

This document is a translation of a document originally issued in Polish.
The only binding version is the original Polish version.



This document is a translation of a document originally issued in Polish.
The only binding version is the original Polish version.

**PKO Bank Hipoteczny SA
Directors' Report
for the six months ended
30 June 2024**

SELECTED FINANCIAL DATA

INCOME STATEMENT IN PLN MILLION	01.01.2024– 30.06.2024	01.01.2023– 30.06.2023	Change y/y (in PLN million)
Net interest income	104.7	169.7	(65.0)
Net fee and commission income	(2.2)	(1.0)	(1.2)
Net foreign exchange gains / (losses)	2.3	(4.8)	7.1
Net allowance for expected credit losses	6.2	(5.2)	11.4
Net other operating income and expenses	0.1	0.1	0.0
Administrative expenses	(22.5)	(23.3)	0.8
Regulatory charges	(17.1)	(22.2)	5.1
Tax on certain financial institutions	(26.1)	(29.6)	3.5
Operating profit	45.4	83.7	(38.3)
Profit before tax	45.4	83.7	(38.3)
Corporate income tax	(12.9)	(24.0)	11.1
Net profit	32.5	59.7	(27.2)

STATEMENT OF FINANCIAL POSITION IN PLN MILLION	30.06.2024	31.12.2023
Cash and balances with the Central Bank	180.1	0.3
Amounts due from banks	2.7	2.4
Derivative hedging instruments	8.8	55.4
Securities	750.0	945.3
Loans and advances to customers	16,966.8	17,898.7
Other assets ¹	16.5	33.8
TOTAL ASSETS	17,924.9	18,935.9
Amounts due to banks	4,615.8	4,580.7
Derivative hedging instruments	238.2	213.2
Liabilities in respect of mortgage covered bonds issued	8,391.8	10,444.6
Liabilities in respect of bonds issued	2,965.5	1,991.3
Other liabilities and provisions ²	97.4	67.2
Equity	1,616.2	1,638.9
TOTAL LIABILITIES AND EQUITY	17,924.9	18,935.9

¹ It covers the following items of the statement of financial position: intangible assets, property, plant and equipment, current income tax receivable and other assets.

² It covers the following items of the statement of financial position: amounts due to customers; other liabilities, current income tax provision, deferred income tax provision, and other provisions.

TABLE OF CONTENTS

1.	INTRODUCTION	4
2.	EXTERNAL OPERATING CONDITIONS.....	8
2.1.	MACROECONOMIC ENVIRONMENT	8
2.2.	RESIDENTIAL REAL ESTATE MARKET.....	10
2.3.	MORTGAGE COVERED BONDS MARKET.....	11
2.4.	REGULATORY AND LEGAL ENVIRONMENT.....	12
3.	FINANCIAL PERFORMANCE AND CAPITAL ADEQUACY.....	13
3.1.	KEY FINANCIAL INDICATORS OF PKO BANK HIPOTECZNY SA.....	13
3.2.	STATEMENT OF FINANCIAL POSITION OF PKO BANK HIPOTECZNY SA.....	13
3.3.	INCOME STATEMENT OF PKO BANK HIPOTECZNY SA	14
3.4.	REQUIREMENTS REGARDING OWN FUNDS (PILLAR I)	16
3.5.	INTERNAL CAPITAL (PILLAR II)	18
3.6.	DISCLOSURES (PILLAR III)	18
4.	BUSINESS OF PKO BANK HIPOTECZNY SA	20
4.1.	SALE OF RESIDENTIAL MORTGAGE LOANS UNDER THE AGENCY MODEL	20
4.2.	ACQUISITION OF RESIDENTIAL MORTGAGE LOAN RECEIVABLES.....	20
4.3.	STRUCTURE OF THE RESIDENTIAL MORTGAGE LOAN PORTFOLIO.....	21
4.4.	MORTGAGE COVERED BONDS.....	22
4.5.	FINANCIAL MARKET OPERATIONS.....	25
4.6.	BONDS – BOND ISSUE PROGRAMME AGREEMENT CONCLUDED WITH PKO BANK POLSKI SA	26
5.	INTERNAL OPERATING CONDITIONS.....	27
5.1.	LENDING PROCESS AND COOPERATION WITH PKO BANK POLSKI SA.....	27
5.2.	INTERNAL GOVERNANCE	27
5.3.	INTERNAL CONTROL SYSTEM	28
5.4.	RISK MANAGEMENT.....	29
5.5.	MEASUREMENT OF RESIDENTIAL MORTGAGE LOAN COLLATERALS	30
5.6.	COVER POOL FOR MORTGAGE COVERED BONDS	32
5.7.	COVER POOL MONITOR	33
5.8.	STATUTORY LIMITS.....	33
6.	ORGANIZATION AND GOVERNING BODIES OF PKO BANK HIPOTECZNY SA.....	35
6.1.	QUALIFIED STAFF.....	35
6.2.	ORGANIZATIONAL STRUCTURE OF PKO BANK HIPOTECZNY SA.....	35
6.3.	COMPETENCES OF THE GOVERNING BODIES AND COMMITTEES OF PKO BANK HIPOTECZNY SA	35
6.4.	THE MANAGEMENT BOARD OF PKO BANK HIPOTECZNY SA.....	43
6.5.	THE SUPERVISORY BOARD OF PKO BANK HIPOTECZNY SA.....	46
7.	CORPORATE GOVERNANCE AND INFORMATION FOR INVESTORS.....	48
7.1.	REPRESENTATION ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES.....	48
7.2.	AUDIT FIRM	51
7.3.	OTHER INFORMATION	51
8.	REPRESENTATION OF THE MANAGEMENT BOARD OF PKO BANK HIPOTECZNY SA.....	54

1. INTRODUCTION



PKO Bank Hipoteczny SA (the "Bank") specializes in granting residential mortgage loans to individual customers and purchasing receivables in respect of such loans. The Bank acquires loans for its portfolio based on strategic cooperation with PKO Bank Polski SA.

PKO Bank Hipoteczny SA is the leader on the Polish mortgage bank market in terms of total assets and the balance of residential loans. The Bank is the largest issuer of mortgage covered bonds in Poland with a share of approximately 50% of the total value of outstanding mortgage covered bonds issued by mortgage banks operating in Poland. It was the only bank in Poland to carry out benchmark issues of EUR-denominated mortgage covered bonds, including the first green covered bond issue in Central and Eastern Europe.

As at 30 June 2024, 11 series of mortgage covered bonds issued by the Bank with a total nominal value of PLN 8.4 billion were outstanding.

At the end of June 2024, the Bank's total assets amounted to more than PLN 17.9 billion, of which PLN 17.0 billion consisted of a high-quality portfolio of residential loans, whose main sources of funding were mortgage covered bonds and a growing volume of own bonds issued.

EVALUATION OF PKO BANK HIPOTECZNY SA'S FINANCIAL CREDIBILITY – RATINGS

The financial credibility of PKO Bank Hipoteczny SA and of the mortgage covered bonds issued by the Bank is assessed by the Moody's Investors Service Ltd international rating agency ("Moody's").

As at 30 June 2024, PKO Bank Hipoteczny SA had the following ratings assigned by Moody's:

	Rating	Outlook	Date of initial rating/rating confirmation date
Long-term issuer rating	A3	Stable	
Short-term issuer rating	P-2	n/a	
Opinion on long-term counterparty risk	A2(cr)	n/a	20.12.2022
Opinion on short-term counterparty risk	P-1(cr)	n/a	
Long-term counterparty risk rating	A2	n/a	
Short-term counterparty risk rating	P-1	n/a	

The ratings take into account Moody's assessment of the Bank's mutual relations with its Parent Company – PKO Bank Polski SA – and reflect a low probability that the Parent Company would consider meeting the Bank's liabilities a lower priority compared to the Parent Company's liabilities should financial tensions occur within the Group.

As at 30 June 2024, the mortgage covered bonds of PKO Bank Hipoteczny SA had the following ratings assigned by Moody's:

	Rating	Rating confirmation date
Mortgage covered bonds denominated in PLN	Aa1	22.03.2024
Mortgage covered bonds denominated in EUR	Aa1	07.07.2022

The rating assigned to the mortgage covered bonds of PKO Bank Hipoteczny SA is the highest rating achievable by Polish securities. The limit for the ratings is the Polish country ceiling³ for debt instruments, which currently is at the level of Aa1.

MORTGAGE COVERED BONDS ISSUED

In the first half of 2024, PKO Bank Hipoteczny SA carried out an issue of series 12 variable-coupon mortgage covered bonds. The nominal value of the mortgage covered bonds issued amounted to PLN 1 billion, which was a record amount of PLN-denominated mortgage covered bonds issued in the history of the Bank's operations. In addition, on 27 June 2024, the Bank carried out a subscription for series 13 mortgage covered bonds with a total nominal value of PLN 500 million, for which the issue date was set for 5 July 2024.

The issues referred to above were made under the International Mortgage Covered Bonds Issue Programme and are traded on the Luxembourg Stock Exchange and on the parallel regulated market of the Warsaw Stock Exchange.

On 18 June 2024, following the expiry of the existing Prospectus, a new Prospectus for the International Mortgage Covered Bonds Issue Programme was approved by CSSF Luxembourg.

BORROWERS SUPPORT

PKO Bank Hipoteczny is continuing its efforts to increase security of its customers.

With respect to borrowers support, in connection with the provisions of the Act on crowdfunding for businesses and aid to borrowers amended by the Polish Parliament on 12 April 2024, the Bank enabled customers who meet the criteria listed in the amendment to suspend their residential loan instalments four times:

- twice between 1 June and 31 August 2024,
- twice between 1 September and 31 December 2024.

WAR IN UKRAINE AND ITS IMPACT ON THE BANK'S OPERATIONS

Due to the ongoing military conflict, the Bank identifies geopolitical risks that have or may have an indirect impact on the operations of the Bank as an issuer.

The Bank is monitoring the developments relating to the conflict in Ukraine and adjusting its actions accordingly.

CURRENT AND PROJECTED FINANCIAL POSITION OF THE BANK

The financial position as of 30 June 2024 and the outlook for PKO Bank Hipoteczny SA's operations remain stable in the opinion of the Management Board. Bank operates with a high level of security, both in terms of the quality and level of collateralisation of its loan portfolio and in all areas of risk control and supervision, to which a solid capital base also contributes.

PKO BANK POLSKI SA'S STRATEGY FOR THE YEARS 2023 – 2025

In the first quarter of 2023, the Bank's Management Board adopted and the Supervisory Board approved an updated Strategy of PKO Bank Hipoteczny SA for the years 2023 – 2025.

The Bank's strategic goals under the strategy comprise:

³ Maximum country rating.



SELECTED PROJECTS

Development of a special offer to support sustainable development - mortgage loan

The special offer is being developed as part of ESG sustainability activities. The strategic objective of the initiative is to create an offer that will support sustainable development of the PKO BP Group's mortgage offer and build the potential to issue 'green' covered bonds.

Currently, the Bank is promoting the current offer, in cooperation with PKO Bank Polski SA, by intensifying educational activities for advisers. It is also planned to modify the offer in order to increase the scale of loans raised to support sustainable development (in line with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investments).

Within the PKO BP Group, the Bank is the leader in creating a comprehensive range of mortgage loans to support sustainable development and is a centre of excellence in this area.

ESG Centre of Excellence in PKO Bank Hipoteczny SA

The ESG Centre of Excellence is another aspect of achieving the Bank's 2023 - 2025 strategic goal with respect to sustainability activities.

The task of the Centre of Excellence is to ensure that the organization has the necessary, comprehensive and up-to-date ESG knowledge to meet its business objectives in line with the rapidly evolving sustainability regulatory environment.

During the first half of 2024, work on the preparation of the Bank's Sustainability Policy was underway, which included defining environmentally sustainable and sustainability-enhancing products.

Implementation of external communication to educate customers

In the first half of 2024, PKO Bank Hipoteczny continued its customer education activities through the publication of articles on the Bankomania website. By 30 June 2024, the following articles have been published:

- "Modern solutions in construction: modular homes";
- "What's the difference between a mortgage bank and a universal bank";
- "Modern solutions in construction: earth-covered houses".

Further themes were developed in June 2024 and published in July 2024:

- "Legal aspects of a handover of a flat from a developer";

- "What affects creditworthiness?";
- "Stages of taking out a mortgage".

Links to the articles are published on the website, as well as on the Bank's profile on the LinkedIn platform, where educational posts on living in harmony with the environment are also published. Behaviours such as household energy conservation, careful waste sorting or choosing environmentally friendly modes of transport - such as commuting to work by bicycle - are promoted. The values promoted in external communication are consistent with the activities carried out within the organization.

Optimization and automation of processes

The strategic goal of the initiative is to digitize and simplify the Bank's processes. Among other things, the Bank participates in the PKO BP Group's "Digital Mortgage" project, which aims at optimizing and digitizing the process of granting and servicing mortgage loans, and regularly implements improvements and automates tasks forming part of other processes, such as those relating to the reporting platform.

The Bank's adaptation to CRR III requirements

Due to the entry into force on 1 January 2025 of the legislation amending Regulation 575/2013 and Directive 2013/36/EU (the so-called CRR III and CRD VI), which aims to fully implement the international standards agreed by the Basel Committee on Banking Supervision into European Union legislation, the Bank has carried out a gap analysis and an analysis of available data sources and is carrying out adaptation work in this area.

Development of a uniform template for a residential real estate loan agreement

The strategic aim of the project is to develop a template of a mortgage loan agreement clauses in terms of improving readability and reducing the risks associated with the mortgage product. As part of the consultation with the supervisory and control authorities, work has begun on drafting a uniform template of a mortgage loan agreement proposed by the Office of Competition and Consumer Protection (UKOIK), in which the Bank is taking an active part.

The Bank's adaptation to the benchmark reform

In connection with the planned replacement of WIBOR with another benchmark as part of the reform, the WIBOR Benchmark Reform Taskforce (the "Taskforce") was established within the Bank. The objective of the Taskforce is to prepare the Bank for the implementation of the new interest rate benchmark and to replace the currently used WIBOR benchmark. The Taskforce's objectives include, in particular:

- adapting contracts with counterparties and customers and changing the product offer;
- adapting valuation and risk management methodologies and tools;
- adapting accounting methodologies and tools (including, among other things, hedge accounting and transfer pricing);
- implementing changes to IT systems;
- estimating the impact of the reform on the Bank's financial results.

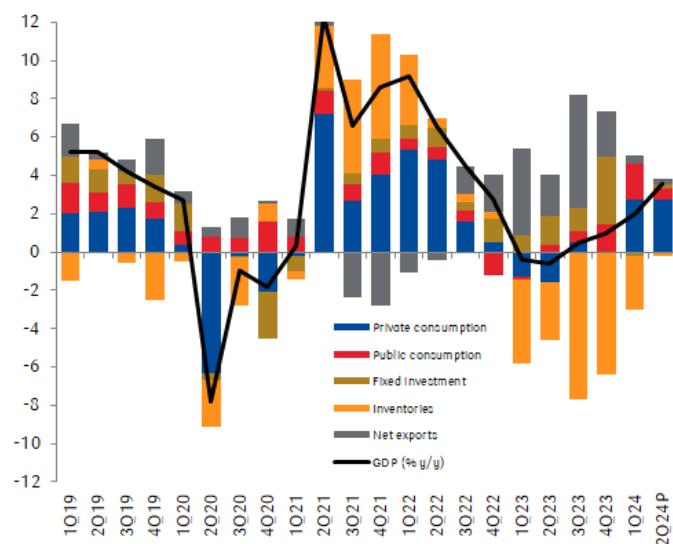
2. EXTERNAL OPERATING CONDITIONS

Macroeconomic environment
Residential real estate market
Residential loan market
Mortgage covered bonds market
Regulatory and legal environment

2.1. MACROECONOMIC ENVIRONMENT

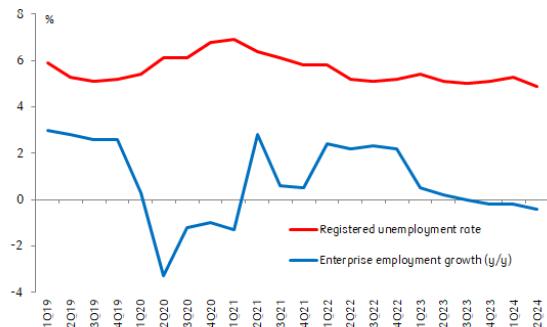
The macroeconomic factors which shaped the national economy in the first half of 2024 are presented below.

