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Bank Polski

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

SELECTED FINANCIAL DATA DERIVED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

SELECTED FINANCIAL DATA	PLN million			EUR million		
	2024	2023	Change % (A-B)/B	2024	2023	Change % (D-E)/E
	A	B	C	D	E	F
Net interest income	22,153	18,318	20.9%	5,147	4,045	27.2%
Net fee and commission income	5,120	4,626	10.7%	1,190	1,022	16.4%
Net expected credit losses and net impairment allowances on non-financial assets	(1,475)	(1,373)	7.4%	(343)	(303)	13.2%
Administrative expenses	(8,487)	(7,635)	11.2%	(1,972)	(1,686)	17.0%
Profit before tax	12,728	8,562	48.7%	2,957	1,891	56.4%
Net profit (including non-controlling shareholders)	9,304	5,505	69.0%	2,162	1,216	77.8%
Net profit attributable to the parent company	9,304	5,502	69.1%	2,162	1,215	77.9%
Earnings per share for the period - basic (in PLN/EUR)	7.44	4.40	69.1%	1.73	0.97	78.4%
Earnings per share for the period - diluted (in PLN/EUR)	7.44	4.40	69.1%	1.73	0.97	78.4%
Net comprehensive income	10,381	11,120	(6.7)%	2,412	2,456	(1.8)%
Total net cash flows	(2,918)	3,652	(180)%	(678)	806	(184.1)%

SELECTED FINANCIAL DATA	PLN million			EUR million		
	31.12.2024	31.12.2023	Change % (A-B)/B	31.12.2024	31.12.2023	Change % (D-E)/E
	A	B	C	D	E	F
Total assets	525,225	495,389	6.0%	122,917	113,935	7.9%
Total equity	52,370	45,227	15.8%	12,256	10,402	17.8%
Share capital	1,250	1,250	-	293	287	2.1%
Number of shares (in million)	1,250	1,250	-	1,250	1,250	-
Book value per share (in PLN/EUR)	41.90	36.18	15.8%	9.81	8.32	17.9%
Diluted number of shares (in million)	1,250	1,250	-	1,250	1,250	-
Diluted book value per share (in PLN/EUR)	41.90	36.18	15.8%	9.81	8.32	17.9%
Total Capital Ratio (%)	18.58	18.84	(1.3)%	18.58	18.84	(1.3)%
Tier 1	44,255	41,918	5.6%	10,357	9,641	7.4%
Tier 2	3,039	2,080	46.1%	711	478	48.7%

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

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CONSOLIDATED INCOME STATEMENT

INCOME STATEMENT	Note	2024	2023
Net interest income	16	**22,153**	**18,318**
Interest and similar income		32,139	31,217
of which calculated under the effective interest rate method		31,733	30,668
Interest expense		(9,986)	(12,899)
Net fee and commission income	17	**5,120**	**4,626**
Fee and commission income		6,787	6,301
Fee and commission expense		(1,667)	(1,675)
Net other income		**1,463**	**1,188**
Net income from insurance business, of which:	35	669	711
Insurance revenue		1,451	1,241
Costs of insurance activities		(629)	(389)
Dividend income		26	14
Gains/(losses) on financial transactions	18	262	167
Net foreign exchange gains/ (losses)	19	209	99
Gains/(losses) on derecognition of financial instruments		124	57
including measured at amortized cost		46	24
Net other operating income and expense, of which:	20	173	140
other operating income		454	414
other operating expenses		(281)	(274)
Result on business activities		**28,736**	**24,132**
Net allowances for expected credit losses	21	(966)	(1,265)
Impairment of non-financial assets	22	(509)	(108)
Cost of legal risk of mortgage loans in convertible currencies	23	(4,899)	(5,430)
Administrative expenses	24	(8,487)	(7,635)
Tax on certain financial institutions	25	(1,270)	(1,231)
Share in profits and losses of associates and joint ventures	38	123	99
Profit before tax		**12,728**	**8,562**
Income tax	26	(3,424)	(3,057)
Net profit/(loss) (including non-controlling interest)		**9,304**	**5,505**
Profit (loss) attributable to non-controlling shareholders		-	3
Net profit attributable to equity holders of the parent company		**9,304**	**5,502**
Profit/(loss) per share: basic/diluted for the period (PLN)		7.44	4.40
Weighted average number of ordinary shares during the period (in million)*		1,250	1,250

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	2024	2023
Net profit (including non-controlling shareholders)		**9,304**	**5,505**
Other comprehensive income		**1,077**	**5,615**
Items which may be reclassified to profit or loss		**1,080**	**5,618**
Cash flow hedges (net)	29	**738**	**3,358**
Gains/losses recognized in other comprehensive income during the period		(797)	(425)
Amounts transferred from other comprehensive income to the income statement		1,708	4,571
Deferred tax	26	(173)	(788)
Fair value of financial assets measured at fair value through other comprehensive income (net)		**352**	**2,440**
Remeasurement of fair value, gross		509	3,029
Gains /losses transferred to the profit or loss (on disposal)		(78)	(33)
Deferred tax	26	(79)	(556)
Currency translation differences on foreign operations		**(35)**	**(124)**
Share in other comprehensive income of associates and joint ventures		**23**	**(31)**
Finance income and costs from insurance business, net	35	2	(25)
Finance income and costs from insurance business, gross		2	(31)
Deferred tax		-	6
Items which cannot be reclassified to profit or loss		**(3)**	**(3)**
Actuarial gains and losses (net)		**(3)**	**(3)**
Actuarial gains and losses (gross)	41	(3)	(4)
Deferred tax	26	-	1
Total net comprehensive income, of which attributable to:		**10,381**	**11,120**
equity holders of the parent		10,381	11,117
non-controlling interest		-	3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31.12.2024	31.12.2023 (restated)	01.01.2023 (restated)
ASSETS		525,225	495,389	417,797
Cash and balances with the Central Bank	27	23,494	17,813	15,917
Amounts due from banks	28	5,089	13,353	10,701
Hedging derivatives	29	120	355	893
Other derivative instruments	29	1,999	4,183	5,061
Securities	30	210,531	197,484	135,632
Reverse repo transactions		892	372	7
Loans and advances to customers	31	266,158	245,776	232,959
Assets in respect of insurance activities	35	105	90	115
Property, plant and equipment under operating lease	66	2,653	2,117	1,764
Property, plant and equipment	37	3,320	3,203	2,917
Non-current assets held for sale		11	19	10
Intangible assets	36	4,153	3,918	3,512
Investments in associates and joint ventures	38	291	284	285
Current income tax receivable		6	6	52
Deferred tax assets	26	3,056	4,000	5,187
Other assets	39	3,347	2,416	2,785
LIABILITIES AND EQUITY		525,225	495,389	417,797
Liabilities		472,855	450,162	382,090
Amounts due to Central bank		11	10	9
Amounts due to banks	32	2,373	3,151	2,621
Hedging derivatives	29	285	888	1,042
Other derivative instruments	29	2,396	5,540	6,145
Amounts due to customers	33	419,778	399,193	338,868
Liabilities in respect of insurance activities	35	2,449	2,915	2,878
Loans and advances received	34	1,268	1,489	2,294
Liabilities in respect of debt securities in issue	34	23,457	17,201	15,510
Subordinated liabilities	34	4,291	2,774	2,781
Other liabilities	40	8,188	11,145	7,129
Current income tax liabilities		899	1,117	765
Deferred tax liabilities	26	809	712	77
Provisions	41	6,651	4,027	1,971
Equity		52,370	45,227	35,707
Share capital		1,250	1,250	1,250
Reserves and accumulated other comprehensive income		30,503	27,676	22,239
Unappropriated profits		11,324	10,810	8,920
Net profit or loss for the year		9,304	5,502	3,312
Capital and reserves attributable to equity holders of the parent company		**52,381**	**45,238**	**35,721**
Non-controlling interests		(11)	(11)	(14)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024	Share capital	Reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the period	Total capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Reserves			Accumulated other comprehensive income	Reserves and accumulated other comprehensive income					
		Supplementary capital	General banking risk fund	Other reserves							
As at the beginning of the period	1,250	22,860	1,070	7,138	(3,392)	27,676	10,810	5,502	45,238	(11)	45,227
Transfer from retained earnings	-	-	-	-	-	-	5,502	(5,502)	-	-	-
Distribution of profit to be used for dividends payment, including interim dividends*	-	(2)	-	1,752	-	1,750	(1,750)	-	-	-	-
Dividend	-	-	-	-	-	-	(3,238)	-	(3,238)	-	(3,238)
Comprehensive income	-	-	-	-	1,077	1,077	-	9,304	10,381	-	10,381
As at the end of the period	1,250	22,858	1,070	8,890	(2,315)	30,503	11,324	9,304	52,381	(11)	52,370

* For information on the distribution of profit for 2023, see Note "Dividends and profit appropriation"

FOR THE YEAR ENDED 31 DECEMBER 2024	Accumulated other comprehensive income						
	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Finance income and costs from insurance business	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period	(66)	(1,021)	(1,860)	(1)	(24)	(420)	(3,392)
Comprehensive income	23	352	738	2	(3)	(35)	1,077
As at the end of the period	(43)	(669)	(1,122)	1	(27)	(455)	(2,315)

FOR THE YEAR ENDED 31 DECEMBER 2023	Share capital	Reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the period	Total capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Reserves			Accumulated other comprehensive income	Reserves and accumulated other comprehensive income					
		Supplementary capital	General banking risk fund	Other reserves							
As at the beginning of the period	1,250	23,085	1,070	7,091	(9,007)	22,239	8,920	3,312	35,721	(14)	35,707
Transfer from retained earnings	-	-	-	-	-	-	3,312	(3,312)	-	-	-
Interim dividend	-	-	-	(1,600)	-	(1,600)	-	-	(1,600)	-	(1,600)
Comprehensive income	-	-	-	-	5,615	5,615	-	5,502	11,117	3	11,120
Offset of accumulated losses	-	(340)	-	-	-	(340)	340	-	-	-	-
Distribution of profit to be used for dividend payments, including interim dividends	-	115	-	1,647	-	1,762	(1,762)	-	-	-	-
As at the end of the period	1,250	22,860	1,070	7,138	(3,392)	27,676	10,810	5,502	45,238	(11)	45,227

FOR THE YEAR ENDED 31 DECEMBER 2023	Accumulated other comprehensive income						
	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Finance income and costs from insurance business	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period	(35)	(3,461)	(5,218)	24	(21)	(296)	(9,007)
Comprehensive income	(31)	2,440	3,358	(25)	(3)	(124)	5,615
As at the end of the period	(66)	(1,021)	(1,860)	(1)	(24)	(420)	(3,392)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2024	2023 (restated)
Cash flows from operating activities			
Profit before tax		**12,728**	**8,562**
Income tax paid		**(2,854)**	**(1,793)**
Total adjustments:		**(15,772)**	**44,427**
Depreciation and amortization	24, 17	1,532	**1,371**
(Gains)/losses on investing activities		(60)	(87)
Net interest income (from income statement)		**(22,153)**	**(18,318)**
Interest received	63	24,723	23,485
Interest paid	63	(10,614)	(11,515)
Dividends received		(15)	(14)
Change in:			
amounts due from banks		(1,045)	(1,282)
hedging derivatives		(135)	674
other derivative instruments		(960)	274
securities		(6,364)	(5,893)
loans and advances to customers		(19,679)	(12,011)
reverse repo transactions		(519)	(365)
assets in respect of insurance activities		(15)	24
property, plant and equipment under operating lease		(543)	(353)
non-current assets held for sale		7	(8)
other assets		(1,268)	360
accumulated allowances for expected credit losses		(1,134)	381
accumulated allowances on non-financial assets and other provisions		3,176	2,203
amounts due to the Central Bank		1	1
amounts due to banks		(778)	543
amounts due to customers		21,535	59,540
liabilities in respect of insurance activities		(466)	37
loan and advances received		(88)	303
liabilities in respect of debt securities in issue		59	(784)
subordinated liabilities		(2)	
other liabilities		(1,073)	2,681
Other adjustments		106	3,180
Net cash from/used in operating activities		(5,898)	51,196

	Note	2024	2023 (restated)
Cash flows from investing activities			
Inflows from investing activities		**758,951**	**788,046**
Redemption of securities measured at fair value through other comprehensive income		731,859	774,906
Redemption of securities measured at amortized cost		19,353	6,371
Interest received on securities measured at fair value through other comprehensive income		4,695	4,396
Interest received on securities measured at amortized cost		2,844	2,139
Proceeds from disposal of intangible assets, property, plant and equipment and assets held for sale		137	142
Other inflows from investing activities including dividends	63	63	92
Outflows on investing activities		**(757,112)**	**(835,624)**
Purchase of securities measured at fair value through other comprehensive income		(716,728)	(810,745)
Purchase of securities measured at amortized cost		(39,131)	(23,111)
Purchase of intangible assets and property, plant and equipment		(1,252)	(1,768)
Other outflows on investing activities		(1)	-
Net cash from/used in investing activities		**1,839**	**(47,578)**

	Note	2024	2023 (restated)
Cash flows from financing activities			
Distribution of dividends		(4,837)	-
Proceeds from debt securities in issue	63	23,892	13,105
Redemption of debt securities	63	(17,892)	(10,914)
Proceeds from issue of subordinated bonds		1,500	-
Taking up loans and advances	63	-	12
Repayment of loans and advances	63	(192)	(1,152)
Payment of lease liabilities	63	(286)	(266)
Repayment of interest on financial liabilities	63	(1,044)	(751)
Net cash from financing activities		**1,141**	**34**
Total net cash flows		**(2,918)**	**3,652**
of which foreign exchange differences on cash and cash equivalents		(137)	(872)
Cash and cash equivalents at the beginning of the period		30,212	26,560
Cash and cash equivalents at the end of the period	63	27,294	30,212

GENERAL INFORMATION ABOUT THE GROUP

1. ACTIVITIES OF THE GROUP

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (**PKO BANK POLSKI S.A.** or **THE BANK**) was established by virtue of a decree signed on 7 February 1919 by the Head of State Józef Piłsudski, Prime Minister Ignacy Paderewski and Hubert Linde, post and telegraph minister and simultaneously the first president, as Pocztowa Kasa Oszczędnościowa. In 1950, the Bank began operating as Powszechna Kasa Oszczędności Bank Państwowy (state-owned bank). Pursuant to the Decree of the Council of Ministers dated 18 January 2000, Powszechna Kasa Oszczędności (a state-owned bank) was transformed into a state owned joint-stock company, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

On 12 April 2000, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was registered and entered into the Commercial Register maintained by the District Court for the City of Warsaw, Commercial Court, 16th Registration Department. At present, the court with jurisdiction over the Bank's affairs is the District Court in Warsaw, 13th Commercial Division of the National Court Register. The Bank was registered under the number KRS 0000026438 and was assigned the statistical number REGON 016298263.

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

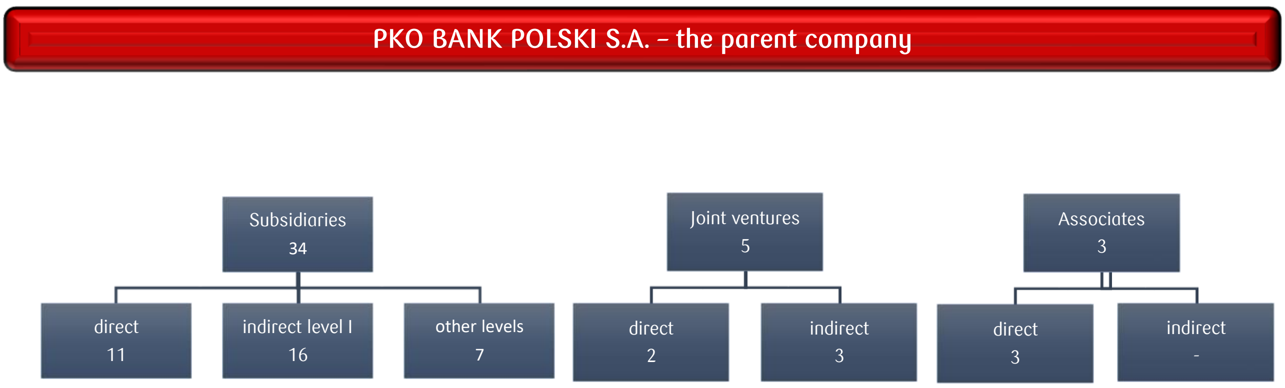
According to the Bulletin of the Warsaw Stock Exchange (Ceduła Giełdowa), the Bank is classified under the macro-sector "Finance", in the "Banks" sector.

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

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

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

In 2024 and 2023, the Bank did not change the name of the reporting unit or other identification data.



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

No.	ENTITY NAME	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%)	
	DIRECT SUBSIDIARIES			31.12.2024	31.12.2023
1	PKO Bank Hipoteczny S.A.	Warsaw	banking activities	100	100
2	PKO Towarzystwo Funduszy Inwestycyjnych S.A.	Warsaw	investment fund management	100	100
3	PKO Leasing S.A.	Łódź	leases and loans	100	100
4	PKO BP BANKOWY PTE S.A.	Warsaw	pension fund management	100	100
5	PKO BP Finat sp. z o.o.	Warsaw	services, including transfer agent services and outsourcing of IT specialists	100	100
6	PKO Życie Towarzystwo Ubezpieczeń S.A.	Warsaw	life insurance	100	100
7	PKO Towarzystwo Ubezpieczeń S.A.	Warsaw	other personal insurance and property insurance	100	100
8	PKO Finance AB	Sollentuna, Sweden	financial services	100	100
9	KREDOBANK S.A.	Lviv, Ukraine	banking activities	100	100
	Merkury - fiz an[1,2]	Warsaw	investing funds collected from fund participants	100	100
10	NEPTUN - fizan[1]	Warsaw		100	100
11	PKO VC - fizan[1]	Warsaw		100	100

[1] PKO Bank Polski S.A. holds investment certificates of the Fund; the percentage of the Fund's investment certificates held is presented in the item "Share in capital".

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

No.	ENTITY NAME / INDIRECT SUBSIDIARIES	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%)* 31.12.2024	31.12.2023
	PKO Leasing S.A. GROUP				
1	PKO Agencja Ubezpieczeniowa sp. z o.o.	Warsaw	intermediation in concluding insurance agreements	100	100
	1.1 PKO Leasing Finanse sp. z o.o.	Warsaw	sale of post-lease assets	100	100
2	PKO Leasing Sverige AB	Stockholm, Sweden	leasing	100	100
3	Prime Car Management S.A.	Gdańsk	leasing, fleet management	100	100
	3.1 Futura Leasing S.A.	Gdańsk	sale of post-lease assets	100	100
	3.2 Masterlease sp. z o.o.	Gdańsk	leasing	100	100
	3.3 MasterRent24 sp. z o.o.	Gdańsk	short-term lease of cars	100	100
4	PKO Faktoring S.A.	Warsaw	factoring	100	100
5	Polish Lease Prime 1 DAC[1]	Dublin, Ireland	SPV established for securitization of lease receivables	-	-
	PKO Życie Towarzystwo Ubezpieczeń S.A. GROUP				
6	Ubezpieczeniowe Usługi Finansowe sp. z o.o.	Warsaw	services	100	100
	KREDOBANK S.A. GROUP				
7	"KREDOLEASING" sp. z o.o.	Lviv, Ukraine	leasing	100	100
	NEPTUN - fizan				
8	Qualia sp. z o.o.	Warsaw	after-sale services in respect of developer products	100	100
9	Sarnia Dolina sp. z o.o. w likwidacji (in liquidation)	Warsaw	development activities	100	100
10	Bankowe Towarzystwo Kapitałowe S.A.	Warsaw	services	100	100
	10.1 „Inter-Risk Ukraina" spółka z dodatkową odpowiedzialnością[2]	Kyiv, Ukraine	debt collection	99.90	99.90
	10.2 Finansowa Kompania "Prywatne Inwestycje" sp. z o.o.[3]	Kyiv, Ukraine	financial services	95.4676	95.4676
	10.2.1 Finansowa Kompania "Idea Kapitał" sp. z o.o.	Lviv, Ukraine	services	100	100
11	"Sopot Zdrój" sp. z o.o.	Sopot	property management	72.9769	72.9769
12	"Zarząd Majątkiem Górczewska" sp. z o.o.	Warsaw	property management	100	100
13	Molina sp. z o.o. w likwidacji (in liquidation)[4]	Warsaw	general partner in partnerships limited by shares of a fund	100	100
14	Molina spółka z ograniczoną odpowiedzialnością w likwidacji 1 S.K.A. (in liquidation)[4]	Warsaw	buying and selling real estate on own account, real estate management	100	100
	Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A. w likwidacji (in liquidation)[4]	Warsaw	debt collection	-	100
15	Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A. w likwidacji (in liquidation)[4]	Warsaw	financial services	100	100
16	Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A. w likwidacji (in liquidation)[4]	Warsaw	services	100	100

* share of direct parent in the entity's equity

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

The Group has the following associates and joint ventures:

No.	ENTITY NAME	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%)* 31.12.2024	31.12.2023
	Joint ventures of PKO Bank Polski S.A.				
1	Operator Chmury Krajowej sp. z o.o.	Warsaw	cloud computing services	50	50
2	Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	Warsaw	financial services support activities, including handling transactions concluded using payment instruments	34	34
	1 EVO Payments International s.r.o.	Prague, the Czech Republic	financial services support activities	100	100
	Joint venture NEPTUN - fizan				
	2 “Centrum Obsługi Biznesu" sp. z o.o.	Poznań	property management	41.45	41.45
	Joint venture PKO VC - fizan				
	3 BSafer sp. z o.o.	Stalowa Wola	managing marketing consents	35.06	35.06
	Associates of PKO Bank Polski S.A.				
1	Bank Pocztowy S.A.	Bydgoszcz	banking activities	25.0001	25.0001
2	“Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.	Poznań	guarantees	33.33	33.33
3	System Ochrony Banków Komercyjnych S.A.	Warsaw	manager of the security system referred to in Article 130e of the Banking Law	21.11	21.11

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

2. CHANGES IN THE GROUP COMPANIES

In 2024, the following events occurred in the structure of the Bank’s Group.

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

3. INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

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

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

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

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

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

4. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

5. REPRESENTATION BY THE MANAGEMENT BOARD

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

6. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) as at 31 December 2024, and in the areas not regulated by these standards, in accordance with the requirements of the Accounting Act of 29 September 1994 and the respective secondary legislation issued on its basis, as well as the requirements relating to issuers of securities registered or applying for registration on the stock exchange official listing market.

7. GOING CONCERN

The financial statements have been prepared on the basis of the assumption that the Bank's Group will continue as a going concern for a period of at least 12 months from the date of approval for publication by the Management Board, i.e from 11 March 2025. As at the date of signing of these financial statements, the Management Board of the Bank did not identify any facts or circumstances which would indicate any threats to the Group's ability to continue in operation as a going concern for at least 12 months after the publication as a result of intended or forced discontinuing or significantly curtailing the existing operations of the Bank's Group.

The Bank's Management Board considered the impact of: current situation in Ukraine, legal risk of mortgage loans in convertible currencies and planned amendments to the Act on crowdfunding for business ventures and assistance to borrowers in respect of the new credit holiday programme and assessed that these factors do not cause significant uncertainty in the Group's ability to continue as a going concern

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

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

8. THE BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

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

The annual separate financial statements of PKO Bank Polski S.A. for the year ended 31 December 2024, will be published and approved on the same date as the consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2024. The requirement for their preparation and publication arises from the provisions of law.

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

When preparing the financial statements, the Group makes estimates and adopts assumptions which directly affect both the financial statements and the supplementary information included therein. The estimates and assumptions applied by the Capital Group to report the value of assets and liabilities, as well as income and expenses are made using historical data and other factors that are available and considered appropriate in particular circumstances. Assumptions regarding the future and the available data are used for assessing the carrying amounts of assets and liabilities which cannot be clearly determined using other sources.

In making estimates, the Group takes into consideration the reasons and sources of the uncertainties that are anticipated at the end of the reporting period. Actual results may differ from estimates.

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

SIGNIFICANT ACCOUNTING POLICIES

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

9. FUNCTIONAL CURRENCY, PRESENTATION CURRENCY AND FOREIGN CURRENCIES

The functional currency of the parent and other entities included in these financial statements, except for the German Branch, the Czech Branch, the Slovak Branch, the Romanian Branch and entities conducting their activities outside of the Republic of Poland, is the Polish zloty. The functional currency of the entities operating in Ukraine is the Ukrainian hryvnia (UAH), the functional currency of the Germany Branch and the Slovakia Branch and the entities operating in Sweden and Ireland is the euro (EUR), the Czech Republic Branch is the Czech koruna (CZK) and the Romania Branch is the Romanian leu (RON).

- **TRANSACTIONS AND BALANCES IN FOREIGN CURRENCIES**

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate applicable on the transaction date.

At the end of each reporting period, the Group translates:

- monetary items in foreign currencies – at the closing exchange rate, i.e. the mid-exchange rate quoted by the National Bank of Poland at the end of the reporting period;
- non-monetary items carried at historical cost in foreign currencies, such as property, plant and equipment or intangible assets – at the average exchange rate quoted by the National Bank of Poland on the transaction date;
- non-monetary items measured at fair value in a foreign currency, such as equity instruments classified as financial assets, are translated using the average exchange rates quoted by the National Bank of Poland, effective on the date on which the fair value was determined.

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

	UAH/PLN		EUR/PLN		CZK/PLN		RON/PLN
	2024	2023	2024	2023	2024	2023	2024
Foreign exchange rates as at the end of the period	0.0976	0.1037	4.2730	4.3480	0.1699	0.1759	0.8589
Arithmetic mean of exchange rates as at the last day of each month in the period	0.0991	0.1153	4.3042	4.5284	0.1712	0.1889	0.8652
The highest exchange rate during the period	0.1069	0.1258	4.3530	4.7170	0.1753	0.1999	0.8750
The lowest exchange rate during the period	0.0926	0.1037	4.2678	4.3480	0.1688	0.1759	0.8576

10. Basis of consolidation

10.1. Subsidiaries

Subsidiaries are entities controlled by the Capital Group (the parent entity), which means that the Capital Group simultaneously: has power over these entities, bears the risk and benefits arising from the variable returns of the subsidiaries, and through the power exercised over these entities, has the ability to influence the amount of its financial results.

In the case of PKO Leasing S.A. (PKOL, the Company), control of Polish Lease Prime 1 DAC is exercised despite not holding an equity interest. Polish Lease Prime 1 DAC is a special purpose vehicle (SPV) formed to securitise receivables arising from PKOL's leases, which include car, truck, plant and equipment leases.

The SPV meets the definition of a structured entity subject to consolidation (under IFRS 12). PKOL's power is manifested, among other things, in the fact that the Company acts as the Servicer and therefore has influence over the SPV's key activities (providing funds for the SPV's ongoing debt service). The results of the SPV's operations are, in principle, determined by the performance of the portfolio subject to the securitisation transaction, and the maintenance of the portfolio's profitability is determined by PKOL through its debt collection activities (the Company decides on its own on the activities, including the initiation of hard debt collection measures). In addition, the receivables portfolio's loss ratio does not exceed the share of Junior Funding received from PKOL and therefore it is PKOL that is exposed to the credit risk arising from the receivables.

The PKO Bank Polski SA Group does not meet the definition of “an investment entity”.

10.2. Consolidation

All subsidiaries of the PKO Bank Polski S.A. Group are consolidated using the acquisition method. The following items are eliminated in full: mutual receivables and payables, income and expenses, and mutual cash flows in the statement of cash flows, of consolidated entities, e.g. from mutual financing agreements, cash deposits, IT services, , derivative transactions, fixed asset leases, transfers of loan receivables portfolios and settlements of agency fees from the sale of insurance.

The Group recognizes in other comprehensive income the exchange differences arising from the translation into Polish currency of:

- the assets and liabilities of foreign entities at the closing exchange rate on the balance sheet date.
- revenues and expenses of foreign entities at an exchange rate close to the exchange rates prevailing on the transaction date, by applying the rate representing the arithmetic average of the average exchange rates on the last day of each month of the reporting period, as quoted by the National Bank of Poland.

Financial statements of subsidiaries are prepared for the same reporting periods as the financial statements of the parent company. Consolidation adjustments are made in order to eliminate any differences in the accounting policies applied by the Bank and its subsidiaries.

10.3. ACQUISITION OF SUBSIDIARIES (BUSINESS COMBINATIONS)

The acquisition of subsidiaries by the Group is accounted for under the acquisition method.

In respect of mergers of the Group companies, i.e. the so-called transactions under joint control, the predecessor accounting method is applied, i.e. the acquired subsidiary is recognized at the carrying amount of its assets and liabilities recognized in the Group's consolidated financial statements in respect of the given subsidiary, including the goodwill arising from the acquisition of that subsidiary.

10.4. ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are initially recognized at cost and subsequently accounted for using the equity method by the Group/ At each balance sheet date, the Group makes an assessment of whether there is any evidence of impairment of investments in associates and joint ventures. If any such evidence exists, the Group estimates the recoverable amount, i.e. the value in use of the investment or the fair value of the investment less costs to sell, whichever of these values is higher.

The value in use of investments is determined based on the present value of the estimated expected future cash flows from the continued use of these assets, using models dedicated to each individual entity. These cash flows are discounted at a discount rate based on the cost of equity estimated on a case-by-case basis for each investment. The current bid price received or the value estimated on the basis of valuation techniques commonly used by market participants (including valuations provided by a specialised third party) is accepted as the fair value of the investment.

If the carrying amount of an asset exceeds its recoverable amount, the Group recognizes an impairment allowance in the income statement.

11. GENERAL SIGNIFICANT ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS

11.1. RECOGNITION OF TRANSACTIONS IN THE STATEMENT OF FINANCIAL POSITION

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

11.2. OFFSETTING FINANCIAL INSTRUMENTS

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

11.3. DERECOGNITION OF FINANCIAL INSTRUMENTS FROM THE STATEMENT OF FINANCIAL POSITION

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

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

In the event that no allowances or adjustments to the gross carrying amount in respect of legal risk have been recognised, or if the amount of the allowance is less than the amount of the financial asset, the amount of the credit loss allowance or adjustments to the gross carrying amount in respect of legal risk is increased by the difference between the value of the asset and the amount of the allowance or adjustment that has been recognized to date.

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

11.4. THE PRINCIPLES FOR CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Group classifies financial assets into the following categories:

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

The Group classifies financial liabilities into the following categories:

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

Classification of financial assets as at the date of their acquisition or origin depends on the business model adopted by the Group to manage a given group of assets and the characteristics of the contractual cash flows from a single asset or group of assets.

- **BUSINESS MODEL**

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

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

In the “held to collect” business model, the Group sets out the following classification criteria:

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

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

The Group identifies the following business models:

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

- **ASSESSMENT OF CONTRACTUAL CASH FLOW CHARACTERISTICS**

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

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

- their effect on the contractual cash flows from that asset could not be significant (de minimis characteristic); In order to confirm the de minimis characteristic, the Group calculates the percentage change in cash flows for each reporting period separately, as well as cumulatively over the life of the financial instrument.
- they are not genuine, i.e. they affect the contractual cash flows from the instrument only in the case of occurrence of a very rare, unusual or very unlikely event (non-genuine characteristic).

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

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

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

The Group analyses, among other things, the following features of financial assets which result in the SPPI test being failed:

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

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

11.5. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

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

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

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

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

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

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

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

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

The Group classifies debt securities into the category of financial assets measured at fair value through other comprehensive income

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

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

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

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

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

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

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

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

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

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

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

Income similar to interest income on instruments measured at fair value through profit or loss are recognized in profit or loss under the heading "Interest income and expenses".

The category of loans and advances to customers measured at fair value through profit or loss includes the following products: cash loans, credit cards and revolving loans, whose contractual formula for interest calculation includes a multiplier.

11.8. EQUITY INSTRUMENTS

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

11.9. RECLASSIFICATION OF FINANCIAL ASSETS

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

11.10. MODIFICATIONS – CHANGES IN CONTRACTUAL CASH FLOWS

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

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

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

The Group has adopted the following QUANTITATIVE CRITERIA:
- the quantitative criterion consists of a 10% test analyzing the change in the contractual terms of a financial asset resulting in a difference between the amount of future cash flows arising from the changed financial asset discounted using the original effective interest rate and the amount of the future cash flows that would arise from the original financial asset discounted using the same interest rate.
- an increase in a debtor's exposure, which includes an increase in the capital and off-balance sheet liabilities granted of more than 10% in relation to the amount of capital and off-balance sheet liabilities prior to the increase for each individual exposure;

- the extension of the original term of cash loans, corporate loans by more than 1 year and by more than double the residual term, i.e. the outstanding term at the date of modification; cash loans, business loans handled by collection units by more than 1 year; housing loans by more than 4 years.

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

When a "NON-SUBSTANTIAL MODIFICATION" is identified, the Group does not derecognise the financial asset, but recalculates the gross carrying amount of the financial asset and recognises the gain or loss on the modification in profit or loss (in net interest income or expense). The gain or loss on non-substantial modification is determined as the difference between the present value of the future cash flows from the modified financial asset, discounted at the original effective interest rate, and the present value of the future cash flows from the original financial asset, discounted at the same interest rate.

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

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

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

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

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

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

11.12. MEASUREMENT OF FINANCIAL LIABILITIES

Liabilities in respect of a short position in securities and some of the liabilities in respect of insurance products are measured at fair value through profit or loss.

Other financial liabilities are measured at amortized cost using the effective interest rate method. In the case of financial liabilities for which it is not possible to estimate the schedule of future cash flows and the effective interest rate, they are measured at the amount due.

11.13. REVERSE REPO TRANSACTIONS

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

12. ENVIRONMENTAL ISSUES

The nature of the business activities means that the direct impact of the Bank and the Bank's Group on the natural environment is limited. Indirect environmental impact involves the Bank's provision of financing the Group's product offering. The Group mitigates its direct impact on the environment and adjusts its lending policies addressed to the various sectors of the economy.

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

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

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

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

The Group is exposed to climate risk, including:

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

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

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

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

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

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

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

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

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

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

- not listed shares in other entities – they do not include companies from sectors which are exposed to significant climate risk.

- NON-FINANCIAL ASSETS

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

It should be noted, though, that the potential impact of climate change risk, understood as a sudden, rapid transformation of the economy towards lower emissions (a rapid generation change of a significant class of assets in financing) may ultimately be important for the Group's lease entities.

- INVENTORIES – Climate-related issues do not affect the carrying amount of the inventories held by the Group as at 31 December 2024 and 2023.
- TAXES Climate-related issues do not affect deferred income tax assets recognized by the Group as at 31 December 2024 and 2023.
- PROVISIONS AND LITIGATION – AS AT 31 DECEMBER 2024 AND 2023, THERE WERE NO PROCEEDINGS INVOLVING ANY CLIMATE OR ENVIRONMENTAL ISSUES AT THE GROUP. IN THE YEARS 2024-2023, THERE WERE NO ADMINISTRATIVE PROCEEDINGS RELATING TO VIOLATIONS OF ENVIRONMENTAL REGULATIONS OR THE GROUP'S IMPACT ON CLIMATE THAT WOULD LEAD TO ANY FINES BEING IMPOSED ON THE GROUP.
- INSURANCE ACTIVITIES

Intensification of extreme weather phenomena, including in particular the risk of flood, is a specific instance of physical risk to insurance activities. The effect of this risk on the financial results and solvency is mitigated mainly by risk selection and a properly structured reinsurance programme. Insurance companies calculate the capital requirement for catastrophic risk and analyse the stress test scenarios for flood risk.

At present, insurance companies do not have environmental taxonomy for investment assets due to the fact that they do not offer new investment products.

In the case of insurance activities (property insurance), climate risk is taken into account in the valuation of liabilities, i.e. it is taken into account in the amount of the premium (in terms of future risk) and in the valuation of loss provisions. The flood risk premium provision as at 31 December 2024 was estimated at PLN 7 million (as at 31 December 2023 - PLN 5 million) and the damage provisions at PLN 15 million. The increase in the value of the premium reserve is attributable to the growth in the volume of the housing insurance portfolio, while the creation of the recognized claims reserves reflects a precautionary assessment of future payouts resulting from the passage of the Borys Genoese Low across Poland in September 2024. Upon the occurrence of an event constituting materialization of climate risk, insurance companies also recognize provisions for losses.

In the case of life insurance activities, the said risk is not sufficiently material to allow quantification of liabilities - they are valued based on an assessment of the cumulative probability of occurrence of insured events.

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

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

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

- derivative hedging instruments and other derivatives - in the case of interest rate derivatives where the counterparty to the transaction is a clearing house (CCP) or clearing broker, the Group netted the positive and negative valuation of the derivatives against the Variation Margin values;
- provision for accrued holiday entitlements – from "Provisions" to "Other liabilities".

- cash flows from interest income and interest expense relating to operating activities – following the change, interest received and interest paid relating to operating activities is presented under separate line items in the statement of cash flows from operating activities.

