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Bank Polski

Separate financial statements of PKO Bank Polski S.A. for the year ended 31 December 2024

SELECTED FINANCIAL DATA RELATING TO THE FINANCIAL STATEMENTS

SELECTED FINANCIAL DATA	PLN million			EUR million		
	2024	2023	Change % (A-B)/B	2024	2023	Change % (D-E)/E
	A	B	C	D	E	F
Net interest income	21,085	17,215	22.5%	4,899	3,802	28.9%
Net fee and commission income	4,353	3,911	11.3%	1,011	864	17.0%
Net expected credit losses and net impairment allowances on non-financial assets	(1,234)	(1,220)	1.2%	(287)	(269)	6.7%
Administrative expenses	(7,513)	(6,678)	12.5%	(1,746)	(1,475)	18.4%
Profit before tax	12,202	7,509	62.5%	2,835	1,658	71.0%
Net profit	9,150	4,868	88.0%	2,126	1,075	97.8%
Earnings per share for the period - basic (in PLN/EUR)	7.32	3.89	88.2%	1.70	0.86	97.7%
Earnings per share for the period - diluted (in PLN/EUR)	7.32	3.89	88.2%	1.70	0.86	97.7%
Net comprehensive income	10,050	10,470	(4.0)%	2,335	2,312	1.0%
Total net cash flows	(2,625)	4,559	(157.6)%	(610)	1,007	(160.6)%

SELECTED FINANCIAL DATA	PLN million			EUR million		
	31.12.2024	31.12.2023	Change % (A-B)/B	31.12.2024	31.12.2023	Change % (D-E)/E
	A	B	C	D	E	F
Total assets	500,747	468,553	6.9%	117,189	107,763	8.8%
Total equity	49,767	42,954	15.9%	11,647	9,879	17.9%
Share capital	1,250	1,250	-	293	287	2.1%
Number of shares (in million)	1,250	1,250	-	1,250	1,250	-
Book value per share (in PLN/EUR)	39.81	34.36	15.9%	9.32	7.90	18.0%
Diluted number of shares (in million)	1,250	1,250	-	1,250	1,250	-
Diluted book value per share (in PLN/EUR)	39.81	34.36	15.9%	9.32	7.90	18.0%
Total Capital Ratio (%)	20.87	21.02	(0.7)%	20.87	21.02	(0.7)%
Tier 1	42,324	39,864	6.2%	9,905	9,168	8.0%
Tier 2	3,039	2,080	46.1%	711	478	48.7%

SELECTED FINANCIAL STATEMENT ITEMS HAVE BEEN TRANSLATED INTO EUR AT THE FOLLOWING RATES	2024	2023
arithmetic mean of the NBP exchange rates at the end of a month (income statement, statement of comprehensive income and cash flow statement items)	4.3042	4.5284
	31.12.2024	31.12.2023
NBP mid exchange rates at the date indicated (statement of financial position items)	4.2730	4.3480

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SEPARATE INCOME STATEMENT

INCOME STATEMENT	Note	2024	2023
Net interest income	14 16	**21,085**	**17,215**
Interest and similar income		30,009	28,886
of which calculated under the effective interest rate method		29,604	28,338
Interest expense		(8,924)	(11,671)
Net fee and commission income	15 16	**4,353**	**3,911**
Fee and commission income		5,948	5,521
Fee and commission expense		(1,595)	(1,610)
Net other income		**1,622**	**877**
Dividend income	17	1,009	683
Gains/(losses) on financial transactions	18	250	112
Net foreign exchange gains/ (losses)	19	249	81
Gains/(losses) on derecognition of financial instruments		111	52
including measured at amortized cost		45	22
Net other operating income and expense, of which:	20	3	(51)
other operating income		182	157
other operating expenses		(179)	(208)
Result on business activities		**27,060**	**22,003**
Net allowances for expected credit losses	21	(805)	(1,120)
Impairment of non-financial assets	22	(429)	(100)
Cost of legal risk of mortgage loans in convertible currencies	23	(4,899)	(5,430)
Administrative expenses	24	(7,513)	(6,678)
Tax on certain financial institutions	25	(1,212)	(1,166)
Profit before tax		**12,202**	**7,509**
Income tax	26	(3,052)	(2,641)
Net profit		**9,150**	**4,868**
Earnings per share			
Earnings per share: basic/diluted for the period (PLN)*		7.32	3.89
Weighted average number of ordinary shares during the period (in million)*		1,250	1,250

* In 2024 and 2023, there were no dilutive instruments. Therefore, the amount of diluted earnings per share is the same as the amount of basic earnings per share.

(IN PLN MILLION)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	2024	2023
Net profit		**9,150**	**4,868**
Other comprehensive income		900	5,602
Items which may be reclassified to profit or loss		902	5,605
Cash flow hedges (net)	29	**596**	**3,327**
Gains/losses recognized in other comprehensive income during the period		(552)	1,085
Amounts transferred from other comprehensive income to the income statement		1,288	3,023
Deferred tax	26	(140)	(781)
Fair value of financial assets measured at fair value through other comprehensive income (net)		**305**	**2,280**
Remeasurement of fair value, gross		443	2,845
Gains /losses transferred to the profit or loss (on disposal)		(66)	(30)
Deferred tax	26	(72)	(535)
Currency translation differences on foreign operations		**1**	**(2)**
Items which cannot be reclassified to profit or loss		(2)	(3)
Actuarial gains and losses (net)		(2)	(3)
Actuarial gains and losses (gross)	40	(2)	(4)
Deferred tax	26	-	1
Total net comprehensive income		10,050	10,470

(IN PLN MILLION)

Bank Polski

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	31.12.2024	31.12.2023 (restated)	01.01.2023 (restated)
ASSETS		500,747	468,553	391,518
Cash and balances with the Central Bank	27	23,263	17,676	15,719
Amounts due from banks	28	8,349	15,815	14,042
Hedging derivatives	29	344	265	68
Other derivative instruments	29	2,018	4,529	5,644
Securities	30	204,877	191,439	130,986
Reverse repo transactions		892	372	7
Loans and advances to customers	31	245,908	223,670	208,918
Property, plant and equipment	36	2,856	2,731	2,505
Assets held for sale		11	139	10
Intangible assets	35	3,479	3,288	2,933
Investments in subsidiaries	37	3,560	3,440	3,560
Investments in associates and joint ventures	37	275	275	275
Current income tax receivable		-	-	47
Deferred tax assets	26	2,011	3,048	4,694
Other assets	38	2,904	1,866	2,110
LIABILITIES AND EQUITY		500,747	468,553	391,518
Liabilities		450,980	425,599	357,434
Amounts due to Central bank		11	10	9
Amounts due to banks	32	2,271	2,978	2,538
Hedging derivatives	29	302	352	300
Other derivative instruments	29	2,409	6,151	7,169
Amounts due to customers	33	414,920	394,551	334,856
Loans and advances received		-	-	726
Liabilities in respect of debt securities in issue	34	11,999	3,421	-
Subordinated liabilities	34	4,291	2,774	2,781
Other liabilities	39	7,310	10,350	6,577
Current income tax liabilities		839	1,008	527
- of the Bank		693	992	379
- of the subsidiaries belonging to the Tax Group		146	16	148
Provisions	40	6,628	4,004	1,951
Equity	43	49,767	42,954	34,084
Share capital		1,250	1,250	1,250
Reserves and accumulated other comprehensive income		29,930	27,399	21,768
Unappropriated profits		9,437	9,437	7,808
Net profit or loss for the year		9,150	4,868	3,258

(IN PLN MILLION)

Bank Polski

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2024	Share capital	Reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the period	Total equity
		Reserves			Accumulated other comprehensive income	Total reserves and accumulated other comprehensive income			
		Supplementary capital	General banking risk fund	Other reserves					
As at the beginning of the period	1,250	22,468	1,070	6,775	(2,914)	27,399	9,437	4,868	42,954
Transfer from retained earnings	-	-	-	-	-	-	4,868	(4,868)	-
Transfer of profit to reserve capital for the payment of dividends, including interim dividends*	-	-	-	1,631	-	1,631	(1,631)	-	-
Dividend	-	-	-	-	-	-	(3,237)	-	(3,237)
Comprehensive income	-	-	-	-	900	900	-	9,150	10,050
As at the end of the period	1,250	22,468	1,070	8,406	(2,014)	29,930	9,437	9,150	49,767

* For information on the distribution of the Bank's profit for 2023, see Note "Dividends and distribution of retained earnings"

FOR THE YEAR ENDED 31 December 2023	Share capital	Reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the period	Total equity
		Reserves			Accumulated other comprehensive income	Total reserves and accumulated other comprehensive income			
		Supplementary capital	General banking risk fund	Other reserves					
As at the beginning of the period	1,250	22,468	1,070	6,746	(8,516)	21,768	7,808	3,258	34,084
Transfer from retained earnings	-	-	-	-	-	-	3,258	(3,258)	-
Distribution of profit to be used for dividend payments, including interim dividends	-	-	-	1,629	-	1,629	(1,629)	-	-
Interim dividend	-	-	-	(1,600)	-	(1,600)	-	-	(1,600)
Comprehensive income	-	-	-	-	5,602	5,602	-	4,868	10,470
As at the end of the period	1,250	22,468	1,070	6,775	(2,914)	27,399	9,437	4,868	42,954

(IN PLN MILLION)

FOR THE YEAR ENDED 31 December 2024	Accumulated other comprehensive income				
	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period	(1,189)	(1,701)	(22)	(2)	(2,914)
Total comprehensive income	305	596	(2)	1	900
As at the end of the period	**(884)**	**(1,105)**	**(24)**	**(1)**	**(2,014)**

FOR THE YEAR ENDED 31 December 2023	Accumulated other comprehensive income				
	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period	(3,469)	(5,028)	(19)	-	(8,516)
Total comprehensive income	2,280	3,327	(3)	(2)	5,602
As at the end of the period	**(1,189)**	**(1,701)**	**(22)**	**(2)**	**(2,914)**

(IN PLN MILLION)

SEPARATE STATEMENT OF CASH FLOWS

	Note	2024	2023 (restated)
Cash flows from operating activities			
Profit before tax		**12,202**	**7,509**
Income tax paid		**(2,523)**	**(1,699)**
Total adjustments:		**(19,133)**	**42,201**
Depreciation and amortization	24	1,077	**980**
(Gains)/losses on investing activities		(17)	(14)
Net interest income (from income statement)		**(21,085)**	**(17,215)**
Interest received	61	20,889	19,701
Interest paid	61	(10,397)	(11,287)
Dividends received	61	(1,039)	(653)
Change in:			
amounts due from banks		(1,144)	833
hedging derivatives		293	558
other derivative instruments		(1,231)	97
securities		(6,486)	(6,037)
loans and advances to customers		(19,847)	(12,613)
reverse repo transactions		(519)	(364)
non-current assets held for sale		127	(128)
other assets		(1,382)	244
accumulated allowances for expected credit losses		(1,115)	377
accumulated allowances on non-financial assets and other provisions		3,115	2,178
amounts due to the Central Bank		1	1
amounts due to banks		(707)	442
amounts due to customers		21,305	58,893
loan and advances received		-	(1)
liabilities in respect of debt securities in issue		(140)	(290)
subordinated liabilities		(2)	-
other liabilities		(1,163)	2,429
Other adjustments		334	4,070
Net cash from/used in operating activities		**(9,454)**	**48,011**

(IN PLN MILLION)

	Note	2024	2023 (restated)
Cash flows from investing activities			
Inflows from investing activities		**753,445**	**784,911**
Redemption of securities measured at fair value through other comprehensive income		727,851	773,201
Interest received on securities measured at fair value through other comprehensive income		4,376	4,154
Redemption of securities measured at amortized cost		17,239	4,649
Interest received on securities measured at amortized cost		2,828	2,128
Proceeds from disposal of intangible assets, property, plant and equipment and assets held for sale		64	48
Other inflows from investing activities including dividends	61	1,087	731
Outflows on investing activities		**(751,090)**	**(830,641)**
Purchase of securities measured at fair value through other comprehensive income		(712,413)	(808,531)
Purchase of securities measured at amortized cost		(37,632)	(20,548)
Purchase of intangible assets and property, plant and equipment		(1,044)	(1,562)
Other outflows on investing activities		(1)	-
Net cash from/used in investing activities		**2,355**	**(45,730)**

	Note	2024	2023 (restated)
Cash flows from financing activities			
Distribution of dividends		(4,837)	-
Proceeds from debt securities in issue	61	8,524	3,531
Proceeds from issue of subordinated bonds	61	1,500	-
Repayment of loans and advances	61	-	(715)
Payment of lease liabilities	61	(277)	(255)
Repayment of interest on financial liabilities	61	(436)	(283)
Net cash from financing activities		**4,474**	**2,278**
Total net cash flows		**(2,625)**	**4,559**
of which foreign exchange differences on cash and cash equivalents		(49)	(827)
Cash and cash equivalents at the beginning of the period		28,735	24,176
Cash and cash equivalents at the end of the period	61	26,110	28,735

GENERAL INFORMATION ABOUT THE BANK

1. BUSINESS ACTIVITIES OF THE BANK

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (**PKO BANK POLSKI S.A.** or **THE BANK**) was established by virtue of a decree signed on 7 February 1919 by the Head of State Józef Piłsudski, Prime Minister Ignacy Paderewski and Hubert Linde, 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 with its head office in Warsaw, ul. Puławska 15, 02-515 Warsaw, Poland.

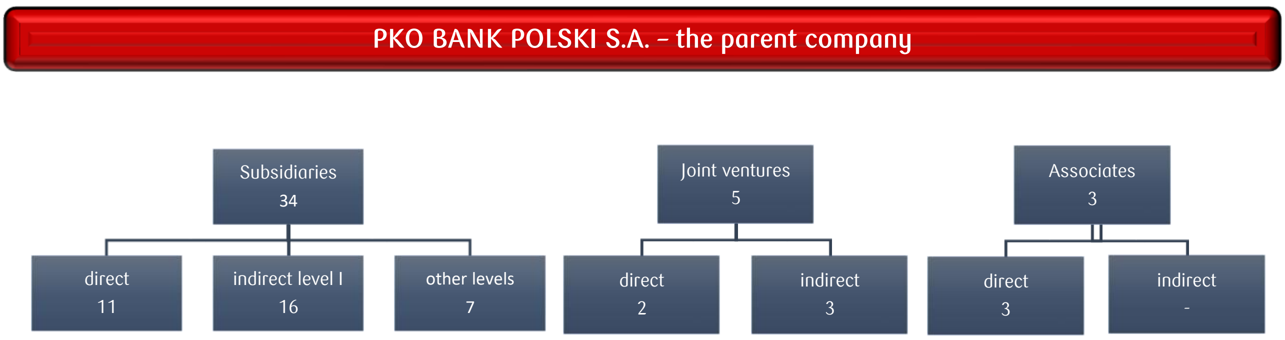
On 12 April 2000, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was registered and entered into the Commercial Register maintained by the District Court for the City of Warsaw, Commercial Court, 16th Registration Department. At present, the court with jurisdiction over the Bank's affairs is 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.

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

The Bank is a universal deposit and credit bank which services both Polish and foreign individuals, legal persons 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.

As at 31 December 2024, organizational entities comprising the Bank, through which the Bank conducts its operations, include: the Bank's head office in Warsaw, Biuro Maklerskie PKO Banku Polskiego S.A. (the Brokerage House), 10 specialist organizational entities, 10 regional retail branches, 7 regional corporate branches, 23 corporate centers and 882 branches. The Bank also conducts operating activities in the Federal Republic of Germany in the form of a branch (the German Branch), the Czech Republic (the Czech Branch), Slovakia (the Slovak Branch) and the Romanian Branch.

PKO Bank Polski S.A. is the parent entity of the PKO Bank Polski SA Group and a significant investor for associates and joint ventures of the Bank. Accordingly, the Bank prepares consolidated financial statements of the Group, which include the financial data of these entities. The consolidated financial statements of the Capital Group are prepared and published on the same day as these separate financial statements of the Bank.



(IN PLN MILLION)

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

No.	ENTITY NAME DIRECT SUBSIDIARIES	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%) 31.12.2024	31.12.2023
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
	Merkury - fiz an[1,2]	Warsaw	investing funds collected from fund participants	-	100
10	NEPTUN - fizan[1]	Warsaw	investing funds collected from fund participants	100	100
11	PKO VC - fizan[1]	Warsaw	investing funds collected from fund participants	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".

[2] See Note "Changes in the Group companies".

(IN PLN MILLION)

No.	ENTITY NAME / INDIRECT SUBSIDIARIES	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%)* 31.12.2024	31.12.2023
	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	sale 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
	NEPTUN - fizan				
8	Qualia sp. z o.o.	Warsaw	after-sale services in respect of developer products	100	100
9	Sarnia Dolina sp. z o.o. w likwidacji (in liquidation)[4]	Warsaw	development activities	100	100
10	Bankowe Towarzystwo Kapitałowe S.A.	Warsaw	services	100	100
	10.1 "Inter-Risk Ukraina" spółka z dodatkową odpowiedzialnością[2]	Kyiv, Ukraine	debt collection	99.90	99.90
	10.2 Finansowa Kompania "Prywatne Inwestycje" sp. z o.o.[3]	Kyiv, Ukraine	financial services	95.4676	95.4676
	10.2.1 Finansowa Kompania "Idea Kapitał" sp. z o.o.	Lviv, Ukraine	services	100	100
11	"Sopot Zdrój" sp. z o.o.	Sopot	property management	72.9769	72.9769
12	"Zarząd Majątkiem Górczewska" sp. z o.o.	Warsaw	property management	100	100
13	Molina sp. z o.o. w likwidacji (in liquidation)[4]	Warsaw	general partner in partnerships limited by shares of a fund	100	100
14	Molina spółka z ograniczoną odpowiedzialnością w likwidacji 1 S.K.A. (in liquidation)[4]	Warsaw	buying and selling real estate on own account, real estate management	100	100
	Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A. w likwidacji (in liquidation)[4]	Warsaw	debt collection	-	100
15	Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A. w likwidacji (in liquidation)[4]	Warsaw	financial services	100	100
16	Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A. w likwidacji (in liquidation)[4]	Warsaw	services	100	100

* 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.
4) See Note "Changes in the Group companies".

(IN PLN MILLION)

The Group has the following associates and joint ventures:

No.	ENTITY NAME	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%)*	
				31.12.2024	31.12.2023
	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 2024, the following events occurred in the structure of the Bank's Group.

- In January 2024, the merger of the investment funds NEPTUN - fiz an (the acquiring fund) and Mercury - fiz an (the acquired fund) was effected by transferring the assets of the acquired fund to the existing acquiring fund and allocating investment certificates of the acquired fund to a participant of the acquiring fund in exchange for investment certificates of the acquired fund. Mercury - fiz an has been deleted from the list of PKO Bank Polski S.A.'s subsidiaries. The companies of the Mercury - fiz an fund have been transferred to the NEPTUN fizan fund. As at the end of 2023, certificates of the Mercury - fiz an fund were presented in the statement of financial position under "Assets held for sale".
- The following companies were registered as being in liquidation in the National Court Register in May and July 2024: Molina spółka z ograniczoną odpowiedzialnością, Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A. and Sarnia Dolina sp. z o.o. Thus, the companies' business names were changed to: Molina spółka z ograniczoną odpowiedzialnością w likwidacji (in liquidation), Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A. w likwidacji (in liquidation) and Sarnia Dolina sp. z o.o. w likwidacji (in liquidation).
- In September 2024, an entry was disclosed in the National Court Register, dated 8 August 2024, stating that the deletion of Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A. w likwidacji (in liquidation) from the Register of Entrepreneurs became final.

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

Composition of the Bank's Supervisory Board as at 31 December 2024:

- Katarzyna Zimnicka-Jankowska – Chair of the Supervisory Board,
- Paweł Waniowski – Deputy Chair of the Supervisory Board,
- Marek Panfil – Secretary of the Supervisory Board,
- Maciej Cieślukowski – Member of the Supervisory Board,
- Jerzy Kalinowski – Member of the Supervisory Board,
- Hanna Kuzińska – Member of the Supervisory Board,
- Andrzej Oślizło – Member of the Supervisory Board,
- Jerzy Śledziewski – Member of the Supervisory Board.

Composition of the Bank's Management Board as at 31 December 2024:

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

For a description of the changes in the composition of the Management Board and the Supervisory Board in 2024, see section4 "CHANGES IN THE COMPOSITION OF PKO BANK POLSKI S.A.'S MANAGEMENT BOARD AND SUPERVISORY BOARD" OF THE PKO BANK POLSKI S.A. GROUP DIRECTORS' REPORT FOR 2024, PREPARED TOGETHER WITH THE DIRECTORS' REPORT OF PKO BANK POLSKI S.A.

4. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements of the Bank (THE FINANCIAL STATEMENTS), subject to review by the Audit Committee was approved for publication by the Management Board on 11 March 2025 and adopted by the Bank's Supervisory Board on 12 March 2025.

5. REPRESENTATION BY THE MANAGEMENT BOARD

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

6. 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 31 December 2024, 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 the stock exchange official listing market.

7. GOING CONCERN

The financial statements have been prepared on the basis of the assumption that the Bank will continue as a going concern for a period of at least 12 months from the date of approval for publication by the Management Board, i.e. from 11 March 2025. As at the date of signing these financial statements, the Bank's Management Board is not aware of any facts or circumstances that would indicate a threat to the Bank's ability to continue in operation as a going concern for 12 months following the publication date as a result of any intended or compulsory discontinuation or significant limitation of the Bank's existing operations.

The Bank's Management Board considered the impact of: current situation in Ukraine and legal risk of mortgage loans in convertible currencies, and assessed that these factors do not cause significant uncertainty in the Bank's ability to continue as a going concern.

The external business environment covering the macroeconomic environment, the situation on the financial markets, the state of the Polish banking and non-banking sector, the regulatory and legal environment, as well as the factors that will affect future financial results are described in detail in the Directors' Report of the PKO Bank Polski S.A. Group for 2024 prepared together with the Directors' Report of PKO Bank Polski S.A. (note 2 "External business conditions").

Disclosures concerning: the situation in Ukraine are presented in the note "Impact of the geopolitical situation in Ukraine on PKO Bank Polski S.A.", the legal risk of mortgage loans in convertible currencies in the note "The costs of legal risk of mortgage loans in convertible currencies" .

8. THE BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of PKO Bank Polski S.A cover the year ended 31 December 2024 and include comparative figures for the year ended 31 December 2023 and as at 31 December 2023.

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

Annual consolidated financial statements of PKO Bank Polski S.A. Group from 1 January 2024 to 31 December 2024 will be published and approved on the same date as the separate financial statements of PKO Bank Polski S.A. The requirement for its preparation and publication is based on legal regulations.

These financial statements have been prepared on a fair value basis in respect of financial assets and liabilities measured at fair value through profit or loss, including derivatives and financial assets measured at fair value through other comprehensive income. The remaining financial assets are disclosed at amortized cost less allowances for expected credit losses. However the remaining financial liabilities are disclosed at amortized cost. Non-current assets are measured at acquisition cost less accumulated depreciation and impairment losses. Non-current assets (or groups of such assets) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

While preparing financial statements, the Bank makes estimates and assumptions, which have a direct influence on both the financial statements and enclosed supplementary information. The estimates and assumptions that are used by the Bank in determining the value of assets and liabilities as well as revenues and costs, are made based on historical data and other factors which are available and considered appropriate in the given circumstances. Assumptions regarding the future and the available data are used for assessing the carrying amounts of assets and liabilities which cannot be clearly determined using other sources. In making estimates the Bank takes into consideration the reasons and sources of the uncertainties that are anticipated at the end of the reporting period. Actual results may differ from estimates.

Estimates and assumptions made by the Bank are subject to periodic reviews. Changes in estimates are recognized in the period to which they relate.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies and estimates and judgments applied in the preparation of these financial statements are presented in this Chapter and in individual notes further in the financial statements. In all years presented, these accounting policies are applied consistently.

9. FUNCTIONAL CURRENCY, PRESENTATION CURRENCY AND FOREIGN CURRENCIES

The financial statements are presented in Polish zlotys (PLN), which are the Bank's functional and presentation currency. Items of the statement of financial position of the German and Slovak Branches are translated into the presentation currency from the functional currency (EUR), items of the statement of financial position of the Czech Branch are translated into the presentation currency from the functional currency (CZK) and items of the Romanian Branch (RON) are translated into the presentation currency from the functional currency (RON) using the mid-exchange rate quoted by the NBP at the end of the reporting period. Items in the branches' profit and loss are translated into the presentation currency using the mid-exchange rate quoted at the end of each month of the reporting period. The resulting exchange differences are recognized in other comprehensive income.

- ### TRANSACTIONS AND BALANCES IN FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate applicable on the transaction date. At the end of each reporting period, the Bank translates:

- monetary items in foreign currencies – at the closing exchange rate, i.e. the mid-exchange rate quoted by the National Bank of Poland at the end of the reporting period;
- non-monetary items carried at historical cost in foreign currencies, such as property, plant and equipment or intangible assets – at the average exchange rate quoted by the National Bank of Poland on the transaction date;

(IN PLN MILLION)

- non-monetary items measured at fair value in a foreign currency, such as equity instruments classified as financial assets, are translated using the average exchange rates quoted by the National Bank of Poland, effective on the date on which the fair value was determined.

Foreign exchange gains and losses arising from the settlement of such transactions and from the valuation of monetary and non-monetary assets and liabilities denominated in foreign currencies are recognized in the income statement under net foreign exchange gains/(losses).

	EUR/PLN		CZK/PLN		RON/PLN
	2024	2023	2024	2023	2024
Foreign exchange rates as at the end of the period	4.2730	4.3480	0.1699	0.1759	0.8589
Arithmetic mean of exchange rates as at the last day of each month in the period	4.3042	4.5284	0.1712	0.1889	0.8652
The highest exchange rate during the period	4.3530	4.7170	0.1753	0.1999	0.8750
The lowest exchange rate during the period	4.2678	4.3480	0.1688	0.1759	0.8576

10. General significant accounting policies for financial instruments

10.1. Recognition of transactions in the statement of financial position

Financial assets and financial liabilities are recognised in the statement of financial position when, and only when, the Bank becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets where, by agreement, the asset is delivered within the time frame established by applicable regulations or conventions adopted in the relevant market is recognised on the transaction settlement date. Loans and advances are recognised when the funds are disbursed to the borrower. Derivative financial instruments are stated at fair value from the transaction date.

10.2. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

10.3. Derecognition of financial instruments from the statement of financial position

Financial assets are derecognized by the Bank from the statement of financial position when contractual rights to the cash flows from the financial asset expire or when the Bank does not have justified prospects for recovering the given financial asset in full or in part, or when the financial asset is substantially modified, or when the Bank transfers a financial asset to another entity in a transaction in which substantially all the risks and rewards incident to ownership of the financial asset are transferred or in which the Group does not transfer or retain substantially all the risks and rewards of ownership and does not retain control of the financial asset.

The Bank excludes financial assets from the statement of financial position when, among other things, they are subject to invalidation by a final court judgement, cancellation by prescription or they are uncollectible. When the said assets are derecognized, they are charged to the respective credit loss allowances or losses in respect of legal risk (in case of invalidation of mortgage loans in convertible currencies).

In the event that no allowances have been recognized, or if the amount of the allowance is less than the amount of the financial asset, the amount of the credit loss allowance is increased by the difference between the value of the asset and the amount of the allowance that has been recognized to date.

The Bank derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when the obligation has expired, i.e. when the obligation specified in the agreement has been fulfilled, cancelled or the time limit for its enforcement has expired.

10.4. THE PRINCIPLES FOR CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Bank classifies financial assets into the following categories:

- measured at amortized cost;
- measured at fair value through other comprehensive income;
- measured at fair value through profit or loss.

The Bank classifies financial liabilities into the following categories:

- measured at amortized cost;
- measured at fair value through profit or loss.

Classification of financial assets as at the date of acquisition or origination depends on the business model adopted by the Bank for the purposes of managing a particular group of assets and on the characteristics of the contractual cash flows resulting from a single asset or group of assets.

- **BUSINESS MODEL**

The business model is determined by the Bank upon initial recognition of financial assets. The Bank determines the business model at the level of individual groups of assets, in the context of the business area in connection with which the financial assets originated or were acquired, and is based, among other things, on the following factors:

- business objectives and investment policies, which set out the principles for the management and cash flow generation of each group of financial assets,
- the method for assessing and reporting the results of the financial assets portfolio;
- the method for managing the risk associated with such assets and the principles of remunerating the persons managing such portfolios.
- the value, frequency, timing and reasons for the sale of financial assets.

In the “held to collect” business model, the Bank sets out the following criteria for acceptable sales of financial assets:

- insignificant sales (less than 5% of the portfolio), even if frequent,
- infrequent sales – occasional sales transactions during the year, even if of significant value,
- sales close to maturity (a period of no more than 5% of the remaining period to maturity),
- "incidental sales" in the event of an increase in the level of credit risk, a change in laws or regulations - the sales are made in order to maintain the assumed level of regulatory capital, in accordance with the principles described in the strategy for managing such portfolios.

Sales levels in the “held to collect and sell” model and the “residual” model are higher than in the “held to collect” model.

The Bank identifies the following business models:

- the **“HELD TO COLLECT”** cash flows model, in which financial assets originated or acquired are held in order to collect benefits from contractual cash flows – this model is typical for lending activities;
- the **“HELD TO COLLECT AND SELL”** cash flows model, in which financial assets originated or acquired are held to collect benefits from contractual cash flows, but they may also be sold (frequently and in transactions of a high volume) – this model is typical for liquidity management activities and the loan portfolio sold to PKO Bank Hipoteczny S.A. in the so-called pooling transactions;
- the **RESIDUAL MODEL** – other than the “held to collect” or the “held to collect and sell” cash flows modelincludes portfolios of assets held for sale and portfolios of assets where fair value is a key indicator for assessing portfolio performance for management purposes.

- **ASSESSMENT OF CONTRACTUAL CASH FLOW CHARACTERISTICS**

The assessment of the contractual cash flow characteristics establishes, based on a test of contractual cash flows, whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding (hereinafter "SPPI"). Principal is the fair value of the financial asset at initial recognition and interest is defined as consideration for the time value of money, credit risk relating to the principal remaining to be repaid within a specified period and other essential risks and costs associated with granting financing, as well as the profit margin.

Contractual cash flow characteristics do not affect the classification of the financial asset if:

- their effect on the contractual cash flows from that asset could not be significant (de minimis characteristic);
- they are not genuine in the case of occurrence of a very rare, unusual or very unlikely event (non-genuine characteristic).

The potential impact of the contractual cash flow characteristics in each reporting period and throughout the whole life of the financial instrument is considered.

The SPPI test is performed for each financial asset in the "held to collect" or "held to collect and sell" models upon initial recognition (and for substantial modifications after subsequent recognition of a financial asset).

In the case of financial assets having characteristics associated with sustainable development (green loans, where a customer may benefit from a reduced margin upon presentation of an energy efficiency certificate), the cash flow changes are assessed taking into account the possible impact of the characteristic associated with sustainable development in every reporting period and cumulatively throughout the loan term. It is also considered whether the impact of this characteristic on contractual cash flows is associated with credit risk. If the interest is increased or decreased in consequence of an increase or a decrease in credit risk, which indicates a positive correlation between the credit margin and the credit risk level, the SPPI criteria are met.

The Bank analyses, among others, the following features of financial assets which result in the SPPI test being failed:

- leverage in the design of interest rate, understood as a multiplier higher than 1;
- a creditor's right to participate in the profit – contractual cash flows are not only the repayment of principal and interest on the outstanding principal;
- limitation of the debtor's liabilities (resulting in a non-recourse asset);
- early repayment and extension option contingent on a future economic event which does not relate to the agreement, particularly an event not related to a change in the borrower's credit risk level;
- covenants providing for an increase or decrease in interest rate in line with an increase or decrease in credit risk, which reflects a negative relation between the loan margin and the level of credit risk;
- interest rates unilaterally determined by the Bank (administered interest rates), if they do not approximate variable market rates.

If the qualitative assessment performed as part of the SPPI test is insufficient to determine whether the contractual cash flows are solely payments of principal and interest, a benchmark test (QUANTITATIVE ASSESSMENT) is performed to determine the difference between the (non-discounted) contractual cash flows and the (non-discounted) cash flows that would occur should the time value of money remain unchanged (the reference level of cash flows). The Bank performs benchmark tests mainly when there is a mismatch between the frequency of interest rate updates and the interest rate tenor, interest rate updates based on interest rate averaging or interest rate updates based on lagged values (e.g. the value applicable one month before the revaluation date). The materiality criterion for the difference in cash flows between the agreement being tested and the benchmark at a single scenario level was set at 5% for the sum of undiscounted cash flows over the agreement horizon and 5% for the sum of cash flows in the quarterly reporting periods.

10.5. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

Financial assets (debt financial assets) are measured at amortized cost, provided that both the following conditions are met:

- a financial asset is "held to collect";
- the terms and conditions of an agreement concerning the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding (the SPPI test is passed).

The Bank classifies amounts due from banks, loans and advances to customers and debt securities as financial assets measured at amortized cost.

The carrying amount of this category of assets is determined using the effective interest rate, which is used to calculate the interest income generated by the asset in a given period. The calculation of the effective interest rate includes all commissions paid and received, transaction costs, premiums and discounts which form an integral part of the effective interest rate (see note "Interest income and expense"). The carrying amount of the asset is subsequently adjusted for the allowance for expected credit losses (see note „Net allowances for expected credit losses").

Assets for which the timing of future cash flows necessary for the calculation of the effective interest rate cannot be determined are measured at amounts due including interest on receivables, taking into account allowances for expected credit losses. Commissions and fees connected with the arising of or decisive for the financial qualities of such assets are settled over the period of life of the asset using the straight-line method, and are included in commission income.

10.6. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets (debt financial instruments) are measured at fair value through other comprehensive income if both the following conditions are met:

- the financial asset is held in accordance with the business model aimed at both receiving contractual cash flows and selling the asset; and
- the terms and conditions of an agreement concerning the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding (the SPPI test is passed).

The Bank classifies debt securities as well as loans and advances to customers , which may be sold to PKO Bank Hipoteczny S.A (pooling), into the category of financial assets measured at fair value through other comprehensive income.

For methods of determining fair value, see note "„Fair value hierarchy".

The effects of changes in the fair value of such financial assets until derecognition or reclassification are recognized in other comprehensive income, except for interest income, net allowances for expected credit losses (see note „Net allowances for expected credit losses") and foreign exchange gains or losses, which are recognized in profit or loss.

If a financial asset has been derecognized, accumulated gains and losses previously reported in other comprehensive income are reclassified from other comprehensive income to financial profit or loss in the form of a reclassification adjustment.

10.7. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

If financial assets do not satisfy any of the aforementioned criteria of measurement at amortized cost or at fair value through other comprehensive income, they are classified as financial assets measured at fair value through profit or loss.

In the financial statements, financial assets measured at fair value through profit or loss are presented as follows:

- held for trading - financial assets which:
  - are acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
  - on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
  - are a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

- financial assets that are not held for trading and must be measured at fair value through profit or loss – financial assets that have not passed the test of contractual cash flow characteristics (irrespective of the business model); and other financial assets classified to the residual model;
- financial assets designated to be measured at fair value through profit or loss at initial recognition (option to measure at fair value through profit or loss).

The Bank classifies derivatives, loans and advances to customers that do not meet the criteria of the SPPI test (mainly cash loans, credit cards and revolving loans that included a multiplier in the interest rate formula in the contractual provisions), debt securities and equity securities into the category of financial asset measurement at fair value through profit or loss.

For methods of determining fair value, see note "„FAIR VALUE HIERARCHY".

The gains and losses arising from disposal of financial instruments designated as financial assets measured at fair value through profit or loss and the effect of their measurement at fair value are recognized in profit or loss under the heading "Gains/(losses) on financial transactions".

Gains or losses on assets measured at fair value through profit or loss are recognized in profit or loss. Gains or losses on the measurement of the financial asset at fair value comprise the difference between the fair value of the asset and its value at amortized cost determined as at the measurement date.

Income similar to interest income on instruments measured at fair value through profit or loss are recognized in profit or loss under the heading "INTEREST INCOME AND EXPENSES".

10.8. EQUITY INSTRUMENTS

Investments in equity instruments are measured at fair value through profit or loss.

10.9. RECLASSIFICATION OF FINANCIAL ASSETS

In 2024 and 2023, the Bank did not make any changes to the business model of financial assets and did not reclassify financial assets.

10.10. MODIFICATIONS – CHANGES IN CONTRACTUAL CASH FLOWS

When the contractual cash flows of a financial asset are renegotiated or otherwise modified based on an annex to the agreement or by general legislation, the Bank assesses whether the cash flows generated by the modified asset differ materially from those generated prior to the change in contractual terms.

When assessing whether a change in contractual terms constitutes a substantial or non-substantial modification, the Bank analyses qualitative and quantitative criteria.

The Bank has adopted the following QUALITATIVE CRITERIA:
- currency conversion;
- change of debtor, other than caused by the debtor's death;
- introducing or removing a contractual characteristic that adversely affects the test of cash flow characteristics (SPPI test) or removal of these features.

The Bank has adopted the following QUANTITATIVE CRITERIA
- : a 10% test analysing the change to the contractual terms of a financial asset resulting in a difference between the amount of future cash flows arising from the changed financial asset discounted using the original effective interest rate and the amount of the future cash flows that would arise from the original financial asset discounted using the same interest rate.
- an increase in a debtor's exposure, which includes an increase in the capital and off-balance sheet liabilities granted of more than 10% in relation to the amount of capital and off-balance sheet liabilities prior to the increase for each individual exposure;
- the extension of the original term of cash loans, corporate loans serviced by business units by more than 1 year and by more than double the residual term, i.e. the outstanding term at the date of modification; cash loans, business loans handled by collection units by more than 1 year; housing loans serviced by business units and handled by collection units by more than 4 years.

The occurrence of at least one of the qualitative criteria or the occurrence of a quantitative criterion (difference) of more than 10% or above the accepted extension period will result in the modification being considered substantial.

The occurrence of a quantitative criterion of 10% or less, or at most at the level of the adopted extension period, will result in the modification being considered non-substantial.

When a "NON-SUBSTANTIAL MODIFICATION" is identified, the Bank does not derecognise the financial asset, but recalculates the gross carrying amount of the financial asset and recognises the gain or loss on the modification in profit or loss (in net interest income or expense).

An adjustment of the carrying amount of a financial asset resulting from the modification is recognized in interest income/ expenses over time using the effective interest rate method. The Bank accounts for, among other things, the adjustment to the carrying amount due to recognized credit holidays using the effective interest rate method.

A "SUBSTANTIAL MODIFICATION" of an existing financial asset results in the derecognition of the asset and the subsequent recognition of the modified asset, which is treated as a "new" financial asset. The new asset is recognized at the fair value and a new effective interest rate. If the characteristics of a modified new financial asset (after signing an amendment) comply with the arm's length conditions, the carrying amount of that financial asset is equal to its fair value as at the balance sheet date.

10.11. MEASUREMENT OF PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS (POCI)

Purchased or originated credit-impaired assets ("POCI") assets comprise debt financial assets measured at amortized cost and measured at fair value through other comprehensive income, i.e. loans and debt securities.

In the Bank, POCI assets arise mainly as a result of a restructuring process, i.e. an extension of the agreement term and a significant modification of the agreement terms, resulting in the derecognition of the asset and the re-recognition of the "new" impaired asset.

Such assets are initially recognized at the net carrying amount (net of allowances for expected credit losses), which corresponds to their fair value. Interest income on POCI assets is calculated based on the net carrying amount using the effective interest rate adjusted for credit risk recognized over the life of the asset (see note "Interest income and expense"). The change in estimates of future recoveries in further reporting periods is recognized as a gain or loss on expected credit losses.

10.12. MEASUREMENT OF FINANCIAL LIABILITIES

Liabilities in respect of a short position in securities are measured at fair value through profit or loss. Other financial liabilities are measured at amortized cost using the effective interest rate method. In the case of financial liabilities for which it is not possible to estimate the schedule of future cash flows and the effective interest rate, they are measured at the amount due.

10.13. REVERSE REPO TRANSACTIONS

Reverse repo transactions are measured at amortized cost. The difference between the purchase and repurchase (sale) price constitutes interest income and is settled over the period of the agreement using the effective interest rate.

11. ENVIRONMENTAL ISSUES

Due to the nature of its business activities, the Bank's direct impact on the natural environment is limited. Indirect environmental impact involves the Bank's provision of financing the Bank's product offering. The Bank mitigates its direct impact on the environment and adjusts its lending policies addressed to the various sectors of the economy in order to also motivate its customers to mitigate their environmental impact.

The issues associated with the Bank's environmental impact and its pro-environmental initiatives are described in THE DIRECTORS' REPORT OF THE PKO BANK POLSKI S.A. GROUP FOR 2024 PREPARED TOGETHER WITH THE DIRECTORS' REPORT OF PKO BANK POLSKI S.A. in chapter 13 "SUSTAINABILITY REPORT FOR 2024".

ESG risks have been addressed in the Bank's risk management strategy (detailed disclosures in the report "REPORT ON CAPITAL ADEQUACY AND OTHER INFORMATION SUBJECT TO PUBLICATION BY THE PKO BANK POLSKI S.A. GROUP".)

This note describes the impact of climate-related factors on the specific components of the Bank's financial statement, including in particular the impact of climate risk on the measurement of the expected credit losses and concentration of credit risk.

- **SOURCES OF UNCERTAINTY OF ESTIMATES, SIGNIFICANT JUDGMENTS AND THE ABILITY TO CONTINUE AS A GOING CONCERN**

The Bank is exposed to climate risk, including:

- physical risk (e.g. risk arising from more frequent/serious weather phenomena); and
- economic transformation risk (e.g. risk associated with transition to less polluting, low-emission economy).

The climate risk may potentially affect the estimates and assessments of the Bank (including those used in the calculation of allowances for expected credit losses).

Climate-related issues do not present a threat to the Bank's ability to continue in operation as a going concern in the period of 12 months after the of approval of these financial statements by the Management Board for publication.

- **CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS AT FAIR VALUE**

The climate risk may affect the expected cash flows from loans granted and, therefore, expose the Bank to credit losses. The borrower-specific attributes, physical risk and transition risk may (individually or in combination) affect the expected cash flows, as well as the potential future economic scenarios which are taken into account in the measurement of expected credit losses.

The impact of climate-related risk factors on the expected credit losses will vary depending on the severity and duration of the anticipated climate threats, their direct and indirect impact on the borrower and the lender's loan portfolio, and the loan portfolio duration.

For the moment, the Bank does not isolate specific climate risk scenarios because the impact of climate-related risk factors on the Bank's expected loan losses is limited as the Bank, given the relatively short-term duration of many of its bank loan portfolios, expects the most significant effects of climate change to appear in the mid- and long-term perspective, thus potentially reducing the current impact on expected credit losses. At the same time, it is important to monitor the rate and scale of such changes and their possible effect on the measurement of the allowances for expected credit losses. The Bank is in the process of implementing internal tools and methods to assess the impact of extreme climate events on its corporate segment customer portfolios and on its mortgage-backed portfolio. The Bank pays particular attention to such elements as greenhouse gas (GHG) emission allowance prices, energy efficiency of buildings, floods and droughts.

In the lending process for corporate customers and businesses customers evaluated with the use of the rating method, the Bank each time assesses the impact of environmental, social and governance factors (ESG factors) on the Customer's creditworthiness, and identifies credit transactions with an increased financial leverage (levered transactions). The Bank also examines the impact of credit transactions on ESG and classifies them to four categories, from transactions with a positive impact on ESG to those with material negative impact. When assessing the ESG factors, the Bank takes into account such factors as the risk of climate change and its impact on the customer's operations, potential influence of the customer on climate, factors related to human capital or health and safety, and governance factors (including the corporate culture and internal audit).

In the fair value measurement of financial instruments classified to level 3 of fair value the Bank does not use unobservable data relating to climate risk:

- debt securities – generally constitute financing of business entities from industries not exposed to significant climate risk (e.g. financial, insurance companies, developers),
- granted loans – they generally represent financing for households and their fair value is estimated by applying the discounted cash-flow method using the current credit spread,
- not listed shares in other entities – they do not include companies from sectors which are exposed to significant climate risk.

- **NON-FINANCIAL ASSETS**

Climate-related issues do not affect the depreciation of property, plant and equipment or amortisation of intangible assets or the carrying amount of the Bank's inventory as at 31 December 2024 and 2023. Moreover, climate-related factors did not cause any indications of impairment of non-financial assets and did not affect their recoverable value as at 31 December 2024 and 2023.

