Bank Polski

Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Subject to Disclosure as at 30 June 2024

Disclosure

Quarterly

Semi-annual

Annual

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1 INTRODUCTION

The report “Capital adequacy and other information subject to disclosure of the PKO Bank Polski SA Group as at 30 June 2024”, hereinafter referred to as the “Report”, was prepared in accordance with:

- Article 111a of the Act of 29 August 1997 – Banking Law, hereinafter referred to as the “Banking Law”,
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, hereinafter referred to as the “CRR”, taking into account acts amending the CRR,
- Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council (hereinafter “Regulation 2021/637”), taking into account acts amending Regulation No 2021/637,
- Commission Implementing Regulation (EU) 2021/763 of 23 April 2021 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council and Directive 2014/59/EU of the European Parliament and of the Council with regard to the supervisory reporting and public disclosure of the minimum requirement for own funds and eligible liabilities,
- Guidelines EBA/GL/2020/12 amending Guidelines EBA/GL/2018/01 of 4 August 2017 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds in order to ensure compliance with the CRR “quick fix” in response to the COVID-19 pandemic.

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, hereinafter referred to as “PKO Bank Polski S.A.” or the “Bank”, meeting the definition of a large institution within the meaning of Article 4(1)(146) of the CRR, in accordance with Article 13(1) and Article 433a of the CRR, announces information on capital adequacy referred to in Part Eight of the CRR on an annual, semi-annual and quarterly basis in a separate document.

This Report has been prepared in accordance with the Bank’s internal regulations concerning the information policy of PKO Bank Polski S.A. regarding capital adequacy and other information subject to disclosure (hereinafter: “The information policy”) shared on the Bank’s website (www.pkobp.pl).

Unless otherwise indicated, the figures presented in the Report are expressed in PLN million. Any differences in totals and percentages result from rounding amounts off to PLN million and rounding percentages off to one place after the decimal point.

The Report has been prepared taking into account all data available as at 30 June 2024. The Report addresses the requirements of the regulations described above insofar as they relate to the Bank and the Bank’s Group. Lack of a reference to a particular article means that the related disclosures are not applicable. This Report was subject to an internal verification by the Bank’s Internal Audit Department.

According to CRR, prudential consolidation is used for capital adequacy purposes, which unlike consolidation in accordance with the International Financial Reporting Standards, covers only subsidiaries that meet the definition of an institution, financial institution or any ancillary services enterprise.

2 MANAGEMENT SYSTEM

The management system constitutes a set of principles and mechanisms relating to decision-making processes occurring in the Bank and to the assessment of the conducted banking activities. The management system in the Bank includes the risk management system and the internal control system.

Risk management system is one of the key internal processes, both in PKO Bank Polski S.A., including its foreign branches, and in the other entities of the Bank's Group. Risk management is aimed at ensuring the profitability of business activities while ensuring control over the risk level and maintaining it under the risk tolerance framework and the limits system adopted by the Bank and the Bank's Group in the changing macroeconomic and legal environment. The expected level of risk plays an important role in the planning process.

Within the prudential consolidation, the following risks have been identified in the Bank's Group, which are subject to management, and some of them are considered material: credit risk, risk of mortgage loans in foreign currencies for households, foreign exchange risk, interest rate risk, liquidity risk (including financing risk), operational risk, business risk, risk of macroeconomic changes and model risk.

The risk management system, including the principles of managing significant types of risk, has been described in detail in the Report "Capital adequacy and other information subject to disclosure of the PKO Bank Polski SA Group as of 31 December 2023", the consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2023, and the condensed interim Consolidated financial statements of the PKO Bank Polski S.A. Group for the six-month period ended 30 June 2024.

2.1 Credit risk, including counterparty risk

Credit risk is understood as the risk of incurring losses as a result of a customer defaulting on their liabilities to the Bank's Group or the risk of a decrease in the economic value of the Bank's Group receivables as a result of a deterioration in a customer's ability to service their liabilities.

The objective of credit risk management is to reduce losses on the loan portfolio and changes in the economic value of exposures on the wholesale market and to minimize the risk of the occurrence of loan exposures at risk of impairment to an acceptable level, while maintaining the expected level of profitability and value of the loan portfolio by shaping on-balance sheet and off-balance sheet items.

2.1.1 Credit risk and dilution risk and credit quality of exposures

Table 2.1 Maturity of exposures [Template EU CR1-A]

		30.06.2024				
		a b	c	d	e	f
		Net exposure value				
		On demand and <= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	46 007	105 529	103 165	5 751	260 452
2	Debt securities	54 324	91 494	51 674	-	197 493
3	**Total**	**100 331**	**197 023**	**154 839**	**5 751**	**457 944**

2.1.2 Use of credit risk mitigation techniques

In the process of calculating own funds requirements, the Bank uses the credit assessments assigned by the following external creditworthiness institutions (rating agencies):

1) Moody's Investors Service,
2) Standard and Poor's Ratings Services,
3) Fitch Ratings.

The process of transferring the issuer and issue assessment to positions outside the trading book for the purpose of calculating own funds requirements is in accordance with the provisions of the CRR, Part III, Title II, Chapter 2.

Table 2.2 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques [Template EU CR3]

		30.06.2024				
		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	111 520	166 167	165 645	522	-
2	Debt securities	197 493	-	-	-	
3	Total	309 012	166 167	165 645	522	-
4	Of which non-performing exposures	1 896	2 820	2 796	24	-
EU-5	Of which defaulted					

Table 2.3 Standardized approach – Credit risk exposure and CRM effects [Template EU CR4]

	Exposure classes	30.06.2024					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWEA	RWEA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	174 726	0	205 251	196	9 394	4,6%
2	Regional government or local authorities	17 507	2 463	17 841	1 327	3 834	20,0%
3	Public sector entities	577	3 565	407	1 629	1 018	50,0%
4	Multilateral development banks	9 406	-	9 406	-	-	0,0%
5	International organisations	-	-	-	-	-	-
6	Institutions	9 159	10 867	9 137	5 399	3 964	27,3%
7	Corporates	75 235	57 542	50 047	16 630	64 718	97,1%
8	Retail	90 176	19 452	84 505	5 638	63 150	70,1%
9	Secured by mortgages on immovable property	93 942	2 160	93 242	501	39 641	42,3%
10	Exposures in default	4 654	727	4 222	70	5 457	127,1%
11	Exposures associated with particularly high risk	638	1 501	638	172	1 214	150,0%
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	453	-	453	-	722	159,4%
15	Equity	1 182	-	1 182	-	2 908	246,0%
16	Other items	26 069	64	26 069	13	10 045	38,5%
17	TOTAL	503 725	98 342	502 401	31 575	206 065	38,6%

Table 2.4 Standardized approach [Template EU CR5]

	Exposure classes	30.06.2024																
		Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	200 140	-	37	1 114	-	-	-	-	-	0	1 110	3 047	-	-	-	205 448	-
2	Regional government or local authorities	-	-	-	-	19 168	-	-	-	-	-	-	-	-	-	-	19 168	13 197
3	Public sector entities	-	-	-	-	-	-	2 036	-	-	-	-	-	-	-	-	2 036	1 792
4	Multilateral development banks	9 406	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 406	3 549
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	837	-	-	11 970	-	351	-	-	1 378	0	-	-	-	-	14 536	3 630
7	Corporates	-	-	-	-	136	-	770	-	-	65 771	0	-	-	-	-	66 677	62 405
8	Retail	-	-	-	-	-	-	-	-	90 144	-	-	-	-	-	-	90 144	70 055
9	Secured by mortgages on immovable property	-	-	-	-	-	78 211	6 581	-	2 185	4 635	2 132	-	-	-	-	93 744	99 223
10	Exposures in default	-	-	-	-	-	-	-	-	-	1 963	2 330	-	-	-	-	4 292	4 163
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	809	-	-	-	-	809	1 084
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	2	407	44	-	-	-	453	442
15	Equity	-	-	-	-	-	-	-	-	-	32	-	1 150	-	-	-	1 182	114
16	Other items	13 997	-	-	-	2 548	-	2	-	-	9 535	-	-	-	-	-	26 082	33 870
17	**Total**	**223 543**	**837**	**37**	**1 114**	**33 822**	**78 211**	**9 739**	**-**	**92 329**	**83 315**	**6 788**	**4 241**	**-**	**-**	**-**	**533 976**	**293 524**

The table above presents the total exposure amount of the on-balance sheet and off-balance sheet items of the Bank's Group, which represents the total exposure net of specific credit risk adjustments and impairment losses and after applying the relevant conversion factors (CCFs) for off-balance sheet exposures, i.e., after multiplying the exposure amounts of off-balance sheet items by the corresponding factors of 0%, 20%, 50% or 100%.

As at 30 June 2024, the Bank did not use on- and off-balance sheet netting pursuant to Article 205 of the CRR, therefore, Article 453(a) of the CRR, regarding the disclosure of information about the policies and processes for on- and off-balance sheet netting and the extent to which a given entity makes use of such netting is not applicable.

As at 30 June 2024, the Bank used the effect of contractual netting agreements for the purposes of determining the balance sheet equivalent for derivative transactions, in accordance with Article 298 of the CRR. Such agreements are concluded primarily with institutional counterparties. They enable the settlement, also in the event of the insolvency of one of the parties, of all transactions covered by a given agreement with one amount being the total of the market values of individual transactions. The contractual netting agreements used meet the requirements of Articles 295-297 of the CRR.

2.1.3 Exposures to the counterparty credit risk

The table below presents the methods used to calculate the own funds requirement for counterparty credit risk (excluding exposures to central counterparties).

Table 2.5 Analysis of CCR exposure by approach [Template EU CCR1]

		30.06.2024							
		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	-	-		1,4	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1,4	-	-	-	-
1	SA-CCR (for derivatives)	1 244	3 075		1,4	6 921	6 047	5 638	4 344
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					480	4	4	4
5	VaR for SFTs					-	-	-	-
6	Total					7 401	6 050	5 642	4 348

The table below presents the value and amount of exposure to the risk for transactions which are subject to the own fund requirement for credit valuation adjustment risk of derivative instruments in the counterparty credit risk.

Table 2.6 Transactions subject to own funds requirements for CVA risk [Template EU CCR2]

		30.06.2024	
		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	2 918	404
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	Total transactions subject to own funds requirements for CVA risk	2 918	404

The table below presents exposures to counterparty credit risk by exposure classes and risk weights applied to calculate the own fund requirement for counterparty credit risk using the standardized method.

Table 2.7 Standardized approach – CCR exposures by regulatory exposure class and risk weights [Template EU CCR3]

	Exposure classes	30.06.2024											
		Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total exposure value
1	Central governments or central banks	29	-	-	1	-	-	-	-	-	-	-	30
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	0	0	-	-	-	-	-	0
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	160	-	-	493	1 727	-	-	0	-	-	2 381
7	Corporates	-	-	-	-	-	12	-	-	3 379	0	-	3 391
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**29**	**160**	**-**	**1**	**493**	**1 739**	**-**	**-**	**3 379**	**0**	**-**	**5 802**

The table below presents types of collateral used to calculate the own fund requirement for counterparty credit risk.

Table 2.8 Composition of collateral for CCR exposures (CCR) [Template EU CCR5]

	Collateral type	30.06.2024							
		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	53	7	1 325	240	-	-	-	-
2	Cash – other currencies	191	721	77	859	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**244**	**727**	**1 402**	**1 099**	**-**	**-**	**-**	**-**

The table below presents an analysis of exposures to central counterparties used to calculate the own fund requirement for counterparty credit risk.

Table 2.9 Exposures to CCPs [Template EU CCR8]

		30.06.2024	
		a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**5**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	160	3
3	(i) OTC derivatives	147	3
4	(ii) Exchange-traded derivatives	13	0
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	189	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	95	2
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

As of 30 June 2024, the Bank did not hold any credit derivative instruments, therefore table EU CCR6 has not been presented.

Securitization

As of 30 June 2024, the PKO Bank Polski Group did not have any active securitization transactions. In connection with the above, in accordance with Regulation 2021/637, the following tables: EU SEC1, EU SEC2, EU SEC3, EU SEC4, EU SEC5 are not presented.

Specialized lending

The Bank's Group does not apply the IRB method for calculating own funds requirements for credit risk.

Non-performing and forborne exposures

The Group's gross NPL ratio[1] amounted to 3.54% as at 30 June 2024. Therefore, in accordance with Regulation 2021/637, the following tables: EU CR2a, EU CQ2, EU CQ6, EU CQ8 are not presented.
Tables below containing quantitative information on unsupported and restructured exposures are presented below.

Table 2.10 Performing and non-performing exposures and related provisions [Template EU CR1]

		30.06.2024														
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 1	of which: stage 2		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
005	Cash balances at central banks and other demand deposits	17 236	17 236	-	-	-	-	- 1	- 1	-	-	-	-	-	-	-
010	**Loans and advances**	**260 911**	**216 866**	**41 633**	**9 883**	**56**	**9 333**	**- 5 119**	**- 1 085**	**- 4 107**	**- 5 223**	**- 18**	**- 5 214**	**- 2 268**	**163 347**	**2 820**
020	Central banks	396	396	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	5 986	4 823	1 150	55	-	55	- 83	- 22	- 61	- 2	-	- 2	- 1	1 315	47
040	Credit institutions	7 130	7 130	-	-	-	-	- 4	- 4	-	-	-	-	-	-	-
050	Other financial corporations	3 785	3 600	183	21	-	20	- 18	- 14	- 4	- 13	-	- 13	- 5	1 766	5
060	Non-financial corporations	87 417	63 080	24 324	4 827	16	4 635	- 2 279	- 426	- 1 855	- 2 138	- 2	- 2 131	- 685	48 569	2 074
070	Of which: SMEs	39 976	28 561	11 403	2 937	15	2 804	- 1 126	- 246	- 883	- 1 522	- 1	- 1 516	- 486	31 226	1 197
080	Households	156 196	137 837	15 976	4 981	39	4 623	- 2 735	- 618	- 2 188	- 3 070	- 17	- 3 067	- 1 577	111 695	695
090	**Debt Securities**	**197 592**	**195 710**	**1 579**	**57**	**-**	**11**	**- 157**	**- 118**	**- 38**	**-**	**-**	**-**	**- 4**	**-**	**-**
100	Central banks	14 986	14 986	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	148 289	146 937	1 067	-	-	-	- 120	- 99	- 21	-	-	-	-	-	-
120	Credit institutions	8 969	8 969	-	-	-	-	- 0	- 0	-	-	-	-	-	-	-
130	Other financial corporations	22 127	21 995	132	-	-	-	- 12	- 6	- 6	-	-	-	-	-	-
140	Non-financial corporations	3 221	2 824	381	57	-	11	- 24	- 12	- 12	-	-	-	- 4	-	-
150	**Off-balance sheet exposures**	**99 166**	**87 732**	**11 432**	**908**	**12**	**452**	**745**	**170**	**574**	**44**	**0**	**42**		**-**	**-**
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	8 377	8 072	305	2	-	2	24	14	11	0	-	0		-	-
180	Credit institutions	10 943	10 943	-	-	-	-	0	0	-	-	-	-		-	-
190	Other financial corporations	3 454	3 438	17	0	-	0	21	21	0	0	-	0		-	-
200	Non-financial corporations	58 769	49 405	9 364	878	10	425	550	96	454	36	0	34		-	-
210	Households	17 623	15 873	1 747	28	2	25	149	39	110	8	0	8		-	-
220	Total	574 906	517 545	54 645	10 848	67	9 796	- 6 022	- 1 374	- 4 720	- 5 267	- 19	- 5 255	- 2 272	163 347	2 820

[1] The NPL ratio is the ratio of gross carrying amount of loans and advances covered by the provisions of Article 47(a)(3) of EU Regulation no. 575/2013 to gross carrying amount of loans and advances covered by the provisions of Article 47a(1) of Regulation (EU) No 575/2013.

Table 2.11 Changes in the stock of non-performing loans and advances [Template EU CR2]

		30.06.2024
		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	9 402
020	Inflows to non-performing portfolios	2 599
030	Outflows from non-performing portfolios	- 2 025
040	Outflows due to write-offs	- 416
050	Outflow due to other situations	- 1 609
060	**Final stock of non-performing loans and advances**	9 976

Table 2.12 Credit quality of forborne exposures [Template EU CQ1]

		30.06.2024							
		a	b	c	d	e	f	g	h
		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	805	1 730	1 590	1 667	- 27	- 554	1 511	921
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	2	1	1	1	0	- 1	2	0
060	Non-financial corporations	339	1 209	1 119	1 202	- 24	- 356	1 083	779
070	Households	464	520	471	464	- 3	- 198	426	142
080	Debt Securities	-	57	57	11	-	-	-	-
090	Loan commitments given	15	51	50	50	0	8	-	-
100	Total	819	1 838	1 697	1 728	- 28	- 562	1 511	921

As of 30 June 2024, the Bank did not have foreign original exposures in all "external" countries in all exposure categories equal to or higher than 10% of total original exposures (domestic and foreign), therefore the data is not subject to disclosure in accordance with template EU CQ4.

Table 2.13 Credit quality of loans and advances by industry [Template EU CQ5]

		30.06.2024					
		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
10	Agriculture, forestry and fishing	2 121	101	99	2 121	- 144	-
20	Mining and quarrying	1 680	8	6	1 680	- 12	-
30	Manufacturing	23 545	1 058	1 017	23 541	- 1 404	- 2
40	Electricity, gas, steam and air conditioning supply	4 200	2	2	4 200	- 45	-
50	Water supply	1 630	17	16	1 630	- 26	-
60	Construction	5 379	424	417	5 378	- 423	-
70	Wholesale and retail trade	16 612	884	863	16 610	- 716	-
80	Transport and storage	11 160	1 203	1 196	11 159	- 513	-
90	Accommodation and food service activities	1 696	505	496	1 696	- 267	-
100	Information and communication	6 701	29	29	6 701	- 52	-
110	Financial and insurance actvities	1 181	2	1	1 181	- 14	-
120	Real estate activities	7 133	300	300	7 133	- 475	-
130	Professional, scientific and technical activities	3 341	102	100	3 340	- 119	-
140	Administrative and support service activities	3 740	85	85	3 739	- 85	-
150	Public administration and defense, compulsory social security	11	0	0	11	- 0	-
160	Education	289	29	29	289	- 20	-
170	Human health services and social work activities	1 133	25	25	1 133	- 25	-
180	Arts, entertainment and recreation	505	22	22	505	- 32	-
190	Other services	188	30	29	187	- 43	-
200	Total	92 244	4 827	4 732	92 231	- 4 414	- 2

Table 2.14 Collateral obtained by taking possession and execution processes [Template EU CQ7]

		30.06.2024	
		a	b
		Collateral obtained by taking possession accumulated	
		Value at initial recognition	Accumulated negative changes
10	**Property Plant and Equipment (PP&E)**	-	-
20	**Other than Property Plant and Equipment**	62	- 4
30	Residential immovable property	26	-
40	Commercial Immovable property	36	- 4
50	Movable property (auto, shipping, etc.)	-	-
60	Equity and debt instruments	-	-
70	Other	-	-
80	Total	62	- 4

2.2 Market risk

2.2.1 Interest rate risk

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

The Bank categorizes its portfolios from the perspective of interest rate risk management:
- the non-trading 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.

The Bank pro-actively manages the interest rate risk arising from items in both the trading and non-trading books.

The objective of management of interest rate risk is to reduce possible losses due to changes in market interest rates to the acceptable level by appropriate shaping of the structure of balance-sheet and off-balance sheet items. In particular, the Bank's Group aims to reduce the sensitivity of both sensitivity of interest income and sensitivity of economic value to an acceptable level, defined in the form of strategic tolerance limits (risk appetite).

Interest rate risk in the non-trading book

Additionally, the Group (in accordance with Article 98(5) of Directive 2013/36/EU) conducts, for supervisory purposes, an analysis of the sensitivity of economic value in six shock scenarios, as well as an analysis of the sensitivity of interest income calculated in accordance with two shock scenarios.