ECONOMIC RECOVERY IS GAINING MOMENTUM



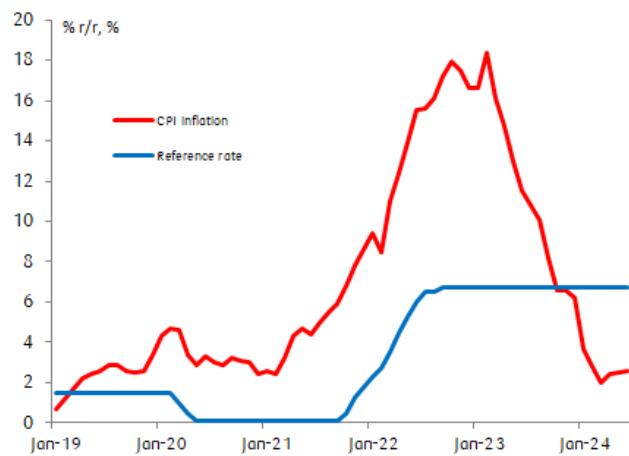
At the beginning of 2024, the economic recovery was gaining momentum. In the first quarter of 2024, GDP was 2.0% higher than in the previous year, with growth likely to accelerate to around 3.0% year-on-year in the second quarter of 2024. The record high growth in the population's real income in the first quarter of 2024 contributed to a rapid recovery in consumer demand, with household consumption increasing by 4.6% y/y, after the stagnation in the fourth quarter of 2023. Despite a recovery in savings which had eroded severely during the period of elevated inflation, there was a solid growth in consumption. Against the backdrop of consumption, investments stand out negatively; their level is adversely affected by the transition period between the two EU multiannual financial perspectives and the delay in the inflow of the National Recovery Plan (KPO) funds. As a result, gross fixed capital formation dropped by 1.8% y/y in the first quarter of 2024, and will probably have remained low over the whole first half of 2024. The contribution of net exports to the GDP growth was positive but low, with a slowdown in the growth of exports of goods and services and a decline in imports as a consequence of weak investment demand and lower inventory balances. Overall, in the first half of 2024, the strongest improvement was noted in the condition of households, which in turn led to recovery in services and, to a slightly lesser extent, retail trade. Other industries, including construction and manufacturing, struggling with weak foreign demand, were in a worse shape, with stabilization or even slight weakening of business activity. There was a solid cash surplus in the current account, but the period of rapid improvement, triggered by more favourable terms-of-trade (the rapid decline in import price dynamics with smaller changes in export prices) has ended.

UNEMPLOYMENT AT HISTORIC LOWS



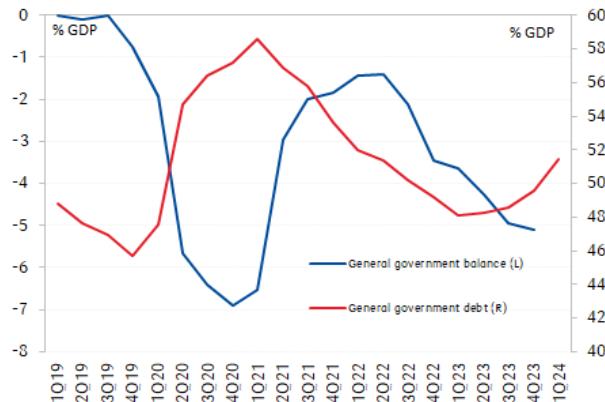
The conditions on the domestic labour market have stabilized. The adjustment to a lower level of economic activity observed in 2023 was due to a decrease in vacancies and has not resulted in an increase in unemployment. The registered unemployment rate in June 2024 stood at 4.9% and was 0.2 pp lower than in the same period of the previous year, and the lowest since the systemic transition period. Employment in the corporate sector declined on an average in the first quarter of 2024, which we believe may partly reflect the companies' problems in filling vacancies. Both the number of companies making group redundancies and the number of unemployed people made redundant for reasons on the part of the employer are low. In the first half of 2024, wage developments in the economy were strongly influenced by increases in the minimum wage and public sector wages. Nominal wage increase in the corporate sector was in the range of 11-13% y/y throughout the first half of 2024. Strong increases in nominal wages combined with dropping inflation resulted in high real wage growth. In the first quarter of 2024, real wages in the national economy increased by more than 11% y/y, and such strong growth has not been recorded since 1997.

INFLATION AT THE NBP TARGET



In February 2024, inflation returned to the band of permissible deviations from the NBP target (2.5% +/- 1pp) and remained within this band until the end of the first half of 2024 - in June prices grew by 2.6% y/y. The drop in inflation compared with 6.2% in December 2023 was a consequence of deceleration in food price increases and the fall in energy prices. Core inflation (CPI excluding food and energy prices) fell below 4.0% y/y from 6.9% y/y at the end of 2023, but remained higher than headline inflation. In the case of prices received by producers, year-on-year deflation continued in the first half of 2024, as a consequence of the reversal of a negative shock in food and energy prices. Later in 2024, CPI inflation is likely to pick up and exceed the upper limit of acceptable deviations from the target (i.e. above the 3.5% y/y level), mainly due to the partial deregulation of energy prices for households.

CONTROLLED TENSIONS IN PUBLIC FINANCES



The government deficit (ESA) at the end of 2023 increased to 5.1% of GDP from 4.2% of GDP after the first half of 2023. At the beginning of 2024, the fiscal situation remained tense, resulting in an increase in the relation of government debt to GDP to 51.4% after the first quarter, from 49.6% in 2023. In part, this increase reflected a high realization (including in foreign markets) of funding needs for the entire year. The European Commission decided that there were grounds to launch an excessive deficit procedure against Poland, which would force fiscal adjustments of around 0.5% of GDP per year.

PERSISTENTLY HIGH INTEREST RATES

In the first half of 2024, the Monetary Policy Council (MPC) kept the key NBP interest rates unchanged. After the interest rate cuts of 100bp in total in September–October 2023, the Council adopted a wait-and-see attitude and held off on changes to monetary policy parameters. The Council justified it by regulatory uncertainty regarding future energy prices and a loose fiscal policy. Despite a series of positive inflation surprises and broadly favourable results from the NBP projection in July 2024, the NBP President's rhetoric became more hawkish. At a press conference after the MPC's July meeting, he ruled out interest rate cuts before 2026. Monetary policy in Poland remains restrictive and acts as a constraint on economic activity and inflation.

NBP interest rates:

Rate	Q2 2024 [%]
reference rate	5.75
rediscount rate	5.80
discount rate	5.85
lombard rate	6.25
deposit rate	5.25

2.2. RESIDENTIAL REAL ESTATE MARKET

SITUATION ON THE RESIDENTIAL REAL ESTATE MARKET IN POLAND

Launched in the second half of 2023, the Safe Loan 2% (BK2%) preferential residential loan programme provided a strong demand stimulus that led to a dynamic increase in the volumes of sale of residential real estate on both the primary and secondary markets. Strong demand, combined with limited supply of apartments following the cooling off period, has led to an acceleration in the growth rate of residential property prices, which in the fourth quarter of 2023, according to data from the National Bank of Poland, amounted to an annualized 11% on the primary and secondary markets, in the segment of seven large cities⁴.

⁴ Warsaw, Wrocław, Kraków, Poznań, Gdańsk, Gdynia, Łódź

The expiry of the BK2% programme at the beginning of 2024 resulted in the return of residential real estate sales volumes to the lower levels from before the launch of the programme (first half of 2023). At the same time, at the end of 2023 and the beginning of 2024, developers stepped up their investment activity, rebuilding their offer of new apartments after they had been sold out in the second half of 2023. This led to the return of a relative balance between the supply and demand in the residential property market. According to otodom.pl, at the end of May 2024, the average growth rate of apartment sales on the markets of the largest cities⁵ approached the average for the last 4-6 quarters, which is considered to be typical for a balanced market.

In 2024, despite the restoration of the supply-demand balance, prices of apartments continue to rise rapidly. According to data from the National Bank of Poland, in the first quarter of 2024, the price growth rate in the seven large cities segment was 19% per annum on the primary market and 18% per annum on the secondary market. However, price developments respond to changes in market conditions with a certain time lag, which is why in the second half of this year the growth rate of apartment prices is expected to drop to an annual rate of 5-8%.

The residential property market should remain in a state of relative supply-demand equilibrium with a tendency towards a systematic restoration of demand (continuation of the trend observed before the launch of the BK2% programme) until new impulses emerge, mainly those stimulating the demand. These impulses mainly include: the Monetary Policy Council starting a cycle of interest rate cuts (probably not before the second half of 2025) and the launch of a new preferential residential loan programme (not before the end of the current year, and probably not until next year).

RESIDENTIAL LOAN MARKET

Based on NBP data, amounts due to banks in respect of residential loans in Poland were PLN 491 billion as at 30 June 2024, up by 2.1% y/y. As at 30 June 2024, PLN-denominated loans amounted to PLN 425 billion (86.6% of the total amounts due to banks in respect of residential loans in Poland), up by 8.3% y/y. In the first half of 2024, the lending activity continued to be supported by realization of earlier applications for loans under the 2% Safe Loan programme and an increase in the average loan amount.

The total balance of residential loans in relation to the Gross Domestic Product as estimated by PKO Bank Polski at market prices stood at 14.1% at the end of the second quarter of 2024. This amount was significantly below the average for the European Union, which was approx. 35% according to the latest available data after the end of the first quarter of 2024. This shows that the residential loan market in Poland has a great potential for further development.

2.3. MORTGAGE COVERED BONDS MARKET

As at 30 June 2024, five mortgage banks were operating in Poland:

- PKO Bank Hipoteczny SA;
- mBank Hipoteczny SA;
- Pekao Bank Hipoteczny SA;
- ING Bank Hipoteczny SA;
- Millennium Bank Hipoteczny SA.

The Polish mortgage covered bond market is relatively small and moderately liquid. As at the end of December 2024, total outstanding mortgage covered bonds issued by the mortgage banks operating in Poland amounted to PLN 16.7 billion, i.e. PLN 1.5 billion less than as at 30 June 2023. As at 30 June 2024, outstanding mortgage covered bonds issued by Polish banks corresponded to 3.4% of the amount of residential loans granted by banks.

PKO Bank Hipoteczny SA is Poland's largest issuer of mortgage covered bonds on the Polish market. As at 30 June 2024, outstanding mortgage covered bonds issued by PKO Bank Hipoteczny SA amounted to

⁵ Warsaw, Wrocław, Kraków, Poznań, Tricity, Katowice

PLN 8.4 billion, representing approximately 50% of the total value of outstanding mortgage covered bonds issued by Polish mortgage banks.

2.4. REGULATORY AND LEGAL ENVIRONMENT

In the first half of 2024, the following legal and regulatory solutions significantly affecting the operations of PKO Bank Hipoteczny SA came into force:

SOLUTION	IMPACT
LOAN REPAYMENT HOLIDAYS	
The Act of 12 April 2024 amending the Act on support for borrowers who have taken out a residential loan and are in financial difficulty and the Act on crowdfunding for businesses and aid to borrowers	<p>Extension of the loan repayment holidays to 2024 (4-month suspensions), with additional criteria introduced:</p> <ul style="list-style-type: none">- the value of the loan granted must not exceed PLN 1,200,000;- Itl (instalment-to-income) ratio in the last 3 months has exceeded 30% or the borrower has at least 3 dependent children. <p>Modification of the conditions for granting support under the Borrowers Support Fund (extension of support, increase in support amounts, reduction of requirements to obtain support).</p>
BLOCKING A PESEL NUMBER (POLISH PERSONAL IDENTIFICATION NUMBER)	
Act of 7 July 2023 on amending certain laws to reduce certain effects of identity theft	Introducing the possibility for individuals to block their PESEL numbers and making it mandatory for banks to verify the PESEL number in the blocked PESEL database before concluding a loan agreement.
RECOMMENDATION OF THE PFSA	
Recommendation S relating to good practices in the management of loan exposures secured with mortgage	Differentiating the buffer taken into account in the creditworthiness assessment process depending on a bank's loan offer, clarifying and supplementing the requirements for the information provided to customers about the risks involved in taking out a mortgage loan

3. FINANCIAL PERFORMANCE AND CAPITAL ADEQUACY

Key financial indicators of PKO Bank Hipoteczny SA
Statement of financial position of PKO Bank Hipoteczny SA
Income statement of PKO Bank Hipoteczny SA
Requirements regarding own funds (Pillar I)
Internal capital (Pillar II)
Disclosures (Pillar III)

3.1. KEY FINANCIAL INDICATORS OF PKO BANK HIPOTECZNY SA

	30.06.2024	31.12.2023	30.06.2023
Total assets (in PLN M)	17,924.9	18,935.9	19,531.9
ROA ⁶	0.4%	0.8%	0.6%
ROE ⁷	3.9%	11.2%	8.5%
Total capital ratio (TCR)	22.5%	20.9%	19.5%
Leverage ratio (LR)	9.1%	8.5%	8.0%
Cost to income ratio (C/I) ⁸	21.3%	19.5%	-

3.2. STATEMENT OF FINANCIAL POSITION OF PKO BANK HIPOTECZNY SA

in PLN M	30.06.2024	31.12.2023	30.06.2023
Cash and balances with the Central Bank	180.1	0.3	0.2
Amounts due from banks	2.7	2.4	0.1
Derivative hedging instruments	8.8	55.4	76.7
Securities	750.0	945.3	944.0
Loans and advances to customers	16,966.8	17,898.7	18,441.1
Other assets ⁹	16.5	33.8	69.8
TOTAL ASSETS	17,924.9	18,935.9	19,531.9

in PLN M	30.06.2024	31.12.2023	30.06.2023
Amounts due to banks	4,615.8	4,580.7	6,281.2
Derivative hedging instruments	238.2	213.2	203.8
Liabilities in respect of mortgage covered bonds issued	8,391.8	10,444.6	9,820.1
Liabilities in respect of bonds issued	2,965.5	1,991.3	1,704.1
Other liabilities and provisions ¹⁰	97.4	67.2	69.3

⁶ Annualized ratio expressed as a ratio of the net profit/(loss) for a given period and the average balance of assets as at the beginning and as at the end of the reporting period, and interim monthly periods.

⁷ Annualized ratio calculated by dividing the net profit/(loss) for a given period by the average balance of total equity as at the beginning and as at the end of the reporting period, and interim monthly periods.

⁸ The ratio does not take into account the tax on other financial institutions. The Bank has not presented the ratio as of 30.06.2024 because of the net loss incurred in 2022.

⁹ It covers the following items of the statement of financial position: intangible assets, property, plant and equipment, current income tax receivable and other assets.

¹⁰ It covers the following items of the statement of financial position: amounts due to customers; other liabilities, current income tax provision, deferred income tax provision, and other provisions.

in PLN M	30.06.2024	31.12.2023	30.06.2023
Equity	1,616.2	1,638.9	1,453.4
TOTAL LIABILITIES AND EQUITY	17,924.9	18,935.9	19,531.9

As at 30 June 2024 the total assets of PKO Bank Hipoteczny SA amounted to PLN 17,924.9 million. Residential loans were the key component of the Bank's assets. Their carrying amount, taking into account allowances for expected credit losses recognized as at 30 June 2024, amounted to PLN 16,966.8 million, of which loans granted by PKO Hipoteczny SA amounted to PLN 9,443.2 million, whereas loans purchased from PKO Bank Polski SA amounted to PLN 7,523.6 million.

As at the end of June 2024, the carrying amount of mortgage covered bonds was PLN 8,391.8 million, i.e. 46.8% of the balance sheet total. This represents a decrease of 8 p.p. compared to the end of 2023, due to the redemption of mortgage covered bonds maturing in the first half of 2024.

As at 30 June 2024, financial liabilities to PKO Bank Polski SA constituted a significant item of the Bank's liabilities and equity. They consisted of liabilities in the form of loans, overdraft facilities under a limit available, liabilities in respect of the mortgage covered bonds and unsecured bonds acquired by PKO Bank Polski SA and other liabilities to PKO Bank Polski SA. Their total balance was PLN 4,869.6 million. Unsecured bonds issued by the Bank also constituted a significant source of funding the Bank's operations. As at 30 June 2024, they amounted to PLN 2,965.5 million, which is a 48.9% increase compared with the end of 2023.

3.3. INCOME STATEMENT OF PKO BANK HIPOTECZNY SA

in PLN million	01.01.2024- 30.06.2024	01.01.2023- 30.06.2023	Change y/y (in PLN million)
Net interest income	104.7	169.7	(65.0)
Net fee and commission income	(2.2)	(1.0)	(1.2)
Net gain/(loss) on financial instruments measured at fair value through profit or loss	0.0	0.0	0.0
Net foreign exchange gains / (losses)	2.3	(4.8)	7.1
Net allowance for expected credit losses	6.2	(5.2)	11.4
Net other operating income and expenses	0.1	0.1	0.0
Administrative expenses	(22.5)	(23.3)	0.8
Regulatory charges	(17.1)	(22.2)	5.1
Tax on certain financial institutions	(26.1)	(29.6)	3.5
Operating profit	45.4	83.7	(38.3)
Profit before tax	45.4	83.7	(38.3)
Corporate income tax	(12.9)	(24.0)	11.1
Net profit	32.5	59.7	(27.2)

PKO Bank Hipoteczny SA ended the first half of 2024 with a net profit of PLN 32.5 million, PLN 27.2 million down compared to the corresponding period of 2023. A decrease in the net profit is caused by recognizing an adjustment reducing the gross carrying amount of mortgage loans by PLN 60.8 million in connection with the Act on crowdfunding for businesses and aid to borrowers.

In the period under analysis, the Bank generated interest income of PLN 628.6 million. This amount mainly consists of interest income on residential loans of PLN 603.0 million and income from debt securities. In that period the Bank incurred interest expense of PLN 523.9 million. The interest expense incurred resulted primarily from the mortgage covered bonds issued and the costs of hedging transactions. The respective interest expense amounted to PLN 292.4 million in total. The Bank also incurred interest expense of

PLN 149.9 million on to loans received and utilization of the overdraft limit, and PLN 81.4 million on bonds issued.

The Bank's turnover in 2024 (understood as the sum of interest income and fee and commission income) amounted to PLN 631.4 million. The realized turnover was generated entirely from the Bank's operations in Poland.

In 2024, the Bank incurred administrative expenses of PLN 22.5 million. Material costs of PLN 12.9 million were a significant item in the structure of administrative expenses.

In the first half of 2024, the Bank also incurred regulatory charges totalling PLN 17.1 million. The main item of these charges was the contribution to the mandatory resolution fund of the Bank Guarantee Fund of PLN 13.9 million, which is a PLN 4.6 million drop compared with 2023.