- **TAXES –** Climate-related issues do not affect deferred income tax assets recognized by the Bank as at 31 December 2024 and 2023.
- **PROVISIONS AND LITIGATION –** As at 31 December 2024 and at 31 December 2023, there were no proceedings involving any climate or environmental issues at the Bank, including administrative issues related violations of environmental regulations or climate impacts that resulted in the imposition of fines.

12. CHANGES IN ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2024 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

With the exception of the changes required by amendments to standards that became effective as of 1 January 2024, the Bank has not implemented any new accounting policies. The amendments had no material impact on the Bank's financial statements.

In order to increase the transparency of the disclosures, to better reflect the economic nature of the transactions entered into and to adapt to changes in market practice observed in the market, the Bank decided to change the presentation with regard to:

- derivative hedging instruments and other derivatives - in the case of interest rate derivatives where the counterparty to the transaction is a clearing house (CCP) or clearing broker, the Bank netted the positive and negative valuation of the derivatives against the Variation Margin values;
- provision for accrued holiday entitlements – from "Provisions" to "Other liabilities".
- cash flows from interest income and interest expense relating to operating activities – following the change, interest received and interest paid relating to operating activities is presented under separate line items in the statement of cash flows from operating activities.

The Bank has restated the comparative figures accordingly. The change had no impact on the income statement or net assets.

(IN PLN MILLION)

STATEMENT OF FINANCIAL POSITION – SELECTED DATA	31.12.2023 before restatement	Change in the presentation of derivatives	Change in the presentation of provision for accrued holiday entitlements	31.12.2023 restated
Amounts due from banks	16,900	(1,085)	-	15,815
Hedging derivatives	1,084	(819)	-	265
Other derivative instruments	8,752	(4,223)	-	4,529
TOTAL ASSETS	**474,680**	**(6,127)**	-	**468,553**
Amounts due to banks	3,250	(272)	-	2,978
Hedging derivatives	2,456	(2,104)	-	352
Other derivative instruments	9,902	(3,751)	-	6,151
Other liabilities	10,235	-	115	10,350
Provisions	4,119	-	(115)	4,004
TOTAL LIABILITIES	**474,680**	**(6,127)**	-	**468,553**

STATEMENT OF FINANCIAL POSITION – SELECTED DATA	31.12.2022 before restatement	Change in the presentation of derivatives	Change in the presentation of provision for accrued holiday entitlements	31.12.2022 restated
Amounts due from banks	19,442	(5,400)	-	14,042
Hedging derivatives	217	(149)	-	68
Other derivative instruments	13,745	(8,101)	-	5,644
TOTAL ASSETS	**405,168**	**(13,650)**	-	**391,518**
Amounts due to banks	2,928	(390)	-	2,538
Hedging derivatives	6,727	(6,427)	-	300
Other derivative instruments	14,002	(6,833)	-	7,169
Other liabilities	6,480	-	97	6,577
Provisions	2,048	-	(97)	1,951
TOTAL LIABILITIES	**405,168**	**(13,650)**	-	**391,518**

(IN PLN MILLION)

CASH FLOWS – SELECTED DATA FROM OPERATING ACTIVITIES	2023 before restatement	Change in the presentation of interest income and expense	Change in the presentation of provision for accrued holiday entitlements	Change in the presentation of derivatives	2023 restated
Total adjustments	**37,882**	**-**	**-**	**4,319**	**42,201**
Interest and dividends received (previous item)	(6,935)	6,935	-	-	-
Interest paid (previous item)	283	(283)	-	-	-
Net interest income (from income statement) (new item)	-	(17,215)	-	-	(17,215)
Interest received (new item)	-	19,701	-	-	19,701
Interest paid (new item)	-	(11,287)	-	-	(11,287)
Dividends received (new item)	-	(653)	-	-	(653)
Change in:					
amounts due from banks	821	12	-	-	833
hedging derivatives	(5,139)	704	-	4,993	558
other derivative instruments	893	-	-	(796)	97
securities	(6,471)	434	-	-	(6,037)
loans and advances to customers	(15,232)	2,615	-	4	(12,613)
accumulated allowances on non-financial assets and other provisions	2,196	-	(18)	-	2,178
amounts due to banks	322	2	-	118	442
amounts due to customers	59,695	(802)	-	-	58,893
loan and advances received	(11)	10	-	-	(1)
liabilities in respect of debt securities in issue	(110)	(180)	-	-	(290)
subordinated liabilities	(7)	7	-	-	-
other liabilities	2,411	-	18	-	2,429
Net cash from/used in operating activities	43,692	-	-	4,319	48,011

Total net cash flows	**240**	**-**	**-**	**4,319**	**4,559**
Cash and cash equivalents at the beginning of the period	**29,611**	**-**	**-**	**(5,435)**	**24,176**
Cash and cash equivalents at the end of the period	**29,851**	**-**	**-**	**(1,116)**	**28,735**

(IN PLN MILLION)

13. NEW STANDARDS AND INTERPRETATIONS, AND AMENDMENTS TO STANDARDS

- STANDARDS AND AMENDMENTS TO STANDARDS EFFECTIVE FROM 1 JANUARY 2024

STANDARDS AND INTERPRETATIONS	DESCRIPTION OF AMENDMENTS	EFFECTIVE DATE
Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: disclosures"	The amendments introduce requirements for additional disclosures related to supplier financing (reverse factoring), including information on extended payment terms, collateral and guarantees provided. The amendments aim to enhance transparency of information on supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments have no impact on the Bank's financial statements.	1 January 2024 (endorsed by the EU on 15 May 2024)
Amendments to IAS 1 - classification of liabilities	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 right, 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. In addition, the amendments clarify that contractual covenants that are fulfilled after the balance sheet date do not affect the classification of liabilities at the respective balance sheet date. The Bank does not have any agreements containing the aforementioned provisions and therefore the Bank is not affected by the amendment.	1 January 2024 (endorsed by the EU on 19 December 2023)
Amendment to IFRS 16 "Leases"	The amendments relate to the accounting treatment of a transaction in which an entity has sold an asset and, at the same time, the same asset is subject to a lease agreement with a new owner (leaseback). The amendments concern cases where the lease payments under a leaseback agreement are variable, i.e. other than based on a rate or index. The Bank does not currently have sale and leaseback transactions with variable lease instalments other than those based on a rate or index, and therefore the Bank is not affected by the amendment.	1 January 2024 (endorsed by the EU on 20 November 2023)

- NEW STANDARDS AND AMENDMENTS TO STANDARDS THAT HAVE BEEN ENDORSED BY THE EUROPEAN UNION

STANDARDS AND INTERPRETATIONS	DESCRIPTION OF AMENDMENTS	EFFECTIVE DATE
Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates"	The amendments clarify when a currency is convertible into other currencies, how an entity determines the exchange rate when a currency is not convertible, and specify the scope of disclosures to help the user of the financial statements assess the impact of currency non-convertibility on the entity's financial position, financial performance and cash flows. The amendments have no impact on the Bank's financial statements.	1 January 2025 (endorsed by the EU on 12 November 2024)

- **NEW STANDARDS AND AMENDMENTS TO STANDARDS THAT HAVE BEEN PUBLISHED BUT HAVE NOT BEEN ENDORSED BY THE EUROPEAN UNION**

STANDARDS AND INTERPRETATIONS	DESCRIPTION OF AMENDMENTS	EFFECTIVE DATE
Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"	The guidance in IFRS 9 on the derecognition of a financial liability settled through an electronic payment system has been amended. The amendment allows an entity to recognize a financial liability that has been settled using an electronic payment system as settled before the settlement date, if certain criteria are met (related, among other things, to the entity's inability to cancel the payment, immaterial risk regarding the settlement of the payment). The amendment addresses the issue of a later settlement date for payments made through electronic payment systems compared to the date of initiation of such payment by the individual. In addition, amendments have been made to the classification of financial assets, i.e: a) extension of the guidance for assessing whether the contractual cash flow characteristics related to a financial asset are consistent with the underlying loan agreement, b) clarification of the provisions on "non-recourse" assets, c) clarification of the characteristics of contractually linked instruments. The mandatory disclosures under IFRS 7 have been expanded. The Bank is in the process of reviewing the impact of the amendments on the financial statements.	1 January 2026
Amendments to IFRS 9 and IFRS 7 on renewable *energy supply* agreements (RES).	The amendments relate to contracts for electricity from renewable sources (so-called Power Purchase Agreements - PPAs) and are intended to help entities better report on the financial impacts associated with such contracts. The amendments include: a) clarification, for the above contracts, of the requirements for the applicability of the exemption for "own use", b) permission to use hedge accounting if the agreements are used as hedging instruments, c) the addition of new disclosure requirements to enable users to understand the impact of these agreements on the company's financial performance and cash flows. The Bank is in the process of reviewing the impact of the amendments on the financial statements.	1 January 2026
IFRS 18 Presentation and disclosures in financial statements	IFRS 18 will replace the current IAS 1. The amendments relative to the standard being replaced will mainly affect three areas: a) definition of mandatory subtotals in the income statement, b) disclosures on Alternative Performance Measurements (APMs) used by the management board, c) extension of guidelines on information aggregation. The Bank is in the process of reviewing the impact of the amendments on the financial statements.	1 January 2027

IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	IFRS 19 introduces simplified reporting requirements and reduces the number of mandatory disclosures for eligible subsidiaries in their separate financial statements. The amendments will not have any impact on the Bank's financial statements.	1 January 2027
"Annual Improvements to IFRSs – Volume 11" of the International Accounting Standards Board	On 18 July 2024, the Board published a document that contains clarifications, simplifications, amendments and changes aimed at improving the consistency of a number of accounting standards (IFRS 1, IFRS 7 and accompanying "IFRS 7 implementation guidance"; IFRS 9; IFRS 10 and IAS 7). The above amendments and corrections mainly clarify or bring consistency to existing provisions and do not introduce new requirements in IAS/IFRS. The Bank is in the process of reviewing the impact of the amendments on the financial statements.	1 January 2026, with early application permitted

SUPPLEMENTARY NOTES TO THE INCOME STATEMENT

14. INTEREST INCOME AND EXPENSE

SIGNIFICANT ACCOUNTING POLICIES

Interest income and expenses comprise interest, including premiums and discounts in respect of financial instruments measured at amortized cost and instruments measured at fair value through other comprehensive income, as well as income similar in nature to interest on instruments measured at fair value through profit or loss, including interest income and expense on derivative hedging instruments.

Interest income and expense on financial instruments are recognised in the income statement using the effective interest rate method. The effective interest rate is the interest rate that discounts estimated future cash payments or receipts over the expected life of a financial asset or financial liability exactly to the gross carrying amount of the financial asset or to the amortised cost of the financial liability.

Interest income and expenses also include fees and commissions received and paid, which are deferred using the effective interest rate and which are taken into account in the measurement of the financial instrument, including costs of remuneration of agents and intermediaries for the sale of the financial instrument and costs of employee bonuses to the extent that relate directly to selling credit products.

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

Interest income and expense are calculated using the effective interest rate method on the gross carrying amount of the financial asset except for:

- POCI financial assets purchased or granted. Interest income on such assets is calculated based on the net carrying amount using the effective interest rate adjusted for credit risk recognized over the life of the asset,
- financial assets that are not POCI assets at the time of purchase or grant that subsequently become impaired assets. Interest income on such assets is calculated based on the net carrying amount using the effective interest rate.

Interest income also includes:

- the effect of the fair value measurement of financial assets acquired as part of business combinations between subsidiaries
- the impact of the European Union Court of Justice's ruling on consumer rights to reduce the cost of loans repaid before maturity by deducting interest income, as the estimated difference between the outstanding commission at the effective interest rate at the date of the expected early repayment of the loan and the commission that would have been accounted for on a straight-line basis, according to which the Bank reimburses the commission. The estimates are based on historical early repayment periods and their probability;

(IN PLN MILLION)

- the effect of statutory credit holidays, introduced by the Act on crowdfunding for business ventures and assistance to borrowers, recognized in correspondence with the gross carrying amount of mortgage loans granted in PLN (Note „LOANS AND ADVANCES TO CUSTOMERS”);
- the impact of the amendment of the Act of 23 March 2017 on mortgage credit and supervision of mortgage credit intermediaries and agents, concerning the reimbursement of the additional mortgage cost associated with waiting for the mortgage to be registered in the mortgage register, borne by the customer until the mortgage is registered in the mortgage register by deducting interest income, as the value of the estimated return of the margin for customers calculated until the date of registration of the mortgage in the mortgage register.

FINANCIAL INFORMATION

INTEREST AND SIMILAR INCOME	2024	2023
Loans and other amounts due from banks and the Central Bank[1]	**1,643**	**1,889**
Debt securities	**8,107**	**6,609**
measured at amortized cost	3,524	2,198
measured at fair value through other comprehensive income	4,552	4,371
measured at fair value through profit or loss	31	40
Loans and advances to customers[2]	**20,238**	**20,348**
measured at amortized cost	19,049	18,858
measured at fair value through other comprehensive income	815	982
measured at fair value through profit or loss	374	508
Repo transactions	**21**	**40**
Total	**30,009**	**28,886**
of which: interest income on impaired financial instruments	739	528
of which: net income/(expense) on non-substantial modification	(216)	(25)
Interest income calculated using the effective interest rate method on financial instruments measured:	29,604	28,338
at amortized cost	24,237	22,985
at fair value through other comprehensive income	5,367	5,353
Income similar to interest income on instruments measured at fair value through profit or loss	405	548
Total	**30,009**	**28,886**

[1] Under this item, in 2024, the Bank recognised income on funds in the current account with the NBP of PLN 755 million (PLN 762 million in 2023).
[2] The item includes the effect of the statutory credit holidays recognised in 2024 (Note “Loans and advances to customers”).

INTEREST EXPENSE	2024	2023
Hedging derivatives[1]	(1,780)	(3,404)
Amounts due to banks	(72)	(74)
Loans and advances received	-	(39)
Leases	(37)	(30)
Amounts due to customers	(6,373)	(7,703)
Repo transactions	(13)	(14)
Issues of securities	(421)	(180)
Subordinated liabilities	(228)	(227)
Total	**(8,924)**	**(11,671)**

[1] The decrease in interest expense related to hedging derivatives by PLN 1,624 million in 2024 mainly relates to IRS transactions and is due to the narrowing of the negative difference between the variable rate paid and the fixed rate received.

(IN PLN MILLION)

15. FEE AND COMMISSION INCOME AND EXPENSES

SIGNIFICANT ACCOUNTING POLICIES

Fee and commission income directly related to the origination of financial assets with specific repayment schedules is recognized in the income statement as an element of the effective interest rate and forms part of interest income.

The Bank recognizes fee and commission income that is not accounted for using the effective interest rate in such a manner so as to reflect the transfer of the goods or services promised to a customer in an amount reflecting the consideration to which – in accordance with the Bank's expectations – it will be entitled in return for the goods or services in accordance with the five stage model for recognizing revenue.

Fee and commission income includes one-off amounts charged by the Bank for services not related directly to the creation of financial assets, as well as amounts charged by the Bank for services performed, which are recognized on a straight-line basis. Fee and commission income also includes fees and commissions recognized on a straight-line basis, received on loans and advances granted with an unspecified schedule of future cash flows for which the effective interest rate cannot be determined.

Upon concluding a contract, the Bank assesses whether it will be capable of fulfilling the commitment to perform over time or at a point in time.

The significant accounting policies for recognizing commission income on sales of insurance products linked to loans and advances are described in note "Interest income and expenses".

The foreign exchange margin included in the exchange rates offered to the Bank's customers when providing foreign currency purchase/sale services is presented under commission income in the line "margin on foreign exchange transactions". The exchange rate margin in customer transactions is calculated as the difference between the exchange rate at which the foreign exchange transaction was executed (the buy/sell rate from the bank's table of exchange rates, the negotiated rate, the rate from Table C of the National Bank of Poland) and the averaged current day buy and sell rate from the bank's table of exchange rates, with the exception of exchange office transactions and spot foreign exchange transactions, for which the exchange rate margin is calculated as the difference between the rate at which the foreign exchange position is closed and the transaction rate determined upon conclusion of the transaction.

FINANCIAL INFORMATION

FEE AND COMMISSION INCOME	2024	2023
Loans and insurance	**1,056**	**1,032**
lending	823	803
offering insurance products	233	229
Investment funds, pension funds and brokerage activities	**505**	**370**
brokerage activities	488	352
servicing investment funds and OFE (including management fees)	12	12
servicing and selling investment and insurance products	5	6
Cards[1]	**2,205**	**2,012**
Margins on foreign exchange transactions[1]	**813**	**808**
Bank accounts and other	**1,369**	**1,299**
servicing bank accounts	984	945
cash operations	103	100
servicing foreign mass transactions	151	136
customer orders	53	54
fiduciary services	12	9
other	66	55
Total, of which:	**5,948**	**5,521**
income from financial instruments not measured at fair value through profit or loss	5,817	5,416

[1]In 2024, the Bank made a presentation change (netting) relating to the currency conversion commission presented under the items "Cards" and "Margins on foreign exchange transactions". The comparative figures for 2023 have been restated accordingly by PLN 139 million.

(IN PLN MILLION)

FIDUCIARY ACTIVITIES

The Bank is a direct participant in the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych) and the Securities Register (at the National Bank of Poland). The Bank maintains securities accounts and handles transactions on the domestic and foreign markets, provides fiduciary services and performs a depositary role for pension and investment funds. Assets held by the Bank as part of providing fiduciary services have not been disclosed in these financial statements since they do not meet the definition of the Bank's assets. Revenue from the provision of these services is recognized in commission income, line "fiduciary services".

FEE AND COMMISSION EXPENSE	2024	2023
Loans and insurance	**(109)**	**(109)**
cost of construction project supervision and property appraisal	(47)	(41)
fees to Biuro Informacji Kredytowej	(27)	(23)
commission paid to external entities for product sales	(25)	(30)
loan handling	(10)	(15)
Investment funds, pension funds and brokerage activities	**(31)**	**(30)**
Cards	**(1,184)**	**(1,271)**
Bank accounts and other	**(271)**	**(200)**
on account of guarantees received	(95)	(46)
clearing services	(75)	(59)
sending short text messages (SMS)	(55)	(55)
servicing foreign mass transactions	(25)	(22)
commissions for operating services provided by banks	(16)	(12)
other	(5)	(6)
Total	**(1,595)**	**(1,610)**

16. FEE AND COMMISSION INCOME BY SEGMENT

SIGNIFICANT ACCOUNTING POLICIES: "Interest income and expense", "Fee and commission income and expense"

FINANCIAL INFORMATION

INTEREST INCOME BY SEGMENT	2024			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans and other amounts due from banks and the Central Bank	-	888	755	**1,643**
Debt securities	-	4,371	3,736	**8,107**
Loans and advances to customers	14,039	6,199	-	**20,238**
Repo transactions	-	21	-	**21**
Total	**14,039**	**11,479**	**4,491**	**30,009**

INTEREST INCOME BY SEGMENT [1]	2023			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans and other amounts due from banks and the Central Bank	-	1,127	762	**1,889**
Debt securities	-	4,377	2,232	**6,609**
Loans and advances to customers	13,835	6,513	-	**20,348**
Repo transactions	-	40	-	**40**
Total	**13,835**	**12,057**	**2,994**	**28,886**

[1] Figures for 2023 have been adjusted for comparability. The changes are described in note "Segment reporting" to the consolidated financial statements of the PKO Bank Polski S.A. Group for 2024.

(IN PLN MILLION)

FEE AND COMMISSION INCOME BY SEGMENT	2024			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans and insurance	635	421	-	**1,056**
Investment funds, pension funds and brokerage activities	357	148	-	**505**
Cards	2,161	44	-	**2,205**
Margins on foreign exchange transactions	584	229	-	**813**
Bank accounts and other	1,002	367	-	**1,369**
Total	**4,739**	**1,209**	**-**	**5,948**

FEE AND COMMISSION INCOME BY SEGMENT[1]	2023			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans and insurance	621	411	-	**1,032**
Investment funds, pension funds and brokerage activities	248	122	-	**370**
Cards[2]	1,976	36	-	**2,012**
Margins on foreign exchange transactions[2]	580	228	-	**808**
Bank accounts and other	977	322	-	**1,299**
Total	**4,402**	**1,119**	**-**	**5,521**

[1] Figures for 2023 have been adjusted for comparability. The changes are described in note "Segment reporting" to the consolidated financial statements of the PKO Bank Polski SA Group for 2024.
[2] In 2024, the Bank made a presentation change (netting) relating to the currency conversion commission presented under the items "Cards" and "Margins on foreign exchange transactions". The figures for 2023 have been restated by PLN 139 million.

17. DIVIDEND INCOME

SIGNIFICANT ACCOUNTING POLICIES:

Dividend income is recognized on the date when the shareholders' rights to its receipt is determined, if the Bank is entitled to dividend.

FINANCIAL INFORMATION

DIVIDEND INCOME	2024	2023
from subsidiaries	929	611
from associates and joint ventures	65	57
from financial assets held for trading	2	2
from financial instruments not held for trading, measured at fair value through profit or loss	13	13
Total	**1,009**	**683**

18. GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS

SIGNIFICANT ACCOUNTING POLICIES:

The net gain/(loss) on financial transactions includes gains and losses arising from disposal of financial instruments designated as financial assets / liabilities measured at fair value through profit or loss and the effect of their measurement at fair value. Interest income and expense and the settlement of discounts or premiums on financial instruments measured at fair value through profit or loss are recognised in net interest income (see note "Interest income and expense").

This item also includes the ineffective portion of cash flow hedges in the case of hedging strategies in which IRS contracts are the hedging instrument, as well as gains and losses on the hedging instrument and hedged item relating to the hedged risk (fair value hedges).

(IN PLN MILLION)

RELATED NOTES: Hedge accounting and other derivative instruments", "Securities", "Loans and advances to customers".

FINANCIAL INFORMATION

GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS	2024	2023
Financial instruments held for trading, of which:	**175**	**76**
Derivatives[1]	160	55
Equity instruments	2	4
Debt securities	14	16
Other	(1)	1
Financial instruments not held for trading, measured at fair value through profit or loss, of which:	**73**	**46**
Equity instruments	37	81
Debt securities	65	12
Loans and advances to customers	(29)	(47)
Hedge accounting	**2**	**(10)**
Total	**250**	**112**

[1] Of which due to stock options and stock exchange indices PLN 78 million (in 2023 - PLN 86 million) and IRS: PLN 27 million (in 2023 - PLN (66) million).

19. NET FOREIGN EXCHANGE GAINS/ (LOSSES)

SIGNIFICANT ACCOUNTING POLICIES:

Net foreign exchange gains/(losses) comprise foreign exchange gains and losses, both realized and unrealized, resulting from valuation of assets and liabilities denominated in foreign currencies and from the fair value measurement of foreign currency derivatives (FX forward, FX swap, CIRS and foreign exchange options). In the case of the hedging strategies in which CIRS contracts are the hedging instrument, this item also includes the ineffective portion of cash flow hedges (for details, please see the note "Hedge accounting and other derivative instruments"). Allowances for expected credit losses in respect of loans, advances and other foreign currency-denominated receivables, which are recorded in PLN, are revalued when the measurement of the underlying foreign currency-denominated assets changes. The effect of such remeasurement due to foreign exchange differences is recognized in net foreign exchange gains/(losses).

An increase in net foreign exchange gains/(losses) mainly from an increase in the net income on currency derivatives.

20. OTHER OPERATING INCOME AND EXPENSES

SIGNIFICANT ACCOUNTING POLICIES:

Other operating income comprises income not directly related to banking activities.

The Bank enters into purchase and sale transactions for commodity forward contracts for CO_2 emission allowances. The result from the measurement at fair value and the result from the realization of these derivative transactions are presented in the result on financial transactions. These contracts are settled through the physical delivery of a commodity, i.e. the transfer of CO_2 allowances between the account of the transferor and the account of the buyer in the EU Registry in exchange for a cash consideration. CO_2 emission allowances purchased by the Bank, as a tradable commodity for resale, are included in inventory and are measured at fair value. The results of the valuation of these assets between the date of acquisition and the date of sale, as well as the result of their sale, are recognized in other operating income and expenses.

(IN PLN MILLION)

FINANCIAL INFORMATION

OTHER OPERATING INCOME	2024	2023
Gains on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	19	17
Damages, compensation and penalties received	3	12
Ancillary income	34	32
Recovery of receivables expired, forgiven or written off	3	7
Reversal of provision for future payments	2	4
Reversal of provision recognized for legal claims excluding legal claims relating to repaid mortgage loans in convertible currencies	11	3
Income from sale of CO_2 emission allowances	13	17
Income from discounts granted by supplier for IT software development	15	12
Revenue from the sale of coins for collectors' purposes	8	4
Other	74	49
Total	**182**	**157**

OTHER OPERATING EXPENSES	2024	2023
Losses on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	(2)	(3)
Damages, compensation and penalties paid	-	(5)
Donations made	(43)	(27)
Sundry expenses	(18)	(19)
Recognition of provision for future payments	(4)	(1)
Recognition of provision for legal claims excluding legal claims relating to repaid mortgage loans in convertible currencies	(22)	(15)
Costs from sale of CO_2 emission allowances	(22)	(44)
Costs of external services for the recovery	(24)	(26)
Other	(44)	(68)
Total	**(179)**	**(208)**

21. NET ALLOWANCES FOR EXPECTED CREDIT LOSSES

SIGNIFICANT ACCOUNTING POLICIES:

The allowance for expected credit losses is recognized in the financial statements in the following manner:

- Financial assets measured at amortized cost: the allowance reduces the gross carrying amount of the financial asset (adjusted, among others, for adjustments to the gross carrying amount for legal risk of mortgage loans in convertible currencies, statutory credit holidays and for potential reimbursements to customers for the expected early repayment of consumer and mortgage loans); changes in the allowances amount are recognized in the income statement;
- Off-balance sheet liabilities of a financial nature and financial guarantees: the allowance is presented as a provision under liabilities; changes in the provisions amount are recognized in the income statement;
- For debt financial instruments measured at fair value through other comprehensive income, no allowance for expected credit losses is recognized in the statement of financial position as the carrying amount of the asset represents its fair value. However, the allowance for expected credit losses is disclosed and recognized in other comprehensive income.

ESTIMATES AND JUDGMENTS:

The Bank reviews its loan portfolio for impairment at least quarterly. The methodology and assumptions used to determine the estimated cash flow amounts and the periods over which they will occur are reviewed on a regular basis.

- **MEASUREMENT AND ASSESSMENT OF CREDIT RISK: EXPECTED CREDIT LOSSES**

With regard to impairment, the Bank applies the concept of expected losses.

The impairment model is applicable to financial assets that are not measured at fair value through profit or loss, comprising:

- debt financial instruments comprising credit exposures and securities;
- other financial assets;
- off-balance sheet financial and guarantee liabilities.

Impairment allowances for exposure reflect 12-month or lifetime expected credit losses on such exposures for a given financial asset. The time horizon of an expected loss depends on whether a significant increase in credit risk occurred since the moment of initial recognition. Based on this criterion, financial assets are allocated to 3 stages:

- **STAGE 1** – exposures in which the credit risk is not significantly higher than upon initial recognition and no evidence of impairment is found;
- **STAGE 2** – exposures in which the credit risk is significantly higher than upon initial recognition, but no evidence of impairment is found;
- **STAGE 3** –assets in respect of which evidence of impairment is recognized, including assets granted or purchased with evidence of impairment recognized (upon being granted or purchased).

- **SIGNIFICANT INCREASE IN CREDIT RISK**

A significant increase in credit risk is verified according to the likeliness of default and its changes with respect to the date of originating the loan.

  - **MORTGAGE AND OTHER RETAIL EXPOSURES**

The Bank uses a model based on a marginal PD calculation, i.e. the probability of default in a given month, to assess a significant increase in credit risk for mortgage exposures and other retail exposures. This probability depends on the time that has passed from originating the exposure. This enables reflecting the differences in credit quality that are typical of exposures to natural persons over the lifetime of the exposure. The marginal PD curves were determined on the basis of historic data at the level of homogeneous portfolios, which are separated according to the type of product, the year of their origination, the loan currency and the credit quality at the time of origination. The marginal PD is attributed to individual exposures by scaling the curve at the level of the portfolio to the individual assessment of the exposure / Customer using application models (using data from loan applications) and behavioral models. The Bank identifies the premise of a significant increase in credit risk for a given exposure by comparing individual PD curves over the exposure horizon as at the date of initial recognition and as at the reporting date. Only the parts of the original and current PD curves which correspond to the period from the reporting date to the date of maturity of the exposure are compared as at each reporting date. The comparison is based on the average probability of default over the life of the loan in the period under review adjusted for current and forecast macroeconomic indicators.

The result of this comparison, referred to as α statistics, is referred to the threshold value above which an increase in credit risk is considered significant. The threshold value is determined on the basis of the historical relationship between the values of the α statistics and the default arising. In this process the following probabilities are minimized:

- classification into a set of credit exposures with a significant increase in the level of credit risk (based on the α statistic), for which no event of default took place during the audited period (type I error)
- non-classification into the set of credit exposures with a significant increase in the level of credit risk (based on the statistics) for which an event of default occurred during the audited period (type II error).

According to data as at the end of 2024, an increase in the PD parameter of at least 2.3 compared to the value at the time of its recognition in the Bank's accounting records in respect of mortgage exposures and an increase of at least 2.5 in respect of other retail exposures constitutes - depending on the date of granting - a premise of a significant deterioration in credit quality.

With respect to credit exposures for which the current risk of default does not exceed the level provided for in the price of the loan, the results of the comparison of the probability of default curves as at the date of initial recognition and as at the reporting date do not signify a significant increase in credit risk.

(IN PLN MILLION)

The Bank uses all available qualitative and quantitative information described under EXPOSURES TO INSTITUTIONAL CUSTOMERS TO IDENTIFY OTHER PREMISES OF A SIGNIFICANT INCREASE IN CREDIT RISK.

- EXPOSURES TO INSTITUTIONAL CUSTOMERS

In order to assess the significant increase in credit risk for institutional customers the Bank applies the model based on the Markov chains. Historical data is used to build matrices of probabilities of Customers migrating between individual categories of risk that are determined on the basis of the Bank's rating and scoring models. These migrations are determined within homogeneous portfolios, classified using, inter alia, customer and customer segment assessment methodologies.

An individual highest acceptable value of the probability of default is set for each category of risk and portfolio on the date of the initial recognition of the credit exposure, which, if exceeded, is identified as a significant increase in credit risk. This value is set on the basis of the average probability of default for categories of risk worse than that at initial recognition of the exposure, weighted by the probability of transition to those categories of risk in the given time horizon.

In accordance with the data as at the end of 2024, the minimum deterioration in the category of risk which constitutes a premise of a significant increase in credit risk compared to the current category of risk were as follows:

Risk category	PD range	Minimum range of the risk category deterioration indicating a significant increase in credit risk[1]
A-B	0.0 – 0.90%	2 categories
C	0.90 – 1.78%	2 categories
D	1.78 – 3.55%	2 categories
E	3.55-7.07%	2 categories
F	7.07-14.07%	1 category
G	14.07-99.99%	not applicable [2]

[1] average values (the ranges are determined separately for homogeneous groups of customers)
[2] deterioration of the risk category is a direct indication of impairment

The Bank uses all available qualitative and quantitative information to identify the remaining premises of a significant increase in credit risk, including:

- marking a credit exposure as POCI without any indication of impairment;
- restructuring measures introducing forbearance for a debtor in financial difficulties, in the period in which the credit exposure is classified in the forbearance reporting category (unless the credit exposure meets an impairment indicator, in particular due to a grace period after the impairment indicator has ceased to exist);
- delays in repayment of a material amount of principal or interest (understood as an amount exceeding PLN 400 for retail exposures or PLN 2,000 for other credit exposures and 1% of the debtor's total cumulative loan exposure to the Bank and the other entities of the Bank's Group) exceeding 30 days;
- identified early warning signals as part of the monitoring process, suggesting a material increase in credit risk (including changes in collateral, modifications of the terms of agreement with the customer, in particular relating to the schedule of loan utilization or repayment, reduction of the Bank's exposure to the customer);
- significant increase in the LTV ratio;
- quarantine for Stage 2 exposures, which have not shown premises for impairment in the previous 3 months.
- filing for consumer bankruptcy by any of the joint borrowers;
- transfer of the credit exposure for management on a general basis by the Bank's restructuring and debt collection units;
- use by the borrower of a mortgage loan from statutory support in loan repayment.

- IMPAIRED LOANS AND DEFINITION OF DEFAULT

The premise for the impairment of a credit exposure is, in particular:

- delays in repayment of a material amount of principal or interest (understood as an amount exceeding PLN 400 for retail exposures or PLN 2,000 for other credit exposures and 1% of the debtor's total cumulative loan exposure to the Bank and the other entities of the Bank's Group) exceeding 90 days;
- a deterioration in the debtor's economic and financial position during the loan term or a risk to the completion of the investment project financed, expressed by the classification into a rating class or risk category suggesting a material risk of default (rating H);
- the conclusion of a restructuring agreement or the application of relief in debt repayment, which is forced by economic or legal reasons arising from the customer's financial difficulties (until the claim is recognized as remedied);
- filing a motion for the debtor's bankruptcy, placing the debtor into liquidation or the opening of enforcement proceedings with respect to the debtor;
- declaration of consumer bankruptcy by any of the joint borrowers;
- information on death of all borrowers who are natural persons or entrepreneurs running individual business activity or a civil partnership (unless such business activity is continued by a successor);
- the occurrence of other events indicating the debtor's inability to repay his total liability under the agreement.

In accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms ("CRR"), the Bank defines a STATE OF DEFAULT if it assesses that the debtor is unable to repay the loan liability without resorting to exercising the collateral or if the exposure is overdue more than 90 days. The premises of default are identical to the premises for impairment of the exposure.

Both the process of assessing a material increase in credit risk and the process of calculating the expected loss are conducted monthly at the level of individual exposures. They use a dedicated computing environment that allows for the distribution of the results to the Bank's internal units.

The Bank has SEPARATED THE PORTFOLIO OF FINANCIAL ASSETS WITH LOW CREDIT RISK by classifying financial instruments for which the average long-term default rate does not exceed the probability of default specified by the rating agency for the worst class investment rating. This portfolio includes, in particular, exposures to banks, governments, local authority units and housing cooperatives and communities.

- CALCULATION OF THE EXPECTED CREDIT LOSS

The model for the calculation of the expected credit loss is based on applying detailed segmentation to the credit portfolio, taking into account the following characteristics at product and customer level:

- type of credit product;
- currency of the product;
- year of granting;
- assessment of risk of the customer's default;
- the customer's business segment;
- method of assessing the customer risk.

The Bank uses the calculated expected credit losses on an individual and on a portfolio basis.

THE INDIVIDUAL BASIS is used in respect of individually significant exposures. The expected credit loss from the exposure is determined as the difference between its gross carrying amount (in the case of an off-balance sheet credit exposure – the value of its balance sheet equivalent) and the present value of the expected future cash flows, established by taking into account the possible scenarios regarding the performance of the contract and the management of credit exposure, weighted by the probability of their realization.

THE PORTFOLIO METHOD is applied to exposures that are not individually significant and in the event of a failure to identify premises of impairment.

In the portfolio method, the expected loss is calculated as the product of the credit risk parameters: the probability of default (PD), the loss given default (LGD) and the value of the exposure at default (EAD); each of these parameters assumes the form of a vector representing the number of months covering the horizon of estimation of the credit loss.

The Bank sets this horizon for retail exposures without a repayment schedule on the basis of behavioral data from historical observations. The loss expected both in the entire duration of the exposure and in a period of 12 months is the sum of expected losses in the individual periods discounted using the effective interest rate. The Bank adjusts the parameter specifying the level of exposure at the time of default by the future repayments arising from the schedule and potential overpayments and underpayments to specify the value of the asset at the time of default in a given period.

In the calculations of expected credit losses the estimates concerning future **MACROECONOMIC CONDITIONS** are taken into account. In terms of portfolio analysis, the impact of **MACROECONOMIC SCENARIOS** is taken into account in the amount of the individual risk parameters. The methodology for calculating the risk parameters includes the study of the dependencies of these parameters on the macroeconomic conditions based on historical data. Three macroeconomic scenarios based on the Bank's own projections are used for calculating the expected loss:

- a baseline scenario with a probability of 75%
- and two alternative scenarios, with a probability of 20% and 5%, respectively.

The scope of the projected indicators includes:

- GDP growth rate,
- unemployment rate,
- WIBOR 3M rate,
- CHF/PLN exchange rate,
- property price index
- NBP reference rate.

The final expected loss is the weighted average probability of scenarios from expected losses corresponding to individual scenarios.

The Bank assures compliance of the macroeconomic scenarios used for the calculation of the risk parameters with macroeconomic scenarios used for the credit risk budgeting processes.

The **BASELINE SCENARIO** uses the base macroeconomic projections. The projections are prepared on the basis of the quantitative models, taking into account adjustments for the presence of one-off events.

The **EXTREME SCENARIOS** apply to cases of so-called internal shock, as a result of which the so-called external variables (foreign interest rates) do not change with respect to the baseline scenario. The extreme scenarios are developed on the basis of a statistical and econometric analysis, i.e. they do not reflect the events described, but the projected path. Two scenarios are identified, optimistic and pessimistic.

The share of the scenarios for the GDP path (**GDP GROWTH RATE**) that falls between the optimistic and the pessimistic scenario is referred to as the probability of the baseline scenario. Such an assumption is used to project GDP growth, using a potential rate of growth of the Polish economy that varies over time, calculated with the use of quarterly data provided by the Central Statistical Office. The values of other macroeconomic variables used in the scenarios (rate of unemployment, property price index) are estimated after the extreme paths of GDP growth are defined.

The **RATE OF UNEMPLOYMENT** is calculated on the basis of the quantified dependence on the difference between GDP growth and the potential rate of economic growth. The result is adjusted for significant structural changes taking place in the Polish economy, which are not encompassed by the quantitative model, in particular:

- the ageing of the Polish population (and the appearance of unsatisfied demand for labor, which will limit the scale of increase in the rate of unemployment in a situation in an economic downturn);
- the Polish labor market is nearing full employment (restrictions of supply mean that there is increasingly less space for a further decline in the rate of unemployment);
- the inflow of immigrants (only partly included in the official statistics).

The level of the PROPERTY PRICE INDEX is set on the basis of changes in GDP, taking into account the conditions of supply and demand on the market based on the data and trends presented by the NBP in the publication "Information on housing prices and the situation on the residential and commercial property market in Poland" and the Bank's own analyses.

The projections for deposit RATES are mainly prepared on the basis of assumptions regarding central bank interest rates.

The CHF/PLN EXCHANGE RATE is a cross rate of the EUR/PLN and EUR/CHF exchange rates. Its projections are a combination of projections for these two rates. The EUR/PLN and EUR/CHF projections are prepared on the basis of a macroeconomic analysis (current and historical) based on econometric methods, as well as on a technical analysis of the financial markets.

The macroeconomic model also incorporates factors to reflect current domestic and global developments - the impact of the current macroeconomic situation (continued relatively high interest rates) on the ability of customers to settle their obligations, as well as the tense geopolitical situation in relation to Russia's invasion of Ukraine and its impact on fuel prices and, consequently, on the health of businesses. Additional factors in the model include:

- taking into account the impact of high level of interest rates on the quality of the credit portfolio and increases in energy prices on the situation of enterprises, using the historically observed portfolio quality dependency on the level of interest rates and energy prices,
- consideration of the effect of exchange rate volatility on the quality of the foreign currency housing loan portfolio, as a result of the escalation of hostilities in Ukraine.

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

The applied approach to the impact of macroeconomic forecasts on risk parameters describes the situation simultaneously in all branches of the economy and may not take into account the problems of individual industries, which is why the Bank has conducted additional analyses of the loan portfolio. These analyses, carried out by risk experts, mainly included an assessment of the impact of specific macroeconomic conditions not taken into account in the portfolio approach and helped identify clients and industries particularly affected by the current economic situation. This is particularly the case in the construction, automotive, office and retail rental sectors, organic fertilizer production and energy-intensive industries.

Exposures with highest PD values (D rating or worse) belonging to identified industries were marked with the indication of "significant increase in credit risk" and covered by increased write-downs in the previous periods. In 2024, as a result of the limited materialization of the risks of these industries, the Bank reduced the allowance for expected credit losses by PLN 85 million, representing approximately 6% of the allowance on the entire portfolio of corporate loans classified as Stage 2.

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

scenario as at 31.12.2024	baseline			optimistic			pessimistic		
probability	75%			5%			20%		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
GDP growth y/y	3.4	3.3	3.1	8.8	8.3	4.7	(1.9)	(1.8)	1.6
Unemployment rate	2.8	2.8	2.8	2.6	2.7	2.8	4.6	5.2	2.8
Property price index	100.2	102.6	105.7	107.3	118.5	124.0	93.5	88.5	89.8
WIBOR 3M (%)	5.5	4.3	3.8	6.5	5.9	4.9	4.4	2.7	2.7

scenario as at 31.12.2023	baseline			optimistic			pessimistic		
probability	75%			5%			20%		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
GDP growth y/y	3.9	3.8	3.2	9.4	8.8	4.7	(1.7)	(1.7)	1.3
Unemployment rate	2.7	2.7	2.5	2.4	2.5	2.7	4.3	4.4	3.0
Property price index	107.7	115.4	118.3	115.1	130.7	134.0	100.6	101.6	104.2
WIBOR 3M (%)	5.6	5.0	3.7	6.6	5.7	3.9	4.3	2.5	2.8

The table below presents the estimated sensitivity of the level of allowances for expected credit losses to macroeconomic conditions, calculated as the change in the level of allowances for expected credit losses in respect of not impaired exposures resulting from the materialization of particular macroeconomic scenarios.

ESTIMATED CHANGE IN THE LEVEL OF ALLOWANCES FOR EXPECTED CREDIT LOSSES FOR NOT IMPAIRED EXPOSURES DUE TO THE MATERIALIZATION OF PARTICULAR MACROECONOMIC SCENARIOS	31.12.2024		31.12.2023	
	optimistic	pessimistic	optimistic	pessimistic
in PLN million	(960)	558	(690)	614

(IN PLN MILLION)

The table below presents the estimated sensitivity of the level of allowances for expected losses as a result of scenarios of deterioration or improvement in risk parameters.

ESTIMATED CHANGE IN THE LEVEL OF IMPAIRMENT ALLOWANCE RESULTING FROM MATERIALIZATION OF A SCENARIO OF THE RISK PARAMETERS, THE DETERIORATION OR IMPROVEMENT, OF WHICH:[1]	scenario +10%	scenario (10%)	scenario +10%	scenario (10%)
	31.12.2024		31.12.2023	
Changes in the present value of estimated cash flows for the portfolio assessed on an individual basis				
Loans and advances to customers – Stage 3	(223)	260	(71)	107
Changes in the probability of default				
Securities	**11**	**(11)**	**9**	**(9)**
Stage 1	9	(9)	8	(8)
Stage 2	2	(2)	1	(1)
Loans and advances to customers	**253**	**(283)**	**233**	**(256)**
Stage 1	128	(128)	116	(116)
Stage 2	125	(155)	117	(140)
Changes in recovery rates				
Securities	**(12)**	**12**	**(9)**	**9**
Stage 1	(10)	10	(7)	7
Stage 2	(2)	2	(2)	2
Loans and advances to customers	**(617)**	**618**	**(570)**	**571**
Stage 1	(200)	200	(168)	168
Stage 2	(240)	241	(215)	215
Stage 3	(177)	177	(187)	188

[1] "()" decrease in write-downs", "+" increase in write-downs

RELATED NOTES: "Amounts due from banks", "Securities", "Loans and advances to customers", "Other assets", "Provisions", "Credit risk – FINANCIAL INFORMATION".

FINANCIAL INFORMATION

NET ALLOWANCES FOR EXPECTED CREDIT LOSSES	2024	2023
Amounts due from banks	**4**	**(8)**
Debt securities	**(21)**	**(2)**
- measured at fair value through other comprehensive income	1	1
- measured at amortized cost	(22)	(3)
Loans and advances to customers	**(917)**	**(1,176)**
– measured at fair value through other comprehensive income – housing loans	(1)	(26)
- measured at amortized cost	(916)	(1,150)
real estate loans	33	(120)
business loans	(415)	(344)
consumer loans	(534)	(686)
Other financial assets	**3**	**(7)**
Provisions for financial liabilities and guarantees granted	**126**	**73**
Total	(805)	(1,120)

22. IMPAIRMENT OF NON-FINANCIAL ASSETS

ESTIMATES AND JUDGMENTS:

At the end of each reporting period the Bank assesses whether there are any indications of impairment of any non-financial non-current assets, right-of-use assets (or cash-generating units).

