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Bank Polski

**Condensed interim separate
financial statements
of PKO Bank Polski S.A.
for the six-month period ended
30 June 2024**

SELECTED FINANCIAL DATA	PLN million			EUR million		
	01.01-30.06.2024	01.01-30.06.2023	Change % (A-B)/B	01.01-30.06.2024	01.01-30.06.2023	Change % (D-E)/E
	A	B	C	D	E	F
Net interest income	9,755	8,043	21.3	2,263	1,744	29.8
Net fee and commission income	2,202	1,879	17.2	511	407	25.6
Net expected credit losses and net impairment allowances on non-financial assets	(643)	(505)	27.3	(149)	(109)	36.7
Administrative expenses	(3,656)	(3,259)	12.2	(848)	(706)	20.1
Profit before tax	5,976	2,815	112.3	1,386	610	127.2
Net profit	4,626	1,948	137.5	1,073	422	154.3
Earnings per share for the period - basic (in PLN/EUR)	3.70	1.56	137.2	0.86	0.34	152.9
Earnings per share for the period - diluted (in PLN/EUR)	3.70	1.56	137.2	0.86	0.34	152.9
Net comprehensive income	5,135	5,137	-	1,191	1,114	6.9
Total net cash flows	(3,227)	(3,867)	(16.6)	(749)	(838)	(10.6)

SELECTED FINANCIAL DATA	PLN million			EUR million		
	30.06.2024	31.12.2023	Change % (A-B)/B	30.06.2024	31.12.2023	Change % (D-E)/E
	A	B	C	D	E	F
Total assets	481,674	474,680	1.5	111,680	109,172	2.3
Total equity	44,852	42,954	4.4	10,399	9,879	5.3
Share capital	1,250	1,250	-	290	287	1
Number of shares (in million)	1,250	1,250	-	1,250	1,250	-
Book value per share (in PLN/EUR)	35.88	34.36	4.4	8.32	7.90	5.3
Diluted number of shares (in million)	1,250	1,250	-	1,250	1,250	-
Diluted book value per share (in PLN/EUR)	35.88	34.36	4.4	8.32	7.90	5.3
Total Capital Ratio (%)	19.71	21.02	(6.2)	19.71	21.02	(6.2)
Tier 1	39,692	39,864	(0.4)	9,203	9,168	0.4
Tier 2	1,811	2,080	(12.9)	420	478	(12.1)

SELECTED FINANCIAL STATEMENT ITEMS HAVE BEEN TRANSLATED INTO EUR AT THE FOLLOWING RATES	01.01-30.06.2024	01.01-30.06.2023
arithmetic mean of the NBP exchange rates at the end of a month (income statement, statement of comprehensive income and cash flow statement items)	4.3109	4.6130
	30.06.2024	31.12.2023
NBP mid exchange rates at the date indicated (statement of financial position items)	4.3130	4.3480

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INCOME STATEMENT

INCOME STATEMENT	2 nd quarter period from 01.04.2024 to 30.06.2024	2 quarters period from 01.01.2024 to 30.06.2024	2 nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023
Net interest income	4,840	9,755	4,123	8,043
Interest income	7,048	14,317	7,241	14,016
of which calculated under the effective interest rate method	6,942	14,095	7,097	13,725
Interest expense	(2,208)	(4,562)	(3,118)	(5,973)
Net fee and commission income	1,090	2,202	948	1,879
Fee and commission income	1,475	2,912	1,349	2,656
Fee and commission expense	(385)	(710)	(401)	(777)
Net other income	1,120	1,234	594	675
Dividend income	974	974	599	631
Gains/(losses) on financial transactions	43	90	(7)	6
Net foreign exchange gains/ (losses)	69	128	(21)	24
Gains/(losses) on derecognition of financial instruments	17	31	9	23
including measured at amortized cost	7	16	4	8
Net other operating income and expense, of which:	17	11	14	(9)
other operating income	36	76	46	82
other operating expenses	(19)	(65)	(32)	(91)
Result on business activities	7,050	13,191	5,665	10,597
Net allowances for expected credit losses	(187)	(376)	(219)	(480)
Impairment of non-financial assets	(187)	(267)	(12)	(25)
Cost of legal risk of mortgage loans in convertible currencies	(982)	(2,320)	(2,474)	(3,441)
Administrative expenses	(1,721)	(3,656)	(1,517)	(3,259)
of which net regulatory charges	(55)	(425)	(44)	(394)
Tax on certain financial institutions	(308)	(596)	(295)	(577)
Profit before tax	3,665	5,976	1,148	2,815
Income tax	(805)	(1,350)	(456)	(867)
Net profit	2,860	4,626	692	1,948
Earnings per share				
– basic earnings per share for the period (PLN)	2.29	3.70	0.55	1.56
– diluted earnings per share for the period (PLN)*	2.29	3.70	0.55	1.56
Weighted average number of ordinary shares during the period (in million)*	1,250	1,250	1,250	1,250

