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SELECTED FINANCIAL DATA RELATING TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

SELECTED FINANCIAL DATA	in PLN '000		in EUR '000	
	period from 01.01.2024 to 30.06.2024	period from 01.01.2023 to 30.06.2023	period from 01.01.2024 to 30.06.2024	period from 01.01.2023 to 30.06.2023
Net interest income	104,714	169,727	24,291	36,793
Net fee and commission income	(2,197)	(990)	(510)	(215)
Profit / (loss) on business activities	111,059	158,738	25,762	34,421
Profit before tax	45,397	83,650	10,531	18,134
Net profit	32,513	59,695	7,542	12,941
Net comprehensive income	63,893	49,092	14,821	10,642
Net cash from/used in operating activities	1,522,041	1,352,310	353,068	293,152
Net cash from/used in investing activities	221,460	113,660	51,372	24,639
Net cash from/used in financing activities	(1,563,403)	(1,526,438)	(362,663)	(330,899)
Net change in cash and cash equivalents	180,098	(60,468)	41,777	(13,108)

SELECTED FINANCIAL DATA	in PLN '000		in EUR '000	
	as at 30.06.2024	as at 31.12.2023	as at 30.06.2024	as at 31.12.2023
Total assets	17,924,928	18,935,922	4,156,023	4,355,088
Total equity	1,616,239	1,638,905	374,736	376,933
Share capital	1,611,300	1,611,300	373,591	370,584
Number of shares (in thousands)	1,611,300	1,611,300	1,611,300	1,611,300
Book value per share (in PLN/EUR)	1.00	1.02	0.23	0.23
Diluted number of shares (in thousands)	1,611,300	1,611,300	1,611,300	1,611,300
Diluted book value per share (in PLN/EUR)	1.00	1.02	0.23	0.23
Total capital ratio (TCR)	22.5%	20.9%	22.5%	20.9%
Common equity Tier 1 (CET1)	1,632,746	1,615,124	378,564	371,464
Own funds	1,632,746	1,615,124	378,564	371,464

Selected financial statement items have been translated to EUR at the following foreign exchange rates		
items of the income statement, statement of comprehensive income and statement of cash flows items – the average of the NBP exchange rates prevailing as at the last day of each month of the period	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
	4.3109	4.6130
items of the statement of financial position – the average NBP exchange rate as at the last day of the period	30.06.2024	31.12.2023
	4.3130	4.3480

Condensed interim financial
statements
of PKO Bank Hipoteczny SA
for the six-month period ended
30 June 2024

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INCOME STATEMENT

INCOME STATEMENT	Note	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Interest income and income similar to interest income, including:	9	628,585	835,246
Interest income recognized under the effective interest rate method		628,585	835,246
Interest expenses and expenses similar to interest expenses	9	(523,871)	(665,519)
Net interest income		104,714	169,727
Fee and commission income	10	2,782	3,101
Fee and commission expense	10	(4,979)	(4,091)
Net fee and commission income		(2,197)	(990)
Gains/(losses) on financial transactions		(5)	-
Net foreign exchange gains / (losses)	11	2,290	(4,824)
Net expected credit losses	12	6,138	(5,263)
Other operating income		189	232
Other operating expenses		(80)	(99)
Profit / (loss) on business activities		111,059	158,783
Administrative expenses	13	(22,459)	(23,303)
Regulatory charges	14	(17,126)	(22,189)
Tax on certain financial institutions		(26,077)	(29,641)
Operating profit		45,397	83,650
Profit before tax		45,397	83,650
Corporate income tax	15	(12,884)	(23,955)
Net profit		32,513	59,695

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Net profit		32,513	59,695
Other comprehensive income		31,380	(10,603)
Items which may be reclassified to profit or loss		31,380	(10,603)
Cash flow hedges (gross)		35,879	(20,178)
Deferred tax		(6,817)	3,834
Cash flow hedges (net)	16	29,062	(16,344)
Remeasurement of financial assets measured at fair value through other comprehensive income (gross)		2,862	7,087
Deferred tax		(544)	(1,346)
Remeasurement of financial assets measured at fair value through other comprehensive income (net)		2,318	5,741
Total net comprehensive income		63,893	49,092

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION	Note	30.06.2024	31.12.2023
ASSETS			
Cash and balances with the Central Bank		180,127	306
Amounts due from banks		2,698	2,421
measured at amortized cost		2,698	2,421
Derivative hedging instruments	16	8,821	55,383
Securities	17	749,997	945,251
measured at fair value through other comprehensive income		749,997	945,251
Loans and advances to customers	18, 19	16,966,820	17,898,707
measured at amortized cost		16,966,820	17,898,707
Intangible assets		259	217
Property, plant and equipment		9,942	10,104
Current income tax receivable		-	17,567
Other assets		6,264	5,966
TOTAL ASSETS		17,924,928	18,935,922
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to banks	20	4,615,802	4,580,744
measured at amortized cost		4,615,802	4,580,744
Derivative hedging instruments	16	238,215	213,187
Amounts due to customers		4,586	3,710
measured at amortized cost		4,586	3,710
Liabilities in respect of mortgage covered bonds issued	21	8,391,783	10,444,645
measured at amortized cost		8,391,783	10,444,645
Liabilities in respect of bonds issued	22	2,965,478	1,991,260
measured at amortized cost		2,965,478	1,991,260
Other liabilities		65,230	56,215
Current income tax liability		21,971	-
Deferred income tax provision		5,294	6,981
Provisions	23	331	275
TOTAL LIABILITIES		16,308,690	17,297,017
Equity			
Share capital	24	1,611,300	1,611,300
Supplementary capital		13,263	-
Accumulated other comprehensive income		(40,838)	(72,218)
Retained earnings/(loss)		-	(65,966)
Net profit/(loss) for the period		32,513	165,789
TOTAL EQUITY		1,616,238	1,638,905
TOTAL LIABILITIES AND EQUITY		17,924,928	18,935,922
Total capital ratio (TCR)	37	22.5%	20.9%
Book value (in PLN '000)		1,616,238	1,638,905
Number of shares (in thousands)	24	1,611,300	1,611,300
Book value per share (in PLN)		1.00	1.02
Diluted number of shares (in thousands)		1,611,300	1,611,300
Diluted book value per share (in PLN)		1.00	1.02

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2024	Note	Share capital	Supplement ary capital	Accumulated other comprehensive income	including:		Retained earnings/(loss)	Net profit for the period	Total equity
					Cash flow hedges	Financial assets measured at fair value through other comprehensive income			
1 January 2024		1,611,300	-	(72,218)	(74,386)	2,168	(65,966)	165,789	1,638,905
Transfer from retained earnings		-	-	-	-	-	165,789	(165,789)	-
Transfer from profit to equity		-	13,263	-	-	-	(13,263)	-	-
Payment of dividend		-	-	-	-	-	(86,560)	-	(86,560)
Total comprehensive income, including:		-	-	31,380	29,062	2,318	-	32,513	63,893
Net profit		-	-	-	-	-	-	32,513	32,513
Other comprehensive income		-	-	31,380	29,062	2,318	-	-	31,380
30 June 2024	24	1,611,300	13,263	(40,838)	(45,324)	4,486	-	32,513	1,616,238

FOR THE PERIOD ENDED 30 JUNE 2023	Note	Share capital	Supplement ary capital	Accumulated other comprehensive income	including:		Retained earnings/(loss)	Net profit for the period	Total equity
					Cash flow hedges	Financial assets measured at fair value through other comprehensive income			
1 January 2023		1,611,300	339,852	(141,052)	(136,426)	(4,626)	-	(405,818)	1,404,282
Transfer from retained earnings		-	-	-	-	-	(405,818)	405,818	-
Covering loss by supplementary capital		-	(339,852)	-	-	-	339,852	-	-
Total comprehensive income, including:		-	-	(10,603)	(16,344)	5,741	-	59,695	49,092
Net profit		-	-	-	-	-	-	59,695	59,695
Other comprehensive income		-	-	(10,603)	(16,344)	5,741	-	-	(10,603)
30 June 2023	24	1,611,300	-	(151,655)	(152,770)	1,115	(65,966)	59,695	1,453,374

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS	Note	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023 restated
Cash flows from operating activities			
Profit before tax		45,397	83,650
Income tax paid / tax settlement within Tax Group		17,606	47,411
Total adjustments:		1,459,038	1,221,249
Depreciation and amortization		1,060	750
Net interest income (from the profit and loss account)	9	(104,714)	(169,727)
Interest received		712,255	692,621
Interest paid		(187,083)	(308,897)
Change in:			
derivative financial instruments		67,688	606,940
loans and advances to customers (gross)		893,978	698,406
other assets and right-of-use assets		(1,087)	(127)
amounts due to banks		(1,781)	16,477
amounts due to customers		876	(2,403)
liabilities in respect of mortgage covered bonds issued		(25,249)	(353,353)
liabilities in respect of bonds issued		63,366	38,603
allowances for expected credit losses and provisions		(5,930)	5,290
other liabilities		9,627	17,232
Other adjustments (including changes in the measurement of derivative instruments recognized in other comprehensive income)		36,032	(20,534)
Net cash from/used in operating activities		1,522,041	1,352,310
Cash flows from investing activities			
Inflows from investing activities		418,009	223,861
Redemption of securities measured at fair value through other comprehensive income		418,009	223,861
Outflows on investing activities		(196,549)	(110,201)
Acquisition of securities measured at fair value through other comprehensive income		(196,400)	(109,845)
Purchase of intangible assets and property, plant and equipment		(149)	(356)
Net cash from/used in investing activities		221,460	113,660
Cash flows from financing activities			
Proceeds from issue of mortgage covered bonds	21	1,000,000	1,000,000
Redemption of mortgage covered bonds issued	21	(2,992,968)	(2,859,300)
Proceeds from issue of bonds	22	3,051,775	1,484,949
Redemption of bonds issued	22	(2,159,000)	(1,319,500)
Inflows related to overdraft facilities		8,214,007	8,833,305
Outflows related to overdraft facilities		(8,312,485)	(8,409,947)
Inflows related to term loans		133,000	213,000
Dividend paid	24	(86,560)	-
Repayment of interest on mortgage covered bonds issued, bonds issued and loans obtained		(410,559)	(468,214)
Payments of lease liabilities (IFRS 16)		(613)	(731)
Net cash from/used in financing activities		(1,563,403)	(1,526,438)
Net change in cash and cash equivalents		180,098	(60,468)
Cash and cash equivalents at the beginning of the period		2,727	60,757
Cash and cash equivalents at the end of the period		182,825	289

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

BANKING ACTIVITIES

PKO Bank Hipoteczny Spółka Akcyjna ("PKO Bank Hipoteczny SA", "Bank") with its registered office in Warsaw ul. Puławska 15, 02-515 Warsaw is entered in the Register of Businesses of the National Court Register (KRS) maintained by the District Court in Warsaw, 13th Business Department of the National Court Register with the reference number KRS 0000528469. The Bank was entered in the Register of Businesses on 24 October 2014. The Bank was assigned the statistical number REGON 222181030. Its share capital as at 30 June 2024 was PLN 1,611,300,000 and it was fully paid up.