(IN PLN MILLION)

If any such indications occur and annually in the case of intangible assets which are not amortized, as well as intangible assets not yet placed in service and goodwill, the Bank estimates the recoverable amount being the higher of the fair value less costs to sell or the value in use of a non-current asset (or a cash-generating unit), and, if the carrying amount of an asset exceeds its recoverable amount, the Bank recognizes an impairment loss in the income statement. In order to estimate these amounts it is necessary to adopt assumptions concerning, among other things, the projected future cash flows that the Bank may obtain from further use or sale of a given non-current asset (or a cash-generating unit). Adopting different assumptions concerning the valuation of future cash flows could affect the carrying amount of certain non-current assets.

RELATED NOTES: Intangible assets, Property, plant and equipment, Assets held for sale, Investments in subsidiaries, associates and joint ventures, Other assets

FINANCIAL INFORMATION

NET IMPAIRMENT OF NON-FINANCIAL ASSETS	2024	2023
Property, plant and equipment[1]	(18)	(41)
Assets held for sale	(1)	(1)
Intangible assets	-	(1)
Other non-financial assets[2]	(410)	(57)
Total	**(429)**	**(100)**

[1] of which PLN 38 million in 2023 relates to the allowance recognized on the Bank's property.

[2] In 2024, the Bank recognized an impairment loss on other non-financial assets of PLN 326 million relating to receivables from customers for whom the loan agreements have been legally declared invalid in respect of the principal originally disbursed to these customers. This item also includes, among other things, allowances for customer-related costs of PLN 33 million (2023: PLN 32 million) and allowances for shortages and damages and other receivables of PLN 17 million (2023: PLN 20 million).

CHANGE IN ACCUMULATED IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS 2024	Opening balance	Impairment of non-financial assets	Other	Closing balance
Property, plant and equipment	(128)	(18)	6	(140)
Non-current assets held for sale	-	(1)	-	(1)
Intangible assets	(133)	-	-	(133)
Investments in subsidiaries	(882)	-	-	(882)
Investments in associates and joint ventures	(186)	-	-	(186)
Other non-financial assets	(278)	(410)	59	(629)
Total	**(1,607)**	**(429)**	**65**	**(1,971)**

CHANGE IN ACCUMULATED IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS 2023	Opening balance	Impairment of non-financial assets	Other	Closing balance
Property, plant and equipment	(94)	(41)	7	(128)
Non-current assets held for sale	(1)	(1)	2	-
Intangible assets	(132)	(1)	-	(133)
Investments in subsidiaries	(882)	-	-	(882)
Investments in associates and joint ventures	(186)	-	-	(186)
Other non-financial assets	(268)	(57)	47	(278)
Total	**(1,563)**	**(100)**	**56**	**(1,607)**

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

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES AND JUDGMENTS:

In connection with the current legal disputes regarding loans in convertible currencies, the Bank has identified a risk that the cash flows on the portfolio of mortgage loans denominated in and indexed to foreign currencies planned on the basis of schedules may not be fully recoverable or a liability resulting in a future outflow of funds may arise. Following the revisions to cash flow estimates, the Bank reduces the gross carrying amount of mortgage loans denominated in and indexed to foreign currencies in accordance with the requirements of IFRS 9 Financial Instruments, paragraph B5.4.6, and/or recognizes provisions for legal risk in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The cost of legal risk was estimated taking into account a number of assumptions which have a significant effect on the amount of the estimates recognized in the Bank's financial statements.

The Bank recognizes as the decrease of the gross carrying amount of mortgage loans the effect of legal risk related to potential litigation and settlements for the portfolio of mortgage loans in convertible currencies and existing legal claims related to loan exposures recognized as at the balance sheet date (active loans) in the statement of financial position. If the estimated loss due to legal risk exceeds the gross value of the loan and for loans repaid, as well as in respect of statutory default interest and legal costs, the Bank recognizes provisions for risk, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. In accordance with IAS 37, the amount of the provision should reflect the most appropriate estimate of the expenditure required to meet the present obligation at the balance sheet date.

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:

- the probability of invalidation and the amount of loss if the Bank loses, taking into account the current and expected number of court cases throughout the period of the Bank's exposure to such risk; and
- probability of the customer reaching a settlement and the amount of loss from the settlement.

When statistically modelling the provision for legal risk, the Bank takes into account the case law of the Court of Justice of the European Union (CJEU) and the resolution of the Supreme Court of 25 April 2024 (for details, see note "LEGAL CLAIMS").

The Bank also estimates the probabilities of adverse outcomes for the actual and potential claims. In the Bank'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 Bank 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).

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 of 15 June 2023, 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 penalty interest from the date of the call for payment.

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 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.

(IN PLN MILLION)

The Bank assesses that, at this stage, the likelihood of outcomes that are favorable 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 Bank relating to this issue.

The Bank 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 2024, the Bank updated the probability of signing a settlement or filing a lawsuit based on empirical data.

At the end of 2024, there were 6,825 pending court proceedings relating to loans in CHF for which the customer's obligations to the of the Bank had been repaid before the date of the lawsuit (representing approximately 8% of borrowers with repaid loans). The Bank monitors the level of inflow of lawsuits relating to repaid loans on an ongoing basis and models the level of expected loss for legal risk for these customers. The probability of the invalidation scenario and the cost to the Bank of this scenario are considered first. The Bank makes a settlement offer to these customers in each case. The expected levels of conversion from lawsuit to settlement are included in the legal risk provision calculation model and adjusted on an ongoing basis to reflect the current situation.

The Bank has analyzed the model's sensitivity to changes in key parameters:

ANALYSIS OF THE MODEL'S SENSITIVITY TO CHANGES IN KEY PARAMETERS	Increase/decrease of the cost of legal risk of mortgage loans in convertible currencies	
	31.12.2024	31.12.2023
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)	105	101
1 p.p. decrease in the number of settlements	9	25
1 p.p. increase in the number of lawsuits for the active portfolio (at the cost of inactive customers)	41	46
1 p.p. increase in the lawsuit to settlement conversion ratio	(31)	(71)
1 p.p. increase in the number of lawsuits for the repaid portfolio	54	34
extension of the period for accrual of statutory interest by 90 days	199	204

RELATED NOTES: "Loans and advances to customers", "Other assets", "Provisions", "Legal claims".

FINANCIAL INFORMATION:

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 CHF. 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 Bank has analyzed the benefits and risks associated with the possible approaches to the issue of foreign currency housing loans. In the Bank'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.

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). 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.

(IN PLN MILLION)

pcs	31.12.2024	31.12.2023
Number of mediation applications registered	64,990	57,036
Total number of settlements concluded, including those concluded:	47,757	36,822
- in mediation proceedings	40,812	35,154
- in court proceedings	6,945	1,668

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
31.12.2024			
Loans and advances to customers / adjustment reducing the carrying amount of loans	11,455	7,666	3,789
- related to the portfolio of mortgage loans in CHF	9,862	7,666	2,196
Provisions[1]		5,733	
Total		**13,399**	
31.12.2023			
Loans and advances to customers – adjustment reducing the carrying amount of loans	14,944	8,306	6,638
- related to the portfolio of mortgage loans in CHF	13,096	8,306	4,790
Provisions		3,001	
Total		**11,307**	

[1] As at 31 December 2024, the value of provisions includes approximately PLN 212 million from the provision for settlements and judgements of EUR loans.

CHANGE IN THE ACCUMULATED COST OF LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES DURING THE PERIOD	2024	2023
Carrying amount at the beginning of the period	**(11,307)**	**(8,323)**
cost of legal risk of mortgage loans in convertible currencies (income statement)	(4,899)	(5,430)
offset of settlements and judgments for the period against accumulated losses[1]	3,096	2,251
revaluation of loss for the period and other changes[2]	(289)	195
Carrying amount at the end of the period	**(13,399)**	**(11,307)**

[1] The item includes the effects of final judgements mainly invalidating loan agreements, which amount to PLN 1,124 million for 2024 (PLN 717 million in 2023)

[2] 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.

24. ADMINISTRATIVE EXPENSES

SIGNIFICANT ACCOUNTING POLICIES:

EMPLOYEE BENEFITS

Employee benefits comprise wages and salaries and social insurance (including provisions for retirement and disability benefits, which are discussed in detail in the note "Provisions"), as well as costs of the employee pension scheme constituting a defined contribution scheme and the program of variable remuneration components for persons occupying managerial positions, a portion of which is recorded as a liability in respect of share-based payments settled in cash, in accordance with IFRS 2 Share-based payments (the program of variable remuneration components is discussed in detail in the note "Remuneration of the PKO Bank Polski S.A. key management").

Moreover, as part of wages and salaries the Bank recognizes a provision for future liabilities in respect of compensation and severance bonuses paid out to employees with whom the employment relationship is terminated for reasons not related to the employees; and accruals related to costs attributable to the current period, which will be incurred in the following period, including bonuses and holiday pay, taking account of all unused holiday.

OVERHEADS – Overheads include the costs of maintaining fixed assets, IT and telecommunications services costs, costs of administration, promotion and advertising, property protection, training and court and stamp duties, fees related to the costs of mediation at the PFSA.

Lease payments under short-term and low-value leases are recognized in the income statement as an expense on a straight-line basis over the lease term.

DEPRECIATION AND AMORTIZATION - Costs of amortization of intangible assets and depreciation of property, plant and equipment, including right-of-use property, plant and equipment are recognized under the heading "Administrative expenses", item "Depreciation and amortization". Land is not depreciable.

Depreciation of property, plant and equipment, amortization of intangible assets and depreciation of investment properties begins on the first day of the month following the month in which the asset has been placed in service, with the exception of right-of-use assets, for which depreciation begins in the same month in which they were placed in service, and ends no later than at the time when:

- the amount of depreciation or amortization charges becomes equal to the initial cost of the asset, or
- the lease period ends, or
- the asset is designated for scrapping, or
- the asset is sold; or
- the asset is found to be missing, or
- it is found – as a result of verification – that the expected residual value of the asset exceeds its (net) carrying amount, taking into account the expected residual value of the asset upon scrapping, i.e. the net amount that the Bank expects to obtain at the end of the useful life of the asset, net of its expected costs to sell.

For non-financial non-current assets it is assumed that the residual value is nil, unless there is an obligation by a third party to buy back the asset, or if there is an active market which will continue to exist at the end of the asset's period of use and it is possible to determine the value of the asset on this market.

COSTS OF REGULATORY CHARGES – In this item, the Bank presents mainly the charges paid by the Bank, resulting from the legal regulations governing the Bank's activities, which under IFRIC 21 are recognized in the income statement at the time of the obligating event, paid to entities such as the Polish Financial Supervision Authority (PFSA), the Bank Guarantee Fund (BFG) or the Borrower Support Fund (BSF). In this item, the Bank also recognizes other taxes other than income tax expense and tax on certain financial institutions, which is presented under a separate heading:

- **CONTRIBUTIONS AND PAYMENTS TO THE BGF** –The Bank makes contributions to the banks' guarantee fund (quarterly) and the banks' compulsory resolution (annually), which are not tax-deductible.
- **FEES TO THE PFSA** - The banking supervision fee and the capital market supervision fee are paid once a year and are deductible.
- **OTHER TAXES AND FEES** – flat-rate income tax, property tax, payments made to the State Fund for the Rehabilitation of Disabled Persons, motor vehicle tax, excise duty, a contribution to finance the activities of the Financial Ombudsman and their Office, as well as municipal and administrative fees.

(IN PLN MILLION)

ESTIMATES AND JUDGMENTS:

In estimating useful lives of particular types of property, plant and equipment, intangible assets and investment properties, the following factors are considered:

- expected physical wear and tear estimated based on the average periods of use recorded to date, reflecting the rate of wear and tear, intensity of use etc.;
- technical or market obsolescence;
- legal and other limitations of the asset's use;
- expected usage of the asset;
- climate-related issues, i.e. the climate factors potentially affecting the useful lives of assets (e.g. ageing, legal limitations or unavailability of assets).

When the period of use of a given asset results from a contract term, the useful life of such an asset corresponds to the period defined in the contract. If the estimated useful life is shorter than the period defined in the contract, the estimated useful life is applied. The amortization/depreciation method and useful life are verified at least once a year and revised if necessary.

Depreciation /amortization periods applied by the Bank:

Fixed assets	Useful lives
Buildings, premises, cooperative rights to premises (including investment real estate)	from 25 to 60 years
Leasehold improvements (buildings, premises)	from 1 to 11 years (or the lease term, if shorter)
Machines, technical devices, tools and instruments	from 2 to 15 years
Computer units	from 2 to 10 years
Vehicles	from 3 to 5 years
Intangible assets	**Useful lives**
Software	from 1 to 24 years
Other intangible assets	from 2 to 20 years

The impact of changes in the useful lives of depreciated assets classified as land and buildings is presented in the table below:

CHANGE IN THE USEFUL LIVES OF DEPRECIATED ASSETS CLASSIFIED AS LAND AND BUILDINGS	2024		2023	
	+10 years scenario	scenario -10 years	+10 years scenario	-10 years scenario
Depreciation costs	(26)	145	(27)	145

RELATED NOTES: Intangible assets, Property, plant and equipment; Provisions; Benefits for the PKO Bank Polski S.A. key management ., Leases.

(IN PLN MILLION)

FINANCIAL INFORMATION

ADMINISTRATIVE EXPENSES	2024	2023
Employee benefits	**(4,155)**	**(3,578)**
Wages and salaries, including:	(3,432)	(2,976)
costs of contributions to the employee pension plan	(94)	(81)
Social security, of which:	(586)	(504)
contributions for disability and retirement benefits	(492)	(428)
Other employee benefits	(137)	(98)
Overheads, of which:[1]	**(1,906)**	**(1,756)**
rent	(119)	(109)
IT	(395)	(383)
Depreciation and amortization	**(1,077)**	**(980)**
property, plant and equipment, of which:	(495)	(473)
IT	(110)	(105)
right-of-use assets	(259)	(233)
intangible assets, of which:	(582)	(507)
IT	(579)	(504)
Costs of regulatory charges[1]	**(375)**	**(364)**
Contribution and payments to the BGF (to the resolution fund)	(258)	(262)
Fees to PFSA	(56)	(48)
Other taxes and fees[1]	(61)	(54)
Total	**(7,513)**	**(6,678)**

[1] The bank reclassified costs of court and stamp duty, including on appeals, fees related to mediation at the PFSA and fees related to lawsuits against customers, from costs of regulatory charges to overhead costs. Comparable figures have been adjusted.

25. TAX ON CERTAIN FINANCIAL INSTITUTIONS

The tax on certain financial institutions is 0.0366% per month. The tax is charged on the surplus of total assets above PLN 4 billion. This basis may be further reduced in accordance with the provisions of the Act of 15 January 2016 on the tax on certain financial institutions.

The tax paid is not tax-deductible for corporate income tax purposes.

26. INCOME TAX

SIGNIFICANT ACCOUNTING POLICIES:

Corporate income tax is recognized as current tax and deferred tax. The current income tax is recognized in the income statement. Deferred income tax, depending on the source of temporary differences, is recorded in the income statement or in other comprehensive income.

- **CURRENT TAX**

Current income tax is calculated on the basis of gross accounting profit adjusted by non-taxable income, taxable income that does not constitute accounting income, non-tax deductible expenses and tax-deductible costs which are not accounting costs, in accordance with tax regulations.

The main categories permanently recognized as non-deductible costs include the cost of legal risk, tax on certain financial institutions, contributions and payments to the BGF and the Borrowers' Support Fund, as well as the State Fund for the Rehabilitation of the Disabled (PFRON) (for details, see table: RECONCILIATION OF THE EFFECTIVE TAX RATE).

The Bank does not recognize the cost of legal risk of mortgage loans in convertible currencies in the tax account.

Pursuant to 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), the Bank benefits from the suspension of income tax on the cancellation of the principal of the loan as part of settlements entered into under the terms provided for in that regulation.

(IN PLN MILLION)

Pursuant to the principles governing the statute of limitations for tax liabilities, the correctness of income tax settlements may be audited within five years of the end of the year in which the deadline for the submission of the respective tax returns passed.

- **DEFERRED INCOME TAX**

Deferred tax is recognized in the amount of the difference between the tax base of assets and liabilities and their carrying amounts for the purpose of financial reporting.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or liability is settled, using tax rates (and tax laws) that prevail at the reporting date. those whose future use is certain at the reporting date.

Deferred tax assets and deferred tax liabilities are offset against each other if, and only if, the Bank has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income tax is attributable to the same taxable entity and the same taxation authority.

The Bank recognizes deferred tax assets arising from its entitlement to benefit from the suspension of income tax under the Regulation and from its entitlement to adjust tax revenues in connection with judgments invalidating loan agreements

FINANCIAL INFORMATION

- **TAX EXPENSE**

TAX EXPENSE	2024	2023
Income tax expense recognized in the income statement	**(3,052)**	**(2,641)**
Current income tax expense	(2,227)	(2,310)
Deferred income tax on temporary differences	(825)	(331)
Income tax expense recognized in other comprehensive income in respect of temporary differences	**(212)**	**(1,315)**
Total	(3,264)	(3,956)

- **RECONCILIATION OF THE EFFECTIVE TAX RATE**

RECONCILIATION OF THE EFFECTIVE TAX RATE	2024	2023
Profit or loss before tax	12,202	7,509
Tax at the statutory rate in force in Poland (19%)	(2,318)	(1,427)
Effect of permanent differences between profit before income tax and taxable income, including:	**(734)**	**(1,214)**
cost of the legal risk of mortgage loans in convertible currencies	(599)	(993)
tax on certain financial institutions	(230)	(222)
dividend income	191	130
contributions and payments to the Bank Guarantee Fund	(49)	(50)
tax on controlled foreign corporations CIT-CFC[1]	(33)	-
non-deductible allowances for expected credit losses on credit exposures	(9)	(14)
reversal of assets from reclassification of temporary differences to permanent differences	-	(37)
other permanent differences	(5)	(28)
Income tax expense recognized in the income statement	(3,052)	(2,641)
Effective tax rate	25.01	35.17

[1] According to Article 24a of the Corporate Income Tax Act, taxpayers with foreign subsidiaries are required to pay tax on the income of a foreign controlled corporation (CIT-CFC, CFC - Controlled Foreign Corporation tax). CIT-CFC tax is only due on the income of foreign entities that have met the conditions for recognition as controlled foreign corporations in a given tax year. The CIT-CFC tax rate is 19% of the tax base.

(IN PLN MILLION)

- NET DEFERRED TAX ASSETS

DEFERRED TAX LIABILITIES AND ASSETS 2024	01.01.2024	Income statement	Other comprehensive income	31.12.2024
Interest accrued on receivables (loans)	340	8	-	348
Interest on securities	226	202	-	428
Difference between carrying amount and tax base of property, plant and equipment and intangible assets, including leased assets	416	24	-	440
Taxable income on the reversal of IBNR allowance, which was previously tax deductible, on implementation of IFRS 9	13	(13)	-	-
Deferred tax liabilities, gross	**995**	**221**	**-**	**1,216**
Interest accrued on liabilities	334	(176)	-	158
Valuation of derivative financial instruments	549	(219)	(140)	190
Valuation of securities	355	(80)	(85)	190
Provision for employee benefits	106	31	-	137
Allowances for expected credit losses	1,439	(83)	-	1,356
Fair value measurement of loans	205	(8)	13	210
Commissions to be settled in time using the straight-line valuation method and effective interest rate	682	(251)	-	431
Other deductible temporary differences	20	(6)	-	14
Provision for costs to be incurred	48	(2)	-	46
Effect legal risk of mortgage loans in convertible currencies	109	174	-	283
Difference between carrying amount and tax base of property, plant and equipment and intangible assets, including leased assets	196	16	-	212
Deferred tax assets, gross	**4,043**	**(604)**	**(212)**	**3,227**
Total effect of temporary differences	**3,048**	**(825)**	**(212)**	**2,011**
Deferred tax assets (presented in the statement of financial position)	3,048	(825)	(212)	2,011

DEFERRED TAX LIABILITIES AND ASSETS 2023	01.01.2023	Income statement	Other comprehensive income	31.12.2023
Interest accrued on receivables (loans)	338	2	-	340
Interest on securities	216	10	-	226
Difference between carrying amount and tax base of property, plant and equipment and intangible assets, including leased assets	371	45	-	416
Taxable income on the reversal of IBNR allowance, which was previously tax deductible, on implementation of IFRS 9	26	(13)	-	13
Deferred tax liabilities, gross	**951**	**44**	**-**	**995**
Interest accrued on liabilities	185	149	-	334
Valuation of derivative financial instruments	1,324	6	(781)	549
Valuation of securities	979	(85)	(539)	355
Provision for employee benefits	90	15	1	106
Allowances for expected credit losses	1,349	90	-	1,439
Fair value measurement of loans	169	32	4	205
Commissions to be settled in time using the straight-line valuation method and effective interest rate	987	(305)	-	682
Other deductible temporary differences	29	(9)	-	20
Provision for costs to be incurred	49	(1)	-	48
Effect legal risk of mortgage loans in convertible currencies	321	(212)	-	109
Difference between carrying amount and tax base of property, plant and equipment and intangible assets, including leased assets	163	33	-	196
Deferred tax assets, gross	**5,645**	**(287)**	**(1,315)**	**4,043**
Total effect of temporary differences	**4,694**	**(331)**	**(1,315)**	**3,048**
Deferred tax assets (presented in the statement of financial position)	4,694	(331)	(1,315)	3,048

(IN PLN MILLION)

- **Tax Group**

Pursuant to the agreement dated 5 November 2024, PKO Bank Polski S.A., PKO Bank Hipoteczny S.A. and PKO Leasing S.A. have extended the operation of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna ("PGK PKO Bank Polski S.A."), which was established pursuant to the agreement dated 5 November 2018, for a further three fiscal years (2025 - 2027). These agreements have been registered with the relevant head of the tax office.

A tax group is an institution of the tax law stipulated in the provisions of the Corporate Income Tax Act. Its creation means that the income of the Tax Group companies will be consolidated for corporate income tax purposes and that certain solutions will be available facilitating the application of specific regulations of the Corporate Income Tax Act, dedicated specifically to tax groups.

PKO Bank Polski S.A. is the parent of PGK PKO Banku Polski S.A. PGK PKO Banku Polski S.A. was established for three tax years. Current income tax settlements are presented broken down into receivables and liabilities of the Bank and receivables and liabilities of subsidiaries included in the Tax Group.

- **Global minimum tax**

The global minimum tax (Pillar 2) legislation is effective in Poland from 1 January 2025. In tax jurisdictions where the Bank operates through foreign branches, the Pillar 2 regulations are effective from 1 January 2024, including: in Germany, the Czech Republic and Romania, the global and domestic top-up tax regulations apply, while in Slovakia only the domestic top-up tax applies. Between 2025 and 2026, the Bank plans to use the temporary CbCR (Country by Country Reporting) safe harbour. Following the implementation of the OECD Pillar 2 global minimum tax rules, the Bank estimates that this will not have a material impact on its financial position.

- **Tax policy**

The Bank has a Tax Strategy for PKO Bank Polski S.A. in place, adopted by resolution of the Management Board No 392/C/2021 of 5 October 2021, approved by resolution of the Supervisory Board no. 154/2021 of 14 October 2021. On 17 December 2021, the Strategy was published on the Bank's website at: https://www.pkobp.pl/o-banku/odpowiedzialna-dzialalnosc/strategia-podatkowa.

In the execution of its statutory annual obligations resulting from Article 27c of the Corporate Income Tax Act, PGK PKO Banku Polski S.A. prepared in 2024 the Information on the tax strategy implemented in 2023, which is available on the Bank's website at https://www.pkobp.pl/grupa-pko-banku-polskiego/pko-bank-polski/strategia-podatkowa/ and https://www.pkobp.pl/o-banku/odpowiedzialna-dzialalnosc/strategia-podatkowa or: https://www.pkobp.pl/informacja-o-realizowanej-strategii-podatkowej/. On 17 December 2024, the Bank notified the head of the competent tax office of the address of the webpage on which the Information is available.

Corporate income tax paid on the income earned by PKO Bank Polski S.A. in the years 2024 and 2023 by tax jurisdiction:

CORPORATE INCOME TAX	2024	2023
PKO Bank Polski S.A.	2,227	2,309
- Poland	2,213	2,294
- Germany	4	9
- Czech Republic	10	6

(IN PLN MILLION)

SUPPLEMENTARY NOTES TO THE STATEMENT OF FINANCIAL POSITION – FINANCIAL INSTRUMENTS

27. CASH AND BALANCES WITH THE CENTRAL BANK

SIGNIFICANT ACCOUNTING POLICIES: "GENERAL SIGNIFICANT ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS".

FINANCIAL INFORMATION

CASH AND BALANCES WITH THE CENTRAL BANK	31.12.2024	31.12.2023
Current account with the Central Bank	19,567	9,679
Cash	3,696	4,245
Deposits with the Central Bank	-	3,752
Total	23,263	17,676

During the course of a working day, the Bank may use funds from the mandatory reserve accounts for ongoing payments, on the basis of an instruction submitted to the National Bank of Poland (NBP). However, the Bank must ensure that the average monthly balance on this account complies with the requirements set in the mandatory reserve declaration.

As at 31 December 2024, the value of the mandatory reserve was PLN 13,605 million (31 December 2023: PLN 12,566 million).

28. AMOUNTS DUE FROM BANKS

SIGNIFICANT ACCOUNTING POLICIES "GENERAL SIGNIFICANT ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS".

FINANCIAL INFORMATION

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

AMOUNTS DUE FROM BANKS	31.12.2024	31.12.2023
Measured at amortized cost	**8,368**	**15,839**
Deposits with banks	2,434	10,651
Current accounts	428	571
Loans and advances granted	5,506	4,617
Gross carrying amount	**8,368**	**15,839**
Allowances for expected credit losses	(19)	(24)
Net carrying amount	8,349	15,815

AMOUNTS DUE FROM BANKS BY MATURITY	31.12.2024	31.12.2023
up to 1 month	3,050	11,128
1 to 3 months	-	40
3 months to 1 year	160	89
1 to 5 years	5,139	4,558
Total	8,349	15,815

29. HEDGE ACCOUNTING AND OTHER DERIVATIVE INSTRUMENTS

SIGNIFICANT ACCOUNTING POLICIES:

The Bank uses derivative financial instruments for risk management purposes related to the Bank's operations. The Bank most often uses the following derivative instruments: IRS, CIRS, FX Swap, options, commodity swap, FRA, Forward and Futures. Derivative financial instruments are stated at fair value from the transaction date.

A derivative is presented under "Derivative hedging instruments" (if the instrument qualifies for hedge accounting) or "Other derivatives" (if the instrument does not qualify for hedge accounting) - as an asset if its fair value is positive or a liability if its fair value is negative.

For other derivatives (not designated for hedge accounting), the Bank recognizes changes in the fair value of the instruments and the gain or loss on the settlement of these instruments in either the net foreign exchange gain/(loss) on financial transactions, depending on the type of instrument.

The Bank applies hedge accounting to hedge its interest rate risk and foreign exchange risk. The hedging transactions are concluded to mitigate the risk of incurring losses as a result of unfavorable changes in foreign currency exchange rates and interest rates. Cash flows related to the transactions performed and the fair value of assets and liabilities held are hedged.

The Bank decided to further apply the provisions of IAS 39 and did not apply IFRS 9 to hedge accounting.

- **CASH FLOW HEDGES**

Changes in the fair value of a derivative financial instrument designated as a cash flow hedge are recognized directly in other comprehensive income in respect of the portion constituting the effective portion of the hedge.

Amounts transferred directly to other comprehensive income are transferred to the income statement in the same period or periods in which the hedged planned transaction affects the income statement. Interest and foreign exchange gains/losses are presented in the income statement in "Net interest income" and "Net foreign exchange gains (losses)", respectively. The Bank hedges both assets that generate interest income and liabilities that generate interest expense using IRS or CIRS transactions. The Bank consistently applies the method of presenting the total net interest income/(expense) on hedging instruments for all hedging strategies in the line "derivative hedging instruments" under "Net interest income" – the positive total amount for a period is presented in "Interest income" and the negative total amount is presented in "Interest expenses".

The effectiveness tests comprise the measurement of hedging transactions net of interest accrued and foreign exchange gains (losses) on the nominal value of the hedging transactions (in the case of CIRS transactions).

Hedge effectiveness is verified through the use of prospective and retrospective effectiveness tests. The tests are performed on a monthly basis.

The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss:

a) if the hedging instrument is a CIRS, the ineffectiveness is recognized in net foreign exchange gains/(losses),

b) if the hedging instrument is an IRS, ineffectiveness is recognized in net gain/(loss) on financial instruments measured at fair value through profit or loss,

c) In the event of artificial inefficiency (efficiency outside the range [80%,125%]), its result is recognized in net foreign exchange gains/(losses). Artificial ineffectiveness arises from the construction of the retrospective test as a quotient of changes in the valuation of hedged and hedging instruments. Where valuation changes on one side of a hedging relationship (CIRS or IRS) are relatively small, the assessment of effectiveness may show artificial ineffectiveness, i.e. one that occurs despite the high compatibility of the terms of the hedged and hedging instruments.

(IN PLN MILLION)

- **FAIR VALUE HEDGES**

Changes in the fair value of a derivative hedging instrument designated as fair value hedge are recognized in "Gains/ (losses) financial transactions", net of the interest component. The interest component is presented in the same line item as interest income/expense on the hedged item, i.e. in "Net interest income".

The Bank hedges both assets that generate interest income and liabilities that generate interest expense using IRS or CIRS transactions.

A change in the fair value adjustment to the hedged item is recognized in "Net income from financial instruments".

The effectiveness tests comprise the measurement of hedging transactions net of accrued interest. Hedge effectiveness is verified through the use of prospective and retrospective effectiveness tests. The tests are performed on a monthly basis.

The items securities, loans and advances to customers and amounts due to customers include an adjustment for fair value hedge accounting for securities, loans and advances to customers and amounts due to customers, respectively, representing the hedged item.

ESTIMATES AND JUDGMENTS

The fair value of derivative instruments other than options is designated using the valuation models that base on discounted cash flows which may be obtained from a given financial instrument. The measurement techniques for financial instruments other than options are based on yield curves constructed on the basis of available market data (deposit rates on the interbank market, quotations of IRS transactions). Options are valued using option valuation models. The variables and assumptions used in a valuation include, where available, data derived from observable markets.

The fair value of derivative instruments accounts for DVA (debit value adjustment), and CVA (credit value adjustment). The process of calculating CVA and DVA adjustments covers the selection of the method for designating the counterparty's or the Bank's credit risk spread (e.g. the market based measurement based on liquid quotations of prices of debt instruments issued by the counterparty, the implied spread from Credit Default Swap contracts), estimating the probability of the counterparty's or the Bank's default and the recovery rate, as well as the calculation of CVA and DVA adjustments.

The Bank made simulations aimed at determining the possible impact of the changes in the yield curve on the measurement of the transactions.

ESTIMATED CHANGE IN VALUATION OF HEDGING DERIVATIVES OTHER THAN OPTIONS FOLLOWING A PARALLEL SHIFT IN YIELD CURVES:	31.12.2024		31.12.2023	
	+50bp scenario	Scenario -50bp	+50bp scenario	scenario -50bp
IRS	(644)	653	(570)	580
CIRS	(78)	79	1	(1)
other instruments	(2)	2	(4)	4
Total	**(724)**	**734**	**(573)**	**583**

ESTIMATED CHANGE IN VALUATION OF DERIVATIVES OTHER THAN OPTIONS FOLLOWING A PARALLEL SHIFT IN YIELD CURVES	31.12.2024		31.12.2023	
	+50bp scenario	scenario -50bp	+50bp scenario	scenario -50bp
IRS	(646)	655	(564)	573
CIRS	(78)	79	1	(1)
other instruments	(3)	3	(4)	4
Total	**(727)**	**737**	**(567)**	**576**

(IN PLN MILLION)

29.1. HEDGE ACCOUNTING – FINANCIAL INFORMATION

TYPES OF HEDGING STRATEGIES USED BY THE BANK

As at 31 December 2024, the Bank had active relationships as part of:

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

In 2024, the Bank discontinued 2 hedging strategies due to failure to meet the prospective effectiveness test:

- "Hedges against fluctuations in cash flows on variable interest loans in convertible currencies, resulting from interest rate risk and currency risk, and hedging against fluctuations in cash flows on financial liabilities in a convertible currency resulting from foreign currency risk, using CIRS transactions";
- "Hedges against 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".

The total impact of the discontinuation of the above strategy was approximately PLN 2.5 million.

No changes were made to other hedging strategies in 2024. In 2023, the Bank implemented a new hedging strategy as a hedge of cash flow volatility.

The table below summarizes the types of strategies applied by the Bank.

TYPE OF HEDGING STRATEGY	CASH FLOW HEDGES (STRATEGY NO: 4,6,19)
RISK HEDGED	foreign exchange risk and interest rate risk
HEDGING INSTRUMENT	float – float CIRSs fixed – float CIRSs
HEDGED ITEM	• the portfolio of floating interest loans in foreign currencies and • the portfolio of short-term negotiated deposits in PLN, including their future renewals. In designating the hedged item, the Bank used the IAS39 AG 99C in the version adopted by the European Union, or • fixed interest rate financial liability denominated in foreign currency or • the portfolio of floating interest rate regular savings products in PLN or • a financial liability in foreign currencies
SOURCES OF HEDGE INEFFECTIVENESS	• margin on the hedging instrument • differences in discount on the hedged item and the hedging instrument • CVA/DVA adjustment of the hedging instrument
THE PERIOD IN WHICH CASH FLOWS ARE EXPECTED TO OCCUR AND AFFECT THE FINANCIAL RESULTS: January 2025 – June 2028	

STRATEGY NO	STRATEGY NAME
4	Hedges against fluctuations in cash flows on variable interest loans in convertible currencies, resulting from interest rate risk and currency risk, and hedging against fluctuations in cash flows on a fixed-rate financial liability in a convertible currency resulting from foreign currency risk, using CIRS transactions (inactive).
6	Hedges against fluctuations in cash flows on variable interest loans in convertible currencies, resulting from interest rate risk and currency risk, and hedging against fluctuations in cash flows on negotiated deposits in PLN, resulting from interest rate risk, using two transactions: IRS and CIRS-EP.
19	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 CIRS transactions.

TYPE OF HEDGING STRATEGY	CASH FLOW HEDGES (STRATEGIES NO: 2, 3)
RISK HEDGED	interest rate risk
HEDGING INSTRUMENT	fixed - float IRSs
HEDGED ITEM	the portfolio of loans in PLN or foreign currencies indexed to a floating interest rate
SOURCES OF HEDGE INEFFECTIVENESS	• change in market parameters between the moment of determining the terms and conditions relating to the hedged item and the moment of concluding the hedge • differences in discount on the hedged item and the hedging instrument • CVA/DVA adjustment of the hedging instrument
THE PERIOD IN WHICH CASH FLOWS ARE EXPECTED TO OCCUR AND AFFECT THE FINANCIAL RESULTS: January 2025 – December 2034	
STRATEGY NO	STRATEGY NAME
2	Hedges against fluctuations in cash flows from variable interest loans in PLN, resulting from interest rate risk, using IRS transactions.
3	Hedges against fluctuations in cash flows from variable interest loans in convertible currencies, resulting from interest rate risk, using IRS transactions.

TYPE OF HEDGING STRATEGY	FAIR VALUE VOLATILITY HEDGES (STRATEGY NO: 10,11,12,17,18)
RISK HEDGED	interest rate risk
HEDGING INSTRUMENT	fixed - float IRSs
HEDGED ITEM	interest rate risk component relating to a fixed interest rate loan or security in a foreign currency or in PLN, which corresponds to the market IRS rate interest rate risk component of a portfolio of financial liabilities replicated by a portfolio of fixed-rate instruments measured at amortized cost, corresponding to the market IRS ate
SOURCES OF HEDGE INEFFECTIVENESS	• change in market parameters between the moment of determining the terms and conditions relating to the hedged item and the moment of concluding the hedge • CVA/DVA adjustment of the hedging instrument • difference between the present value of the floating leg of IRS and the present value of the nominal value of a security
STRATEGY NO	STRATEGY NAME
10	Hedges against fair value volatility of fixed-interest-rate loans in convertible currencies resulting from interest rate risk, using IRS transactions.
11	Hedges against fair value volatility of fixed-interest-rate security in convertible currencies measured at amortized cost, resulting from interest rate risk, using IRS transactions.
12	Hedges against 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 (inactive).
13	Hedges against fair value volatility of fixed-interest-rate FVOCI security in PLN resulting from interest rate risk, using IRS transactions (inactive)
17	Hedges against fluctuations in the fair value of a portfolio of financial liabilities in PLN measured at amortized cost, resulting from interest rate risk, using IRS transactions
18	Hedges against fluctuations in the fair value of a portfolio of financial liabilities in convertible currencies measured at amortized cost, resulting from interest rate risk, using IRS transactions.

(IN PLN MILLION)

- CARRYING AMOUNT OF HEDGING INSTRUMENTS

CARRYING AMOUNT OF HEDGING INSTRUMENTS	31.12.2024		31.12.2023	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	801	1,714	384	2,436
interest rate risk – IRS	497	1,483	190	2,184
IRS PLN (strategy 2)	430	1,474	154	2,144
IRS EUR (strategy 3, 6)	67	9	36	40
foreign exchange risk and interest rate risk – CIRS	304	231	194	252
CIRS CHF/USD (strategy 4)	-	-	-	46
CIRS – EP EUR/PLN (strategy 6)	205	-	194	-
CIRS PLN/EUR (strategy 19)	99	231	-	206
Fair value hedges	492	5	700	20
interest rate risk – IRS	492	5	700	20
IRS EUR (strategy 10,11,12,18)	88	3	92	19
IRS USD (strategy 12,18)	1	2	4	1
IRS PLN (strategy 17)	403	-	604	-
Total without set-off	1,293	1,719	1,084	2,456
Set-off	(949)	(1,417)	(819)	(2,104)
Total	344	302	265	352

- CASH FLOW HEDGES

CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO CASH FLOW HEDGES AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES	2024	2023
Accumulated other comprehensive income at the beginning of the period, net	(1,701)	(5,028)
Impact on other comprehensive income during the period, gross	736	4,108
Gains/losses recognized in other comprehensive income during the period	(552)	1,085
Amounts transferred from other comprehensive income to the income statement, of which:	1,288	3,023
- net interest income	1,748	3,345
- net foreign exchange gains/ (losses)	(460)	(322)
Tax effect	(140)	(781)
Accumulated other comprehensive income at the end of the period, net	(1,105)	(1,701)

INEFFECTIVE PORTION OF CASH FLOW HEDGES RECOGNIZED IN THE INCOME STATEMENTS, INCLUDING IN:	2024	2023
Net foreign exchange gains/ (losses)	2	2
CIRS CHF/USD (strategy 4)	-	2
CIRS – EP EUR/PLN (strategy 6)	1	-
CIRS EUR/PLN (strategy 19)	1	-
Gains/(losses) on financial transactions	(2)	(2)
IRS PLN (strategy 2)	(2)	(3)
IRS EUR (strategy 3, 6)	-	1

(IN PLN MILLION)

Fair value hedges

INTEREST RATE RISK HEDGE	31.12.2024	31.12.2023
Fair value measurement of the hedging derivative instrument	**487**	**681**
Interest rate risk hedge – fixed - float IRSs	487	681
Fair value adjustment of the hedged instrument attributable to the hedged risk	**(267)**	**(461)**
Interest rate risk hedge	(267)	(461)
Securities	(19)	(21)
Loans and advances to customers	(1)	(2)
Fair value adjustment of hedged instruments recognized in other comprehensive income before designation for hedge accounting	(10)	(26)
Amounts due to customers	(237)	(412)

FAIR VALUE ADJUSTMENT OF THE HEDGED INSTRUMENT ATTRIBUTABLE TO THE HEDGED RISK BY TYPE OF HEDGING INSTRUMENT	31.12.2024	31.12.2023
IRS EUR (strategy 10,11,12,18)	(56)	(41)
IRS USD (strategy 10,12,18)	-	(4)
IRS PLN (strategy 13,17)	(211)	(416)
Total	**(267)**	**(461)**

(IN PLN MILLION)

NOMINAL VALUE OF HEDGING INSTRUMENTS BY MATURITY

Strategy No	Hedging derivative 31.12.2024	up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total	Change in the fair value since designation	Nominal-weighted average fixed interest rate
	Hedge type: Cash flow hedges								
	Hedged risk: interest rate risk								
2	PLN fixed - float IRSs	1,225	839	9,338	51,812	2,608	**65,822**	(1,461)	3.5617%
3.6	EUR fixed – float IRSs	-	855	2,456	3,896	4	**7,211**	(1)	2.2635%
	Risk hedged: foreign exchange and interest rate risks								
19	Float PLN/fixed EUR CIRSs								
	float PLN	-	2,595	-	7,522	-	**10,117**	(200)	-
	fixed EUR	-	2,350	-	7,458	-	**9,808**		2.1708%
6	CIRS EP float PLN/fixed EUR								
	float PLN	-	-	2,348	-	-	**2,348**	219	-
	fixed EUR	-	-	2,136	-	-	**2,136**		6.8186%
	Hedge type: Fair value hedges								
	Hedged risk: interest rate risk								
17	PLN fixed – float IRSs	600	1,200	-	4,910	1,341	**8,051**	185	5.9261%
18	USD fixed – float IRSs	-	-	123	123	-	**246**	-	4.1972%
10,11,18	EUR fixed – float IRSs	94	188	656	2,380	308	**3,626**	50	2.5184%

(IN PLN MILLION)

Bank Polski

Strategy No	Hedging derivative	up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total	Change in the fair value since designation	Nominal-weighted average fixed interest rate
	31.12.2023								
	Hedge type: Cash flow hedges								
	Hedged risk: interest rate risk								
2	PLN fixed - float IRSs	705	4,950	6,801	32,381	1,493	**46,330**	(2,045)	3.5513%
3.6	EUR fixed – float IRSs	-	630	130	4,944	222	**5,926**	(199)	2.0611%
	Risk hedged: foreign exchange and interest rate risks								
4	CIRS fixed USD/float CHF								
	fixed USD	153	-	307	-	-	**460**	(43)	0.4142%
	float CHF	164	-	328	-	-	**492**		-
19	Float PLN/fixed EUR CIRSs								
	float PLN	-	-	-	2,595	-	**2,595**	(226)	-
	fixed EUR	-	-	-	2,391	-	**2,391**		1.8935%
6	CIRS EP float PLN/fixed EUR								
	float PLN	-	109	-	2,348	-	**2,457**	213	-
	fixed EUR	-	109	-	2,174	-	**2,283**		6.8028%
	Hedge type: Fair value hedges								
	Hedged risk: interest rate risk								
13.17	PLN fixed – float IRSs	-	-	-	5,960	2,091	**8,051**	386	5.9261%
12.18	USD fixed – float IRSs	319	-	-	236	-	**555**	2	2.6551%
10,11,12,18	EUR fixed – float IRSs	-	152	696	3,404	548	**4,800**	36	2.2604%

(IN PLN MILLION)

- **FINANCIAL INFORMATION ON HEDGED ITEMS (IN ORIGINAL CURRENCIES)**

HEDGED ITEM 31.12.2024	CARRYING AMOUNT OF THE HEDGED ITEM	ITEM OF THE STATEMENT OF FINANCIAL POSITION	CHANGE IN THE FAIR VALUE OF THE HEDGED ITEM	STRATEGY NO
Cash flow hedges				
Loans in PLN	65,821	Loans and advances to customers	1,469	2
Loans in EUR	1,188	Loans and advances to customers	(1)	3
Loans in EUR	500	Loans and advances to customers	(216)	6
Negotiated deposits in PLN	2,348	Amounts due to customers		
Loans in PLN	10,117	Loans and advances to customers	203	19
Financial liability in EUR	2,295	Liabilities in respect of debt securities in issue		
Fair value hedges				
Loans in EUR	9	Loans and advances to customers	-	10
Security in EUR	30	Securities measured at amortized cost	(4)	11
Security in PLN	-	Securities measured at fair value through other comprehensive income	(10)	12
Portfolio of financial liabilities in PLN	8,051	Amounts due to customers	(202)	17
Portfolio of financial liabilities in EUR	810	Amounts due to customers	(8)	18
Portfolio of financial liabilities in USD	60	Amounts due to customers	-	18

HEDGED ITEM 31.12.2023	CARRYING AMOUNT OF THE HEDGED ITEM	ITEM OF THE STATEMENT OF FINANCIAL POSITION	CHANGE IN THE FAIR VALUE OF THE HEDGED ITEM	STRATEGY NO
Cash flow hedges				
Loans in PLN	46,330	Loans and advances to customers	2,058	2
Loans in EUR	838	Loans and advances to customers	7	3
Loans in CHF	105	Loans and advances to customers	43	4
Financial liability in USD	116	Amounts due to customers		
Loans in EUR	525	Loans and advances to customers	(175)	6
Negotiated deposits in PLN	2,457	Amounts due to customers		
Loans in PLN	2,595	Amounts due to customers	228	19
Financial liability in EUR	550	Liabilities in respect of debt securities in issue		
Fair value hedges				
Loans in EUR	11	Loans and advances to customers	(1)	10
Security in EUR	30	Securities measured at amortized cost	(5)	11
Security in EUR	62	Securities measured at fair value through other comprehensive income	(2)	12
Security in USD	81	Securities measured at fair value through other comprehensive income	-	12
Security in PLN	-	Securities measured at fair value through other comprehensive income	(15)	13
Portfolio of financial liabilities in PLN	8,051	Amounts due to customers	(402)	17
Portfolio of financial liabilities in EUR	1,001	Amounts due to customers	(2)	18
Portfolio of financial liabilities in USD	60	Amounts due to customers	(1)	18

(IN PLN MILLION)

29.2. OTHER DERIVATIVE INSTRUMENTS – FINANCIAL INFORMATION

OTHER DERIVATIVE INSTRUMENTS - BY TYPE	31.12.2024		31.12.2023	
	Assets	Liabilities	Assets	Liabilities
IRS	3,275	3,399	4,402	5,157
CIRS	39	20	389	656
FX Swap	687	747	1,647	1,942
Options	357	573	952	1,051
Commodity swap[1]	93	84	167	157
FRA	26	23	31	30
Forward	374	233	930	695
Commodity Forward[2]	279	250	234	213
Other	-	-	-	1
Total without set-off	5,130	5,329	8,752	9,902
Set-off	(3,112)	(2,920)	(4,223)	(3,751)
Total	2,018	2,409	4,529	6,151

[1] The item includes valuation of gas market participation contracts: assets of PLN 31 million (PLN 84 million as at 31 December 2023) – and liabilities of PLN 28 million (PLN 81 million as at 31 December 2023).
[2] The item includes valuation of contracts for CO_2 emission allowances.