*Both in the period of three and six months ended 30 June 2024 and in the corresponding periods of 2023, 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	2 nd quarter period from 01.04.2024 to 30.06.2024	2 quarters period from 01.01.2024 to 30.06.2024	2 nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023
Net profit	2,860	4,626	692	1,948
Other comprehensive income	197	509	1,253	3,189
Items which may be reclassified to profit or loss	197	509	1,253	3,189
Cash flow hedges (net)	215	161	908	2,082
Cash flow hedges (gross)	266	199	1,120	2,570
Deferred tax	(51)	(38)	(212)	(488)
Fair value of financial assets measured at fair value through other comprehensive income (net)	(19)	347	345	1,108
Remeasurement of fair value, gross	(13)	444	430	1,383
Gains /losses transferred to the profit or loss (on disposal)	(10)	(15)	(5)	(15)
Deferred tax	4	(82)	(80)	(260)
Currency translation differences on foreign operations	1	1	-	(1)
Total net comprehensive income	3,057	5,135	1,945	5,137

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION	30.06.2024	31.12.2023
ASSETS	481,674	474,680
Cash and balances with the Central Bank	17,146	17,676
Amounts due from banks	14,218	16,900
Hedging derivatives	760	1,084
Other derivative instruments	6,814	8,752
Securities (note 4)	194,909	191,439
Reverse repo transactions	493	372
Loans and advances to customers (note 5)	232,181	223,670
Property, plant and equipment	2,699	2,731
Assets held for sale	19	139
Intangible assets	3,240	3,288
Investments in subsidiaries	3,560	3,440
Investments in associates and joint ventures	275	275
Deferred tax assets	2,939	3,048
Other assets	2,421	1,866
LIABILITIES AND EQUITY	481,674	474,680
Liabilities	436,822	431,726
Amounts due to Central bank	11	10
Amounts due to banks	3,363	3,250
Hedging derivatives	2,300	2,456
Other derivative instruments	7,481	9,902
Repo transactions	10	-
Amounts due to customers (note 6)	394,160	394,551
Liabilities in respect of debt securities in issue	8,646	3,421
Subordinated liabilities	2,767	2,774
Other liabilities	12,289	10,235
Current income tax liabilities	740	1,008
- of the Bank	670	992
- of the subsidiaries belonging to the Tax Group	70	16
Provisions	5,055	4,119
EQUITY	44,852	42,954
Share capital	1,250	1,250
Reserves and accumulated other comprehensive income	29,539	27,399
Retained earnings	9,437	9,437
Net profit or loss for the period	4,626	4,868

STATEMENT OF CHANGES IN EQUITY

FOR 6 MONTHS ENDED 30 JUNE 2024	Share capital	Reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the period	Total equity
		Reserves			Accumulated other comprehensive income	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	6,775	(2,914)	27,399	9,437	4,868	42,954
Transfer from retained earnings	-	-	-	-	-	-	4,868	(4,868)	-
Dividend	-	-	-	-	-	-	(3,237)	-	(3,237)
Transfer of profit to reserve capital for the payment of dividends, including interim dividends*	-	-	-	1,631	-	1,631	(1,631)	-	-
Comprehensive income	-	-	-	-	509	509	-	4,626	5,135
As at the end of the period	1,250	22,468	1,070	8,406	(2,405)	29,539	9,437	4,626	44,852

* For information on the distribution of profit for 2023, see Note 36 "Dividends and profit appropriation" of the condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the six months ended 30 June 2024

FOR 6 MONTHS ENDED 30 JUNE 2023	Share capital	Reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the period	Total equity
		Reserves			Accumulated other comprehensive income	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	(8,516)	21,768	7,808	3,258	34,084
Transfer from retained earnings	-	-	-	-	-	-	3,258	(3,258)	-
Distribution of profit to be used for dividend payments, including interim dividends	-	-	-	1,629	-	1,629	(1,629)	-	-
Comprehensive income	-	-	-	-	3,189	3,189	-	1,948	5,137
As at the end of the period	1,250	22,468	1,070	8,375	(5,327)	26,586	9,437	1,948	39,221

Accumulated other comprehensive income					
FOR 6 MONTHS ENDED 30 JUNE 2024	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period	(1,189)	(1,701)	(22)	(2)	(2,914)
Comprehensive income	347	161	-	1	509
As at the end of the period	(842)	(1,540)	(22)	(1)	(2,405)