PKO Bank Hipoteczny is a specialized bank that operates on the basis of the Polish Covered Bonds and Mortgage Banks Act dated 29 August 1997, the Banking Law of 29 August 1997, the Commercial Companies Code and other generally applicable provisions of the law, regulatory recommendation and good corporate governance practices, and the Bank's Articles of Association.

The Bank specializes in granting residential mortgage loans for individuals. The Bank also acquires receivables in respect of such loans from PKO Bank Polski SA. The Bank acquires loans for its portfolio based on its strategic cooperation with PKO Bank Polski SA.

The Bank's principal objective, in terms of financing, is to issue mortgage covered bonds, which are to serve as the primary source of long-term financing for residential mortgage loans.

PKO Bank Hipoteczny SA is not a parent or a significant investor in associates and jointly controlled entities. Therefore, PKO Bank Hipoteczny SA does not prepare consolidated financial statements.

The Parent of PKO Bank Hipoteczny SA is PKO Bank Polski SA, in which the State Treasury holds a 29.43% share in the share capital. PKO Bank Polski SA prepares consolidated financial statements for the PKO Bank Polski Group.

2. INFORMATION ON THE COMPOSITION OF THE BANK'S SUPERVISORY BOARD AND MANAGEMENT BOARD

The following table presents the composition of the Supervisory Board of PKO Bank Hipoteczny SA during the period covered by the financial statements:

No.	Name and surname	Position	Date of appointment	Date of ceasing to perform the role
1	Mieczysław Król	Chairman of the Supervisory Board	13.08.2021	22.02.2024
2	Maciej Brzozowski	Member of the Supervisory Board (from 24.04.2022 to 05.05.2022) / Deputy Chairman of the Supervisory Board (from 05.05.2022)	28.04.2022	14.02.2024
3	Paweł Metrycki	Deputy Chairman of the Supervisory Board (to 05.05.2022) / Member of the Supervisory Board (from 05.05.2022)	30.03.2019	-
4	Tomasz Baum	Member of the Supervisory Board (independent)	06.12.2022	28.05.2024
5	Iwona Brzozowska-Poniedziałka	Member of the Supervisory Board (independent)	29.05.2024	-
6	Robert Ciborowski	Member of the Supervisory Board (independent)	29.05.2024	-
7	Lucyna Kopińska	Member of the Supervisory Board	01.09.2019	-
8	Jadwiga Lesisz	Member of the Supervisory Board (independent)	01.09.2019	13.06.2024
9	Jakub Niesłuchowski	Member of the Supervisory Board	28.04.2022	-

The following changes in the composition of the Supervisory Board took place in the period covered by the financial statements:

- On 14 February 2024, Mr Maciej Brzozowski submitted his resignation as a Supervisory Board Member, effective as of 14 February 2024;
- On 22 February 2024, Mr Mieczysław Król submitted his resignation as a Supervisory Board Member, effective at the end of 22 February 2024;
- On 24 May 2024, the Bank's Extraordinary General Meeting:
 - dismissed Mr. Tomasz Baum as a Supervisory Board Member, effective at the end of 28 May 2024;

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OF PKO BANK HIPOTECZNY SA
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024
(IN PLN THOUSANDS)**

- appointed Ms. Iwona Brzozowska-Poniedzielska as a Supervisory Board Member for a common term of office of the Bank's Supervisory Board starting 29 May 2024;
 - appointed Mr. Robert Ciborowski as a Supervisory Board Member for a common term of office of the Bank's Supervisory Board starting 29 May 2024;
- On 31 May 2024 Ms. Jadwiga Lesisz submitted her resignation as a Supervisory Board Member, effective as of 13 June 2024.

The following table presents the composition of the Management Board of PKO Bank Hipoteczny SA during the period covered by the financial statements:

No.	Name and surname	Position	Date of appointment	Date of ceasing to perform the role
1	Katarzyna Kurkowska-Szczechowicz	President of the Management Board (from 27.01.2023) / Vice-President of the Management Board directing the work of the Management Board (from 01.10.2022 to 26.01.2023)	01.10.2022	-
2	Piotr Jaworski	Vice-President of the Management Board	01.07.2023	-
3	Piotr Kochanek	Vice-President of the Management Board	01.01.2019	-
4	Stanisław Skoczylas	Vice-President of the Management Board	06.10.2022	29.02.2024

The following changes in the composition of the Management Board took place in the period covered by the condensed interim financial statements:

- On 23 February 2024, Mr Stanisław Skoczylas submitted his resignation as a Vice-President of the Management Board, effective as of 29 February 2024.

3. APPROVAL OF THE FINANCIAL STATEMENT

These condensed interim financial statements, having been reviewed with an opinion issued by the Audit and Finance Committee of the Supervisory Board and reviewed by the Supervisory Board on 9 August 2024, were approved by the Bank's Management Board for publication on 9 August 2024.

4. REPRESENTATIONS OF THE MANAGEMENT BOARD

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

5. BASIS FOR THE PREPARATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE

The condensed interim financial statements have been prepared in accordance with the going concern principle and the requirements of International Accounting Standard 34, Interim Financial Reporting, as endorsed by the European Union.

The condensed interim financial statements for the six months ended 30 June 2024 do not contain all the information and disclosures that are required in the annual financial statements and they should be read together with the annual financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023 prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union.

The condensed interim financial statements of PKO Bank Hipoteczny SA cover the six-month period ended 30 June 2024 and contain comparative data:

- for the six months ended 30 June 2023 in respect of the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity;
- as at 31 December 2023 in respect of the statement of financial position.

The financial data is presented in thousands of Polish zlotys (PLN), rounded to a thousand, unless otherwise indicated. Therefore, there might be differences resulting from rounding the amounts to full thousands.

The accounting policies and calculation methods used in the preparation of these condensed interim financial statements are consistent with the policies applied in the financial year ended 31 December 2023 and they are described in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023. In addition, the Bank has taken into account the principle of recognising income tax expense on the basis of the expected average annual effective tax rate (see Note 15 'Income tax').

6. GOING CONCERN

The financial statements have been prepared on the assumption of the Bank continuing its business activities in the foreseeable future (i.e. in the period of at least 12 months from the date of acceptance by the Management Board for publication of these financial statements, i.e. 9 August 2024). As at the date of signing these financial statements, the Bank's Management Board has not identified any facts or circumstances which would indicate any threats to the Bank's ability to continue as a going concern during this period as a result of intended or forced discontinuance significantly curtailing the Bank's existing operations, or environmental issues.

7. CHANGES IN ACCOUNTING POLICIES EFFECTIVE FROM 1 JANUARY 2024 AND EXPLANATION OF DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS

With the exception of the changes required by standards and amendments to standards effective from 1 January 2024, the Bank has not implemented new accounting policies since 1 January 2024 or made changes resulting in differences between previously published statements and these financial statements. The amendments to standards that are effective from 1 January 2024 did not have a material impact on the Bank's financial statements.

In this reporting period, the Bank made changes to the presentation of cash flows from operating activities. The presentation of net interest income in the statement of cash flows and the separation of interest realised (received and paid) contributes to making the disclosure more transparent and aligns it with market practice. Comparative figures have been restated accordingly.

	01.01.2023 - 30.06.2023 before restatement	impact of the change in presentation	01.01.2023 - 30.06.2023 restated
Cash flows from operating activities			
Profit before tax	83,650	-	83,650
Income tax paid / tax settlement within Tax Group	47,411	-	47,411
Total adjustments:	1,221,249	-	1,221,249
Depreciation and amortization	750	-	750
Interest recognized in cash flows from investing activities and cash flows from financing activities	434,108	(434,108)	
Net interest income (from the profit and loss account)		(169,727)	(169,727)
Interest received		692,621	692,621
Interest paid		(308,897)	(308,897)
Change in:			
derivative financial instruments		606,940	606,940
derivative financial instruments (asset)	431,339	(431,339)	
loans and advances to customers (gross)	508,951	189,455	698,406
securities measured at fair value through other comprehensive income	664	(664)	
other assets and right-of-use assets	(127)	-	(127)
amounts due to banks	9,006	7,441	16,477
derivative financial instruments (liability)	178,155	(178,155)	
amounts due to customers	(2,403)	-	(2,403)
liabilities in respect of mortgage covered bonds issued	(384,236)	30,883	(353,353)
liabilities in respect of bonds issued	42,697	(4,094)	38,603
allowances for expected credit losses and provisions	5,290	-	5,290
other liabilities	17,232	-	17,232
Other adjustments (including changes in the measurement of derivative instruments recognized in other comprehensive income)	(20,177)	(357)	(20,534)
Net cash from/used in operating activities	1,352,310	-	1,352,310

8. NEW STANDARDS AND AMENDMENTS TO THE PUBLISHED STANDARDS AND INTERPRETATIONS

■ NEW STANDARDS AND INTERPRETATIONS AND AMENDMENTS TO THE PUBLISHED STANDARDS AND INTERPRETATIONS WHICH BECAME BINDING AS OF 1 JANUARY 2024

STANDARDS AND INTERPRETATIONS	DESCRIPTION OF AMENDMENTS	EFFECTIVE FROM
Amendments to IAS 1 'Presentation of Financial Statements'	The amendments serve to clarify on which basis to classify, in the statement of financial position, debt and other liabilities with an indefinite maturity.	1 January 2024
Amendments to IAS 7 'Statement of cash flows' and IFRS 7 'Financial instruments: disclosures - supplier financing arrangements'	The amendments introduce requirements for additional disclosures related to supplier financing (reverse factoring), including extended payment terms, collateral and guarantees provided. The aim of the amendments is to increase the transparency of the agreements and their impact on the company's liabilities, cash flow and liquidity risk.	1 January 2024 (approved by the EU on 15 May 2024)
Amendments to IFRS 16 'Leases'	The amendments set out requirements for an entity that has sold an asset and simultaneously uses it under a lease to recognise the value of the lease liability in a way that does not result in a gain or loss on the retained right of use.	1 January 2024

New standards and amendments do not have a material effect on the Bank's financial statements.