	31.12.2024	31.12.2023
CVA and CDA adjustments	2	3

NOMINAL AMOUNTS OF UNDERLYING INSTRUMENTS (BUY AND SELL TOGETHER) – other derivative instruments						
31.12.2024	up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	more than 5 years	Total
IRS	8,222	7,888	63,876	258,614	37,100	375,700
Purchase	4,111	3,944	31,938	129,307	18,550	187,850
Sale	4,111	3,944	31,938	129,307	18,550	187,850
CIRS	**551**	**74**	**496**	**7,547**	**10**	**8,678**
Purchase	283	37	248	3,774	5	4,347
Sale	268	37	248	3,773	5	4,331
FX Swap	**43,219**	**15,077**	**16,015**	**14,040**	-	**88,351**
Purchase of currencies	21,557	7,541	7,989	7,042	-	44,129
Sale of currencies	21,662	7,536	8,026	6,998	-	44,222
Options	**16,456**	**28,734**	**30,837**	**22,407**	-	**98,434**
Purchase	8,188	14,255	15,157	11,012	-	48,612
Sale	8,268	14,479	15,680	11,395	-	49,822
FRA	-	-	**32,850**	**5,399**	-	**38,249**
Purchase	-	-	16,496	2,685	-	19,181
Sale	-	-	16,354	2,714	-	19,068
Forward	**8,488**	**10,425**	**21,694**	**11,645**	-	**52,252**
Purchase of currencies	4,246	5,248	10,930	5,870	-	26,294
Sale of currencies	4,242	5,177	10,764	5,775	-	25,958
Other, including commodity swap, commodity forward and futures	**1,008**	**885**	**7,120**	**2,401**	**19**	**11,433**
Purchase	508	448	3,564	1,182	10	5,712
Sale	500	437	3,556	1,219	9	5,721

(IN PLN MILLION)

NOMINAL AMOUNTS OF UNDERLYING INSTRUMENTS (BUY AND SELL TOGETHER) other derivative instruments						
31.12.2023	up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	more than 5 years	Total
IRS	**5,294**	**21,658**	**86,536**	**211,662**	**41,798**	**366,948**
Purchase	2,647	10,829	43,268	105,831	20,899	183,474
Sale	2,647	10,829	43,268	105,831	20,899	183,474
CIRS	**8,546**	**-**	**14,297**	**6,726**	**2,044**	**31,613**
Purchase	4,273	-	7,007	3,368	1,022	15,670
Sale	4,273	-	7,290	3,358	1,022	15,943
FX Swap	**34,259**	**23,842**	**26,557**	**15,460**	**-**	**100,118**
Purchase of currencies	17,160	11,834	13,138	7,694	-	49,826
Sale of currencies	17,099	12,008	13,419	7,766	-	50,292
Options	**25,382**	**18,646**	**51,054**	**17,100**	**1,053**	**113,235**
Purchase	12,751	9,362	25,591	8,339	525	56,568
Sale	12,631	9,284	25,463	8,761	528	56,667
FRA	**-**	**-**	**32,463**	**10,079**	**-**	**42,542**
Purchase	-	-	16,697	5,191	-	21,888
Sale	-	-	15,766	4,888	-	20,654
Forward	**8,531**	**14,466**	**19,033**	**7,239**	**-**	**49,269**
Purchase of currencies	4,248	7,368	9,540	3,664	-	24,820
Sale of currencies	4,283	7,098	9,493	3,575	-	24,449
Other, including commodity swap, commodity forward and futures	**980**	**3,067**	**3,366**	**466**	**-**	**7,879**
Purchase	494	1,591	1,636	234	-	3,955
Sale	486	1,476	1,730	232	-	3,924

(IN PLN MILLION)

30. SECURITIES

SIGNIFICANT ACCOUNTING POLICIES "GENERAL SIGNIFICANT ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS".

FINANCIAL INFORMATION

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

SECURITIES	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
31.12.2024					
Debt securities	337	389	94,175	109,633	204,534
NBP money bills	-	-	7,996	-	7,996
treasury bonds (in PLN)	243	-	58,694	73,499	132,436
treasury bonds (in foreign currencies)	1	288	9,466	-	9,755
corporate bonds (in PLN) secured with the State Treasury guarantees	24	-	8,065	13,974	22,063
municipal bonds (in PLN)	10	-	5,213	10,399	15,622
corporate bonds (in PLN)[1]	53	101	1,903	3,994	6,051
corporate bonds (in foreign currencies)[2]	-	-	2,838	7,268	10,106
mortgage covered bonds	6	-	-	499	505
Equity securities	36	326	-	-	362
Total (excluding adjustment relating to fair value hedge accounting)	**373**	**715**	**94,175**	**109,633**	**204,896**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	-	-	(19)	(19)
Total	373	715	94,175	109,614	204,877

[1] The item includes, among other items, bonds of international financial organizations of PLN 4,013 million.
[2] The item includes, among other items, bonds of international financial organizations of PLN 7,599 million.

SECURITIES	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
31.12.2023					
Debt securities	574	342	104,421	85,755	191,092
NBP money bills	-	-	28,974	-	28,974
treasury bonds (in PLN)	472	-	49,756	58,803	109,031
treasury bonds (in foreign currencies)	1	295	3,738	-	4,034
corporate bonds (in PLN) secured with the State Treasury guarantees	9	-	10,180	13,619	23,808
municipal bonds (in PLN)	12	-	5,097	8,658	13,767
corporate bonds (in PLN)[1]	52	47	2,609	2,413	5,121
corporate bonds (in foreign currencies)[2]	-	-	4,067	2,262	6,329
mortgage covered bonds	28	-	-	-	28
Equity securities	32	336	-	-	368
Total (excluding adjustment relating to fair value hedge accounting)	**606**	**678**	**104,421**	**85,755**	**191,460**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	-	-	(21)	(21)
Total	606	678	104,421	85,734	191,439

[1] The item includes, among other items, bonds of international financial organizations of PLN 3,658 million.
[2] The item includes, among other items, bonds of international financial organizations of PLN 4,376 million.

(IN PLN MILLION)

Treasury bonds (in foreign currencies)	31.12.2024	31.12.2023
- Polish Treasury bonds	748	1,278
- French Treasury bonds	2,810	-
- US Treasury bonds	6,197	2,756
Total	9,755	4,034

	31.12.2024	31.12.2023
allowance not reducing the fair value of securities measured at fair value through other comprehensive income	33	34

SECURITIES BY MATURITY (excluding adjustments relating to fair value hedge accounting)	31.12.2024	31.12.2023
without a stated maturity – equity securities	362	368
up to 1 month	11,881	34,850
1 to 3 months	11,851	4,350
3 months to 1 year	26,772	24,944
1 to 5 years	102,848	78,884
more than 5 years	51,182	48,064
Total	204,896	191,460

31. LOANS AND ADVANCES TO CUSTOMERS

SIGNIFICANT ACCOUNTING POLICIES

The Bank adjusts the gross carrying amount of housing loans measured at amortized 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.

Pursuant to the amendment of 12 April 2024 to the Act on support for borrowers who have taken out a mortgage loan and are in a difficult financial situation and the Act on the crowdfunding of business ventures and on assistance for borrowers of 7 July 2022, credit holidays were available to borrowers who meet the following criteria:

- the value of the loan granted is not higher than PLN 1.2 million, and
- the loan instalment exceeds 30% of the household income, calculated as the average household income for the last three months, or the borrower has at least three dependent children (as at the date of application).

  The Act stipulated that in 2024 housing loan instalments could be suspended four times - twice between 1 June and 31 August 2024 and twice between 1 September and 31 December 2024.

The Bank made the judgment that the entitlement of customers to benefit from the suspension of loan repayments is a statutory cash flow modification that occurred on the date the Act has been signed by the President. In May 2024, the Bank adjusted the gross carrying amount of mortgage loans for PLN 427 million, recognizing it as a reduction of 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, discounted at the pre-modification effective interest rate and the current gross carrying amount of the loan portfolio. The loss estimate was based on the assumption that 24% of the maximum loss would be realized during the programme (customer participation rate).

(IN PLN MILLION)

By the end of December 2024, 22.6 thousand of the Bank's customers applied for a suspension of repayment of one or more instalments on their mortgage loans, representing 6% of the number and 11% of the value of total loans.

In the fourth quarter of 2024, the Bank, on the basis of empirical data on customers' actual use of credit holidays, updated the level of the loss on this account and reduced the loss settlement to date proportionately. The total effect recognized by the Bank on this account amounted to PLN 247 million (including a reduction in the loss recognized in May 2024 of PLN 261 million and a proportional reduction in amortization to date of PLN 14 million) - which translated into an increase in net interest income and a decrease in the adjustment of the gross carrying amount of loans. The realized loss on statutory credit holidays, excluding the effect of the settlement to date, amounted to PLN 166 million.

ESTIMATES AND JUDGMENTS: Net expected credit losses, Cost of legal risk of mortgage loans in convertible currencies

FINANCIAL INFORMATION

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

LOANS AND ADVANCES TO CUSTOMERS	31.12.2024	31.12.2023
real estate	106,225	94,248
consumer	36,401	31,361
business	103,283	98,063
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**245,909**	**223,672**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	(1)	(2)
Total	**245,908**	**223,670**

LOANS AND ADVANCES TO CUSTOMERS 31.12.2024	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
retail and private banking	**2,092**	**9,465**	**125,952**	**137,509**
real estate	1	9,465	91,642	101,108
consumer	2,091	-	34,310	36,401
businesses	**59**	**-**	**13,481**	**13,540**
real estate	-	-	5,005	5,005
business	59	-	8,476	8,535
corporate	**15**	**-**	**94,845**	**94,860**
real estate	-	-	112	112
business	15	-	94,733	94,748
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**2,166**	**9,465**	**234,278**	**245,909**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	-	(1)	(1)
Total	**2,166**	**9,465**	**234,277**	**245,908**

(IN PLN MILLION)

LOANS AND ADVANCES TO CUSTOMERS 31.12.2023	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
retail and private banking	**2,777**	**10,751**	**106,899**	**120,427**
real estate	1	10,751	78,314	89,066
consumer	2,776	-	28,585	31,361
businesses	**52**	-	**12,292**	**12,344**
real estate	-	-	5,056	5,056
business	52	-	7,236	7,288
corporate	**29**	-	**90,872**	**90,901**
real estate	-	-	126	126
business	29	-	90,746	90,775
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**2,858**	**10,751**	**210,063**	**223,672**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	-	(2)	(2)
Total	2,858	10,751	210,061	223,670

The Bank analyses its portfolio of foreign currency mortgage loans to individuals in a specific manner. The Bank takes into consideration the risk of foreign currency mortgage loans for individuals in the capital adequacy and equity management.

HOUSING LOANS AND ADVANCES TO INDIVIDUALS (RETAIL AND PRIVATE BANKING) BY CURRENCY	31.12.2024			31.12.2023		
	gross	impairment loss	net	gross	impairment loss	net
in local currency	**98,858**	**(1,300)**	**97,558**	**84,431**	**(1,293)**	**83,138**
PLN	98,858	(1,300)	97,558	84,431	(1,293)	83,138
in foreign currency	**3,788**	**(238)**	**3,550**	**6,638**	**(710)**	**5,928**
CHF	2,196	(154)	2,042	4,790	(595)	4,195
EUR	1,567	(80)	1,487	1,818	(110)	1,708
USD	21	(4)	17	25	(5)	20
other	4	-	4	5	-	5
Total	102,646	(1,538)	101,108	91,069	(2,003)	89,066

LOANS AND ADVANCES TO CUSTOMERS BY MATURITY (excluding adjustments relating to fair value hedge accounting)	31.12.2024	31.12.2023
up to 1 month	10,928	10,108
1 to 3 months	8,752	7,352
3 months to 1 year	37,386	37,828
1 to 5 years	90,709	81,809
more than 5 years	98,134	86,575
Total	245,909	223,672

(IN PLN MILLION)

32. AMOUNTS DUE TO BANKS

SIGNIFICANT ACCOUNTING POLICIES: "GENERAL SIGNIFICANT ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS".

FINANCIAL INFORMATION

AMOUNTS DUE TO BANKS	31.12.2024	31.12.2023
Measured at fair value through profit or loss	**4**	**25**
Liabilities in respect of a short position in securities	4	25
Measured at amortized cost	**2,267**	**2,953**
Deposits from banks	597	848
Current accounts	1,656	2,068
Other monetary market deposits	14	37
Total	**2,271**	**2,978**

AMOUNTS DUE TO BANKS BY MATURITY	31.12.2024	31.12.2023
Measured at fair value through profit or loss	**4**	**25**
up to 1 month	4	25
Measured at amortized cost:	**2,267**	**2,953**
up to 1 month	2,267	2,948
3 months to 1 year	-	5
Total	**2,271**	**2,978**

33. AMOUNTS DUE TO CUSTOMERS

SIGNIFICANT ACCOUNTING POLICIES: "GENERAL SIGNIFICANT ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS".

FINANCIAL INFORMATION

AMOUNTS DUE TO CUSTOMERS 31.12.2024	Amounts due to households[1]	Amounts due to business entities	Amounts due to public sector	Total
Measured at fair value through profit or loss (liabilities in respect of a short position in securities)	-	**32**	-	**32**
Measured at amortized cost	**315,190**	**77,831**	**21,630**	**414,651**
Cash on current accounts and overnight deposits of which	228,014	54,901	19,961	302,876
savings accounts and other interest-bearing assets	58,760	13,283	14,134	86,177
Term deposits	86,511	22,239	1,636	110,386
Other liabilities	665	691	33	1,389
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**315,190**	**77,863**	**21,630**	**414,683**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	237	-	-	237
Total	**315,427**	**77,863**	**21,630**	**414,920**

[1]Households include private individuals, sole proprietors and individual farmers.

(IN PLN MILLION)

AMOUNTS DUE TO CUSTOMERS 31.12.2023	Amounts due to households[1]	Amounts due to business entities	Amounts due to public sector	Total
Measured at fair value through profit or loss (liabilities in respect of a short position in securities)	-	277	-	277
Measured at amortized cost	**304,152**	**74,193**	**15,517**	**393,862**
Cash on current accounts and overnight deposits of which	199,638	53,436	14,551	267,625
savings accounts and other interest-bearing assets	49,650	17,840	9,956	77,446
Term deposits	104,013	20,105	927	125,045
Other liabilities	501	652	39	1,192
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**304,152**	**74,470**	**15,517**	**394,139**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	412	-	-	412
Total	**304,564**	**74,470**	**15,517**	**394,551**

[1]Households include private individuals, sole proprietors and individual farmers.

AMOUNTS DUE TO CUSTOMERS BY MATURITY (excluding adjustment relating to fair value hedge accounting)	31.12.2024	31.12.2023
Measured at fair value through profit or loss	**32**	**277**
up to 1 month	32	277
Measured at amortized cost	**414,651**	**393,862**
up to 1 month	343,466	305,187
1 to 3 months	34,989	35,541
3 months to 1 year	23,655	38,915
1 to 5 years	6,727	8,509
more than 5 years	5,814	5,710
Total	**414,683**	**394,139**

AMOUNTS DUE TO CUSTOMERS BY SEGMENT	31.12.2024	31.12.2023
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	414,683	394,139
retail and private banking	285,984	273,811
corporate	79,533	68,472
businesses	49,166	51,856
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	237	412
Total	**414,920**	**394,551**

(IN PLN MILLION)

34. FINANCING RECEIVED

SIGNIFICANT ACCOUNTING POLICIES: "GENERAL SIGNIFICANT ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS".

FINANCIAL INFORMATION

Type of interest rate	Notional amount	Currency	Period		Carrying amount 31.12.2024	Carrying amount 31.12.2023
Liabilities in respect of debt securities in issue – bonds					**11,999**	**3,421**
Fixed 5.625%	750	EUR	01.02.2023	01.02.2026	3,369	3,421
6M WIBOR +0.0159%	1,000	PLN	28.02.2024	28.02.2029	1,025	-
Fixed 4.5%	500	EUR	27.03.2024	27.03.2028	2,201	-
Fixed 4.5%	500	EUR	18.06.2024	18.06.2029	2,175	-
Fixed 3.875%	750	EUR	12.09.2024	12.09.2027	3,229	-
Subordinated liabilities					**4,291**	**2,774**
6M WIBOR +0.0155	1,700	PLN	28.08.2017	28.08.2027	1,743	1,748
6M WIBOR +0.0150	1,000	PLN	05.03.2018	06.03.2028	1,024	1,026
6M WIBOR +0.0220	1,500	PLN	16.10.2024	16.10.2029	1,524	-
Total					**16,290**	**6,195**

In 2024, the Bank made three bond issues in the Eurobond market of the amount EUR 1,750 million and two bond issues in the domestic market of the amount PLN 2,500 million, with one issue of PLN 1,500 million classified as subordinated liabilities (in 2023, one issue of EUR 750 million).

The bonds included in debt securities in issue are classified as eligible liabilities of the Bank within the meaning of Article 97a(1)(2) of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and resolution (MREL requirement).

The subordinated bonds were designated for increasing the Bank's supplementary funds upon the approval of the Polish Financial Supervision Authority (Tier 2). On 26 November 2024, the PFSA approved the classification of the subordinated capital bonds issued on 16 October 2024 as Tier II capital instruments of the Bank.

For details of the issues carried out by the Bank, see section 1.3 "Main events and financial results achieved in 2024" OF THE PKO BANK POLSKI S.A. GROUP DIRECTORS' REPORT FOR 2024.

PROJECTIONS OF THE DEVELOPMENT OF THE BANK'S FINANCIAL LIABILITIES 31.12.2024 (non-auditable data)	Projected value	Actual performance	Difference between projection and performance	percentage of total liabilities on the balance sheet* (projection)	percentage of total liabilities on the balance sheet* (performance)
Liabilities in respect of loans and advances	0	0	0	0%	0%
Liabilities in respect of debt securities in issue (including subordinated liabilities)	11,995	16,290	35.81%	2.80%	3.66%
Leases	1,024	1,112	8.59%	0.24%	0.25%
Value of financial liabilities	420,197	440,735	4.89%	N/A	N/A

* Total liabilities of the balance sheet is understood as the sum of liabilities excluding equity

The difference between the published projections of the development of financial liabilities in respect of debt securities issued at the end of 2024 for the Bank and the actual performance was 36%. The higher level of financial liabilities was due to the higher-than-originally-assumed nominal value of the issue resulting, among other things, from the increase in capital requirements related to the higher scale of business development as well as the entry into force of the CRR3 regulation as of 1 January 2025, the entry into force of the Regulation of the Minister of Finance of 18 September 2024 on the countercyclical buffer ratio and the WFD Recommendation on the Long-Term Funding Ratio.

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

35. INTANGIBLE ASSETS

SIGNIFICANT ACCOUNTING POLICIES:

SOFTWARE - Acquired computer software licenses are recognized in the amount of costs incurred on the purchase and preparation of the software for use, taking into consideration accumulated amortization and impairment losses.

GOODWILL – The Bank recognizes (since the legal merger with a subsidiary) goodwill related to the acquisition of this entity as intangible assets. Goodwill was recognized in the amount of excess of consideration paid over the value of the identifiable assets acquired and liabilities assumed, measured at fair value as at the acquisition date. Subsequent to the initial recognition goodwill is measured at the amount initially recognized less any accumulated impairment losses.

OTHER INTANGIBLE ASSETS – Other intangible assets acquired by the Bank are recognized at the cost of purchase or manufacture, less accumulated amortization and impairment losses.

DEVELOPMENT COSTS – The costs of completed development projects are classified as intangible assets in connection with the expected economic benefits to be obtained and meeting specific terms and conditions, i.e. if there is a possibility and intention to complete and use the internally generated intangible asset, there are appropriate technical and financial resources to complete the development and to use the asset and it is possible to reliably measure the expenditure incurred during its development which can be directly attributed to generating the intangible asset.

Right-of-use assets are presented in the same items in which the underlying assets would be presented, if they were owned by the Bank.

The Bank uses cloud-based software. In each case, the Bank assesses the possession of real control over this asset, including the fulfilment of the following conditions: having a contractual right to take ownership of the software during the period of use in the cloud without incurring significant penalties, i.e.:

- the possibility of purchasing from a software supplier without incurring significant costs, and
- the ability to use the software independently without significantly reducing the usefulness or value of the software,
- the possibility of running the software on own hardware or entering into an agreement with another party not related to the supplier to use the software.

Based on the above criteria, the Bank classifies part of the software as an intangible asset and part as a service, with the costs recognized in operating expenses.

RELATED NOTES:

- Useful lives – note “Administrative expenses”;
- Impairment losses – note “Net impairment losses on non-financial assets”

(IN PLN MILLION)

FINANCIAL INFORMATION

INTANGIBLE ASSETS 2024	Software	Goodwill	Customer relations	Other, including capital expenditure	of which: software	Total
Gross carrying amount at the beginning of the period	**6,893**	**872**	**86**	**686**	**628**	**8,537**
Purchase	-	-	-	705	704	705
Transfers from capital expenditure	764	-	-	(764)	(764)	-
Scrapping and sale	(98)	-	(86)	(8)	-	(192)
Other	21	-	-	52	52	73
Gross carrying amount at the end of the period	**7,580**	**872**	**-**	**671**	**620**	**9,123**
Accumulated amortization as at the beginning of the period	**(4,977)**	**-**	**(85)**	**(54)**	**-**	**(5,116)**
Amortization charge for the period	(579)	-	(1)	(2)	-	(582)
Scrapping and sale	98	-	86	8	-	192
Other	(5)	-	-	-	-	(5)
Accumulated amortization as at the end of the period	**(5,463)**	**-**	**-**	**(48)**	**-**	**(5,511)**
Impairment losses as at the beginning of the period	**(16)**	**(117)**	**-**	**-**	**-**	**(133)**
Impairment losses as at the end of the period	**(16)**	**(117)**	**-**	**-**	**-**	**(133)**
Carrying amount as at the beginning of the period, net	1,900	755	1	632	628	3,288
Carrying amount as at the end of the period, net	2,101	755	-	623	620	3,479

INTANGIBLE ASSETS 2023	Software	Goodwill	Customer relations	Other, including capital expenditure	of which: software	Total
Gross carrying amount at the beginning of the period	**6,074**	**872**	**87**	**659**	**602**	**7,692**
Purchase	-	-	-	796	796	796
Transfers from capital expenditure	812	-	-	(812)	(812)	-
Scrapping and sale	(19)	-	-	-	-	(19)
Other	26	-	(1)	43	42	68
Gross carrying amount at the end of the period	**6,893**	**872**	**86**	**686**	**628**	**8,537**
Accumulated amortization as at the beginning of the period	**(4,490)**	**-**	**(84)**	**(53)**	**-**	**(4,627)**
Amortization charge for the period	(504)	-	(2)	(1)	-	(507)
Scrapping and sale	18	-	-	-	-	18
Other	(1)	-	1	-	-	-
Accumulated amortization as at the end of the period	**(4,977)**	**-**	**(85)**	**(54)**	**-**	**(5,116)**
Impairment losses as at the beginning of the period	**(15)**	**(117)**	**-**	**-**	**-**	**(132)**
Recognized during the period	(1)	-	-	-	-	(1)
Impairment losses as at the end of the period	**(16)**	**(117)**	**-**	**-**	**-**	**(133)**
Carrying amount as at the beginning of the period, net	1,569	755	3	606	602	2,933
Carrying amount as at the end of the period, net	1,900	755	1	632	628	3,288

From the Bank's perspective, expenditure incurred on the Integrated Information System (IIS) is a significant item of intangible assets. The total capital expenditure incurred on the IIS in 2007–2024 was PLN 1,345 million (PLN 1,272 million in 2007-2023). The net carrying amount of the Integrated Information System (IIS) as at 31 December 2024 was PLN 657 million (PLN 624 million as at 31 December 2023).

(IN PLN MILLION)

The expected useful life of the system is 25 years. As at 31 December 2024, its remaining useful life is 7 years.

- **GOODWILL**

Net goodwill	31.12.2024	31.12.2023
Nordea Bank Polska S.A.	747	747
Assets taken over from CFP sp. z o.o.	8	8
TOTAL	755	755

The Bank performs impairment tests of goodwill on acquisition of Nordea Bank Polska S.A. based on a discounted dividend model, by comparing the carrying amount of cash-generating units ("CGUs") with their recoverable value. The residual value of a retail CGU has been calculated by extrapolating the cash flow projections beyond the projection period using the growth rate adopted at a level of 2.8%. Cash flow projections used in the impairment test covered a period of 10 years and are based on the assumptions included in the financial plan of the Bank for 2025. A discount rate of 11.37%, taking into account the risk-free rate and risk premium, was used for the discounting of the future cash flows. At the time of the acquisition, two cash-generating units ("CGUs") were distinguished to which the goodwill arising from the acquisition of Nordea Bank Polska S.A. was allocated – retail and corporate CGUs, corresponding to the operating segments. In 2020, the Bank wrote down the goodwill attributable to the corporate CGU of PLN 117 million to zero. Goodwill of Nordea Bank Polska S.A. of PLN 747 million belongs to the retail segment. As at 31 December 2024 and 31 December 2023, the Bank performed an impairment test in respect of goodwill on the acquisition of Nordea Bank Polska S.A. assigned to the retail CGU. The test did not identify impairment.

36. PROPERTY, PLANT AND EQUIPMENT

SIGNIFICANT ACCOUNTING POLICIES:

PROPERTY, PLANT AND EQUIPMENT – are measured at the cost of purchase or manufacture, less accumulated depreciation and impairment losses. Property, plant and equipment comprises controlled fixed assets and capital expenditure for their construction. Fixed assets include items of property, plant and equipment with a useful life of more than one year, which are used for own purposes or for handing over to others for use under a lease agreement.

CAPITAL EXPENDITURE – The carrying amount of property, plant and equipment items is increased by additional capital expenditure incurred during their use, provided that they satisfy the criteria for classification to fixed assets.

Right-of-use assets are presented in the same items in which the underlying assets would be presented, if they were owned by the Bank.

RELATED NOTES:

- Useful lives – note "Administrative expenses";
- Impairment losses – note "Net impairment losses on non-financial assets"
- Right-of-use assets – note "Leases"

(IN PLN MILLION)

Bank Polski

FINANCIAL INFORMATION

PROPERTY, PLANT AND EQUIPMENT 2024	Land and buildings	Machinery and equipment, including computer hardware	Fixed assets under construction	Other, including vehicles	Total
Gross carrying amount at the beginning of the period	**4,195**	**1,697**	**286**	**697**	**6,875**
Purchase, including modifications	304	-	339	29	**672**
Transfers from capital expenditure	55	146	(296)	95	-
Scrapping and sale	(26)	(112)	-	(44)	**(182)**
Other	(47)	(7)	(10)	-	**(64)**
Gross carrying amount at the end of the period	**4,481**	**1,724**	**319**	**777**	**7,301**
Accumulated amortization as at the beginning of the period	**(2,179)**	**(1,329)**	-	**(508)**	**(4,016)**
Amortization charge for the period	(302)	(137)	-	(56)	**(495)**
Scrapping and sale	21	110	-	44	**175**
Other	23	7	-	1	**31**
Accumulated amortization as at the end of the period	**(2,437)**	**(1,349)**	-	**(519)**	**(4,305)**
Impairment losses as at the beginning of the period	**(124)**	**(4)**	-	-	**(128)**
Recognized during the period	(17)	(1)	-	-	**(18)**
Other	6	-	-	-	**6**
Impairment losses as at the end of the period	**(135)**	**(5)**	-	-	**(140)**
Carrying amount as at the beginning of the period, net	**1,892**	**364**	**286**	**189**	**2,731**
Carrying amount as at the end of the period, net	**1,909**	**370**	**319**	**258**	**2,856**

PROPERTY, PLANT AND EQUIPMENT 2023	Land and buildings	Machinery and equipment, including computer hardware	Fixed assets under construction	Other, including vehicles	Total
Gross carrying amount at the beginning of the period	**3,827**	**1,620**	**155**	**674**	**6,276**
Purchase, including modifications	414	-	338	14	**766**
Transfers from capital expenditure	38	137	(205)	30	-
Scrapping and sale	(37)	(55)	-	(25)	**(117)**
Other	(47)	(5)	(2)	4	**(50)**
Gross carrying amount at the end of the period	**4,195**	**1,697**	**286**	**697**	**6,875**
Accumulated amortization as at the beginning of the period	**(1,941)**	**(1,254)**	-	**(482)**	**(3,677)**
Amortization charge for the period	(288)	(136)	-	(49)	**(473)**
Scrapping and sale	28	55	-	25	**108**
Other	22	6	-	(2)	**26**
Accumulated amortization as at the end of the period	**(2,179)**	**(1,329)**	-	**(508)**	**(4,016)**
Impairment losses as at the beginning of the period	**(93)**	**(1)**	-	-	**(94)**
Recognized during the period	(38)	(4)	-	-	**(42)**
Reversed during the period	1	-	-	-	**1**
Other	6	1	-	-	**7**
Impairment losses as at the end of the period	**(124)**	**(4)**	-	-	**(128)**
Carrying amount as at the beginning of the period, net	**1,793**	**365**	**155**	**192**	**2,505**
Carrying amount as at the end of the period, net	**1,892**	**364**	**286**	**189**	**2,731**

(IN PLN MILLION)

37. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

SIGNIFICANT ACCOUNTING POLICIES

Investments in subsidiaries, associates and joint ventures are measured at cost less impairment losses.

FINANCIAL INFORMATION

	31.12.2024			31.12.2023		
	Gross carrying amount	Impairment	Net carrying amount	Gross carrying amount	Impairment	Net carrying amount
SUBSIDIARIES						
PKO Bank Hipoteczny S.A.	1,650	-	1,650	1,650	-	1,650
KREDOBANK S.A.	1,072	(845)	227	1,072	(845)	227
PKO Leasing S.A.	496	-	496	496	-	496
PKO Życie Towarzystwo Ubezpieczeń S.A.	241	-	241	241	-	241
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	225	-	225	225	-	225
PKO VC - fizan[1]	200	-	200	200	-	200
PKO BP BANKOWY PTE S.A.	151	(37)	114	151	(37)	114
NEPTUN - fizan[1]	252	-	252	132	-	132
PKO Towarzystwo Ubezpieczeń S.A.	110	-	110	110	-	110
PKO Finance AB	24	-	24	24	-	24
PKO BP Finat sp. z o.o.	21	-	21	21	-	21
JOINT VENTURES						
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	197	-	197	197	-	197
Operator Chmury Krajowej sp. z o.o.	78	-	78	78	-	78
ASSOCIATES						
Bank Pocztowy S.A.	184	(184)	-	184	(184)	-
"Poznański Fundusz Poręczeń Kredytowych" sp. z o.o.	2	(2)	-	2	(2)	-
Total	**4,903**	**(1,068)**	**3,835**	**4,783**	**(1,068)**	**3,715**

[1] The Bank holds investment certificates of the Fund which allow it to control the Fund in accordance with IFRS.

The impairment loss test performed as at 31 December 2024 and 31 December 2023 did not indicate a need to change the impairment losses on investments in subsidiaries, associates and joint ventures.

The increase in the balance of investments in 2024 is due to the transfer of certificates of the Mercury - fiz an fund transferred to NEPTUN - fizan, which at 31 December 2023 were presented under "Non-current assets held for sale" (see note "CHANGES IN THE GROUP COMPANIES").

38. OTHER ASSETS

SIGNIFICANT ACCOUNTING POLICIES: "GENERAL SIGNIFICANT ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS".

OTHER FINANCIAL ASSETS recognized in this item are stated at amounts due, comprising also potential interest on such assets, taking into consideration provisions for expected credit losses.

OTHER NON-FINANCIAL ASSETS are measured in accordance with the valuation principles applicable to specific categories of assets recognized in this item.

(IN PLN MILLION)

FINANCIAL INFORMATION

For more information on other financial assets in terms of credit risk exposure, see note "CREDIT RISK – FINANCIAL INFORMATION".

OTHER ASSETS	31.12.2024	31.12.2023
Other financial assets	2,319	**1,309**
Settlements in respect of card transactions	1,533	480
Settlement of financial instruments	178	143
Receivables in respect of cash settlements	395	407
Receivables and settlements in respect of trading in securities	9	28
Dividends receivable	-	30
Sale of foreign currencies	92	-
Trade receivables	110	149
Other	2	72
Other non-financial assets	**585**	**557**
Inventories	18	19
Receivables from subsidiaries belonging to the Tax Group	145	34
Assets for sale	28	59
Prepayments and deferred costs	107	111
Receivables from customers for whom the agreements have been legally declared invalid in respect of the principal originally disbursed to these customers.	129	217
Other	158	117
Total	**2,904**	**1,866**

OTHER FINANCIAL ASSETS (carrying amount)	31.12.2024	31.12.2023
current	2,319	1,273
non-current	-	36
Total	**2,319**	**1,309**

- **OTHER NON-FINANCIAL ASSETS**

OTHER NON-FINANCIAL ASSETS	31.12.2024	31.12.2023
Gross amount	1,214	835
Odpisy[1]	(629)	(278)
Net carrying amount	**585**	**557**

[1] In 2024, the Bank recognized an impairment loss on other non-financial assets of PLN 326 million relating to receivables from customers for whom the agreements have been legally declared invalid in respect of the principal originally disbursed to these customers (see note "Net impairment losses on non-financial assets").

39. OTHER LIABILITIES

SIGNIFICANT ACCOUNTING POLICIES: "GENERAL SIGNIFICANT ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS".

OTHER FINANCIAL LIABILITIES included in this item are measured at amounts due which cover potential interest on the liabilities, and the accrual for future payments in reliably estimated, justified amounts necessary to meet the present obligation as at the end of the reporting period.

OTHER NON-FINANCIAL LIABILITIES are measured in accordance with the measurement policies binding for particular types of liabilities recognized in this item. The provision for accrued holiday entitlements is recognized at the amount of expected inflows of cash, excluding discounting, based on the number of days of holiday remaining to be utilized by the Bank's employees and average monthly salary.

(IN PLN MILLION)

FINANCIAL INFORMATION

OTHER LIABILITIES	31.12.2024	31.12.2023
Other financial liabilities	**3,911**	**5,342**
Costs to be paid	252	264
Interbank settlements	520	1,011
Liabilities arising from investing activities and internal operations	249	395
Amounts due to suppliers	187	93
Liabilities and settlements in respect of trading in securities	505	744
Settlement of financial instruments	22	69
Liabilities in respect of foreign exchange activities	746	721
Liabilities in respect of payment cards	305	979
Lease liabilities	1,112	1,034
Other	13	32
Other non-financial liabilities	**3,399**	**5,008**
Deferred income	698	669
Dividend payable to shareholders	-	1,600
Liabilities to subsidiaries belonging to the Tax Group	-	18
Liability in respect of tax on certain financial institutions	106	105
Liabilities in respect of a contribution to the BFG maintained in the form of payment obligations	896	818
to the Resolution Fund	510	432
to the Bank Guarantee Fund	386	386
Liabilities under the public law	563	992
Commitments relating to the reimbursement of principal and interest instalments paid by customers on invalidated mortgage loan agreements in convertible currencies	396	165
Provision for accrued holiday entitlements	122	115
Provision for other employee benefits	503	347
Other	115	179
Total	**7,310**	**10,350**

The item “Liabilities in respect of contributions to the Bank Guarantee Fund” includes an obligation to pay contributions to the BGF (see note “Assets pledged to secure liabilities and financial assets transferred”).

OTHER FINANCIAL LIABILITIES (Carrying amount)	31.12.2024	31.12.2023
current	3,039	4,550
non-current	872	792
Total	**3,911**	**5,342**

40. PROVISIONS

SIGNIFICANT ACCOUNTING POLICIES:

- **PROVISIONS FOR FINANCIAL LIABILITIES AND GUARANTEES GRANTED**

The provision for financial liabilities and guarantees is established at the amount of the expected credit losses (for details please see the note "Net expected credit losses").

In the portfolio analysis, when determining provisions, portfolio parameters estimated using statistical methods are used, based on historical observations of exposures with the same characteristics, the parameters which define a marginal probability of evidence of impairment, the average utilization of an off-balance sheet liability and the level of anticipated loss in the event of impairment in subsequent months in the period from the reporting date to the horizon of the calculation of the anticipated loss.

With regard to exposures which are material on an individual basis, and are subject to assessment, the provision is determined on a case by case basis – as the difference between the expected amount of the balance sheet exposure which will arise as a result of an off-balance sheet liability at the date of impairment, and the present value of the expected future cash flows obtained from the exposure.

- **PROVISIONS FOR LEGAL CLAIMS, EXCLUDING LEGAL CLAIMS RELATING TO MORTGAGE LOANS IN CONVERTIBLE CURRENCIES**

The provisions for legal claims include disputes with counterparties, customers and external institutions (e.g. UOKiK), and are created based on an evaluation of the probability of a court case being lost by the Bank and the expected amount of payment (litigation pending has been discussed in the detail in the note "Legal claims"). Provisions for legal claims are recognized in the amount of expected outflow of economic benefits.

- **PROVISIONS FOR POTENTIAL LEGAL CLAIMS AGAINST THE BANK RELATING TO MORTGAGE LOANS IN CONVERTIBLE CURRENCIES**

The provisions are described in the note "Cost of the legal risk of mortgage loans in convertible currencies".

- **PROVISIONS FOR REFUNDS OF COSTS TO THE CUSTOMERS ON EARLY REPAYMENT OF CONSUMER LOANS**

The amount of the provision for refunds of costs to customers on early repayment of consumer loans is affected by the percentage of prepaid consumer loans, expected amount of consumer claims referring to refunds of loan costs prepaid before the balance sheet data and the average amount of the refund. The expected amount of consumer claims and the average amount of the refund are based on the historical data relating to the number of claims filed and the average amounts of the refunds to customers.

- **PROVISION FOR RETIREMENT BENEFITS AND OTHER DEFINED POST-EMPLOYMENT BENEFITS**

The provision for retirement and disability benefits resulting from the Labor Code is recognized individually for each employee on the basis of an actuarial valuation. The provision for employee benefits is determined on the basis of the Group's internal regulations. The Bank recognizes provisions for retirement and disability benefits in accordance with IAS 19 as a defined benefit plan. Valuation of the provision for employee benefits is performed using actuarial techniques and assumptions. The calculation of the provision includes all retirement and pension benefits expected to be paid in the future. The provision was recognized on the basis of a list of persons with all necessary employee information, in particular the length of their service, age and gender. The provisions calculated are equal to discounted future payments, taking into account staff turnover.

Actuarial gains and losses are recognized in full in other comprehensive income. At the same time, the Bank recognizes employment costs and net interest on the defined benefit obligation in the income statement.

- **OTHER PROVISIONS**

Other provisions mainly comprise a provision for donations to the PKO BP S.A. Foundation, and provisions for potential claims on the sale of impaired loans portfolios, details of which have been presented in the note "Sale of impaired loan portfolios".

Provisions for future payments are measured at reliably estimated, justified amounts necessary to meet the present obligation as at the end of the reporting period. All provisions are recognized in the profit and loss account, excluding actuarial gains and losses recognized in other comprehensive income.

(IN PLN MILLION)

If the effect of the time value of money is material, the amount of the provision is determined by discounting the estimated future cash flows to their present value, using the discount rate before tax which reflects the current market assessments of the time value of money and the potential risk related to a given obligation.

ESTIMATES AND JUDGMENTS:

The Bank updated its estimates of provisions for retirement benefits and other liabilities in respect of defined post-employment benefit plans using an external independent actuary's calculations.

COMPONENTS AFFECTING THE PROVISION AMOUNT:	31.12.2024	31.12.2023
financial discount rate adopted	5.85	5.20
weighted average ratio of employee mobility	8.94	9.33
average remaining period of service in years	7.51	7.45
10-year average assumed annual increase in the basis calculation of retirement benefits	2.69	2.83

The impact of the increase/decrease in the financial discount rate and of the planned increases of 1 p.p. in the provision base on the decrease/increase in the value of the provision for retirement benefits and other defined benefit post- employment plans is presented in the table below:

ESTIMATED CHANGE IN PROVISION for retirement benefits and other defined post-employment benefits	31.12.2024		31.12.2023	
	+1pp scenario	-1pp scenario	+1pp scenario	-1pp scenario
Discount rate	(4)	5	(4)	5
Planned increases in base amounts	6	(5)	6	(5)

(IN PLN MILLION)

FOR THE YEAR ENDED 31.12.2024	Provisions for financial liabilities and guarantees granted[1]	Provisions for legal claims, excluding legal claims relating to mortgage loans in convertible currencies	Provisions for legal claims against the bank relating to mortgage loans in convertible currencies[2,3]	Provisions for refunds of costs to customers on early repayment of consumer and mortgage loans	Provisions for retirement benefits and other defined post-employment benefits	Restructuring	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	**748**	**107**	**3,001**	**8**	**69**	**29**	**42**	**4,004**
Increases, including increases of existing provisions	-	22	4,266	5	12	-	46	4,351
Utilized amounts	-	(5)	(956)	(8)	(4)	(6)	(29)	(1,008)
Unused provisions reversed during the period	(126)	(11)	-	-	(1)	-	(2)	(140)
Other changes and reclassifications	(1)	-	(578)	-	-	-	-	(579)
As at the end of the period	621	113	5,733	5	76	23	57	6,628
Short-term provisions	467	-	-	5	15	23	41	510
Long-term provisions	154	113	5,733	-	61	-	16	6,118

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

[2] See note “COST OF LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES”.

[3] The value of PLN 580 million in the line “other changes and reclassifications” in the column “Provisions for legal claims against the Bank relating to mortgage loans in convertible currency” relates to the reclassification (allocation) of the provision for legal risk of mortgage loans to loans and advances to customers (retail and private banking real estate loans) as a deduction from their gross carrying amount.

(IN PLN MILLION)

Bank Polski

FOR THE YEAR ENDED 31.12.2023	Provisions for financial liabilities and guarantees granted[1]	Provisions for legal claims, excluding legal claims relating to 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 retirement benefits and other defined post-employment benefits	Restructuring	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	**829**	**97**	**851**	**17**	**64**	**35**	**58**	**1,951**
Increases, including increases of existing provisions	-	15	2,384	-	13	-	27	2,439
Utilized amounts	-	(2)	(234)	(9)	(6)	(6)	(39)	(296)
Unused provisions reversed during the period	(73)	(3)	-	-	(2)	-	(4)	(82)
Other changes and reclassifications	(8)	-	-	-	-	-	-	(8)
As at the end of the period	748	107	3,001	8	69	29	42	4,004
Short-term provisions	592	-	-	8	13	29	-	642
Long-term provisions	156	107	3,001	-	56	-	42	3,362

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

[2] See note "COST OF LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES".