The results as of 30 June 2024 and as of 31 December 2023 were as follows:

Table 2.15 Quantitative information on interest rate risk in the non-trading book [Template EU IRRBB1]

Supervisory shock scenarios[1]	30.06.2024	31.12.2023	30.06.2024	31.12.2023
	Changes of the economic value of equity		Changes of the net interest income	
Parallel up	- 3 478	- 3 788	217	890
Parallel down	1 767	2 190	- 1 858	- 2 409
Steepener	1 235	589		
Flattener	- 3 125	- 1 884		
Short rates up	- 4 118	- 3 099		
Short rates down'	2 107	1 653		

[1)] Results of the stress-test analysis are presented only for currencies representing at least 5% of total financial assets in the non-trading book. Stress-tests are presented in accordance with the EBA guidelines on IRRBB and Commission Delegated Regulation (EU) 2024/856 of 1 December 2023 on regulatory technical standards specifying supervisory stress test scenarios

Interest rate risk in the trading book

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

The IR VaR in the Bank's trading book is shown in the table 2.20 below:

Table 2.16 VaR measure in the Bank's trading book

Measure name	30.06.2024	31.12.2023
10-day VaR with a 99% confidence level (PLN million)[1]		
Average value	8	59
Maximum value	15	133
Value at the end of the year	3	42

[1] Due to the nature of the activities of the Bank's Group companies, the VaR measure is presented for the Bank's trading book.

2.2.2 Foreign exchange risk

Foreign exchange risk is the risk of incurring losses due to exchange rate fluctuations, generated by maintaining open currency positions.

The objective of foreign exchange risk management is to mitigate the risk of incurring potential losses arising from exchange rate fluctuations to an acceptable level by appropriate shaping the currency structure of balance-sheet and off-balance sheet items. The acceptable level of risk for both the Bank and the Bank's Group is determined as part of the Risk Management Strategy of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group, implemented by the Management Board and approved by the Supervisory Board.

In order to determine the level of foreign exchange risk, the Bank uses the value-at-risk (VaR) model and shock analyses.

In the first half of 2024, the foreign exchange risk of the Bank's Group was low because the Bank, as a rule, follows the policy of limiting its positions in the main currencies, i.e. EUR, USD, CHF and GBP.

The Bank's VaR and stress test analysis of the Bank's Group (in total for all currencies) exposed to foreign exchange risk were as follows as at 30 June 2024 and as at 31 December 2023:

Table 2.17 Sensitivity of financial assets exposed to foreign exchange risk

Measure name[1]	30.06.2024	31.12.2023
10-day VaR with a 99% confidence level (PLN million)[2]	15	3
Change in CHF/PLN exchange rate by 10% (stress-test)[3]	- 46	- 2
Change in EUR/PLN exchange rate by 10% (stress-test)[3]	87	32
Change in all foreign exchange rates against PLN by 10% (stress test)	56	- 8

[1] The positions do not include structural positions in UAH (PLN 688 million), for which the Bank obtained approval from the PFSA to exclude them from the calculation of the currency positions,

[2] Due to the dominant scale of the Bank's operations as regards the companies of the Bank's Group, the value at risk measure is presented only for the Bank.

[3] Stress test scenarios assume the appreciation or depreciation of PLN against individual foreign currencies; depending on which change generates a bigger loss.

2.2.3 The own funds requirement for market risk

The table below presents the own funds requirements for market risk in the Bank's Group.

Table 2.18 Market risk under the standardized approach [Template EU MR1]

		30.06.2024
		a
Outright products		**RWEAs**
1	Interest rate risk (general and specific)	2 035
2	Equity risk (general and specific)	17
3	Foreign exchange risk	-
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus approach	1
7	Scenario approach	9
8	Securitisation (specific risk)	-
9	**Total**	**2 062**

The foreign currency position did not exceed the threshold of 2% of own funds, therefore, the respective own funds requirement was not calculated.

As of 30 June 2024, the Bank's Group did not have an open position on commodity price risk, so the own funds requirement for this was zero.

The Bank's Group does not use any internal models for calculating own funds requirements for market risk (Article 455 of the CRR "Use of Internal Market Risk Models" does not apply).

2.3 Liquidity risk including financing risk

Liquidity risk is the risk of the inability to settle liabilities as they become due because of the absence of liquid assets. Lack of liquidity may arise from inappropriate structure of the statement of financial position, misfit of cash flows, not received payments from counterparties, sudden withdrawal of cash by customers or other market events.

The purpose of liquidity risk management is to ensure the necessary level of funds needed to settle current and future liabilities (also potential ones), taking into account the nature of the activities conducted and the needs which may arise due to changes in the market environment, by appropriately shaping the structure of the balance sheet and off-balance sheet liabilities.

Quantitative information presenting the liquidity risk profile of the Bank's Group, the disclosure of which is required by external regulations, in particular Regulation 2021/637, is presented in table 2.23 below.

A liquidity coverage ratio (LCR) is determined individually by each entity in the Bank's Group which is required to determine this ratio and on a consolidated basis for the Bank's Group as a whole.

The LCR ratio as of 30 June 2024 was approximately 245.7%, remaining at a high level, significantly above the supervisory limit and internal limits and threshold values. Compared to 31 December 2023, the value of the ratio increased by approximately 2.3 p.p., mainly due to an increase in retail deposits and the issuance of own bonds in EUR and PLN, with a simultaneous decrease in corporate and financial deposits and an increase in gross loans.

The Bank maintains a high and safe level of high quality unencumbered liquid assets which constitute a hedge in case extreme liquidity scenarios (a liquidity surplus) materialize. Easily disposable assets include: cash (less the minimum balance maintained at the ATMs and in the Bank's branches), funds in the Bank's nostro accounts (excluding the average level of the mandatory reserve), interbank deposits placed with other banks and liquid securities.

As at the end of June 2024, the outflows in respect of derivative instruments calculated in accordance with the CRR amounted to PLN 1.3 billion, whereas the impact of the unfavorable market conditions scenario on derivative instruments, financing transactions and other agreements accounted for approx. 0.1% of the total unweighted outflows recognized in the liquidity coverage ratio.

As at the end of June 2024, the Bank's Group had 2 currencies for which the ratio of the value of liabilities in a given currency to the total value of liabilities in all currencies amounted to at least 5%: PLN and EUR. The Bank's Group had an LCR above 100% for all currencies in total and for PLN.

The structure of the Bank's sources of financing was described in the Bank's annual financial statements as at and for the year ended 31 December 2023 (Note 63. Liquidity risk management). The Bank follows a strategy which consists of using the stable part of the deposit base as the basic source of financing in all currencies. Issues of bonds denominated in EUR and PLN as well as covered bonds denominated in EUR and PLN also constitute a significant part of financing for the Bank and the Bank's Group (especially in the case of foreign currencies). Surplus funds obtained on the market in a given currency (issues of securities) are used to manage the Bank's foreign currency liquidity needs, using derivative transactions (mainly CIRS and FX swaps).

Table 2.19 Quantitative information of LCR [Template EU LIQ1]

		a	b	c	d	e	f	g	h
		Total unweighted value (avg)				Total weighted value (avg)			
EU 1a	Quarter ending on	30.06.2024	31.03.2024	31.12.2023	30.09.2023	30.06.2024	31.03.2024	31.12.2023	30.09.2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					154 453	147 216	136 709	123 560
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	287 853	281 541	271 908	260 776	21 702	21 352	20 728	19 978
3	Stable deposits	206 734	200 583	192 611	183 749	10 337	10 029	9 631	9 187
4	Less stable deposits	81 094	80 933	79 271	76 999	11 341	11 298	11 071	10 763
5	Unsecured wholesale funding	102 817	99 617	96 839	95 948	35 551	34 449	33 445	33 112
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	29 679	28 596	27 491	27 147	7 093	6 833	6 566	6 492
7	Non-operational deposits (all counterparties)	71 915	69 895	68 346	67 729	27 235	26 491	25 877	25 549
8	Unsecured debt	1 224	1 125	1 002	1 072	1 224	1 125	1 002	1 072
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	89 945	88 311	85 894	83 177	16 137	16 299	16 518	16 447
11	Outflows related to derivative exposures and other collateral requirements	5 177	5 722	6 402	6 690	5 177	5 722	6 402	6 690
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	84 767	82 588	79 492	76 487	10 960	10 577	10 115	9 757
14	Other contractual funding obligations	3 080	3 773	3 536	3 548	2 158	2 906	2 735	2 792
15	Other contingent funding obligations	7 064	6 872	6 808	6 351	2 835	2 816	2 806	2 797
16	TOTAL CASH OUTFLOWS					78 384	77 823	76 232	75 126
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	451	1 140	1 400	1 336	15	61	84	83
18	Inflows from fully performing exposures	13 818	13 990	13 421	13 502	12 134	12 409	11 935	12 057
19	Other cash inflows	1 995	1 848	1 832	1 797	1 995	1 848	1 832	1 797
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	16 263	16 978	16 653	16 635	14 144	14 318	13 852	13 937
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	16 263	16 978	16 653	16 635	14 144	14 318	13 852	13 937
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					154 453	147 216	136 709	123 560
22	TOTAL NET CASH OUTFLOWS					64 240	63 504	62 380	61 189
23	LIQUIDITY COVERAGE RATIO					240,3%	231,7%	218,7%	201,9%

Table 2.20 Net Stable Funding Ratio [Template EU LIQ2]

		30.06.2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	Capital items and instruments	46 239	-	-	1 811	48 050
2	Own funds	46 239	-	-	1 811	48 050
3	Other capital instruments		-	-	-	-
4	Retail deposits		298 375	-	-	279 360
5	Stable deposits		216 464	-	-	205 641
6	Less stable deposits		81 910	-	-	73 719
7	Wholesale funding:		112 111	5 671	9 860	62 933
8	Operational deposits		27 485	-	-	13 743
9	Other wholesale funding		84 626	5 671	9 860	49 191
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	6 782	686	11 648	11 991
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		6 782	686	11 648	11 991
14	Total available stable funding (ASF)					402 335
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					1 917
EU-15a	Assets encumbered for more than 12m in cover pool		72	59	3 360	2 968
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		30 334	14 257	229 560	227 325
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		7 140	0	1 086	1 801
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		16 918	11 185	120 370	131 046
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		55	31	14 966	10 201
22	Performing residential mortgages, of which:		3 031	2 847	89 186	73 851
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		1 321	1 099	60 382	45 070
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		3 245	226	18 918	20 627
25	Interdependent assets		-	-	-	-
26	Other assets:					
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	602	512
29	NSFR derivative assets		-			-
30	NSFR derivative liabilities before deduction of variation margin posted		7 987			399
31	All other assets not included in the above categories		16 917	299	17 152	19 988
32	Off-balance sheet items		19 031	19 594	54 159	5 525
33	**Total RSF**					258 633
34	**Net Stable Funding Ratio (%)**					155,6%

2.4 Operational risk

Operational risk is understood as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk does not include reputation risk or business risk, but does include legal risk and cybersecurity risk:

- legal risk – the risk of incurring a loss due to ignorance, misunderstanding and non-application of legal norms and accounting standards, the inability to enforce contractual provisions, unfavorable interpretations or decisions of courts or public administration bodies,
- cyber security risk – the degree of exposure by potential negative cyber security risk factors, related to information and communication technologies, which may cause financial damage to the organization by compromising the availability, integrity, confidentiality or accountability of information processed in SIB resources.

The objective of operational risk management is to ensure operational and cost effectiveness and business security by limiting the occurrence of operational events and their negative consequences.

3 CAPITAL ADEQUACY

Capital adequacy is a process aimed at ensuring that the level of the risk which the Bank and the Bank's Group take on in connection with the development of their business activities may be covered with the available capital, taking into account a specific risk tolerance level and time horizon. The process of managing capital adequacy comprises, in particular, compliance with the applicable regulations of the supervisory and control authorities, as well as the risk tolerance level determined within the Bank and the Bank's Group and the capital planning process, including the policy concerning the sources of acquisition of capital.

Pursuant to Article 92 of the CRR, the minimum capital ratio levels maintained by the Bank's Group are:
1) Total Capital Ratio (TCR) – 8.0%,
2) Tier 1 capital ratio (T1) – 6.0%,
3) Tier 1 core capital ratio (CET1) – 4.5%.

Pursuant to the CRR and the Act on macroprudential supervision, the Bank's Group is required to maintain a combined buffer requirement which is the total of the applicable buffers. Detailed information on capital buffers is presented in chapter 3.3 of this Report.

Table 3.1 Overview of risk weighted exposure amounts [Template EU KM1]

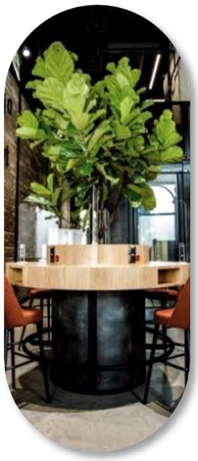
		a	b	c	d	e
		30.06.2024	31.03.2024	31.12.2023	30.09.2023	30.06.2023
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	42 097	41 575	41 727	42 867	40 621
2	Tier 1 capital	42 097	41 575	41 727	42 867	40 621
3	Total capital	43 908	43 520	43 807	45 083	42 973
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	245 475	238 795	234 835	222 680	216 690
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	17,15%	17,41%	17,77%	19,25%	18,75%
6	Tier 1 ratio (%)	17,15%	17,41%	17,77%	19,25%	18,75%
7	Total capital ratio (%)	17,89%	18,22%	18,65%	20,25%	19,83%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 7d	Total SREP own funds requirements (%)	8,00%	8,00%	8,00%	8,00%	8,00%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,04%	0,04%	0,04%	0,03%	0,03%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer	2,00%	2,00%	2,00%	2,00%	2,00%
11	Combined buffer requirement (%)	4,54%	4,54%	4,54%	4,53%	4,53%
EU 11a	Overall capital requirements (%)	12,54%	12,54%	12,54%	12,53%	12,53%
12	CET1 available after meeting the total SREP own funds requirements (%)	9,89%	10,22%	10,65%	12,25%	11,83%
Leverage ratio						
13	Leverage ratio total exposure measure	542 490	529 757	534 167	503 541	492 072
14	Leverage ratio	7,76%	7,85%	7,81%	8,51%	8,26%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%	3,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14e	Overall leverage ratio requirement (%)	3,00%	3,00%	3,00%	3,00%	3,00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	154 453	147 216	136 709	123 560	115 038
EU 16a	Cash outflows - Total weighted value	78 384	77 823	76 232	75 126	77 346
EU 16b	Cash inflows - Total weighted value	14 144	14 318	13 852	13 937	13 580
16	Total net cash outflows (adjusted value)	64 240	63 504	62 380	61 189	63 766
17	Liquidity coverage ratio (%)	240,3%	231,7%	218,7%	201,9%	181,4%
Net Stable Funding Ratio						
18	Total available stable funding	402 335	391 809	393 004	377 789	372 556
19	Total required stable funding	258 633	255 657	250 969	253 050	248 525
20	NSFR ratio (%)	155,6%	153,3%	156,6%	149,3%	149,9%

3.1 Own funds

For capital adequacy purposes, own funds are calculated in accordance with the provisions of the Banking Law, Part Two of the CRR and the secondary legislation for the CRR.

The own funds of the Bank's Group include Common Equity Tier 1 capital and Tier 2 capital. No elements of Additional Tier 1 capital are identified in the Bank's Group.

Common Equity Tier 1 capital includes:



1) share capital presented in accordance with the Articles of Association and the entry in the Commercial Register, at nominal value,
2) supplementary capital created as a result of the annual appropriation of net profit and earmarked for offsetting accounting losses which may arise in connection with the Bank's Group's operations,
3) reserve capital created independently of the supplementary capital as a result of the annual appropriation of net profit, in an amount determined in a resolution adopted by the General Meeting (hereinafter called the "GSM") and earmarked solely for offsetting possible accounting losses,
4) other cumulative comprehensive income (excluding gains and losses relating to cash flow hedges),
5) general risk reserve created by appropriating net profit, in an amount determined in a resolution adopted by the GSM and earmarked for unidentified banking risks,
6) retained earnings (unappropriated profit from previous years),
7) the net profit (loss) in the course of being approved and the net profit (loss) for the current reporting period, calculated in accordance with the applicable accounting policies, less any expected charges and dividends, in amounts no higher than the profit amounts verified by a registered auditor; a net profit (loss) may be recognized in own funds on condition that it is approved by the GSM or, before being approved by the GSM, the PFSA's consent to its recognition in own funds is obtained. Once the aforementioned formal requirements have been met, the Bank makes retrospective adjustments to own funds.[2]

Due to the Bank's Group's application of transitional solutions regarding the impact of IFRS 9 accounting standards on capital adequacy (described later in the report), the own funds include an adjustment resulting from the application of transitional solutions concerning the mitigation of the impact of IFRS 9 introduction on own funds.

The Common Equity Tier 1 capital is reduced by:

1) losses for the current financial year,
2) intangible assets stated at their carrying amounts, net of the related deferred income tax liability, the amount being deducted includes goodwill taken into account in the valuation of significant investments, software assets subject to prudential valuation are not deducted[3],
3) additional adjustments to assets measured at fair value, which result from compliance with the requirements for prudential valuation,
4) deferred income tax assets based on future profitability and not resulting from temporary differences,
5) additional adjustments of the valuation of liabilities and derivatives reflecting the Group's own credit risk,
6) deferred tax assets that rely on future profitability and arise from temporary differences, in an amount exceeding 10% of the Bank's Group's Common Equity Tier 1 capital (taking into account deductions for amounts specified in points 1-5 and 7),
7) direct and indirect equity exposures to financial sector entities if the Bank's Group has not made significant investments in these entities, in the form of shares held or other Common Equity Tier 1 instruments or Tier 2 instruments of these entities, provided that their total exceeds 10% of the Common Equity Tier 1 capital of the Bank's Group (taking into account deductions for amounts specified in points 1-5),
8) direct and indirect equity exposures to financial sector entities if the Bank's Group has not made significant investments in these entities, in the form of shares held or other Common Equity Tier 1 instruments of these entities, the total of which exceeds 10% of the Common Equity Tier 1 capital of the Bank's Group (taking into account deductions for amounts specified in points 1-5 and 7),
9) the amount by which the total of:
    a) deferred income tax assets based on future profitability and resulting from temporary differences, up to 10% of the Common Equity Tier 1 capital of the Bank's Group (calculated taking into account deductions for amounts specified in points 1-5 and 7) and
    b) direct and indirect equity exposures to financial sector entities if the Bank's Group has made significant investments in these entities, in the form of shares held or Common Equity Tier 1 instruments of these entities, up to 10% of the Common Equity Tier 1 capital of the Bank's Group (calculated taking into account deductions for amounts specified in points 1-5 and 7),

    exceeds the equivalent of 17.65% of the Bank's Group's Common Equity Tier 1 capital (calculated taking into account all deductions specified in points 1-7); the amount below the threshold (17.65%) is included in risk-weighted exposures.
10) the applicable amount of insufficient coverage for non-performing exposures, calculated in accordance with Article 47c of the CRR, except for the amount of insufficient coverage relating to exposures which arose before 26 April 2019, provided that the conditions of these exposures have not been changed in a manner that increases the Bank's exposure to a debtor,

Tier 2 capital includes, subordinated liabilities understood as liabilities in respect of funds acquired by the Bank, in the amount and in accordance with the rules laid down in the PFSA's decision issued at the Bank's request, which meet the conditions set out in Article 63 of the CRR. Subordinated liabilities included in Tier 2 capital shall be treated as the full value of instruments with a residual maturity of more than five years. During the last five years to maturity in Tier 2 capital, the amortized value of the liabilities calculated by multiplying the carrying amount of the instruments on the first day of the last five-year contractual maturity of the instruments is taken into account by the number of days in that period divided by the number of remaining contractual days of the instrument's maturity.

[2] In May 2020, the European Banking Authority (EBA) published, in a single rulebook Q&A, its position regarding the moment of recognition of annual and interim profits in the capital adequacy data (Q&A 2018_3822 and Q&A 2018_4085). According to this position, once the Bank or the Bank's Group have formally met the criteria for including their profit for a given period in the Tier 1 capital, this profit should be included retrospectively (as at the date of the profit, and not the date of meeting the criteria), and own funds should be adjusted accordingly as at the date of the profit.

[3] As regards software, the amount deductible from own funds is determined on the basis of accumulated prudential amortization of software, calculated as from the date on which software assets are available for use and begin to be amortized for accounting purposes. The remaining amount of software is included in risk-weighted assets with a weighting of 100%.

Tier 2 capital is reduced by:

1) direct and indirect equity exposures to financial sector entities in the form of Tier 2 capital instruments of these entities if an institution has made significant investments in these entities,
2) direct and indirect equity exposures to financial sector entities if an institution has not made significant investments in these entities, in the form of shares held or other Tier 2 capital instruments, if the total amount of these exposures exceeds 10% of the Bank's Common Equity Tier 1 capital.

