General Meeting of PKO Bank Polski S.A., the Bank has been concluding settlements with consumers who 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 Bank set up a special fund (within the Bank'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’S DIRECTORS’ REPORT FOR THE FIRST HALF OF 2022”, note “MAJOR EVENTS, INCLUDING NON-TYPICAL EVENTS”, item “FOREIGN CURRENCY MORTGAGE LOANS” describes the actions taken by the Bank with regard to offering settlements.

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 were concluded 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 were concluded 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 Bank pays particular attention to analyses of its portfolio of mortgage loans for individuals in convertible currencies. The Bank 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 Bank 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 an agreement, 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	netto	gross	impairment allowance	netto
in local currency	76 096	(1 181)	74 915	76 566	(1 043)	75 523
PLN	76 096	(1 181)	74 915	76 566	(1 043)	75 523
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	89 304	(1 923)	87 381	92 176	(1 792)	90 384



FOREIGN CURRENCY HOUSING LOANS AND ADVANCES TO INDIVIDUALS BY THE GRANTING DATE		Indexed	Denominated	Total	Indexed	Denominated	Total
		30.06.2022			31.12.2021		
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
- relating to the CHF mortgage portfolio	17 982	7 180	10 802
Provisions (note 23) and adjustment of other assets' value		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
- relating to the CHF mortgage portfolio	19 528	6 428	13 100
Provisions (note 23)		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 Bank updated the forecast dynamics voluntary settlements signed by clients and the forecast number of lawsuits. The Bank has also updated the estimated probabilities of court dispute resolution scenarios, adjusting them to the emerging jurisprudence. Taking the above into account, the Bank 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	Increased 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 Bank recognized the effects of final judgments declaring the invalidity of loan agreements in convertible currencies. As a consequence of the aforementioned judgments, the Bank ceased to recognize in the Bank's assets (under "Loans and advances to customers"), receivables from active loan agreements. At the same time, the Bank 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 Bank 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 social financing for business ventures and borrower assistance (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 loan repayment suspension 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 Bank has adopted a judgment on when to recognize the impact of the loan holidays introduced by the Act on social financing for business ventures and borrower assistance. The Bank 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.

At the same time, due to the fact that fair value is the price that would be received for the sale of an asset in a transaction between independent, well-informed and interested market participants, conducted on normal terms as at the valuation date, i.e. June 30, 2022, the Bank included in valuation of the portfolio of loans at fair value through other comprehensive income, the effect of credit holidays. As at June 30, 2022, taking into account the status of the legislative process and the statements in the public sphere of participants in the legislative process and market supervisors, the Bank based its calculation on the expert assumption that market participants adopted a 60% probability of the Act's entry into force in the version published in project. The percentage of customers who will suspend their installments, included in the estimation, was set by market participants as an expert opinion at the level of 63%. The fair value adjustment on this account amounted to PLN 242 million and was estimated according to the current assumptions as at the valuation date.

With regard to the portfolio of mortgage loans measured at amortized cost, the Bank made an adjustment to the gross carrying amount of mortgage loans in July 2022 for an estimated amount of approximately PLN 2.4 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 3.8 billion.

The actual impact of the loan holiday arrangements on the Bank'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)	379	(379)

• **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 Bank 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 BANK’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 Bank’s financial results and position, including, among others, the expected credit losses or goodwill recognized. In the six-month period ended 30 June 2022, the Bank did not identify any additional negative effects related to the COVID pandemic. The Bank is monitoring the developments 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 income statement, statement of comprehensive income, statement of changes in equity, and statements of cash flows),
- as at 31 December 2021 in respect of the 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 Bank 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 Bank 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 ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2022 AND EXPLANATION OF DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS.”](#) Moreover, the Bank 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 financial statements of PKO Bank Polski S.A. 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 Bank prepared the financial statements on the basis of the assumption that the Bank 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 Bank's ability to continue in operation 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 Bank'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 social financing for business ventures and borrower assistance and has determined that this does not create significant uncertainty as to the Bank's ability to continue as a going concern.

MANAGEMENT REPRESENTATION

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



	No material impact on the financial statements.
--	---

* 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 BANK**

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 primarily affect the Group’s consolidated financial statements. The implementation of IFRS 17 means that it is necessary to identify and implement a number of changes relating to the accounting, reporting, tax and planning and control areas.</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;



	<ul style="list-style-type: none"> 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 Bank has not yet estimated the quantitative impact of implementing IFRS 17, but it does not expect the impact on its financial statements to be material.</p>
AMENDMENTS TO IAS 1 AND IAS 8 (1.01.2023/2.03.2022)	<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 Bank does not expect these amendments to have a material impact.</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)	<p>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.</p> <p>The Bank is in the process of estimating the impact on the financial statements.</p>
THE AMENDMENTS TO IFRS 12 (1.01.2023/NO DATA)	<p>The amendments to IFRS 12 clarify 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.</p> <p>The amendments clarify that entities are obliged to recognize a deferred tax on such transactions.</p> <p>The Bank does not expect these amendments to have a material impact.</p>
AMENDMENT TO IFRS 17: FIRST-TIME ADOPTION OF IFRS 17 AND IFRS 9 – COMPARATIVE INFORMATION (1.01.2023/NO DATA)	<p>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.</p>

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



- **RECLASSIFICATION OF CARD-RELATED COSTS (2)**

Starting from the first quarter of 2022, the Bank 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 BANK'S CUSTOMERS (3)**

Starting from the first quarter of 2022, the Bank has been presenting the cost of cash-in-transit services in net fee and commission income under the cost of bank accounts relating to 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 Bank has been presenting the costs of voluntary membership fees as a component of other operating expenses. Previously, these costs were presented as administrative expenses.

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	1 693	-	(22)	(2)	-	1 669
Fee and commission expense	(483)	-	(22)	(2)	-	(507)
Other net income	889	10	-	-	(1)	898
Net other operating income and expenses	(27)	10	-	-	(1)	(18)
Result on business activities	6 727	10	(22)	(2)	(1)	6 712
Net impairment allowances on non-financial assets	(33)	(10)	-	-	-	(43)
Administrative expenses	(2 666)	-	22	2	1	(2 641)
of with net regulatory charges	(414)	-	-	-	1	(413)
Net profit	2 486	-	-	-	-	2 486

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	847	-	(11)	(1)	-	835
Fee and commission expense	(263)	-	(11)	(1)	-	(275)
Other net income	665	4	-	-	(1)	668
Net other operating income and expenses	(9)	4	-	-	(1)	(6)
Result on business activities	3 630	4	(11)	(1)	(1)	3 621
Net impairment allowances on non-financial assets	(19)	(4)	-	-	-	(23)
Administrative expenses	(1 234)	-	11	1	1	(1 221)
of with net regulatory charges	(73)	-	-	-	1	(72)
Net profit	1 477	-	-	-	-	1 477



