



Bank Polski

The PKO Bank Polski S.A. Group Directors' Report for 2023

prepared jointly with the PKO Bank Polski S.A. Directors' Report

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

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1. INTRODUCTION

Characteristics of operations of the PKO Bank Polski S.A. Group
The PKO Bank Polski S.A. Group - history
Main events and financial results achieved in 2023
Changes in the composition of the Management Board and Supervisory Board of PKO Bank Polski S.A.
The PKO Bank Polski S.A. Group development paths
The PKO Bank Polski S.A. Group market position

1.1 CHARACTERISTICS OF OPERATIONS OF THE PKO BANK POLSKI S.A. GROUP

The Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (**PKO Bank Polski S.A. Group** or **the Bank's Group**) is one of the largest groups of financial institutions in Poland and in Central and Eastern Europe.

The Parent of the Bank's Group is Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (**PKO Bank Polski S.A.** or **the Bank**). PKO Bank Polski S.A. is the largest commercial bank in Poland and the leading bank on its home market in terms of the scale of operations, equity, loans, savings, number of Customers and size of the distribution network. PKO Bank Polski S.A. is a universal bank that services individuals, legal entities and other Polish and foreign entities.

Apart from strictly banking operations, the Bank's Group also provides services in respect of leases, factoring, investment funds, pension funds and insurance, car fleet management services, transfer agent services, provides technological solutions, outsources IT professionals and supports other entities' operations, manages properties. The Bank's Group conducts banking operations and provides financial services outside Poland through its branches in the Federal Republic of Germany (German Branch), the Czech Republic (Czech Branch) and the Slovak Republic (Slovak Branch), as well as through its subsidiaries in Ukraine, Sweden and Ireland.

More than 11.9 million
of the Bank's Customers



Nearly 7.8 million
of active IKO applications



The PKO Bank Polski S.A. Group develops not only in its traditional area of operations, i.e. retail banking. It is also the leader in servicing corporate Customers and companies and enterprises (in particular in respect of financing them), and on the market of financial services for communes (gminy), counties (powiaty), voivodeships and to the budget sector. It is also the major managing underwriter of issues of municipal bonds.

The PKO Bank Polski S.A. Group has the largest share in the Polish banking sector (21.3%), in loans (18.1%), in sales of mortgage loans (35.9%) and the market for investment funds for individuals (20.1%). PKO Bank Polski S.A. is the leader in terms of current accounts and payment cards.

Increasing customer activity in the digital world, dynamic changes due to macroeconomic shifts and technology trends, the geopolitical situation and emerging regulatory requirements, as well as other variables, are driving growing expectations in the area of IT development. The Bank's Group offers customer-oriented, modern, secure and comprehensive services through digital access channels. Customers use iPKO and IKO as means of modern banking, which extends outside the traditional financial area. PKO Bank Polski S.A., in cooperation with Operator Chmury Krajowej S.A. and other global providers of cloud services, has consistently followed its "path towards the cloud". The bank develops business operations and supports research and implementation efforts using secure, cutting-edge solutions, including those based on artificial intelligence and advanced data analytics, as well as robotics and automation.

As at the end of 2023, the branch network of PKO Bank Polski S.A. covered 945 own outlets (including branches, offices and centres) and 286 agencies. More than 3,000 ATMs were put at the disposal of the Bank's customers.

The PKO Bank Polski S.A. Group is one of the largest and best assessed employers in Poland. As at the end of 2023, the PKO Bank Polski S.A. Group employed over 25.6 thousand FTEs.

THE PKO BANK POLSKI S.A. GROUP BETWEEN 2019 AND 2023

	2023	2022	2021	2020	2019
Statement of financial position (in PLN million)					
Total assets	501,516	431,447	418,086	376,966	347,897
Total equity	45,227	35,707	37,693	39,911	41,578
Own funds	43,807	43,759	42,112	41,516	42,330
Financing granted to customers	262,920	247,619	247,572	235,727	244,083
Customer deposits	399,193	338,868	322,296	282,356	256,170
Net profit/loss	5,502	3,312	4,874	-2,557	4,031
Financial ratios					
ROA net	1.2%	0.8%	1.2%	-0.7%	1.2%
ROE net	13.3%	9.6%	12.1%	-6.0%	10.0%
C/ ¹⁾	31.6%	45.0%	40.4%	40.9%	41.3%
Interest margin ²⁾	4.4%	3.8%	2.7%	3.0%	3.4%
Share of impaired exposures	3.44%	3.79%	3.98%	4.43%	4.26%
Cost of credit risk	0.50%	0.52%	0.55%	0.78%	0.46%
Total capital ratio	18.65%	19.07%	18.73%	18.18%	19.88%
Operational data					
Number of customers of PKO Bank Polski S.A. (K), including:	11,911	11,666	11,120	11,006	10,933
Individuals (K)	11,290	11,071	10,541	10,463	10,427
Companies and enterprises (K)	603	578	563	526	491
Corporate Customers (K)	18	18	17	16	16
Number of branches of PKO Bank Polski S.A.	9,279	9,049	8,490	8,257	8,012
Number of employees (in FTEs)	945	967	975	1,004	1,115
Number of current accounts with the Bank (K)	25,601	25,071	25,657	25,859	27,708
Information on shares					
Stock exchange capitalization (in PLN million)	62,900	37,863	56,163	35,900	43,075
Number of shares (in million)	1,250	1,250	1,250	1,250	1,250
Share price (in PLN)	50.32	30.29	44.93	28.72	34.46
Dividend per share (in PLN) (paid in the current year from profit for the preceding years)	0.00	1.83	0.00	0.00	1.33

