Condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the six-month period ended 30 June 2023

SELECTED FINANCIAL DATA	PLN million			EUR million		
	01.01-30.06.2023	01.01-30.06.2022 (restated)	Change % (A-B)/B	01.01-30.06.2023	01.01-30.06.2022 (restated)	Change % (D-E)/E
	A	B	C	D	E	F
Net interest income	8,579	6,634	29.3%	1,860	1,429	30.2%
Net fee and commission income	2,214	2,218	(0.2%)	480	478	0.4%
Net expected credit losses and net impairment allowances on non-financial assets	(565)	(730)	(22.6%)	(122)	(157)	(22.3%)
Administrative expenses	(3,731)	(4,168)	(10.5%)	(809)	(898)	(9.9%)
Profit before tax	2,999	2,770	8.3%	650	597	8.9%
Net profit (including non-controlling shareholders)	2,042	1,846	10.6%	443	398	11.3%
Net profit attributable to the parent company	2,041	1,847	10.5%	442	398	11.1%
Earnings per share for the period - basic (in PLN/EUR)	1.63	1.48	10.1%	0.35	0.32	9.4%
Earnings per share for the period - diluted (in PLN/EUR)	1.63	1.48	10.1%	0.35	0.32	9.4%
Net comprehensive income	5,418	(4,426)	(222.4%)	1,175	(953)	(223.3%)
Total net cash flows	(5,450)	6,148	(188.7%)	(1,181)	1,324	(189.2%)

SELECTED FINANCIAL DATA	PLN million			EUR million		
	30.06.2023	31.12.2022 (restated)	Change % (A-B)/B	30.06.2023	31.12.2022 (restated)	Change % (D-E)/E
	A	B	C	D	E	F
Total assets	460,842	431,447	6.8%	103,553	91,995	12.6%
Total equity	41,125	35,707	15.2%	9,241	7,614	21.4%
Share capital	1,250	1,250	-	281	267	5.2%
Number of shares (in million)	1,250	1,250	-	1,250	1,250	-
Book value per share (in PLN/EUR)	32.90	28.57	15.2%	7.39	6.09	21.4%
Diluted number of shares (in million)	1,250	1,250	-	1,250	1,250	-
Diluted book value per share (in PLN/EUR)	32.90	28.57	15.2%	7.39	6.09	21.4%
Total Capital Ratio (%)	19.83	17.79	11.5%	19.83	17.79	11.5%
Tier 1	40,621	38,255	6.2%	9,128	8,157	11.9%
Tier 2	2,352	2,584	(9.0%)	529	551	(4.0%)

SELECTED FINANCIAL STATEMENT ITEMS HAVE BEEN TRANSLATED INTO EUR AT THE FOLLOWING RATES	01.01-30.06.2023	01.01-30.06.2022
arithmetic mean of the NBP exchange rates at the end of a month (income statement, statement of comprehensive income and cash flow statement items)	4.6130	4.6427
	30.06.2023	31.12.2022
NBP mid exchange rates at the date indicated (statement of financial position items)	4.4503	4.6899

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CONSOLIDATED INCOME STATEMENT

	Note	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022 (restated)**	2 quarters period from 01.01.2022 to 30.06.2022 (restated)**
Net interest income		**4,392**	**8,579**	**3,542**	**6,634**
Interest and similar income	12	7,808	15,154	5,304	9,062
of which calculated under the effective interest rate method		7,665	14,863	5,169	8,816
Interest expense	12	(3,416)	(6,575)	(1,762)	(2,428)
Net fee and commission income		**1,111**	**2,214**	**1,135**	**2,218**
Fee and commission income	13	1,527	3,021	1,528	2,939
Fee and commission expense	13	(416)	(807)	(393)	(721)
Other net income		**275**	**517**	**261**	**590**
Net income from insurance business, of which:	29	187	353	195	394
Insurance revenue (net of reinsurance)	29	302	582	289	572
Cost of insurance activities (net of reinsurance)	29	(81)	(169)	(75)	(147)
Dividend income		11	12	11	11
Gains/(losses) on financial transactions	14	(6)	28	95	167
Foreign exchange gains/ (losses)		8	12	(67)	(66)
Gains/(losses) on derecognition of financial instruments		10	27	(25)	(18)
of which measured at amortized cost		5	9	4	8
Net other operating income and expense	15	65	85	52	102
Result on business activities		**5,778**	**11,310**	**4,938**	**9,442**
Net allowances for expected credit losses	16	**(215)**	**(543)**	**(218)**	**(717)**
Net impairment losses on non-financial assets	17	(11)	(22)	(8)	(13)
Cost of legal risk of mortgage loans in convertible currencies	18	(2,474)	(3,441)	(1,176)	(1,176)
Administrative expenses,	19	**(1,746)**	**(3,731)**	**(2,340)**	**(4,168)**
of which net regulatory charges		(51)	(429)	(906)	(1,389)
Tax on certain financial institutions		(311)	(610)	(319)	(626)
Share in profits and losses of associates and joint ventures		13	36	14	28
Profit before tax		**1,034**	**2,999**	**891**	**2,770**
Income tax expense	20	(445)	(957)	(470)	(924)
Net profit (including non-controlling shareholders)		**589**	**2,042**	**421**	**1,846**
Profit (loss) attributable to non-controlling shareholders		2	1	0	(1)
Net profit attributable to equity holders of the parent company		**587**	**2,041**	**421**	**1,847**
Earnings per share					
– basic earnings per share for the period (PLN)		0.47	1.63	0.34	1.48
– diluted earnings per share for the period (PLN)*		0.47	1.63	0.34	1.48
Weighted average number of ordinary shares during the period (in million)*		1,250	1,250	1,250	1,250

* Both in the period of six months ended 30 June 2023 and in the corresponding period of 2022, there were no dilutive instruments. Therefore, the amount of diluted earnings per share is the same as the amount of basic earnings per share.

** The income statement for the 6-month period ended 30 June 2022 was restated due to the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022 (restated)*	2 quarters period from 01.01.2022 to 30.06.2022 (restated)*
Net profit (including non-controlling shareholders)		**589**	**2,042**	**421**	**1,846**
Other comprehensive income		**1,293**	**3,376**	**(2,895)**	**(6,272)**
Items which may be reclassified to profit or loss		**1,293**	**3,376**	**(2,895)**	**(6,272)**
Cash flow hedges (net)		902	2,054	(1,816)	(3,756)
Cash flow hedges (gross)	23	1,115	2,537	(2,239)	(4,629)
Deferred tax	20	(213)	(483)	423	873
Hedge of net investment in foreign operation		-	-	2	5
Fair value of financial assets measured at fair value through other comprehensive income (net)		463	1,418	(1,064)	(2,480)
Remeasurement of fair value, gross		573	1,765	(1,346)	(3,090)
Gains /losses transferred to the profit or loss (on disposal)		(5)	(18)	29	26
Deferred tax	20	(105)	(329)	253	584
Currency translation differences on foreign operations		(65)	(66)	(30)	(65)
Share in other comprehensive income of associates and joint ventures		(2)	(15)	-	(6)
Finance income and costs from insurance business, gross	29	(6)	(18)	16	37
Deferred tax	20	1	3	(3)	(7)
Finance income and costs from insurance business, net		(5)	(15)	13	30
Total net comprehensive income		**1,882**	**5,418**	**(2,474)**	**(4,426)**
Total net comprehensive income, of which attributable to:		**1,882**	**5,418**	**(2,474)**	**(4,426)**
equity holders of the parent		1,880	5,417	(2,474)	(4,425)
non-controlling interest		2	1	-	(1)

* The statement of comprehensive income for the 6-month period ended 30 March 2022 was restated due to the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30.06.2023	31.12.2022 (restated)*	31.12.2022 (published)
ASSETS		460,842	431,447	430,683
Cash and balances with Central Bank	21	13,886	15,917	15,917
Amounts due from banks	22	14,132	16,101	16,101
Hedging derivatives	23	771	1,042	1,042
Other derivative instruments	23	10,737	13,162	13,162
Securities	24	163,463	135,632	135,632
Reverse repo transactions		5,138	7	7
Loans and advances to customers	25	236,054	232,959	231,721
Assets in respect of insurance activities	29	99	115	555
Property, plant and equipment under operating lease	30	1,912	1,764	1,764
Property, plant and equipment	30	2,928	2,917	2,917
Non-current assets held for sale		11	10	10
Intangible assets	30	3,686	3,512	3,527
Investments in associates and joint ventures		272	285	285
Current income tax receivable		29	52	52
Deferred tax assets		5,066	5,187	5,187
Other assets	31	2,658	2,785	2,804

		30.06.2023	31.12.2022 (restated)*	31.12.2022 (published)
LIABILITIES AND EQUITY		460,842	431,447	430,683
Liabilities		419,717	395,740	395,248
Amounts due to Central bank		42	9	9
Amounts due to banks	26	2,882	3,011	3,011
Hedging derivatives	23	4,725	7,469	7,469
Other derivative instruments	23	10,700	12,978	12,978
Amounts due to customers	27	366,053	338,868	339,582
Liabilities in respect of insurance activities	29	2,861	2,878	1,732
Loans and advances received	28	1,979	2,294	2,294
Securities in issue	28	16,760	15,510	15,510
Subordinated liabilities	28	2,777	2,781	2,781
Other liabilities	32	7,160	7,010	7,014
Current income tax liabilities		448	765	765
Deferred tax liabilities		642	77	13
Provisions	33	2,688	2,090	2,090
EQUITY		41,125	35,707	35,435
Share capital		1,250	1,250	1,250
Reserves and accumulated other comprehensive income		27,067	22,239	22,215
Retained earnings		10,780	8,920	8,651
Net profit or loss for the year		2,041	3,312	3,333
Capital and reserves attributable to equity holders of the parent company		41,138	**35,721**	**35,449**
Non-controlling interests		(13)	(14)	(14)

* The statement of financial position as at 31 December 2022 was restated due to the implementation of IFRS 17 “Insurance Contracts” (see note 8 “IFRS 17 Insurance Contracts”)

(IN PLN MILLION)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	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, after changes in accounting policies*	1,250	23,085	1,070	7,091	(9,007)	22,239	8,920	3,312	35,721	(14)	35,707
Transfer from retained earnings	-	-	-	-	-	-	3,312	(3,312)	-	-	-
Distribution of profit to be used for dividend payments, including interim dividends	-	-	-	1,629	-	**1,629**	(1,629)	-	-	-	-
Comprehensive income	-	-	-	-	**3,376**	**3,376**	-	**2,041**	5,417	1	5,418
Offset of accumulated losses	-	(340)	-	-	-	**(340)**	340	-	-	-	-
Transfer from retained earnings to equity	-	115	-	48	-	**163**	(163)	-	-	-	-
As at the end of the period	1,250	22,860	1,070	8,768	(5,631)	27,067	10,780	2,041	41,138	(13)	41,125

*For details on the impact of the implementation of IFRS 17 on the Group's equity, see Note 8 „IFRS 17 Insurance contracts"

(IN PLN MILLION)

FOR 6 MONTHS ENDED 30 JUNE 2022	Share capital	Reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the period	Total capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	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	23,003	1,070	6,968	(5,728)	25,313	6,270	4,874	37,707	(14)	37,693
Changes in accounting policies*	-	-	-	-	17	17	269	-	286	-	286
As at the beginning of the period, after policy changes	1,250	23,003	1,070	6,968	(5,711)	25,330	6,539	4,874	37,993	(14)	37,979
Transfer from retained earnings	-	-	-	-	-	-	4,874	(4,874)	-	-	-
Dividend	-	-	-	-	-	-	(2,288)	-	(2,288)	-	(2,288)
Comprehensive income	-	-	-	-	(6,272)	(6,272)	-	1,847	(4,425)	(1)	(4,426)
Transfer from retained earnings to equity	-	82	-	128	-	210	(210)	-	-	-	-
As at the end of the period	1,250	23,085	1,070	7,096	(11,983)	19,268	8,915	1,847	31,280	(15)	31,265

*For details on the impact of the implementation of IFRS 17 on the Group's equity, see Note 8 „IFRS 17 Insurance contracts”

(IN PLN MILLION)

FOR 6 MONTHS ENDED 30 JUNE 2023	Accumulated other comprehensive income							
	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Hedges of net investments in foreign operations	Finance income and costs from insurance business	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period, after changes in accounting policies*	(35)	(3,461)	(5,218)	-	24	(21)	(296)	(9,007)
Comprehensive income	(15)	1,418	2,054	-	(15)	-	(66)	3,376
As at the end of the period	(50)	(2,043)	(3,164)	-	9	(21)	(362)	(5,631)

*For details on the impact of the implementation of IFRS 17 on the Group's equity, see Note 8 „IFRS 17 Insurance contracts"

FOR 6 MONTHS ENDED 30 JUNE 2022	Accumulated other comprehensive income							
	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Hedges of net investments in foreign operations	Finance income and costs from insurance business	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period	(17)	(1,785)	(3,699)	(4)	-	(14)	(209)	(5,728)
Changes in accounting policies*	-	-	-	-	17	-	-	17
As at the beginning of the period, after policy changes	(17)	(1,785)	(3,699)	(4)	17	(14)	(209)	(5,711)
Comprehensive income	(6)	(2,480)	(3,756)	5	30	-	(65)	(6,272)
As at the end of the period	(23)	(4,265)	(7,455)	1	47	(14)	(274)	(11,983)

*For details on the impact of the implementation of IFRS 17 on the Group's equity, see Note 8 „IFRS 17 Insurance contracts"

(IN PLN MILLION)

CONSOLIDATED STATEMENT OF CASH FLOWS

	01.01-30.06.2023	01.01-30.06.2022 (restated)*
Cash flows from operating activities		
Profit before tax	**2,999**	**2,770**
Income tax paid	**(995)**	**(657)**
Total adjustments:	**11,947**	**4,201**
Depreciation and amortization	664	619
(Gains)/losses on investing activities	(45)	(3)
Interest and dividends received	(3,112)	(1,397)
Interest paid	419	121
Change in:		
amounts due from banks	(1,455)	(257)
hedging derivatives	(2,473)	4,552
other derivative instruments	147	(447)
securities	(3,262)	(1,374)
loans and advances to customers	(3,492)	(846)
reverse repo transactions	(5,131)	(40)
assets in respect of insurance activities	16	13
property, plant and equipment under operating lease	(148)	(220)
non-current assets held for sale	(1)	7
other assets	131	(92)
accumulated allowances for expected credit losses	254	577
accumulated allowances on non-financial assets and other provisions	740	195
amounts due to the Central Bank	33	1
amounts due to banks	(129)	1,110
amounts due to customers	27,185	4,247
liabilities in respect of insurance activities	(17)	(324)
loan and advances received	(64)	(4)
liabilities in respect of debt securities in issue	(460)	31
subordinated liabilities	(4)	1
other liabilities	285	2,548
Other adjustments	1,866	(4,817)
Net cash from/used in operating activities	**13,951**	**6,314**

* The statement of cash flows for the 6-month period ended 30 June 2022 was restated mainly due to the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

(IN PLN MILLION)

	01.01-30.06.2023	01.01-30.06.2022 (restated)*
Cash flows from investing activities		
Inflows from investing activities	**295,251**	**59,175**
Redemption of securities measured at fair value through other comprehensive income	289,148	55,142
Interest received on securities measured at fair value through other comprehensive income	2,197	760
Redemption of securities measured at amortized cost	2,838	2,582
Interest received on securities measured at amortized cost	913	604
Proceeds from disposal of intangible assets, property, plant and equipment and assets held for sale	75	54
Other inflows from investing activities including dividends	80	33
Outflows on investing activities	**(315,557)**	**(53,822)**
Purchase of securities measured at fair value through other comprehensive income	(308,885)	(53,055)
Purchase of securities measured at amortized cost	(5,999)	(435)
Purchase of intangible assets and property, plant and equipment	(673)	(332)
Net cash from/used in investing activities	(20,306)	5,353

* The statement of cash flows for the 6-month period ended 30 June 2022 was restated mainly due to the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

	01.01-30.06.2023	01.01-30.06.2022 (restated)*
Cash flows from financing activities		
Proceeds from debt securities in issue	8,271	3,034
Redemption of debt securities	(6,561)	(8,363)
Taking up loans and advances	-	618
Repayment of loans and advances	(251)	(559)
Payment of lease liabilities	(135)	(128)
Repayment of interest on long-term liabilities	(419)	(121)
Net cash from financing activities	905	(5,519)
Total net cash flows	(5,450)	6,148
of which foreign exchange differences on cash and cash equivalents	(178)	91
Cash and cash equivalents at the beginning of the period	31,995	20,775
Cash and cash equivalents at the end of the period	26,545	26,923

* The statement of cash flows for the 6-month period ended 30 June 2022 was restated mainly due to the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

(IN PLN MILLION)

GENERAL INFORMATION ABOUT THE BANK'S GROUP

1. ACTIVITIES OF THE GROUP

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (**PKO BANK POLSKI S.A.** or **THE BANK**) was established by virtue of a decree signed on 7 February 1919 by the Head of State Józef Piłsudski, Prime Minister Ignacy Paderewski and Hubert Linde, post and telegraph minister and simultaneously the first president, as Pocztowa 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, 13th Commercial Division of the National Court Register. The Bank was registered under the number KRS 0000026438 and was assigned the statistical number REGON 016298263.

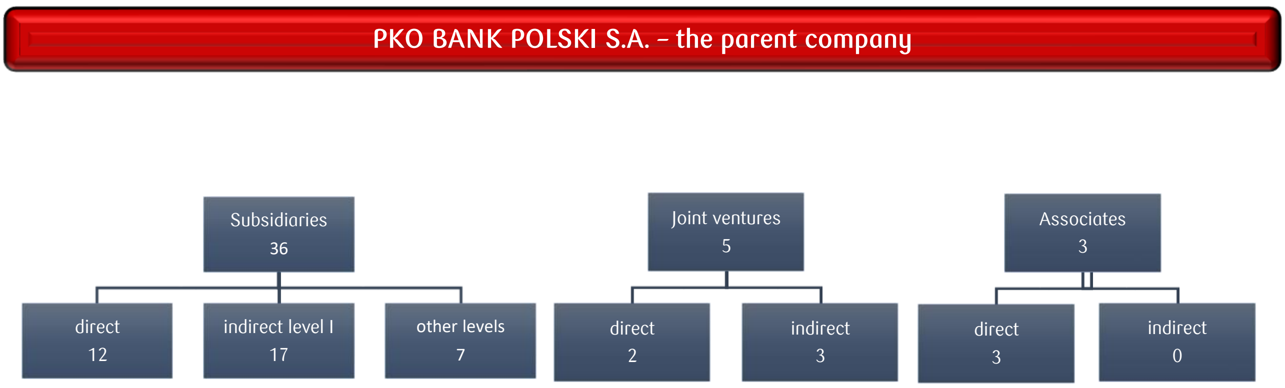
Country of registration	Poland
Registered office	Warsaw
Address of the registered office of the entity	Puławska street 15, 02-515 Warsaw

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

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

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

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



(IN PLN MILLION)

The PKO Bank Polski S.A. Group consists of the following subsidiaries:

No.	ENTITY NAME	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%)	
	DIRECT SUBSIDIARIES			2023-06-30	2022-12-31
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 lending	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 outsourcing of IT specialists	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	Sollentuna, Sweden	financial services	100	100
9	KREDOBANK S.A.	Lviv, Ukraine	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. holds investment certificates of the Fund; the percentage of the Fund's investment certificates held is presented in the item "Share in capital".

(IN PLN MILLION)

No.	ENTITY NAME INDIRECT SUBSIDIARIES	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%)* 2023-06-30	2022-12-31
	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 post-lease 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	Polish Lease Prime 1 DAC[1]	Dublin, Ireland	SPV established for securitization of lease receivables	-	-
	PKO Życie Towarzystwo Ubezpieczeń S.A. GROUP				
6	Ubezpieczeniowe Usługi Finansowe sp. z o.o.	Warsaw	services	100	100
	KREDOBANK S.A. GROUP				
7	“KREDOLEASING” sp. z o.o.	Lviv, Ukraine	leasing	100	100
	Merkury - fiz an				
8	“Zarząd Majątkiem Górczewska” sp. z o.o.	Warsaw	property management	100	100
9	Molina sp. z o.o.	Warsaw	general partner in partnerships limited by shares of a fund	100	100
10	Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	Warsaw	buying and selling real estate on own account, real estate management	100	100
11	Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A. w likwidacji (in liquidation)	Warsaw		100	100
12	Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A. w likwidacji (in liquidation)	Warsaw		100	100
13	Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A. w likwidacji (in liquidation)	Warsaw		100	100
	NEPTUN - fizan				
14	Qualia sp. z o.o.	Warsaw	after-sale services in respect of developer products	100	100
15	Sarnia Dolina sp. z o.o.	Warsaw	development activities	100	100
16	Bankowe Towarzystwo Kapitałowe S.A.	Warsaw	services	100	100
	16.1 „Inter-Risk Ukraina" spółka z dodatkową odpowiedzialnością[2]	Kiev, Ukraine	debt collection	99.90	99.90
	16.2 Finansowa Kompania “Prywatne Inwestycje” sp. z o.o.[3]	Kiev, Ukraine	financial services	95.4676	95.4676
	16.2.1 Finansowa Kompania “Idea Kapitał” sp. z o.o.	Lviv, Ukraine	services	100	100
17	“Sopot Zdrój" sp. z o.o.	Sopot	property management	72.9769	72.9769

* share of direct parent in the entity’s equity

1) In accordance with IFRS 10, PKO Leasing S.A. exercises control over the company, although it does not have a capital share In it.
2) Finansowa Kompania “Prywatne Inwestycje” sp. z o.o. is the second shareholder of the company.
3) “Inter-Risk Ukraina” – a company with additional liability – is the second shareholder of the company.

(IN PLN MILLION)

The Group has the following associates and joint ventures:

No.	ENTITY NAME	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%)*	
				2023-06-30	2022-12-31
	Joint ventures of PKO Bank Polski 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 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 Bank Polski 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
3	System Ochrony Banków Komercyjnych S.A.	Warsaw	manager of the security system referred to in Article 130e of the Banking Law	21.11	21.11

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

2. Changes in the Group companies

In the six-month period ended 30 June 2023, there were no significant changes to the Group's structure. In January 2023, the placing of Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A. w likwidacji (in liquidation) and Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A. w likwidacji (in liquidation) was entered in the National Court Register.

"KREDOLEASING" sp. z o.o. commenced leasing activities. The company launched operations to a limited extent due to the war in Ukraine.

3. Information on members of the Supervisory Board and Management Board

Composition of the Bank's Supervisory Board as at 30 June 2023:

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

With effect from 24 March 2023, Mr Maciej Łopiński resigned as Chair of the Bank's Supervisory Board, while remaining a member of the Bank's Supervisory Board. The Minister of State Assets, acting as an Authorised Shareholder within the meaning of § 11(2) of the Bank's Articles of Association, in consideration of § 35(1) of the Bank's Articles of Association, in accordance with § 12(1) of the Bank's Articles of Association, appointed Mr Robert Pietryszyn as Chair of the Bank's Supervisory Board as of 24 March 2023.

Composition of the Bank's Management Board as at 30 June 2023:

- Dariusz Szwed – Vice-President of the Management Board managing the work of the Management Board
- Maciej Brzozowski – Vice-President of the Management Board
- Marcin Eckert – Vice-President of the Management Board
- Paweł Gruza – Vice-President of the Management Board
- Wojciech Iwanicki – Vice-President of the Management Board
- Andrzej Kopyrski – Vice-President of the Management Board
- Artur Kurcweil – Vice-President of the Management Board
- Piotr Mazur – Vice-President of the Management Board

The Bank's Supervisory Board resolved to appoint Mr Dariusz Szwed as Vice-President of the Bank's Management Board, effective 14 April 2023, for the current joint term of office of the Bank's Management Board, which commenced on 3 July 2020, and at the same time appointed Mr Dariusz Szwed as President of the Bank's Management Board, subject to the approval of the Polish Financial Supervision Authority and as of the date of such approval. Until the approval by the Polish Financial Supervision Authority, the Supervisory Board has entrusted Mr Dariusz Szwed with directing the work of the Management Board.

With effect from 13 April 2023, Mr Mieczysław Król resigned as a member of the Bank's Management Board.

The Bank's Supervisory Board dismissed Mr Maks Kraczkowski from the Bank's Management Board with effect from 13 April 2023.

On 6 April 2023, Mr Paweł Gruza resigned, effective at the end of 12 April 2023, from heading the Bank's Management Board and from applying for the position of President of the Bank's Management Board. At the same time, Mr Paweł Gruza did not resign from his membership of the Bank's Management Board or from his position as Vice-President of the Bank's Management Board.

4. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group (the **FINANCIAL STATEMENTS**), reviewed by the Audit Committee of the Supervisory Board and reviewed by the Supervisory Board on 23 August 2023, were approved for publication by the Management Board on 23 August 2023.

5. REPRESENTATION BY THE MANAGEMENT BOARD

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

6. THE BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) as at 30 June 2023, and in the areas not regulated by these standards, in accordance with the requirements of the Accounting Act of 29 September 1994 and the respective secondary legislation issued on its basis, as well as the requirements relating to issuers of securities registered or applying for registration on an official listing market.

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

These consolidated financial statements of the Group for the six-month period ended 30 June 2023 do not comprise all the information and disclosures which may be required in annual consolidated financial statements and should be read jointly with the annual consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2022 that were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union.

The consolidated financial statements of the PKO Bank Polski S.A. Group cover the six-month period ended 30 June 2023 and contains comparative figures:

- the six-month period ended 30 June 2022 with regard to the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, and consolidated statement of cash flows
- as at 31 December 2022 with regard to the consolidated statement of financial position

The financial data is presented in millions of Polish zlotys (PLN), unless otherwise indicated.

To prepare the financial statements, the Group applied the accounting policies and calculation methods consistent with those applicable in the financial year ended 31 December 2022, with the exception of changes described in note "IFRS 17 INSURANCE CONTRACTS" concerning the implementation of new IFRS 17 "Insurance Contracts" as of 1 January 2023 and note **"CHANGES IN THE ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2023 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS".** In addition, the Group 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 Group for the full financial year (see note "Income tax").

7. GOING CONCERN

The financial statements have been prepared on the basis of the assumption that the Bank's Group will continue as a going concern for a period of at least 12 months from the date of approval for publication by the Management Board, i.e from 23 August 2023. As at the date of signing of these financial statements, the Management Board of the Bank did not identify any facts or circumstances which would indicate any threats to the Group's ability to continue in operation as a going concern for at least 12 months after the publication as a result of intended or forced discontinuing or significantly curtailing the existing operations of the Bank's Group.

The Bank's Management Board considered the impact of: current situation in Ukraine, legal risk of mortgage loans in convertible currencies and credit holidays introduced by the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers and assessed that these factors do not cause significant uncertainty regarding the Group's ability to continue as a going concern.

Disclosures concerning: the situation in Ukraine are presented in the note "Impact of the geopolitical situation in Ukraine on the PKO Bank Polski S.A. Group", the legal risk of mortgage loans in convertible currencies in the notes "The costs of legal risk of mortgage loans in convertible currencies" and credit holidays in the note "Loans and advances to customers".

8. IFRS 17 "INSURANCE CONTRACTS"

International Financial Reporting Standard 17 Insurance Contracts ('IFRS 17') was published by the International Accounting Standards Board in May 2017 and amended by it in June 2020 and on 9 December 2021[1]. IFRS 17 was endorsed for use in European Union countries on 19 November 2021 by Regulation 2021/2036 of the European Union.