NOTES TO THE FINANCIAL STATEMENTS

11. 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	323	449	11	19
Pooling	-	-	1	1
Hedging derivatives	-	-	115	207
Debt securities	796	1 400	444	863
measured at amortized cost	346	638	218	405
measured at fair value through other comprehensive income	443	750	223	453
measured at fair value through profit or loss	7	12	3	5
Loans and advances to customers (excluding finance lease receivables)	3 730	6 384	1 649	3 269
measured at amortized cost	3 395	5 792	1 464	2 893
measured at fair value through other comprehensive income	207	357	84	167
measured at fair value through profit or loss	128	235	101	209
Amounts due to customers	10	19	4	8
Total	4 859	8 252	2 224	4 367
of which: interest income on impaired financial instruments	69	124	47	89
Interest income calculated under the effective interest rate method on financial instruments measured at:	4 724	8 005	2 005	3 946
amortized cost	4 074	6 898	1 698	3 326
fair value through other comprehensive income	650	1 107	307	620
Income similar to interest income on instruments measured at fair value through profit or loss	135	247	219	421
Total	4 859	8 252	2 224	4 367

¹ In the item loans and other receivables from banks, the Bank 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	(754)	(969)	-	-
Interbank deposits	(3)	(5)	(2)	(3)
Loans and advances received	(62)	(117)	(47)	(95)
Leases	(3)	(6)	(2)	(4)
Amounts due to customers	(635)	(830)	(33)	(78)
Debt securities in issue	-	-	(6)	(12)
Subordinated liabilities	(37)	(58)	(12)	(24)
Total	(1 530)	(2 045)	(106)	(222)

¹ In the amount due to banks, the Bank 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 Bank 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 Bank 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 Bank 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 Bank 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	Retail segment	Total
Loans to and other receivables from banks	-	184	139	323
Debt securities	-	403	393	796
Loans and advances to customers	2 802	928	-	3 730
Amounts due to customers	-	10	-	10
Total	2 802	1 525	532	4 859

INTEREST INCOME BY SEGMENT	2 quarters cumulative period from 01.01.2022 to 30.06.2022			
	Retail segment	Corporate and investment segment	Retail segment	Total
Loans to and other receivables from banks	-	269	180	449
Debt securities	-	610	790	1 400
Loans and advances to customers	4 869	1 515	-	6 384
Amounts due to customers	-	19	-	19
Total	4 869	2 413	970	8 252

INTEREST INCOME BY SEGMENT	second quarter period from 01.04.2021 to 30.06.2021			
	Retail segment	Corporate and investment segment	Retail segment	Total
Loans to and other receivables from banks	-	10	1	11
Pooling	-	1	-	1
Hedging derivatives	-	-	115	115
Debt securities	-	82	362	444
Loans and advances to customers	1 386	263	-	1 649
Amounts due to customers	-	4	-	4
Total	1 386	360	478	2 224



INTEREST INCOME BY SEGMENT	2 quarters cumulative period from 01.01.2021 to 30.06.2021			
	Retail segment	Corporate and investment segment	Retail segment	Total
Loans to and other receivables from banks	-	18	1	19
Pooling	-	1	-	1
Hedging derivatives	-	-	207	207
Debt securities	-	209	654	863
Loans and advances to customers	2 731	538	-	3 269
Amounts due to customers	-	8	-	8
Total	2 731	774	862	4 367

12. 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	247	481	235	452
granting of loans and advances	190	375	178	347
offering insurance products	57	106	57	105
Investment funds, pension funds and brokerage activities	110	229	88	197
servicing investment funds and OFE (including management fees)	5	10	14	25
servicing and selling investment and insurance products	-	2	3	4
brokerage activities	105	217	71	168
Cards	488	892	344	649
Margins on foreign exchange transactions	176	357	142	274
Bank accounts and other	314	619	301	604
servicing bank accounts	231	459	231	469
cash operations	18	37	15	29
servicing foreign mass transactions	24	47	22	41
customer orders	16	31	14	27
fiduciary services	3	5	2	4
other	22	40	17	34
Total	1 335	2 578	1 110	2 176



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	(23)	(49)	(31)
commission paid to external entities for product sales	(7)	(12)	(6)	(12)
cost of construction investment supervision and property valuation	(9)	(15)	(12)	(20)
fees to Biuro Informacji Kredytowej	-	(10)	(5)	(9)
loan handling	(7)	(12)	(8)	(12)
Investment funds, pension funds and brokerage activities	(6)	(15)	(8)	(16)
Cards	(311)	(557)	(206)	(380)
Bank accounts and other	(38)	(69)	(30)	(58)
clearing services	(13)	(26)	(9)	(18)
commissions for operating services provided by banks	(3)	(5)	(3)	(5)
sending short text messages (SMS)	(14)	(25)	(13)	(26)
selling banking products	-	-	-	(1)
servicing foreign mass transactions	(6)	(10)	(4)	(7)
other	(2)	(3)	(1)	(1)
Total	(378)	(690)	(275)	(507)

FEE AND COMMISSION INCOME BY SEGMENT	second quarter period from 01.04.2022 to 30.06.2022			
	Retail segment	Corporate and investment segment	Retail segment	Total
Loans, insurance, operational leasing and fleet management	175	72	-	247
granting of loans and advances	118	72	-	190
offering insurance products	57	-	-	57
Loans, insurance, operational leasing and fleet management	28	82	-	110
servicing investment funds and OFE (including management fees)	3	2	-	5
brokerage activities	25	80	-	105
Cards	479	9	-	488
Forex transaction margins	123	53	-	176
Bank accounts and other	247	67	-	314
maintenance of bank accounts	201	30	-	231
cash operations	7	11	-	18
servicing foreign mass transactions	14	10	-	24
customer orders	7	9	-	16
fiduciary services	-	3	-	3
other	18	4	-	22
Total	1 052	283	-	1 335



FEE AND COMMISSION INCOME BY SEGMENT	2 quarters cumulative period from 01.01.2022 to 30.06.2022			
	Retail segment	Corporate and investment segment	Retail segment	Total
Loans, insurance, operational leasing and fleet management	344	137	-	481
granting of loans and advances	238	137	-	375
offering insurance products	106	-	-	106
Loans, insurance, operational leasing and fleet management	53	176	-	229
servicing investment funds and OFE (including management fees)	5	5	-	10
servicing and selling of investment and insurance products	2	-	-	2
brokerage activities	46	171	-	217
Cards	879	13	-	892
Forex transaction margins	254	103	-	357
Bank accounts and other	492	127	-	619
maintenance of bank accounts	402	57	-	459
cash operations	16	21	-	37
servicing foreign mass transactions	27	20	-	47
customer orders	14	17	-	31
fiduciary services	-	5	-	5
other	33	7	-	40
Total	2 022	556	-	2 578