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

STATEMENT OF FINANCIAL POSITION – SELECTED DATA	31.12.2023 before restatement	Change in the presentation of derivatives	Change in the presentation of provision for accrued holiday entitlements	31.12.2023 restated
Amounts due from banks	14,438	(1,085)	-	13,353
Hedging derivatives	1,174	(819)	-	355
Other derivative instruments	8,406	(4,223)	-	4,183
TOTAL ASSETS	**501,516**	**(6,127)**	**-**	**495,389**
Amounts due to banks	3,423	(272)	-	3,151
Hedging derivatives	2,992	(2,104)	-	888
Other derivative instruments	9,291	(3,751)	-	5,540
Other liabilities	11,007	-	138	11,145
Provisions	4,165	-	(138)	4,027
TOTAL LIABILITIES	**456,289**	**(6,127)**	**-**	**450,162**

STATEMENT OF FINANCIAL POSITION – SELECTED DATA	31.12.2022 before restatement	Change in the presentation of derivatives	Change in the presentation of provision for accrued holiday entitlements	31.12.2022 restated
Amounts due from banks	16,101	(5,400)	-	10,701
Hedging derivatives	1,042	(149)	-	893
Other derivative instruments	13,162	(8,101)	-	5,061
TOTAL ASSETS	**431,447**	**(13,650)**	**-**	**417,797**
Amounts due to banks	3,011	(390)	-	2,621
Hedging derivatives	7,469	(6,427)	-	1,042
Other derivative instruments	12,978	(6,833)	-	6,145
Other liabilities	7,010	-	119	7,129
Provisions	2,090	-	(119)	1,971
TOTAL LIABILITIES	**395,740**	**(13,650)**	**-**	**382,090**

CASH FLOWS – SELECTED DATA FROM OPERATING ACTIVITIES	2023 before restatement	Change in the presentation of interest income and expense	Change in the presentation of provision for accrued holiday entitlements	Change in the presentation of derivatives	2023 restated
Total adjustments	**40,108**	**-**	**-**	**4,319**	**44,427**
Interest and dividends received (previous item)	(6,549)	6,549	-	-	-
Interest paid (previous item)	754	(754)	-	-	-
Net interest income (from income statement) (new item)	-	(18,318)	-	-	(18,318)
Interest received (new item)	-	23,485	-	-	23,485
Interest paid (new item)	-	(11,515)	-	-	(11,515)
Dividends received (new item)	-	(14)	-	-	(14)
Change in:				-	
amounts due from banks	(905)	(377)	-	-	(1,282)
hedging derivatives	(4,609)	291	-	4,992	674
other derivative instruments	1,069	-	-	(795)	274
securities	(6,360)	467	-		(5,893)
loans and advances to customers	(13,282)	1,267	-	4	(12,011)
accumulated allowances on non-financial assets and other provisions	2,222	-	(19)	-	2,203
amounts due to banks	412	13	-	118	543
amounts due to customers	60,325	(785)	-	-	59,540
loan and advances received	335	(32)	-	-	303
liabilities in respect of debt securities in issue	(500)	(284)	-	-	(784)
subordinated liabilities	(7)	7	-	-	-
other liabilities	2,662	-	19	-	2,681
Net cash from/used in operating activities	46,877	-	-	4,319	51,196
Total net cash flows	**(667)**	**-**	**-**	**4,319**	**3,652**
Cash and cash equivalents at the beginning of the period	**31,995**	**-**	**-**	**(5,435)**	**26,560**
Cash and cash equivalents at the end of the period	**31,328**	**-**	**-**	**(1,116)**	**30,212**

14. NEW STANDARDS AND INTERPRETATIONS, AND AMENDMENTS TO STANDARDS

- ### STANDARDS AND AMENDMENTS TO STANDARDS EFFECTIVE FROM 1 JANUARY 2024

STANDARDS AND INTERPRETATIONS	DESCRIPTION OF AMENDMENTS	EFFECTIVE DATE
AMENDMENTS TO IAS 7 "STATEMENT OF CASH FLOWS" AND IFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURES"	The amendments introduce requirements for additional disclosures related to supplier financing (reverse factoring), including information on extended payment terms, collateral and guarantees provided. The amendments aim to enhance transparency of information on supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments do not have an impact on the consolidated financial statements of the Group.	1 January 2024 (endorsed by the EU on 15 May 2024)
	The changes relate to the classification of liabilities in the statement of financial position as short-term or long-term. They clarify that the classification of liabilities as short-term or long-term should take into account, as at the classification date, the existence of a debt extension right, regardless of the entity's intention to use it for a period longer than 12	1 January 2024 /(endorsed by

AMENDMENTS TO IAS 1 - CLASSIFICATION OF LIABILITIES	months, and should take into account the fulfillment of the conditions of such extension as at the date of assessment, if it is conditional. In addition, the amendments clarify that contractual covenants that are fulfilled after the balance sheet date do not affect the classification of liabilities at the respective balance sheet date. The Group does not have any agreements containing the aforementioned provisions and therefore the Group is not affected by the amendment.	the EU on 19 December 2023)
AMENDMENT TO IFRS 16 "LEASES"	The amendments relate to the accounting treatment of a transaction in which an entity has sold an asset and, at the same time, the same asset is subject to a lease agreement with a new owner (leaseback). The amendments concern cases where the lease payments under a leaseback agreement are variable, i.e. other than based on a rate or index. The Group does not currently have sale and leaseback transactions with variable lease instalments other than those based on a rate or index, and therefore the Group is not affected by the amendment.	1 January 2024 /(endorsed by the EU on 20 November 2023)

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

STANDARDS AND INTERPRETATIONS	DESCRIPTION OF AMENDMENTS	EFFECTIVE DATE
AMENDMENTS TO IAS 21 "THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES"	The amendments clarify when a currency is convertible into other currencies, how an entity determines the exchange rate when a currency is not convertible, and specify the scope of disclosures to help the user of the financial statements assess the impact of currency non-convertibility on the entity's financial position, financial performance and cash flows. The amendments do not have an impact on the consolidated financial statements of the Group.	1 January 2025 (endorsed by the EU on 12 November 2024)

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

STANDARDS AND INTERPRETATIONS	DESCRIPTION OF AMENDMENTS	EFFECTIVE DATE
AMENDMENTS TO IFRS 9 "FINANCIAL INSTRUMENTS" AND IFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURES"	The guidance in IFRS 9 on the derecognition of a financial liability settled through an electronic payment system has been amended. The amendment allows an entity to recognise a financial liability that has been settled using an electronic payment system as settled before the settlement date, if certain criteria are met (related, among other things, to the entity's inability to cancel the payment, immaterial risk regarding the settlement of the payment). The amendment addresses the issue of a later settlement date for payments made through electronic payment systems compared to the date of initiation of such payment by the individual. In addition, amendments have been made to the classification of financial assets, i.e: a) extension of the guidance for assessing whether the contractual cash flow characteristics related to a financial asset are consistent with the underlying loan agreement, b) clarification of the provisions on "non-recourse" assets, c) clarification of the characteristics of contractually linked instruments. The mandatory disclosures under IFRS 7 have been expanded. The Group is in the process of reviewing the impact of the amendments on the consolidated financial statements. The amendments will not have a material impact on the Group's financial statements.	1 January 2026
AMENDMENTS TO IFRS 9 AND IFRS 7 ON RENEWABLE *ENERGY SUPPLY* AGREEMENTS (RES).	The amendments relate to contracts for electricity from renewable sources (so-called Power Purchase Agreements - PPAs) and are intended to help entities better report on the financial impacts associated with such contracts. The amendments include: a) clarification, for the above contracts, of the requirements for the applicability of the exemption for "own use", b) permission to use hedge accounting if the agreements are used as hedging instruments,	1 January 2026

	c) the addition of new disclosure requirements to enable users to understand the impact of these agreements on the company's financial performance and cash flows. The Group is in the process of reviewing the impact of the amendments on the consolidated financial statements.	
IFRS 18 Presentation and disclosures in financial statements	IFRS 18 will replace the current IAS 1. The amendments relative to the standard being replaced will mainly affect three areas: a) definition of mandatory subtotals in the income statement, b) disclosures on Alternative Performance Measurements (APMs) used by the management board, c) extension of guidelines on information aggregation. The Group is in the process of reviewing the impact of the amendments on the consolidated financial statements.	1 January 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	IFRS 19 introduces simplified reporting requirements and reduces the number of mandatory disclosures for eligible subsidiaries in their separate financial statements. The amendments will not have a material impact on the consolidated financial statements of the Group.	1 January 2027
"Annual Improvements to IFRSs – Volume 11" of the International Accounting Standards Board	On 18 July 2024, the Board published a document that contains clarifications, simplifications, amendments and changes aimed at improving the consistency of a number of accounting standards (IFRS 1, IFRS 7 and accompanying "IFRS 7 implementation guidance"; IFRS 9; IFRS 10 and IAS 7). The above amendments and corrections mainly clarify or bring consistency to existing provisions and do not introduce new requirements in IAS/IFRS. The Group is in the process of reviewing the impact of the amendments on the consolidated financial statements.	1 January 2026, with early application permitted

SUPPLEMENTARY NOTES TO THE INCOME STATEMENT

15. Segment reporting

Significant accounting policies:

The segmentation note was prepared on the basis of the internal reporting system, i.e. information provided to the Management Board of PKO Bank Polski S.A., which is used to assess the achieved results and allocate resources.

The principles of identifying revenues and costs as well as assets and liabilities applied in the segmentation report are consistent with the accounting principles described in these financial statements. The presented assets and liabilities of the segment are operating assets and liabilities used by the segment in its operating activities. The values of assets and liabilities as well as revenues and costs for individual segments are based on internal management information. The segment results, assets and liabilities also include items that can be assigned based on rational assumptions. On this basis, the segments recognize the impact of significant one-off events, such as negative goodwill arising from the acquisition of the company, goodwill impairment losses, impairment losses on associates, and the cost of legal risk of the portfolio of mortgage loans in convertible currencies.

Share of profits and losses of associates and joint ventures, profits and losses of non-controlling shareholders, income tax charge for the presentation of the result and deferred tax assets, current income tax receivables, current income tax liabilities and provisions due to deferred income tax in the presentation of the statement of financial position were recognized at the Group level (UNALLOCATED ASSETS AND LIABILITIES).

The Group settles transactions between segments as if they were related to unrelated entities, using internal settlement rates based on market rates for a given currency and maturity date, taking into account liquidity margins. Transactions between the segments are carried out on normal commercial terms.

Due to organisational changes at the Bank related to the introduction of a new business supervision assignment for customer groups and individual Group companies, the segmentation notes were revised accordingly in the first half of 2024. The changes include, in particular, the reclassification of results and balance sheet items relating to:

- enterprise segment customers from the Retail Segment to the Corporate and Investment Segment,
- selected companies not directly related to business activities to the Transfer Centre and Other Segment,

- investments in equity instruments held in the banking book (equity securities) from the Corporate and Investment Segment to the Transfer Centre and Other.

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

The segmentation note presented below is included in the internal reporting system, i.e. information presented to the Management Board of the Bank, which is used to assess the achieved results and allocate resources.

The segment report presented below reflects the internal organizational structure of the Group.

The Group operates in three main segments:

RETAIL SEGMENT	The retail segment offers a full range of services to individuals as part of retail, private and mortgage banking, and to legal entities as part of corporate banking. The products and services offered to customers in this segment include, among other things: current accounts, savings accounts, term deposits, private banking services, investment and insurance products, investment funds, credit and debit cards, electronic and mobile banking services. With regard to financing, this segment offers consumer loans, mortgage loans, including those offered by PKO Bank Hipoteczny S.A., as well as Corporate loans for businesses, developers, cooperatives and property managers, and leases and factoring offered by the PKO Leasing S.A. Group. In addition, the results of the retail segment comprise the results of the following companies: PKO TFI S.A., PKO BP BANKOWY PTE S.A., PKO Życie Towarzystwo Ubezpieczeń S.A. and PKO Towarzystwo Ubezpieczeń S.A.
CORPORATE AND INVESTMENT SEGMENT	The corporate and investment segment comprises transactions concluded with large corporate customers, state budget entities, enterprises and financial institutions. This segment offers the following products and services: maintaining current accounts and term deposits, cash management and trade finance services, currency products and derivatives, corporate loans, leasing and factoring offered by the PKO Leasing S.A. Group. As part of this segment's activities, the Group also concludes, on its own or in consortiums with other banks, agreements for financing large projects in the form of loans and issues of non-Treasury securities. In addition, the segment carries out its own activities, in particular: those related to liquidity, currency and derivative risk management and brokerage activities. The results of the corporate and investment segments also comprise the results of the KREDOBANK S.A. Group operating in Ukraine.
TRANSFER CENTER AND OTHER	The transfer centre and other segment comprises the result on internal settlements related to funds transfer pricing, the result on the Group's investment portfolio of debt securities, the result on long-term sources of financing and the result on positions classified for hedge accounting, as well as the results not allocated to any other segment. Internal funds transfer is based on arm's length transfer pricing. Long-term external financing includes issuing securities, including mortgage covered bonds, subordinated liabilities and loans received from financial institutions. This segment includes the results of PKO Finance AB, companies conducting technological services, real estate development and real estate management activities as well as funds investing money collected from investment fund participants.

FINANCIAL INFORMATION

Income statement by segment	Continuing operations			
2024	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group
Net interest income	16,812	6,756	(1,415)	22,153
Net fee and commission income	3,887	1,325	(92)	5,120
Net other income	**1,031**	**307**	**125**	**1,463**
Net income from insurance business	652	17	-	669
Dividend income	-	-	26	26
Gains/(losses) on financial transactions	51	170	41	262
Net foreign exchange gains/ (losses)	210	92	(93)	209
Gains/(losses) on derecognition of financial instruments	56	45	23	124
Net other operating income and expense	47	(2)	128	173
Income/(expenses) relating to internal customers	15	(15)	-	-
Result on business activities	**21,730**	**8,388**	**(1,382)**	**28,736**
Net allowances for expected credit losses	(550)	(416)	-	(966)
Impairment of non-financial assets	(354)	(5)	(150)	(509)
Cost of legal risk of mortgage loans in convertible currencies	(4,899)	-	-	(4,899)
Administrative expenses, of which:	(6,864)	(1,476)	(147)	(8,487)
depreciation and amortization	(1,004)	(175)	(12)	(1,191)
net regulatory charges	(223)	(188)	(11)	(422)
Tax on certain financial institutions	(848)	(513)	91	(1,270)
Segment profit/(loss)	**8,215**	**5,978**	**(1,588)**	**12,605**
Share in profits and losses of associates and joint ventures				123
Profit before tax				**12,728**
Income tax expense (tax burden)				(3,424)
Net profit (including non-controlling shareholders)				9,304
Net profit attributable to equity holders of the parent company				**9,304**

Income statement by segment	Continuing operations			
2023	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group
Net interest income	14,588	6,987	(3,257)	18,318
Net fee and commission income	3,383	1,283	(40)	4,626
Net other income	**949**	**43**	**196**	**1,188**
Net income from insurance business	696	15	-	711
Dividend income	-	1	13	14
Gains/(losses) on financial transactions	39	24	104	167
Net foreign exchange gains/ (losses)	116	(7)	(10)	99
Gains/(losses) on derecognition of financial instruments	25	19	13	57
Net other operating income and expense	53	11	76	140
Income/(expenses) relating to internal customers	20	(20)	-	-
Result on business activities	**18,920**	**8,313**	**(3,101)**	**24,132**
Net allowances for expected credit losses	(932)	(333)	-	(1,265)
Impairment of non-financial assets	(6)	(6)	(96)	(108)
Cost of legal risk of mortgage loans in convertible currencies	(5,430)	-	-	(5,430)
Administrative expenses, of which:	(6,152)	(1,336)	(147)	(7,635)
depreciation and amortization	(922)	(152)	(13)	(1,087)
net regulatory charges	(217)	(185)	(12)	(414)
Tax on certain financial institutions	(754)	(440)	(37)	(1,231)
Segment profit/(loss)	**5,646**	**6,198**	**(3,381)**	**8,463**
Share in profits and losses of associates and joint ventures				99
Profit before tax				**8,562**
Income tax expense (tax burden)				(3,057)
Net profit (including non-controlling shareholders)				5,505
Profit (loss) attributable to non-controlling shareholders				3
Net profit attributable to equity holders of the parent company				**5,502**

INTEREST INCOME BY SEGMENT	2024			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans and other amounts due from banks and the Central Bank	5	715	761	1,481
Debt securities	173	4,595	3,727	8,495
Loans and advances to customers (excluding finance lease receivables)	15,307	5,250	-	20,557
Repo transactions	-	21	-	21
Finance lease receivables	1,002	583	-	1,585
Total	16,487	11,164	4,488	32,139

INTEREST INCOME BY SEGMENT	2023			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans and other amounts due from banks and the Central Bank	12	947	763	1,722
Debt securities	102	4,511	2,299	6,912
Loans and advances to customers (excluding finance lease receivables)	15,109	5,856	1	20,966
Repo transactions	-	40	-	40
Finance lease receivables	1,107	470	-	1,577
Total	16,330	11,824	3,063	31,217

FEE AND COMMISSION INCOME BY SEGMENT	2024			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans, insurance, operating leases and fleet management	703	567	12	1,282
Investment funds, pension funds and brokerage activities	846	146	-	992
Cards	2,161	65	-	2,226
Margins on foreign exchange transactions	584	271	-	855
Bank accounts and other	1,022	410	-	1,432
Total	5,316	1,459	12	6,787

FEE AND COMMISSION INCOME BY SEGMENT	2023			
	Retail segment	Corporate and investment segment	Transfer center and other	Total
Loans, insurance, operating leases and fleet management	685	537	13	1,235
Investment funds, pension funds and brokerage activities	674	120	-	794
Karty[1]	1,976	59	-	2,035
Margins on foreign exchange transactions[1]	580	280	-	860
Bank accounts and other	997	380	-	1,377
Total	4,912	1,376	13	6,301

[1] In2024, the Group made a presentation change (netting) relating to the currency conversion commission presented under the items “Cards” and “Margins on foreign exchange transactions”. The figures for 2023 have been restated by PLN 139 million.

Assets and liabilities by segment 31.12.2024	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group
Assets	199,746	191,439	130,687	521,872
Investments in associates and joint ventures				291
Unallocated assets				3,062
Total assets				525,225
Liabilities	347,060	90,883	33,204	471,147
Unallocated liabilities				1,708
Total liabilities				472,855

Assets and liabilities by segment 31.12.2023	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group
Assets	176,684	205,320	109,095	491,099
Investments in associates and joint ventures				284
Unallocated assets				4,006
Total assets				**495,389**
Liabilities	329,513	94,972	23,848	448,333
Unallocated liabilities				1,829
Total liabilities				**450,162**

The PKO Bank Polski S.A. Group also operates in Ukraine. The assets and net profit of Ukrainian subsidiaries account for approximately 1% of the Group's assets and profit.

16. Interest income and expense

Significant accounting policies

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

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

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

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

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

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

Interest income also includes:

- the effect of the fair value measurement of financial assets acquired as part of business combinations between subsidiaries
- the impact of the European Union Court of Justice's ruling on consumer rights to reduce the cost of loans repaid before maturity by deducting interest income, as the estimated difference between the outstanding commission at the effective interest rate at the date of the expected early repayment of the loan and the commission that would have been accounted for on a straight-line basis, according to which the Bank reimburses the commission. The estimates are based on historical early repayment periods and their probability;
- the effect of statutory credit holidays, introduced by the Act on crowdfunding for business ventures and assistance to borrowers, recognized in correspondence with the gross carrying amount of mortgage loans granted in PLN (Note „LOANS AND ADVANCES TO CUSTOMERS");

- the impact of the amendment of the Act of 23 March 2017 on mortgage credit and supervision of mortgage credit intermediaries and agents, concerning the reimbursement of the additional mortgage cost associated with waiting for the mortgage to be registered in the mortgage register, borne by the customer until the mortgage is registered in the mortgage register by deducting interest income, as the value of the estimated return of the margin for customers calculated until the date of registration of the mortgage in the mortgage register.

FINANCIAL INFORMATION:

INTEREST AND SIMILAR INCOME	2024	2023
Loans and other amounts due from banks and the Central Bank[1]	**1,481**	**1,722**
Debt securities	**8,495**	**6,912**
measured at amortized cost	3,586	2,239
measured at fair value through other comprehensive income	4,876	4,629
measured at fair value through profit or loss	33	44
Loans and advances to customers[2]	**20,557**	**20,966**
measured at amortized cost	20,184	20,461
measured at fair value through profit or loss	373	505
Repo transactions	21	40
Finance lease receivables	**1,585**	**1,577**
Total	**32,139**	**31,217**
of which: interest income on impaired financial instruments	821	601
of which: net income/(expense) on non-substantial modification	(250)	(29)
Interest income calculated using the effective interest rate method on financial instruments measured:	31,733	30,668
at amortized cost	26,857	26,039
at fair value through other comprehensive income	4,876	4,629
Income similar to interest income on instruments measured at fair value through profit or loss	406	549
Total	**32,139**	**31,217**

[1] Under this item, in 2024, the Group recognised income on funds in the current account with the NBP of PLN 755 million (PLN 762 million in the corresponding period).

[2] The item includes the effect of the statutory credit holidays recognised in 2024 (Note "Loans and advances to customers").

INTEREST EXPENSE	2024	2023
Hedging derivatives[1]	(1,970)	(3,817)
Amounts due to banks	(72)	(75)
Loans and advances received	(60)	(93)
Leases	(39)	(35)
Amounts due to customers	(6,572)	(7,899)
Repo transactions	(13)	(14)
Issues of securities	(1,032)	(739)
Subordinated liabilities	(228)	(227)
Total	**(9,986)**	**(12,899)**

[1] The decrease in interest expense related to hedging derivatives by PLN 1,847 million in 2024 mainly relates to IRS transactions and is due to the narrowing of the negative difference between the variable rate paid and the fixed rate received.

17. FEE AND COMMISSION INCOME AND EXPENSES

SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

The following items are also included in commission income:

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

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FEE AND COMMISSION INCOME	2024	2023
Loans, insurance, operating leases and fleet management	**1,282**	**1,235**
lending	932	921
offering insurance products	91	92
operating leases and fleet management	259	222
Investment funds, pension funds and brokerage activities	**992**	**794**
servicing investment funds and OFE (including management fees)	502	440
brokerage activities	486	350
servicing and selling investment and insurance products	4	4
Karty1	**2,226**	**2,035**
Margins on foreign exchange transactions[1]	**855**	**860**
Bank accounts and other	**1,432**	**1,377**
servicing bank accounts	1,009	974
cash operations	111	108
servicing foreign mass transactions	151	136
customer orders	53	54
fiduciary services	12	9
other	96	96
Total, of which:	**6,787**	**6,301**
income from financial instruments not measured at fair value through profit or loss	6,215	5,808

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

FIDUCIARY ACTIVITIES

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

FEE AND COMMISSION EXPENSE	2024	2023
Loans and insurance	**(116)**	**(115)**
cost of construction project supervision and property appraisal	(47)	(41)
fees to Biuro Informacji Kredytowej	(28)	(25)
commission paid to external entities for product sales	(21)	(24)
loan handling	(20)	(25)
Investment funds, pension funds and brokerage activities	**(43)**	**(47)**
Cards	**(1,216)**	**(1,296)**
Bank accounts and other	**(292)**	**(217)**
on account of guarantees received	(95)	(46)
clearing services	(77)	(62)
sending short text messages (SMS)	(55)	(55)
servicing foreign mass transactions	(25)	(22)
commissions for operating services provided by banks	(16)	(14)
other	(24)	(18)
Total	**(1,667)**	**(1,675)**

NET INCOME ON OPERATING LEASES AND FLEET MANAGEMENT	2024	2023
Income on operating leases and fleet management	673	574
Costs of operating leases and fleet management	(73)	(68)
Depreciation of property, plant and equipment under operating leases	(341)	(284)
Net income on operating leases and fleet management	**259**	**222**

18. GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS

SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

FINANCIAL INFORMATION

GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS	2024	2023
Financial instruments held for trading, of which:	**201**	**114**
Derivatives[1]	186	93
Equity instruments	2	4
Debt securities	14	16
Other	(1)	1
Financial instruments not held for trading, measured at fair value through profit or loss, of which:	**56**	**62**
Equity instruments	28	99
Debt securities	57	10
Loans and advances to customers	(29)	(47)
Hedge accounting	**5**	**(9)**
Total	**262**	**167**

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

19. Net foreign exchange gains/ (losses)

SIGNIFICANT ACCOUNTING POLICIES:

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

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

20. Other operating income and expenses

SIGNIFICANT ACCOUNTING POLICIES:

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

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

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OTHER OPERATING INCOME	2024	2023
Revenue from the sale of products and services of Group companies	155	146
Gains on sale or scrapping of property, plant and equipment, property, plant and equipment leased out under operating lease, intangible assets and assets held for sale	75	95
Damages, compensation and penalties received	44	51
Ancillary income	4	6
Recovery of receivables expired, forgiven or written off	6	9
Reversal of provision for future payments	3	5
Reversal of provision recognized for legal claims excluding legal claims relating to repaid mortgage loans in convertible currencies (note “Provisions”)	13	3
Income from sale of CO_2 emission allowances	13	17
Income from discounts granted by supplier for IT software development	15	12
Revenue from the sale of coins for collectors' purposes	8	4
income from early termination of contracts	18	14
Income from settlement of damages and expired contracts in operating leases	11	8
Inne[1]	89	44
Total	**454**	**414**

OTHER OPERATING EXPENSES	2024	2023
Cost of products and services sold of the Group Companies	-	(1)
Losses on sale or scrapping of property, plant and equipment, property, plant and equipment leased out under operating lease, intangible assets and assets held for sale	(15)	(8)
Damages, compensation and penalties paid	-	(6)
Donations made	(46)	(29)
Sundry expenses	(19)	(19)
Recognition of provision for future payments	(4)	(1)
Recognition of provision for legal claims excluding legal claims relating to repaid mortgage loans in convertible currencies (note “Provisions”)	(23)	(17)
Costs from sale of CO_2 emission allowances	(22)	(44)
Costs of external services for the recovery	(34)	(36)
Inne[1]	(118)	(113)
Total	**(281)**	**(274)**

[1] Including costs related to the cancellation of mortgage loans amounting to 12 million PLN (in 2023 – 2 million PLN), and remarketing costs amounting to 24 million PLN (in 2023 – 24 million PLN).

21. NET ALLOWANCES FOR EXPECTED CREDIT LOSSES

SIGNIFICANT ACCOUNTING POLICIES:

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

- Financial assets measured at amortized cost: the allowance reduces the gross carrying amount of the financial asset (adjusted, among others, for adjustments to the gross carrying amount for legal risk of mortgage loans in convertible currencies, statutory credit holidays and for potential reimbursements to customers for the expected early repayment of consumer and mortgage loans); changes in the allowances amount are recognized in the income statement;
- Off-balance sheet liabilities of a financial nature and financial guarantees: the allowance is presented as a provision under liabilities; changes in the provisions amount are recognized in the income statement;

- For debt financial instruments measured at fair value through other comprehensive income, no allowance for expected credit losses is recognised in the statement of financial position as the carrying amount of the asset represents its fair value. However, the allowance for expected credit losses is disclosed and recognised in the income statement.

ESTIMATES AND JUDGMENTS:

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

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

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

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

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

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

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

- **SIGNIFICANT INCREASE IN CREDIT RISK**

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

  - **MORTGAGE AND OTHER RETAIL EXPOSURES**

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

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

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

- non-classification into the set of credit exposures with a significant increase in the level of credit risk (based on the statistics) for which an event of default occurred during the audited period (type II error).

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

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

The Group uses all available qualitative and quantitative information to identify the remaining premises of a significant increase in credit risk, described in the section below.

- **EXPOSURES TO INSTITUTIONAL CUSTOMERS**

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

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

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

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

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

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

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

- transfer of the credit exposure for management on a general basis by the Bank's restructuring and debt collection units;
- use by the borrower of a mortgage loan from statutory support in loan repayment.
- **IMPAIRED LOANS AND DEFINITION OF DEFAULT**

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

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

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

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

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

- **CALCULATION OF THE EXPECTED CREDIT LOSS**

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

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

The Group calculates expected credit losses on an individual and on a portfolio basis.

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

The portfolio method is applied to exposures that are not individually significant and in the event of a failure to identify premises of impairment.

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

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

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

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

The scope of the projected indicators includes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The applied approach to the impact of macroeconomic forecasts on risk parameters describes the situation simultaneously in all branches of the economy and may not take into account the problems of individual industries, which is why the Group has conducted additional analyses of the loan portfolio, including leasing portfolio. These analyses, carried out by risk experts, mainly included an assessment of the impact of specific macroeconomic conditions not taken into account in the portfolio approach and helped identify clients and industries particularly affected by the current economic situation.

For the loan and advances portfolio, this is particularly the case in the construction, automotive, office and retail rental sectors, organic fertiliser production and energy-intensive industries. Exposures with highest PD values (D rating or worse) belonging to identified industries were marked with the indication of "significant increase in credit risk" and covered by increased write-downs in the previous periods. In 2024, as a result of the limited materialisation of the risks of these industries, the Group reduced the allowance for expected credit losses by PLN 85 million, representing approximately 6% of the allowance on the entire portfolio of corporate loans classified as Stage 2.

For the finance lease receivables portfolio, add-ons were maintained for the following sectors: transport, construction, hotel, finishing, furniture, automotive, paper, agriculture, fertiliser and steel. For these sectors, the Group divided the portfolio into the portfolio of customers with a higher level of risk and the portfolio of standard customers, and for both these groups introduced adjustments to the model PD to increase the coverage of the write-down on this portfolio, with standard clients being lower than for customers with increased risk levels. The most numerous of the identified groups include the transport sector, which accounts for 22.4% of the healthy portfolio (of which 3% of the healthy portfolio is at a higher risk level), the remaining industries constitute 10% of a healthy portfolio. The newly introduced changes in industry markups led to an increase in allowances by 40 million PLN for the transport sector and by 12 million PLN for the agricultural sector in 2024.

The markup parameters for other sectors remained unchanged in 2024. Additionally, the company made approximately 10 million PLN in additional portfolio provisions for customers from areas affected by a state of natural disaster due to the floods that occurred in September 2024.

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

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

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

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

ESTIMATED CHANGE IN THE LEVEL OF ALLOWANCES FOR EXPECTED CREDIT LOSSES FOR NOT IMPAIRED EXPOSURES DUE TO THE MATERIALIZATION OF PARTICULAR MACROECONOMIC SCENARIOS	31.12.2024		31.12.2023	
	optimistic	pessimistic	optimistic	pessimistic
in PLN million	(967)	564	(702)	624

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

ESTIMATED CHANGE IN EXPECTED CREDIT LOSSES RESULTING FROM MATERIALIZATION OF A SCENARIO OF THE RISK PARAMETERS, THE DETERIORATION OR IMPROVEMENT, OF WHICH:[1]	+10% scenario	(10%) scenario	+10% scenario	(10%) scenario
	31.12.2024		31.12.2023	
changes in the present value of estimated cash flows for the Bank's portfolio of individually impaired loans and advances assessed on an individual basis				
Loans and advances to customers - Stage 3	(223)	260	(71)	107
Changes in the probability of default				
Securities	**11**	**(11)**	**9**	**(9)**
Stage 1	9	(9)	8	(8)
Stage 2	2	(2)	1	(1)
Loans and advances to customers	**258**	**(288)**	**233**	**(256)**
Stage 1	129	(129)	116	(116)
Stage 2	129	(159)	117	(140)
Changes in recovery rates				
Securities	**(12)**	**12**	**(9)**	**9**
Stage 1	(10)	10	(7)	7
Stage 2	(2)	2	(2)	2
Loans and advances to customers	**(628)**	**630**	**(570)**	**571**
Stage 1	(201)	201	(168)	168
Stage 2	(246)	247	(215)	215
Stage 3	(181)	182	(187)	188

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

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

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NET ALLOWANCES FOR EXPECTED CREDIT LOSSES	2024	2023
Amounts due from banks	**7**	**(7)**
Debt securities	**(40)**	**(54)**
measured at fair value through other comprehensive income	(20)	(50)
measured at amortized cost	(20)	(4)
Loans and advances to customers	**(1,052)**	**(1,269)**
measured at amortized cost	**(1,052)**	**(1,269)**
real estate loans	46	(168)
business loans	(466)	(361)
consumer loans	(505)	(681)
factoring receivables	(8)	(3)
finance lease receivables	(119)	(56)
Other financial assets	**2**	**(8)**
Provisions for financial liabilities and guarantees granted	**117**	**73**
Total	**(966)**	**(1,265)**

22. IMPAIRMENT OF NON-FINANCIAL ASSETS

ESTIMATES AND JUDGMENTS:

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

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

RELATED NOTES: "Intangible assets", "Property, plant and equipment", "Investments in associates and joint ventures", "Other assets", "Leases"

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NET IMPAIRMENT OF NON-FINANCIAL ASSETS	2024	2023
Property, plant and equipment under operating lease	(7)	-
Property, plant and equipment[1]	(18)	(41)
Assets held for sale	(1)	(1)
Intangible assets	-	(1)
Investments in associates and joint ventures	(74)	(11)
Other non-financial assets, including inventories[2]	(409)	(54)
Total	**(509)**	**(108)**

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

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

CHANGE IN ACCUMULATED IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS	Opening balance	Impairment of non-financial assets	Other	Closing balance
2024				
Property, plant and equipment under operating lease	(3)	(7)	-	(10)
Property, plant and equipment	(135)	(18)	13	(140)
Non-current assets held for sale	-	(1)	-	(1)
Intangible assets	(382)	-	-	(382)
Investments in associates and joint ventures	(275)	(74)	-	(349)
Other non-financial assets, including inventories	(358)	(409)	64	(703)
Total	**(1,153)**	**(509)**	**77**	**(1,585)**

CHANGE IN ACCUMULATED IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS	Opening balance	Impairment of non-financial assets	Other	Closing balance
2023				
Property, plant and equipment under operating lease	(3)	-	-	(3)
Property, plant and equipment	(102)	(41)	8	(135)
Non-current assets held for sale	(1)	(1)	2	-
Intangible assets	(382)	(1)	1	(382)
Investments in associates and joint ventures	(264)	(11)	-	(275)
Other non-financial assets, including inventories	(337)	(54)	33	(358)
Total	**(1,089)**	**(108)**	**44**	**(1,153)**

23. Cost of the legal risk of mortgage loans in convertible currencies

Significant accounting policies and estimates and judgments:

In connection with the current legal disputes regarding loans in convertible currencies, the Group has identified a risk that the cash flows on the portfolio of mortgage loans denominated in and indexed to foreign currencies planned on the basis of schedules may not be fully recoverable and/or a liability resulting in a future outflow of funds may arise. In connection with the revision of cash flow estimates, the Group decreases the gross carrying amount of mortgage loans denominated in and indexed to foreign currencies in accordance with the requirements of IFRS 9 Financial Instruments, paragraph B5.4.6, and/or recognizes provisions for legal risk in accordance IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The cost of legal risk was estimated taking into account a number of assumptions which have a significant effect on the amount of the estimates recognized in the Group's financial statements.

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

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

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

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

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

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

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

In its judgment in Case C-520/21 of 15 June 2023, the CJEU indicated, among other things, that the EU rules preclude a judicial construction of national law whereby a credit institution is entitled to demand compensation from a consumer that goes beyond the reimbursement of the principal paid for the performance of that agreement and beyond the payment of statutory penalty interest from the date of the call for payment.

In the judgment referred to above, the CJEU also indicated that, as regards analogous claims by consumers against banks, the provisions of the Directive do not preclude consumers from bringing such claims against banks, provided that the objectives of Directive 93/13 and the principle of proportionality are respected. In the Group's opinion, on the grounds of national legislation and the principle of proportionality, the customers cannot make additional claims against the Group, primarily because they have not provided the Group with a financial service consisting in the provision of capital. Nor is it reasonable to conclude that the Group has enriched itself at the expense of the customer and the consumer has been impoverished. With the funds obtained, the customer met its housing needs and the Group bore the costs of raising the funds, making them available and servicing the loan over the years.

The Group regularly, on a quarterly basis, monitors the model's adequacy by comparing the actual key model parameters with the calculated values. In addition, new empirical data (more accurate or resulting from a longer observation) gradually modify or replace previous assumptions. The model is being adapted to the current settlement offer and changes made in this respect. During 2024, the Group updated the probability of signing a settlement or filing a lawsuit based on empirical data.

The Group monitors the level of inflow of lawsuits relating to repaid loans on an ongoing basis and models the level of expected loss for legal risk for these customers. The probability of the invalidation scenario and the cost to the Group of this scenario are considered first. The Group makes a settlement offer to these customers in each case. The expected levels of conversion from lawsuit to settlement are included in the legal risk provision calculation model and adjusted on an ongoing basis to reflect the current situation.

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

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

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

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

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

Starting from 4 October 2021, following a decision of 23 April 2021 of the Extraordinary General Meeting of PKO Bank Polski S.A., the Bank has been concluding settlements with consumers who concluded loan agreements or cash advance agreements with the Bank secured by mortgages and indexed to foreign currencies or denominated in foreign currencies (hereinafter: settlements with consumers). The settlements are offered during mediation proceedings conducted by the Mediation Centre of the PFSA Court of Arbitration, during court proceedings and during proceedings initiated by a motion for settlement.

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

IMPACT OF LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES	Gross carrying amount of mortgage loans in convertible currencies net of the cost of legal risk of mortgage loans in convertible currencies	Accumulated cost of legal risk of mortgage loans in convertible currencies	Gross carrying amount of mortgage loans in convertible currencies including the cost of legal risk of mortgage loans in convertible currencies
as at 31.12.2024			
Loans and advances to customers/adjustment reducing the carrying amount of loans, of which:	11,455	7,666	3,789
- related to the portfolio of mortgage loans in CHF	9,862	7,666	2,196
Rezerwy[1]		5,733	
Total		13,399	
as at 31.12.2023			
Loans and advances to customers/adjustment reducing the carrying amount of loans, of which:	14,945	8,306	6,639
- related to the portfolio of mortgage loans in CHF	13,096	8,306	4,790
Provisions		3,001	
Total		11,307	

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

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

[1] The item includes the effects of final judgements mainly invalidating loan agreements, which amount to PLN 1,124 million for the year ended 31 December 2024 (PLN 717 million in the year ended 31 December 2023).

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

24. ADMINISTRATIVE EXPENSES

SIGNIFICANT ACCOUNTING POLICIES:

EMPLOYEE BENEFITS

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

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

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

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

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

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

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

Costs of depreciation of tangible fixed assets under operating leases are recognised in fee and commission income in the line "operating leases and fleet management" as a component of the net income from operating leases and fleet management.

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

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

- **CONTRIBUTIONS AND PAYMENTS TO THE BGF –** The Group makes contributions to the banks' guarantee fund (quarterly) and the banks' compulsory resolution (annually).

- **FEES TO THE PFSA** - Both fees (to cover the cost of banking supervision and to cover the costs of supervision over the capital market) are paid once a year.
- **OTHER TAXES AND FEES** – flat-rate income tax, property tax, payments made to the State Fund for the Rehabilitation of Disabled Persons, motor vehicle tax, excise duty, a contribution to finance the activities of the Financial Ombudsman and their Office, as well as municipal and administrative fees.

ESTIMATES AND JUDGMENTS:

In estimating useful lives of particular types of property, plant and equipment, including assets leased out under operating lease, intangible assets and investment properties, the following factors are considered:

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

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

Depreciation /amortization periods applied by the PKO Bank Polski S.A. Group:

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

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

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

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

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ADMINISTRATIVE EXPENSES[1]	2024	2023
Employee benefits	**(4,737)**	**(4,140)**
Wages and salaries, including:	**(3,920)**	**(3,454)**
costs of contributions to the employee pension plan	(101)	(90)
Social security, of which:	**(660)**	**(570)**
contributions for disability and retirement benefits	(553)	(480)
Other employee benefits	**(157)**	**(116)**
Overheads, of which: [1]	**(2,137)**	**(1,994)**
rent	(111)	(102)
IT	(462)	(455)
Depreciation and amortization	**(1,191)**	**(1,087)**
property, plant and equipment, of which:	(546)	(532)
IT	(131)	(125)
right-of-use assets	(264)	(244)
intangible assets, of which:	(645)	(555)
IT	(640)	(547)
Costs of regulatory charges[1]	**(422)**	**(414)**
Contribution and payments to the BGF (to the resolution fund)	(272)	(280)
Fees to PFSA	(64)	(55)
Other taxes and fees[1]	(86)	(79)
Total	(8,487)	(7,635)

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

25. Tax on certain financial institutions

The tax on certain financial institutions is 0.0366% per month. The tax base for banks is the excess of the total assets exceeding 4 billion PLN for banks, and in the case of insurance companies, 2 billion PLN. This basis may be further reduced in accordance with the provisions of the Act of 15 January 2016 on the tax on certain financial institutions. The tax paid is not tax-deductible for corporate income tax purposes.

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TAX ON CERTAIN FINANCIAL INSTITUTIONS	2024	2023
PKO Bank Polski S.A.	(1,212)	(1,166)
PKO Życie Towarzystwo Ubezpieczeń S.A.	(3)	(3)
PKO Bank Hipoteczny S.A.	(51)	(58)
PKO Towarzystwo Ubezpieczeń S.A.	(4)	(4)
Total	(1,270)	(1,231)

26. Income tax

Significant accounting policies:

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

- **CURRENT TAX**

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

The main categories permanently recognised as non-deductible costs include the cost of legal risk, tax on certain financial institutions, contributions and payments to the BGF and the Borrowers' Support Fund, as well as the State Fund for the Rehabilitation of the Disabled (PFRON).

The Group does not recognise the cost of legal risk of mortgage loans in convertible currencies in the tax account (for details, see the table for the RECONCILIATION OF THE EFFECTIVE TAX RATE).

Pursuant to the Regulation of the Minister of Finance of 11 March 2022 on suspending the collection of income tax on certain types of income (revenue) related to a mortgage loan granted for residential purposes (as amended), the Bank benefits from the suspension of income tax on the cancellation of the principal of the loan as part of settlements entered into under the terms provided for in that regulation.

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

Group companies are corporate income tax payers. The amount of the companies' current tax liability is transferred to offices of the tax administration authorities with jurisdiction over their location within the statutory deadlines.

- **DEFERRED INCOME TAX**

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

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

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

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

FINANCIAL INFORMATION:

- **TAX EXPENSE**

TAX EXPENSE	2024	2023
Income tax expense recognized in the income statement	**(3,424)**	**(3,057)**
Current income tax expense	(2,636)	(2,572)
Deferred income tax on temporary differences	(788)	(485)
Income tax expense recognized in other comprehensive income in respect of temporary differences	(252)	**(1,337)**
Total	**(3,676)**	**(4,394)**

- **RECONCILIATION OF THE EFFECTIVE TAX RATE**

RECONCILIATION OF THE EFFECTIVE TAX RATE	2024	2023
Profit or loss before tax	12,728	8,562
Tax at the statutory rate in force in Poland (19%)	(2,418)	(1,627)
Effect of different tax rates of foreign entities	(64)	(82)
Effect of permanent differences between profit before income tax and taxable income, including:	**(942)**	**(1,348)**
non-deductible allowances for expected credit losses on credit exposures	(17)	(28)

contributions and payments to the Bank Guarantee Fund	(52)	(53)
tax on certain financial institutions	(241)	(234)
cost of the legal risk of mortgage loans in convertible currencies	(599)	(993)
dividend income	3	3
reversal of assets from reclassification of temporary differences to permanent differences		(37)
tax on controlled foreign corporations CIT-CFC[1]	(33)	
other permanent differences	(3)	(6)
Income tax expense recognized in the income statement	(3,424)	(3,057)
Effective tax rate (%)	26.90	35.70

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

- **DEFERRED TAX LIABILITIES AND ASSETS**

DEFERRED TAX LIABILITIES AND ASSETS 2024	01.01.2024	Income statement	Other comprehensive income	31.12.2024
Interest accrued on receivables (loans)	363	8	-	371
Interest on securities	230	198	-	428
Valuation of securities	18	4	(4)	18
Valuation of derivative financial instruments	14	(3)	-	11
Difference between carrying amount and tax base of property, plant and equipment and intangible assets, including leased assets	427	36	-	463
Taxable income on the reversal of IBNR allowance, which was previously tax deductible, on implementation of IFRS 9	13	(13)	-	-
Prepaid costs	5	1	-	6
Other taxable temporary differences	99	5	-	104
Deferred tax liabilities, gross	**1,169**	**236**	**(4)**	**1,401**
Interest accrued on liabilities	367	(173)	-	194
Valuation of derivative financial instruments	583	(213)	(173)	197
Valuation of securities	281	(6)	(84)	191
Provision for employee benefits	120	31	-	151
Allowances for expected credit losses	1,572	(82)	-	1,490
Fair value measurement of loans	190	(8)	-	182
Commissions to be settled in time using the straight-line valuation method and effective interest rate	691	(248)	-	443
Other deductible temporary differences	48	(8)	-	40
Provision for costs to be incurred	74	3	-	77
Impact of legal risk of mortgage loans in convertible currencies	109	174	-	283
Premium on securities	73	(73)	-	-
Difference between carrying amount and tax base of property, plant and equipment and intangible assets, including leased assets	349	51	-	400
Deferred tax assets, gross	**4,457**	**(552)**	**(257)**	**3,649**
Total effect of temporary differences	**3,288**	**(788)**	**(252)**	**2,248**
Deferred income tax liabilities (presented in the statement of financial position)	712	101	(4)	809
Deferred tax assets (presented in the statement of financial position)	4,000	(687)	(257)	3,056

DEFERRED TAX LIABILITIES AND ASSETS 2023	01.01.2023	Income statement	Other comprehensive income	31.12.2023
Interest accrued on receivables (loans)	368	(5)	-	363
Interest on securities	222	8	-	230
Valuation of securities	-	12	6	18
Valuation of derivative financial instruments	40	(5)	(21)	14
Difference between carrying amount and tax base of property, plant and equipment and intangible assets, including leased assets	383	44	-	427
Taxable income on the reversal of IBNR allowance, which was previously tax deductible, on implementation of IFRS 9	26	(13)	-	13
Prepaid costs	29	(24)	-	5
Other taxable temporary differences	121	(16)	(6)	99
Deferred tax liabilities, gross	**1,189**	**1**	**(21)**	**1,169**
Interest accrued on liabilities	214	153	-	367
Valuation of derivative financial instruments	1,389	3	(809)	583
Valuation of securities	872	(41)	(550)	281
Provision for employee benefits	103	16	1	111
Allowances for expected credit losses	1,477	95	-	1,572
Fair value measurement of loans	157	33	-	190
Commissions to be settled in time using the straight-line valuation method and effective interest rate	1,133	(442)	-	691
Other deductible temporary differences	38	10	-	48
Provision for costs to be incurred	73	1	-	74
Tax loss brought forward	1	(1)	-	-
Impact of legal risk of mortgage loans in convertible currencies	321	(212)	-	109
Premium on securities	122	(49)	-	73
Difference between carrying amount and tax base of property, plant and equipment and intangible assets, including leased assets	399	(50)	-	349
Deferred tax assets, gross	**6,299**	**(484)**	**(1,358)**	**4,458**
Total effect of temporary differences	**5,110**	**(485)**	**(1,337)**	**3,288**
Deferred income tax liabilities (presented in the statement of financial position)	**209**	**524**	**(21)**	**712**
Deferred tax assets (presented in the statement of financial position)	**5,319**	**39**	**(1,358)**	**4,000**

- **TAX GROUP**

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

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

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

- **GLOBAL MINIMUM TAX**

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

- **TAX POLICY**

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

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

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

Corporate income tax	2024	2023
Capital Group	**2,637**	**2,572**
Poland	2,514	2,426
Germany	4	9
Czech Republic	10	6
Ukraine	109	131

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

The standard corporate income tax rate in Ukraine is 18%, while for banks, it is 25%. In December 2024, the law dated October 10, 2024, No. 4015-ИХ "On Amendments to the Tax Code of Ukraine" came into effect, under which banks were charged a tax of 50% on the total profit earned in the 2024 tax yearStarting from 1 January 2025, the corporate income tax rate for banking institutions will be 25% (for details, see the TABLE ON THE RECONCILIATION OF THE EFFECTIVE TAX RATE).