Accumulated other comprehensive income					
FOR 6 MONTHS ENDED 30 JUNE 2023	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period	(3,469)	(5,028)	(19)	-	(8,516)
Comprehensive income	1,108	2,082	-	(1)	3,189
As at the end of the period	(2,361)	(2,946)	(19)	(1)	(5,327)

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS	01.01-30.06.2024	01.01-30.06.2023 (restated)
Cash flows from operating activities		
Profit before tax	5,976	2,815
Income tax paid	(1,680)	(978)
Total adjustments:	(15,131)	10,741
Depreciation and amortization	521	468
(Gains)/losses on investing activities	(4)	(9)
Net interest income (from income statement)	(9,755)	(8,043)
Interest received	10,164	9,905
Interest paid	(4,709)	(5,618)
Dividends received	(564)	(271)
Change in:		
amounts due from banks	(81)	(739)
hedging derivatives	1	(2,711)
other derivative instruments	(483)	(31)
securities	(3,099)	(3,637)
loans and advances to customers	(8,148)	(3,051)
reverse repo transactions	(121)	(5,132)
assets held for sale	120	-
other assets	(791)	(273)
accumulated allowances for expected credit losses	128	226
accumulated allowances on non-financial assets and other provisions	1,154	725
amounts due to the Central Bank	-	32
amounts due to banks	111	26
amounts due to customers	(37)	26,393
repo transactions	10	99
loan and advances received	-	(3)
liabilities in respect of debt securities in issue	(61)	(210)
other liabilities	559	182
Other adjustments	(46)	2,413
Net cash from/used in operating activities	(10,835)	12,578

STATEMENT OF CASH FLOWS	01.01-30.06.2024	01.01-30.06.2023 (restated)
Cash flows from investing activities		
Inflows from investing activities	433,333	293,924
Redemption and sale of securities measured at fair value through other comprehensive income	425,804	288,096
Interest received on securities measured at fair value through other comprehensive income	2,277	2,085
Redemption of securities measured at amortized cost	3,644	2,464
Interest received on securities measured at amortized cost	1,025	908
Proceeds from disposal of intangible assets, property, plant and equipment and assets held for sale	19	22
Other inflows from investing activities including dividends	564	349
Outflows on investing activities	(429,015)	(313,626)
Purchase of securities measured at fair value through other comprehensive income	(410,937)	(307,588)
Purchase of securities measured at amortized cost	(17,782)	(5,427)
Purchase of intangible assets and property, plant and equipment	(296)	(611)
Net cash from/used in investing activities	4,318	(19,702)
Cash flows from financing activities		
Distribution of interim dividend	(1,600)	-
Proceeds from debt securities in issue	5,330	3,531
Payment of lease liabilities	(141)	(128)
Repayment of interest on long-term liabilities	(299)	(146)
Net cash from financing activities	3,290	3,257
Total net cash flows	(3,227)	(3,867)
of which foreign exchange differences on cash and cash equivalents	39	(149)
Cash and cash equivalents at the beginning of the period	29,851	29,611
Cash and cash equivalents at the end of the period	26,624	25,744

SUPPLEMENTARY INFORMATION

1. APPROVAL OF THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

These condensed interim separate financial statements of PKO Bank Polski S.A. (the **FINANCIAL STATEMENTS**), reviewed by the Audit Committee of the Supervisory Board and reviewed by the Supervisory Board on 21 August 2024, were approved for publication by the Management Board on 21 August 2024.

2. REPRESENTATION BY THE MANAGEMENT BOARD

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.

3. THE BASIS FOR PREPARATION OF THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

The Bank has prepared its condensed interim separate financial statements in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" as endorsed by the European Union. These condensed interim separate financial statements of the Bank for the six-month period ended 30 June 2024 do not comprise all the information and disclosures which may be required in annual separate financial statements and should be read jointly with the annual financial statements of PKO Bank Polski S.A. for the year ended 31 December 2023 that were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union.

These financial statements should also be read jointly with the condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the six-month period ended 30 June 2024 (hereinafter the Group financial statements), which present a number of disclosures also applicable to the financial statements of the Bank.

The financial statements cover the three- and six-month period ended 30 June 2024 and contains comparative figures:

- the three- and six-month period ended 30 June 2023 with regard to the income statement and statement of comprehensive income,
- the six-month period ended 30 June 2023 with regard to the statement of changes in equity, and statement of cash flows,
- as at 31 December 2023 with regard to the statement of financial position.

The financial data is presented in millions of Polish zlotys (PLN), unless otherwise indicated. Figures have been rounded to the nearest million Polish zloty and any differences from previously published figures may be due to rounding.