When the value of the deductions referred to in sections 1 and 2 should reduce the value of Tier 2 capital to less than zero, the excess of these deductions over the value of Tier 2 capital is deducted from Common Equity Tier 1 capital.

Table 3.2 presents the reconciliation of the items in the statement of financial position used to calculate own funds to regulatory own funds as at 30 June 2024.

Table 3.2 Composition of regulatory own funds [Template EU CC1]

		30.06.2024	
		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation *
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1 250	note 29.
	of which: Series A - ordinary registered shares	313	note 29.
	of which: Series A - ordinary bearer shares	198	note 29.
	of which: Series B - ordinary bearer shares	105	note 29.
	of which: Series C - ordinary bearer shares	385	note 29.
	of which: Series D - ordinary bearer shares	250	note 29.
2	Retained earnings	11 774	
3	Accumulated other comprehensive income (and other reserves)	28 552	
EU-3a	Funds for general banking risk	1 070	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	42 645	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	- 168	
8	Intangible assets (net of related tax liability) (negative amount)	- 2 506	
9	Empty set in the EU	Not applicable	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	1 651	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Empty set in the EU	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Empty set in the EU	-	
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Empty set in the EU	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjusments (including IFRS 9 transitional adjustments when relevant)	474	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	- 548	
29	**Common Equity Tier 1 (CET1) capital**	42 097	note 35.

Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Empty set in the EU	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	
44	**Additional Tier 1 (AT1) capital**	-	
45	**Tier 1 capital (T1 = Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital)**	42 097	note 35.
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	1 811	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	1 811	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Empty set in the EU	-	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Empty set in the EU	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
56b	Other regulatory adjusments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	
58	**Tier 2 (T2) capital**	1 811	note 35.
59	**Total capital (TC = T1 + T2)**	43 908	note 35.
60	**Total risk exposure amount**	245 475	
Capital ratios and buffers			
61	Common Equity Tier 1	17,15%	
62	Tier 1	17,15%	note 35.
63	Total capital	17,89%	note 35.
64	Institution CET1 overall capital requirements	9,04%	
65	of which: capital conservation buffer requirement	2,50%	note 35.
66	of which: countercyclical buffer requirement	0,04%	note 35.
67	of which: systemic risk buffer requirement	0,00%	note 35.
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2,00%	note 35.
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0,00%	
68	**Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)**	9,89%	

National minima (if different from Basel III)		
69	Not applicable	Not applicable
70	Not applicable	Not applicable
71	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	278
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	1 278
74	not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	3 135
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

* Column (b) provides note numbers from the Condensed Interim Consolidated financial statements of the PKO Bank Polski S.A. Group for the six-month period ended 30 June 2024.

Pursuant to Implementing Regulation 2021/637, Table 3.1 [Template EU CC1] presents information on the nature and amounts of individual own fund items used to calculate a Total Capital Ratio as at 30 June 2024. Only the rows with values equal to 0 were omitted.

Table 3.3 Reconciliation of regulatory own funds to balance sheet in the audited financial statements [Template EU CC2]

	30.06.2024		
	a)	b)	c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference*
	As at period end	As at period end	
ASSETS - Breakdown by asset clases according to the balance sheet in the published financial statements			
Cash and balances with the Central Bank	17 514	17 514	
Amounts due from banks	11 330	11 202	note 18.
Hedging derivatives	653	653	note 19.
Other derivative instruments	6 654	6 654	note 19.
Securities	200 995	198 316	note 20.
Reverse repo transactions	493	493	
Loans and advances to customers	253 270	252 433	note 21.
Receivables in respect of insurance activities	65	-	note 25.
Property, plant and equipment transferred under operating lease	2 370	2 370	
Property, plant and equipment	3 172	2 986	
Non-current assets held for sale	19	19	
Intangible assets	3 882	3 657	
Investments in associates and joint ventures	284	1 817	
Current income tax receivables	6	6	
Deferred income tax assets	4 059	3 354	
Other assets	2 492	2 463	
TOTAL ASSETS	**507 258**	**503 937**	
LIABILITIES - Breakdown by liability clases according to the balance sheet in the published financial statements			
Amounts due to the Central Bank	11	11	
Amounts due to banks	3 397	3 397	note 22.
Hedging derivatives	2 691	2 691	note 19.
Other derivative instruments	7 055	7 055	note 19.
Amounts due to customers	398 833	398 802	note 23.
Repo transactions	10	10	
Liabilities in respect of insurance activities	2 953	-	note 25.
Loans and advances received	1 422	1 422	note 24.
Debt securities in issue	21 616	21 924	note 24.
Subordinated liabilities	2 767	2 767	note 24.
Other liabilities	12 933	12 966	
Current income tax liabilities	766	758	
Deferred income tax provision	769	20	
Provisions	5 103	5 094	note 26.
TOTAL LIABILITIES	**460 326**	**456 917**	
EQUITY			
Share capital	1 250	1 250	
Other capital and reserves	29 978	29 621	
Retained earnings	11 321	11 774	
Net profit or loss for the year	4 395	4 375	
Capital and reserves attributable to equity holders of the parent	46 944	47 020	
Non-controlling interests	- 12	-	
TOTAL EQUITY	**46 932**	**47 020**	

* Column (c) provides note numbers from the Condensed Interim Consolidated financial statements of the PKO Bank Polski S.A. Group for the six-month period ended 30 June 2024.

Carrying values reported in the regulatory approach differ from the values included in the published financial statements as of 30 June 2024 due to the application of different scopes of consolidation.

3.2 Requirements for own funds

Pursuant to the CRR, the Bank's Group calculates own funds requirements for the following types of risk:

1) credit risk – under the standardized approach (pursuant to Part Three, Title II, Chapter 2 of the CRR),
2) operational risk:
   a) according to the AMA approach - in the scope of activities conducted by the Bank, including the activities of foreign branches in the Federal Republic of Germany and the Czech Republic, and excluding the foreign branch in the Slovak Republic,
   b) under the BIA approach (pursuant to Part Three, Title III of the CRR) – in respect of the operations of the foreign branch in the Slovak Republic and in respect of the operations of the entities in the Bank's Group subject to prudential consolidation.
3) market risk (pursuant to Part Three, Title IV, Chapters 2-4 of the CRR):
   a) foreign exchange risk – calculated under the basic approach,
   b) commodity risk – calculated under the simplified approach,
   c) equity instruments risk – calculated under the simplified approach,
   d) specific debt instrument risk – calculated under the basic approach,
   e) general debt instrument risk – calculated under the duration-based approach,
   f) remaining risks other than delta risk (non-delta risk) – calculated under the scenario approach for options for which the Bank uses its own valuation models and under the delta plus approach for the remaining options;
4) other risks:
   a) settlement/delivery risk – calculated under the approach specified in Part Three, Title V, of the CRR,
   b) counterparty credit risk, including the exposures to the central counterparty (CCP) – calculated under the standard method specified in Part Three, Title II, Chapter 6 of the CRR,
   c) credit valuation adjustment (CVA) risk – calculated under the approach specified in Part Three, Title VI of the CRR,
   d) exceeding the large exposures limit – calculated under the approach specified in Part Four of the CRR.

The total own funds requirement for the Bank's Group is the sum of the aforementioned own funds requirements for individual types or risk.

In calculating the own funds requirement for counterparty credit risk, the Bank uses contractual netting pursuant to the CRR (Articles 295–298).

The table below presents the value of risk-weighted assets and capital requirements for individual types of risk, while the values of individual capital ratios are presented in Table 3.1 [Template EU KM1].

Table 3.4 Overview of risk weighted exposure amounts [Template EU OV1]

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		30.06.2024	31.03.2024	30.06.2024
1	Credit risk (excluding CCR)	206 065	201 302	16 485
2	Of which the standardised approach	206 065	201 302	16 485
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
EU-4a	Of which: equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	4 756	4 388	381
7	Of which the standardised approach	4 344	4 047	348
8	Of which internal model method (IMM)	-	-	-
EU-8a	Of which exposures to a CCP	5	5	0
EU-8b	Of which credit valuation adjustment - CVA	404	332	32
9	Of which other CCR	4	3	0
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU-19a	Of which 1 250 %	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	2 062	1 662	165
21	Of which the standardised approach	2 062	1 662	165
22	Of which IMA	-	-	-
EU-22a	Large exposures	-	-	-
23	Operational risk	32 592	31 443	2 607
EU-23a	Of which basic indicator approach	4 445	4 445	356
EU-23b	Of which standardised approach	-	-	-
EU-23c	Of which advanced measurement approach	28 147	26 998	2 252
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	11 031	10 947	883
29	Total	245 475	238 795	19 638

3.3 Capital buffers

Pursuant to the CRR and the Act on macro-prudential supervision, financial institutions are required to maintain a combined buffer requirement above the minimum levels set out in the CRR for:
1) Total Capital Ratio (TCR),
2) Tier 1 (T1) capital ratio,
3) Common Equity Tier 1 (CET1) capital ratio.

The combined buffer requirement is the total of all the applicable buffers, i.e., the capital conservation buffer, countercyclical buffer, and Other Systemically Important Institution (O-SII) buffer. These buffers must be covered with Common Equity Tier 1 capital.

A capital conservation buffer of 2.5% is obligatory for all banks.

The countercyclical buffer is imposed to mitigate the systemic risk arising from the lending cycle. It is introduced by the minister responsible for financial institutions during periods of an excessive increase in lending activities and lifted when they slow down. As at 30 June 2024, the countercyclical buffer rate was 0% for credit exposures in Poland.

Additionally, the Bank's Group calculates a countercyclical buffer rate specific to a given institution, taking into account the value of all credit exposures in other countries and the respective value of the countercyclical buffer for those countries in its calculations. As at 30 June 2024, the countercyclical buffer specific to the Bank's Group was 0.04%.

Tables 3.5. and 3.6 present information on the geographical distribution of the relevant credit exposures and the amount of the countercyclical buffer specific to the Bank's Group.

Table 3.5 Geographical distribution of relevant credit exposures for the calculation of the countercyclical buffer [Template EU CCyB1]

	30.06.2024												
	a	b	c	d	e	f	g	h	i	j	K	l	m
Breakdown by country:	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Poland	**277 319**	**0**	**574**	**0**	**0**	**277 893**	**14 600**	**46**	**0**	**14 646**	**183 081**	**95,44%**	**0,00%**
Ukraine	1 616	-	-	-	-	1 616	97	-	-	97	1 208	0,63%	0,00%
Dutch	1 107	-	-	-	-	1 107	79	-	-	79	989	0,52%	2,00%
Germany	1 048	-	-	-	-	1 048	84	-	-	84	1 047	0,55%	0,75%
Czech Republic	880	-	-	-	-	880	70	-	-	70	880	0,46%	1,75%
Luxembourg	511	-	-	-	-	511	41	-	-	41	511	0,27%	0,50%
South Korea	427	-	-	-	-	427	34	-	-	34	427	0,22%	1,00%
Great Britain	418	-	-	-	-	418	33	-	-	33	407	0,21%	2,00%
Cyprus	367	-	-	-	-	367	29	-	-	29	367	0,19%	1,00%
Austria	355	-	-	-	-	355	28	-	-	28	355	0,19%	0,00%
Malta	345	-	-	-	-	345	28	-	-	28	346	0,18%	0,00%
France	308	-	-	-	-	308	25	-	-	25	309	0,16%	1,00%
United States of America	292	-	-	-	-	292	10	-	-	10	126	0,07%	0,00%
Denmark	245	-	-	-	-	245	20	-	-	20	245	0,13%	2,50%
Norway	238	-	-	-	-	238	19	-	-	19	238	0,12%	2,50%
Hungary	220	-	-	-	-	220	18	-	-	18	220	0,11%	0,00%
Ireland	203	-	-	-	-	203	16	-	-	16	203	0,11%	1,50%
Lithuania	181	-	-	-	-	181	14	-	-	14	181	0,09%	1,00%
Singapore	171	-	-	-	-	171	14	-	-	14	171	0,09%	0,00%
Bahamas	152	-	-	-	-	152	12	-	-	12	152	0,08%	0,00%
Slovakia	102	-	-	-	-	102	8	-	-	8	101	0,05%	1,50%
Spain	92	-	-	-	-	92	7	-	-	7	92	0,05%	0,00%
Switzerland	76	-	-	-	-	76	6	-	-	6	79	0,04%	0,00%
Japan	38	-	-	-	-	38	2	-	-	2	19	0,01%	0,00%
Finland	33	-	-	-	-	33	3	-	-	3	33	0,02%	0,00%
Romania	15	-	-	-	-	15	1	-	-	1	15	0,01%	1,00%
Sweden	4	-	-	-	-	4	0	-	-	0	5	0,00%	2,00%
Estonia	3	-	-	-	-	3	0	-	-	0	3	0,00%	1,50%
Belgium	2	-	-	-	-	2	0	-	-	0	2	0,00%	0,50%
Belarus	2	-	-	-	-	2	0	-	-	0	2	0,00%	0,00%
Italy	1	-	-	-	-	1	0	-	-	0	1	0,00%	0,00%
Georgia	1	-	-	-	-	1	0	-	-	0	1	0,00%	0,00%
United Arab Emirates	1	-	-	-	-	1	0	-	-	0	1	0,00%	0,00%
Ecuador	1	-	-	-	-	1	0	-	-	0	1	0,00%	0,00%
Australia	1	-	-	-	-	1	0	-	-	0	1	0,00%	1,00%
Other	3	-	-	-	-	3	0	-	-	0	3	0,00%	-
	286 773	0	574	0	0	287 348	15 299	46	0	15 346	191 820	-	

Table 3.6 Amount of institution-specific countercyclical capital buffer [Template EU CCyB2]

		30.06.2024
		(a)
1	Total risk exposure amount	245 475
2	Institution specific countercyclical capital buffer rate	0,04%
3	Institution specific countercyclical capital buffer requirement	106

The Other Systemically Important Institution (O-SII) buffer is an additional requirement for institutions which may generate systemic risk. The Bank was identified as other systemically important institution based on the PFSA's decision of 10 October 2016. According to the PFSA's decision of 20 December 2022, the Bank is obliged to maintain the level of the Other Systemically Important Institution (O-SII) buffer in the amount equal to 2.00% of the total risk exposure amount, calculated in accordance with Article 92(3) of the CRR. The buffer must be maintained both on an individual and consolidated basis.

Therefore, as at 30 June 2024 the capital ratios for the Bank's Group should be no lower than:
1) TCR - 12,54%,
2) T1 - 10.54%,
3) CET1 – 9.04%.

In a letter dated 13 December 2023, PFSA advised the Bank to mitigate the risks inherent in the Bank's operations by maintaining own funds to cover an additional capital add-on as Pillar 2 to absorb potential losses resulting from a stress event, in the amount of 0.48 p.p. at the individual level and 0.42 p.p. at the consolidated level over and above the value of each own funds requirement.

3.4 Minimum level of own funds and eligible liabilities (MREL) requirement

Pursuant to Article 99a(6) of the BGF Act, the Bank is required to publicly disclose information on its own funds and eligible liabilities, their components, including their maturity profile and degree of preference in insolvency proceedings, as well as the amount of the minimum requirement for own funds and eligible liabilities (MREL) set by the Bank Guarantee Fund.

The BGF determined the target MREL TREA requirement for the Bank on a consolidated data at the level of 15.36% of TREA (total risk exposure amount), which should be met by own funds and eligible liabilities meeting the subordination requirement at the level of 13.78% of TREA.

In addition, the combined buffer requirement as at 30 June 2024 was 4.54% for the Bank and the Bank's Group, and the amount of Common Equity Tier 1 capital used to cover it cannot be used to cover MREL for TREA.

The MREL TEM (total exposure measure) requirement for the Bank on a consolidated basis has been set at 5.91% of TEM and should be met by own funds and eligible liabilities meeting the subordination requirement of 5.60% of TEM.

In accordance with Article 97(4) of the BGF Act, the BGF exempted PKO Bank Hipoteczny S.A. from the requirement to maintain a minimum level of its own funds and eligible liabilities. Following this decision, the TREA and TEM levels, as well as PKO Bank Hipoteczny S.A's own funds, are excluded from consolidation for the purpose of determining MREL. In addition, the BFG indicated that KREDOBANK S.A. is not part of the group subject to resolution and should also be excluded from consolidation for the purposes of determining MREL. The exclusion of PKO Bank Hipoteczny S.A. and Kredobank S.A. from consolidation does not apply to the TREA level for the purpose of calculating the amount of Common Equity Tier 1 capital held to cover the combined buffer requirement.

The EU KM2 table provided corresponds to the templates laid down in the Commission Implementing Regulation (EU) 2021/763 of 23 April 2021 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council and Directive 2014/59/EU of the European Parliament and of the Council with regard to the supervisory reporting and public disclosure of the minimum requirement for own funds and eligible liabilities. The extent of the disclosure is due to the fact that the Bank is a resolution entity, while it is not itself a Global Systemically Important Institution (G-SII), nor is it part of such an institution.

Table 3.7 Key metrics - MREL [Template EU KM2]

		a Minimum requirement for own funds and eligible liabilities (MREL)
Own funds and eligible liabilities, ratios and components		**30.06.2024**
1	Own funds and eligible liabilities	52 796
EU-1a	Of which own funds and subordinated liabilities	49 561
2	Total risk exposure amount of the resolution group (TREA)	238 073
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	22,18%
EU-3a	Of which own funds and subordinated liabilities	20,82%
4	Total exposure measure of the resolution group	527 795
5	Own funds and eligible liabilities as percentage of the total exposure measure	10,00%
EU-5a	Of which own funds or subordinated liabilities	9,39%
Minimum requirement for own funds and eligible liabilities (MREL)		
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	15,36%
EU-8	Of which to be met with own funds or subordinated liabilities	13,78%
EU-9	MREL requirement expressed as percentage of the total exposure measure	5,91%
EU-10	Of which to be met with own funds or subordinated liabilities	5,60%

The table omits columns and rows relating only to entities that are Global Systemically Important Institutions (G-SIIs) covered by the TLAC requirement.

As at 30 June 2024, the Bank's Group had a surplus of own funds and eligible liabilities of PLN 5,083 million above the level implied by the MREL TREA requirement plus the combined buffer requirement. The excess over the subordinated MREL TREA requirement plus the combined buffer requirement was PLN 5,610 million. The surplus above the level resulting from the MREL TEM requirement was PLN 21,603 million, with a surplus above the subordinated MREL TEM requirement of PLN 20,005 million.

3.5 Leverage

The Bank's Group calculates the leverage ratio as one of the capital adequacy measures.

The objective of leverage risk management is to ensure a proper relationship between the amount of Tier 1 capital and the total balance sheet assets and off-balance sheet liabilities granted of the Bank and the Bank's Group.

As of 30 June 2024, the leverage ratio remained above the internal and external limits as well as above the minimum levels recommended by the PFSA.

Table 3.8 Summary reconciliation of accounting assets and leverage ratio exposures [Template EU LR1]

		30.06.2024 a Applicable amount
1	Total assets as per published financial statements	507 258
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	- 3 320
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	430
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	32 720
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	5 402
13	**Leverage ratio total exposure measure**	**542 490**

Table 3.9 Leverage ratio common disclosure [Template EU LR2]

		CRR leverage ratio exposures	
		30.06.2024	31.12.2023
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	505 172	499 377
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	- 997	- 1 413
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	- 2 764	- 2 872
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	501 411	495 092
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	2 024	2 808
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	5 842	5 468
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivatives exposures	7 866	8 276
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	493	373
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	- 0	- 2
16	Counterparty credit risk exposure for SFT assets	0	2
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	493	373
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	98 984	95 256
20	Off-balance sheet exposures at gross notional amount	- 66 265	- 64 829
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	32 720	30 426
Excluded exposures		-	
EU-22k	Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	42 097	41 727
24	Total exposure measure	542 490	534 167
Leverage ratio			
25	Leverage ratio (%)	7,76%	7,81%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	7,76%	7,81%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	7,76%	7,81%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	3,00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	Not applicable	Not applicable
EU-26b	of which: to be made up of CET1 capital	Not applicable	Not applicable
27	Leverage ratio buffer requirement (%)	Not applicable	Not applicable
EU-27a	Overall leverage ratio requirement (%)	3,00%	3,00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional

Table 3.10 Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) [Template EU LR3]

		30.06.2024
		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**505 172**
EU-2	Trading book exposures	1 446
EU-3	Banking book exposures, of which:	503 725
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	184 132
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	18 084
EU-7	Institutions	9 159
EU-8	Secured by mortgages of immovable properties	93 942
EU-9	Retail exposures	90 176
EU-10	Corporate	75 235
EU-11	Exposures in default	4 654
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	28 342

3.6 Impact of transitional arrangements on capital adequacy

The PKO Bank Polski S.A. Group applies transitional adjustment to minimize the impact of implementing IFRS 9 on own funds in the calculation of own funds, in accordance with Article 473 a of the CRR.