SUPPLEMENTARY NOTES TO THE STATEMENT OF FINANCIAL POSITION – FINANCIAL INSTRUMENTS

27. Cash and balances with the Central Bank

Significant accounting policies: "General significant accounting policies for financial instruments".

FINANCIAL INFORMATION:

CASH AND BALANCES WITH THE CENTRAL BANK	31.12.2024	31.12.2023
Current account with the Central Bank	19,567	9,679
Cash	3,927	4,382
Deposits with the Central Bank	-	3,752
Total	**23,494**	**17,813**

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

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

28. Amounts due from banks

Significant accounting policies: "General significant accounting policies for financial instruments".

FINANCIAL INFORMATION

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

AMOUNTS DUE FROM BANKS	31.12.2024	31.12.2023
Measured at amortized cost	**5,091**	**13,362**
Deposits with banks	2,674	10,909
Current accounts	1,210	1,676
Loans and advances granted	1,206	776
Cash in transit	1	1
Gross carrying amount	**5,091**	**13,362**
Allowances for expected credit losses	(2)	(9)
Net carrying amount	5,089	13,353

AMOUNTS DUE FROM BANKS BY MATURITY	31.12.2024	31.12.2023
up to 1 month	4,870	12,979
1 to 3 months	208	276
3 months to 1 year	10	89
1 to 5 years	-	8
more than 5 years	1	1
Total	**5,089**	**13,353**

29. HEDGE ACCOUNTING AND OTHER DERIVATIVE INSTRUMENTS

SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

The Group has a system of threshold values and limits attributed to particular interest rate and foreign exchange risks, aimed at determining the maximum allowable risk level which ensures that the strategic tolerance limits are not exceeded.

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

- **CASH FLOW HEDGES**

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

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

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

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

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

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

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

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

- **FAIR VALUE HEDGES**

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

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

A change in the fair value adjustment to the hedged item is recognized in "Gains/ (losses) financial transactions" .

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

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

ESTIMATES AND JUDGMENTS

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

The fair value of derivative instruments accounts for DVA (debit value adjustment), and CVA (credit value adjustment). The process of calculation of CVA and DVA adjustments includes the selection of a method for determining the spread of the counterparty's or the Group's credit risk (e.g. a market price method based on the continuous price quotations of debt instruments issued by the counterparty, a method of spread implied from Credit Default Swap contracts), an estimation of the probability of default by the counterparty or the Group and the recovery rate, as well as the calculation of CVA and DVA adjustments.

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

ESTIMATED CHANGE IN VALUATION OF HEDGING DERIVATIVES OTHER THAN OPTIONS FOLLOWING A PARALLEL SHIFT IN YIELD CURVES:	31.12.2024		31.12.2023	
	+50bp scenario	scenario -50bp	+50bp scenario	scenario -50bp
IRS	(601)	610	(547)	556
CIRS	(80)	81	(12)	12
other instruments	(2)	2	(4)	4
Total	**(683)**	**693**	**(563)**	**572**

ESTIMATED CHANGE IN VALUATION OF DERIVATIVES OTHER THAN OPTIONS FOLLOWING A PARALLEL SHIFT IN YIELD CURVES	31.12.2024		31.12.2023	
	+50bp scenario	scenario -50bp	+50bp scenario	scenario -50bp
IRS	(591)	599	(529)	538
CIRS	(80)	81	(18)	18
other instruments	(3)	3	(4)	4
Total	**(674)**	**683**	**(551)**	**560**

29.1. HEDGE ACCOUNTING – FINANCIAL INFORMATION

TYPES OF HEDGING STRATEGIES APPLIED BY THE GROUP

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

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

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

- "Hedges against fluctuations in cash flows on variable interest loans in convertible currencies, resulting from interest rate risk and currency risk, and hedging against fluctuations in cash flows on financial liabilities in a convertible currency resulting from foreign currency risk, using CIRS transactions";
- "Hedges against fair value volatility of fixed-interest-rate security measured at fair value through other comprehensive income in convertible currencies resulting from interest rate risk, using IRS transactions".

and 2 hedging strategies as a result of the expiry of hedging relationships

- "Hedges against fluctuations in cash flows on variable interest PLN loans of a PKO Bank Polski SA Group company other than PKO Bank Polski SA, resulting from interest rate risk, and hedging against fluctuations in cash flows on a fixed-rate financial liability in a convertible currency of a PKO Bank Polski SA Group company other than PKO Bank Polski SA resulting from foreign currency risk, using CIRS or CIRS-EP transactions concluded by PKO Bank Polski SA with a counterparty that is not a member of the PKO Bank Polski SA Group".
- "Hedges against fluctuations in cash flows on variable interest PLN loans of a PKO Bank Polski SA Group company other than PKO Bank Polski SA, resulting from interest rate risk, and hedging against fluctuations in cash flows on financial liabilities in a convertible currency of a PKO Bank Polski SA Group company other than PKO Bank Polski SA resulting from foreign currency risk, using two CIRS transactions concluded by PKO Bank Polski SA with a counterparty that is not a member of the PKO Bank Polski SA Group".

The total impact of the discontinuation of the above strategy was approximately PLN 2.4 million.

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

The tables below summarize the types of strategies applied by the Group.

TYPE OF HEDGING STRATEGY	CASH FLOW HEDGES (STRATEGIES NO: 5,9,14,19)
RISK HEDGED	foreign exchange risk and interest rate risk
HEDGING INSTRUMENT	float – float CIRSs fixed – float CIRSs
HEDGED ITEM	• the portfolio of floating interest loans in foreign currencies and • the portfolio of short-term negotiated deposits in PLN, including their future renewals. In designating the hedged item, the Group used the IAS39 AG 99C in the version adopted by the European Union, or • fixed interest rate financial liability denominated in foreign currency or • the portfolio of floating interest rate regular savings products in PLN or • a financial liability in foreign currencies
SOURCES OF HEDGE INEFFECTIVENESS	• margin on the hedging instrument • differences in discount on the hedged item and the hedging instrument • CVA/DVA adjustment of the hedging instrument
THE PERIOD IN WHICH CASH FLOWS ARE EXPECTED TO OCCUR AND AFFECT THE FINANCIAL RESULTS: January 2025 – June 2028	

STRATEGY NO	STRATEGY NAME
5	Hedges against fluctuations in cash flows on variable interest loans in convertible currencies, resulting from interest rate risk and currency risk, and hedging against fluctuations in cash flows on a fixed-rate financial liability in a convertible currency resulting from foreign currency risk, using CIRS transactions (inactive).
9	Hedges against fluctuations in cash flows on variable interest PLN loans, resulting from interest rate risk, and hedging against fluctuations in cash flows on a fixed-rate financial liability in a convertible currency resulting from foreign currency risk, using CIRS or CIRS-EP transactions (inactive).

14	Hedges against fluctuations in cash flows on variable interest PLN loans, resulting from interest rate risk, and hedging against fluctuations in cash flows on financial liabilities in a convertible currency resulting from foreign currency risk, using two CIRS transactions (inactive)
19	Hedges against fluctuations in cash flows on variable interest PLN loans, resulting from interest rate risk, and hedging against fluctuations in cash flows on a fixed-rate financial liability in a convertible currency resulting from foreign currency risk, using CIRS transactions.

TYPE OF HEDGING STRATEGY	Cash flow hedges (Strategies No: 2,3,4)
RISK HEDGED	interest rate risk
HEDGING INSTRUMENT	fixed - float IRSs
HEDGED ITEM	the portfolio of loans in PLN or foreign currencies indexed to a floating interest rate
SOURCES OF HEDGE INEFFECTIVENESS	• change in market parameters between the moment of determining the terms and conditions relating to the hedged item and the moment of concluding the hedge • differences in discount on the hedged item and the hedging instrument • CVA/DVA adjustment of the hedging instrument
THE PERIOD IN WHICH CASH FLOWS ARE EXPECTED TO OCCUR AND AFFECT THE FINANCIAL RESULTS: January 2025 – June 2032	
STRATEGY NO	Strategy Name
2	Hedges against fluctuations in cash flows from variable interest loans in PLN, resulting from interest rate risk, using IRS transactions.
3	Hedges against fluctuations in cash flows from variable interest loans in convertible currencies, resulting from interest rate risk, using IRS transactions.
4	Hedges against fluctuations in cash flows from variable interest loans in convertible currencies, resulting from interest rate risk, using IRS transactions.

TYPE OF HEDGING STRATEGY	FAIR VALUE VOLATILITY HEDGES (STRATEGY NO: 8,10,11,12,17,18)
RISK HEDGED	interest rate risk
HEDGING INSTRUMENT	fixed - float IRSs
HEDGED ITEM	interest rate risk component relating to a fixed interest rate loan or security in a foreign currency or in PLN, which corresponds to the market IRS rate interest rate risk component of a portfolio of financial liabilities replicated by a portfolio of fixed-rate instruments measured at amortised cost, corresponding to the market IRS ate
SOURCES OF HEDGE INEFFECTIVENESS	• change in market parameters between the moment of determining the terms and conditions relating to the hedged item and the moment of concluding the hedge • CVA/DVA adjustment of the hedging instrument • difference between the present value of the floating leg of IRS and the present value of the nominal value of a security
STRATEGY NO	STRATEGY NAME
8	Hedges against fair value volatility of fixed-interest-rate loans in convertible currencies resulting from interest rate risk, using IRS transactions.
10	Hedges against fair value volatility of fixed-interest-rate security in convertible currencies measured at amortized cost, resulting from interest rate risk, using IRS transactions.

11	Hedges against fair value volatility of fixed-interest-rate security measured at fair value through other comprehensive income in convertible currencies resulting from interest rate risk, using IRS transactions (inactive).
12	Hedges against fair value volatility of fixed-interest-rate FVOCI security in PLN resulting from interest rate risk, using IRS transactions.
17	Hedges against fluctuations in the fair value of a portfolio of financial liabilities in PLN measured at amortized cost, resulting from interest rate risk, using IRS transactions
18	Hedges against fluctuations in the fair value of a portfolio of financial liabilities in convertible currencies measured at amortized cost, resulting from interest rate risk, using IRS transactions.

- CARRYING AMOUNT OF HEDGING INSTRUMENTS

CARRYING AMOUNT OF HEDGING INSTRUMENTS	31.12.2024		31.12.2023	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	**577**	**1,697**	**473**	**2,972**
interest rate risk – IRS	478	1,466	147	2,167
IRS PLN (strategy 2)	410	1,457	112	2,127
IRS EUR (strategy 3, 4)	68	9	35	40
foreign exchange risk and interest rate risk – CIRS	99	231	326	805
CIRS CHF/USD (strategy 5)	-	-	-	46
CIRS PLN/CHF (strategy 14)	-	-	271	-
CIRS CHF/EUR (strategy 14)	-	-	-	552
CIRS PLN/EUR (strategy 9, 19)	99	231	55	207
Fair value hedges	**492**	**5**	**701**	**20**
interest rate risk – IRS	492	5	701	20
IRS EUR (strategy 8,10,11,18)	88	3	92	19
IRS USD (strategy 11,18)	1	2	4	1
IRS PLN (strategy 17)	403	-	605	-
Total (without offsetting effect)	1,069	1,702	1,174	2,992
Offsetting effect	(949)	(1,417)	(819)	(2,104)
Total	120	285	355	888

- CASH FLOW HEDGES

CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO CASH FLOW HEDGES	2024	2023
Accumulated other comprehensive income at the beginning of the period, net	**(1,860)**	**(5,218)**
Impact on other comprehensive income during the period, gross	**911**	**4,146**
Gains/losses recognized in other comprehensive income during the period	(797)	(425)
Amounts transferred from other comprehensive income to the income statement, of which:	1,708	4,571
- net interest income	1,938	3,758
- net foreign exchange gains/ (losses)	(230)	813
Tax effect	**(173)**	**(788)**
Accumulated other comprehensive income at the end of the period, net	(1,122)	(1,860)

INEFFECTIVE PORTION OF CASH FLOW HEDGES	2024	2023
Ineffective portion of cash flow hedges recognized in the income statements, including in:	**(2)**	**(2)**
Net foreign exchange gains/ (losses)	(3)	(1)
CIRS PLN/EUR (strategy 9, 19)	(3)	-
CIRS CHF/USD (strategy 5)	-	2
CIRS PLN/CHF (strategy 14)	-	(8)
CIRS CHF/EUR (strategy 14)	-	5
Gains/(losses) on financial transactions	1	(1)
IRS PLN (strategy 2)	1	(1)

- **Fair value hedges**

INTEREST RATE RISK HEDGE	31.12.2024	31.12.2023
Fair value measurement of the hedging derivative instrument	**488**	**681**
Interest rate risk hedge – fixed - float IRSs	488	681
Fair value adjustment of the hedged instrument attributable to the hedged risk	**(267)**	**(461)**
Interest rate risk hedge, of which:	(267)	(461)
Securities	(19)	(21)
Loans and advances to customers	(1)	(2)
Fair value adjustment recognised in other comprehensive income before designation for hedge accounting	(10)	(26)
Amounts due to customers	(237)	(412)

FAIR VALUE ADJUSTMENT OF THE HEDGED INSTRUMENT ATTRIBUTABLE TO THE HEDGED RISK BY TYPE OF HEDGING INSTRUMENT	31.12.2024	31.12.2023
IRS EUR (strategy 8,10,11,18)	(56)	(41)
IRS USD (strategy 8; 11,18)	-	(4)
IRS PLN (strategy 12.17)	(211)	(416)
Total	(267)	(461)

- NOMINAL VALUE OF HEDGING INSTRUMENTS BY MATURITY

Strategy No	Hedging derivative 31.12.2024	up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total	Change in the fair value since designation	Nominal-weighted average fixed interest rate/ Nominal-weighted average margin
	Hedge type: Cash flow hedges								
	Hedged risk: interest rate risk								
2	PLN fixed - float IRSs	1,225	835	9,337	49,188	153	**60,738**	(1,442)	**3.4333%**
3.4	EUR fixed – float IRSs	-	855	2,457	3,896	4	**7,212**	(1)	**2.2635%**
	Risk hedged: foreign exchange and interest rate risks								
19	Float PLN/fixed EUR CIRSs								
	float PLN	-	2,595	-	7,522	-	**10,117**	(200)	-
	fixed EUR	-	2,350	-	7,458	-	**9,808**		**2.1708%**
	Hedge type: Fair value hedges								
	Hedged risk: interest rate risk								
17	PLN fixed – float IRSs	600	1,200	-	4,910	1,341	**8,051**	185	**5.9261%**
18	USD fixed – float IRSs	-	-	123	123	-	**246**	-	**4.1972%**
8,10,18	EUR fixed – float IRSs	94	188	656	2,380	308	**3,626**	51	**2.5184%**

Strategy No	Hedging derivative 31.12.2023	up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total	Change in the fair value since designation	Nominal-weighted average fixed interest rate/ Nominal-weighted average margin
	Hedge type: Cash flow hedges								
	Hedged risk: interest rate risk								
2	PLN fixed - float IRSs	705	4,950	6,796	30,840	177	**43,468**	(2,060)	2.7097%
3.4	EUR fixed – float IRSs	-	630	130	4,944	222	**5,926**	(107)	2.0611%
	Risk hedged: foreign exchange and interest rate risks								
14	Float CHF/float PLN CIRSs								
	float CHF	-	-	2,702	-	-	**2,702**	254	0.3596%
	float PLN	-	-	2,418	-	-	**2,418**		0.5292%
5	CIRS fixed USD/float CHF								
	fixed USD	153	-	307	-	-	**460**	(43)	0.4142%
	float CHF	164	-	328	-	-	**492**		-
9	Float PLN/fixed EUR CIRSs								
	float PLN	2,101	-	-	-	-	**2,101**	65	-
	fixed EUR	2,170	-	-	-	-	**2,170**		0.7690%
19	Float PLN/fixed EUR CIRSs								
	float PLN	-	-	-	2,595	-	**2,595**	(226)	-
	fixed EUR		-	-	2,391	-	**2,391**		1.8935%
14	CIRS fixed EUR/float CHF								
	fixed EUR	-	-	2,174	-	-	**2,174**	(540)	0.7640%
	float CHF	-	-	2,702	-	-	**2,702**		-
	Hedge type: Fair value hedges								
	Hedged risk: interest rate risk								
17	PLN fixed – float IRSs	-	-	-	5,960	2,091	**8,051**	386	5.9261%
11.18	USD fixed – float IRSs	319	-	-	236	-	**555**	2	2.6551%
8,10,11,18	EUR fixed – float IRSs	-	152	696	3,404	548	**4,800**	36	2.2604%

- FINANCIAL INFORMATION ON HEDGED ITEMS (IN ORIGINAL CURRENCIES)

HEDGED ITEM 31.12.2024	CARRYING AMOUNT OF THE HEDGED ITEM	ITEM OF THE STATEMENT OF FINANCIAL POSITION	CHANGE IN THE FAIR VALUE OF THE HEDGED ITEM*	STRATEGY NO
Cash flow hedges				
Loans in PLN	60,737	Loans and advances to customers	1,457	2
Loans in EUR	1,688	Loans and advances to customers	1	3; 4
Loans in PLN	10,117	Loans and advances to customers	203	19
Financial liability in EUR	2,295	Liabilities in respect of debt securities in issue		
Fair value hedges				
Loans in EUR	9	Loans and advances to customers	-	8
Security in EUR	30	Securities measured at amortized cost	(4)	10
Security in PLN	-	Securities measured at fair value through other comprehensive income	(10)	12
Portfolio of financial liabilities in PLN	8,051	Amounts due to customers	(202)	17
Portfolio of financial liabilities in EUR	810	Amounts due to customers	(8)	18
Portfolio of financial liabilities in USD	60	Amounts due to customers	-	18

HEDGED ITEM 31.12.2023	CARRYING AMOUNT OF THE HEDGED ITEM	ITEM OF THE STATEMENT OF FINANCIAL POSITION	CHANGE IN THE FAIR VALUE OF THE HEDGED ITEM*	STRATEGY NO
Cash flow hedges				
Loans in PLN	43,467	Loans and advances to customers	2,080	2
Loans in EUR	1,363	Loans and advances to customers	26	3; 4
Loans in CHF	105	Loans and advances to customers	43	5
Financial liability in USD	116	Amounts due to customers		
Loans in PLN	2,101	Loans and advances to customers	(61)	9
Financial liability in EUR	499	Liabilities in respect of debt securities in issue		
Loans in PLN	5,013	Loans and advances to customers	517	14
Financial liability in EUR	1,050	Liabilities in respect of debt securities in issue		
Fair value hedges				
Loans in EUR	11	Loans and advances to customers	(1)	8
Security in EUR	30	Securities measured at amortized cost	(5)	10
Security in EUR	62	Securities measured at fair value through other comprehensive income	(2)	11
Security in PLN	-	Securities measured at fair value through other comprehensive income	(15)	12
Portfolio of financial liabilities in PLN	8,051	Amounts due to customers	(403)	17
Portfolio of financial liabilities in EUR	1,001	Amounts due to customers	(2)	18
Portfolio of financial liabilities in USD	60	Amounts due to customers	(1)	18

* in a cash flow hedge, the change in fair value of the hedged item reflects the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period.

29.2. OTHER DERIVATIVE INSTRUMENTS – FINANCIAL INFORMATION

OTHER DERIVATIVE INSTRUMENTS - BY TYPE	31.12.2024		31.12.2023	
	Assets	Liabilities	Assets	Liabilities
IRS	3,256	3,386	4,398	5,153
CIRS	39	20	46	49
FX Swap	687	747	1,648	1,942
Options	357	573	952	1,051
Commodity swap[1]	93	84	167	157
FRA	26	23	31	30
Forward	374	233	930	695
Commodity Forward[2]	279	250	234	213
Other	-	-	-	1
Total (without offsetting effect)	5,111	5,316	8,406	9,291
Offsetting effect	(3,112)	(2,920)	(4,223)	(3,751)
Total	1,999	2,396	4,183	5,540

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

	31.12.2024	31.12.2023
CVA and CDA adjustments	2	4

NOMINAL AMOUNTS OF UNDERLYING INSTRUMENTS (BUY AND SELL TOGETHER) – other derivative instruments						
31.12.2024	up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	more than 5 years	Total
IRS	**8,224**	**7,888**	**63,872**	**257,970**	**36,724**	**374,678**
Purchase	4,112	3,944	31,936	128,985	18,362	187,339
Sale	4,112	3,944	31,936	128,985	18,362	187,339
CIRS	**550**	**74**	**496**	**7,547**	**10**	**8,677**
Purchase	282	37	248	3,774	5	4,346
Sale	268	37	248	3,773	5	4,331
FX Swap	**43,219**	**15,077**	**16,015**	**14,040**	-	**88,351**
Purchase of currencies	21,557	7,541	7,989	7,042	-	44,129
Sale of currencies	21,662	7,536	8,026	6,998	-	44,222
Options	**16,456**	**28,734**	**30,837**	**22,407**	-	**98,434**
Purchase	8,188	14,255	15,157	11,012	-	48,612
Sale	8,268	14,479	15,680	11,395	-	49,822
FRA	-	-	**32,850**	**5,399**	-	**38,249**
Purchase	-	-	16,496	2,685	-	19,181
Sale	-	-	16,354	2,714	-	19,068
Forward	**8,488**	**10,425**	**21,694**	**11,645**	-	**52,252**
Purchase of currencies	4,246	5,248	10,930	5,870	-	26,294
Sale of currencies	4,242	5,177	10,764	5,775	-	25,958
Other, including commodity swap, commodity forward and futures	**1,008**	**885**	**7,120**	**2,401**	**19**	**11,433**
Purchase	508	448	3,564	1,182	10	5,712
Sale	500	437	3,556	1,219	9	5,721

NOMINAL AMOUNTS OF UNDERLYING INSTRUMENTS (BUY AND SELL TOGETHER) other derivative instruments						
31.12.2023	up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	more than 5 years	Total
IRS	**5,294**	**21,658**	**86,536**	**211,422**	**41,800**	**366,710**
Purchase	2,647	10,829	43,268	105,711	20,900	183,355
Sale	2,647	10,829	43,268	105,711	20,900	183,355
CIRS	-	-	-	**6,726**	**2,044**	**8,770**
Purchase	-	-	-	3,368	1,022	4,390
Sale	-	-	-	3,358	1,022	4,380
FX Swap	**34,259**	**23,842**	**26,558**	**15,460**	-	**100,119**
Purchase of currencies	17,160	11,834	13,138	7,694	-	49,826
Sale of currencies	17,099	12,008	13,420	7,766	-	50,293
Options	**25,382**	**18,646**	**51,054**	**17,100**	**1,053**	**113,235**
Purchase	12,751	9,362	25,591	8,339	525	56,568
Sale	12,631	9,284	25,463	8,761	528	56,667
FRA	-	-	**32,463**	**10,079**	-	**42,542**
Purchase	-	-	16,697	5,191	-	21,888
Sale	-	-	15,766	4,888	-	20,654
Forward	**8,527**	**14,466**	**19,030**	**7,238**	-	**49,261**
Purchase of currencies	4,246	7,368	9,538	3,664	-	24,816
Sale of currencies	4,281	7,098	9,492	3,574	-	24,445
Other, including commodity swap, commodity forward and futures	**980**	**3,067**	**3,367**	**466**	-	**7,880**
Purchase	494	1,591	1,636	234	-	3,955
Sale	486	1,476	1,731	232	-	3,925

Bank Polski

30. SECURITIES

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

FINANCIAL INFORMATION

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

SECURITIES 31.12.2024	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
Debt securities	**328**	**612**	**98,029**	**110,561**	**209,530**
NBP money bills	-	-	7,996	-	7,996
treasury bonds (in PLN)	243	109	60,920	73,532	134,804
treasury bonds (in foreign currencies)	1	288	10,725	1,394	12,408
corporate bonds (in PLN) secured with the State Treasury guarantees	24	103	8,426	13,974	22,527
municipal bonds (in PLN)	9	-	5,221	10,399	15,629
corporate bonds (in PLN)[1]	51	112	1,903	3,994	6,060
corporate bonds (in foreign currencies)[2]	-	-	2,838	7,268	10,106
Equity securities	**36**	**984**	**-**	**-**	**1,020**
Total (excluding adjustment relating to fair value hedge accounting)	**364**	**1,596**	**98,029**	**110,561**	**210,550**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	-	-	(19)	(19)
Total	**364**	**1,596**	**98,029**	**110,542**	**210,531**

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

SECURITIES 31.12.2023	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
Debt securities	**546**	**592**	**108,054**	**87,227**	**196,419**
NBP money bills	-	-	28,974	-	28,974
treasury bonds (in PLN)	472	232	52,545	58,836	112,085
treasury bonds (in foreign currencies)	1	295	4,574	1,439	6,309
corporate bonds (in PLN) secured with the State Treasury guarantees	9	-	10,180	13,619	23,808
municipal bonds (in PLN)	12	-	5,105	8,658	13,775
corporate bonds (in PLN)[1]	52	65	2,609	2,413	5,139
corporate bonds (in foreign currencies)[2]	-	-	4,067	2,262	6,329
Equity securities	**32**	**1,054**	**-**	**-**	**1,086**
Total (excluding adjustment relating to fair value hedge accounting)	**578**	**1,646**	**108,054**	**87,227**	**197,505**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	-	-	(21)	(21)
Total	**578**	**1,646**	**108,054**	**87,206**	**197,484**

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

	31.12.2024	31.12.2023
allowance not reducing the fair value of securities measured at fair value through other comprehensive income	116	101

SECURITIES BY MATURITY (excluding adjustments relating to fair value hedge accounting)	31.12.2024	31.12.2023
without a stated maturity – equity securities	1,020	1,112
up to 1 month	12,100	35,269
1 to 3 months	12,418	4,835
3 months to 1 year	27,739	26,027
1 to 5 years	105,482	81,628
more than 5 years	51,791	48,634
Total	210,550	197,505

31. LOANS AND ADVANCES TO CUSTOMERS

SIGNIFICANT ACCOUNTING POLICIES:

"General significant accounting policies for financial instruments".

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

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

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

- the value of the loan granted is not higher than PLN 1.2 million, and
- the loan instalment exceeds 30% of the household income, calculated as the average household income for the last three months, or the borrower has at least three dependent children (as at the date of application). The Act stipulated that in 2024 housing loan instalments could be suspended four times - twice between 1 June and 31 August 2024 and twice between 1 September and 31 December 2024.

The Group made the judgment that the entitlement of customers to benefit from the suspension of loan repayments is a statutory cash flow modification that occurred on the date the Act has been signed by the President. In May 2024, the Group adjusted the gross carrying amount of mortgage loans for PLN 488 million, recognising it as a reduction of interest income.

The value of the adjustment was determined as the difference between the present value of the estimated cash flows resulting from the loan agreements, taking into account the suspension of instalment payments, discounted at the pre-modification effective interest rate and the current gross carrying amount of the loan portfolio. The loss estimate was based on the assumption that 24% of the maximum loss would be realised during the programme (customer participation rate).

By the end of December 2024, 27.8 thousand of the Group's customers applied for a suspension of repayment of one or more instalments on their mortgage loans, representing 6% of the number and 11% of the value of total loans.

In the fourth quarter of 2024, the Group, on the basis of empirical data on customers' actual use of credit holidays, updated the level of the loss on this account and reduced the loss settlement to date proportionately. The total effect recognized by the Group on this account amounted to PLN 276 million (including a reduction in the loss recognized in May 2024 of PLN 291 million and a proportional reduction in amortization to date of PLN 15 million) - which translated into an increase in net interest income and a decrease in the adjustment of the gross carrying amount of loans. The realized loss on statutory credit holidays, excluding the effect of the settlement to date, amounted to PLN 198 million.

The recognition of finance lease receivables is described in note "Leases”.

ESTIMATES AND JUDGMENTS: “Net allowances for expected credit losses”, “Cost of legal risk of mortgage loans in convertible currencies”.

FINANCIAL INFORMATION

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

LOANS AND ADVANCES TO CUSTOMERS	31.12.2024	31.12.2023
real estate	123,195	112,514
consumer	36,970	32,263
business	79,003	76,515
factoring receivables	6,534	5,386
finance lease receivables	20,457	19,100
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**266,159**	**245,778**
Adjustment relating to fair value hedge accounting (note “Hedge accounting and other derivative instruments”)	(1)	(2)
Total	266,158	245,776

LOANS AND ADVANCES TO CUSTOMERS 31.12.2024	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
retail and private banking	**2,097**	-	**153,064**	**155,161**
real estate	1	-	118,077	118,078
consumer	2,096	-	34,874	36,970
finance lease receivables	-	-	113	113
businesses	**59**	-	**28,207**	**28,266**
real estate	-	-	5,005	5,005
business	59	-	10,769	10,828
factoring receivables	-	-	89	89
finance lease receivables	-	-	12,344	12,344
corporate	15	-	82,717	82,732
real estate	-	-	112	112
business	15	-	68,160	68,175
factoring receivables	-	-	6,445	6,445
finance lease receivables	-	-	8,000	8,000
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**2,171**	-	**263,988**	**266,159**
Adjustment relating to fair value hedge accounting (note “Hedge accounting and other derivative instruments”)	-	-	(1)	(1)
Total	2,171	-	263,987	266,158

LOANS AND ADVANCES TO CUSTOMERS 31.12.2023	not held for trading, measured at fair value through profit or loss	measured at amortized cost	Total
retail and private banking	**2,790**	**136,903**	**139,693**
real estate	1	107,333	107,334
consumer	2,789	29,474	32,263
finance lease receivables	-	96	96
companies and enterprises	**52**	**25,794**	**25,846**
real estate	-	5,055	5,055
business	52	9,393	9,445
factoring receivables	-	61	61
finance lease receivables	-	11,285	11,285
corporate	**29**	**80,210**	**80,239**
real estate	-	126	126
business	29	67,041	67,070
factoring receivables	-	5,325	5,325
finance lease receivables	-	7,718	7,718
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**2,871**	**242,907**	**245,778**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	(2)	(2)
Total	**2,871**	**242,905**	**245,776**

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

HOUSING LOANS AND ADVANCES TO INDIVIDUALS (RETAIL AND PRIVATE BANKING) BY CURRENCY	31.12.2024			31.12.2023		
	gross	impairment loss	net	gross	impairment loss	net
in local currency	**116,069**	**(1,541)**	**114,528**	**102,957**	**(1,552)**	**101,405**
PLN	115,927	(1,501)	114,426	102,752	(1,500)	101,252
UAH	142	(40)	102	205	(52)	153
in foreign currency	**3,789**	**(239)**	**3,550**	**6,639**	**(710)**	**5,929**
CHF	2,196	(154)	2,042	4,790	(595)	4,195
EUR	1,567	(80)	1,487	1,818	(110)	1,708
USD	22	(5)	17	26	(5)	21
OTHER	4	-	4	5	-	5
Total	**119,858**	**(1,780)**	**118,078**	**109,596**	**(2,262)**	**107,334**

LOANS AND ADVANCES TO CUSTOMERS BY MATURITY (excluding adjustments relating to fair value hedge accounting)	31.12.2024	31.12.2023
up to 1 month	14,105	12,418
1 to 3 months	13,340	11,516
3 months to 1 year	38,056	39,599
1 to 5 years	87,406	79,164
more than 5 years	113,252	103,081
Total	**266,159**	**245,778**

32. AMOUNTS DUE TO BANKS

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

FINANCIAL INFORMATION

AMOUNTS DUE TO BANKS	31.12.2024	31.12.2023
Measured at fair value through profit or loss	**4**	**25**
Liabilities in respect of a short position in securities	4	25
Measured at amortized cost	**2,369**	**3,126**
Deposits from banks	597	848
Current accounts	1,758	2,240
Other monetary market deposits	14	38
Total	2,373	3,151

AMOUNTS DUE TO BANKS BY MATURITY	31.12.2024	31.12.2023
Measured at fair value through profit or loss	**4**	**25**
up to 1 month	4	25
Measured at amortized cost:	**2,369**	**3,126**
up to 1 month	2,369	3,120
3 months to 1 year	-	6
Total	2,373	3,151

33. AMOUNTS DUE TO CUSTOMERS

SIGNIFICANT ACCOUNTING POLICIES: "GENERAL SIGNIFICANT ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS". Detailed policies concerning "Liabilities in respect of insurance products" are described in note "Insurance business".

FINANCIAL INFORMATION

AMOUNTS DUE TO CUSTOMERS	Amounts due to households[1]	Amounts due to business entities	Amounts due to public sector	Total
31.12.2024				
Measured at fair value through profit or loss	**169**	**31**	**-**	**200**
Liabilities in respect of a short position in securities	-	31	-	31
Liabilities in respect of insurance products	169	-	-	169
Measured at amortized cost	**317,649**	**80,062**	**21,630**	**419,341**
Cash on current accounts and overnight deposits of which	229,732	56,570	19,961	306,263
savings accounts and other interest-bearing assets	58,999	14,475	14,134	87,608
Term deposits	87,230	22,799	1,636	111,665
Other liabilities	668	693	33	1,394
Liabilities in respect of insurance products	19	-	-	19
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**317,818**	**80,093**	**21,630**	**419,541**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	237	-	-	237
Total	318,055	80,093	21,630	419,778

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

AMOUNTS DUE TO CUSTOMERS	Amounts due to households[1]	Amounts due to business entities	Amounts due to public sector	Total
31.12.2023				
Measured at fair value through profit or loss	**165**	**277**	**-**	**442**
Liabilities in respect of a short position in securities	-	277	-	277
Liabilities in respect of insurance products	165	-	-	165
Measured at amortized cost	**306,450**	**76,372**	**15,517**	**398,339**
Cash on current accounts and overnight deposits of which	201,238	55,097	14,551	270,886
savings accounts and other interest-bearing assets	49,845	18,765	9,956	78,566
Term deposits	104,689	20,450	927	126,066
Other liabilities	505	825	39	1,369
Liabilities in respect of insurance products[1]	18	-	-	18
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**306,615**	**76,649**	**15,517**	**398,781**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	412	-	-	412
Total	**307,027**	**76,649**	**15,517**	**399,193**

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

AMOUNTS DUE TO CUSTOMERS BY MATURITY (excluding adjustment relating to fair value hedge accounting)	31.12.2024	31.12.2023
Measured at fair value through profit or loss	**200**	**442**
up to 1 month	31	277
more than 5 years	169	165-
Measured at amortized cost	**419,341**	**398,339**
up to 1 month	347,182	308,655
1 to 3 months	35,432	35,935
3 months to 1 year	24,100	39,428
1 to 5 years	6,804	8,600
more than 5 years	5,823	5,721
Total	**419,541**	**398,781**

AMOUNTS DUE TO CUSTOMERS BY SEGMENT	31.12.2024	31.12.2023
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	419,541	398,781
retail and private banking	287,779	275,458
corporate	80,498	78,397
businesses	51,076	44,741
other liabilities (including liabilities in respect of insurance products)	188	185
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	237	412
Total	**419,778**	**399,193**

34. FINANCING RECEIVED

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

FINANCIAL INFORMATION

FINANCING RECEIVED	31.12.2024	31.12.2023
Loans and advances received from:	**1,268**	**1,489**
international financial organisations	1,258	1,478
other financial institutions	10	11
Liabilities in respect of debt securities in issue:	**23,457**	**17,201**
mortgage covered bonds issued by PKO Bank Hipoteczny S.A.	6,705	10,418
bonds issued by PKO Bank Hipoteczny S.A.	2,432	1,755
bonds issued by PKO Bank Polski S.A.	11,999	3,421
bonds issued by the PKO Leasing S.A. Group	2,321	1,607
Subordinated liabilities	4,291	**2,774**
Total	**29,016**	**21,464**

- **LOANS AND ADVANCES RECEIVED**

During the year ended 31 December 2024, the Group did not contract any new loans or advances. In the period ended 31 December 2023, the Group contracted a loan of PLN 12 million. At the same time, in the twelve-month period ended 31 December 2024 and 2023 respectively, the Group repaid loans amounting to PLN 192 million and PLN 1,152 million.

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

In the twelve-month period ended 31 December 2024, the company issued new covered bonds in the amount of PLN 1,970 million and redeemed covered bonds in the amount of PLN 5,626 million, as well as issued new bonds in the amount of PLN 5,156 million and redeemed bonds in the amount of PLN 4,650 million. In the twelve-month period ended 31 December 2023, the company issued new covered bonds in the amount of PLN 1,729 million and redeemed covered bonds in the amount of PLN 2,859 million, as well as issued new bonds in the amount of PLN 3,051 million and redeemed bonds in the amount of PLN 2,668 million.

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

During the twelve-month period ended 31 December 2024, the Bank conducted three bond issuances under its own bond issuance program in the Eurobond market, amounting to EUR 1,750 million, and two bond issuances in the domestic market with a total value of PLN 2,500 million. Of these, one issuance amounting to PLN 1,500 million was classified as subordinated liabilities (compared to one issuance of EUR 750 million in 2023). In the twelve months ended 31 December 2023, the Bank issued 3-year Senior Preferred Notes with a total value of EUR 750 million.

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

Type of interest rate	Notional amount	Currency	Period		Carrying amount	
					31.12.2024	31.12.2023
Fixed 5.625%	750	EUR	01.02.2023	01.02.2026	3,369	3,421
6M WIBOR +0.0159%	1,000	PLN	28.02.2024	28.02.2029	1,025	-
Fixed 4.5%	500	EUR	27.03.2024	27.03.2028	2,201	-
Fixed 4.5%	500	EUR	18.06.2024	18.06.2029	2,175	-
Fixed 3.875%	750	EUR	12.09.2024	12.09.2027	3,229	-
Bonds issued by PKO Bank Polski S.A.					**11,999**	**3,421**

- **Bonds issued by the PKO Leasing S.A. Group**

In the twelve-month period ended 31 December 2024, the company issued new bonds amounting to PLN 8,212 million and redeemed bonds amounting to PLN 7,616 million. In the twelve-month period ended 31 December 2023, the company issued new bonds amounting to PLN 4,794 million and redeemed bonds amounting to PLN 5,387 million.