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 2023, described in detail in the separate financial statements of PKO Bank Polski S.A. for the year ended 31 December 2023. In addition, the Bank has taken into account the principle of recognising income tax expense based on the best estimate of the weighted average annual income tax rate expected by the Bank for the full financial year.

With the exception of the changes required by standards and amendments to standards that became effective as of 1 January 2024, the Bank has not implemented any new accounting policies since 1 January 2024. The amendments to the standards, which are effective as of 1 January 2024, did not have a material impact on the Bank's financial statements.

In these financial statements, the comparative figures in the statement of cash flows for the six-month period ended 30 June 2023 were restated from those previously published.

The restatement concerned the presentation of cash flows from interest income and interest expense relating to operating activities. Following the restatement, interest received and interest paid relating to operating activities is presented under separate line items in the statement of cash flows from operating activities. The Bank has restated the comparative figures accordingly.

The presentation of net interest income in the statement of cash flows and the separation of realised interest (interest received and interest paid) has, in the Bank's opinion, contributed to the transparency of the disclosure and brought it in line with market practice.

CASH FLOWS FROM OPERATING ACTIVITIES - SELECTED DATA	01.01-30.06.2023 before restatement	change	01.01-30.06.2023 restated
Total adjustments	10,741		10,741
Interest and dividends received (previous item)	(3,264)	3,264	-
Interest paid (previous item)	146	(146)	-
Net interest income (from income statement) (new item)	-	(8,043)	(8,043)
Interest received (new item)	-	9,905	9,905
Interest paid (new item)	-	(5,618)	(5,618)
Dividends received (new item)	-	(271)	(271)
Change in:			
amounts due from banks	(728)	(11)	(739)
hedging derivatives	(2,947)	236	(2,711)
securities	(3,731)	94	(3,637)
loans and advances to customers	(4,177)	1,126	(3,051)
reverse repo transactions	(5,136)	4	(5,132)
amounts due to banks	28	(2)	26
amounts due to customers	26,854	(461)	26,393
repo transactions	100	(1)	99
loan and advances received	(4)	1	(3)
liabilities in respect of debt securities in issue	(129)	(81)	(210)
subordinated liabilities	(4)	4	-
Net cash from/used in operating activities	12,578	-	12,578

4. SECURITIES

SECURITIES	30.06.2024	31.12.2023
Debt securities	194,541	191,092
NBP money bills	14,986	28,974
treasury bonds (in PLN)	125,114	109,031
treasury bonds (in foreign currencies)	6,036	4,034
corporate bonds (in PLN) secured with the State Treasury guarantees	21,376	23,808
municipal bonds (in PLN)	13,777	13,767
corporate bonds (in PLN) ¹	5,931	5,121
corporate bonds (in foreign currencies) ²	7,315	6,329
mortgage covered bonds	6	28
Equity securities	391	368
Total (excluding adjustment relating to fair value hedge accounting)	194,932	191,460
Adjustment relating to hedge accounting	(23)	(21)
Total	194,909	191,439

¹ The item includes, among other items, bonds of international financial organizations of PLN 4,065 million (PLN 3,658 million as at 31 December 2023)

² The item includes, among other items, bonds of international financial organizations of PLN 5,340 million (PLN 4,376 million as at 31 December 2023).

5. LOANS AND ADVANCES TO CUSTOMERS

In the measurement of the portfolio of loans, the Bank has taken into account the effect of credit holidays referred to in note 21 "Loans and advances to customers" to the Group financial statements.

LOANS AND ADVANCES TO CUSTOMERS	30.06.2024	31.12.2023
real estate	100,322	94,248
business	98,987	98,063
consumer	32,874	31,361
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	232,183	223,672
Adjustment relating to hedge accounting	(2)	(2)
Total	232,181	223,670

LOANS AND ADVANCES TO CUSTOMERS 30.06.2024	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	2,427	10,240	115,535	128,202
real estate	2	10,240	85,086	95,328
consumer	2,425	-	30,449	32,874
businesses	57	-	13,515	13,572
real estate	-	-	4,914	4,914
business	57	-	8,601	8,658
corporate	16	-	90,393	90,409
real estate	-	-	80	80
business	16	-	90,313	90,329
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	2,500	10,240	219,443	232,183
Adjustment relating to hedge accounting	-	-	(2)	(2)
Total	2,500	10,240	219,441	232,181

LOANS AND ADVANCES TO CUSTOMERS ¹ (restated) 31.12.2023	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	2,777	10,751	106,899	120,427
real estate	1	10,751	78,314	89,066
consumer	2,776	-	28,585	31,361
firm¹	52	-	12,292	12,344
real estate	-	-	5,056	5,056
business	52	-	7,236	7,288
korporacyjne¹	29	-	90,872	90,901
real estate	-	-	126	126
business	29	-	90,746	90,775
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	2,858	10,751	210,063	223,672
Adjustment relating to hedge accounting	-	-	(2)	(2)
Total	2,858	10,751	210,061	223,670

¹ Figures for 2023 have been adjusted for comparability. The changes are described in note 10 "Segment reporting" to the Group financial statements.

6. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS 30.06.2024	30.06.2024	31.12.2023
Measured at fair value through profit or loss	34	277
Liabilities in respect of a short position in securities	34	277
Measured at amortized cost	393,932	393,862
Cash on current accounts and overnight deposits of which	273,773	267,625
savings accounts and other interest-bearing assets	71,761	77,446
Term deposits	118,565	125,045
Other liabilities	1,594	1,192
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	393,966	394,139
Adjustment relating to hedge accounting	194	412
Total	394,160	394,551

7. OFF-BALANCE SHEET LIABILITIES RECEIVED AND GRANTED

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 30.06.2024	Notional amount	Provisions per IFRS 9	Net carrying amount
Credit lines and limits	86,382	(686)	85,696
real estate	6,433	(25)	6,408
business	68,701	(538)	68,163
consumer	11,248	(123)	11,125
Other	3,717	-	3,717
Total financial commitments granted, including:	90,099	(686)	89,413
irrevocable commitments granted	43,139	(336)	42,803
POCI	3	-	3
Guarantees and sureties granted			
guarantees in domestic and foreign trading	11,835	(88)	11,747
domestic corporate bonds	1,000	-	1,000
domestic municipal bonds	1,091	(3)	1,088
letters of credit	1,366	(3)	1,363
payment guarantee	101	-	101
Total guarantees and sureties granted, including:	15,393	(94)	15,299
irrevocable commitments granted	8,293	(75)	8,218
performance guarantee	3,764	(47)	3,717
POCI	444	(2)	442
Total financial and guarantee commitments granted	105,492	(780)	104,712

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2023	Notional amount	Provisions per IFRS 9	Net carrying amount
Credit lines and limits	82,295	(639)	81,656
real estate	6,807	(20)	6,787
business	64,767	(497)	64,270
consumer	10,721	(122)	10,599
Other	3,884	-	3,884
Total financial commitments granted, including:	86,179	(639)	85,540
irrevocable commitments granted	39,995	(415)	39,580
POCI	2	-	2
Guarantees and sureties granted			
guarantees in domestic and foreign trading	12,241	(106)	12,135
domestic corporate bonds	1,000	-	1,000
domestic municipal bonds	243	-	243
letters of credit	1,277	(3)	1,274
payment guarantee	116	-	116
Total guarantees and sureties granted, including:	14,877	(109)	14,768
irrevocable commitments granted	8,194	(94)	8,100
performance guarantee	3,592	(57)	3,535
POCI	452	(2)	450
Total financial and guarantee commitments granted	101,056	(748)	100,308

OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE	30.06.2024	31.12.2023
Financial	104	132
Guarantees	21,655	18,134
Total	21,759	18,266

On 28 March 2024, the Bank concluded an annex to the guarantee agreement of 27 February 2023 providing unfunded credit protection in respect of a portfolio of selected corporate credit receivables of the Bank, in accordance with the CRR ("Guarantee"). Following the execution of the annex, the terms and conditions of the Guarantee have changed to the effect that the maximum value of the Bank's debt portfolio covered by this Guarantee is PLN 17,017 million, and the portfolio consists of the bond portfolio of not more than PLN 1,844 million ("Portfolio A") and the portfolio of other receivables of not more than PLN 15,173 million ("Portfolio B"). The coverage ratio is 100% for Portfolio A and 80% for Portfolio B.

As at 31 December 2023, the total value of the Bank's debt portfolio covered by this Guarantee was PLN 12,292 million (Portfolio A - PLN 1,515 million and Portfolio B - PLN 10,777 million respectively). The coverage ratio was 100% for Portfolio A and 80% for Portfolio B, therefore the total maximum Guarantee amount was PLN 10,137 million as at 31 December 2023.

8. FAIR VALUE HIERARCHY

For a description of fair value measurement techniques and inputs, see the financial statements of PKO Bank Polski S.A. for the year ended 31 December 2023.