■ NEW STANDARDS AND INTERPRETATIONS, AND AMENDMENTS THERETO, WHICH HAVE BEEN PUBLISHED, BUT ARE NOT YET BINDING AND HAVE NOT BEEN APPLIED BY THE BANK

STANDARDS AND INTERPRETATIONS	DESCRIPTION OF AMENDMENTS	EFFECTIVE FROM
Amendments to IAS 21 'The effects of changes in foreign exchange rates - lack of convertibility'	The amendments require disclosures that allow users of financial statements to understand the impact of currency non-convertibility and explain how currency convertibility should be assessed.	1 January 2025 roku (not approved by the EU)
Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'	The amendments relate to the settlement of financial liabilities using an electronic payment system and the assessment of the contractual cash flow characteristics of financial assets, including those related to environmental, social and governance (ESG) aspects. The disclosure requirements for investments in equity instruments measured at fair value through other comprehensive income have also changed.	1 January 2027
IFRS 18 'Presentation and disclosures in the financial statements'	IFRS 18 will replace the current IAS 1. Changes to the superseded standard will mainly be seen in three areas: <ul style="list-style-type: none"> ■ the definition of mandatory subtotals in the income statement, ■ the introduction of disclosures on Alternative Performance Measurements (APMs) used by management, the extension of guidance on the aggregation of information.	1 January 2027
IFRS 19 "Subsidiaries without public accountability: disclosure of information"	IFRS 19 introduces simplified reporting requirements and reduces the number of mandatory disclosures for eligible subsidiaries in their separate financial statements.	1 January 2026

New standards and amendments will not have a material effect on the Bank's financial statements.

On 18 July 2024 The International Accounting Standards Board published the document on 'Annual Improvements to IFRS Accounting Standards—Volume 11', which include clarifications, simplifications, corrections and changes aimed at improving the consistency of several IFRS Accounting Standards (IFRS 1 First-time Adoption of International Financial Reporting Standards'; IFRS 7 'Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7'; IFRS 9 'Financial Instruments'; IFRS 10 'Consolidated Financial Statements' and IAS 7 'Statement of Cash Flows'). The amendments are effective for annual periods beginning on or after 1 January 2026, with earlier application permitted. The Bank is in the process of assessing the impact of these changes on the Bank's financial statements.

NOTES TO THE INCOME STATEMENT

9. INTEREST INCOME AND EXPENSES

INTEREST INCOME AND INCOME SIMILAR TO INTEREST INCOME	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Interest income recognized under the effective interest rate method, including:	628,585	835,246
on financial instruments measured at amortized cost, including:	605,082	801,804
loans and advances to customers, including:	603,043	800,437
result on non-substantial modification, including recognition of the adjustment relating to loan repayment holidays	(62,329)	(2,088)
amounts due from banks and on mandatory reserve	2,039	1,367
on instruments measured at fair value through other comprehensive income, including:	23,503	33,442
debt securities	23,503	33,442
Total	628,585	835,246
including: interest income on impaired financial instruments	1,051	2,018

INTEREST EXPENSES AND EXPENSES SIMILAR TO INTEREST EXPENSES	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Interest expense on financial instruments measured at amortized cost, including:	(396,466)	(434,687)
loans received and overdraft facility used	(149,902)	(226,975)
mortgage covered bonds issued	(165,009)	(152,917)
bonds issued	(81,444)	(54,730)
lease liabilities	(111)	(65)
Expenses similar to interest expense on instruments measured at fair value, including:	(127,405)	(230,832)
hedging CIRS transactions (net)	(126,500)	(229,571)
hedging IRS transactions (net)	(905)	(1,261)
Total	(523,871)	(665,519)

10. FEE AND COMMISSION INCOME AND EXPENSE

FEE AND COMMISSION INCOME	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Commission for full or partial prepayment of loans	1,931	1,793
Fees for property inspection	101	75
Fees for property valuation	325	410
Other	425	823
Total	2,782	3,101

FEE AND COMMISSION EXPENSE	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Preparation by property valuers of appraisal reports on Property Value for Mortgage Lending Purposes (MLV)	(844)	(821)
Expenses related to bond issue programmes	(1,964)	(944)
Expenses related to credit lines	(1,432)	(1,816)
Expenses related to mortgage covered bond issue programmes	(364)	(365)
Loan insurance costs ¹⁾	(245)	22
Commissions for other operating services	(130)	(128)
Costs of debt collection and intermediation in selling collateral	-	(39)
Total	(4,979)	(4,091)

¹⁾ The positive figure for the six-month period ended 30 June 2023 is due to the reversal of the provision for loan insurance costs.

11. NET FOREIGN EXCHANGE GAINS / (LOSSES)

NET FOREIGN EXCHANGE GAINS / (LOSSES)	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Result on revaluation	163	2,973
Gain/(loss) on derivative instruments (CIRS, FX-Forward) in the speculative period (before designation to hedge accounting and in respect of the final settlement)	1,559	(7,776)
Gain/loss on derivative instruments (CIRS, FX-Forward) related to hedge ineffectiveness	568	(21)
Total	2,290	(4,824)

The Bank concludes and maintains CIRS and FX Forward derivative instruments solely for hedging purposes.

12. NET ALLOWANCES FOR EXPECTED CREDIT LOSSES

NET ALLOWANCES FOR EXPECTED CREDIT EXPECTED LOSSES	Note	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Net allowances for loans and advances to customers	18,19	6,165	(5,274)
Net allowances for securities	17,19	(9)	17
Net provisions for loan commitments granted relating to residential mortgage loans which have not been drawn in full	19,23	(18)	(6)
Total		6,138	(5,263)

13. ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Employee benefits	(8,609)	(9,738)
Overheads	(12,790)	(12,815)
Amortization and depreciation, including:	(1,060)	(750)
property, plant and equipment	(290)	(42)
right-of-use assets, including:	(722)	(641)
real estate	(613)	(541)
cars	(109)	(100)
intangible assets	(48)	(67)
Total	(22,459)	(23,303)

14. REGULATORY CHARGES

REGULATORY CHARGES	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Contribution to the Bank Guarantee Fund (BGF), including:	(13,947)	(18,520)
resolution fund	(13,947)	(18,520)
Payments to Polish Financial Supervision Authority (PFSA)	(2,694)	(3,124)
Other taxes and charges	(485)	(545)
Total	(17,126)	(22,189)

15. CORPORATE INCOME TAX

Income tax in the interim financial statements is determined in accordance with IAS 34. The tax expense in the interim period is calculated using the expected average annual effective tax rate that would apply to the expected profit before tax for the full year. The calculation of the average annual effective tax rate requires the use of a forecast of pre-tax income for the full financial year and permanent differences between the carrying amounts of assets and liabilities for accounting and tax purposes. The projected annual effective tax rate is 28.47%.

INCOME TAX EXPENSE	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Current income tax expense	(21,971)	15,976
Compensation of tax loss for 2022 from PKO Bank Polski SA Tax Group	-	9,074
Adjustments for prior periods	39	(15)
Deferred income tax due to temporary differences	9,048	(48,990)
Income tax reported in the income statement	(12,884)	(23,955)
Income tax reported in other comprehensive income due to temporary differences	(7,361)	2,488
Total	(20,245)	(21,467)

RECONCILIATION OF THE EFFECTIVE TAX RATE	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Profit / (loss) before income tax	45,397	83,650
Corporate income tax calculated at the statutory tax rate in force in Poland (19%)	(8,625)	(15,894)
Effect of permanent differences between profit before income tax and taxable income, including:	(7,540)	(9,435)
tax on certain financial institutions	(4,955)	(5,632)
contribution to the Borrowers Support Fund	(2,650)	(3,519)
PFRON (State Disabled Persons Fund) costs	(6)	(5)
impact of tax costs under Article 15cb of the CIT Act (internal financing)	143	(237)
impact of other permanent differences	(72)	(42)
Impact of applying the annual effective tax rate in the interim financial statements	3,242	1,389
Effect of other differences between accounting profit and taxable income, including adjustments to prior periods	39	(15)
Income tax reported in the income statement	(12,884)	(23,955)
Effective tax rate (excluding adjustments to prior periods)	28.47%	28.62%

NOTES TO THE STATEMENT OF FINANCIAL POSITION

16. DERIVATIVE HEDGING INSTRUMENTS

As at 30 June 2024, the Bank had active relationships under two cash flow hedging strategies.

A detailed description of the hedging strategies is disclosed in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023.

CARRYING AMOUNT / FAIR VALUE OF DERIVATIVES USED AS CASH FLOW HEDGES	30.06.2024		31.12.2023	
	Assets	Liabilities	Assets	Liabilities
IRS	-	3,245	-	3,370
CIRS	8,821	234,621	55,353	209,290
FX forward	-	349	30	527
Total	8,821	238,215	55,383	213,187

The Bank concludes and maintains derivative instruments exclusively for hedging purposes.

NOMINAL VALUE OF HEDGING INSTRUMENTS BY MATURITY AS AT 30 JUNE 2024	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	after more than 5 years	Total
IRS						
PLN fixed - float	-	-	-	60,000	-	60,000
CIRS						
float PLN sale	-	2,134,741	2,348,030	-	-	4,482,771
fixed EUR purchase (original currency)	-	499,530	499,900	-	-	999,430
FX forward						
PLN sale	-	1,978	366	-	-	2,344
EUR purchase (original currency)	-	393	65	-	-	458
PLN purchase	-	-	-	-	-	-
EUR sale (original currency)	-	-	-	-	-	-

NOMINAL VALUE OF HEDGING INSTRUMENTS BY MATURITY AS AT 31 DECEMBER 2023	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	after more than 5 years	Total
IRS						
PLN fixed - float	-	-	-	-	60,000	60,000
CIRS						
float PLN sale	2,101,228	108,500	2,134,741	2,348,030	-	6,692,499
fixed EUR purchase (original currency)	499,460	25,000	499,530	499,900	-	1,523,890
FX forward						
PLN sale	2,144	-	1,978	366	-	4,488
EUR purchase (original currency)	440	-	393	65	-	898
PLN purchase	-	-	176	-	-	176
EUR sale (original currency)	-	-	33	-	-	33

CHANGE IN OTHER COMPREHENSIVE INCOME ON CASH FLOW HEDGES AND INEFFECTIVE PORTION OF CASH FLOW HEDGES	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Accumulated other comprehensive income on cash flow hedges at the beginning of the period, gross	(91,835)	(168,427)
Gains / (Losses) recognized in other comprehensive income during the period	(116,335)	(602,240)
Amounts transferred from other comprehensive income to the income statement during the period	152,214	582,062
- interest expense	127,405	230,832
- net foreign exchange gains/(losses)	24,809	351,230
Accumulated other comprehensive income on cash flow hedges as at the end of the period, gross	(55,956)	(188,605)
Tax effect	10,632	35,835
Accumulated other comprehensive income on cash flow hedges at the end of the period, net	(45,324)	(152,770)
Ineffective portion of cash flow hedges recognized in the income statement	(563)	(21)
Impact on other comprehensive income during the period, gross	35,879	(20,178)
Deferred tax on cash flow hedges	(6,817)	3,834
Impact on other comprehensive income during the period, net	29,063	(16,344)

17. SECURITIES

SECURITIES	30.06.2024	31.12.2023
Measured at fair value through other comprehensive income, including:	749,997	945,251
issued by the State Treasury, PLN Treasury bonds	749,997	945,251
Securities, net	749,997	945,251

Information on credit risk exposures related to securities is described in Note 31 'Credit risk management'.

18. LOANS AND ADVANCES TO CUSTOMERS

The classification and measurement policies in respect of loans and advances to customers are described in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023 in Note 10 'General accounting policies for financial instruments'.