For details of the issues carried out by the Group, see section 1.3 "Main events and financial results achieved in 2024" **of the PKO Bank Polski S.A. Group Directors' Report for 2024.**

- **Subordinated liabilities**

Type of interest rate	Notional amount	Currency	Period		Carrying amount	
					31.12.2024	31.12.2023
6M WIBOR +0.0155	1,700	PLN	28.08.2017	28.08.2027	1,743	1,748
6M WIBOR +0.0150	1,000	PLN	05.03.2018	06.03.2028	1,024	1,026
6M WIBOR +0.0220	1,500	PLN	16.10.2024	16.10.2029	1,524	-
Total subordinated bonds					4,291	2,774

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

LOANS AND ADVANCES RECEIVED BY MATURITY	31.12.2024	31.12.2023
up to 1 month	341	-
3 months to 1 year	176	-
1 to 5 years	751	1,489
Total	1,268	1,489

LIABILITIES IN RESPECT OF DEBT SECURITIES IN ISSUE BY MATURITY	31.12.2024	31.12.2023
Measured at amortized cost:		
up to 1 month	1,685	2,703
1 to 3 months	1,412	1,749
3 months to 1 year	4,554	4,594
1 to 5 years	15,806	8,155
Total	23,457	17,201

PROJECTIONS OF THE DEVELOPMENT OF THE GROUP'S FINANCIAL LIABILITIES 31.12.2024 (non-auditable data)	Projected value	Actual performance	Difference between projection and performance	percentage of total liabilities on the balance sheet* (projection)	percentage of total liabilities on the balance sheet* (performance)
Liabilities in respect of loans and advances	2,226	1,268	(43.04)%	0.49%	0.51%
Liabilities in respect of debt securities in issue (including subordinated liabilities)	24,680	27,748	12.43%	5.46%	5.97%
Leases	1,078	1,145	6.22%	0.24%	0.25%
Value of financial liabilities	440,632	458,719	4.10%	N/A	N/A

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

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

35. INSURANCE ACTIVITIES

SIGNIFICANT ACCOUNTING POLICIES:

- #### IDENTIFICATION AND AGGREGATION OF INSURANCE CONTRACTS

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

All products of an insurance nature offered by the Group's insurance companies have been classified as insurance contracts and thus fall within the scope of IFRS 17. The exception to this is only a small proportion of policies with UFK (unit-linked insurance) contracts, which are classified as investment agreements and measured in accordance with IFRS 9. The Group recognises and measures performance guarantees in accordance with IFRS 9.

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

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

The purpose of this aggregation is to ensure that profits are recognized over time in proportion to the insurance services provided, and losses are recognized immediately when the entity assesses that the concluded contract gives rise to a burden. The above aggregation makes it impossible to offset gains and losses between identified groups of insurance contracts, even within a single portfolio. Grouping of insurance contracts occurs upon initial recognition, and the Group will not reassess the groups in subsequent periods unless there is a rationale for discontinuing contract recognition as specified in IFRS 17, such as:

- when the obligation specified in the insurance contract expires or is discharged or cancelled; or
- the terms of an insurance contract are modified, for example by agreement between the parties to the contract or by a change in regulation, and the Group derecognises the original contract and recognise the modified contract as a new contract.

- #### CONTRACT BOUNDARIES

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

- #### VALUATION METHODS

The Group applies **GMM – general measurement model** – the basic measurement model, wherein the total value of the insurance liability is calculated as the sum of:

a) the discounted value of the best estimate of future cash flows

b) risk adjustment for non-financial risk (RA)

c) Contractual service margin (CSM)

For direct profit-sharing insurance contracts, the Group uses the VFA - Variable Fee Approach (VFA), where the measurement of liabilities is performed similarly to the GMM approach with the difference that changes in the contract margin component of the CSM in subsequent periods also include the impact of changes in economic factors, not just insurance factors.

- **Best estimate of future cash flows**

Estimates of future cash flows are updated upon each calculation, taking into account all historical data available at the time of valuation and expert assessments of future cash flows. The individual assumptions, in particular loss ratios, mortality rates and lapse rates, are determined on the basis of an analysis of historical data, but at the same time taking into account their expected changes in the future, e.g. due to tariff modifications or the current economic situation. The Group does not currently have insurance products with discretionary profit-sharing.

- **Discounting**

The Group uses discount rate curves determined under the bottom-up approach, which assumes that discount curves are determined based on smooth risk-free rate curves. Base discount curves are set at risk-free discount rates published by EIOPA (European Insurance and Occupational Pensions Authority). As part of the simplification adopted, no illiquidity premium was applied.

- **Adjustment for non-financial risk**

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

The risk adjustment for non-financial risks at the entity level is determined as a simple sum of adjustments determined at the level of individual groups of contracts or business lines, and diversification is taken into account when determining the level of materiality at the entity level (bottom-up approach). To determine adjustments for non-financial risks from reinsurance contracts, the Group applies these techniques both gross and net of reinsurance and derives the amount of risk transferred to the reinsurer as the difference between the two results.

Using the confidence level technique, the Group estimates the probability distribution of the expected present value of future cash flows from insurance contracts at each reporting date and calculates the adjustment for non-financial risks as the excess of the value at risk at the 75th percentile (target confidence level) over the expected present value of future cash flows.

Using the cost of capital technique, the Group determines the adjustment for non-financial risks by applying the cost of capital rate to the amount of capital required at each future reporting date and discounting the outcome using risk-free rates.

For the purposes of recognising the change in the risk adjustment for non-financial risks in the income statement, no disaggregation is made into an insurance service component and an insurance finance component, but it is presented in its entirety in the net income from insurance business.

- **Contractual service margin (CSM)**

The contract margin is part of the liabilities (or assets) under insurance and reinsurance contracts. The contract margin reflects the outstanding profit for a group of insurance contracts and is therefore released as income in the income statement.

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

In contrast to the valuation of other components of the liability for remaining coverage, the CSM is determined in a recursive manner, i.e. its value at the end of a given reporting period depends on the value on the opening balance sheet.

The initial value of the contract margin for groups of non-onerous contracts is determined on initial recognition as the value that balances the liability for remaining coverage, i.e. such that the total liability for remaining coverage equals 0 and thus does not generate income or expenses. For onerous contracts, the CSM on initial recognition is equal to zero.

For insurance contracts without direct participation features, the carrying amount of the contractual service margin of a group of contracts at the end of the reporting period equals the carrying amount at the start of the reporting period adjusted for:

- the effect of any new contracts added to the group;
- interest accreted on the carrying amount of the contractual service margin during the reporting period, measured at the discount rates at the time of initial recognition;
- the changes in fulfilment cash flows relating to future service, except to the extent that:
    - such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or
    - such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage;
- the effect of any currency exchange differences arising on the contractual service margin; and
- the amount recognised as insurance revenue because of the insurance contract services provided in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

Changes in expected future cash flows relating to a past or current service do not modify the CSM, but are recognised immediately in the income statement.

- **INSURANCE FINANCE INCOME OR EXPENSES**

- **OCI OPTION** – the Group has exercised the option to disaggregate the finance income and costs of its insurance operations into the portions recognized in profit or loss and other comprehensive income for all IFRS 17 portfolios, except for contract portfolios containing direct profit sharing.
- **INVESTMENT COMPONENT** – The main portfolio with a non-distinguishable investment component is the unit-linked insurance portfolio. The investment components excluded from insurance revenue and insurance service expenses are determined as the hypothetical surrender value (including the value of the life benefit) specified in the terms of the insurance contract.

- **OUTWARD REINSURANCE CONTRACTS**

The Group values all outward reinsurance contracts using the general GMM model, on a similar basis to the valuation of the insurance portfolio. A key difference in the valuation of reinsurance contracts relative to the valuation of insurance contracts is that a loss component cannot be recognised, while a negative contract margin is allowed.

Net income from insurance business includes the following elements:

- **INSURANCE REVENUE**

Insurance revenue include only revenue from gross business. The item arises from the decomposition of the premium for individual components of cost and profit into:

- amortisation of the contractual service margin,
- adjustment for non-financial risk (additional security add-on),
- anticipated claims and costs (the portion of the premium that is allocated to the payment of claims and benefits and costs),
- acquisition costs (the portion of the premium that is allocated to acquisition costs),
- other, e.g. experience-related adjustments (discrepancies between the expected premium and the premium actually earned).

- **COSTS OF INSURANCE ACTIVITIES**

Costs from insurance activities only include costs from gross business. The item comprises the following components:

- Claims incurred and costs - the value of claims and costs incurred during the period (in the case of claims, claims incurred during the period are reported under this heading, regardless of whether they have been paid or remain in the loss reserve);
- Acquisition costs incurred - an item that mirrors the item "Allocation of the portion of the premiums that relate to the recovery of insurance acquisition cash flows"; the impact of acquisition costs on the result is included in the amortisation of the contract service margin;
- changes related to the future service – losses (and their reversal) if a particular group of contracts is onerous, e.g. expected premiums will be lower than expected claims (losses are recognised in the income statement from a one-off basis and gains are deferred through gradual amortisation of the margin);
- Changes related to the past service (result on the loss reserve) – the difference between the estimate of the loss reserve for the opening balance and its realisation in the reporting period.

- **INVESTMENT COMPONENTS EXCLUDED FROM INSURANCE REVENUE AND INSURANCE SERVICE EXPENSES (NET OF REINSURANCE)**

This item includes insurance finance income and expenses recognised in the income statement. The item mainly includes two components: changes on the discounting of reserves and, in the case of contracts with direct participation features, the net investment income on the underlying assets.

- **NET INCOME FROM REINSURANCE BUSINESS**

Net income from reinsurance business – reflects the net income from outward reinsurance

- **CHANGE IN FAIR VALUE OF UNDERLYING ASSETS FOR CONTRACTS WITH DIRECT PROFIT SHARING**

Change in fair value of underlying assets for contracts with direct participation features – result on units in investment funds and investment certificates (contracts with direct participation features)

FINANCIAL INFORMATION

NET INCOME FROM INSURANCE BUSINESS AND FINANCE INCOME AND COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME FROM INSURANCE BUSINESS	2024	2023
Insurance revenue	**1,451**	**1,241**
Change in liability for remaining coverage (LRC)	1,390	**1,210**
The amount of the contractual service margin recognised in profit or loss because of the transfer of insurance contract services in the period (amortisation of contractual margin)	726	760
Change in risk adjustment for non-financial risk	56	41
Anticipated claims and other insurance service costs during the period	611	421
other amounts, for example, experience adjustments for premium receipts other than those that relate to future service	(3)	(12)
Allocation of the portion of the premiums that relate to the recovery of insurance acquisition cash flows	**61**	**31**
Costs of insurance activities	**(629)**	**(389)**
Incurred claims (excluding investment components) and other incurred insurance service expenses	(576)	(365)
Amortisation of insurance acquisition cash flows	(61)	(31)
Changes that relate to future service, i.e. losses on onerous groups of contracts and reversals of such losses	(14)	(15)
Changes that relate to past service, i.e. changes in fulfilment cash flows relating to the liability for incurred claims	22	22
Investment components excluded from insurance revenue and insurance service expenses	**(147)**	**(187)**
Insurance finance income and expenses recognised in the income statement	(147)	(187)
Change in fair value of underlying items for contracts with direct participation features	(31)	(92)
Interest accrued (discount)	(116)	(95)
Net income from reinsurance business, of which:	**(37)**	**(47)**
Interest accrued	3	-
Change in fair value of underlying assets for contracts with direct profit sharing	**31**	**93**
Net income from insurance business (Income statement)	669	711
Finance income and costs from insurance business (net of reinsurance)	2	(33)
Finance income and costs from reinsurance business	-	2
Finance income and costs from insurance business recognised in other comprehensive income[6]:	2	(31)
Changes in the period recognised in the income statement and in other comprehensive income	671	680

[1]Finance income and expenses recognised in other comprehensive income reflect the impact of changes in interest rates and other financial assumptions

CHANGE IN LIABILITIES IN RESPECT OF INSURANCE ACTIVITIES DURING THE 12 MONTHS ENDED 31 DECEMBER 2024	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)	Total
	excluding the loss component	loss component		
Opening balance, net - 1 January 2024	2,706	19	190	2,915
Insurance revenue	(1,451)	-	-	(1,451)
Costs of insurance activities	60	-	569	629
incurred claims and other incurred insurance service expenses	-	(15)	591	576
amortisation of insurance acquisition cash flows	61	-	-	61
losses on onerous groups of contracts and reversals of such losses	(1)	15	-	14
changes in fulfilment cash flows relating to the liability for incurred claims	-	-	(22)	(22)
Investment components excluded from insurance revenue and insurance service expenses	48	1	98	147
Net income from insurance business (Income statement)	(1,343)	1	667	(675)
Insurance finance income or expenses recognised in other comprehensive income (gross)	(2)	-	-	(2)
Changes in the period recognised in the income statement and in other comprehensive income	(1,345)	1	667	(677)
premiums received for insurance contracts issued	917	-	-	917
incurred claims paid and other insurance service expenses paid for insurance contracts issued	-	-	(622)	(622)
insurance acquisition cash flows	(84)	-	-	(84)
Total cash flows	833	-	(622)	211
Closing balance, net - 31 December 2024	2,194	20	235	2,449

CHANGE IN ASSETS IN RESPECT OF INSURANCE ACTIVITIES (REINSURANCE) DURING THE 12 MONTHS ENDED 31 DECEMBER 2024	Assets on account of reinsurance (for remaining coverage, LRC)		Assets for losses incurred (LIC)	Total
	excluding the loss component	loss component		
Opening balance, net - 1 January 2024	59	-	31	90
Allocation of reinsurance premiums paid	(133)	-	-	(133)
Amounts recoverable from reinsurers	1	-	92	93
Investment components excluded from insurance revenue and insurance service expenses	3	-	-	3
Net income from insurance business (Income statement)	(129)	-	92	(37)
Insurance finance income or expenses recognised in other comprehensive income (gross)	-	-	-	-
Changes in the period recognised in the income statement and in other comprehensive income	(129)	-	92	(37)
premiums received for reinsurance contracts held	129	-	-	129
amounts received	-	-	(77)	(77)
Total cash flows	129	-	(77)	52
Closing balance, net - 31 December 2024	59	-	46	105

CHANGE IN LIABILITIES IN RESPECT OF INSURANCE ACTIVITIES DURING THE 12 MONTHS ENDED 31 DECEMBER 2023	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)	Total

	excluding the loss component	loss component		
Opening balance, net - 1 January 2023	2,690	19	169	2,878
Insurance revenue	(1,241)	-	-	(1,241)
Costs of insurance activities	31	(1)	359	389
incurred claims and other incurred insurance service expenses	-	(16)	381	365
amortisation of insurance acquisition cash flows	31	-	-	31
losses on onerous groups of contracts and reversals of such losses	-	15	-	15
changes in fulfilment cash flows relating to the liability for incurred claims	-	-	(22)	(22)
Investment components excluded from insurance revenue and insurance service expenses	44	1	142	187
Net income from insurance business (Income statement)	(1,166)	-	501	(665)
Insurance finance income or expenses recognised in other comprehensive income (gross)	33	-	-	33
Changes in the period recognised in the income statement and in other comprehensive income	(1,133)	-	501	(632)
premiums received for insurance contracts issued	1,185	-	-	1,185
incurred claims paid and other insurance service expenses paid for insurance contracts issued	-	-	(480)	(480)
insurance acquisition cash flows	(36)	-	-	(36)
Total cash flows	1,149	-	(480)	669
Closing balance, net - 31 December 2023	2,706	19	190	2,915

CHANGE IN ASSETS IN RESPECT OF INSURANCE ACTIVITIES (REINSURANCE) DURING THE 12 MONTHS ENDED 31 DECEMBER 2023	Assets on account of reinsurance (for remaining coverage, LRC)		Assets for losses incurred (LIC)	Total
	excluding the loss component	loss component		
Opening balance, net - 1 January 2023	86	-	29	115
Allocation of reinsurance premiums paid	(102)	-	-	(102)
Amounts recoverable from reinsurers	-	-	52	52
Investment components excluded from insurance revenue and insurance service expenses	3	-	-	3
Net income from insurance business (Income statement)	(99)	-	52	(47)
Insurance finance income or expenses recognised in other comprehensive income (gross)	2	-	-	2
Changes in the period recognised in the income statement and in other comprehensive income	(97)	-	52	(45)
premiums received for reinsurance contracts held	70	-	-	70
amounts received	-	-	(50)	(50)
Total cash flows	70	-	(50)	20
Closing balance, net - 31 December 2023	59	-	31	90

CHANGE IN LIABILITIES IN RESPECT OF INSURANCE ACTIVITIES DURING THE 12 MONTHS ENDED 31 DECEMBER 2024	Estimates of present value of future cash flows	Non-financial risk adjustment	Contract margin	Total
Opening balance, net - 1 January 2024	1,678	81	1,156	2,915
Changes that relate to current service	136	(44)	(906)	(814)

change in contractual service margin	-	-	(725)	(725)
change in risk adjustment for non-financial risk	-	(56)	-	(56)
experience adjustments	136	12	(181)	(33)
Changes that relate to future service	**(528)**	**56**	**486**	**14**
changes in estimates that adjust the contractual service margin	260	(4)	(256)	-
losses on onerous groups of contracts and reversals of such losses	-	1	-	1
the effects of contracts initially recognised in the period	(788)	59	742	13
Changes that relate to past service, i.e. changes in fulfilment cash flows relating to incurred claims	**(16)**	**(6)**	**-**	**(22)**
Insurance finance income and expenses recognised in the income statement	**72**	**-**	**75**	**147**
Net income from insurance business (Income statement)	**(336)**	**6**	**(345)**	**(675)**
Insurance finance income or expenses recognised in other comprehensive income (gross)	**(2)**	**-**	**-**	**(2)**
Changes in the period recognised in the income statement and in other comprehensive income	**(338)**	**6**	**(345)**	**(677)**
Cash flows	**211**	-	-	**211**
Closing balance, net - 31 December 2024	**1,551**	**87**	**811**	**2,449**

CHANGE IN LIABILITIES IN RESPECT OF INSURANCE ACTIVITIES (NET OF REINSURANCE) DURING THE 12 MONTHS ENDED 31 DECEMBER 2023	Estimates of present value of future cash flows	Non-financial risk adjustment	Contract margin	Total
Opening balance, net - 1 January 2023	**1,466**	**73**	**1,339**	**2,878**
Changes that relate to current service	**64**	**(36)**	**(875)**	**(847)**
change in contractual service margin	-	-	(762)	(762)
change in risk adjustment for non-financial risk	-	(42)	-	(42)
experience adjustments	64	6	(113)	(43)
Changes that relate to future service	**(657)**	**49**	**625**	**17**
changes in estimates that adjust the contractual service margin	36	(3)	(32)	1
losses on onerous groups of contracts and reversals of such losses	3	-	-	3
the effects of contracts initially recognised in the period	(696)	52	657	13
Changes that relate to past service, i.e. changes in fulfilment cash flows relating to incurred claims	**(17)**	**(5)**	**-**	**(22)**
Insurance finance income and expenses recognised in the income statement	**120**	**-**	**67**	**187**
Net income from insurance business (Income statement)	**(490)**	**8**	**(183)**	**(665)**
Insurance finance income or expenses recognised in other comprehensive income (gross)	**33**	**-**	**-**	**33**
Changes in the period recognised in the income statement and in other comprehensive income	**(457)**	**8**	**(183)**	**(632)**
Cash flows	669	-	-	669
Closing balance, net - 31 December 2023	**1,678**	**81**	**1,156**	**2,915**

CONTRACT MARGIN TO BE RECOGNISED IN THE INCOME STATEMENT	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	above 10 years	Total
31.12.2024								
Insurance contracts	196	330	146	85	37	11	6	811
Reinsurance contracts	6	12	4	3	2	1	1	29
31.12.2023								
Insurance contracts	573	301	147	71	29	28	7	1,156

Reinsurance contracts	19	7	2	1	-	1	1	31

36. Intangible assets

Significant accounting policies:

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

Goodwill - Goodwill arising on acquisition of subsidiaries is recognized under "Intangible assets" and goodwill arising on acquisition of associates and joint ventures is recognized under "Investments in associates and joint ventures". The test for goodwill impairment is carried out at least at the end of each year.

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

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

The Group classifies the effects of in-house development work that can be used for the Group's operations as intangible assets.

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

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

Based on the above criteria, the Capital Group classifies a portion of software for intangible assets, and a part as a service the costs of which are included in the operating expenses.

Related notes:

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

FINANCIAL INFORMATION

INTANGIBLE ASSETS 2024	Software	Goodwill	Future profit on concluded insurance contracts	Customer relations	Other, including capital expenditure	of which: software	Total
Gross carrying amount at the beginning of the period	**7,366**	**1,407**	**45**	**94**	**803**	**670**	**9,715**
Purchase	59	-	-	-	767	766	826
Transfers from capital expenditure	830	-	-	-	(830)	(830)	-
Scrapping and sale	(114)	-	-	(86)	(10)	(1)	(210)
Other	22	-	-	(1)	52	50	73
Gross carrying amount at the end of the period	**8,163**	**1,407**	**45**	**7**	**782**	**655**	**10,404**
Accumulated amortization as at the beginning of the period	**(5,179)**	**-**	**(45)**	**(92)**	**(99)**	**-**	**(5,415)**
Amortization charge for the period	(640)	-	-	(1)	(4)	-	(645)
Scrapping and sale	111	-	-	86	8	-	205
Other	(12)	-	-	-	(1)	(1)	(13)
Accumulated amortization as at the end of the period	**(5,720)**	**-**	**(45)**	**(7)**	**(96)**	**(1)**	**(5,868)**
Impairment losses as at the beginning of the period	**(18)**	**(354)**	**-**	**-**	**(10)**	**-**	**(382)**
Other	(1)	-	-	-	-	-	(1)
Impairment losses as at the end of the period	**(19)**	**(354)**	**-**	**-**	**(10)**	**-**	**(3823)**
Carrying amount as at the beginning of the period, net	2,169	1,053	-	2	694	670	3,918
Carrying amount as at the end of the period, net	2,424	1,053	-	-	676	654	4,153

INTANGIBLE ASSETS 2023	Software	Goodwill	Future profit on concluded insurance contracts	Customer relations	Other, including capital expenditure	of which: software	Total
Gross carrying amount at the beginning of the period	6,439	1,407	45	94	802	671	8,787
Purchase	55	-	-	-	853	853	908
Transfers from capital expenditure	894	-	-	-	(894)	(894)	-
Scrapping and sale	(32)	-	-	-	-	-	(32)
Other	10	-	-	-	42	40	52
Gross carrying amount at the end of the period	7,366	1,407	45	94	803	670	9,715
Accumulated amortization as at the beginning of the period	**(4,663)**	-	**(44)**	**(90)**	**(96)**	-	**(4,893)**
Amortization charge for the period	(547)	-	(3)	(2)	(3)	-	(555)
Scrapping and sale	30	-	2	-	-	-	32
Other	1	-	-	-	-	-	1
Accumulated amortization as at the end of the period	**(5,179)**	-	**(45)**	**(92)**	**(99)**	-	**(5,415)**
Impairment losses as at the beginning of the period	**(18)**	**(354)**	-	-	**(10)**	-	**(382)**
Recognized during the period	(1)	-	-	-	-	-	(1)
Other	1	-	-	-	-	-	1
Impairment losses as at the end of the period	**(18)**	**(354)**	-	-	**(10)**	-	**(382)**
Carrying amount as at the beginning of the period, net	1,758	1,053	1	4	696	671	3,512
Carrying amount as at the end of the period, net	2,169	1,053	-	2	694	670	3,918

From the Bank's perspective, expenditure incurred on the Integrated Information System (IIS) is a significant item of intangible assets. The total capital expenditure incurred on the IIS in 2007–2024 was PLN 1,345 million (PLN 1,272 million in 2007-2023). The net carrying amount of the Integrated Information System (IIS) as at 31 December 2024 was PLN 657 million (PLN 624 million as at 31 December 2023). The expected useful life of the system is 25 years. As at 31 December 2024, its remaining useful life is 7 years.

- **GOODWILL**

Net goodwill	31.12.2024	31.12.2023
Nordea Bank Polska S.A.	747	747
PKO Życie Towarzystwo Ubezpieczeń S.A.	91	91
Raiffeisen - Leasing Polska SA and its subsidiaries (PKO Leasing S.A.)	57	57
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	150	150
Assets taken over from CFP sp. z o.o.	8	8
Total	1,053	1,053

Goodwill	Impairment test – method
Nordea Bank Polska S.A.	At the time of the acquisition, two cash-generating units ("CGUs") were distinguished to which the goodwill arising from the acquisition of Nordea Bank Polska S.A. was allocated – retail and corporate CGUs, corresponding to the operating segments. The Bank recognized an impairment loss on the goodwill attributable to the corporate CGU of PLN 117 million on 30 June 2020. Goodwill of Nordea Bank Polska S.A. of PLN 747 million belongs to the retail segment. The impairment test is performed by comparing the carrying amount of the CGUs with their recoverable amount. The residual value of a retail CGU has been calculated by extrapolating the cash flow projections beyond the projection period using the growth rate adopted at a level of 2.8%. Cash flow projections used in the impairment test covered a period of 10 years and are based on the assumptions included in the financial plan of the Bank for 2025. A discount rate of 11.37%, taking into account the risk-free rate and risk premium, was used for the discounting of the future cash flows. The impairment test of the goodwill arising from the acquisition of Nordea Bank Polska S.A. assigned to the retail CGU carried out as at 31 December 2024 and 31 December 2023 did not indicate any impairment.
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	The impairment test was carried out on the basis of the three-year financial forecast prepared by the Company based on the discounted dividend method, taking into account the residual value. No impairment of goodwill was identified.
PKO Życie Towarzystwo Ubezpieczeń S.A.	The impairment test carried out was developed on the basis of the present value of expected future cash flows for the Bank, taking into account the residual value. Future cash flows were estimated on the basis prepared by the Company's 10 year financial forecast. No impairment of goodwill was identified.
Raiffeisen - Leasing Polska S.A. and its subsidiaries (PKO Leasing S.A.)	The goodwill that arose on the acquisition of these companies was allocated to the portion of the assets of the PKO Leasing S.A. Group that was separately recorded in the accounts as assets of the Raiffeisen-Leasing Polska S.A. Group that was acquired. The impairment test was carried out on the basis of the five-year financial forecast prepared by the Company based on the discounted dividend method, taking into account the residual value. No impairment of goodwill was identified.

In the impairment tests described above, a discount rate of 13.1390% (except for Nordea Bank Polska S.A.) was used to discount future cash flows, taking into account the risk-free rate equal to the yield of 10-year treasury bonds as at the date of valuation and a premium for market risk and risk ratio determined for projects of PKO Bank Polski S.A.

The valuation methods and forecast periods were adapted to the specific features of activities related to the assets or companies being valued.

37. Property, plant and equipment

Significant accounting policies:

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

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

Right-of-use assets are presented in the same items in which the underlying assets would be presented, if they were owned by the Group (note "Leases").

RELATED NOTES:

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

FINANCIAL INFORMATION

- **PROPERTY, PLANT AND EQUIPMENT**

PROPERTY, PLANT AND EQUIPMENT 2024	Land and buildings	Machinery and equipment, including computer hardware	Fixed assets under construction	Other, including vehicles	Total
Gross carrying amount at the beginning of the period	**4,486**	**1,908**	**285**	**958**	**7,637**
Purchase, including modifications	318	15	340	68	**741**
Transfers from capital expenditure	55	147	(296)	94	-
Scrapping and sale	(35)	(116)	-	(60)	**(211)**
Other	(63)	(12)	(7)	(23)	**(105)**
Gross carrying amount at the end of the period	**4,761**	**1,942**	**322**	**1,037**	**8,062**
Accumulated amortization as at the beginning of the period	**(2,271)**	**(1,474)**	-	**(554)**	**(4,299)**
Amortization charge for the period	(328)	(158)	-	(60)	**(546)**
Scrapping and sale	25	115	-	50	**190**
Other	37	9	-	7	**53**
Accumulated amortization as at the end of the period	**(2,537)**	**(1,508)**	-	**(557)**	**(4,602)**
Impairment losses as at the beginning of the period	**(127)**	**(4)**	**(3)**	**(1)**	**(135)**
Recognized during the period	(17)	(1)	-	-	**(18)**
Other	9	-	3	1	**13**
Impairment losses as at the end of the period	**(135)**	**(5)**	-	-	**(140)**
Carrying amount as at the beginning of the period, net	2,088	430	282	403	3,203
Carrying amount as at the end of the period, net	2,089	429	322	480	3,320

PROPERTY, PLANT AND EQUIPMENT 2023	Land and buildings	Machinery and equipment, including computer hardware	Fixed assets under construction	Other, including vehicles	Total
Gross carrying amount at the beginning of the period	**4,121**	**1,832**	**154**	**903**	**7,010**
Purchase, including modifications	467	26	343	36	**872**
Transfers from capital expenditure	39	138	(208)	31	-
Scrapping and sale	(80)	(65)	-	(15)	**(160)**
Other	(61)	(23)	(4)	3	**(85)**
Gross carrying amount at the end of the period	**4,486**	**1,908**	**285**	**958**	**7,637**
Accumulated amortization as at the beginning of the period	**(2,056)**	**(1,398)**	-	**(537)**	**(3,991)**
Amortization charge for the period	(318)	(157)	-	(57)	**(532)**
Scrapping and sale	69	64	-	35	**168**
Other	34	17	-	5	**56**
Accumulated amortization as at the end of the period	**(2,271)**	**(1,474)**	-	**(554)**	**(4,299)**
Impairment losses as at the beginning of the period	**(97)**	**(1)**	**(3)**	**(1)**	**(102)**
Recognized during the period	(38)	(4)	-	-	**(42)**
Reversed during the period	1	-	-	-	**1**
Other	7	1	-	-	**8**
Impairment losses as at the end of the period	**(127)**	**(4)**	**(3)**	**(1)**	**(135)**
Carrying amount as at the beginning of the period, net	**1,968**	**433**	**151**	**365**	**2,917**
Carrying amount as at the end of the period, net	**2,088**	**430**	**282**	**403**	**3,203**

38. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

38.1. JOINT VENTURES

FINANCIAL INFORMATION

JOINT VENTURES	31.12.2024	31.12.2023
"Centrum Obsługi Biznesu" sp. z o.o.	-	-
Acquisition price	17	17
Change in net investment	(17)	(17)
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. Group	287	280
Value of shares as at the date of obtaining joint control	197	197
Change in net investment	154	139
Dividend	(64)	(57)
Operator Chmury Krajowej sp. z o.o.	4	4
Value of shares as at the date of obtaining joint control	61	61
Change in net investment	(57)	(57)
BSafer sp. z o.o.	-	-
Acquisition price	1	1
Impairment loss	(1)	(1)
Total	**291**	**284**

CHANGE IN INVESTMENTS IN JOINT VENTURES	2024	2023
Investments in joint ventures as at the beginning of the period	284	285
Share in profits and losses	72	56
Dividend	(64)	(57)
Investments in joint ventures as at the end of the period	**291**	**284**

Selected information on joint ventures

A summary of the financial data separately for each joint venture of the Group is presented below. The reported amounts are derived from the financial statements of individual entities prepared in accordance with IFRS (Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.) or Polish Accounting Standards ("Centrum Obsługi Biznesu" sp. z o.o., Operator Chmury Krajowej sp. z o.o., BSafer sp. z o.o.). In the case of companies which have subsidiaries, the presented data is derived from the consolidated financial statements of these companies. The data for 2023 is derived from audited financial statements.

Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	31.12.2024	31.12.2023
Current assets	486	449
Non-current assets	159	164
Current liabilities	252	245
Non-current liabilities	26	28
	2024	2023
Revenue	673	644
Profit/(loss) for the period	214	179
Other comprehensive income	2	3
Total comprehensive income	216	182
Dividends received from the company	64	57

"Centrum Obsługi Biznesu" sp. z o.o.	31.12.2024	31.12.2023
Current assets	12	7
Non-current assets	70	72
Current liabilities	86	85
Non-current liabilities	-	1
	2024	2023
Revenue	37	39
Profit/(loss) for the period	(1)	3

Operator Chmury Krajowej sp. z o.o.	31.12.2024	31.12.2023
Current assets	230	230
Non-current assets	41	62
Current liabilities	203	182
Non-current liabilities	42	32
	2024	2023
Revenue	474	353
Profit/(loss) for the period	1	(13)

BSafer sp. z o.o. (in PLN thousand)	31.12.2024	31.12.2023
Current assets	11	10
Current liabilities	167	160
	2024	2023
Revenue	-	1
Profit/(loss) for the period	(5)	(30)

The Group did not recognize any additional impairment losses on goodwill and investments in joint ventures in 2024 and 2023.

38.2. Associates

Financial information

ASSOCIATES	31.12.2024	31.12.2023
Bank Pocztowy S.A.	-	-
Acquisition price	184	184
Change in net investment	157	84
Impairment loss	(341)	(268)
“Poznański Fundusz Poręczeń Kredytowych" sp. z o.o.	-	-
Acquisition price	2	2
Change in net investment	6	5
Impairment loss	(8)	(7)
Total	-	-
CHANGE IN INVESTMENTS IN ASSOCIATES	2024	2023
Share in profits and losses	51	41
Net impairment loss	(74)	(11)
Share in the change in other comprehensive income	23	(30)
Value of investments in associates at the end of the period	-	-

As at 31 December 2024, and as at 31 December 2023, the parent entity did not have any share in contingent liabilities of associates acquired together with another investor.

Selected information on associates

A summary of the financial data separately for each associate of the Group was presented below. The reported amounts are derived from the financial statements of individual entities prepared in accordance with IFRS (Bank Pocztowy S.A.) or Polish Accounting Standards (Poznański Fundusz Poręczeń Kredytowych sp. z o.o., System Ochrony Banków Komercyjnych S.A). In the case of companies which have subsidiaries, the presented data is derived from the consolidated financial statements of these companies. The data for 2022 is derived from audited financial statements.

Bank Pocztowy S.A. (figures as published by the company)	30.06.2024	31.12.2023
Total assets	10,028	8,986
Total liabilities	8,982	8,170
	2024	2023
Revenue	679	682
Profit/(loss) for the period	181	224
Other comprehensive income	48	175
Total comprehensive income	230	399

"Poznański Fundusz Poręczeń Kredytowych" sp. z o.o.	31.12.2024	31.12.2023
Current assets	25	33
Non-current assets	10	5
Current liabilities	5	5
Non-current liabilities	7	12
	2024	2023
Revenue	4	4
Profit/(loss) for the period	3	2

System Ochrony Banków Komercyjnych S.A.	31.12.2024	31.12.2023
Current assets	11	12
Current liabilities	10	11
	2024	2023
Revenue	-	1

39. OTHER ASSETS

SIGNIFICANT ACCOUNTING POLICIES:GENERAL ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS

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

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

INVENTORIES are measured at the lower of cost and net realisable value.

FINANCIAL INFORMATION

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

OTHER ASSETS	31.12.2024	31.12.2023
Other financial assets	2,482	**1,474**
Settlements in respect of card transactions	1,533	480
Settlement of financial instruments	178	143
Receivables in respect of cash settlements	395	408
Receivables and settlements in respect of trading in securities	9	28
Sale of foreign currencies	93	30
Trade receivables	238	273
Other	36	112
Other non-financial assets	**865**	**942**
Inventories	214	206
Assets for sale	165	183
Prepayments and deferred costs	166	163
VAT receivable	41	33
Receivables from customers for whom the agreements have been legally declared invalid in respect of the principal originally disbursed to these customers.	129	217
Other	150	140
Total	3,347	2,416

OTHER FINANCIAL ASSETS (carrying amount)	31.12.2024	31.12.2023
current	2,482	1,437
non-current	-	37
Total	2,482	1,474

- **OTHER NON-FINANCIAL ASSETS**

OTHER NON-FINANCIAL ASSETS	31.12.2024	31.12.2023
Gross amount	1,568	1,300
Odpisy[1]	(703)	(358)
Net carrying amount	865	942

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

40. OTHER LIABILITIES

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

Other financial liabilities INCLUDED IN THIS ITEM ARE MEASURED AT AMOUNTS DUE WHICH COVER POTENTIAL INTEREST ON THE LIABILITIES, AND THE ACCRUAL FOR FUTURE PAYMENTS IN RELIABLY ESTIMATED, JUSTIFIED AMOUNTS NECESSARY TO MEET THE PRESENT OBLIGATION AS AT THE END OF THE REPORTING PERIOD.

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

FINANCIAL INFORMATION

OTHER LIABILITIES	31.12.2024	31.12.2023
Other financial liabilities	**4,227**	**5,673**
Costs to be paid	411	406
Interbank settlements	520	1,011
Liabilities arising from investing activities and internal operations	249	395
Amounts due to suppliers	310	226
Liabilities and settlements in respect of trading in securities	506	745
Settlement of financial instruments	22	68
Liabilities in respect of foreign exchange activities	746	721
Liabilities in respect of payment cards	305	980
Lease liabilities	1,145	1,088
Other	13	33
Other non-financial liabilities	**3,961**	**5,472**
Deferred income	701	620
Dividend payable to shareholders	-	1,600
Liability in respect of tax on certain financial institutions	111	111
Liabilities in respect of a contribution to the BFG maintained in the form of payment obligations	929	847
to the Resolution Fund	543	461
to the Bank Guarantee Fund	386	386
Liabilities under the public law	596	1,057
Commitments relating to the reimbursement of principal and interest instalments paid by customers on invalidated mortgage loan agreements in convertible currencies	396	165
Provision for accrued holiday entitlements	146	138
Provision for other employee benefits	585	411
Other	497	523
Total	**8,188**	**11,145**

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

OTHER FINANCIAL LIABILITIES (Carrying amount)	31.12.2024	31.12.2023
current	3,333	4,843
non-current	894	830
Total	**4,227**	**5,673**

41. PROVISIONS

SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

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

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

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

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

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

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

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

The provision for retirement and disability benefits resulting from the Labor Code is recognized individually for each employee on the basis of an actuarial valuation. The provision for employee benefits is determined on the basis of the Group's internal regulations. The Group recognises provisions for retirement and disability benefits in accordance with IAS 19 as a defined benefit plan.

Valuation of the provision for employee benefits is performed using actuarial techniques and assumptions. The calculation of the provision includes all retirement and pension benefits expected to be paid in the future. The provision was recognized on the basis of a list of persons with all necessary employee information, in particular the length of their service, age and gender. The provisions calculated are equal to discounted future payments, taking into account staff turnover.

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

- **OTHER PROVISIONS**

Other provisions mainly include provisions for potential claims on the sale of impaired loans portfolios, details of which have been presented in the note "Sale of impaired loan portfolios".