The aim of the new standard is to introduce new uniform rules for the measurement of insurance and reinsurance contracts, ensuring greater comparability of reporting between providers of insurance products, and to provide a number of new disclosures for the use of financial statement users.

[1] The amendment to the transition requirements in IFRS 17 allows companies to overcome one-time classification differences of comparative information of the previous reporting period upon initial application of IFRS 17 and IFRS 9 Financial Instruments.

This standard is mandatorily applicable from 1 January 2023. IFRS 17 replaced IFRS 4 "Insurance Contracts", which enabled entities to recognize insurance contracts according to the accounting principles based on the national standards.

IFRS 17 changed the recognition, measurement, presentation and disclosure of insurance contracts distributed by Group companies, both as products linked to, among others, mortgage loans, cash loans and leasing products, and as stand-alone products.

The Group has implemented the standard in the retrospective full and modified approach for the part of the portfolio.

The implementation of IFRS 17 as at 1 January 2022 resulted in an increase in the Group's assets by PLN 581 million, liabilities by PLN 295 million and equity by PLN 286 million. For a detailed description of the impact of adjustments due to the implementation of IFRS 17, see Section 8.2. Impact assessment - classification and measurement.

8.1. Measurement and presentation of insurance products

The key differences in the measurement and presentation of insurance products that apply to the Group and that came into effect upon implementation of IFRS 17 are presented below.

8.1.1. IFRS 17 key assumptions

IFRS 17, as a new accounting standard, changed the recognition, measurement, presentation and disclosure of insurance contracts. The standard applies to insurance contracts, reinsurance contracts and investment contracts with discretionary profit-sharing.

The new standard defines an insurance contract as a contract in which one party accepts a significant insurance risk from the policyholder and undertakes to compensate the insured for an adverse effect arising from, an uncertain future event. This definition is in principle consistent with the definition in IFRS 4

The standard does not apply to, among others, investment contracts, product guarantees issued by the manufacturer, loan guarantees, catastrophe bonds and so-called weather derivatives (contracts that require a payment based on a climatic, geological or other physical variable that is not specific to a party to the contract).

The biggest impact on the occurrence of differences compared to the current IFRS 4 have:

- the valuation of liabilities and assets under insurance contracts, which:
    - is based on the value of the best estimate of future cash flows;
    - reflects the time value of money;
    - includes the risk adjustment for non-financial risk;
    - includes the expected value of future profits;
- recognition of expected profits for the group of insurance contracts over time, in proportion to the so-called coverage units, corresponding to the level of service provided by the insurance company in each reporting period;
- recognition of entire expected loss on insurance contracts at the point at which the entity assesses that the contract is onerous, which may be at the date of initial recognition of that contract or at subsequent measurement;
- separate (from direct business contracts) measurement of liabilities and assets for outward reinsurance.

For measurement purposes, insurance contracts are aggregated into groups of contracts. Groups of contracts are defined by first identifying portfolios comprising contracts subject to similar insurance risks and managed together. Each portfolio is then divided into quarterly cohorts (i.e. by policy recognition date) and each quarterly cohort into the following three groups:

- a group of contracts that are onerous at initial recognition;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and

- a group of the remaining contracts in the portfolio.

Cash flows within the boundary of an insurance contract are those that relate directly to the fulfilment of the contract, including cash flows for which the entity has discretion over the amount or timing.

The cash flows within the boundary include:

- premiums (including premium adjustments and instalment premiums) from a policyholder and any additional cash flows that result from those premiums;
- payments to (or on behalf of) a policyholder, including claims that have already been reported but have not yet been paid (ie reported claims), incurred claims for events that have occurred but for which claims have not been reported and all future claims for which the entity has a substantive obligation;
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- claim handling costs;
- costs the entity will incur in providing contractual benefits paid in kind;
- policy administration and maintenance costs;
- taxes on transactions.

Separate presentation of outward reinsurance contracts and insurance and reinsurance contracts is required under the new standard.

Within each of these two groups, separate presentation is required for assets and liabilities of portfolios depending on whether the sum of the balance sheet items making up the insurance portfolio measurement is a net asset or liability.

8.1.2. THE MODEL FOR THE MEASUREMENT AND RECOGNITION OF INSURANCE PRODUCTS, INCLUDING THOSE LINKED TO LOANS AND ADVANCES APPLIED UNTIL 31 DECEMBER 2022

Until the implementation of the new standard, the Group recognised net income on insurance activities under commission income – in the line “offering insurance products” which comprised premium income, costs of insurance activities, claims and change in technical reserves, and the impact of the reinsurer’s share in the aforementioned items.

Due to the fact that the Group offers insurance products along with loans and advances and lease products and it is impossible to purchase from the Group an insurance product that is identical as to the legal form, conditions and economic content without purchasing a loan, an advance or a lease product, the payments received by the Group for the insurance products sold were treated as an integral part of the remuneration for the financial instruments offered. All premium received by the Group split in accordance with Recommendation U on the basis of the relative fair value model into a portion relating to:

- the insurance product - measured using an actuarial model in accordance with the requirements of IFRS 4 (recognised in commission income, line "offering insurance products")
- the portion relating to the credit product – settled using the effective interest rate method and recognized in interest income and, in the part corresponding to the performance of the agency service, if the insurer is a Group company, accounted for using the straight line method during the term of the insurance product and is recognized as commission income (line: offering insurance products).

Costs directly attributable to selling insurance products were accounted for as a component of the amortized cost of a financial instrument or on a one-off basis. The provision for future refunds was allocated to the financial instrument and insurance service in accordance with the relative fair value model.

The Group presented its insurance activities under the following headings in the statement of financial position (see the note "Assets and liabilities from insurance activities" for details):

- **ASSETS FROM INSURANCE ACTIVITIES** – receivables on account of reinsurance and share of reinsurers in technical reserves.
- **LIABILITIES IN RESPECT OF INSURANCE ACTIVITIES** – technical reserves to cover current and future claims and costs which may arise from the insurance contracts concluded, i.e. unearned premium and unexpired risk reserves, outstanding claims and benefits reserve, reserve for bonuses and discounts for the insured, life insurance reserve, and other, as well as deferred reinsurance commission and reinsurance related liabilities.
- **AMOUNTS DUE TO CUSTOMERS – "LIABILITIES IN RESPECT OF INSURANCE PRODUCTS":** liabilities from unit-linked products, safe capital product, structured products and insurance deposits.

8.1.3. MEASUREMENT AND RECOGNITION OF INSURANCE PRODUCTS OFFERED BY THE GROUP, INCLUDING THOSE LINKED TO LOANS AND ADVANCES IN ACCORDANCE WITH IFRS 17

In accordance with IFRS 17, all insurance products offered by the Group are recognized and measured under this standard as insurance products. At the consolidated Group level, the premium received by the Group is no longer split in accordance with Recommendation U on the basis of the relative fair value model (this model was maintained for the Bank's separate financial statements).

The components of the net insurance income, including the portion that formed part of the Group's interest income, commission income or administrative expenses and related directly to insurance contracts, is measured using an actuarial model and presented in the "Net income from insurance business" and, as appropriate, in the lines "Insurance revenue (net of reinsurance)" and "Cost of insurance activities (net of reinsurance)".

The implementation of IFRS 17 at the consolidated level also affected the carrying amount of loans and advances to customers. The premium element recognised under the relative fair value model, adjusting the gross carrying amount of loans at the Bank level, at the consolidated level is an element of the assets and liabilities arising from insurance activities, measured in accordance with the principles set out in IFRS 17.

Starting from 1 January 2023, products i.e. liabilities from unit-linked products, "safe capital", previously recognised under IFRS 9, are measured under IFRS 17 as part of liabilities from insurance activities (this applies to the item "Amounts due to customers" – "Liabilities in respect of insurance products"). On the other hand, structured products and insurance deposits, as investment products, continue to be recognised in accordance with IFRS 9 in the line "Amounts due to customers".

8.1.4. MEASUREMENT PRINCIPLES FOR INSURANCE CONTRACTS

Under IFRS 17, contracts may be measured according to the following methods:

1) **GMM – general measurement model** – the basic measurement model, wherein the total value of the insurance liability is calculated as the sum of:
   a) discounted value of the best estimate of future cash flows - expected (probability-weighted) cash flows from premiums, claims, benefits, acquisition expenses and costs;
   b) risk adjustment for non-financial risk, RA – an individual estimate of the financial value of the offset for uncertainty related to the amount and timing of future cash flows, and
   c) contractual service margin, CSM – representing an estimate of future profits recognized during the policy term. The CSM value is sensitive to changes in estimates of cash flows, resulting e.g. from changed non-economic assumptions. CSM cannot be a negative value – any losses on the contracts shall be recognized immediately in the income statement (an exception is made for outward reinsurance contracts, for which the CSM may be negative);

2) **PAA – premium allocation approach**

The premium allocation approach (PAA), is a simplified approach where the measurement of liability for remaining coverage (LRC) is analogous to the provision for unearned premiums mechanism (without separate presentation of RA and CSM). The PAA method is applied for short-term contracts of up to 1 year and longer, as long as the relevant qualifying criteria for applying the simplification are satisfied, as specified in paragraphs 53 or 69 of IFRS 17. The measurement of liability for incurred claims (LIC) is carried out using the GMM model (without CSM calculations). At the time of implementation of IFRS 17, the PAA method is not used by the Group to measure insurance liabilities/assets;

3) **VFA – variable fee approach**

The liability measurement method used for IFRS 17 reporting of insurance contracts with direct profit sharing, where the measurement of liabilities is performed similarly to the GMM approach with the difference that changes in the contract margin component of the CSM in subsequent periods also include the impact of changes in economic factors, not just insurance factors.

Due to the specific nature of the insurance and reinsurance contracts in non-life insurance offered within the Group (insurance of several years), the criteria for applying the simplified valuation method based on premium allocation - PAA - were not met at the date of transition. Accordingly, both life insurance contracts and non-life insurance and reinsurance contracts are measured using the general model - GMM. The exception to this is direct profit-sharing insurance contracts, for which the Group uses the VFA model.

8.1.5. IDENTIFICATION AND AGGREGATION OF INSURANCE CONTRACTS

In order to identify insurance contracts and inward reinsurance contracts that are within the scope of IFRS 17, the Group verifies whether, under a given contract, the entity accepts a significant insurance risk from the policyholder and undertakes to compensate the policyholder for an adverse effect defined as an uncertain future insurable event.

For measurement purposes, insurance contracts should be aggregated into the so-called groups of insurance contracts described in Section 8.1.1 IFRS 17 MAIN ASSUMPTIONS. Grouping of contracts should be done taking into account the following three dimensions:

- portfolio dimension - contracts with similar risk characteristics and managed jointly;
- profitability dimension - contracts belonging to the same profitability group (one of the three defined by the standard);
- cohort dimension - contracts issued no more than one year apart.

The purpose of this aggregation is to ensure that profits are recognized over time in proportion to the insurance services provided, and losses are recognized immediately when the entity assesses that the concluded contract gives rise to a burden.

At the same time, the above aggregation makes it impossible to offset gains and losses between identified groups of insurance contracts, even within a single portfolio.

Grouping of insurance contracts occurs upon initial recognition, and the Group will not reassess the groups in subsequent periods unless there is a rationale for discontinuing contract recognition as specified in IFRS 17.

In the Group, the division of the portfolio into groups of insurance contracts will be determined taking into account the above dimensions:

- portfolio dimension - based on the risk characteristics of individual insurance contracts and based on existing insurance portfolio management processes;
- profitability dimension:
  - for life insurance - at the level of a single contract by measuring the given insurance contract;
  - for non-life insurance - all contracts are treated as profitable, unless there are facts or circumstances that indicate that they are not profitable. Profitability is assessed at the level of the IFRS 17 portfolio, while it is permissible to move the assessment to the level of the quarter or year cohorts;
- cohort dimension - the Group decided to use quarterly cohorts for both life and non-life insurance and reinsurance. The Group does not expect to apply the exemption from reporting under the requirement for annual cohorts.

8.1.6. MAIN ELEMENTS OF MEASUREMENT ACCORDING TO IFRS 17

The most significant elements of the IFRS 17 measurement and the main methodological decisions made by the Group are presented below.

8.1.6.1. CONTRACT BOUNDARIES

For the purpose of measurement of liabilities, the value of financial flows within the contract boundaries is estimated. Contract boundaries cover the period during which the Group is obliged to provide the services covered by the insurance contract. This period may arise from premiums already paid or premiums in respect of which the insured may be liable to pay. Cash flows are treated as flows within the contract boundaries if they result from the insurance cover provided during the above period, even if the physical payment goes beyond the contract boundaries.

The service obligation defining the contract boundaries expires when there is a realistic possibility of a risk reassessment and tariff change. If there is no such practical possibility, the measurement of liabilities includes all future expected premiums.

In the Group the contract boundary approach is largely consistent with the Solvency II measurement approach used to date. The exceptions are contract boundaries applied in unit-linked products, where the guidelines for future cash flows derived from the “KNF Office's Position on the Contract Boundary for the Purpose of Determining Insurance or Reinsurance Liabilities” are used for measurement for the needs of Solvency II. In contrast, for the needs of IFRS 17, in unit-linked products with regular premiums, the future premium is modelled in accordance with the policyholder's liabilities described in the general terms and conditions of insurance and in the policy.

8.1.6.2. DISCOUNTING AND ADJUSTMENT FOR NON-FINANCIAL RISK

The Group uses discount rate curves determined under the bottom-up approach (IFRS 17 paragraph B80), which assumes that discount curves are determined as liquid risk-free rate curves.

Base discount curves are set at risk-free discount rates published by EIOPA. As part of the simplification adopted, no illiquidity premium was applied.

The Group includes a risk adjustment for non-financial risks in the measurement of insurance contracts. Due to the different risk characteristics for the portfolio of life and non-life insurance and for the future flows arising from the liabilities of payable claims and those arising from the remaining insurance period, the adjustment for non-financial risk for these liabilities is estimated independently.

For non-life insurance, the adjustment for future coverage is determined using the Value at Risk (VaR) method, using a modified Solvency Capital Requirement (SCR) calculation according to the Solvency II standard formula. Two approaches are used to determine the adjustment for the loss reserve: the VaR method analogous to the approach for future coverage and the bootstrap method.

For life insurance, for liabilities arising from the remaining insurance period, the adjustment is determined using the cost of capital (CoC) method, and for liabilities for payable claims using the bootstrap method. The risk adjustment for non-financial risks at the entity level is determined as a simple sum of adjustments determined at the level of individual groups of contracts or business lines, and diversification is taken into account when determining the level of materiality at the entity level (bottom-up approach). At the Group level, the adjustment for non-financial risk is determined as a simple sum of adjustments for individual entities, and diversification between entities is not taken into account.

8.1.6.3. CONTRACT MARGIN

The contract margin is part of the liabilities (or assets) under insurance and reinsurance contracts. The contract margin reflects the outstanding profit for a group of insurance contracts and is therefore released as income in the income statement. The amount of margin release in a reporting period is determined as the value of unrecognised expected future profit attributable to the period in accordance with a pattern of so-called coverage units, which determine the volume of insurance service provided in each period.

The pattern of coverage units provided was estimated on the basis of sums insured (life insurance) or premiums earned assuming a pro rata approach (property insurance)

8.1.6.4. FINANCE INCOME AND COSTS FROM INSURANCE BUSINESS

Under IFRS 17, the Group has the option to split the finance income and costs of its insurance operations into the portions recognized in profit or loss and other comprehensive income. The Group took advantage of this opportunity for all IFRS 17 portfolios.

8.1.6.5. TRANSITION DATE

The Group applied IFRS 17 for the first time in the period beginning 1 January 2023. Due to the need to prepare comparative data, 1 January 2022 is assumed as the date of transition to the new standard.

The standard allows the use of 3 methods for the purpose of measuring financial items at the transition date:

- full retrospective approach (FRA) - a method in which an entity measures groups of insurance contracts as if the standard had been applied from the beginning for those contracts;
- modified retrospective approach (MRA) - a method that allows to apply simplifications to the FRA method if its full application is not feasible in practice;
- fair value approach - a method that is permitted, if the MRA method is not feasible in practice or if the entity has decided not to use the MRA method.

In accordance with the provisions of IFRS17 paragraph C3, unless it is impracticable to do so, the full retrospective approach is applied to the measurement of insurance contracts. In cases where the application of the full retrospective approach has been assessed as impracticable, the modified retrospective approach or the fair value approach is used, and the choice of approach is made individually for each group of contracts. Factors such as group characteristics, the availability of historical data, materiality and whether the group of contracts belongs to the portfolio offered for sale as of the transition date are taken into account in the selection.

The Group used the full retrospective approach for most groups of contracts and, in a few cases, the MRA method. However, the fair value approach was not used for the valuation.

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

8.2. IMPACT ASSESSMENT - CLASSIFICATION AND MEASUREMENT

The following tables present the cumulative effect of adjustments resulting from the implementation of IFRS 17 on:

- the Group's assets, liabilities and equity as at 1 January 2022, 30 June 2022 and 31 December 2022
- items of comprehensive income including the income statement for the six-month period ended 30 June 2022 and for the second quarter of 2022.

	31.12.2021 (pursuant to IFRS 4)	Adjustment due to implementation of IFRS 17	01.01.2022 (pursuant to IFRS 17)
TOTAL ASSETS, of which:	418,086	582	418,668
Loans and advances to customers	234,300	1,395	235,695
Assets in respect of insurance activities	911	(783)	128
Intangible assets	3,463	(20)	3,443
Other assets	2,605	(10)	2,595

	31.12.2021 (pursuant to IFRS 4)	Adjustment due to implementation of IFRS 17	01.01.2022 (pursuant to IFRS 17)
TOTAL LIABILITIES AND EQUITY	418,086	582	418,668
TOTAL LIABILITIES, of which:	380,393	296	380,689
Amounts due to customers	322,296	(1,030)	321,266
Liabilities in respect of insurance activities	2,008	1,309	3,317
Other liabilities	5,366	(6)	5,360
Deferred tax liabilities	356	23	379
EQUITY, of which:	37,693	286	37,979
Reserves and accumulated other comprehensive income	25,313	17	25,330
Unappropriated profit (taking into account profit or loss for 2021)	11,144	269	11,413
Capital and reserves attributable to equity holders of the parent company	**37,707**	**286**	**37,993**

- The increase in equity by PLN 286 million, of which PLN 269 million in retained earnings, results from a retrospective change in the recognition of historically collected insurance premiums and a change in the measurement methodology for insurance liabilities. Until the implementation of IFRS 17, as described in Section 8.1.2 THE MODEL FOR THE MEASUREMENT AND RECOGNITION OF INSURANCE PRODUCTS, INCLUDING THOSE LINKED TO LOANS AND ADVANCES, APPLIED UNTIL 31 DECEMBER 2022 the entire premium received by the Group was split in accordance with Recommendation U on the basis of the relative fair value model into an insurance product portion - measured using an actuarial model in accordance with the requirements of IFRS 4 - and a credit product portion - accounted for using the effective interest rate method. With the implementation of IFRS 17, insurance premiums were recognised in full as insurance component measured using the GMM model. As a consequence, the rate of revenue recognition and therefore the historically recognised profit included in retained earnings has changed. The value of the insurance premium previously recognised as a component of the gross carrying amount of loans and advances to customers and accounted for over the life of the loan product, now representing part of the insurance business measured using the new methodology under IFRS 17 is recognised over the life of the insurance product, which has translated into a positive increase in equity.

(IN PLN MILLION)

- The increase in other capital by PLN 17 million related to the recognition of part of the finance income and costs from insurance business in other comprehensive income (a new element introduced by IFRS 17). Under IFRS 17, the Group used the option to split the finance income and costs of its insurance business into the portions recognized in profit or loss and other comprehensive income. By using this option, the Group can reduce the volatility of the income statement resulting from fluctuations in the interest rate structure. The change in CSM value is calculated using a fixed locked-in discount rate structure corresponding to the structure at the time the cohort was recognised. The difference between the calculation based on locked-in curves and the current curves at the time of calculation is presented in other comprehensive income. This approach also ensures consistent presentation of income statement items resulting from changes in liabilities and segregated assets.
- Loans and advances to customers increased by PLN 1 395 million, due to the discontinuation of the premium element accounted for using the effective interest rate method and adjusting the gross carrying amount of loans. The value of this premium previously recognised as a component of the gross carrying amount of loans and advances to customers is now part of the insurance business measured using the new methodology under IFRS 17, thereby translating into an increase in the balance of liabilities in respect of insurance activities.
- In accordance with IFRS 17, the liability from insurance operations as at 1 January 2022 increased by PLN 1 309 million to PLN 3 317 million, of which liability for remaining coverage (LRC) is PLN 3 143 million and liability for incurred claims (LIC) is PLN 174 million.
- There was also a decrease of PLN 783 million in the line of assets in respect of insurance activities, which is primarily due to the adoption of a different method of determining insurance assets and liabilities with the reinsurer's share. In accordance with IFRS 17, the value of assets in respect of insurance activities as at 1 January 2022 amounts to 128 million, of which liability for remaining coverage (LRC) amounts to PLN 107 million and liability for incurred claims (LIC) amounts to PLN 21 million.
- In intangible assets, the Group recognised future gains on insurance contracts (hereinafter Value in force, VIF) resulting from the settlement of the acquisition on 1 April 2014 of "Nordea Polska Towarzystwo Ubezpieczeń na Życie" SA (currently PKO Życie Towarzystwo Ubezpieczeń S.A.). Following the implementation of IFRS 17, VIF amounts to PLN 2 million as at 1 January 2022 (negative adjustment of PLN 20 million). The remeasurement is due to the fact that a significant part of the products for which VIF has been recognised are subject to the requirements of IFRS 17, so that VIF for this part of the portfolio is replaced by the contractual service margin (CSM). The amount of contractual service margin from the acquired portfolio subject to measurement in accordance with IFRS 17 is higher than the value of the recognised VIF, due to the prudential valuation that was applied for liability measurement purposes at the time of the transaction. The new VIF value has been limited to policies subject to measurement in accordance with IFRS 9 and has been calculated in line with the original recognition of the VIF (i.e. measurement of the VIF at the time of the transaction and adoption of an amortisation pattern based on the distribution of projected future profits).
- As a result of the implementation of IFRS 17, a significant part of the products, i.e. the liabilities from the majority of unit-linked products and the "safe capital" product, is measured in accordance with IFRS 17 as part of liabilities from insurance activities (this applies to the item "Amounts due to customers" – "Liabilities in respect of insurance products"). The remainder is measured in accordance with IFRS 9. The value of the adjustment to the item "Amounts due to customers" amounted to a negative PLN 1 030 million. The carrying amount of the liabilities in respect of insurance products presented under "Amounts due to customers" amounts to PLN 175 million after adjustments.

	30.06.2022 (published)	Adjustment due to implementation of IFRS 17	30.06.2022 (restated)
ASSETS, of which:	428,843	738	429,581
Loans and advances to customers	234,590	1,358	235,948
Assets in respect of insurance activities	704	(589)	115
Intangible assets	3,432	(18)	3,414
Other assets	2,636	(13)	2,623

(IN PLN MILLION)

	30.06.2022 (published)	Adjustment due to implementation of IFRS 17	30.06.2022 (restated)
LIABILITIES AND EQUITY	428,843	738	429,581
Liabilities, of which:	397,903	413	398,316
Amounts due to customers	326,315	(802)	325,513
Liabilities in respect of insurance activities	1,811	1,182	2,993
Other liabilities	10,068	(4)	10,064
Deferred tax liabilities	264	37	301
EQUITY, of which:	30,940	325	31,265
Reserves and accumulated other comprehensive income	19,221	47	19,268
Retained earnings	8,646	269	8,915
Net profit or loss for the year	1,838	9	1,847
Capital and reserves attributable to equity holders of the parent company	**30,955**	**325**	**31,280**

	31.12.2022 (published)	Adjustment due to implementation of IFRS 17	31.12.2022 (restated)
ASSETS, of which:	430,683	764	431,447
Loans and advances to customers	231,721	1,238	232,959
Assets in respect of insurance activities	555	(440)	115
Intangible assets	3,527	(15)	3,512
Other assets	2,804	(19)	2,785

	31.12.2022 (published)	Adjustment due to implementation of IFRS 17	31.12.2022 (restated)
LIABILITIES AND EQUITY	430,683	764	431,447
Liabilities, of which:	395,248	492	395,740
Amounts due to customers	339,582	(714)	338,868
Liabilities in respect of insurance activities	1,732	1,146	2,878
Other liabilities	7,014	(4)	7,010
Deferred tax liabilities	13	64	77
EQUITY, of which:	35,435	272	35,707
Reserves and accumulated other comprehensive income	22,215	24	22,239
Retained earnings	8,651	269	8,920
Net profit or loss for the year	3,333	(21)	3,312
Capital and reserves attributable to equity holders of the parent company	**35,449**	**272**	**35,721**

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INCOME STATEMENT (selected items)	1.01-30.06.2022 (published)	Adjustment due to implementation of IFRS 17	01.01-30.06.2022 (restated)
Net interest income	**6,839**	**(205)**	6,634
Interest and similar income	9,267	(205)	9,062
of which calculated under the effective interest rate method	9,018	(202)	8,816
Net fee and commission income	**2,428**	(210)	2,218
Fee and commission income	3,153	(214)	2,939
Fee and commission expense	(725)	4	(721)
Other net income	**196**	394	590
Net income from insurance business, of which:	-	394	394
Insurance revenue (net of reinsurance)	-	572	572
Cost of insurance activities (net of reinsurance)	-	(147)	(147)
Result on business activities	**9,463**	(21)	9,442
Administrative expenses	(4,205)	37	(4,168)
of which net regulatory charges	(1,390)	1	(1,389)
Profit before tax	**2,754**	16	2,770
Income tax expense	(917)	(7)	(924)
Net profit (including non-controlling shareholders)	1,837	9	1,846
Net profit attributable to equity holders of the parent company	1,838	9	1,847

STATEMENT OF COMPREHENSIVE INCOME (selected items)	1.01-30.06.2022 (published)	Adjustment due to implementation of IFRS 17	01.01-30.06.2022 (restated)
Net profit (including non-controlling shareholders)	**1,838**	**9**	**1,846**
Other comprehensive income	**(6,302)**	**30**	**(6,272)**
Items which may be reclassified to profit or loss	**(6,302)**	**30**	**(6,272)**
Finance income and costs from insurance business, gross	-	37	37
Deferred tax	-	(7)	(7)
Finance income and costs from insurance business, net	-	30	30
Total net comprehensive income	**(4,465)**	**39**	**(4,426)**
Total net comprehensive income, of which attributable to:	(4,465)	39	**(4,426)**
equity holders of the parent	(4,464)	39	(4,425)
non-controlling interest	(1)	-	(1)

The restatement of the consolidated statement of cash flows is presented in note “Changes in accounting policies applicable from 1 January 2023 and explanation of the differences between previously published financial statements and these financial statements”.

8.3. IMPACT OF IFRS 17 ON OWN FUNDS AND CAPITAL ADEQUACY MEASURES

According to CRR Regulation, prudential consolidation is used for capital adequacy purposes, which unlike consolidation in accordance with IFRS, covers only subsidiaries that meet the definition of an institution, financial institution or any ancillary services enterprise. Therefore, the following insurance companies of the Group are excluded from prudential consolidation: PKO Towarzystwo Ubezpieczeń S.A. and PKO Życie Towarzystwo Ubezpieczeń S.A. The insurance companies are measured using the equity method.