- 1) Data for the years 2021-2019 does not take into account presentation changes made in 2023, 2022 and 2020 which could have had an impact on the amount of the result on business activities and operating expenses.
- 2) The interest margin in 2022 was calculated excluding the impact of the recognition in the third quarter of 2022 of the effects of the Act on crowdfunding for business ventures and assistance for borrowers (so-called statutory loan holidays) of PLN 3,111 million.

1.2 THE PKO BANK POLSKI S.A. GROUP – HISTORY

The PKO Bank Polski S.A. Group has been offering services to its retail and institutional customers for more than 100 years. The main events in the history of the Bank and the Bank's Group.

1. Poczta Kasa Oszczędności was established on 7 February 1919 by virtue of a decree signed by the Head of the country, Józef Piłsudski, Prime Minister Ignacy Paderewski and Hubert Linde – PKO's founder and first president.
2. Poczta Kasa Oszczędności was vested with legal personality as a state institution, operating under the supervision of and with the guarantee of the State.
3. The first local branch of Poczta Kasa Oszczędności was opened in Poznań.
4. Poczta Kasa Oszczędności began running School Savings Unions (Szkolne Kasy Oszczędności).
5. On the initiative of Poczta Kasa Oszczędności, the Ministry of the Treasury decided to set up Bank Polska Kasa Opieki (today Pekao S.A.) as a joint-stock company to facilitate the transfer of foreign currencies to Poland by Poles living abroad.

	<ol style="list-style-type: none">6. Poczta Kasa Oszczędności strongly contributed to the development of non-cash transactions – every other larger industrial plant and every large enterprise had a cheque account with Poczta Kasa Oszczędności, and the cheque turnover in Poland was one and a half times higher than the cash turnover.
1939-1945	<p>The Second World War was a period in which Poczta Kasa Oszczędności's activity came to a standstill and it suffered huge losses.</p>
1946-1990	<ol style="list-style-type: none">1. Poczta Kasa Oszczędności was transformed into Powszechna Kasa Oszczędności.2. The Banking Law Act introduced a privilege for saving deposits held in Powszechna Kasa Oszczędności; they were covered by a State guarantee.3. Powszechna Kasa Oszczędności introduced a modern product: a current account.4. In the years 1975–1987, Powszechna Kasa Oszczędności was merged into the structures of the National Bank of Poland (NBP), yet it retained its identity.
1991-2001	<ol style="list-style-type: none">1. The first Internet information portal of the Bank and the first e-PKO Internet branch were launched.2. PKO Towarzystwo Funduszy Inwestycyjnych S.A. (PKO TFI S.A.) began its operations.3. PKO BP BANKOWY PTE S.A. was formed.4. Bankowy Fundusz Leasingowy S.A. (currently PKO Leasing S.A.) was formed which provides operating and finance leases of non-current assets and property.5. PKO Bank Polski S.A., as one of the founders, formed Centrum Elektronicznych Usług Płatniczych eService S.A. (currently CEUP eService sp. z o.o.).6. In 2000, the Bank was transformed into a joint-stock company fully-owned by the State Treasury under the name Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (PKO Bank Polski S.A.).
2002-2009	<ol style="list-style-type: none">1. The Bank acquired Inteligo Financial Services S.A., a company that provides services covering the maintenance and development of banking systems, also including electronic access to bank accounts (Inteligo account).2. The Bank acquired 66.65% shares in KREDOBANK S.A. The company is registered and operates in Ukraine. At present, the Bank holds 100% of shares in the company's share capital.3. In 2004, PKO Bank Polski S.A. was floated on the WSE. At the end of the first day of quotations, shares reached a price of PLN 24.50 against the issue price fixed at PLN 20.50.4. PKO BP Faktoring S.A. (currently PKO Faktoring S.A.) began operating.
2010-2015	<ol style="list-style-type: none">1. 2013–2015 strategy: "PKO Bank Polski. Every day the best" strengthened the position of the Bank's Group as a leader in key market segments.2. In 2013, PKO Bank Polski S.A. set a new standard of mobile payments – IKO. The innovative solution on the market of mobile payments was used to create the BLIK payment system in 2015, which became a standard on the Polish market.3. The Bank signed an agreement for a twenty-year strategic alliance in the electronic payment market with EVO Payments International Acquisition GmbH, and at the same time sold a significant portion of shares in CEUP eService sp. z o.o.4. PKO Bank Hipoteczny S.A. was formed. Its operations include issuing long-term mortgage covered bonds and granting long-term mortgage loans to retail customers.5. PKO Bank Polski S.A. acquired shares in the Nordea Group companies, including shares in Nordea Bank Polska S.A., and a portfolio of amounts due from corporate customers. In October 2014, the merger of the banks was carried out.6. PKO Towarzystwo Ubezpieczeń S.A. was formed. The Company provides property insurance services to the retail customers of PKO Bank Polski S.A.7. PKO Bank Polski S.A. started its expansion into foreign markets and established its first foreign branch abroad (in Frankfurt-am-Main in the Federal Republic of Germany).
2016-2021	<ol style="list-style-type: none">1. PKO Bank Polski S.A. implemented the strategy for 2016-2020 "We support the development of Poland and the Poles" and strategy for 2020-2022 "PKO Bank of the Future".2. PKO Leasing S.A. – the Bank's subsidiary – acquired Raiffeisen-Leasing Polska S.A. and Prime Car Management S.A. (with their subsidiaries). This allowed PKO Leasing S.A. to strengthen its position on the lease market, as well as to extend its offer of car fleet management services and rental of cars.3. The Bank's Group acquired KBC TFI S.A. and the merger with PKO TFI S.A. helped additionally accelerate the rapid development of PKO TFI S.A., and strengthened its leading position in the retail funds segment.