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

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

ESTIMATES AND JUDGMENTS:

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

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

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

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

FOR THE YEAR ENDED 31 DECEMBER 2024	Provisions for financial liabilities and guarantees granted[1]	Provisions for legal claims, excluding legal claims relating to mortgage loans in convertible currencies	Provisions for legal claims against the bank relating to mortgage loans in convertible currencies[2,3]	Provisions for refunds of costs to customers on early repayment of consumer and mortgage loans	Provisions for retirement benefits and other defined post-employment benefits	Restructuring	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	**751**	**114**	**3,001**	**10**	**72**	**29**	**50**	**4,027**
Increases, including increases of existing provisions	26	23	4,266	5	12	-	47	4,379
Utilized amounts	-	(5)	(956)	(8)	(4)	(6)	(34)	(1,013)
Unused provisions reversed during the period	(143)	(13)	-	-	(1)	-	(5)	(162)
Other changes and reclassifications	(1)	-	(578)	(1)	-	-	-	(580)
As at the end of the period	633	119	5,733	6	79	23	58	6,651
Short-term provisions	479	6	-	5	15	23	41	528
Long-term provisions	154	113	5,733	1	64	-	17	6,123

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

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

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

FOR THE YEAR ENDED 31 DECEMBER 2023	Provisions for financial liabilities and guarantees granted[1]	Provisions for legal claims, excluding legal claims relating to mortgage loans in convertible currencies	Provisions for legal claims against the Bank relating to mortgage loans in convertible currencies[2]	Provisions for refunds of costs to customers on early repayment of consumer and mortgage loans	Provisions for retirement benefits and other defined post-employment benefits	Restructuring	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	**833**	**103**	**851**	**18**	**66**	**35**	**65**	**1,971**
Increases, including increases of existing provisions	9	17	2,384	-	14	-	29	2,453
Utilized amounts	-	(2)	(234)	(9)	(6)	(6)	(39)	(296)
Unused provisions reversed during the period	(82)	(3)	-	-	(2)	-	(6)	(93)
Other changes and reclassifications	(9)	(1)	-	1	-	-	1	(8)
As at the end of the period	751	114	3,001	10	72	29	50	4,027
Short-term provisions	595	7	-	9	13	29	8	661
Long-term provisions	156	107	3,001	1	59	-	42	3,366

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

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

Provisions for disability and retirement benefits(actuarial provision)	2024	2023
Liability at the beginning of the period	69	63
Current service cost	3	2
Interest expense	4	4
Actuarial (gains) and losses recognized in other comprehensive income	2	4
Benefits paid	(3)	(4)
Liability at the end of the period (net)	75	69

Breakdown of actuarial gains and losses (actuarial provision)	Total amount of provisions	
	2024	2023
Change in financial assumptions	(6)	7
Change in demographic assumptions	1	1
Other changes	8	(4)
Total actuarial (gains) and losses	2	4

42. Contingent liabilities and off-balance sheet liabilities received and granted

Significant accounting policies:

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

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

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

Financial information

- #### Contractual commitments

VALUE OF CONTRACTUAL COMMITMENTS CONCERNING	31.12.2024	31.12.2023
intangible assets	66	85
property, plant and equipment	131	98
Total	197	183

- **FINANCIAL AND GUARANTEE COMMITMENTS GRANTED**

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2024	Notional amount	Provisions per IFRS 9	Value less provisions
Credit lines and limits	87,106	(553)	86,553
real estate	6,816	(30)	6,786
business	62,638	(409)	62,229
consumer	11,792	(114)	11,678
in respect of factoring	5,116	-	5,116
in respect of finance leases	744	-	744
Other	3,940	-	3,940
Total financial commitments granted, including:	91,046	(553)	90,493
irrevocable commitments granted	34,498	(306)	34,192
Guarantees and sureties granted			
guarantees in domestic and foreign trading	10,390	(77)	10,313
to financial entities	2,543	(1)	2,542
to non-financial entities	7,817	(76)	7,741
to state budget entities	30	-	30
domestic municipal bonds (state budget entities)	138	-	138
letters of credit	1,488	(3)	1,485
to financial entities	31	-	31
to non-financial entities	1,457	(3)	1,454
payment guarantees to financial entities	82	-	82
Total guarantees and sureties granted, including:	12,098	(80)	12,018
irrevocable commitments granted	5,681	(74)	5,607
performance guarantee	3,788	(46)	3,742
Total financial and guarantee commitments granted	103,144	(633)	102,511

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2023	Notional amount	Provisions per IFRS 9	Value less provisions
Credit lines and limits	79,038	(641)	78,397
real estate	6,898	(20)	6,878
business	56,333	(498)	55,835
consumer	10,780	(123)	10,657
in respect of factoring	4,289	-	4,289
in respect of finance leases	738	-	738
Other	3,884	-	3,884
Total financial commitments granted, including:	82,922	(641)	82,281
irrevocable commitments granted	31,406	(415)	30,991
Guarantees and sureties granted			
guarantees in domestic and foreign trading	10,615	(107)	10,508
to financial entities	2,679	-	2,679
to non-financial entities	7,807	(107)	7,700
to state budget entities	129	-	129
domestic municipal bonds (state budget entities)	243	-	243
letters of credit	1,277	(3)	1,274
to financial entities	30	-	30
to non-financial entities	1,247	(3)	1,244
payment guarantees to financial entities	101	-	101
Total guarantees and sureties granted, including:	12,236	(110)	12,126
irrevocable commitments granted	5,503	(94)	5,409
performance guarantee	3,592	(57)	3,535
Total financial and guarantee commitments granted	95,158	(751)	94,407

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

- NOMINAL VALUE OF COMMITMENTS GRANTED BY MATURITY

COMMITMENTS GRANTED BY MATURITY AS AT 31.12.2024	up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	more than 5 years	Total
commitments granted – financial	18,078	5,711	30,553	24,802	11,902	91,046
commitments granted - guarantees and sureties	848	1,086	3,498	5,079	1,587	12,098
Total	18,926	6,797	34,051	29,881	13,489	103,144

COMMITMENTS GRANTED BY MATURITY AS AT 31.12.2023	up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	more than 5 years	Total
commitments granted – financial	17,208	4,606	32,016	17,464	11,628	82,922
commitments granted - guarantees and sureties	930	1,404	3,600	4,495	1,807	12,236
Total	18,138	6,010	35,616	21,959	13,435	95,158

- OFF-BALANCE SHEET LIABILITIES RECEIVED

OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE	31.12.2024	31.12.2023
Financial	106	132
Guarantees	20,616	19,361
Total	20,722	19,493

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

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

43. Legal claims

As at 31 December 2024, the total value of the subject matter of litigation in court proceedings (trials) pending in which the companies belonging to the PKO Bank Polski S.A. Group were defendants amounted to PLN 15,587 million (as at 31 December 2023: PLN 13,110 million), and the total value of the subject matter of litigation in court proceedings (trials) pending in which the companies belonging to the PKO Bank Polski S.A. Group were claimants as at 31 December 2024 was PLN 7,313 million (as at 31 December 2023: PLN 4,519 million).

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

As at 31 December 2024, 36,004 on court proceedings were pending against the Bank (as at 31 December 2023: 30,498) relating to mortgage loans granted in previous years in foreign currency with a total value in dispute of PLN 14,764 million (as at 31 December 2023: PLN 11,948 million), including one group proceeding with 47 loan agreements. The subject matter of the Bank's customers' actions are mainly claims for declaration of invalidity of an agreement or for payment of amounts paid by the customer to the Bank in performance of an invalid agreement. Customers allege abusive provisions and/or that the agreements are contrary to the law. None of the clauses used by the Bank in the agreements was entered in the register of prohibited contractual clauses. The number of lawsuits filed by customers against the Bank is significantly influenced by the intensive advertising campaign of law firms, which encourages borrowers to commission to them – for a fee – conducting cases against banks.

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

As at 31 December 2024, 6,223 final rulings have been issued by the courts in cases against the Bank. These rulings are predominantly favourable to borrowers.

On 29 January 2021, in connection with the discrepancies in the interpretation of legal provisions in the jurisprudence of the Supreme Court and common courts and in order to ensure the uniformity of jurisprudence, the First President of the Supreme Court submitted a request for the full panel of the Civil Chamber of the Supreme Court to resolve legal issues concerning the subject of loans denominated and indexed in foreign currencies: On 25 April 2024, the Supreme Court, sitting as the full Civil Chamber, issued a resolution which reads:

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

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

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

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

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

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

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

As at 31 December 2024, 347 court proceedings were pending against the Group (as at 31 December 2023: 147 lawsuits), in which customers challenge that the mortgage agreement was based on a floating interest rate structure and the rules for setting the WIBOR benchmark rate. The Group disputes the validity of the claims raised in these cases. As at 31 December 2024 and 2023, the Group has not recognized a provision for this.

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

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

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

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

As at 31 December 2024, there were 4,214 court proceedings pending against the Group relating to the free credit sanction, with a total value in dispute of PLN 100 million (as at 31 December 2023, there were 1,159 proceedings with a total value in dispute of PLN 20.7 million). These proceedings are initiated by customers or entities that have acquired receivables from customers and relate to the provisions of cash loan agreements. The Group disputes the validity of the claims raised in these cases. The case law to date is largely in favour of the Group. As at 31 December 2024 and 2023, the Group has not recognized a provision for this.

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

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

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

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

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

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

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

1. Should Article 23 of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (OJ.UE.L.2008.133.66) be interpreted to mean that this Directive imposes an obligation on a national court, when hearing a case in which

a consumer invokes the obligation incumbent on the creditor to return any sums overpaid as a result of the consumer making use of a penalty provided for under national law, based on the right to submit to the creditor a written declaration meaning that the consumer's obligations to pay interest on the capital and other credit costs cease, to examine ex officio whether the creditor infringed any provisions of national law other than those invoked by the consumer in the written declaration submitted to the creditor but whose infringement also entitles the consumer to make use of the aforesaid penalty?

2. Should Article 10(2)(r) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (OJ.UE.L.2008.133.66) be interpreted to mean that the requirement to specify in a clear manner the procedure for early repayment imposes on the creditor an obligation to draw up a description of the course of action in such a way that the consumer executing the agreement is able, without obtaining additional information from the creditor (or making additional arrangements with the latter), to establish step by step who is responsible for performing the actions involved in early repayment, how they should be performed and in what order, with a clear indication of the event that forms the final step in this procedure?
3. Should Article 23 of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (OJ.UE.L.2008.133.66) be interpreted to mean that a failure to fulfil the obligation to specify in a clear and concise manner the procedure for early repayment within the meaning of Article 10(2)(r) of this Directive always necessitates the application of penalties against the creditor, or can the application of penalties depend on the extent to which the relevant obligation has been infringed; in particular, is a decision to refrain from applying a penalty admissible in a situation where the procedure for early repayment was not outlined in full and this did not have a detrimental impact on the consumer's rights and obligations given the circumstances of the specific case?

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

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

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

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

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

- **PROCEEDINGS RELATING TO MODIFICATION CLAUSES**

Proceedings initiated on 12 March 2019 on the acknowledgement that the provisions of the template agreement are inadmissible. The proceedings are related to modification clauses which specify the circumstances in which the Bank is entitled to amend the terms and conditions of the agreement, including the amount of fees and commission. In the opinion of the President of UOKiK the modification clauses applied by the Bank give the Bank unilateral unlimited and arbitrary possibilities of modifying the execution of the agreement. Consequently, the President of UOKiK is of the opinion that the clauses applied by the Bank shape the rights and obligations of the consumers in a way that is contrary to good practice and are a gross violation of their interests, which justifies the conclusion that they are abusive. In a letter of 31 May 2019, the Bank commented on the allegations of the President of UOKiK, indicating that they are unfounded. The Bank pointed out, among other things, that the contested clauses are specific and they precisely define the circumstances entitling the Bank to change the template. By order of 7 June 2022, UOKiK summoned the Bank to provide a range of information regarding the disputed clauses, the Bank's turnover and the revenue generated from changes in fees and commissions based on the disputed clauses. The UOKiK summons was implemented on 11 July and 30 September 2022. By letter of 19 April 2024, UOKiK requested the Bank to provide further information and materials. The UOKiK summons was implemented by letters dated 24 May 2024 and 27 June 2024. The current deadline for the conclusion of the proceedings, as indicated by the UOKiK, is 30 June 2025. As at 31 December 2024, the Group had not set up a provision for these proceedings.

- **PROCEEDINGS IN RESPECT OF UNAUTHORISED TRANSACTIONS**

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

- without specifying to the consumer the factual basis for gross negligence or intent, and thus the presumption of gross negligence or intent without proving it, which misleads consumers about the entrepreneur's obligations under Article 45(2) of the Act on payment services with respect to the burden of proving gross negligence on the part of the consumer and the further pursuit of claims in this regard, which may constitute an unfair market practice and harm the collective interests of consumers,
- if the Bank finds, during the complaint procedure, that the transaction was authorised by the consumer or that the consumer is liable for an unauthorised payment transaction, withdrawing the conditional return and deducting that amount from the consumer's current account or credit card account, except where there is a simultaneous return of that amount to the consumer under the so-called chargeback mechanism, which may breach Article 46(1) of the Act on payment services and harm the collective interests of consumers.

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

- **PROCEEDINGS RELATING TO INTEREST RATE VARIATION CLAUSES**

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

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

UOKiK also challenges the clause allowing the Bank to change the interest rate within six months of the occurrence of the above-mentioned circumstances. By letter dated 29 May 2024, the Bank responded to the UOKiK's allegations, claiming that they were unfounded. Correspondence is ongoing with the UOKiK regarding the possibility of submitting a commitment. The deadline for the conclusion of the proceedings, as indicated by the UOKiK, is 28 February 2025. As at 31 December 2024, the Group had not set up a provision for these proceedings.

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

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

- **PROCEEDINGS ON SPREAD CLAUSES**

The proceedings were initiated by the Bank's appeal (submitted on 13 November 2020) against the decision of the President of UOKiK dated 16 October 2020. In the said decision, the President of UOKiK declared the provisions of the template agreement "Annex to the housing loan/mortgage loan agreement" in the section "Appendix to the annex 'Rules for determining foreign exchange spreads at PKO BP S.A.'" as inadmissible provisions and prohibited their use. In addition, the President of UOKiK ordered that all consumers being parties to the assessed annexes about the decision to declare them inadmissible and its consequences be informed no later than within three months from the effective date of the decision and ordered that a declaration be published whose text was indicated in the decision on the Bank's website not later than 1 month from the effective date of the decision and to keep it there for 4 months. Furthermore, the President of UOKiK imposed a fine on the Bank of PLN 41 million, payable to the Financial Education Fund. In its appeal against that decision, the Bank requested that the decision be amended by finding that there had been no breach of the ban on the use of prohibited contractual clauses, or by discontinuing the proceedings. It was also requested that the decision be annulled or amended by waiving or substantially reducing the fine. The appeal raised a number of substantive and procedural grounds of appeal. The Bank's main arguments consist in pointing out that the decision of the President of UOKiK is a manifestation of unlawful and groundless interference with the Bank's pricing policy, pointing out that there are no substantive grounds for the intervention of the President of UOKiK, i.e. there are no grounds for concluding that the Bank applied prohibited contractual provisions, and pointing out that the penalty imposed on the Bank is abnormally high. In response to the appeal, the President of UOKiK sustained the position expressed in the decision appealed against. In a judgment of 10 October 2023, the Court of Competition and Consumer Protection overturned the decision of the UOKiK in its entirety. The ruling was appealed by the President of the UOKiK and the public prosecutor. On 5 July 2024, the Court of Appeal in Warsaw amended the judgment of the Court of Competition and Consumer Protection and dismissed the Bank's appeal. The Bank filed a request for a statement of reasons and a request to suspend the enforceability of the judgment and decision of the UOKiK and, on 4 November 2024, filed a cassation complaint. By order of 12 July 2024, issued at the Bank's request, the Court of Appeal halted enforcement of the judgment and decision pending the outcome of the cassation proceedings. On 11 December 2024, the UOKiK's response to the cassation complaint was received. By a letter dated 14 February 2025, the Supreme Court notified the composition of the panel hearing the case and the assignment of the case reference number. At 31 December 2024, the Group recognises a provision for these proceedings of PLN 41 million (31 December 2023: PLN 41 million).

- **PROCEEDINGS RELATED TO RESTRICTIVE PRACTICES ON THE MARKET OF PAYMENTS WITH PAYMENT CARDS IN POLAND**

The Bank is a party to proceedings initiated by the President of UOKiK on the basis of a decision dated 23 April 2001 upon the request of the Polish Trade and Distribution Organization – Employers Association (Polska Organizacja Handlu i Dystrybucji – Związek Pracodawców) against operators of the Visa and Europay payment systems and banks issuing Visa and Europay/ Eurocard/ Mastercard banking cards. The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed “interchange” fees for transactions made using the Visa and Europay/Eurocard/Mastercard cards as well as limiting access to this market for external entities. On 29 December 2006, the UOKiK recognised practices involving the joint determination of interchange fees as restrictive of competition and ordered them to be abandoned, at the same time imposing, inter alia, a fine of PLN 16.6 million on the Bank. The Bank appealed against the decision of the President of UOKiK to the Court for Competition and Consumer Protection (Sąd Ochrony Konkurencji i Konsumentów - SOKiK). In its ruling dated 21 November 2013, SOKiK reduced the penalty imposed on the Bank to PLN 10.4 million. The parties to the proceedings appealed against the ruling. The Court of Appeal in Warsaw in its ruling dated 6 October 2015 reinstated the initial amount of the imposed fines set in the decision of the UOKiK, i.e. the fine of PLN 16.6 million (the fine imposed on PKO Bank Polski S.A.) and the fine of PLN 4.8 million (the fine imposed on Nordea Bank Polska S.A., and PKO Bank Polski S.A. is a legal successor of Nordea Bank Polska SA through a merger under Article 492 § 1(1) of the Commercial Companies Code). The Bank paid the fine in October 2015. As a result of a cassation appeal brought by the Bank, the Supreme Court in a ruling dated 25 October 2017 annulled the contested ruling of the Court of Appeal in Warsaw and submitted the case for re-examination. The fine paid by the Bank was reimbursed to the Bank on 21 March 2018. On 23 November 2020, the Court of Appeal in Warsaw issued a ruling in which it revoked the ruling of the District Court in Warsaw dated 21 November 2013 and submitted it for re-examination. The case is currently proceeding at first instance before the Warsaw District Court. At 31 December 2024, the Group recognises a provision for these proceedings of PLN 21 million (31 December 2023: PLN 21 million).

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

1) The PFSA is conducting proceedings to impose an administrative penalty on the Bank, which conducts brokerage activities through an organizationally separate unit - the Brokerage Office - in connection with a suspected failure to comply with its obligations in the area of anti-money laundering and terrorist financing (hereinafter: "AML"). The Bank responded to the PFSA's request for written explanations regarding the scale of benefits achieved or losses avoided by the Bank in connection with violations of the AML Act, losses incurred by third parties in connection with violations of the AML Act, possible administrative penalties imposed under the provisions of the AML Act. In addition, the PFSA forwarded to the Bank's attention a letter addressed to the General Inspectorate of Financial Information (GIIF) requesting information on the Bank's violations of the AML Act to date. On 26 August 2024, the PFSA communicated a notice that, due to the need for an in-depth analysis of the evidence collected. The deadline for the conclusion of the administrative proceedings has been set for 27 February 2025. As at 31 December 2024, the Group had not set up a provision for these proceedings.
2) The PFSA is conducting proceedings to impose a monetary penalty on the Bank pursuant to Article 176i(1)(4) of the Act of 29 July 2005 on trading in financial instruments, in connection with the Bank's suspected breach of the management and control requirements set out in Article 16 of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L. 2016 No 171, p. 1 as amended). By letter dated 19 January 2024, the PFSA informed that the administrative proceedings are expected to be completed in February 2025. As at 31 December 2024, the Group had not set up a provision for these proceedings.
3) The PFSA is conducting proceedings to impose an administrative sanction on the Bank under Article 3c of the Act on financial market supervision in connection with a suspected breach by the Bank of the requirements of

Article 5(1) and 14 in conjunction with Article 4(1) and (3) and (4) and (5) of Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs). On 16 January 2025, the PFSA served notice to extend the deadline for the proceedings until 16 March 2025. As at 31 December 2024, the Group had not set up a provision for these proceedings.

4) Administrative proceedings, initiated ex officio by the Polish Financial Supervision Authority are pending against PKO TFI S.A (hereinafter: the Company) in respect of the imposition of an administrative penalty on the Company under the provisions of the Act on counteracting money laundering and terrorist financing (hereinafter: the "Act"), in connection with the suspected failure to comply with the obligation set out in the Act by:(i) failure to properly apply financial security measures in the form of identification and verification of the customer when establishing a business relationship via remote channels; (ii) failure to properly apply financial security measures in the form of identification and verification of the customer at the commencement of the business relationship and failure to obtain data on the customer's country of birth; (iii) failure to properly apply financial security measures in the form of identifying the beneficial owner when establishing a business relationship; failure to ensure that documents, data or information it holds relating to the business relationship are kept up to date; (iv) failure to apply enhanced financial security measures in cases of higher risk of money laundering or terrorist financing and in cases referred to in Articles 44 and 46 of the Act; (v) failure to introduce all necessary elements in the internal procedure of the obliged institution. By letter dated 20 April 2023, the Company responded to the request from the PFSA. By notice of 21 February 2025, the PFSA announced that the proceedings had been further extended until 28 April 2025. As at 31 December 2024 the Group recognises a provision for these proceedings in the amount of PLN 2 million (as at 31 December 2023: PLN 2 million).

- **OTHER PROCEEDINGS**

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

The GIFI is conducting administrative proceedings against the Bank for the imposition of an administrative penalty for failure to comply with its obligations under the Act of 1 March 2018 on the prevention of money laundering and terrorist financing (AML). The failure to comply with obligations was identified by the PFSA during an inspection conducted at the Bank from 22 December 2022 to 9 March 2023, covering: (a) the period from 13 July 2018 to 22 December 2022 with regard to the implementation of the obligation specified in Article 72 of the AML Act, (b) the period from 20 July 2021 to 22 December 2022 with regard to the implementation of the other obligations specified in the AML Act.

The GIFI identified the Bank's failure to comply with the following obligations: (1) the application of financial security measures referred to in Articles 33 and 43 of the AML Act, (2) ensuring the participation of individuals performing AML-related duties in training programs referred to in Article 52 of the AML Act, (3) providing or making available information referred to in Articles 72 and 76 of the AML Act. By a letter dated 9 September 2024, the Bank responded to the GIFI's letter, requesting also to refrain from imposing an administrative penalty due to the corrective actions taken. On 11 December 2024, the Bank submitted a response to the GIFI's letter regarding the provision of explanations and supplements in the matter. By a decision dated 9 January 2025, the deadline for completing the proceedings was extended to 31 March 2025. As at 31 December 2024, the Group had not set up a provision for these proceedings.

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

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

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

The Bank was served eight summons to participate, as an outside intervener on the defendant's side, in cases relating to the interchange fees. Other banks are defendants in the case and, in some cases, also card organizations. At present, the claims vis-à-vis the sued banks total PLN 832 million and are pursued as damages for differences in interchange fees resulting from applying practices that restrict competition, as well as capitalised statutory interest for delay. The Bank joined these proceedings as an outside intervener. Since these proceedings are not pending against the Bank, their value was not included in the total value of the cases against the Bank.

If the courts find the claims justified, the defendants may claim recourse in separate court proceedings from other banks including from PKO Bank Polski S.A.

As at 31 December 2024, five of these proceedings resulted in final judgments in favour of the defendants dismissing the plaintiffs' claims, save that one of them was a partial judgment and the remainder of the proceedings will be pursued by the Court of First Instance. However, a cassation appeal was filed by the plaintiff in one case. In one proceeding, a non-final judgment was issued dismissing the plaintiffs' claims. In two proceedings, the judgments have not yet been issued. In all cases where the claims have been dismissed in whole or in part, the statute of limitations objection has been upheld.

44. EQUITY AND SHAREHOLDING STRUCTURE OF THE BANK

SIGNIFICANT ACCOUNTING POLICIES:

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

Equity components of the subsidiaries other than share capital, in proportion to the parent's interest in the subsidiary, are added to respective equity components of the parent. The Group's equity includes only those parts of the equity of the subsidiaries which arose after the acquisition of shares by the parent. In accordance with the legislation in force in Poland, only the equity of the parent company and the equity of specific subsidiaries, determined on the basis of separate financial statements, are distributable.

Selected equity components:

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

FINANCIAL INFORMATION

- **SHAREHOLDING STRUCTURE OF THE BANK**

According to the information available as at 31 December 2023, the Bank's shareholding structure is as follows:

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

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

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

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

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

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

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

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

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

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

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

45. FAIR VALUE HIERARCHY

SIGNIFICANT ACCOUNTING POLICIES:

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

- **LEVEL 1: PRICES QUOTED ON ACTIVE MARKETS**

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

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

- **Level 2: Valuation techniques based on observable market data**

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

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	VALUATION METHOD (TECHNIQUE)	OBSERVABLE INPUTS
CIRS, IRS, FRA	Discounted cash flow valuation model	Yield curves built on market data: money market rates, FRA, IRS, OIS, basis swap
FX FORWARDS AND FX SWAPS	Discounted cash flow valuation model	Yield curves built on market data: exchange rates, swap points, basis swaps
CURRENCY OPTIONS	Valuation models specific for particular type of a foreign exchange option.	Yield curves built on market data: exchange rates, swap points, basis swaps; volatility surfaces for relevant currency pairs
INTEREST RATE OPTIONS	Valuation model for the respective foreign exchange option type	Yield curves built on market data: money market rates, FRA, IRS, OIS, basis swap, caplet/floorlet volatility surfaces for relevant tenors
EQUITY OPTIONS	Valuation model for the respective equity option type	Yield curves built on market data: money market rates, FRA, IRS, OIS, basis swap; volatility surfaces determined using a local volatility model based on prices and volatilities of the relevant underlying instruments
COMMODITY SWAPS, COMMODITY FORWARDS	Discounted cash flow valuation model	Yield curves built on market data: money market rates, FRA, IRS, OIS, basis swap; forward curves for relevant commodities constructed based on futures prices and forward exchange rates (i.e. determined based on exchange rates, swap points)
COMMODITY OPTIONS	Valuation model for the respective commodity option type	Yield curves built on market data: money market rates, IRS; volatility surfaces for relevant commodities
EQUITY SWAPS	Discounted cash flow valuation model	Yield curves built on market data: money market rates, FRA, IRS, OIS, basis swap; forward curves for relevant underlying instruments based on futures prices
MUNICIPAL BONDS (IN PLN) CORPORATE BONDS	Yield curve and risk margin model.	Yield curves are built based on market rates, money market data, IRS transactions market.
	Valuations published by informational services such as Bloomberg and the London Securities Exchange Group (if they are determined based on data related to comparable assets or liabilities).	Data concerning comparable assets or liabilities (which are not liquid quotes directly observable for the specific security), including: yields on government bonds, yields on comparable non-government bonds, money market rates, and interest rate swap rates.
NBP MONEY BILLS	Yield curve method	Yield curves built on money market and OIS transaction market data.
LIABILITIES IN RESPECT OF INSURANCE PRODUCTS MEASURED AT FAIR VALUE	The value of the liabilities is equal to the number of units accumulated in the individual insurance capital fund balance on the reporting date multiplied by the fund unit price on the valuation date	Number of fund units, unit price

- **LEVEL 3: OTHER VALUATION TECHNIQUES**

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

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

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

FINANCIAL INFORMATION

ASSETS MEASURED AT FAIR VALUE 31.12.2024	Carrying amount	Level 1 Prices quoted on active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
Hedging derivatives	120	-	120	-
Other derivative instruments	1,999	1	1,998	-
Securities	**99,989**	**75,773**	**23,547**	**669**
held for trading	**364**	**364**	**-**	**-**
debt securities	328	328	-	-
equity securities	36	36	-	-
not held for trading, measured at fair value through profit or loss	**1,596**	**944**	**225**	**427**
debt securities	612	398	114	100
equity securities	984	546	111	327
measured at fair value through other comprehensive income (debt securities)	**98,029**	**74,465**	**23,322**	**242**
Loans and advances to customers	**2,171**	**-**	**-**	**2,171**
not held for trading, measured at fair value through profit or loss	**2,171**	**-**	**-**	**2,171**
real estate loans	1	-	-	1
business loans	74	-	-	74
consumer loans	2,096	-	-	2,096
Total financial assets measured at fair value	104,279	75,774	25,665	2,840

LIABILITIES MEASURED AT FAIR VALUE 31.12.2024	Carrying amount	Level 1 Prices quoted on active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
Hedging derivatives	285	-	285	-
Other derivative instruments	2,396	1	2,395	-
Liabilities in respect of a short position in securities	35	35	-	-
Liabilities in respect of insurance products	169	-	169	-
Total financial liabilities measured at fair value	2,885	36	2,849	-

ASSETS MEASURED AT FAIR VALUE 31.12.2023	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	355	-	355	-
Other derivative instruments	4,183	2	4,181	-
Securities	**110,278**	**62,975**	**46,641**	**662**
held for trading	**578**	**578**	-	-
debt securities	546	546	-	-
equity securities	32	32	-	-
not held for trading, measured at fair value through profit or loss	**1,646**	**1,132**	**128**	**386**
debt securities	592	526	20	46
equity securities	1,054	606	108	340
measured at fair value through other comprehensive income (debt securities)	**108,054**	**61,265**	**46,513**	**276**
Loans and advances to customers	**2,871**	-	-	**2,871**
not held for trading, measured at fair value through profit or loss	**2,871**	-	-	**2,871**
real estate loans	1	-	-	1
business loans	81	-	-	81
consumer loans	2,789	-	-	2,789
Total financial assets measured at fair value	117,687	62,977	51,177	3,533

LIABILITIES MEASURED AT FAIR VALUE	Carrying amount	Level 1	Level 2	Level 3
31.12.2023		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	888	-	888	-
Other derivative instruments	5,540	-	5,540	-
Liabilities in respect of a short position in securities	302	302	-	-
Liabilities in respect of insurance products	165	-	165	-
Total financial liabilities measured at fair value	6,895	302	6,593	-

IMPACT OF ESTIMATES ON FAIR VALUE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS	31.12.2024		31.12.2023	
	Fair value in		Fair value in	
	positive scenario	negative scenario	positive scenario	negative scenario
Shares in Visa Inc.[1]	56	52	86	77
Other equity investments[2]	262	237	238	215
Corporate bonds[3]	339	338	326	325
Loans and advances to customers[4]	2,280	2,062	3,015	2,727

[1] scenario assuming a discount rate in respect of the future conditions of converting C-series shares to ordinary shares at a level of 0%/100% respectively
[2] scenario assuming a change in the discount rate of +/- 5%
[3] scenario assuming a change in the credit spread of +/- 10%
[4] scenario assuming a change in the company's value of +/- 0.5p.p.

RECONCILIATION OF CHANGES DURING THE REPORTING PERIOD TO FAIR VALUE AT LEVEL 3	2024	2023
Opening balance at the beginning of the period	**3,533**	**4,634**
Acquisition of equity instruments	1	-
Sale of equity instruments	-	(7)
Redemption of corporate bonds	(36)	(366)
Granting and increase in exposure to loans and advances to customers	524	694
Repayment of loans and advances to customers	(975)	(1,144)
Derecognition of loans and advances to customers	(209)	(177)
Write-off of loans and advances to customers	(253)	(62)
Net gain/(loss) on financial instruments measured at fair value through profit or loss	51	18
Change in the valuation recognized in OCI	2	-
Other, including exchange difference[1]	202	(57)
Closing balance	**2,840**	**3,533**

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

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

The Group holds financial instruments which are not presented at fair value in the statement of financial position.

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

Item	Major methods and assumptions used when estimating fair values of financial instruments not measured at fair value
Amounts due from and to banks	• interbank placements and deposits – the model based on expected cash flows discounted using the current interbank market rates; • interbank deposits and placements with maturities of up to 7 days or with variable interest, loans or advances granted and received on the interbank market with variable interest (with interest rate changes occurring every 3 months or less) – fair value equals the carrying amount.
Securities	• treasury bonds – market quotations; • corporate bonds in PLN secured with the State Treasury guarantees - discounted cash flow method, calculated using yield curves, prices available from Bloomberg (BVAL – Bloomberg Valuation Service) and Refinitiv Eikon • corporate and municipal bonds – discounted cash flow method, calculated using yield curves and credit margins
Loans and advances to customers	• not impaired: the model based on estimating the present value of future cash flows by discounting cash flows using current interest rates; the model takes into account the credit risk margin and adjusted maturities derived from the loan agreements. The current level of margins was determined for transactions concluded in the last 6 months preceding the balance sheet date involving instruments with a similar credit risk profile. The current margin for loans in PLN adjusted for the cost of foreign currency acquisition in basis-swap transactions was applied to loans in foreign currencies. • finance lease receivables, loans without impairment: the fair value of finance lease, loan receivables was estimated using a model based on the contractual present value of future cash flows discounted at current interest rates Margins were taken into account while maintaining the division into main product groups, i.e. finance lease and loan receivables with a floating interest rate, finance lease and loan receivables with a fixed interest rate, finance lease receivables in respect of real estate. The model used to determine the fair value of lease, loan

	and factoring receivables uses valuation techniques based on parameters not derived from the market, and therefore it is included in the third valuation category. • impaired: fair values are equal to carrying amounts; • loans and advances to customers: a part of the housing loan portfolio (the "old" housing loan portfolio), loans and advances with no specific repayment schedule, loans due as at the moment of valuation, factoring receivables – fair values are equal to their carrying amounts.
AMOUNTS DUE TO CUSTOMERS	• deposits and other amounts due to customers other than banks, with fixed maturities: the model of expected cash flows discounted using current interest rates appropriate for the individual deposit products. The fair value is calculated for each deposit and liability, and then the fair values for the entire deposit portfolio are grouped by product type and by customer segment. • amounts due to customers: liabilities with no specific repayment schedule, other specific products for which no active market exists – fair values are equal to carrying amounts.
LIABILITIES IN RESPECT OF DEBT SECURITIES IN ISSUE	PKO Bank Hipoteczny S.A. - The model of expected cash flows discounted using the current interbank market rates and market quotations
	PKO Bank Polski S.A. - the model of expected cash flows discounted using the current interbank market rates and market quotations
	PKO Leasing S.A. - The model of expected cash flows discounted using the current market quotations
SUBORDINATED LIABILITIES	The model of expected cash flows discounted based on yield curves

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

31.12.2024	carrying amount	fair value			Total fair value
		Level 1	Level 2	Level 3	
Cash and balances with the Central Bank	23,494	3,927	19,567	-	23,494
Amounts due from banks	5,089	-	5,089	-	5,089
Securities (excluding adjustments relating to fair value hedge accounting)	**110,561**	**74,557**	**29,113**	**3,938**	**107,608**
treasury bonds (in PLN)	73,532	71,021	-	-	71,021
treasury bonds (in foreign currencies)	1,394	1,391	-	-	1,391
corporate bonds (in PLN) secured with the State Treasury guarantees	13,974	2,145	11,461	-	13,606
municipal bonds (in PLN)	10,399	-	10,432	-	10,432
corporate bonds (in PLN)	3,994	-	-	3,938	3,938
corporate bonds (in foreign currencies)	7,268	-	7,220	-	7,220
Reverse repo transactions	892	-	892	-	892
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**263,988**	**-**	**-**	**265,521**	**265,521**
real estate loans	123,194	-	-	121,376	121,376
business loans	78,929	-	-	80,615	80,615
consumer loans	34,874	-	-	36,503	36,503
factoring receivables	6,534	-	-	6,534	6,534
finance lease receivables	20,457	-	-	20,493	20,493
Other financial assets	2,482	-	-	2,482	2,482
Amounts due to Central bank	11	-	11	-	11
Amounts due to banks	2,373	-	2,373	-	2,373
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	419,341	-	-	419,898	419,898
amounts due to households	317,649	-	-	318,176	318,176
amounts due to business entities	80,062	-	-	80,092	80,092
amounts due to public sector	21,630	-	-	21,630	21,630
Loans and advances received	1,268	-	-	1,268	1,268
Liabilities in respect of debt securities in issue	23,457	-	21,340	2,321	23,661
Subordinated liabilities	4,291	-	4,335	-	4,335
Other financial liabilities	4,227	-	-	4,227	4,227

31.12.2023	carrying amount	fair value			Total fair value
		Level 1	Level 2	Level 3	
Cash and balances with the Central Bank	17,813	4,382	13,431	-	17,813
Amounts due from banks	13,353	-	13,353	-	13,353
Securities (excluding adjustments relating to fair value hedge accounting)	**87,227**	**57,150**	**23,804**	**2,285**	**83,239**
treasury bonds (in PLN)	58,836	55,709	-	-	55,709
treasury bonds (in foreign currencies)	1,439	1,441	-	-	1,441
corporate bonds (in PLN) secured with the State Treasury guarantees	13,619	-	12,868	-	12,868
municipal bonds (in PLN)	8,658	-	8,803	-	8,803
corporate bonds (in PLN)	2,413	-	-	2,285	2,285
corporate bonds (in foreign currencies)	2,262	-	2,133	-	2,133
Reverse repo transactions	372	-	372	-	372
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**242,907**	-	-	**245,291**	**245,291**
real estate loans	112,514	-	-	111,723	111,723
business loans	76,434	-	-	78,801	78,801
consumer loans	29,474	-	-	30,285	30,285
factoring receivables	5,386	-	-	5,386	5,386
finance lease receivables	19,099	-	-	19,096	19,096
Other financial assets	1,474	-	-	1,474	1,474
Amounts due to Central bank	10	-	10	-	10
Amounts due to banks	3,126	-	3,126	-	3,126
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	398,339	-	-	398,708	398,708
amounts due to households	306,450	-	-	306,817	306,817
amounts due to business entities	76,372	-	-	76,375	76,375
amounts due to public sector	15,517	-	-	15,516	15,516
Loans and advances received	1,489	-	-	1,489	1,489
Liabilities in respect of debt securities in issue	17,201	10,330	5,237	1,607	17,174
Subordinated liabilities	2,774	-	2,804	-	2,804
Other financial liabilities	5,673	-	-	5,673	5,673

RISK MANAGEMENT WITHIN THE GROUP

47. Risk management within the Group

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

It is aimed at ensuring (in the changing environment) the profitability of business activities while ensuring an appropriate level of control and keeping the risk level within the risk tolerances adopted by the Bank and the Group, in a changing macroeconomic environment. The level of risk is an important part of the planning processes.

The Group identifies risks in its operations and analyses the impact of each type of risk on its business. All the risks are managed; some of them have a material effect on the profitability and capital needed to cover them.

The following risks are considered material for the Group: credit risk, risk of foreign currency mortgage loans for households, currency risk, interest rate risk, liquidity risk (including financing risk), operating risk, business risk, risk of macroeconomic changes and model risk. The materiality of all the identified risks is assessed by the Group on a regular basis, at least annually.

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

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

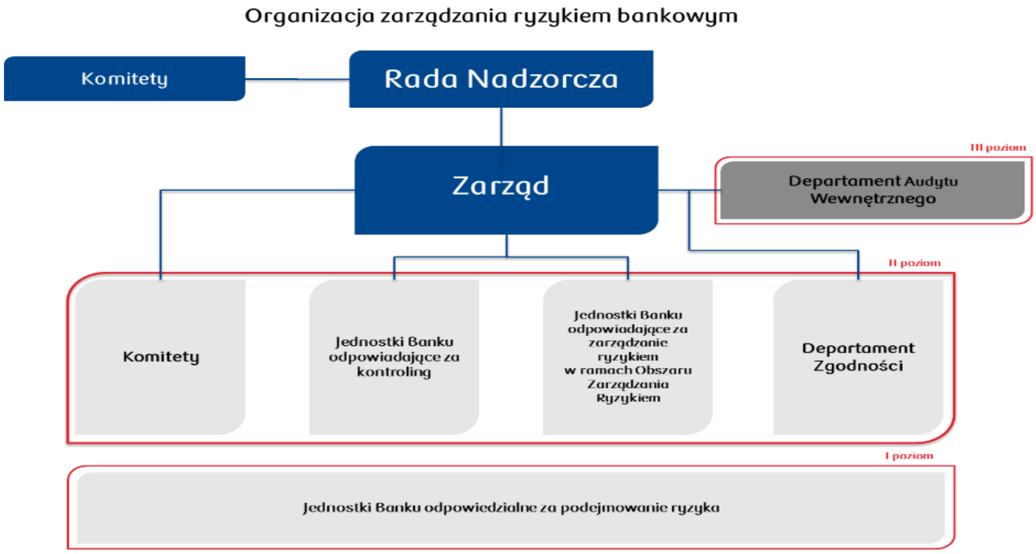
Risk management at the Group is based, in particular, on the following principles:

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

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

- risk identification,
- risk measurement and assessment,
- risk control,
- risk forecasting and monitoring,
- risk reporting,
- management actions: The Bank supervises the functioning of individual entities in the Group.

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



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

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

48. Credit risk management

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

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

The Group entities which have significant credit risk levels (the KREDOBANK SA Group, the PKO Leasing SA Group, PKO Bank Hipoteczny SA and Finansowa Kompania "Prywatne Inwestycje" sp. z o.o.) manage their credit risk individually, but the methods used for credit risk assessment and measurement are adjusted to the methods used by PKO Bank Polski S.A., taking into account the specific nature of activities of these companies.

Any changes to the solutions used by the Group's subsidiaries must be agreed every time with the Bank's units responsible for risk management.

The aforementioned companies measure their credit risk regularly and the results of such measurements are submitted to the Bank.

Within the structures of PKO Bank Hipoteczny SA, the KREDOBANK SA Group and the PKO Leasing SA Group, there are organizational units in the risk management areas which are responsible, in particular, for:

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

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

The process of credit decision-making in PKO Bank Hipoteczny SA, the KREDOBANK SA Group and the PKO Leasing SA Group is supported by credit committees which are involved in the process for credit transactions which generate an increased credit risk level.

The description of performing the estimates of expected credit losses is disclosed in the Note "Net allowances for expected credit losses".

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

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

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

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

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

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

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

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

The Group assesses the risk of individual credit transactions with the use of scoring and rating methods. which are supported by dedicated IT applications. The functioning of these methods is supported by specialist IT applications. The risk assessment method is defined in the Group's internal regulations whose main aim is to ensure a uniform and objective evaluation of credit risk during the lending process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit risk monitoring at the portfolio level consists of:

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

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

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

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

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

In addition, when assessing collateral, the Group takes into account the following factors:

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

When granting loans intended to finance housing and commercial funding properties, a mortgage is an obligatory type of collateral. Until effective protection is established (depending on the type and amount of a loan), the Group may accept temporary collateral in a different form. With regard to consumer loans, usually personal guarantees (a civil law surety/guarantee, a bill of exchange) are used or collateral is established on the customer's bank account, car or securities. The collateral for loans intended for the financing of small- and medium-sized enterprises as well as corporate customers is established, among other things: on receivables from business operations, bank accounts, movables, real estate or securities. The collateral management policy is set out in the internal regulations of the Group's subsidiaries. When concluding lease agreements, the PKO Leasing SA Group, as the owner of the assets leased, treats the assets leased as collateral (see also information in note "COLLATERAL").

49. CREDIT RISK – FINANCIAL INFORMATION

49.1. FINANCIAL ASSETS BY STAGE

- **AMOUNTS DUE FROM BANKS**

As at 31 December 2024 and 31 December 2023 all amounts due from banks were classified as Stage 1.