Thus, the implementation of IFRS 17 at the date of the opening balance sheet affects the value of equity investments recognised (own funds requirements for credit risk), as well as retained earnings and accumulated other comprehensive income from the remeasurement of insurance companies measured using the equity method.

The total impact of the adjustments on the total capital ratio is +0.01 b.p. as at 31 December 2022.

9. CHANGES IN ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2023 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

The Group implemented the new IFRS 17 "Insurance Contracts" with effect from 1 January 2023. The impact of implementation and an explanation of the differences between the previously published statements and these financial statements with regard to the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position are presented in the note "IFRS 17 Insurance Contracts". The explanation of the differences in the consolidated statement of cash flows is presented below.

In addition, starting with the financial statements for 2022, in order to better reflect its operations and ensure comparability with the banking sector, the Group made the following changes in its accounting policies with respect to:

- the item “interest and dividends” in the section on cash flows from operating activities has been split into “interest and dividends received” and “interest paid”. In addition, redemptions of securities and interest received from securities are presented separately under investing activities (1).
- cash flows from property assets leased under operating leases were reclassified from investing activities to operating activities (2).

(IN PLN MILLION)

CASH FLOWS – SELECTED DATA	01.01-30.06.2022 before restatement	IFRS 17	(1)	(2)	01.01-30.06.2022 restated
Profit before tax	2,754	16	-	-	2,770
Total adjustments	4,520	(16)	-	(303)	4,201
Gains/losses on investing activities	(41)	-	-	38	(3)
Interest and dividends (old item)	(1,276)	-	1,276	-	-
Interest and dividends received (new item)	-	-	(1,397)	-	(1,397)
Interest paid (new item)	-	-	121	-	121
Change in loans and advances to customers	(883)	37	-	-	(846)
Change in asset in respect of insurance activities	207	(194)	-	-	13
Property, plant and equipment under operating lease (new item)	-	-	-	(220)	(220)
Change in amounts due to customers	4,019	228	-	-	4,247
Change in liabilities in respect of insurance activities	(197)	(127)	-	-	(324)
Change in other liabilities	2,542	6	-	-	2,548
Other adjustments	(4,730)	34	-	(121)	(4,817)
Net cash from/used in operating activities	6,617	-	-	(303)	6,314
Inflows from investing activities	**59,324**	-	-	**(149)**	**59,175**
Redemption and interest from securities measured at fair value through other comprehensive income (old item)	55,902	-	(55,902)	-	-
Redemption and interest from securities measured at amortized cost (old item)	3,186	-	(3,186)	-	-
Redemption of securities measured at fair value through other comprehensive income (new item)	-	-	55,142	-	55,142
Redemption of securities measured at amortized cost (new item)	-	-	2,582	-	2,582
Interest received on securities measured at fair value through other comprehensive income (new item)	-	-	760	-	760
Interest received on securities measured at amortized cost (new item)	-	-	604	-	604
Proceeds from disposal of intangible assets, property, plant and equipment and assets held for sale	203	-	-	(149)	54
Outflows on investing activities	**(54,274)**	-	-	**452**	**(53,822)**
Purchase of intangible assets and property, plant and equipment	(784)	-	-	452	(332)
Net cash from/used in investing activities	5,050	-	-	303	5,353

(IN PLN MILLION)

10. NEW STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS

- **STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS EFFECTIVE FROM 1 JANUARY 2023**

STANDARDS AND INTERPRETATIONS *	DESCRIPTION OF CHANGES AND IMPACT
IFRS 17 "INSURANCE CONTRACTS" (1.01.2023/ 19.11. 2021) AND AMENDMENTS TO IFRS 17 (1.01.2023/ 8.09.2022)	For details, see Note 8 "IFRS 17 Insurance contracts"
AMENDMENTS TO IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS" AND IAS 8 "ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS" (1.01.2023/2.03.2022))	Amendments to IAS 1 contain guidelines on the application of the term "material" in disclosures of the accounting policies. Instead of significant accounting policies, the amendments require disclosure of material information about accounting policies, with explanations and examples of how an entity can identify material information about accounting policies. The amendments to IAS 8 introduce a new definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The introduction of the definition of accounting estimates and other amendments to IAS 8 are intended to help entities distinguish between changes in accounting policies and changes in accounting estimates. These amendments will affect the scope of information presented in the Bank's and the Group's annual financial statements for 2023.
AMENDMENTS TO IAS 12 "INCOME TAXES" (1.01.2023/11.08.2022)	Amendments to IAS 12 require that the entities recognise in the financial statements deferred tax assets and liabilities resulting from transactions, other than business combinations, in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment is presentational in nature.

* The effective date in EU / date of endorsement by EU is provided in parentheses

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

STANDARDS AND INTERPRETATIONS *	DESCRIPTION OF CHANGES AND IMPACT
AMENDMENTS TO IAS 1 - CLASSIFICATION OF LIABILITIES (1.01.2024/ NO DATA)	The changes relate to the classification of liabilities in the statement of financial position as short-term or long-term. They clarify that the classification of liabilities as short-term or long-term should take into account, as at the classification date, the existence of a debt extension, regardless of the entity's intention to use it for a period longer than 12 months, and should take into account the fulfillment of the conditions of such extension as at the date of assessment, if it is conditional. The amendment will be presentational in nature.
AMENDMENT TO IFRS 16 "LEASES" (1.01.2024/ NO DATA)	The amendments clarify how a seller-lessee should measure sale and leaseback transactions that meet the requirements of IFRS 15 to recognise an asset as a sale. In particular, the measurement of the lease liability should not take into account gains and losses associated with the retained right of use. The seller-lessee may still recognise in profit or loss the gains and losses associated with the partial or total termination of a lease. A retrospective approach will apply to these amendments. The Group is currently evaluating the impact on the consolidated financial statements.
AMENDMENTS TO IAS 7 "STATEMENT OF CASH FLOWS"	The amendments require additional disclosures for reverse factoring agreements. Entities will be required to disclose information in financial statements to enable users of financial statements:

AND AMENDMENTS TO IFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURES" (1.01.2024/ NO DATA)	• an assessment of how the aforementioned agreements affect the entity's liabilities and cash flows; and • understanding the impact of the aforementioned agreements on the entity's exposure to liquidity risk and the impact when the agreements expire. In addition, the amendments complement the current IFRS requirements by adding additional disclosure requirements to IAS 7 on, among other things: • terms and conditions of reverse factoring agreements; • disclosures at the beginning and end of the reporting period of the carrying amount of the aforementioned liabilities, the value of liabilities paid, the timing of payments. The IASB has decided that, in most cases, entities can present aggregated information on the above matters. The amendment will be presentational in nature.
AMENDMENTS TO IAS 12 "INCOME TAXES" (1.01.2023/NO DATA)	The amendments apply to entities for which OECD Pillar 2 tax regulations apply, i.e. the introduction of global minimum taxation for the largest groups earning profits in different tax jurisdictions. Among other things, the amendments introduce an exception to the requirements of IAS 12, whereby entities do not recognise and disclose deferred tax assets and liabilities related to the OECD Pillar 2. The application of the exception must be disclosed by entities. In addition, the amendments also introduce, among other things, a requirement for separate disclosure of current tax expense related to the OECD Pillar 2. The Group is currently evaluating the impact on the consolidated financial statements.

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

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SUPPLEMENTARY NOTES TO THE INCOME STATEMENT

11. Segment reporting

The PKO Bank Polski S.A. Group conducts business activities within segments offering specific products and services addressed to specific groups of customers. The manner in which the business segments are divided ensures consistency with the sales management model and offers customers a comprehensive product mix comprising both traditional banking products and more complex investment products, as well as services provided by the Group entities. Information about the segments was described in the consolidated financial statements of the Group for 2022.

The figures for 2022 include the impact of the implementation of International Financial Reporting Standard 17 "Insurance contracts".

FINANCIAL INFORMATION

Income statement by segment	Continuing operations			
FOR 6 MONTHS ENDED 30 JUNE 2023	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group
Net interest income	**7,386**	**2,607**	**(1,414)**	**8,579**
Net fee and commission income	**1,687**	**550**	**(23)**	**2,214**
Other net income	**495**	**76**	**(54)**	**517**
Net income from insurance business	348	5	-	353
Dividend income	-	12	-	12
Gains/(losses) on financial transactions	20	3	5	28
Foreign exchange gains/ (losses)	47	14	(49)	12
Gains/(losses) on derecognition of financial instruments	11	11	5	27
Net other operating income and expense	56	44	(15)	85
Income/(expenses) relating to internal customers	13	(13)	-	-
Result on business activities	**9,568**	**3,233**	**(1,491)**	**11,310**
Net expected credit losses	(451)	(92)	-	(543)
Net impairment losses on non-financial assets	(2)	-	(20)	(22)
Cost of legal risk of mortgage loans in convertible currencies	(3,441)	-	-	(3,441)
Administrative expenses, of which:	(3,031)	(698)	(2)	(3,731)
depreciation and amortization	(448)	(72)	-	(520)
net regulatory charges	(271)	(157)	(1)	(429)
Tax on certain financial institutions	(371)	(212)	(27)	(610)
Share in profits and losses of associates and joint ventures	-	-	-	36
Segment profit/(loss)	**2,272**	**2,231**	**(1,540)**	**2,999**
Income tax expense (tax burden)				(957)
Net profit (including non-controlling shareholders)				2,042
Profit (loss) attributable to non-controlling shareholders				1
Net profit attributable to equity holders of the parent company				2,041

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Income statement by segment	Continuing operations			
FOR 6 MONTHS ENDED 30 JUNE 2022	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group (restated)
Net interest income	**4,612**	**1,424**	**598**	**6,634**
Net fee and commission income	**1,698**	**525**	**(5)**	**2,218**
Other net income	**568**	**95**	**(73)**	**590**
Net income from insurance business	391	3	-	394
Dividend income	-	11	-	11
Gains/(losses) on financial transactions	97	69	1	167
Foreign exchange gains/ (losses)	11	9	(86)	(66)
Gains/(losses) on derecognition of financial instruments	7	(23)	(2)	(18)
Net other operating income and expense	49	39	14	102
Income/(expenses) relating to internal customers	13	(13)	-	-
Result on business activities	**6,878**	**2,044**	**520**	**9,442**
Net expected credit losses	(488)	(229)	-	(717)
Net impairment losses on non-financial assets	(3)	1	(11)	(13)
Cost of legal risk of mortgage loans in convertible currencies	(1,176)	-	-	(1,176)
Administrative expenses, of which:	(3,364)	(775)	(29)	(4,168)
depreciation and amortization	(430)	(68)	-	(498)
net regulatory charges	(1,012)	(348)	(29)	(1,389)
Tax on certain financial institutions	(371)	(193)	(62)	(626)
Share in profits and losses of associates and joint ventures	-	-	-	28
Segment profit/(loss)	**1,476**	**848**	**418**	**2,770**
Income tax expense (tax burden)				(924)
Net profit (including non-controlling shareholders)				1,846
Profit (loss) attributable to non-controlling shareholders				(1)
Net profit attributable to equity holders of the parent company				**1,847**

Assets and liabilities by segment 30.06.2023	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group
Assets	173,780	186,333	95,361	455,474
Investments in associates and joint ventures	-	272	-	272
Unallocated assets	-	-	-	5,096
Total assets	**173,780**	**186,605**	**95,361**	**460,842**
Liabilities	317,569	75,037	26,020	418,626
Unallocated liabilities	-	-	-	1,091
Total liabilities	**317,569**	**75,037**	**26,020**	**419,717**

(IN PLN MILLION)

Assets and liabilities by segment 31.12.2022	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group
Assets	176,656	157,849	91,419	425,924
Investments in associates and joint ventures	-	285	-	285
Unallocated assets	-	-	-	5,238
Total assets	**176,656**	**158,134**	**91,419**	**431,447**
Liabilities	288,718	79,423	26,757	394,898
Unallocated liabilities	-	-	-	842
Total liabilities	**288,718**	**79,423**	**26,757**	**395,740**

INFORMATION ON GEOGRAPHICAL AREAS

The PKO Bank Polski S.A. Group also divides its operations into geographical segments. The Group conducts its operations in the Republic of Poland, as well as in Ukraine (through the KREDOBANK S.A. Group, “Inter-Risk Ukraina” company with additional liability, Finansowa Kompania “Prywatne Inwestycje" sp. z o.o. and Finansowa Kompania “Idea Kapitał” sp. z o.o.), in Sweden (through PKO Finance AB and PKO Leasing Sverige AB) and in Ireland (through Polish Lease Prime 1 DAC1). PKO Bank Polski S.A. also has foreign corporate branches in the Federal Republic of Germany, the Czech Republic and the Slovak Republic. In the first half of 2023, a branch in Romania was opened and began marketing and representation activities. The operational launch of the branch in Bucharest is planned for 2024.

For presentation purposes, the results of the companies operating in Sweden and Ireland and of the Bank’s branches operating in Germany, the Czech Republic and Slovakia were recognized in the segment “Poland” due to their insignificant impact on the scale of the operations of the PKO Bank Polski S.A. Group.

The results of the companies recognized in the segment “Ukraine” include intercompany transactions with other companies of the PKO Bank Polski S.A. Group operating in Ukraine. Intercompany transactions with other companies of the PKO Bank Polski S.A. Group and consolidation adjustments are presented in the results of the segment “Poland”.

(IN PLN MILLION)

FOR 6 MONTHS ENDED 30 JUNE 2023	Poland	Ukraine	Total
Net interest income	**8,405**	**174**	**8,579**
Net fee and commission income	**2,157**	**57**	**2,214**
Other net income	**513**	**4**	**517**
Net income from insurance business	353	-	353
Dividend income	12	-	12
Gains/(losses) on financial transactions	28	-	28
Foreign exchange gains/ (losses)	10	2	12
Gains/(losses) on derecognition of financial instruments	26	1	27
Net other operating income and expense	84	1	85
Result on business activities	**11,075**	**235**	**11,310**
Net expected credit losses	(535)	(8)	(543)
Net impairment losses on non-financial assets	(29)	7	(22)
Cost of legal risk of mortgage loans in convertible currencies	(3,441)	-	(3,441)
Administrative expenses, of which:	(3,638)	(93)	(3,731)
depreciation and amortization	(502)	(18)	(520)
net regulatory charges	(422)	(7)	(429)
Tax on certain financial institutions	(610)	-	(610)
Share in profits and losses of associates and joint ventures	36	-	36
Segment profit/(loss)	**2,858**	**141**	**2,999**
Income tax expense (tax burden)			(957)
Net profit (including non-controlling shareholders)			2,042
Profit (loss) attributable to non-controlling shareholders			1
Net profit attributable to equity holders of the parent company			**2,041**

30.06.2023	Poland	Ukraine	Total
Assets, of which:	450,399	5,075	455,474
Loans and advances to customers	234,705	1,349	236,054
Investments in associates and joint ventures	272	-	272
Current income tax receivable and deferred tax assets	5,083	13	5,096
Total assets	**455,754**	**5,088**	**460,842**
Liabilities, of which:	414,147	4,479	418,626
Amounts due to customers	361,673	4,380	366,053
Current income tax liabilities and deferred tax liabilities	1,069	22	1,091
Total liabilities	**415,216**	**4,501**	**419,717**

(IN PLN MILLION)

FOR 6 MONTHS ENDED 30 JUNE 2022	Poland	Ukraine	Total
Net interest income	**6,489**	**145**	**6,634**
Net fee and commission income	**2,152**	**66**	**2,218**
Other net income	**587**	**3**	**590**
Net income from insurance business	394	-	394
Dividend income	11	-	11
Gains/(losses) on financial transactions	167	-	167
Foreign exchange gains/ (losses)	(66)	-	(66)
Gains/(losses) on derecognition of financial instruments	(18)	-	(18)
Net other operating income and expense	99	3	102
Result on business activities	**9,228**	**214**	**9,442**
Net expected credit losses	(492)	(225)	(717)
Net impairment losses on non-financial assets	(13)	-	(13)
Cost of legal risk of mortgage loans in convertible currencies	(1,176)	-	(1,176)
Administrative expenses, of which:	(4,075)	(93)	(4,168)
depreciation and amortization	(476)	(22)	(498)
net regulatory charges	(1,383)	(6)	(1,389)
Tax on certain financial institutions	(626)	-	(626)
Share in profits and losses of associates and joint ventures	28	-	28
Segment profit/(loss)	**2,874**	**(104)**	**2,770**
Income tax expense (tax burden)			(924)
Net profit (including non-controlling shareholders)			1,846
Profit (loss) attributable to non-controlling shareholders			(1)
Net profit attributable to equity holders of the parent company			**1,847**

31.12.2022	Poland	Ukraine	Total
Assets, of which:	421,052	4,872	425,924
Loans and advances to customers	231,382	1,577	232,959
Investments in associates and joint ventures	285	-	285
Current income tax receivable and deferred tax assets	5,231	7	5,238
Total assets	**426,568**	**4,879**	**431,447**
Liabilities, of which:	390,533	4,365	394,898
Amounts due to customers	334,729	4,139	338,868
Current income tax liabilities and deferred tax liabilities	841	1	842
Total liabilities	**391,374**	**4,366**	**395,740**

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

12. INTEREST INCOME AND EXPENSE

INTEREST AND SIMILAR INCOME	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Loans and other amounts due from banks and the Central Bank[1]	**444**	**850**	**253**	**338**
Debt securities:	**1,714**	**3,152**	**826**	**1,458**
measured at amortized cost	524	985	341	628
measured at fair value through other comprehensive income	1,178	2,146	476	816
measured at fair value through profit or loss	12	21	9	14
Loans and advances to customers[2]	**5,252**	**10,368**	**3,906**	**6,709**
measured at amortized cost	5,121	10,098	3,780	6,477
measured at fair value through profit or loss	131	270	126	232
Finance lease receivables[2]	**398**	**784**	**302**	**538**
Amounts due to customers	**-**	**-**	**17**	**19**
Total	**7,808**	**15,154**	**5,304**	**9,062**
of which: interest income on impaired financial instruments	142	278	87	157
Interest income calculated using the effective interest rate method on financial instruments measured:	7,665	14,863	5,169	8,816
at amortized cost	6,487	12,717	4,693	8,000
at fair value through other comprehensive income	1,178	2,146	476	816
Income similar to interest income on instruments measured at fair value through profit or loss	143	291	135	246
Total	**7,808**	**15,154**	**5,304**	**9,062**

[1] Under this item, in the six-month period ended 30 June 2023, the Group recognised interest income on funds in call accounts (central clearing through a clearing broker) of PLN 140 million (PLN 100 million in the corresponding period) and interest income on funds in the current account with the NBP of PLN 379 million (PLN 180 million in the corresponding period).

[2] Interest income on loans advanced to customers and finance lease receivables for the period of six months ended 30 June 2022 has been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

INTEREST EXPENSE	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Amounts due to banks	(21)	(46)	(36)	(60)
Hedging derivatives[1]	(1,078)	(2,233)	(856)	(1,124)
Interbank deposits	-	-	(3)	(5)
Loans and advances received	(25)	(51)	(22)	(40)
Leases	(9)	(16)	(4)	(7)
Amounts due to customers[2]	(2,037)	(3,753)	(648)	(861)
Issues of securities	(189)	(361)	(156)	(273)
Subordinated liabilities	(57)	(115)	(37)	(58)
Total	**(3,416)**	**(6,575)**	**(1,762)**	**(2,428)**

[1] The increase in interest expense related to hedging derivatives of PLN 1,109 million relates mainly to IRS transactions (payments made at a floating rate exceed those received at a fixed rate)

[2] The increase in expenses by PLN 2 892 million results from interest rate increases leading to an adjustment of the deposit offering to the market situation and the conversion of funds into term deposits, accompanied by an increase in the average volume of deposits by PLN 22 billion compared to the corresponding period of 2022

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

INTEREST AND SIMILAR INCOME BY SEGMENT	2nd quarter period from 01.04.2023 to 30.06.2023			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
loans and other amounts due from banks and the Central Bank	2	247	195	444
debt securities	22	1,155	537	1,714
loans and advances to customers	3,903	1,349	-	5,252
finance lease receivables	279	119	-	398
Total	4,206	2,870	732	7,808

INTEREST AND SIMILAR INCOME BY SEGMENT	2 quarters from 01.01.2023 to 30.06.2023			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
loans and other amounts due from banks and the Central Bank	5	465	380	850
debt securities	42	2,119	991	3,152
loans and advances to customers	7,820	2,548	-	10,368
finance lease receivables	559	225	-	784
Total	8,426	5,357	1,371	15,154

INTEREST AND SIMILAR INCOME BY SEGMENT	2nd quarter period from 01.04.2022 to 30.06.2022			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
loans and other amounts due from banks and the Central Bank	-	112	141	253
debt securities	12	416	398	826
loans and advances to customers	3,067	839	-	3,906
finance lease receivables	238	64	-	302
amounts due to customers	-	17	-	17
Total	3,317	1,448	539	5,304

[1] Interest income on loans advanced to customers and finance lease receivables for the period of six months ended 30 June 2022 has been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

INTEREST AND SIMILAR INCOME BY SEGMENT	2 quarters from 01.01.2022 to 30.06.2022			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
loans and other amounts due from banks and the Central Bank	4	152	182	338
debt securities	18	639	801	1,458
loans and advances to customers[1]	5,311	1,398	-	6,709
finance lease receivables[1]	415	123	-	538
amounts due to customers	-	19	-	19
Total	5,748	2,331	983	9,062

[1] Interest income on loans advanced to customers and finance lease receivables for the period of six months ended 30 June 2022 has been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

(IN PLN MILLION)

13. FEE AND COMMISSION INCOME AND EXPENSES

FEE AND COMMISSION INCOME	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Loans, insurance, operating leases and fleet management	**307**	**607**	**289**	**563**
lending	226	445	218	429
offering insurance products[1]	26	56	30	60
operating leases and fleet management	55	106	41	74
Investment funds, pension funds and brokerage activities	**160**	**355**	**204**	**422**
servicing investment funds and OFE (including management fees)	94	183	100	207
servicing and selling investment and insurance products[1]	1	2	-	-
brokerage activities	65	170	104	215
Cards	525	**1,006**	497	**908**
Margins on foreign exchange transactions	193	**372**	207	**394**
Bank accounts and other	**342**	**681**	**331**	**652**
servicing bank accounts	237	474	238	472
cash operations	25	45	19	40
servicing foreign mass transactions	31	60	24	47
customer orders	13	27	16	31
fiduciary services	3	5	3	5
Other	33	70	31	57
Total, of which:	**1,527**	**3,021**	**1,528**	**2,939**
income from financial instruments not measured at fair value through profit or loss	1,420	2,801	1 510	2,701

[1] Fee and commission income from offering insurance products and servicing and selling investment and insurance products for the period of six months ended 30 June 2022 has been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts").

FEE AND COMMISSION EXPENSE	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Loans and insurance	**(23)**	**(50)**	**(22)**	**(50)**
commission paid to external entities for product sales	(7)	(12)	(5)	(11)
cost of construction project supervision and property appraisal	(9)	(15)	(8)	(15)
fees to Biuro Informacji Kredytowej	-	(11)	(1)	(10)
loan handling	(7)	(12)	(8)	(14)
Investment funds, pension funds and brokerage activities	**(12)**	**(23)**	**(11)**	**(23)**
Cards	**(326)**	**(634)**	**(317)**	**(569)**
Bank accounts and other	**(55)**	**(100)**	**(43)**	**(79)**
clearing services	(17)	(31)	(14)	(27)
commissions for operating services provided by banks	(2)	(6)	(4)	(7)
sending short text messages (SMS)	(14)	(27)	(14)	(25)
servicing foreign mass transactions	(6)	(11)	(6)	(10)
other	(16)	(25)	(5)	(10)
Total	**(416)**	**(807)**	**(393)**	**(721)**

(IN PLN MILLION)

FEE AND COMMISSION INCOME BY SEGMENT	2nd quarter period from 01.04.2023 to 30.06.2023			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans, insurance, operating leases and fleet management	**192**	**115**	-	**307**
lending	133	93	-	226
offering insurance products	21	5	-	26
operating leases and fleet management	38	17	-	55
Investment funds, pension funds and brokerage activities	**138**	**22**	-	**160**
servicing investment funds and OFE (including management fees)	92	2	-	94
servicing and selling investment and insurance products	1	-	-	1
brokerage activities	45	20	-	65
Cards	**511**	**14**	-	**525**
Margins on foreign exchange transactions	**134**	**59**	-	**193**
Bank accounts and other	**259**	**83**	-	**342**
servicing bank accounts	200	37	-	237
cash operations	11	14	-	25
servicing foreign mass transactions	19	12	-	31
customer orders	3	10	-	13
fiduciary services	-	3	-	3
other	26	7	-	33
			-	
Total	1,234	293	-	1,527

(IN PLN MILLION)

FEE AND COMMISSION INCOME BY SEGMENT	2 quarters from 01.01.2023 to 30.06.2023			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans, insurance, operating leases and fleet management	**385**	**222**	-	**607**
lending	264	181	-	445
offering insurance products	47	9	-	56
operating leases and fleet management	74	32	-	106
Investment funds, pension funds and brokerage activities	**296**	**59**	-	**355**
servicing investment funds and OFE (including management fees)	180	3	-	183
servicing and selling investment and insurance products	2	-	-	2
brokerage activities	114	56	-	170
Cards	**976**	**30**	-	**1,006**
Margins on foreign exchange transactions	**251**	**121**	-	**372**
Bank accounts and other	**514**	**167**	-	**681**
servicing bank accounts	400	74	-	474
cash operations	18	27	-	45
servicing foreign mass transactions	37	23	-	60
customer orders	9	18	-	27
fiduciary services	-	5	-	5
other	50	20	-	70
Total	2,422	599	-	3,021

(IN PLN MILLION)

FEE AND COMMISSION INCOME BY SEGMENT	2nd quarter period from 01.04.2022 to 30.06.2022			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans, insurance, operating leases and fleet management	**197**	**92**	-	**289**
lending	142	76	-	218
offering insurance products[1]	26	4	-	30
operating leases and fleet management	29	12	-	41
Investment funds, pension funds and brokerage activities	**175**	**29**	-	**204**
servicing investment funds and OFE (including management fees)[1]	98	2	-	100
brokerage activities	77	27	-	104
Cards	**479**	**18**	-	**497**
Margins on foreign exchange transactions	**123**	**84**	-	**207**
Bank accounts and other	**252**	**79**	-	**331**
servicing bank accounts	202	36	-	238
cash operations	7	12	-	19
servicing foreign mass transactions	14	10	-	24
customer orders	7	9	-	16
fiduciary services	-	3	-	3
other	22	9	-	31
Total	1,226	302	-	1,528

[1] Fee and commission income from offering insurance products and servicing and selling investment and insurance products for the period of six months ended 30 June 2022 has been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts").

(IN PLN MILLION)

FEE AND COMMISSION INCOME BY SEGMENT	2 quarters from 01.01.2022 to 30.06.2022			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans, insurance, operating leases and fleet management	**384**	**179**	-	**563**
lending	277	152	-	429
offering insurance products[1]	53	7	-	60
operating leases and fleet management	54	20	-	74
Investment funds, pension funds and brokerage activities	**348**	**74**	-	**422**
servicing investment funds and OFE (including management fees)	202	5	-	207
servicing and selling investment and insurance products[1]	-	-	-	-
brokerage activities	146	69	-	215
Cards	**878**	**30**	-	**908**
Margins on foreign exchange transactions	**254**	**140**	-	**394**
Bank accounts and other	**503**	**149**	-	**652**
servicing bank accounts	402	70	-	472
cash operations	17	23	-	40
servicing foreign mass transactions	27	20	-	47
customer orders	14	17	-	31
fiduciary services		5	-	5
other	43	14	-	57
Total	2,367	572	-	2 939

[1] Fee and commission income from offering insurance products and servicing and selling investment and insurance products for the period of six months ended 30 June 2022 has been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts").