4. The Bank's portfolio of investment projects expanded by Operator Chmury Krajowej sp. z o.o. (cloud computing services), which was joined by another shareholder – Polski Fundusz Rozwoju S.A.
5. The Bank established an investment fund managed by PKO TFI S.A. under the business name PKO VC, which pursues an appropriate policy for a venture capital funds and invests in financial technological innovations.
6. PKO Bank Polski S.A. continued its development abroad and established a corporate branch in Prague (the Czech Republic) and in Bratislava (the Slovak Republic).
7. According to the Inteliace Research report, PKO Bank Polski S.A. was the largest bank in the CEE region in terms of assets in 2020.

2022-2023

1. In June 2022, PKO Bank Polski S.A. and 7 other banks established a system for the protection of commercial banks to ensure the liquidity and solvency of its participants, as well as to support the resolution regime carried out by the Bank Guarantee Fund (BGF).
 2. In the first half of 2023, a branch in Romania was opened. The operational launch of the Bucharest branch is planned for 2024.
 3. PKO Bank Polski S.A. has been implementing its strategy for 2023-2025 "Prepared for the challenges, focused on the future". The strategy involves leveraging the Bank Group's competitive advantages: the scale of operations, digital and technological advancement as well as security and stability. The Bank's efforts will be focused on people – customers and employees, as well as innovation and technology.
-

1.3 MAIN EVENTS AND FINANCIAL RESULTS ACHIEVED IN 2023

1.3.1 MORTGAGE LOANS IN FOREIGN CURRENCIES AND INCREASE IN THE LEGAL RISK COST

PKO Bank Polski S.A. continued offering settlements to its retail customers who had active loans in Swiss Francs (CHF), which were intended for satisfying their own housing needs.

For information on settlements and the cost of legal risk, see Section 8.1 "Support for borrowers".

1.3.2 ISSUE OF EUROBONDS TO COVER THE MINIMUM LEVEL OF OWN FUNDS AND ELIGIBLE LIABILITIES (MREL) REQUIREMENT

On 8 August 2022, the Management Board of the Bank approved the establishment of a programme for the issue of Eurobonds by the Bank as the issuer (the Euro Medium Term Notes Programme – the "EMTN Programme") of up to EUR 4 billion. Under the EMTN Programme, it will be possible to issue unsecured Eurobonds in any currency, including those in respect of which obligations may be classified as eligible liabilities or as the Bank's own funds. Bonds issued under the EMTN Programme will be registered with the international central securities depository (ICSD) operated by Euroclear Bank SA/NV or Clearstream Banking société anonyme.

On 16 December 2022, the Moody's Investors Service rating agency assigned a (P)Baa3 rating to the EMTN Programme, for the unsecured bonds designated as Senior Non Preferred.

On 20 December 2022, the Prospectus for the EMTN Programme was approved by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg. On 20 January 2023, the CSSF approved the first Supplement to the prospectus for the EMTN Programme.

On 1 February 2023, the Bank, as part of its inaugural EMTN issue allowing it to cover the senior portion of the requirement (being the difference between the MREL requirements denominated on a consolidated basis and the MREL on a stand-alone basis), issued 3-year Senior Preferred Notes with a total value of EUR 750 million, with the possibility of early redemption two years after the issue. The coupon of the issue is fixed, at 5.625%, 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 and the Warsaw Stock Exchange (WSE) (in April 2023).