Tax on certain financial institutions of PLN 26.1 million in the reporting period was another material item of the cost of the Bank's activities.

The Bank's net allowances for expected credit losses amounted to PLN 6.2 million in 2024, which was the result of improved parameters and loan portfolio amortization, and translated to a credit risk cost ratio of -0.02%. The cost of risk is at a very low level in consequence of maintaining strict control of credit risk, which translates into the very good quality of the loan portfolio.

DIVIDEND PAID

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 13.2 million, i.e. 8% of the profit was earmarked for transferring to the Bank's supplementary capital pursuant to Article 348 and Article 396 of the Commercial Companies Code;
- PLN 66.0 million was allocated to cover accumulated losses;
- PLN 86.6 million, i.e. the remaining portion of the profit was earmarked for payment of dividend. On 28 June 2024, the funds for the payment of dividend to PKO Bank Polski SA were transferred to the non-public companies' shareholders register maintained by the Brokerage Office of PKO BP.

THE BANK'S FUNDING STRUCTURE

The table below presents the structure of the Bank's funding sources:

	30.06.2024	31.12.2023
Mortgage covered bonds issued	46.8%	55.2%
Funds from the Parent Company	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%

As at 30 June 2024 and as at 31 December 2023, the Bank was not in default in respect of any contractual liabilities.

IMPACT OF THE ACT OF 7 JULY 2022 ON CROWDFUNDING FOR BUSINESSES AND AID TO BORROWERS ON THE BANK'S PERFORMANCE

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 adjusted the gross carrying amount of mortgage loans in May 2024 for an amount of PLN 60.8 million, recognizing it as a reduction in interest income.

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.

3.4. REQUIREMENTS REGARDING OWN FUNDS (PILLAR I)

GENERAL INFORMATION

In accordance with the CRR, the Bank calculates requirements regarding own funds for the following risks:

- credit risk - according to the standardized approach;
- credit valuation adjustment (CVA) risk - according to the standardized approach;
- settlement and delivery risk - according to the standardized approach;
- operational risk- according to the basic indicator approach (BIA);
- market risk (foreign exchange risk only) - using basic methods.

As at 30 June 2024 and as at 31 December 2023, own fund requirements regarding 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 for credit and operational risks.

Own funds requirements	30.06.2024	31.12.2023
Credit risk (in PLN million)	531.6	570.1
Operational risk (in PLN million)	49.3	47.3
Total own funds requirement (in PLN million)	581.0	617.5
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%

The following tables show exposure values, risk-weighted assets (RWA) and own funds requirements, by exposure class:

30.06.2024	Gross exposure	Exposure value ¹¹	Risk-weighted assets (RWA)	Own funds requirement
Retail exposures ¹²	1,686.1	1,608.3	1,206.3	96.5
Exposures secured by mortgages on real estate	15,419.1	15,371.7	5,380.1	430.4
Exposures to central governments or central banks	930.1	930.1	-	-
Exposures to institutions	165.8	165.8	-	-
Exposures in default	74.7	40.6	43.6	3.5
Other exposures	15.5	15.5	15.5	1.2
Total	18,291.3	18,132.0	6,645.5	531.6

31.12.2023	Gross exposure	Exposure value ¹³	Risk-weighted assets (RWA)	Own funds requirement
Retail exposures ¹⁴	2,014.5	1,954.8	1,466.1	117.3
Exposures secured by mortgages on real estate	15,996.7	15,953.4	5,583.7	446.7
Exposures to central governments or central banks	945.3	945.3	-	-
Exposures to institutions	204.2	204.2	-	-
Exposures in default	72.1	41.8	44.0	3.5
Other exposures	32.9	32.9	32.9	2.6
Total	19,265.7	19,132.4	7,126.7	570.1

CREDIT RISK ADJUSTMENTS

For the purpose of specific credit risk adjustments, the Bank uses impairment loss, which was recognized in the Bank's Tier 1 capital in accordance with the CRR and implementing legislation.

The approach applied by the Bank to identifying exposures at risk of impairment and methods for estimating allowances for expected credit losses and provisions for financial liabilities granted are described in Note 45.2 "Impairment of credit exposures" to the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023.

USE OF CREDIT RISK MITIGATION TECHNIQUES

The Bank uses mortgage collateral to classify exposures to classes of exposures secured by mortgages on real estate and to apply preferential risk weights. Detailed information about the main types of collateral accepted by the Bank and the method of determining the mortgage lending value may be found

¹¹ The value of balance-sheet exposures and the balance-sheet equivalent of contingent liabilities and transactions, taking into account specific credit risk adjustments and the CCF (Credit Conversion Factor).

¹² These result from that part of the exposure which is not fully and completely secured, i.e. which exceeds an MLV of 80% or is in a transitional period, i.e. until collateral has been put up.

¹³ The value of balance-sheet exposures and the balance-sheet equivalent of contingent liabilities and transactions, taking into account specific credit risk adjustments and the CCF (Credit Conversion Factor).

¹⁴ These result from that part of the exposure which is not fully and completely secured, i.e. which exceeds an MLV of 80% or is in a transitional period, i.e. until collateral has been put up.

in Note 47 "Residual risk management" to the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023.

3.5. INTERNAL CAPITAL (PILLAR II)

Internal capital is the estimated amount of capital required to cover all material risks identified in the Bank's activities, as well as the effect of changes in the business environment, taking into account the expected level of risk.

PKO Bank Hipoteczny SA periodically monitors the materiality of individual risks associated with the Bank's activities.

The Bank separately estimates its internal capital for the following risks considered to be material:

- credit risk;
- liquidity risk;
- operational risk;
- interest rate risk;
- business risk;
- model risk.

The internal capital required to cover individual risks is determined in accordance with the methods set out in the Bank's internal regulations. The total internal capital is the sum of the internal capital required to cover all the risks material for the Bank.

Internal capital structure	30.06.2024	31.12.2023
For credit risk	67.1%	69.8%
For liquidity risk	2.9%	3.7%
For operational risk	6.2%	5.8%
For interest rate risk	11.1%	8.3%
For business risk	12.5%	12.2%
For model risk	0.2%	0.2%
Total	100.0%	100.0%

As at 30 June 2024, the ratio of the Bank's own funds to its internal capital remained above both the statutory and internal limits.

In order to estimate the amount of capital required to operate safely in times of recession, the Bank regularly conducts stress tests.

3.6. DISCLOSURES (PILLAR III)

Taking into account the scale and specific nature of its operations, the Bank discloses, in particular, the following information on the Bank's activities in the financial statements and the Directors' Report¹⁵:

- risk management objectives and strategies;
- own funds for capital adequacy purposes;
- capital buffers;
- leverage;

¹⁵In accordance with the Disclosure Policy of PKO Bank Hipoteczny SA concerning capital adequacy and other reportable information, the disclosure requirements of Recommendations R and Z are effective from 1 January 2022. The Bank publishes the full scope of information on annual basis as at 31 December each year. Every six months, as at 30 June each year, amendments of the capital buffers are published.

- capital requirements;
- credit risk adjustments;
- credit risk mitigation techniques used;
- The Bank's remuneration policy, in line with Recommendation Z;
- the main provisions of the Principles for the Management of Conflicts of Interest in line with Recommendation Z;
- the requirements referred to in Article 111a of the Banking Law and Recommendation H;
- operational risk, in line with Recommendation M;
- credit risk and information on impairment of financial assets in line with Recommendation R and IFRS 9;
- liquidity risk management system and liquidity position, in accordance with Recommendation P;
- the impact of applying the transitional arrangements related to the implementation of International Financial Reporting Standard 9 (IFRS 9) on capital adequacy.

The Bank, operating within the PKO Bank Polski Group, also provides information to the Parent Company for inclusion in the consolidated data.

Detailed information on the scope of disclosures, the manner of their verification and publication is contained in the Disclosure Policy of PKO Bank Hipoteczny SA concerning capital adequacy and other reportable information, which is available on the Bank's website:

<https://www.pkobh.pl/en/about-us/information-required-by-law/information-policy-regarding-capital-adequacy-and-other-information-subject-to-disclosure/>

4. BUSINESS OF PKO BANK HIPOTECZNY SA

Sale of residential mortgage loans under the agency model
Acquisition of residential mortgage loan receivables
Structure of the residential mortgage loan portfolio
Mortgage covered bonds
Financial market operations
Bonds – Bond Issue Programme Agreement concluded with PKO Bank Polski SA

4.1. SALE OF RESIDENTIAL MORTGAGE LOANS UNDER THE AGENCY MODEL

PKO Bank Hipoteczny SA has been granting residential loans in Polish zloty since 1 April 2015. Residential loans are sold under the agency model, through Poland's largest network of branches, agents and intermediaries of PKO Bank Polski SA. The Bank accepts apartments and single-family houses as collateral.

In the first half of 2024 the Bank granted mortgage loans of PLN 304 million.

In accordance with Recommendation S of the Polish Financial Supervision Authority, the Bank only grants loans for which the loan-to-value ratio does not exceed 80%. When the required own down payment is insured, the Bank allows loans for which this ratio is no higher than 90%. Moreover, in compliance with the Polish Act on Mortgage Covered Bonds and Mortgage Banks, the Bank only grants loans whose value in relation to the mortgage lending value of the real estate does not exceed 100%.

The main criteria applied by PKO Bank Hipoteczny SA in the process of granting mortgage-secured loans are shown in the table below:

CRITERIA	AGENCY MODEL
Loan amount/market value of the real estate	Max 80% ¹⁶
Loan amount/mortgage lending value of the real estate	Max 100%
Legal title to the real estate	Ownership or perpetual usufruct
Loan collateral	First mortgage Recorded in Section IV of the Land and Mortgage Register
Currency	PLN
Purpose	Residential

The Bank offers both variable-interest loans and loans bearing interest based on a five-year fixed base rate. It also allows the option of changing the variable rate to the five-year fixed interest rate.

4.2. ACQUISITION OF RESIDENTIAL MORTGAGE LOAN RECEIVABLES

As part of its business activities, PKO Bank Hipoteczny SA acquires residential mortgage loan receivables from PKO Bank Polski SA based on a framework agreement signed in 2015.

In the first half of 2024, PKO Bank Hipoteczny SA did not acquire any residential mortgage loan receivable portfolios from PKO Bank Polski SA.

The main criteria applied by PKO Bank Hipoteczny SA in the process of acquiring residential mortgage loan receivables are shown in the table below.

¹⁶ If the required own down payment is insured, the Bank allows granting a loan where the ratio does not exceed 90%.

CRITERIA	POOLING MODEL
Loan amount/mortgage lending value of the real estate	Max 100%
Legal title to the real estate	Ownership or perpetual usufruct
Loan collateral	First mortgage Recorded in Section IV of the Land and Mortgage Register
Currency	PLN
Days past due or impairment indicators	None
Purpose	Residential

4.3. STRUCTURE OF THE RESIDENTIAL MORTGAGE LOAN PORTFOLIO

PORTFOLIO STRUCTURE BY LtV

The structure of the portfolio of residential mortgage loans in the statement of financial position of PKO Bank Hipoteczny SA by the LtV ratio based on market valuation¹⁷ and the LtV ratio based on the MLV is presented in the tables below.

Gross loans granted to customers at LtV based on market valuation	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%
over 90%	0.0%	0.0%
Total, gross	100.0%	100.0%
Average LtV based on market valuation	33.4%	35.0%

Gross loans granted to customers at LtV based on MLV	30.06.2024	31.12.2023
below 50%	24.9%	23.9%
51% - 60%	13.8%	13.4%
61% - 70%	17.4%	17.2%
71% - 80%	21.5%	21.8%
81% - 90%	19.9%	21.0%
over 90%	2.5%	2.7%
Total, gross	100.0%	100.0%
Average LtV based on MLV	63.1%	63.8%

In the first half of 2024, the average LtV based on the market valuation of the loan portfolio dropped by 1.6 p.p. (in 2023, it dropped by 1.1 p.p.), which is the effect of the amortization of the portfolio accompanied by a further growth in the market values of the real estate constituting collateral for the loans granted by the Bank. With respect to LtV based on MLV, the drop is a little lower (-0.7%) and results exclusively from the amortization of the portfolio. The MLV determined as at the moment of granting the loans did not require updating – in the Bank's opinion, it is at a safe level, lower than the market value, and meets the requirements of the Rules for Setting the Mortgage Lending Value of Real Estate by PKO Bank Hipoteczny SA.

¹⁷ The current level of LtV is calculated according to the value of the real estate as at the moment of granting the loan, updated using statistical methods based on an analysis of the real estate market.

INTEREST ON LOANS

The Bank grants loans bearing an interest rate based on WIBOR 6M and a periodically fixed interest rate. In the past, the Bank also offered loans based on WIBOR 3M.

The base reference rates used for the Bank's loans are the WIBOR 6M and WIBOR 3M and a fixed base rate, which on average amounted to 5.86%, 5.86% and 5.43% respectively in the first half of 2024.

4.4. MORTGAGE COVERED BONDS

PKO Bank Hipoteczny SA's key objective is issuing mortgage covered bonds which are the main source of long-term funding for loans secured with real estate.

MORTGAGE COVERED BOND ISSUES UNDER THE DOMESTIC PROGRAMME OF MORTGAGE COVERED BONDS ISSUANCE

From the beginning of its operations, PKO Bank Hipoteczny SA has issued thirteen series of Polish mortgage covered bonds, including two issues of Green Covered Bonds. These issues were carried out under the Domestic Programme of Mortgage Covered Bonds Issuance of PKO Bank Hipoteczny SA.

The total value of outstanding mortgage covered bonds issued by PKO Bank Hipoteczny SA for the domestic market (at nominal value) was PLN 1,290 million as at 30 June 2024.

All series of domestic mortgage covered bonds issued are traded on regulated parallel market of the Warsaw Stock Exchange and on the BondSpot regulated market. They are also accepted in repo transactions by the National Bank of Poland.

The Bank currently only conducts mortgage covered bond issuance activities under the International Program of Mortgage Covered Bonds Issuance, and issuance activities under the Domestic Programme of Mortgage Covered Bonds Issuance have not been continued.

In the first half of 2024, PKO Bank Hipoteczny SA redeemed two series of mortgage covered bonds with a total nominal value of PLN 700 million.

Chart: Purchasers of domestic issues of PKO Bank Hipoteczny SA's covered bonds in the years 2015-2024

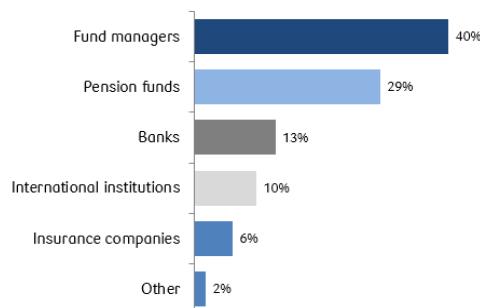
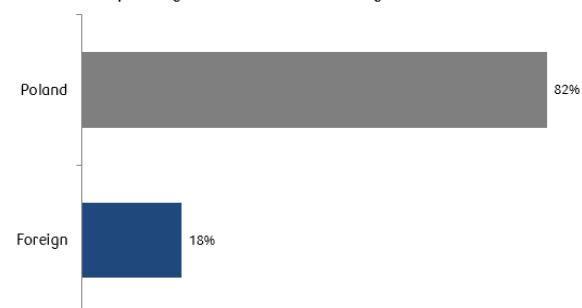


Chart: Geographical distribution of domestic issues of PKO Bank Hipoteczny SA's covered bonds in the years 2015-2024



PLN-denominated mortgage covered bonds of PKO Bank Hipoteczny SA issued by and outstanding as at 30 June 2024:

Series	Mortgage covered bond number (ISIN)	Issue date	Redemption date	Series value (in PLN million)	Interest rate	Currency	Rating of the issue	Listing
9	PLPKOHP00090	27.07.2018	25.07.2025	500	WIBOR3M +0.62%	PLN	Aa1	Bondspot, WSE parallel regulated market
10	PLPKOHP00108	24.08.2018	24.08.2028	60	3.4875%	PLN	Aa1	Bondspot, WSE parallel regulated market

Series	Mortgage covered bond number (ISIN)	Issue date	Redemption date	Series value (in PLN million)	Interest rate	Currency	Rating of the issue	Listing
11	PLPKOHP00116	26.10.2018	28.04.2025	230	WIBOR3M +0.66%	PLN	Aa1	Bondspot, WSE parallel regulated market
12	PLPKOHP00132	10.06.2019	30.09.2024	250	WIBOR3M +0.60%	PLN	Aa1	Bondspot, WSE parallel regulated market
13	PLPKOHP00199	02.12.2019	02.12.2024	250	WIBOR3M +0.51%	PLN	Aa1	Bondspot, WSE parallel regulated market

MORTGAGE COVERED BOND ISSUES UNDER THE INTERNATIONAL PROGRAMME OF MORTGAGE COVERED BONDS ISSUANCE

Since its inception, as at 30 June 2024, PKO Bank Hipoteczny SA has issued 12 series of mortgage covered bonds under the International Programme of Mortgage Covered Bonds Issuance, including 8 issues denominated in EUR and 4 denominated in PLN. In addition, on 27 June 2024, the Bank carried out a subscription for series 13 mortgage covered bonds with a total nominal value of PLN 500 million, with the issue date set for 5 July 2024.

In the first half of 2024, PKO Bank Hipoteczny SA carried out an issue of series 12 variable-coupon mortgage covered bonds. The nominal value of the mortgage covered bonds issued amounted to PLN 1 billion, which was a record amount of PLN-denominated mortgage covered bonds issued in the history of the Bank's operations.