NET INCOME ON OPERATING LEASES AND FLEET MANAGEMENT	01.04-30.06.2023	01.01-30.06.2023	01.04-30.06.2022	01.01-30.06.2022
Income on operating leases and fleet management	143	278	125	237
Costs of operating leases and fleet management	(17)	(33)	(25)	(47)
Depreciation of property, plant and equipment under operating leases	(71)	(139)	(59)	(116)
Net income on operating leases and fleet management	**55**	**106**	**41**	**74**

(IN PLN MILLION)

14. GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS

GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Financial instruments held for trading, of which:	**(7)**	**21**	**132**	**231**
Derivatives	(14)	10	117	214
Equity instruments	4	3	(5)	(3)
Debt securities	3	8	20	20
Financial instruments not held for trading, measured at fair value through profit or loss, of which:	**1**	**18**	**(37)**	**(65)**
Equity instruments	15	45	(23)	(38)
Debt securities	1	1	(2)	(19)
Loans and advances to customers	(15)	(28)	(12)	(8)
Hedge accounting	**-**	**(11)**	**-**	**1**
Total	(6)	28	95	167

15. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Net revenues from the sale of products and services	39	67	30	53
Gains on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	25	49	22	46
Damages, compensation and penalties received	12	23	13	24
Ancillary income	1	4	2	6
Recovery of receivables expired, forgiven or written off	1	2	-	1
Reversal of provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies	1	2	2	3
Income from sale of CO_2 emission allowances	10	12	11	14
Other	22	45	23	46
Total	111	204	103	193

(IN PLN MILLION)

OTHER OPERATING EXPENSES	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Losses on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	(2)	(4)	(3)	(7)
Damages, compensation and penalties paid	(6)	(7)	-	-
Donations made	(1)	(1)	(11)	(15)
Sundry expenses	(4)	(9)	(3)	(8)
Recognition of provision for potential refunds of fees and commission to customers	-	-	(13)	(13)
Recognition of provision for future payments	(1)	(1)	-	-
Recognition of provision for legal claims excluding legal claims relating to repaid mortgage loans in convertible currencies	(3)	(6)	(2)	(3)
Costs from sale of CO_2 emission allowances	(1)	(26)	-	(7)
Other	(28)	(65)	(19)	(38)
Total	**(46)**	**(119)**	**(51)**	**(91)**

16. NET ALLOWANCES FOR EXPECTED CREDIT LOSSES

NET ALLOWANCES FOR EXPECTED CREDIT LOSSES	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Amounts due from banks	**(4)**	**(5)**	**(1)**	**(1)**
Debt securities measured:	**(6)**	**(9)**	**48**	**57**
at fair value through other comprehensive income	(4)	(12)	49	55
at amortized cost	(2)	3	(1)	2
Loans and advances to customers	**(286)**	**(654)**	**(226)**	**(722)**
measured at amortized cost	(286)	(654)	(226)	(722)
housing loans	23	3	(19)	(113)
business loans	(138)	(278)	(40)	(152)
consumer loans	(153)	(332)	(138)	(382)
factoring receivables	(5)	(5)	1	(1)
finance lease receivables	(13)	(42)	(30)	(74)
Other financial assets	**(4)**	**(3)**	**(13)**	**(13)**
Provisions for financial liabilities and guarantees granted	**85**	**128**	**(26)**	**(38)**
Total	**(215)**	**(543)**	**(218)**	**(717)**

(IN PLN MILLION)

CHANGE IN ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES	Opening balance	Net allowances for expected credit losses	Change in allowances due to write-offs and other adjustments	Closing balance
FOR 6 MONTHS ENDED 30 JUNE 2023				
Amounts due from banks	(2)	(5)	1	**(6)**
Debt securities	(68)	(9)	11	**(66)**
Loans and advances to customers	(9,748)	(654)	255	**(10,147)**
Other financial assets	(147)	(3)	17	**(133)**
Financial liabilities and guarantees granted	(833)	128	7	**(698)**
Total	**(10,798)**	**(543)**	**291**	**(11,050)**

CHANGE IN ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES	Opening balance	Net allowances for expected credit losses	Change in allowances due to write-offs and other adjustments	Closing balance
FOR 6 MONTHS ENDED 30 JUNE 2022				
Amounts due from banks	-	(1)	-	**(1)**
Debt securities	(108)	57	16	**(35)**
Loans and advances to customers	(8,688)	(722)	129	**(9,281)**
Other financial assets	(136)	(13)	(2)	**(151)**
Financial liabilities and guarantees granted	(675)	(38)	(2)	**(715)**
Total	**(9,607)**	**(717)**	**141**	**(10,183)**

The tables below present projections of the key macroeconomic parameters and their assumed probabilities of materialization.

scenario as at 30.06.2023	Baseline			optimistic			pessimistic		
probability	75%			5%			20%		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP growth y/y	0.6	3.4	3.4	4.8	8.9	7.7	(3.5)	(2.1)	(1.0)
Unemployment rate	3.1	3.2	2.9	2.6	2.5	2.3	3.5	4.7	4.8
Property price index	101.2	105.9	109.1	104.1	117.6	123.6	98.3	95.1	96.1
WIBOR 3M (%)	6.9	5.8	3.8	7.4	7.6	5.6	6.5	4.3	2.1
CHF/PLN	4.5	4.1	4.0	4.4	3.9	3.7	5.0	5.1	4.8

(IN PLN MILLION)

scenario as at 31.12.2022		Baseline			optimistic			pessimistic	
probability		75%			5%			20%	
	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP growth y/y	(0.3)	2.8	2.9	5.2	8.2	6.2	(5.8)	(2.5)	(0.4)
Unemployment rate	3.9	4.7	3.9	2.9	3.4	3.1	4.3	5.3	4.3
Property price index	97.0	96.1	98.2	103.9	110.8	114.9	90.6	83.1	83.6
WIBOR 3M (%)	6.8	5.8	4.6	7.3	6.1	4.7	6.2	4.6	3.8
CHF/PLN	4.6	4.2	4.1	4.4	4.1	4.0	5.1	5.3	4.9

17. IMPAIRMENT OF NON-FINANCIAL ASSETS

NET IMPAIRMENT OF NON-FINANCIAL ASSETS	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Intangible assets	-	(1)	-	-
Other non-financial assets, including inventories	(11)	(21)	(8)	(13)
Total	**(11)**	**(22)**	**(8)**	**(13)**

CHANGE IN ACCUMULATED IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS	Opening balance	Impairment of non-financial assets	Other	Closing balance
FOR 6 MONTHS ENDED 30 JUNE 2023				
Property, plant and equipment under operating lease	(4)	-	1	(3)
Property, plant and equipment	(102)	-	2	(100)
Non-current assets held for sale	(1)	-	1	-
Intangible assets	(382)	(1)	1	(382)
Investments in associates and joint ventures	(264)	-	-	(264)
Other non-financial assets	(337)	(21)	12	(346)
Total	**(1,090)**	**(22)**	**17**	**(1,095)**

CHANGE IN ACCUMULATED IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS	Opening balance	Impairment of non-financial assets	Other	Closing balance
FOR 6 MONTHS ENDED 30 JUNE 2022				
Property, plant and equipment under operating lease	(3)	-	-	(3)
Property, plant and equipment	(99)	-	1	(98)
Non-current assets held for sale	(1)	-	-	(1)
Intangible assets	(396)	-	12	(384)
Investments in associates and joint ventures	(264)	-	1	(263)
Other non-financial assets, including inventories	(354)	(13)	(35)	(402)
Total	**(1,117)**	**(13)**	**(21)**	**(1,151)**

18. COST OF THE LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

ACCOUNTING POLICIES AND ESTIMATES AND JUDGMENTS:

The costs of legal risk related to mortgage loans in convertible currencies were estimated using a statistical method taking into account the effect of customer characteristics as the sum of the products of:

- probabilities of specific outcomes of legal disputes and the amount of loss in the event of various dispute outcome scenarios, taking into account the current and expected number of court cases throughout the period of the Group's exposure to such risk; and
- probability of the customer reaching a settlement and the amount of loss from the settlement.

In view of the judgment of the Court of Justice of the European Union (CJEU) in Case C-520/21 of 15 June 2023 concerning the possibility for consumers and banks to claim beyond the consideration provided under a loan agreement that has been declared invalid by the Court (for details see note "LEGAL CLAIMS") and the associated additional uncertainty regarding the choice of course of action by the bank's customers, the expected future number of disputes was statistically modelled with the introduction of expert elements reflecting the fact that the impact of the aforementioned non-recurring event will be observed only in subsequent periods.

The Group also estimates the probabilities of adverse outcomes for the actual and potential claims. In the evaluation of such probabilities, the Group uses the support of third party law firms. In the Group's opinion, the level of estimated costs of legal risk is also affected by such factors as: duration of legal proceedings and high costs which must be incurred to initiate and conduct legal proceedings.

The Group has also taken into account, as an impact on the probability of settlements, the tax preferences of customers falling within the scope of the Regulation of the Minister of Finance of 11 March 2022 on suspending the collection of income tax on certain types of income (revenue) related to a mortgage loan granted for residential purposes, as amended by the Regulation of 20 December 2022, which is in force until 31 December 2024.

Given the significant uncertainty as to the assumptions made, the methodology of assessing losses in respect of the legal risk is periodically reviewed in the subsequent reporting periods. Uncertainty of estimates relates both to the number of future lawsuits, the court decisions in this respect and to the expected number of settlements, which can be affected in particular by changes in the judicial decisions concerning mortgage loans denominated in or indexed to foreign currencies, a change in base interest rates or a change in the PLN/CHF exchange rate.

In its judgment in Case C-520/21, the CJEU indicated, among other things, that the EU rules preclude a judicial construction of national law whereby a credit institution is entitled to demand compensation from a consumer that goes beyond the reimbursement of the principal paid for the performance of that agreement and beyond the payment of statutory default interest from the date of the call for payment. In this respect, the model's parameters have been adjusted in line with the judgment.

In the judgment referred to above, the CJEU also indicated that, as regards analogous claims by consumers against banks, the provisions of the Directive do not preclude consumers from bringing such claims against banks, provided that the objectives of Directive 93/13 and the principle of proportionality are respected. In the Group's opinion, on the grounds of national legislation and the principle of proportionality, the customers cannot make additional claims against the Group, primarily because they have not provided the Group with a financial service consisting in the provision of capital. Nor is it reasonable to conclude that the Group has enriched itself at the expense of the customer and the consumer has been impoverished. With the funds obtained, the customer met its housing needs and the Group bore the costs of raising the funds, making them available and servicing the loan over the years. The Group assesses that, at this stage, the likelihood of outcomes that are favourable to consumers, including a claim for additional compensation, generating a material adverse financial impact is difficult to estimate and, in addition, there are uncertainties as to how the level of such compensation to the customer should be calculated. This approach is supported by the fact that there have been no adverse court decisions for the Group relating to this issue.

In contrast, in this judgment, the CJEU did not explicitly and directly address the admissibility of banks' indexation claims. According to the Group, the CJEU judgment does not deprive the Group of the right to claim reimbursement from the borrower for the present equivalent of the loan amount disbursed. Such a claim is not a demand for additional compensation from the borrower, but is a demand for the return of that capital at its present value. Bearing in mind that the case law of the Polish courts in relation to this issue has not yet been formed, and given that the awarding of an indexation depends on the discretion of the court, which takes into account not only the facts at the adjudication stage, but also refers to the principles of social co-existence, the Group, despite its legal analyses of the issue, has assumed the absence of indexation of the principal disbursed with the time value of money in the model for the court scenario where the loan agreement is declared invalid.

The Group regularly, on a quarterly basis, monitors the model's adequacy by comparing the actual key model parameters with the calculated values. In addition, new empirical data (more accurate or resulting from a longer observation) gradually modify or replace previous assumptions. The model is being adapted to the current settlement offer and changes made in this respect. During the six months ended 30 June 2023, the Group updated the probability of signing a settlement or filing a lawsuit based on empirical data.

In the period of six months ended 30 June 2023, the Group recognised the cost of legal risk of PLN 3,441 million.

The level of legal risk costs will depend primarily on customer behaviour. The CJEU judgment may result in negative trends affecting the level of estimated risk due to an increased propensity of clients to file lawsuits and a reduced propensity to settle.

In the opinion of the Bank's Management Board, the information available to it as at 30 June 2023 does not indicate any risk of a breach of the legally required minimum levels of capital adequacy or a threat to the going concern assumption adopted in these financial statements.

FINANCIAL INFORMATION

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).

As at 30 June 2023, nearly 52.2 thousand applications for mediation were recorded (as at 31 December 2022 – more than 37.5 thousand applications). The total number of settlements concluded as at 30 June 2023 was 31,373, of which 30,250 were concluded in mediation proceedings and 1,123 in court proceedings. The total number of settlements concluded as at 31 December 2022 was 20,396, of which 19,786 were concluded in mediation proceedings and 610 in court proceedings. In the first half of 2023, the Group continued to encourage customers to join the programme.

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IMPACT OF LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES	Gross carrying amount of mortgage loans in convertible currencies net of the cost of legal risk of mortgage loans in convertible currencies	Accumulated cost of legal risk of mortgage loans in convertible currencies	Gross carrying amount of mortgage loans in convertible currencies including the cost of legal risk of mortgage loans in convertible currencies
as at 30.06.2023			
Loans and advances to customers – adjustment reducing the carrying amount of loans	16,083	8,247	**7,836**
- related to the portfolio of mortgage loans in CHF	14,056	8,247	5,809
Provisions (note 33)		1,604	
Total		**9,851**	
as at 31.12.2022			
Loans and advances to customers – adjustment reducing the carrying amount of loans	19,012	7,378	**11,637**
- related to the portfolio of mortgage loans in CHF	16,731	7,378	9,353
Provisions (note 33)		851	
Adjustment to the gross carrying amount of other assets (note 31)		94	
Total		**8,323**	

Change in the accumulated cost of legal risk of mortgage loans in convertible currencies during the period	01.01-30.06.2023	01.01-30.06.2022
Carrying amount at the beginning of the period	**(8,323)**	**(7,023)**
revaluation of loss for the period	515	(653)
offset of settlements and judgments for the period against accumulated losses*	1,398	895
Increase in adjustment to gross carrying amount of loans and advances to customers and other assets, increase in provisions for legal risk	(3,441)	(1,176)
Carrying amount at the end of the period	**(9,851)**	**(7,957)**

* The item also includes the effects of final judgements invalidating loan agreements, which amount to PLN 434 million for the six months ended 30 June 2023, including PLN 264 million in relation to the derecognition of receivables from cost of use of capital (in the period of six months ended 30 June 2022: PLN 64 million)

Revaluation of the loss in respect of the legal risk is associated with the effect of changes in foreign exchange rates on the part of the loss which is recognized in the convertible currency as adjustment to the gross carrying amount of loans.

The Group has analysed the model's sensitivity to changes in key parameters:

ANALYSIS OF THE MODEL'S SENSITIVITY TO CHANGES IN KEY PARAMETERS	Increase/decrease of cost of legal risk of mortgage loans in convertible currencies	
	30.06.2023	31.12.2022
1 p.p. decrease in the likelihood of the Bank winning in court (instead of a 1 p.p. increase in the probability of declaring an agreement invalid)	93	63
1 p.p. decrease in the number of settlements	34	22
1 p.p. decrease in the likelihood of compensation for the principal amount	-	40
1 p.p. increase in the number of lawsuits (at the cost of inactive customers)	97	64
1 p.p. increase in the lawsuit to settlement conversion ratio	(33)	(26)

(IN PLN MILLION)

19. ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES[1]	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Employee benefits	**(989)**	**(1,931)**	**(842)**	**(1,630)**
Overheads, of which:	**(443)**	**(851)**	**(338)**	**(651)**
rent	(30)	(58)	(24)	(46)
IT	(112)	(210)	(92)	(181)
Depreciation and amortization	**(263)**	**(520)**	**(254)**	**(498)**
property, plant and equipment, of which:	(132)	(263)	(131)	(262)
IT	(31)	(61)	(29)	(58)
right-of-use assets	(61)	(119)	(58)	(115)
intangible assets, of which:	(131)	(257)	(123)	(236)
IT	(129)	(254)	(118)	(229)
Net regulatory charges	**(51)**	**(429)**	**(906)**	**(1,389)**
Total	**(1,746)**	**(3,731)**	**(2,340)**	**(4,168)**

[1] Administrative expenses for the period of six months ended 30 June 2022 have been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

EMPLOYEE BENEFITS	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Wages and salaries, including:[1]	(818)	(1,593)	(699)	(1,352)
costs of contributions to the employee pension plan	(21)	(42)	(19)	(37)
Social security, of which:[1]	(143)	(282)	(120)	(236)
contributions for disability and retirement benefits	(119)	(247)	(103)	(212)
Other employee benefits	(28)	(56)	(23)	(42)
Total	**(989)**	**(1,931)**	**(842)**	**(1,630)**

[1] Employee benefit expense for the period of six months ended 30 June 2022 has been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

NET REGULATORY CHARGES	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Contribution and payments to the Bank Guarantee Fund (BFG), of which:	-	(280)	-	(407)
to the Resolution Fund	-	(280)	-	(291)
to the Bank Guarantee Fund	-	-	-	(116)
Fees to the PFSA[1]	(1)	(52)	(2)	(47)
Fee for the assistance fund operated by System Ochrony Banków Komercyjnych S.A.	-	-	(872)	(872)
Flat rate income tax	-	-	(1)	(3)
Other taxes and fees	(50)	(97)	(31)	(60)
Total	**(51)**	**(429)**	**(906)**	**(1,389)**

[1] Fees to the PFSA for the period of six months ended 30 June 2022 have been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

(IN PLN MILLION)

20. INCOME TAX

- TAX EXPENSE

	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Income tax expense recognized in the income statement	**(445)**	**(957)**	**(470)**	**(924)**
Current income tax expense	(756)	(1,076)	(343)	(869)
Deferred income tax on temporary differences	311	119	(127)	(55)
Income tax expense recognized in other comprehensive income in respect of temporary differences	(317)	(809)	673	1,450
Total	**(762)**	**(1,766)**	**203**	**526**

- RECONCILIATION OF THE EFFECTIVE TAX RATE

RECONCILIATION OF THE EFFECTIVE TAX RATE	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Profit or loss before tax	1,034	2,999	891	2,770
Tax at the statutory rate in force in Poland (19%)	(196)	(570)	(169)	(526)
Effect of different tax rates of foreign entities	-	1	-	-
Effect of permanent differences between profit before income tax and taxable income, including:	**(249)**	**(388)**	**(301)**	**(398)**
non-deductible impairment losses on investments in subordinates	-	-	-	(10)
non-deductible allowances for expected credit losses on credit exposures and securities	(6)	(10)	(17)	(55)
contributions and payments to the Bank Guarantee Fund	-	(53)	-	(77)
tax on financial institutions	(59)	(116)	(61)	(119)
cost of legal risk of mortgage loans in convertible currencies	(496)	(680)	(307)	(307)
interest on foreign exchange gains in Sweden	-	-	(25)	(32)
asset/liability on the average tax rate	338	501	131	204
reversal of assets from reclassification of temporary differences to permanent differences	(19)	(19)	(18)	(18)
dividend income	2	2	2	2
other permanent differences	(9)	(13)	(6)	14
Income tax expense recognized in the income statement	(445)	(957)	(470)	(924)
Effective tax rate (%)	**43.04**	**31.91**	**52.74**	**33.35**

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

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

On December 23, 2021, in connection with a long-term dispute regarding doubts as to the taxation of exchange rate differences on loans granted to the Bank and issue liabilities in Sweden, PKO Finance AB (hereinafter: the "Company") received a negative decision from the Swedish tax authorities, pursuant to which the Company had to pay SEK 160,726,808 for additional income tax and interest for the 2019 tax year. On February 13, 2023, the Company made a tax payment for 2022 in the amount of SEK 446,665,741, following the interpretation of the Swedish tax authorities in order to avoid potential penalty interest in the amount of 3.75 p.a.

Despite making the above payments, the Company does not agree with the decisions of the Swedish tax office and intends to use the appeals available to it to recover the above amounts.

Due to the statute of limitations on PKO Finance AB's potential tax liabilities for the years 2015-2016, in 2022 the Group decided to release the deferred tax liability for the years 2015-2016 in the amount of PLN 74 million.

(IN PLN MILLION)

SUPPLEMENTARY NOTES TO THE STATEMENT OF FINANCIAL POSITION – FINANCIAL INSTRUMENTS

21. Cash and balances with the Central Bank

CASH AND BALANCES WITH THE CENTRAL BANK	30.06.2023	31.12.2022
Current account with the Central Bank	9,170	7,750
Cash	4,716	4,215
Deposits with the Central Bank	-	3,951
Other	-	1
Total	**13,886**	**15,917**

22. Amounts due from banks

For more information on credit risk exposures, see note "Credit risk – financial information".

AMOUNTS DUE FROM BANKS	30.06.2023	31.12.2022
Measured at amortized cost	**14,138**	**16,103**
Deposits with banks	11,318	13,374
Current accounts	1,381	2,215
Loans and advances granted	1,437	513
Cash in transit	2	1
Gross carrying amount	**14,138**	**16,103**
Allowances for expected credit losses	(6)	(2)
Net carrying amount	**14,132**	**16,101**

23. Hedge accounting and other derivative instruments

Types of hedging strategies applied by the Group

As at 30 June 2023, the Group had active relationships as part of:

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

In the period of six months ended 30 June 2023, the Group terminated the hedging relationships as part of the hedging strategy "Hedging fair value volatility of fixed-interest-rate security measured at fair value through other comprehensive income in convertible currencies resulting from interest rate risk, using IRS transactions", due to failure to meet the prospective effectiveness test. The effect of discontinuing hedge accounting in the above relationships on profit or loss was positive at PLN 5.9 million.

In the period of six months ended 30 June 2023, the Group implemented a new hedging strategy – hedges against fluctuations in cash flows on variable interest PLN loans, resulting from interest rate risk, and hedging against fluctuations in cash flows on a fixed-rate financial liability in a convertible currency resulting from foreign currency risk, using a CIRS transaction.

(IN PLN MILLION)

In the period of six months ended 30 June 2023, no other changes were made to other active hedging strategies.

In 2022, the Group introduced two new hedging strategies to hedge fair value volatility.

CARRYING AMOUNT OF HEDGING INSTRUMENTS	30.06.2023		31.12.2022	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	**301**	**4,636**	**888**	**7,336**
interest rate risk – IRS	25	3,941	31	6,507
foreign exchange risk and interest rate risk – CIRS	276	695	857	829
Fair value hedges	**470**	**89**	**154**	**133**
interest rate risk – IRS	470	89	154	133
Total	771	4,725	1,042	7,469

- CASH FLOW HEDGES

CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO CASH FLOW HEDGES AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES	2nd quarter period from 01.04.2023 to 30.06.2023	2 quarters period from 01.01.2023 to 30.06.2023	2nd quarter period from 01.04.2022 to 30.06.2022	2 quarters period from 01.01.2022 to 30.06.2022
Accumulated other comprehensive income at the beginning of the period, net	**(4,066)**	**(5,218)**	**(5,639)**	**(3,699)**
Impact on other comprehensive income during the period, gross	**1,115**	**2,537**	**(2,239)**	**(4,629)**
Gains/losses recognized in other comprehensive income during the period	(303)	(308)	(2,777)	(5,221)
Amounts transferred from other comprehensive income to the income statement, of which:	1,418	2,845	538	592
- net interest income	1,058	2,208	856	1,121
- net foreign exchange gains/ (losses)	360	637	(318)	(529)
Tax effect	**(213)**	**(483)**	**423**	**873**
Accumulated other comprehensive income at the end of the period, net	(3,164)	(3,164)	(7,455)	(7,455)
Ineffective portion of cash flow hedges recognized in the income statements:	**-**	**(4)**	**3**	**1**
Foreign exchange gains/ (losses)	1	(3)	3	1
Gains/(losses) on financial transactions	(1)	(1)	-	-

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- **FAIR VALUE HEDGES**

INTEREST RATE AND FOREIGN EXCHANGE RISK HEDGES	30.06.2023	31.12.2022
Fair value measurement of the hedging derivative instrument – Interest rate risk hedge – fixed - float IRSs	**381**	**20**
Fair value adjustment of the hedged instrument attributable to the hedged risk – Interest rate risk hedge	**(248)**	**(51)**
Securities	(28)	(30)
Loans and advances to customers	(4)	(8)
Fair value adjustment recognized in OCI	(46)	(69)
Amounts due to customers	(170)	56

- **OTHER DERIVATIVE INSTRUMENTS**

OTHER DERIVATIVE INSTRUMENTS - BY TYPE	30.06.2023		31.12.2022	
	Assets	Liabilities	Assets	Liabilities
IRS	5,865	5,714	8,275	8,101
CIRS	145	155	408	350
FX Swap	1,578	2,131	1,245	1,039
Options	1,113	1,071	842	926
Commodity swap[1]	348	341	1,380	1,384
FRA	16	14	24	24
Forward	1,317	950	577	799
Commodity Forward[2]	354	318	404	355
Other	1	6	7	-
Total	**10,737**	**10,700**	**13,162**	**12,978**

[1] The item includes valuation of gas market participation contracts: assets of PLN 233 million (PLN 1 229 million as at 31 December 2022) – and liabilities of PLN 233 million (PLN 1 237 million as at 31 December 2022).
[2] The item includes valuation of contracts for CO_2 emission allowances.

(IN PLN MILLION)

NOMINAL AMOUNTS OF UNDERLYING INSTRUMENTS (BUY AND SELL TOGETHER) hedging instruments and other derivative instruments	30.06.2023	31.12.2022
IRS	**554,580**	**578 650**
hedging instruments	**170,172**	**177 294**
Purchase	85,086	88 647
Sale	85,086	88 647
other	**384,408**	**401 356**
Purchase	192,204	200 678
Sale	192,204	200 678
CIRS	**55,739**	**76 704**
hedging instruments	**20,947**	**26 522**
Purchase	10,362	13 426
Sale	10,585	13 096
other	34,792	50 182
Purchase	17,256	24 906
Sale	17,536	25 276
FX Swap	**117,263**	**132 805**
Purchase of currencies	58,265	66 532
Sale of currencies	58,998	66 273
Options	**90,953**	**162 159**
Purchase	45,705	80 923
Sale	45,248	81 236
FRA	**41,255**	**40 823**
Purchase	20,619	20 948
Sale	20,636	19 875
Forward	**54,425**	**69 996**
Purchase of currencies	27,489	34 913
Sale of currencies	26,936	35 083
Other, including commodity swap, commodity forward and futures	**10,620**	**10 390**
Purchase	5,390	5 211
Sale	5,230	5 179
Total	924,835	1,071,527

(IN PLN MILLION)

24. SECURITIES

For more information on credit risk exposures, see note "CREDIT RISK – FINANCIAL INFORMATION".