- **SECURITIES**

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2024	Stage 1	Stage 2	Stage 3	Total
measured at fair value through other comprehensive income				
Gross/net carrying amount – fair value	97,612	407	10	98,029
Measured at amortized cost				
Gross carrying amount	109,417	1,236	-	110,653
Allowances for expected credit losses	(66)	(26)	-	(92)
Net carrying amount	109,351	1,210	-	110,561
Total securities				
Gross carrying amount	207,029	1,643	10	208,682
Allowances for expected credit losses	(66)	(26)	-	(92)
Net carrying amount	206,963	1,617	10	208,590

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2023	Stage 1	Stage 2	Stage 3	Total
measured at fair value through other comprehensive income				
Gross/net carrying amount – fair value	107,649	393	12	108,054
Measured at amortized cost				
Gross carrying amount	86,900	399	-	87,299
Allowances for expected credit losses	(54)	(18)	-	(72)
Net carrying amount	86,846	381	-	87,227
Total securities				
Gross carrying amount	194,549	792	12	195,353
Allowances for expected credit losses	(54)	(18)	-	(72)
Net carrying amount	194,495	774	12	195,281

- **LOANS AND ADVANCES TO CUSTOMERS**

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST (excluding adjustment relating to fair value hedge accounting) 31.12.2024	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount	**223,999**	**38,734**	**9,860**	**580**	**273,173**
real estate loans	113,771	9,782	1,393	75	125,021
business loans	58,832	18,889	4,969	405	83,095
consumer loans	31,793	3,389	1,915	99	37,196
factoring receivables	6,376	84	113	-	6,573
finance lease receivables	13,227	6,590	1,470	1	21,288
Allowances for expected credit losses	**(1,173)**	**(3,398)**	**(4,705)**	**91**	**(9,185)**
real estate loans	(71)	(974)	(795)	13	(1,827)
business loans	(489)	(1,453)	(2,204)	(20)	(4,166)
consumer loans	(505)	(742)	(1,173)	98	(2,322)
factoring receivables	(1)	-	(38)	-	(39)
finance lease receivables	(107)	(229)	(495)	-	(831)
Net carrying amount	**222,826**	**35,336**	**5,155**	**671**	**263,988**
real estate loans	113,700	8,808	598	88	123,194
business loans	58,343	17,436	2,765	385	78,929
consumer loans	31,288	2,647	742	197	34,874
factoring receivables	6,375	84	75	-	6,534
finance lease receivables	13,120	6,361	975	1	20,457

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST (excluding adjustment relating to fair value hedge accounting) 31.12.2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount	**203,571**	**40,590**	**8,629**	**324**	**253,114**
real estate loans	99,844	13,351	1,605	84	114,884
business loans	59,458	17,651	3,512	158	80,779
consumer loans	26,079	3,570	2,379	79	32,107
factoring receivables	5,303	25	88	-	5,416
finance lease receivables	12,887	5,993	1,045	3	19,928
Allowances for expected credit losses	**(1,072)**	**(3,863)**	**(5,322)**	**50**	**(10,207)**
real estate loans	(95)	(1,135)	(1,135)	(5)	(2,370)
business loans	(450)	(1,739)	(2,157)	1	(4,345)
consumer loans	(443)	(752)	(1,493)	55	(2,633)
factoring receivables	(1)	-	(29)	-	(30)
finance lease receivables	(83)	(237)	(508)	(1)	(829)
Net carrying amount	**202,499**	**36,727**	**3,307**	**374**	**242,907**
real estate loans	99,749	12,216	470	79	112,514
business loans	59,008	15,912	1,355	159	76,434
consumer loans	25,636	2,818	886	134	29,474
factoring receivables	5,302	25	59	-	5,386
finance lease receivables	12,804	5,756	537	2	19,099

- OTHER FINANCIAL ASSETS

OTHER FINANCIAL ASSETS 31.12.2024	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	2,480	1	130	2,611
Allowances for expected credit losses	-	-	(129)	(129)
Net carrying amount	2,480	1	1	2 482

OTHER FINANCIAL ASSETS 31.12.2023	Stage 1	Stage 3	Total
Gross carrying amount	1,469	141	1,610
Allowances for expected credit losses	-	(136)	(136)
Net carrying amount	1,469	5	1,474

- ## Financial and guarantee commitments granted

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2024	STAGE 1		STAGE 2		STAGE 3		POCI		Total nominal amount	Total provisions per IFRS 9	Total net amount
	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision			
Credit lines and limits	76,584	(165)	10,206	(328)	312	(60)	4	-	**87,106**	(553)	86,553
real estate	6,670	(18)	142	(10)	4	(2)		-	6,816	(30)	6,786
business	53,839	(123)	8,546	(234)	253	(52)		-	62,638	(409)	62,229
consumer	10,274	(24)	1,498	(84)	16	(6)	4	-	11,792	(114)	11,678
in respect of factoring	5,057		20		39		-	-	5,116	-	5,116
in respect of finance leases	744						-	-	744	-	744
Other	3,940						-	-	3,940	-	3,940
Total financial commitments granted, including:	80,524	(165)	10,206	(328)	312	(60)	4	-	91,046	(553)	90,493
irrevocable commitments granted	28,998	(92)	5,407	(199)	91	(15)	2	-	34,498	(306)	34,192
Guarantees and sureties granted											
Total guarantees and sureties granted, including:	10,254	(10)	1,406	(39)	101	(30)	337	(1)	12,098	(80)	12,018
irrevocable commitments granted	4,003	(8)	1,580	(38)	98	(28)	-	-	5,681	(74)	5,607
performance guarantee	2,900	(4)	740	(28)	28	(13)	120	(1)	3,788	(46)	3,742
Total financial and guarantee commitments granted	90,778	(175)	11,612	(367)	413	(90)	341	(1)	103,144	(633)	102,511

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2023	STAGE 1		STAGE 2		STAGE 3		POCI		Total nominal amount	Total provisions per IFRS 9	Total net amount
	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision			
Credit lines and limits	71,102	(137)	7,773	(476)	161	(28)	2	-	79,038	(641)	78,397
real estate	6,722	(11)	170	(6)	6	(3)	-	-	6,898	(20)	6,878
business	50,189	(101)	6,055	(377)	89	(20)	-	-	56,333	(498)	55,835
consumer	9,220	(25)	1,541	(93)	17	(5)	2	-	10,780	(123)	10,657
in respect of factoring	4,233		7		49		-	-	4,289	-	4,289
in respect of finance leases	738						-	-	738	-	738
Other	3,884						-	-	3,884	-	3,884
Total financial commitments granted, including:	**74,986**	**(137)**	**7,773**	**(476)**	**161**	**(28)**	**2**	**-**	**82,922**	**(641)**	**82,281**
irrevocable commitments granted	26,720	(73)	4,621	(329)	65	(13)			31,406	(415)	30,991
Guarantees and sureties granted											
Total guarantees and sureties granted, including:	**9,655**	**(18)**	**1,796**	**(62)**	**333**	**(28)**	**452**	**(2)**	**12,236**	**(110)**	**12,126**
irrevocable commitments granted	3,275	(7)	1,479	(58)	331	(27)	418	(2)	5,503	(94)	5,409
performance guarantee	2,682	(4)	711	(43)	75	(9)	124	(1)	3,592	(57)	3,535
Total financial and guarantee commitments granted	**84,641**	**(155)**	**9,569**	**(538)**	**494**	**(56)**	**454**	**(2)**	**95,158**	**(751)**	**94,407**

49.2. CHANGE IN THE GROSS CARRYING AMOUNT

- SECURITIES

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

SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – CHANGE IN THE GROSS CARRYING AMOUNT DURING THE PERIOD (excluding adjustment relating to fair value hedge accounting) 2024	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at the beginning of the period	**107,649**	**393**	**12**	**108,054**
Transfer from stage 2 and 3 to stage 1	15	(15)	-	-
Transfer from stage 1 and 3 to stage 2	(64)	64	-	-
Granting or purchase of financial instruments	716,723	5	-	716,728
Non-substantial modifications	4	-	-	4
Derecognition, including sale	(731,830)	(27)	(2)	(731,859)
Other changes	5,164	(62)	-	5,102
Gross carrying amount at the end of the period	**97,612**	**407**	**10**	**98,029**

SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – CHANGE IN THE GROSS CARRYING AMOUNT DURING THE PERIOD (excluding adjustment relating to fair value hedge accounting) 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**64,413**	**422**	**15**	**359**	**65,209**
Transfer from stage 2 and 3 to stage 1	2	(2)	-	-	-
Transfer from stage 1 and 3 to stage 2	(304)	304	-	-	-
Granting or purchase of financial instruments	810,744	1	-	-	810,745
Non-substantial modifications	2	-	-	-	2
Derecognition, including sale	(774,215)	(319)	(3)	(369)	(774,906)
Write-off	-	-	(1)	-	(1)
Other changes	7,007	(13)	1	10	7,005
Gross carrying amount at the end of the period	**107,649**	**393**	**12**	**-**	**108,054**

SECURITIES MEASURED AT AMORTISED COST – CHANGE IN THE GROSS CARRYING AMOUNT DURING THE PERIOD (excluding adjustment relating to fair value hedge accounting) 2024	Stage 1	Stage 2	Total
Gross carrying amount at the beginning of the period	**86,900**	**399**	**87,299**
Transfer from stage 2 and 3 to stage 1	236	(236)	-
Transfer from stage 1 and 3 to stage 2	(872)	872	-
Granting or purchase of financial instruments	38,906	225	39,131
Non-substantial modifications	(1)	-	(1)
Derecognition, including redemption at maturity	(19,254)	(99)	(19,353)
Other changes	3,502	75	3,577
Gross carrying amount at the end of the period	**109,417**	**1,236**	**110,653**

SECURITIES MEASURED AT AMORTISED COST – CHANGE IN THE GROSS CARRYING AMOUNT DURING THE PERIOD (excluding adjustment relating to fair value hedge accounting) 2023	Stage 1	Stage 2	Total
Gross carrying amount at the beginning of the period	**68,290**	**336**	**68,626**
Transfer from stage 2 and 3 to stage 1	70	(70)	-
Transfer from stage 1 and 3 to stage 2	(161)	161	-
Granting or purchase of financial instruments	23,111	-	23,111
Non-substantial modifications	(1)	-	(1)
Derecognition, including redemption at maturity	(6,328)	(43)	(6,371)
Other changes	1,919	15	1,934
Gross carrying amount at the end of the period	**86,900**	**399**	**87,299**

- **LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTIZED COST**

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

LOANS AND ADVANCES TO CUSTOMERS - CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2024 REAL ESTATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**99,844**	**13,351**	**1,605**	**84**	**114,884**
Transfer from stage 2 and 3 to stage 1	4,706	(4,683)	(23)	-	-
Transfer from stage 1 and 3 to stage 2	(4,090)	4,307	(217)	-	-
Transfer from stage 1 and 2 to stage 3	(67)	(251)	318	-	-
Granting or purchase of financial instruments	16,599	427	8	37	17,071
Utilization of limit or disbursement of tranches	8,354	483	201	5	9,043
Repayments	(12,340)	(2,071)	(154)	(26)	(14,591)
Non-substantial modifications	236	2	1	-	239
Derecognition, including sale	(564)	(32)	(18)	(45)	(659)
Write-off	-	-	(199)	(5)	(204)
Other changes	1,093	(1751)	(129)	25	(762)
Gross carrying amount at the end of the period	**113,771**	**9,782**	**1,393**	**75**	**125,021**

LOANS AND ADVANCES TO CUSTOMERS - CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2023 REAL ESTATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**98,542**	**11,003**	**1,795**	**94**	**111,434**
Transfer from stage 2 and 3 to stage 1	3,327	(3,314)	(13)	-	-
Transfer from stage 1 and 3 to stage 2	(7,785)	7,908	(123)	-	-
Transfer from stage 1 and 2 to stage 3	(77)	(316)	393	-	-
Granting or purchase of financial instruments	17,935	93	3	25	18,056
Utilization of limit or disbursement of tranches	1,791	107	183	6	2,087
Repayments	(10,785)	(3,027)	(196)	(22)	(14,030)
Non-substantial modifications	24	(3)	-	-	21
Derecognition, including sale	(1,075)	(56)	(16)	(34)	(1,181)
Write-off	-	-	(302)	(2)	(304)
Other changes	(2,053)	956	(119)	17	(1,199)
Gross carrying amount at the end of the period	**99,844**	**13,351**	**1,605**	**84**	**114,884**

LOANS AND ADVANCES TO CUSTOMERS - CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2024 CORPORATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**59,458**	**17,651**	**3,512**	**158**	**80,779**
Transfer from stage 2 and 3 to stage 1	2,814	(2,790)	(24)	-	-
Transfer from stage 1 and 3 to stage 2	(7,623)	7,999	(376)	-	-
Transfer from stage 1 and 2 to stage 3	(340)	(2,515)	2,855	-	-
Granting or purchase of financial instruments	16,864	2,525	331	353	20,073
Utilization of limit or disbursement of tranches	13,618	3,073	848	10	17,549
Repayments	(26,338)	(3,564)	(1,123)	(60)	(31,085)
Non-substantial modifications	(68)	(126)	(39)	-	(233)
Derecognition, including sale	(2,196)	(494)	(69)	(167)	(2,926)
Write-off	-	-	(743)	(3)	(746)
Other changes	(2,643)	(2,870)	(203)	114	(316)
Gross carrying amount at the end of the period	**58,832**	**18,889**	**4,969**	**405**	**83,095**

LOANS AND ADVANCES TO CUSTOMERS - CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2023 CORPORATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**57,136**	**14,283**	**4,062**	**58**	**75,539**
Transfer from stage 2 and 3 to stage 1	1,506	(1,491)	(15)	-	-
Transfer from stage 1 and 3 to stage 2	(5,856)	6,188	(332)	-	-
Transfer from stage 1 and 2 to stage 3	(340)	(229)	569	-	-
Granting or purchase of financial instruments	18,926	3,184	252	23	22,385
Utilization of limit or disbursement of tranches	20,325	2,960	414	4	23,703
Repayments	(29,292)	(2,663)	(663)	(25)	(32,643)
Non-substantial modifications	1,141	(17)	(32)	1	1,093
Derecognition, including sale	(1,434)	(1,104)	(10)	(152)	(2,700)
Write-off	-	-	(642)	2	(640)
Other changes	(2,654)	(3,460)	(91)	247	(5,958)
Gross carrying amount at the end of the period	**59,458**	**17,651**	**3,512**	**158**	**80,779**

LOANS AND ADVANCES TO CUSTOMERS - CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2024 CONSUMER LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**26,079**	**3,570**	**2,379**	**79**	**32,107**
Transfer from stage 2 and 3 to stage 1	960	(927)	(33)	-	-
Transfer from stage 1 and 3 to stage 2	(1,640)	1,724	(84)	-	-
Transfer from stage 1 and 2 to stage 3	(386)	(419)	805	-	-
Granting or purchase of financial instruments	19,416	491	206	63	20,176
Utilization of limit or disbursement of tranches	1,429	182	330	7	1,948
Repayments	(14,584)	(561)	(292)	(39)	(15,476)
Non-substantial modifications	(10)	(2)	(2)	-	(14)
Derecognition, including sale	130	(35)	(695)	(125)	(725)
Write-off	-	-	(661)	(14)	(675)
Other changes	399	(634)	(38)	128	(145)
Gross carrying amount at the end of the period	**31,793**	**3,389**	**1,915**	**99**	**37,196**

LOANS AND ADVANCES TO CUSTOMERS - CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2023 CONSUMER LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**24,447**	**3,244**	**1,825**	**57**	**29,573**
Transfer from stage 2 and 3 to stage 1	783	(757)	(26)	-	-
Transfer from stage 1 and 3 to stage 2	(1,847)	1,906	(59)	-	-
Transfer from stage 1 and 2 to stage 3	(511)	(484)	995	-	-
Granting or purchase of financial instruments	12,885	478	140	40	13,543
Utilization of limit or disbursement of tranches	1,230	170	316	6	1,722
Repayments	(11,130)	(620)	(273)	(23)	(12,046)
Non-substantial modifications	(8)	(2)	(2)	-	(12)
Derecognition, including sale	144	(41)	(51)	(77)	(25)
Write-off	-	-	(522)	(7)	(529)
Other changes	86	(324)	36	83	(119)
Gross carrying amount at the end of the period	**26,079**	**3,570**	**2,379**	**79**	**32,107**

LOANS AND ADVANCES TO CUSTOMERS - CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2024 FINANCE LEASE RECEIVABLES	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**12,887**	**5,993**	**1,045**	**3**	**19,928**
Transfer from stage 2 and 3 to stage 1	706	(684)	(22)	-	-
Transfer from stage 1 and 3 to stage 2	(3,636)	3,733	(97)	-	-
Transfer from stage 1 and 2 to stage 3	(591)	(524)	1,115	-	-
Granting or purchase of financial instruments	7,178	1,295	129	-	8,602
Utilization of limit or disbursement of tranches	94	5	48	-	147
Repayments	(3,186)	(2,130)	(377)	(2)	(5,695)
Non-substantial modifications	(222)	(1,046)	(236)	-	(1,504)
Derecognition, including sale	(9)	(57)	(8)	-	(74)
Write-off	-	-	(127)	-	(127)
Other changes	6	5	-	-	11
Gross carrying amount at the end of the period	**13,227**	**6,590**	**1,470**	**1**	**21,288**

LOANS AND ADVANCES TO CUSTOMERS - CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2023 FINANCE LEASE RECEIVABLES	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at the beginning of the period	**12,554**	**5,398**	**1,006**	**3**	**18,961**
Transfer from stage 2 and 3 to stage 1	575	(553)	(22)	-	-
Transfer from stage 1 and 3 to stage 2	(3,081)	3,198	(117)	-	-
Transfer from stage 1 and 2 to stage 3	(184)	(420)	604	-	-
Granting or purchase of financial instruments	6,795	1,085	82	-	7,962
Utilization of limit or disbursement of tranches	91	6	33	-	130
Repayments	(3,613)	(1,780)	(334)	(1)	(5,728)
Non-substantial modifications	(241)	(883)	(161)	-	(1,285)
Derecognition, including sale	(11)	(54)	(6)	-	(71)
Write-off	-	-	(34)	-	(34)
Other changes	2	(4)	(6)	1	(7)
Gross carrying amount at the end of the period	**12,887**	**5,993**	**1,045**	**3**	**19,928**

LOANS AND ADVANCES TO CUSTOMERS - CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2024 FACTORING RECEIVABLES	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at the beginning of the period	**5,303**	**25**	**88**	**5,416**
Transfer from stage 2 and 3 to stage 1	4	(3)	(1)	-
Transfer from stage 1 and 3 to stage 2	(84)	84	-	-
Transfer from stage 1 and 2 to stage 3	(44)	(1)	45	-
Granting or purchase of financial instruments	901	-	-	901
Utilization of limit or disbursement of tranches	831	53	14	898
Repayments	(537)	(74)	(33)	(644)
Other changes	2	-	-	2
Gross carrying amount at the end of the period	**6,376**	**84**	**113**	**6,573**

LOANS AND ADVANCES TO CUSTOMERS - CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2023 FACTORING RECEIVABLES	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at the beginning of the period	**3,562**	**19**	**38**	**3,619**
Transfer from stage 2 and 3 to stage 1	7	(4)	(3)	-
Transfer from stage 1 and 3 to stage 2	(18)	18	-	-
Transfer from stage 1 and 2 to stage 3	(49)	(10)	59	-
Granting or purchase of financial instruments	2,089	7	-	2,096
Utilization of limit or disbursement of tranches	(49)	(2)	(1)	(52)
Repayments	(161)	(1)	-	(162)
Other changes	(78)	(2)	5	(85)
Gross carrying amount at the end of the period	5,303	25	88	5,416

- **OTHER FINANCIAL ASSETS:**

OTHER FINANCIAL ASSETS – CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2024	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at the beginning of the period	**1,469**	**-**	**141**	**1,610**
Granting or purchase of financial assets	2,318	-	62	2,380
Utilization of limit or disbursement of tranches	14	-	-	14
Repayments	(1,334)	-	(63)	(1,397)
Write-off	-	-	(9)	(9)
Other changes[1]	13	1	(1)	13
Gross carrying amount at the end of the period	2,480	1	130	2,611

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

OTHER FINANCIAL ASSETS – CHANGE IN GROSS CARRYING AMOUNT DURING THE PERIOD 2023	Stage 1	Stage 3	Total
Gross carrying amount at the beginning of the period	**1,850**	**146**	**1,996**
Transfer from stage 1 and 2 to stage 3	(3)	3	-
Granting or purchase of financial assets	1,368	60	1,428
Utilization of limit or disbursement of tranches	1	-	1
Repayments	(1,674)	(50)	(1,724)
Write-off	-	(16)	(16)
Other changes[1]	(73)	2	(75)
Gross carrying amount at the end of the period	1,469	141	1,610

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

49.3. CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES

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

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

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

- **SECURITIES**

SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES IN THE PERIOD 2024	Stage 1	Stage 2	Total
As at the beginning of the period	-	-	-
Transfer from stage 1 and 3 to stage 2	1	(1)	-
Change in credit risk – transfers	(1)	1	-
Increase due to recognition and purchase	(85)	-	(85)
Changes in credit risk (net)[1]	54	7	61
Decrease due to derecognition	4	-	4
Other adjustments	27	(7)	20
As at the end of the period	-	-	-

SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES IN THE PERIOD 2023	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	-	-	**2**	**2**
Transfer from stage 1 and 3 to stage 2	5	(5)	-	-
Change in credit risk – transfers	(5)	5	-	-
Increase due to recognition and purchase	(53)	-	-	(53)
Changes in credit risk (net)[1]	(3)	3	(1)	(1)
Decrease due to derecognition	-	5	-	5
Write-off	-	-	1	1
Other adjustments	56	(8)	(2)	46
As at the end of the period	-	-	-	-

SECURITIES MEASURED AT AMORTISED COST – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2024	Stage 1	Stage 2	Total
As at the beginning of the period	**(54)**	**(18)**	**(72)**
Transfer from stage 2 and 3 to stage 1	(1)	1	-
Transfer from stage 1 and 3 to stage 2	16	(16)	-
Change in credit risk – transfers	(15)	15	-
Increase due to recognition and purchase	(21)	(3)	(24)
Changes in credit risk (net)[1]	8	(5)	3
Other adjustments	1	-	1
As at the end of the period	(66)	(26)	(92)

SECURITIES MEASURED AT AMORTISED COST – CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2023	Stage 1	Stage 2	Total
As at the beginning of the period	(45)	(25)	(70)
Transfer from stage 1 and 3 to stage 2	3	(3)	-
Change in credit risk – transfers	(3)	3	-
Increase due to recognition and purchase	(17)	-	(17)
Changes in credit risk (net)[1]	7	6	13
Other adjustments	1	1	2
As at the end of the period	(54)	(18)	(72)

- **LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTIZED COST**

LOANS AND ADVANCES TO CUSTOMERS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2024 REAL ESTATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	(95)	(1,135)	(1,135)	(5)	(2,370)
Transfer from stage 2 and 3 to stage 1	(8)	8	-	-	-
Transfer from stage 1 and 3 to stage 2	281	(307)	26	-	-
Transfer from stage 1 and 2 to stage 3	23	114	(137)	-	-
Change in credit risk – transfers	(296)	185	111	-	-
Increase due to recognition and purchase	(41)	(4)	-	(29)	(74)
Changes in credit risk (net)[1]	(25)	(67)	126	4	38
Decrease due to derecognition	45	7	7	25	84
Changes due to modification without derecognition (net)	1	(2)	1	-	-
Write-off	-	-	199	5	204
Other adjustments	44	227	7	13	291
As at the end of the period	(71)	(974)	(795)	13	(1,827)

LOANS AND ADVANCES TO CUSTOMERS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2023 REAL ESTATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	(117)	(864)	(1,301)	(14)	(2,296)
Transfer from stage 2 and 3 to stage 1	(11)	11	-	-	-
Transfer from stage 1 and 3 to stage 2	439	(458)	19	-	-
Transfer from stage 1 and 2 to stage 3	29	143	(172)	-	-
Change in credit risk – transfers	(457)	304	153	-	-
Increase due to recognition and purchase	(17)	(6)	(2)	(24)	(49)
Changes in credit risk (net)[1]	(33)	(256)	118	(3)	(174)
Decrease due to derecognition	19	10	8	20	57
Changes due to modification without derecognition (net)	-	(3)	1	-	(2)
Write-off	-	-	302	2	304
Other adjustments	53	(16)	(261)	14	(210)
As at the end of the period	(95)	(1,135)	(1,135)	(5)	(2,370)

LOANS AND ADVANCES TO CUSTOMERS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2024 CORPORATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**(450)**	**(1,739)**	**(2,157)**	**1**	**(4,345)**
Transfer from stage 2 and 3 to stage 1	(38)	36	2	-	-
Transfer from stage 1 and 3 to stage 2	280	(290)	10	-	-
Transfer from stage 1 and 2 to stage 3	119	730	(849)	-	-
Change in credit risk – transfers	(361)	(476)	837	-	-
Increase due to recognition and purchase	(233)	(149)	(99)	(218)	(699)
Changes in credit risk (net)[1]	214	372	(558)	(29)	(1)
Decrease due to derecognition	34	77	22	44	177
Changes due to modification without derecognition (net)	(3)	2	59	-	58
Write-off	-	-	742	3	745
Other adjustments	(51)	(16)	(213)	179	(101)
As at the end of the period	(489)	(1,453)	(2,204)	(20)	(4,166)

LOANS AND ADVANCES TO CUSTOMERS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2023 CORPORATE LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**(397)**	**(1,590)**	**(2,443)**	**(4)**	**(4 434)**
Transfer from stage 2 and 3 to stage 1	(28)	27	1	-	-
Transfer from stage 1 and 3 to stage 2	490	(518)	28	-	-
Transfer from stage 1 and 2 to stage 3	68	86	(154)	-	-
Change in credit risk – transfers	(530)	405	125	-	-
Increase due to recognition and purchase	(242)	(229)	(74)	(140)	(685)
Changes in credit risk (net)[1]	165	(115)	57	(5)	102
Decrease due to derecognition	35	144	10	42	231
Changes due to modification without derecognition (net)	(9)	(12)	2	-	(19)
Update of the applied estimation method (net)	-	-	3	-	3
Write-off	-	-	649	(2)	647
Other adjustments	(2)	63	(361)	110	(190)
As at the end of the period	(450)	(1,739)	(2,157)	1	(4,345)

LOANS AND ADVANCES TO CUSTOMERS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2024 CONSUMER LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**(443)**	**(752)**	**(1,493)**	**55**	**(2,633)**
Transfer from stage 2 and 3 to stage 1	(16)	16	-	-	-
Transfer from stage 1 and 3 to stage 2	343	(355)	12	-	-
Transfer from stage 1 and 2 to stage 3	214	210	(424)	-	-
Change in credit risk – transfers	(541)	129	412	-	-
Increase due to recognition and purchase	(260)	(18)	(98)	(93)	(469)
Changes in credit risk (net)[1]	195	20	(354)	4	(135)
Decrease due to derecognition	1	12	5	61	79
Changes due to modification without derecognition (net)	2	-	(1)	21	22
Write-off	-	-	661	14	675
Other adjustments	-	(4)	107	36	139
As at the end of the period	**(505)**	**(742)**	**(1,173)**	**98**	**(2,322)**

LOANS AND ADVANCES TO CUSTOMERS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2023 CONSUMER LOANS	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**(356)**	**(659)**	**(1,210)**	**34**	**(2,191)**
Transfer from stage 2 and 3 to stage 1	(14)	14	-	-	-
Transfer from stage 1 and 3 to stage 2	377	(390)	13	-	-
Transfer from stage 1 and 2 to stage 3	290	252	(542)	-	-
Change in credit risk – transfers	(653)	124	529	-	-
Increase due to recognition and purchase	(188)	(14)	(58)	(58)	(318)
Changes in credit risk (net)[1]	90	(105)	(419)	(4)	(438)
Decrease due to derecognition	2	12	7	39	60
Changes due to modification without derecognition (net)	(1)	(5)	-	-	(6)
Update of the applied estimation method (net)	-	-	8	5	13
Write-off	6	1	522	7	536
Other adjustments	4	18	(343)	32	(289)
As at the end of the period	**(443)**	**(752)**	**(1,493)**	**55**	**(2,633)**

LOANS AND ADVANCES TO CUSTOMERS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2024 FINANCE LEASE RECEIVABLES	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**(83)**	**(237)**	**(508)**	**(1)**	**(829)**
Transfer from stage 2 and 3 to stage 1	(30)	24	6	-	-
Transfer from stage 1 and 3 to stage 2	25	(51)	26	-	-
Transfer from stage 1 and 2 to stage 3	6	64	(70)	-	-
Change in credit risk – transfers	(1)	(37)	38	-	-
Increase due to recognition and purchase	(71)	(81)	(77)	-	(229)
Changes in credit risk (net)[1]	26	(29)	(122)	-	(125)
Decrease due to derecognition	20	81	132	1	234
Write-off	-	-	122	-	122
Other adjustments	1	37	(42)	-	(4)
As at the end of the period	(107)	(229)	(495)	-	(831)

LOANS AND ADVANCES TO CUSTOMERS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2023 FINANCE LEASE RECEIVABLES	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**(82)**	**(210)**	**(505)**	**(1)**	**(798)**
Transfer from stage 2 and 3 to stage 1	(26)	19	7	-	-
Transfer from stage 1 and 3 to stage 2	22	(56)	34	-	-
Transfer from stage 1 and 2 to stage 3	2	48	(50)	-	-
Change in credit risk – transfers	2	(11)	9	-	-
Increase due to recognition and purchase	(50)	(93)	(65)	-	(208)
Changes in credit risk (net)[1]	23	(26)	(80)	-	(83)
Decrease due to derecognition	27	80	128	-	235
Changes due to modification without derecognition (net)	1	-	-	-	1
Write-off			33		33
Other adjustments	(2)	12	(19)	-	(9)
As at the end of the period	(83)	(237)	(508)	(1)	(829)

LOANS AND ADVANCES TO CUSTOMERS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2024 FACTORING RECEIVABLES	Stage 1	Stage 3	Total
As at the beginning of the period	**(1)**	**(29)**	**(30)**
Transfer from stage 1 and 2 to stage 3	6	(6)	-
Change in credit risk – transfers	(6)	6	-
Increase due to recognition and purchase	(1)	-	(1)
Changes in credit risk (net)[1]	(4)	(3)	(7)
Other adjustments	5	(6)	(1)
As at the end of the period	(1)	(38)	(39)

LOANS AND ADVANCES TO CUSTOMERS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES DURING THE PERIOD 2023 FACTORING RECEIVABLES	Stage 1	Stage 3	Total
As at the beginning of the period	**(6)**	**(22)**	**(28)**
Transfer from stage 1 and 2 to stage 3	9	(9)	-
Change in credit risk – transfers	(9)	9	-
Increase due to recognition and purchase	(1)	-	(1)
Changes in credit risk (net)[1]	(5)	2	(3)
Decrease due to derecognition	-	1	1
Other adjustments	11	(10)	1
As at the end of the period	(1)	(29)	(30)

- ### OTHER FINANCIAL ASSETS:

OTHER FINANCIAL ASSETS - CHANGES IN ALLOWANCES FOR EXPECTED CREDIT LOSSES IN THE PERIOD – Stage 3	2024	2023
As at the beginning of the period	**(136)**	**(146)**
Increase due to recognition and purchase	-	(1)
Changes in credit risk (net)[1]	2	(7)
Write-off	9	16
Other adjustments[2]	(4)	2
As at the end of the period	(129)	(136)

49.4. OTHER DISCLOSURES

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

FINANCIAL ASSETS SUBJECT TO MODIFICATION	2024		2023	
Financial assets subject to modification during the period:	**Stage 2**	**Stage 3**	**Stage 2**	**Stage 3**
valuation amount at amortized cost before modification	778	507	476	144
gain (loss) on modification	10	(1)	2	-
Financial assets subject to modification since initial recognition:	31.12.2024		31.12.2023	
gross carrying amount of financial assets subject to modification for which expected losses were calculated over the lifetime and which are classified as Stage 1 after modification		267		1,341

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

RECEIVABLES WRITTEN OFF	2024		2023	
	Partly written off	Entirely written off	Partly written off	Entirely written off
Loans and advances to customers	147	1,645	141	719
real estate loans	21	128	16	168
business loans	41	850	20	441
consumer loans	85	545	105	77
finance lease receivables	-	122	-	33
Other financial assets	-	1	-	-
Total	147	1,646	141	719

The Group adopted the following criteria for writing off receivables:

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

PAST DUE FINANCIAL ASSETS SUBJECT TO IMPAIRMENT OR IMPAIRED

PAST DUE FINANCIAL ASSETS SUBJECT TO IMPAIRMENT OR IMPAIRED (net) – loans and advances to customers	up to 30 days	30 to 90 days	over 90 days	TOTAL
31.12.2024				
Stage 1	3,714	174	-	3,888
Stage 2	2,551	421	140	3,112
Stage 3	438	562	1,536	2,536
Total	6,703	1,157	1,676	9,536

PAST DUE FINANCIAL ASSETS SUBJECT TO IMPAIRMENT OR IMPAIRED (net) – loans and advances to customers	up to 30 days	30 to 90 days	over 90 days	TOTAL
31.12.2023				
Stage 1	3,788	90	-	3,878
Stage 2	3,017	544	138	3,699
Stage 3	526	377	1,457	2,360
Total	7,331	1,011	1,595	9,937

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

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

CREDIT RISK EXPOSURES BY PD PARAMETER 31.12.2024 Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
REAL ESTATE LOANS	**113,771**	**9,782**	**1,393**	**75**	**125,021**
0.00 - 0.02%	13,012	129	-	-	13,141
0.02 - 0.07%	62,394	549	-	3	62,946
0.07 - 0.11%	14,777	223	-	2	15,002
0.11 - 0.18%	9,461	521	-	1	9,983
0.18 - 0.45%	6,976	2,267	-	3	9,246
0.45 - 1.78%	2,379	3,270	-	7	5,656
1.78 - 99.99%	231	2,797	-	8	3,036
100%	-	-	1,393	51	1,444
no internal rating	4,541	26	-	-	4,567
CORPORATE LOANS, FACTORING RECEIVABLES, FINANCE LEASE RECEIVABLES	**78,435**	**25,563**	**6,552**	**406**	**110,956**
0.00 - 0.45%	10,402	345	-	-	10,747
0.45 - 0.90%	6,888	342	-	-	7,230
0.90 - 1.78%	16,313	2,707	22	-	19,042
1.78 - 3.55%	27,073	6,407	-	1	33,481
3.55 - 7.07%	10,922	6,860	-	5	17,787
7.07 - 14.07%	5,881	6,441	-	4	12,326
14.07 - 99.99%	374	2,436	-	4	2,814
100%	-	-	6,530	391	6,921
no internal rating	582	25	-	1	608
CONSUMER LOANS	**31,793**	**3,389**	**1,915**	**99**	**37,196**
0.00 - 0.45%	10,685	134	-	1	10,820
0.45 - 0.90%	5,655	140	-	1	5,796
0.90 - 1.78%	5,434	313	-	3	5,750
1.78 - 3.55%	4,184	528	-	2	4,714
3.55 - 7.07%	2,341	581	-	2	2,924
7.07 - 14.07%	914	508	-	3	1,425
14.07 - 99.99%	220	1,126	-	4	1,350
100%	-	-	1,915	80	1,995
no internal rating	2,360	59	-	3	2,422
Total	223,999	38,734	9,860	580	273,173

CREDIT RISK EXPOSURES BY PD PARAMETER 31.12.2023 Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
REAL ESTATE LOANS	**99,844**	**13,351**	**1,605**	**84**	**114,884**
0.00 - 0.02%	1,107	28	-	-	1,135
0.02 - 0.07%	31,957	223	-	1	32,181
0.07 - 0.11%	19,341	260	-	1	19,602
0.11 - 0.18%	17,912	250	-	2	18,164
0.18 - 0.45%	16,113	3,057	-	2	19,172
0.45 - 1.78%	6,251	5,669	-	8	11,928
1.78 - 99.99%	654	3,831	-	10	4,495
100%	-	-	1,605	61	1,666
no internal rating	6,509	33	-	-	6,542
CORPORATE LOANS, FACTORING RECEIVABLES, FINANCE LEASE RECEIVABLES	**77,648**	**23,669**	**4,645**	**161**	**106,123**
0.00 - 0.45%	13,435	118	-	1	13,553
0.45 - 0.90%	10,682	330	-	-	11,012
0.90 - 1.78%	12,263	1,233	-	-	13,496
1.78 - 3.55%	23,021	6,115	-	1	29,137
3.55 - 7.07%	13,172	8,507	-	-	21,679
7.07 - 14.07%	4,637	4,526	-	-	9,163
14.07 - 99.99%	199	2,812	-	3	3,014
100%	-	-	4,645	156	4,801
no internal rating	239	28	-	-	267
CONSUMER LOANS	**26,079**	**3,570**	**2,379**	**79**	**32,107**
0.00 - 0.45%	4,870	43	-	-	4,913
0.45 - 0.90%	6,845	148	-	-	6,993
0.90 - 1.78%	6,391	392	-	-	6,783
1.78 - 3.55%	3,908	603	-	1	4,512
3.55 - 7.07%	1,806	554	-	1	2,361
7.07 - 14.07%	749	521	-	1	1,271
14.07 - 99.99%	175	1,256	-	2	1,433
100%	-	-	2,379	73	2,452
no internal rating	1,336	53	-	1	1,389
Total	**203,571**	**40,590**	**8,629**	**324**	**253,114**

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

CREDIT RISK EXPOSURES BY PD PARAMETER 31.12.2024 Notional amount	Stage 1	Stage 2	Stage 3	POCI	Total
0.00 - 0.45%	32,713	206	-	1	32,920
0.45 - 0.90%	13,721	587	-	1	14,309
0.90 - 1.78%	14,497	2,019	30	-	16,546
1.78 - 3.55%	14,379	2,498	-	-	16,877
3.55 - 7.07%	5,148	2,728	-	-	7,876
7.07 - 14.07%	2,028	2,170	-	338	4,536
14.07 - 99.99%	51	172	-	-	223
100%	-	-	383	1	384
no internal rating	8,241	1,232	-	-	9,473
Total	90,778	11,612	413	341	103,144

CREDIT RISK EXPOSURES BY PD PARAMETER 31.12.2023 Notional amount	Stage 1	Stage 2	Stage 3	POCI	Total
0.00 - 0.45%	**23,916**	**107**	-	-	**24,023**
0.45 - 0.90%	11,919	272	-	-	12,191
0.90 - 1.78%	11,504	825	-	-	12,329
1.78 - 3.55%	12,319	1,712	-	-	14,031
3.55 - 7.07%	7,772	2,928	-	-	10,700
7.07 - 14.07%	3,300	2,415	-	-	5,715
14.07 - 99.99%	47	209	-	-	256
100%	-	-	494	454	948
no internal rating	13,864	1,101	-	-	14,965
Total	84,641	9,569	494	454	95,158

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

The note has been prepared on the assumption that, in the absence of external ratings, a translation of internal to external ratings has been made, using the Group's in-house scale.

CREDIT RISK EXPOSURES BY PD PARAMETER – Stage 1 Gross carrying amount	31.12.2024	31.12.2023
AMOUNTS DUE FROM BANKS		
EXTERNAL RATINGS		
AAA	-	1,288
AA	1,188	4,252
A	2,271	5,236
BBB	136	1,041
BB	1	18
B	1	1
CCC	3	7
CC	1,491	1,519
Total	5,091	13,362

- **Quality of the portfolio covered by the rating model for debt securities**

CREDIT RISK EXPOSURES BY PD PARAMETER 31.12.2024 Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
DEBT SECURITIES					
EXTERNAL RATINGS					
AAA	11,658	-	-	11,658	11,658
AA	9,108	-	-	9,108	9,108
A	163,985	-	-	163,985	163,985
BBB	1,994	-	-	1,994	1,994
BB	560	485	-	1,045	560
no internal rating	**4,696**	**85**	-	**4,781**	**4,696**
INTERNAL RATINGS					
0.00-0.45%	6,873	-	-	6,873	6,873
0.45-0.90%	6,200	791	-	6,991	6,200
0.90-1.78%	89	82	-	171	89
1.78-3.55%	1,844	66	-	1,910	1,844
3.55-7.07%	3	-	-	3	3
7.07-14.07%	19	1	-	20	19
100.00%	-	-	10	10	-
no internal rating	-	**133**	-	**133**	-
Total	207,029	1,643	10	208,682	207,029

CREDIT RISK EXPOSURES BY PD PARAMETER 31.12.2023 Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES				
EXTERNAL RATINGS				
AAA	8,037	-	-	8,037
AA	2,791	-	-	2,791
A	147,728	-	-	147,728
BBB	260	-	-	260
BB	1,483	-	-	1,483
INTERNAL RATINGS				
0.00-0.45%	13,230	-	-	13,230
0.45-0.90%	4,090	166	-	4,256
0.90-1.78%	308	267	-	575
1.78-3.55%	620	-	-	620
3.55-7.07%	167	-	-	167
7.07-14.07%	-	161	-	161
100.00%	-	-	12	12
no internal rating	**15,835**	**198**	-	**16,033**
Total	194,549	792	12	195,353

50. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

OFFSETTING ASSETS - Hedging and other derivative instruments	31.12.2024	31.12.2023
Recognized financial assets, gross	6,180	9,580
Financial liabilities subject to offsetting, gross	(4,061)	(5,042)
Financial assets recognized in the statement of financial position, net	2,119	4,538
Amounts subject to enforceable framework agreement or similar agreement concerning offsetting, including related to:	881	911
(i) recognized financial instruments which do not meet the offsetting criteria	447	467
(ii) financial collateral (including cash)	434	444
Net amount	1,238	3,627

OFFSETTING LIABILITIES - Hedging and other derivative instruments	31.12.2024	31.12.2023
Recognized financial liabilities, gross	7,019	12,283
Financial liabilities subject to offsetting, gross	(4,338)	(5,855)
Financial liabilities recognized in the statement of financial position, net	2,681	6,428
Amounts subject to enforceable framework agreement or similar agreement concerning offsetting, including related to:	743	2,978
(i) recognized financial instruments which do not meet the offsetting criteria	447	912
(ii) financial collateral (including cash)	296	2,066
Net amount	1,938	4,110

51. Managing credit concentration risk in the Group

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

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

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

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

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

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

- identifies and updates the structure of the group of related customers;
- aggregates the exposures towards a customer or a group of related customers;

- applies exemptions from regulatory limits on large exposures and takes into account recognised credit risk mitigation techniques, to the extent consistent with the CRR.