1.3.3 INTEREST RATE BENCHMARKS REFORM IN POLAND, CONCLUSION OF THE FIRST TRANSACTION BASED ON THE WIRON INTEREST RATE INDEX

Since the third quarter of 2020, the PKO Bank Polski S.A. 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. The work is being carried out by the National Working Group for Benchmark Reform (NWG), appointed by the Office of the Polish Financial Supervision Authority (PFSA Office). In 2023, the Steering Committee of the NWG (NWG SC) endorsed the following recommendations:

- on the standard OIS transaction based on WIRON;
- on the application of the WIRON index in issues of floating-rate debt securities;
- on the rules and methods of applying the WIRON benchmark (or benchmarks from the WIRON Compound Indices Family) when entering into new contracts for benchmark-based products in PLN offered by financial market entities;
- on the rules and methods of applying the WIRON interest rate index (or indices from the WIRON Compound Indices Family) when entering into new contracts in PLN for factoring products (excluding discounting products) for benchmark-based products in PLN offered by financial market entities;
- on the methods of applying the WIRON interest rate index (or indices from the WIRON Compound Indices Family) when entering into new agreements in PLN for leasing products for interest rate benchmark-based products in PLN offered by financial market entities;
- on the use of a replacement rate for the WIBOR benchmark in interest rate derivatives;
- on the rules and methods of conversion of existing issues of debt securities where WIBOR is used.

In January 2023, PKO Bank Polski S.A. and ING Bank Śląski S.A. executed the first transaction in the Polish financial market for which the WIRON interest rate index has been applied. The financial instrument being traded was an interest-rate derivative contract – Overnight Index Swap (OIS). With the transaction, the banks have tested the operational and technological capacity for applying WIRON in financial instruments.

On 13 February 2023, the PFSA Office announced that WIRON had become an interest rate benchmark. Banks may apply the WIRON benchmark to determine interest rate on consumer loans or mortgage loans.

On 25 October 2023, the NWG SC decided to revise the deadlines for the Road Map for the process of replacing the WIBOR and WIBID benchmarks indicating a final conversion date of the end of 2027. The NWG SC announced that neither the directions of the interest rate benchmark reform in Poland nor the scopes of measures planned to date in the Roadmap are changing.

1.3.4 WITHDRAWAL FROM THE INVESTMENT PROCESS RELATING TO THE POTENTIAL ACQUISITION BY PKO BANK POLSKI S.A. OF THE SHARES IN BANK POCZTOWY S.A.

On 31 October 2023, PKO Bank Polski S.A. decided to withdraw from the investment process relating to the potential acquisition by the Bank from Poczta Polska S.A. of the block of shares in Bank Pocztowy S.A. held by Poczta Polska S.A. i.e. 75% – 10 shares of Bank Pocztowy S.A. (the “Transaction”), and decided to discontinue any work relating to the Transaction ([Current report No 22/2023](#)).

1.3.5 PKO BANK POLSKI S.A.'S PARTICIPATION IN ANOTHER EDITION OF EUROPEAN STRESS TESTS

PKO Bank Polski S.A. participated in another edition of the European stress tests conducted in 2023 by the European Banking Authority with the involvement of the Polish Financial Supervision Authority, the European Central Bank and the European Systemic Risk Board. The test was attended by 70 banks from 16 European Union (EU) and European Economic Area countries, covering 75% of the EU banking sector assets.

The pan-European stress tests carried out in 2023 do not have a passing threshold, but can serve as an important source of information for the supervisory review and evaluation process (SERP) and can assist competent authorities in assessing the Bank's ability to meet prudential requirements under stress scenarios.

According to the findings of the pan-European stress tests in 2023, the Bank's consolidated Common Equity Tier 1 (CET1) capital ratio would be 22.27% in 2025 in the baseline scenario and 13.26% in the stress scenario (the consolidated CET1 at the end of 2022 would be 17.67%). Without the application of the transition periods, the Bank's consolidated Common Equity Tier 1 (CET1) ratio would remain unchanged at the end of 2025 (it would be 16.48% at the end of 2022). The results of the tests reflect the Bank's prudential approach to simulations carried out for European and national supervisory purposes.

The most significant factor affecting the reduction in consolidated capital ratios at the end of 2025 in the stress scenario was the recognition of the effects of the cost of legal risk associated with mortgage loans denominated in and indexed to CHF on the Bank's projected performance in 2023-2025.

1.3.6 BUSINESS DEVELOPMENT

In 2023, the Bank's Group developed products and services, including those offered via remote channels:

- it has launched a process for handling applications for mortgage loans under the Government's Safe 2% Loan programme at PKO Bank Polski;
- it has launched mobile authorisation in iPKO biznes for corporate and business customers of PKO Bank Polski to facilitate companies' day-to-day management of their finances;
- it has launched the option for PKO Bank Polski customers to confirm their identity with an electronic ID card (mDowód) (using the mObywatel 2.0 application on a smartphone) instead of a traditional ID card, when handling banking matters in branches;
- it has launched multi-person access for companies to the PKO Bank Polski online service, enabling joint management of the company's finances by several authorised persons, in accordance with the method of representation established by the company;
- it has extended the range of additional VAS (value added services) on the iPKO website and the IKO mobile app with further services: Telemedicine, i.e. online physician consultations, "Safely online" (protection against cyber threats) and "Safe Screen" (smartphone screen insurance).