The Bank adjusts the gross carrying amounts of residential loans measured at amortized cost by recognizing the impact of:

- potential refunds of costs to customers relating to anticipated early repayment of residential loans in the future;
- the extension of the statutory loan repayment holidays to 2024 recognised in the first half of 2024.

EXTENSION OF THE STATUTORY LOAN REPAYMENT HOLIDAYS

On 12 April 2024, the Polish national Parliament passed the Act amending the Act on support for borrowers who have taken a mortgage loan and are in financial distress and the Act on community financing for economic ventures and borrower assistance dated 7 July 2022 ("Act"). The Act was passed by the Senate and signed by the President. According to the above amendment, loan repayment holidays are available to borrowers who meet the following criteria:

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

The Act stipulates that residential loan instalments can be suspended four times in 2024 - twice between 1 June and 31 August 2024 and twice between 1 September and 31 December 2024.

The Bank considers that the entitlement of customers to benefit from the suspension of loan repayments is a statutory cash flow modification that occurs on the date the Act is signed by the President. With regard to the residential loans portfolio measured at amortised cost, the Bank made an adjustment to the gross carrying value of residential loans in May 2024 for an amount of PLN 61 million, recognising it as a reduction of interest income. The value of the adjustment was determined as the difference in the value of the estimated cash flows, under the loan agreements, taking into account the suspension of instalment payments, discounted at the effective interest rate prior to the modification, and the current gross carrying value of the loan portfolio. The loss estimate is based on the assumption that 15% of customers will be eligible for and benefit from credit holidays (customer participation rate). The actual impact of the loan holidays arrangements on the Bank's results will depend, among other things, on the number of customers who meet the criteria described above and take advantage of these arrangements.

By the end of June 2024, 3.9 thousand of the Bank's customers had applied for a suspension of one or more mortgage loan instalments, representing 4.2% of the number and 6.2% of the value of total loans. The total number of requested suspensions relating to single instalments as at 30 June 2024 was 15 thousand.

LOANS AND ADVANCES TO CUSTOMERS	30.06.2024	31.12.2023
Measured at amortized cost		
Residential loans, gross, including:	17,054,592	17,992,474
loans granted	9,496,331	9,848,640
receivables acquired	7,558,261	8,143,834
Allowances for expected credit losses	(87,772)	(93,767)
Loans and advances to customers, net	16,966,820	17,898,707

Information about exposure to credit risk for loans and advances to customers granted measured at amortized cost is described in Note 19 'Expected credit losses'. Information about the quality of the loan portfolio is presented in Note 31 'Monitoring of credit risk'.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
OF PKO BANK HIPOTECZNY SA
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024
(IN PLN THOUSANDS)**



19. EXPECTED CREDIT LOSSES

FINANCIAL ASSETS AND ALLOWANCES FOR EXPECTED CREDIT LOSSES

FINANCIAL ASSETS AND ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 30 JUNE 2024	Assets with no significant increase in credit risk since initial recognition (Stage 1)		Assets with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)		Credit-impaired assets (Stage 3)		Total		including POCI	
	Gross amount	Allowances	Gross amount	Allowances	Gross amount	Allowances	Gross amount	Allowances	Gross amount	Allowances
Measured at fair value through other comprehensive income										
securities	749,997	-	-	-	-	-	749,997	-	-	-
issued by the State Treasury, PLN Treasury bonds	749,997	-	-	-	-	-	749,997	-	-	-
Total	749,997	-	-	-	-	-	749,997	-	-	-
Measured at amortized cost										
amounts due from banks	2,698	-	-	-	-	-	2,698	-	-	-
loans and advances to customers	16,262,368	(8,075)	717,502	(42,865)	74,722	(36,832)	17,054,592	(87,772)	1,132	463
residential loans	16,262,368	(8,075)	717,502	(42,865)	74,722	(36,832)	17,054,592	(87,772)	1,132	463
loans granted	8,975,387	(5,106)	482,594	(28,847)	38,350	(19,206)	9,496,331	(53,159)	542	170
receivables acquired	7,286,981	(2,969)	234,908	(14,018)	36,372	(17,626)	7,558,261	(34,613)	590	293
other financial assets	994	-	-	-	-	-	994	-	-	-
Total	16,266,060	(8,075)	717,502	(42,865)	74,722	(36,832)	17,058,284	(87,772)	1,132	463

FINANCIAL ASSETS AND ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31 DECEMBER 2023	Assets with no significant increase in credit risk since initial recognition (Stage 1)		Assets with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)		Credit-impaired assets (Stage 3)		Total		including POCI	
	Gross amount	Allowances	Gross amount	Allowances	Gross amount	Allowances	Gross amount	Allowances	Gross amount	Allowances
Measured at fair value through other comprehensive income										
securities	945,251	-	-	-	-	-	945,251	-	-	-
issued by the State Treasury, PLN Treasury bonds	945,251	-	-	-	-	-	945,251	-	-	-
Total	945,251	-	-	-	-	-	945,251	-	-	-
Measured at amortized cost										
amounts due from banks	2,421	-	-	-	-	-	2,421	-	-	-
loans and advances to customers	17,109,703	(10,036)	810,685	(48,245)	72,086	(35,486)	17,992,474	(93,767)	1,281	351
residential loans	17,109,703	(10,036)	810,685	(48,245)	72,086	(35,486)	17,992,474	(93,767)	1,281	351
loans granted	9,273,633	(6,219)	537,691	(32,346)	37,316	(18,243)	9,848,640	(56,808)	590	57
receivables acquired	7,836,070	(3,817)	272,994	(15,899)	34,770	(17,243)	8,143,834	(36,959)	691	294
other financial assets	1,072	-	-	-	-	-	1,072	-	-	-
Total	17,113,196	(10,036)	810,685	(48,245)	72,086	(35,486)	17,995,967	(93,767)	1,281	351

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CONDENSED INTERIM FINANCIAL STATEMENTS

OF PKO BANK HIPOTECZNY SA

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

(IN PLN THOUSANDS)



Bank Hipoteczny

LOAN COMMITMENTS AND PROVISIONS

LOAN COMMITMENTS AND PROVISIONS AS AT 30 JUNE 2024	Nominal amount of loan commitments with no significant increase in credit risk since initial recognition (Stage 1)		Loan commitments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)		Credit-impaired loan commitments (Stage 3)		Total	
	Nominal amount	Provisions	Nominal amount	Provisions	Nominal amount	Provisions	Nominal amount	Provisions
Loan commitments	124,834	(44)	405	(12)	-	-	125,239	(56)

LOAN COMMITMENTS AND PROVISIONS AS AT 31 December 2023	Nominal amount of loan commitments with no significant increase in credit risk since initial recognition (Stage 1)		Loan commitments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)		Credit-impaired loan commitments (Stage 3)		Total	
	Nominal amount	Provisions	Nominal amount	Provisions	Nominal amount	Provisions	Nominal amount	Provisions
Loan commitments	90,802	(35)	120	(3)	-	-	90,922	(38)

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(IN PLN THOUSANDS)**



Bank Hipoteczny

CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES

CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS FOR THE PERIOD FROM 1 JANUARY 2024 TO 30 JUNE 2024	As at 01.01.2024	Increase due to granting and purchase of loans	Changes due to changes in credit risk (net), including total repayment	Changes due to non-substantial modification, net	Decrease due to derecognition	Changes due to lengthening the loss recognition horizon from 12 months to lifetime	Changes due to shortening the loss recognition horizon from lifetime to 12 months	Changes due to partial write-off or other	Transfers to Stage 1 (S1)	Transfers to Stage 2 (S2)	Transfers to Stage 3 (S3)	Other changes	As at 30.06.2024
Measured at fair value through other comprehensive income													
securities (S1)	-	-	9	-	-	-	-	-				(9)	-
Total	-	-	9	-	-	-	-	-				(9)	-
Measured at amortized cost													
amounts due from banks (S1)	-	-	-	-	-	-	-	-				-	-
loans and advances to customers	93,767	215	(7,738)	(99)	(121)	18,328	(16,750)	170				-	87,772
residential loans	93,767	215	(7,738)	(99)	(121)	18,328	(16,750)	170				-	87,772
Stage 1 (S1)	10,036	105	(1,565)	22	(11)	18,328	-	(34)	1,558	(19,184)	(1,180)	-	8,075
Stage 2 (S2)	48,245	5	3,616	115	(5)	-	(16,578)	92	(1,558)	20,086	(11,153)	-	42,865
Stage 3 (S3)	35,486	105	(9,789)	(236)	(105)	-	(172)	112	-	(902)	12,333	-	36,832
of which POCI	(351)	-	(172)	-	-	-	-	60	-	-	-	-	(463)
other financial assets (S1)	-	-	-	-	-	-	-	-				-	-
Total	93,767	215	(7,738)	(99)	(121)	18,328	(16,750)	170				-	87,772

CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023	As at 01.01.2023	Increase due to granting and purchase of loans	Changes due to changes in credit risk (net), including total repayment	Changes due to non-substantial modification, net	Decrease due to derecognition	Changes due to lengthening the loss recognition horizon from 12 months to lifetime	Changes due to shortening the loss recognition horizon from lifetime to 12 months	Changes due to partial write-off or other	Transfers to Stage 1 (S1)	Transfers to Stage 2 (S2)	Transfers to Stage 3 (S3)	Other changes	As at 30.06.2023
Measured at fair value through other comprehensive income													
securities (S1)	111	-	(17)	-	-	-	-	-				-	94
Total	111	-	(17)	-	-	-	-	-				-	94
Measured at amortized cost													
amounts due from banks (S1)	-	-	-	-	-	-	-	-				-	-
loans and advances to customers	86,093	342	1,314	(224)	(25)	28,501	(24,634)	20				-	91,387
residential loans	86,093	342	1,314	(224)	(25)	28,501	(24,634)	20				-	91,387
Stage 1 (S1)	12,586	315	(964)	(2)	(13)	28,501	-	(23)	2,675	(29,707)	(1,921)	-	11,447
Stage 2 (S2)	45,096	27	7,756	(209)	(12)	-	(24,363)	69	(2,675)	30,218	(9,635)	-	46,272
Stage 3 (S3)	28,411	-	(5,478)	(13)	-	-	(271)	(26)	-	(511)	11,556	-	33,668
of which POCI	(371)	-	229	-	-	-	-	3	-	-	-	-	(139)
other financial assets (S1)	-	-	-	-	-	-	-	-				-	-
Total	86,093	342	1,314	(224)	(25)	28,501	(24,634)	20				-	91,387



20. AMOUNTS DUE TO BANKS

AMOUNTS DUE TO BANKS	30.06.2024	31.12.2023
Measured at amortized cost		
overdraft within the limit available	-	1,653
liability related to overdraft facilities	2,473,527	2,570,177
liability related to term loans	2,142,275	2,008,914
Total	4,615,802	4,580,744

LIABILITIES IN RESPECT OF LOANS

LENDER	Effective date of agreement	Maturity date	Amount of loan granted as at 30 June 2024	Amount of loan drawn as at 30 June 2024	Liability as at 30 June 2024
PKO Bank Polski SA	29.10.2015	29.10.2025	2,000,000	2,000,000	1,668,567
PKO Bank Polski SA	02.02.2017	03.02.2026	2,000,000	2,000,000	4,960
PKO Bank Polski SA ¹⁾	10.07.2019	30.06.2028	4,178,000	4,178,000	800,000
PKO Bank Polski SA	10.09.2020	22.03.2026	210,000	210,000	210,709
PKO Bank Polski SA	11.02.2022	22.12.2027	1,522,000	1,522,000	1,529,913
PKO Bank Polski SA ²⁾	03.01.2023	03.01.2030	600,000	600,000	401,653
Total			10,510,000	10,510,000	4,615,802

¹⁾ In connection with the Annex concluded on 28 June 2024, the loan utilisation period was extended to 30 June 2028, and from 1 July 2024, the loan amount was reduced to PLN 3,100,000 thousand.