Provisions for disability and retirement benefits(actuarial provision)	2024	2023
Liability at the beginning of the period	67	61
Current service cost	3	2
Interest expense	4	4
Actuarial (gains) and losses recognized in other comprehensive income	2	4
Benefits paid	(3)	(4)
Liability at the end of the period (net)	73	67

Breakdown of actuarial gains and losses (actuarial provision)	Total amount of provisions	
	2024	2023
Change in financial assumptions	(6)	7
Change in demographic assumptions	1	1
Other changes	7	(4)
Total actuarial (gains) and losses	2	4

(IN PLN MILLION)

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

SIGNIFICANT ACCOUNTING POLICIES:

For the principles of recognizing provisions for off-balance sheet commitments granted, see the note "Provisions".

Upon initial recognition financial guarantee agreements are stated at fair value. In subsequent periods, as at the balance sheet date, financial guarantees are measured at the higher of:

- allowances for expected credit losses; or
- the amount of commission recognized initially, less accumulated amortization in accordance with IFRS 15.

FINANCIAL INFORMATION

- **CONTRACTUAL COMMITMENTS**

VALUE OF CONTRACTUAL COMMITMENTS CONCERNING	31.12.2024	31.12.2023
intangible assets	58	71
property, plant and equipment	34	32
Total	92	103

- **FINANCIAL AND GUARANTEE COMMITMENTS GRANTED**

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

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2024	Notional amount	Provisions per IFRS 9	Value less provisions
Credit lines and limits	87,483	(544)	86,939
real estate	6,716	(30)	6,686
business	69,027	(402)	68,625
consumer	11,740	(112)	11,628
Other	3,940	-	3,940
Total financial commitments granted, including:	91,423	(544)	90,879
irrevocable commitments granted	41,536	(306)	41,230
guarantees in domestic and foreign trading	11,822	(74)	11,748
to financial entities	4,116	(1)	4,115
to non-financial entities	7,676	(73)	7,603
to state budget entities	30	-	30
domestic corporate bonds (to financial entities)	1,000	-	1,000
domestic municipal bonds (state budget entities)	138	-	138
letters of credit	1,488	(3)	1,485
to financial entities	31	-	31
to non-financial entities	1,457	(3)	1,454
payment guarantees to financial entities	93	-	93
Total guarantees and sureties granted, including:	14,541	(77)	14,464
irrevocable commitments granted	8,224	(72)	8,152
performance guarantee	3,788	(46)	3,742
Total financial and guarantee commitments granted	105,964	(621)	105,343

(IN PLN MILLION)

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2023	Notional amount	Provisions per IFRS 9	Value less provisions
Credit lines and limits	**82,295**	**(639)**	**81,656**
real estate	6,807	(20)	6,787
business	64,767	(497)	64,270
consumer	10,721	(122)	10,599
Other	**3,884**	-	**3,884**
Total financial commitments granted, including:	**86,179**	**(639)**	**85,540**
irrevocable commitments granted	39,995	(415)	**39,580**
guarantees in domestic and foreign trading	12,241	(106)	12,135
to financial entities	4,416	-	4,416
to non-financial entities	7,751	(106)	7,645
to state budget entities	74	-	74
domestic corporate bonds (financial entities)	1,000	-	1,000
domestic municipal bonds (state budget entities)	243	-	243
Letters of credit:	1,277	(3)	1,274
to financial entities	30	-	30
to non-financial entities	1,247	(3)	1,244
payment guarantees to financial entities	116	-	116
Total guarantees and sureties granted, including:	**14,877**	**(109)**	**14,768**
irrevocable commitments granted	8,194	(94)	8,100
performance guarantee	3,592	(57)	3,535
Total financial and guarantee commitments granted	**101,056**	**(748)**	**100,308**

- NOMINAL VALUE OF COMMITMENTS GRANTED BY MATURITY

COMMITMENTS GRANTED BY MATURITY AS AT 31.12.2024	up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Total
commitments granted - financial	16,879	5,663	27,955	28,956	11,970	91,423
commitments granted - guarantees and sureties	770	1,080	3,496	6,779	2,416	14,541
Total	**17,649**	**6,743**	**31,451**	**35,735**	**14,386**	**105,964**

COMMITMENTS GRANTED BY MATURITY AS AT 31.12.2023	up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Total
commitments granted - financial	16,070	4,568	30,364	23,234	11,943	86,179
commitments granted - guarantees and sureties	878	1,406	3,598	5,741	3,254	14,877
Total	**16,948**	**5,974**	**33,962**	**28,975**	**15,197**	**101,056**

- OFF-BALANCE SHEET LIABILITIES RECEIVED

OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE	31.12.2024	31.12.2023
Financial	106	132
Guarantees	20,123	18,134
Total	**20,229**	**18,266**

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

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

42. LEGAL CLAIMS

As at 31 December 2024, the total value of the subject matter of litigation in court proceedings (trials) pending in which PKO Bank Polski S.A. is a defendant amounted to PLN 15,526 million (as at 31 December 2023: PLN 13,061 million), and the total value of the subject matter of litigation in court proceedings (trials) pending in which the Bank was a claimant as at 31 December 2024 was PLN 6,834 million (as at 31 December 2023: PLN 4,063 million).

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

As at 31 December 2024, 36,004 on court proceedings were pending against the Bank (as at 31 December 2023: 30,498) relating to mortgage loans granted in previous years in foreign currency with a total value in dispute of PLN 14,764 million (as at 31 December 2023: PLN 11,948 million), including one group proceeding with 47 loan agreements. The subject matter of the Bank's customers' actions are mainly claims for declaration of invalidity of an agreement or for payment of amounts paid by the customer to the Bank in performance of an invalid agreement. Customers allege abusive provisions and/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 Bank 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 31 December 2024, 6,223 final rulings have been issued by the courts in cases against the Bank. These rulings are overwhelmingly in favour of borrowers.

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 legal issues concerning the subject of loans denominated and indexed in foreign currencies: On 25 April 2024, the Supreme Court, sitting as the full Civil Chamber, issued a resolution which reads:

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, in the current legal state it cannot be assumed that another method of determining the foreign currency exchange rate resulting from law or custom takes its place.
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 or denominated in foreign currency, the remainder of the agreement is also not binding.
3. Where, in the performance of a loan agreement which is not binding due to the illicit nature of its terms, the bank has disbursed to the borrower all or part of the amount of the loan and the borrower has made repayments of the loan, independent claims for the repayment of the wrongful performance arise in favour of each party.
4. If a loan agreement is not binding due to the illicit nature of its provisions, the limitation period of the bank's claim for repayment of amounts disbursed under the loan begins to run, in principle, from the day following the day on which the borrower challenged the fact of being bound by the provisions of the agreement against the bank.

5. If a loan agreement is not binding due to the illicit nature of its terms, there is no legal basis for either party to claim interest or other consideration for the use of its funds during the period from the time the wrongful performance was made until it falls into arrears as to the repayment of that performance.

Pursuant to Article 87 § 1 of the Supreme Court Act, the resolution has the force of law and is binding on all panels of the Supreme Court. The resolution passed with a majority vote.

Bearing in mind the content of the aforementioned resolution of the Supreme Court, as well as the content of the resolution of the Supreme Court of 7 May 2021 (ref. III CZP 6/21), the Bank filed lawsuits against customers whose agreements had been validly invalidated, or whose lawsuits, summonses for payment, other out-of-court appearances against the Bank based on the premise of invalidity had been served before 31 December 2021. Bearing in mind the content of the CJEU rulings made, including in particular the CJEU judgment of 15 June 2023 in case C-520/21 and the CJEU order of 12 January 2024 in case C-488/23, the Bank limited its claims to the amounts disbursed in performance of the agreement and statutory default interest.

Between 2021 and 2024, the Bank filed 18,827 restitution lawsuits. The total value of the subject matter in pending and suspended restitution cases as at 31 December 2024 was PLN 5,693 million. In addition, the Bank submits restitution claims, as an alternative in the event that the agreement is declared invalid, in cases concerning payment under the foreign currency loan agreement (debt recovery cases).

The Regional Court of Warsaw, in a case brought by the Bank, referred a question to the CJEU in 2024, registered under reference C-753/24, which reads: Should Article 7(1) of Council Directive 93/13 and the principles of effectiveness, proportionality, legal certainty and access to justice be interpreted as meaning that they preclude national provisions which allow the domestic court, if so required by reasons of equity or the rules of social conduct, to grant a time-barred claim brought by a seller or supplier against a consumer for the recovery of sums wrongfully paid on the basis of an agreement which has become invalid because it contains unfair contractual terms? The referring court seeks to determine whether the Bank's time-barred claim against the consumer for repayment of the consideration paid in performance of an invalid agreement may be upheld if equitable considerations so require.

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

As at 31 December 2024, 302 court proceedings were pending against the Bank (as at 31 December 2023: 128 lawsuits), 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. As at 31 December 2024 and 2023, the Bank has not recognized a provision for this.

By order of 31 May 2024, in a case brought by a borrower against the Bank, the Regional Court of Częstochowa addressed the following questions to the CJEU pursuant to Article 267 of the Treaty on the Functioning of the European Union:

1. whether Article 1(2) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts must be interpreted as permitting an examination of contractual terms relating to variable interest rates on the basis of the WIBOR benchmark;
2. If the answer to the first question is in the affirmative, whether Article 4(2) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts is to be interpreted as permitting examination of contractual terms relating to variable interest rates on the basis of the WIBOR benchmark;
3. if the answer to the first and second questions is in the affirmative, whether Article 3(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts must be interpreted as meaning that contractual provisions concerning variable interest rates based on the WIBOR benchmark may be regarded as contrary to the requirements of good faith and as causing a significant imbalance in the contractual rights and obligations of the parties to the detriment of the consumer, by failing to inform the consumer adequately of the consumer's exposure to the risk of a variable interest rate, in particular by failing to indicate how the benchmark index, which is the basis for determining the variable interest rate, is determined and what uncertainties arise from its non-transparency, and by failing to distribute that risk between the contracting parties in an unequal manner;
4. If the answers to the previous questions are in the affirmative, whether Article 6(1), in conjunction with Article 3(1) and (2), second sentence, and Article 2 of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts is to be interpreted as meaning that, if a contractual provision concerning a variable interest rate based on the WIBOR benchmark index is found to be unfair, it is possible to continue with an agreement in which the interest rate on the principal amount of the loan is based on a second interest-rate component contained in the agreement, that is to say a fixed bank margin, which would cause the interest rate on the loan to change from a variable rate to a fixed rate.

The case was registered under case number C-471/24. The request giving rise to the proceedings has been served on the Bank by the CJEU. The Bank submitted a written position on this matter.

- **LITIGATION AGAINST THE BANK CONCERNING THE FREE CREDIT SANCTION**

As at 31 December 2024, there were 4,212 court proceedings pending against the Bank relating to the free credit sanction, with a total value in dispute of PLN 100 million (as at 31 December 2023, there were 1,159 proceedings with a total value in dispute of PLN 20.7 million). These proceedings are initiated by customers or entities that have acquired receivables from customers and relate to the provisions of cash loan agreements. The Bank disputes the validity of the claims raised in these cases. The case law to date is largely in favour of the Bank. As at 31 December 2024 and 2023, the Bank has not recognized a provision for this.

By order of 25 January 2024, in a case brought by a buyer of a claim against the Bank, the District Court for Warsaw-Śródmieście in Warsaw addressed the following questions to the CJEU pursuant to Article 267 of the Treaty on the Functioning of the European Union

1. Whether Article 22(2) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (OJ 2008 L 133, p. 66) is to be interpreted as precluding national legislation that allows a consumer to assign the rights conferred on him or her by the national legislation implementing the Directive to a third party who is not a consumer;
2. Whether Articles 6(1) and 7(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (consolidated version: OJ 1993 L 95, p. 29) it to be interpreted as meaning that the court's obligation to examine of its own motion the unfairness of a contractual term also applies to a term in a claim assignment agreement concluded between a consumer and a third party, if in the proceedings before the court the third party relies on that agreement as the basis for its standing to bring an action against the entrepreneur who was the consumer's original counterparty?

The proceedings are pending under case number C-80/24. By letter dated 3 June 2024, the Bank submitted its written position on the case to the CJEU. A public hearing has been scheduled for 30 April 2025, at which the Advocate General's opinion will be presented.

By order of 19 July 2024, in a case brought by a purchaser of debt claims against the Bank, the Regional Court in Poznań (ref. No: II Ca 825/24) decided to submit the following legal issue to the Supreme Court for resolution:

1. Whether the court, ex officio, is obliged to examine all the reasons justifying the application of the free credit sanction provided for in Article 45(1) of the Consumer Credit Act of 12 May 2011, including those not mentioned by the borrower in their written statement, or whether the court is bound in this respect by the content of the borrower's statement.
2. Whether the entitlement to submit a written statement that the borrower has availed themselves of the free credit sanction lapses – pursuant to Article 45(5) of the Consumer Credit Act of 12 May 2011 – one year after the date of execution of the agreement by the lender, or from the date of execution of the agreement by both parties, i.e. both the lender and the borrower.
3. Whether a finding that the provisions of a consumer loan agreement to which the provisions referred to in Article 45(1) of the Consumer Credit Act of 12 May 2011 apply are abusive and thus not binding on the borrower provides grounds for the application of the free credit sanction.
4. Whether, in light of the provisions of the Consumer Credit Act of 12 May 2011, it is permissible to stipulate in a consumer loan agreement an interest rate on the principal amount also in respect of that part of the loan granted which was used by the borrower to pay a commission, i.e. non-interest costs of the loan.
5. If the actual annual interest rate and the total amount payable by the consumer have been incorrectly calculated and indicated in the loan agreement, the sole reason for which is the inadmissible application of the interest rate to non-interest costs on the loan, whether such a failure gives rise to the free credit sanction under Article 45(1) of the Consumer Credit Act of 12 May 2011.

The Regional Court in Poznań is in the process of preparing the grounds for the order, and the case has not yet been referred to the Supreme Court.

By order of 19 November 2024, in a case brought by a consumer against the Bank, the District Court of Białystok addressed the following questions to the CJEU pursuant to Article 267 of the Treaty on the Functioning of the European Union:

1. Should Article 23 of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (OJ.UE.L.2008.133.66) be interpreted to mean that this Directive imposes an obligation on a national court, when hearing a case in which a consumer invokes the obligation incumbent on the creditor to return any sums overpaid as a result of the consumer making use of a penalty provided for under national law, based on the right to submit to the creditor a written declaration meaning that the consumer's obligations to pay interest on the capital and other credit costs cease, to examine ex officio whether the creditor infringed any provisions of national law other than those invoked by the consumer in the written declaration submitted to the creditor but whose infringement also entitles the consumer to make use of the aforesaid penalty?
2. Should Article 10(2)(r) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (OJ.UE.L.2008.133.66) be interpreted to mean that the requirement to specify in a clear manner the procedure for early repayment imposes on the creditor an obligation to draw up a description of the course of action in such a way that the consumer executing the agreement is able, without obtaining additional information from the creditor (or making additional arrangements with the latter), to establish step by step who is responsible for performing the actions involved in early repayment, how they should be performed and in what order, with a clear indication of the event that forms the final step in this procedure?
3. Should Article 23 of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (OJ.UE.L.2008.133.66) be interpreted to mean that a failure to fulfil the obligation to specify in a clear and concise manner the procedure for early repayment within the meaning of Article 10(2)(r) of this Directive always necessitates the application of penalties against the creditor, or can the application of penalties depend on the extent to which the relevant obligation has been infringed; in particular, is a decision to refrain from applying a penalty admissible in a situation where the procedure for early repayment was not outlined in full and this did not have a detrimental impact on the consumer's rights and obligations given the circumstances of the specific case?

The proceedings are pending under case number C-831/24. The request giving rise to the proceedings has not yet been served on the Bank by the CJEU.

In a case (concerning another bank) pending under ref. No C-472/23, the CJEU issued a ruling on 13 February 2025, stating that:

- the specification of an overstated APRC in a credit agreement, as a consequence of certain terms of that agreement being found to be unfair, does not in itself constitute an infringement of the obligation to provide information,
- the indication in a credit agreement of circumstances justifying an increase in charges, where a reasonably observant and circumspect consumer is not in a position to ascertain whether they have arisen and their effect, constitutes an infringement of the obligation to provide information, where it calls into question the possibility for the consumer to assess the extent of his or her liability,
- In the event of an infringement of the obligation to provide information, the bank may be deprived of its right to interest and charges, where that infringement affects the consumer's ability to assess the extent of his or her liability, with the verification falling within the competence of the national court.

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

The following proceedings initiated ex officio by the President of the OCCP are pending against the Bank:

1. PROCEEDINGS RELATING TO MODIFICATION CLAUSES

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 a letter dated 19 April 2024, the UOKiK requested the Bank to update certain information provided in response to the request of 30 December 2022. The UOKiK summons was implemented by letters dated 24 May 2024 and 27 June 2024. The current deadline for the conclusion of the proceedings, as indicated by the UOKiK, is 30 June 2025. As at 31 December 2024, the Bank had not set up a provision for these proceedings.

2. PROCEEDINGS IN RESPECT OF UNAUTHORIZED TRANSACTIONS

Proceedings initiated by decision of the President of UOKiK of 2 February 2024. The proceedings concern an allegation of the Bank's practices violating the collective interests of consumers consisting of:

- providing consumers - in responses to reports of unauthorized payment transactions - with information that the Bank has established the consumer's responsibility for the transaction reported, based on ascertaining that the authentication process performed was correct and referencing the provisions of the General Terms and Conditions of keeping bank accounts and providing services to individual customers by PKO Bank Polski S.A. regarding gross negligence and intent, without specifying to the consumer the factual basis for gross negligence or intent, and thus the presumption of gross negligence or intent without proving it, which misleads consumers about the entrepreneur's obligations under Article 45(2) of the Act on payment services with respect to the burden of proving gross negligence on the part of the consumer and the further pursuit of claims in this regard, which may constitute an unfair market practice and harm the collective interests of consumers,
- making a refund to a consumer who is a customer of the Bank of the amount of a payment transaction reported by that consumer as unauthorized, pending the Bank's investigation of the complaint, and thereafter, if the Bank finds, during the complaint procedure, that the transaction was authorized by the consumer or that the consumer is liable for an unauthorized payment transaction, withdrawing the conditional return and deducting that amount from the consumer's current account or credit card account, except where there is a simultaneous return of that amount to the consumer under the so-called chargeback mechanism, which may breach Article 46(1) of the Act on payment services and harm the collective interests of consumers.

By letter dated 27 March 2024, the Bank responded to the UOKiK's allegations, claiming that they were unfounded. By a letter dated 26 June 2024, the Bank expressed its willingness to engage in discussions with the UOKiK aimed at developing a solution that takes into account the interests of both the customers and the Bank. The current deadline for the conclusion of the proceedings, as indicated by the UOKiK, is 31 January 2025. As at 31 December 2024, the Bank had not set up a provision for these proceedings.

3. PROCEEDINGS REGARDING CLAUSES ON INTEREST RATE CHANGES

By a decision of 5 April 2024, the President of UOKiK initiated proceedings against the Bank to declare the provisions of the template as prohibited. The proceedings relate to clauses in the contractual templates used by the Bank, which allow the Bank to change the interest rate on the revolving limit in a situation of an increase or decrease, respectively:

- of any of the basic NBP interest rates set by the Monetary Policy Council, published on the NBP website, by at least 0.25 percentage points - the range of change is from 0.25 percentage points to three times the value by which the specific interest rate was changed,
- determined as the arithmetic mean of quotations for a calendar month, of any of the following benchmark rates for PLN deposits placed on the Polish interbank market: WIBOR 1M, WIBOR 3M, WIBOR 6M, WIBOR 9M, WIBOR 12M, published on the GPW Benchmark S.A. information website by at least 0.10 percentage points in any period within the last six months - the range of change is from 0.10 percentage points to three times the value by which a specific benchmark rate was changed.

UOKiK also challenges the clause allowing the Bank to change the interest rate within six months of the occurrence of the above-mentioned circumstances. By letter dated 29 May 2024, the Bank responded to the UOKiK's allegations, claiming that they were unfounded. Correspondence is ongoing with the UOKiK regarding the possibility of submitting a commitment. The current deadline for the conclusion of the proceedings, as indicated by the UOKiK, is 28 February 2025. As at 31 December 2024, the Bank 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:

1. **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 three 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. In a judgment of 10 October 2023, the Court of Competition and Consumer Protection overturned the decision of the UOKiK in its entirety. The ruling was appealed by the President of the UOKiK and the public prosecutor. In a judgment of 5 July 2024, the Court of Appeal in Warsaw amended the judgment of the Court of Competition and Consumer Protection and dismissed the Bank's appeal. The Bank submitted a request to suspend the enforceability of the judgment and decision of the UOKiK and, on 4 November 2024, filed a cassation complaint. By order of 12 July 2024, issued at the Bank's request, the Court of Appeal halted enforcement of the judgment and decision pending the outcome of the cassation proceedings. On 11 December 2024, the UOKiK's response to the cassation complaint was received. By a letter dated 14 February 2025, the Supreme Court notified the composition of the panel hearing the case and the assignment of the case reference number. At 31 December 2024, the Bank recognizes a provision for these proceedings of PLN 41 million (31 December 2023: PLN 41 million).

2. **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 recognized 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. At 31 December 2024, the Bank recognizes a provision for these proceedings of PLN 21 million (31 December 2023: PLN 21 million).

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

1) The PFSA is conducting proceedings to impose an administrative penalty on the Bank, which conducts brokerage activities through an organizationally 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. The deadline for the conclusion of the administrative proceedings has been set for 27 February 2025. As at 31 December 2024, the Bank has not recognized a provision for this.
2) The PFSA is conducting proceedings to impose a monetary penalty on the Bank pursuant to Article 176i(1)(4) of the Act of 29 July 2005 on trading in financial instruments, in connection with the Bank's suspected breach of the management and control requirements set out in Article 16 of 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 (OJ L. 2016 No 171, p. 1 as amended). By letter dated 19 January 2024, the PFSA informed that the administrative proceedings are expected to be completed in February 2025. As at 31 December 2024, the Bank has not recognized a provision for this.
3) The PFSA is conducting proceedings to impose an administrative sanction on the Bank under Article 3c of the Act on financial market supervision in connection with a suspected breach by the Bank of the requirements of Article 5(1) and 14 in conjunction with Article 4(1) and (3) and (4) and (5) of Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs). On 16 January 2025, the PFSA served notice to extend the deadline for the proceedings until 16 March 2025. As at 31 December 2024, the Bank has not recognized a provision for this.

- **OTHER PROCEEDINGS**

1. PROCEEDINGS BEFORE THE GENERAL INSPECTOR OF FINANCIAL INFORMATION (GIFI)

The GIFI is conducting administrative proceedings against the Bank for the imposition of an administrative penalty for failure to comply with its obligations under the Act of 1 March 2018 on the prevention of money laundering and terrorist financing (AML). The failure to comply with obligations was identified by the PFSA during an inspection conducted at the Bank from 22 December 2022 to 9 March 2023, covering: (a) the period from 13 July 2018 to 22 December 2022 with regard to the implementation of the obligation specified in Article 72 of the AML Act, (b) the period from 20 July 2021 to 22 December 2022 with regard to the implementation of the other obligations specified in the AML Act. The GIFI identified the Bank's failure to comply with the following obligations: (1) the application of financial security measures referred to in Articles 33 and 43 of the AML Act, (2) ensuring the participation of individuals performing AML-related duties in training programs referred to in Article 52 of the AML Act, (3) providing or making available information referred to in Articles 72 and 76 of the AML Act. By a letter dated 9 September 2024, the Bank responded to the GIFI's letter, requesting also to refrain from imposing an administrative penalty due to the corrective actions taken. On 11 December 2024, the Bank submitted a response to the GIFI's letter regarding the provision of explanations and supplements in the matter. By a decision dated 9 January 2025, the deadline for completing the proceedings was extended to 31 March 2025. As at 31 December 2024, the Bank has not recognized a provision for this.

2. PROCEEDINGS BEFORE THE HEAD OF THE CUSTOMS AND TAX OFFICE

The Head of the Mazovian Customs and Tax Office in Warsaw initiated proceedings to impose a financial penalty on the Bank in connection with the violation of Article 1(1) in connection with Article 2(1) of the Act on special solutions in the field of counteracting aggression in Ukraine and Article 1(1) of Council Regulation No 765/2006 of 18 May 2006 concerning restrictive measures in view of the situation in Belarus and Belarus' participation in Russia's aggression against Ukraine. By decision of the Head of the Mazovian Customs and Tax Office in Warsaw dated 23 December 2024, the deadline for resolving the case was set to 26 February 2025. As at 31 December 2024 the Group recognised a provision for these proceedings in the amount of PLN 2 million.

- **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 organizations. At present, the claims vis-à-vis the sued banks total PLN 832 million and are pursued as damages for differences in interchange fees resulting from applying practices that restrict competition, as well as capitalized statutory interest for delay. The Bank joined these proceedings as an outside intervener. 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 31 December 2024, five of these proceedings resulted in final judgments in favour of the defendants dismissing the plaintiffs' claims, save that one of them was a partial judgment and the remainder of the proceedings will be pursued by the Court of First Instance. However, a cassation appeal was filed by the plaintiff in one case. In one proceeding, a non-final judgment was issued dismissing the plaintiffs' claims. In two proceedings, the judgments have not yet been issued. In all cases where the claims have been dismissed in whole or in part, the statute of limitations objection has been upheld.

- **MEDIATION BEFORE AN ARBITRATION TRIBUNAL**

On 13 September 2024, the Bank entered into a settlement agreement with Polski Holding Nieruchomości (PHN) SPV 1 PHN SKYSAWA spółka z ograniczoną odpowiedzialnością S.K.A, ending the dispute arising from the execution of a lease agreement with the right of first refusal dated 24 January 2022 concerning a commercial and office complex at ul. Świętokrzyska 36 in Warsaw.

43. EQUITY AND SHAREHOLDING STRUCTURE OF THE BANK

SIGNIFICANT ACCOUNTING POLICIES:

Equity constitutes capital and reserves created in accordance with the legal regulations. The classification to particular components discussed below results from the Polish Commercial Companies Code, the Banking Law and the requirements of IAS 1. Selected equity components:

- Share capital is the capital of the parent, stated at the nominal value in accordance with the Articles of Association and entry in the Register of Businesses.
- Supplementary capital is created according to the Bank's Articles of Association of the Bank, from annual write-offs from net profit, made until this capital reaches at least one third of the share capital and is intended to cover balance sheet losses that may arise in connection with the Bank's operations. Supplementary capital may also be used for other purposes, in particular for increasing the share capital.
- General banking risk fund at PKO Bank Polski S.A. is created from net profit in accordance with the Banking Law, and it is to cover unidentified risks of the Bank's operations.
- Other reserves are created from the appropriation of net profit. Other reserves are intended to cover any potential balance-sheet losses or for other purposes, in particular for the payment of dividends, interim dividends or the purchase of own shares for cancellation.

(IN PLN MILLION)

FINANCIAL INFORMATION

- **SHAREHOLDING STRUCTURE OF THE BANK**

According to the information available as at 31 December 2024, the Bank's shareholding structure is as follows:

ENTITY NAME	number of shares	% of votes	Nominal value of 1 share	Ownership interest (%)
As at 31 December 2024				
State Treasury	367,918,980	29.43%	PLN 1	29.43%
Nationale Nederlanden Otwarty Fundusz Emerytalny[1]	98,669,361	7.89%	PLN 1	7.89%
Allianz Polska Otwarty Fundusz Emerytalny[1]	83,713,383	6.70%	PLN 1	6.70%
Other shareholders[2]	699,698,276	55.98%	PLN 1	55.98%
Total	**1,250,000,000**	**100%**	**---**	**100%**
As at 31 December 2023				
State Treasury	367,918,980	29.43%	PLN 1	29.43%
Nationale Nederlanden Otwarty Fundusz Emerytalny[1]	115,594,152	9.25%	PLN 1	9.25%
Allianz Polska Otwarty Fundusz Emerytalny[1]	101,787,594	8.14%	PLN 1	8.14%
Other shareholders[2]	664,699,274	53.18%	PLN 1	53.18%
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 Bloomberg.

[2] Including Bank Gospodarstwa Krajowego, which as at 31 December 2024 and 31 December 2023 held 24,487,297 shares carrying 1.96% of the votes at the GSM.

All shares of PKO Bank Polski S.A. carry the same rights and obligations. No shares are preference shares, in particular with respect to voting rights (one share carries one vote) or dividend. The Articles of Association of PKO Bank Polski S.A. limit the voting right of shareholders holding more than 10% of the total number of votes at the General Shareholders' Meeting and prohibit these shareholders from exercising more than 10% of the total number of votes at the General Shareholders' Meeting. The above restriction does not apply to:

- those shareholders who on the date of passing the resolution of the General Shareholders' Meeting introducing the limitation of the voting rights had rights from the shares representing more than 10% of the total number of votes in the Bank (i.e. the State Treasury and BGK);
- shareholders who have rights from A-series registered shares (the State Treasury);
- shareholders acting jointly with the shareholders referred to in the second bullet point based on agreements concluded concerning the joint execution of voting rights on shares. Moreover, limitations to the voting rights of the shareholders expire at the moment when the share of the State Treasury in the Bank's share capital drops below 5%.

In accordance with § 6 (2) of the PKO Bank Polski S.A.'s Articles of Association, the conversion of A-series registered shares into bearer shares and the transfer of these shares requires the approval of the Council of Ministers in the form of a resolution. Conversion into bearer shares or transfer of A-series registered shares, after obtaining the aforementioned approval, results in the expiry of the aforementioned restrictions in respect of shares subject to conversion into bearer shares or transfer, to the extent to which this approval was given.

Pursuant to Art. 13 (1) (26) of the Act dated 16 December 2016 on the rules for managing the State property, the shares of PKO Bank Polski S.A. owned by the State Treasury may not be sold (excluding statutory exceptions).

(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	Notional amount 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

The amount of the Bank's share capital did not change in 2024 and 2023. The issued shares of the Bank carry no preference and are fully paid-up.

FAIR VALUE OF FINANCIAL INSTRUMENTS

44. FAIR VALUE HIERARCHY

SIGNIFICANT ACCOUNTING POLICIES

Depending on the classification of financial assets and liabilities to a specific level of the hierarchy, different methods of fair value measurement are used.

LEVEL 1: PRICES QUOTED ON ACTIVE MARKETS

In this category, the Bank classifies financial and equity instruments for which there is an active market and for which the fair value is determined with reference to the market value, which is a bid price:

- Debt securities are valued at the prices from the "Treasury Bonds Fixing" organized by the National Bank of Poland (and published by Treasury BondSpot Poland), transaction quotations from the Bondspot platform, or valuations published by Bloomberg and the London Securities Exchange Group (if the valuations published by these services represent market quotes directly related to the specific debt security).
- debt and equity securities which are traded on regulated markets, including in the Biuro Maklerskie PKO BP portfolio;
- derivative instruments, which are traded on a regulated market.

LEVEL 2: VALUATION TECHNIQUES BASED ON OBSERVABLE MARKET DATA

In this category, the Bank classifies financial instruments for which there is no active market:

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	VALUATION METHOD (TECHNIQUE)	OBSERVABLE INPUTS
CIRS, IRS, FRA	Discounted cash flow valuation model	Yield curves built on market data: money market rates, FRA, IRS, OIS, basis swap
FX FORWARDS AND FX SWAPS	Discounted cash flow valuation model	Yield curves built on market data: exchange rates, swap points, basis swaps
CURRENCY OPTIONS	Valuation models specific for particular type of a foreign exchange option.	Yield curves built on market data: exchange rates, swap points, basis swaps; volatility surfaces for relevant currency pairs
INTEREST RATE OPTIONS	Valuation model for the respective foreign exchange option type	Yield curves built on market data: money market rates, FRA, IRS, OIS, basis swap, caplet/floorlet volatility surfaces for relevant tenors

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	VALUATION METHOD (TECHNIQUE)	OBSERVABLE INPUTS
EQUITY OPTIONS	Valuation model for the respective equity option type	Yield curves built on market data: money market rates, FRA, IRS, OIS, basis swap; volatility surfaces determined using a local volatility model based on prices and volatilities of the relevant underlying instruments
COMMODITY SWAPS, COMMODITY FORWARDS	Discounted cash flow valuation model	Yield curves built on market data: money market rates, FRA, IRS, OIS, basis swap; forward curves for relevant commodities constructed based on futures prices and forward exchange rates (i.e. determined based on exchange rates, swap points)
COMMODITY OPTIONS	Valuation model for the respective commodity option type	Yield curves built on market data: money market rates, IRS; volatility surfaces for relevant commodities
EQUITY SWAPS	Discounted cash flow valuation model	Yield curves built on market data: money market rates, FRA, IRS, OIS, basis swap; forward curves for relevant underlying instruments based on futures prices
MUNICIPAL BONDS (IN PLN) CORPORATE BONDS	Yield curve and risk margin model.	Yield curves are built based on market rates, money market data, IRS transactions market.
	Valuations published by informational services such as Bloomberg and the London Securities Exchange Group (if they are determined based on data related to comparable assets or liabilities).	Data concerning comparable assets or liabilities (which are not liquid quotes directly observable for the specific security), including: yields on government bonds, yields on comparable non-government bonds, money market rates, and interest rate swap rates.
NBP MONEY BILLS	Yield curve method	Yield curves built on money market and OIS transaction market data.

LEVEL 3: OTHER VALUATION TECHNIQUES

Financial assets and liabilities whose fair value is determined using valuation models for which input data is not based on observable market data (unobservable input data). In this category, the Bank classified financial instruments, which are measured using internal valuation models: The fair value of equity and debt securities classified as financial assets is determined by the organizational units of the Head Office responsible for them, including the Treasury Products Department, the Corporate Governance Department and the Brokerage Office.

In their internal regulations, these units specify the detailed measurement methods, including determination of the data sources used for measurement purposes and the method of performing the calculation.

The Credit Risk Department develops the assumptions of the fair value model for financial assets arising from loans and advances granted or other financing agreements being the substitute of loans. The Assets and Liabilities Management Committee approves the fair value model for loan exposures.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	VALUATION METHOD (TECHNIQUE)	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS	Discounted cash flow method.	Current margin on loans.
C-SERIES PREFERENCE SHARES OF VISA INC.	Estimation of the fair value based on the current market value of the listed ordinary shares of Visa Inc., including a discount which takes into account the limited liquidity of C-series shares and the terms and conditions of conversion of C-series shares into ordinary shares.	Discount taking into account the limited liquidity of C-series shares and the terms of converting the C-series shares into ordinary shares.
CORPORATE BONDS	Yield curve and risk margin model. Yield curves are built based on market rates, money market data and IRS transactions market data.	Credit spread (credit margins determined on the basis of initial margins modified by credit indices quotes ascribed to issuers based on their ratings and business sectors).
SHARES IN BIURO INFORMACJI KREDYTOWEJ S.A.	Estimation of the fair value based on the present value of projected results of the company	Projected results of the company. Discount rate.
SHARES IN POLSKI STANDARD PŁATNOŚCI SP. Z O.O.	Estimation of the fair value based on the present value of projected results of the company	Projected results of the company. Discount rate.
SHARES IN SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATI ON	Market value of the shares estimated by the company.	Market value estimated by the company. Discount rate.
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA	Estimation of the fair value based on the present value of projected results of the company	Projected results of the company. Discount rate.
SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA “INVEST-PARK” SP Z O.O.	Fair value determined by an appraiser using the net adjusted assets method.	Value of the company’s net assets.

(IN PLN MILLION)

FINANCIAL INFORMATION

ASSETS MEASURED AT FAIR VALUE 31.12.2024	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	344	-	344	-
Other derivative instruments	2,018	1	2,017	-
Securities	**95,263**	**72,920**	**21,701**	**642**
held for trading	**373**	**370**	**-**	**3**
debt securities	337	334	-	3
equity securities	36	36	-	-
not held for trading, measured at fair value through profit or loss	**715**	**310**	**1**	**404**
debt securities	389	289	-	100
equity securities	326	21	1	304
measured at fair value through other comprehensive income (debt securities)	**94,175**	**72,240**	**21,700**	**235**
Loans and advances to customers	**11,631**	**-**	**-**	**11,631**
not held for trading, measured at fair value through profit or loss	**2,166**	**-**	**-**	**2,166**
real estate loans	1	-	-	1
business loans	74	-	-	74
consumer loans	2,091	-	-	2,091
measured at fair value through other comprehensive income – housing loans	**9,465**	**-**	**-**	**9,465**
Total financial assets measured at fair value	109,256	72,921	24,062	12,273

ASSETS MEASURED AT FAIR VALUE 31.12.2023	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	265	-	265	-
Other derivative instruments	4,529	2	4,527	-
Securities	**105,705**	**59,924**	**45,155**	**626**
held for trading	**606**	**606**	**-**	**-**
debt securities	574	574	-	-
equity securities	32	32	-	-
not held for trading, measured at fair value through profit or loss	**678**	**320**	**1**	**357**
debt securities	342	296	-	46
equity securities	336	24	1	311
measured at fair value through other comprehensive income (debt securities)	**104,421**	**58,998**	**45,154**	**269**
Loans and advances to customers	**13,609**	**-**	**-**	**13,609**
not held for trading, measured at fair value through profit or loss	**2,858**	**-**	**-**	**2,858**
real estate loans	1	-	-	1
business loans	81	-	-	81
consumer loans	2,776	-	-	2,776
measured at fair value through other comprehensive income – housing loans	**10,751**	**-**	**-**	**10,751**
Total financial assets measured at fair value	124,108	59,926	49,947	14,235

(IN PLN MILLION)

LIABILITIES MEASURED AT FAIR VALUE 31.12.2024	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	302	-	302	-
Other derivative instruments	2,409	1	2,408	-
Liabilities in respect of a short position in securities	36	36	-	-
Total financial liabilities measured at fair value	**2,747**	**37**	**2,710**	**-**

LIABILITIES MEASURED AT FAIR VALUE 31.12.2023	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	352	-	352	-
Other derivative instruments	6,151	-	6,151	-
Liabilities in respect of a short position in securities	302	302	-	-
Total financial liabilities measured at fair value	**6,805**	**302**	**6,503**	**-**

IMPACT OF ESTIMATES ON FAIR VALUE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS	31.12.2024		31.12.2023	
	Fair value in		Fair value in	
	positive scenario	negative scenario	positive scenario	negative scenario
Shares in Visa Inc.[1]	56	52	86	77
Other equity investments[2]	262	237	238	215
Corporate bonds[3]	339	338	326	325
Loans and advances to customers[4]	12,212	11,049	14,212	12,924

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

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

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

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

RECONCILIATION OF CHANGES DURING THE REPORTING PERIOD TO FAIR VALUE AT LEVEL 3	2024	2023
Opening balance at the beginning of the period	**14,235**	**16,463**
Acquisition of equity instruments	1	-
Acquisition of corporate bonds	3	-
Redemption of corporate bonds	(36)	(366)
Granting and increase in exposure to loans and advances to customers	705	957
Repayment of loans and advances to customers	(2,082)	(2,228)
Sale	(401)	(325)
Derecognition of loans and advances to customers	(238)	(202)
Write-off of loans and advances to customers	(257)	(66)
Net gain/(loss) on financial instruments measured at fair value through profit or loss	58	16
Change in the valuation recognized in OCI	70	(20)
Other, including exchange difference[1]	215	6
Closing balance	**12,273**	**14,235**

[1] The item "Other, including exchange difference" includes a decrease due to conversion of Visa Inc. series C shares into Visa series A Preferred shares

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

For many financial instruments, the market values are unattainable hence the presented fair values are estimated with the use of an array of measurement techniques. All model calculations include certain simplifying assumptions and therefore are sensitive to those assumptions. For certain categories of financial instruments, it has been assumed that their carrying amount equals approximately their fair values, which is due to the lack of expected material differences between their carrying amount and fair value resulting from the features of these categories (such as short-term nature, high correlation with market parameters, the unique nature of the instrument).

ITEM	MAJOR METHODS AND ASSUMPTIONS USED WHEN ESTIMATING FAIR VALUES OF FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE
AMOUNTS DUE FROM AND TO BANKS	• interbank placements and deposits – the model based on expected cash flows discounted using the current interbank market rates; • interbank deposits and placements with maturities of up to 7 days or with variable interest, loans or advances granted and received on the interbank market with variable interest (with interest rate changes occurring every 3 months or less) – fair value equals the carrying amount.
SECURITIES	• treasury bonds – market quotations; • corporate bonds in PLN secured with the State Treasury guarantees - discounted cash flow method, calculated using yield curves, prices available from Bloomberg and LSEG (London Stock Exchange Group), • corporate and municipal bonds – discounted cash flow method, calculated using yield curves and credit margins
LOANS AND ADVANCES TO CUSTOMERS	• not impaired: the model based on estimating the present value of future cash flows by discounting cash flows using current interest rates; the model takes into account the credit risk margin and adjusted maturities derived from the loan agreements. The current level of margins was determined for transactions concluded in the last 6 months preceding the balance sheet date involving instruments with a similar credit risk profile. The current margin for loans in PLN adjusted for the cost of foreign currency acquisition in basis-swap transactions was applied to loans in foreign currencies. • impaired: fair values are equal to carrying amounts; • loans and advances to customers: a part of the housing loan portfolio (the "old" housing loan portfolio), loans and advances with no specific repayment schedule, loans and advances due as at the moment of valuation – fair values are equal to their carrying amounts.
AMOUNTS DUE TO CUSTOMERS	• deposits and other amounts due to customers other than banks, with fixed maturities: the model of expected cash flows discounted using current interest rates appropriate for the individual deposit products. The fair value is calculated for each deposit and liability, and then the fair values for the entire deposit portfolio are grouped by product type and by customer segment. • amounts due to customers: liabilities with no specific repayment schedule, other specific products for which no active market exists – fair values are equal to carrying amounts.
LIABILITIES IN RESPECT OF DEBT SECURITIES IN ISSUE	The model of expected cash flows discounted using the current interbank market rates and market quotations
SUBORDINATED LIABILITIES	The model of expected cash flows discounted based on yield curves
MORTGAGE COVERED BONDS	The discounted cash flow method, calculated using yields; prices provided by Bloomberg and LSEG (London Stock Exchange Group) information services.

(IN PLN MILLION)

In the case of cash in hand and balances at the Central Bank, liabilities to the Central Bank, and other financial assets and liabilities, the Bank assumes that the fair value is equal to their carrying amount.

31.12.2024	carrying amount	Level 1	Level 2	Level 3	Total fair value
Cash and balances with the Central Bank	23,263	3,696	19,567	-	23,263
Amounts due from banks	8,349	-	8,349	-	8,349
Securities (excluding adjustments relating to fair value hedge accounting)	**109,633**	**73,133**	**29,612**	**3,938**	**106,683**
treasury bonds (in PLN)	73,499	70,988	-	-	70,988
corporate bonds (in PLN) secured with the State Treasury guarantees	13,974	2,145	11,461	-	13,606
municipal bonds (in PLN)	10,399	-	10,432	-	10,432
corporate bonds (in PLN)	3,994	-	-	3,938	3,938
corporate bonds (in foreign currencies)	7,268	-	7,220	-	7,220
mortgage covered bonds	499	-	499	-	499
Reverse repo transactions	892	-	892	-	892
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**234,278**	**-**	**-**	**236,490**	**236,490**
real estate loans	96,759	-	-	95,728	95,728
business loans	103,209	-	-	104,833	104,833
consumer loans	34,310	-	-	35,929	35,929
Other financial assets	2,319	-	-	2,319	2,319
Amounts due to Central bank	11	-	11	-	11
Amounts due to banks	2,267	-	2,267	-	2,267
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**414,651**	**-**	**-**	**415,211**	**415,211**
amounts due to households	315,190	-	-	315,480	315,480
amounts due to business entities	77,831	-	-	77,831	77,831
amounts due to public sector	21,630	-	-	21,630	21,630
Liabilities in respect of debt securities in issue	11,999	-	12,180	-	12,180
Subordinated liabilities	4,291	-	4,335	-	4,335
Other financial liabilities	3,911	-	-	3,911	3,911

(IN PLN MILLION)

31.12.2023	carrying amount	Level 1	Level 2	Level 3	Total fair value
Cash and balances with the Central Bank	17,676	4,245	13,431	-	17,676
Amounts due from banks	15,815	-	15,815	-	15,815
Securities (excluding adjustments relating to fair value hedge accounting)	**85,755**	**55,675**	**23,804**	**2,285**	**81,764**
treasury bonds (in PLN)	58,803	55,675	-	-	55,675
corporate bonds (in PLN) secured with the State Treasury guarantees	13,619	-	12,868	-	12,868
municipal bonds (in PLN)	8,658	-	8,803	-	8,803
corporate bonds (in PLN)	2,413	-	-	2,285	2,285
corporate bonds (in foreign currencies)	2,262	-	2,133	-	2,133
Reverse repo transactions	372	-	372	-	372
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**210,063**	-	-	**213,070**	**213,070**
real estate loans	83,496	-	-	83,371	83,371
business loans	97,982	-	-	100,325	100,325
consumer loans	28,585	-	-	29,374	29,374
Other financial assets	1,309	-	-	1,309	1,309
Amounts due to Central bank	10	-	10	-	10
Amounts due to banks	2,953	-	2,953	-	2,953
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**393,862**	-	-	**394,232**	**394,232**
amounts due to households	304,152	-	-	304,523	304,523
amounts due to business entities	74,193	-	-	74,193	74,193
amounts due to public sector	15,517	-	-	15,516	15,516
Liabilities in respect of debt securities in issue	3,421	-	3,482	-	3,482
Subordinated liabilities	2,774	-	2,804	-	2,804
Other financial liabilities	5,342	-	-	5,342	5,342

RISK MANAGEMENT IN THE BANK

46. RISK MANAGEMENT IN THE BANK

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

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 adopted by the Bank, in a changing macroeconomic environment. The level of risk is an important part of the planning processes.