The number of active IKO applications reached a record high of 7.8 million on the Polish banking market at the end of 2023.

1.3.7 FINANCIAL PERFORMANCE

The PKO Bank Polski S.A. Group's financial performance delivered in 2023 was significantly affected by an environment of high market interest rates, as well as regulatory and legal factors relating to the cost of legal risk of mortgages in convertible currencies.

Table 1. Basic financial data of the Bank's Capital Group (PLN million)

	2023	2022	Zmiana (r/r)
Net profit/loss	5,502	3,312	+66.1%
Net interest income	18,318	11,424	+60.3%
Net fee and commission income	4,626	4,498	+2.8%
Result on business activities	24,179	17,254	+40.1%
Administrative expenses	-7,635	-7,769	-1.7%
Tax on certain financial institutions	-1,231	-1,266	-2.8%
Net write-downs and impairment	-6,850	-3,523	+94.4%
Total assets	501,516	431,447	+16.2%
Total equity	45,227	35,707	+26.7%
ROE net	13.3%	9.6%	+3.7 p.p.
ROA net	1.2%	0.8%	+0.4 p.p.
C/I (cost to income ratio)	31.6%	45.0%	-13.4 p.p.
Interest margin ¹⁾	4.37%	3.79%	+0.58 p.p.
Share of impaired exposures	3.44%	3.79%	-0.35 p.p.
Cost of credit risk	0.50%	0.52%	-0.02 p.p.
Total capital ratio	18.65%	19.07%	-0.42 p.p.
Common equity Tier 1 (CET 1)	17.77%	17.94%	-0.17 p.p.

1) The interest margin in 2022 was calculated excluding the impact of the recognition in the third quarter of 2022 of the effects of the Act on crowdfunding for business ventures and assistance for borrowers (so-called statutory loan holidays) of PLN 3,111 million.

The consolidated net profit of the PKO Bank Polski S.A. Group earned in 2023 amounted to PLN 5,502 million and was PLN 2,190 million higher than in 2022. The increase in the net profit was due to the following:

- 1) an improvement in the result on business activities of PLN 6,925 million which reached PLN 24,179 million, mainly due to:
 - an increase in net interest income by PLN 6,894 million, driven by an increase in interest income related mainly to the higher average level of market interest rates and the recognition of the effects of statutory loan holidays of PLN 3,111 million in the third quarter of 2022, with a simultaneous increase in financing costs;
 - an increase in net fee and commission income by PLN 128 million, driven by higher results generated on cards, lending, operating leases and investment funds;
 - a decrease in other profit/loss by PLN 97 million, including mainly a decrease in the result on financial transactions (due to a deterioration in the result on derivatives) and in the result on insurance (due to a decrease in the sale of mortgage insurance and an update of actuarial assumptions).
- 2) deterioration in net write-downs and impairment of PLN 3,327 million as a result of:
 - recognition in 2023 of the cost of legal risk related to mortgage loans in convertible currencies of PLN 5,430 million, i.e. PLN 3,516 million more than in 2022;
 - an improvement of net write-downs and impairment (excluding the cost of legal risk) by PLN 189 million mainly due to the improved quality of the portfolio of corporate entities, companies and enterprises.
- 3) a decrease in administrative expenses by PLN 134 million, including a decrease in regulatory costs by PLN 1,265 million (as a result, among other factors, of the recognition in 2022 of an expense relating to the contribution to the assistance fund to System Ochrony Banków Komercyjnych S.A. in the amount of PLN 956 million and the cost of contributions to the Borrower Support Fund in the amount of PLN 314 million), with an increase in employee benefits expenses by PLN 738 million and an increase in material costs by PLN 326 million.

In 2023, there was an increase in the scale of operations of the Bank's Group:

- total assets reached a record level of PLN 502 billion (+PLN 70 billion y/y);
- amounts due to customers increased to approx. PLN 399 billion (PLN +60 billion y/y), mainly as a result of an increase in both retail and private banking deposits;

- financing granted to customers amounted to approximately PLN 263 billion (+PLN 15 billion y/y), there was an increase in financing in both the corporate and retail segments;
- liquid assets (i.e. amounts due from banks, cash, balances with the Central Bank and securities from the banking book) amounted to nearly PLN 213 billion (PLN +60 billion y/y).