SECURITIES 30.06.2023	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
Debt securities	**857**	**589**	**88,475**	**72,510**	**162,431**
NBP money bills	-	-	19,975	-	19,975
Treasury bonds (in PLN)	758	230	47,329	49,363	97,680
Treasury bonds (in foreign currencies)	2	294	2,114	835	3,245
corporate bonds (in PLN) secured with the State Treasury guarantees	7	-	9,786	12,037	21,830
municipal bonds (in PLN)	14	-	5,198	6,334	11,546
corporate bonds (in PLN)[1]	76	65	2,555	2,291	4,987
corporate bonds (in foreign currencies)	-	-	1,518	1,650	3,168
Equity securities	**34**	**1,026**	**-**	**-**	**1,060**
shares in other entities - not listed	-	313	-	-	313
shares in other entities - listed	32	117	-	-	149
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	596	-	-	598
Total (excluding adjustment relating to fair value hedge accounting)	**891**	**1,615**	**88,475**	**72,510**	**163,491**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	-	-	(28)	(28)
Total	**891**	**1,615**	**88,475**	**72,482**	**163,463**

[1] The item includes bonds of international financial organizations of PLN 4 768 million.

(IN PLN MILLION)

SECURITIES 31.12.2022	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
Debt securities	**164**	**578**	**65,211**	**68,556**	**134,509**
NBP money bills	-	-	80	-	80
Treasury bonds (in PLN)	89	191	43,066	45,893	89,239
Treasury bonds (in foreign currencies)	2	321	4,397	713	5,433
corporate bonds (in PLN) secured with the State Treasury guarantees	3	-	9,373	12,100	21,476
municipal bonds (in PLN)	14	-	5,054	6,182	11,250
corporate bonds (in PLN)[1]	56	66	2,852	1,989	4,963
corporate bonds (in foreign currencies)	-	-	389	1,679	2,068
Equity securities	**29**	**1,124**	**-**	**-**	**1,153**
shares in other entities - not listed	-	358	-	-	358
shares in other entities - listed	27	115	-	-	142
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	651	-	-	653
Total (excluding adjustment relating to fair value hedge accounting)	193	1,702	65,211	68,556	135,662
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	-	-	(30)	(30)
Total	193	1,702	65,211	68,526	135,632

[1] The item includes bonds of international financial organizations of PLN 3 550 million

Treasury bonds (in foreign currencies)	30.06.2023	31.12.2022
- Polish Treasury bonds	1,801	2,209
- Ukrainian Treasury bonds	675	420
- US Treasury bonds	549	2,804
- Treasury bonds of the Federal Republic of Germany	110	-
- French Treasury bonds	110	-
Total	3,245	5,433

25. LOANS AND ADVANCES TO CUSTOMERS

The Group adjusts the gross carrying amount of housing loans measured at amortised cost by recognizing the effect of:

- legal risk related to potential litigation for the portfolio of mortgage loans in convertible currencies and existing legal claims related to loan exposures recognized as at the balance sheet date in the statement of financial position (see "Cost of legal risk of mortgage loans in convertible currencies")
- the so-called statutory credit holidays, recognized in the second half of 2022.

  THE STATUTORY CREDIT HOLIDAYS were introduced by the Act of 7 July 2022 on the crowdfunding of business ventures and on assistance for borrowers of 14 July 2022 (hereinafter: the "Act"), containing a package of assistance for mortgage borrowers. According to the Act, statutory credit holidays apply to mortgage loans granted in Polish zloty and 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. Credit holidays can only be used for one loan. The repayment schedule of loan instalments is extended by the number of credit holiday months used.

  The Group believes 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.

  In the second half of 2022, the Group adjusted the gross carrying amount of mortgage loans by deducting interest income. The value of the adjustment was determined as the difference between the present value of the estimated cash flows resulting from the loan agreements, taking into account the suspension of instalment payments, and the present gross carrying amount of the loan portfolio. The loss calculation is based on the assumption that approximately 63% of customers holding a PLN-denominated mortgage loan will choose to benefit from credit holidays (customer participation rate).

  By the end of June 2023, 295.7 thousand of the Group's customers applied for a suspension of mortgage repayment, representing 54% of the total number of loans and 66% of the gross carrying amount of total loans eligible for credit holidays. The total number of suspensions applied for as at 30 June 2023 was 2 055 thousand (including suspensions in Q3-Q4 2023 amounting to 489.5 thousand), representing 47% of the maximum number of instalments to be suspended for all eligible customers.

  As at 30 June 2023, the Group has estimated the level of credit holiday loss in terms of value, using the following assumptions:

  1) the level of customer participation in credit holidays in 2023 will be similar to that in 2022 – this analysis is based on a breakdown of customers into 4 groups illustrating their level of activity to date, on the basis of which the potential level of activity for 2023 has been determined;
  2) for the group of customers who applied for credit holidays in 2022 and in the first half of 2023 but did not apply for suspensions of principal and interest instalments for the second half of 2023 at, an interest rate revaluation effect was taken into account;
  3) the loss on all principal and interest instalment suspensions effected in 2022 and in the first half of 2023 and requested for subsequent quarters 2023 was reduced by the effect of prepayments witnessed on the basis of customer behaviour in the second half of 2022and in the first half of 2023 and projected for Q3-Q4 2023, prudentially adjusted for uncertainty regarding possible prepayments in Q3-Q4 2023;
  4) on the basis of monthly data on the inflow of new applications in 2022 and in the first half of 2023, using an extrapolation function, the trend of applications that may arrive by the end of the programme was established on the basis of which the potential loss was estimated.

(IN PLN MILLION)

The total effect recognised in the Group's accounting records amounted to PLN 3 111 million, unchanged from the effect recognised at 31 December 2022.

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

IMPACT ON CREDIT HOLIDAY LOSS	increase in customer participation rate	decrease in customer participation rate
"+" increase; "()" decrease by 10 p.p.	482	(482)
"+" increase; "()" decrease by 5 p.p.	241	(241)
"+" increase; "()" decrease by 3 p.p.	147	(147)

In addition, the Group adjusts the gross carrying amount of residential and consumer loans measured at amortised cost by recognising the impact of potential commission reimbursements to customers for the expected early repayment of active consumer and mortgage loans in the future.

Financial information

For more information on credit risk exposures, see note "Credit risk – financial information".

LOANS AND ADVANCES TO CUSTOMERS 30.06.2023	not held for trading, measured at fair value through profit or loss	measured at amortized cost	Total
retail and private banking	**3,110**	**128,840**	**131,950**
real estate	2	100,603	100,605
consumer	3,108	28,147	31,255
finance lease receivables	-	90	90
companies and enterprises	**51**	**31,482**	**31,533**
real estate	-	5,201	5,201
business	51	13,860	13,911
factoring receivables	-	269	269
finance lease receivables	-	12,152	12,152
corporate	**28**	**72,547**	**72,575**
real estate	-	125	125
business	28	62,279	62,307
factoring receivables	-	3,791	3,791
finance lease receivables	-	6,352	6,352
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**3,189**	**232,869**	**236,058**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	(4)	(4)
Total	3,189	232,865	236,054

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LOANS AND ADVANCES TO CUSTOMERS 31.12.2022	not held for trading, measured at fair value through profit or loss	measured at amortized cost	Total
retail and private banking	**3,505**	**131,112**	**134,617**
real estate[1]	4	103,637	103,641
konsumpcyjne1	3,501	27,382	30,883
finance lease receivables[1]	-	93	93
companies and enterprises	**44**	**31,316**	**31,360**
real estate	-	5,382	5,382
business	44	13,496	13,540
factoring receivables	-	243	243
finance lease receivables[1]	-	12,195	12,195
corporate	**41**	**66,949**	**66,990**
real estate	-	118	118
business	41	57,607	57,648
factoring receivables	-	3,348	3,348
finance lease receivables[1]	-	5,876	5,876
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**3,590**	**229,377**	**232,967**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	(8)	(8)
Total	3,590	229,369	232,959

[1] Loans and advances to customers as at 31 March 2022 have been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

26. AMOUNTS DUE TO BANKS

AMOUNTS DUE TO BANKS	30.06.2023	31.12.2022
Measured at fair value through profit or loss:	-	**2**
Liabilities in respect of a short position in securities	-	2
Measured at amortized cost	**2,882**	**3,009**
Deposits from banks	1,357	1,936
Current accounts	1,519	1,057
Other monetary market deposits	6	16
Total	2,882	3,011

(IN PLN MILLION)

27. Amounts due to customers

AMOUNTS DUE TO CUSTOMERS 30.06.2023	Amounts due to households	Amounts due to business entities	Amounts due to state budget entities	Total
Measured at fair value through profit or loss	**156**	**75**	**-**	**231**
Liabilities in respect of a short position in securities	-	75	-	75
Liabilities in respect of insurance products	156	-	-	156
Measured at amortized cost	**292,973**	**59,961**	**12,718**	**365,652**
Cash on current accounts and overnight deposits of which	185,606	42,262	10,860	238,728
savings accounts and other interest-bearing assets	44,441	14,964	5,081	64,486
Term deposits	107,042	17,143	1,847	126,032
Other liabilities	307	556	11	874
Liabilities in respect of insurance products	18	-	-	18
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**293,129**	**60,036**	**12,718**	**365,883**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	170	-	-	170
Total	293,299	60,036	12,718	366,053

AMOUNTS DUE TO CUSTOMERS 31.12.2022	Amounts due to households	Amounts due to business entities	Amounts due to state budget entities	Total
Measured at fair value through profit or loss	**149**	**5**	**-**	**154**
Liabilities in respect of a short position in securities	-	5	-	5
Liabilities in respect of insurance products[1]	149	-	-	149
Measured at amortized cost	**262,948**	**58,634**	**17,188**	**338,770**
Cash on current accounts and overnight deposits of which	180,298	40,290	16,224	236,812
savings accounts and other interest-bearing assets	41,953	12,933	11,615	66,501
Term deposits	82,127	17,748	913	100,788
Other liabilities	505	596	51	1,152
Liabilities in respect of insurance products	18	-	-	18
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**263,097**	**58,639**	**17,188**	**338,924**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	(56)	-	-	(56)
Total	263,041	58,639	17,188	338,868

[1] Liabilities in respect of insurance products as at 31 March 2022 have been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

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AMOUNTS DUE TO CUSTOMERS BY SEGMENT	30.06.2023	31.12.2022
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	365,883	338,924
retail and private banking	265,345	234,382
corporate	54,873	55,812
companies and enterprises	45,489	48,562
other liabilities (including liabilities in respect of insurance products)	176	168
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	170	(56)
Total	366,053	338,868

28. FINANCING RECEIVED

FINANCING RECEIVED	30.06.2023	31.12.2022
Loans and advances received from:	**1,979**	**2,294**
banks	96	309
international financial organisations	1,871	1,972
other financial institutions	12	13
Liabilities in respect of debt securities in issue:	16,760	15,510
mortgage covered bonds issued by PKO Bank Hipoteczny S.A.	9,814	12,057
bonds issued by PKO Bank Hipoteczny S.A.	1,480	1,265
bonds issued by PKO Bank Polski S.A.	3,402	-
bonds issued by the PKO Leasing S.A. Group	2,064	2,188
Subordinated liabilities	**2,777**	**2,781**
Total	21,516	20,585

- ### LOANS AND ADVANCES RECEIVED

In the six-month period ended 30 June 2023, the Group did not contract any new loans. At the same time, the Group repaid loans amounting to PLN 251 million.

- ### COVERED BONDS AND BONDS ISSUED BY PKO BANK HIPOTECZNY S.A.

In the six-month period ended 30 June 2023, the company issued new covered bonds in the amount of PLN 999 million and redeemed covered bonds in the amount of PLN 2,859 million, as well as issued new bonds in the amount of PLN 1,327 million and redeemed bonds in the amount of PLN 1,163 million.

- ### BONDS ISSUED BY PKO BANK POLSKI S.A.

Notional amount	Currency	Interest rate	Period	Carrying amount	
				30.06.2023	31.12.2022
750	EUR	5.625	01.02.2023 – 01.02.2026	3,402	-

(IN PLN MILLION)

On 8 August 2022, the Management Board of the Bank 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") of up to EUR 4 billion. Under the EMTN Programme, it is 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. Bonds issued under the EMTN Programme will be registered with the international central securities depository (ICSD) operated by Euroclear Bank SA/NV or Clearstream Banking société anonyme. 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.

On 16 December 2022, the Moody's Investors Service rating agency assigned a (P)Baa3 rating to the EMTN Programme, for the unsecured bonds designated as Senior Non Preferred.

On 20 December 2022, the Prospectus for the EMTN Programme was approved by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg. On 20 January 2023, the CSSF approved the first Supplement to the prospectus for the EMTN Programme.

On 1 February 2023, the Bank, as part of its inaugural EMTN issue allowing it to cover the senior portion of the requirement (being the difference between the MREL requirements denominated on a consolidated basis and the MREL on a stand-alone basis), issued 3-year Senior Preferred Notes with a total value of EUR 750 million, with the possibility of early redemption two years after the issue. The coupon of the issue is fixed, at 5.625%, payable annually until the early redemption date, and variable thereafter, with quarterly payments. Moody's Investors Service has assigned a rating of A3 to the issue. The bonds were admitted to trading on a regulated market on the Luxembourg Stock Exchange and the Warsaw Stock Exchange.

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

In the six-month period ended 30 June 2023, the company issued new bonds amounting to PLN 2,414 million and redeemed bonds amounting to PLN 2,539 million.

- **BONDS ISSUED BY KREDOBANK SA**

In the six-month period ended 30 June 2023, the company did not issue any new bonds and no bonds issued by the company matured during the period.

- **SUBORDINATED LIABILITIES OF PKO BANK POLSKI S.A. (SUBORDINATED BONDS)**

Notional amount	Currency	Interest rate	Period	Carrying amount	
				30.06.2023	31.12.2022
1,000	PLN	6M WIBOR +0.0150	05.03.2018 - 06.03.2028	1,028	1,029
1,700	PLN	6M WIBOR +0.0155	28.08.2017 - 28.08.2027	1,749	1,752
TOTAL				2,777	2,781

(IN PLN MILLION)

OTHER SUPPLEMENTARY NOTES TO THE STATEMENT OF FINANCIAL POSITION AND CONTINGENT LIABILITIES

29. Assets and liabilities in respect of insurance activities and net income from insurance business

NET INCOME FROM INSURANCE BUSINESS	2023-01-01 - 2023-06-30				2022-01-01 - 2022-06-30			
	Property – protection insurance	Life – protection insurance	Other	Total	Property – protection insurance	Life – protection insurance	Other	Total
Insurance revenue (net of reinsurance)	**366**	**210**	**6**	**582**	**341**	**223**	**8**	**572**
Cost of insurance activities/ Insurance service expenses (net of reinsurance)	**(113)**	**(57)**	**1**	**(169)**	**(92)**	**(57)**	**2**	**(147)**
Investment components excluded from insurance revenue and insurance service expenses (net of reinsurance)	(22)	(18)	(51)	(91)	(8)	(5)	112	99
Net income from reinsurance business	(15)	(4)		(19)	(11)	(5)	-	(16)
Change in fair value of underlying assets for contracts with direct profit sharing	-	-	50	50	-	-	(114)	(114)
Net income from insurance business (INCOME STATEMENT)	**216**	**131**	**6**	**353**	**230**	**156**	**8**	**394**
Finance income and costs from insurance business (net of reinsurance) **(OTHER COMPREHENSIVE INCOME)**	(9)	(11)	1	(19)	16	22	1	39
Finance income and costs from reinsurance business **(OTHER COMPREHENSIVE INCOME)**	1	-		1	(2)	-	-	(2)
Changes in the period recognised in the income statement and in other comprehensive income	**208**	**120**	**7**	**335**	**244**	**178**	**9**	**431**

(IN PLN MILLION)

LIABILITIES IN RESPECT OF INSURANCE ACTIVITIES (NET OF REINSURANCE)	2023-01-01 - 2023-06-30				2022-01-01 - 2022-06-30			
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)	Total	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)	Total
	Excluding the loss component	Loss component			Excluding the loss component	Loss component		
Opening balance, net	2,690	19	169	2,878	3,131	11	175	3,317
Insurance revenue	(582)	-	-	(582)	(572)	-	-	(572)
Cost of insurance activities/ Insurance service expenses	15	-	154	169	13	5	129	147
Investment components excluded from insurance revenue and insurance service expenses	12	-	79	91	(204)	-	105	(99)
Net income from insurance business (Income statement)	**(555)**	-	**233**	**(322)**	**(763)**	**5**	**234**	**(524)**
Insurance finance income or expenses recognised in other comprehensive income (gross)	**22**	**(2)**	**(1)**	**19**	**(35)**	**(2)**	**(2)**	**(39)**
Total cash flows*	**516**	-	**(230)**	**286**	**492**	-	**(253)**	**239**
Closing balance, net	2,673	17	171	2,861	2,825	14	154	2,993
Property – protection insurance	1,204	-	70	1,274	1,327	-	54	1,381
Life – protection insurance	888	17	42	947	818	14	41	873
Other	581	-	59	640	680	-	59	739

* excluding the item: change in fair value of underlying assets for contracts with direct profit sharing

** The item includes: 1) Premiums received for insurance contracts issued, 2) Incurred claims paid and other insurance service expenses paid for insurance contracts issued; 3) Insurance acquisition cash flows

(IN PLN MILLION)

ASSETS IN RESPECT OF INSURANCE ACTIVITIES (REINSURANCE)	2023-01-01 - 2023-06-30				2022-01-01 - 2022-06-30			
	Assets on account of reinsurance (for remaining coverage, LRC)		Assets for losses incurred (LIC)	Total	Assets on account of reinsurance (for remaining coverage, LRC)		Assets for losses incurred (LIC)	Total
	Excluding the loss component	Loss component			Excluding the loss component	Loss component		
Opening balance, net	88	-	27	115	107	-	21	128
Net income from insurance business (Income statement)	(42)	-	23	(19)	(35)	-	19	(16)
Insurance finance income or expenses recognised in other comprehensive income (gross)	1		-	1	(2)	-	-	(2)
Total cash flows	21	-	(19)	2	22	-	(17)	5
Closing balance, net	68	-	31	99	92	-	23	115
Property – protection insurance	65	-	27	92	88	-	22	110
Life – protection insurance	3	-	4	7	4	-	1	5

LIABILITIES IN RESPECT OF INSURANCE ACTIVITIES (NET OF REINSURANCE)	2023-01-01 - 2023-06-30				2022-01-01 - 2022-06-30			
	Estimates of present value of future cash flows	Non-financial risk adjustment	Contract margin	Total	Estimates of present value of future cash flows	Non-financial risk adjustment	Contract margin	Total
Opening balance, net	1,466	73	1,339	2,878	1,806	82	1,429	3,317
Net income from insurance business (Income statement)	(205)	3	(120)	(322)	(449)	(6)	(69)	(524)
Insurance finance income or expenses recognised in other comprehensive income (gross)	19	-	-	19	(39)	-	-	(39)
Cash flows	286	-	-	286	239	-	-	239
Closing balance, net	1,566	76	1,219	2,861	1,557	76	1,360	2,993

(IN PLN MILLION)

ASSETS IN RESPECT OF INSURANCE ACTIVITIES (REINSURANCE)	2023-01-01 - 2023-06-30				2022-01-01 - 2022-06-30			
	Estimates of present value of future cash flows	Non-financial risk adjustment	Contract margin	Total	Estimates of present value of future cash flows	Non-financial risk adjustment	Contract margin	Total
Opening balance, net	62	10	43	115	65	14	49	128
Net income from insurance business (Income statement)	(12)	(1)	(6)	(19)	(11)	(3)	(2)	(16)
Insurance finance income or expenses recognised in other comprehensive income (gross)	1	-	-	1	(2)	-	-	(2)
Cash flows	2	-	-	2	5	-	-	5
Closing balance, net	53	9	37	99	57	11	47	115

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30. PROPERTY, PLANT AND EQUIPMENT LEASED OUT UNDER OPERATING LEASE, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT UNDER OPERATING LEASES	30.06.2023	31.12.2022
Land and buildings	8	8
Other, including vehicles	1,904	1,756
Total	**1,912**	**1,764**

PROPERTY, PLANT AND EQUIPMENT	30.06.2023	31.12.2022
Land and buildings	2,015	1,968
Machinery and equipment	438	433
including: IT equipment	332	322
Fixed assets under construction	106	151
including: IT equipment	54	102
Other, including vehicles	369	365
Total, of which:	**2,928**	**2,917**
right-of-use assets	918	948

INTANGIBLE ASSETS	30.06.2023	31.12.2022
Software	2,089	1,758
Goodwill	1,053	1,053
Future profit on concluded insurance contracts	-	1
Customer relations	3	4
Other, including capital expenditure	541	696
of which: software	516	671
Total	**3,686**	**3,512**

Net goodwill	30.06.2023	31.12.2022
Nordea Bank Polska S.A.	747	747
PKO Życie Towarzystwo Ubezpieczeń S.A.	91	91
Raiffeisen - Leasing Polska SA and its subsidiaries (PKO Leasing SA)	57	57
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	150	150
Assets taken over from CFP sp. z o.o.	8	8
Total	**1,053**	**1,053**

(IN PLN MILLION)

31. OTHER ASSETS

OTHER ASSETS	30.06.2023	31.12.2022
Other financial assets	**1,487**	**1,850**
Settlements in respect of card transactions	810	620
Settlement of financial instruments	144	134
Receivables in respect of cash settlements	184	340
Receivables and settlements in respect of trading in securities	4	24
Dividends receivable	10	-
Sale of foreign currencies	28	118
Trade receivables	227	213
Other	80	401
Other non-financial assets	**1,171**	**935**
Inventories	365	287
Assets for sale	153	126
Prepayments and deferred costs	202	131
VAT receivable	57	45
Receivables from the State Budget in respect of flat-rate income tax	1	12
Receivables from settlements with the National Clearing House	13	1
Other*	380	333
Total	**2,658**	**2,785**

* the item "Other" as at 30 June 2023 includes an amount of PLN 218 million of the Group's receivables from customers for whom the agreements have been legally declared invalid in respect of the principal originally disbursed to these customers. As at 31 December 2022, these receivables amounted to PLN 146 million. In addition, as at 31 December 2022, this item also includes an amount of PLN 40 million (PLN 134 million gross value and PLN 94 million gross value adjustment) for the Group's claims for reimbursement of costs for non-contractual use of capital.

(IN PLN MILLION)

32. OTHER LIABILITIES

OTHER LIABILITIES	30.06.2023	31.12.2022
Other financial liabilities	4,420	4,385
Costs to be paid	695	781
Interbank settlements	716	868
Liabilities arising from investing activities and internal operations	182	134
Amounts due to suppliers	147	205
Liabilities and settlements in respect of trading in securities	617	354
Settlement of financial instruments	36	40
liabilities in respect of foreign exchange activities	797	762
Liabilities in respect of payment cards	233	315
Lease liabilities	949	896
Other	48	30
Other non-financial liabilities	2,740	2,625
Deferred income	589	560
Liability in respect of tax on certain financial institutions	104	105
Liabilities in respect of a contribution to the Bank Guarantee Fund maintained in the form of payment obligations	1,109	847
to the Resolution Fund	723	461
to the Bank Guarantee Fund	386	386
Liabilities under the public law	358	478
Other*	580	635
Total	**7,160**	**7,010**

* The item "Other" as at 30 June 2023 mainly includes an amount of PLN 167 million due to the recognition of a liability relating to the reimbursement of principal and interest instalments paid by customers on invalidated mortgage loan agreements in convertible currencies (as at 31 December 2022, an amount of PLN 132 million was recognised).

(IN PLN MILLION)

33. Provisions

FOR 6 MONTHS ENDED 30 JUNE 2023	Provisions for financial liabilities and guarantees granted[1]	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[2]	Provisions for refunds of costs to customers on early repayment of consumer and mortgage loans	Provisions for pensions and other defined post-employment benefits	Restructuring	Provision for accrued holiday entitlements	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	**833**	**103**	**851**	**18**	**66**	**35**	**119**	**65**	**2,090**
Increases, including increases of existing provisions	6	6	866	-	1	-	30	3	912
Utilized amounts	-	(2)	(113)	(5)	(3)	(3)	(8)	(33)	(167)
Unused provisions reversed during the period	(134)	(2)	-	-	(1)	-	(2)	(1)	(140)
Other changes and reclassifications	(7)	1	-	-	-	-	-	(1)	(7)
As at the end of the period	698	106	1,604	13	63	32	139	33	2,688
Short-term provisions	554	6	-	12	8	32	138	8	758
Long-term provisions	144	100	1,604	1	55	-	1	25	1,930

[1] See note “Credit risk – financial information”.

[2] See note “Cost of legal risk of mortgage loans in convertible currencies”.

(IN PLN MILLION)

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

[1] See note "Credit risk – financial information".

[2] See note "Cost of legal risk of mortgage loans in convertible currencies".

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

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

- CONTRACTUAL COMMITMENTS

VALUE OF CONTRACTUAL COMMITMENTS CONCERNING	30.06.2023	31.12.2022
intangible assets	66	81
property, plant and equipment	154	141
Total	220	222

- FINANCIAL AND GUARANTEE COMMITMENTS GRANTED

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 30.06.2023	Total	Provisions per IFRS 9	Net carrying amount
Credit lines and limits	73,860	(598)	73,262
real estate	3,765	(18)	3,747
business	55,592	(428)	55,164
consumer	10,691	(152)	10,539
in respect of factoring	3,239	-	3,239
in respect of finance leases	573	-	573
Other	3,915	-	3,915
Total financial commitments granted, including:	77,775	(598)	77,177
irrevocable commitments granted	30,660	(298)	30,362
Guarantees and sureties granted			
guarantees in domestic and foreign trading	10,143	(95)	10,048
to financial entities	2,819	-	2,819
to non-financial entities	7,275	(95)	7,180
to public entities	49	-	49
domestic corporate bonds to non-financial entities	175	-	175
domestic municipal bonds (state budget entities)	1,065	(3)	1,062
letters of credit to non-financial entities	1,417	(2)	1,415
payment guarantees to financial entities	72	-	72
Total guarantees and sureties granted, including:	12,872	(100)	12,772
irrevocable commitments granted	4,100	(92)	4,008
performance guarantee	3,147	(66)	3,081
Total financial and guarantee commitments granted	90,647	(698)	89,949

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2022	Total	Provisions per IFRS 9	Net carrying amount
Credit lines and limits	70,380	(590)	69,790
real estate	3,683	(21)	3,662
business	52,455	(414)	52,041
consumer	10,650	(155)	10,495
in respect of factoring	2,749	-	2,749
in respect of finance leases	843	-	843
Other	2,825	-	2,825
Total financial commitments granted, including:	**73,205**	**(590)**	**72,615**
irrevocable commitments granted	30,579	(301)	30,278
Guarantees and sureties granted			
guarantees in domestic and foreign trading	10,578	(236)	10,342
to financial entities	2,735	-	2,735
to non-financial entities	7,772	(236)	7,536
to public entities	71	-	71
domestic municipal bonds (state budget entities)	315	-	315
letters of credit to non-financial entities	1,514	(7)	1,507
payment guarantees to financial entities	71	-	71
Total guarantees and sureties granted, including:	**12,478**	**(243)**	**12,235**
irrevocable commitments granted	4,812	(234)	4,578
performance guarantee	3,640	(203)	3,437
Total financial and guarantee commitments granted	**85,683**	**(833)**	**84,850**

For more information on credit risk exposures, see note "CREDIT RISK – FINANCIAL INFORMATION".