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	172	63	-	235
granting of loans and advances	115	63	-	178
offering insurance products	57	-	-	57
Loans, insurance, operational leasing and fleet management	47	41	-	88
servicing investment funds and OFE (including management fees)	12	2	-	14
servicing and selling of investment and insurance products	3	-	-	3
brokerage activities	32	39	-	71
Cards	339	5	-	344
Forex transaction margins	93	49	-	142
Bank accounts and other	236	65	-	301
maintenance of bank accounts	202	29	-	231
cash operations	7	8	-	15
servicing foreign mass transactions	12	10	-	22
customer orders	5	9	-	14
fiduciary services	-	2	-	2
other	10	7	-	17
Total	887	223	-	1 110



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	329	123	-	452
granting of loans and advances	224	123	-	347
offering insurance products	105	-	-	105
Loans, insurance, operational leasing and fleet management	78	119	-	197
servicing investment funds and OFE (including management fees)	20	5	-	25
servicing and selling of investment and insurance products	4	-	-	4
brokerage activities	54	114	-	168
Cards	639	10	-	649
Forex transaction margins	179	95	-	274
Bank accounts and other	481	123	-	604
maintenance of bank accounts	406	63	-	469
cash operations	15	14	-	29
servicing foreign mass transactions	22	19	-	41
customer orders	12	15	-	27
fiduciary services	-	4	-	4
other	26	8	-	34
Total	1 706	470	-	2 176

13. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME	second quarter from 01.04.2022 to 30.06.2022	2 quarters cumulative period from 01.01.2022 to 30.06.2022	second quarter from 01.04.2021 to 30.06.2021	2 quarters cumulative period from 01.01.2021 to 30.06.2021
Gains on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	2	5	3	8
Damages, compensation and penalties received	4	7	5	8
Ancillary income	8	17	7	15
Recovered debts that are time-barred, remitted, uncollectible	-	-	-	1
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	-	1	1	1
Income from the sale of CO ₂ emission allowances	11	14	-	2
Other	13	25	13	25
Total	38	69	29	61



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
Losses on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	(1)	(2)	-	-
Donations made	(11)	(14)	-	(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)	(2)	(3)
Costs for subsidizing a subsidiary	(31)	(39)	7	(8)
Cost of selling CO ₂ emission allowances	-	(7)	-	(1)
Other	(4)	(11)	(9)	(17)
Total	(65)	(97)	(35)	(79)

14. 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	(6)	(4)	-	(1)
Debt securities	56	68	-	4
- measured at fair value through other comprehensive income	57	66	9	15
- measured at amortized cost	(1)	2	(9)	(11)
Loans and advances to customers	(184)	(418)	(214)	(391)
- measured at fair value through other comprehensive income	(14)	(21)	(2)	(5)
- measured at amortized cost	(170)	(397)	(212)	(386)
Other financial assets	(13)	(13)	-	2
Provisions for financial liabilities and guarantees granted	(24)	(37)	(3)	46
Total	(171)	(404)	(217)	(340)

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	(15)	(4)	-	(19)
Debt securities	(108)	68	5	(35)
Loans and advances to customers	(7 656)	(418)	121	(7 953)
Other financial assets	(134)	(13)	(1)	(148)
Provisions for financial liabilities and guarantees granted	(672)	(37)	(2)	(711)
Total	(8 585)	(404)	123	(8 866)



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				
Amounts due from banks	(7)	(1)	-	(8)
Debt securities	(51)	4	(2)	(49)
Loans and advances to customers	(7 875)	(391)	370	(7 896)
Other financial assets	(136)	2	1	(133)
Provisions for financial liabilities and guarantees granted	(626)	46	2	(578)
Total	(8 695)	(340)	371	(8 664)

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 Bank 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			probability			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	3.8	3.7	4.8	4.8	4.2



scenario as at 31.12.2021	baseline			optimistic			pessimistic		
	probability			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

15. NET IMPAIRMENT ALLOWANCES ON 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
Non-current assets held for sale	-	-	(2)	(2)
Investments in subsidiaries	-	(52)	-	-
Other financial assets, including inventories	(10)	(13)	(21)	(41)
Total	(10)	(65)	(23)	(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	(91)	-	-	(91)
Non-current assets held for sale	(1)	-	-	(1)
Intangible assets	(134)	-	-	(134)
Investments in subsidiaries	(830)	(52)	-	(882)
Investments in associates and joint ventures	(186)	-	-	(186)
Other financial assets, including inventories	(264)	(13)	(36)	(313)
Total	(1 506)	(65)	(36)	(1 607)

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	(93)	-	2	(91)
Non-current assets held for sale	(3)	(2)	1	(4)
Intangible assets	(131)	-	(1)	(132)
Investments in subsidiaries	(830)	-	-	(830)
Investments in associates and joint ventures	(186)	-	-	(186)
Other financial assets, including inventories	(164)	(41)	19	(186)
Total	(1 407)	(43)	21	(1 429)



16. 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	(731)	(1 405)	(677)	(1 292)
Overheads, of which:	(293)	(557)	(258)	(509)
rent	(23)	(43)	(22)	(43)
IT	(82)	(157)	(79)	(154)
Depreciation and amortization	(226)	(442)	(214)	(427)
property, plant and equipment, of which:	(116)	(231)	(115)	(232)
IT	(26)	(50)	(19)	(39)
right of use assets	(54)	(108)	(54)	(109)
intangible assets, of which:	(110)	(211)	(99)	(195)
IT	(109)	(209)	(98)	(193)
Net regulatory charges	(899)	(1 345)	(72)	(413)
Total	(2 149)	(3 749)	(1 221)	(2 641)

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:	(606)	(1 164)	(566)	(1 075)
costs of contributions to the employee pension plan	(16)	(33)	(16)	(31)
Social insurance, of which:	(106)	(206)	(94)	(186)
contributions for disability and retirement benefits	(90)	(185)	(80)	(165)
Other employee benefits	(19)	(35)	(17)	(31)
Total	(731)	(1 405)	(677)	(1 292)

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:	-	(380)	(58)	(346)
to the Resolution Fund	-	(264)	-	(232)
to the Banks' Guarantee Fund	-	(116)	(58)	(114)
Fees to PFSA	-	(41)	-	(39)
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	(26)	(49)	(12)	(24)
Total	(899)	(1 345)	(72)	(413)

- **COMMERCIAL BANK PROTECTION SCHEME**

On 14 June 2022, the Bank, 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 by the Commercial Bank Protection System S.A. (as at 30 June 2022, Commercial Bank 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 Bank's result as an element of administrative expenses, in "Net regulatory charges", line item "Fee to the assistance fund run by System Ochrony Banków Komercyjnych 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.