ASSETS MEASURED AT FAIR VALUE 30.06.2024	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	760	-	760	-
Other derivative instruments	6,814	1	6,813	-
Securities	93,494	63,938	28,738	818
held for trading	498	498	-	-
debt securities	460	460	-	-
equity securities	38	38	-	-
not held for trading, measured at fair value through profit or loss	684	315	2	367
debt securities	331	285	-	46
equity securities	353	30	2	321
measured at fair value through other comprehensive income (debt securities)	92,312	63,125	28,736	451
Loans and advances to customers	12,740	-	-	12,740
not held for trading, measured at fair value through profit or loss	2,500	-	-	2,500
real estate loans	2	-	-	2
business loans	73	-	-	73
consumer loans	2,425	-	-	2,425
measured at fair value through other comprehensive income – housing loans	10,240	-	-	10,240
Total financial assets measured at fair value	113,808	63,939	36,311	13,558

LIABILITIES MEASURED AT FAIR VALUE 30.06.2024	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	2,300	-	2,300	-
Other derivative instruments	7,481	1	7,480	-
Liabilities in respect of a short position in securities	34	34	-	-
Total financial liabilities measured at fair value	9,815	35	9,780	-

ASSETS MEASURED AT FAIR VALUE 31.12.2023	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	1,084	-	1,084	-
Other derivative instruments	8,752	2	8,750	-
Securities	105,705	59,924	45,155	626
held for trading	606	606	-	-
debt securities	574	574	-	-
equity securities	32	32	-	-
not held for trading, measured at fair value through profit or loss	678	320	1	357
debt securities	342	296	-	46
equity securities	336	24	1	311
measured at fair value through other comprehensive income (debt securities)	104,421	58,998	45,154	269
Loans and advances to customers	13,609	-	-	13,609
not held for trading, measured at fair value through profit or loss	2,858	-	-	2,858
real estate loans	1	-	-	1
business loans	81	-	-	81
consumer loans	2,776	-	-	2,776
measured at fair value through other comprehensive income – housing loans	10,751	-	-	10,751
Total financial assets measured at fair value	129,150	59,926	54,989	14,235

LIABILITIES MEASURED AT FAIR VALUE 31.12.2023	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	2,456	-	2,456	-
Other derivative instruments	9,902	-	9,902	-
Liabilities in respect of a short position in securities	302	302	-	-
Total financial liabilities measured at fair value	12,660	302	12,358	-

RECONCILIATION OF CHANGES DURING THE REPORTING PERIOD TO FAIR VALUE AT LEVEL 3	01.01-30.06.2024	01.01-30.06.2023
Opening balance at the beginning of the period	14,235	16,463
Acquisition of equity instruments	1	-
Sale of equity instruments	-	(79)
Acquisition of corporate bonds	180	2
Redemption of corporate bonds	(1)	(13)
Sale of corporate bonds	-	(279)
Granting and increase in exposure to loans and advances to customers	534	718
Repayment of loans and advances to customers	(1,307)	(1,713)
Derecognition of loans and advances to customers	(16)	(16)
Write-off of loans and advances to customers	(64)	(33)
Net gain/(loss) on financial instruments measured at fair value through profit or loss	37	9
Change in the valuation recognized in OCI	(12)	(394)
Other, including exchange difference	(29)	(73)
Closing balance	13,558	14,592

IMPACT OF ESTIMATES ON FAIR VALUE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS	30.06.2024		31.12.2023	
	Fair value in		Fair value in	
	positive scenario	negative scenario	positive scenario	negative scenario
Shares in Visa Inc. ¹	89	80	86	77
Other equity investments ²	246	223	238	215
Corporate bonds ³	498	495	326	325
Loans and advances to customers ⁴	13,377	12,103	14,212	12,924

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

² scenario assuming a change in the discount rate of +/- 5%

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

⁴ scenario assuming a change in the company's value of +/- 0.5p.p.

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

For a description of fair value measurement techniques and inputs, see the financial statements of PKO Bank Polski S.A. for the year ended 31 December 2023.