- **OFF-BALANCE SHEET LIABILITIES RECEIVED**

OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE	30.06.2023	31.12.2022
Financial	126	110
Guarantees	20,199	9,516
Total	**20,325**	**9,626**

The increase in off-balance sheet guarantee liabilities received is due, among other things, to the guarantee agreement entered into by the Group on 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. The total value of the Bank's debt portfolio covered by this guarantee is over PLN 12,292 million, and the portfolio consists of the bond portfolio of PLN 1,515 million ("Portfolio A") and the portfolio of other receivables of PLN 10,777 million ("Portfolio B"). The coverage ratio is 100% for Portfolio A and 80% for Portfolio B, therefore the total Guarantee amount is PLN 10,137 million. The maximum time of coverage under the Guarantee is 60 months, however the Group is entitled to terminate the Guarantee prior to the expiry of this period.

35. Legal claims

As at 30 June 2023, the total value of the subject matter of litigation in court proceedings (trials) pending in which the companies belonging to the PKO Bank Polski S.A. Group were defendants amounted to PLN 10,740 million (as at 31 December 2022: PLN 8,254 million), and the total value of the subject matter of litigation in court proceedings (trials) pending in which the companies belonging to the PKO Bank Polski S.A. Group were claimants as at 30 June 2023 was PLN 2,982 million (as at 31 December 2022: PLN 2,808 million).

- **Litigation against the Bank relating to mortgage loans in convertible currencies**

As at 30 June 2023, 24,751 on court proceedings were pending against the Bank (as at 31 December 2022: 19,522) relating to mortgage loans granted in previous years in foreign currency with a total value in dispute of PLN 9,830 million (as at 31 December 2022: PLN 7,725 million), including one group proceeding with 72 loan agreements. The subject matter of the Bank's clients' actions is mainly claims for declaration of invalidity of an agreement or for payment of amounts paid by the client to the Bank in performance of an invalid agreement. Customers allege abusive provisions or that the agreements are contrary to the law. None of the clauses used by the Bank in the agreements was entered in the register of prohibited contractual clauses. The number of lawsuits filed by customers against the Bank is significantly influenced by the intensive advertising campaign of law firms, which encourages borrowers to commission to them – for a fee – conducting cases against banks.

The Group monitors the status of court rulings in cases indexed or denominated in foreign currencies on an ongoing basis with respect to the shaping and possible changes in rulings.

As at 30 June 2023, 1,773 final rulings have been issued by the courts in cases against the Bank (including 1,729 rulings after 3 October 2019). 120 of these rulings (including in 78 rulings issued after 3 October 2019) are favourable for 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 and indexed in foreign currencies (legal basis: Article 83 § 1 of the Act of 8 December 2017 on the Supreme Court):

1. If a provision of an indexed or denominated loan agreement relating to the method of determining the foreign currency exchange rate is found to constitute an illicit contractual provision and is not binding on the consumer – is it then possible to assume that another method of determining the foreign currency exchange rate resulting from law or custom takes its place?

If the above question is answered in the negative:

2. In the event that it is impossible to establish a foreign currency exchange rate binding on the parties in a loan agreement indexed to such a currency, can the remainder of the agreement still be binding for the parties?
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 for the parties?

Notwithstanding the content of the answers to questions 1 to 3:

4. In the event of the invalidity or ineffectiveness of a loan agreement, in the performance of which the bank disbursed to the borrower all or part of the amount of the loan and the borrower made repayments of the loan, do separate claims for wrongful performance arise for each of the parties, or does only a single claim arise, equal to the difference in performance, for the party whose total performance was higher?
5. Where a loan agreement is invalid or ineffective as a result of the unlawful nature of certain of its terms, 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 case of the invalidity or ineffectiveness of a loan agreement, either party has a claim for repayment of a performance made in performance of that agreement, may that party also claim a fee for the use of its funds by the other party?

A session of the full composition of the Civil Chamber for the examination of the aforementioned application was held on 11 May 2021. Before passing its resolution, the Supreme Court decided to consult five public institutions. Their opinions were prepared and sent to the Supreme Court. On 2 September 2021, the Supreme Court decided to apply to the CJEU for preliminary rulings on questions relating to the judicial system, which do not directly concern the issue of foreign currency loans.

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

1) A prohibited contractual clause (Article 385^1 § 1 of the Civil Code) is, from the beginning, by operation of law, ineffective in favour of the consumer, who may however subsequently grant an informed and voluntary consent for such a clause and thus make it effective retrospectively.

2) If a loan agreement cannot be binding without the ineffective clause, the consumer and the lender are entitled to bring separate claims for repayment of the benefits provided in the performance of the agreement (Article 410 § 1 in conjunction with Article 405 of the Civil Code). The lender may claim repayment of the benefit from the moment the loan agreement became permanently ineffective.

The resolution has the force of a legal rule, which means that an ordinary panel of the Supreme Court may not withdraw from the interpretation presented in an earlier resolution that has the force of a legal rule. If any panel of the Supreme Court intends to withdraw from a legal rule, it must present the legal issue for resolution to the full panel of the Chamber. In its justification for the said resolution, the Supreme Court referred to an earlier opinion (resolution III CZP 11/20 dated 16 February 2021) that the period of limitation of claims resulting from a loan agreement which is invalid due to the elimination of abusive clauses commences after the consumer has expressed informed consent not to be bound by the abusive clauses. The Supreme Court decided that since a consumer has the right to remedy an abusive contractual clause and express his/her willingness to be bound by it, the lender cannot be certain whether the agreement is effective until the consumer makes such a decision, and the agreement is ineffective (suspended) until such time. The lender's claims may not arise before such ineffectiveness (suspension) ceases to exist (which generally occurs as a result of the borrower's statement), and therefore the period of limitation commences at that moment.

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 2019, for reimbursement of amounts disbursed in connection with the conclusion of an agreement whose validity has been questioned.

In its ruling of 15 June 2023 in Case C-520/21, the CJEU ruled that if a loan agreement containing unfair terms is declared invalid, Directive 93/13: (i) does not preclude a judicial construction of national law whereby a consumer is entitled to claim compensation from a credit institution that goes beyond reimbursement of the monthly instalments and fees paid for performance of that agreement and beyond payment of the statutory interest for late payment from the date of the call for payment, provided that the objectives of Directive 93/13 and the principle of proportionality are complied with, and that (ii) precludes a judicial construction of national law whereby a credit institution is entitled to demand compensation from a consumer that goes beyond the reimbursement of the principal paid for the performance of that agreement and beyond the payment of statutory default interest from the date of the call for payment.

In the Bank's opinion, on the grounds of national legislation and the principle of proportionality, the customers cannot make additional claims against the Bank, primarily because they have not provided the Bank with a financial service consisting in the provision of capital. Nor is it reasonable to conclude that the Bank has enriched itself at the expense of the customer and the consumer has been impoverished. With the funds obtained, the customer met its housing needs and the Bank bore the costs of raising the funds, making them available and servicing the loan over the years. Even if it were to be considered that there were legal grounds for the customers' claims, the customer's claims would not necessarily be upheld and the courts may exercise their jurisdiction to dismiss the action when it constitutes an abuse of rights. At present, there is no case law on such customer claims. At the same time, according to the Bank, the CJEU judgment does not deprive the Bank of the right to claim reimbursement from the borrower for the present equivalent of the loan amount disbursed. Such a claim is not a demand for additional compensation from the borrower, but is a demand for the return of that capital at its present value.

- **LITIGATION AGAINST THE BANK CONCERNING MORTGAGE LOANS BEARING INTEREST AT A FLOATING RATE**

As at 30 June 2023, 31 court proceedings were pending against the Bank, in which customers challenge that the mortgage agreement was based on a floating interest rate structure and the rules for setting the WIBOR benchmark rate. The Bank disputes the validity of the claims raised in these cases.

- **ACTIVITIES OF THE GROUP UNDERTAKEN IN CONNECTION WITH A PROPOSAL OF THE CHAIR OF THE POLISH FINANCIAL SUPERVISION AUTHORITY AND THE EXPECTED MEETING OF THE SUPREME COURT REGARDING LOANS GRANTED IN FOREIGN CURRENCIES**

In December 2020, the Chair of the Polish Financial Supervision Authority (hereinafter: the PFSA Chair) made a proposal aimed at providing a systemic solution to the problem of housing loans in Swiss francs. In accordance with this solution, the banks would voluntarily offer settlement agreements to their customers. Under such agreements, the customers would repay their loans to the bank as if they had been originally granted in PLN with interest at WIBOR plus a historical margin applied to such loans.

The Group has analysed the benefits and risks associated with the possible approaches to the issue of foreign currency housing loans. In the Group's opinion, for both the Bank and its customers it is better to reach a compromise and conclude a settlement agreement than engage in long legal disputes whose outcome is uncertain.

On 23 April 2021, the Extraordinary General Shareholders' Meeting approved the possibility of offering settlement agreements to the customers. Subsequently, by a resolution dated 27 May 2021, the Supervisory Board approved the terms and conditions for offering settlement agreements proposed by the PFSA Chair. The process of amicable resolution of disputes concerning the validity of housing loan agreements was launched on 4 October 2021. The settlements are offered during mediation proceedings conducted by the Mediation Centre of the PFSA Court of Arbitration, during court proceedings and during proceedings initiated by a motion for settlement (see note: COST OF LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES).

- **PROCEEDINGS 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 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 President of UOKiK asked the Bank 16 detailed questions in order to establish the circumstances that are necessary to resolve the case to which the Bank replied by 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 the 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. As at 30 June 2023, the Group had not set up a provision for these proceedings.
- Proceedings initiated 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, indicating that they are unfounded. The Bank pointed out, among other things, that the contested clauses are specific and they precisely define the circumstances entitling the Bank to change the template. By order of 7 June 2022, UOKiK summoned the Bank to provide a range of information regarding the disputed clauses, the Bank's turnover and the revenue generated from changes in fees and commissions based on the disputed clauses. The UOKiK summons was implemented on 11 July and 30 September 2022. By subsequent orders, the President of UOKiK extended the deadline for the completion of the proceedings. The current deadline indicated by the President of UOKiK is 29 September 2023. As at 30 June 2023, the Group had not set up a provision for these proceedings.

- **PROCEEDINGS BEFORE THE COURT OF COMPETITION AND CONSUMER PROTECTION**

Two proceedings involving the Bank are pending before the Court of Competition and Consumer Protection:

- **PROCEEDINGS ON 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 S.A.'" as inadmissible provisions and prohibited their use. In addition, the President of UOKiK ordered that all consumers being 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 waiting for a hearing date to be set. As at 30 June 2023 the Group recorded a provision for this litigation of PLN 41 million.

- **PROCEEDINGS RELATED 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 claims under these 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, the UOKiK recognised practices involving the joint determination of interchange fees as restrictive of competition and ordered them to be abandoned, at the same time imposing, inter alia, a fine of PLN 16.6 million on the Bank. 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). In its ruling dated 21 November 2013, SOKiK reduced the penalty imposed on the Bank to PLN 10.4 million. The parties to the proceedings appealed against the ruling. 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 Bank paid the fine in October 2015. As a result of a cassation appeal brought by the Bank, the Supreme Court in a ruling dated 25 October 2017 annulled the contested 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. The case is currently proceeding at first instance before the Warsaw District Court. As at 30 June 2023 the Group recorded a provision for this litigation of PLN 21 million.

- **PROCEEDINGS BEFORE THE POLISH FINANCIAL SUPERVISION AUTHORITY**

- Administrative proceedings initiated ex officio by the Polish Financial Supervision Authority (PFSA) are pending against the Bank. According to the PFSA's letters, irregularities have been identified which indicate that the Bank (as an insurance agent) has breached the legislation on the organisation and supervision of agency activities at the insurance agent's premises, to the extent related to the fulfilment of the obligation of professional development by individuals performing agency activities on behalf of the Bank. In the course of the proceedings, the Bank took steps to rectify the irregularities in the area of supervision of the performance of agency activities by individuals acting on behalf of the Bank, including with regard to compliance with the fulfilment of continuing professional development obligations by such individuals in subsequent years. The proceedings have been extended several times, most recently by an order of 31 May 2023 for an additional period of three months. Formally, the PFSA has not formulated the specific allegations underlying the proceedings.

- By letter of 20 March 2023, the PFSA notified the Bank of the initiation of administrative proceedings to impose a monetary penalty on the Bank pursuant to Article 73(1)(11) in conjunction with paragraph 3(10) of the Act of 5 July 2018 on the National Cyber Security System (hereinafter: the "UKSC"), for failure to ensure that a security audit of the IT system used to provide the key service was carried out within the deadline referred to in Article 15(1) of the UKSC. The Bank conducted the audit in the period from 15 November 2021 to 25 February 2022. In its decision of 21 July 2023, the PFSA imposed a penalty of PLN 45,000 on the Bank for breach of Article 15(1) of the UKSC by failing to ensure that a security audit of the IT system used to provide the key service was conducted at least once every 2 years. According to the PFSA, the audit should have been conducted by 21 October 2021.

- The PFSA is conducting proceedings to impose an administrative penalty on the Bank, which conducts brokerage activities through an organisationally separate unit - the Brokerage Office - in connection with a suspected failure to comply with its obligations in the area of anti-money laundering and terrorist financing (hereinafter: "AML"). The Bank responded to the PFSA's request for written explanations regarding the scale of benefits achieved or losses avoided by the Bank in connection with violations of the AML Act, losses incurred by third parties in connection with violations of the AML Act, possible administrative penalties imposed under the provisions of the AML Act. In addition, the PFSA forwarded to the Bank's attention a letter addressed to the General Inspectorate of Financial Information (GIIF) requesting information on the Bank's violations of the AML Act to date. On 4 July 2023, the PFSA communicated a notice that, due to the need for an in-depth analysis of the evidence collected, the administrative proceedings are scheduled to be completed by 30 August 2023.

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

The Bank was served eight summons to participate, as an outside intervener on the defendant’s side, in cases relating to the interchange fees. Other banks are defendants in the case and, in some cases, also card organisations. At present, the claims vis-à-vis the sued banks total PLN 898 million and are pursued as damages for differences in interchange fees resulting from applying practices that restrict 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 from PKO Bank Polski S.A. As at 30 June 2023, the Bank joined eight proceedings as an outside intervener. Two of these proceedings resulted in final judgments in favour of the defendants dismissing the plaintiffs' claims, another two in non-final judgments dismissing the claim in its entirety and one in a non-final judgment dismissing the claim to a significant extent. The claims were dismissed as the statute of limitations was upheld.

(IN PLN MILLION)

- **RE-PRIVATIZATION CLAIMS RELATING TO PROPERTIES HELD BY THE GROUP**

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

- two proceedings to which the Bank is a party. In one proceeding, the Bank filed a cassation appeal against an unfavourable final judgment dismissing the Bank's claims. The second proceeding, concerning 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 has filed a cassation appeal.
- three proceedings, two of which are suspended, to which the other Bank Group companies are parties. Two proceedings are at the administrative stage, one at the judicial and administrative stage.

The probability of serious claims arising against the Group as a result of the aforesaid proceedings is low.

36. SHAREHOLDING STRUCTURE OF THE BANK

According to information held by PKO Bank Polski S.A, as at the date of the report, there are three shareholders holding directly or indirectly significant blocks of shares (at least 5%): The State Treasury, Nationale Nederlanden Open Pension Fund and the Allianz Open Pension Fund group.

According to the information available as at 30 June 2023, the Bank's shareholding structure is as follows:

ENTITY NAME	number of shares	% of votes	Nominal value of 1 share	Ownership interest (%)
As at 30 June 2023				
State Treasury	367,918,980	29.43%	PLN 1	29.43%
Nationale Nederlanden Open Pension Fund[1]	113,978,220	9.12%	PLN 1	9.12%
Allianz Open Pension Fund Group[1]	104,137,594	8.33%	PLN 1	8.33%
Other shareholders[3]	663,965,206	53.12%	PLN 1	53.12%
Total	**1,250,000,000**	**100%**	**---**	**100%**
As at 31 December 2022				
State Treasury	367,918,980	29.43%	PLN 1	29.43%
Nationale Nederlanden Open Pension Fund[1]	108,266,112	8.66%	PLN 1	8.66%
Allianz fund group[1,2]	106,567,559	8.53%	PLN 1	8.53%
Other shareholders[3]	667,247,349	53.38%	PLN 1	53.38%
Total	**1,250,000,000**	**100%**	**---**	**100%**

[1] Calculation of shareholdings as at the end of the year published by PTE in bi-annual and annual information about the structure of fund assets and quotation from the WSE Statistic Bulletin.

[2] The group includes: Allianz Polska Open Pensions Fund, Allianz Polska Voluntary Pension Fund, Drugi Allianz Polska Open Pension Fund.

[3] Including Bank Gospodarstwa Krajowego, which as at 30 June 2023 and 31 December 2022 held 24 487 297 shares carrying 1.96% of the votes at the GSM.

(IN PLN MILLION)

The Bank's shares are listed on the Warsaw Stock Exchange.

- **STRUCTURE OF PKO BANK POLSKI S.A.'S SHARE CAPITAL:**

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

In the six-month period ended 30 June 2023 and in 2022, there were no changes in the amount of the share capital of PKO Bank Polski S.A. Shares of PKO Bank Polski S.A. issued are not preference shares and are fully paid up.

FAIR VALUE OF FINANCIAL INSTRUMENTS

37. FAIR VALUE HIERARCHY

ASSETS MEASURED AT FAIR VALUE 30.06.2023	Carrying amount	Level 1 Prices quoted on active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
Hedging derivatives	771	-	771	-
Other derivative instruments	10,737	1	10,736	-
Securities	**90,981**	**81,710**	**8,635**	**636**
held for trading	**891**	**889**	**-**	**2**
debt securities	857	855	-	2
shares in other entities - listed	32	32	-	-
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	2	-	-
not held for trading, measured at fair value through profit or loss	**1,615**	**1,135**	**123**	**357**
debt securities	589	524	20	45
shares in other entities - listed	117	117	-	-
shares in other entities - not listed	313	-	1	312
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	596	494	102	-
measured at fair value through other comprehensive income (debt securities)	**88,475**	**79,686**	**8,512**	**277**
Loans and advances to customers	**3,189**	**-**	**-**	**3,189**
not held for trading, measured at fair value through profit or loss	**3,189**	**-**	**-**	**3,189**
housing loans	2	-	-	2
business loans	79	-	-	79
consumer loans	3,108	-	-	3,108
Total financial assets measured at fair value	105,678	81,711	20,142	3,825

(IN PLN MILLION)

LIABILITIES MEASURED AT FAIR VALUE 30.06.2023	Carrying amount	Level 1 Prices quoted on active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
Hedging derivatives	4,725	-	4,725	-
Other derivative instruments	10,700	-	10,700	-
Liabilities in respect of a short position in securities	75	75	-	-
Liabilities in respect of insurance products	156	-	156	-
Total financial liabilities measured at fair value	15,656	75	15,581	-

ASSETS MEASURED AT FAIR VALUE 31.12.2022	Carrying amount	Level 1 Prices quoted on active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
Hedging derivatives	1,042	-	1,042	-
Other derivative instruments	13,162	1	13,161	-
Securities	**67,106**	**52,864**	**13,198**	**1,044**
held for trading	**193**	**193**	**-**	**-**
debt securities	164	164	-	-
shares in other entities - listed	27	27	-	-
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	2	-	-
not held for trading, measured at fair value through profit or loss	**1,702**	**1,180**	**120**	**402**
debt securities	578	511	22	45
shares in other entities - listed	115	115	-	-
shares in other entities - not listed	358	-	1	357
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	651	554	97	-
measured at fair value through other comprehensive income (debt securities)	**65,211**	**51,491**	**13,078**	**642**
Loans and advances to customers	**3,590**	**-**	**-**	**3,590**
not held for trading, measured at fair value through profit or loss	**3,590**	**-**	**-**	**3,590**
housing loans	4	-	-	4
business loans	85	-	-	85
consumer loans	3,501	-	-	3,501
Total financial assets measured at fair value	84,900	52,865	27,401	4,634

(IN PLN MILLION)

LIABILITIES MEASURED AT FAIR VALUE 31.12.2022	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	7,469	-	7,469	-
Other derivative instruments	12,978	-	12,978	-
Liabilities in respect of a short position in securities	7	7	-	-
Liabilities in respect of insurance products	149	-	149	-
Total financial liabilities measured at fair value	20,603	7	20,596	-

IMPACT OF ESTIMATES ON FAIR VALUE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS	30.06.2023		31.12.2022	
	Fair value in		Fair value in	
	positive scenario	negative scenario	positive scenario	negative scenario
Shares in Visa Inc.[1]	80	72	145	133
Other equity investments[2]	208	188	189	171
Corporate bonds[3]	319	316	681	679
Loans and advances to customers[4]	3,348	3,030	3,770	3,410

[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 company's value of +/-5%.
[3] scenario assuming a change in the credit spread of +/-10%
[4] Scenario assuming a change in the discount rate of +/- 0.5 p.p

RECONCILIATION OF CHANGES DURING THE REPORTING PERIOD TO FAIR VALUE AT LEVEL 3	01.01-30.06.2023	01.01-30.06.2022
Opening balance at the beginning of the period	**4,634**	**5,711**
Increase in exposure to equity instruments	36	1
Decrease in exposure to equity instruments	(79)	(27)
Increase in exposure to corporate bonds	2	52
Decrease in exposure to corporate bonds	(13)	(61)
Increase in exposure to loans and advances to customers	574	658
Decrease in exposure to loans and advances to customers	(859)	(1,106)
Reclassification from "measured at fair value through profit or loss" to "measured at amortised cost"	(98)	(139)
Net gain/(loss) on financial instruments measured at fair value through profit or loss	(361)	(48)
Change in the valuation recognized in OCI	-	97
Foreign exchange differences	(6)	13
Other	(5)	26
Closing balance	3,825	5,177

(IN PLN MILLION)

38. Financial assets and financial liabilities not presented at fair value in the consolidated statement of financial position

30.06.2023	carrying amount	fair value		
		Level 1	Level 2	Level 3
Cash and balances with Central Bank	13,886	4,716	9,170	-
Amounts due from banks	14,132	-	14,131	-
Securities (excluding adjustments relating to fair value hedge accounting)	**72,510**	**56,271**	**7,957**	**2,125**
Treasury bonds (in PLN)	49,363	44,636	-	-
Treasury bonds (in foreign currencies)	835	833	-	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12,037	10,802	-	-
municipal bonds (in PLN)	6,334	-	6,495	-
corporate bonds (in PLN)	2,291	-	-	2,125
corporate bonds (in foreign currencies)	1,650	-	1,462	-
Reverse repo transactions	5,138	-	5,138	-
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**232,869**	**-**	**-**	**235,049**
housing loans	105,929	-	-	105,460
business loans	76,139	-	-	78,187
consumer loans	28,147	-	-	28,778
factoring receivables	4,060	-	-	4,060
finance lease receivables	18,594	-	-	18,564
Other financial assets	1,487	-	-	1,487
Amounts due to Central bank	42	-	42	-
Amounts due to banks	2,882	-	2,882	-
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**365,652**	**-**	**-**	**365,391**
amounts due to households	292,973	-	-	292,707
amounts due to business entities	59,961	-	-	59,966
amounts due to public sector	12,718	-	-	12,718
Loans and advances received	1,979	-	-	1,979
Securities in issue	16,760	9,597	4,917	2,064
Subordinated liabilities	2,777	-	2,764	-
Other financial liabilities	4,420	-	-	4,420

(IN PLN MILLION)

31.12.2022	carrying amount	fair value		
		Level 1	Level 2	Level 3
Cash and balances with Central Bank	15,917	4,215	11,702	-
Amounts due from banks	16,101	-	16,098	-
Securities (excluding adjustments relating to fair value hedge accounting)	**68,556**	**49,891**	**7,779**	**1,733**
Treasury bonds (in PLN)	45,893	38,773	-	23
Treasury bonds (in foreign currencies)	713	708	-	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12,100	10,410	-	-
municipal bonds (in PLN)	6,182	-	6,332	-
corporate bonds (in PLN)	1,989	-	-	1,710
corporate bonds (in foreign currencies)	1,679	-	1,447	-
Reverse repo transactions	7	-	7	-
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**229,377**	-	-	**230,438**
housing loans	109,137	-	-	108,642
business loans	71,103	-	-	72,955
consumer loans	27,382	-	-	27,152
factoring receivables	3,591	-	-	3,592
finance lease receivables	18,164	-	-	18,097
Other financial assets	1,850	-	-	1,850
Amounts due to Central bank	9	-	9	-
Amounts due to banks	3,011	-	3,009	-
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**338,770**	-	-	**337,983**
amounts due to households	262,948	-	-	262,128
amounts due to business entities	58,634	-	-	58,667
amounts due to public sector	17,188	-	-	17,188
Loans and advances received	2,294	-	-	2,283
Securities in issue	15,510	11,798	1,265	2,187
Subordinated liabilities	2,781	-	2,603	-
Other financial liabilities	4,385	-	-	4,385

RISK MANAGEMENT WITHIN THE GROUP

39. RISK MANAGEMENT WITHIN THE GROUP

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

It is aimed at ensuring (in the 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 and the Group, in a changing macroeconomic environment. The level of risk is an important part of the planning processes.

The Group identifies risks in its operations and analyses the impact of each type of risk on its business. 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 Group: credit risk, risk of foreign currency mortgage loans for households, currency risk, interest rate risk, liquidity risk (including financing risk), operating risk, business risk, risk of macroeconomic changes and model risk. The materiality of all the identified risks is assessed by the Group on a regular basis, at least annually.

A detailed description of the management policies for material risks is presented in the consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2022 and in the report "REPORT ON CAPITAL ADEQUACY AND OTHER INFORMATION SUBJECT TO PUBLICATION BY THE PKO BANK POLSKI S.A. GROUP".

In the six-month period ended 30 June 2023:

- The Group monitored the situation of its customers and adjusted its credit policy with a view to securing a good quality loan portfolio. As part of the measurement of credit exposures, the Group specifically took into account information on customers' economic ties with counterparties in Ukraine, Belarus and Russia. For specific actions taken by the Group in the area of risk management in relation to the situation in Ukraine, see note "IMPACT OF THE GEOPOLITICAL SITUATION IN UKRAINE ON PKO BANK POLSKI SA GROUP".
- In terms of interest rate risk, the banking sector is challenged by the benchmark reform, including in particular the roadmap for replacing the WIBID/WIBOR indices with the WIRON index proposed by the National Working Group. The reform may have a significant impact on the valuation of financial instruments and the effectiveness of interest rate hedging transactions held. The reform will also have a significant impact on the products offered to customers and on the structure of revaluation of the Group's assets, liabilities and off-balance sheet items, determining the level of interest rate risk to which the Group is exposed (for details, see note: "Interest rate benchmarks reform").
- The Group maintained its liquidity ratios at a high, safe level, well above the supervisory limit, and a level of liquidity that enabled it to respond quickly and effectively to potential risks. The Group structured its sources of funding accordingly by adjusting its deposit offering (in particular deposit interest rates) to meet current needs and by repaying maturing funds raised from the financial market through issuance (for details, see note: "Management of interest rate risk, currency risk and liquidity risk").
- The tasks aimed at expanding the IT systems that enable the collection of ESG data, in particular on environmental risks, and preparing for the systemic disclosure of this data were carried out.

(IN PLN MILLION)

40. CREDIT RISK – FINANCIAL INFORMATION

- **AMOUNTS DUE FROM BANKS**

As at 30 June 2023 and 31 December 2022 all amounts due from banks were classified as Stage 1.