²⁾ The period of use of the 5-year tranches expires on 3 January 2025, therefore the maturity date of the tranche that would be used on the last available day was indicated as the maturity date.

21. LIABILITIES IN RESPECT OF MORTGAGE COVERED BONDS ISSUED

LIABILITIES IN RESPECT OF MORTGAGE COVERED BONDS ISSUED	30.06.2024	31.12.2023
Measured at amortized cost		
mortgage covered bonds, including issued under:	8,391,783	10,444,645
International Mortgage Covered Bonds Issuance Programme	7,086,643	8,433,219
National Mortgage Covered Bonds Issuance Programme	1,305,140	2,011,426
Total	8,391,783	10,444,645

In the six-month period ended 30 June 2024, the Bank issued under the International Mortgage Covered Bonds Issuance Programme for the European market:

- On 15 March 2024, a series 12 subscription for PLN mortgage covered bonds with a nominal value of PLN 1,000,000 thousand, for which the issue date was set for 22 March 2024 and the maturity date for 22 March 2028. The securities bear interest at a variable interest rate of WIBOR 3M + 0.55 p.p. margin.
- On 27 June 2024, a series 13 subscription for PLN mortgage covered bonds with a nominal value of PLN 500,000 thousand, for which the issue date was set for 5 July 2024 and the maturity date for 4 July 2028. The securities bear interest at a variable interest rate of WIBOR 3M + 0.55 p.p. margin.

In addition, in the six-month period ended 30 June 2024, the Bank redeemed three issues of mortgage covered bonds totalling a nominal value of PLN 700,000 thousand and EUR 525,000 thousand.

However, in the six-month period ended 30 June 2023, the Bank issued two series of mortgage covered bonds with a total nominal value of PLN 1,000,000 thousand and redeemed two issues of mortgage covered bonds with a total value of PLN 500,000 thousand and EUR 500,000 thousand.

Domestic issues of mortgage covered bonds are listed on the parallel market of the Warsaw Stock Exchange (WSE PM) and on the regulated market of the BondSpot platform (BondSpot), and issues of foreign mortgage covered bonds are listed on the Luxembourg Stock Exchange (LuxSE) and the parallel market of the Warsaw Stock Exchange.

As at 30 June 2024, the PLN- and EUR-denominated mortgage covered bonds issued by the Bank were rated by Moody's Investors Service at Aa1, i.e. the highest level achievable by Polish securities. The limit for the ratings is the Polish country ceiling for debt instruments (i.e. the highest level achievable in Poland), which currently is at the level of Aa1.

The total nominal value of the issued mortgage covered bonds as at 30 June 2024 amounted to PLN 8,353,000 thousand and PLN 10,370,700 thousand as at 31 December 2023.

SECURITY FOR MORTGAGE COVERED BONDS

The mortgage covered bonds are secured with loans secured with the highest priority mortgage entered in the Land and Mortgage Register. Additionally, the mortgage covered bonds may also be issued based on the Bank's own funds:

- invested in securities issued or guaranteed by the National Bank of Poland, the European Central Bank, the governments and central banks of the Member States of the European Union, the Organization for Economic Cooperation and Development, excluding countries that are restructuring or have restructured their foreign debt in the past 5 years;
- deposited with the National Bank of Poland;
- deposited with domestic banks or a credit institution referred to in Article 18(3)(3) of the Polish Covered Bonds and Mortgage Banks Act of 29 August 1997.

The nominal value of loans entered in the Bank's cover pool and representing collateral for the mortgage covered bonds issued as at 30 June 2024 amounted to PLN 16,113,918 thousand, whereas the nominal value of additional collateral in the form of PLN-denominated securities issued by the State Treasury amounted to PLN 80,000 thousand. As at 31 December 2023, these amounted to PLN 16,768,213 thousand and PLN 205,000 thousand respectively. The Bank's mortgage covered bonds cover pool also included CIRS transactions hedging the currency and interest rate risk of mortgage covered bonds denominated in EUR, and IRS transactions hedging the interest rate risk of fixed rate mortgage covered bonds denominated in PLN.

In the first half of 2024, and in the previous years, the Bank's mortgage covered bonds cover pool did not include asset-backed securities (ABS), which do not meet the requirements specified in paragraph 1 of Article 80 of the Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (recast).

22. LIABILITIES IN RESPECT OF BONDS ISSUED

LIABILITIES IN RESPECT OF BONDS ISSUED	30.06.2024	31.12.2023
Measured at amortized cost		
bonds issued under the Bond Issue Programme	2,965,478	1,991,260
Total	2,965,478	1,991,260

BOND ISSUE PROGRAMME

In the six-month period ended 30 June 2024, as part of the Bond Issue Programme, the Bank issued bonds with a total nominal value of PLN 3,150,000 thousand (i.e. 6,300 bonds with PLN 500,000 nominal value each) and redeemed bonds with a total nominal value of PLN 2,159,000 thousand (i.e. 4,318 bonds with PLN 500,000 nominal value each). Whereas in the six-month period ended 30 June 2023, as part of the Bond Issue Programme, the Bank issued bonds with a total nominal value of PLN 1,539,000 thousand (i.e. 3,078 bonds with PLN 500,000 nominal value each) and redeemed bonds with a total nominal value of PLN 1,319,500 thousand (i.e. 2,639 bonds with PLN 500,000 nominal value each).



The aforementioned issues of bonds are regulated by the Bond Issue Programme Agreement concluded with PKO Bank Polski SA. concluded on 30 September 2015. In accordance with the said agreement, the maximum nominal value of bonds issued and not yet redeemed is PLN 6,000,000 thousand. At the same time, pursuant to the Underwriting Agreement concluded, PKO Bank Polski SA as the Underwriter shall be obliged to take up the issuer's bonds up to the amount of PLN 1,000,000 thousand. Based on annexes to the aforesaid agreements signed in September 2023, the agreements were prolonged until 30 September 2026.

As at 30 June 2024, the Bank's liability in respect of bonds issued as part of the Bond Issue Programme had a nominal value of PLN 3,016,000 thousand, and as at 31 December 2023 its nominal value was PLN 2,025,500 thousand. As at 30 June 2024 and as at 31 December 2023, PKO Bank Polski SA did not hold any bonds under the Underwriting Agreement.

23. PROVISIONS

PROVISIONS FOR THE PERIOD FROM 1 JANUARY 2024 TO 30 JUNE 2024	Provision for disability and retirement benefits	Provisions for loan commitments	Total
As at 1 January 2024, including:	237	38	275
Short-term provision	-	38	38
Long-term provision	237	-	237
Set-up/reassessment of provisions	38	41	79
Release/utilization	-	(23)	(23)
As at 30 June 2024, including:	275	56	331
Short-term provision	-	56	56
Long-term provision	275	-	275

PROVISIONS FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023	Provision for disability and retirement benefits	Provisions for loan commitments	Total
As at 1 January 2023, including:	195	17	212
Short-term provision	-	17	17
Long-term provision	195	-	195
Set-up/reassessment of provisions	8	18	26
Release/utilization	-	(12)	(12)
As at 30 June 2023, including:	203	23	226
Short-term provision	-	23	23
Long-term provision	203	-	203

24. SHAREHOLDING STRUCTURE OF THE BANK

Series	Type of shares	Number of shares	Nominal value of 1 share (in PLN)	Series value at nominal value (in PLN)	Date of passing the resolution by the GSM	Issue date	Date of registration in the National Court Register
A	ordinary registered	300,000,000	1	300,000,000	06.10.2014	06.10.2014	24.10.2014
B	ordinary registered	200,000,000	1	200,000,000	14.03.2016	07.04.2016	22.04.2016
C	ordinary registered	200,000,000	1	200,000,000	01.07.2016	15.07.2016	28.07.2016
D	ordinary registered	100,000,000	1	100,000,000	28.10.2016	18.11.2016	01.12.2016
E	ordinary registered	150,000,000	1	150,000,000	21.03.2017	04.04.2017	12.04.2017
F	ordinary registered	150,000,000	1	150,000,000	28.06.2017	04.07.2017	11.09.2017
G	ordinary registered	100,000,000	1	100,000,000	18.10.2017	20.10.2017	16.11.2017
H	ordinary registered	95,000,000	1	95,000,000	13.08.2018	17.08.2018	08.10.2018
I	ordinary registered	100,000,000	1	100,000,000	19.12.2018	21.12.2018	21.02.2019
J	ordinary registered	131,500,000	1	131,500,000	07.03.2019	19.03.2019	16.05.2019
K	ordinary registered	84,800,000	1	84,800,000	27.06.2019	01.07.2019	20.08.2019
Total		1,611,300,000		1,611,300,000			

PKO Bank Polski SA was the Bank's sole shareholder as at 30 June 2024 and 31 December 2023.

The Bank's share capital amounts to PLN 1,611,300,000 and comprises 1,611,300,000 (one billion six hundred and eleven million three hundred thousand) ordinary registered shares with a nominal value of PLN 1 (one zloty) each. The PKO Bank Hipoteczny SA shares are non-preference shares and have been paid up in full.

On 26 June 2024, the Ordinary Shareholders Meeting of PKO Bank Hipoteczny SA adopted a resolution on the appropriation of the net profit for the financial year 2023 as follows:

- PLN 13,263 thousand i.e. 8% of the net profit to be transferred to the Bank's supplementary capital;
- PLN 65 966 thousand to cover retained loss;
- PLN 86 560 thousand to be paid out as dividend.

In connection with the above resolution, on 28 June 2024, the Bank transferred the funds for the payment of the dividend to PKO Bank Polski SA to the non-public market register maintained by Biuro Maklerskie of PKO Bank Polski SA.

The Bank did not pay dividend in 2023.

OTHER NOTES

25. CONTINGENT LIABILITIES GRANTED AND RECEIVED

25.1 CONTRACTUAL COMMITMENTS

As at 30 June 2024 and 31 December 2023 the Bank had no contractual commitments relating to the purchase of intangible assets and property, plant and equipment.