30.06.2024	carrying amount	fair value			TOTAL
		Level 1	Level 2	Level 3	
Cash and balances with the Central Bank	17,146	3,773	13,373	-	17,146
Amounts due from banks	14,218	-	14,217	-	14,217
Securities¹	101,438	68,689	25,623	3,841	98,153
treasury bonds (in PLN)	71,291	68,689	-	-	68,689
corporate bonds (in PLN) secured with the State Treasury guarantees	13,590	-	12,979	-	12,979
municipal bonds (in PLN)	8,699	-	8,835	-	8,835
corporate bonds (in PLN)	3,913	-	-	3,841	3,841
corporate bonds (in foreign currencies)	3,945	-	3,809	-	3,809
Reverse repo transactions	493	-	493	-	493
Loans and advances to customers¹	219,443	-	-	222,720	222,720
real estate loans	90,080	-	-	90,152	90,152
business loans	98,914	-	-	101,278	101,278
consumer loans	30,449	-	-	31,290	31,290
Other financial assets	1,861	-	-	1,861	1,861
Amounts due to Central bank	11	-	11	-	11
Amounts due to banks	3,363	-	3,363	-	3,363
Repo transactions	10	-	10	-	10
Amounts due to customers¹	393,932	-	-	394,265	394,265
amounts due to households	309,288	-	-	309,622	309,622
amounts due to business entities	68,409	-	-	68,409	68,409
amounts due to public sector	16,235	-	-	16,234	16,234
Liabilities in respect of debt securities in issue	8,646	-	8,718	-	8,718
Subordinated liabilities	2,767	-	2,803	-	2,803
Other financial liabilities	6,325	-	-	6,325	6,325

¹ excluding adjustment relating to fair value hedge accounting

31.12.2023	carrying amount	fair value			Total
		Level 1	Level 2	Level 3	
Cash and balances with the Central Bank	17,676	4,245	13,431	-	17,676
Amounts due from banks	16,900	-	16,898	-	16,898
Securities¹	85,755	55,675	23,804	2,285	81,764
treasury bonds (in PLN)	58,803	55,675	-	-	55,675
corporate bonds (in PLN) secured with the State Treasury guarantees	13,619	-	12,868	-	12,868
municipal bonds (in PLN)	8,658	-	8,803	-	8,803
corporate bonds (in PLN)	2,413	-	-	2,285	2,285
corporate bonds (in foreign currencies)	2,262	-	2,133	-	2,133
Reverse repo transactions	372	-	372	-	372
Loans and advances to customers¹	210,063	-	-	213,070	213,070
real estate loans ²	83,496	-	-	83,371	83,371
business loans	97,982	-	-	100,325	100,325
consumer loans	28,585	-	-	29,374	29,374
Other financial assets	1,309	-	-	1,309	1,309
Amounts due to Central bank	10	-	10	-	10
Amounts due to banks	3,250	-	3,250	-	3,250
Amounts due to customers¹	393,862	-	-	394,232	394,232
amounts due to households	304,152	-	-	304,523	304,523
amounts due to business entities	74,193	-	-	74,193	74,193
amounts due to public sector	15,517	-	-	15,516	15,516
Liabilities in respect of debt securities in issue	3,421	-	3,482	-	3,482
Subordinated liabilities	2,774	-	2,804	-	2,804
Other financial liabilities	5,689	-	-	5,689	5,689

¹ excluding adjustment relating to fair value hedge accounting

² the fair value measurement takes into account the effect of the credit holidays described in the financial statements of PKO Bank Polski S.A. for the year ended 31 December 2023.

10. CAPITAL ADEQUACY

CAPITAL ADEQUACY	30.06.2024	31.12.2023 (restated)	31.12.2023 (published)
Equity	44,852	42,954	42,954
capital: share capital, supplementary capital, other reserves, and general risk reserve	33,194	31,563	31,563
retained earnings	9,437	9,437	9,437
net profit or loss for the period	4,626	4,868	4,868
accumulated other comprehensive income	(2,405)	(2,914)	(2,914)
Exclusions from equity:	3,086	3,167	3,167
net profit or loss for the period	4,626	4,868	4,868
cash flow hedges	(1,540)	(1,701)	(1,701)
Other fund reductions:	2,747	2,901	2,914
goodwill	755	755	755
other intangible assets	1,401	1,454	1,454
additional asset adjustments (AVA, DVA, NPE, exceedance of the thresholds set out in Article 48 CRR) ¹	591	692	705
Temporary reversal of IFRS 9 impact	673	1,347	1,232
Net profit included in own funds²	-	1,631	1,624
Tier 1	39,692	39,864	39,729
Tier 2 capital (subordinated debt)	1,811	2,080	2,080
Own funds	41,503	41,944	41,809
Requirements for own funds	16,846	15,961	16,049
Credit risk	14,394	13,962	14,050
Operational risk	2,252	1,841	1,841
Market risk	164	125	125
Credit valuation adjustment risk	36	33	33
Total capital ratio	19.71	21.02	20.84
Tier 1 capital ratio	18.85	19.98	19.80

¹ AVA - additional valuation adjustment, DVA - debt valuation adjustment, NPE - non-performing exposures adjustment.