The Bank identifies risks 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 Bank: 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 Bank assesses the materiality of all the identified risks on a regular basis, at least annually.

The objective of the risk management is to strive to maintain the level of risk within the accepted tolerances in order to:

- protect shareholder value;
- protect customer deposits;
- support the Bank in conducting efficient operations.

Risk management at the Bank is based, in particular, on the following principles:

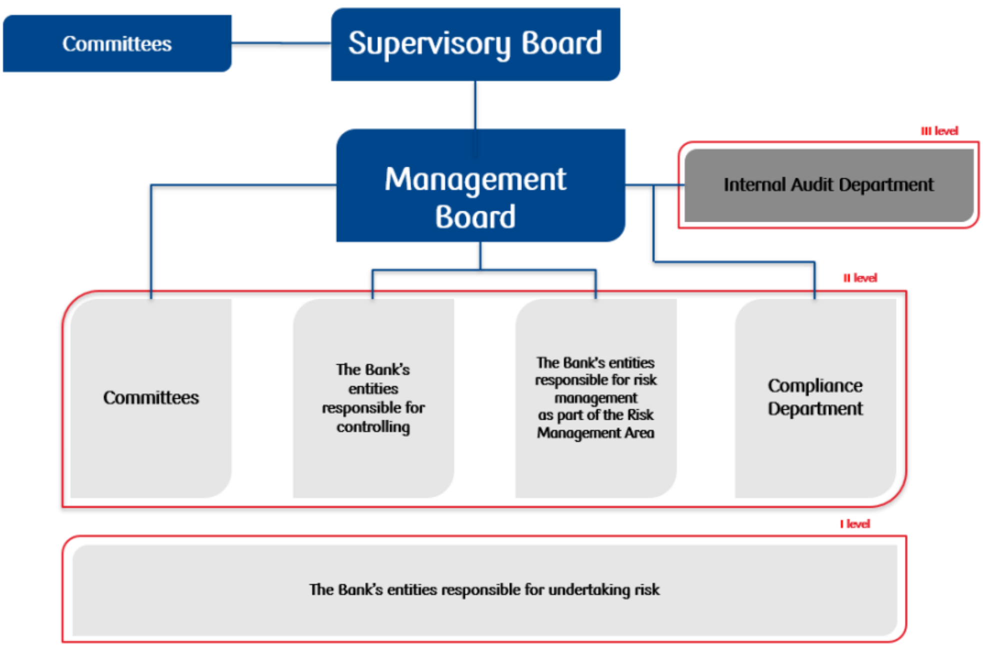
- the risk management covers all the risks identified;
- the risk management process is appropriate from the perspective of the scale of operations and materiality, scale and complexity of a given risk, and adjusted on an on-going basis to take account of the new risks and their sources;
- risk management methods (especially models and their assumptions) and risk measurement or assessment systems are tailored to the scale and complexity of individual risks, the current and planned operations of the Bank and its operating environment, and are periodically verified and validated;
- the risk management division remains organizationally independent of business activities;
- risk management is integrated into the planning and controlling systems;
- the risk management process supports the implementation of the Bank's strategy in compliance with the Risk Management Strategy, in particular with respect to the level of risk tolerance.

The process of risk management in the Bank consists of the following stages:

- risk identification,
- risk measurement and assessment,
- risk control,
- risk forecasting and monitoring,
- risk reporting,
- management actions.

The organization of risk management in PKO Bank Polski S.A. is presented in the diagram below:

Organizational structure of banking risk management



The risk management process is carried out at three independent but complementary levels:

A detailed description of the policies for managing significant types of risk and the specific actions taken by the Bank in risk management in 2024 is provided in the report Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Subject to Disclosure as at 31 December 2024 and The PKO Bank Polski S.A. Group Directors' Report prepared together with the Directors' Report of PKO Bank Polski S.A. for 2024

47. CREDIT RISK MANAGEMENT

Credit risk is defined as the risk losses being incurred as a result of a customer's default on its liabilities towards the Bank or the risk of a decrease in the economic value of amounts due to the Bank as a result of a deterioration in a customer's ability to repay the customers' liabilities.

The objective of credit risk management is to minimize losses on the loan portfolio as well as to minimize the risk of occurrence of loans at risk of impairment, while maintaining the expected level of profitability and value of the loan portfolio.

Within the structures of PKO Bank Polski S.A., there are organizational units in the risk management areas which are responsible, in particular, for:

- developing methodologies for credit risk assessment and recognition of provisions and allowances;
- control over and monitoring of credit risk in the lending process;
- quality and efficiency of the restructuring and debt collection processes;

The credit decision limits depend primarily on: the amount of the exposure to a given customer, the amount of an individual credit transaction and the duration of the lending period.

The credit decision-making process in the Bank is supported by credit committees, which are activated in the case of credit transactions that generate an increased level of credit risk.

The description of performing the estimates of expected credit losses is disclosed in the Note "NET ALLOWANCES FOR EXPECTED CREDIT LOSSES".

- **MEASUREMENT AND ASSESSMENT OF CREDIT RISK: CREDIT RISK MEASUREMENT AND ASSESSMENT METHODS**

In order to assess the level of credit risk and profitability of its loan portfolios, the Bank uses different credit risk measurement and valuation methods, including:

- probability of default (PD);
- loss given default (LGD);
- credit conversion factor (CCF);
- expected credit loss (ECL);
- credit value at risk (CVaR);
- the share and structure of impaired credit exposures;
- coverage ratio of impaired loans;
- cost of credit risk;
- stress testing.

The Bank systematically expands the scope of credit risk measures adopted, taking into account the requirements of the IRB method, and extends the use of risk measures to cover the entire loan portfolio of the Bank.

The portfolio credit risk measurement methods allow, among other things, to reflect the credit risk in the price of products, determine the best conditions of financing availability and determine the level of impairment allowances.

The Bank performs analyses and stress-tests relating to the impact of the potential changes in the macroeconomic environment on the quality of the Bank's loan portfolio, and the results of such analyses and stress tests are presented in reports to the Bank's governing bodies. Such information enables identification and implementation of the measures mitigating the negative effects of the impact of unfavorable market conditions on the Bank's profit or loss.

The credit risk assessment process at the Bank takes into account the requirements of the PFSA as laid down in the PFSA Recommendations.

- **MEASUREMENT AND ASSESSMENT OF CREDIT RISK: RATING AND SCORING METHODS**

The Bank assesses the risk of individual credit transactions with the use of scoring and rating methods. which are supported by dedicated IT applications. The functioning of these methods is supported by specialist IT applications.

The risk assessment method is defined in the Bank's internal regulations whose main aim is to ensure a uniform and objective evaluation of credit risk during the lending process.

The Bank evaluates the credit risk of retail customers in two dimensions: qualitative and quantitative borrowing capacity assessment. A quantitative creditworthiness assessment consists of examining a customer's financial position, and the qualitative risk assessment involves scoring and assessing a customer's credit history obtained from the Bank's internal records and external databases.

In the case of some corporate customers in the small- and medium-sized enterprises segment who meet certain criteria, the Bank assesses credit risk using the scoring method. Such assessment refers to low-value, non-complex loan transactions and it is performed in two dimensions: a customer's borrowing capacity and his creditworthiness. An assessment of the borrowing capacity consists of examining a customer's economic and financial position, and the assessment of creditworthiness involves scoring and evaluating the customer's credit history obtained from the Bank's internal records and external databases.

In other cases, the rating method is used for institutional customers.

An assessment of the credit risk associated with financing institutional customers is performed by the Bank in two dimensions: the customer and the transaction. The measures involved include an evaluation of a customer's creditworthiness, i.e. the rating, and an assessment of the transaction risk, i.e. the customer's ability to repay the amounts due at the amounts and dates specified.

Rating models for institutional customers are developed using the Bank's internal data, thus ensuring that they are tailored to the risk profiles of the Bank's customers. Models are based on a statistical dependence analysis between the default and a customer's risk scoring. The scoring includes an evaluation of financial ratios, qualitative factors and behavioral factors. A customer's risk assessment depends on the size of the assessed enterprise. In addition, the Bank applies a model for the assessment of credited entrepreneurs in the formula of specialized lending, which allows an adequate credit risk assessment of large projects involving real estate financing (e.g. office space, retail space, industrial space) and infrastructure projects (e.g. telecommunication, industrial or public utility infrastructure).

Rating models are implemented within the IT tool which supports the assessment of the Bank's credit risk associated with the financing of institutional customers.

In order to examine the correctness of the operation of the methods applied by the Bank, credit risk assessment methodologies relating to individual loan exposures are subject to periodical reviews.

The credit risk assessment process at the Bank takes into account the requirements of the PFSA as defined in Recommendation S concerning best practices for the management of mortgage-secured credit exposures and Recommendation T concerning good practices for the management of retail credit exposures.

In the lending process for corporate Customers and SME Customers evaluated with the use of the rating method, the Bank each time assesses the impact of environmental, social and governance factors (ESG factors) on the Customer's creditworthiness, and identifies credit transactions with an increased financial leverage (levered transactions). The Bank also examines the impact of credit transactions on ESG and classifies them to four categories, from transactions with a positive impact on ESG to those with material negative impact. When assessing the ESG factors, the Bank takes into account such factors as the risk of climate change and its impact on the Customer's operations, potential influence of the Client on climate, factors related to human capital or health and safety, and governance factors (including the corporate culture and internal audit).

Information on rating and scoring assessments is widely used in the Band to manage credit risk, in the system of credit decision authorizations, to determine the amounts triggering the credit risk assessment services and in the credit risk measurement and reporting system.

- **MEASUREMENT AND ASSESSMENT OF CREDIT RISK: CREDIT RISK FORECASTING AND MONITORING**

Credit risk forecasting and monitoring involves preparing risk level forecasts and monitoring deviations from the forecasts or the adopted benchmarks (e.g. limits, thresholds, plans, prior period measurements, recommendations and instructions issued by external supervisory and regulatory authority), and performing (specific and comprehensive) stress tests. Risk level forecasts are subject to regular back testing.

Credit risk is monitored at the level of individual customers, groups of related customers, credit transactions and their collateral, and at portfolio level.

Credit risk monitoring at the individual loan transaction level is governed, in particular, by the Bank's internal regulations concerning:

- assessment of the credit risk related to customer financing;
- methods of assessing customers;
- identification of groups of related entities;
- evaluation of collateral and inspection of investments;
- recognition of allowances for expected credit losses;
- Early Warning System;
- operating procedures.

In order to accelerate the response to the warning signals noted reflecting an increased credit risk level, the Bank uses the Early Warning System (EWS).

Credit risk monitoring at the portfolio level consists of:

- supervising the level of the portfolio credit risk on the basis of the adopted tools used for measuring credit risk, taking into consideration the identified sources of credit risk and analyzing the effects and actions taken as part of system management;
- recommending preventive measures in the event of identifying an increased level of credit risk.

- **USE OF CREDIT RISK MITIGATION TECHNIQUES – COLLATERAL**

Collateral management policy plays a significant role in establishing minimum transaction terms. The Bank's collateral management policy is designed to properly protect it against credit risk to which the Bank is exposed, including first of all by establishing collateral that is as liquid as possible. Collateral may be considered liquid if it is possible to be sold without a significant decrease in its price and at a time which does not expose the Bank to a change in the collateral value due to price fluctuations typical of a given asset.

The Bank strives to diversify collateral in terms of its forms and assets used as collateral.

The Bank evaluates collateral from the perspective of the actual possibility of using it to satisfy its claims.

In addition, when assessing collateral, the following factors are taken into account:

- the economic, financial and economic or social and financial position of entities which provide personal guarantees;
- the condition and market value of the assets accepted as collateral and their vulnerability to depreciation in the period of maintaining the collateral (the impact of the technological wear and tear of a collateralized asset on its value),
- potential economic benefits to the Bank resulting from a specific method of securing receivables, including, in particular, the possibility of reducing allowances for expected credit losses;
- the method of establishing collateral, including the typical duration and complexity of formalities, as well as the necessary costs (the costs of maintaining collateral and the enforcement against the collateral), using the Bank's internal regulations concerning the assessment of collateral;
- the complexity, time-consuming nature and economic and legal conditions of the effective realization of collateral, in the context of enforcement restrictions and the applicable principles for the distribution of the sums obtained from individual enforcement or in the course of bankruptcy proceedings, the ranking of claims;
- the type of collateral depends on the level of risk of a given customer or transaction.

When granting loans intended to finance housing and commercial funding properties, a mortgage is an obligatory type of collateral. Until effective protection is established (depending on the type and amount of a loan), the Bank may accept temporary collateral in a different form.

(IN PLN MILLION)

With regard to consumer loans, usually personal guarantees (a civil law surety/guarantee, a bill of exchange) are used or collateral is established on the customer's bank account, car or securities. The collateral for loans intended for the financing of small- and medium-sized enterprises as well as corporate customers is established, among other things: on receivables from business operations, bank accounts, movables, real estate or securities (see also information in note "COLLATERAL".)

48. CREDIT RISK – FINANCIAL INFORMATION

48.1. FINANCIAL ASSETS BY STAGE

- **AMOUNTS DUE FROM BANKS** – As at 31 December 2024 and 31 December 2023 all amounts due from banks were classified as Stage 1.
- **SECURITIES**

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2024	Stage 1	Stage 2	Stage 3	Total
measured at fair value through other comprehensive income				
Gross/net carrying amount – fair value	93,843	322	10	94,175
Measured at amortized cost				
Gross carrying amount	108,491	1,236	-	109,727
Allowances for expected credit losses	(68)	(26)	-	(94)
Net carrying amount	108,423	1,210	-	109,633
Total securities				
Gross carrying amount	202,334	1,558	10	203,902
Allowances for expected credit losses	(68)	(26)	-	(94)
Net carrying amount	202,266	1,532	10	203,808

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2023	Stage 1	Stage 2	Stage 3	Total
measured at fair value through other comprehensive income				
Gross/net carrying amount – fair value	104,105	304	12	104,421
Measured at amortized cost				
Gross carrying amount	85,428	399	-	85,827
Allowances for expected credit losses	(54)	(18)	-	(72)
Net carrying amount	85,374	381	-	85,755
Total securities				
Gross carrying amount	189,533	703	12	190,248
Allowances for expected credit losses	(54)	(18)	-	(72)
Net carrying amount	189,479	685	12	190,176

(IN PLN MILLION)

Bank Polski

- **LOANS AND ADVANCES TO CUSTOMERS**

LOANS AND ADVANCES TO CUSTOMERS (excluding adjustment relating to fair value hedge accounting) 31.12.2024	Stage 1	Stage 2	Stage 3	POCI	Total
Measurement method: measured at fair value through other comprehensive income					
Gross/net carrying amount – fair value	**8,890**	**542**	**31**	**2**	**9,465**
Measurement: at amortized cost					
Gross carrying amount	**204,003**	**29,549**	**7,972**	**561**	**242,085**
real estate loans	88,511	8,526	1,237	71	98,345
business loans	84,158	17,735	4,877	400	107,170
consumer loans	31,334	3,288	1,858	90	36,570
Allowances for expected credit losses	**(1,097)**	**(2,891)**	**(3,915)**	**96**	**(7,807)**
real estate loans	(59)	(823)	(717)	13	(1,586)
business loans	(535)	(1,345)	(2,064)	(17)	(3,961)
consumer loans	(503)	(723)	(1,134)	100	(2,260)
Net carrying amount	**202,906**	**26,657**	**4,058**	**657**	**234,278**
real estate loans	88,452	7,702	521	84	96,759
business loans	83,623	16,389	2,814	383	103,209
consumer loans	30,831	2,566	723	190	34,310
Loans and advances to customers, total					
Gross carrying amount	212,893	30,091	8,003	563	251,550
Allowances for expected credit losses	(1,097)	(2,891)	(3,915)	96	(7,807)
Net carrying amount	211,796	27,200	4,088	659	243,743

(IN PLN MILLION)

LOANS AND ADVANCES TO CUSTOMERS (excluding adjustment relating to fair value hedge accounting) 31.12.2023	Stage 1	Stage 2	Stage 3	POCI	Total
Measurement method: measured at fair value through other comprehensive income					
Gross/net carrying amount – fair value	**10,132**	**591**	**27**	**1**	**10,751**
Measurement: at amortized cost					
Gross carrying amount	**179,472**	**31,916**	**7,176**	**304**	**218,868**
real estate loans	72,201	11,868	1,458	79	85,606
business loans	81,933	16,640	3,408	155	102,136
consumer loans	25,338	3,408	2,310	70	31,126
Allowances for expected credit losses	**(989)**	**(3,367)**	**(4,505)**	**56**	**(8,805)**
real estate loans	(71)	(977)	(1,057)	(5)	(2,110)
business loans	(481)	(1,679)	(1,998)	4	(4,154)
consumer loans	(437)	(711)	(1,450)	57	(2,541)
Net carrying amount	**178,483**	**28,549**	**2,671**	**360**	**210,063**
real estate loans	72,130	10,890	402	74	83,496
business loans	81,452	14,961	1,410	159	97,982
consumer loans	24,901	2,698	859	127	28,585
Loans and advances to customers, total					
Gross carrying amount	189,604	32,507	7,203	305	229,619
Allowances for expected credit losses	(989)	(3,367)	(4,505)	56	(8,805)
Net carrying amount	188,615	29,140	2,698	361	220,814

- ## OTHER FINANCIAL ASSETS

OTHER FINANCIAL ASSETS 31.12.2024	Stage 1	Stage 3	Total
Gross carrying amount	2,318	128	2,446
Allowances for expected credit losses	-	(127)	(127)
Net carrying amount	2,318	1	2,319

OTHER FINANCIAL ASSETS 31.12.2023	Stage 1	Stage 3	Total
Gross carrying amount	1,306	137	1,443
Allowances for expected credit losses	-	(134)	(134)
Net carrying amount	1,306	3	1,309

(IN PLN MILLION)

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- **FINANCIAL AND GUARANTEE COMMITMENTS GRANTED**

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2024	STAGE 1		STAGE 2		STAGE 3		POCI		Total nominal amount	Total provisions per IFRS 9	Total net amount
	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision			
Credit lines and limits	**77,096**	**(163)**	**10,111**	**(321)**	**272**	**(60)**	**4**	**-**	**87,483**	**(544)**	**86,939**
real estate	6,570	(18)	142	(10)	4	(2)	-	-	6,716	(30)	6,686
business	60,301	(122)	8,474	(228)	252	(52)	-	-	69,027	(402)	68,625
consumer	10,225	(23)	1,495	(83)	16	(6)	4	-	11,740	(112)	11,628
Other	**3,940**	-	-	-	-	-	-	-	**3,940**	-	**3,940**
Total financial commitments granted, including:	81,036	(163)	10,111	(321)	272	(60)	4	-	91,423	(544)	90,879
irrevocable commitments granted	36,036	(92)	5,407	(199)	91	(15)	2	-	41,536	(306)	41,230
Guarantees and sureties granted											
guarantees in domestic and foreign trading	10,074	(9)	1,312	(36)	99	(28)	337	(1)	11,822	(74)	11,748
to financial entities	4,102	(1)	14	-	-	-	-	-	4,116	(1)	4,115
to non-financial entities	5,946	(8)	1,294	(36)	99	(28)	337	(1)	7,676	(73)	7,603
to state budget entities	26	-	4	-	-	-	-	-	30	-	30
domestic corporate bonds (financial entities)	1,000	-	-	-	-	-	-	-	1,000	-	1,000
domestic municipal bonds (state budget entities)	138	-	-	-	-	-	-	-	138	-	138
letters of credit	1,455	(2)	33	(1)	-	-	-	-	1,488	(3)	1,485
to financial entities	31	-	-	-	-	-	-	-	31	-	31
to non-financial entities	1,424	(2)	33	(1)	-	-	-	-	1,457	(3)	1,454
payment guarantees to financial entities	93	-	-	-	-	-	-	-	93	-	93
Total guarantees and sureties granted, including:	12,760	(11)	1,345	(37)	99	(28)	337	(1)	14,541	(77)	14,464
irrevocable commitments granted	6,579	(8)	1,547	(36)	98	(28)	-	-	8,224	(72)	8,152
performance guarantee	2,900	(4)	740	(28)	28	(13)	120	(1)	3,788	(46)	3,742
Total financial and guarantee commitments granted	93,796	(174)	11,456	(358)	371	(88)	341	(1)	105,964	(621)	105,343

(IN PLN MILLION)

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2023	STAGE 1		STAGE 2		STAGE 3		POCI		Total nominal amount	Total provisions per IFRS 9	Total net amount
	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision			
Credit lines and limits	**74,447**	**(137)**	**7,736**	**(474)**	**110**	**(28)**	**2**	**-**	**82,295**	**(639)**	**81,656**
real estate	6,631	(11)	170	(6)	6	(3)	-	-	6,807	(20)	6,787
business	58,651	(101)	6,028	(376)	88	(20)	-	-	64,767	(497)	64,270
consumer	9,165	(25)	1,538	(92)	16	(5)	2	-	10,721	(122)	10,599
Other	**3,884**	-	-	-	-	-	-	-	**3,884**	-	**3,884**
Total financial commitments granted, including:	**78,331**	**(137)**	**7,736**	**(474)**	**110**	**(28)**	**2**	**-**	**86,179**	**(639)**	**85,540**
irrevocable commitments granted	35,309	(73)	4,621	(329)	64	(13)	1	-	39,995	(415)	39,580
Guarantees and sureties granted											
guarantees in domestic and foreign trading	9,784	(18)	1,674	(59)	331	(27)	452	(2)	12,241	(106)	12,135
to financial entities	4,272	-	144	-	-	-	-	-	4,416	-	4,416
to non-financial entities	5,438	(18)	1,530	(59)	331	(27)	452	(2)	7,751	(106)	7,645
to state budget entities	74	-	-	-	-	-	-	-	74	-	74
domestic corporate bonds (financial entities)	1,000	-	-	-	-	-	-	-	1,000	-	1,000
domestic municipal bonds (state budget entities)	243	-	-	-	-	-	-	-	243	-	243
letters of credit	1,175	-	102	(3)	-	-	-	-	1,277	(3)	1,274
to financial entities	30	-	-	-	-	-	-	-	30	-	30
to non-financial entities	1,145	-	102	(3)	-	-	-	-	1,247	(3)	1,244
payment guarantees to financial entities	114	-	2	-	-	-	-	-	116	-	116
Total guarantees and sureties granted, including:	**12,316**	**(18)**	**1,778**	**(62)**	**331**	**(27)**	**452**	**(2)**	**14,877**	**(109)**	**14,768**
irrevocable commitments granted	5,976	(7)	1,469	(58)	331	(27)	418	(2)	8,194	(94)	8,100
performance guarantee	2,682	(4)	711	(43)	75	(9)	124	(1)	3,592	(57)	3,535
Total financial and guarantee commitments granted	**90,647**	**(155)**	**9,514**	**(536)**	**441**	**(55)**	**454**	**(2)**	**101,056**	**(748)**	**100,308**

(IN PLN MILLION)

48.2. CHANGE IN THE GROSS CARRYING AMOUNT

- **SECURITIES**

"Other changes" comprise the effect of foreign exchange rate changes, interest, measurement, discount, premium.

SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – CHANGE IN THE GROSS CARRYING AMOUNT DURING THE PERIOD (excluding adjustment relating to fair value hedge accounting) 2024	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at the beginning of the period	**104,105**	**304**	**12**	**104,421**
Transfer from stage 2 and 3 to stage 1	15	(15)	-	-
Transfer from stage 1 and 3 to stage 2	(64)	64	-	-
Granting or purchase of financial instruments	712,408	5	-	712,413
Derecognition, including redemption at maturity	(727,822)	(27)	(2)	(727,851)
Non-substantial modifications	4	-	-	4
Other changes	5,197	(9)	-	5,188
Gross carrying amount at the end of the period	**93,843**	**322**	**10**	**94,175**

SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – CHANGE IN THE GROSS CARRYING AMOUNT DURING THE PERIOD (excluding adjustment relating to fair value hedge accounting) 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**61,908**	**2**	**15**	**359**	**62,284**
Transfer from stage 2 and 3 to stage 1	2	(2)	-	-	-
Transfer from stage 1 and 3 to stage 2	(304)	304	-	-	-
Granting or purchase of financial instruments	808,530	1	-	-	808,531
Derecognition, including redemption at maturity	(772,802)	(27)	(3)	(369)	(773,201)
Non-substantial modifications	2	-	-	-	2
Write-off	-	-	(1)	-	(1)
Other changes	6,769	26	1	10	6,806
Gross carrying amount at the end of the period	**104,105**	**304**	**12**	**-**	**104,421**

SECURITIES MEASURED AT AMORTISED COST – CHANGE IN THE GROSS CARRYING AMOUNT DURING THE PERIOD (excluding adjustment relating to fair value hedge accounting) 2024	Stage 1	Stage 2	Total
Gross carrying amount at the beginning of the period	**85,428**	**399**	**85,827**
Transfer from stage 2 and 3 to stage 1	236	(236)	-
Transfer from stage 1 and 3 to stage 2	(872)	872	-
Granting or purchase of financial instruments	37,407	225	37,632
Derecognition, including redemption at maturity	(17,140)	(99)	(17,239)
Non-substantial modifications	(1)	-	(1)
Other changes	3,433	75	3,508
Gross carrying amount at the end of the period	**108,491**	**1,236**	**109,727**

(IN PLN MILLION)

SECURITIES MEASURED AT AMORTISED COST – CHANGE IN THE GROSS CARRYING AMOUNT DURING THE PERIOD (excluding adjustment relating to fair value hedge accounting) 2023	Stage 1	Stage 2	Total
Gross carrying amount at the beginning of the period	**67,555**	**336**	**67,891**
Transfer from stage 2 and 3 to stage 1	70	(70)	-
Transfer from stage 1 and 3 to stage 2	(161)	161	-
Granting or purchase of financial instruments	20,548	-	20,548
Derecognition, including redemption at maturity	(4,606)	(43)	(4,649)
Non-substantial modifications	(1)	-	(1)
Other changes	2,023	15	2,038
Gross carrying amount at the end of the period	**85,428**	**399**	**85,827**

- **LOANS AND ADVANCES TO CUSTOMERS**

“Other changes” comprise the effect of foreign exchange rate changes, interest and the cost of legal risk associated with mortgage loans in convertible currencies.

LOANS AND ADVANCES TO CUSTOMERS – MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (REAL ESTATE LOANS) CHANGE IN THE GROSS CARRYING AMOUNT DURING 2024	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**10,132**	**591**	**27**	**1**	**10,751**
Transfer from stage 2 and 3 to stage 1	212	(211)	(1)	-	-
Transfer from stage 1 and 3 to stage 2	(225)	234	(9)	-	-
Transfer from stage 1 and 2 to stage 3	(4)	(18)	22	-	-
Granting or purchase of financial instruments	44	2	-	1	47
Utilization of limit or disbursement of tranches	126	5	3	-	134
Repayments	(1,067)	(30)	(4)	-	(1,101)
Non-substantial modifications	24	-	-	-	24
Derecognition, including sale	(426)	1	-	(2)	(427)
Write-off	-	-	(4)	-	(4)
Other changes	74	(32)	(3)	2	41
Gross carrying amount at the end of the period	**8,890**	**542**	**31**	**2**	**9,465**

LOANS AND ADVANCES TO CUSTOMERS – MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME CHANGE IN THE GROSS CARRYING AMOUNT DURING 2023 REAL ESTATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**11,372**	**502**	**20**	**1**	**11,895**
Transfer from stage 2 and 3 to stage 1	197	(197)	-	-	-
Transfer from stage 1 and 3 to stage 2	(283)	288	(5)	-	-
Transfer from stage 1 and 2 to stage 3	(6)	(17)	23	-	-
Granting or purchase of financial instruments	32	2	-	-	34
Disbursement of tranches	212	14	3	-	229
Repayments	(1,059)	(15)	(3)	-	(1,077)
Non-substantial modifications	(262)	(15)	(1)	-	(278)
Derecognition, including sale	(275)	-	-	(1)	(276)
Write-off	-	-	(3)	-	(3)
Other changes	204	29	(7)	1	227
Gross carrying amount at the end of the period	**10,132**	**591**	**27**	**1**	**10,751**

(IN PLN MILLION)

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGE IN GROSS CARRYING AMOUNT DURING 2024 REAL ESTATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**72,201**	**11,868**	**1,458**	**79**	**85,606**
Transfer from stage 2 and 3 to stage 1	3,357	(3,336)	(21)	-	-
Transfer from stage 1 and 3 to stage 2	(2,796)	2,979	(183)	-	-
Transfer from stage 1 and 2 to stage 3	(53)	(192)	245	-	-
Granting or purchase of financial instruments	16,083	417	7	36	16,543
Disbursement of tranches	8,119	475	197	5	8,796
Repayments	(9,108)	(1,951)	(130)	(25)	(11,214)
Non-substantial modifications	242	12	5	-	259
Derecognition, including sale	(639)	(25)	(17)	(44)	(725)
Write-off	-	-	(195)	(5)	(200)
Other changes	1,105	(1,721)	(129)	25	(720)
Gross carrying amount at the end of the period	**88,511**	**8,526**	**1,237**	**71**	**98,345**

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGE IN GROSS CARRYING AMOUNT DURING 2023 REAL ESTATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**68,579**	**9,513**	**1,666**	**90**	**79,848**
Transfer from stage 2 and 3 to stage 1	1,839	(1,828)	(11)	-	-
Transfer from stage 1 and 3 to stage 2	(6,122)	6,213	(91)	-	-
Transfer from stage 1 and 2 to stage 3	(61)	(253)	314	-	-
Granting or purchase of financial instruments	17,179	85	3	25	17,292
Disbursement of tranches	1,531	92	179	6	1,808
Repayments	(7,642)	(2,923)	(176)	(21)	(10,762)
Non-substantial modifications	(1,245)	(133)	(15)	-	(1,393)
Derecognition, including sale	(1,080)	(42)	(14)	(33)	(1,169)
Write-off	-	-	(298)	(2)	(300)
Other changes	(777)	1,144	(99)	14	282
Gross carrying amount at the end of the period	**72,201**	**11,868**	**1,458**	**79**	**85,606**

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGE IN GROSS CARRYING AMOUNT DURING 2024 CORPORATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**81,933**	**16,640**	**3,408**	**155**	**102,136**
Transfer from stage 2 and 3 to stage 1	2,623	(2,607)	(16)	-	-
Transfer from stage 1 and 3 to stage 2	(7,068)	7,423	(355)	-	-
Transfer from stage 1 and 2 to stage 3	(312)	(2,419)	2,731	-	-
Granting or purchase of financial instruments	15,272	2,276	324	352	18,224
Utilization of limit or disbursement of tranches	16,441	2,669	837	8	19,955
Repayments	(24,956)	(2,862)	(1,071)	(58)	(28,947)
Non-substantial modifications	(31)	(1)	(6)	-	(38)
Derecognition, including sale	(2,196)	(492)	(70)	(167)	(2,925)
Write-off	-	-	(708)	(3)	(711)
Other changes	2,452	(2,892)	(197)	113	(524)
Gross carrying amount at the end of the period	**84,158**	**17,735**	**4,877**	**400**	**107,170**

(IN PLN MILLION)

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGE IN GROSS CARRYING AMOUNT DURING 2023 CORPORATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**76,267**	**13,445**	**3,956**	**55**	**93,723**
Transfer from stage 2 and 3 to stage 1	1,304	(1,293)	(11)	-	-
Transfer from stage 1 and 3 to stage 2	(5,373)	5,685	(312)	-	-
Transfer from stage 1 and 2 to stage 3	(290)	(190)	480	-	-
Granting or purchase of financial instruments	17,026	2,845	221	23	20,115
Utilization of limit or disbursement of tranches	19,164	2,810	401	4	22,379
Repayments	(27,397)	(2,282)	(595)	(25)	(30,299)
Non-substantial modifications	1,136	88	(3)	1	1,222
Derecognition, including sale	(1,316)	(1,068)	(8)	(152)	(2,544)
Write-off	-	-	(628)	2	(626)
Other changes	1,412	(3,400)	(93)	247	(1,834)
Gross carrying amount at the end of the period	**81,933**	**16,640**	**3,408**	**155**	**102,136**

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGE IN GROSS CARRYING AMOUNT DURING 2024 CONSUMER LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**25,338**	**3,408**	**2,310**	**70**	**31,126**
Transfer from stage 2 and 3 to stage 1	958	(925)	(33)	-	-
Transfer from stage 1 and 3 to stage 2	(1,622)	1,702	(80)	-	-
Transfer from stage 1 and 2 to stage 3	(386)	(410)	796	-	-
Granting or purchase of financial instruments	19,415	491	206	63	20,175
Utilization of limit or disbursement of tranches	1,337	175	327	7	1,846
Repayments	(14,439)	(504)	(275)	(33)	(15,251)
Non-substantial modifications	(10)	(2)	(2)	-	(14)
Derecognition, including sale	129	(34)	(696)	(124)	(725)
Write-off	-	-	(659)	(14)	(673)
Other changes	614	(613)	(36)	121	86
Gross carrying amount at the end of the period	**31,334**	**3,288**	**1,858**	**90**	**36,570**

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGE IN GROSS CARRYING AMOUNT DURING 2023 CONSUMER LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**23,501**	**2,978**	**1,715**	**50**	**28,244**
Transfer from stage 2 and 3 to stage 1	776	(752)	(24)	-	-
Transfer from stage 1 and 3 to stage 2	(1,818)	1,865	(47)	-	-
Transfer from stage 1 and 2 to stage 3	(510)	(461)	971	-	-
Granting or purchase of financial instruments	12,880	477	140	40	13,537
Utilization of limit or disbursement of tranches	1,099	162	312	6	1,579
Repayments	(10,928)	(549)	(251)	(21)	(11,749)
Non-substantial modifications	(8)	(2)	(2)	-	(12)
Derecognition, including sale	176	(21)	(54)	(77)	24
Write-off	-	-	(483)	(6)	(489)
Other changes	170	(289)	33	78	(8)
Gross carrying amount at the end of the period	**25,338**	**3,408**	**2,310**	**70**	**31,126**

(IN PLN MILLION)

- **OTHER FINANCIAL ASSETS:**

OTHER FINANCIAL ASSETS – CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2024	Stage 1	Stage 3	Total
Gross carrying amount at the beginning of the period	**1,306**	**137**	**1,443**
Granting or purchase of financial assets	2,318	62	2,380
Repayments	(1,306)	(63)	(1,369)
Write-off		(8)	(8)
Gross carrying amount at the end of the period	**2,318**	**128**	**2,446**

OTHER FINANCIAL ASSETS – CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2023	Stage 1	Stage 3	Total
Gross carrying amount at the beginning of the period	**1,653**	**145**	**1,798**
Transfer from stage 1 and 2 to stage 3	(2)	2	
Granting or purchase of financial assets	1,306	60	1,366
Repayments	(1,651)	(50)	(1,701)
Write-off		(16)	(16)
Other changes[1]		(4)	(4)
Gross carrying amount at the end of the period	**1,306**	**137**	**1,443**

[1] Other changes comprise the effect of foreign exchange rate changes, interest.

48.3. CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES

The items “Increase due to recognition and purchase”, “Changes in credit risk (net)”, “Decrease due to derecognition” and “Changes due to modification without derecognition (net)” are included in the line “Net allowances for expected credit losses”.

˝Changes in credit risk (net)” include the effect on the amount of the allowance due to increases or decreases in the amount of financial assets due to accrued and paid interest income, the effect of the passage of time on expected losses, changes in estimates due to updates or reviews of risk parameters and changes in economic forecasting data.

(IN PLN MILLION)

Items of transfers between Stages 1, 2 and 3 are presented at the amount of the allowance for expected credit losses at the end of the reporting period in correspondence with the item "Change in credit risk - transfers". The item "Other adjustments" includes the effect of foreign exchange differences and interest and, in the case of financial assets measured at fair value through other comprehensive income, the effect of measurement at fair value.

- SECURITIES

SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES IN THE PERIOD 2024	Stage 1	Stage 2	Total
As at the beginning of the period			
Transfer from stage 1 and 3 to stage 2	1	(1)	-
Change in credit risk – transfers	(1)	1	-
Increase due to recognition and purchase	(7)	-	(7)
Changes in credit risk (net)	8	-	8
Other adjustments	(1)	-	(1)
As at the end of the period	-	-	-

SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES IN THE PERIOD 2023	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	-	-	-	2	2
Transfer from stage 1 and 3 to stage 2	5	(5)	-	-	-
Change in credit risk – transfers	(5)	5	-	-	-
Increase due to recognition and purchase	(6)	-	-	-	(6)
Changes in credit risk (net)	13	(5)	-	(1)	7
Write-off	-	-	1	-	1
Other adjustments	(7)	5	(1)	(1)	(4)
As at the end of the period	-	-	-	-	-

SECURITIES MEASURED AT AMORTISED COST – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2024	Stage 1	Stage 2	Total
As at the beginning of the period	(54)	(18)	(72)
Transfer from stage 2 and 3 to stage 1	(1)	1	-
Transfer from stage 1 and 3 to stage 2	16	(16)	-
Change in credit risk – transfers	(15)	15	-
Increase due to recognition and purchase	(22)	(3)	(25)
Changes in credit risk (net)	8	(5)	3
Other adjustments	-	-	-
As at the end of the period	(68)	(26)	(94)

SECURITIES MEASURED AT AMORTISED COST – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2023	Stage 1	Stage 2	Total
As at the beginning of the period	(45)	(25)	(70)
Transfer from stage 1 and 3 to stage 2	3	(3)	-
Change in credit risk – transfers	(3)	3	-
Increase due to recognition and purchase	(16)	-	(16)
Changes in credit risk (net)	7	6	13
Other adjustments	-	1	1
As at the end of the period	(54)	(18)	(72)

(IN PLN MILLION)

- **LOANS AND ADVANCES TO CUSTOMERS**

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES IN THE PERIOD 31.12.2024	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	-	-	-	-	-
Transfer from stage 1 and 3 to stage 2	27	(28)	1	-	-
Transfer from stage 1 and 2 to stage 3	2	7	(9)	-	-
Change in credit risk – transfers	(29)	21	8	-	-
Increase due to recognition and purchase	-	-	-	(1)	(1)
Changes in credit risk (net)	4	(4)	(1)	(1)	(2)
Decrease due to derecognition	1	-	-	1	2
Write-off	-	-	4	-	4
Other adjustments	(5)	4	(3)	1	(3)
As at the end of the period	-	-	-	-	-

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES IN THE PERIOD 31.12.2023	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	-	-	-	-
Transfer from stage 2 and 3 to stage 1	(1)	1	-	-
Transfer from stage 1 and 3 to stage 2	34	(35)	1	-
Transfer from stage 1 and 2 to stage 3	2	8	(10)	-
Change in credit risk – transfers	(35)	26	9	-
Changes in credit risk (net)	1	(19)	(8)	(26)
Write-off	-	-	3	3
Other adjustments[2]	(1)	19	5	23
As at the end of the period	-	-	-	-

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 31.12.2024 REAL ESTATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	(71)	(977)	(1,057)	(5)	(2,110)
Transfer from stage 2 and 3 to stage 1	(5)	5	-	-	-
Transfer from stage 1 and 3 to stage 2	214	(237)	23	-	-
Transfer from stage 1 and 2 to stage 3	19	85	(104)	-	-
Change in credit risk – transfers	(228)	147	81	-	-
Increase due to recognition and purchase	(36)	(3)	(2)	(27)	(68)
Changes in credit risk (net)	-	(88)	117	4	33
Decrease due to derecognition	39	4	2	24	69
Changes due to modification without derecognition (net)	1	(2)	-	-	(1)
Write-off	-	-	195	5	200
Other adjustments[2]	8	243	28	12	291
As at the end of the period	(59)	(823)	(717)	13	(1,586)

(IN PLN MILLION)

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 31.12.2023 REAL ESTATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**(90)**	**(736)**	**(1,234)**	**(15)**	**(2,075)**
Transfer from stage 2 and 3 to stage 1	(5)	5	-	-	-
Transfer from stage 1 and 3 to stage 2	344	(360)	16	-	-
Transfer from stage 1 and 2 to stage 3	23	111	(134)	-	-
Change in credit risk – transfers	(362)	244	118	-	-
Increase due to recognition and purchase	(16)	(5)	-	(24)	(45)
Changes in credit risk (net)	22	(251)	113	(4)	(120)
Decrease due to derecognition	18	6	1	20	45
Write-off	-	-	298	2	300
Other adjustments	(5)	9	(235)	16	(215)
As at the end of the period	(71)	(977)	(1,057)	(5)	(2,110)

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 31.12.2024 CORPORATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	(481)	(1,679)	(1,998)	4	(4,154)
Transfer from stage 2 and 3 to stage 1	(24)	24	-	-	-
Transfer from stage 1 and 3 to stage 2	272	(274)	2	-	-
Transfer from stage 1 and 2 to stage 3	119	717	(836)	-	-
Change in credit risk – transfers	(367)	(467)	834	-	-
Increase due to recognition and purchase	(206)	(125)	(86)	(218)	(635)
Changes in credit risk (net)[1]	184	429	(537)	(29)	47
Decrease due to derecognition	14	56	1	44	115
Changes due to modification without derecognition (net)	(3)	2	59	-	58
Write-off	-	-	708	3	711
Other adjustments	(43)	(28)	(211)	179	(103)
As at the end of the period	(535)	(1,345)	(2,064)	(17)	(3,961)

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 31.12.2023 CORPORATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**(418)**	**(1,545)**	**(2,267)**	**(1)**	**(4,231)**
Transfer from stage 2 and 3 to stage 1	(18)	18	-	-	-
Transfer from stage 1 and 3 to stage 2	485	(511)	26	-	-
Transfer from stage 1 and 2 to stage 3	68	80	(148)	-	-
Change in credit risk – transfers	(535)	413	122	-	-
Increase due to recognition and purchase	(209)	(195)	(53)	(139)	(596)
Changes in credit risk (net)[1]	128	(116)	61	(5)	68
Decrease due to derecognition	24	136	1	41	202
Changes due to modification without derecognition (net)	(8)	(12)	2	-	(18)
Write-off	-	-	628	(2)	626
Other adjustments	2	53	(370)	110	(205)
As at the end of the period	(481)	(1,679)	(1,998)	4	(4,154)

(IN PLN MILLION)

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 31.12.2024 CONSUMER LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	(437)	(711)	(1,450)	57	(2,541)
Transfer from stage 2 and 3 to stage 1	(16)	16	-	-	-
Transfer from stage 1 and 3 to stage 2	341	(352)	11	-	-
Transfer from stage 1 and 2 to stage 3	215	204	(419)	-	-
Change in credit risk – transfers	(540)	132	408	-	-
Increase due to recognition and purchase	(260)	(18)	(98)	(93)	(469)
Changes in credit risk (net)[1]	187	9	(356)	4	(156)
Decrease due to derecognition	-	7	1	60	68
Changes due to modification without derecognition (net)	(1)	(3)	(1)	-	(5)
Update of the applied estimation method (net)	3	-	4	21	28
Write-off	-	-	659	14	673
Other adjustments[2]	5	(7)	107	37	142
As at the end of the period	(503)	(723)	(1,134)	100	(2,260)

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 31.12.2023 CONSUMER LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	(347)	(606)	(1,126)	36	(2,043)
Transfer from stage 2 and 3 to stage 1	(14)	14	-	-	-
Transfer from stage 1 and 3 to stage 2	376	(385)	9	-	-
Transfer from stage 1 and 2 to stage 3	289	237	(526)	-	-
Change in credit risk – transfers	(651)	134	517	-	-
Increase due to recognition and purchase	(188)	(14)	(58)	(58)	(318)
Changes in credit risk (net)[1]	91	(92)	(425)	(4)	(430)
Decrease due to derecognition	1	5	1	39	46
Changes due to modification without derecognition (net)	(1)	(3)	-	-	(4)
Update of the applied estimation method (net)	6	1	8	5	20
Write-off	-	-	483	6	489
Other adjustments	1	(2)	(333)	33	(301)
As at the end of the period	(437)	(711)	(1,450)	57	(2,541)

- **OTHER FINANCIAL ASSETS:**

OTHER FINANCIAL ASSETS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES IN THE PERIOD – Stage 3	2024	2023
As at the beginning of the period	(134)	(144)
Increase due to recognition and purchase	-	(1)
Changes in credit risk (net)[1]	3	(6)
Write-off	8	16
Other adjustments	(4)	1
As at the end of the period	(127)	(134)

(IN PLN MILLION)

48.4. OTHER DISCLOSURES

For financial instruments measured at fair value through profit or loss, i.e., derivative instruments, securities, and loans and advances granted to customers, the maximum exposure to risk is equal to their carrying amount presented in the statement of financial position.