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

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

The Group uses the following to measure concentration risk:

- the exposure concentration ratio of the Group towards a customer or a group of related customers in relation to the Group's Tier 1 capital;
- Gini coefficient;
- graphs of portfolio concentration (Lorenz curve).

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

The Group monitors concentration risk:

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

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

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

Concentration risk is tested as part of comprehensive stress tests which enable evaluating the forecast effect of correlated credit, interest rate, currency, operating and liquidity risks and concentration risk on the expected credit losses of the Group.

CONCENTRATION BY THE LARGEST ENTITIES (CUSTOMERS)

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

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

As at 31 December 2024, the largest exposure to a single entity accounted amounted to 32.12% [1] of the consolidated Tier 1 capital (41.28% [1] of the consolidated Tier 1 capital as at 31 December 2023).

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

31.12.2024				31.12.2023			
No.	The Group's exposure	Share of the portfolio	Concentration ratio[1]	No.	The Group's exposure	Share of the portfolio	Concentration ratio[1]
1[2]	14,215	3.27%	32.12%	1[2]	17,224	4.29%	41.28%
2[2]	5,675	1.31%	12.82%	2	3,457	0.86%	8.29%
3[2]	3,151	0.73%	7.12%	3[2]	3,360	0.84%	8.05%
4[2]	2,755	0.63%	6.22%	4	3,151	0.78%	7.55%
5	2,497	0.58%	5.64%	5	2,755	0.69%	6.22%
Total	28,293	6.52%	63.92%	Total	29,786	7.46%	71.39%

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

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

The largest concentration of the Group's exposures to a group of related customers was 3.57% of the Group's financial instrument portfolio (as at 31 December 2023, it was 4.68%).

As at 31 December 2024 and 31 December 2023, the largest concentration of the Group's exposures was, respectively: 34.99%[2] of the consolidated Tier 1 capital and 44.94%[2] of the consolidated Tier 1 capital.

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

31.12.2024				31.12.2023			
No.	The Group's exposure	Share of the portfolio	Concentration ratio[1]	No.	The Group's exposure	Share of the portfolio	Concentration ratio[1]
1[2]	15,485	3.57%	34.99%	1[2]	18,751	4.68%	44.94%
2[2]	5,698	1.31%	12.87%	2	4,331	1.08%	10.38%
3	4,285	0.99%	9.68%	3[2]	4,034	1.00%	9.67%
4	3,472	0.80%	7.84%	4	3,464	0.86%	8.30%
5	3,455	0.80%	7.81%	5	3,423	0.85%	8.20%
Total	32,395	7.47%	73.19%	Total	34,003	8.47%	81.49%

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

- **Concentration by industry**

SECTION SYMBOL	SECTION NAME	31.12.2024		31.12.2023	
		EXPOSURE	NUMBER OF ENTITIES	EXPOSURE	NUMBER OF ENTITIES
K	Financial and insurance activities	22.91	1.70	22.75	1.74
C	Industrial processing	15.16	10.11	15.63	10.28
L	Real estate administration	7.12	9.73	8.47	10.44
G	Wholesale and retail trade, repair of motor vehicles	9.29	19.81	10.53	20.23
O	Public administration and national defense, compulsory social security	16.25	1.49	12.92	1.61
Other exposures		29.27	57.16	29.70	55.70
Total		**100.00**	**100.00**	**100.00**	**100.00**

- **Concentration by geographical regions**

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

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

CONCENTRATION OF CREDIT RISK BY GEOGRAPHICAL REGION FOR RETAIL CUSTOMERS	31.12.2024	31.12.2023
Warsaw region	16.77	16.37
Katowice region	10.90	11.04
Poznań region	10.30	10.26
Kraków region	8.62	8.42
Łódź region	8.57	8.59
Wrocław region	10.81	10.97
Gdańsk region	10.20	10.31
Lublin region	7.34	7.11
Białystok region	6.51	6.39
Szczecin region	8.07	8.16
Head Office	0.60	0.67
Other	0.51	0.57
Foreign countries	0.80	1.14
Total	**100.00**	**100.00**

CONCENTRATION OF CREDIT RISK BY GEOGRAPHICAL REGION FOR INSTITUTIONAL CUSTOMERS	31.12.2024	31.12.2023
Head Office	3.70	3.44
central macroregion	45.02	45.17
northern macroregion	8.02	7.87
western macroregion	10.89	11.02
southern macroregion	10.08	9.58
south-eastern macroregion	9.92	9.42
north-eastern macroregion	3.91	4.78
south-western macroregion	6.38	6.53
other	-	
Foreign countries	2.08	2.19
Total	**100.00**	**100.00**

- **CONCENTRATION OF CREDIT RISK BY CURRENCY**

CONCENTRATION OF CREDIT RISK BY CURRENCY	31.12.2024	31.12.2023
PLN	86.66	85.24
Foreign currencies, of which:	13.34	14.76
CHF	0.72	1.70
EUR	11.37	11.76
USD	0.83	0.83
UAH	0.34	0.03
GBP	0.02	0.42
Other	0.06	0.03
Total	100.00	100.00

- **OTHER TYPES OF CONCENTRATION**

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

THE GROUP'S HOUSING LOAN PORTFOLIO STRUCTURE BY LTV	31.12.2024	31.12.2023
0% - 40%	49.32	48.03
41%-60%	24.52	31.77
61% - 80%	17.74	14.05
81% - 90%	6.52	3.03
91% - 100%	1.71	2.65
over 100%	0.19	0.47
Total	100.00	100.00

	31.12.2024	31.12.2023
average LTV for the portfolio of housing loans in CHF	40.94	43.73
average LTV for the entire housing loans portfolio	46.84	43.80

52. COLLATERAL

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

The Group takes into account the collateral held for credit exposures when estimating the expected credit loss for individually significant exposures. With respect to individually significant exposures that meet the conditions for impairment, future collateral recoveries are estimated individually and taken into account in determining the expected loss, with a weight corresponding to the assessment of the probability of implementation of the debt recovery scenario. The value of collateral recoveries estimated under the recovery scenario for impaired exposures at the balance sheet date was PLN 1422 million (as at 31 December 2023: PLN 917 million). Loans and advances to customers were secured by the following collateral established for the Group: mortgages, registered pledges, transfer of ownership, restrictions on a deposit account, insurance of the credit exposure, as well as guarantees and sureties.

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

See also information in note "CREDIT RISK MANAGEMENT"

53. Exposure to the counterparty credit risk

CONCENTRATION OF CREDIT RISK – INTERBANK MARKET AND NON-WHOLESALE MARKET – EXPOSURE									
			Interbank market – wholesale			Non-wholesale market			
Counterparty	Country	Rating	Deposits (nominal value)	Derivatives (market value, excluding collateral if positive)	Securities (nominal value)	Nominal balance sheet exposure	Nominal off-balance sheet exposure	Cash on NOSTRO accounts	Total
31.12.2024									
Counterparty 1	Luxembourg	AAA	-	-	11,799	-	-	-	11,799
Counterparty 2	Poland	A	55	18	9,693	-	-	-	9,766
Counterparty 3	Belgium	A	427	(9)	-	-	-	218	645
Counterparty 4	Switzerland	AA	598	-	-	-	-	-	598
Counterparty 5	Switzerland	AA	299	-	-	-	-	-	299
Counterparty 6	Germany	AA	-	128	-	-	32	4	164
Counterparty 7	France	A	-	161	-	-	-	-	161
Counterparty 8	Poland	A	-	6	-	150	-	-	156
Counterparty 9	Germany	A	60	81	-	-	-	4	145
Counterparty 10	United States of America	AA	-	-	-	-	15	93	108
31.12.2023									
Counterparty 2	Poland	A	63	-	9,177	-	-	-	9,240
Counterparty 1	Luxembourg	AAA	-	-	8,038	-	-	-	8,038
Counterparty 99	Switzerland	AAA	1,287	17	-	-	-	-	1,304
counterparty 100	France	A	783	-	-	-	-	-	783
Counterparty 64	Norway	AA	674	-	-	-	-	1	675
counterparty 101	Switzerland	AA	642	-	-	-	-	-	642
Counterparty 75	Austria	BBB	531	-	-	-	-	-	531
Counterparty 3	Belgium	A	304	(8)	-	-	-	199	503
counterparty 102	The Netherlands	A	500	-	-	-	-	-	500
Counterparty 55	Switzerland	AA	492	-	-	-	-	3	495

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

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

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

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

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

54. Forbearance practices

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

Forbearance changes in repayment terms may consist of:

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

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

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

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

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

- at least 24 months have passed from the date of including the exposure into the portfolio of performing exposures (conditional period);
- as at the end of the conditional period referred to above, the customer has no debt towards the Group overdue for more than 30 days;

- at least 12 instalments have been repaid on a timely basis and in the amounts agreed.

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

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

31.12.2024	Instruments with modified terms and conditions	Refinancing	Total gross	Allowances for expected credit losses	Total, net
Performing exposures					
Securities	100	-	100	-	100
Loans and advances to customers	1,106	2	1,108	(11)	1,097
Non-performing exposures					
Securities	10	-	10	-	10
Loans and advances to customers	3,342	21	3,363	(950)	2,413
TOTAL EXPOSURES SUBJECT TO FORBEARANCE	4,558	23	4,581	(961)	3,620

31.12.2023	Instruments with modified terms and conditions	Refinancing	Total gross	Allowances for expected credit losses	Total, net
Performing exposures					
Loans and advances to customers	644	1	645	(51)	594
Non-performing exposures					
Securities - corporate bonds	58	-	58	-	58
Loans and advances to customers	1,618	32	1,650	(707)	943
TOTAL EXPOSURES SUBJECT TO FORBEARANCE	2,320	33	2,353	(758)	1,595

LOANS AND ADVANCES TO CUSTOMERS SUBJECT TO FORBEARANCE	2024	2023
Recognized interest income on forborne loans and advances to customers	384	200

55. Information on package sale of receivables

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

56. Interest rate risk management

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

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

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

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

The following measures are monitored by the Group on a regular basis:

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

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

The PKO Bank Polski S.A. Group's exposure to interest rate risk remained within the adopted limits as at 31 December 2024 and 31 December 2023. The Group was mainly exposed to PLN interest rate risk. Interest rate risk generated by the Group companies did not materially affect interest rate risk of the entire Group and therefore did not change its risk profile significantly.

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

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

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

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

- **SENSITIVITY OF INTEREST INCOME**

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

NAME OF THE MEASURE	31.12.2024	31.12.2023
Sensitivity of interest income (PLN million)	(548)	(1,014)

- **SENSITIVITY OF ECONOMIC VALUE**

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

NAME OF THE MEASURE	31.12.2024	31.12.2023
Sensitivity of economic value (PLN million)	(1,660)	(1,567)

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

- **VALUE AT RISK**

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

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

57. CURRENCY RISK MANAGEMENT

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

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

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

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

The following measures are monitored by the Group on a regular basis:

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

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

- **SENSITIVITY MEASURES**

The FX VaR measure is a potential value of loss that may occur in normal market conditions at a specific time (i.e. horizon) and with an assumed level of probability related to changes in foreign exchange rates. Stress tests are used to estimate loss in the event of abrupt changes on the currency market which are not described using statistical measures by default.

The Bank's FX VaR, in aggregate for all currencies, is presented in the table below:

NAME OF SENSITIVITY MEASURE	31.12.2024	31.12.2023
VaR for a 10-day time horizon at a confidence level of 99% (in PLN million)[1]	3	3

[1] Taking into account the nature of the operation of the other Group companies which generate material currency risk and the specific characteristics of the market in which they operate, the Group does not determine the consolidated VaR sensitivity measure. Such companies use their own risk measures to manage their interest rate risk. KREDOBANK SA applies the 10-day VaR which amounted to PLN 0.3 million as at 31 December 2024 and to PLN 0.3 million as at 31 December 2023.

- **FOREIGN CURRENCY POSITION**

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

FOREIGN CURRENCY POSITION[1]	31.12.2024	31.12.2023
EUR	(92)	(59)
CHF	(122)	15
Other (Global, Net)	5	(20)

[1] The positions do not include structural positions in UAH (PLN 678.5 million), for which the Bank obtained approval from the PFSA to exclude them from the calculation of the currency positions,

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

- **FINANCIAL ASSETS AND LIABILITIES BY CURRENCY**

Financial assets BY CURRENCY	Currency translated to PLN						
31.12.2024	PLN	CHF	EUR	USD	UAH	Other	Total
Cash and balances with the Central Bank	22,434	20	561	238	51	190	23,494
Amounts due from banks	576	12	2,524	319	1,502	156	5,089
Hedging derivatives	99	-	20	1	-	-	120
Other derivative instruments	1,787	-	171	41	-	-	1,999
Securities	187,901	-	10,280	11,090	1,260	-	210,531
Reverse repo transactions	892	-	-	-	-	-	892
Loans and advances to customers	232,814	2,153	28,616	1,404	922	249	266,158
Other financial assets	2,230	2	165	35	2	48	2,482
Total financial assets	448,733	2,187	42,337	13,128	3,737	643	510,765

Financial liabilities and off-balance sheet liabilities BY CURRENCY	Currency translated to PLN						
31.12.2024	PLN	CHF	EUR	USD	UAH	Other	Total
Amounts due to Central bank	11	-	-	-	-	-	11
Amounts due to banks	1,193	58	878	103	-	141	2,373
Hedging derivatives	285	-	-	-	-	-	285
Other derivative instruments	2,100	-	244	52	-	-	2,396
Amounts due to customers	358,590	1,332	37,969	15,031	3,073	3,783	419,778
Loans and advances received	144	-	1,114	-	10	-	1,268
Liabilities in respect of debt securities in issue	10,323	-	13,134	-	-	-	23,457
Subordinated liabilities	4,291	-	-	-	-	-	4,291
Other financial liabilities	2,740	2	1,170	202	20	93	4,227
Provisions for financial liabilities and guarantees granted	529	8	78	5	9	4	633
Total financial liabilities	380,206	1,400	54,587	15,393	3,112	4,021	458,719
Financial liabilities and guarantees granted	84,502	75	11,586	5,882	322	777	103,144

Financial assets BY CURRENCY	Currency translated to PLN						
31.12.2023	PLN	CHF	EUR	USD	UAH	Other	Total
Cash and balances with the Central Bank	16,256	28	627	157	62	683	17,813
Amounts due from banks	784	199	6,753	3,883	1,531	203	13,353
Hedging derivatives	253	-	102	-	-	-	355
Other derivative instruments	3,927	-	-	256	-	-	4,183
Securities	184,695	-	6,427	5,526	836	-	197,484
Reverse repo transactions	372	-	-	-	-	-	372
Loans and advances to customers	211,055	4,317	27,839	1,352	1,045	168	245,776
Other financial assets	1,305	1	125	17	3	23	1,474
Total financial assets	418,647	4,545	41,873	11,191	3,477	1,077	480,810

Financial liabilities and off-balance sheet liabilities BY CURRENCY	Currency translated to PLN						
31.12.2023	PLN	CHF	EUR	USD	UAH	Other	Total
Amounts due to Central bank	10	-	-	-	-	-	10
Amounts due to banks	1,343	14	1,673	117	-	4	3,151
Hedging derivatives	544	-	344	-	-	-	888
Other derivative instruments	5,413	-	-	122	-	5	9,540
Amounts due to customers	342,358	1,300	34,073	14,605	2,874	3,983	399,193
Loans and advances received	161	-	1,317	-	11	-	1,489
Liabilities in respect of debt securities in issue	7,105	-	10,096	-	-	-	17,201
Subordinated liabilities	2,774	-	-	-	-	-	2,774
Other financial liabilities	4,267	4	1,114	172	38	78	5,673
Provisions for financial liabilities and guarantees granted	634	5	70	35	2	5	751
Total financial liabilities	**364,609**	**1,323**	**48,687**	**15,051**	**2,925**	**4,075**	**436,670**
Financial liabilities and guarantees granted	78,255	91	10,245	5,110	256	1,201	95,158

58. LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of the inability to settle liabilities as they become due because of an absence of liquid assets. The lack of liquidity may be due to the inappropriate structure of assets and liabilities, including off-balance sheet, a mismatch of cash flows, counterparties failing to settle their liabilities, a sudden withdrawal of funds by the customers or other market events.

The Group also manages financing risk which takes into account the risk of losing the existing sources of financing and inability to renew the required means of financing or the loss of access to new sources of financing.

To ensure the necessary level of funds needed to settle current and future liabilities (also potential ones) as they become due, taking into account the nature of the activities conducted and the needs which may arise due to changes in the market environment, by appropriately establishing the structure of balance sheet and off-balance sheet assets and liabilities.

The Group uses the following measures of the liquidity risk:

- contractual and adjusted liquidity gap;
- liquidity surplus;
- liquidity coverage ratio (LCR);
- net stable funding ratio (NSFR);
- liquidity reserve;
- the ratio of stable funds to illiquid assets;
- measures of stability of the deposit and loan portfolios;
- liquidity stress tests.

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

The following measures are monitored by the Group on a regular basis:

- utilization of the strategic limit of tolerance to liquidity risk;
- utilization of regulatory liquidity standards;

- utilization of internal limits and thresholds of liquidity risk;
- concentration of the sources of financing;
- early warning indicators - monitored for the early detection of unfavourable occurrences which may have a negative impact on the Group's or the financial sector's liquidity position (when exceeded, early warning indicators trigger liquidity contingency plans).

The Group also makes regular forecasts of liquidity risk which take into account the current developments in the Group's operations. Liquidity forecasts include primarily the levels of selected liquidity risk measures envisaged in the forecasts of the Group's assets and liabilities and in selected stress test scenarios.

The main tools for liquidity risk management used by the Group are:

- procedures for liquidity risk management, in particular contingency plans;
- limits and thresholds to mitigate short-term, medium-term and long-term liquidity risk;
- supervisory liquidity standards;
- deposit, investment and securities purchase and sale transactions as well as derivatives, including transactions for the sale or purchase of securities;
- transactions ensuring long-term financing of the lending activities.

The Group's policy concerning liquidity is based on keeping an appropriate level of liquidity surplus and supervisory and internal measures of liquidity risk and financing through appropriate shaping of the portfolio of liquid securities, and stable sources of financing (a stable deposit base, in particular). In liquidity risk management, money market instruments, including NBP open market operations, are also used.

- **LIQUIDITY GAP**

The adjusted liquidity gap comprises a set of particular balance sheet and off-balance sheet categories in respect of their adjusted maturities. The liquidity gaps presented below represent the sum of adjusted liquidity gaps of the Bank (adjustments relate to, among other things, the Bank's core deposits from non-financial entities and their maturities, overdrafts and credit cards and their maturities, and liquid securities and their maturities), PKO Bank Hipoteczny, PKO Leasing SA, KREDOBANK SA and PKO Życie Towarzystwo Ubezpieczeń SA, and the contractual liquidity gaps of the other Group companies.

	on demand	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	more than 60 months
31.12.2024								
Adjusted periodic gap	19,635	130,621	(12,768)	(4,643)	(15,566)	21,456	30,748	(169,483)
Adjusted cumulative periodic gap	19,635	150,256	137,488	132,845	117,279	138,735	169,483	
31.12.2023								
Adjusted periodic gap	8,465	128,262	(15,277)	2,326	(15,132)	13,284	25,761	(147,689)
Adjusted cumulative periodic gap	8,465	136,727	121,450	123,766	108,644	121,928	147,689	

In all time horizons, the adjusted cumulative liquidity gap of the Group was positive as at 31 December 2024 and also as at 31 December 2023. This means that the Group has a surplus of the assets receivable over the liabilities payable.

- **REGULATORY LIQUIDITY RATIOS**

The following supervisory liquidity measures (specified by the provisions approved at the EU level) are regularly set and monitored at the Group:

- Liquidity Coverage Ratio (LCR) - defining the relation of high-quality liquid assets to net outflows in the 30-day horizon in stress conditions (supervisory measure specified in the CRR Regulation);
- Net Stable Funding Ratio (NSFR) - a measure defining the relationship of items providing stable funding to items requiring stable funding;

SUPERVISORY LIQUIDITY MEASURES	31.12.2024	31.12.2023
NSFR - net stable funding ratio	156.1%	156.7%
LCR - liquidity coverage ratio	245.1%	243.4%

In the period ended 31 December 2024 and 31 December 2023, liquidity measures remained above their respective supervisory limits.

- **CORE DEPOSIT BASE**

As at 31 December 2024, the core deposit base constituted approx. 93.8% of all deposits placed with the Bank (excluding the interbank market), which represents a decrease of around 0.1 p.p. compared with the end of 2023.

- **STRUCTURE OF THE SOURCES OF FINANCING**

Structure of the sources of financing	31.12.2024	31.12.2023
Total deposits (excluding interbank market)	85.21%	86.84%
Interbank market deposits	0.47%	0.64%
Equity	9.20%	9.11%
Market financing	5.12%	3.41%
Total	100.00	100.00

58.1. CONTRACTUAL CASH FLOWS FROM THE GROUP'S FINANCIAL LIABILITIES, INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS

CONTRACTUAL CASH FLOWS FROM THE FINANCIAL LIABILITIES, EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS

The amounts disclosed comprise non-discounted future cash flows, both in respect of principal and interest (if applicable), in accordance with the contract, for the entire period to the date of the liability's maturity. Where the party to whom the Group has a liability is able to select the settlement deadline, it has been assumed that the earliest date on which the Group is obliged to settle the liability shall be taken into account. Where the Group is obliged to settle the liabilities in instalments, each instalment is allocated to the earliest period in which the Group might be obligated to settle. In the case of liabilities where instalment amounts are not fixed, the terms binding as at the reporting date have been adopted.

	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount	Carrying amount
31.12.2024							
Amounts due to Central bank	11	-	-	-	-	11	**11**
Amounts due to banks	2,375	-	-	-	-	2,375	**2,373**
Amounts due to customers	347,658	35,432	24,859	8,764	6,529	423,242	**419,778**
Loans and advances received	341	-	176	751	-	1,268	**1,268**
Liabilities in respect of debt securities in issue	1,705	1,739	4,768	16,528	-	24,740	**23,457**
Subordinated liabilities	-	100	217	5,057	-	5,374	**4,291**
Lease liabilities	25	47	190	625	308	1,195	**1,145**
Other financial liabilities	3,082	-	-	-	-	3,082	**3,082**
Total	355,197	37,318	30,210	31,725	6,837	461,287	455,405
Off-balance sheet liabilities:							
financing granted	18,078	5,711	30,553	24,802	11,902	91,046	-
guarantees granted	12,098	-	-	-	-	12,098	-

	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount	Carrying amount
31.12.2023							
Amounts due to Central bank	10	-	-	-	-	10	**10**
Amounts due to banks	3,151	-	6	-	-	3,157	**3,151**
Amounts due to customers	309,870	36,269	40,813	10,709	6,824	404,485	**399,193**
Loans and advances received	29	-	187	1,743	76	2,035	**1,489**
Liabilities in respect of debt securities in issue	2,729	1,998	4,810	8,355	-	17,892	**17,201**
Subordinated liabilities	-	-	-	3,040	-	3,040	**2,774**
Lease liabilities	25	48	191	559	315	1,138	**1,088**
Other financial liabilities	4,585	-	-	-	-	4,585	**4,585**
Total	320,399	38,315	46,007	24,406	7,215	436,342	429,491
Off-balance sheet liabilities:							
financing granted	17,208	4,606	32,016	17,464	11,628	82,922	-
guarantees granted*	12,236	-	-	-	-	12,236	-

- OTHER INFORMATION – FINANCIAL LIABILITIES, INCLUDING PAST DUE LIABILITIES

FINANCIAL LIABILITIES	31.12.2024	31.12.2023
Financial liabilities, including:	458,719	436,670
Past due	3	3

- **CONTRACTUAL CASH FLOWS FROM LIABILITIES IN RESPECT OF DERIVATIVE FINANCIAL INSTRUMENTS FOR WHICH THE VALUATION AS AT THE BALANCE SHEET DATE WAS NEGATIVE (A LIABILITY) AND WHICH ARE SETTLED ON A GROSS BASIS**

31.12.2024	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount
outflows (principal and interest)	(12,195)	(8,032)	(7,690)	(6,338)	(1)	(34,256)
inflows (principal and interest)	11,923	5,706	7,292	6,308	-	31,229

31.12.2023	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount
outflows (principal and interest)	(10,300)	(8,575)	(13,475)	(9,552)	(510)	(42,412)
inflows (principal and interest)	9,766	7,743	12,206	7,005	141	36,861

- **CONTRACTUAL CASH FLOWS FROM LIABILITIES IN RESPECT OF DERIVATIVE FINANCIAL INSTRUMENTS FOR WHICH THE VALUATION AS AT THE BALANCE SHEET DATE WAS NEGATIVE (A LIABILITY) AND WHICH ARE SETTLED ON A NET BASIS (NO OFFSETTING EFFECT)**

31.12.2024	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount
IRS	(368)	(714)	(562)	(360)	(96)	(2,100)
other derivatives: options, FRA, NDF	(43)	(8)	(109)	(416)	-	(576)

31.12.2023	Up to 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	1 year to 5 years inclusive	More than 5 years	Contractual amount
IRS	(275)	(784)	(1,447)	(768)	(68)	(3,342)
other derivatives: options, FRA, NDF	(219)	(338)	(1,153)	(465)	(1)	(2,176)

59. Assets pledged as collateral for liabilities and transferred financial assets

- ### Collateral for mortgage covered bonds of PKO Bank Hipoteczny S.A.

The mortgage covered bonds are secured by loans secured by the highest priority mortgage. Additionally, the basis for the issue of mortgage covered bonds may also be PKO Bank Hipoteczny SA's own funds:

- invested in securities issued or guaranteed by the National Bank of Poland, the European Central Bank, governments and central banks of members of the European Union and/or the Organization for Economic Cooperation and Development, excluding countries that are restructuring or have restructured their foreign debt in the past 5 years;
- deposited with the National Bank of Poland;
- held in cash.

The CIRS and FX-Forward transactions which hedge the foreign exchange and interest-rate risk of the issued EUR mortgage covered bonds, and the IRS transactions hedging interest rate risk of the issued PLN fixed-interest-rate mortgage covered bonds were also recognized in the register of collaterals for mortgage covered bonds.

ASSETS PLEDGED AS COLLATERAL FOR LIABILITIES – ASSETS PLEDGED AS COLLATERAL FOR MORTGAGE COVERED BONDS	31.12.2024	31.12.2023
nominal value of loans	15,292	16,768
nominal value of the overcollateralization in the form of securities issued by the State Treasury, denominated in PLN	80	205

- ### Security for loans received

The loan received by the Group to support the financing of investment projects in Ukraine is secured by Ukrainian government bonds in the amount of PLN 15 million.

- ### Collateral for liabilities in respect of derivative instruments

ASSETS PLEDGED AS COLLATERAL FOR LIABILITIES in respect of derivative instruments	31.12.2024	31.12.2023	31.12.2024	31.12.2023
	Derivative instruments (Initial Margin agreement)		Derivative instruments (other agreements)	
Carrying amount of the collateral	2,018	780	113	841
Nominal value of the collateral	2,051	747	123	
Type of collateral	Securities measured at fair value through other comprehensive income			
Carrying amount of liabilities secured	1,846	712	113	841

- ### Fund for the Protection of Guaranteed Funds

ASSETS PLEDGED AS COLLATERAL FOR LIABILITIES – FUND FOR THE PROTECTION OF GUARANTEED FUNDS	31.12.2024	31.12.2023
Value of the fund	798	1,267
Nominal value of the collateral	900	1,100
Type of collateral*	treasury bonds	treasury bonds
Maturity of collateral	25.07.2026	25.04.2024
Carrying amount of the collateral	875	1,110

* Securities measured at fair value through other comprehensive income.

The assets pledged as collateral for the fund are Treasury bonds which mature in the period that ensures securing the carrying amount over the period specified in the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution. The Fund is increased or decreased on 1 July of each year, in proportion to the amount representing the basis for calculation of the mandatory reserve deposits. These assets are treated as assets pledged as collateral for own liabilities.

- **FUNDS SECURING LIABILITIES IN RESPECT OF CONTRIBUTIONS TO THE BANK GUARANTEE FUND (BGF)**

ASSETS PLEDGED AS COLLATERAL FOR LIABILITIES - Funds securing liabilities in respect of contributions to the Bank Guarantee Fund (BGF)	31.12.2024	31.12.2023
Value of the contribution made in the form of payables	928	847
Nominal value of the assets in which funds corresponding to payables were invested	1,211	1,062
Type of collateral*	State Treasury bonds	Sovereign bonds
Maturity of collateral	2026-2031	2024-2031
Carrying amount of the collateral	1,146	1,019

* Securities measured at fair value through other comprehensive income.

Starting from 2017, the value of contributions in the form of payment obligations represents 30% of the contributions to the Bank Guarantee Fund ("the BGF") for the Deposit Guarantee Fund or the Bank Resolution Fund. Assets securing payment commitments include Treasury bonds pledged for BGF in an amount which ensures maintaining the ratio of the value of property rights securing payment commitments to the amount of payment commitments of no less than 110%.

- **LEGAL LIMITATIONS RELATING TO THE GROUP'S TITLE**

In the years ended 31 December 2024 and 31 December 2023, respectively, there were no intangible assets or property, plant and equipment items to which the Group's legal title would be limited and pledged as collateral for the Bank's liabilities

60. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS IN THE GROUP'S INSURANCE BUSINESS

The Group operates risk management programmes, including asset-liability matching (ALM) processes, hedging programmes (largely implemented through the use of derivatives) and insurance programmes (largely implemented through the use of quota share, excess of loss and stop loss reinsurance). The programmes operate in each country in which the Group is present and form an integral part of the Group's overall risk management framework. In insurance companies, the objective of managing risk by seeking to maintain the level of risk within an accepted tolerance level is to:

- ensuring the financial stability and liquidity of the company;
- protect shareholder value;
- ensuring the provision of benefits and claims to customers;
- support the company in running an effective business.
- **INSURANCE RISK**

The risk management objectives are achieved, in particular, by providing appropriate information on the risk, so that decisions are made in full awareness of the risks involved.

The Group's portfolio of insurance contracts includes Category I (life insurance) as well as Category II (other personal insurance and non-life insurance) insurance contracts, offering a broad spectrum of insured risks. The Group's exposure to insurance risks includes primarily:

- Mortality risk;
- Risk of loss in personal and non-life insurance, especially with regard to natural catastrophes, traffic events and insurance of financial risks
- Lapse risk;
- Cost risk;

- Inflation risk.

An unfavourable materialisation of the above risks, i.e. a materialisation worse than assumed in the valuation, may translate into a reduction in the financial result, including the occurrence of a financial loss.

Discrepancies between the expected cash flows included in insurance liabilities and the actual payments to be made in the future are natural and are due to the random nature of insurance events, both in terms of the number of claims and their amount. Therefore, one of the main objectives of portfolio management and reserve valuation is to minimise the deviation between the actual cash flows and their projections.

The use of appropriate statistical methods and the use of up-to-date data available at the reporting date reduce the risk of erroneous estimates of the expected value of insurance and reinsurance assets and liabilities. At the same time, proper portfolio management helps to reduce the impact of potential deviations of actual cash flows from their previous estimates on the financial result. The main instruments that reduce insurance risk and thus mitigate fluctuations in the result and ensure the adequacy of reserves for future liabilities include:

- diversification of risk between different products and also within individual products, e.g. through geographical diversification;
- a prudent approach to underwriting, excluding exposures subject to the greatest risk or requiring additional medical tests or safeguards;
- continuous monitoring of the profitability of the portfolio held by product and dynamic tariff management for selected portfolios;
- the use of outward reinsurance.

Given the variety of insurance products offered by the Group, including both life insurance and insurance of various uncorrelated non-life risks, even a very unfavourable materialisation of the expected cash flows on a single product will have a relatively minor impact on the total result from insurance.

With regard to insurance risks, there is a concentration risk associated with the occurrence of an event that will cover a large number of contracts. Key risks in this area include natural catastrophe risk and pandemic risk. In both of these cases, the Group mitigates concentration risk by, among other things, using non-proportional reinsurance contracts.

- **FINANCIAL RISK**

LIQUIDITY RISK - Liquidity risk refers to the risk of not being able to settle obligations in a timely manner without incurring extraordinary costs. In the case of settlements of insurance and reinsurance contracts, this risk is mainly related to the potential lack of sufficient liquidity in the asset portfolio that is held. Insurance companies perform gap analysis and liquidity measurement. Liquidity risk is mitigated by maintaining a buffer of liquid funds, planning liquidity needs and matching the investment structure with the maturity of the company's liabilities. In particular, PKO Życie TU manages liquidity risk associated with transfers and payouts in its UFK products by maintaining excess assets to cover reserves in the form of liquid assets at an appropriate level.

CREDIT RISK - Credit risk arising from contracts falling within the scope of IFRS 17 mainly includes the risk of reinsurer bankruptcy and non-payment of premiums by policyholders. The Group manages counterparty bankruptcy risk by diversifying reinsurers and sticking solely to reinsurers with high credit ratings. In contrast, the risk of non-payment of premium by policyholders is mostly mitigated by terminating the contract and limiting underwriting exposure. Given the diversification of credit risk exposures, the Group does not identify any significant concentration risk in this area.

CURRENCY RISK Currency risk refers to the risk of an adverse change in assets and liabilities due to changes in exchange rates. The Group does not identify significant currency risk in the area of contracts covered by IFRS 17 given the nature of its portfolio. Nearly all settlements, both with policyholders, the insured and reinsurers, are performed in the domestic currency, and settlements in foreign currencies are mainly related to the settlement of motor and travel claims that occurred outside Poland. The Group additionally mitigates currency risk through significant reinsurance of portfolios exposed to currency risk. Due to the insignificant level of net exposure to currency risk, the Group does not identify concentration risk in this area.

INTEREST RATE RISK - Interest rate risk isa associated with adverse changes in the measurement of assets and liabilities due to changes in market interest rates. From the perspective of contracts within the scope of IFRS 17, the Group does not identify any significant interest rate risk.

For nearly all products, the payment of claims and benefits remains independent of the current interest rate structure. Accordingly, the Group is not exposed to any significant concentration risk in the area of interest rate risk for contracts that are within the scope of IFRS 17. Changes in interest rates affect the measurement of liabilities and assets for insurance contracts and reinsurance contracts. Due to the applied decomposition of finance income and expenses into a portion reported in the income statement (based on rates at initial recognition) and a portion presented in other comprehensive income, the effect of changes in interest rates is not reflected in the profit or loss.

SHARE PRICE RISK - The Group does not identify share price risk in the area of contracts within the scope of IFRS 17 because the liabilities that depend on the valuation of the investment portfolio are fully secured with appropriate assets. As a result, fluctuations in the measurement of liabilities arising from changes in the prices of shares and units are fully reflected in fluctuations in the measurement of assets held.

- **CAPITAL**

The management boards of the Group's insurance companies monitor capital requirements and are directly supervised by local regulatory authorities. They are obliged by the Polish Financial Supervision Authority to maintain excess own funds over the capital requirement (SCR) in accordance with the Solvency II regime.

This requirement is intended to ensure that the Group's insurance companies are able to meet their obligations over the next 12 months at a confidence level of 99.5%.

A breach of this requirement - the Solvency Capital Requirement - would result in supervisory intervention and corrective action to restore the required level of capital. The PFSA's approach to measuring capital adequacy is primarily based on monitoring solvency ratios and other data reported by insurance companies as part of their cyclical reporting.

The Group's insurance companies comply with all regulatory requirements imposed by external authorities, including capital requirements.

- **INSURANCE AND FINANCIAL RISKS IN INSURANCE BUSINESS - FINANCIAL INFORMATION**

The table below presents a maturity analysis for portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are assets.

Maturity dates for portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are assets	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
2024	1,480	530	173	84	53	234	2,554
Insurance Contracts	1,405	515	166	80	51	232	2,449
Reinsurance contracts	75	15	7	4	2	2	105
2023	1,441	625	340	189	101	309	3,005
Insurance Contracts	1,384	607	333	185	100	306	2,915
Reinsurance contracts	57	18	7	4	1	3	90

CAPITAL MANAGEMENT AT THE GROUP

61. CAPITAL ADEQUACY

Capital adequacy is the state in which the level of risk incurred by the Bank's Group in connection with its business development can be covered by its capital whose level and structure are adequate to the applicable supervisory requirements, specific risk tolerance level and adopted time horizon. The process of managing capital adequacy comprises, in particular, compliance with the applicable regulations of the supervisory and control authorities, as well as the risk tolerance level determined within the Bank and the Bank's Group and the capital planning process, including the policy concerning the sources of acquisition of capital.

The objective of capital adequacy management is to ensure an appropriate level and structure of own funds which is adequate to the scale of the Bank's activities, supervisory requirements and risk exposure.

The process of managing the Group's capital adequacy comprises:

- specifying and pursuing the Group's capital targets;

- identifying and monitoring significant types of risk;
- measuring or estimating internal capital to cover individual risk types of risk and total internal capital;
- determining threshold values for capital adequacy measures;
- forecasting, monitoring and reporting the level and structure of own funds;
- managing the structure of the balance sheet to optimize the quality of the Group's own funds;
- emergency measures with regard to capital;
- stress-tests;
- forecasting requirements for own funds;
- assessing the profitability of individual business areas and customer segments.

Capital adequacy measures include:

- total capital ratio (TCR);
- the ratio of own funds to internal capital;
- Tier 1 core capital ratio (CET1);
- Tier 1 capital ratio (T1);
- leverage ratio;
- MREL ratio - TREA;
- MREL ratio - TEM.

The objective of monitoring the level of capital adequacy measures is to determine the degree of compliance with supervisory requirements and to identify cases which require emergency measures to be implemented or the preparation of a capital protection plan.

Major regulations applicable in the capital adequacy assessment process include:

- the Polish Banking Law;
- the CRR Regulation;
- the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system (as amended),
- the Regulation of the Minister of finance, funds and regional policy of 8 June 2021 on the risk management and internal control systems and remuneration policy in banks (effective from 11 June 2021);
- the Regulation of the Minister of finance, funds and regional policy of 27 July 2021 on the detailed method of estimating internal capital and conducting reviews of estimation strategies and procedures and maintaining a permanent level of internal capital by banks;
- the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution (as amended).

The Group's capital adequacy management is described in detail in the "REPORT ON CAPITAL ADEQUACY AND OTHER INFORMATION SUBJECT TO PUBLICATION BY THE PKO BANK POLSKI S.A. GROUP".

Minimum levels of the capital ratios maintained by the Group in accordance with Article 92 of the CRR are as follows:		
total capital ratio (TCR)		8%
Tier 1 capital ratio (T1)		6%
Tier 1 core capital ratio (CET1)		4.5%
Obligation to maintain a combined buffer above the minimum amounts specified in Art. 92 of the CRR, representing the sum of the applicable buffers	31.12.2024	31.12.2023
Total:	**4.55%**	**4.54%**
conservation buffer	2.5%	2.5%
countercyclical buffer	0.05%	0.04%
due to identifying the Bank as another systemically important institution ("O-SII")	2%	2%[1]
Combined minimum capital adequacy ratio together with the combined buffer requirement	12.55%	12.54%

[1] The buffer represents a share of total risk exposure amount calculated in accordance with the CRR. On 20 November 2023, an announcement was published by the PFSA on the review of the adequacy of the Other Systemically Important Institution (O-SII) buffer ratio, according to which the O-SII buffer amount for individual banks was maintained at the level resulting from the previous review conducted in 2022.

the minimum requirement for own funds and eligible liabilities (MREL) in % determined by the BGF	**31.12.2024**	**31.12.2023**
MREL (TREA)	15.36	15.36
MREL (TREA) – subordinated	13.90	13.78
MREL (TEM)	5.91	5.91
MREL (TEM) – subordinated	5.62	5.60

As at 31 December 2024, the MREL ratio in relation to the total "TREA" risk exposure amounted to 19.56%, and subordinated MREL to 18.26% (in accordance with the Act on macro-prudential supervision, Common Equity Tier 1 instruments held by an entity for the purposes of the combined buffer requirement cannot be used to meet this requirement; without this restriction, the ratio was 24.25% and 22.95%, respectively). With regard to the total exposure measure "TEM", the MREL ratio was 10.80%, and subordinated MREL – 10.23%.

In 2024 and 2023, the Group's capital adequacy level remained at a safe level, well above the supervisory limits. The minimum capital requirements were satisfied over the entire period.