² The amount of PLN 1,624 million relates to the portion of the profit for 2023 included in own funds with the approval of the PFSA, and the amount of PLN 1,631 million relates to the amount of the profit for 2023 following approval of the profit distribution by the AGM. In line with the European Banking Authority's (EBA) guidance in the single rulebook Q&A setting out the EBA's position on when to recognize annual and interim profits in capital adequacy data (Q&A 2018_3822, Q&A 2018_4085 and Q&A 2013_208), from the point at which the institution formally meets the criteria to include the profit for the period in Tier 1 capital, it is considered that the profit should be included on a retrospective date (the date of the profit rather than the date the criterion is met) and an adjustment to own funds should be made to the date to which the profit relates. As the Bank's Annual General Meeting approved the distribution of the Bank's profit for 2023 on 28 June 2024, the figures as at 31 December 2023 have therefore been restated to include the impact of this profit distribution at the end of 2023. As a result, the value of the credit risk requirement has also been recalculated, because the date on which the profit is included in own funds is also the date on which the specific credit risk adjustments (SCRA) included in this requirement are calculated. The date on which the result is included also requires recalculation of the NPE adjustment and temporary reversal of the impact of IFRS9. The above changes affect the thresholds from Article 48 of the CRR and, consequently, the amount of this adjustment.

11. RELATED PARTY TRANSACTIONS

RELATED-ENTITY TRANSACTIONS – CAPITAL LINKS

Transactions presented below were arm's length transactions.

	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
30.06.2024				
Subsidiaries	32,693	31,996	428	12,909
Associates and joint ventures	182	42	303	484
31.12.2023				
Subsidiaries	30,848	30,550	582	11,782
Associates and joint ventures	90	24	178	493

	Total income	of which interest and commission income	Total expense	of which interest and commission income
01.01.-30.06.2024				
Subsidiaries	1,800	1,253	23	19
Associates and joint ventures	416	383	113	84
01.01.-30.06.2023				
Subsidiaries	1,698	1,100	42	12
Associates and joint ventures	501	360	107	85

RELATED-ENTITY TRANSACTIONS – PERSONAL LINKS

As at 30 June 2024 and 31 December 2023, four entities were related to the Bank through the key management personnel of PKO Bank Polski S.A. or close family members of the key management personnel. In the first half of 2024 and in the corresponding period, no transactions were conducted between the Bank and those entities.

BENEFITS FOR THE KEY MANAGEMENT

COST OF REMUNERATION OF THE BANK'S MANAGEMENT AND SUPERVISORY BOARDS FOR THE PERIOD (in PLN thousand)	01.01-30.06.2024	01.01-30.06.2023
Management Board of the Bank		
Short-term employee benefits ¹	4,287	5,655
Long-term employee benefits ²	2,984	3,415
Share-based payments settled in cash ³	6,439	3,778
Benefits to the Bank's Management Board members who ceased to perform their functions before the reporting date ⁴	3,565	1,833
Total	17,275	14,681
Supervisory Board of the Bank		
Short-term employee benefits ¹	925	1,047
Total	925	1,047

¹ The item includes: fixed remuneration, social security contributions and other benefits which have been or will be settled within 12 months of the end of the reporting period.

² The item includes the costs of provisions for the non-deferred and deferred components of variable remuneration in cash.

³ The item includes the non-deferred and deferred components of variable remuneration in the form of an instrument, i.e. Phantom shares (for which conversion into cash is carried out after an additional period of retention). The item includes both costs of variable remuneration in the form of an instrument for the current period, as well as the effect of revaluation of provisions for variable remuneration components in the form of an instrument for previous years based on the current price of the Bank's shares.

⁴ The item includes the costs of severance pay and non-compete benefits.

In the six-month period ended 30 June 2024, members of the Management Board and the Supervisory Board of the Bank who performed their functions as at 30 June 2024 received remuneration from the Bank's related entities in the amount of PLN 7 thousand (PLN 28 thousand in the corresponding period).

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 other services. All these transactions are also concluded on an arm's length basis.

12. EVENTS THAT OCCURRED AFTER THE DATE ON WHICH THE FINANCIAL STATEMENTS ARE PREPARED

No events occurred after the date on which the financial statements were prepared that could significantly affect future financial performance.

SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

Szymon Midera	President of the Management Board
Krzysztof Dresler	Vice-President of the Management Board
Ludmiła Falak-Cyniak	Vice-President of the Management Board
Piotr Mazur	Vice-President of the Management Board
Marek Radzikowski	Vice-President of the Management Board
Michał Sobolewski	Vice-President of the Management Board
Mariusz Zarzycki	Vice-President of the Management Board

SIGNATURE OF A PERSON WHO IS RESPONSIBLE FOR MAINTAINING THE ACCOUNTING RECORDS

Danuta Szymańska	Director of the accounting division
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The original Polish document is signed with a qualified electronic signatures