17. 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	(426)	(812)	(445)	(731)
Current income tax expense	(298)	(716)	(453)	(810)
Deferred income tax on temporary differences	(128)	(96)	8	79
Income tax reported in other comprehensive income in respect of temporary differences	711	1 457	191	331
Total	285	645	(254)	(400)



• 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	896	2 594	1 922	3 217
Tax calculated using the enacted rate in force in Poland (19%)	(170)	(493)	(365)	(611)
Effect of permanent timing differences, of which:	(256)	(319)	(80)	(120)
non-deductible impairment allowance on investments in subordinated entities	-	(10)	-	-
non-deductible allowances for expected credit losses on credit exposures and securities	(26)	(31)	(7)	(18)
contributions and payments to the Bank Guarantee Fund	-	(72)	(11)	(66)
tax on certain financial institutions	(57)	(111)	(45)	(89)
cost of the legal risk of mortgage loans in convertible currencies	(307)	(307)	-	-
tax on foreign exchange gains in Sweden	(6)	(7)	1	(2)
asset from the average tax rate	83	150	(87)	(22)
dissolution of assets due to reclassification of temporary differences to non-current differences	(18)	(18)	-	-
dividend income	88	88	82	88
other permanent differences	(13)	(1)	(13)	(11)
Income tax expense recognized in the income statement	(426)	(812)	(445)	(731)
Effective tax rate (in %)	47,54	31,30	23,12	22,72

18. HEDGE ACCOUNTING

TYPES OF HEDGING STRATEGIES APPLIED BY THE BANK

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

- 5 strategies for hedging cash flow volatility;
- 4 strategies for hedging fair value volatility.

In the six-month period of 2022, as part of the hedging strategy “Cash flow hedge of PLN loans with variable interest rates resulting from interest rate risk using IRS transactions”, the Bank terminated hedging relationships as a result of the discontinuation of hedge accounting and the impact of the discontinuation of hedge accounting under the aforementioned relationships on the income statement amounted to PLN -3.4 million.

No changes were made to the remaining hedging strategies in the six months of 2022.

In 2021, the Bank introduced one hedging strategy representing a fair value hedge and two hedging strategies representing a cash flow hedge.



FINANCIAL INFORMATION

CARRYING AMOUNT OF HEDGING INSTRUMENTS	30.06.2022		31.12.2021	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	578	9 287	317	4 612
- interest rate risk IRS	40	9 272	65	4 402
- foreign exchange risk and interest rate risk - CIRS	538	15	252	210
Fair value hedges	67	-	10	12
- interest rate risk IRS	66	-	9	9
- foreign exchange risk - Forward	1	-	1	3
Total	645	9 287	327	4 624

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	(5 554)	(3 702)	(108)	319
Impact on other comprehensive income during the period, gross	(2 233)	(4 519)	(296)	(823)
Gains/losses recognized in other comprehensive income during the period	(2 513)	(4 916)	(53)	(463)
Amounts transferred from other comprehensive income to the income statement:	280	397	(243)	(360)
- net interest income	753	965	(119)	(215)
- net foreign exchange gains/(losses)	(473)	(568)	(124)	(145)
Tax effect	425	859	56	156
Accumulated other comprehensive income at the end of the period, net	(7 362)	(7 362)	(348)	(348)
Ineffective portion of cash flow hedges recognized in the income statements, including in:	4	1	3	-
Foreign exchange gains/ (losses)	3	-	3	3
Gain/(loss) on financial instruments measured at fair value	1	1	-	(3)

HEDGE OF INTEREST RATE AND FOREIGN EXCHANGE RISK	30.06.2022	31.12.2021
Fair value measurement of the hedging derivative instrument	67	(3)
hedging the interest rate risk - IRS fixed - float	66	(1)
hedging of currency risk - forward	1	(2)
Adjustment to the fair value of the instrument due to the hedged risk	(90)	(21)
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)
Hedge of currency risk - shares in the net assets of a foreign entity where the functional currency is the foreign currency	1	4



19. 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	486	368	54 709	70 399	125 962
Treasury bonds (in PLN)	334	-	36 476	48 979	85 789
Treasury bonds (in foreign currencies)	2	321	1 834	-	2 157
corporate bonds (in PLN) secured by guarantees from the State Treasury	1	-	9 004	12 023	21 028
municipal bonds (in PLN)	17	-	4 109	5 020	9 146
corporate bonds (in PLN)	125	47	2 881	1 985	5 038
corporate bonds (in foreign currencies)	-	-	405	2 392	2 797
mortgage covered bonds	7	-	-	-	7
Equity securities	27	315	-	-	342
shares in other entities - not listed	-	295	-	-	295
shares in other entities - listed	25	20	-	-	45
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	-	-	-	2
Total (excluding adjustment relating to fair value hedge accounting)	513	683	54 709	70 399	126 304
Adjustment relating to fair value hedge accounting	-	-	-	(22)	(22)
Total	513	683	54 709	70 377	126 282

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



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	279	503	57 641	72 055	130 478
Treasury bonds (in PLN)	69	-	37 371	50 787	88 227
Treasury bonds (in foreign currencies)	2	350	2 007	-	2 359
corporate bonds (in PLN) secured with the State Treasury guarantees	4	-	9 894	12 092	21 990
municipal bonds (in PLN)	15	-	4 127	5 022	9 164
corporate bonds (in PLN) ¹	182	153	3 810	1 927	6 072
corporate bonds (in foreign currencies)	-	-	432	2 227	2 659
mortgage covered bonds	7	-	-	-	7
Equity securities	32	330	-	-	362
shares in other entities - not listed	-	308	-	-	308
shares in other entities - listed	31	22	-	-	53
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	1	-	-	-	1
Total (excluding adjustment relating to fair value hedge accounting)	311	833	57 641	72 055	130 840
Adjustment relating to fair value hedge accounting	-	-	-	(2)	(2)
Total	311	833	57 641	72 053	130 838

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.



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	54 263	2	425	54 690	409
Treasury bonds (in PLN)	36 476	-	-	36 476	-
Treasury bonds (in foreign currencies)	1 834	-	-	1 834	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9 004	-	-	9 004	-
municipal bonds (in PLN)	4 107	2	-	4 109	-
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	54 263	2	444	54 709	428
Treasury bonds (in PLN)	36 476	-	-	36 476	-
Treasury bonds (in foreign currencies)	1 834	-	-	1 834	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9 004	-	-	9 004	-
municipal bonds (in PLN)	4 107	2	-	4 109	-
corporate bonds (in PLN)	2 437	-	444	2 881	428
corporate bonds (in foreign currencies)	405	-	-	405	-
Measured at amortized cost					
Gross amount	70 167	286	-	70 453	-
Treasury bonds (in PLN)	48 984	-	-	48 984	-
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)	1 860	143	-	2 003	-
corporate bonds (in foreign currencies)	2 260	143	-	2 403	-
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	70 135	264	-	70 399	-
Treasury bonds (in PLN)	48 979	-	-	48 979	-
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)	1 856	129	-	1 985	-
corporate bonds (in foreign currencies)	2 257	135	-	2 392	-
Total securities					
Gross amount	124 430	288	425	125 143	409
Allowances for expected credit losses	(32)	(22)	19	(35)	19
Net amount	124 398	266	444	125 108	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	57 252	44	397	57 693	380
Treasury bonds (in PLN)	37 371	-	-	37 371	-
Treasury bonds (in foreign currencies)	2 007	-	-	2 007	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9 894	-	-	9 894	-
municipal bonds (in PLN)	4 083	44	-	4 127	-
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	57 252	44	345	57 641	328
Treasury bonds (in PLN)	37 371	-	-	37 371	-
Treasury bonds (in foreign currencies)	2 007	-	-	2 007	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9 894	-	-	9 894	-
municipal bonds (in PLN)	4 083	44	-	4 127	-
corporate bonds (in PLN)	3 465	-	345	3 810	328
corporate bonds (in foreign currencies)	432	-	-	432	-
Measured at: amortized cost					
Gross amount	71 709	402	-	72 111	-
Treasury bonds (in PLN)	50 787	-	-	50 787	-
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)	1 740	207	-	1 947	-
corporate bonds (in foreign currencies)	2 103	138	-	2 241	-
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	71 679	376	-	72 055	-
Treasury bonds (in PLN)	50 787	-	-	50 787	-
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)	1 737	190	-	1 927	-
corporate bonds (in foreign currencies)	2 097	130	-	2 227	-
Total securities					
Gross amount	128 961	446	397	129 804	380
Allowances for expected credit losses	(30)	(26)	(52)	(108)	(52)
Net amount	128 931	420	345	129 696	328