- **SECURITIES**

SECURITIES (excluding adjustments relating to fair value hedge accounting) 30.06.2023 Measurement method: measured at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	**87,815**	**646**	**14**	**88,475**	**-**
NBP money bills	19,975	-	-	19,975	-
Treasury bonds (in PLN)	47,329	-	-	47,329	-
Treasury bonds (in foreign currencies)	1,759	355	-	2,114	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9,786	-	-	9,786	-
municipal bonds (in PLN)	4,937	261	-	5,198	-
corporate bonds (in PLN)	2,511	30	14	2,555	-
corporate bonds (in foreign currencies)	1,518	-	-	1,518	-
Net carrying amount	**87,815**	**646**	**14**	**88,475**	**-**
NBP money bills	19,975	-	-	19,975	-
Treasury bonds (in PLN)	47,329	-	-	47,329	-
Treasury bonds (in foreign currencies)	1,759	355	-	2,114	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9,786	-	-	9,786	-
municipal bonds (in PLN)	4,937	261	-	5,198	-
corporate bonds (in PLN)	2,511	30	14	2,555	-
corporate bonds (in foreign currencies)	1,518	-	-	1,518	-

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

SECURITIES (excluding adjustments relating to fair value hedge accounting) 30.06.2023 Measurement method: at amortized cost	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	**72,164**	**412**	-	**72,576**	-
Treasury bonds (in PLN)	49,369	-	-	49,369	-
Treasury bonds (in foreign currencies)	835	-	-	835	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12,040	-	-	12,040	-
municipal bonds (in PLN)	6,200	161	-	6,361	-
corporate bonds (in PLN)	2,191	115	-	2,306	-
corporate bonds (in foreign currencies)	1,529	136	-	1,665	-
Allowances for expected credit losses	**(47)**	**(19)**	-	**(66)**	-
Treasury bonds (in PLN)	(6)	-	-	(6)	-
corporate bonds (in PLN) secured with the State Treasury guarantees	(3)	-	-	(3)	-
municipal bonds (in PLN)	(25)	(2)	-	(27)	-
corporate bonds (in PLN)	(4)	(11)	-	(15)	-
corporate bonds (in foreign currencies)	(9)	(6)	-	(15)	-
Net carrying amount	**72,117**	**393**	-	**72,510**	-
Treasury bonds (in PLN)	49,363	-	-	49,363	-
Treasury bonds (in foreign currencies)	835	-	-	835	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12,037	-	-	12,037	-
municipal bonds (in PLN)	6,175	159	-	6,334	-
corporate bonds (in PLN)	2,187	104	-	2,291	-
corporate bonds (in foreign currencies)	1,520	130	-	1,650	-

SECURITIES (excluding adjustments relating to fair value hedge accounting) 30.06.2023	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	159,979	1,058	14	161,051	-
Allowances for expected credit losses	(47)	(19)	-	(66)	-
Net carrying amount	159,932	1,039	14	160,985	-

(IN PLN MILLION)

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2022 Measurement method: measured at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	**64,413**	**422**	**374**	**65,209**	**359**
NBP money bills	80	-	-	80	-
Treasury bonds (in PLN)	43,066	-	-	43,066	-
Treasury bonds (in foreign currencies)	3,977	420	-	4,397	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9,373	-	-	9,373	-
municipal bonds (in PLN)	5,052	2	-	5,054	-
corporate bonds (in PLN)	2,476	-	374	2,850	359
corporate bonds (in foreign currencies)	389	-	-	389	-
Allowances for expected credit losses	-	-	**2**	**2**	**2**
corporate bonds (in PLN)	-	-	2	2	2
Net carrying amount	**64,413**	**422**	**376**	**65,211**	**361**
NBP money bills	80	-	-	80	-
Treasury bonds (in PLN)	43,066	-	-	43,066	-
Treasury bonds (in foreign currencies)	3,977	420	-	4,397	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9,373	-	-	9,373	-
municipal bonds (in PLN)	5,052	2	-	5,054	-
corporate bonds (in PLN)	2,476	-	376	2,852	361
corporate bonds (in foreign currencies)	389	-	-	389	-

(IN PLN MILLION)

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2022 Measurement method: at amortized cost	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	**68,290**	**336**	**-**	**68,626**	**-**
Treasury bonds (in PLN)	45,898	-	-	45,898	-
Treasury bonds (in foreign currencies)	713	-	-	713	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12,108	-	-	12,108	-
municipal bonds (in PLN)	6,206	-	-	6,206	-
corporate bonds (in PLN)	1,817	195	-	2,012	-
corporate bonds (in foreign currencies)	1,548	141	-	1,689	-
Allowances for expected credit losses	**(45)**	**(25)**	**-**	**(70)**	**-**
Treasury bonds (in PLN)	(5)	-	-	(5)	-
corporate bonds (in PLN) secured with the State Treasury guarantees	(8)	-	-	(8)	-
municipal bonds (in PLN)	(24)	-	-	(24)	-
corporate bonds (in PLN)	(4)	(19)	-	(23)	-
corporate bonds (in foreign currencies)	(4)	(6)	-	(10)	-
Net carrying amount	**68,245**	**311**	**-**	**68,556**	**-**
Treasury bonds (in PLN)	45,893	-	-	45,893	-
Treasury bonds (in foreign currencies)	713	-	-	713	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12,100	-	-	12,100	-
municipal bonds (in PLN)	6,182	-	-	6,182	-
corporate bonds (in PLN)	1,813	176	-	1,989	-
corporate bonds (in foreign currencies)	1,544	135	-	1,679	-

TOTAL SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2022	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	132,703	758	374	133,835	359
Allowances for expected credit losses	(45)	(25)	2	(68)	2
Net carrying amount	132,658	733	376	133,767	361

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

- **LOANS AND ADVANCES TO CUSTOMERS**

LOANS AND ADVANCES TO CUSTOMERS (excluding adjustment relating to fair value hedge accounting) 30.06.2023	Stage 1	Stage 2	Stage 3	Total	of which POCI
Measurement method: at amortized cost					
Gross carrying amount	**197,988**	**36,027**	**9,000**	**243,015**	**294**
housing loans	96,656	9,850	1,691	108,197	85
business loans	59,824	16,843	4,044	80,711	139
consumer loans	25,000	3,386	2,196	30,582	66
factoring receivables	4,021	18	54	4,093	-
finance lease receivables	12,487	5,930	1,015	19,432	4
Allowances for expected credit losses	**(1,056)**	**(3,587)**	**(5,503)**	**(10,146)**	**28**
housing loans	(109)	(928)	(1,231)	(2,268)	(12)
business loans	(456)	(1,718)	(2,398)	(4,572)	-
consumer loans	(401)	(707)	(1,327)	(2,435)	41
factoring receivables	(6)	-	(27)	(33)	-
finance lease receivables	(84)	(234)	(520)	(838)	(1)
Net carrying amount	**196,932**	**32,440**	**3,497**	**232,869**	**322**
housing loans	96,547	8,922	460	105,929	73
business loans	59,368	15,125	1,646	76,139	139
consumer loans	24,599	2,679	869	28,147	107
factoring receivables	4,015	18	27	4,060	-
finance lease receivables	12,403	5,696	495	18,594	3

LOANS AND ADVANCES TO CUSTOMERS (excluding adjustment relating to fair value hedge accounting) 31.12.2022	Stage 1	Stage 2	Stage 3	Total	of which POCI
Measurement method: at amortized cost					
Gross carrying amount	**196,241**	**33,964**	**8,919**	**239,124**	**213**
housing loans	98,541	11,033	1,860	111,434	94
business loans	57,136	14,283	4,118	75,537	58
consumer loans	24,447	3,231	1,895	29,573	57
factoring receivables	3,562	19	38	3,619	-
finance lease receivables	12,555	5,398	1,008	18,961	4
Allowances for expected credit losses	**(959)**	**(3,287)**	**(5,501)**	**(9,747)**	**16**
housing loans	(118)	(837)	(1,342)	(2,297)	(14)
business loans	(398)	(1,586)	(2,450)	(4,434)	(3)
consumer loans	(356)	(654)	(1,181)	(2,191)	34
factoring receivables	(6)	-	(22)	(28)	-
finance lease receivables	(81)	(210)	(506)	(797)	(1)
Net carrying amount	**195,282**	**30,677**	**3,418**	**229,377**	**229**
housing loans	98,423	10,196	518	109,137	80
business loans	56,738	12,697	1,668	71,103	55
consumer loans	24,091	2,577	714	27,382	91
factoring receivables	3,556	19	16	3,591	-
finance lease receivables	12,474	5,188	502	18,164	3

(IN PLN MILLION)

- **OTHER FINANCIAL ASSETS**

OTHER FINANCIAL ASSETS	Stage 1	Stage 2	Stage 3	Total	of which POCI
30.06.2023					
Gross amount	1,488	-	132	1,620	-
Allowances for expected credit losses	(1)	-	(132)	(133)	-
Net carrying amount	**1,487**	-	-	**1,487**	-

OTHER FINANCIAL ASSETS	Stage 1	Stage 2	Stage 3	Total	of which POCI
31.12.2022					
Gross amount	1,851	-	146	1,997	-
Allowances for expected credit losses	(1)		(146)	(147)	
Net amount	**1,850**	-	-	**1,850**	-

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

- **Financial and guarantee commitments granted**

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 30.06.2023	STAGE 1		STAGE 2		STAGE 3		Total	Provisions per IFRS 9	Net carrying amount
	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision			
Credit lines and limits	**65,995**	**(148)**	**7,737**	**(422)**	**128**	**(28)**	**73,860**	**(598)**	**73,262**
real estate	3,634	(12)	126	(4)	5	(2)	3,765	(18)	3,747
business	49,589	(108)	5,898	(300)	105	(20)	55,592	(428)	55,164
consumer	8,961	(28)	1,712	(118)	18	(6)	10,691	(152)	10,539
in respect of factoring	3,238	-	1	-	-	-	3,239	-	3,239
in respect of finance leases	573	-	-	-	-	-	573	-	573
Other	**3,915**	-	-	-	-	-	**3,915**	-	**3,915**
Total financial commitments granted, including:	69,910	(148)	7,737	(422)	128	(28)	77,775	(598)	77,177
irrevocable commitments granted	26,504	(73)	4,099	(215)	57	(10)	30,660	(298)	30,362
POCI	-	-	1	-	3	(1)	4	(1)	3
Guarantees and sureties granted									
guarantees in domestic and foreign trading	7,957	(6)	1,668	(67)	518	(22)	10,143	(95)	10,048
to financial entities	2,819	-	-	-	-	-	2,819	-	2,819
to non-financial entities	5,089	(6)	1,668	(67)	518	(22)	7,275	(95)	7,180
to public entities	49	-	-	-	-	-	49	-	49
domestic corporate bonds to non-financial entities	175	-	-	-	-	-	175	-	175
domestic municipal bonds (state budget entities)	1,065	(3)	-	-	-	-	1,065	(3)	1,062
letters of credit to non-financial entities	1,408	(2)	9	-	-	-	1,417	(2)	1,415
payment guarantees to financial entities	72	-	-	-	-	-	72	-	72
Total guarantees and sureties granted, including:	10,677	(11)	1,677	(67)	518	(22)	12,872	(100)	12,772
irrevocable commitments granted	2,145	(6)	1,474	(65)	481	(21)	4,100	(92)	4,008
performance guarantees	2,162	(3)	825	(47)	160	(16)	3,147	(66)	3,081
POCI	-	-	-	-	220	(1)	220	(1)	219
Total financial and guarantee commitments granted	80,587	(159)	9,414	(489)	646	(50)	90,647	(698)	89,949

(IN PLN MILLION)

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2022	STAGE 1		STAGE 2		STAGE 3		Total	Provisions per IFRS 9	Net carrying amount
	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision			
Credit lines and limits	**62,990**	**(137)**	**7,250**	**(406)**	**140**	**(47)**	**70,380**	**(590)**	**69,790**
real estate	3,568	(13)	107	(5)	8	(3)	3,683	(21)	3,662
business	47,016	(97)	5,332	(281)	107	(36)	52,455	(414)	52,041
consumer	8,818	(27)	1,807	(120)	25	(8)	10,650	(155)	10,495
in respect of factoring	2,745	-	4	-	-	-	2,749	-	2,749
in respect of finance leases	843	-	-	-	-	-	843	-	843
Other	2,824	-	-	-	1	-	2,825	-	2,825
Total financial commitments granted, including:	65,814	(137)	7,250	(406)	141	(47)	73,205	(590)	72,615
irrevocable commitments granted	27,050	(60)	3,429	(211)	100	(30)	30,579	(301)	30,278
POCI	-	-	1	-	4	(1)	5	(1)	4
Guarantees and sureties granted									
guarantees in domestic and foreign trading	8,539	(5)	1,360	(72)	679	(159)	10,578	(236)	10,342
to financial entities	2,735	-	-	-	-	-	2,735	-	2,735
to non-financial entities	5,733	(5)	1,360	(72)	679	(159)	7,772	(236)	7,536
to public entities	71	-	-	-	-	-	71	-	71
domestic municipal bonds (state budget entities)	315	-	-	-	-	-	315	-	315
letters of credit to non-financial entities	1,343	(1)	171	(6)	-	-	1,514	(7)	1,507
payment guarantees to financial entities	71	-	-	-	-	-	71	-	71
Total guarantees and sureties granted, including:	10,268	(6)	1,531	(78)	679	(159)	12,478	(243)	12,235
irrevocable commitments granted	2,903	(5)	1,262	(71)	647	(158)	4,812	(234)	4,578
performance guarantees	2,499	(2)	860	(54)	281	(147)	3,640	(203)	3,437
POCI	-	-	-	-	284	(5)	284	(5)	279
Total financial and guarantee commitments granted	76,082	(143)	8,781	(484)	820	(206)	85,683	(833)	84,850

(IN PLN MILLION)

41. MANAGEMENT OF CURRENCY RISK ASSOCIATED WITH MORTGAGE LOANS FOR INDIVIDUALS

The Group analyses its portfolio of convertible currency mortgage loans to individuals in a specific manner. The Group monitors the quality of the portfolio on an on-going basis and reviews the risk of deterioration of the portfolio quality. Currently, the quality of the portfolio is at an acceptable level. The Group takes the risk into consideration in the capital adequacy and equity management.

HOUSING LOANS AND ADVANCES TO INDIVIDUALS (RETAIL AND PRIVATE BANKING) BY CURRENCY	30.06.2023			31.12.2022		
	Gross carrying amount	Allowance for expected credit losses	Net carrying amount	Gross carrying amount	Allowance for expected credit losses	Net carrying amount
in local currency	**94,903**	**(1,514)**	**93,389**	**94,169**	**(1,400)**	**92,769**
PLN	94,648	(1,464)	93,184	93,836	(1,353)	92,483
UAH	255	(50)	205	333	(47)	286
in foreign currency	**7,836**	**(620)**	**7,216**	**11,637**	**(765)**	**10,872**
CHF	5,809	(522)	5,287	9,353	(677)	8,676
EUR	1,991	(92)	1,899	2,244	(83)	2,161
USD	30	(6)	24	34	(5)	29
OTHER	6	-	6	6	-	6
Total	102,739	(2,134)	100,605	105,806	(2,165)	103,641

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

Convertible currency housing loans and advances to individuals by the granting date		Indexed	Denominated	Total	Indexed	Denominated	Total
		30.06.2023			31.12.2022		
up to 2002	Gross amount	-	17	**17**	-	28	**28**
	Allowances for credit losses	-	-	**-**	-	(1)	**(1)**
	Net amount	-	17	**17**	-	27	**27**
	Number of loans granted	-	2,286	**2,286**	-	2,737	**2,737**
from 2003 to 2006	Gross amount	-	1,038	**1,038**	-	1,976	**1,976**
	Allowances for credit losses	-	(79)	**(79)**	-	(111)	**(111)**
	Net amount	-	959	**959**	-	1,865	**1,865**
	Number of loans granted	-	25,647	**25,647**	-	30,771	**30,771**
from 2007 to 2009	Gross amount	-	2,950	**2,950**	-	4,911	**4,911**
	Allowances for credit losses	-	(369)	**(369)**	-	(490)	**(490)**
	Net amount	-	2,581	**2,581**	-	4,421	**4,421**
	Number of loans granted	-	29,326	**29,326**	-	35,811	**35,811**
from 2010 to 2012	Gross amount	1,896	1,925	**3,821**	2,439	2,268	**4,707**
	Allowances for credit losses	(77)	(93)	**(170)**	(76)	(85)	**(161)**
	Net amount	1,819	1,832	**3,651**	2,363	2,183	**4,546**
	Number of loans granted	8,063	9,991	**18,054**	8,741	10,344	**19,085**
from 2013 to 2016	Gross amount	3	7	**10**	4	11	**15**
	Allowances for credit losses	-	(2)	**(2)**	-	(2)	**(2)**
	Net amount	3	5	**8**	4	9	**13**
	Number of loans granted	15	30	**45**	18	34	**52**
Total	**Gross amount***	**1,899**	**5,937**	**7,836**	**2,443**	**9,194**	**11,637**
	Allowances for credit losses	**(77)**	**(543)**	**(620)**	**(76)**	**(689)**	**(765)**
	Net carrying amount	**1,822**	**5,394**	**7,216**	**2,367**	**8,505**	**10,872**
	Number of loans granted	**8,078**	**67,280**	**75,358**	**8,759**	**79,697**	**88,456**

* The gross carrying amount of the above loan portfolio includes an adjustment for legal risk related to potential litigation for the portfolio of mortgage loans in convertible currencies and existing legal claims related to loan exposures recognized as at the balance sheet date in the statement of financial position (see notes "Cost of legal risk of mortgage loans in convertible currencies", "Loans and advances to customers")

42. MANAGEMENT OF INTEREST RATE RISK, CURRENCY RISK AND LIQUIDITY RISK

• INTEREST RATE RISK MANAGEMENT

Sensitivity of interest income in the banking book of the Group to the abrupt shift in the yield curve of 100 bp down in a one-year horizon in all currencies	30.06.2023	31.12.2022
Sensitivity of interest income (PLN million)	(813)	(769)

The economic value sensitivity measure (stress-test) of the banking book of the Group in all currencies	30.06.2023	31.12.2022
Sensitivity of economic value (PLN million)	(1,235)	(891)

IR VaR in the trading book	30.06.2023	31.12.2022
IR VaR for a 10-day time horizon at a confidence level of 99% (PLN million):		
Average value	72	37
Maximum value	133	86
Value at the end of the period	83	56

• CURRENCY RISK MANAGEMENT

The Bank's FX VaR, in aggregate for all currencies	30.06.2023	31.12.2022
VaR for a 10-day time horizon at a confidence level of 99% (in PLN million)[1]	57	128

[1] Taking into account the nature of the operation of the other Group companies which generate material currency risk and the specific characteristics of the market in which they operate, the Group does not determine the consolidated VaR sensitivity measure. Such companies use their own risk measures to manage their interest rate risk. KREDOBANK SA applies the 10-day VaR which amounted to PLN 0.3 million as at 30 June 2023 and to PLN 0.1 million as at 31 December 2022.

The Group's foreign currency positions are presented in the table below:

FOREIGN CURRENCY POSITION	30.06.2023	31.12.2022
EUR	188	(206)
CHF	(1,013)	(1,625)
Other (Global, Net)	(26)	3

Currency positions (in addition to volatility of foreign exchange rates) are a key factor determining the level of currency risk to which the Group is exposed. The foreign currency positions are determined by all foreign currency transactions concluded, both in the statement of financial position and off-balance sheet transactions, with the exception of structural positions in UAH (PLN 556.8 million), for which the Bank obtained approval from the PFSA to exclude them from the calculation of the currency positions.

(IN PLN MILLION)

- **LIQUIDITY RISK MANAGEMENT**

	on demand	0 – 1 month	1 – 3 months	3 – 6 months	6 – 12 months	12 – 24 months	24 – 60 months	more than 60 months
30.06.2023								
Adjusted periodic gap	8,283	107,613	(15,989)	(3,136)	6,567	10,666	25,037	(139,041)
Adjusted cumulative periodic gap	8,283	115,896	99,907	96,771	103,338	114,004	139,041	
31.12.2022								
Adjusted periodic gap	9,400	69,449	(8,423)	(576)	(316)	20,757	25,046	(115,337)
Adjusted cumulative periodic gap	9,400	78,849	70,426	69,850	69,534	90,291	115,337	

In all time horizons, the adjusted cumulative liquidity gap of the Group, determined as the sum of the adjusted liquidity gaps of the Bank, PKO Bank Hipoteczny SA, PKO Leasing SA, KREDOBANK SA and PKO Życie Towarzystwo Ubezpieczeń SA and the contractual liquidity gaps of the other Group companies, was positive both as at 30 June 2023 and 31 December 2022. This means that the Group has a surplus of the assets receivable over the liabilities payable.

SUPERVISORY LIQUIDITY MEASURES	30.06.2023	31.12.2022
NSFR - net stable funding ratio	149.8%	131.5%
LCR - liquidity coverage ratio	221.6%	169.1%

In the period ended 30 June 2023 and 31 December 2022, liquidity measures remained above their respective supervisory limits.

(IN PLN MILLION)

CAPITAL MANAGEMENT AT THE GROUP

43. CAPITAL ADEQUACY

Minimum levels of the capital ratios maintained by the Group in accordance with Article 92 of the CRR are as follows:	
• total capital ratio (TCR)	8.0%
• Tier 1 capital ratio (T1)	6.0%
• Tier 1 core capital ratio (CET1)	4.5%

Obligation to maintain a combined buffer above the minimum amounts specified in Art. 92 of the CRR, representing the sum of the applicable buffers	**30.06.2023**	**31.12.2022**
Total:	**4.53%**	**4.52%**
• conservation buffer	2.5%	2.5%
• countercyclical buffer	0.03%	0.02%
• systemic risk buffer[1]	0%	0%
• due to identifying the Bank as another systemically important institution ("O-SII")	2%	2%

[1] On 19 March 2020, in connection with the COVID-19, the Regulation of the Minister of Finance cancelling the systemic risk buffer came into effect. Nevertheless, the previously applicable buffer of 3% is taken into account in the calculation of the required level of ratios to meet dividend payment conditions.

(IN PLN MILLION)

Capital adequacy	30.06.2023	31.12.2022 (restated)	31.12.2022 (published)
Equity	**41,125**	**35,707**	**35,435**
capital: share capital, supplementary capital, other reserves, and general risk reserve	33,948	32,496	32,496
retained earnings	10,780	8,920	8,651
net profit or loss for the year	2,041	3,312	3,333
other comprehensive income and non-controlling interests	(5,644)	(9,021)	(9,045)
Exclusions from equity:	**(1,232)**	**(1,987)**	**(2,154)**
deconsolidation - adjustments due to prudential consolidation	(88)	(107)	(224)
net profit or loss for the year	2,020	3,340	3,290
cash flow hedges	(3,164)	(5,220)	(5,220)
Other fund reductions:	**2,938**	**3,393**	**3,404**
goodwill	961	961	961
other intangible assets	1,427	1,508	1,508
securitization items	2	12	12
additional asset adjustments (AVA, DVA, NPE)[1]	548	912	923
Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI according to Art. 468 of the CRR	-	**1,357**	**1,357**
Temporary reversal of IFRS 9 impact	**1,202**	**1,651**	**1,651**
Current period profit/loss, included by permission from the PFSA	-	**946**	**946**
Tier 1	**40,621**	**38,255**	**38,139**
Tier 2 capital (subordinated debt)	**2,352**	**2,584**	**2,584**
Own funds	42,973	40,839	40,723
Requirements for own funds	17,336	18,361	18,328
Credit risk	15,068	15,627	15,594
Operational risk[2]	1,992	2,358	2,358
Market risk[3]	238	339	339
Credit valuation adjustment risk	38	37	37
Total capital ratio	19.83	17.79	17.78
Tier 1 capital ratio	18.75	16.67	16.65

[1] AVA - additional valuation adjustment, DVA - debt vaulation adjustment, NPE - adjustment for non-performing exposures, DTA - surplus of capital exposures and deferred assets deferred tax assets

[2] In the first half of 2023, there was a decrease in the own funds requirement for operational risk by PLN 366 million mainly due to the implementation of individual scaling of the legal risk costs of mortgage loans in CHF in the AMA approach in accordance with the PFSA decision obtained on 22 March 2023. The purpose of the change is to ensure that the historically incurred costs of the portfolio of mortgage loans in CHF are taken into account in the AMA model at an appropriate scale in relation to the risks that the Group may potentially still incur as a result.

[3] The decrease in the value of the market risk-related requirement as at the end of June 2022 relative to 31 December 2023 was mainly due to a decrease in the currency risk-related requirement, which amounted to PLN 69 million as at the end of June 2023 compared to PLN 135 million as at the end of December 2022.

(IN PLN MILLION)

If the transitional arrangements for the partial reversal of the impact of IFRS 9 under Article 473a of the CRR had not been applied, the Group's Tier 1 capital would have amounted to PLN 39,419 million, the total capital would have amounted to PLN 41,771 million, the Tier 1 capital ratio would have been 18.29%, the total capital ratio would have been 19.38% and the leverage ratio 8.03%.

The provisions for the provisional treatment of unrealized gains and losses measured at fair value through OCI according to Art. 468 of the CRR were in force until 31 December 2022.

CONSOLIDATED INCOME STATEMENT IN ACCORDANCE WITH THE CRR (PRUDENTIAL CONSOLIDATION)

CONSOLIDATED INCOME STATEMENT in accordance with the CRR	01.01-30.06.2023	01.01-30.06.2022
Net interest income	**8,648**	**6,807**
Interest and similar income	15,238	9,241
Interest expense	(6,590)	(2,434)
Net fee and commission income	**2,329**	**2,310**
Fee and commission income	3,135	3,032
Fee and commission expense	(806)	(722)
Other net income	**114**	**186**
Dividend income	12	11
Gains/(losses) on financial transactions	22	179
Foreign exchange gains/ (losses)	4	(62)
Gains/(losses) on derecognition of financial instruments	24	(17)
Net other operating income and expense	52	75
Result on business activities	**11,091**	**9,303**
Net expected credit losses	(541)	(695)
Net impairment losses on non-financial assets	(22)	(13)
Cost of legal risk of mortgage loans in convertible currencies	(3,441)	(1,176)
Administrative expenses	(3,680)	(4,127)
Tax on certain financial institutions	(607)	(622)
Share in profits and losses of subsidiaries, associates and joint ventures	167	78
Profit/(loss) before tax	2,967	2,748
Income tax expense	(947)	(915)
Net profit/(loss) (including non-controlling interest)	2,020	1,833
Net profit attributable to equity holders of the parent company	2,020	1,833

44. LEVERAGE RATIO

Leverage ratio exposures specified in CRR related to capital requirements			
	30.06.2023	31.12.2022 (restated)	31.12.2022 (published)
Total capital and exposure measure			
Tier 1 capital	40,621	38,255	38,139
Total exposure measure for leverage ratio calculation	492,072	454,588	454,490
Leverage ratio			
Leverage ratio	8.26	8.42	8.39

45. Dividends and profit appropriation

On 21 June 2023, the Annual General Meeting of PKO Bank Polski S.A. (AGM) passed a resolution on distribution of profit of PKO Bank Polski S.A. for 2022, in accordance with which amount:

- the amount of PLN 1,629,138,013.50 was allocated to reserve capital for the payment of dividends, including interim dividends, in accordance with § 30 of the Bank's Articles of Association,
- the amount of PLN 1,629,138,013.50 was left as unapportioned.