In the first half of 2024, PKO Bank Hipoteczny SA redeemed two series of EUR-denominated mortgage covered bonds with a total nominal value of PLN 525 million.

The total value of issued and outstanding mortgage covered bonds under PKO Bank Hipoteczny SA's International Programme of Mortgage Covered Bonds Issuance (at nominal value) denominated in EUR and PLN as at 30 June 2024 amounted to EUR 1,000 million and PLN 2,750 million, respectively, which, using the average euro exchange rate announced by the National Bank of Poland at the end of June 2024, gives a total amount of PLN 7,063.0 million.

All series of mortgage covered bonds referred to above issued under the International Programme of Mortgage Covered Bonds Issuance are traded on the Luxembourg Stock Exchange and on the parallel regulated market of the Warsaw Stock Exchange. Mortgage covered bonds denominated in EUR are also accepted in repo transactions by the NBP and the European Central Bank.

Chart: Purchasers of EUR-denominated issues of PKO Bank Hipoteczny SA's covered bonds in the years 2016-2024

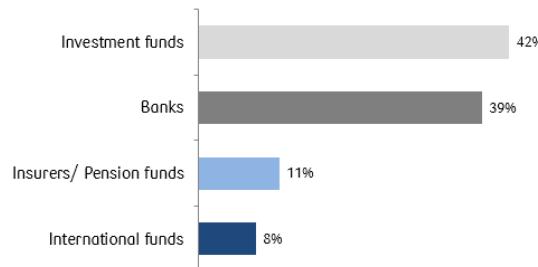


Chart: Geographical distribution of purchasers of EUR-denominated covered bonds of PKO Bank Hipoteczny SA's in the years 2016-2024

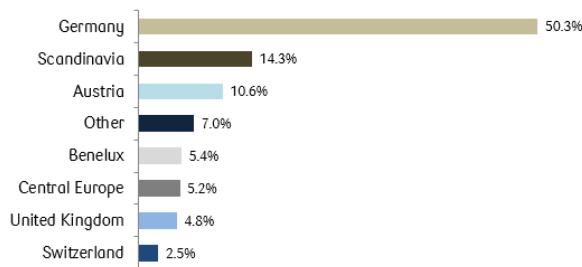


Chart: Purchasers of PKO Bank Hipoteczny SA's PLN covered bonds issues in the years 2023-2024

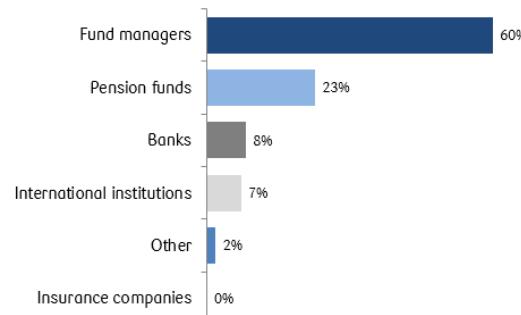
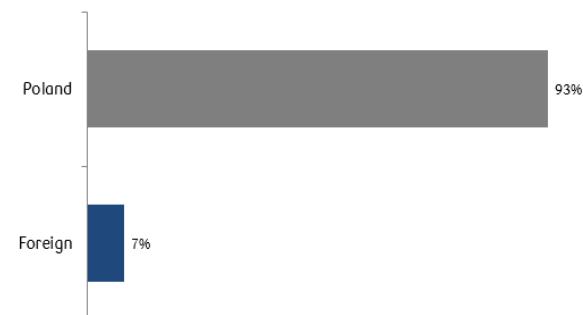


Chart: Geographical distribution of PLN covered bonds of PKO Bank Hipoteczny SA in the years 2023-2024



Mortgage covered bonds of PKO Bank Hipoteczny SA issued under the International Programme of Mortgage Covered Bonds Issuance and outstanding as at 30 June 2024:

Series	Mortgage covered bond number (ISIN)	Issue date	Redemption date	Series value (in millions)	Currency	Coupon	Rating of the issue	Listing
4	XS1690669574	27.09.2017	27.08.2024	500	EUR	0.75%	Aa1	LuxSE, WSE parallel regulated market
8	XS2495085784	04.07.2022	25.06.2025	500	EUR	2.125%	Aa1	LuxSE, WSE parallel regulated market
9	XS2583335943	09.02.2023	09.02.2026	500	PLN	WIBOR 3M +0.85%	Aa1	LuxSE and WSE parallel market
10	XS2641919639	28.06.2023	29.06.2026	500	PLN	WIBOR 3M +0.78%	Aa1	LuxSE
11	XS2711876370	02.11.2023	02.11.2026	750	PLN	WIBOR 3M +0.78%	Aa1	LuxSE, WSE parallel regulated market
12	XS2787873541	22.03.2024	22.03.2028	1,000	PLN	WIBOR 3M + 0.55%	Aa1	LuxSE, WSE parallel regulated market

The funds raised from the issues of mortgage covered bonds have been used by PKO Bank Hipoteczny SA to grant residential loans and to purchase mortgage loan receivables from PKO Bank Polski SA.

PREMIUM LABEL

Pursuant to Article 7d of the Polish Covered Bonds and Mortgage Banks Act of 29 August 1997, mortgage covered bonds may be labelled as European Covered Bonds or European Covered Bonds (premium). Mortgage covered bonds of PKO Bank Hipoteczny are labelled as European Covered Bonds (premium). The "premium" label allows easy and unequivocal identification of whether the mortgage covered bonds meet the requirements of Article 129 of the CRR, which is to facilitate assessment of their quality by investors and therefore increase their attractiveness as an investment instrument both in the EU and in other countries.

The list of mortgage covered bonds issues which include mortgage covered bonds labelled as European Mortgage Bonds or European Mortgage Bonds (premium) is available on the PFSA website:

https://www.knf.gov.pl/podmioty/Podmioty_sektora_bankowego/Banki_hipoteczne

THE COVERED BOND LABEL

On 6 February 2018, PKO Bank Hipoteczny as the first issuer of mortgage covered bonds from Poland joined The Covered Bond Label. The Covered Bond Label is a quality certificate, whose purpose is to build awareness of the safety and high quality of assets such as mortgage covered bonds among investors.

The Bank's details on the website of The Covered Bond Label are available at:

<https://coveredbondlabel.com/issuer/132-pko-bank-hipoteczny-spolka-akcyjna>

ENERGY EFFICIENT MORTGAGE LABEL

The Energy Efficient Mortgage Label was created by the European Mortgage Federation – European Bond Council (EMF-ECBC) as a clear and transparent quality label for consumers, lenders and investors, aimed at identifying energy-efficient residential mortgage loans.

PKO Bank Hipoteczny was the first Polish bank to join the Energy Efficient Mortgage Label. This initiative is aimed at supporting the Green Deal and climate neutrality by 2050, and at adapting the product portfolio to regulatory changes such as the new EU taxonomy.

The Bank's details on the website of Energy Efficient Mortgage Label are available at:

<https://www.energy-efficient-mortgage-label.org/issuer/22-pko-bank-hipoteczny-spolka-akcyjna>

GREEN COVERED BONDS

In 2019, PKO Bank Hipoteczny SA for the first time published the Green Covered Bond Framework - GCBF. In June 2022 the GCBF was published by the Bank in an updated version, in connection with the planned issue of Green Covered Bonds. The GCBF specifies, among other things, the principles for selecting assets to secure the Green Covered Bond issues. Green issues by PKO Bank Hipoteczny SA are secured with mortgages that meet the highest energy efficiency and CO₂ emissions standards.

The proceeds from Green Covered Bonds are used exclusively to provide full or partial funding or refunding of new and/or existing projects which have been classified as green assets. The Green Covered Bonds of PKO Bank Hipoteczny SA satisfy the criteria set by the International Capital Market Association (ICMA), which are known as Green Bond Principles (GBP). The GBP are a set of guidelines concerning the purpose of funding, assessment and selection of assets, managing the proceeds from the issue and reporting the allocation of funds.

In June 2019 and then in June 2022, PKO Bank Hipoteczny SA obtained a second party opinion for its Green Covered Bond Framework from Sustainalytics, a specialized and certified international institution. PKO Bank Hipoteczny SA's Green Covered Bonds are certified by the Climate Bond Initiative (CBI) - the last post-issue certification took place in May 2023. The CBI certificate is awarded to bonds and mortgage covered bonds that meet the highest standards in terms of positive environmental impact.

At least once a year the Bank publishes a report on the allocation and impact of the issues of the Green Covered Bonds on the environment.

For more detailed information concerning Green Covered Bonds issued by the Bank, please visit:

<https://www.pkobh.pl/en/covered-bond/green-covered-bonds/>

4.5. FINANCIAL MARKET OPERATIONS

PKO Bank Hipoteczny SA executes treasury transactions on the wholesale financial market. The purpose of the transactions is to manage liquidity (over short-, mid- and long-term horizons) and the Bank's foreign currency position. Additionally, the Polish Covered Bonds and Mortgage Banks Act imposes an obligation on PKO Bank Hipoteczny SA to mitigate the risk caused by fluctuations in exchange rates.

For the purpose of funding residential loans and acquiring receivables from residential loans granted by PKO Bank Polski SA, PKO Bank Hipoteczny SA issues mortgage covered bonds and unsecured bonds, takes out credit lines and assumes liabilities for purchased receivables.

In the Management Board's opinion, as at 30 June 2024, there were no indications of a risk of late payment of the liabilities incurred by the Bank. As at 30 June 2024, the Bank complied with all internal and regulatory liquidity limits. Details of the levels of the Bank's liquidity limits are provided in Note 34 "Liquidity risk management" to the financial statements of PKO Bank Hipoteczny SA for the six months ended 30 June 2024.

As far as the issue of EUR-denominated mortgage covered bonds is concerned, for the purpose of hedging interest rate risk and foreign exchange risks, PKO Bank Hipoteczny SA entered into Cross-Currency Interest Rate Swap (CIRS) transactions, under which the Bank pays a coupon in PLN based on a variable interest rate, and receives a coupon based on a fixed interest rate for EUR. If PKO Bank Hipoteczny SA is declared bankrupt by a court, the CIRS transactions will automatically be extended by 12 months on the terms set on the transaction date. Additionally, the Bank has executed a series of FX-Forward contracts, which hedge currency exposures with maturities on the payment dates of the coupons for the EUR-denominated mortgage covered bonds.

As far as the issue of fixed-interest rate mortgage covered bonds in PLN is concerned, PKO Bank Hipoteczny SA entered into IRS transactions to hedge interest rate risk. Under the IRS transactions, the Bank pays a coupon based on a floating PLN rate, and receives a coupon based on a fixed PLN rate.

4.6. BONDS – BOND ISSUE PROGRAMME AGREEMENT CONCLUDED WITH PKO BANK POLSKI SA

On 30 September 2015, PKO Bank Hipoteczny SA concluded an Own Bonds Issue Programme Agreement with PKO Bank Polski SA, based on which zero coupon bonds, variable coupon bonds and fixed coupon bonds with maximum tenors up to 36 months may be issued.

In the first half of 2024, the Bank issued bonds with a total nominal value of PLN 3,150.0 million under this Programme. At the same time, the Bank redeemed bonds with a total nominal value of PLN 2,159.0 million. The balance of bonds issued under the Programme was PLN 3,016.0 million as at 30 June 2024. The Bank intends to continue raising funds under this Programme.

5. INTERNAL OPERATING CONDITIONS

Lending process and cooperation with PKO Bank Polski SA
Internal governance
Internal control system
Risk management
Measurement of residential mortgage loan collaterals
Cover Pool for mortgage covered bonds
Cover Pool Monitor
Statutory limits

5.1. LENDING PROCESS AND COOPERATION WITH PKO BANK POLSKI SA

PKO Bank Hipoteczny SA purchases residential mortgage loans for its portfolio as part of its strategic cooperation with PKO Bank Polski SA. The banks work together under two models:

- agency model;
- pooling model.

Cooperation with PKO Bank Polski SA is governed in detail by an outsourcing agreement concluded on 16 January 2015, as amended. The agreement governs the scope of the cooperation and describes in detail the method of performing the outsourced functions, first and foremost in the area of offering and administering residential loans and performing support functions for PKO Bank Hipoteczny SA. Additionally, the provisions of the agreement impose obligations on PKO Bank Polski SA to duly perform the outsourced functions, and on PKO Bank Hipoteczny SA to ensure broad reporting and control.

On 17 November 2015, the Receivables Sale Framework Agreement was signed with PKO Bank Polski SA. On the basis thereof, the Bank has been acquiring portfolios of receivables in respect of residential mortgage loans from PKO Bank Polski SA since December 2015.

5.2. INTERNAL GOVERNANCE

An effective and transparent internal governance system is operative in the Bank, as specified in PKO Bank Hipoteczny SA's Articles of Association and the adopted internal regulations which comprise:

- the Bank's management system;
- the Bank's organization; and
- operating principles, rights, duties and responsibilities, and mutual relationships between the Bank's particular authorities and organizational units, including the Supervisory Board, Management Board and key employees.

The key elements of internal governance, its goals and relationships between them and the basic principles of the Bank's organization are defined in the Bank's Management Strategy.

The Bank's Management System covers all the aspects of the Bank's functioning, and in particular strategic planning and managing of the Bank's strategy, the internal control system, the risk management system, ethical principles, whistleblowing procedures for anonymous notification of violations of the law and the ethical procedures and standards binding in the Bank, capital adequacy, the manner of shaping products, managing human resources and the remuneration policy.

The Bank conducts its activities in a responsible manner, taking into consideration the principles of internal governance, guided by the need to maintain the highest diligence, professionalism and ethics. The Bank discharges its duties under the binding legal regulations, complies with the requirements for regulated institutions imposed by the Polish Financial Supervision Authority in the form of recommendations and good practices for the banking sector, the Corporate Governance Framework for supervised institutions, and guidelines specified by the European Banking Authority to be adopted pursuant to the supervisory practice in the Member States in the scope relating to the Bank's operations

and the adopted business model, in consideration of the scale, specificity and nature of the Bank's operations. The above rules support the Bank in its endeavours to reinforce operating transparency and maintain safety of its operations.

The Bank's Management Board is responsible for designing, implementing, and ensuring the compliance with and the proper functioning of the internal governance, taking into account all their components. The Bank's Management Board regularly informs the Bank's Supervisory Board of the state of implementation of the Bank's management strategy and its risk management strategy, and of the most important related issues; if necessary, it also immediately notifies of events and circumstances material for the assessment of the Bank's position and its management.

The Bank's Supervisory Board oversees the implementation and functioning of the internal governance and assesses its adequacy and effectiveness. The assessment takes into account primarily all the elements comprising internal governance and potential material changes in internal and external factors which may have an impact on the Bank's operations

Pursuant to Recommendation Z of the PFSA, the Bank's Management Board analysed the results of the periodical reviews and evaluations of particular areas comprising the internal governance system functioning in the Bank with respect to the year 2023. Internal governance was assessed based on a set of periodic reports produced as part of the Bank's management information system. The results of the analysis were summarized in the "Report on the assessment of the functioning of internal governance in PKO Bank Hipoteczny SA for the year 2023". No deficiencies or non-compliance with the legal regulations and regulatory requirements were identified with respect to the Bank's internal governance. Individual evaluations of the internal governance components allowed the Management Board to recommend a positive opinion on the assessment of the Bank's internal governance to the Supervisory Board.

Taking into account the recommendation of the Management Board and the results of periodical reviews and evaluations of particular components of the Bank's internal governance disclosed in comprehensive "Report on the assessment of the functioning of internal governance in PKO Bank Hipoteczny SA for the year 2023", the Supervisory Board assessed the Bank's internal governance in 2023 as satisfactory and effective.

5.3. INTERNAL CONTROL SYSTEM

PKO Bank Hipoteczny SA's internal control system is one of the elements of managing the Bank. The objective of the internal control system is to support the Bank's decision-making processes to ensure:

- effectiveness of the Bank's operations;
- reliability and accuracy of financial reporting, administrative and accounting procedures, and reliable internal and external reporting;
- compliance with the risk management policy;
- compliance of the Bank's operations with the generally applicable laws, internal regulations and market standards adopted by the Bank, taking into account regulatory recommendations.

The Bank's internal control system includes:

- the control function designed to ensure compliance with controls relating, in particular, to risk management; this function covers all of the Bank's business units which are responsible for carrying out the tasks assigned to this function;
- the compliance function, which, together with the business units, is responsible for identifying, assessing, controlling and monitoring the risk of the Bank's non-compliance with the generally applicable laws and with the Bank's internal regulations and market standards adopted by the Bank, taking into account regulatory recommendations, and for the submission of the relevant reports;
- the independent internal audit function to evaluate and assess, independently and objectively, the adequacy and effectiveness of the risk management system, the internal control system, and corporate governance, except for the aspects relating to the internal audit function itself.

The Bank's internal control system is arranged on three independent levels:

- the first level consists of organizational structures that perform operational tasks to manage exposure to risks, which operate under the internal regulations;
- the second level comprises operations of the compliance function and the identification, measurement or estimation, controlling, monitoring and reporting of the Bank's material risks, and the identified threats and irregularities – these tasks are performed by specialized organizational structures operating under applicable policies, methodologies and procedures. The purpose of such structures is to ensure that actions at the first level are properly designed and effectively mitigate risks, support risk measurement and analysis, and ensure the effectiveness of operations;
- the third level is internal audit, which carries out independent audits of elements of the Bank's management system, including the risk management system and the internal control system. Internal audit operates separately from the first and second levels.