20. 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	3 968	12 521	100 531	117 020
housing *	2	12 521	74 858	87 381
consumer	3 966	-	25 673	29 639
SME	46	-	17 674	17 720
housing	-	-	5 406	5 406
corporate	46	-	12 268	12 314
corporate	41	-	74 133	74 174
housing	-	-	63	63
corporate	41	-	74 070	74 111
Loans and advances to customers (excluding adjustments relating to fair value hedge)	4 055	12 521	192 338	208 914
Adjustment relating to fair value hedge	-	-	(10)	(10)
Total	4 055	12 521	192 328	208 904

valuation of the portfolio of loans at fair value through other comprehensive income 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". The fair value adjustment on this account amounted to PLN 242 million.

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	13 531	102 189	120 182
housing	4	13 531	76 849	90 384
consumer	4 458	-	25 340	29 798
SME	43	-	17 343	17 386
housing	-	-	5 533	5 533
corporate	43	-	11 810	11 853
corporate	54	-	68 056	68 110
housing	-	-	75	75
corporate	54	-	67 981	68 035
Loans and advances to customers (excluding adjustments relating to fair value hedge)	4 559	13 531	187 588	205 678
Adjustment relating to fair value hedge	-	-	(1)	(1)
Total	4 559	13 531	187 587	205 677



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	11 175	1 328	18	12 521	1
housing loans	11 175	1 328	18	12 521	1
Net amount	11 175	1 328	18	12 521	1
housing loans	11 175	1 328	18	12 521	1
Measured at: amortized cost					
Gross amount	161 040	31 601	7 650	200 291	188
housing loans	67 860	12 726	1 794	82 380	87
corporate loans	70 803	15 330	4 254	90 387	48
consumer loans	22 377	3 545	1 602	27 524	53
Allowances for expected credit losses	(643)	(2 488)	(4 822)	(7 953)	(6)
housing loans	(54)	(716)	(1 283)	(2 053)	(20)
corporate loans	(341)	(1 172)	(2 536)	(4 049)	(15)
consumer loans	(248)	(600)	(1 003)	(1 851)	29
Net amount	160 397	29 113	2 828	192 338	182
housing loans	67 806	12 010	511	80 327	67
corporate loans	70 462	14 158	1 718	86 338	33
consumer loans	22 129	2 945	599	25 673	82
Loans and advances to customers, total					
Gross amount	172 215	32 929	7 668	212 812	189
Allowances for expected credit losses	(643)	(2 488)	(4 822)	(7 953)	(6)
Net amount	171 572	30 441	2 846	204 859	183



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	12 323	1 189	19	13 531	1
housing loans	12 323	1 189	19	13 531	1
Net amount	12 323	1 189	19	13 531	1
housing loans	12 323	1 189	19	13 531	1
Measured at: amortized cost					
Gross amount	158 334	28 933	7 977	195 244	169
housing loans	70 656	11 822	1 892	84 370	79
corporate loans	65 344	13 969	4 502	83 815	45
consumer loans	22 334	3 142	1 583	27 059	45
Allowances for expected credit losses	(614)	(2 003)	(5 039)	(7 656)	(2)
housing loans	(50)	(572)	(1 291)	(1 913)	(18)
corporate loans	(346)	(911)	(2 767)	(4 024)	(12)
consumer loans	(218)	(520)	(981)	(1 719)	28
Net amount	157 720	26 930	2 938	187 588	167
housing loans	70 606	11 250	601	82 457	61
corporate loans	64 998	13 058	1 735	79 791	33
consumer loans	22 116	2 622	602	25 340	73
Loans and advances to customers, total					
Gross amount	170 657	30 122	7 996	208 775	170
Allowances for expected credit losses	(614)	(2 003)	(5 039)	(7 656)	(2)
Net amount	170 043	28 119	2 957	201 119	168

21. 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	-	15	-	15
Liabilities for a short position in securities	-	15	-	15
Wyceniane według zamortyzowanego kosztu	240 379	63 543	18 303	322 225
Measured at amortized cost	191 419	45 108	15 777	252 304
Cash on current accounts and overnight deposits of which:	48 659	14 258	8 386	71 303
-savings accounts and other interest-bearing assets	47 345	17 675	2 517	67 537
Term deposits	1 615	760	9	2 384
Total	240 379	63 558	18 303	322 240



AMOUNTS DUE TO CUSTOMERS	Amounts due to households	Amounts due to corporate entities	Amounts due to public entities	Total
31.12.2021				
Measured at amortized cost	242 522	55 680	19 830	318 032
Cash on current accounts and overnight deposits of which:	203 299	45 442	19 731	268 472
-savings accounts and other interest-bearing assets	57 147	16 055	13 301	86 503
Term deposits	38 506	9 529	76	48 111
Other liabilities	717	709	23	1 449
Total	242 522	55 680	19 830	318 032

AMOUNTS DUE TO CUSTOMERS BY SEGMENT	30.06.2022	31.12.2021
retail and private banking	212 210	213 529
corporate	66 870	58 137
SME	43 160	46 366
Total	322 240	318 032

22. FINANCING RECEIVED

FINANCING RECEIVED	30.06.2022	31.12.2021
Loans and advances received from:	5 593	5 142
banks	20	13
international financial institutions	794	786
other financial institutions	4 779	4 343
Subordinated liabilities	2 750	2 716
Total	8 343	7 858

In the six-month period ended 30 June 2020, the Bank did not take out new loans and advances or repaid the existing ones.