25.2 LOAN COMMITMENTS

LOAN COMMITMENTS (CONTINGENT)	30.06.2024	31.12.2023
Relating to residential loans not drawn in full (nominal value)	125,239	90,922
provision for residential loans not drawn in full	(56)	(38)
Total, net	125,183	90,884
including irrevocable loan commitments	-	-

25.3 GUARANTEE COMMITMENTS GRANTED

PKO Bank Hipoteczny SA does not grant guarantee commitments.

25.4 CONTINGENT LIABILITIES RECEIVED

CONTINGENT COMMITMENTS RECEIVED AT THE NOMINAL VALUE	30.06.2024	31.12.2023
Contingent commitments received		
financial	5,909,434	5,943,956
guarantees	1,000,000	1,000,000
Total	6,909,434	6,943,956

26. LEGAL CLAIMS

As at 30 June 2024 and 31 December 2023 there were no material legal claims.

27. RELATED PARTY TRANSACTIONS

27.1 RELATED PARTY TRANSACTIONS – CAPITAL LINKS

PKO Bank Polski SA and PKO Bank Polski SA Group entities are the Bank's related parties.

Details of transactions with related parties with capital links were presented in Note 41.1 of the PKO Bank Hipoteczny SA financial statements for the year ended 31 December 2023.

Furthermore, in the six-month period ended 30 June 2024:

- On 28 June 2024, the Bank and PKO Bank Polski SA concluded Annex No. 8 to the overdraft facility agreement dated 10 July 2019, which extended the loan utilisation period to 30 June 2028 and, from 1 July 2024, reduced the loan amount from PLN 4,178,000 thousand to PLN 3,100,000 thousand



AS AT 30 JUNE 2024

ENTITY	ASSETS	
	Receivables	including derivatives
PKO Bank Polski SA	12,451	8,821
Total	12,451	8,821

ENTITY	LIABILITIES			
	Loans and overdraft	Mortgage covered bonds and bonds	Other liabilities	including derivatives
PKO Bank Polski SA	4,615,802	6,062	247,178	238,215
PKO BP Finat Sp. z o.o.	-	12,748	41	-
PKO Leasing SA	-	-	9	-
Prime Car Management SA	-	-	508	-
PKO Towarzystwo Ubezpieczeń SA	-	97,727	-	-
PKO Życie Towarzystwo Ubezpieczeń SA	-	81,516	-	-
PKO VC - fizan	-	19,701	-	-
NEPTUN - fizan	-	35,869	-	-
Bankowe Towarzystwo Kapitałowe SA	-	27,975	-	-
Total	4,615,802	281,598	247,736	238,215

ENTITY	Contingent commitments received
PKO Bank Polski SA	6,909,434
Total	6,909,434

FOR THE PERIOD FROM 1 JANUARY 2024 TO 30 JUNE 2024

ENTITY	Total revenues	including interest and commissions	Total costs	including interest and commissions	Net income / (expense) from financial instruments measured at fair value	Net foreign exchange gains / (losses)
PKO Bank Polski SA	1	1	292,913	283,022	(5)	(22,871)
PKO BP Finat Sp. z o.o.	-	-	554	397	-	-
PKO Leasing SA	-	-	17	0	-	-
Prime Car Management SA	-	-	78	13	-	-
PKO Towarzystwo Ubezpieczeń SA	-	-	3,075	3,075	-	-
PKO Życie Towarzystwo Ubezpieczeń SA	-	-	2,431	2,431	-	-
PKO VC - fizan	-	-	574	574	-	-
NEPTUN - fizan	-	-	900	900	-	-
Bankowe Towarzystwo Kapitałowe SA	-	-	843	843	-	-
Razem	1	1	301,385	291,255	(5)	(22,871)



AS AT 31 DECEMBER 2023

ENTITY	ASSETS	
	Receivables	including derivatives
PKO Bank Polski SA	58,808	55,383
Total	58,808	55,383

ENTITY	LIABILITIES			
	Loans and overdraft	Mortgage covered bonds and bonds	Other liabilities	including derivatives
PKO Bank Polski SA	4,580,744	28,279	225,694	213,187
PKO BP Finat Sp. z o.o.	-	7,835	28	-
PKO Leasing SA	-	-	10	-
Prime Car Management SA	-	-	283	-
PKO Towarzystwo Ubezpieczeń SA	-	97,999	-	-
PKO Życie Towarzystwo Ubezpieczeń SA	-	81,939	-	-
PKO VC -fizan	-	19,826	-	-
Bankowe Towarzystwo Kapitałowe SA	-	28,579	-	-
Total	4,580,744	264,457	226,015	213,187

ENTITY	Contingent commitments received
PKO Bank Polski SA	6,943,956
Total	6,943,956

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

ENTITY	Total revenues	including interest and commissions	Total costs	including interest and commissions	Net income / (expense) from financial instruments measured at fair value	Net foreign exchange gains / (losses)
PKO Bank Polski SA	21	-	468,678	457,850	-	(359,033)
PKO BP Finat Sp. z o.o.	-	-	239	104	-	-
PKO Leasing SA	-	-	80	2	-	-
Prime Car Management SA	-	-	112	8	-	-
PKO Towarzystwo Ubezpieczeń SA	-	-	3,502	3,502	-	-
PKO Życie Towarzystwo Ubezpieczeń SA	-	-	2,928	2,928	-	-
PKO VC -fizan	-	-	720	720	-	-
Bankowe Towarzystwo Kapitałowe SA	-	-	1,237	1,237	-	-
Total	21	-	477,496	466,351	-	(359,033)

During the reporting period, the Bank did not enter into transactions with related parties on conditions other than at arm's length.

27.2 TRANSACTIONS WITH THE STATE TREASURY AND ITS RELATED ENTITIES

Since the State Treasury holds 29.43% of the share capital of PKO Bank Polski SA, PKO Bank Hipoteczny SA (which is a part of the PKO Bank Polski SA Group) is an entity indirectly related to the State Treasury.

The Bank concludes the following transactions with the State Treasury and its related entities:

- purchases of Treasury bonds issued by the State Treasury and NBP bills, which are described in Note 17 "Securities";
- purchases of goods and services from related entities of the State Treasury, not belonging to the PKO Bank Polski SA Group, within the Bank's operating activities, which are immaterial individually and collectively from the financial statements perspective.

27.3 RELATED-PARTY TRANSACTIONS – PERSONAL LINKS

As at 30 June 2024, there were 4 entities related to the Bank through members of the Management Board and Supervisory Board of PKO Bank Hipoteczny SA or their close family members with which the Bank did not carry out transactions. Whereas, as at 31 December 2023, 6 entities were related to the Bank.

27.4 BENEFITS FOR PKO BANK HIPOTECZNY SA KEY MANAGEMENT PERSONNEL

COST OF REMUNERATION OF THE BANK'S MANAGEMENT BOARD AND SUPERVISORY BOARD	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
The Bank's Management Board¹⁾		
Short-term employee benefits ²⁾	940	1,167
Post-employment benefits	319	41
Long-term benefits ³⁾	392	380
Share-based payments settled in cash ⁴⁾	153	142
Total	1,804	1,730
The Bank's Supervisory Board (independent Supervisory Board members)		
Short-term employee benefits ²⁾	147	143
Total	147	143

¹⁾ Including the Management Board members who no longer perform their functions.

²⁾ Short-term employee benefits comprise remuneration, social insurance contributions, employee pension plans, other benefits and the provision for non-deferred variable remuneration components, which have been or will be settled within 12 months of the end of a reporting period;

³⁾ Long-term benefits comprise provisions for deferred variable remuneration components granted in cash, which will be payable after 12 months from the end of a reporting period;

⁴⁾ Share-based payments settled in cash (IAS 19) comprise cost of accruals for deferred variable remuneration components granted in the form of financial instruments, i.e. phantom shares. Phantom shares are converted into cash after the retention period.

27.5 LOANS AND ADVANCES GRANTED BY THE BANK TO ITS MANAGEMENT

In the six-month period ended 30 June 2024 and in 2023, no loans or advances were granted to the Bank's management. As at 30 June 2024, the carrying amount of loans or advances granted to the Bank's management was PLN 584 thousand, and as at 31 December 2023 it was PLN 598 thousand. The interest rate and repayment terms are consistent with the arm's length principle.

28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

28.1 CATEGORIES OF FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE IN THE STATEMENT OF FINANCIAL POSITION

The classification of financial instruments and the methods for determining their fair value are described in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS AT 30 JUNE 2024	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on active markets	Measurement techniques based on observable market data	Other measurement techniques
Derivative hedging instruments	16	8,821	-	8,821	-
CIRS		8,821	-	8,821	-
FX forward		-	-	-	-
Securities	17	749,997	749,997	-	-
measured at fair value through other comprehensive income		749,997	749,997	-	-
Total financial assets measured at fair value		758,818	749,997	8,821	-
Derivative hedging instruments	16	238,215	-	238,215	-
CIRS		234,621	-	234,621	-
FX forward		349	-	349	-
IRS		3,245	-	3,245	-
Total financial liabilities measured at fair value		238,215	-	238,215	-

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS AT 31 DECEMBER 2023	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on active markets	Measurement techniques based on observable market data	Other measurement techniques
Derivative hedging instruments	16	55,383	-	55,383	-
CIRS		55,353	-	55,353	-
FX forward		30	-	30	-
Securities	17	945,251	945,251	-	-
measured at fair value through other comprehensive income		945,251	945,251	-	-
Total financial assets measured at fair value		1,000,634	945,251	55,383	-
Derivative hedging instruments	16	213,187	-	213,187	-
CIRS		209,290	-	209,290	-
FX forward		527	-	527	-
IRS		3,370	-	3,370	-
Total financial liabilities measured at fair value		213,187	-	213,187	-

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

The fair value measurement methods and assumptions used in the estimation of fair value of financial instruments which are not presented at fair value have been described in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023.