Capital adequacy	31.12.2024	31.12.2023 (restated)	31.12.2023 (published)
Equity	**52,370**	**45,227**	**45,227**
capital: share capital, supplementary capital, other reserves, and general risk reserve	34,068	32,318	32,318
retained earnings	11,324	10,810	10,810
net profit or loss for the year	9,304	5,502	5,502
other comprehensive income and non-controlling interests	(2,326)	(3,403)	(3,403)
Exclusions from equity:	**8,072**	**3,534**	**3,534**
deconsolidation - adjustments due to prudential consolidation	(89)	(109)	(109)
net profit or loss for the year	9,285	5,505	5,505
cash flow hedges	(1,124)	(1,862)	(1,862)
Other fund reductions:	**2,973**	**3,044**	**3,036**
goodwill	961	961	961
other intangible assets	1,657	1,587	1,587
additional asset adjustments (AVA, DVA, NPE, exceedance of the thresholds set out in Article 48 CRR)[1]	355	496	488
Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI according to Art. 468 of the CRR	**821**	-	-
Temporary reversal of IFRS 9 impact	**810**	**1,498**	**1,373**
Current period profit/loss, included by permission from the PFSA/after approval of profit distribution by AGM	**1,299**	**1,771**	**1,697**
Tier 1	**44,255**	**41,918**	**41,727**
Tier 2 capital (subordinated debt)	**3,039**	**2,080**	**2,080**
Own funds	**47,294**	**43,998**	**43,807**
Requirements for own funds	**20,362**	**18,681**	**18,787**
Credit risk	17,542	16,364	16,470
Operational risk[2]	2,672	2,163	2,163
Market risk	115	125	125
Credit valuation adjustment risk	33	29	29
Total capital ratio	**18.58**	**18.84**	**18.65**
Tier 1 capital ratio	**17.39**	**17.95**	**17.77**

[1] AVA – additional valuation adjustment, DVA – debt valuation adjustment, NPE – non-performing exposures adjustment.

[2] The increase in the Group's operational risk requirement is due to an increase in the cost of legal risk. The Group applies scaling of legal risk costs for CHF mortgage loans under the AMA approach to ensure that historically incurred costs are appropriately accounted for in relation to the risk that the Bank may still incur in this regard.

* Figures as at 31 December 2023 have been restated in connection with the retroactive accounting of profit for 2022. The amount of PLN 1,697 million relates to the portion of the profit for 2023 included in own funds with the approval of the PFSA, and the amount of PLN 1,771 million relates to the amount of the profit for 2023 following approval of the profit distribution by the AGM. In line with the European Banking Authority's (EBA) guidance in the single rulebook Q&A setting out the EBA's position on when to recognise annual and interim profits in capital adequacy data (Q&A 2018_3822, Q&A 2018_4085 and Q&A 2013_208), from the point at which the institution formally meets the criteria to include the profit for the period in Tier 1 capital, it is considered that the profit should be included on a retrospective date (the date of the profit rather than the date the criterion is met) and an adjustment to own funds should be made to the date to which the profit relates. As the Bank's Annual General Meeting approved the distribution of the Bank's profits on 28 June 2024 and the General Meetings of the Group companies also approved the distribution of the companies' profits, the figures as at 31 December 2023 have been restated to include the impact of these profit distributions at the end of 2023. Consequently, the value of the credit risk requirement has also been recalculated, as the date on which the profit is included in own funds is also the date on which the specific credit risk adjustments (SCRA) included in the requirement are calculated. The date on which the profit is included also necessitates a recalculation of the NPE adjustment and a transitional reversal of the effect of IFRS9.

The Polish Financial Supervision Authority agreed to include the Group's profit for the first half of 2024, net of expected charges of PLN 1,299 million, in the Group's own funds in respect of data as at 31 December 2024.

According to CRR Regulation, prudential consolidation is used for capital adequacy purposes, which unlike consolidation in accordance with IFRS, covers only subsidiaries that meet the definition of an institution, financial institution or any ancillary services enterprise. In addition, pursuant to Article 19 (1) of the CRR, prudential consolidation may exclude entities whose total value of assets and off-balance sheet items is less than EUR 10 million.

Other subsidiaries, not consolidated under the acquisition accounting method for the purposes of prudential consolidation are measured using the equity method.

For the purposes of prudential consolidation, the Group consists of following entities:

- PKO Bank Polski S.A.
- PKO Leasing S.A. Group;
- PKO BP BANKOWY PTE S.A.
- PKO Towarzystwo Funduszy Inwestycyjnych S.A.
- KREDOBANK S.A. Group;
- PKO Finance AB
- PKO BP Finat sp. z o.o.
- PKO Bank Hipoteczny S.A.
- Bankowe Towarzystwo Kapitałowe S.A. Group.

Non-financial and insurance entities are excluded from the prudential consolidation.

Detailed information on internal capital (Pillar II) and the scope of disclosures (Pillar III), the manner of their verification and publication are presented in PKO Bank Polski S.A. Capital Adequacy Information Policies and other information to be published, which are available on the Bank's website (www.pkobp.pl).

62. DIVIDENDS AND DISTRIBUTION OF RETAINED EARNINGS

On 28 June 2024, the Annual General Meeting of PKO Bank Polski S.A. (AGM) passed a resolution on distribution of profit of the Bank for 2023, in accordance with which:

On 28 June 2024, the Bank's Annual General Meeting (AGM) passed a resolution on the distribution of the Bank's profit earned in 2023, according to which:

- from the net profit earned in 2023 in the amount of PLN 4,868,360,037.30, PLN 3,237,500,000 was allocated for the distribution among shareholders, which constituted 66.50% of the net profit of the Bank earned in 2023 ("Distributable profit");
- the remainder of the profit in the amount of PLN 1,630,860,037.30 was allocated to the reserve capital for the payment of dividend, including interim dividend in accordance with § 30 of the Bank's Articles of Association.

The total amount of dividends to be distributed to all shareholders of the Bank paid in 2024 was PLN 4,837,500,000 representing the sum of:

- distributable profit, increased by the amount of PLN 1,600,000,000 from the reserve capital established pursuant to resolution No 7/2023 of the AGM of 21 June 2023, paid by the Bank on 1 February 2024 as an interim dividend for the financial year 2023.

The gross dividend was PLN per share. The dividend record date was 8 August 2024. The dividend was paid on 22 August 2024.

At the same time, the AGM passed a resolution to leave the Bank's retained earnings, in the amount of PLN 9,437,974,386.73, undistributed.

The dividend policy and the PFSA's recommendations regarding the distribution of dividends in 2024 and 2025 are described in detail in section 7.3 "Dividend and profit distribution" of the PKO Bank Polski S.A. Group Directors' Report for 2024, prepared together with the Directors' Report of PKO Bank Polski S.A.

OTHER NOTES

63. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- ### CASH AND CASH EQUIVALENTS

SIGNIFICANT ACCOUNTING POLICIES:

Cash and cash equivalents consist of cash in hand, cash on nostro accounts and a deposit with the National Bank of Poland, as well as amounts due from banks in the current account, and cash equivalents with maturities up to 3 months from the date of acquisition.

FINANCIAL INFORMATION

CASH AND CASH EQUIVALENTS	31.12.2024	31.12.2023	01.01.2023
Cash, current account with the Central Bank	23,494	14,061	11,966
Deposits with the Central Bank	-	3,752	3,951
Current amounts due from banks	3,795	12,394	10,189
Restricted cash and cash equivalents of which	5	5	454
- amounts due from banks	5	5	454
Total	27,294	30,212	26,560

- ### RESTRICTED CASH AND CASH EQUIVALENTS

Cash of PLN 5 million (as at 31 December 2023: PLN 5 million) paid in by participants in IKE, IKZE, PPE and PSO, which was not converted by the transfer agent into investment fund participation units by 31 December 2024 and 31 December 2023, respectively.

INTEREST INCOME ON:	2024	2023
reported under operating activities	**24,723**	**23,485**
Loans and other amounts due from banks and balances with the Central Bank	2,198	2,098
Debt securities	48	69
Loans and advances to customers	20,852	19,704
Lease receivables	1,605	1,574
Repo transactions	20	40
reported under investing activities	**7,539**	**6,535**
Debt securities measured at fair value through other comprehensive income	4,695	4,396
Debt securities measured at amortized cost	2,844	2,139
Total	32,262	30,020

INTEREST EXPENSES – PAID:	2024	2023
reported under operating activities	**(10,614)**	**(11,515)**
Amounts due to banks	(73)	(88)
Amounts due to customers	(7,525)	(7,113)
Leases	(37)	(34)
Hedging derivatives	(2,202)	(4,108)
Debt securities	(764)	(158)
Repo transactions	(13)	(14)
reported under financing activities	**(1,044)**	**(751)**
Subordinated liabilities	(209)	(235)
Issues of securities	(835)	(455)
Loans and advances received	-	(61)
Total	(11,658)	(12,266)

- **Reconciliation of items presented in the consolidated statements of financial position with financing activities in the consolidated cash flow statement**

2024	As at the beginning of the period	Recognized in financing activities in the cash flow statement			Presented in operating activities in the cash flow statement (including: interest accrued, foreign exchange differences and other)	As at the end of the period
		Incurred	Repaid	Repayment of interest on financial liabilities		
Loans and advances received	1,489	-	(192)	-	(29)	1,268
Liabilities in respect of debt securities in issue	17,201	23,892	(17,892)	(835)	1,091	23,457
Subordinated liabilities - subordinated bonds	2,774	1,500	-	(209)	226	4,291
Lease liabilities	1,088	366	(286)	-	(23)	1,145
Total	22,552	25,758	(18,370)	(1,044)	1,265	30,161

2023	As at the beginning of the period	Recognized in financing activities in the cash flow statement			Presented in operating activities in the cash flow statement (including: interest accrued, foreign exchange differences and other)	As at the end of the period
		Incurred	Repaid	Repayment of interest on financial liabilities		
Loans and advances received	2,294	12	(1,152)	(61)	396	1,489
Liabilities in respect of debt securities in issue	15,510	13,105	(10,914)	(455)	(45)	17,201
Subordinated liabilities - subordinated bonds	2,781	-	-	(235)	228	2,774
Lease liabilities	896	506	(266)	-	(48)	1,088
Total	21,481	13,623	(12,332)	(751)	(531)	22,552

OTHER INFLOWS FROM INVESTING ACTIVITIES INCLUDING DIVIDENDS	2024	2023
from financial assets held for trading	2	2
financial instruments not held for trading, measured at fair value through profit or loss	13	12
Sale of VISA reported under investing activities (other inflows from investing activities)	48	78
Total	**63**	**92**

Other investment inflows include dividend proceeds and proceeds from the sale of equity securities. Other investment expenditure includes purchases of equity securities.

In 2024, under "other inflows from investing activities", the Group presents the effect of the sale of series A VISA shares in the amount of PLN 48 million (2023: PLN 78 million).

64. Transactions with the State Treasury and related entities

- ### Transactions with the State Treasury

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

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

TRANSACTIONS WITH THE STATE TREASURY	2024	2023
Income recognized on an accruals basis	64	65
Income recognized on a cash basis	7	4
Income from temporary redemption by the State Treasury of interest on housing loans in the "old portfolio"	57	61

Biuro Maklerskie PKO BP plays the role of an agent for the issue of retail Treasury bonds under the agreement signed with the Ministry of Finance on 11 February 2003. Under this agreement, Biuro Maklerskie PKO BP receives a fee for providing the services of an agent for the issue of bonds – in 2024 in the amount of PLN 332 million, and in 2023 in the amount of PLN 222 million.

- ### Significant transactions with the State Treasury's related entities

The Group's exposure and the value of the Group's liabilities to 10 entities related to the State Treasury with the highest total exposure are presented below.

SIGNIFICANT TRANSACTIONS WITH THE STATE TREASURY'S RELATED ENTITIES	BALANCE SHEET EXPOSURE, INCLUDING EXPOSURE TO LOANS AND DEBT INSTRUMENTS		OFF-BALANCE SHEET EXPOSURE		LIABILITIES IN RESPECT OF DEPOSITS	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Counterparty 1	13,677	16,586	31	32	532	112
Counterparty 2	-	-	3,150	3,150	2,735	2,350
Counterparty 3	226	685	2,968	2,360	1	-
Counterparty 4	229	1,933	2,471	2,246	180	544
Counterparty 5	871	761	1,884	1,065	95	140
Counterparty 6	517	60	1,920	2,070	357	1,355
Counterparty 7	823	915	1,465	1,009	-	-
Counterparty 8	1,627	1,177	163	640	197	395
Counterparty 9	-	-	1,501	1,501	365	637
Counterparty 10	1,006	1,068	419	538	-	-

	2024	2023
Interest and commission income	506	594
Interest and commission expense	82	193

As at 31 December 2024, the allowance for expected credit losses for the above exposures amounted to PLN 574 million (as at 31 December 2023 it amounted to PLN 262 million).

In the opinion of the Group, all transactions with entities related to the State Treasury are concluded on an arm's-length basis.

- **RELATED-ENTITY TRANSACTIONS – CAPITAL LINKS**

All transactions with joint ventures and associates presented below were arm's length transactions. Repayment terms are within a range of from one month to seventeen years.

Associates and joint ventures	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
31.12.2024	147	85	195	446
31.12.2023	90	24	178	493

Associates and joint ventures	Total income	of which interest and commission income	Total expense	of which interest and commission income
2024	965	900	245	191
2023	900	841	237	192

- **RELATED-ENTITY TRANSACTIONS – PERSONAL LINKS**

As at 31 December 2024, seven entities were related to the Group through the key management personnel of PKO Bank Polski S.A. or close family members of the key management personnel. As at 31 December 2023, it was four entities. In 2024 and in 2023, no transactions were conducted between the Group and those entities.

65. BENEFITS FOR THE PKO BANK POLSKI S.A. KEY MANAGEMENT

SIGNIFICANT ACCOUNTING POLICIES:

The members of the Management Board and Supervisory Board of the Bank are considered to be the Bank's key management personnel.

Short-term employee benefits include, apart from the basic salary, also the part of the variable remuneration component paid in cash which is not deferred.

The deferred part of the variable remuneration component paid in cash was recognized as other long-term benefits.

Non-deferred and deferred remuneration components granted in the form of financial instruments i.e. Phantom shares (for which conversion into cash is carried out after an additional period of retention) are recognized as share-based payments settled in cash in accordance with the principles described below.

- **VARIABLE REMUNERATION COMPONENTS OF KEY MANAGEMENT PERSONNEL IN THE BANK'S GROUP**

Variable remuneration components are granted at the Group in the form of: non-deferred remuneration (in the first year after the calendar year constituting an appraisal period), and deferred remuneration (for the next five years after the first year of the appraisal period), whereas both the non-deferred and deferred remuneration is awarded in equal parts in cash and in the form of financial instruments, i.e. phantom shares (for which conversion into cash is carried out after an additional period of retention).

The component of remuneration in the form of the financial instrument is converted into phantom shares after granting a particular component – taking into consideration the median of the daily average prices of the Bank's shares (Volume Weighted Average Price) on the Warsaw Stock Exchange for the first quarter of the year after the bonus period, available on Thomson Reuters or Bloomberg information system. Next, after a period of retention and deferral period, the shares are converted into cash – taking into consideration the median of the daily average prices of the Bank's shares (Volume Weighted Average Price) on the Warsaw Stock Exchange for the first quarter of the year in which the payment is made, available on either the Thomson Reuters or Bloomberg information system.

The deferred remuneration may be reduced in the event of deterioration in the financial performance of the Bank, a loss incurred by the Bank or deterioration of other variables related to the performance in the period of appraisal of key management personnel and results of the organizational units/cells supervised or managed by these people, which were revealed after the appraisal period.

Variable remuneration components were also granted in selected Group companies. Regulations on variable remuneration components for members of the Management Board applied in: PKO Bank Hipoteczny SA, PKO BP BANKOWY PTE S.A., PKO TFI S.A., PKO Leasing S.A., Prime Car Management S.A., PKO Towarzystwo Ubezpieczeń S.A., PKO Życie Towarzystwo Ubezpieczeń S.A., Kredobank S.A. and PKO Faktoring S.A. Simultaneously, employees in certain managerial positions at PKO Bank Hipoteczny S.A., PKO Towarzystwo Ubezpieczeń S.A., PKO Życie Towarzystwo Ubezpieczeń S.A., PKO Leasing S.A. and KREDOBANK S.A. having a significant impact on the company's risk profile, and certain employees at PKO TFI S.A., whose jobs include activities that materially affect the risk profile of the company or the fund management company, were also covered by variable remuneration policies.

For a more extensive description, see chapter "BENEFITS FOR MANAGERS AND SUPERVISORS" of the PKO Bank Polski S.A. Group DIRECTORS' REPORT FOR 2024, PREPARED TOGETHER WITH THE DIRECTORS' REPORT OF PKO BANK POLSKI S.A.

FINANCIAL INFORMATION

COST OF REMUNERATION OF THE BANK'S MANAGEMENT AND SUPERVISORY BOARDS (in PLN thousand)	2024	2023
Management Board of the Bank		
Short-term employee benefits	12,550	14,276
Long-term employee benefits	2,488	1,946
Share-based payments settled in cash[1]	9,736	9,787
Benefits to the Bank's Management Board members who ceased to perform their functions before the reporting date	5,155	2,700
Total	**29,929**	**28,709**
Supervisory Board of the Bank		
Short-term employee benefits	1,990	2,215
Total	**1,990**	**2,215**

[1] The item "Share-based payments settled in cash" includes both the cost of provisions for variable remuneration components in the form of an instrument for the current period, as well as the effect of revaluation of provisions for variable remuneration components in the form of an instrument for previous years based on the current price of the Bank's shares.

COSTS OF REMUNERATION OF THE SUBSIDIARIES' MANAGEMENT AND SUPERVISORY BOARDS (in PLN thousand)	2024	2023
Management Boards of the Companies		
Short-term employee benefits	27,335	33,490
Long-term employee benefits	4,528	3,525
Financial instruments-based payments settled in cash	6,905	2,917
Benefits to members of the Companies' Management Boards who ceased to perform their functions before the reporting date	9,248	1,448
Total	**48,016**	**41,380**
Supervisory Boards of the Companies		
Short-term employee benefits	2,085	2,415
Total	**2,085**	**2,415**

LOANS AND ADVANCES GRANTED BY THE BANK TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS AS AT THE REPORTING DATES (in PLN thousand)	31.12.2024	31.12.2023
Supervisory Board of the Bank	-	-
Management Board of the Bank	332	159
Total	332	159

In accordance with the Banking Law, the conclusion of credit transactions (such as loans, cash advances, bank guarantees, and sureties) with members of the Management Board and Supervisory Board of the Bank, individuals holding managerial positions within the Bank, and entities affiliated with them either by capital or organizational links, is conducted based on the Regulations adopted by the Bank's Supervisory Board.

The Regulations specify the special rules for making decisions regarding the conclusion of transactions with the aforementioned individuals and entities, including the decision-making levels authorized to make such decisions. In particular, the conclusion of a transaction with a member of the Bank's Management Board or Supervisory Board requires a decision to be made by the Bank's Management Board and Supervisory Board.

Members of the Bank's Management Board and Supervisory Board may use the loan products offered by the Bank according to the terms and conditions standardly offered by the Bank. In particular, with regard to these individuals, the Bank does not apply more favorable interest rates for loans.

The interest rates and repayment terms do not differ from the arm's-length conditions and repayment terms for similar banking products.

The Bank provides the key management personnel, members of the Supervisory Board and their families with standard financial services which comprise, among other things, operating bank accounts, accepting deposits, granting loans and providing other financial services. All these transactions are concluded on an arm's length basis.

In 2024, members of the Bank's Management Board and Supervisory Board in office as at 31 December 2024 received remuneration from the Bank's related entities in the amount of PLN 53 thousand (in 2023 – PLN 62 thousand).

- **VARIABLE REMUNERATION COMPONENTS**

The provision for variable remuneration components is presented under other liabilities in the item "provision for other employee benefits."

PROVISION FOR VARIABLE REMUNERATION COMPONENTS	31.12.2024 (for 2020-2024)	31.12.2023 (for 2019-2023)
Management Board (including members of the Bank's Management Board who ceased to perform their functions before the reporting date)	40	28
Other Risk Takers (persons holding managerial positions other than members of the Bank's Management Board)	104	87
Group companies	45	40
Total provision	189	155
REMUNERATION PAID DURING THE YEAR	2024 (for 2019-2023)	2023 (for 2018-2022)
- granted in cash	30	32
Management Board (including members of the Bank's Management Board who ceased to perform their functions before the reporting date)	1	5
Other Risk Takers (persons holding managerial positions other than members of the Bank's Management Board)	14	13
Group companies	15	14
- granted in the form of an instrument	34	15
Management Board (including members of the Bank's Management Board who ceased to perform their functions before the reporting date)	3	4
Other Risk Takers (persons holding managerial positions other than members of the Bank's Management Board)	25	7
Group companies	6	4
Total remuneration paid	64	47

66. LEASES

SIGNIFICANT ACCOUNTING POLICIES:

66.1. LEASES - LESSOR

The Group acts as a lessor in lease agreements relating to vehicles, buildings, including office space, and machinery and equipment. The Group conducts lease activities through the entities from the PKO Leasing S.A. Group and KREDOBANK S.A.

A lease agreement is classified as an operating lease if substantially all risks and benefits from owning the underlying assets are not transferred. In such an instance the Group records lease payments as income on a straight-line basis.

Property, plant and equipment leased under operating leases are recognised in a separate line in the statement of financial position in accordance with the accounting policy applicable to property, plant and equipment (note concerning accounting policies: "Property, plant and equipment", "Depreciation and amortisation", "Impairment losses").

Net income from operating leases is presented under "Fee and commission income", line: "Operating leases and fleet management". Such income comprises mainly fees for using leased assets, income on short-term rentals and net income or expense on fleet management services (including service, tyre replacement, provision of replacement vehicles). Expenses in respect of operating lease and fleet management comprise: mechanical repairs, tyre repairs, cost of fuel and cost of replacement vehicles. Income on operating leases was included together with the cost of depreciation of property, plant and equipment under operating leases.

After the lease commencement date, the Group measures the lease liability by:

- increasing the carrying value to reflect interest on the lease liability;
- reducing the carrying value to reflect the lease payments made; and
- remeasuring the carrying value to reflect any reassessment or lease modifications, or to reflect revised fixed lease payments.

Interest rate implicit in the lease applied by the Group is the rate of interest that causes the present value of the lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the Group.

Finance lease agreements are recognised as receivables in the amount equal to the current contractual value of the lease payments plus the potential not guaranteed residual value attributed to the lessor, determined as at the date of inception of the lease. Lease payments on finance leases are divided between interest income and a reduction in the balance of receivables in a manner enabling achieving a fixed interest rate on the remaining receivables.

Finance lease agreements are recognised under the heading "Loans and advances to customers".

66.2. LEASES - LESSEE

The Group classifies agreements under which it obtains the right to use the underlying asset for a given period in return for consideration as lease agreements or agreements containing a lease.

The Group applies exceptions and does not recognize right-of-use assets and liabilities with respect to:

- short-term leases, which include agreements without an option to buy an asset, concluded for a period not exceeding 12 months from the commencement of the agreement, in particular agreements concluded for an indefinite period with a short (up to 12 months) notice period, without significant penalties, which include in particular leasehold improvements incurred and relocation costs;
- low-value leases (an asset's value is lower than PLN 20,000, determined based on the value of a new asset, regardless of the age of the leased asset), excluding agreements for rental of space.

The Group initially measures lease liabilities at the present value of the lease payments outstanding as at that date.

The amount of the lease liability is affected by:

- fixed payments less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- any residual guarantees expected from the lessee;
- the exercise price of a purchase option if the probability that the Group would exercise that option is higher than 50%;
- payments of penalties for terminating the lease, if the lease agreement contains an option for the Group to terminate the lease as a lessee.

The Group does not classify variable fees that depend on external factors as lease payments.

After initial recognition the Group's lease liabilities are measured at amortized cost.

The Group records revaluation of lease liabilities as an adjustment to the right-of-use asset. If as a result of remeasurement the carrying amount of the right-of-use asset is reduced to zero and the lease liability is further reduced, the Group recognizes the remaining amount of the remeasurement as a profit or loss.

The Group's lease liability is presented under "Other liabilities", line item "Lease liabilities".

The Group initially measures the right-of-use assets, presented under "Property, plant and equipment" at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group.

The Group subsequently measures the right-of-use asset at cost less accumulated depreciation (depreciation calculated under the straight-line method) and accumulated impairment losses, adjusted for any remeasurement of the lease liability.

To discount future lease payments, the Group applies discount rates that:

- are calculated based on yield curves reflecting the cost of financing in a given currency;
- cover the tenor of the longest lease contract subject to measurement and reflecting - for a given currency - a fixed market interest rate and the Group's cost of financing (the tenors of the lease agreements are within the range from 1 to 99 years);
- have been read from the curve for maturity corresponding to one-half of the maturity of the lease agreement.

The Group performs quarterly updates of the incremental borrowing rate for lease agreements.

The Group applies the same discount rates for the portfolio of car leases and property leases, including rights to perpetual usufruct of land, taking into account the impact of the lease security on the discount rate applied.

The Group recognizes the lease payments relating to short-term and low-value leases as cost using the straight-line method, over the term of the lease. The differences between the amounts paid and those arising from the straight- line recognition of the costs are recorded as prepayments or accruals.

FINANCIAL INFORMATION

66.3. LESSEE

LESSEE - LEASE AMOUNTS RECOGNIZED IN THE INCOME STATEMENT	2024	2023
Costs related to short-term lease contracts	(17)	(13)
Costs related to lease contracts for low-value assets (other than short-term), non-deductible VAT expenses and service charges	(94)	(89)
Total	**(111)**	**(102)**

The interest expense on the lease liability is recognized under "Interest expense", line item "leases".

Depreciation charge for right-of-use assets is recognized under "Administrative expenses", line item "Amortization and depreciation".

A maturity analysis of lease liabilities separate from the maturity analyses of other financial liabilities is presented in note "Contractual cash flows from the Group's financial liabilities, including derivative financial instruments", Section "Contractual cash flows from the financial liabilities, excluding derivative financial instruments".

Within tangible right-of-use assets, 99% of their value is made up of land and buildings.

NON-CURRENT right-of-use assets	2024	2023
Gross carrying amount at the beginning of the period	**2,115**	**1,706**
Increases	315	461
Scrapping and sale	(18)	(47)
Other	1	(5)
Gross carrying amount at the end of the period	**2,413**	**2,115**
Accumulated amortization as at the beginning of the period	**(1,053)**	**(857)**
Amortization charge for the period	**(264)**	**(244)**
Scrapping and sale	**(1)**	**39**
Other	13	9
Accumulated amortization as at the end of the period	**(1,305)**	**(1,053)**
Impairment losses as at the beginning of the period	**(4)**	**(5)**
Reversed during the period	-	**1**
Impairment losses as at the end of the period	**(4)**	**(4)**
Carrying amount as at the beginning of the period, net	**1,058**	**844**
Carrying amount as at the end of the period, net	**1,104**	**1,058**

66.4. LESSOR – OPERATING LEASES

Within property, plant and equipment leased under operating leases, 99% of their value falls under the "other" category, including transport vehicles.

PROPERTY, PLANT AND EQUIPMENT UNDER OPERATING LEASES	2024	2023
Gross carrying amount at the beginning of the period	2,688	2,268
Increases	1,379	1,037
Scrapping and sale	(713)	(632)
Other	(41)	15
Gross carrying amount at the end of the period	**3,313**	**2,688**
Accumulated amortization as at the beginning of the period	**(568)**	**(500)**
Amortization charge for the period	(340)	(284)
Scrapping and sale	250	217
Other	8	(1)
Accumulated amortization as at the end of the period	**(650)**	**(568)**
Impairment losses as at the beginning of the period	**(3)**	**(4)**
Recognized during the period	(7)	-
Other	-	1
Impairment losses as at the end of the period	**(10)**	**(3)**
Carrying amount as at the beginning of the period, net	**2,117**	**1,764**
Carrying amount as at the end of the period, net	**2,653**	**2,117**

TOTAL FUTURE LEASE PAYMENTS UNDER IRREVOCABLE OPERATING LEASES – LESSOR	31.12.2024	31.12.2023
For the period:		
up to 1 year	467	393
from 1 to 2 years	295	250
from 2 to 3 years	152	118
from 3 to 4 years	48	32
from 4 to 5 years	9	4
Total	971	797

The average agreement period for operating lease agreements where the Group is a lessor is usually 38 months. The lessee bears service and insurance costs.

66.5. Lessor – Finance leases

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

GROSS INVESTMENT IN THE LEASE AND MINIMUM LEASE PAYMENTS RECEIVABLE 31.12.2024	Gross investment in the lease	of which:		Unrealized income	Net investment in the lease
		Non-discounted lease payments	Non-discounted not guaranteed residual values attributable to the lessor		
Lease receivables, gross:					
up to 1 year	9,398	9,344	54	(1,324)	8,074
1 to 2 years	6,568	6,511	57	(807)	5,761
from 2 to 3 years	4,340	4,309	31	(421)	3,919
from 3 to 4 years	2,335	2,319	16	(185)	2,150
from 4 to 5 years	1,028	1,018	10	(62)	966
more than 5 years	452	451	1	(34)	418
Total gross	24,121	23,952	169	(2,833)	21,288
Allowances for expected credit losses	(831)	(831)	-	-	(831)
Total, net	23,290	23,121	169	(2,833)	20,457

GROSS INVESTMENT IN THE LEASE AND MINIMUM LEASE PAYMENTS RECEIVABLE 31.12.2023	Gross investment in the lease	of which:		Unrealized income	Net investment in the lease
		Non-discounted lease payments	Non-discounted not guaranteed residual values attributable to the lessor		
Lease receivables, gross:					
up to 1 year	8,773	8,720	53	(1,190)	7,583
1 to 2 years	6,092	6,031	61	(737)	5,355
from 2 to 3 years	4,068	4,036	32	(387)	3,681
from 3 to 4 years	2,193	2,179	14	(172)	2,021
from 4 to 5 years	961	955	6	(60)	901
more than 5 years	418	417	1	(30)	388
Total gross	22,505	22,338	167	(2,576)	19,929
Allowances for expected credit losses	(829)	(829)	-	-	(829)
Total, net	21,676	21,509	167	(2,576)	19,100

67. Information on the audit firm authorized to audit the financial statements

On 15 December 2022, the Supervisory Board, pursuant to § 15 clause 1 point 2 of the Bank's Articles of Association, selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. (KPMG) as the audit firm to audit and review the financial statements of the Bank and of the Bank's Group for the years 2024–2026. KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw, ul. Inflancka 4A, is entered in the list of audit firms kept by the Polish Agency for Audit Oversight under number 3546. On 14 February 2024, the Bank concluded an agreement with KPMG for the audit and review of the financial statements of the Bank and the Bank' Group for the years 2024-2026.

The financial statements of the Bank and the Bank Group for the period 2020-2023 were audited by PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k (PwC) in accordance with the Supervisory Board decisions of 13 December 2018 and 23 September 2021.

TOTAL AMOUNT OF NET REMUNERATION DUE TO THE AUDIT FIRM AUDITING THE FINANCIAL STATEMENTS IN RESPECT OF: (in PLN thousand)	2024 (KPMG)	2023 (PWC)
audit of financial statements of the Bank and consolidated financial statements of the Group	2,089	1,913
assurance services, including reviews of the financial statements	1,963	1,737
Total	**4,052**	**3,650**

68. Impact of the geopolitical situation in Ukraine on the PKO Bank Polski S.A. Group

The macroeconomic situation in Ukraine, including in the banking sector, and the measures taken by the Group in connection with the geopolitical situation in Ukraine are described extensively in the Group's consolidated financial statements for the year ended 31 December 2023 in the note **"Impact of the geopolitical situation in Ukraine on the PKO Bank Polski S.A. Group"**.

Armed aggression of the Russian Federation on Ukraine has negative consequences for the financial system and the banking sector of Ukraine. However, the adaptation of business and the general population to war conditions, the rebound in economic activity, the resolution of some of the logistical problems, high crop yields and significant budgetary spending on infrastructure reconstruction and defence led to a revival of economic growth in 2023, continuing also in 2024.

The warfare has adversely affected the Ukrainian banking sector, including in particular through a reduction in the loan portfolio due to a significant reduction in new lending. Reductions do not apply to lending under the state's "5-7-9" programme to support the development of small and medium-sized enterprises and loans granted by state-owned banks to strategic sectors and companies. However, starting from 2024, the loan portfolio began to grow dynamically – after a 1% year-on-year decline in 2023, preliminary data from the NBU indicates that the sector's loan portfolio increased by 11% in 2024. Throughout 2024, the liquidity of the banking system also steadily improved, with client funds inflows into the banking system reaching 16%, including a 13% increase in retail deposits and an 18% increase in corporate deposits.

The regulations of the National Bank of Ukraine (NBU) introducing simplified requirements for the day-to-day operations of banks continue to apply. The NBU continues a process of amendments aimed at ensuring the timely and adequate assessment of credit risk and the adequate assessment of liquidity and capital requirements by banks. On 5 August 2024, the NBU resolutions governing the new approach to the calculation of a bank's regulatory capital and implementing the new capital adequacy requirements (the method for calculating capital will be similar to that applied to EU banks) entered into force.

KREDOBANK S.A.'s liquidity situation, despite the ongoing conflict in Ukraine, remained stable and secure. KREDOBANK S.A. did not experience a material decline in liquidity measures or significant deposit outflows. The capital adequacy ratios of KREDOBANK S.A. as of December 31, 2024, remain significantly above the regulatory level.

As at 31 December 2024, the Group updated the analysis of the business loans portfolio of its Polish customers from the perspective of the customers' exposure to the adverse effects of the military conflict in Ukraine. If we adopt a threshold of at least 5% of the turnover generated from transactions with counterparties from Russia, Belarus or Ukraine, the risk-exposed portfolio amounts to PLN 1.7 billion (PLN 2.5 billion as at 31 December 2023).

For the purpose of the measurement of credit exposures, the Group considered the information on the scale of the Polish customers' business relations with partners from Ukraine, Belarus and Russia, and performed an assessment of various scenarios of development of the macroeconomic situation.

The exposures of these customers were classified to Stage 2 and were subject to the valuation of expected credit losses throughout their lifetime. If the probability of a customer not repaying its loan liabilities was assessed as high, the exposures were reclassified to Stage 3. Retail exposures granted to Russian, Belarusian or Ukrainian nationals, which as at 31 December 2024 amounted to PLN 140 million (PLN 151 million as at 31 December 2023), were reclassified by the Group into Stage 2 and their credit risk was measured over the life of these loans

As at 31 December 2024, the allowance for expected credit losses for the above portfolios amounted to PLN 78 million (PLN 80 million as at 31 December 2023).

69. Interest rate benchmarks reform

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

- ### Announcement on the use of a replacement for WIBOR

The Act of 7 July 2022 on the crowdfunding of business ventures and on assistance for borrowers initiated the reform of the WIBOR index.

A National Working Group on Benchmark Reform (NWG) has been established in 2022 to ensure the credibility, transparency and reliability of the development and application of the new benchmark interest rate. It comprises representatives of the Ministry of Finance, the NBP, the PFSA Office, the BGF, the Polish Development Fund, the WSE, the National Depository for Securities, Bank Gospodarstwa Krajowego, the WSE Benchmark, as well as representatives of banks, investment fund companies, insurance companies, factoring and leasing companies, entities that are issuers of bonds, including corporate and municipal bonds, and clearing houses. The work of the National Working Group shall be coordinated and supervised by the Steering Committee.

On 1 September 2022, the Steering Committee (SC) decided to choose the WIRON index as an alternative interest rate benchmark, calculated based on the actual overnight (ON) transactions concluded with large enterprises and financial institutions. WIRON was intended to become a critical interest rate benchmark within the meaning of BMR, applied in financial agreements and instruments. A Road Map was adopted, specifying a schedule of actions aimed at replacing WIBOR with WIRON in accordance with the BMR. On 13 February 2023, the PFSA Office announced that WIRON had become an interest rate benchmark.

On 29 March 2024, the SC decided to commence a review and analysis of risk-free-rate (RFR) replacement choices for WIBOR benchmark. A public consultation was held in the period from June to October 2024.

On 10 December 2024, the SC announced its decision to select the proposed index marked with technical name WIRF- and based on unsecured deposits of Credit Institutions and Financial Institutions as the ultimate interest rate benchmark to replace the WIBOR benchmark. The administrator of WIRF- as defined in the BMR Regulation will be GPW Benchmark S.A., a company registered with the European Securities and Markets Authority (ESMA). Thus, the SC has reviewed and modified its previous decision to select WIRON. The next step for the SC will be to update the Roadmap as part of the current schedule of activities (the final deadline for completion of the benchmark reform is at the end of 2027) aimed at replacing the WIBOR benchmark with the ultimate WIRF- benchmark, whose final name is to be chosen in the course of further work. WIRF- is ultimately to become the key interest rate benchmark as defined in the BMR which can be applied in financial contracts (e.g. credit agreements), financial instruments (e.g. debt securities or derivatives) and by investment funds (e.g. to determine the asset management fees).

- ### Adaptation of the Capital Group and the Bank

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

Since the third quarter of 2020, the Group, starting with the reform of LIBOR benchmarks, has been running an inter-disciplinary project supervised by members of the Management Board of the Bank with the participation of subsidiaries' representatives from PKO Bank Hipoteczny, PKO Leasing S.A. and PKO Faktoring S.A. related to the adjustment of the Bank and its subsidiaries to changes introduced as part of the benchmark reform, in particular as regards:

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

Representatives of many organisational units of the Bank, including in particular those responsible for product areas, as well as issues related to risk and financial management, participate in the project's works. On the part of the companies, representatives of PKO Bank Hipoteczny, PKO Leasing S.A and PKO Faktoring S.A participate. The structure of the project takes into account the division into streams covering products and processes where there is an element of applying the WIBOR reference index and the cyclical reporting of statuses with regard to individual streams.

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

The Group will work to start offering products using the new benchmark. The withdrawal of products where the WIBOR or WIBID benchmark is used will be done gradually.

The tables below show the Group's exposure to WIBOR as at 31 December 2024 and 31 December 2023.

Financial assets	Exposures with interest rate based on WIBOR	
	31.12.2024	31.12.2023
Amounts due from banks	3,115	2,878
Securities	21,489	17,410
Reverse repo transactions	589	253
Loans and advances to customers	210,516	189,803
Total assets	**235,709**	**210,344**

Financial liabilities and off-balance sheet liabilities	Exposures with interest rate based on WIBOR	
	31.12.2024	31.12.2023
Amounts due to customers	8,130	7,845
Subordinated liabilities	4,291	2,774
Liabilities in respect of debt securities in issue	1,846	3,683
Provisions for financial liabilities and guarantees granted	254	359
Total liabilities	**14,521**	**14,661**
Financial liabilities and guarantees granted	37,679	39,390
Hedging derivatives - nominal value	86,337	59,434

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

- HEDGE ACCOUNTING

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

70. SUBSEQUENT EVENTS

- On 2 January 2025, the Bank, acting on the basis of the terms and conditions of the bond and with the approval of the BGF, informed bondholders that it had decided to carry out an early redemption of all the bonds bearing ISIN code XS2582358789. The redemption date was 1 February 2025 and the redemption amount was payable on 3 February 2025, being the first business day after 1 February 2025.
- On 16 January 2025, under the EMTN Programme, the Bank issued Senior Preferred Bonds with a maturity of three years and five months, with the possibility of early redemption two years and five months after the date of issue (subject to the approval of the BFG), with a total nominal value of EUR 750 million on the basis of a prospectus approved on 15 March 2024 by the Commission de Surveillance du Secteur Financier. The coupon of the issue is fixed, at 3.375%, payable annually until the early redemption date (and variable thereafter, with quarterly payments), Moody's Investors Service has assigned a rating of A3 to the issue. The bonds were admitted to trading on a regulated market on the Luxembourg Stock Exchange. The Bank also intends to list the bonds on the regulated market in Warsaw.
- On 30 January 2025, the Group concluded an annex to the guarantee agreement providing unfunded credit protection in respect of a portfolio of selected corporate credit receivables of the Group, in accordance with the CRR ("Guarantee"), discussed in more detail in the note "CONTINGENT LIABILITIES AND OFF-BALANCE SHEET LIABILITIES RECEIVED AND GRANTED" Following the execution of the annex, the terms and conditions of the Guarantee have changed to the effect that the total value of the Group's debt portfolio covered by this Guarantee is PLN 16,886 million, and the portfolio consists of the bond portfolio of PLN 2,365 million ("Portfolio A") and the portfolio of other receivables of PLN 14,521 million ("Portfolio B"). The coverage ratio is 100% for Portfolio A and 80% for Portfolio B, with the total maximum amount of the Guarantee remaining unchanged at PLN 13,982 million.
- On 14 February 2025, BSafer spółka z o.o. (a joint venture of PKO VC -fizan, which is in the Bank Group) filed a bankruptcy petition with the court due to its insolvency.
- On 20 February 2025, PKO Bank Hipoteczny S.A. (a subsidiary of the Bank) carried out a subscription for mortgage covered bonds, series 15, with a nominal value of PLN 800 million, issued on 27 February 2025 with a maturity date of 27 February 2029. The covered bonds bear interest at a floating rate of 3M WIBOR + a margin of 0.80 bps.

SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

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

SIGNATURE OF A PERSON WHO IS RESPONSIBLE FOR MAINTAINING THE ACCOUNTING RECORDS

- Danuta Szymańska Director of the accounting division

The original Polish document is signed with a qualified electronic signatures