On 1 January 2018, IFRS 9 “Financial Instruments”, which replaced IAS 39 “Financial Instruments”, entered into force. Changes were made to the classification and measurement of financial instruments, recognition and calculation of their impairment, and hedge accounting.

The impact of the implementation of IFRS 9 on own funds and capital adequacy measures is governed by Article 473 of the CRR. According to this regulation, banks are allowed to apply transitional provisions in respect of own funds and increase the common equity capital Tier 1 connected with the implementation of a new impairment model until the end of 2024, whereas the adjustment ratio decreases on a period-by-period basis.

The Bank decided that in the light of Article 473a(7a) of the CRR, it would apply an option according to which the adjustment mitigating the impact of the introduction of IFRS 9 on own funds would receive a risk weight equal to 100% and the resulting value would be added to the total exposure, which would allow for the impact of adjustments due to implementation of IFRS 9 on own funds and capital adequacy measures to be spread over time.

Currently, the provisions of Article 468 of the CRR on the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic are not applicable.

If the transitional arrangements for IFRS 9 were not applied, the Bank’s own funds would amount to PLN 40,711 million, the Bank’s Tier 1 capital would amount to PLN 38,900 million, the total capital ratio would be 19.42%, the Tier 1 capital ratio would be 18.56%, and the leverage ratio would be 7.91%.

Table 3.11 Comparison of the Bank's Group's own funds and capital ratio and leverage ratio with and without the application of IFRS 9 transitional arrangements or expected credit loss, as well as with and without provisional treatment under Article 468 of the CRR [Template IFRS 9]

		30.06.2024	31.03.2024	31.12.2023	30.09.2023	30.06.2023
Available capital (amounts)						
1	Common Equity Tier 1 capital (CET1)	42 098	41 575	41 727	42 868	40 621
2	Common Equity Tier 1 (CET1) capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	41 349	40 888	40 354	41 495	39 419
3	Tier 1 capital (T1)	42 098	41 575	41 727	42 868	40 621
4	Tier 1 capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	41 349	40 888	40 354	41 495	39 419
5	Total capital	43 909	43 520	43 807	45 084	42 973
6	Total capital, if the IFRS 9 transitional or similar expected loan losses were not applied	43 160	42 833	42 434	43 711	41 771
RWAs (amounts)						
7	Total RWAs	245 463	238 795	234 835	222 680	216 690
8	Total RWAs if the IFRS 9 transitional or similar expected credit losses were not applied	244 714	238 113	233 465	221 317	215 500
Capital ratios						
9	Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	17,15%	17,41%	17,77%	19,25%	18,75%
10	Common Equity Tier 1 capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	16,90%	17,17%	17,28%	18,75%	18,29%
11	Tier 1 capital (as a percentage of the risk exposure amount)	17,15%	17,41%	17,77%	19,25%	18,75%
12	Tier 1 capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	16,90%	17,17%	17,28%	18,75%	18,29%
13	Total capital (as a percentage of the risk exposure amount)	17,89%	18,22%	18,65%	20,25%	19,83%
14	Total capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional or similar expected credit losses were not applied	17,64%	17,99%	18,18%	19,75%	19,38%
Leverage ratio						
15	The leverage ratio total exposure measure	542 490	529 757	534 196	503 541	492 072
16	Leverage ratio	7,76%	7,85%	7,81%	8,51%	8,26%
17	The leverage ratio if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	7,63%	7,73%	7,57%	8,26%	8,03%

3.7 Retrospective inclusion of the profit (loss) for 2023

Pursuant to Article 26(2) of the CRR, an institution may include interim or year-end profits in Common Equity Tier 1 capital after the Bank's Group has taken a formal decision confirming the final profit (loss) of the Bank's Group in a given year or before it has taken the formal decision, only with the competent authority's prior permission. In May 2020, the European Banking Authority (EBA) published in a single rulebook Q&A, its position regarding the moment of recognition of annual and interim profits in the capital adequacy data (Q&A 2018_3822 and Q&A 2018_4085). According to this position, once the Bank's Group have formally met the criteria for including their profit for a given period in the Tier 1 capital, this profit should be included retrospectively (as at the date of the profit, and not the date of meeting the criteria), and own funds should be adjusted accordingly as at the date of the profit.

In view of the above, the restated data concerning the value of own funds, capital requirements and capital ratios for the period ended 31 December 2023.

The transformed data presented values with consideration of the Bank's profit for 2023 (reduced by the planned dividends) in the amount of PLN 1,771 million, which was included in the equity funds (in accordance with Resolution No 8/2024 of the Ordinary General Meeting of the Bank on 28 June 2024 regarding the distribution of the profit earned by PKO Bank Polski S.A. in 2023, determination of the dividend per share, the dividend determination date, and setting the date for dividend payment, in which the OGSM decided to appropriate approximately PLN 1631 million of the profit for 2023 in the Bank's reserve capital, and resolutions of the OGSMs of subsidiaries regarding profit distribution). Part of this amount (PLN 1,697 million) had already been included in the data published as of 31 December 2023, due to the Bank's Group obtaining approval to include a portion of the profit for the first half of 2023 in the equity funds after reducing it by expected charges.

Due to the change in the date of allocation of profit as own funds in this period, the adjustments for insufficient coverage of the write-downs of non-performing exposures (NPE) and the temporary adjustment related to the impact of IFRS 9 on own funds were recorded in the periods.

Additionally, as a result of applying the above EBA guidelines as of 31 December 2023, there was a decrease in the value of the capital requirement for credit risk by PLN 106 million, and consequently, an increase in the total capital ratio by 0.19 p.p. and the Tier 1 capital ratio by 0.18 p.p.

Table 3.12 Comparison of the Bank's Group's own funds and capital ratios and leverage ratio with and without the application of transitional arrangements for IFRS 9 or analogous expected credit losses, and with and without the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic, in accordance with Article 468 of the CRR – including the retrospective inclusion of profit for 2023 in the data as of 31 December 2023.

		30.06.2024	31.12.2023
Available capital (amounts)			transformed
1	Common Equity Tier 1 capital (CET1)	42 098	41 918
2	Common Equity Tier 1 (CET1) capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	41 349	40 420
2a	Common Equity Tier 1 capital (CET1) if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive according to Article 468 of the CRR	42 098	41 918
3	Tier 1 capital (T1)	42 098	41 918
4	Tier 1 capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	41 349	40 420
4a	Tier 1 capital if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income according to Article 468 of the CRR	42 098	41 918
5	Total capital	43 909	43 998
6	Total capital, if the IFRS 9 transitional or similar expected loan losses were not applied	43 160	42 500
6a	Total capital, if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income according to Article 468 of the CRR	43 909	43 998
RWAs (amounts)			
7	Total RWAs	245 463	233 510
8	Total RWAs if the IFRS 9 transitional or similar expected credit losses were not applied	244 714	232 015
Capital ratios			
9	Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	17,15%	17,95%
10	Common Equity Tier 1 capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	16,90%	17,42%
10a	Common Equity Tier 1 capital (as a percentage of the risk exposure amount) if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Art. 468 of the CRR	17,15%	17,95%
11	Tier 1 capital (as a percentage of the risk exposure amount)	17,15%	17,95%
12	Tier 1 capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	16,90%	17,42%
12a	Tier 1 capital (as a percentage of the risk exposure amount) if there was no provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Article 468 of the CRR	17,15%	17,95%
13	Total capital (as a percentage of the risk exposure amount)	17,89%	18,84%
14	Total capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional or similar expected credit losses were not applied	17,64%	18,32%
14a	Total capital (as a percentage of the risk exposure amount), if there was no provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Article 468 of the CRR	17,89%	18,84%
Leverage ratio			
15	The leverage ratio total exposure measure	542 490	531 811
16	Leverage ratio	7,76%	7,88%
17	The leverage ratio if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	7,63%	7,62%
17a	The leverage ratio if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Article 468 of the CRR	7,76%	7,88%

4 DISCLOSURE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS (ESG RISKS)

The PKO Bank Polski S.A. Group is subject to obligation to disclose information on environmental, social and governance risks (ESG risk) under Article 449a of CRR.

The following disclosure was prepared pursuant to the Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks. This Regulation specifies uniform formats for disclosing information on ESG risks.

In accordance with the CRR, prudential consolidation is applied for the purpose of Pillar 3 disclosures in respect of ESG risks.

4.1 Prudential information on environmental, social and governance risks

4.1.1 Qualitative information on Environmental risks

Business strategy and processes

In December 2022, the Bank's Management Board adopted the Strategy of PKO Bank Polski for the years 2023-2025 – "Ready for the challenges, focused on the future", which set out the 7 main pillars that determine the Bank Group's objectives. One of the goals of the Strategy is to become a leader in financing the transition of the economy in the Polish banking sector.

The Bank's Group has been supporting investment projects linked to environmental objectives and designing further sustainability measures, including the issue of its own green bonds and the alignment of its sustainability product portfolio with customer needs. The Group is in the process of developing objectives for own green bond issue framework, currently based on the Green Bond Principles (2021), published by the International Capital Market Association (ICMA), and ultimately based on the EU Green Bond Standard.

PKO Bank Hipoteczny plans to issue green covered bonds based on the Group's green issue guidelines referred to above.

PKO Bank Polski has been implementing energy transition financing solutions to support Polish companies and other market participants in the face of high energy prices and business and regulatory requirements.

In the Strategy, the Bank declared:
1) achieving climate neutrality in Scopes 1 and 2 by 2030,
2) limit own CO_2 emissions of the Bank through modernization of branches and office buildings, and electrification of fleets – modernization of 150 branches by 2025,
3) begin calculating Scope 3 emissions as part of the preparation of the trajectory of a scientific reduction,
4) identify priority sectors and customers to support decarbonization.

Additionally, in the area of risk, the Bank has been working to:
1) build an internal knowledge center in terms of new green technologies and financing in accordance with the principles of sustainable development, including building data acquisition and analytics mechanisms of the Bank's customers in the ESG,
2) conduct climate stress tests based on the collected data on climate risk impact (transition risk and physical risk) for customers in the Bank's portfolio and translate the results into the Bank's credit policy.

Lending policies are one of the environmental risk management tools within the credit risk framework for counterparties in selected industries/sectors. In the corporate segment, the Bank has the following policies: Renewable Energy Sources, Carbon-Intensive Energy Sector Chemistry-Oil-Gas, Revenue Real Estate, Construction and building materials, Chemistry-Oil-Gas, Car Dealers and CFM companies, Public Healthcare, Trade, LGU (local government units). The policy assumptions are described in the Statement on non-financial information, which is a part of the Report on activities of the PKO Bank Polski Group.

Apart from the aforementioned policies, the Bank (in the corporate segment) monitors changes and market trends in various industries/sectors on an ongoing basis, publishes internal materials (e.g., industry leaflets identifying current market trends) and organizes industry meetings. The purpose of these activities is to gradually change the structure of the loan portfolio by reducing the exposure to high-carbon entities and to build a loan portfolio that supports sustainable development, including in line with the EU Taxonomy[4]. In the short term, policies will be reviewed and updated.

Governance

The Management Board of the Bank defines the risk framework, oversees the implementation of the set objectives, strategies and policies and defines the principles of their management in the context of the risk management in the field of environmental protection. In accordance with their powers, organizational units are responsible for the coordination and management of individual ESG risks and their impact on the Bank's operational risk.

The committees functioning in the Bank, within the scope of their tasks and powers, consider studies and opinions on activities related to ESG risk in their decision-making.

The Sustainable Development Committee supports the Management Board in setting priorities, directions of actions and goals in the area of sustainable development and energy transition, oversees the implementation of the Bank's and the Bank's Group's goals and initiatives in the area of sustainable development and energy transition, as well as in shaping the sustainable development and energy transition management system in the Bank's Group and policies concerning sustainable development and energy transition, as well as solutions supporting the financing of energy transition. The Committee also supervises the implementation, updating and application of the Bank's internal regulations concerning sustainable financing, including the Green Bond Framework. The Committee is composed of selected members of the Management Board and heads of designated areas. The Committee is chaired by the Vice President of the Management Board supervising the Finance and Accounting Division, and the Vice President of the Management Board supervising the Risk Management Division serves as the deputy.

[4] EU Taxonomy – Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

The Operational Risk Committee supports the Management Board in operational risk management and, within its tasks and competencies, makes decisions, issues recommendations, guidelines, opinions also in the area of activities related to ESG risk – in cases where operational risk results from ESG risk factors in the environmental area. Starting from the reporting period for Q4 2023, the Bank includes data on ESG risk factors in internal operational risk reports.

The ESG Sustainability Department is responsible for ensuring that the Bank's and the Bank's Group's operations comply with generally applicable laws and other external regulations relating to sustainable and responsible ESG development and for coordinating activities to ensure that the Bank's and the Bank's Group's strategic ESG objectives are met. The ESG Sustainable Department reports to the Vice President of the Management Board supervising the Finance and Accounting Division.

The Credit Risk Department is responsible for the development and creation of solutions and tools to support ESG risk management, including the sourcing of information for ESG risk management and the implementation of solutions arising from generally applicable legislation (e.g. EU Taxonomy, Pillar 3 disclosure) or regulations of supervisory or control authorities regarding ESG risk management. The Credit Risk Department is also responsible for monitoring strategic credit risk limits and strategic climate risk limits for credit risk, monitoring the utilization of internal portfolio limits, in particular with regard to climate risk limits, coordinating the implementation of consistent risk management standards across the Bank's Group for mitigating the impact of climate factors on individual risks, in particular on the risk level of the Bank's loan portfolio.

The ESG Public Programs Department is responsible for supporting the development of the Bank's offering to its banking customers: companies, enterprises and corporate banking in terms of products and services linked to public and EU programs, including those supporting ESG sustainability, in particular climate transformation.

The Bank manages ESG risk at three independent, mutually complementary levels:

1) the first level is the business – business units that identify ESG risks at an early stage, carry out ESG risk assessments while establishing customer relationships or during periodic review, conduct a dialogue with the customer to discuss ESG risk-related topics, assess the customer's risk mitigation measures and strategies, and create and implement ESG risk mitigation products,
2) the second level consists primarily of the organizational units of the risk management division, whose task is to carry out an independent and expert assessment, taking into account the assumptions of credit policies in the scope of ESG risk, as well as to assess the ESG risk associated with transactions. The Bank carries out tasks aimed to develop tools for the identification and assessment of ESG risk, development of the climate stress testing process, and seeking integration with other regulatory processes, e.g., the Internal Capital Adequacy Assessment Process (ICAAP[5]),
3) the third level represents internal audit, which carries out independent assessments of the Bank's management system activities, including ESG risk management. The internal audit plan includes audits which cover their scope, including, among others, verification of the Bank's fulfilment of obligations arising from the ESG regulations in the areas of: granting loans, implementation of disclosures arising from the CRR, remuneration policy or security of key IT infrastructure. Information concerning the identified irregularities, including their materiality assessments, and results of monitoring the actions taken to eliminate them is presented to the Management Board and the Supervisory Board.

Environmental risks are monitored and reported on an ongoing basis in:
1) Statement on non-financial information, which is a part of the Report on activities of the PKO Bank Polski Group at a frequency of 12 months; from 2025 onwards, the above matters will be disclosed in accordance with the European Sustainability Reporting Standards (ESRS[6]);
2) this Report at a frequency of 6 months;
3) The Report on the review of the Internal Capital Adequacy Assessment Process at a frequency of 12 months;
4) the Credit Risk Report at a frequency of 3 months.

The remuneration policy ensures a coherent remuneration system, for example by ensuring compliance with the environmental, social and governance risk strategy. The variable remuneration of members of the Bank's Management Board depends on the achievement of the ESG targets set out in the Bank's Strategy.

Risk management

The Bank manages ESG risk as part of its management of other risks as, due to the nature of ESG risk, it is not a separate risk but a cross-disciplinary risk that can cause the Bank's individual risks to materialize, in particular credit risk.

Definitions of ESG have been included in the "Risk Management Strategy in PKO Bank Polski S.A. and PKO Bank Polski S.A. Group". They include:
1) ESG factors: environmental, social, and governance factors that may have a positive or negative impact on the Bank's customers and counterparties or its balance sheet; ESG factors with a negative impact are referred to as ESG risk factors,
2) ESG risk: the risk of negative financial consequences for the Bank of the current or future impact of ESG risk factors on customers and counterparties or the Bank's statement of financial position items.

The Bank puts in place mechanisms to implement the principle of "double materiality" by taking into account the following perspective:
1) the impact of ESG factors on the Bank's operations, financial results and development,
2) the impact of the Bank's activities on society and the environment.

Poland, being a signatory to international agreements, for example environmental agreements, incorporates their provisions into national legislation. As a result, the Bank's Group, acting in accordance with national law, complies with international agreements to the extent that they relate to the group's activities.

The Bank verifies and assesses the level of risk generated and compliance with sustainable development, taking into account ESG risks in the short, medium, and long term in its financial, capital, and strategic plans.

At the current stage of development of ESG risk management methods, the Bank does not estimate internal capital for this type of risk. However, it considers that ESG risk may have a significant impact on credit risk and is considering including ESG factors in the Internal Capital Adequacy Assessment Process (ICAAP).

[5] ICAAP (Internal Capital Adequacy Assessment Process) – a process for estimating internal capital and capital management serving the development of risk measurement and determining internal capital.

[6] Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards.

In June 2024, as part of the review and update of internal procedures, the Bank amended the "Principles of classification of sustainable development financing in the PKO Bank Polski S.A. Group", which introduce, alongside the classification of sustainable development financing, a uniform classification of products financing sustainable development. The principles take into account the requirements of international standards and the regulatory environment, in particular those arising from the EU Taxonomy and the European Green Bond[7]. The principles are subject to regular review, at least quarterly. The findings of the review are presented to the Sustainable Development Committee. The Bank is in the process of implementing the provisions of the Principles, in particular with regard to its business and reporting processes, as well as the related IT systems. Simultaneously, the process of adapting the offer to the requirements for products financing sustainable development is ongoing.

Currently, the Bank has, in each case, assessed the impact of environmental, social and governance (so-called ESG) factors on a customer's creditworthiness in the credit process for customers in the corporate segment and customers in the company and enterprise segment that are assessed using the rating method. 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. The lending process also includes an assessment related to the loan transaction. On the one hand, the Bank assesses the impact of a given loan transaction on ESG issues, and on the other hand, it examines how ESG factors affect the loan transaction. 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 terms of activities of local government units (LGUs) and lending transactions with LGUs, the Bank applies the principle that their impact on the environment, social and governance issues shall be neutral, provided that the Bank has no personalized information in relation to a particular customer or transaction – in which case the customer and transaction assessment reflects the assessment of such information.

The ESG risk assessment in the credit process is also carried out through implementation of credit policies for industries/sectors described in the Statement on non-financial information, which is a part of the Report on activities of the PKO Bank Polski Group.

For the purposes of ESG risk management and reporting, in the first half of 2024, the Bank has developed the rules for credit portfolio classification that define, in particular, criteria for identifying and classifying exposures that finance environmental, social and governance activities. The Bank distinguishes four classes of exposures that finance environmental, social and governance activities, namely:

1) exposures supporting sustainable development – light green exposures, which relate to the financing of economic activities that have a positive impact on the environment and, in particular, contribute to the achievement of the environmental objectives described in Article 9 of the EU Taxonomy, and which relate to the financing of activities that have a positive impact on society and communities,
2) environmentally sustainable exposures (compliant with the systemic classification) – dark green exposures, which relate to the financing of economic activities meeting the criteria described in Article 3 of the EU Taxonomy,
3) environmentally neutral exposures – white exposures, which relate to the financing of economic activities that cannot be assigned an environmental target and that have been classified as neither exposures supporting sustainable development goals, nor environmentally sustainable exposures, nor exposures with a negative environmental impact,
4) exposures with a negative environmental impact – brown exposures, which relate to the financing of economic activities that contribute to significant greenhouse gas emissions, air, water and soil pollution, deforestation, waste generation, destruction of biodiversity or overexploitation of natural resources.