FINANCIAL ASSETS AND LIABILITIES NOT PRESENTED AT FAIR VALUE AS AT 30 JUNE 2024	fair value hierarchy level	measurement method	30.06.2024	
			carrying amount	fair value
Cash and balances with the Central Bank	N/A	amount of consideration due	180,127	180,127
Amounts due from banks	2	discounted cashflows	2,698	2,698
Loans and advances to customers, including:			16,966,820	16,466,206
residential loans	3	discounted cashflows	16,966,820	16,466,206
Other financial assets	3	amount of consideration due taking into account impairment	994	994
Amounts due to banks	2	discounted cashflows	4,615,802	4,630,228
Amounts due to customers	2	discounted cashflows	4,586	4,586
Liabilities in respect of mortgage covered bonds issued	1	quotation on the regulated market	8,391,783	8,356,742
Liabilities in respect of bonds issued	2	discounted cashflows	2,965,478	2,965,478
Other financial liabilities	3	amount of consideration due	31,819	31,819
Provision for loan commitments (contingent)	3	amount of consideration due	56	56

FINANCIAL ASSETS AND LIABILITIES NOT PRESENTED AT FAIR VALUE AS AT 31 DECEMBER 2023	fair value hierarchy level	measurement method	31.12.2023	
			carrying amount	fair value
Cash and balances with the Central Bank	N/A	amount of consideration due	306	306
Amounts due from banks	2	discounted cashflows	2,421	2,421
Loans and advances to customers, including:			17,898,707	17,314,013
residential loans ¹⁾	3	discounted cashflows	17,898,707	17,314,013
Other financial assets	3	amount of consideration due taking into account impairment	1,072	1,072
Amounts due to banks	2	discounted cashflows	4,580,744	4,632,020
Amounts due to customers	2	discounted cashflows	3,710	3,710
Liabilities in respect of mortgage covered bonds issued	1	quotation on the regulated market	10,444,645	10,355,645
Liabilities in respect of bonds issued	3	amount of consideration due	1,991,260	1,991,260
Other financial liabilities	3	amount of consideration due	22,342	22,342
Provision for loan commitments (contingent)	3	amount of consideration due	38	38

¹⁾ Due to the fact that fair value is the price that would be received for the sale of an asset in a transaction between independent, well-informed market participants interested in concluding a transaction, carried out on normal terms as at the valuation date, i.e. 31 December 2023, the Bank included in the fair value of residential loans portfolio, the impact of the potential extension to 2024 of the Statutory loan repayment holidays program described in Note 26. *Loans and advances to customers* in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023. As at 31 December 2023, taking into account the status of the legislative process and public statements of the participants of the legislative process and market supervisors, the Bank based its calculations on the expert assumption that market participants assumed a 40% probability of entry into force of the Act in the version published in project.

29. OPERATING SEGMENTS

In the six-month period ended 30 June 2024 and in 2023, the Bank did not analyse its operations by segments due to the specific nature of its operations. The whole loan portfolio of the Bank is uniform and consists of residential loans granted to retail customers for the financing of real estate located in Poland. All operations of the Bank represent one segment. The main operational decision-maker is the Bank's Management Board. The Bank's gross profit/(loss) is analysed at the level of all operations of the Bank. Therefore, the financial data presented in the statement of financial position and the income statement is representative for the Bank as a whole, which consists of a single operating segment.

OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT

30. RISK MANAGEMENT AT PKO BANK HIPOTECZNY SA

Risk management at PKO Bank Hipoteczny SA is aimed at ensuring the financial stability of the Bank, safeguarding the value and security of the mortgage covered bonds issued and guaranteeing the safety of funds resulting from the issue of bonds and the other sources of financing of the Bank's operations. The risk management system is also intended to ensure appropriate and as comprehensive as possible information on the risk when making decisions, and to effectively embed risk management in the Bank's organizational culture. The assumed level of risk plays an important role in the planning process.

The risk management at PKO Bank Hipoteczny SA was described in detail in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023.

In addition, on 26 June 2024, the Credit Committee of PKO Bank Hipoteczny SA approved for implementation the recommendation to extend the credit and concentration risk management process to include ESG-related risk factors¹, including the inclusion of ESG-related risks (physical risk and transformation risk) in the assessment of collateral quality and how these risks are captured in the Bank's credit and concentration risk management monitoring and reporting process.

31. CREDIT RISK MANAGEMENT

31.1 MAXIMUM EXPOSURE TO CREDIT RISK

The following table presents the maximum exposure to credit risk with respect to financial instruments covered by the provisions of IFRS 7 to which the requirements of IFRS 9 relating to impairment do not apply.

MAXIMUM EXPOSURE TO CREDIT RISK	30.06.2024	31.12.2023
Derivative hedging instruments	8,821	55,383
Balance sheet exposure - total	8,821	55,383

31.2 AMOUNTS DUE FROM BANKS

AMOUNTS DUE FROM BANKS	30.06.2024	31.12.2023
Amounts not overdue, not impaired (counterparty rating A2)	2,698	2,421
Total, gross	2,698	2,421
Allowances for expected credit losses	-	-
Total, net	2,698	2,421

31.3 SECURITIES

SECURITIES	30.06.2024	31.12.2023
Issued by the State Treasury, PLN Treasury bonds (rating A)	749,997	945,251
Total	749,997	945,251

¹ ESG (Environmental, Social, Governance) factors - environmental, social and corporate governance factors that may have a positive or negative impact on the Bank's customers and counterparties or assets. ESG factors with a negative impact are referred to as ESG risk factors.

31.4 LOANS AND ADVANCES TO CUSTOMERS

The loan portfolio is characterized by a low level of impaired exposures. As at 30 June 2024, the share of impaired loan in the total loan portfolio was 0.44%, and at 31 December 2023, it was 0.40%.

The structure of overdue loans is presented below:

LOANS OVERDUE AND IMPAIRED OR IMPAIRED AS AT 30.06.2024	up to 30 days	from 30 to 90 days	more than 90 days	TOTAL
Stage 1	72,404	1,502		73,906
Stage 2	50,903	29,942	9,886	90,731
Stage 3	6,232	8,844	34,299	49,375
Total, gross	129,539	40,288	44,185	214,012
of which POCI	-	59	292	351

LOANS OVERDUE AND IMPAIRED OR IMPAIRED AS AT 31.12.2023	up to 30 days	from 30 to 90 days	more than 90 days	TOTAL
Stage 1	60,507	802	-	61,309
Stage 2	72,430	22,242	8,251	102,923
Stage 3	8,110	5,982	30,841	44,933
Total, gross	141,047	29,026	39,092	209,165
of which POCI	-	247	154	401

FORBEARANCE PRACTICES

EXPOSURES SUBJECT TO FORBEARANCE IN THE LOAN PORTFOLIO	30.06.2024	31.12.2023
Gross loans and advances to customers, including: subject to forbearance	17,054,592 18,538	17,992,474 12,633
Allowances for expected credit losses, including: on loans and advances subject to forbearance	(87,772) (6,698)	(93,767) (4,445)
Net loans and advances to customers, including: subject to forbearance	16,966,820 11,840	17,898,707 8,188

32. CONCENTRATION RISK MANAGEMENT

The following table presents the loans and advances exposure concentrations measured with the share of largest exposures in the Bank's total loan portfolio.

GROSS LOANS AND ADVANCES TO CUSTOMERS – CONCENTRATION RATIO	30.06.2024	31.12.2023
10 largest exposures	0.07%	0.06%
20 largest exposures	0.12%	0.12%
50 largest exposures	0.29%	0.28%
100 largest exposures	0.55%	0.52%

33. RESIDUAL RISK MANAGEMENT

The following tables present the concentration ratio for the portfolio of loans and advances measured in terms of LTV based on market valuation and the value of these portfolios.

GROSS LOANS AND ADVANCES TO CUSTOMERS BY LTV BASED ON MARKET VALUATION - SHARE	30.06.2024	31.12.2023
below 50%	90.9%	87.9%
51% - 60%	5.1%	7.9%
61% - 70%	1.9%	2.0%
71% - 80%	1.5%	1.7%
81% - 90%	0.6%	0.5%
more than 90%	0.0%	0.0%
Total	100.0%	100.0%
Average LTV based on market valuation	33.4%	35.0%

GROSS LOANS AND ADVANCES TO CUSTOMERS BY LTV BASED ON MARKET VALUATION - GROSS AMOUNT	30.06.2024	31.12.2023
below 50%	15,498,910	15,807,095
51% - 60%	871,464	1,420,119
61% - 70%	323,622	365,880
71% - 80%	265,747	300,662
81% - 90%	94,457	98,495
more than 90%	392	223
Total, gross	17,054,592	17,992,474

The following table presents the concentration ratio for the portfolio of loans and advances by geographical region in which the real estate put up as collateral for the loan is located.

GROSS LOANS AND ADVANCES TO CUSTOMERS - BY GEOGRAPHICAL REGION	30.06.2024	31.12.2023
Warsaw region	21.4%	21.4%
Wrocław region	12.2%	12.2%
Gdańsk region	11.5%	11.5%
Poznań region	10.6%	10.6%
Katowice region	10.0%	10.0%
Kraków region	8.1%	8.1%
Szczecin region	7.4%	7.4%
Łódź region	7.4%	7.4%
Lublin region	6.1%	6.1%
Białystok region	5.3%	5.3%
Total	100.0%	100.0%

34. LIQUIDITY RISK MANAGEMENT

34.1 LIQUIDITY RISK MEASUREMENT AND ASSESSMENT

The Bank applies the following liquidity risk measures:

- contractual, adjusted and stress-test liquidity gap;
- liquidity surplus and survival horizon with no external support;
- regulatory liquidity measures:
 - LCR (*liquidity coverage ratio*) - the coverage ratio of net outflows up to 1 month;
 - NSFR - *net stable funding ratio*

- the concentration of funding sources;
- coverage ratio of long-term assets with long-term funding;
- liquidity stress tests.

The adjusted liquidity gaps as at 30 June 2024 and as at 31 December 2023 are presented below.

LIQUIDITY GAP AS AT 30.06.2024	on demand	0-1 month	1-3 months	3-6 months	6-12 months	12-24 months	24-60 months	over 60 months
Adjusted periodic gap	2,514,259	603,165	(35,379)	(2,102,823)	(2,112,384)	(6,132,977)	(5,428,744)	12,694,883
Adjusted cumulative periodic gap	2,514,259	3,117,424	3,082,045	979,222	(1,133,162)	(7,266,139)	(12,694,883)	-

As at 30 June 2024, in the ranges of up to 6 months, the cumulative adjusted liquidity gap was positive, which means the surplus of maturing assets increased by estimated inflows from the available overdraft limit over mature liabilities in the short and medium term.

LIQUIDITY GAP AS AT 31.12.2023	on demand	0-1 month	1-3 months	3-6 months	6-12 months	12-24 months	24-60 months	over 60 months
Adjusted periodic gap	2,350,182	355,401	78,179	(622,680)	(2,375,478)	(9,499,906)	(3,739,191)	13,453,493
Adjusted cumulative periodic gap	2,350,182	2,705,583	2,783,762	2,161,082	(214,396)	(9,714,302)	(13,453,493)	-

The liquidity surplus is determined taking account of outflows of funds under stress conditions.