1.4 CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF PKO BANK POLSKI S.A.

SUBSEQUENT EVENTS

On 2 February 2024, the Extraordinary General Shareholders' Meeting (EGM) of the Bank:

- dismissed 8 of the 10 members from the Supervisory Board of PKO Bank Polski S.A., i.e. Messrs: Mariusz Andrzejewski, Wojciech Jasiński, Dominik Kaczmarski, Rafał Kos, Tomasz Kuczur, Maciej Łopiński, Robert Pietryszyn and Bogdan Szafranski;
- appointed the following Ladies to the Supervisory Board of PKO Bank Polski S.A.: Hanna Kuzinska and Katarzyna Zimnicka-Jankowska, and the following Messrs: Maciej Cieślukowski, Szymon Midera, Andrzej Oślizło, Marek Panfil, Marek Radzikowski and Paweł Waniowski.

The State Treasury as the Eligible Shareholder, pursuant to the Bank's Articles of Association, appointed:

- Ms Katarzyna Zimnicka-Jankowska – for the position of the Chair of the Bank's Supervisory Board;
- Mr Paweł Waniowski - for the position of the Deputy Chair of the Bank's Supervisory Board.

The Extraordinary General Shareholders' Meeting confirmed the individual suitability of the newly appointed members of the Supervisory Board and the collective suitability of the entire body.

[Biographical notes of the Supervisory Board](#) are available on the Bank's website.

On 7 February 2024, Mr Dariusz Szwed resigned from the function of the President of the Bank's Management Board as well as from the membership in the Bank's Management Board effective as of 14 February 2024.

On 14 February, the Bank's Supervisory Board:

- dismissed 6 of the 8 members from the Management Board of PKO Bank Polski S.A., i.e. Messrs: Andrzej Kopyrski, Paweł Gruza, Maciej Brzozowski, Marcin Eckert, Wojciech Iwanicki, Artur Kurcweil;
- delegated members of the Bank's Supervisory Board:
 - Mr Szymon Midera to temporarily perform the duties of Vice President of the Management Board from 15 February 2024, with assignment to manage the work of the Management Board;
 - Mr Maciej Cieślukowski to temporarily perform the duties of Vice-President of the Management Board from 14 February 2024;
 - Mr Marek Radzikowski to temporarily perform the duties of Vice-President of the Management Board from 14 February 2024;
- approved the individual suitability assessments of the aforementioned delegated members of the Bank's Supervisory Board and the collective suitability assessments of the entire Management Board of the Bank.

1.5 THE PKO BANK POLSKI S.A. GROUP DEVELOPMENT PATHS

PKO BANK POLSKI S.A.'S STRATEGY FOR 2023–2025 AND IMPLEMENTATION

On 8 December 2022, the Bank's Management Board adopted the Development strategy for PKO Bank Polski S.A. for 2023-2025 "Ready for the challenges, focused on the future", as authorised by the Supervisory Board of the Bank. The strategy provides for the achievement of ambitious business and financial goals. It is based on the Bank's main competitive advantages: scale of operations, digital and technological competence, as well as security and stability. The Strategy implementation process is divided into 7 pillars.

Table 2. Implementation of the Strategy in 2023 – performance indicators

INDICATOR	2025 GOAL	2023 PERFORMANCE
FINANCIAL GOALS		
ROE	>12%	13,3%
C/I	<45%	31,6%
cost of risk	0,7%-0,9%	0,5%
capability to pay dividends/buy back shares	YES	YES
BUSINESS GOALS		
improved customer satisfaction for each customer group according to the NPS	TOP 3	individual customer: TOP4 corporate customer: according to the assumed trajectory
improved employee satisfaction as measured by an increase in the eNPS	+20 points	>20 points
process digitisation rate for the individual customer	~100%	98%
growth of primary customer base under 35	25%	7% in line with the assumed trajectory
increase in non-banking revenues of the Bank's Group companies	20%	14% in line with the assumed trajectory
Increase in the proportion of women in MRT positions at the Bank	>30%	22,7%
The highest volume of new financing for sustainable and transformation projects		PLN 2.2 billion

At the end of 2023, the financial goals were delivered in line with the assumed trajectory.

ROE stood at 13.3% compared to a target of more than 12%. The C/I ratio was 31.6% versus a target of less than 45%. The cost of risk was 0.5%, with the target ranging from 0.7% to 0.9%. The bank meets the financial requirements for dividend distribution.

The degree to which the business goals have been met in each pillar, together with an indication of the most important measures, is outlined below:

PILLAR 1 - CUSTOMER AT THE CENTRE – A SIMPLE, FRIENDLY AND ACCESSIBLE BANK

The bank has implemented a number of initiatives to improve customer satisfaction, resulting in a significant improvement in the NPS ratio for individual customers, reaching TOP4 among banks in Poland - up 3 positions from 2022. The Bank has been building a long-term relationship with its customers by remaining the bank of first choice for more than 5 million primary customers, representing an increase by 6% y/y. Measures aimed at improving the retail customer experience included:

- identification of the most important areas for improvement in the customer service paths and a number of implementations, of which the most important are the implementation of service LiveChat, personalised tables of fees and commissions improving price transparency;
- implementation of customer service digitalisation processes - we were the first bank in Poland to implement solutions enabling customer service using a digital ID (mObywatel);
- carrying out more than 20 activation, relationship and internship campaigns;
- implementation of a project aimed at simplifying the language of communication both within the organisation and with customers and stakeholders - 70 female and male ambassadors in the PKO Prosto ("PKO Straight") programme;
- implementation of initiatives to strengthen the attitude and customer-oriented culture in the organisation - CX Galaxy, CX Day at PKO Rotunda;
- including NPS indicators in targets for management bonus goals and carrying out competence development initiatives among the Bank's employees.