The Bank's Management Board ensures the continuity of the internal control system's operation and proper cooperation of all business units within the implemented internal control system. The Management Board also identifies corrective actions to be taken to remedy any irregularities identified by the internal control system, including specific corrective and disciplinary measures. The Bank's Management approves the criteria for separating essential processes, taking into account, among other things, the management strategy, the business model, capital adequacy and the impact on the Bank's financial result. The Bank's Management Board also approves the list of significant processes and their relationship with the internal control system's objectives.

Supervision over the internal control system is exercised by the Supervisory Board with the support of the Audit and Finance Committee of the Bank's Supervisory Board. The Supervisory Board approves, in particular, the principles of operation of the internal control system and assesses the adequacy and effectiveness of the system. The Audit and Finance Committee supports the Supervisory Board by monitoring and reviewing the adequacy and effectiveness of the internal control system based on the reports obtained from the compliance function, internal audit and the control function matrix coordinator, as well as by reviewing draft resolutions of the Management Board in terms of the internal control system, the approval of which falls within the competence of the Bank's Supervisory Board.

The results of monitoring and testing the controls functioning as part of the internal control system did not reveal any material or critical irregularities, and the improvement actions taken were adequate to the Bank's business model and scale of operations.

5.4. RISK MANAGEMENT

The risk management process is a key process in PKO Bank Hipoteczny SA. Its purpose is to ensure the Bank's financial stability, protect the values and safety of the mortgage covered bonds issued and to ensure that the funds derived from the issue of bonds and the Bank's other funding sources are secure by striving to maintain the risk level within the adopted tolerance level. The risk management system is also intended to ensure that information on the risk is appropriate and as comprehensive as possible when making decisions, and to effectively embed risk management in the Bank's organizational culture. The assumed level of risk is an important element of the planning and decision-making processes.

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

- the Bank manages all identified risks associated with its operations;
- the process of risk management is adequate to the scale of the Bank's operations and to the materiality, scale and complexity of a given risk;
- the risk management process supports the execution of the Bank's management strategy in compliance with the risk management strategy, in particular with respect to the risk tolerance level;
- the process of risk management is continuously updated for new risk factors and sources;

- the risk management methods and the risk measurement systems are adjusted to the scale and complexity of the Bank's operations and to the nature and magnitude of the risks to which the Bank is exposed;
- the risk management methods are periodically reviewed and validated;
- risk management is integrated with planning and controlling processes;
- the risk level is regularly monitored and compared against the system of limits that apply in the Bank, and the Bank's management receives regular information on the risk level;
- the risk management process is consistent with the risk management principles of the PKO Bank Polski SA Group.

PKO Bank Hipoteczny SA identifies and manages the following types of risk:

MATERIAL RISKS	<ul style="list-style-type: none">• Credit risk• Liquidity risk, including funding risk• Interest rate risk• Model risk• Business risk, including macroeconomic risk• Operational risk
MONITORED RISKS	<ul style="list-style-type: none">• Concentration risk• Residual risk• Foreign exchange risk• Derivative instruments risk• Compliance risk• Reputation risk• Capital adequacy risk, including excessive leverage risk

While determining the criteria for considering certain risks to be material, the impact of such risk on the Bank's activities is taken into account, and three levels of risk are distinguished:

- material risks – which are subject to active management;
- monitored risks – which are monitored for materiality;
- other unidentified risks in the Bank's operations (immaterial and unmonitored).

For monitored risks, PKO Bank Hipoteczny SA performs periodic monitoring of whether they should be designated as material. The Bank defined materiality criteria which, when exceeded, will lead to the recognition of a risk as material.

In its risk management strategy, the Bank has defined a number of strategic limits which define its tolerance for different risks. The Bank monitors these limits on an ongoing basis. None of the limits were exceeded in the first half of 2024.

A detailed description of the Bank's risk management objectives and methods is provided in the financial statements of PKO Bank Hipoteczny SA for the year ended 31 December 2023, in the chapter "Objectives and principles of risk management". These financial statements also provide important information on the level of financial risk in the Bank's operations, together with the methods of hedging significant types of planned transactions to which hedge accounting is applied.

5.5. MEASUREMENT OF RESIDENTIAL MORTGAGE LOAN COLLATERALS

PKO Bank Hipoteczny SA's policy concerning loan collaterals and their measurement is based on the provisions of the following legal acts:

- the Act on Covered Bonds and Mortgage Banks;
- the Act on Land and Mortgage Registers and Mortgage;

- The Banking Law.

Additionally, loan collaterals is addressed by:

- the recommendations of the PFSA, including Recommendations F, S and J;
- the Bank's internal regulations.

The Bank has in place and applies the Rules for Setting the Mortgage Lending Value of Real Estate, approved by the PFSA. The Rules take into account the provisions of Recommendation F concerning the basic criteria applied by the Polish Financial Supervision Authority in approving rules for setting the mortgage lending value of real estate issued by mortgage banks.

The MLV of real estate is the value determined by a mortgage bank which, in the Bank's opinion, reflects the level of risk associated with the real estate as the loan collateral. The MLV is used to determine the maximum amount of a loan that can be secured by a mortgage on given real estate, and to decide whether a receivable secured by particular real estate can be purchased by the Bank. The mortgage lending value of real estate is determined prudently, taking into consideration long-term parameters.

PKO Bank Hipoteczny SA determines MLV on the basis of expert opinions on the mortgage lending value of real estate. Such opinions are prepared with due diligence and prudence. They take into account only those real estate characteristics and expenditures necessary for its development which will be of a permanent nature and which any real estate holder will be able to obtain assuming rational exploitation. An expert opinion, prepared as at a specific date, documents assumptions and parameters underlying the analysis, the process of determining the MLV and the resulting MLV proposal. The expert opinion takes into account analyses and forecasts concerning specific parameters for a given real estate, which affect the evaluation of credit risk, as well as factors of a general nature, e.g. population growth, the unemployment rate and urban development planning.

The process of determining the MLV is carried out in the Bank by a dedicated team of experts in property valuation.

In the agency model, the process of setting the mortgage lending value of real estate comprises three stages:

PREPARATION OF THE MLV EXPERT OPINION	Real estate appraiser with appropriate experience and the ability to estimate banking risk in the area of securing residential mortgage loans or a dedicated business unit of the Bank – the Collateral Valuation Team, based on a report from the inspection of the real estate prepared by a real estate appraiser
VERIFICATION OF THE MLV OPINION	PKO Bank Polski SA under the Outsourcing Agreement, or a dedicated business unit of the Bank – the Collateral Valuation Team
DETERMINING THE MORTGAGE LENDING VALUE OF THE REAL ESTATE	A dedicated business unit of the Bank: the Collateral Valuation Team

In the case of the purchase of a receivable, the process of setting the mortgage lending value of real estate comprises four stages:

CONFIRMATION OF THE REAL ESTATE'S LEGAL STATUS	PKO Bank Polski SA, under the Outsourcing Agreement
PREPARATION OF A REPORT FROM THE INSPECTION OF THE ESTATE, INCLUDING MARKET RESEARCH	Appraiser with appropriate experience and the ability to estimate banking risk in the area of securing residential mortgage loans
PREPARATION OF THE MLV EXPERT OPINION	The Bank's dedicated business unit : the Collateral Valuation Team

**DETERMINING THE MORTGAGE
LENDING VALUE OF THE REAL ESTATE**

A dedicated business unit of the Bank – the Collateral Valuation Team

The processes of preparing an MLV expert opinion and setting the mortgage lending value of real estate described above are executed by two independent individuals.

5.6. COVER POOL FOR MORTGAGE COVERED BONDS

PKO Bank Hipoteczny SA maintains a cover pool for its mortgage covered bonds.

The manner of maintaining the cover pool is governed by:

- The Polish Covered Bonds and Mortgage Banks Act of 29 August 1997 (Journal of Laws of 2022 item 581, as amended) (hereinafter: the "Act");
- Resolution No. 633/2015 of the Polish Financial Supervision Authority dated 1 December 2015 on defining the form of the cover pool;
- Recommendation K of the PFSA of 9 February 2016 concerning the principles for maintaining a cover pool by mortgage banks.

The Cover Pool Monitor and his/her Deputy are responsible for supervising the cover pool on an ongoing basis.

In the cover pool, the Bank includes residential loan receivables secured with the first mortgage entered in the Land and Mortgage Register, and rights and funds that constitute the basis for issuing mortgage covered bonds, as well as additional funds that constitute the excess to cover interest on outstanding mortgage covered bonds which is due in the following six months. The mortgage covered bonds are secured by the first mortgage. The following Bank's funds can also constitute the basis for issuing mortgage covered bonds:

- invested in securities issued or guaranteed by the National Bank of Poland, the European Central Bank, governments and central banks of Member States of the European Union and/or the Organization for Economic Cooperation and Development, with the exception of countries that are restructuring or have restructured their foreign debt in the past five years;
- deposited with the National Bank of Poland;
- deposited with domestic banks or with a credit institution referred to in Article 18. 3 of the Act.

The nominal value of loans entered in the Bank's cover pool representing collateral for the mortgage covered bonds issued totalled PLN 16,113.9 million as at 30 June 2024. The nominal value of the over-collateralization in the form of securities issued by the State Treasury, denominated in PLN, stood at PLN 80 million. As at 31 December 2023 it was PLN 16,768.2 million and PLN 205 million respectively. The Bank's cover pool also included CIRS hedging foreign exchange risk and interest rate risk of the EUR mortgage covered bonds and IRS transactions hedging the interest rate risk of PLN mortgage covered bonds issued based on a fixed interest rate.

In the first half of 2024 and in the previous years the 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).

Basic data on the cover pool as at 30 June 2024 and 31 December 2023 is shown in the following table:

	30.06.2024	31.12.2023
Total cover pool, including (in PLN million)	16,193.9	16,973.2
<i>loans secured by mortgages (in PLN million)</i>	16,113.9	16,768.2
<i>other assets¹⁸ (in PLN million)</i>	80	205.0

¹⁸ Article 18(3) of the Covered Bonds and Mortgage Banks Act.

	30.06.2024	31.12.2023
Liquidity buffer ¹⁹ (in PLN million)	275.8	232.9
Nominal value of hedging transactions ²⁰ (in PLN million)	4,370.5	6,685.9
Number of loans	95,474	98,681
Average loan value (in PLN '000)	168.8	169.9
Average weighted time since loan issuance (seasoning) (months)	88.6	84.3
Average maturity (months)	235.4	239.6
Average LtV (loan amount to market value) (%)	32.5	34.0
Average LtMLV (loan amount to LtV) (%)	62.7	63.5
Over-collateralization ²¹ (%)	91.8	63.0

5.7. COVER POOL MONITOR

The purpose of the Cover Pool Monitor is to ensure protection of the financial interests of the holders of mortgage covered bonds. The Covered Bonds and Mortgage Banks Act guarantees protecting the independence of the Cover Pool monitor and his/her deputy. Cover pool Monitors are appointed by the Polish Financial Supervision Authority, upon request of the Bank's Supervisory Board, for a period of six years.

Due to the lapse of the six-year period referred to above, on 5 March 2021 the PFSA appointed the Cover Pool Monitor and the Deputy Cover Pool Monitor for PKO Bank Hipoteczny SA, and the same persons were reappointed:

	Function	Date of appointment	Date of dismissal / resignation
Tadeusz Swat	Cover Pool Monitor	05.03.2021	-
Grzegorz Kędzia	Deputy Monitor	05.03.2021	-

5.8. STATUTORY LIMITS

Acting under the Act on Covered Bonds and Mortgage Banks, PKO Bank Hipoteczny SA is obliged to monitor and comply with designated limits related to the operations of a mortgage bank.

On 8 July 2022 the amended Act on Covered Bonds and Mortgage Banks came into force. By that date, the Bank made the necessary changes to its internal regulations to ensure compliance with the amended wording of the Act.

The statutory limits and the level of their utilization as at 30 June 2024 and 31 December 2023 were as follows:

Limit	Legal basis	Limit level	Actual level	
			30.06.2024	31.12.2023
Ratio of funds received from the issue of mortgage covered bonds designated for refinancing mortgage-secured loans or receivables from such loans acquired from other banks to the sum of 80% of the mortgage lending value of particular residential properties that constitute the collateral	art.14	≤100%	50.4%	59.4%

¹⁹ Article 18(3a) of the Covered Bonds and Mortgage Banks Act.

²⁰ The nominal value of a hedging transaction corresponds to the issue price of the mortgage covered bond.

²¹ Accounts for the net value of hedging transactions and does not account for non-performing loans (NPL).

Limit	Legal basis	Limit level	Actual level	
			30.06.2024	31.12.2023
Ratio of the total value of acquired shares in other entities to the Bank's own funds	Article 15.1(5)	≤10%	0.0%	0.0%
Ratio of the total value of loans and advances taken out and bonds issued to the Bank's own funds	Article 15.2	≤1000%	466.5%	408.1%
Ratio of total loans and advances taken out and bonds issued to the amount designated for refinancing of activities described in Article 12 of the Act, i.e. granting of loans secured and not secured by mortgages, purchasing other banks' receivables on loans secured or not secured by mortgage granted by these banks	Article 15.3	≤100%	44.9%	36.9%
Ratio of total nominal value of mortgage covered bonds outstanding to the Bank's own funds and general risk provision	Article 17	≤4000%	511.6%	642.1%
Ratio of nominal amounts of mortgage-secured receivables and amounts of the Bank's additional rights and funds entered in the cover pool which constitute the basis for issuing mortgage covered bonds to the total nominal value of outstanding mortgage covered bonds (including hedging instruments)	Article 18.1	≤105%	191.8%	163.0%
Ratio of the nominal value of mortgage-secured receivables which constitute the basis for issuing mortgage covered bonds to the total nominal value of the outstanding mortgage covered bonds	Article 18.1	≤85%	192.9%	161.7%
Ratio of interest expense on outstanding mortgage covered bonds (overnight interest as at the date of transfer to account) to interest income on mortgage-secured receivables and amounts of the Bank's additional rights and funds constituting the basis for issuing mortgage covered bonds (overnight interest as at the date of transfer to account), with the exception of assets in default within the meaning of Article 18.2a of the Act	Article 18.2	≤100%	34.9%	48.8%
Ratio of the Bank's funds constituting the excess referred to in Article 18.3a and c of the Act to the maximum cumulative outflows of net liquidity over the following 180 days. Outflow of net liquidity constitutes outflows of payments maturing on a given payment date including payments of the nominal value of mortgage covered bonds plus interest and payments with respect to derivative instruments under the mortgage covered bonds programme, after deducting inflows of payments from assets securing the mortgage covered bonds maturing on the same date. The amount of payments of the nominal value of mortgage covered bonds is calculated using the period to maturity of the mortgage covered bonds extended by 12 months	Article 18.3a, 3aa, 3b and 3d	≤100%	6,820.8%	2,839.5%
Ratio of the amount of receivables secured by mortgages established in the course of construction projects to the total amount of mortgage-backed receivables underlying the issuance of mortgage bonds	Article 23(1), first sentence	≤10%	1.1%	1.4%
Ratio of the value of claims secured by mortgages established on real estate earmarked for development, in accordance with the zoning plan, to the value of claims secured by mortgages established in the course of construction projects underlying the issuance of mortgage bonds	Article 23(1), second sentence	≤10%	0.0%	0.0%

The Bank obtained positive results of the liquidity tests and coverage balance tests conducted as at 30 June 2024 and at the end of 2023.

6. ORGANIZATION AND GOVERNING BODIES OF PKO BANK HIPOTECZNY SA

Qualified staff

Organizational structure of PKO Bank Hipoteczny SA

Competences of the governing bodies and committees of PKO Bank Hipoteczny SA

The Management Board of PKO Bank Hipoteczny SA

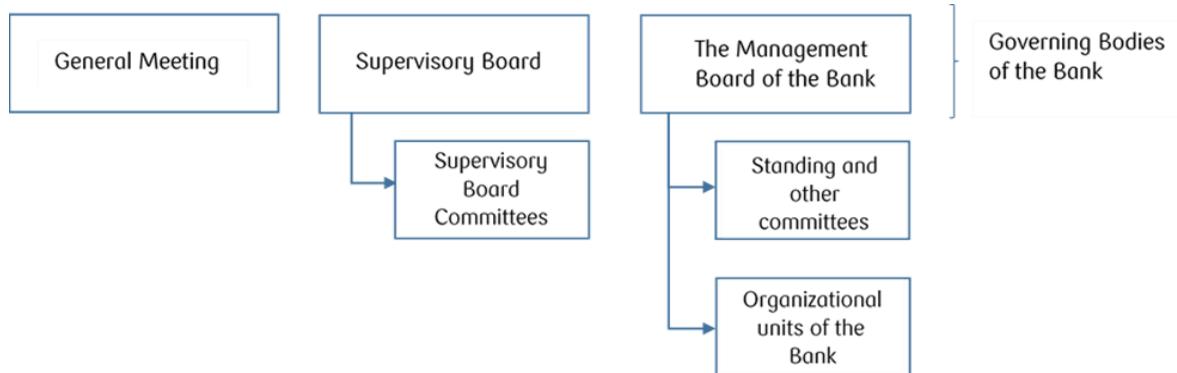
The Supervisory Board of PKO Bank Hipoteczny SA

6.1. QUALIFIED STAFF

The Bank implements tools and procedures to ensure that staff employed by the Bank have the highest qualifications in the Bank's key business areas. The Bank systematically raises the qualifications of its staff and is committed to ensuring stability of its workforce. These factors have a significant impact on the pursuit of the Bank's strategy and its business objectives, and therefore on its operations and performance.