FINANCIAL ASSETS SUBJECT TO MODIFICATION	2024		2023	
Financial assets subject to modification during the period:	**Stage 2**	**Stage 3**	**Stage 2**	**Stage 3**
valuation amount at amortized cost before modification	616	483	434	123
gain (loss) on modification	13	(1)	2	-
Financial assets subject to modification since initial recognition:	31.12.2024		31.12.2023	
gross carrying amount of financial assets subject to modification for which expected losses were calculated over the lifetime and which are classified as Stage 1 after modification	98		49	

The table below presents the outstanding amounts of financial assets to be repaid, which were written down during the reporting period and which are still subject to debt recovery activities.

RECEIVABLES WRITTEN OFF	2024		2023	
	Partly written off	Entirely written off	Partly written off	Entirely written off
Loans and advances to customers	147	1,503	141	640
real estate loans	21	127	16	168
business loans	41	833	20	431
consumer loans	85	543	105	41
Total	**147**	**1,503**	**141**	**640**

The Bank adopted the following criteria for writing off receivables:

- the receivable has fully matured and, in particular, is the consequence of a loan, advance, contractual overdraft, guarantee or warranty of loan, advance or bond repayment;
- in accordance with IFRS the allowance for expected credit losses:
- covers 100% of the gross carrying amount of the asset; or exceeds 90% of the gross carrying amount of the asset and: actions have been or are still being taken in respect of the receivable which did not lead to its recovery, and the assessment of the probability of recovering the receivable (which, in particular, accounts for the decisions of the bailiff or the receiver) transferability of collateral, level of satisfaction, record in the land and mortgage register indicate that the entire receivable will not be recovered, or that the repayments of the receivable did not cover interest accrued on a current basis over the past 12 calendar months.

PAST DUE FINANCIAL ASSETS SUBJECT TO IMPAIRMENT OR IMPAIRED (net) – loans and advances to customers	up to 30 days	30 to 90 days	over 90 days	TOTAL
31.12.2024				
Stage 1	1,401	4	-	1,405
Stage 2	685	228	132	1,045
Stage 3	183	348	1,336	1,867
Total	**2,269**	**580**	**1,468**	**4,317**

(IN PLN MILLION)

PAST DUE FINANCIAL ASSETS SUBJECT TO IMPAIRMENT OR IMPAIRED (net) – loans and advances to customers	up to 30 days	30 to 90 days	over 90 days	TOTAL
31.12.2023				
Stage 1	1,008	8	-	1,016
Stage 2	1,106	270	132	1,508
Stage 3	295	143	1,272	1,710
Total	2,409	421	1,404	4,234

To specify whether a loan is overdue, the Bank takes into account the minimum levels of matured amounts exceeding PLN 400 for retail exposures or PLN 2,000 for other credit exposures and 1% with reference to the debtor's entire credit exposure in the balance sheet of the Bank and other entities belonging to the Bank's Group.

- **QUALITY OF THE PORTFOLIO COVERED BY THE RATING MODEL FOR LOANS AND ADVANCES TO CUSTOMERS**

GROSS CARRYING AMOUNT CREDIT RISK EXPOSURES BY PD PARAMETER 31.12.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
REAL ESTATE LOANS	97,401	9,068	1,268	73	107,810
0.00 - 0.02%	10,874	69	-	-	10,943
0.02 - 0.07%	53,034	479	-	3	53,516
0.07 - 0.11%	12,863	202	-	1	13,066
0.11 - 0.18%	8,211	497	-	1	8,709
0.18 - 0.45%	5,933	2,185	-	3	8,121
0.45 - 1.78%	2,023	3,174	-	7	5,204
1.78 - 99.99%	221	2,445	-	8	2,674
100%	-	-	1,268	50	1,318
no internal rating	4,242	17	-	-	4,259
CORPORATE LOANS	84,158	17,735	4,877	400	107,170
0.00 - 0.45%	34,954	22	-	-	34,976
0.45 - 0.90%	6,817	342	-	-	7,159
0.90 - 1.78%	14,967	2,676	-	-	17,643
1.78 - 3.55%	15,312	3,998	-	-	19,310
3.55 - 7.07%	7,219	5,408	-	5	12,632
7.07 - 14.07%	4,061	3,770	-	4	7,835
14.07 - 99.99%	217	1,496	-	4	1,717
100%	-	-	4,877	386	5,263
no internal rating	611	23	-	1	635
CONSUMER LOANS	31,334	3,288	1,858	90	36,570
0.00 - 0.45%	10,488	89	-	1	10,578
0.45 - 0.90%	5,655	138	-	1	5,794
0.90 - 1.78%	5,433	311	-	2	5,746
1.78 - 3.55%	4,173	526	-	2	4,701
3.55 - 7.07%	2,324	578	-	2	2,904
7.07 - 14.07%	909	506	-	2	1,417
14.07 - 99.99%	220	1,084	-	4	1,308
100%	-	-	1,858	72	1,930
no internal rating	2,132	56	-	4	2,192
TOTAL	212,893	30,091	8,003	563	251,550

(IN PLN MILLION)

GROSS CARRYING AMOUNT CREDIT RISK EXPOSURES BY PD PARAMETER 31.12.2023	Stage 1	Stage 2	Stage 3	POCI	TOTAL
REAL ESTATE LOANS	**82,333**	**12,459**	**1,485**	**80**	**96,357**
0.00 - 0.02%	1,048	28	-	-	1,076
0.02 - 0.07%	26,393	198	-	1	26,592
0.07 - 0.11%	15,424	236	-	1	15,661
0.11 - 0.18%	14,812	226	-	1	15,039
0.18 - 0.45%	13,061	3,010	-	2	16,073
0.45 - 1.78%	5,058	5,336	-	7	10,401
1.78 - 99.99%	459	3,402	-	9	3,870
100%	-	-	1,485	59	1,544
no internal rating	6,078	23	-	-	6,101
CORPORATE LOANS	**81,933**	**16,640**	**3,408**	**155**	**102,136**
0.00 - 0.45%	36,175	116	-	1	36,292
0.45 - 0.90%	10,622	330	-	-	10,952
0.90 - 1.78%	9,502	1,137	-	-	10,639
1.78 - 3.55%	13,029	3,912	-	-	16,941
3.55 - 7.07%	8,165	6,475	-	-	14,640
7.07 - 14.07%	3,941	3,309	-	-	7,250
14.07 - 99.99%	184	1,332	-	3	1,519
100%	-	-	3,408	151	3,559
no internal rating	315	29	-	-	344
CONSUMER LOANS	**25,338**	**3,408**	**2,310**	**70**	**31,126**
0.00 - 0.45%	4,869	43	-	-	4,912
0.45 - 0.90%	6,844	148	-	-	6,992
0.90 - 1.78%	6,388	392	-	1	6,781
1.78 - 3.55%	3,898	602	-	1	4,501
3.55 - 7.07%	1,750	552	-	1	2,303
7.07 - 14.07%	735	516	-	1	1,252
14.07 - 99.99%	175	1,104	-	2	1,281
100%	-	-	2,310	64	2,374
no internal rating	679	51	-	-	730
TOTAL	189,604	32,507	7,203	305	229,619

- **QUALITY OF THE PORTFOLIO COVERED BY THE RATING MODEL FOR OFF-BALANCE SHEET LIABILITIES**

CREDIT RISK EXPOSURES BY PD PARAMETER 31.12.2024 Notional amount	Stage 1	Stage 2	Stage 3	POCI	TOTAL
OFF-BALANCE SHEET LIABILITIES					
0.00 - 0.45%	21,017	91	-	1	21,109
0.45 - 0.90%	14,120	586	-	1	14,707
0.90 - 1.78%	13,834	2,002	-	-	15,836
1.78 - 3.55%	14,333	2,812	-	-	17,145
3.55 - 7.07%	5,134	2,727	-	1	7,862
7.07 - 14.07%	2,028	1,833	-	337	4,198
14.07 - 99.99%	50	172	-	-	222
100%	-	-	371	1	372
no internal rating	23,280	1,233	-	-	24,513
TOTAL	93,796	11,456	371	341	105,964

(IN PLN MILLION)

CREDIT RISK EXPOSURES BY PD PARAMETER 31.12.2023 Notional amount	Stage 1	Stage 2	Stage 3	POCI	TOTAL
OFF-BALANCE SHEET LIABILITIES					
0.00 - 0.45%	24,207	107	-	-	24,314
0.45 - 0.90%	9,751	271	-	1	10,023
0.90 - 1.78%	10,292	808	-	-	11,100
1.78 - 3.55%	10,527	1,692	-	-	12,219
3.55 - 7.07%	6,378	2,913	-	-	9,291
7.07 - 14.07%	2,715	2,414	-	-	5,129
14.07 - 99.99%	38	206	-	-	244
100%	-	-	441	453	894
no internal rating	26,739	1,103	-	-	27,842
TOTAL	90,647	9,514	441	454	101,056

- **QUALITY OF THE PORTFOLIO COVERED BY THE RATING MODEL FOR AMOUNTS DUE FROM BANKS**

AMOUNTS DUE FROM BANKS GROSS CARRYING AMOUNT 31.12.2023	31.12.2024		31.12.2023	
	Stage 1	TOTAL	Stage 1	TOTAL
EXTERNAL RATINGS				
AAA	-	-	1,288	1,288
AA	1,064	1,064	4,128	4,128
A	7,227	7,227	9,422	9,422
BBB	75	75	981	981
BB	1	1	19	19
B	1	1	1	1
TOTAL	8,368	8,368	15,839	15,839

- **QUALITY OF THE PORTFOLIO COVERED BY THE RATING MODEL FOR DEBT SECURITIES**

DEBT SECURITIES GROSS CARRYING AMOUNT 31.12.2024	Stage 1	Stage 2	Stage 3	TOTAL
EXTERNAL RATINGS	**187,306**	**485**	-	**187,791**
AAA	11,658	-	-	11,658
AA	9,108	-	-	9,108
A	163,986	-	-	163,986
BBB	1,994	-	-	1,994
BB	560	485	-	1,045
INTERNAL RATINGS	**15,028**	**940**	**10**	**15,978**
0.00-0.45%	6,873	-	-	6,873
0.45-0.90%	6,200	791	-	6,991
0.90-1.78%	89	82	-	171
1.78-3.55%	1,844	66	-	1,910
3.55-7.07%	3	-	-	3
7.07-14.07%	19	1	-	20
100.00%	-	-	10	10
no internal rating	-	**133**	-	**133**
TOTAL	202,334	1,558	10	203,902

(IN PLN MILLION)

DEBT SECURITIES GROSS CARRYING AMOUNT 31.12.2023	Stage 1	Stage 2	Stage 3	TOTAL
EXTERNAL RATINGS	176,377	-	-	176,377
AAA	8,074	-	-	8,074
AA	2,827	-	-	2,827
A	162,835	-	-	162,835
BBB	980	-	-	980
BB	1,661	-	-	1,661
INTERNAL RATINGS	13,153	594	12	13,759
0.00-0.45%	8,301	-	-	8,301
0.45-0.90%	4,090	166	-	4,256
0.90-1.78%	153	267	-	420
1.78-3.55%	442	-	-	442
3.55-7.07%	167	-	-	167
7.07-14.07%	-	161	-	161
100.00%	-	-	12	12
no internal rating	**3**	**109**	-	**112**
TOTAL	189,533	703	12	190,248

49. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Bank offsets and presents financial assets and liabilities in the consolidated statement of financial position on a net basis if the Bank currently has a legally enforceable right to set off the recognized amounts intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the consolidated statement of financial position.

Primarily, the Bank offsets the positive and negative fair values of derivative instruments against the amounts of the Variation Margin in the case of interest rate derivatives where the counterparty to the transaction is a clearing house (CCP) or clearing broker.

The Bank enters into offsetting arrangements, i.e. ISDA agreements (International Swaps and Derivatives Association Master Agreements) and GMRA agreements (Global Master Repurchase Agreements), which make it possible to offset financial assets and liabilities (close out netting) in the event of an infringement with respect to one of the parties of the agreement. These agreements are of particular importance to mitigate the risk posed by derivative instruments, because they enable offsetting both matured liabilities (mitigating the settlement risk) and non-matured liabilities of the parties (mitigating the pre-settlement risk). However, these agreements do not meet the requirements set out in IAS 32, because the right to offset is conditional on the occurrence of a specific future event (instances of infringement).

Exposures arising from derivatives are further secured by margin deposits provided by counterparties as part of executing CSA (Credit Support Annex).

OFFSETTING ASSETS - Hedging and other derivative instruments	31.12.2024	31.12.2023
Recognized financial assets, gross	6,423	9,836
Financial liabilities subject to offsetting, gross	(4,061)	(5,042)
Financial assets recognized in the statement of financial position, net	2,362	4,794
Amounts subject to enforceable framework agreement or similar agreement concerning offsetting, including related to:	881	911
(i) recognized financial instruments which do not meet the offsetting criteria	447	467
(ii) financial collateral (including cash)	434	444
Net amount	1,481	3,883

(IN PLN MILLION)

OFFSETTING LIABILITIES - Hedging and other derivative instruments	31.12.2024	31.12.2023
Recognized financial liabilities, gross	7,048	12,358
Financial liabilities subject to offsetting, gross	(4,337)	(5,855)
Financial liabilities recognized in the statement of financial position, net	2,711	6,503
Amounts subject to enforceable framework agreement or similar agreement concerning offsetting, including related to:	743	2,318
(i) recognized financial instruments which do not meet the offsetting criteria	447	467
(ii) financial collateral (including cash)	296	1,851
Net amount	**1,968**	**4,185**

50. MANAGING CREDIT CONCENTRATION RISK IN THE BANK

The Bank defines credit concentration risk as the risk arising from a considerable exposure to single customers or groups of related customers whose repayment capacity depends on a common risk factor. The Bank analyses the concentration risk, among other things towards:

- the largest entities (customers);
- the largest groups of related customers;
- industry sectors;
- geographical regions;
- currencies;
- exposures secured with a mortgage.

The objective of concentration risk management is to ensure a safe structure of the loan portfolio by mitigating threats arising from excessive concentrations relating to exposures characterized by a potential to generate significant losses at the Bank.

The Bank measures and assesses concentration risk by examining the actual aggregate exposure to a customer or a group of related customers and the actual aggregate exposure in the individual groups of loan portfolios.

The Bank's actual exposure complies with the definition of exposure in the CRR, which comprises all assets or off-balance sheet items, including exposures in the banking and trading book and indirect exposures arising from the security applied.

Concentration risk is identified by recognizing the factors due to which the risk may arise or the level of the Bank's exposure may change, including potential risk factors resulting, for example, from the planned activities of the Bank. In the process of identifying concentration risk, the Bank:

- identifies and updates the structure of the group of related customers;
- aggregates the exposures towards a customer or a group of related customers;
- applies exemptions from regulatory limits on large exposures and takes into account recognized credit risk mitigation techniques, to the extent consistent with the CRR.

The Bank's tolerance to concentration risk is determined by:

- external regulatory limits arising from Art. 395 of the CRR and from Article 79a of the Banking Law;
- internal limits of the Bank:: strategic concentration risk tolerance limits and limits determining concentration risk appetite.

The Bank uses the following to measure concentration risk:

- the ratio of the Bank's exposure to concentration risk with respect to individual customers or groups of related customers to the Bank's Tier 1 capital;
- Gini coefficient;
- graphs of portfolio concentration (Lorenz curve).

(IN PLN MILLION)

To measure concentration risk and evaluate the effect of internal and external factors on the concentration risk, the Bank performs stress tests with respect to concentration risk for large exposures.

The Bank monitors concentration risk:

- on an individual level, by verifying the exposure concentration ratio for a customer or a group of related customers, each time before applying for a decision on granting financing or increasing the amount of the exposure, and before taking other actions resulting in increasing the Bank's exposure on other accounts;
- on a systemic level, by:
  - daily control over the Bank's compliance with the external concentration limit and identifying large exposures;
  - monthly control over the Bank's compliance with the limit arising from Article 79a of the Banking Law;
  - monthly or quarterly control over compliance with the Bank's internal limits with respect to concentration risk;
  - monitoring early warning ratios with respect to concentration;
  - monthly or quarterly monitoring and assessment of the concentration risk at portfolio level.

The Bank forecasts changes in the level of concentration risk as part of its analyses and reviews of internal limits and the concentration risk management policy and in the process of stress testing concentration risk.

The Bank performs stress tests to examine, for example, the effect of macroeconomic factors on individual concentrations, the impact of decisions of other financial market participants, decisions on customer mergers, dependency on other risks, for example, currency risk, which may contribute to the materialization of concentration risk and the effect of other factors from the internal and external environment on the concentration risk.

Concentration risk is an element of comprehensive stress tests which enables the evaluation of the forecast effect of correlated credit, interest rate, currency, operating and liquidity risks and concentration risk on the expected credit loss of the Bank.

- **CONCENTRATION BY THE LARGEST ENTITIES (CUSTOMERS)**

The risk of concentration of exposures to individual customers and groups of related customers is monitored in accordance with the CRR, according to which the Bank does not assume an exposure to a customer or a group of related customers, where the value of the exposure exceeds 25% of the value of its Tier 1 capital.

As at 31 December 2024 and 31 December 2023, concentration limits were not exceeded.

As at 31 December 2024, the largest exposure to a single entity amounted to 53.43%[2] of the Bank's Tier 1 capital (55.42%[2] of the Bank's eligible capital as at 31 December 2023).

The Bank's exposure, which consists of the sum of the gross balance sheet exposure from granted debt instruments (including loans, advances, debt securities, and purchased debt claims) and off-balance sheet exposure, exposure resulting from derivative transactions in an amount equal to their balance sheet equivalent (in accordance with Article 274(2) of the CRR Regulation), and capital exposure (shares) to the 5 largest non-bank customers (excluding exposures to central governments and central banks) is presented in the table below:

31.12.2024				31.12.2023			
No.	The Bank's exposure	Share of the portfolio	Concentration ratio[1]	No.	The Bank's exposure	Share of the portfolio	Concentration ratio[1]
1[2]	22,616	5.44%	53.43%	1[2]	22,024	5.72%	55.42%
2[2]	14,187	3.41%	33.52%	2[2]	17,084	4.44%	42.99%
3[2]	8,021	1.93%	18.95%	3[2]	6,514	1.69%	16.39%
4[2]	3,390	0.82%	8.01%	4[2]	3,360	0.87%	8.45%
5	3,181	0.76%	7.52%	5	3,151	0.82%	7.93%
Total	51,395	12.36%	121.43%	Total	52,133	13.54%	131.18%

[1] The Bank's exposure to the Bank's Tier 1 capital ratio
[2] Exposure exempt or partially exempt from the exposure concentration limit under EU Regulation 575/2013

(IN PLN MILLION)

- **CONCENTRATION BY THE LARGEST GROUPS OF RELATED CUSTOMERS**

The largest concentration of the Bank's exposures to a group of related customers was 8.18% of the Bank's financial instrument portfolio (as at 31 December 2023, it was 8.09%). The Bank's largest concentration of exposure (excluding exposures to central governments and central banks) was:

- 80.40%[2] of the Bank's Tier 1 capital as at 31 December 2024

- 78.33%[2] of the Bank's Tier 1 capital as at 31 December 2023

The Bank's exposure, which consists of the sum of the gross balance sheet exposure from granted debt instruments (including loans, advances, debt securities, and purchased debt claims) and off-balance sheet exposure, exposure resulting from derivative transactions in an amount equal to their balance sheet equivalent (in accordance with Article 274(2) of the CRR Regulation), and capital exposure (shares) to the 5 largest groups of related customers (excluding exposures to central governments and central banks):

31.12.2024				31.12.2023			
No.	The Bank's exposure	Share of the portfolio	Concentration ratio[1]	No.	The Bank's exposure	Share of the portfolio	Concentration ratio[1]
1[2]	34,030	8.18%	80.40%	1[2]	31,130	8.09%	78.33%
2[2]	15,241	3.67%	36.01%	2[2]	18,422	4.79%	46.35%
3	4,256	1.02%	10.06%	3	4,331	1.13%	10.90%
4	3,246	0.78%	7.67%	4[2]	3,582	0.93%	9.01%
5	3,189	0.77%	7.54%	5	3,352	0.87%	8.44%
Total	59,962	14.42%	141.68%	Total	60,817	15.81%	153.03%

[1] The Bank's exposure to the Bank's Tier 1 capital ratio

[2] Exposure exempt or partially exempt from the exposure concentration limit under EU Regulation 575/2013

- **CONCENTRATION BY INDUSTRY**

SECTION SYMBOL	SECTION NAME	31.12.2024		31.12.2023	
		EXPOSURE	NUMBER OF ENTITIES	EXPOSURE	NUMBER OF ENTITIES
K	Financial and insurance activities	26.62	1.09	26.68	1.14
C	Industrial processing	14.73	9.13	15.07	9.27
L	Real estate administration	7.91	18.57	9.57	19.74
G	Wholesale and retail trade, repair of motor vehicles	7.86	19.84	9.09	20.20
O	Public administration and national defense, compulsory social security	18.98	3.25	15.24	3.42
Other exposures		23.90	48.12	24.35	46.23
Total		100.00	100.00	100.00	100.00

- **CONCENTRATION BY GEOGRAPHICAL REGIONS**

The Bank's loan portfolio is diversified in terms of geographical concentration.

The structure of the loan portfolio by geographical regions is identified by the Bank depending on a customer type – it differs for the Retail Market Area (ORD) and for the Corporate and Investment Banking Area (OKI).

(IN PLN MILLION)

CONCENTRATION OF CREDIT RISK BY GEOGRAPHICAL REGION FOR RETAIL CUSTOMERS	31.12.2024	31.12.2023
Warsaw region	16.45	15.96
Katowice region	11.08	11.31
Poznań region	10.35	10.35
Kraków region	8.77	8.57
Łódź region	8.77	8.85
Wrocław region	10.75	10.97
Gdańsk region	10.14	10.30
Lublin region	7.54	7.32
Białystok region	6.70	6.61
Szczecin region	8.21	8.35
Head Office	0.67	0.76
Other	0.57	0.65
Total	**100.00**	**100.00**

CONCENTRATION OF CREDIT RISK BY GEOGRAPHICAL REGION FOR INSTITUTIONAL CUSTOMERS	31.12.2024	31.12.2023
Head Office	4.73	4.37
central macroregion	45.76	46.30
northern macroregion	7.53	7.46
western macroregion	9.65	9.74
southern macroregion	10.54	9.84
south-eastern macroregion	8.98	8.20
north-eastern macroregion	3.40	4.45
south-western macroregion	6.55	6.68
other	0.22	0.19
Foreign branches	2.64	2.77
Total	**100.00**	**100.00**

- ### CONCENTRATION OF CREDIT RISK BY CURRENCY

CONCENTRATION OF CREDIT RISK BY CURRENCY	31.12.2024	31.12.2023
PLN	87.29	85.78
Foreign currencies, of which:	12.71	14.22
CHF	0.85	2.03
EUR	10.90	11.22
USD	0.87	0.91
UAH	-	0.03
GBP	0.02	-
Other	0.07	0.03
Total	**100.00**	**100.00**

(IN PLN MILLION)

- **OTHER TYPES OF CONCENTRATION**

The Bank analyses the structure of its housing loan portfolio by LTV levels.

THE BANK'S HOUSING LOAN PORTFOLIO STRUCTURE BY LTV	31.12.2024	31.12.2023
0% - 40%	44.73	44.66
41%-60%	25.51	32.07
61% - 80%	20.08	16.03
81% - 90%	7.49	3.52
91% - 100%	1.99	3.17
over 100%	0.20	0.55
Total	**100.00**	**100.00**

	31.12.2024	31.12.2023
average LTV for the portfolio of housing loans in CHF	40.94	43.73
average LTV for the entire housing loans portfolio	46.84	45.50

51. COLLATERAL

In the period ended 31 December 2024 and 31 December 2023, the Bank did not make any changes in its collateral policies.

The Bank takes into account the collateral held for credit exposures when estimating the expected credit loss for individually significant exposures. With respect to individually significant exposures that meet the conditions for impairment, future collateral recoveries are estimated individually and taken into account in determining the expected loss, with a weight corresponding to the assessment of the probability of implementation of the debt recovery scenario. The value of collateral recoveries estimated under the recovery scenario for impaired exposures at the balance sheet date was PLN 953 million (as at 31 December 2023: PLN 771 million). Loans and advances to customers were secured by the following collateral established for the Bank: mortgages, registered pledges, transfer of ownership, restrictions on a deposit account, insurance of the credit exposure, as well as guarantees and sureties.

The Bank does not have any exposures for which, due to the value of the collateral, it has not recognized an allowance for expected credit losses.

See also information in note "CREDIT RISK MANAGEMENT".

(IN PLN MILLION)

Bank Polski

52. EXPOSURE TO THE COUNTERPARTY CREDIT RISK

CONCENTRATION OF CREDIT RISK – INTERBANK MARKET AND NON-WHOLESALE MARKET – EXPOSURE

Counterparty	Country	Rating	Interbank market – wholesale			Non-wholesale market		Cash on NOSTRO and LORO accounts	Total
			Deposits (nominal value)	Derivatives (market value, excluding collateral if positive)	Securities (nominal value)	Nominal balance sheet exposure	Nominal off-balance sheet exposure		
31.12.2024									
Counterparty 1	Luxembourg	AAA	-	-	11,799	-	-	-	11,799
Counterparty 2	Poland	A	-	207	6	5,843	5,126	2	11,184
Counterparty 3	Poland	A	-	18	9,693	-	-	-	9,711
Counterparty 4	Switzerland	AA	598	-	-	-	-	-	598
Counterparty 5	Belgium	A	427	(9)	-	-	-	105	532
Counterparty 6	Ukraine	NONE	-	-	-	-	316	-	316
Counterparty 7	Switzerland	AA	299	-	-	-	-	-	299
Counterparty 8	Germany	AA	-	128	-	-	32	4	164
Counterparty 9	France	A	-	161	-	-	-	-	161
Counterparty 10	Poland	A	-	6	-	150	-	-	156
31.12.2023									
Counterparty 2	Poland	A	-	215	28	4,579	6,944	-	11,766
Counterparty 3	Poland	A	5	-	9,177	-	-	-	9,182
Counterparty 1	Luxembourg	AAA	-	-	8,038	-	-	-	8,038
Counterparty 93	Switzerland	AAA	1,287	17	-	-	-	-	1,304
Counterparty 94	France	A	783	-	-	-	-	-	783
Counterparty 60	Norway	AA	674	-	-	-	-	1	675
Counterparty 95	Switzerland	AA	642	-	-	-	-	-	642
Counterparty 71	Austria	BBB	531	-	-	-	-	-	531
Counterparty 96	The Netherlands	A	500	-	-	-	-	-	500
Counterparty 51	Switzerland	AA	492	-	-	-	-	3	495

* Excluding exposures to the State Treasury and the National Bank of Poland

In order to limit the credit risk in respect of derivative transactions and securities transactions, the Bank concludes with its counterparties framework agreements (under the PBA, ISDA and ICMA standards). The framework agreements allow to offset mutual amounts payable (reduction of the settlement risk) and non-payable (reduction of pre-settlement risk), resulting from transactions, and also utilize the close-out netting mechanism upon termination of the framework agreement as a result of default or an event justifying termination with regard to one or both parties to the agreement.

Moreover, the Bank concludes with its counterparties collateral agreements (CSA – Credit Support Annex under the ISDA standard, or a Collateral Agreement under the PBA standard), under which each party undertakes, upon meeting the premises stipulated therein, to establish appropriate collateral together with the right to offset. Exemptions include derivative transactions concluded between members of the Group: PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A., which have been exempted from the obligations imposed by the EMIR Regulation regarding the exchange of collateral.

The Bank had access to two clearing houses (CCP) through which it settles clears interest rate derivative transactions specified in the EMIR Regulation with selected domestic and foreign counterparties.

In connection with the requirement to exchange Initial Margin (IM), for certain types of derivative transactions not cleared at a CCP, under the EMIR Regulation, the Bank signs IM agreements with its counterparties, based on the ISDA standard. Initial margin is deposited with the depositary by the two parties to the transaction, in the form of acceptable securities or cash, when the so-called IM threshold (the amount by which the IM threshold is reduced) is exceeded. The amount of the calculated IM requirement is monitored until the threshold IM is exceeded.

53. FORBEARANCE PRACTICES

Forbearance is defined by the Bank as actions aimed at amending the contractual terms agreed with a debtor or an issuer, forced by the debtor's or issuer's difficult financial situation (restructuring activities introducing concessions that otherwise would not have been granted). The aim of forbearance activities is to restore a debtor's or an issuer's ability to settle their liabilities towards the Bank and to maximize the efficiency of managing non-performing loans, i.e. obtaining the highest possible recoveries while minimizing the costs incurred.

Forbearance changes in repayment terms may consist of:

- dividing the debt due into instalments;
- changing the repayment scheme (annuity payments, degressive payments);
- extending the loan term,
- changing the interest rate;
- changing the margin;
- reducing the debt.

As a result of concluding a forbearance agreement and repaying the amounts due under it on a timely basis, a non-performing loan becomes a performing loan.

The provision of facilities within the framework of forbearance, as a premise of impairment, results in the recognition of the premise of impairment and the classification of the credit exposure into the portfolio of exposures at risk of impairment.

The inclusion of such exposures in the portfolio of performing exposures (discontinuing recognition of the forbearance agreement as an impairment trigger) takes place at least 12 months after the introduction of forbearance, provided that all payments in arrears and at least six scheduled payments have been made by the customer and, in the Bank's opinion, the current situation of the customer does not pose a threat to their compliance with the terms of the restructuring agreement (except where the forbearance agreement comprises reducing the receivables) (principal, interest or fees) by more than 1%).

Exposures cease to meet the criteria of a forborne exposure when all of the following conditions are met:

- at least 24 months have passed from the date of including the exposure into the portfolio of performing exposures (conditional period);
- as at the end of the conditional period referred to above, the customer has no debt towards the Bank overdue for more than 30 days;
- at least 12 instalments have been repaid on a timely basis and in the amounts agreed.

(IN PLN MILLION)

Forborne exposures are monitored on an on-going basis. Throughout the whole period of their recognition allowances are recognized for these exposures in the amount of expected losses over the life horizon of the exposure.

Non-performing exposures are understood as on-balance sheet exposures to an obligor that are past due by more than 90 days and the gross carrying amount of the past due exposures represents more than 20% of the gross carrying amount of all on-balance sheet exposures to that obligor.

31.12.2024	Instruments with modified terms and conditions	Refinancing	Total gross	Allowances for expected credit losses	Total, net
Performing exposures					
Securities	100	-	100	-	100
Loans and advances to customers	1,065	2	1,067	(7)	1,060
Non-performing exposures					
Securities	10	-	10	-	10
Loans and advances to customers	3,159	17	3,176	(861)	2,315
TOTAL EXPOSURES SUBJECT TO FORBEARANCE	**4,334**	**19**	**4,353**	**(868)**	**3,485**

31.12.2023	Instruments with modified terms and conditions	Refinancing	Total gross	Allowances for expected credit losses	Total, net
Performing exposures					
Loans and advances to customers	626	1	627	(51)	576
Non-performing exposures					
Securities	58	-	58	-	58
Loans and advances to customers	1,491	28	1,519	(634)	885
TOTAL EXPOSURES SUBJECT TO FORBEARANCE	**2,175**	**29**	**2,204**	**(685)**	**1,519**

LOANS AND ADVANCES TO CUSTOMERS SUBJECT TO FORBEARANCE	2024	2023
Recognized interest income on forborne loans and advances to customers	365	183

54. Information on package sale of receivables

In 2024, the Bank effected package sales (balance sheet and off-balance sheet receivables) of about 74 thousand individual receivables from retail and business customers amounting to a total of PLN 1,756 million (21 thousand individual receivables of PLN 770 million in 2023). The total carrying amount of the provisions for potential claims on the sale of receivables as at 31 December 2024 amounted to PLN 5 million (as at 31 December 2023, it was PLN 2 million). As a result of the sale, all risks and rewards were transferred, hence the Bank derecognized these assets.

55. Interest rate risk management

Interest rate risk is a risk of losses being incurred on the Bank's balance sheet and off-balance sheet items sensitive to interest rate fluctuations, as a result of changes in market interest rates.

Limiting potential losses from market interest rate fluctuations to an acceptable level is done by appropriately structuring balance sheet and off-balance sheet items.

The Bank uses the following measures of interest rate risk: interest income sensitivity, economic value sensitivity, value at risk (VaR), stress tests and repricing gaps.

Control over interest rate risk consists of determining interest rate risk limits and thresholds tailored to the scale and complexity of the Bank's operations, in particular the strategic limit of tolerance to interest rate risk.

The Bank monitors, on a regular basis:

- the levels of interest rate risk measures;
- utilization of the strategic limit of tolerance to interest rate risk;
- utilization of internal limits and thresholds of interest rate risk.

The Bank established limits and thresholds for interest rate risk comprising, among other things, the following: interest income sensitivity, sensitivity of the economic value and losses.

The Bank's exposure to interest rate risk remained within the adopted limits as at 31 December 2024 and 31 December 2023. The Bank was mainly exposed to PLN interest rate risk.

The Bank categorizes its portfolios from the perspective of interest rate risk management:

- the banking book - comprises balance sheet and off-balance sheet items not included in the trading book, in particular items resulting from the Bank's core activities, transactions concluded for investment and liquidity purposes and their hedging transactions;
- the trading book - comprises transactions concluded on financial instruments as part of activities conducted on own account and on behalf of the customers.

Due to the principle of keeping interest rate risk in the trading book at a limited level, this risk is primarily generated by positions in the banking book.

In order to mitigate the interest rate risk of the banking book, the Bank uses limits and thresholds, as well as risk mitigation transactions based on information on the level of risk (using a measure of interest income sensitivity, a measure of economic value sensitivity, shock analyses and repricing gap) and planned business development. In order to hedge the level of future cash flows and the volatility of fair value arising from interest rate risk, hedging strategies approved by the Bank's Management Board are applied using IRS/CIRS transactions as part of hedge accounting, which are described in note Hedge accounting and other derivative instruments.

- **SENSITIVITY OF INTEREST INCOME**

The sensitivity of interest income to abrupt shifts in the yield curve is determined by a potential financial effect of such a shift reflected in a changed amount of interest income in a given time horizon. The change results from the mismatch between revaluation dates of assets, liabilities and off-balance sheet liabilities granted and received (in particular derivative instruments) sensitive to interest rate fluctuations. Sensitivity of interest income in the banking book of the Bank to the abrupt shift in the yield curve of 100 bp down in a one-year horizon in all currencies is shown in the table below:

NAME OF THE MEASURE	31.12.2024	31.12.2023
Sensitivity of interest income (PLN million)	(494)	(938)

- **SENSITIVITY OF ECONOMIC VALUE**

Sensitivity of economic value reflects the fair value changes of items in the portfolio arising from the parallel shift of the yield curves by 100 bp up or down (the most unfavorable of the scenarios mentioned).The table below presents the economic value sensitivity measure (BPV) of the banking book of the Bank in all currencies as at 31 December 2024 and 31 December 2023:

NAME OF THE MEASURE	31.12.2024	31.12.2023
Sensitivity of economic value (PLN million)	(1,618)	(1,533)

In order to monitor the interest rate risk in the trading book the Bank applies the value-at-risk (VaR) measure.

- **VALUE AT RISK**

The IR VaR measure is a potential amount of loss that may be incurred in normal market conditions in a specific time (i.e. horizon) and with an assumed level of probability related to changes in interest rate curves. The IR VaR in the Bank's trading book is shown in the table below:

NAME OF THE MEASURE	31.12.2024	31.12.2023
IR VaR for a 10-day time horizon at a confidence level of 99% (PLN million):		
Average value	7	59
Maximum value	15	133
Value at the end of the period	5	42

56. CURRENCY RISK MANAGEMENT

Currency risk is the risk of incurring losses due to unfavorable exchange rate fluctuations. The risk is generated by maintaining open currency positions in various foreign currencies.

Limiting potential losses from market exchange rate fluctuations to an acceptable level is done by appropriately adjusting the currency structure of balance sheet and off-balance sheet items.

The Bank uses the following measures of the currency risk: value-at-risk (VaR) and stress tests.

Control over currency risk consists of determining currency risk limits and thresholds tailored to the scale and complexity of the Bank's operations, in particular the strategic limit of tolerance to currency risk.

The Bank monitors, on a regular basis:

- the level of currency risk measures;
- utilization of the strategic limit of tolerance to currency risk;
- utilization of internal limits and thresholds of currency risk.

The Bank has set limits and thresholds for currency risk for, among other things: currency positions, Value at Risk calculated for a 10-day time horizon and loss on the currency market.

- **SENSITIVITY MEASURES**

The FX VaR measure is a potential value of loss that may occur in normal market conditions at a specific time (i.e. horizon) and with an assumed level of probability related to changes in foreign exchange rates. Stress tests are used to estimate loss in the event of abrupt changes on the currency market which are not described using statistical measures by default.

The Bank's FX VaR, in aggregate for all currencies, is presented in the table below:

NAME OF SENSITIVITY MEASURE	31.12.2024	31.12.2023
VaR for a 10-day time horizon at a confidence level of 99% (PLN million)	3	3

- **FOREIGN CURRENCY POSITION**

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

FOREIGN CURRENCY POSITION[1]	31.12.2024	31.12.2023
EUR	39	78
CHF	(122)	15
Other (Global, Net)	6	(20)

[1] The positions do not include structural positions in UAH (PLN 1,072.3 million) and in EUR (PLN 23.5 million), for which the Bank obtained approval from the PFSA to exclude them from the calculation of the currency positions.

(IN PLN MILLION)

Currency positions (in addition to volatility of foreign exchange rates) are a key factor determining the level of currency risk to which the Bank 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 and EUR, for which the Bank obtained approval from the PFSA to exclude them from the calculation of the currency positions.

- FINANCIAL ASSETS AND LIABILITIES BY CURRENCY

Financial assets BY CURRENCY	Currency translated to PLN					
31.12.2024	PLN	CHF	EUR	USD	Other	Total
Cash and balances with the Central Bank	22,426	19	487	142	189	23,263
Amounts due from banks	5,689	1	2,364	148	147	8,349
Hedging derivatives	323	-	20	1	-	344
Other derivative instruments	1,791	-	186	41	-	2,018
Securities	184,975	-	9,680	10,222	-	204,877
Reverse repo transactions	892	-	-	-	-	892
Loans and advances to customers	214,866	2,153	27,377	1,267	245	245,908
Other financial assets	2,094	2	164	35	24	2,319
Total financial assets	433,056	2,175	40,278	11,856	605	487,970

Financial assets BY CURRENCY	Currency translated to PLN					
31.12.2023	PLN	CHF	EUR	USD	Other	Total
Cash and balances with the Central Bank	16,250	28	605	113	680	17,676
Amounts due from banks	5,167	188	6,568	3,697	195	15,815
Hedging derivatives	241	-	24	-	-	265
Other derivative instruments	3,939	-	334	256	-	4,529
Securities	181,008	-	5,829	4,602	-	191,439
Reverse repo transactions	372	-	-	-	-	372
Loans and advances to customers	191,966	4,316	26,000	1,222	166	223,670
Other financial assets	1,152	1	119	17	20	1,309
Total financial assets	400,095	4,533	39,479	9,907	1,061	455,075

Financial liabilities and off-balance sheet liabilities BY CURRENCY	Currency translated to PLN					
31.12.2024	PLN	CHF	EUR	USD	Other	Total
Amounts due to Central bank	11	-	-	-	-	11
Amounts due to banks	1,200	58	827	45	141	2,271
Hedging derivatives	301	-	1	-	-	302
Other derivative instruments	2,104	-	252	53	-	2,409
Amounts due to customers	358,773	1,321	37,142	13,913	3,771	414,920
Liabilities in respect of debt securities in issue	1,025	-	10,974	-	-	11,999
Subordinated liabilities	4,291	-	-	-	-	4,291
Other financial liabilities	2,528	2	1,104	184	93	3,911
Provisions for financial liabilities and guarantees granted	529	8	77	3	4	621
Total financial liabilities	370,762	1,389	50,377	14,198	4,009	440,735
Financial liabilities and guarantees granted	87,073	75	11,943	6,076	797	105,964

(IN PLN MILLION)

Financial liabilities and off-balance sheet liabilities BY CURRENCY	Currency translated to PLN					
31.12.2023	PLN	CHF	EUR	USD	Other	Total
Amounts due to Central bank	10	-	-	-	-	10
Amounts due to banks	1,348	14	1,581	32	3	2,978
Hedging derivatives	352	-	-	-	-	352
Other derivative instruments	5,518	-	506	122	5	6,151
Amounts due to customers	342,461	1,291	33,333	13,495	3,971	394,551
Liabilities in respect of debt securities in issue	-	-	3,421	-	-	3,421
Subordinated liabilities	2,774	-	-	-	-	2,774
Other financial liabilities	4,039	4	1,046	160	93	5,342
Provisions for financial liabilities and guarantees granted	633	5	70	35	5	748
Total financial liabilities	357,135	1,314	39,957	13,844	4 077	416,327
Financial liabilities and guarantees granted	82,983	91	11,527	5,258	1,197	101,056

57. LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of the inability to settle liabilities as they become due because of an absence of liquid assets. The lack of liquidity may be due to the inappropriate structure of assets and liabilities, including off-balance sheet, a mismatch of cash flows, counterparties failing to settle their liabilities, a sudden withdrawal of funds by the customers or other market events.

The Bank also manages financing risk which takes into account the risk of losing the existing sources of financing and inability to renew the required means of financing or the loss of access to new sources of financing.

To ensure the necessary level of funds needed to settle current and future liabilities (also potential ones) as they become due, taking into account the nature of the activities conducted and the needs which may arise due to changes in the market environment, by appropriately establishing the structure of balance sheet and off-balance sheet assets and liabilities.

The Bank uses the following measures of the liquidity risk:

- contractual and adjusted liquidity gap;
- liquidity surplus;
- liquidity coverage ratio (LCR);
- net stable funding ratio (NSFR);
- liquidity reserve;
- the ratio of stable funds to illiquid assets;
- measures of stability of the deposit and loan portfolios;
- liquidity stress tests.

Control over the liquidity risk consists in determining liquidity risk limits and thresholds tailored to the scale and complexity of the Bank's operations, in particular the strategic limit of tolerance to liquidity risk.

The Bank monitors, on a regular basis:

- utilization of the strategic limit of tolerance to liquidity risk;
- utilization of regulatory liquidity standards;
- utilization of internal limits and thresholds of liquidity risk;
- concentration of the sources of financing;

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- early warning indicators – monitored in order to detect early unfavorable developments which may have a negative impact on the Bank's or the financial sector's liquidity position (when exceeded, early warning indicators trigger liquidity contingency plans).

The Bank also makes regular forecasts of liquidity risk which take into account the current developments in the Bank's operations. Liquidity forecasts include primarily the levels of selected liquidity risk measures envisaged in the forecasts of the Bank's assets and liabilities and in selected stress test scenarios.