The Bank plans to adapt the categories classifying credit transactions to the newly adopted exposure classes financing activities in the field of environmental protection, social policy and corporate governance.

The industry in which the Bank's Group operates does not have a significant direct impact on the climate. This impact manifests itself primarily indirectly through the financing provided to customers. Therefore, the Bank carries out a number of projects and analyses at the customer and portfolio level aimed at developing solutions and tools to support ESG risk management. The Bank analyses exposures in the non-trading book sensitive to:

1) the impact of chronic and sharp physical events related to climate change according to the sector and geographical location of the customer's activity or the location of the collateral in the form of real estate,
2) transition risks associated with the transition to a low-carbon and climate-resilient economy, according to sectors that are major contributors to climate change.

The Bank takes into account climate risk in the assessment of credit collateral, in particular by examining the environmental risk resulting from the use of real estate, the impact of environmental factors on its value, including physical risk and risk associated with energy transition. The Bank also analyses exposures in the loan portfolio associated with collateral in the form of developed real estate, based on the value of the EP ratio. In the process of valuing credit collateral for corporate customers, the Bank takes into account the impact of ESG factors on the value of the property. The Bank has introduced a requirement to submit, together with the appraisal report, the certificates issued for the property with regard to compliance with environmental standards, in particular the energy performance certificate. If the property generates above-average risks, in particular environmental risks, it can only serve as supporting collateral. Detailed information on the outcome of these analyses is provided later in the report. To verify the aforementioned documents submitted, the Bank obtains data on the energy performance of buildings for all types of developed properties and for premises from the Central Register of Energy Performance of Buildings and records it in the internal CBN (Central Real Estate Database) database, and uses it in the property valuation process.

At the same time, the Bank is developing its approach to assessing ESG aspects in collateral analysis – in the retail customer segment (companies and enterprises), internal regulations concerning the process of assessing collateral established on commercial real estate have been detailed in terms of the requirement to take into account the impact of ESG factors. The Bank has also adjusted guidelines for property appraisers, expanding and detailing the way of including aspects related to ESG sustainable development in the valuation report.

An element of environmental risk management is a strategic ESG risk tolerance limit. A measure of tolerance for this risk is the ratio of the value of loans for customers in high-emission industries and the Bank's total assets.

As at 30 June 2024, the share of loans to customers in carbon-intensive industries was 0.14% (with a tolerance limit of ≤ 1.6% for the Bank and ≤ 1.6% for the Bank Group) compared with 0.19% at the end of 2023 (with a tolerance limit of ≤ 1.6% for the Bank and ≤ 1.6% for the Bank Group). Compared to 2022, the tolerance limit has been increased by 0.8 p.p. for the Bank to enable the financing of the country's energy transition. This limit is monitored on a quarterly basis and reported to the Bank's Management Board.

[7] European Green Bond – Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.

The primary analytical tool used in climate risk management in financial institutions is climate stress testing. The Bank has developed its own climate stress test methodology, designed based on standards set by the European Central Bank, NGFS climate scenarios[8], and available recognized publications on the materialization of climate risk from the perspective of credit losses of financial institutions. It allows for the inclusion of a wide range of climate factors, provided that they can be quantified from the perspective of customers' financial statements or variables occurring in credit risk models. Physical risks (droughts and floods) and transition risks (changes in greenhouse gas emission allowance prices and resulting operational costs, energy intensity of buildings, costs of transitioning to low-emission technologies) are taken into account. Scenarios are analyzed over 3 time horizons (1 year, 3 years, 30 years), allowing for accurate analysis of risk in both short and long term.

The Bank continues its efforts to determine the emission performance of the credit portfolio (Scope 3, category 13 and 15 from a Group perspective, in line with the Greenhouse Gas Protocol). One of the key steps in achieving this was the accession of the Bank in December 2023 to the Partnership for Carbon Accounting Financials (PCAF), which has developed a single global standard for calculating and reporting greenhouse gas emissions for the financial sector. The PCAF methodology enables the quantification of GHG emissions associated with, among other factors, corporate loans, securities, mortgage loans and car loans. The results of greenhouse gas emissions calculations are presented, among others, in the table entitled "Banking book-Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity". On the basis of the measured emission performance of the credit portfolio, the Bank will prepare a lending strategy laying a decarbonization path for the credit portfolio, in particular for carbon-intensive sectors.

In 2023, the Bank initiated work on implementing a tool to support the assessment of meeting the technical eligibility criteria of the EU Taxonomy in the form of interactive taxonomy questionnaires. The questionnaires will be an integral part of the process of identifying/classifying sustainable assets. The data obtained with the taxonomy questionnaires will, in addition to the KPIs extracted from the sustainability reports of the customers required to report on the Taxonomy, form the basis for the calculation of the GAR, i.e. the Bank's Group's key performance indicator, whose disclosure is required by the regulator from 2024 onwards. In the customer survey process, the Bank develops a systemic identification (flagging) of the Bank's credit exposures to the customer's taxonomy-eligible and taxonomy-compliant activities. Information on the taxonomy disclosure is described under Quantitative information on transition risk and physical risk related to climate change.

The ESG risk management requires systemic and sector-specific solutions. The key challenge is the availability of information to assess the ESG risk. The Bank is working to expand its IT systems for collecting, aggregating and managing sustainability data. The Bank systematically analyses the possibilities of obtaining the necessary data for ESG risk management and prudential disclosure.

All banks face a key challenge in developing a systemic solution for obtaining ESG data. This includes, among other factors:
a) physical risks (lack of data allowing for a sector-wide uniform assessment of the impact of floods, droughts, heatwaves, hurricanes, etc., on the non-trading book),
b) the emission levels of customers regarding Scope 1, Scope 2, and Scope 3 emissions.

The Bank's Group monitors risks arising from changes in ESG regulations aimed at the financial sector on an ongoing basis. New external regulations governing climate policy may cause an increase in legal risk associated with environmental risk in the future. In addition, the Bank participates in the work of the Polish Bank Association and ESG working groups as part of inter-bank cooperation in interpreting regulations in the ESG area and developing systemic solutions to enable the disclosure of ESG information in a transparent and comparable manner for all financial market participants.

In terms of liquidity and funding risk, the Bank considers ESG risk from the perspective of a risk factor that has a direct or indirect impact on this risk. Aspects related to ESG risk factors have been included in liquidity risk measures, in the methodology for determining internal capital to cover this risk – by including additional costs caused by the lack of obtaining sustainable development financing in the wholesale market (which is a cheaper type of financing), in the case of rolling over/obtaining long-term sources of financing. The impact of ESG risk within liquidity risk on internal capital is insignificant. Additionally, indirectly, ESG risk is included in stress test deposit outflows – e.g., as a factor of increasing energy transition costs, which will directly translate into higher current consumption outflows caused by significantly higher electricity bills.

In the market risk management process, the Bank identifies derivative instrument risk, which is mitigated by setting limits and threshold values and conducting stress tests. In the area of market risk, current valuations of financial instruments do not indicate that transactions differ from each other due to potential ESG aspects. Only in the scope of the held portfolio of corporate bonds measured at fair value is it possible to include an additional spread component due to ESG risk based on the assessment of the ESG component for individual debt securities issuers. Such a spread component (and its market volatility resulting from different perceptions of issuers by the market) may lead to different volatility in the valuation of individual debt instruments. Analyses conducted by the Bank indicate a stable, low level of spread between issues supporting sustainable development and other debt securities issues.

In 2023, the Bank was engaged in identifying ESG risk factors in its operational risk management process. Starting from the reporting period for Q4 2023, the Bank includes data on ESG risk factors in internal operational risk reports. The Bank has assumed that the E factor (environmental protection) occurs in cases where:

1) the environment, including the climate, affects the activities of the Bank, customers, counterparties, i.e. if an operational event results from negative materialization of:
    a) so-called physical risks, i.e. extreme/acute environmental events (e.g. storms, floods, fires or heat waves),
    b) long-term effects of environmental change (e.g. temperature change),
2) the Bank, customers, counterparties have a negative impact on the environment, i.e.:
    a) so-called transition risk, i.e. an event relates to an energy transition (e.g. financing of mines/investments/companies with an adverse environmental impact if the law or the Bank's internal policy prohibits it), or
    b) if an operational event causes a negative impact on the environment (e.g. pollution by the Bank).

The Bank monitors the impact of environmental risk (including physical risk and transition risk) on reputation risk, taking into account greenwashing risk, by analyzing publicly available information about the Bank, primarily publications in mass media that have a negative impact on its image and concern all areas of its activities. Furthermore, to obtain information about reputation risk, including that resulting from environmental protection, the Bank gathers information from its units, inter alia, as part of a cyclical survey identifying sources and factors of reputational risk. Bank units, as part of their ongoing activities, also have the opportunity to report identified risks, including those related to the indicated area.

Within compliance risk, ESG risk is identified through reviewing internal regulations, advertising materials, monitoring adaptation work to changes in legal regulations, interventions by external supervisory and control bodies and market standards, verifying the possibility of conflicts of interest, and assessing regulations and marketing communications for potential greenwashing based on internal regulations concerning compliance assurance and management

[8] NGFS – The Central Banks and Supervisors Network for Greening the Financial System, which voluntarily exchange experiences and best practices to develop environmental and climate risk management in the financial sector and to support the transition towards a sustainable economy.

of compliance risk and conduct risk. The above tasks are performed on an ongoing basis. The process of identifying compliance risk for all significant processes in the Bank, including in the ESG area, takes place at least once a year. ESG risk reporting occurs within compliance risk reporting if ESG factors contained in compliance risk are significant.

In the Bank's assessment, the potential materialization of ESG risk factors concerns 5 risk categories: credit, market, liquidity, operational, reputational and compliance risk.

Table 4.1 Mapping of ESG risk to traditional risk types:

Type of the bank's risk	The impact of physical risk	The impact of transformation (transition) risk
Credit risk	physical risk through transmission channels (increased costs, decreased revenues, decreased collateral value) may have a negative impact on borrowers and reduce their ability to service debt or decrease the value of the loan collateral	EU regulations or national regulations may negatively affect the ability of entities operating in high-emission sectors, such as energy, the fuel sector, transport and logistics, to service their debt
Market risk	serious physical events may lead to changes in market expectations and may cause sudden revaluation, greater volatility and losses in asset values in some markets	transformation risk factors may cause sudden revaluation of securities and derivative instruments, for example as regards products associated with asset-stricken industries
Liquidity risk	climate change, including natural disasters and sudden weather phenomena, may cause a sudden increase in demand for funds	transformation risk factors may affect the profitability of some business lines and lead to the risk of limited repayment of loans granted by customers who do not have time to implement solutions, or a decrease in the volume of funds invested by these customers in the Bank; sudden revaluation of securities, e.g., due to stranded assets, may lower the value of the Bank's high-quality liquid assets, thereby affecting liquidity buffers; a downgrade in the Bank's ESG rating may affect financing risk by making it difficult to attract new investors and increasing financing costs
Operational risk	extreme/acute environmental events (flood, fires) or prolonged effects of environmental changes (e.g. temperature change) may prevent or hamper business operations of, among others, the Bank's branches	an operational event related to the energy transition (like financing of mines/investments/companies with an adverse environmental impact if the law or the Bank's internal policy prohibits it) may result in penalties for non-compliance with guidelines, standards, legal costs (lawsuits from customers or market participants)
Reputation risk	may arise from the materialisation of the above risks	further financing of high-emission sectors negatively perceived by regulators, stakeholders, market participants and rating agencies may affect the Bank's reputation and, consequently, result in loss of profits or a decrease in market capitalisation
Compliance risk	it may result from the materialisation of the above risks, including in the case of inability or significant difficulties in conducting the Bank's activities, resulting in, for example, inability to fulfil the Bank's obligations	the Bank's failure to adapt to changes in legal regulations, interventions by external supervisory and control bodies and market standards may lead to the materialisation of compliance risk, and thus the imposition of financial penalties on the Bank by supervisory and control bodies, or customers filing claims in court proceedings

4.1.2 Qualitative information on Social risks

Business strategy and processes

In the Strategy of PKO Bank Polski for the years 2023-2025 – "Ready for the challenges, focused on the future", the Bank has defined its goals in the social dimension of the ESG area. The Bank undertakes activities to promote financial education for youth and digitalization for seniors, in particular supporting social mobility and counteracting exclusion.

The Bank engages in pro-social activities and promotes diversity and equal treatment of employees, regardless of their age, gender, or origin.

The Bank implements social projects that integrate business goals with actions for all stakeholder groups, conducting them on a national and local scale, focusing on the following areas:
1) sport – encouraging physical activity, promoting mass sports, including football – Bank's partnership with the Ekstraklasa, and running (often combined with charity campaigns) as part of the program "PKO Biegajmy Razem" (PKO Let's Run Together),
2) culture and art – protecting the Polish cultural heritage, popularizing high culture,
3) science and education – promoting science and technology, caring for the education of young Poles, supporting educational projects that promote digital solutions in finance; in 2024, the Bank implemented the first edition of a new internship path within the #StażNaDzieńDobry – GenESG program, which builds competencies in sustainable development,
4) innovation – supporting projects in the area of innovative solutions relating to IT and new technologies,
5) business – supporting Polish entrepreneurs, promoting Polish business in the international markets, and developing entrepreneurship.

The Bank and the PKO Bank Polski Foundation implement projects jointly or separately. The PKO Bank Polski Foundation engages in social assistance activities, life and health protection, and ecology.

The Bank continues the #JestemUSiebie initiative launched in 2023, building awareness around inclusive cooperation. The program includes webinars, workshops for employees and managers, live events, during which topics related to using diversity in building effective cooperation and communication are discussed. The video material, which is available for all employees, also provides knowledge about unconscious biases or neurodiversity.

In December 2023, the Bank announced refreshed Bank values (Partnership, Development, Impact). The Bank promotes the adopted values, among others, through the implementation of an information campaign under the slogan "VALUED Together We Make Whole". The Bank's values indicate desired behaviors and attitudes that relate to, among others, aspects of cooperation, mutual respect, respect for and utilization of diversity. Additionally, the Bank operates a program under the slogan #NoweBrzmieniePrzywództwa, supporting leaders in the area of leadership development in the Bank. As part of the program, a cafeteria of development activities is available, focused on cultural change priorities and consistent with the Bank's leader model.

In the first half of 2024, the Bank updated its Code of Ethics based on the aforementioned values. Furthermore, in the first half of 2024, the Bank conducted a comprehensive survey under the slogan #JakCiSięPracuje, illustrating the "Employee eNPS" – measure of employees' propensity to recommend the bank as a workplace, as well as 14 other indices affecting work engagement.

The Bank plans that by 2025:
1) 40% of key managerial positions were held by women,
2) the percentage of women in MRT (Material Risk Taker) positions was at least 30%,
3) the gender pay gap will be close to 0%,
4) the employment ratio of people with disabilities will be at least 2%,
5) the overall employee turnover rate will not exceed 14%,
6) the voluntary turnover rate will not exceed 7%.

Strategic indicators are subject to cyclical monitoring, and their implementation is presented annually in the Statement on non-financial information, which is a part of the Report on activities of the PKO Bank Polski Group.

In evaluating the credit risk of customers, the Bank assesses social and employee-related issues, as well as issues concerning the respect for human rights. Financial activity and projects undertaken by customers represent investments in human capital or communities, and are evaluated with regards to their impact on inequality risks, social cohesion and integration, as well as employment relationships.

Governance

The responsibility of the Management Board in terms of social risk concerns management and supervisory actions as regards the shaping of internal regulations and the Bank's operating strategy, taking into account, among others, the issues such as:
1) adherence to human and labor rights, determination of appropriate attitudes and behaviors, prevention of ethical violations, prevention of bullying and discrimination,
2) cooperation with the Bank's counterparties on principles consistent with corporate social responsibility, as well as
3) monitoring the implementation of accepted principles in the area of social risk management, including within established mechanisms of control and reporting.

The Bank is paying increasing attention to ESG factors in supply chain management. In the first half of 2024, the Bank developed concepts for verifying Suppliers/Bidders in all ESG areas and using the assessment in procurement processes. The Bank developed an ESG survey aimed at verifying the application of sustainability criteria by potential Suppliers/Bidders.

The Bank continues work on adapting to procurement processes the requirements of the CSRD[9], CCSDDD[10] directives and EU Taxonomy in terms of meeting minimum safeguards. In the Bank's procurement application, all Bidders will be obliged to complete an ESG questionnaire. Additionally, at a later

[9] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Corporate Sustainability Reporting Directive).

[10] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (Corporate Sustainability Due Diligence Directive).

stage of the procurement process, the degree of compliance with the minimum safeguards described in Article 18 of the EU Taxonomy will be analyzed. Both surveys will aim to verify compliance with the requirements necessary to qualify the business activities conducted by Bidders as sustainable.

Social risk issues are continuously monitored and reported on, and internal reporting on this matter takes on a multi-dimensional form. The most important issues concern the monitoring and reporting of compliance with ethical standards, including violations of labor rights, as well as the assessment of the functioning of the compensation policy. Members of the Management Board are informed quarterly about employee complaints in the areas they supervise and the way in which the case has been resolved, and the President of the Management Board is informed quarterly of all employee complaints.

The verification of adherence to ethical standards within the Bank, including monitoring of risk associated with violations, with a comprehensive approach that includes:
1) ethics of Bank employees and other persons performing tasks for the Bank,
2) ethics in relations with customers,
3) ethics in business activity,
4) ethics in relations between the Bank and its environment,

is subject to an annual assessment carried out by the Management Board. The Supervisory Board is informed at least once a year of the results of the assessment carried out by the Management Board. The assessment of the functioning of the Bank's compensation policy, in terms of its compliance with "Corporate Governance Principles for Supervised Institutions" issued by the PFSA, as well as other regulatory requirements, is carried out annually as part of a review of the Bank's corporate governance. The report is accepted by the Supervisory Board and then presented to the General Meeting.

The Bank operates an anonymous reporting system through which employees, contractors and other authorized persons can report actions that are inconsistent with the law, internal regulations or ethical standards adopted by the Bank. Anonymous applications can be submitted electronically, by phone or by post, and via a dedicated, independent and encrypted communication channel as well (https://www.pkobp.pl/sygnanet/). The persons reporting irregularities anonymously are guaranteed full protection of their personal details and of the information they provide. If, based on the contents of the report, the reporting person's identity can be established, such information is deleted by the recipient of the report before further action is taken. Employees reporting irregularities, even if the allegations they make are not confirmed, are protected in particular against any repressive measures, discrimination or other types of unfair treatment. Should they suffer any repression, there is a possibility to seek the assistance of the President of the Bank's Management Board. Information on reported irregularities and the results of their verification is cyclically reported to the Bank's Management Board and Supervisory Board as part of quarterly Compliance Risk reports. Once a year, the Supervisory Board assesses the adequacy of the anonymous reporting system operating in the Bank.

The Bank's Group has a "Policy for remunerating the employees of the Bank and the Bank's Group", which takes into account social risk and aiming to provide a consistent remuneration system, among other things, by shaping the level of remuneration based on market trends, job valuation, ensuring gender-neutral practices in the area of employee compensation within the Bank's Group, and ensuring compliance with the strategy in the area of environmental, social, and governance-related risks.

Risk management

As part of social risk management, national and European supervisory guidelines, best practices of the GPW, recommended benchmark values, as well as market standards are utilized, which include:
1) striving for gender balance in the composition of management bodies and achieving a minimum representation of 30% of the underrepresented gender,
2) maintaining a minimum of 40% of women in management positions in the overall number of managers.

As part of social risk management in terms of gender pay equality, the method developed by the financial market is applied to determine the relationship between the average pay of women and men in the Bank, based on the weighted average of the total remuneration paid in a given year.

The Bank continuously monitors the level of basic salaries of employees to ensure compliance with:
1) the generally applicable legal provisions determining the minimum wage, taking into account gender pay equality,
2) the Bank's internal regulations concerning non-discrimination and determining the level of remuneration in the Bank.

In socially sensitive areas (employment diversity, level of employee satisfaction resulting from implemented standards and working conditions, labor rights, prevention of bullying and discrimination), the Bank continuously monitors employee satisfaction, turnover rate, including voluntary departures, the employment level of women and men in key management positions, and at least once a year, conducts salary reviews taking into account job evaluation, as well as establishing appropriate strategies in this area.