6.2. ORGANIZATIONAL STRUCTURE OF PKO BANK HIPOTECZNY SA

PKO Bank Hipoteczny SA is managed on the basis of the organizational structure presented in the chart below and within the framework of the duties of the Bank's Governing Bodies, described in the following section of this chapter.



6.3. COMPETENCES OF THE GOVERNING BODIES AND COMMITTEES OF PKO BANK HIPOTECZNY SA

The competences of the **General Shareholders' Meeting** of the Bank include in particular:

- appointing and dismissing members of the Supervisory Board and determining the principles for remunerating them and covering the costs related to the performance of the function of a Supervisory Board member by the Bank;
- determining the procedures for redeeming shares, the compensation for such redeemed shares and granting consent for the purchase of the Bank's treasury shares for redemption purposes;
- creating and dissolving special funds accumulated from net profit;
- adopting resolutions on the issue of bonds convertible into shares or other instruments entitling the holder to acquire or take up shares in the Bank;
- adopting resolutions on the liquidation, disposal or lease of the enterprise of the Bank or its organized part and establishing limited property rights over them;
- adopting resolutions on the settlement of claims for damage caused at the establishment of the Bank, or by the exercise of management or supervision;

- granting consent for the Bank taking up, acquiring – to the extent allowed by the Act – as well as for selling or encumbering shares in companies by the Bank, redeeming shares in companies held by the Bank, as well as making additional payments to such companies by the Bank, making contributions, investing and disinvesting in companies and granting consent for the purchase and sale of bonds or other securities convertible into shares;
- assessing whether the Bank's remuneration policy contributes to the development and safety of the Bank's operations;
- granting consent to dispose of intangible fixed assets, property, plant and equipment, including making contributions to a company or cooperative if the market value of the assets exceeds 5% of total assets determined on the basis of the latest approved financial statements, and offering these assets for use to another entity, for a period longer than 180 days in a calendar year, based on a legal transaction, if the market value of the subject matter of the legal transaction exceeds 5% of total assets;
- granting consent to purchase fixed assets with a value exceeding PLN 100,000,000 or 5% of total assets determined based on the latest approved financial statements;
- assessing the adequacy of internal regulations concerning the functioning of the Supervisory Board and evaluating the effectiveness of the Supervisory Board's actions.

The competences of **the Bank's Supervisory Board** include, in particular:

- approving the Bank's annual financial plan and long-term development plans (in particular the Bank's strategy);
- approving the Bank's compliance policy;
- approving the Bank's governance strategy, risk management strategy, including the Bank's overall risk level, internal capital estimation and capital management policies and reviewing internal capital estimation and capital management strategies and procedures;
- approving the policies for creating and changing the Bank's products;
- approving the audit charter, the internal audit function's strategy, the annual and long-term internal audit plans and the principles for cooperation with the internal audit function at PKO Bank Polski SA and the statutory auditor;
- approving and periodically reviewing the general principles of the remuneration policy for persons whose professional activities significantly affect the Bank's risk profile;
- approving the operating principles of internal controls, the criteria for assessing the adequacy and effectiveness of the internal control system and the principles for classifying irregularities discovered by the internal controls;
- approving the Management Board Rules;
- approving the Rules for Setting the Mortgage Lending Value of real estate, which take effect after the approval by the PFSA;
- approving the Code of Ethics and the Principles for the Management of Conflicts of Interest;
- approving the Bank's organisational framework structure, adjusted to the scale and risk profile of the Bank;
- approving the results of reviews of the performance of the cooperation agreements concluded with PKO Bank Polski SA;
- adopting the Supervisory Board Rules;
- appointing and dismissing individual members of the Management Board, and determining the detailed rules and procedures of conducting the qualification procedure for a member of the Management Board;
- suspending, if there are important reasons, individual or all members of the Management Board in their functions and delegating members of the Supervisory Board to temporarily perform the functions of the members of the Management Board who were suspended, resigned or cannot perform their functions for other reasons, for a period of no longer than three months;

- giving consent to a member of the Management Board to conduct competitive activities or participate in a competing company as a partner in a civil law partnership or general partnership, or as a member of the authorities of a commercial company, or to participate in another competing legal person as a member of its governing bodies;
- giving consent to creating and winding up the Bank's branches and other organizational units of the Bank in Poland and abroad, granting prior permission to the Management Board to acquire, encumber or sell real estate, interest in real estate or the right of perpetual usufruct therein; the permit is not required if the acquisition of the real estate, interest in the real estate or its perpetual usufruct being sold is conducted under executory, bankruptcy, composition proceedings or another type of arrangement with the Bank's debtor;
- giving opinions on entertainment expenses and expenses on legal, marketing, PR and social communication, and management advisory services;
- giving consent for the Bank to conclude a contract and for amending a contract concluded by the Bank for legal, marketing, public relations, social communication and management advisory services, if the amount of the total remuneration stipulated with respect to the provision of such services in the given contract or in other contracts concluded with the same entity exceeds PLN 500,000 net during one year and in which the maximum remuneration is not defined;
- giving consent for the conclusion of a donation agreement or another agreement with a similar effect exceeding PLN 20,000 or 0.1% of the value of total assets determined based on the latest approved financial statements;
- giving consent for the conclusion of a loan forgiveness agreement or another agreement with a similar effect exceeding PLN 50,000 or 0.1% of the value of total assets determined based on the latest approved financial statements;
- giving opinions on the good practices report;
- representing the Bank in contracts with members of the Management Board,
- approving the policy and procedures for selecting an audit firm responsible for auditing the Bank's financial statements and the policy for providing permitted non-audit services by the audit firm performing the audit, its related entities and members of its network;
- selecting an audit firm to conduct an audit or review of the Bank's financial statements;
- assessing the Directors' Report on the Bank's activities and the financial statements for the previous financial year in terms of their consistency with the books of account and documents and the factual situation, and the proposals of the Management Board concerning the distribution of profit or the offsetting of losses and presenting a written annual report on the results of these assessments to the General Shareholders' Meeting;
- assessing the adequacy and effectiveness of the internal governance, internal control system, including the control function of the compliance unit and the internal audit unit, as well as assessing the adequacy and effectiveness of the risk management system;
- assessing the effectiveness of the Bank's compliance risk management;
- assessing the adequacy and effectiveness of the whistleblowing procedure with respect to violations of the law and of the procedures and ethical standards in force at the Bank;
- overseeing the implementation of the management system and assessing its adequacy and effectiveness;
- applying to the PFSA for consent to appoint two members of the Management Board, including the President of the Management Board and the member of the Bank's Management Board responsible for managing risks material to the Bank's operations, and to entrust the function of the member of the Management Board responsible for supervising the management of risks material to the Bank's operations to an appointed member of the Management Board;
- informing the PFSA about including on the agenda of a Supervisory Board meeting items concerning: (i) dismissing the President of the Management Board; (ii) dismissing the member of the Management Board supervising material risk management or entrusting his duties to another member of the Board;

- applying to the PFSA for consent to the appointment of the Bank's Cover Pool Monitor and Deputy Cover Pool Monitor;
- granting consent to appointing and dismissing the person managing the compliance and internal audit unit;
- granting consent to changing the registered office or location (address) of the Bank;
- assessing the functioning of the Bank's remuneration policy and submitting relevant reports to the General Shareholders' Meeting;
- assessing the application of the Principles of Corporate Governance for Supervised Institutions by the Bank.

In the first half of 2024, **Supervisory Board committees** which operated in the Bank had, in particular, the following competences:

**AUDIT AND
FINANCE
COMMITTEE**

- monitoring and periodically expressing opinions on: (i) the adequacy and effectiveness of the internal control system, risk management system and internal audit, including financial reporting; (ii) the effectiveness of the Bank's compliance risk management and the adequacy of the compliance unit; (iii) the application of the Principles of Corporate Governance for Supervised Institutions and implementation and application of internal governance, and its adequacy and effectiveness; (iv) the adequacy and effectiveness of the whistleblowing policy and the ethical procedures and standards in force at the Bank, using the information obtained from the Bank, the Risk Committee, independent statutory auditor and from other sources;
- giving opinions on the proposed annual and tri-annual internal audit plans;
- giving opinions on Management Board information relating to the operation of the internal control system, the manner of ensuring independence of the internal audit and the compliance units, and ensuring funds for the purpose of performing tasks and improving the qualifications and skills of the units' staff;
- monitoring the financial reporting process, including the review of the Bank's interim and annual financial statements, and expressing opinions on them;
- monitoring the performance of audit work, in particular the audits performed by external audit firms, in consideration of all the conclusions and findings of the Audit Supervision Committee from the inspection of the audit firm;
- controlling and monitoring the independence of the statutory auditor and the audit firm, including an evaluation of independence risks and safeguards, in particular when other, non-audit services are provided to the Bank by the audit firm;
- obtaining a representation confirming the independence of the audit firm and of the auditors performing the audit of the Bank's financial statements annually;
- developing a policy for selecting an audit firm to conduct the audit and providing the Supervisory Board with recommendations as to the policy adopted;
- developing a procedure for selecting the audit firm and providing the Supervisory Board with recommendations as to the procedure adopted;
- developing a policy for providing permitted non-audit services by the audit firm which conducts the audit, its related entities, and by a member of the audit firm's network, and presenting recommendations on adopting the policy to the Supervisory Board;
- providing the Supervisory Board with recommendations as to the appointment of the audit firm to conduct the audit of the Bank's financial statements;

- giving consent for the provision of permitted non-audit services by the auditor, the audit firm which conducts the audit, and in the event that the auditor or audit firm are part of a network – for every member of such a network;
- assessing the reasons for terminating a contract with the audit firm conducting the audit;
- agreeing the policies for conducting audit activities by the audit firm performing the audit, in consideration of the proposed audit plan;
- informing the Supervisory Board of the audit results and explaining how the audit contributed to the fairness of the Bank's financial reporting and what was the role of the Committee in the audit process;
- analysing the effectiveness of functioning of the internal controls and credit risk management system with respect to the correct determination of the allowances for expected credit losses;
- ensuring compliance with all the requirements relating to the independence of a statutory auditor by external audit firms participating in the development of the IFRS 9 models and the processes of estimating allowances for expected credit losses;
- submitting an additional audit report referred to in Article 11 of the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 to the Management and Supervisory Boards;
- submitting recommendations aimed at ensuring the fairness of the Bank's financial reporting to the Supervisory Board;
- giving opinions on the Bank's strategic and financial plans;
- giving opinions on Management Board resolutions with respect to the internal control system, the approval of which is the responsibility of the Supervisory Board;
- analysing information and periodic reports in the area of particular internal control components;
- meeting with the manager of the finance and accounting function at least once a year;
- meeting with the manager of the internal audit unit and the manager of the compliance unit at least once a year – without the participation of members of the Bank's Management Board;
- giving opinions on appointing and dismissing, as well as on the remuneration of the manager of the internal audit unit and of the compliance unit.

**RISK
COMMITTEE**

- giving opinions on the Bank's overall current and future risk appetite;
- giving opinions on the risk management strategy developed by the Management Board and the information on implementation of the said strategy submitted by the Management Board;
- supporting the Supervisory Board in overseeing the implementation of the Bank's operational risk management strategy by top management;
- reviewing the prices of liabilities and assets offered to customers to check whether they are fully compliant with the Bank's business model and its risk management strategy, and if they do not appropriately reflect the types of risk consistent with this model and strategy, presenting proposals to ensure the adequacy of the prices of liabilities and assets with respect to risk to the Bank's Management Board;
- monitoring conformity of the Bank's risk-taking policy with the strategy and the financial plan;

- analysing periodic risk reports, including the utilization of strategic risk tolerance limits and developing relevant guidelines on their basis;
- issuing opinions about capital adequacy, the rules of evaluation of creditworthiness, the risk measurement models, the impairment model;
- giving opinions on the disclosure policies regarding capital adequacy, the management of capital adequacy, liquidity risk, operational risk, model risk, and impairment measurement risk;
- giving opinions on the draft Rules for Setting the Mortgage Lending Value of real estate;
- submitting information relevant for monitoring the effectiveness and adequacy of the Bank's risk management system to the Audit and Finance Committee;
- assessing the information received on potential non-compliance with the management strategy adopted by the Bank, its risk management strategy, adopted risk appetite and other policies approved by the Bank's Management Board.

**REMUNERATION
AND
NOMINATION
COMMITTEE**

- annually assessing the structure, size, composition and effectiveness of the Bank's Management Board and recommending potential changes in this respect to the Supervisory Board;
- annually assessing the knowledge, competences and experience of the Management Board as a whole, and of particular members of the Management Board, and informing the Management Board of the results of the assessment;
- periodically reviewing the Policy on assessing the suitability of candidates for members of the Management Board and key employees, and presenting respective recommendations to the Management Board;
- recommending candidates for members of the Management Board and the scope of their responsibilities;
- submitting proposals relating to appropriate forms of contracts with members of the Bank's Management Board to the Supervisory Board;
- preparing opinions on the Code of Ethics and the Principles for the Management of Conflicts of Interest;
- preparing opinions on requests concerning the consent for a member of the Management Board to engage in competitive activities or to participate in a competing company as a partner in a civil law partnership or general partnership, or as a member of the authorities of a commercial company, or to participate in another competing legal person as a member of its governing bodies;
- giving opinions on and performing periodic reviews, subject to the approval of the Supervisory Board, of the general principles of the policy for remunerating Material Risk Takers;
- supporting the Supervisory Board in the process of giving opinions on the functioning of the Bank's remuneration policy and respective reporting to the General Shareholders' Meeting;
- giving opinions on and monitoring the variable remuneration components of Material Risk Takers, second-level risk management, the compliance unit manager and the internal audit unit manager;
- giving opinions on the amount of fixed remuneration for the manager of the internal audit unit and of the compliance unit;
- giving opinions on the detailed rules and procedures for recruiting members of the Bank's Management Board and assessing the suitability of members of the Bank's Management Board;

- preparing and carrying out, with potential support from external independent entities, the programme for raising the qualifications of members of the Supervisory Board.

**COMMERCIAL
COMMITTEE**

- evaluating the results of reviews of the performance of the cooperation agreements concluded with PKO Bank Polski SA;
- giving opinions on material changes to the criteria for qualifying products for the Bank;
- giving opinions on products to be introduced to the Bank's offer and the directions of changes in the Bank's product offer;
- monitoring and supervising the outsourcing of internal processes.

The competences of the **Bank's Management Board** include, in particular:

- defining the Bank's strategy, taking into account the operational risk and the principles of prudent and stable management of the Bank;
- determining the risk management strategy and the general level of the Bank's risk tolerance;
- determining the annual financial plan of the Bank, including the conditions for its implementation;
- creating and dissolving the Bank's standing committees and determining their responsibilities;
- adopting the Rules: (i) for managing special funds accumulated from net profit, (ii) organizational regulations and the principles for the division of competences, (iii) of the Management Board, (iv) for setting the Mortgage Lending Value of real estate;
- appointing proxies and determining the principles for their appointment in the Bank;
- approving the operating principles of the internal control system, the criteria for assessing the adequacy and effectiveness of the internal control system and the principles for classifying irregularities detected by the internal control system;
- approving the audit charter, the principles of cooperation between the internal audit unit and its counterpart in PKO BP and the statutory auditor, giving opinions on the operating strategy of the internal audit unit and on the annual and multi-annual internal audit plans;
- creating, transforming and winding up the Bank's branches and other organizational units in Poland and abroad;
- deciding on issues of mortgage covered bonds;
- determining the operating principles of the management system, including in particular: (i) the principles of capital adequacy disclosure policy, (ii) the assumptions of the compliance risk management policy, (iii) the principles of managing capital adequacy and equity which relate to the estimation of internal capital, capital management, capital planning and dividend policy, (iv) the rules for managing particular risks;
- periodically assessing and verifying compliance with the Bank's internal governance, including assessing the adequacy of the Bank's internal regulations governing the operations of the Management Board and their effectiveness;
- determining accounting policies;
- approving the Bank's annual financial statements;
- developing a remuneration policy,
- specifying banking products,
- determining the principles of the Bank's participation in companies and other organizations;
- deciding on payment of interim dividend to the shareholders;
- deciding on the Bank's conclusion of contracts with third parties the value of which on an annual basis equals or exceeds PLN 500,000.00 (in words: five hundred thousand zlotys) or the total value of which equals or exceeds PLN 2,000,000.00 (in words: two million zlotys);

- convening the General Shareholders' Meetings, making the required announcements in the manner specified in legal regulations and notifying of circumstances which have to be entered to the National Court Register;
- making decisions on issues requested by a member of the Management Board or submitted for consideration by the Supervisory Board.