Bank Polski

23. 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	672	99	595	15	55	47	91	42	1 616
Increases, including increases of existing provisions	37	3	202	13	1	-	25	12	293
Utilized amounts	-	(1)	(67)	(7)	(2)	(5)	(4)	(12)	(98)
Unused provisions reversed during the period	-	(1)	-	-	(1)	-	-	-	(2)
Other changes and reclassifications	2	1	-	1	-	-	-	-	4
As at the end of the period	711	101	730	22	53	42	112	42	1 813
Short-term provisions	622	-	-	22	7	42	112	-	805
Long-term provisions	89	101	730	-	46	-	-	42	1 008

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	626	96	426	23	61	38	77	120	1 467
Increases, including increases of existing provisions	-	3	91	26	-	-	29	16	165
Utilized amounts	-	(1)	(1)	(22)	(1)	(5)	(3)	(9)	(42)
Unused provisions reversed during the period	(46)	(1)	(1)	-	-	-	-	(5)	(53)
Other changes and reclassifications	(2)	1	-	-	-	-	-	2	1
As at the end of the period	578	98	515	27	60	33	103	124	1 538
Short-term provisions	493	-	-	27	6	33	103	-	662
Long-term provisions	85	98	515	-	54	-	-	124	876



24. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

30.06.2022	Gross amount	Impairment	Net amount
SUBSIDIARIES			
PKO Bank Hipoteczny S.A.	1 650	-	1 650
KREDOBANK S.A.	1 072	(845)	227
PKO Leasing S.A.	496	-	496
PKO Życie Towarzystwo Ubezpieczeń S.A.	241	-	241
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	225	-	225
PKO VC – fizan ¹	200	-	200
PKO BP BANKOWY PTE S.A.	151	(37)	114
NEPTUN – fizan ¹	132	-	132
Merkury – fiz an ¹	120	-	120
PKO Towarzystwo Ubezpieczeń SA	110	-	110
PKO Finance AB	24	-	24
PKO BP Finat sp. z o.o.	21	-	21
JOINT VENTURES			
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	197	-	197
Operator Chmury Krajowej sp. z o.o. ¹	78	-	78
ASSOCIATES			
Bank Pocztowy S.A.	184	(184)	-
„Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.	2	(2)	-
Adjustment relating to fair value hedge accounting	-	-	-
Total	4 903	(1 068)	3 835

Impairment testing of KREDOBANK S.A., carried out using the discounted dividend method on a quarterly basis, has shown an excess of value in use over the net carrying amount in recent years, but for prudential reasons the level of impairment charges on the Kredobank shares has been kept unchanged since 2015. A test performed as at 31 March 2022, taking into account the impact of the war in Ukraine to date (including an updated forecast of KREDOBANK S.A.'s future results), combined with the application of an additional discount of 25% related to the uncertainty of further developments, showed a need to increase the impairment charge by PLN 52 million and reduce the net carrying amount of KREDOBANK S.A.'s shares to PLN 227 million. A subsequent test conducted as at 30 June 2022 showed no need to change the level of the write-down, thus confirming the correctness of the main assumptions adopted previously in the valuation model.



31.12.2021	Gross amount	Impairment	Net amount
SUBSIDIARIES			
PKO Bank Hipoteczny S.A.	1 650	-	1 650
KREDOBANK S.A.	1 072	(793)	279
PKO Leasing S.A.	496	-	496
PKO Życie Towarzystwo Ubezpieczeń S.A.	241	-	241
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	225	-	225
PKO VC – fizan ¹	200	-	200
PKO BP BANKOWY PTE S.A.	151	(37)	114
NEPTUN – fizan ¹	132	-	132
Merkury – fiz an ¹	120	-	120
PKO Towarzystwo Ubezpieczeń SA	110	-	110
PKO Finance AB	24	-	24
PKO BP Finat sp. z o.o.	21	-	21
JOINT VENTURES			
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	197	-	197
Operator Chmury Krajowej sp. z o.o. ¹	78	-	78
ASSOCIATES			
Bank Pocztowy S.A.	184	(184)	-
„Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.	2	(2)	-
Adjustment relating to fair value hedge accounting	5	-	5
Total	4 908	(1 016)	3 892



25. DIVIDENDS AND PROFIT SHARING

The Bank's intention, in line with the dividend policy adopted in 2021, is to make stable dividend payments to shareholders over the long term while maintaining the principle of prudent management of the Bank in accordance with the requirements of the law and the PFSA's positions on the assumptions of the dividend policy 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 is based on an assumption of 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 commonly binding provisions of the law and the PFSA positions on the assumptions for 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.

26. 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	61 862	(140)	7 499	(301)	142	(36)	69 503	(477)	69 026
housing	4 540	(14)	135	(5)	3	(2)	4 678	(21)	4 657
corporate	48 664	(106)	5 615	(168)	118	(28)	54 397	(302)	54 095
consumer	8 658	(20)	1 749	(128)	21	(6)	10 428	(154)	10 274
Other	2 638	-	-	-	-	-	2 638	-	2 638
Total financial commitments granted, including:	64 500	(140)	7 499	(301)	142	(36)	72 141	(477)	71 664
irrevocable commitments granted	30 370	(51)	3 543	(151)	51	(21)	33 964	(223)	33 741
POCI	-	-	-	-	58	-	58	-	58
guarantees in domestic and foreign trading	10 141	(6)	1 032	(55)	598	(167)	11 771	(228)	11 543
to financial entities	4 385	-	-	-	-	-	4 385	-	4 385
to non-financial entities	5 733	(6)	1 032	(55)	598	(167)	7 363	(228)	7 135
to budget entities	23	-	-	-	-	-	23	-	23
domestic corporate bonds (to financial entities)	2 000	-	-	-	-	-	2 000	-	2 000
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	66	-	-	-	-	-	66	-	66
Total guarantees and pledges granted, including:	14 540	(11)	1 050	(56)	598	(167)	16 188	(234)	15 954
irrevocable commitments granted	7 107	(6)	1 022	(55)	589	(167)	8 718	(228)	8 490
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	79 040	(151)	8 549	(357)	740	(203)	88 329	(711)	87 618



Bank Polski

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2021	STAGE 1		STAGE 2		STAGE 3		Total	Provisions per IFRS 9	Net amount
	Nominal value	Provision	Nominal value	Provision	Nominal value	Provision			
Credit lines and limits	59 496	(122)	8 572	(262)	98	(28)	68 166	(412)	67 754
housing	5 073	(12)	131	(5)	4	(2)	5 208	(19)	5 189
corporate	45 466	(95)	6 945	(187)	71	(20)	52 482	(302)	52 180
consumer	8 957	(15)	1 496	(70)	23	(6)	10 476	(91)	10 385
Other	2 670	-	-	-	-	-	2 670	-	2 670
Total financial commitments granted, including:	62 166	(122)	8 572	(262)	98	(28)	70 836	(412)	70 424
irrevocable commitments granted	23 910	(47)	4 401	(129)	56	(14)	28 367	(190)	28 177
POCI	-	-	-	-	14	(1)	14	(1)	13
guarantees in domestic and foreign trading	9 645	(9)	1 838	(56)	469	(191)	11 952	(256)	11 696
to financial entities	4 201	-	-	-	-	-	4 201	-	4 201
to non-financial entities	5 418	(9)	1 838	(56)	469	(191)	7 725	(256)	7 469
to public entities	26	-	-	-	-	-	26	-	26
domestic corporate bonds (to financial entities)	2 000	-	-	-	-	-	2 000	-	2 000
domestic municipal bonds (state budget entities)	408	-	-	-	-	-	408	-	408
letters of credit (to non-financial entities)	1 172	-	65	(4)	1	-	1 238	(4)	1 234
payment guarantees to financial entities	80	-	-	-	-	-	80	-	80
Total guarantees and pledges granted, including:	13 305	(9)	1 903	(60)	470	(191)	15 678	(260)	15 418
irrevocable commitments granted	6 681	(8)	1 834	(56)	469	(191)	8 984	(255)	8 729
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	75 471	(131)	10 475	(322)	568	(219)	86 514	(672)	85 842