The Bank has internal regulations governing the method of conducting in 2023 an assessment of compliance with minimum safeguards by the Bank and companies from the Bank's Group, covering international law standards, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Social risk may materialize in particular as:
1) operational risk, which takes into account the impact of socially harmful events, such as unequal treatment of a group of employees or violation of data protection or disclosure requirements towards customers, which may result in financial losses for the Bank's Group resulting from lawsuits or fines imposed by supervisory authorities,
2) reputation risk, which, as a risk arising from the Bank's failure to consider the public interest in its activities, may relate to:
   a) employees – when unethical practices, acts contrary to the law, supervisory recommendations and best practices are undertaken in relation to employees, including, in particular, failure to respect human rights and labor law, or a lack of transparency in internal and external communication regarding employee issues, including in external reporting,
   b) customers – when unethical practices, acts contrary to the law, supervisory recommendations and best practices are undertaken in relation to customers, including, in particular, failure to ensure a sufficient level of security, including data protection, failure to comply with disclosure requirements, participation in projects that are controversial to the public, or dissemination of claims that may amount to greenwashing,
   c) other stakeholders – when unethical practices, acts contrary to the law, supervisory recommendations and best practices are undertaken in relation to stakeholders, as well as the selection of counterparties who do not represent the highest ethical standards in their actions or who have been found to be in material breach of laws, including ESG laws.

Bearing in mind the key role of banks in financing the economy, the Bank continues to raise the awareness of its employees in the area of sustainability and carries out intensive educational efforts, and building competencies in basic and expert areas is intended to enable effective ESG transformation of the Bank. In the first half of 2024, the organization of live events initiated last year as part of the #ESGo! initiative is being continued. At the organized online meetings, topics related to greenwashing, climate change and carbon footprint, and climate competitiveness of enterprises were discussed. In the first half of 2024, 1,733 employees participated in conferences and training sessions on ESG. Similar to last year, some employees began Postgraduate Studies in ESG and sustainable development, while some employees continued or are continuing their education (5 fields of study). Moreover, in the context of employee education and competency development, the Bank enabled employees to participate in a series of new development activities, including the #CzasNaRozwój live event, the Development Impulse podcast, and access to the Application Zone. Furthermore, as part of activities supporting education in 2024, an ESG training standard was adopted, which defines the scope of knowledge and competencies related to the ESG area, along with an indication of target groups requiring training.

The Bank is working on improving methods and possibilities of using tools to assess social risk factors at the stage of granting credit and monitoring. In the risk area, the assessment of social risk factors is based on expert assessment and reflected in the division of the credit portfolio into ESG categories. For companies and enterprises, the impact of socially harmful events occurring at the counterparty on its financial results and the method of managing this risk is subject to assessment when granting credit and monitoring (applies to customers assessed using the rating method with exposure above PLN 1 million).

As regards operational risk management, in 2023, the Bank was engaged in identifying ESG risk factors in its operational risk management process. Starting from the reporting period for Q4 2023, the Bank includes data on ESG risk factors in internal operational risk reports. The Bank has assumed that factor S (social responsibility) materializes when an operational event concerns the Bank's lack of consideration of public interest into account in its operations, in particular with regard to employees, customers and counterparties.

4.1.3 Qualitative disclosures on governance risks

Governance

In regard to the credit portfolio:

1) for corporate customers, factors related to the customer's/counterparty's corporate governance are taken into account in the expert assessment of the credit risk of this customer/counterparty (rating) and reflected in the ESG category of a given transaction at the stage of granting credit and its monitoring. The assessment includes matters related to organizational structure and governance, compliance of risk management, organizational culture and oversight, transparency and management reporting in case of increased governance risk level,
2) for companies and enterprises, the impact of corporate governance factors on the company's financial results and the method of managing risk related to corporate governance is subject to assessment when granting credit and monitoring (applies to customers assessed using the rating method with exposure above PLN 1 million).

The assessment of risk factors related to corporate governance is based on an expert assessment of the counterparty's non-financial information and publicly available data. This assessment may affect the customer's rating level.

The Bank is working on improving methods and the possibility of using tools to assess corporate governance risk factors at the stage of granting credit and monitoring, including exploring the possibilities of using external business intelligence agencies and databases (e.g. BIK); in the short term, an update of this assessment method is planned.

The Bank applies "The Code of Ethics for Suppliers or Bidders cooperating with PKO Bank Polski S.A. as part of purchasing proceedings", which was implemented in April 2022. The Code of Ethics puts the requirements for the Bank-Supplier/Bidder-surroundings relations, taking into account corporate social responsibility, e.g., in the area of information security, prevention of corruption and conflicts of interest, environmental protection, and relations within the supply chain. Suppliers / bidders should analyses their activities with due diligence in the field of environmental protection (e.g., CO_2 emissions, sewage management, waste disposal, noise reduction, biodiversity protection). According to the above mentioned Code of Ethics, the Bank does not accept any forms and manifests of forced labor, prohibited work of children, or work contrary to health and safety regulations.

Following "The Code of Ethics for Suppliers or Bidders cooperating with PKO Bank Polski S.A. as part of purchasing proceedings" introduced in April 2022, the Bank has introduced criteria for all ESG areas to be used when assessing suppliers in procurement processes in all tendering procedures.

The Bank collaborates with companies from the Bank's Group on an ongoing basis to standardize the requirements for the purchase of goods and services in the Bank's Group, including the implementation of the Code of Ethics for Suppliers or Bidders in the companies.

In the first half of 2024, the Bank's comprehensive activities in the area of real consideration of ESG aspects in the procurement process were recognized by the Responsible Business Forum in the report "Responsible Business in Poland 2023. Best Practices". The publication is the largest summary of sustainable development activities in Poland.

In June 2024, the procurement processes in the Bank were positively verified by the world's largest procurement organization CIPS (Chartered Institute of Procurement and Supply), and the Bank again received the Procurement Excellence certificate confirming the application of the best market standards in procurement processes conducted in the Bank.

Risk management

As part of compliance and conduct risk management, each product is evaluated, alongside the associated marketing communication and the manner in which the product is sold.

The Bank makes every effort to ensure that, among other things:
1) products are adequate to the needs of the customers,
2) the manner and form of proposing the purchase of products are adequate to their nature,
3) reliable, transparent, comprehensive, and truthful information on the product is provided to customers before and during the implementation of the agreement, within the scope provided by law and market practice, which eliminates the potential risk of greenwashing.

The management of compliance and conduct risks also comprises the management of conflicts of interest, which aims to limit their negative impact on the Bank's operations and relationships between the Bank and individuals holding key positions with customers and other entities. Actions that could cause a conflict of interest are avoided, including by establishing control mechanisms to eliminate conflicts of interest and minimize the risk of their occurrence. The Bank records cases of non-compliance, their causes, and their consequences. In addition, the Bank has an anonymous whistleblowing system that provides protection to employees making reports, against negative consequences in the form of repressive, discriminatory, or other forms of unfair treatment.

The Bank requires its employees and entities acting on its behalf to comply with ethical attitudes, such as honesty, integrity, and professionalism, specified in the "PKO Bank Polski S.A.'s Code of Ethics" and the "Code of Banking Ethics (Good Banking Practices) of the Polish Bank Association".

Along with the Bank's ongoing transformation, internal regulations concerning procurement are changing in a way that takes into account sustainable activities. In the first half of 2024, work began on a comprehensive change in procurement regulations to include in the new general regulations the changes taking place in the Bank, including the impact of the supply chain on the environment and society.

In 2023, the Bank was also engaged in identifying ESG risk factors in its operational risk management process. Starting from the reporting period for Q4 2023, the Bank includes data on ESG risk factors in internal operational risk reports. The Bank has assumed that the factor G (governance) materializes when an operational event results from poor governance of, for example, the business model, organizational culture, information policy, information transparency, ethics, remuneration policy, internal control and risk management systems, anti-corruption, fraud and money laundering, or through unethical business conduct.

4.2 Quantitative information on climate change transition risk and physical risk

The Bank's Group has developed a policy of disclosing information on transition risk and physical risk related to climate change, in accordance with the applicable regulation on implementing technical standards (ITS). The limited availability of certain data (like actual information on energy efficiency, exact coordinates of the place of operation) requires the use of expert estimates for some of the data disclosed in the following templates.

Table 4.2 Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity [Template 1]

	30.06.2024	Gross carrying amount (mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	Sector/subsector		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1	Exposures towards sectors that highly contribute to climate change*	21 259	1 161	49	5 302	1 243	- 1 123	- 449	- 574	12 262 369	6 775 232	0	15 982	3 437	1 802	38	4
2	A - Agriculture, forestry and fishing	562	-	-	225	31	- 41	- 18	- 18	804 675	210 675	0	418	137	7	-	4
3	B - Mining and quarrying	433	71	3	49	1	- 2	- 1	- 1	319 389	99 300	1	344	89	-	-	3
4	B.05 - Mining of coal and lignite	67	67	-	0	-	- 0	-	-	126 702	42 551	1	33	34	-	-	6
5	B.06 - Extraction of crude petroleum and natural gas	0	0	-	-	-	-	-	-	31	-	1	0	-	-	-	3
6	B.07 - Mining of metal ores	280	-	3	-	-	- 0	-	-	118 413	30 543	1	234	46	-	-	2
7	B.08 - Other mining and quarrying	82	-	-	48	1	- 2	- 1	- 1	66 862	23 662	0	73	9	-	-	3
8	B.09 - Mining support service activities	4	4	-	1	0	- 0	- 0	- 0	7 382	2 545	0	4	0	-	-	3
9	C - Manufacturing	6 425	180	16	2 131	264	- 352	- 203	- 126	5 585 489	4 008 495	0	5 155	1 207	62	1	3
10	C.10 - Manufacture of food products	1 136	-	0	191	24	- 40	- 17	- 18	1 341 217	1 133 470	0	953	178	5	-	3
11	C.11 - Manufacture of beverages	139	-	-	4	1	- 3	- 1	- 1	165 596	144 104	0	136	3	-	-	2
12	C.12 - Manufacture of tobacco products	5	-	-	1	-	- 0	- 0	-	8 727	7 619	0	5	-	-	-	1
13	C.13 - Manufacture of textiles	56	-	-	15	2	- 2	- 1	- 1	20 082	14 181	0	42	12	2	-	3
14	C.14 - Manufacture of wearing apparel	26	-	-	6	2	- 2	- 0	- 1	7 599	4 651	0	23	2	1	-	3
15	C.15 - Manufacture of leather and related products	11	-	-	3	1	- 1	- 0	- 1	3 836	2 606	0	11	0	0	-	2
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	261	-	-	118	20	- 24	- 13	- 10	131 411	71 426	0	181	76	3	-	3
17	C.17 - Manufacture of pulp, paper and paperboard	191	-	-	37	3	- 5	- 2	- 2	101 854	67 908	0	130	55	6	-	4
18	C.18 - Printing and service activities related to printing	92	-	-	13	5	- 5	- 0	- 4	39 915	26 215	0	74	14	4	-	4
19	C.19 - Manufacture of coke oven products	187	180	1	118	-	- 15	- 14	-	250 821	190 930	0	109	78	-	-	4
20	C.20 - Production of chemicals	814	-	0	479	1	- 71	- 68	- 1	1 256 696	818 594	1	746	68	-	-	2
21	C.21 - Manufacture of pharmaceutical preparations	77	-	-	3	0	- 0	- 0	- 0	47 864	27 442	0	68	8	-	1	5
22	C.22 - Manufacture of rubber products	645	-	-	308	9	- 29	- 23	- 4	542 548	298 250	0	453	187	6	-	3
23	C.23 - Manufacture of other non-metallic mineral products	264	-	-	88	6	- 13	- 9	- 3	168 893	88 336	0	216	43	5	-	3
24	C.24 - Manufacture of basic metals	129	-	11	72	4	- 7	- 4	- 3	112 014	76 621	0	118	10	1	-	2
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	838	-	1	188	52	- 43	- 14	- 25	565 880	385 614	0	614	211	13	-	3
26	C.26 - Manufacture of computer, electronic and optical products	83	-	-	7	1	- 1	- 0	- 0	36 951	29 428	0	75	9	0	-	2

	30.06.2024	Gross carrying amount (mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	Sector/subsector		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
27	C.27 - Manufacture of electrical equipment	283	-	-	108	1	- 12	- 11	- 0	305 602	289 508	0	219	63	1	-	2
28	C.28 - Manufacture of machinery and equipment n.e.c.	277	-	-	78	14	- 12	- 3	- 8	90 018	70 336	0	203	72	3	-	3
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	321	-	2	129	2	- 11	- 9	- 2	155 792	111 708	0	281	38	3	-	2
30	C.30 - Manufacture of other transport equipment	154	-	-	27	100	- 32	- 1	- 31	38 656	34 000	0	147	7	-	-	2
31	C.31 - Manufacture of furniture	234	-	-	102	9	- 16	- 11	- 4	107 522	63 428	0	185	46	3	-	3
32	C.32 - Other manufacturing	68	-	-	14	2	- 2	- 0	- 1	24 970	14 290	0	55	11	2	-	3
33	C.33 - Repair and installation of machinery and equipment	131	-	-	22	6	- 4	- 1	- 3	61 026	37 832	0	111	15	5	-	3
34	D - Electricity, gas, steam and air conditioning supply	1 050	316	14	91	1	- 11	- 4	- 0	595 320	185 685	0	433	144	462	11	9
35	D35.1 - Electric power generation, transmission and distribution	962	314	14	31	1	- 8	- 2	- 0	496 956	163 301	0	386	114	451	11	9
36	D35.11 - Production of electricity	911	314	14	30	0	- 8	- 1	- 0	352 907	121 300	0	336	114	451	11	9
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	2	2	-	0	-	- 0	-	-	1 748	318	0	1	1	-	-	4
38	D35.3 - Steam and air conditioning supply	86	-	-	60	-	- 3	- 3	-	96 615	22 066	0	45	29	12	-	6
39	E - Water supply; sewerage, waste management and remediation activities	507	-	-	52	6	- 8	- 2	- 3	175 209	51 848	0	302	42	141	22	7
40	F - Construction	1 323	-	0	387	138	- 132	- 36	- 90	560 219	328 769	0	1 226	64	33	0	3
41	F.41 - Construction of buildings	532	-	0	170	67	- 65	- 13	- 49	192 924	132 883	0	487	27	18	0	3
42	F.42 - Civil engineering	241	-	-	63	13	- 16	- 7	- 8	126 522	73 655	0	227	11	2	-	2
43	F.43 - Specialised construction activities	550	-	-	154	58	- 52	- 16	- 32	240 773	122 231	0	512	26	13	-	3
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	4 513	330	0	791	277	- 222	- 54	- 142	2 181 968	1 394 264	0	3 961	483	69	0	2
45	H - Transportation and storage	2 981	263	17	753	314	- 146	- 39	- 95	1 811 543	422 011	0	2 122	656	204	0	4
46	H.49 - Land transport and transport via pipelines	2 294	263	17	624	287	- 117	- 35	- 74	1 481 797	272 556	0	1 793	334	167	0	4
47	H.50 - Water transport	123	-	-	37	6	- 7	- 1	- 5	24 919	14 145	0	17	85	21	-	7
48	H.51 - Air transport	22	-	-	4	0	- 0	- 0	- 0	53 251	32 140	0	6	15	1	-	6
49	H.52 - Warehousing and support activities for transportation	446	-	-	83	19	- 19	- 3	- 14	224 416	99 476	0	211	220	15	-	5
50	H.53 - Postal and courier activities	96	-	-	6	3	- 2	- 0	- 1	27 160	3 694	0	94	2	-	-	2
51	I - Accommodation and food service activities	472	-	-	141	131	- 73	- 11	- 60	85 952	45 041	0	345	91	36	0	5
52	L - Real estate activities	2 991	-	-	681	80	- 135	- 79	- 40	142 604	29 145	0	1 676	524	788	4	7
53	**Exposures towards sectors other than those that highly contribute to climate change***	4 622	-	2	1 014	128	- 117	- 38	- 61				3 772	606	210	35	5
54	K - Financial and insurance activities	370	-	-	46	3	- 5	- 2	- 2				353	17	0	-	2
55	Exposures to other sectors (NACE codes J, M - U)	4 252	-	2	968	125	- 112	- 36	- 59				3 419	589	210	35	5
56	TOTAL	25 881	1 161	51	6 316	1 371	- 1 240	- 487	- 636	12 262 369	6 775 232	8,81%	19 754	4 042	2 012	73	4

* In accordance with Commission Delegated Regulation (EU) 2020/1818 supplementing Regulation (EU) 2016/1011 with regard to minimum standards for EU climate transition benchmarks and EU Paris-aligned benchmarks – Regulation on climate benchmarks – Recital 6: sectors listed in sections A-H and section L of Annex I to Regulation (EC) No 1893/2; The exposures do not include municipal bonds, the LGU (Local Government Units) sector and financial clients.

Table 4.2 discloses the exposures that are more susceptible to transition risk related to the shift towards a low-emission and climate-resilient economy for non-financial corporations, divided into sectors that contribute significantly to climate change (NACE codes: A, B, C, D, E, F, G, H, I, L) and exposures to non-financial corporations operating in sectors other than those that contribute significantly to climate change (NACE codes: K, J, M-U).

Interest rate benchmark administrator -GPW Benchmark S.A. has not provided a list of entities that significantly harm at least one environmental objective. The administrator is taking actions aimed at developing indices that take into account data on greenhouse gas emissions, including the development of indices that take into account decarbonization goals, adapted to the Paris Agreement. In connection with the above, the Bank does not identify exposure to the aforementioned entities within this disclosure.

Disclosure is made in column b only with regard to entities that meet the criteria under Article 12(1)(d)-(g) of Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 with regard to minimum standards for EU climate transition benchmarks and the EU's Paris Agreement-aligned benchmarks. The identification of exposures to these entities was based on an expert review of the portfolio of non-financial corporations, which involved assigning customers to groups of companies operating in fossil fuels, oil, natural gas, and electricity production sectors.

Given the current status of the Polish energy sector, a conservative assumption was adopted that companies producing electricity (excluding those producing electricity exclusively from RES) qualify as companies that generate at least 50% of their revenue from electricity production with GHG emission intensity of more than 100 g eCO_2/kWh (according to emission indicators for electricity published by KOBiZE, which show that the average CO_2 emission for electricity generated from fuel combustion facilities in 2022 was 788 g CO_2/kWh [excluding GHG other than CO_2]).

Column c discloses the exposure to NFRD[11] reporting entities whose business activities are environmentally sustainable for CCM - Taxonomy-compliant and contribute to Environmental Objective I – Climate Change Mitigation.

The disclosure as of 30 June 2024 is the first disclosure in the scope of greenhouse gas emissions in category 15 of Scope 3 - financed emissions. The calculation scope covered the exposures of the Bank and its subsidiaries: PKO Leasing S.A. (including Prime Car Management S.A.) and PKO Faktoring S.A. within the following asset classes:

1) loans for enterprises (PCAF Business loans and unlisted equity class),
2) corporate shares and bonds (PCAF Listed equity and corporate bonds class),
3) Project Finance (PCAF Project finance class),
4) vehicle financing (including vehicle leasing) (PCAF Motor vehicle loans class),
5) commercial real estate loans (PCAF Commercial real estate class).

Calculations for individual asset classes were carried out in accordance with the global greenhouse gas accounting and reporting standard for the financial industry, developed by the Partnership for Carbon Accounting Financials (PCAF). PKO BP S.A. joined PCAF in November 2023.

For the purpose of calculating financed emissions, the Bank's Group used internal and external data sources. The scope of data obtained from external sources included, among others:

1) actual emission data of customers obtained from the Credit Information Bureau database and directly from company reports,
2) data contained in the Central Register of Energy Performance of Buildings maintained by the Ministry of Development and Technology, used for calculating financed emissions related to commercial real estate loans,
3) emission factors contained in the PCAF online emission factor database, used for calculating financed emissions related to business loans, listed equity and corporate bonds, Project Finance, and motor vehicle financing,
4) emission factors contained in the European building emission factor database maintained by PCAF, used for calculating financed emissions related to commercial real estate loans.