The Bank's Management Board appointed the following standing committees with the following competences as at 30 June 2024:

ASSET AND LIABILITY COMMITTEE	<ul style="list-style-type: none">• supporting the management of liquidity, interest rate and business risks – including macroeconomic, currency, capital risks – including leverage risk – and the related risk of models for their measurement;• managing the Bank's capital adequacy;• reviewing documents concerning capital adequacy, equity, internal capital, stress testing, the aforementioned risks and the tolerance limits for those risks;• making decisions concerning the Bank's operations, particularly in relation to risk measures and limits, risk management, result of the validation of risk models, stress-test assumptions, hedging strategies under hedge accounting and recommendations for the Management Board with regard to launching emergency measures relating to capital and emergency measures relating to liquidity;• giving recommendations for the relevant governing bodies of the Bank, organizational units, members of the Bank's Management Board, project teams or task forces – within the scope of its competences.
CREDIT COMMITTEE	<ul style="list-style-type: none">• supporting the management of credit, concentration and residual risks, as well as the risk of the models used to measure such risks;• reviewing documents concerning the risks mentioned above, the profile and quality structure of the loan portfolio, impairment allowances, acquisition of loan portfolios and the real estate market;• making decisions concerning the Bank's operations, particularly in relation to risk measures and limits, results of the validation of risk models, methodologies for and models of calculation of impairment allowances in respect of credit assets, cut-offs used in the assessment of credit risk, loan receivables purchased by the Bank and individual loan transactions;• giving recommendations for the relevant governing bodies of the Bank, organizational units, members of the Bank's Management Board, project teams or task forces – within the scope of its competences.
OPERATIONAL RISK AND DATA QUALITY COMMITTEE	<ul style="list-style-type: none">• effective management of operational risk, improving the safety of the Bank's operating activities;• outsourcing risk management;• determining the directions of development of operational risk management;• supervising the functioning of operational risk management, including tasks relating to ensuring the Bank's business continuity and the security of the IT and info-communication environment;• setting tasks in the event of emergencies putting the Bank's image at risk, which could lead to operating losses;• determining the directions of operations in the area of managing the quality of data and data architecture in the Bank, in the context of the Data Management System (DMS);• supervising the Data Management System, including assessing its effectiveness and actions of the Bank's particular business units;

	<ul style="list-style-type: none">issuing recommendations for the relevant governing bodies of the Bank, organizational units, members of the Bank's Management Board, project teams or task forces – within the scope of its competences.
STRATEGY AND BUSINESS INITIATIVES COMMITTEE	<ul style="list-style-type: none">determining the directions of the strategic planning and managing the Bank's strategy and the IT strategy;determining the directions and monitoring the implementation of initiatives related to the pursuit of the Bank's strategy and the IT strategy;determining the directions of changes in the product offer and in the lending process;determining the directions of work on the products' profitability;managing the reputation and compliance risks;issuing recommendations for the relevant governing bodies of the Bank, organizational units, members of the Bank's Management Board, project teams or task forces – within the scope of its competences.
GREEN COVERED BONDS COMMITTEE	<ul style="list-style-type: none">supervising the issuance of Green Covered Bonds, including determining the directions of changes in the principles of issuing Green Covered Bonds and assessing and selecting assets eligible for funding with the Green Covered Bonds;examining materials relating to the guidelines and principles set by the International Capital Markets Association (ICMA) for the Green Covered Bonds market, domestic regulations on the binding energy efficiency standards, reporting on the allocation of funds raised from issues and the impact on the funding environment gained by issuing the Green Covered Bonds, in accordance with the rules for issuing the Green Covered Bonds in force at the Bank and investor information with respect to the Green Covered Bonds;making decisions relating to the Bank's operations, among other things, in relation to assessing and selecting eligible loans according to the methodology adopted by the Bank and adopting the rules for issuing Green Covered Bonds by the Bank in line with the relevant guidelines;giving recommendations for the relevant governing bodies of the Bank, business units, members of the Bank's Management Board, project teams or task forces – within the scope of its competences.

6.4. THE MANAGEMENT BOARD OF PKO BANK HIPOTECZNY SA

As at 30 June 2024, the composition of the Management Board of PKO Bank Hipoteczny SA was as follows:

	Function	Position holding period
Katarzyna Kurkowska-Szczechowicz	President of the Management Board	27.01.2023 - to date
Piotr Jaworski	Vice-President of the Management Board	01.07.2023 - to date
Piotr Kochanek	Vice-President of the Management Board	01.01.2019 - to date
Stanisław Skoczyłas	Vice-President of the Management Board	06.10.2022 - 29.02.2024

By Resolution No. 27/2024 of 27 March 2024, the Bank's Supervisory Board defined the following internal segregation of key competences within the Bank's Management Board, which as at 30 June 2024 was as follows:

KATARZYNA KURKOWSKA-SZCZECHOWICZ	President of the Management Board responsible for overseeing the internal audit function and the performance of the control function, the management of: compliance risk, reputation risk, legal services, human resources, the process of outsourcing services to external parties and matters in the area of anti-money laundering and terrorist financing as well as financial planning and control.
Other functions performed:	Chairperson of the Strategy and Business Initiatives Committee Chairperson of the Asset and Liability Committee Chairperson of the Green Covered Bonds Committee Deputy Chairperson of the Operational Risk and Data Quality Committee
PIOTR JAWORSKI	Vice-President of the Management Board responsible for overseeing the issuance of securities, raising funding, communication and the creation and development of the product offering, activities relating to coordination of the sale of products and the acquisition of loan receivables and the process of their further servicing, the functioning and efficiency of IT resources.
Other functions performed:	Deputy Chairperson of the Strategy and Business Initiatives Committee Member of the Asset and Liability Committee Member of the Credit Committee Member of the Operational Risk and Data Quality Committee Member of the Green Covered Bonds Committee
PIOTR KOCHANEK	Vice-President of the Management Board responsible for overseeing the management of all risks relating to the Bank's activities, with the exception of compliance and reputation risks, overseeing the creditworthiness assessment process and the determination of the Mortgage Lending Value of real estate and the restructuring and recovery process, as well as accounting and financial reporting matters, and settling and confirming treasury transactions.
Other functions performed:	Chairperson of the Credit Committee Chairperson of the Operational Risk and Data Quality Committee Deputy Chairperson of the Asset and Liability Committee Deputy Chairperson of the Green Covered Bonds Committee Member of the Strategy and Business Initiatives Committee

OTHER MANAGEMENT FUNCTIONS OF THE MEMBERS OF THE MANAGEMENT BOARD

	Function	Position holding period
Katarzyna Kurkowska-Szczechowicz	Did not perform additional functions as a member of the Management Board or Supervisory Board or held any other positions as director	Throughout the reporting period
Piotr Jaworski	Smartbeta Piotr Jaworski - owner Institute for Sustainable Transformation - Foundation - Member of the Foundation Board	Throughout the reporting period Until 30 June 2024
Piotr Kochanek	Did not perform additional functions as a member of the Management Board or Supervisory Board or held any other positions as director	Throughout the reporting period

On 26 June 2024, the Annual General Shareholders' Meeting:

- approved: *The Company's Directors' Report for the financial year ended 31 December 2023 and the Financial Statements for the financial year ended 31 December 2023*;
- gave a vote of approval to: (i) Ms Katarzyna Kurkowska-Szczechowicz for the performance of her duties as a member of the Management Board, performing the function of Vice-President of the Management Board in charge of the Management Board's work in the period from 1 January 2023 to 26 January 2023 and the function of President of the Management Board in the period from 27 January 2023 to 31 December 2023; (ii) Mr Piotr Kochanek for the performance of his duties as a member of the Management Board, performing the function of Vice-President of the Management Board in the period from 1 January 2023 to 31 December 2023; (iii) Ms Katarzyna Surdy for the performance of her duties as a member of the Management Board, acting as Vice-President of the Management Board, in the period from 1 January 2023 to 31 August 2023; (iv) Mr Stanisław Skoczyłas for the performance of his duties as a member of the Management Board, acting as Vice-President of the Management Board, in the period from 1 January 2023 to 31 December 2023; and (v) Mr Piotr Jaworski for the performance of his duties as a member of the Management Board, acting as Vice-President of the Management Board, in the period from 1 July 2023 to 31 December 2023.

RECRUITMENT POLICY FOR APPOINTING MANAGEMENT BOARD MEMBERS AND THEIR EVALUATION

The process of evaluating and selecting candidates for Management Board members at PKO Bank Hipoteczny SA is conducted by the Remuneration and Nomination Committee of the Bank's Supervisory Board. The Committee is mindful of the European Banking Authority's guidelines of 21 March 2018 on the assessment of the suitability of members of the management body and key function holders (EBA guidelines), the Regulation of the Minister of Development and Finance of 10 March 2017 on information and documents concerning the founders and the management board of a bank to be submitted to the Polish Financial Supervision Authority and the Methodology for assessing the suitability of members of the bodies of entities supervised by the Polish Financial Supervision Authority. In selecting candidates, the Committee takes into account the profile, scope and scale of PKO Bank Hipoteczny SA's operations. When assessing a candidate, the Committee also verifies that the candidate's experience and knowledge will reinforce the skills possessed by the other members of the Bank's Management Board and complement them, so as to ensure that all areas managed at the Bank are covered. The examination of the above criterion is intended to ensure differentiation with regard to the selection of members of the governing body, its objectives, tasks and scope of action.

Before their appointment, all members of the Management Board of PKO Bank Hipoteczny SA were evaluated in terms of their suitability, in accordance with the EBA and PFSA guidelines.

Members of the Management Board are subject to a continuous evaluation by the Supervisory Board's Remuneration and Nomination Committee and the Supervisory Board, starting from the moment of their recruitment and continuing through their entire term of office. Moreover, pursuant to Article 395 § 2(3) of the Commercial Companies Code, each year the Annual General Shareholders' Meeting grants each individual member of the Management Board a vote of approval. The granting of this vote of approval constitutes an evaluation of the Management Board members, which is independent of the approval of the Bank's Directors' Report by the General Shareholders' Meeting.

The process described above for appointments to perform functions on the Management Board and the positive evaluation of members of the Bank's Management Board constitutes confirmation of the proper performance of their duties, based on adequate knowledge, abilities and experience, in accordance with the requirements of Article 22aa of the Banking Law.

6.5. THE SUPERVISORY BOARD OF PKO BANK HIPOTECZNY SA

In the first half of 2024, the composition of the Supervisory Board of PKO Bank Hipoteczny SA was as follows:

	Function on the Supervisory Board	Date of appointment	Date of dismissal / resignation	Qualifications in finance	Independent member ²²	Audit and Finance Committee*	Risk Committee*	Remuneration and Nomination Committee*	Commercial Committee*
Mieczysław Król	Chairman	13.08.2021	22.02.2024	✓				C	D
Paweł Metrycki	Member	05.05.2022		✓			C	C	M
Maciej Brzozowski	Deputy Chairman	05.05.2022	14.02.2024	✓			D		
Jakub Niesłuchowski	Member	28.04.2022	21.02.2024	✓	D	D	D	C	
	Deputy Chairman	22.02.2024							
Lucyna Kopińska	Member	01.09.2019		✓			D		M
Jadwiga Lesisz	Member	01.09.2019	13.06.2024	✓	✓	C			
Tomasz Baum	Member	06.12.2022	28.05.2024	✓	✓	M			
Iwona Brzozowska-Poniedzielska	Member	29.05.2024		✓	✓	C	M		
Robert Ciborowski	Member	29.05.2024		✓	✓	M			

C - Chairman of the Committee, D - Deputy Chairman of the Committee, M - Member of the Committee

*The composition of the Committees is shown as at 30 June 2024.

There were three meetings of the Supervisory Board in the first half of 2024.

On 24 May 2024, the Extraordinary General Shareholders' Meeting:

- dismissed Mr Tomasz Baum from his position as a member of the Company's Supervisory Board effective from the end of the day on 28 May 2024;
- appointed: (i) Ms Iwona Brzozowska-Poniedzielska and (ii) Mr Robert Ciborowski as members of the Supervisory Board for a joint term of office effective from 29 May 2024.

On 26 June 2024, the General Shareholders' Meeting:

- gave a vote of approval to: (i) Mr Mieczysław Król for the performance of his duties as a member of the Supervisory Board, acting as Chairman of the Supervisory Board in the period from 1 January 2023 to 31 December 2023, (ii) Mr Paweł Metrycki for the performance of his duties as a member of the Supervisory Board in the period from 1 January 2023 to 31 December 2023, (iii) Ms Lucyna Kopińska for the performance of her duties as a member of the Supervisory Board in the period from 1 January 2023 to 31 December 2023, (iv) Ms Jadwiga Lesisz for the performance of her duties as a member of the Supervisory Board in the period from 1 January 2023 to 31 December 2023, (v) Ms Ilona Wołyniec for the performance of her duties as a member of the Supervisory Board in the period from 1 January 2023 to 30 June 2023, (vi) Mr Maciej Brzozowski for the performance of his duties as Deputy Chairman of the Supervisory Board in the period from 1 January 2023 to 31 December 2023, (vii) Mr Jakub Niesłuchowski for the performance of his duties as a Member of the Supervisory Board

²² As defined by the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision.

in the period from 1 January 2023 to 31 December 2023, (viii) Mr Tomasz Baum for the performance of his duties as a member of the Supervisory Board in the period from 1 January 2023 to 31 December 2023, (ix) Mr Piotr Jaworski for the performance of his duties as a member of the Supervisory Board in the period from 13 February 2023 to 30 June 2023.

Pursuant to Article 395 § 2(3) of the Commercial Companies Code, the Annual General Shareholders' Meeting gives a vote of approval to each member of the Supervisory Board separately once a year. The vote of approval is an evaluation of individual members of the Supervisory Board, independent of the Annual General Shareholders' Meeting's appraisal of the Supervisory Board's activity report.

The above confirms that the members of the Supervisory Board duly performed their duties based on adequate knowledge, skills and experience as required by Article 22aa of the Banking Law.

INFORMATION CONCERNING THE AUDIT AND FINANCE COMMITTEE

In the first half of 2024, the composition of the Audit and Finance Committee of PKO Bank Hipoteczny SA was as follows:

	Function in the Audit and Finance Committee	Date of appointment	Date of dismissal / resignation	Independent member ²³	knowledge and skills in accounting and/or auditing	banking knowledge and skills
Paweł Metrycki	Deputy Chairman of the Committee	07.10.2019	29.02.2024		✓	✓
Jadwiga Lesisz	Chairperson of the Committee	05.05.2022	13.06.2024	✓	✓	✓
Tomasz Baum	Member of the Committee	15.12.2022	28.05.2024	✓	✓	✓
Iwona Brzozowska-Poniedzielska	Chairperson of the Committee	21.06.2024		✓	✓	✓
Jakub Niesłuchowski	Member of the Committee Deputy Chairman of the Committee	05.04.2024 21.06.2024	20.06.2024		✓	✓
Robert Ciborowski	Member of the Committee	21.06.2024		✓	✓	✓

There were two meetings of the Audit and Finance Committee in the first half of 2024.

²³ As defined by the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision.

7. CORPORATE GOVERNANCE AND INFORMATION FOR INVESTORS

Representation on compliance with corporate governance principles
Audit firm
Other information

7.1. REPRESENTATION ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Bank's general principles of corporate governance, i.e. the internal regulations for managing the Bank and controlling its operations, follow from generally applicable legal regulations, in particular the Commercial Companies Code, the Banking Law and the principles issued by the Polish Financial Supervision Authority, i.e. the Principles of Corporate Governance for Supervised Institutions and Recommendation Z concerning internal governance in banks.

The Bank has adopted and applies the Corporate Governance Principles for Supervised Institutions issued by the Polish Financial Supervision Authority on the basis of the following decisions of the Bank's bodies:

- the Resolution of the Bank's Management Board of 15 December 2014 – in relation to the powers and duties of the Management Board, i.e. conducting the Bank's affairs and its representation, in accordance with the generally applicable laws and the Bank's Articles of Association;
- the Resolution of the Bank's Supervisory Board of 18 December 2014 – in relation to the powers and duties of the Supervisory Board, i.e. supervising the conduct of the Bank's affairs, in accordance with the generally applicable laws and the Bank's Articles of Association;
- the Resolution of the General Shareholders' Meeting of 22 December 2015 – in relation to the powers reserved for the General Shareholders' Meeting.

Pursuant to and to the extent arising from the aforementioned decisions, the Bank opted out of the following provisions of the Principles of Corporate Governance for Supervised Institutions:

- the provisions referring to the principles of cooperation with and rights of multiple shareholders (§ 8 (4), § 9 (1) and (6), § 10 (3), § 11 (3) and § 31 (3)), which are not applied because the Bank only has a single shareholder;
- chapter 9, concerning the management of assets at the customer's risk, because the Bank does not conduct operations in this area;
- the principle described in § 22 (1), concerning the independence of Supervisory Board members, manifesting itself primarily in the lack of direct and indirect ties to the supervised institution, members of the management and supervisory bodies, significant shareholders and related parties; however, two members meeting the independence requirements set out in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision were appointed as members of the Bank's Supervisory Board. (Journal of Laws, item 1089 as amended).U., item 1089, as amended).

As required by § 27 of the Corporate Governance Principles for Supervised Institutions the "Principles"), on 28 February 2024, the Bank's Supervisory Board assessed the application of the Principles at the Bank in 2023. The Supervisory Board positively assessed the application of the Principles at the Bank, finding that the Bank and its bodies applied the Principles to the extent adopted by the Bank, adequate to the scale, nature of the Bank's activities and the specific nature of the Bank.

The text of the Principles can be found on the Polish Financial Supervision Authority's website at -
https://www.knf.gov.pl/knf/pl/komponenty/img/knf_140904_Zasady_ladu_korporacyjnego_22072014_38575.pdf

The Bank applies Recommendation Z on the principles of internal governance in banks in accordance with the principle of proportionality and adequacy arising from the scale, nature of its activities and the specific characteristics of the Bank.

The Bank declares that where the scope of Recommendation Z overlaps with the scope of the Corporate Governance Principles for Supervised Institutions, the provisions of Recommendation Z prevail. To the extent not covered by Recommendation Z, the Corporate Governance Principles for Supervised Institutions apply.