Bank Polski

- **OFF-BALANCE SHEET LIABILITIES RECEIVED**

OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE	30.06.2022	31.12.2021
Financial	590	107
Guarantees	7 542	6 692
Total	8 132	6 799

- **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	36	15
property, plant and equipment	-	20
Total	36	35

27. LEGAL CLAIMS

As at 30 June 2022, the total value of the subject matter of litigation in court proceedings (trials) pending in which PKO Bank Polski S.A. is a defendant amounted to PLN 5 938 million (as at 31 December 2021: PLN 4 302 million), and the total value of the subject matter of litigation in court proceedings (trials) pending in which PKO Bank Polski S.A. was the claimant as at 30 June 2022 was PLN 2 151 million (as at 31 December 2021: PLN 2 038 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 Bank 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 seven judges of the Civil Chamber, passed the following resolution in the 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 credit 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 start to run the statute of limitations.

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 the ruling dated 21 November 2013 SOKiK reduced the fine 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.

- **RE-PRIVATIZATION CLAIMS RELATING TO PROPERTIES USED BY THE BANK**

As at the date of these financial statements, two proceedings are being conducted 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.

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

28. 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 Bank receives payments from the State budget as 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, and reimbursement of guarantee bonuses paid, the borrowers acquired the right to be forgiven the remaining debt by the State Treasury, which will result in gradual (until 2026) full settlement of the housing loan indebtedness from the so-called "old" portfolio. The Bank conducts settlements related to the purchase of interest on housing loans by the State Treasury and in the six-month period 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 Bank 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 Bank received commission of less than PLN 1 million.

Biuro Maklerskie PKO BP plays the role of an agent for the issue of retail treasury bonds under the agreement signed with the Ministry of Finance on 11 February 2003. Pursuant to the agreement, Biuro Maklerskie PKO BP 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 loans and advances, credit lines and 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 between the Bank as the parent and its subsidiaries, associates and joint ventures are presented in the table below. All transactions presented 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
KREDOBANK SA and its subsidiary	-	-	373	354
Merkury - fiz an and its subsidiaries	-	-	18	-
NEPTUN - fizan and its subsidiaries	154	154	31	-
PKO Bank Hipoteczny SA	8 302	8 240	599	4 951
PKO BP BANKOWY PTE SA	-	-	24	-
PKO BP Finat sp. z o.o.	-	-	28	10
PKO Finance AB	882	-	5 035	-
PKO Leasing SA and its subsidiaries	20 290	20 289	19	5 986
PKO Towarzystwo Funduszy Inwestycyjnych SA	-	-	127	-
PKO Towarzystwo Ubezpieczeń SA	-	-	25	1
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	-	-	165	-
Total	29 628	28 683	6 444	11 302

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
KREDOBANK SA and its subsidiary	1	1	-	-
NEPTUN - fizan and its subsidiaries	1	1	-	-
PKO Bank Hipoteczny SA	310	302	-	-
PKO BP Finat sp. z o.o.	2	-	4	-
PKO Finance AB	19	19	102	102
PKO Leasing SA and its subsidiaries	380	378	-	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	145	2	2	2
PKO Towarzystwo Ubezpieczeń SA	22	22	-	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	49	19	1	1
Total	929	744	109	105



31.12.2021 Company name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
KREDOBANK SA and its subsidiary	19	-	29	325
NEPTUN - fizan and its subsidiaries	130	130	31	-
PKO Bank Hipoteczny SA	6 597	6 545	842	4 665
PKO BP BANKOWY PTE SA	-	-	10	-
PKO BP Finat sp. z o.o.	-	-	36	10
PKO Finance AB	802	-	4 637	-
PKO Leasing SA and its subsidiaries	19 018	19 018	212	4 940
PKO Towarzystwo Funduszy Inwestycyjnych SA	-	-	194	-
PKO Towarzystwo Ubezpieczeń SA	-	-	40	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	-	-	342	-
Total	26 566	25 693	6 373	9 940

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
KREDOBANK SA and its subsidiary	1	1	-	-
NEPTUN - fizan and its subsidiaries	1	1	-	-
PKO Bank Hipoteczny SA	53	42	3	3
PKO BP Finat sp. z o.o.	1	-	3	-
PKO Finance AB	17	17	92	92
PKO Leasing SA and its subsidiaries	310	81	-	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	127	3	-	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	53	-	5	5
Total	563	145	103	100

30.06.2022 roku 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 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.

29. FAIR VALUE HIERARCHY

The classification of financial instruments and the methods for determining their fair value are described in the financial statements of PKO Bank Polski SA for the year 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	645	-	645	-
Other derivative instruments	19 630	1	19 629	-
Securities	55 905	43 527	11 293	1 085
held for trading	513	470	-	43
debt securities	486	443	-	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	683	342	1	340
debt securities	368	322	-	46
shares in other entities - listed	20	20	-	-
shares in other entities - not listed	295	-	1	294
measured at fair value through other comprehensive income - debt securities	54 709	42 715	11 292	702
Loans and advances to customers	16 576	-	-	16 576
not held for trading, measured at fair value through profit or loss	4 055	-	-	4 055
housing loans	2	-	-	2
corporate loans	87	-	-	87
consumer loans	3 966	-	-	3 966
measured at fair value through other comprehensive income - housing loans	12 521	-	-	12 521
Total financial assets measured at fair value	92 756	43 528	31 567	17 661

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	9 287	-	9 287	-
Other derivative instruments	19 751	1	19 750	-
Liabilities for a short position in securities	15	15	-	-
Total financial liabilities measured at fair value	29 053	16	29 037	-

ASSETS MEASURED AT FAIR VALUE 31.12.2021	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	327	-	327	-
Other derivative instruments	11 143	-	11 143	-
Securities	58 785	44 748	12 912	1 125
held for trading	311	254	-	57
debt securities	279	222	-	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	833	373	1	459
debt securities	503	351	-	152
shares in other entities - listed	22	22	-	-
shares in other entities - not listed	308	-	1	307
measured at fair value through OCI	57 641	44 121	12 911	609
Loans and advances to customers	18 090	-	-	18 090
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 OCI - housing loans	13 531	-	-	13 531
Total financial assets measured at fair value	88 345	44 748	24 382	19 215

LIABILITIES MEASURED AT FAIR VALUE 31.12.2021	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	4 624	-	4 624	-
Other derivative instruments	11 704	-	11 704	-
Total financial liabilities measured at fair value	16 328	-	16 328	-

During the six months ended 30 June 2022, there were no changes in valuation techniques, inputs for the different levels of the fair value hierarchy and no transfers between valuation levels, except that the fair value measurement of the mortgage portfolio measured at fair value through other comprehensive income took into account the effect of statutory credit holidays (see [note "The impact of the Act on crowdfunding for business ventures and assistance to borrowers"](#)).