The NPS in the corporate customer segment improved at the end of 2023 remaining on track to reach TOP3 in 2025. In 2023, as part of improving the corporate customer experience and addressing key areas for improvement, the Bank implemented a number of new solutions. See Section [8.6](#) for a detailed description.

In 2023, PKO BP continued its work to align its offering and service model with the needs of customers in branches and in digital channels. The bank developed digital channels in terms of technology and products. Achievements in this area are presented in Section [8.6](#)

In addition, in 2023:

- 47 more branches were upgraded to new formats and 21 branches were converted to cashless branches, for a total of 51 branches operated by the Bank;
- the Customer Assistant function was extended to further branches (see Section [8.7](#) for details);
- further processes, as well as identification using the mObywatel application, were implemented on customer screens in branches. At the end of the year, 29 sales and service processes in branches were available on screens and nearly 91% of the instructions within these processes are carried out digitally;
- the functionality of the IKO app was extended to include new capabilities (see Section [8.6](#));

The bank carried out a simplification programme to simplify its offering, digitise processes and automate after-sales service. The programme leads to the achievement of the strategic objective of nearly 100% availability of cases for individual customers in iPKO or IKO. At the end of 2023, the indicator was 98%.

In 2023:

- customers were provided with, among others, a new version of the iPKO online exchange service, change of telephone number, new process for submitting complaints in the iPKO service (for details, see Section [8.6](#));
- a function presenting investment costs, information on contributions and limits for Individual Retirement Security Accounts (IKZE) and Individual Pension Accounts (IPA) was introduced;
- in the wake of the new implementations, the Bank also carried out customer education activities presenting extensive self-service opportunities in remote channels.

PILLAR 2 - LIFESTYLE BANKING

In 2023, the Bank continued to develop the ecosystem of non-bank services under the VAS platform and carried out a number of measures to improve the attractiveness of its offering to young people. The initiatives launched translated into delivering on the Bank's strategic objective in terms of growth in the number of new young customers, in line with the stated trajectory. The base of so-called primary customers aged under 35 increased by 7% y/y. The Bank's strategy emphasises innovation, the expansion of its digital offering and the provision of tools to make everyday banking easier for young people, which translates into strengthening relationships with its youngest customers. In 2023, the number of contactless BLIK transactions has almost doubled, and the number of "selfie" accounts opened has increased by 15% year-on-year. In 2023:

- a new sales process was implemented for the PKO Konto Pierwsze (PKO First Account) in iPKO/IKO, the 500+ Rodzina – Rodzinny Pakiet Oszczędnościowy (500+ Family – Family Savings Package) account and the Pierwsze Konto Oszczędnościowe (First Savings Account) with an interest rate of 8%;
- the Bank's customers were the first to be offered payment cards made of recycled Ocean Plastic®;
- the range of accounts was simplified and streamlined, e.g. the Konto Pierwsze (First Account) was merged with Konto dla Młodych (Account for the Young) – the number of accounts was reduced from 19 to 8;
- the commitment to support the financing of the first home for young families continued (see Section [8.1](#) for details);
- a new Junior application was made available to customers, and the Bank continues to work on the new parent role in iPKO and IKO. For details on the PKO Junior application, see Section [8.6](#);
- campaigns were carried out to promote the image of a Bank that is "proven in action", a campaign to promote remote services in the IKO app, and a number of acquisition and promotional activities in respect of the offering for young customers;
- initiatives aimed at strengthening the PKO Bank Polski brand's presence in the world of the young were supported: sponsorship of sport and the use of the Metaverse world or the VAS platform. For more information, see Sections [8.5](#) and [8.6](#);
- the PKO Płacę później (PKO Pay Later) limit was made available, reaching almost 175 thousand active limits by the end of the year.

PILLAR 3 - THE BEST VALUE PROPOSITION FOR BUSINESS CUSTOMERS THANKS TO THE SIZE OF THE BANK'S GROUP

As part of its strategic activities in the corporate customer segment in 2023, the Bank:

- continued work on the "product multiplatform". A "single sign on" link to the PKO Leasing Customer Portal and integration with further customers' financial and accounting systems was implemented. The proportion of customers who use financial and accounting systems available for integration with the Bank reached 35% at the end of 2023;
- in order to speed up the lending process, the so-called simple credit path, eDecision (decision made in the lending system), the credit risk auto-monitoring process carried out with the support of the CRM application, as well as the automatic generator for the so-called short agreement were implemented;
- conducted advanced work on freeing up the time of regional advisors and analysts.