As part of the financed emissions calculation, the Bank's Group based its calculations on:

1) reported emissions (information on the emissions of the customer or company to which financing was provided),
2) emissions estimated based on physical activity data of the customer or investee company, including: energy consumption, production, information from energy performance certificates (actual or estimated) of financed properties,
3) emissions estimated based on economic activity data of the customer or investee company, including, among others, revenue information obtained by the Bank from customers' financial statements.

and in accordance with the PCAF methodology, estimated an attribution factor for each type of asset, which indicates what part of the customer's emissions is attributed to the Bank depending on the share of financing.

[11] NFRD (Non-Financial Reporting Directive) – Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC – this directive has been replaced by the CSRD.

Table 4.3 Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral [Template 2]

	30.06.2024	Total gross carrying amount amount (mln EUR)															
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	Counterparty sector		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1	**Total EU area**	**32 674**	**12 783**	**9 823**	**7 416**	**964**	**169**	**921**	-	-	-	-	-	-	-	**140 921**	**77%**
2	Of which Loans collateralised by commercial immovable property	5 936	288	2 264	2 085	248	134	879	-	-	-	-	-	-	-	25 602	76%
3	Of which Loans collateralised by residential immovable property	26 738	12 495	7 559	5 331	716	35	41	-	-	-	-	-	-	-	115 319	78%
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	25 267	9 185	7 315	6 998	770	125	873	-	-	-	-	-	-	-	108 975	100%
6	**Total non-EU area**	**175**	-	-	-	-	-	-	-	-	-	-	-	-	-	**756**	-
7	Of which Loans collateralised by commercial immovable property	128	-	-	-	-	-	-	-	-	-	-	-	-	-	551	-
8	Of which Loans collateralised by residential immovable property	47	-	-	-	-	-	-	-	-	-	-	-	-	-	205	-
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 4.3 discloses all exposures related to real estate collateral. Expert, conservative estimates of the EP[12] indicator, i.e., the level of energy efficiency (primary non-renewable energy consumption per square meter of property per year in kWh/m^2) were applied to all types of properties, if the year of construction was known. For some of the exposures, the actual EP values were disclosed – at present, the Bank's Group has obtained data on energy certificates from the Central Register of Energy Performance of Buildings and is successively updating the data in its internal systems.

Where it was necessary to estimate EP values, the document "Long-term renovation strategy for buildings – Supporting the renovation of the national building stock" was used, which is an annex to Resolution No. 23/2022 of the Council of Ministers of 9 February 2022.

[12] the EP indicator describes the annual non-renewable primary energy demand required for heating, ventilation, cooling and domestic hot water, and, in the case of public buildings, collective housing, production, utility and storage buildings, also for lighting

Table 4.4 Banking book - Indicators of potential climate change transition risk: Alignment metrics [Template 3]

	30.06.2024 sector	NACE Sectors (a minima)	Portfolio gross carrying amount (mln EUR)	Alignment metric**	Year of reference	Distance to IEA NZE2050 in % ***	Target (year of reference + 3 years)
	a	b	c	d	e	f	g
1	Power	Mapping of NACE codes to PKD sectors in accordance with EU regulations	1 104	366,98 gCO2/kWh	2 023	97%	323,06 gCO2/kWh
2	Fossil fuel combustion		447	74,74 tCO2/TJ	2 022	24%	72,11 tCO2/TJ
3	Automotive		326	0,0623 kgCO2/ tkm - trucks	2 022	47%	0,0559 kgCO2/tkm
				0,1727 kgCO2/ pkm - cars	2 022	182%	0,1536 kgCO2/pkm
4	Aviation		105				
5	Maritime transport		444				
6	Cement, clinker and lime production		168				
7	Iron and steel, coke, and metal ore production		670	0,5492 tCO2/t	2 022	-49%	0,5492 tCO2/t
8	Chemicals		891	1,43 tCO2/t	2 022	7%	1,43 tCO2/t

*value missing to achieve the data points set for 2030 in the NZE2050 scenario in %

Table 4.4 discloses the Bank's Group's exposures (excluding credit exposure to the Central Bank and the State Treasury) broken down by Sectors that have a significant impact on the emission of GHG from Scope 3.

The Bank's Group conducted for the first time an analysis of its adaptation actions in relation to the Paris Agreement goals for the sectors indicated in the template 3 - energy sector, fossil fuel combustion, automotive, aviation, maritime transport, cement, slag and lime production, iron and steel production, coke and metal ores, and chemicals.

According to the regulation,[13] sectors that are significant for the Bank's Group activities in terms of financing are subject to disclosure. Applying a prudent approach to the presentation of results, insignificant sectors (<1% of the total exposure of the economic portfolio), i.e. aviation and cement, slag and lime production, as well as the sector for which data of appropriate quality is not available, i.e. maritime transport, were excluded from the disclosure.

The Bank's Group used indicators from the *Net Zero Emissions by 2050* scenario for 2030 by sectors, referring to the document "World Energy Outlook 2023", published by the International Energy Agency (IEA).

Adaptation indicators and three-year targets were determined based on data from customers' non-financial reports and statistical data at the Polish level (including data from the National Centre for Emissions Management (KOBIZE) and Statistics Poland). The reference year for the analysis of adaptation indicators was adopted as 2022 and 2023, depending on data availability.

In the energy sector, an adaptation indicator expressed in gCO_2/kWh was applied. The indicator value in the reference year was determined based on actual data on emission intensities for key customers who reported relevant indicators in their non-financial reports. Additionally, for customers from the RES industry, intensity indicators from the PCAF database were used. For other customers, statistical data from KOBIZE was used. The final indicator was calculated as a weighted average of balance sheet debt. The target for the period "year of reference + 3 years" was set assuming that the decarbonization path will take the value as in the IEA NZE2050 scenario.

In the fossil fuel combustion sector, the emission intensity coefficient expressed as emissions per unit of energy (tCO_2/TJ) was adopted as the adaptation indicator. The adaptation indicator in the reference year was determined based on statistical data, i.e. emissions from fossil fuel combustion for Poland from the IEA and total energy supply from the IEA. The target value of the indicator for "year of reference + 3 years" was determined assuming that the decarbonization path will have the same trajectory of decline as the IEA NZE2050 scenario (path parallel to the IEA scenario).

In the iron and steel, coke and metal ores production sector, the adopted adaptation indicator presents emission intensity in tCO_2 per ton of production. For key customers, actual data on emission intensities from non-financial reports were used. For other customers, statistical data was used (source: *WiseEuropa)*. The final indicator was determined based on the weighted average of balance sheet debt. The target for "reference year + 3 years" was set based on the assumption that it will take the value from the reference year (the value in the reference year is below that assumed by the IEA NZE2050 scenario).

In the automotive sector, the adopted adaptation indicator is based on emission intensity in $kgCO_2$ per ton-kilometer (for heavy goods vehicles) and passenger-kilometer (for passenger cars). Statistical data was used for all customers (including from KOBIZE and Statistics Poland). The target value of the indicator for "year of reference + 3 years" was determined assuming that the decarbonization path will have the same trajectory of decline as the IEA NZE2050 scenario (path parallel to the IEA scenario).

In the chemicals sector, the adopted adaptation indicator presents emission intensity in tCO_2 per ton of production. The adaptation indicator in the reference year was determined based on reported actual data on emission intensities for key customers. For other customers, statistical data from KOBIZE was used. The final indicator is a weighted average of balance sheet debt. The target for "year of reference + 3 years" was set based on the assumption that it will take the value from the reference year (the value in the reference year is below that assumed by the IEA NZE2050 scenario).

The results concerning emission calculations and adaptation paths presented in this document depend on the adopted calculation model and benchmark values. The Bank's Group has made every effort to ensure that the results are as precise and reliable as possible.

The Bank's Group is working on improving the quality of collected data and will strive to maximize portfolio coverage with actual data on emission intensity or production directly from its customers, so that future disclosures better and more accurately reflect the characteristics of the Bank's portfolio and so that the Bank can determine long-term decarbonization goals based on them.

[13] Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks

Table 4.5 Banking book – Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms [Template 4]

	a	b	c	d	e
	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
1	7	0,01%	-	3	4

(*) For counterparties among the top 20 carbon intensive companies in the world.

Table 4.5 discloses the Bank Group's exposures to top 20 carbon-intensive firms, as listed by the Carbon Majors Database 2022 Data Set Released April 2024. The disclosure takes into account exposures to the entities on the aforementioned list and their subsidiaries identified on the basis of consolidated financial reports.

Table 4.6 Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk [Template 5]

	30.06.2024	Gross carrying amount (mln EUR)													
			of which exposures sensitive to impact from climate change physical events												
	Variable: Geographical area subject to climate change physical risk - acute and chronic events		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
1	A - Agriculture, forestry and fishing	487	364	122	2	-	4	0	0	-	192	28	- 36	- 17	- 16
2	B - Mining and quarrying	432	343	89	-	-	3	-	0	-	49	1	- 2	- 1	- 1
3	C - Manufacturing	4 100	3 528	570	1	1	3	3	163	-	1 024	113	- 159	- 89	- 54
4	D - Electricity, gas, steam and air conditioning supply	1 053	420	172	450	11	9	-	0	-	120	1	- 12	- 6	- 0
5	E - Water supply; sewerage, waste management and remediation activities	404	253	32	105	14	7	-	0	-	31	5	- 6	- 1	- 2
6	F - Construction	1 142	1 102	36	3	0	2	1	8	-	338	101	- 97	- 29	- 62
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3 433	3 198	230	5	-	2	1	7	-	590	192	- 150	- 39	- 91
8	H - Transportation and storage	2 752	2 034	541	176	-	4	0	2	-	690	299	- 129	- 37	- 82
9	L - Real estate activities	1 705	685	329	691	0	9	2	23	-	139	14	- 30	- 11	- 10
10	Loans collateralised by residential immovable property	26 785	484	1 441	9 175	15 686	21	-	313	-	2 593	351	- 537	- 289	- 230
11	Loans collateralised by commercial immovable property	6 064	4 127	1 469	454	14	4	-	127	-	2 441	490	- 499	- 220	- 256
12	Repossessed colalterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 4.6 discloses exposures in the banking book that are vulnerable to the impact of long-term and sudden physical events related to climate change according to the sector and geographical location of the customer's activity or the location of the collateral in the form of real estate. The Bank's Group adopted accuracy in the occurrence of physical phenomena at the municipal level. In the case of mortgage collateral, the Bank's Group has divided them into residential and commercial properties, taking into account the maturity dates, degree of sensitivity (long-term and sudden events related to climate change), STAGE baskets with an indication of cumulative loss of value. The Bank has used climate models (KLIMADA 2.0 project) published by the Institute of Environmental Protection – National Research Institute.

The disclosure concerns long-term physical risk like drought and sudden physical risk like floods, inundations and hurricanes (winds exceeding 30 m/s).

The Bank's Group has defined a variable that determines the risk of long-term and sudden physical events occurring in a geographic location at the municipal level. In its analyses, the Bank's Group has assumed the use of the RCP8.5 scenario (maintenance of the current rate of growth of GHG emissions, in the business as usual formula, the average temperature of the Earth will increase by 4.5°C in relation to the pre-industrial era) for the decades 2021-2030; 2031-2040; 2041-2050 (taking into account the maturity of the Bank's credit portfolio). The Bank used the scale of exposure to physical risk from 1 to 5 (1 – low, 5 – very high).

As regards the presentation of information in Template 5, the Bank's Group discloses the occurrence of physical risk in all geographic locations for which the risk of long-term and sudden physical events is determined as very high.

The Bank's Group does not disclose exposure to business entities in the construction, services, transport and sales network industries, divided by the impact of climatic phenomena, due to the assumption of low impact of physical risk on the overall activity of these entities, resulting from their strong dispersal of activities.

Table 4.6 Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures [Template 6]

30.06.2024	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	1,19%	0,02%	1,21%	66,44%
GAR flow	1,98%	0,00%	1,98%	53,36%

(*) % of assets covered by the KPI over total assets

Table 4.7 Mitigating actions: Assets for the calculation of GAR [Template 7]

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
			Disclosure reference date T														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
	30.06.2024 mln EUR	Total gross carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	29 441	26 671	959	-	-	-	25	16	-	-	-	26 696	975	-	-	-
2	**Financial corporations**	**47**	**-**	**-**	**-**	**-**	**-**	**7**	**7**	**-**	**-**	**-**	**7**	**7**	**-**	**-**	**-**
3	Credit institutions	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Other financial corporations	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	of which insurance undertakings	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	**2 783**	**133**	**51**	**-**	**-**	**-**	**18**	**10**	**-**	**-**	**-**	**151**	**61**	**-**	**-**	**-**
21	Loans and advances	2 627	125	49	-	-	-	10	1	-	-	-	134	50	-	-	-
22	Debt securities, including UoP	156	9	3	-	-	-	8	8	-	-	-	17	11	-	-	-
23	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	**Households**	**26 565**	**26 538**	**908**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**26 538**	**908**	**-**	**-**	**-**
25	of which loans collateralised by residential immovable property	26 538	26 538	908	-	-	-	-	-	-	-	-	26 538	908	-	-	-
26	of which building renovation loans	502	500	9	-	-	-	-	-	-	-	-	500	9	-	-	-
27	of which motor vehicle loans	26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	**Local governments financing**	**46**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local governments financing	46	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	TOTAL GAR ASSETS	29 441	26 671	959	-	-	-	25	16	-	-	-	26 696	975	-	-	-

	30.06.2024 mln EUR	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
			Disclosure reference date T														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Total gross carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**38 398**															
34	Loans and advances	16 224															
35	Debt securities	506															
36	Equity instruments	35															
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**1 297**															
38	Loans and advances	1 125															
39	Debt securities	1 023															
40	Equity instruments	73															
41	Derivatives	1 680															
42	On demand interbank loans	1 363															
43	Cash and cash-related assets	8															
44	Other assets (e.g. Goodwill, commodities etc.)	9 506															
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**80 397**															
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	35 246		-													
47	Central banks exposure	3 823															
48	Trading book	1 543															
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	**40 612**															
50	**TOTAL ASSETS**	**121 008**															

Table 4.8 GAR (%) [Template 8]

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
30.06.2024		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
% (compared to total covered assets in the denominator)				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling	
1	GAR	33,17%	1,19%	-	-		0,03%	0,02%	-	-		33,21%	1,21%	-	-		33,21%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	90,59%	3,26%	-	-		0,08%	0,05%	-	-		90,68%	3,31%	-	-		24,33%
3	Financial corporations	-	-		-		0	0	-	-		-	-	-	-		0
4	Credit institutions	-	-	-	-		-	-	-	-		-	-	-	-		-
5	Other financial corporations	-	-	-	-		-	-	-	-		-	-	-	-		0
6	of which investment firms	-	-	-	-		-	-	-	-		-	-	-	-		-
7	of which management companies	-	-	-	-		-	-	-	-		-	-	-	-		-
8	of which insurance undertakings	-	-	-	-		-	-	-	-		-	-	-	-		-
9	Non-financial corporations subject to NFRD disclosure obligations	4,79%	1,85%	-	-		0,64%	0,34%	-	-		5,44%	2,19%	-	-		2,30%
10	Households	99,90%	3,42%	-	-							99,90%	3,42%	-	-		21,95%
11	of which loans collateralised by residential immovable property	100,00%	3,42%	-	-							100,00%	3,42%	-	-		21,93%
12	of which building renovation loans	99,63%	1,71%	-	-							99,63%	1,71%	-	-		0,41%
13	of which motor vehicle loans	-	-		-							-	-	-	-		
14	Local government financing	-	-	-	-							-	-	-	-		0,04%
15	Housing financing	-	-		-	-						-	-	-	-		
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-		0,04%
17	Collateral obtained by taking possession: residential and commercial immovable properties	0,00%	-	-	-	-						0,00%	-	-	-		

30.06.2024 % (compared to total covered assets in the denominator)		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Disclosure reference date T: KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling	
1	GAR	30,70%	1,98%	-	-							30,70%	1,98%	-	-		0,00%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	91,90%	5,94%	-	-							91,90%	5,94%	-	-		17,83%
3	Financial corporations	-	-	-	-							-	-	-	-	-	-
4	Credit institutions	-	-	-	-							-	-	-	-	-	-
5	Other financial corporations	-	-	-	-							-	-	-	-	-	-
6	of which investment firms	-	-	-	-							-	-	-	-	-	-
7	of which management companies	-	-	-	-							-	-	-	-	-	-
8	of which insurance undertakings	-	-	-	-							-	-	-	-	-	-
9	Non-financial corporations subject to NFRD disclosure obligations	6,16%	0,64%	-	-							6,17%	0,64%	-	-		1,54%
10	Households	100,00%	6,44%	-	-							100,00%	6,44%	-	-	-	16,29%
11	of which loans collateralised by residential immovable property	100,00%	6,44%	-	-							100,00%	6,44%	-	-	-	16,29%
12	of which building renovation loans	99,87%	8,16%	-	-							99,87%	8,16%	-	-	-	0,21%
13	of which motor vehicle loans	-	-	-	-							-	-	-	-	-	-
14	Local government financing	-	-	-	-							-	-	-	-	-	
15	Housing financing	-	-	-	-							-	-	-	-	-	
16	Other local governments financing	-	-	-	-		-	-	-	-	-	-	-	-	-	-	
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-							-	-	-	-	-	-

The taxonomy disclosure presented in tables 4.7, 4.8 and 4.9 was prepared based on a package of regulations that were implemented into European law by the EU Taxonomy Regulation along with the following delegated regulations:

1) commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives;
2) Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation;
3) commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities;
4) Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any of the other environmental objectives;
5) commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

The taxonomy is a classification system for sustainable development activities, which aims to increase transparency and comparability of the market in this area and to support investors in their investment decisions. It establishes a framework for EU taxonomy by defining four conditions that an economic activity must meet in order to be classified as environmentally sustainable.

The Taxonomy includes 6 main environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.

According to Article 3 of the EU Taxonomy, an environmentally sustainable activity (taxonomy-compliant) is one that simultaneously:

1) contributes substantially to one or more of the six environmental objectives,
2) does not do significant harm to any of the other objectives ("do no significant harm" principle, DNSH),
3) is carried out in compliance with the minimum safeguards,
4) meets the technical screening criteria (indicated in the delegated regulations issued by the Commission (EU) supplementing the EU Taxonomy Regulation). The technical screening criteria setting out the requirements for each economic activity indicate the conditions under which that activity makes a significant contribution to at least one of environmental objectives and does not cause serious harm to any of the other environmental objectives.

Scope of taxonomy disclosure covered by this report

The Bank Group's disclosure as of 30 June 2024 provides a full taxonomic analysis of the Bank Group's individual transactions in terms of both eligibility for the taxonomy and compliance with the taxonomy divided into environmental objectives: climate change mitigation (CCM) and climate change adaptation (CCA), the customer's segment, the financial instrument, and the activity type.

The primary performance indicator for credit institutions is the Green Asset Ratio (GAR), which refers to the core lending and investment activities of the Bank's Group, including loans, advances and debt securities, as well as equity instruments. GAR reflects the extent to which the Bank's Group finances taxonomy-compliant activities, i.e. the percentage share of assets financing economic activities compliant with the taxonomy compared to all assets of the Bank's Group included in the GAR calculation.

The green asset ratio is calculated on the basis of the scope of prudential consolidation (in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms) and the FINREP report, i.e. consolidated financial statements prepared for central banks. The list of entities of the Bank's Group covered by prudential consolidation is contained in the first chapter of this Report.

The GAR indicator is presented as regards the state as of 30 June 2024 and as regards to the flow (concerning new exposures arising in the first half of 2024).

The assets included in the GAR numerator, in accordance with regulatory requirements, represent the Bank Group's exposures relating to loans and advances, debt securities and equity instruments in the non-trading book to:
1) financial enterprises meeting the criteria indicated in Article 19a or 29a of the NFRD,
2) non-financial enterprises meeting the criteria indicated in Article 19a or 29a of the NFRD,
3) households as regards residential property loans, building renovation loans and motor vehicle loans,
4) local authorities/municipalities in relation to the financing of housing and other specialist funding needs, and
5) repossessed commercial and residential real estate collateral.

Assets included in the GAR denominator represent all on-balance sheet assets of the Bank's Group excluding exposures to central governments, central banks and supranational issuers and the trading book.

Identification of entities subject to the NFRD

The Bank has analyzed its portfolio as regards customers required to report on non-financial matters in accordance with the criteria indicated in Article 19a or 29a of the NFRD. The entities analyzed meet the definition of large entities that are public interest entities or public interest entities that are the parent undertaking of a large group, have more than 500 employees and publish statements on non-financial information, among other mandatory disclosures on the EU Taxonomy.