IMPACT OF ESTIMATES ON FAIR VALUE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS	30.06.2022		31.12.2021	
	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	16 777	16 101	18 307	17 576

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

² 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

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

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

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	19 215	21 382
Increase/ decrease in exposure to equity instruments	(26)	(126)
Increase/ decrease in exposure to corporate bond	(18)	-
Increase/ decrease in exposure to loans and advances to customers	(1 318)	(927)
Reclassification from measured at "amortized cost" to "measured at fair value through profit or loss"	(95)	14
Net gain/(loss) on financial instruments measured at fair value through profit or loss	(48)	(82)
Change in the valuation recognized in OCI	(65)	(215)
Foreign exchange differences	12	(12)
Other	4	-
As at the end of the period	17 661	20 034

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

Methods and assumptions for determining fair value are described in the Bank's financial statements for 2021.

30.06.2022	carrying amount	Level 1	Level 2	Level 3
Cash and balances with Central Bank	10 490	10 490	-	-
Amounts due from banks	23 661	-	23 658	-
Securities (excluding adjustments relating to fair value hedge accounting)	70 399	50 782	7 324	1 679
treasury bonds (in PLN)	48 979	40 879	-	-
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)	1 985	-	-	1 679
corporate bonds (in foreign currencies)	2 392	-	2 227	-
Reverse repo transactions	40	-	40	-
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	192 338	-	-	193 398
housing loans	80 327	-	-	78 816
corporate loans	86 338	-	-	88 365
consumer loans	25 673	-	-	26 217
Other financial assets	1 644	-	-	1 644
Amounts due to Central bank	9	-	9	-
Amounts due to banks	5 109	-	5 109	-
Repo transactions	49	-	49	-
Amounts due to customers	322 225	-	-	321 783
amounts due to households*	240 379	-	-	239 936
amounts due to business entities	63 543	-	-	63 543
amounts due to public sector	18 303	-	-	18 304
Loans and advances received	5 593	-	-	5 600
Subordinated liabilities	2 750	-	2 696	-
Other financial liabilities	4 447	-	-	4 447

* 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	11 421	11 421	-	-
Amounts due from banks	14 296	-	14 295	-
Securities (excluding adjustments relating to fair value hedge accounting)	72 055	57 899	7 320	1 770
treasury bonds (in PLN)	50 787	46 836	-	-
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)	1 927	-	-	1 770
corporate bonds (in foreign currencies)	2 227	-	2 245	-
Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)	187 588	-	-	189 672
housing loans	82 457	-	-	82 131
corporate loans	79 791	-	-	81 664
consumer loans	25 340	-	-	25 877
Other financial assets	1 825	-	-	1 825
Amounts due to the Central Bank	8	-	8	-
Amounts due to banks	3 762	-	3 762	-
Repo transactions	49	-	49	-
Amounts due to customers	318 032	-	-	318 015
amounts due to households	242 522	-	-	242 506
amounts due to business entities	55 680	-	-	55 679
amounts due to public sector	19 830	-	-	19 830
Loans and advances received	5 142	-	-	5 262
Subordinated liabilities	2 716	-	2 719	-
Other financial liabilities	3 322	-	-	3 322

RISK MANAGEMENT

31. PRINCIPLES OF RISK MANAGEMENT

Risk management is one of the most important internal processes in the Bank.

It is aimed at ensuring (in a changing environment) the profitability of business activities while ensuring an appropriate level of control and keeping the risk level within the risk tolerances and limits system adopted by the Bank, in a changing macroeconomic environment. The level of risk is an important part of the planning processes.

The Bank 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 for the Bank: credit risk, risk of foreign currency mortgage loans for households, foreign exchange risk, interest rate risk, liquidity risk (including financing risk), operating risk, business risk, risk of macroeconomic changes and model risk. The Bank assesses the materiality of all the identified risks on a regular basis, at least annually.

A detailed description of the management of significant risks is included in the 2021 financial statements and 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 reduce 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 on 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 CRR² 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 mortgages, which has an impact on both measures of interest income sensitivity and the Bank's economic value sensitivity.

The specific measures taken by the Bank 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 BANK POLSKI S.A.”](#) section [“RISK MANAGEMENT IN CONNECTION WITH THE SITUATION IN UKRAINE”](#).

Financial data on the securities portfolio, loans and advances to customers and off-balance-sheet liabilities by phase, as well as information on the allowance for expected credit losses, are presented in the relevant notes in the [“NOTES TO THE FINANCIAL STATEMENTS”](#).

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



32. CAPITAL ADEQUACY

	30.06.2022	31.12.2021 data transformed	31.12.2021 data published
Equity	29 364	36 073	36 073
capital: share capital, supplementary capital, other reserves, and general risk reserve	31 534	31 534	31 534
retained earnings	7 809	5 500	5 500
net profit or loss for the year	1 782	4 596	4 596
other comprehensive income and non-controlling interests	(11 761)	(5 557)	(5 557)
Exclusions from equity:	(5 580)	894	894
net profit or loss for the year	1 782	4 596	4 596
cash flow hedges	(7 362)	(3 702)	(3 702)
Other fund reductions:	4 513	3 336	3 417
goodwill	755	755	755
other intangible assets	1 238	1 333	1 333
additional asset adjustments (AVA, DVA, NPE)	2 520	1 248	1 329
Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI according to Art. 468 of the CRR	1 632	1 249	1 249
Temporary reversal of IFRS 9 impact	1 049	1 555	1 361
Profit/(loss) for the current year	-	2 309	2 073
Tier 1 capital	33 112	36 956	36 445
Tier 2 capital (subordinated debt)	2 700	2 700	2 700
Own funds	35 812	39 656	39 145
Capital requirements for own funds	15 743	15 685	15 787
Credit risk	13 732	13 967	14 069
Operational risk	1 818	1 490	1 490
Market risk	138	183	183
Credit valuation adjustment risk	55	45	45
Total capital ratio	18,20	20,23	19,84
Tier 1 capital ratio	16,83	18,85	18,47

The minimum level of the Bank's capital ratios, taking into account the combined buffer requirement and the capital surcharge for foreign currency loans (both as at June 30, 2022 and December 31, 2021 respectively) was for the total capital ratio: 11.63% and for the Tier 1 capital ratio: 9.6%.



33. 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	MIECZYSLAW 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