The text of Recommendation Z on corporate governance principles in banks can be found on the website of the Polish Financial Supervision Authority:

https://www.knf.gov.pl/knf/pl/komponenty/img/Rekomendacja_Z_70998.pdf

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF PREPARING THE FINANCIAL STATEMENTS

In order to ensure the integrity and correctness of the financial reporting process, the Bank has designed and implemented a number of controls embedded in the reporting systems and the internal regulations of the process. These controls involve, among other things, the use of continuous verification and reconciliation of reporting data with the accounting, analytical and other documents that form the basis for the preparation of the financial statements.

The process of preparing the financial statements is reviewed periodically, in particular with regard to the correctness of the accounting reconciliations, substantive analysis and reliability of the information. In accordance with internal regulations, the financial statements are adopted by the Management Board of PKO Bank Hipoteczny SA. They are subject to the opinion of the Audit and Finance Committee of the Supervisory Board of PKO Bank Hipoteczny SA appointed by the Supervisory Board. The annual financial statements are furthermore subject to evaluation by the Supervisory Board of PKO Bank Hipoteczny SA.

The Director of the Finance and Accounting Office is responsible for ensuring compliance with the controls in financial reporting, while Internal Audit, as part of its assurance activity, assesses the adequacy and effectiveness of the risk management system and the internal control system at the first and second levels respectively.

IDENTIFICATION OF SHAREHOLDERS WHO DIRECTLY OR INDIRECTLY HOLD SUBSTANTIAL BLOCKS OF SHARES, WITH AN INDICATION OF THE NUMBER OF SHARES HELD AND THE RESULTING NUMBER OF VOTES

On 30 June 2024, the share capital of PKO Bank Hipoteczny SA amounted to PLN 1,611.3 million and consisted of 1,611,300,000 shares with a nominal value of PLN 1 each. The shares are fully paid up. Compared to the end of 2023, the share capital has not changed. The issued shares of PKO Bank Hipoteczny SA are non-preferred shares. No special control rights arise for the holders of shares in PKO Bank Hipoteczny SA from these securities. The shareholder holding 100% of the shares in PKO Bank Hipoteczny SA is Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

The share capital structure of PKO Bank Hipoteczny SA:

Series	Type of shares	Number of shares	Nominal value per share	Number of votes at the GSM	Amount paid in for the shares
A	Ordinary registered shares	300,000,000	PLN 1	300,000,000	PLN 300,000,000.00
B	Ordinary registered shares	200,000,000	PLN 1	200,000,000	PLN 200,000,000.00
C	Ordinary registered shares	200,000,000	PLN 1	200,000,000	PLN 200,000,000.00
D	Ordinary registered shares	100,000,000	PLN 1	100,000,000	PLN 100,000,000.00
E	Ordinary registered shares	150,000,000	PLN 1	150,000,000	PLN 150,000,000.00
F	Ordinary registered shares	150,000,000	PLN 1	150,000,000	PLN 150,000,000.00
G	Ordinary registered shares	100,000,000	PLN 1	100,000,000	PLN 100,000,000.00
H	Ordinary registered shares	95,000,000	PLN 1	95,000,000	PLN 95,000,000.00
I	Ordinary registered shares	100,000,000	PLN 1	100,000,000	PLN 100,000,000.00
J	Ordinary registered shares	131,500,000	PLN 1	131,500,000	PLN 131,500,000.00
K	Ordinary registered shares	84,800,000	PLN 1	84,800,000	PLN 84,800,000.00
	TOTAL	1,611,300,000		1,611,300,000	PLN 1,611,300,000.00

Shareholder	30.06.2024		31.12.2023	
	Number of shares	Share in the number of votes at the GSM	Number of shares	Share in the number of votes at the GSM
Powszechna Kasa Oszczędności Bank Polski SA	1,611,300,000	100%	1,611,300,000	100%

DESCRIPTION OF RULES FOR APPOINTING AND DISMISSING MANAGERS

The members of the Management Board are appointed and dismissed by resolution of the Supervisory Board. When appointing Management Board members, the Supervisory Board determines their number. The appointment of two members of the Management Board, including the President and the member responsible for risk, requires the consent of the Polish Financial Supervision Authority. The terms of office of members of the Management Board expire on the date on which the General Shareholders' Meeting approves the financial statements for the last full financial year during which a member served, at the latest. Additionally, the term of office of a Management Board member also expires as a result of his/her death, resignation or dismissal from the Management Board, as of the date of the event causing the expiration, unless the resolution on dismissal provides a different date of expiration. Management Board members may be dismissed before the end of their term of office at any time.

The Supervisory Board notifies the Polish Financial Supervision Authority of the composition of the Management Board and of any changes in the composition thereof immediately after its appointment or after any changes in the composition thereof. The Supervisory Board also notifies the Polish Financial Supervision Authority of the members of the Management Board who, as a result of the segregation of duties, are in charge of the risk management and the internal audit unit. The Supervisory Board notifies the Polish Financial Supervision Authority immediately on placing the following topics on the agenda of the Supervisory Board meeting: (i) dismissing the President of the Management Board, (ii) dismissing a member of the Management Board overseeing the management of material risks or the delegation of his/her duties to another member of the Management Board, and provides a justification of the proposed decision.

Additional information on the powers of the managers is provided in Chapter 6. Organization and governing bodies of PKO Bank Hipoteczny SA.

DESCRIPTION OF POWERS TO DECIDE ON SHARE ISSUES OR REDEMPTIONS

The powers of the General Shareholders' Meeting include adopting resolutions on establishing the share redemption procedures and the level of compensation for redeemed shares, approving the acquisition of the Bank's treasury shares for redemption, and approving the issue of bonds convertible into shares or other instruments giving the right to purchase or take up shares in the Bank.

INDICATION OF ANY LIMITATIONS ON THE TRANSFER OF OWNERSHIP RIGHTS TO THE ISSUER'S SECURITIES

There are no limitations on the transfer of ownership rights to the issuer's securities.

PRINCIPLES FOR AMENDING THE BANK'S ARTICLES OF ASSOCIATION

Amendments to the Bank's Articles of Association require a resolution of the General Shareholders' Meeting and must be entered in the Register of Businesses of the National Court Register. To the extent defined by Article 34.2 of the Banking Law, an amendment to the Articles of Association requires the consent of the Polish Financial Supervision Authority.

COMPOSITION AND CHANGES DURING THE LAST FINANCIAL YEAR AND DESCRIPTION OF THE OPERATION OF THE ISSUER'S MANAGEMENT, SUPERVISORY OR ADMINISTRATIVE BODIES AND THEIR COMMITTEES

Information concerning the description of the management, supervisory and administrative bodies of the issuer, their committees and their composition and changes during the last financial year is presented in Chapter 6. Organization and governing bodies of PKO Bank Hipoteczny SA.

GENERAL SHAREHOLDERS' MEETING AND RELATIONS WITH SHAREHOLDERS

The method of operation of the General Shareholders' Meeting and its key powers as well as a description of the shareholder rights and the method of their execution follow directly from the applicable laws and the Bank's Articles of Association. In consideration of the fact that all shares in the Bank's share capital are held by a single shareholder, i.e. PKO Bank Polski SA, the resolutions of the General Shareholders' Meeting are adopted without formally convening a General Shareholders' Meeting, in accordance with the principles arising from Article 405 of the Polish Commercial Companies Code.

7.2. AUDIT FIRM

In accordance with the policy for selecting an audit firm to perform an audit of the Bank's financial statements, the Supervisory Board conducts an open tender procedure to commission an audit of the financial statements. The Audit and Finance Committee of the Bank's Supervisory Board recommends an audit firm to be appointed to the Supervisory Board. Unless it concerns renewing an existing audit contract, the recommendation contains at least two suggestions with justifications and indicates the preferred firm. The Bank's Supervisory Board appoints the audit firm based on the recommendation of the Audit and Finance Committee of the Bank's Supervisory Board. Transparent and non-discriminatory selection criteria are used in the evaluation of bids submitted by the audit firms.

In accordance with the policy for providing permitted non-audit services to the Bank by the audit firm conducting the audit, its related entities and members of its network, the provision of non-audit services by the audit firm conducting the audit, its related entities and members of its network to the Bank requires the consent of the Audit and Finance Committee of the Bank's Supervisory Board and of the Audit Committee of the Supervisory Board of PKO Bank Polski SA.

Pursuant to the provisions of the Policy and Procedures for selecting an audit firm to conduct an audit of the Bank's financial statements, as a result of the procedure conducted, on 1 March 2023, the Supervisory Board of PKO Bank Hipoteczny SA, pursuant to § 18(1)(4) of the Bank's Articles of Association and in accordance with the recommendation of the Audit and Finance Committee of the Supervisory Board, appointed KPMG Audyt Sp. z ograniczoną odpowiedzialnością sp. k. (hereinafter: "KPMG") as the audit firm to audit and review the Bank's financial statements for the period 2024-2026.

On 13 June 2024, a contract for the audit and review of the Bank's financial statements for the years 2024 - 2026 was concluded between PKO Bank Hipoteczny SA and KPMG.

KPMG Audyt Sp. z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, ul. Inflancka 4A, is registered on the list of audit firms maintained by the Polish Agency for Audit Oversight with the number 3546.

7.3. OTHER INFORMATION

CHANGES IN THE HOLDING OF SHARES AND RIGHTS TO SHARES IN PKO BANK HIPOTECZNY SA BY INDIVIDUALS IN MANAGEMENT AND SUPERVISORY ROLES

In the first half of 2024, there were no changes in the holding of shares and rights to shares in PKO Bank Hipoteczny SA by individuals in management and supervisory roles. 100% of the shares are held by PKO Bank Polski SA.

SIGNIFICANT AND MATERIAL AGREEMENTS WITH THE CENTRAL BANK AND/OR REGULATORY BODIES

In the first half of 2024, PKO Bank Hipoteczny SA did not conclude any significant or material agreements with the Central Bank or with regulatory bodies.

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED

In the first half of 2024 and in 2023, PKO Bank Hipoteczny SA did not grant any guarantees.

Financial liabilities in respect of loans granted but not disbursed as at 30 June 2024 amounted to PLN 125.32 million, an increase of PLN 34.3 million compared with 31 December 2023.

OFF-BALANCE SHEET COMMITMENTS GRANTED TO RELATED PARTIES

In the first half of 2024 and in 2023, PKO Bank Hipoteczny SA did not grant any off-balance sheet commitments to its related parties.

LOANS TAKEN OUT AND LOAN AND GUARANTEE AGREEMENTS UNRELATED TO THE BANK'S OPERATING ACTIVITIES

In the first half of 2024 and in 2023, PKO Bank Hipoteczny SA did not take out any loans nor entered into any loan, guarantee or warranty agreements unrelated to the Bank's operations.

UNDERWRITING AGREEMENTS

In the first half of 2024 and in 2023, PKO Bank Hipoteczny SA did not conclude any underwriting agreements.

IDENTIFICATION OF PROCEEDINGS PENDING BEFORE COURTS, ARBITRATION BODIES OR PUBLIC-ADMINISTRATION AUTHORITIES

As at 30 June 2024, no material proceedings were pending before courts, arbitration bodies or public administration bodies concerning liabilities or receivables of PKO Bank Hipoteczny SA.

FACTORS WHICH WILL INFLUENCE FUTURE FINANCIAL PERFORMANCE OVER THE HORIZON OF THE SECOND HALF OF THE YEAR

Significant factors and risks that could affect the Bank's operations and performance over the next six months include:

In the global economy:

- increased geopolitical risks, including the war in Ukraine, the situation in the Middle and Far East and the US presidential election;
- a decline in interest rates in major economies in the context of a stable monetary policy in Poland, which may result in the appreciation of the PLN;
- the persistence of relatively low global growth rates, including a slowdown in the US economy and stagnation trends in Germany;
- the possibility of accessing investors from the European market in relation to debt issuance in the context of regulatory requirements relating the minimum level of own funds and eligible liabilities, as well as the increased supply of US treasury bonds.
- changes in the climate policy, including the accelerating energy transition and the increasing stringency and importance of environmental requirements.

In the Polish economy:

- the path of further changes in NBP interest rates and the level of the mandatory reserve requirement;
- further economic recovery;
- the scale and pace of inflow of EU funds, including under the National Recovery Plan (KPO, and the possibility of their rapid utilization with the risk of supply constraints);
- continued strong cost pressures from the labour market, in the face of an expected recovery in demand for staff;
- regulatory changes in labour costs (minimum wage, social security contribution regulations);
- the intensity and persistence of pro-inflationary factors and regulatory actions directed at limiting the scale of price increases;
- the shape and timing of borrower support programmes on the mortgage market, e.g. the government's 'Mieszkanie na start' loan programme;
- the introduction (and amount) of the Long-Term Funding Ratio and its impact on the long-term funding market;
- the risk associated with an obligation to pay a minimum corporate income tax in the event that a taxpayer incurs a loss or generates low income, effective from 1 January 2024;
- the risk of the Office of Competition and Consumer Protection (UOKiK) imposing a fine as part of ongoing administrative proceedings for a breach of collective consumer interests, including, among other things, proportionate reimbursement of costs on early repayment of a mortgage loan and the process of handling the so-called "loan repayment holidays";
- benchmark reform to phase out WIBID/WIBOR indices and replace them with new benchmarks;
- court decisions on PLN loans based on WIBOR rates.

INFORMATION ON LOAN GUARANTEES OR OTHER GUARANTEES ISSUED BY THE BANK OR ITS SUBSIDIARY – IN AGGREGATE TO A SINGLE ENTITY OR ITS SUBSIDIARY, IF THE TOTAL AMOUNT OF THE EXISTING GUARANTEES IS EQUIVALENT TO AT LEAST 10% OF THE ISSUER'S EQUITY

In the first half of 2024, PKO Bank Hipoteczny SA did not guarantee any loans or advances and did not provide any guarantees to a single entity or a subsidiary of a single entity, with the total value equivalent of 10% of the Bank's equity.

INFORMATION ON LOAN AND ADVANCE AGREEMENTS CONCLUDED OR TERMINATED DURING THE FINANCIAL YEAR

On 28 June 2024, PKO Bank Hipoteczny SA and PKO Bank Polski SA concluded Annex No. 8 to the Revolving Working Capital Overdraft Agreement of 10 July 2019, as amended, pursuant to which it extended the loan utilization period to 30 June 2028 and reduced the loan amount from PLN 4,178 million to PLN 3,100 million as of 1 July 2024.

INFORMATION ON TRANSACTION(S) WITH RELATED PARTIES CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY, IF MATERIAL AND NOT CONCLUDED ON AN ARM'S LENGTH BASIS

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

In the first half of 2024, PKO Bank Hipoteczny SA did not enter into any material transactions with related parties on terms other than on an arm's length basis.

INFORMATION ON CHANGES IN THE KEY PRINCIPLES OF MANAGING THE BANK'S BUSINESS

In the first half of 2024, there were no changes to the key principles of managing the Bank's business in PKO Bank Hipoteczny SA.

FUNDING SUPPORT AGREEMENTS

PKO Bank Hipoteczny SA did not conclude funding support agreements with other entities subject to consolidated supervision operating within the same holding, or with closely related parties.

DEPOSITS, AND GUARANTEES AND SURETIES ISSUED

PKO Bank Hipoteczny SA does not accept deposits or issue any guarantees or sureties.

INFORMATION ON THE VALUE OF SECURITY ESTABLISHED ON THE ACCOUNTS OR ASSETS OF BORROWERS

In the first half of 2024, PKO Bank Hipoteczny SA did not set up any security on the borrowers' accounts.

As at 30 June 2024, the value of collateral in respect of residential mortgage loans secured with real estate mortgages was PLN 66.4 billion vs. PLN 66.2 billion as at 31 December 2023.

EVENTS AFTER THE END OF THE REPORTING PERIOD

- On 1 August 2024 Ms Katarzyna Kurkowska-Szczechowicz 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-Szczechowicz'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-Szczechowicz – member of the Management Board - as Vice President of the Management Board for the current, joint term of office, starting from 10 August 2024.

8. REPRESENTATION OF THE MANAGEMENT BOARD OF PKO BANK HIPOTECZNY SA

The Management Board of PKO Bank Hipoteczny SA represents that, to the best of its knowledge:

- The condensed interim financial statements of PKO Bank Hipoteczny SA for the six months ended 30 June 2024 have been prepared in accordance with the applicable accounting policies and give a true, fair and clear view of the financial position of PKO Bank Hipoteczny SA and of its financial result,
- The Directors' Report of PKO Bank Hipoteczny SA for the six months ended 30 June 2024 gives a true picture of the development, achievements and position of PKO Bank Hipoteczny SA, including a description of the key risks and threats.

The Management Board of PKO Bank Hipoteczny SA represents that the entity authorized to audit financial statements that reviewed the condensed interim financial statements of PKO Bank Hipoteczny SA for the six months ended 30 June 2024 was selected in accordance with the law and that both the said entity and the statutory auditor who conducted the audit fulfilled all the criteria for providing an unbiased and independent audit report on the financial statements, in compliance with the applicable laws and professional standards.

This Directors' Report of PKO Bank Hipoteczny SA for the six months ended 30 June 2024 comprises 54 sequentially numbered pages.

Signatures of all Members of the Bank's Management Board

09.08.2024	Katarzyna Kurkowska-Szczechowicz	President of the Management Board	<i>Signed on Polish original</i> (signature)
09.08.2024	Piotr Jaworski	Vice-President of the Management Board	<i>Signed on Polish original</i> (signature)
09.08.2024	Piotr Kochanek	Vice-President of the Management Board	<i>Signed on Polish original</i> (signature)