As part of the customer verification process, the Bank used the most up-to-date non-financial reports published by companies subject to the NFRD, placed on the websites of the aforementioned companies. Additionally, as part of customer verification, information placed in the ESG database of the Credit Information Bureau (BIK) containing data resulting from the obligations of Polish companies in the field of non-financial reporting was used.

Method of assessing compliance with minimum safeguards

The assessment of compliance with minimum safeguards specified in Article 18 of the EU Taxonomy by non-financial undertakings subject to the NFRD is based on information contained in sustainability reports/non-financial reports. The presence of a "T" marker in the "minimum safeguards" column in the Turnover table in part A1 is considered as compliance with minimum safeguards. Economic activities of non-financial NFRD undertakings that do not meet the minimum safeguards (marker "N" or explicit statement of non-compliance with minimum safeguards) are disclosed as taxonomy-eligible but not taxonomy-aligned. Economic activities of financial undertakings subject to the NFRD that do not meet the minimum safeguards (lack of confirmation of compliance with minimum safeguards in the sustainability report/non-financial report) are disclosed as taxonomy-eligible but not taxonomy-compliant. The method of verifying compliance with minimum safeguards described above applies until the banking sector develops uniform guidelines/recommendations on how to verify minimum safeguards by undertakings based on sustainability reports/non-financial reports.

Assessment of eligibility for and compliance with the taxonomy of exposures to financial and non-financial entities subject to the NFRD

To determine exposures to financial and non-financial entities subject to the NFRD as taxonomy-eligible and taxonomy-compliant, the Bank used the Key Performance Indicator (KPI) Turnover[14]. This indicator was disclosed by these entities in non-financial reports published in 2024 (for 2023) or in 2023 (for 2022) in the absence of a more recent report. For exposures included in the non-trading book where the purpose of the funds is not known (loans and advances, debt securities and equity instruments), the value of taxonomy-eligible and taxonomy-compliant assets was calculated as the product of the gross carrying value and KPI Turnover.

In cases where taxonomy-eligible/taxonomy-compliant activities have been assigned by customers to two environmental objectives, the Bank assumed that they would be disclosed as activities contributing to the first environmental objective, i.e. climate change mitigation (CCM).

The Bank did not show taxonomy-eligible and taxonomy-compliant exposures in the scope of targeted financing due to the lack of data enabling confirmation of compliance with the technical screening criteria of the EU Taxonomy for the financed investment project.

Off-balance sheet exposures to non-financial entities subject to the NFRD are assessed as taxonomy eligible and compliant based on KPI Turnover. The KPI of these customers was disclosed in sustainability reports/non-financial reports published in 2024 (for 2023) or in 2023 (for 2022) in the absence of a more recent report.

Assessment of eligibility for and compliance with the taxonomy of exposures to households

Exposures to households for residential real estate loans and loans for building renovations were considered taxonomy eligible, while they were considered taxonomy compliant if they met the condition of making a significant contribution to climate change mitigation and the principle of 'no significant harm' in relation to climate change adaptation.

According to the interpretation of the Ministry of Development and Technology, the assessment of a significant contribution to climate change mitigation for residential buildings constructed before 31 December 2020 is met when the non-renewable primary energy demand for heating, ventilation, cooling and domestic hot water preparation (EP indicator) is less than 76.59 kWh/(m^2*year) and has been confirmed on the basis of the building's energy performance certificate.

According to the interpretation of the Ministry of Development and Technology, the assessment of a significant contribution to climate change mitigation for residential buildings constructed after 31 December 2020 is met when the EP indicator is at least 10% lower than the threshold set as regards the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. To this end, the Bank compared the calculated value of the EP indicator with the limit value, reduced by 10% (determined as set out in § 329(1) of the Announcement of the Minister of Infrastructure of 12 April 2002 on the technical conditions to be met by buildings and their location), of 63 kWh/(m2*year) for single-family residential buildings and 58.5 kWh/(m2*year) for multi-family buildings. The EP value was confirmed by the building's energy performance certificate. Confirmation of the 'do no significant harm' principle in relation to the environmental objective of climate change adaptation was achieved by examining the physical risk exposure of the analyzed properties using the KLIMADA portal, based on the address of the property, for which a risk level of 1 to 4 was defined.
Exposures to households for motor vehicle loans were considered ineligible for taxonomy, due to the lack of specific information on the object of financing.

Assessment of eligibility for and compliance with the taxonomy of exposures to local government units

PKO BP S.A. is a universal bank and its business model is not based on the financing of public housing, therefore the Bank does not disclose exposures to local authority units for loans and advances that finance public housing. The Bank does not classify exposures to public authorities related to specialized lending due to the lack of information on eligibility and compliance with the taxonomy of the investment projects financed.

[14] Key Performance Indicator (KPI) Turnover – a key performance indicator related to turnover, published in sustainability reports/non-financial reports of undertakings subject to information disclosure in accordance with the NFRD, specifying what % of the undertaking's turnover is taxonomy-compliant.

Assessment of the eligibility of repossessed commercial and residential real estate collateral

The Bank does not identify balance sheet exposures – acquired collateral in the form of commercial and residential real estate.

Table 4.10 Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852 [Template 10]

	30.06.2024 Type of financial instrument	Type of counterparty	Gross carrying amount (mln EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
	a	b	c	d	e	f
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	0	n/a	n/a	n/a
2		Non-financial corporations	111	transition risk	n/a	More favorable bond issue conditions support enterprises in their energy transformation by increasing the share of renewable energy sources in their energy mix.
3		Of which Loans collateralised by commercial immovable property	0	n/a	n/a	as above
4		Other counterparties	0	n/a	n/a	as above
5	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	0	n/a	n/a	n/a
6		Non-financial corporations	3296	Legal and regulatory risk, reputational risk, technological change risk, market risk.	Risks resulting from sudden weather-related events (storms, floods, flooding) and long-term climate changes leading to a continuous increase in average temperatures and hydrological drought.	Financing investments as part of the Capital Group's product offer shown in Template 10 (including renewable energy sources, electromobility, thermal modernization of real estate) enables the adaptation of the business models of the Capital Group's clients to the requirements of an environmentally sustainable economy, limiting the physical and transition risks associated with change climate, listed in columns d and e.
7		Of which Loans collateralised by commercial immovable property	566	as above	as above	as above
8		Households	1391	as above	as above	Discount on the margin of a housing loan offered to households after providing a property energy performance certificate that meets certain conditions, which constitutes the promotion of properties with better energy efficiency. Financing or refinancing of residential buildings that meet the criteria set out in the Green Covered Bond Framework, based on the value of the EP index or year of construction, including those consistent with the Climate Bond Initiative (CBI) standard for low-emission buildings. More favorable financing conditions for electromobility and photovoltaic devices help households reduce their carbon footprint and reduce electricity expenses.
9		Of which Loans collateralised by residential immovable property	1346	as above	as above	as above
10		Of which building renovation loans	1	as above	as above	as above
11		Other counterparties	0	n/a	n/a	n/a

Products supporting climate change mitigation and adaptation activities as understood by the Bank's Group, as at 30 June 2024, that are not fully aligned with the Taxonomy, are presented below.

1. **Sustainability-linked bonds** according to market standards for debt instruments: Sustainability-Linked Bond Principles.
2. **Green bonds** – including corporate bonds; funds raised from the issue are intended to finance pro-environmental investments.
3. **"Własny Kąt" (Own Place) mortgage loan:**
   a) **for residential buildings meeting specified EP indicators** – the option to reduce the loan margin upon delivery to the Bank, following the conclusion of the loan agreement, of an energy performance certificate for the property pledged as collateral for the loan, documenting compliance with the primary energy demand (PE) ratio and its validity period.
   b) **for residential buildings meeting the criteria specified in the Green Covered Bond Framework**, based on the EP indicator value or year of construction, including those compliant with the Climate Bond Initiative (CBI) standard for low-emission buildings.
4. **"Our Renovation" investor loan** – a loan with the BGK thermal modernization bonus or an renovation bonus – those who receive this loan may obtain non-refundable aid from the state budget in the form of a thermal modernization bonus or an renovation bonus. The performance of projects financed with this loan makes it possible to reduce the non-renewable energy demand of the building.
5. **Green loans** – including investment loans, intended to finance investments in renewable energy sources.
6. **Sustainability-linked loans** according to market standards for sustainable financing: Sustainability-Linked Loan Principles.
7. **BIZNESMAX PLUS guarantee from BGK** – the possibility to secure loans for the so-called environmentally-friendly projects, such as electromobility, renewable energy sources.
8. **BIZNESMAX guarantees from BGK** – the possibility to secure loans for the so-called environmentally-friendly projects, such as electromobility, renewable energy sources.
9. **EKOMAX guarantee from BGK** – possibility of securing loans intended to finance investments related to the implementation of energy-efficient solutions.
10. **PKO Ekopożyczka (Green Loan)** – the option to reduce the interest rate after providing the Bank with an invoice documenting the purchase of eco-friendly equipment, such as photovoltaic panels, solar collectors or heat pumps, and meeting the condition of a certain percentage of the purchase costs in the total value of the loan.
11. **FENG green bonus loan** – A loan granted by the Bank to an entrepreneur for an environmental investment, which is partly repaid in the form of an environmental bonus, i.e. a subsidy for micro, small and medium-sized enterprises and small mid-caps and mid-caps that want to upgrade their infrastructure (e.g. buildings, machinery and equipment). This upgrade must result in a reduction in primary energy consumption in the upgraded area of at least 30% compared to current consumption.
12. **Leasing or loan for the financing of photovoltaic equipment** – Product provides the opportunity to finance photovoltaic panels together with their installation. Both modules installed on roofs as well as on the ground are financed.
13. **Leasing of electric vehicles** – an agreement of PKO Leasing and Masterlease with Bank Ochrony Środowiska S.A. as part of the implementation of a government program "Mój elektryk" (My e-car). Provision of assistance to customers in obtaining a subsidy under a program for the purchase of an electric or hydrogen powered vehicle combined with an offer of lease services. The product applies to both institutional and individual customers.
14. **Leasing or loan to finance wind turbines, heat pumps and other prosumer energy generation equipment.** An offering addressed to the prosumer business customer.
15. **Lease or loan to finance electric vehicle charging points** – a product providing the opportunity to finance an electric vehicle charging point over a financing period of up to 5 years. The offering is addressed to a business customer.
16. **Loan to finance electric vehicle charging stations** – ground stations and energy storage facilities – A product providing the opportunity to finance charging stations, including high-powered facilities and energy storage. The offering is addressed to a business customer.
17. **Loan to finance PV farms** – **investment projects** – the funding relates to photovoltaic equipment with installation services, where the equipment is installed on the ground for the purpose of producing energy for sale. Offering for customers operating as commercial companies.
18. **Leasing or loan with Invest EU guarantee for financing RES** – financing concerns photovoltaic devices, wind turbines, energy storage, electric vehicle chargers and other renewable energy devices. Thanks to the EIF guarantee, attractive financing conditions are offered with own contribution from 0% and favorable price conditions. The offer is directed to small and medium-sized enterprises employing up to 500 employees.

A significant increase in the exposure amount shown in Template 10 as of 30 June 2024 (PLN 20,733 million) compared to 31 December 2023 (PLN 10,052 million) results mainly from the first-time disclosure in Template 10 of "Własny Kąt" mortgage loans for residential buildings meeting the criteria specified in the Green Covered Bond Framework (PLN 5,200 million as of 30 June 2024) and sustainability-linked loans according to market standards for sustainable financing Sustainability-Linked Loan Principles and sustainability-linked bonds according to market standards for debt instruments Sustainability-Linked Bond Principles (PLN 3,725 million as of 30 June 2024).

Exposures reported under Model 10 were not considered to be Taxonomy-aligned because the Bank did not verify them to meet the technical screening criteria and minimum safeguards, or they did not fully meet these requirements.

5 VARIABLE REMUNERATION COMPONENTS

The following tables present a supplement to the quantitative data presented in the Report as of 31 December 2023 in tables concerning remuneration awarded for 2023.

Table 5.1 Wynagrodzenie przyznane za dany rok obrachunkowy [Template EU REM1]

			30.06.2024			
			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	10	8	59	100
2		Total fixed remuneration	2,12	10,47	35,41	39,54
3		Of which: cash-based	2,12	9,96	34,37	37,56
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	0,51	1,05	1,97
8		(Not applicable in the EU)				
9	Variable remuneration*	Number of identified staff	-	8	59	100
10		Total variable remuneration	-	12,80	24,93	31,11
11		Of which: cash-based	-	7,59	14,57	18,20
12		Of which: deferred	-	2,50	4,55	5,23
EU-13a		Of which: shares or equivalent ownership interests	-	-	1,10	-
EU-14a		Of which: deferred	-	-	0,47	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	5,22	8,61	10,91
EU-14b		Of which: deferred	-	2,50	3,52	4,37
EU-14x		Of which: other instruments	-	-	0,66	2,01
EU-14y		Of which: deferred	-	-	0,26	0,83
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**2,12**	**23,27**	**60,35**	**70,65**

In relation to the data presented in the Report "Capital adequacy and other information subject to disclosure of the PKO Bank Polski SA Group as of 31 December 2023", the data on fixed remuneration for 2023 have been verified at the consolidation level. Table 5.2 Information on the remuneration of staff in 2024 whose professional activities have a material impact on the institution's risk profile (identified staff) [template EU REM5]

Table 5.2 Informacje na temat wynagrodzenia pracowników w 2024 r., których działalność zawodowa ma istotny wpływ na profil ryzyka instytucji (określony personel) [Template EU REM5]

		30.06.2024									
		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										177
2	Of which: members of the MB	10	8	18							
3	Of which: other senior management				-	8	1	29	8	13	
4	Of which: other identified staff				4	32	18	20	19	7	
5	Total remuneration of identified staff	2,12	23,27	25,39	4,65	35,13	11,02	44,24	16,83	19,12	
6	Of which: variable remuneration	-	12,80	12,80	2,29	16,79	4,58	18,27	6,22	7,90	
7	Of which: fixed remuneration	2,12	10,47	12,59	2,36	18,34	6,44	25,97	10,61	11,22	

6 GLOSSARY OF TERMS AND ABBREVIATIONS

AMA *(Advanced Measurement Approach)*	operational risk advanced measurement approach for the purpose of defining the own funds requirements for operational risk according to the CRR
ESG	environmental, social and governance issues
ESRS	European Sustainability Reporting Standards
Greenwashing	marketing communication of a company based on false or misleading statements regarding the compliance of the product or its components with environmental protection principles
IRB (*Internal Ratings Based Approach*)	an internal ratings method used to determine the capital requirement for credit risk
Internal capital	amount of capital, that is required to cover all identified significant types of risk present in the Bank or the Bank's Group's business activity and the effect of changes in its business environment, taking into account the anticipated risk level
KOBiZE	National Centre for Emissions Management operates within the structure of the Institute of Environmental Protection – National Research Institute, administering the EU Emissions Trading System in Poland, and maintaining a national database of GHG emissions
TCR	the main measure of capital adequacy, calculated as the quotient of own funds and total own funds requirements multiplied by 12.5
MREL *(Minimum Requirement for own funds and Eligible Liabilities)*	the minimum requirement for own funds and eligible liabilities pursuant to Article 97 of the BGF Act
MRT *(Material Risk Takers)*	members of the Management Board and key managers with a significant impact on the risk profile of the Bank
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
NACE *(nomenclature statistique des activités économiques dans la Communauté européenne)*	The Statistical Classification of Economic Activities in the European Community. NACE is a four-digit classification providing a framework for collecting and presenting a wide range of statistical data according to economic activity in economic statistics and other statistical areas developed within the European Statistical System (ESS).
Non-trading book	the book containing operations not included in the trading book, specifically related to credit facilities and loans and deposits extended or accepted within the Bank's basic business activity or for the purposes of liquidity and interest rate risk management
Business risk	the risk of failing to achieve the assumed financial goals, including incurring losses, due to adverse changes taking place in the business environment, making bad decisions, incorrect implementation of the decisions made or failing to take appropriate action in response to changes taking place in the business environment
Credit risk	the risk of losses resulting from customer's failure to meet obligations towards the Bank or the risk of a decrease in the economic value of the Bank's receivables as a result of deterioration of the customer's ability to service obligations
Model risk	the risk of suffering losses as a result of wrong business decisions taken on the basis of functioning models
Operational risk	the risk of losses resulting from inadequacy or unreliability of the internal processes, the human factor and systems, or from external events. Operational risk does not include reputation risk or business risk, but does include: • legal risk – the risk of incurring losses resulting from the ignorance, misunderstanding and non-application of legal and accounting standards, inability to enforce contractual provisions, unfavorable interpretations or decisions of courts or public administration authorities, • cybersecurity risk – the degree of vulnerability due to potential negative ICT-related cyber security risk factors that could cause a financial loss to the organization by compromising the availability, integrity, confidentiality or accountability of information processed on SIB resources
Liquidity risk	the risk of inability to timely discharge of liabilities due to non-availability of liquid means

Interest rate risk	the risk of loss on the Bank's balance sheet and off-balance sheet items sensitive to interest rate changes, resulting from unfavorable interest rate changes on the market
Foreign exchange risk	the risk of loss due to changes in the foreign exchange rates, generated through maintaining open currency positions in individual currencies
Reputation risk	current or future risk of reputation deterioration among customers, counterparties, investors, external supervisory and control bodies, and public opinion as a result of business decisions, operational incidents, security incidents, cases of non-compliance or other events that may have an unfavorable impact on financial results, own funds, or liquidity
Macroeconomic risk	the risk of deterioration of the Bank's financial condition as a result of adverse impact of changes in macroeconomic conditions, macroeconomic risk includes geopolitical risk, understood as the macroeconomic effects taking into account the negative effects of the geopolitical environment on the economy and financial markets.
Strategic tolerance limit	the level of risk appetite set by the Management Board
EU taxonomy	A set of regulations supporting companies in sustainable activities for the environment and climate. The primary document is the Regulation of the European Parliament and of the Council of the European Union 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088.
TEM *(Total Exposure Measure)*	the total exposure measure calculated in accordance with Article 429 and Article 429a of the CRR
Stress tests	a risk management tool used for assessment of the potential impact of a specific event or changes in the market parameters on the Bank or the Bank's Group
TLAC *(Total Loss-Absorbing Capacity)*	requirements for own funds and eligible liabilities for global systemically important institutions and material subsidiaries of non-EU global systemically important institutions
TREA *(Total Risk Exposure Amount)*	the total risk exposure amount calculated in accordance with Article 92(3) and (4) of the BGF Act
EP indicator	determines the level of energy efficiency of a property, which is the unit consumption of non-renewable primary energy in kWh/m2 of the property per year
LCR indicator	liquidity coverage requirement describes relation of high-quality liquid assets to total net cash outflows (including cash inflows) over a 30-day period under stress scenario – European measure defined in CRDIV/CRR package
Tier 1 (T1) capital ratio	capital adequacy measure, calculated as the ratio of Tier 1 capital and the sum of own funds requirements, multiplied by 12.5. No elements of additional Tier 1 capital are identified in the Bank and the Bank's Group, consequently the Common Equity Tier 1 (CET1) ratio is equal to the Tier 1 capital ratio (T1)
Requirements for own funds	total own funds requirements for particular risk types and own funds requirements for exceeded limits and other violations of norms laid down in the CRR and CRD, BRR and decisions of external supervisory and control bodies
OGSM	Ordinary General Shareholders' Meeting

Representation by the Management Board of PKO Bank Polski S.A. The Management Board of PKO Bank Polski S.A.:

- represents that, to the best of its knowledge, the information has been prepared in compliance with the internal control processes;
- represents that, to the best of its knowledge, the adequacy of risk management arrangements at PKO Bank Polski S.A. ensures that the risk management systems used are appropriate to the risk profile and strategy of the Bank and the Bank's Group;
- approves this Report "Capital Adequacy and other information subject to disclosure of the Group of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna as at 31 December 2023", which includes information on risk, discusses the overall risk profile of the Bank and the Bank's Group related to the business strategy and includes key indicators and figures that provide external stakeholders with a holistic view of the risk management of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group, including interactions between the Bank's risk profile and risk tolerance expressed in the form of strategic tolerance limits determined by the Management Board and approved by the Supervisory Board.

Signatures of the Management Board of PKO Bank Polski S.A on the original version.