The main tools for liquidity risk management used by the Bank are:

- procedures for liquidity risk management, in particular contingency plans;
- limits and thresholds to mitigate short-term, medium-term and long-term liquidity risk;
- supervisory liquidity standards;
- deposit, investment and securities purchase and sale transactions as well as derivatives, including transactions for the sale or purchase of securities;
- transactions ensuring long-term financing of the lending activities.

The Bank's policy concerning liquidity is based on keeping an appropriate level of liquidity surplus and supervisory and internal measures of liquidity risk and financing through appropriate shaping of the portfolio of liquid securities, and stable sources of financing (a stable deposit base, in particular). In liquidity risk management, money market instruments, including NBP open market operations, are also used.

- **LIQUIDITY GAP**

The adjusted liquidity gap comprises a set of particular balance sheet and off-balance sheet categories in respect of their adjusted maturities.

	on demand	0 – 1 month	1 – 3 months	3 – 6 months	6 – 12 months	12 – 24 months	24 – 60 months	more than 60 months
31.12.2024								
Adjusted periodic gap	18,164	124,128	(15,197)	(2,130)	(9,643)	19,991	27,326	(162,639)
Adjusted cumulative periodic gap	18,164	142,292	127,095	124,965	115,322	135,313	162,639	-
31.12.2023								
Adjusted periodic gap	7,347	126,453	(17,528)	2,600	(11,930)	12,305	25,610	(144,857)
Adjusted cumulative periodic gap	7,347	133,800	116,272	118,872	106,942	119,247	144,857	-

In all time horizons, the adjusted cumulative liquidity gap was positive as at 31 December 2024 and also as at 31 December 2023. This means that the Group has a surplus of the assets receivable over the liabilities payable.

- **REGULATORY LIQUIDITY RATIOS**

The following regulatory liquidity ratios (specified by the provisions approved at the EU level) are regularly set and monitored at the Bank:

- Liquidity Coverage Ratio (LCR) - defining the relation of high-quality liquid assets to net outflows in the 30-day horizon in stress conditions (supervisory measure specified in the CRR Regulation);
- Net Stable Funding Ratio (NSFR) - a measure defining the relationship of items providing stable funding to items requiring stable funding;

SUPERVISORY LIQUIDITY MEASURES	31.12.2024	31.12.2023
NSFR - net stable funding ratio	156.8%	158.0%
LCR - liquidity coverage ratio	231.1%	231.4%

In the period ended 31 December 2024 and 31 December 2023, liquidity measures remained above their respective supervisory limits.

(IN PLN MILLION)

- **CORE DEPOSIT BASE**

As at 31 December 2024, the core deposit base constituted approx. 93.7% of all deposits placed with the Bank (excluding the interbank market), which represents a decrease of around 0.4 p.p. compared with the end of 2023.

- **STRUCTURE OF THE SOURCES OF FINANCING**

STRUCTURE OF THE BANK'S SOURCES OF FINANCING	31.12.2024	31.12.2023
Total deposits (excluding interbank market)	86.13%	88.58%
Interbank market deposits	0.51%	0.66%
Equity	9.90%	9.42%
Market financing	3.46%	1.34%
Total	100.00%	100.00%

- **CONTRACTUAL CASH FLOWS FROM THE BANK'S FINANCIAL LIABILITIES, INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS**

CONTRACTUAL CASH FLOWS FROM THE FINANCIAL LIABILITIES, EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS

The amounts disclosed comprise non-discounted future cash flows, both in respect of principal and interest (if applicable), in accordance with the contract, for the entire period to the date of the liability's maturity. Where the party to whom the Bank has a liability is able to select the settlement deadline, it has been assumed that the earliest date on which the Bank is obliged to settle the liability shall be taken into account. Where the Bank is obliged to settle the liabilities in instalments, each instalment is allocated to the earliest period in which the Bank might be obligated to settle. In the case of liabilities where instalment amounts are not fixed, the terms binding as at the reporting date have been adopted.

31.12.2024	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount	Carrying amount
Amounts due to Central bank	11	-	-	-	-	11	**11**
Amounts due to banks	2,271	-	-	-	-	2,271	**2,271**
Amounts due to customers	343,498	35,225	24,412	8,666	6,337	418,138	**414,920**
Liabilities in respect of debt securities in issue	-	351	220	12,958	-	13,529	**11,999**
Subordinated liabilities	-	100	217	5,057	-	5,374	**4,291**
Lease liabilities	22	43	175	586	287	1,113	**1,112**
Other financial liabilities	2,799	-	-	-	-	2,799	**2,799**
Total	348,601	35,719	25,024	27,267	6,624	443,235	437,403
Off-balance sheet liabilities:							
financing granted	16,879	5,663	27,955	28,956	11,970	91,423	
guarantees granted*	14,541	-	-	-	-	14,541	

(IN PLN MILLION)

31.12.2023	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount	Carrying amount
Amounts due to Central bank	10	-	-	-	-	10	**10**
Amounts due to banks	2,973	-	5	-	-	2,978	**2,978**
Amounts due to customers	306,402	35,871	40,294	10,592	6,630	399,789	**394,551**
Liabilities in respect of debt securities in issue	-	183	-	3,445	-	3,628	**3,421**
Subordinated liabilities	-	-	-	3,040	-	3,040	**2,774**
Lease liabilities	23	44	176	489	303	1,035	**1,034**
Other financial liabilities	4,308	-	-	-	-	**4,308**	**4,308**
Total	313,716	36,098	40,475	17,566	6,933	414,788	409,076
Off-balance sheet liabilities:							
financing granted	16,070	4,568	30,364	23,234	11,943	86,179	-
guarantees granted*	14,877	-	-	-	-	14,877	-

CONTRACTUAL CASH FLOWS FROM LIABILITIES IN RESPECT OF DERIVATIVE FINANCIAL INSTRUMENTS FOR WHICH THE VALUATION AS AT THE BALANCE SHEET DATE WAS NEGATIVE (A LIABILITY) AND WHICH ARE SETTLED ON A GROSS BASIS

31.12.2024	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount
outflows (principal and interest)	(12,195)	(8,032)	(7,690)	(6,338)	(1)	(34,256)
inflows (principal and interest)	11,923	5,706	7,292	6,308	-	31,229

31.12.2023	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount
outflows (principal and interest)	(11,122)	(8,575)	(13,475)	(9,551)	(510)	(43,233)
inflows (principal and interest)	12,206	7,743	12,206	7,005	141	39,301

CONTRACTUAL CASH FLOWS FROM LIABILITIES IN RESPECT OF DERIVATIVE FINANCIAL INSTRUMENTS FOR WHICH THE VALUATION AS AT THE BALANCE SHEET DATE WAS NEGATIVE (A LIABILITY) AND WHICH ARE SETTLED ON A NET BASIS (NO OFFSETTING EFFECT)

31.12.2024	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount
IRS	(371)	(715)	(562)	(339)	(96)	(2,083)
other derivatives: options, FRA, NDF	(43)	(8)	(109)	(416)	-	(576)

31.12.2023	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount
IRS	(279)	(784)	(1,449)	(777)	(75)	(3,364)
other derivatives: options, FRA, NDF	(219)	(338)	(1,153)	(465)	(1)	(2,176)

- OTHER INFORMATION – FINANCIAL LIABILITIES, INCLUDING PAST DUE LIABILITIES

FINANCIAL LIABILITIES	31.12.2024	31.12.2023
Financial liabilities, including:	440,735	416,327
Past due	4	-

(IN PLN MILLION)

58. ASSETS PLEDGED AS COLLATERAL FOR LIABILITIES AND TRANSFERRED FINANCIAL ASSETS

COLLATERAL FOR LIABILITIES IN RESPECT OF DERIVATIVE INSTRUMENTS

ASSETS PLEDGED AS COLLATERAL FOR LIABILITIES in respect of derivative instruments	31.12.2024	31.12.2023	31.12.2024	31.12.2023
	Derivative instruments (Initial Margin agreement)		Derivative instruments (other agreements)	
Carrying amount of the collateral	2,018	780	113	841
Nominal value of the collateral	2,051	747	123	957
Type of collateral	Securities measured at fair value through other comprehensive income.			
Carrying amount of liabilities secured	1,846	712	113	841

FUND FOR THE PROTECTION OF GUARANTEED FUNDS

FUND FOR THE PROTECTION OF GUARANTEED FUNDS	31.12.2024	31.12.2023
Value of the fund	798	1,267
Nominal value of the collateral	900	1,100
Type of collateral*	treasury bonds	treasury bonds
Maturity of collateral	25.07.2026	25.04.2024
Carrying amount of the collateral	875	1,110

* Securities measured at fair value through other comprehensive income.

The assets pledged as collateral for the fund are Treasury bonds which mature in the period that ensures securing the carrying amount over the period specified in the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution. The Fund is increased or decreased on 1 July of each year, in proportion to the amount representing the basis for calculation of the mandatory reserve deposits. These assets are treated as assets pledged as collateral for own liabilities.

FUNDS SECURING LIABILITIES IN RESPECT OF CONTRIBUTIONS TO THE BANK GUARANTEE FUND (BGF)

Funds securing liabilities in respect of contributions to the Bank Guarantee Fund (BGF)	31.12.2024	31.12.2023
Value of the contribution made in the form of payables	896	818
Nominal value of the assets in which funds corresponding to payables were invested	1,172	1,027
Type of collateral*	treasury bonds	treasury bonds
Maturity of collateral	2026-2031	2024-2031
Carrying amount of the collateral	1,107	984

* Securities measured at fair value through other comprehensive income.

Starting from 2017, the value of contributions in the form of payment obligations represents 30% of the contributions to the BGF for the Deposit Guarantee Fund or the Bank Resolution Fund. Assets securing payment commitments include Treasury bonds pledged for BGF in an amount which ensures maintaining the ratio of the value of property rights securing payment commitments to the amount of payment commitments of no less than 110%.

- **LEGAL LIMITATIONS RELATING TO THE BANK'S TITLE**

In the years ended 31 December 2024 and 31 December 2023, respectively, there were no intangible assets or property, plant and equipment items to which the Bank's legal title would be limited and pledged as collateral for the Bank's liabilities.

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CAPITAL MANAGEMENT AT THE BANK

59. CAPITAL ADEQUACY

Capital adequacy is the state in which the level of risk incurred by the Bank in connection with its business development can be covered by its capital whose level and structure are adequate to the applicable supervisory requirements, specific risk tolerance level and adopted time horizon. The objective of capital adequacy management is to ensure an appropriate level and structure of own funds which is adequate to the scale of the Bank's activities, supervisory requirements and risk exposure.

Capital adequacy measures include:

- total capital ratio (TCR);
- the ratio of own funds to internal capital;
- Tier 1 core capital ratio (CET1);
- Tier 1 capital ratio (T1);
- leverage ratio;
- MREL ratio - TREA;
- MREL ratio - TEM.

Major regulations applicable in the capital adequacy assessment process include:

- the Polish Banking Law;
- the CRR Regulation;
- the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system (as amended),
- the Regulation of the Minister of finance, funds and regional policy of 8 June 2021 on the risk management and internal control systems and remuneration policy in banks;
- the Regulation of the Minister of finance, funds and regional policy of 27 July 2021 on the detailed method of estimating internal capital and conducting reviews of estimation strategies and procedures and maintaining a permanent level of internal capital by banks;
- the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution (as amended).

The Bank's capital adequacy management is described in detail in the "REPORT ON CAPITAL ADEQUACY AND OTHER INFORMATION SUBJECT TO PUBLICATION BY THE PKO BANK POLSKI S.A. GROUP".

Minimum level of capital ratios maintained by the Bank in accordance with Art. 92 of the CRR Regulation	
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	**31.12.2024**	**31.12.2023**
Total:	**4.56%**	**4.54%**
conservation buffer	2.5%	2.5%
countercyclical buffer	0.06%	0.04%
due to identifying the Bank as another systemically important institution ("O-SII")	2%	2%[1]
Combined minimum capital adequacy ratio together with the combined buffer requirement	12.56%	12.54%

[1] The buffer represents a share of total risk exposure amount calculated in accordance with the CRR. On 20 November 2024, an announcement was published by the PFSA on the review of the adequacy of the Other Systemically Important Institution (O-SII) buffer ratio, according to which the O-SII buffer amount for individual banks was maintained at the level resulting from the previous review conducted in 2022

(IN PLN MILLION)

the minimum requirement for own funds and eligible liabilities (MREL) in % determined by the BGF	31.12.2024	31.12.2023
MREL (TREA)	15.36	15.36
MREL (TREA) – subordinated	13.90	13.78
MREL (TEM)	5.91	5.91
MREL (TEM) – subordinated	5.62	5.60

As at 31 December 2024, the MREL ratio in relation to the total "TREA" risk exposure amounted to 19.56%, and subordinated MREL to 18.26% (in accordance with the Act on macro-prudential supervision, Common Equity Tier 1 instruments held by an entity for the purposes of the combined buffer requirement cannot be used to meet this requirement; without this restriction, the ratio was 24.25% and 22.95%, respectively). With regard to the total exposure measure "TEM", the MREL ratio was 10.80%, and subordinated MREL – 10.23%.

In 2024 and 2023, the Bank's capital adequacy level remained at a safe level, well above the supervisory limits. The minimum capital requirements were satisfied over the entire period.

Capital adequacy	31.12.2024	31.12.2023 restated	31.12.2023 published
Equity	**49,767**	**42,954**	**42,954**
capital: share capital, supplementary capital, other reserves, and general risk reserve	33,194	31,563	31,563
retained earnings	9,437	9,437	9,437
net profit or loss for the year	9,150	4,868	4,868
other comprehensive income	(2,014)	(2,914)	(2,914)
Exclusions from equity:	**8,045**	**3,167**	**3,167**
net profit or loss for the year	9,150	4,868	4,868
cash flow hedges	(1,105)	(1,701)	(1,701)
Other fund reductions:	**2,614**	**2,901**	**2,914**
goodwill	755	755	755
other intangible assets	1,504	1,454	1,454
additional asset adjustments (AVA, DVA, NPE, capital exposures and DTA above the thresholds specified in Art. 48 of the CRR)[1]	355	692	705
Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI according to Art. 468 of the CRR	**927**	-	-
Temporary reversal of IFRS 9 impact	**739**	**1,347**	**1,232**
Net profit or loss for the year, included by permission from the PFSA	**1,550**	**1,631**	**1,624**
Tier 1 capital	**42,324**	**39,864**	**39,729**
Tier 2 capital (subordinated debt)	**3,039**	**2,080**	**2,080**
Own funds	**45,363**	**41,944**	**41,809**
Requirements for own funds	**17,392**	**15,961**	**16,049**
Credit risk	14,925	13,962	14,050
Operational risk[2]	2,317	1,841	1,841
Market risk	114	125	125
Credit valuation adjustment risk	36	33	33
Total capital ratio	**20.87**	**21.02**	**20.84**
Tier 1 capital ratio	**19.47**	**19.98**	**19.80**

[1] AVA – additional valuation adjustment, DVA – debt valuation adjustment, NPE – non-performing exposures, DTA – deferred tax assets

[2] The increase in the Bank's operational risk requirement is due to an increase in the cost of legal risk. The Bank applies scaling of legal risk costs for CHF mortgage loans under the AMA approach to ensure that historically incurred costs are appropriately accounted for in relation to the risk that the Bank may still incur in this regard.

Figures as at 31 December 2023 have been restated in connection with the retroactive accounting of profit for 2022. The amount of PLN 1,624 million relates to the portion of the profit for 2023 included in own funds with the approval of the PFSA, and the amount of PLN 1,631 million relates to the amount of the profit for 2023 following approval of the profit distribution by the AGM. In line with the European Banking Authority's (EBA) guidance in the single rulebook Q&A setting out the EBA's position on when to recognize annual and interim profits in capital adequacy data (Q&A 2018_3822, Q&A 2018_4085 and Q&A 2013_208), from the point at which the institution formally meets the criteria to include the profit for the period in Tier 1 capital, it is considered that the profit should be included on a retrospective date (the date of the profit rather than the date the criterion is met) and an adjustment to own funds should be made to the date to which the profit relates. As the Bank's AGM approved the distribution of the Bank's profit for 2023 on 28 June 2024, the figures as at 31 December 2023 have therefore been restated to include the impact of this profit distribution at the end of 2023. Consequently, the value of the credit risk requirement has also been recalculated, as the date on which the profit is included in own funds is also the date on which the specific credit risk adjustments (SCRA) included in the requirement are calculated. The date on which the profit is included also necessitates a recalculation of the NPE adjustment and a transitional reversal of the effect of IFRS9. The above changes affect the thresholds of Article 48 of the CRR and consequently the amount of this adjustment.

The PFSA agreed to include the Bank's profit for the first half of 2024, net of expected charges of PLN 1,550 million, in the Bank's own funds in respect of data as at 31 December 2024.

Detailed information on internal capital (Pillar II) and the scope of disclosures (Pillar III), the manner of their verification and publication are presented in PKO Bank Polski S.A. Capital Adequacy Information Policies and other information to be published, which are available on the Bank's website (www.pkobp.pl).

60. DIVIDENDS AND DISTRIBUTION OF RETAINED EARNINGS

On 28 June 2024, the Bank's Annual General Meeting (AGM) passed a resolution on the distribution of the Bank's profit earned in 2023, according to which:

- from the net profit earned in 2023 in the amount of PLN 4,868,360,037.30, PLN 3,237,500,000 was allocated for the distribution among shareholders, which constituted 66.50% of the net profit of the Bank earned in 2023 ("Distributable profit");
- the remainder of the profit in the amount of PLN 1,630,860,037.30 was allocated to the reserve capital for the payment of dividend, including interim dividend in accordance with § 30 of the Bank's Articles of Association.

The total amount of dividends to be distributed to all shareholders of the Bank paid in 2024 was PLN 4,837,500,000 representing the sum of:

- distributable profit, increased by the amount of PLN 1,600,000,000 from the reserve capital established pursuant to resolution No 7/2023 of the AGM of 21 June 2023, paid by the Bank on 1 February 2024 as an interim dividend for the financial year 2023.

The gross dividend was PLN 2.59 per share. The dividend record date was 8 August 2024. The dividend was paid on 22 August 2024.

At the same time, the AGM passed a resolution to leave the Bank's retained earnings, in the amount of PLN 9,437,974,386.73, undistributed.

The dividend policy and the PFSA's recommendations regarding the distribution of dividends in 2024 and 2025 are described in detail in section 7.3 "Dividend and profit distribution" of the PKO Bank Polski S.A. Group Directors' Report for 2024, prepared together with the Directors' Report of PKO Bank Polski S.A.

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OTHER NOTES

61. NOTES TO THE CASH FLOW STATEMENT

○ CASH AND CASH EQUIVALENTS

SIGNIFICANT ACCOUNTING POLICIES:

Cash and cash equivalents consist of cash in hand, cash on nostro accounts and a deposit with the National Bank of Poland, as well as current amounts due from banks, as well as other cash equivalents with maturities up to 3 months from the date of acquisition.

FINANCIAL INFORMATION

CASH AND CASH EQUIVALENTS	31.12.2024	31.12.2023	01.01.2023
Cash, current account with the Central Bank	23,263	13,924	11,768
Deposits with the Central Bank	-	3,752	3,951
Current amounts due from banks	2,847	11,059	8,457
Total	26,110	28,735	24,176

INTEREST INCOME ON:	2024	2023
reported under operating activities	**20,889**	**19,701**
Loans and other amounts due from banks and balances with the Central Bank	2,046	1,877
Debt securities	47	51
Loans and advances to customers	18,776	17,733
Repo transactions	20	40
reported under investing activities	**7,204**	**6,282**
Debt securities measured at fair value through other comprehensive income	4,376	4,154
Debt securities measured at amortized cost	2,828	2,128
Total	28,093	25,983

INTEREST EXPENSES – PAID:	2024	2023
reported under operating activities	**(10,397)**	**(11,287)**
Amounts due to banks	(72)	(76)
Amounts due to customers	(7,309)	(6,901)
Leases	(37)	(30)
Hedging derivatives	(2,202)	(4,108)
Debt securities	(764)	(158)
Repo transactions	(13)	(14)
reported under financing activities	**(436)**	**(283)**
Subordinated liabilities	(209)	(234)
Issues of securities	(227)	-
Loans and advances received	-	(49)
Total	(10,833)	(11,570)

(IN PLN MILLION)

- **RECONCILIATION OF ITEMS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION WITH FINANCING ACTIVITIES IN THE CASH FLOW STATEMENT**

2024	As at the beginning of the period	Recognized in financing activities in the cash flow statement			Presented in operating activities in the cash flow statement (including: interest accrued, foreign exchange differences and other)	As at the end of the period
		Incurred	Repaid	Repayment of interest on financial liabilities		
Liabilities in respect of debt securities in issue	3,421	8,524	-	(227)	281	11,999
Subordinated liabilities - subordinated bonds	2,774	1,500	-	(209)	226	4,291
Lease liabilities	1,034	-	(277)	-	355	1,112
Total	7,229	10,024	(277)	(436)	862	17,402

2023	As at the beginning of the period	Recognized in financing activities in the cash flow statement			Presented in operating activities in the cash flow statement (including: interest accrued, foreign exchange differences and other)	As at the end of the period
		Incurred	Repaid	Repayment of interest on financial liabilities		
Loans and advances received	726	-	(715)	(49)	38	-
Liabilities in respect of debt securities in issue	-	3,531	-	-	(110)	3,421
Subordinated liabilities - subordinated bonds	2,781	-	-	(234)	227	2,774
Lease liabilities	864	-	(255)	-	425	1,034
Total	4,371	3,531	(970)	(283)	580	7,229

OTHER INFLOWS FROM INVESTING ACTIVITIES INCLUDING DIVIDENDS	2024	2023
from subsidiaries, associates and joint ventures	1,024	638
from financial assets held for trading	2	2
financial instruments not held for trading, measured at fair value through profit or loss	13	13
sale of VISA reported under investing activities (other inflows from investing activities)	48	78
Total	1,087	731

Other investment inflows include dividend proceeds and proceeds from the sale of equity securities. Other investment expenditure includes purchases of equity securities.

In 2024, under "other inflows from investing activities", the Bank presents the effect of the sale of series A VISA shares in the amount of PLN 48 million (2023: PLN 78 million).

(IN PLN MILLION)

62. TRANSACTIONS WITH THE STATE TREASURY AND RELATED ENTITIES

- ### TRANSACTIONS WITH THE STATE TREASURY

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

Pursuant to the Act of 30 November 1995 on 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	2024	2023
Income recognized on an accruals basis	64	65
Income recognized on a cash basis	7	4
Income from temporary redemption by the State Treasury of interest on housing loans in the "old portfolio"	57	61

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 2024 in the amount of PLN 332 million, and in 2023 in the amount of PLN 222 million.

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

The Bank's exposure and the value of the Bank's liabilities to 10 entities related to the State Treasury with the highest total exposure are presented below.

SIGNIFICANT TRANSACTIONS WITH THE STATE TREASURY'S RELATED ENTITIES	BALANCE SHEET EXPOSURE, INCLUDING EXPOSURE TO LOANS AND DEBT INSTRUMENTS		OFF-BALANCE SHEET EXPOSURE		LIABILITIES IN RESPECT OF DEPOSITS	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
counterparty 1	13,677	16,586	31	32	532	112
counterparty 2	-	-	3,150	3,150	2,735	2,350
counterparty 3	226	685	2,968	2,360	1	-
counterparty 4	229	1,933	2,471	2,246	180	544
counterparty 5	871	761	1,884	1,065	95	140
counterparty 6	517	60	1,920	2,070	357	1,355
counterparty 7	823	915	1,465	1,009	-	-
counterparty 8	1,627	1,177	163	640	197	395
counterparty 9	-	-	1,501	1,501	365	637
counterparty 10	1,006	1,068	419	538	-	-

	2024	2023
Interest and commission income	506	594
Interest and commission expense	82	193

As at 31 December 2024, the allowance for expected credit losses for the above exposures amounted to PLN 574 million (as at 31 December 2023 it amounted to PLN 262 million).

In the opinion of the Bank, all transactions with entities related to the State Treasury are concluded on an arm's-length basis.

(IN PLN MILLION)

- **RELATED-ENTITY TRANSACTIONS – CAPITAL LINKS**

All transactions presented below were arm's length transactions. Repayment terms are within a range of from one month to seventeen years.

TOTAL SUBSIDIARIES	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
31.12.2024	35,128	34,389	603	9,716
31.12.2023	30,848	30,550	582	11,782

TOTAL SUBSIDIARIES	Total income	of which interest and commission income	Total expense	of which interest and commission income
2024	3,407	2,454	51	40
2023	2,821	2,525	66	55

TOTAL JOINT VENTURES AND ASSOCIATES	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
31.12.2024	147	85	195	446
31.12.2023	90	24	178	493

TOTAL JOINT VENTURES AND ASSOCIATES	Total income	of which interest and commission income	Total expense	of which interest and commission income
2024	965	900	245	191
2023	900	841	237	192

- **RELATED-ENTITY TRANSACTIONS – PERSONAL LINKS**

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

63. BENEFITS FOR THE PKO BANK POLSKI S.A. KEY MANAGEMENT

SIGNIFICANT ACCOUNTING POLICIES:

The members of the Management Board and Supervisory Board of the Bank are considered to be the Bank's key management personnel.

Short-term employee benefits include, apart from the basic salary, also the part of the variable remuneration component paid in cash which is not deferred.

The deferred part of the variable remuneration component paid in cash was recognized as other long-term benefits.

Non-deferred and deferred remuneration components granted in the form of financial instruments i.e. Phantom shares (for which conversion into cash is carried out after an additional period of retention) are recognized as share-based payments settled in cash in accordance with the principles described below.

- **VARIABLE REMUNERATION COMPONENTS OF KEY MANAGEMENT PERSONNEL IN THE BANK**

Variable remuneration components are granted at the Bank in the form of: non-deferred remuneration (in the first year after the calendar year constituting an appraisal period), and deferred remuneration (for the next five years after the first year of the appraisal period), whereas both the non-deferred and deferred remuneration is awarded in equal parts in cash and in the form of financial instruments, i.e. phantom shares (for which conversion into cash is carried out after an additional period of retention).

The component of remuneration in the form of the financial instrument is converted into phantom shares after granting a particular component – taking into consideration the median of the daily average prices of the Bank's shares (Volume Weighted Average Price) on the Warsaw Stock Exchange for the first quarter of the year after the bonus period, available on Thomson Reuters or Bloomberg information system. Next, after a period of retention and deferral period, the shares are converted into cash – taking into consideration the median of the daily average prices of the Bank's shares (Volume Weighted Average Price) on the Warsaw Stock Exchange for the first quarter of the year in which the payment is made, available on either the Thomson Reuters or Bloomberg information system.

The deferred remuneration may be reduced in the event of deterioration in the financial performance of the Bank, a loss incurred by the Bank or deterioration of other variables related to the performance in the period of appraisal of key management personnel and results of the organizational units/cells supervised or managed by these people, which were revealed after the appraisal period.

For a more extensive description, see chapter "BENEFITS FOR MANAGERS AND SUPERVISORS " OF THE PKO BANK POLSKI S.A. GROUP DIRECTORS' REPORT FOR 2024, PREPARED TOGETHER WITH THE DIRECTORS' REPORT OF PKO BANK POLSKI S.A.

FINANCIAL INFORMATION

COST OF REMUNERATION OF THE BANK'S MANAGEMENT AND SUPERVISORY BOARDS (in PLN thousand)	2024	2023
Management Board of the Bank		
Short-term employee benefits	12,550	14,276
Long-term employee benefits	2,488	1,946
Share-based payments settled in cash[1]	9,736	9,787
Benefits to the Bank's Management Board members who ceased to perform their functions before the reporting date	5,155	2,700
Total	**29,929**	**28,709**
Supervisory Board of the Bank		
Short-term employee benefits	1,990	2,215
Total	**1,990**	**2,215**

[1] The item "Share-based payments settled in cash" includes both the cost of provisions for variable remuneration components in the form of an instrument for the current period, as well as the effect of revaluation of provisions for variable remuneration components in the form of an instrument for previous years based on the current price of the Bank's shares.

LOANS AND ADVANCES GRANTED BY THE BANK TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS (in PLN thousand)	31.12.2024	31.12.2023
Supervisory Board of the Bank	-	-
Management Board of the Bank	332	159
Total	**332**	**159**

In accordance with the Banking Law, the conclusion of credit transactions (such as loans, cash advances, bank guarantees, and sureties) with members of the Management Board and Supervisory Board of the Bank, individuals holding managerial positions within the Bank, and entities affiliated with them either by capital or organizational links, is conducted based on the Regulations adopted by the Bank's Supervisory Board. The Regulations specify the special rules for making decisions regarding the conclusion of transactions with the aforementioned individuals and entities, including the decision-making levels authorized to make such decisions. In particular, the conclusion of a transaction with a member of the Bank's Management Board or Supervisory Board requires a decision to be made by the Bank's Management Board and Supervisory Board. Members of the Bank's Management Board and Supervisory Board may use the loan products offered by the Bank according to the terms and conditions standardly offered by the Bank. In particular, with regard to these individuals, the Bank does not apply more favorable interest rates for loans.

The interest rates and repayment terms do not differ from the arm's-length conditions and repayment terms for similar banking products.

The Bank provides the key management personnel, members of the Supervisory Board and their families with standard financial services which comprise, among other things, operating bank accounts, accepting deposits, granting loans and providing other financial services. All these transactions are concluded on an arm's length basis.

(IN PLN MILLION)

In 2024, members of the Bank's Management Board and Supervisory Board in office as at 31 December 2024 received remuneration from the Bank's related entities in the amount of PLN 53 thousand (in 2023 – PLN 62 thousand).

- VARIABLE REMUNERATION COMPONENTS

The provision for variable remuneration components is presented under other liabilities in the item "provision for other employee benefits."

PROVISION FOR VARIABLE REMUNERATION COMPONENTS	31.12.2024 (for 2020-2024)	31.12.2023 (for 2019-2023)
Management Board (including members of the Bank's Management Board who ceased to perform their functions before the reporting date)	40	28
Other Risk Takers (persons holding managerial positions other than members of the Bank's Management Board)	104	87
Total provision	144	115
REMUNERATION PAID DURING THE YEAR	2024 (for 2019-2023)	2023 (for 2018-2022)
- granted in cash	**15**	**18**
Management Board (including members of the Bank's Management Board who ceased to perform their functions before the reporting date)	1	5
Other Risk Takers (persons holding managerial positions other than members of the Bank's Management Board)	14	13
- granted in the form of an instrument	**28**	**11**
Management Board (including members of the Bank's Management Board who ceased to perform their functions before the reporting date)	3	4
Other Risk Takers (persons holding managerial positions other than members of the Bank's Management Board)	25	7
Total remuneration paid	43	29

64. LEASES

SIGNIFICANT ACCOUNTING POLICIES:

The Bank applies exceptions and does not recognize right-of-use assets and liabilities with respect to:

- short-term leases, which include agreements without an option to buy an asset, concluded for a period not exceeding 12 months from the commencement of the agreement, in particular agreements concluded for an indefinite period with a short (up to 12 months) notice period, without significant penalties, which include in particular leasehold improvements incurred and relocation costs;
- low-value leases (an asset's value is lower than PLN 20,000, determined based on the value of a new asset, regardless of the age of the leased asset), excluding agreements for rental of space.

The Bank initially measures lease liabilities at the present value of the lease payments outstanding as at that date. The amount of the lease liability is affected by:

- fixed payments less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any residual guarantees expected from the lessee;
- the exercise price of a purchase option if the probability that the Bank would exercise that option is higher than 50%;
- payments of penalties for terminating the lease, if the lease agreement contains an option for the Bank to terminate the lease as a lessee.

The Bank does not classify variable fees that depend on external factors as lease payments.

After the lease commencement date, the Bank measures the lease liability by:

- increasing the carrying value to reflect interest on the lease liability;
- reducing the carrying value to reflect the lease payments made; and
- remeasuring the carrying value to reflect any reassessment or lease modifications, or to reflect revised fixed lease payments.

The Bank records revaluation of lease liabilities as an adjustment to the right-of-use asset. If as a result of remeasurement the carrying amount of the right-of-use asset is reduced to zero and the lease liability is further reduced, the Bank recognizes the remaining amount of the remeasurement as a profit or loss.

The Bank initially measures the right-of-use assets at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Bank.

The Bank subsequently measures the right-of-use asset at cost less accumulated depreciation (depreciation calculated under the straight-line method) and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

To discount future lease payments, the Bank applies discount rates that:

- are calculated based on yield curves reflecting the cost of financing in a given currency;
- cover the tenor of the longest lease contract subject to measurement and reflecting – for a given currency – a fixed market interest rate and the Bank's cost of financing (the tenors of the lease agreements are within the range of from 1 to 99 years);
- have been read from the curve for maturity corresponding to one-half of the maturity of the lease agreement.

The Bank performs quarterly updates of the incremental borrowing rate for lease agreements.

The Bank applies the same discount rates for the portfolio of car leases and property leases, including rights to perpetual usufruct of land, taking into account the impact of the lease security on the discount rate applied.

The Bank recognizes the lease payments relating to short-term or low-value leases as cost using the straight-line method, over the term of the lease. The differences between the amounts paid and those arising from the straight-line recognition of the costs are recorded as prepayments or accruals.

FINANCIAL INFORMATION

LESSEE - LEASE AMOUNTS RECOGNIZED IN THE INCOME STATEMENT	2024	2023
Costs related to short-term lease contracts	(17)	(15)
Costs related to lease contracts for low-value assets (other than short-term), non-deductible VAT expenses and service charges	(103)	(96)
Total	**(120)**	**(111)**

The interest expense on the lease liability is recognized under "Interest expense", line item "leases". Depreciation charge for right-of-use assets is recognized under "Administrative expenses", line item "Amortization and depreciation".

Within tangible right-of-use assets, 99% of their value is made up of land and buildings.

NON-CURRENT right-of-use assets	2024	2023
Gross carrying amount at the beginning of the period	**2,080**	**1,659**
Increases	333	427
Scrapping and sale	(5)	(6)
Gross carrying amount at the end of the period	**2,408**	**2,080**
Accumulated amortization as at the beginning of the period	**(1,073)**	**(840)**
Amortization charge for the period	(259)	(233)
Other	1	-
Accumulated amortization as at the end of the period	**(1,331)**	**(1,073)**
Impairment losses as at the beginning of the period	**(4)**	**(5)**
Impairment losses as at the end of the period	**(4)**	**(4)**
Carrying amount as at the beginning of the period, net	1,003	814
Carrying amount as at the end of the period, net	1,073	1,003

65. INFORMATION ON THE AUDIT FIRM AUTHORIZED TO AUDIT THE FINANCIAL STATEMENTS

On 15 December 2022, the Supervisory Board, pursuant to § 15 clause 1 point 2 of the Bank's Articles of Association, selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. (KPMG) as the audit firm to audit and review the financial statements of the Bank and of the Bank's Group for the years 2024–2026. KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw, ul. Inflancka 4A, is entered in the list of audit firms kept by the Polish Agency for Audit Oversight under number 3546. On 14 February 2024, the Bank concluded an agreement with KPMG for the audit and review of the financial statements of the Bank and the Bank' Group for the years 2024-2026.

The financial statements of the Bank and the Bank Group for the period 2020-2023 were audited by PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k (PwC) in accordance with the Supervisory Board decisions of 13 December 2018 and 23 September 2021.

TOTAL AMOUNT OF NET REMUNERATION DUE TO THE AUDIT FIRM AUDITING THE FINANCIAL STATEMENTS FOR SERVICES PROVIDED TO THE BANK IN RESPECT OF: (in PLN thousand)	2024 (KPMG)	2023 (PWC)
audit of financial statements of the Bank and consolidated financial statements of the Group	2,089	1,913
assurance services, including reviews of the financial statements	1,963	1,737
Total	4,052	3,650

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

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

The impairment tests of KREDOBANK S.A., performed quarterly using the discounted dividends method, in recent years showed an excess of value in use over the net carrying amount; however, for prudential reasons the impairment loss on shares in KREDOBANK S.A. had been maintained at the same level since 2015. The test performed as 31 March 2022, taking into account the effect of the war in Ukraine and an additional discount of 25% associated with uncertainty as to the further developments in this regard, revealed a need to increase the impairment loss by PLN 52 million and reduce the net carrying amount of shares in KREDOBANK S.A. to PLN 227 million.

Subsequent tests, including those as of 31 December 2024 (which continued to apply an additional discount of 25% due to the uncertainty regarding the further course of the war), did not indicate the need to increase the impairment level, thereby confirming the correctness of the main assumptions previously applied in the valuation model. The test conducted as of 31 December 2024 included the calculation of the residual value by extrapolating cash flow projections beyond the projection period, applying a growth rate of 4% per annum. The cash flow projections in the impairment test covered a 5-year period and were based on the multi-year forecast prepared by KREDOBANK S.A., reflecting the current situation in Ukraine and the assumptions outlined in the financial plan of KREDOBANK S.A. for 2025 and the following years. For discounting future cash flows in UAH, the Bank applied a discount rate equal to the cost of capital of 27.9% in 2025 and 25.8% in subsequent years.

In connection with the invasion, the Bank monitors sanction regulations on an ongoing basis and implements them to the extent appropriate to its specific business. The Bank has introduced guidelines for the financing of and providing banking services to:

- customers conducting business whose business model is based on the benefits of active operation in the markets of Russia and Belarus or through significant links (e.g. economic, personal),
- customers on whom sanctions have been or can be imposed in connection with Russia's aggression in Ukraine.

As at 31 December 2024, the Bank updated the analysis of the business loans portfolio of its Polish customers from the perspective of the customers' exposure to the adverse effects of the military conflict in Ukraine. If we adopt a threshold of at least 5% of the turnover generated from transactions with counterparties from Russia, Belarus or Ukraine, the risk-exposed portfolio amounts to PLN 1.7 billion (PLN 2.5 billion as at 31 December 2023). For the purpose of the measurement of credit exposures, the Bank considered the information on the scale of the Polish customers' business relations with counterparties from Ukraine, Belarus and Russia, and performed an assessment of various scenarios of development of the macroeconomic situation. The exposures of these customers were classified to Stage 2 and were subject to the valuation of expected credit losses throughout their lifetime. If the probability of a customer not repaying its loan liabilities was assessed as high, the exposures were reclassified to Stage 3.

Retail exposures granted to Russian, Belarusian or Ukrainian nationals, which as at 31 December 2024 amounted to PLN 140 million (PLN 151 million as at 31 December 2023), were reclassified by the Bank into Stage 2 and their credit risk was measured over the life of these loans.

As at 31 December 2024, the allowance for expected credit losses for the above portfolios amounted to PLN 78 million (PLN 80 million as at 31 December 2023).

In 2024 and 2023, the Bank maintained a safe level of liquidity, allowing for a quick and effective response to potential threats. Analyses of the Bank's liquidity position confirm that it has a safe level of liquid assets, while maintaining a stable, dispersed deposit base, mainly from retail customers, which is characterized by moderate concentration of entities and is largely covered by guarantees from the BGF. Consequently, the Bank maintains both supervisory and internal measures of liquidity risk at safe levels.

67. 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").

- ### 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.

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

It comprises representatives of the Ministry of Finance, the NBP, the PFSA Office, the BGF, the Polish Development Fund, the WSE, 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 NWG is coordinated and supervised by the Steering Committee.

On 1 September 2022, the Steering Committee (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 was intended to become a critical interest rate benchmark within the meaning of BMR, applied in financial agreements and instruments. A Road Map was adopted, specifying a schedule of actions aimed at replacing WIBOR with WIRON in accordance with the BMR. On 13 February 2023, the PFSA Office announced that WIRON had become an interest rate benchmark.

On 29 March 2024, the SC decided to commence a review and analysis of risk-free-rate (RFR) replacement choices for WIBOR benchmark. A public consultation was held in the period from June to October 2024.

On 10 December 2024, the SC announced its decision to select the proposed index marked with technical name WIRF- and based on unsecured deposits of Credit Institutions and Financial Institutions as the ultimate interest rate benchmark to replace the WIBOR benchmark. The administrator of WIRF- as defined in the BMR Regulation will be GPW Benchmark S.A., a company registered with the European Securities and Markets Authority (ESMA). Thus, the SC has reviewed and modified its previous decision to select WIRON. The next step for the SC will be to update the Roadmap as part of the current schedule of activities (the final deadline for completion of the benchmark reform is at the end of 2027) aimed at replacing the WIBOR benchmark with the ultimate WIRF- benchmark, whose final name is to be chosen in the course of further work. WIRF- is ultimately to become the key interest rate benchmark as defined in the BMR which can be applied in financial contracts (e.g. credit agreements), financial instruments (e.g. debt securities or derivatives) and by investment funds (e.g. to determine the asset management fees).

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

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

Since the third quarter of 2020, PKO Bank Polski S.A., starting with the reform of LIBOR benchmarks, has been running an inter-disciplinary project supervised by members of the Management Board of the Bank with the participation of subsidiaries' representatives from PKO Bank Hipoteczny, PKO Leasing S.A. and PKO Faktoring S.A. related to the adjustment of the Bank and its subsidiaries to changes introduced as part of the benchmark reform, in particular as regards:

- 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 organizational 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. 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.

The Bank is working on analyzing 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.

(IN PLN MILLION)

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 supervision 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 NWG and implementation of the Roadmap, currently, it is not possible to estimate the financial impact of the WIBOR rate reform.

The tables below show the Bank's exposure to WIBOR as at 31 December 2024 and 31 December 2023.

Financial assets	Exposures with interest rate based on WIBOR	
	31.12.2024	31.12.2023
Amounts due from banks	3,078	2,719
Securities	18,275	15,569
Reverse repo transactions	589	253
Loans and advances to customers	174,296	156,160
Total assets	**196,238**	**174,701**

Financial liabilities and off-balance sheet liabilities	Exposures with interest rate based on WIBOR	
31.12.2024	31.12.2024	31.12.2023
Amounts due to customers	7,829	7,700
Subordinated liabilities	4,291	2,774
Liabilities in respect of debt securities in issue	1,025	3,421
Provisions for financial liabilities and guarantees granted	254	358
Total liabilities	**13,399**	**14,253**
Financial liabilities and guarantees granted	37,679	39,328
Hedging derivatives - nominal value	86,337	59,434

The Bank will work to start offering products using the new benchmark. The withdrawal of products where the WIBOR or WIBID benchmark is used will be done gradually.

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 reference rates – are still highly probable and thus the existing hedging relationships can be maintained.

68. SUBSEQUENT EVENTS

- On 2 January 2025, the Bank, acting on the basis of the terms and conditions of the bond and with the approval of the BGF, informed bondholders that it had decided to carry out an early redemption of all the bonds bearing ISIN code XS2582358789. The redemption date was 1 February 2025 and the redemption amount was payable on 3 February 2025, being the first business day following the optional redemption date.

(IN PLN MILLION)

- On 16 January 2025, under the EMTN Programme, the Bank issued Senior Preferred Bonds with a maturity of three years and five months, with the possibility of early redemption two years and five months after the date of issue (subject to the approval of the BFG), with a total nominal value of EUR 750 million on the basis of a prospectus approved on 15 March 2024 by the Commission de Surveillance du Secteur Financier. The coupon of the issue is fixed, at 3.375%, 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. The Bank also intends to list the bonds on the regulated market in Warsaw.
- On 30 January 2025, the Bank concluded an annex to the guarantee agreement providing unfunded credit protection in respect of a portfolio of selected corporate credit receivables of the Bank, in accordance with the CRR ("Guarantee"), discussed in more detail in the note "Contingent liabilities and off-balance sheet liabilities received and granted" Following the execution of the annex, the terms and conditions of the Guarantee have changed to the effect that the total value of the Bank's debt portfolio covered by this Guarantee is PLN 16,886 million, and the portfolio consists of the bond portfolio of PLN 2,365 million ("Portfolio A") and the portfolio of other receivables of PLN 14,521 million ("Portfolio B"). The coverage ratio is 100% for Portfolio A and 80% for Portfolio B, with the total maximum amount of the Guarantee remaining unchanged at PLN 13,982 million.
- On 14 February 2025, BSafer spółka z o.o. (a joint venture of PKO VC -fizan, which is in the Bank Group) filed a bankruptcy petition with the court due to its insolvency.
- On 20 February 2025, PKO Bank Hipoteczny S.A. (a subsidiary of the Bank) carried out a subscription for mortgage covered bonds, series 15, with a nominal value of PLN 800 million, issued on 27 February 2025 with a maturity date of 27 February 2029. The covered bonds bear interest at a floating rate of 3M WIBOR + a margin of 0.80 bps.

SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

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

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

Danuta Szymańska	Director of the accounting division

The original Polish document is signed with a qualified electronic signatures