SENSITIVITY MEASURE	30.06.2024	31.12.2023
Excess liquidity in the horizon of up to 1 month	2,737,517	2,659,529

The liquidity coverage ratio (LCR) of net outflows of up to 1 month is shown in the following table:

SENSITIVITY MEASURE	30.06.2024	31.12.2023
Liquidity coverage ratio up to 1 month (LCR)	980.2%	249.9%
LCR regulatory limit	100.0%	100.0%

The net stable funding ratio (NSFR) is presented in the table below:

SENSITIVITY MEASURE	30.06.2024	31.12.2023
Net stable funding ratio (NSFR)	103.7%	106.9%
NSFR regulatory limit	100.0%	100.0%

34.2 CONCENTRATION OF FUNDING SOURCES

STRUCTURE OF THE BANK'S FINANCING	30.06.2024	31.12.2023
Mortgage covered bonds issued	46.8%	55.2%
Funds from the parent entity	25.8%	24.2%
Bonds issued	16.5%	10.5%
Equity	9.0%	8.7%
Other	1.9%	1.4%
Total	100.0%	100.0%

35. INTEREST RATE RISK MANAGEMENT

In the process of interest rate risk management, the Bank uses the net interest income sensitivity (NIIS) measure, economic capital sensitivity measure, stress tests and repricing gap reports.

SENSITIVITY MEASURE	30.06.2024	31.12.2023
Net interest income sensitivity (NIIS)	(17,761)	(12,785)
Economic value of equity sensitivity	(4,777)	(1,449)

36. FOREIGN EXCHANGE RISK MANAGEMENT

The Bank's FX positions are presented in the following table:

FOREIGN CURRENCY POSITION IN PLN '000	30.06.2024	31.12.2023
EUR	(2,417)	(2,069)
USD	1	3

The Bank's combined FX VaR for all currencies is presented in the following table:

SENSITIVITY MEASURE	30.06.2024	31.12.2023
10-day FX VaR at 99% confidence level in PLN '000	61.7	86.9

The foreign exchange risk exposure of PKO Bank Hipoteczny SA as at 30 June 2024 and 31 December 2023 was within the strategic and internal limits set. During the first half of 2024 and in 2023 the Bank did not exceed any of the internal and strategic limits for foreign exchange risk.

37. CAPITAL ADEQUACY AND THE MANAGEMENT OF CAPITAL RISK

At 30 June 2024, the total capital ratio of the Bank amounted to 22.5% (as at 31 December 2023: 20.9%). If the temporary solution related to the COVID-19 pandemic had not been taken into account, the total capital ratio of the Bank would have amounted to 22.4% (as at 31 December 2023: 20.8%).

In the six-month period ended 30 June 2024 and throughout 2023 all capital ratios remained at safe levels, well above the Bank's internal limits and external regulatory requirements.

37.1 OWN FUNDS FOR THE PURPOSE OF CAPITAL ADEQUACY

The Bank's own funds for capital adequacy purposes have been calculated in accordance with the Banking Law and the CRR with implementing legislation.

The Bank's own funds consist entirely of common equity Tier 1 capital (CET 1). In determining its own funds, the Bank makes use of the transitional provisions related to the COVID-19 pandemic.

BANK'S OWN FUNDS	30.06.2024	31.12.2023
Share capital	1,611,300	1,611,300
Supplementary capital	13,263	-
Retained earnings/(loss)	-	(65,966)
Net profit for the period	32,513	165,789
Accumulated other comprehensive income - cash flow hedges	(45,324)	(74,386)
Accumulated other comprehensive income - financial assets measured at fair value through other comprehensive income	4,486	2,168
Equity	1,616,238	1,638,905
Equity adjustments	16,508	(23,781)
Net profit for the period	(32,513)	(165,789)
Net profit for the first half of 2023 included in equity by permission from the PFSA	-	59,695
Accumulated other comprehensive income - cash flow hedges	45,324	74,386
Intangible assets	-	(0)
Adjustment to assets measured at fair value (AVA)	(945)	(1,139)
Adjustment relating to the transitional period, due to COVID-19 pandemic	4,642	9,066
Own funds	1,632,746	1,615,124

As at 30 June 2024, the Bank's own funds, Tier 1 common equity capital and Tier 1 capital would have amounted to PLN 1,628,104 thousand without taking into account the transitional solution, and as at 31 December 2023 they would have amounted to PLN 1,606,058 thousand.

37.2 FINANCIAL LEVERAGE

The financial leverage ratio is monitored on a monthly basis, whereas the Bank recognizes a ratio in excess of 5% to be safe and not requiring further action.

LEVERAGE	30.06.2024	31.12.2023
Leverage ratio (LR)	9.1%	8.5%

As at 30 June 2024 and 31 December 2023, the Bank's financial leverage ratio was above the 3% level resulting from Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019.

As at 30 June 2024, the leverage ratio, without taking account of the transitional solution due to COVID-19 pandemic, would have amounted to 9.1%, and as at 31 December 2023 it would have amounted to 8.5%.

37.3 REQUIREMENTS REGARDING OWN FUNDS (PILLAR I)

At 30 June 2024 and as at 31 December 2023, the own fund requirements in respect of the risk of credit valuation adjustment, settlement and delivery, and market risk were nil, therefore, the total requirement in respect of own funds comprised the requirements in respect of credit and operational risk.

OWN FUNDS REQUIREMENTS	30.06.2024	31.12.2023
Credit risk	531,638	570,132
Operational risk	49,338	47,336
Total own funds requirement	580,976	617,468
Common equity Tier 1 capital ratio (CET1)	22.5%	20.9%
Tier 1 capital ratio (T1);	22.5%	20.9%
Total capital ratio (TCR)	22.5%	20.9%

OTHER NOTES

38. INTEREST RATE BENCHMARK REFORM

The reform of interest rate indices and the actions taken by the Bank in this regard are extensively described in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023 in Note 58 'Reform of IBOR reference indices'.

On 29 March 2024, the Steering Committee of the National Working Group on Benchmark Reform (NGR SC) decided to initiate a process to review and analyse alternative benchmarks to the Risk Free Rate (RFR) WIBOR. The review will include both WIRON and other possible indices or indicators. It is intended to verify the decision of the NGR SC, taken in September 2022, based on a wider range of market information in the dynamically changing macroeconomic environment of the Polish economy.

In view of the above, possible changes to the milestones of the existing Roadmap for the process of replacing the WIBOR and WIBID benchmarks are possible, but, as indicated by the NGR SC, without changing the final date for the completion of the benchmark reform.

In May 2024, the National Working Group on Benchmark Reform invited stakeholders and financial market participants to comment on a consultation paper on the review and evaluation of alternative interest rate indices.

39. OTHER INFORMATIONS

■ SEASONALITY OR CYCLICALITY OF ACTIVITIES IN THE REPORTING PERIOD

The Bank's activities do not exhibit any significant seasonal or cyclical characteristics.

■ THE POSITION OF THE MANAGEMENT BOARD OF PKO BANK HIPOTECZNY SA ON THE POSSIBILITY OF THE ACHIEVEMENT OF PREVIOUSLY PUBLISHED FORECASTS OF THE RESULTS FOR THE YEAR

PKO Bank Hipoteczny SA did not publish forecasts of financial results for 2024.

■ SIGNIFICANT AGREEMENTS AND MATERIAL AGREEMENTS WITH THE CNTRAL BANK OR SUPERVISORY AUTHORITIES

PKO Bank Hipoteczny SA is obliged to inform in its reports about all agreements that meet the definition of confidential information as defined in the Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse. In the six-month period ended 30 June 2024, the Bank did not enter into any significant contracts or material agreements with the central bank or supervisory authorities.

■ LOANS DRAWN AND AGREEMENTS REGARDING ADVANCES, GUARANTEES AND PLEDGES WHICH ARE NOT RELATED TO OPERATING ACTIVITIES

In the six-month period ended 30 June 2024, neither PKO Bank Hipoteczny SA did not take out any loans, borrowings or received any guarantees or pledges which were not related to operating activities.

■ INFORMATION ON NON-PAYMENT OF A LOAN OR ADVANCE OR BREACHING MATERIAL PROVISIONS OF A LOAN OR ADVANCE AGREEMENT WITH RESPECT OF WHICH NO REMEDIAL ACTION WAS PERFORMED UNTIL THE END OF THE REPORTING PERIOD

The Bank has not identified any unpaid loans or advances or any breach of material provisions of a loan or advance agreement where the Bank acts as a borrower.

■ THE VALUE OF FINANCIAL LIABILITIES INCURRED, WITH A BREAKDOWN OF OVERDUE LIABILITIES, IN THE CONTEXT OF ART. 35 SEC. 1. ITEM 1. OF THE BOND ACT OF 15 JANUARY 2015.

The value of incurred financial liabilities as at 30 June 2024 amounted to PLN 16,247,739 thousand, including overdue liabilities PLN 0 thousand.

■ INFORMATION ON TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED PARTIES, IF THEY WERE CONCLUDED ON CONDITIONS OTHER THAN MARKET CONDITIONS

The Bank does not identify transactions with related parties that which differ significantly from arm's length basis.

■ INFORMATION ON SIGNIFICANT AGREEMENTS CONCERNING THE ISSUER OR ITS SUBSIDIARY TO PROVIDE SURETIES FOR LOANS OR BORROWINGS OR TO PROVIDE GUARANTEES

In the six-month period ended 30 June 2024, the Bank did not enter into significant agreements to guarantee the repayment of a loan or advance.

■ **INFORMATION ON MATERIAL PROCEEDINGS AT COURT, BEFORE A COMPETENT ARBITRATION TRIBUNAL OR A PUBLIC ADMINISTRATION BODY**

None.

■ **OTHER INFORMATION RELEVANT TO THE ASSESSMENT OF THE ISSUER'S PERSONNEL, ASSETS, FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CHANGES THEREIN**

In the six-month period ended 30 June 2024, the Bank did not experience and other significant events relevant to the assessment of their personnel, assets, financial position and financial performance.

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

- On 1 August 2024 Ms Katarzyna Kurkowska-Szczecchowicz resigned from the function of the President of the Management Board of the Bank, with effect at the end of 9 August 2024. Delivered resignation, according to its contents, does not include Ms. Katarzyna Kurkowska-Szczecchowicz's resignation from participation in the composition of the Bank's Management Board.
- On 1 August 2024 the Supervisory Board of the Bank:
 - appointed Mr Wojciech Papierak to the Management Board as Vice President of the Management Board for the current joint term of office, starting from 10 August 2024, and as President of the Management Board for the current, joint term of office, subject to approval of the Polish Financial Supervision Authority (PFSA) and as of the date of this approval;
 - entrusted Vice President of the Management Board Wojciech Papierak with directing the work of the Management Board, starting from 10 August 2024 until the date of approval by the PFSA;
 - appointed Ms Katarzyna Kurkowska-Szczecchowicz – member of the Management Board – as Vice President of the Management Board for the current, joint term of office, starting from 10 August 2024.

Signatures of all Members of the Bank's Management Board

9 August 2024	Katarzyna Kurkowska-Szczecchowicz	President of the Management Board	<i>Signed on Polish original</i> (signature)
9 August 2024	Piotr Jaworski	Vice-President of the Management Board	<i>Signed on Polish original</i> (signature)
9 August 2024	Piotr Kochanek	Vice-President of the Management Board	<i>Signed on Polish original</i> (signature)

Signature of the person responsible for the Bank's accounts

9 August 2024

Tomasz Rynkowski
Director, the Bank's Chief Accountant

Signed on Polish original
.....
(signature)