At the same time, the AGM passed a resolution to leave PKO Bank Polski S.A.'s retained earnings, in the amount of PLN 7,808,836,372, undistributed.

The above resolutions are consistent with the individual recommendation of the Polish Financial Supervision Authority ("PFSA") received on 17 March 2023, in which the PFSA confirmed that the Bank fulfils the requirements for the payment of dividends at a level of up to 50% of the net profit for 2022 but, at the same time, recommended that the Bank mitigate the risks present in its operations by:

- limiting the amount of dividend that can be paid from the profit earned in the period from 1 January to 31 December 2022 to 50% of such profit,
- not paying by the Bank a dividend from the profit earned in the period from 1 January to 31 December 2022 until The Court of Justice of the European Union (CJEU) issues a judgment on the return of additional funds over and above those paid out while executing an agreement canceled on the basis of unfair terms of contract (abusive clauses) of the CHF loan agreement (in connection with the question of the District Court for Warsaw-Śródmieście in Warsaw – case C-520/21),
- not paying by the Bank a dividend from the profit earned in the period from 1 January to 31 December 2022 after issuing the judgment of the Court of Justice of the European Union, referred to above, without prior consultation with the PFSA,
- not conducting any other activities, in particular those beyond the scope of current business and operating activities, which may result in a reduction of own funds, including possible dividend payments from undistributed profits from previous years and buybacks or buyouts of own shares, without prior consultation with the supervisory authority.

The distribution of profit for 2022 adopted by the AGM does not preclude the Bank's Management Board from deciding to distribute profit to shareholders in the form of an interim dividend and to use the reserve capital for this purpose.

As a result of consultations initiated by the Bank with the Office of the Polish Financial Supervision Authority ("PFSA") relating to the possibility for the Bank to pay out part of its profit from reserve capital, on 21 July 2023 the Bank received a negative opinion from the PFSA in this regard. Taking into account numerous risks, including among others the continuing high uncertainty related to the potential costs of legal risk related to mortgage loans in CHF, possible deterioration of the credit quality of the portfolio driven by increased inflation, possible limitation of economic growth, as well as high costs of debt servicing by borrowers as well as aiming at ensuring the stability of the Bank's operations in subsequent periods, and its further development, the PFSA Office maintains a cautious approach towards the dividend policy and actions that may result in a reduction of the capital base and does not consider the possibility of accepting actions resulting in a reduction in the Bank's capital base at the level of PLN 1.6 billion or less.

(IN PLN MILLION)

OTHER NOTES

46. TRANSACTIONS WITH THE STATE TREASURY AND RELATED PARTIES

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

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

TRANSACTIONS WITH THE STATE TREASURY	01.01.-30.06.2023	01.01-30.06.2022
Income recognized on an accruals basis	65	64
Income recognized on a cash basis	3	5
Income from temporary redemption by the State Treasury of interest on housing loans in the "old portfolio"	62	59

As of 1 January 2018 based on the provisions of the Act of 30 November 1995 on state support in the repayment of certain housing loans, granting guarantee bonuses and reimbursement of guarantee bonuses paid, the borrowers acquired the right to be forgiven the remaining debt by the State Treasury, which will result in gradual (until 2026) full settlement of the housing loan indebtedness from the so-called "old" portfolio. The Bank conducts settlements in respect of repurchase of interest on housing loans by the State Budget and on this account the Bank received commission in the six-month period ended 30 June 2023 and in the corresponding period of 2022 amounting to under PLN 1 million.

As of 1 January 1996, the Bank became the general distributor of value marks. The Bank receives commissions in this respect from the State Treasury – in the six-month period ended 30 June 2023 and in the corresponding period of 2022, the Bank received commission on this account of under 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. Under this agreement, Biuro Maklerskie PKO BP receives a fee for providing the services of an agent for the issue of bonds – in the period of six months ended 30 June 2023 in the amount of PLN 108 million, and in the period of six months ended 30 June 2022 in the amount of PLN 140 million.

- ### SIGNIFICANT TRANSACTIONS WITH THE STATE TREASURY'S RELATED PARTIES

Transactions with entities related to the State Treasury include loans advanced, debt securities purchased, lines of credit, guarantees issued and deposits made. The transactions were arm's length transactions.

SIGNIFICANT TRANSACTIONS WITH THE STATE TREASURY'S RELATED PARTIES	BALANCE SHEET EXPOSURE, INCLUDING EXPOSURE TO LOANS AND DEBT SECURITIES		OFF-BALANCE SHEET EXPOSURE		LIABILITIES IN RESPECT OF CURRENT ACCOUNTS AND TERM DEPOSITS	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022	30.06.2023	31.12.2022
counterparty 1	-	-	3,150	2,453	35	2,820
counterparty 2	16,272	16,097	31	31	176	87
counterparty 3	614	245	1,066	1,081	120	5
counterparty 4	2,069	422	4,271	3,807	1,820	2,087
counterparty 5	731	833	2,506	2,096	1	6
counterparty 6	118	118	1,500	1,500	424	275
counterparty 7	336	1,643	3,158	4,610	1,594	1,088
counterparty 8	463	751	1,178	557	-	-
counterparty 9	1,223	608	652	1,320	429	59
counterparty 10	1,010	841	611	816	-	-

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (IN PLN MILLION)

	30.06.2023	30.06.2022
Interest and commission income	312	159
Interest and commission expense	(114)	(163)

As at 30 June 2023, the allowance for expected credit losses for the above exposures amounted to PLN 1 million (as at 31 December 2022 it amounted to PLN 1 million).

- ### RELATED-PARTY TRANSACTIONS – CAPITAL LINKS (ASSOCIATES AND JOINT VENTURES)

Transactions of the Bank as the parent company with associates and joint ventures are presented in the table below. All transactions presented below were arm's length transactions.

30.06.2023 Company Name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	124	18	101	64
"Centrum Obsługi Biznesu" sp. z o.o.	11	21	4	-
Bank Pocztowy S.A.	-	-	-	1
Operator Chmury Krajowej sp. z o.o.	2	2	3	443
Total associates and joint ventures	**137**	**41**	**108**	**508**

FOR 6 MONTHS ENDED 30 JUNE 2023 Company Name	Total income	of which interest and commission income	Total expense	of which interest and commission income
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	500	359	87	85
"Centrum Obsługi Biznesu" sp. z o.o.	1	1	-	-
Operator Chmury Krajowej sp. z o.o.	-	-	20	-
Total associates and joint ventures	**501**	**360**	**107**	**85**

31.12.2022 Company Name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	64	-	206	63
"Centrum Obsługi Biznesu" sp. z o.o.	11	10	2	-
Bank Pocztowy S.A.	-	-	-	1
Operator Chmury Krajowej sp. z o.o.	-	-	31	917
Total associates and joint ventures	**75**	**10**	**239**	**981**

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

47. Benefits for the key management

COST OF REMUNERATION OF THE BANK'S MANAGEMENT AND SUPERVISORY BOARDS (in PLN thousand)	01.01.2023-30.06.2023	01.01.2022-30.06.2022
Management Board of the Bank		
Short-term employee benefits[1]	5,655	5,040
Long-term employee benefits[2]	3,415	2,051
Share-based payments settled in cash[3]	3,778	(694)
Benefits to members of the Bank's Management Board who ceased to perform their functions[4]	1,833	754
Total	14,681	7,151
Supervisory Board of the Bank		
Short-term employee benefits[1]	1,047	936
Total	1,047	936

[1] "Short-term employee benefits" includes: wages and salaries, social security contributions and other benefits which have been or will be settled within 12 months of the end of the reporting period.
[2] "Long-term benefits" includes provisions for deferred components of remuneration awarded in cash.
[3] "Share-based payments settled in cash" includes 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). "Share-based payments settled in cash" includes both costs of variable remuneration in the form of a financial instrument for the current period, as well as the effect of revaluation of provisions for variable remuneration components in the form of a financial instrument for previous years based on the current price of the Bank's shares. Negative costs in the period of six months ended 30 June 2022 result from the revaluation of prior years' provisions for variable remuneration components.
[4] "Benefits to members of the Bank's Management Board who ceased to perform their functions" includes severance pay and non-compete benefits.

In the six-month period ended 30 June 2023, members of the Management Board of the Bank received remuneration from the Bank's related entities in the amount of PLN 28 thousand (PLN 42 thousand in the corresponding period).

LOANS AND ADVANCES GRANTED BY THE BANK TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS	30.06.2023	31.12.2022
Supervisory Board of the Bank	-	-
Management Board of the Bank	81	101
Total	81	101

No new loans or advances were granted to Management Board and Supervisory Board members in the first half of 2023. The interest rates and repayment terms do not differ from the arm's-length conditions and repayment terms for similar banking products.

The Group 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 term deposits, granting loans and providing other financial services. All these transactions are also concluded on an arm's length basis.

COSTS OF REMUNERATION OF THE SUBSIDIARIES' MANAGEMENT AND SUPERVISORY BOARDS (in PLN thousand)	01.01.2023-30.06.2023	01.01.2022-30.06.2022
Management Boards of the Companies		
Short-term employee benefits[1]	14,271	10,957
Long-term employee benefits[2]	3,700	2,121
Share-based payments settled in cash[3]	1,726	1,621
Benefits to members of Management Board of Companies who ceased to perform their functions	926	542
Total	**20,623**	**15,241**
Supervisory Board of Companies		
Short-term employee benefits[1]	1,087	525
Total	**1,087**	**525**

[1] "Short-term employee benefits" includes: wages and salaries, social security contributions and other benefits which have been or will be settled within 12 months of the end of the reporting period.
[2] "Long-term benefits" includes provisions for deferred components of remuneration awarded in cash.
[3] "Share-based payments settled in cash" includes 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).

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

The armed aggression of the Russian Federation against Ukraine has serious negative consequences for the financial system and banking sector of Ukraine. In 2022, Ukraine's GDP fell by 29% y/y, and inflation reached 26.6%. The recovery in economic activity led to a slowdown in the decline in GDP in the first quarter of 2023 to -10.5% y/y. Inflation in the first half of 2023 slowed down to 12.8% y/y due to weak consumer demand and fixed exchange rate.

Many companies operating in the war zone had to suspend their operations or move production to other territories of the country or abroad. Transportation and logistics between regions are hampered, infrastructure has been significantly damaged, and many Ukrainian citizens have been affected by hostilities and have left the country. All this will have long-term negative consequences for Ukraine's economy, including its banking sector.

The warfare has adversely affected the Ukrainian banking sector through:

- disruptions to the operations of Ukrainian branches and ATMs, significant damage to or destruction of the banking infrastructure in war zones;
- a reduction in the loan portfolio due to a significant reduction in new lending (with the exception of lending under the state's "5-7-9" programme and loans granted by state-owned banks to strategic sectors and companies). According to the results for 2022, the sector's loan portfolio has decreased by 3% even including the revaluation of the foreign currency portfolio with the official UAH/USD exchange rate falling by 34% since the beginning of the year. In the first quarter of 2023, the loan portfolio continued to decline – by 3% year-to-date;
- inability of some borrowers to service their loans, deterioration of loan repayments due to the closure of many businesses, loss of sources of income for individuals, forced relocation of millions of Ukrainian citizens, which translates into an increase in the allowance for expected loan losses;
- restrictions on the currency market, including foreign exchange trading.

Nevertheless, after a significant outflow of funds from the banks at the beginning of the war, the liquidity of the banking system is slowly increasing. In 2022, retail deposits increased by 28% (mainly in UAH) and corporate deposits by 18% (mainly in FX). In the first quarter of 2023, retail deposits increased by 1% and corporate deposits by 9%.

The National Bank of Ukraine (hereinafter: "NBU") simplified the requirements for the day-to-day operations of banks and does not introduce new regulatory requirements. The NBU also introduced a number of changes to the legal acts regulating the issues of credit risk assessment. These changes are aimed at ensuring timely and adequate assessment of credit risk by banks and preventing banks from losing liquidity. A bank stability assessment is underway, which will reveal the true state of the sector after it has gone through the most severe phase of the current war-related economic crisis. Thanks to the assessment of stability, in particular the forecasting of banks' activity ratios according to the baseline scenario, the NBU plans to assess the validity of banks' business models and determine the real capital needs of the largest banks.

The NBU also reinstated the requirement to carry out an up-to-date verification and valuation of assets constituting collateral for credit exposures. Starting from August 31, 2023, banks will be required to take into account the existing information, including the status of collateral located in territories affected by military operations. In the event of obtaining information about the loss or damage of collateral, the bank will be obliged to take this fact into account in the credit risk assessment. In addition, collateral from regions under occupation or where military operations are being conducted will not be taken into account in the process of calculating the allowance for expected credit losses, unless the collateral has been verified and, in the bank's opinion, meets the criteria set by the NBU.

The NBU also lowered the risk weight (RWA) for unsecured consumer loans from 150% to 100% in order to allow banks to use the accumulated capital to partially cover losses, and postponed the introduction of ICCAP regulations and higher operational capital requirements until the end of 2023. The regulatory capital adequacy ratio at the end of the second quarter of 2023 is 29% (with a minimum level of not less than 10%), the share capital adequacy ratio is 23% (with a minimum level of not less than 7%).

The continuing high inflationary pressure in 2022 prompted the NBU to tighten its monetary policy and thus increase the discount rate from 10%, maintained since the beginning of martial law, to 25% starting from June 2022.

After the beginning of the armed aggression of the Russian Federation in Ukraine, restrictions were introduced in the credit policy of the Ukrainian Capital Group companies (Kredobank S.A.). New financing is granted mainly to existing customers and is carried out by analyzing each individual transaction by the bank's analysts, including additional criteria in the analysis process, such as:

- the location of the place of business, the possibility of continuing business activity during the period of martial law and current restrictions; a potential hostile takeover threat where the client is registered and conducts business;
- taking into account tangible and/or intangible collateral for credit operations (eg pledge on shares, pledge on real estate, pledge on vehicles, machinery and equipment, sureties and guarantees) and risk sharing instruments.

The Capital Group monitors sanction regulations on an ongoing basis and implements them in the scope adequate to the specificity of its operations.

Throughout the Capital Group, guidelines for financing and conducting banking services have been adopted for:

- clients running a business whose business model is based on the benefits of active operation on the markets of Russia and Belarus or through significant connections (including business, personal),
- clients who are or may be subject to sanctions or restrictions introduced in connection with Russia's aggression in Ukraine.

In 2023, the Capital Group maintained a safe level of liquidity, which enabled a quick and effective response to potential threats. Analyzes of the Capital Group's liquidity situation confirm that it has a safe level of liquid assets, while maintaining a stable, dispersed deposit base, mainly from retail clients, characterized by moderate subjective concentration and is mostly covered by BFG guarantees. As a consequence, the Group maintains both supervisory and internal liquidity risk measures at safe levels. The liquidity situation of KREDOBANK S.A., despite the ongoing conflict in Ukraine, remained at a stable and safe level; the company did not record a decrease in liquidity measures and a significant outflow of deposits (LCR in foreign currencies approx. 300%, LCR in all currencies approx. 240%, NSFR close to 220%).

At the same time, in connection with the military operations in Ukraine, the Capital Group has a Support Group under the leadership of the Chief of the Crisis Staff, which aims, among others, to preventing disruption of critical processes of PKO Bank Polski S.A., exchange of information within the Bank's Capital Group, coordination of assistance provided.

The Group takes actions to limit the threats related to the war in Ukraine on an ongoing basis, in particular in terms of ensuring the availability of the Group's systems and cybersecurity, ensuring the continuity of cash services and other processes.

49. INTEREST RATE BENCHMARKS REFORM

- ### LEGAL ENVIRONMENT

A new standard has been developed in the European Union for designing, providing and applying interest rate benchmarks. The legal basis for the said standard is the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (hereinafter: "BMR"). The BMR:

- sets the rules for development and application of transparent, reliable and fair benchmarks;
- provides extensive controls over the set-up of benchmarks;
- expects the benchmarks to be determined, generally, on the basis of the actual transactions executed on a given market.

In October 2020, ISDA, an international organization setting standards for trading in derivative instruments, published the ISDA Protocol describing the procedure for replacing IBORs used in the current and new derivative transactions with new risk-free benchmarks. The Bank joined the Protocol in November 2020.

On 10 February 2021, the European Union published an amendment to the BMR, granting the European Commission and the Member States competences to designate replacements for benchmarks in cessation, if such cessation could threaten the stability of the EU market or a Member State market.

The Financial Conduct Authority (FCA) has announced that 1M, 3M and 6M LIBOR USD rates will be published in synthetic form until the end of September 2024, 1M and 6M LIBOR GBP rates will be published in synthetic form until the end of March 2023 and 3M LIBOR GBP rates until the end of March 2024.

The European Commission, in Implementing Regulation (EU) 2021/1847 of 14 October 2021 on the designation of a statutory replacement for certain settings of CHF LIBOR, which is in force by operation of law and directly applicable in all Member States of the European Union as of 1 January 2022, has determined substitutes for the CHF LIBOR rates. These substitutes are the 1-month or 3-month SARON compound rate with an indicated value of the adjustment spread, respectively. The SARON rate replaced the CHF LIBOR rate in every contract and financial instrument within the European Union, so this also applied to Polish borrowers.

The WIBOR reform and its adjustment to the BMR requirements were completed in 2020. It involved the same change in the benchmark calculation methodology as in the case of EURIBOR. On 16 December 2020, the PFSA granted GPW Benchmark S.A. permission to perform the function of administrator of the key benchmarks WIBID and WIBOR.

- ### ANNOUNCEMENT ON THE USE OF A REPLACEMENT FOR WIBOR

The Act of 7 July 2022 on the crowdfunding of business ventures and on assistance for borrowers initiated the reform of the WIBOR index. The WIBOR index will be discontinued and replaced by a replacement. The law contains a legal delegation to promulgate it by means of a regulation. The process of determining a replacement for WIBOR will be regulated by law. According to the regulation of the Minister of Finance, the replacement of the WIBOR rate will apply to contracts and financial instruments that meet the requirements of the BMR Regulation. The regulation of the Minister of Finance will also specify the corrective margin and the date from which the conversion will be effective.

In July 2022, the National Working Group on Benchmark Reform (NWG) has been established to ensure the credibility, transparency and reliability of the development and application of the new benchmark interest rate.

The National Working Group comprises representatives of the Ministry of Finance, the National Bank of Poland, the Office of the Financial Supervision Authority, the Bank Guarantee Fund, the Polish Development Fund, the Warsaw Stock Exchange, the National Depository for Securities, Bank Gospodarstwa Krajowego, the WSE Benchmark, as well as representatives of banks, investment fund companies, insurance companies, factoring and leasing companies, entities that are issuers of bonds, including corporate and municipal bonds, and clearing houses.

The work of the National Working Group shall be coordinated and supervised by the Steering Committee, composed of representatives of key institutions: the Polish Financial Supervision Authority, the National Bank of Poland, the Ministry of Finance, the Bank Guarantee Fund, the Polish Development Fund, as well as the WSE Benchmark – the administrator of benchmark rates – and the Association of Polish Banks.

NGR's activities are carried out in a project formula in which project streams have been identified and in which representatives of PKO Bank Polski S.A. actively participate.

On 1 September 2022, the Steering Committee of the National Working Group appointed in connection with the planned benchmark reform (NWG SC) decided to choose the WIRON® index as an alternative interest rate benchmark, calculated based on the actual overnight (ON) transactions concluded with large enterprises and financial institutions. WIRON® is intended to become a critical interest rate benchmark within the meaning of BMR, which will be applied in financial agreements and instruments.

On 27 September 2022, the NWG SC adopted a Road Map specifying a schedule of actions aimed at replacing WIBOR with WIRON® in accordance with the BMR. The Road Map indicates that the benchmark reform will be implemented by the end of 2024. At the same time, a new offer of financial products based on WIRON® will be implemented in 2023-2024 and the full readiness to discontinue the development and publication of the WIBOR and WIBID® benchmarks will be reached at the beginning of 2025.

In January 2023, the Bank and ING Bank Śląski S.A. executed the first transaction in the Polish financial market for which the WIRON interest rate index has been applied. The financial instrument being traded was an interest-rate derivative contract – Overnight Index Swap (OIS). With the transaction, the banks have tested the operational and technological capacity for applying WIRON in financial instruments.

Interest-rate derivative contracts, including OISs, may be used by banks to hedge interest rate risk of their own and clients' positions.

The transaction is part of the "Implementation Phase" of the benchmark reform as described in the Roadmap which involves the accumulation of liquidity in the market of financial instruments being derivative contracts that meet the criteria of an OIS for which WIRON is to be the interest rate benchmark.

On 13 February 2023, the Office of the Polish Financial Supervision Authority announced that WIRON had become an interest rate benchmark. Banks may also apply the WIRON benchmark to determine interest rate on consumer loans or mortgage loans.

In the first half of 2023, the Steering Committee of the National Working Group on benchmark reform endorsed the following recommendations:

- on the standard OIS transaction based on WIRON,
- on the application of the WIRON index in issues of floating-rate debt securities,
- on the rules and methods of applying the WIRON benchmark (or benchmarks from the WIRON Compound Indices Family) when entering into new contracts for benchmark-based products in PLN offered by financial market entities,
- on the rules and methods of applying the WIRON interest rate index (or indices from the WIRON Compound Indices Family) when entering into new contracts in PLN for factoring products (excluding discounting products) for benchmark-based products in PLN offered by financial market entities,
- on the methods of applying the WIRON interest rate index (or indices from the WIRON Compound Indices Family) when entering into new contracts in PLN for leasing products for benchmark-based products in PLN offered by financial market entities,
- on the use of a replacement rate for the WIBOR benchmark in interest rate derivatives.

This marks the completion of work on the recommendations on new banking, leasing and factoring products as well as the previously published recommendations on bonds and derivatives. This also represents the achievement of the absolutely crucial milestone of the Reform Roadmap that allows financial institutions to use the NWG's expertise to prepare and implement a series of new arrangements using WIRON index, including mortgage loans, being of key importance to households.

The NGR is working intensively on a recommendation on the principles and methods for replacing the WIBOR/WIBID benchmarks with the WIRON benchmark (or a benchmark from the WIRON Compound Index Family) for the existing portfolio of PLN products with regard to financial market entities.

- **ADAPTATION OF THE CAPITAL GROUP AND THE BANK**

Evolution of the legal environment and benchmark market migration in accordance with BMR affect the Group's operations through the agreements signed with the customers and business partners, changes in the valuation of financial instruments and the need to adjust IT processes and systems.

Since the third quarter of 2020, the Group has conducted an interdisciplinary project aimed at its adaptation to the requirements of the BMR, including the WIBOR reform, as well as the PFSA interpretations and guidelines, in particular in the area of:

- development of a contingency plan and its implementation in the Bank's contracts and rules and regulations;
- adjustment of the offer of products and services;
- adjustment of the Bank's transactional, accounting, analytical, risk and reporting systems;
- adjustment of the use of hedge accounting;
- annexing the contracts and implementing the standards adopted by the markets;
- cooperation with the banking sector aimed at developing a uniform interpretation of the regulations and standards of their implementation.

Representatives of many organisational units of the Bank, including in particular those responsible for product areas, as well as issues related to risk and financial management, participate in the project's works. On the part of the companies, representatives of PKO Bank Hipoteczny, PKO Leasing S.A and PKO Faktoring S.A participate. The structure of the project takes into account the division into streams covering products and processes where there is an element of applying the WIBOR reference index and the cyclical reporting of statuses with regard to individual streams. In the current phase of the project, intensive work is underway at the Group to adapt the technological infrastructure, as well as involving the preparation of internal processes and documentation (including rules and regulations).

(IN PLN MILLION)

Since 1 January 2022, the Group continued servicing the loan portfolios and new loan agreements using WIBOR and EURIBOR without any changes.

The Group is working on analysing the risks and monitoring them on an ongoing basis; however, due to the early stage of the reform, more detailed information on the transition process will be provided as the WIBOR reform work progresses. Moreover, due to the lack of formal information on the potential regulatory event referred to in Article 23c(1) of the BMR, the lack of the Regulation of the Minister of Finance referred to in Article 61c of the Act of 5 August 2015 on macro-prudential oversight of the financial system and crisis management in the financial system concerning the replacement, or even for the draft of such a regulation, lack of information on the amount of adjustment spread or the method of calculating this spread as well as the lack of the market for hedging instruments and taking into account the current stage of work of the National Working Group and implementation of the roadmap, currently, it is not possible to estimate the financial impact of the WIBOR rate reform.

The following tables present the Bank's exposure to significant types of interest rates affected by the interest rate benchmark reform, which had not been replaced as at 30 June and 31 December 2022.

Financial assets	
30.06.2023	WIBOR PLN
Amounts due from banks	3,506
Securities	15,385
Loans and advances to customers	178,769
Total assets	**197,660**

Financial liabilities and off-balance sheet liabilities	
30.06.2023	WIBOR PLN
Amounts due to customers	6,340
Subordinated liabilities	2,777
Provisions for financial liabilities and guarantees granted	263
Total liabilities	**9,380**
Financial liabilities and guarantees granted	35,365

Financial assets	
31.12.2022	WIBOR PLN
Amounts due from banks	3,748
Securities	14,368
Loans and advances to customers	174,878
Total assets	**192,994**

Financial liabilities and off-balance sheet liabilities	
31.12.2022	WIBOR PLN
Amounts due to customers	6,979
Subordinated liabilities	2,781
Provisions for financial liabilities and guarantees granted	412
Total liabilities	**10,172**
Financial liabilities and guarantees granted	32,051

For new variable interest loans granted to corporate customers in foreign currencies, new benchmarks (referred to as risk-free rates) are used, such as SARON for CHF, SOFR for USD, SONIA for GBP. Depending on the nature of the product, interest is calculated daily or using compound interest rates – either “in advance” (based on historical rates) or “in arrears” (at the end of an interest period). As far as the financial market transactions are concerned, the Bank (as mentioned above) has joined the ISDA Protocol and executes and settles transactions in accordance with that standard, i.e. using compound risk-free rates.

- HEDGE ACCOUNTING

The amendments to IFRS allow for the assumption that future cash flows – although subject to changes in the future as a result of the transition to alternative benchmark rates – are still highly probable and thus the existing hedging relationships can be maintained.

50. SUBSEQUENT EVENTS

As a result of consultations initiated by the Bank with the Office of the Polish Financial Supervision Authority ("PFSA") relating to the possibility for the Bank to pay out part of its profit from reserve capital, on 21 July 2023 the Bank received a negative opinion from the PFSA in this regard. Taking into account numerous risks, including among others the continuing high uncertainty related to the potential costs of legal risk related to mortgage loans in CHF, possible deterioration of the credit quality of the portfolio driven by increased inflation, possible limitation of economic growth, as well as high costs of debt servicing by borrowers as well as aiming at ensuring the stability of the Bank's operations in subsequent periods, and its further development, the PFSA Office maintains a cautious approach towards the dividend policy and actions that may result in a reduction of the capital base and does not consider the possibility of accepting actions resulting in a reduction in the Bank's capital base at the level of PLN 1.6 billion or less.

SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

Dariusz Szwed	Vice President of the Management Board managing the work of the Management Board
Maciej Brzozowski	Vice-President of the Management Board
Marcin Eckert	Vice-President of the Management Board
Paweł Gruza	Vice-President of the Management Board
Wojciech Iwanicki	Vice-President of the Management Board
Andrzej Kopyrski	Vice-President of the Management Board
Artur Kurcweil	Vice-President of the Management Board
Piotr Mazur	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

The original Polish document is signed with a qualified electronic signatures