The bank also developed its offering in the corporate and business segment. Activities in this area were implemented with a particular focus on the digitalisation of service processes and the optimisation of lending processes. The main implementations in 2023 included:

- the provision of multi-user access to the iPKO website;
- the provision of new lending products including, among others: a multi-purpose credit limit with a de minimis BGK guarantee and an ARiMR liquidity loan;
- development of an ecosystem of non-banking services;
- integration of service processes and systems with PKO TFI and launch of the development of an employee and customer satisfaction measurement system (eNPS/NPS) in the Bank's Group companies.

Delivery of the strategic goal of 20% growth in non-bank revenues of the Bank's Group companies over the strategy period reached 14% and is on track with the assumed trajectory.

PILLAR 4 - LEADER OF THE ESG TRANSITION IN THE POLISH BANKING SECTOR

Measures to achieve the ESG goals are presented in Section 13.

PILLAR 5 - AGILE TECHNOLOGIES AND FUTURE-READY OPERATIONS

A key aspect of technological development in the strategy horizon is the optimisation of the development process and the shortening of the period from idea to implementation. Optimisation involves both increasing the use of DevSecOps or Agile working methods, as well as reducing technology debt and simplifying the Bank's application architecture. In 2023, the Bank's team implemented significant changes to the Bank's key IKO application release model, including:

- implementation of cybersecurity functions at the software development stage;
- introduction of a number of qualitative DevSecOps metrics;
- preparation of a synergistic "roadmap" for IKO development;
- development of IKO infrastructure based on microservices. At the end of 2023, the modern architecture had 35 microservices in operation vs. 24 at the end of 2022;

By implementing the aforementioned solutions, the Bank has reduced the time to implement changes to the IKO production environment by 28% over the last year.

In response to the increasing number of tasks, a number of initiatives were carried out in the area of operations. In 2023, owing to the use of repetitive Robotic Process Automation (RPA) activities in handling the so-called Government Loan Holidays and to support the processing of applications for the so-called Safe 2% Loan, robots performed work equivalent to more than 600 FTEs. In total, 65 processes were robotised and 82 were modified in 2023. The robots carried out 77.3 million operations in more than 100 processes in the operations area, more than 170 processes in other areas, including audit, tax or restructuring, and 19 processes of the Bank's Group companies.

In 2023, the solutions of the Process Robotics Platform team were recognised in the following competitions:

- Best in RPA - 3rd place in a competition organised by "Computerworld";
- Special award "Mocarze Hiperautomatyzacji" for PKO Bank Polski.

The Bank also optimises processes through elimination, standardisation, optimisation using lean six sigma methods and automation. Despite the progressive centralisation of the group companies' operational functions and the increasing number of tasks, the Bank has maintained its cost discipline. The current level of STP (straight through processing) automation of operations area processes is close to 60%.

PILLAR 6 – CULTURE OF INNOVATION AND AGILITY

The implementation of strategic goals depends first and foremost on employee engagement, retaining and attracting talent and creating a supportive environment for growth. Therefore, the Bank aims to increase employee satisfaction. At the end of 2023, this goal was achieved - the eNPS of employees increased by more than 20 points to 45 points for the fourth quarter of 2023. The Bank's activities in this regard were implemented through:

- implementing a quarterly experience survey process (eNPS) and elaborating on the findings at team and bank-wide level;
- extending the benefit package to include elements expected by employees (including the choice of any medical package, an increase in total points on the MyBenefit platform, an additional day off, a higher reimbursement amount for glasses, the pilot launch of the MultiLife training and development programme; a package for retirees) and continuing the digitalisation of employee processes;
- developing a well-being strategy and implementing numerous initiatives to support employee well-being in terms of physical and mental health;
- enhancing the organisational culture - a cultural profile has been developed and implementation of new organisational values has been initiated through the #naWARTOŚĆlowani campaign, a value-driven leader and employee model has been developed;
- increasing the involvement of leaders through a defined new profile of expectations based on new values and priorities for cultural change and increasing their impact in HR processes, e.g. including them in the design of HR policy solutions;
- defining a list of key competences with a strategy for the development of each of them and launching bank-wide programmes for the development of these competences for employees and trainees;
- launching an educational initiative to support the building of an equal opportunities bank and inclusive leadership;
- organising the market's first virtual job fair in the Metaverse space and implementing a comprehensive internal mobility programme within the Group;
- expanding the range of learning activities to include digital formats and greater accessibility of training content.

The second strategic objective addressed by Pillar 6 is the participation of women in MRT positions. With changes to the incentive system, building succession programmes and changes to the culture based on new organisational values, the Bank wants to achieve the goal of 30% participation of women in MRT positions by the end of 2025. At the end of 2023, this figure stood at 22.7%.

PILLAR 7 – USING THE BANK'S STRONG POSITION FOR INORGANIC GROWTH

The Bank monitors and identifies potential acquisition targets for institutions in Poland and in the region. Analyses are conducted with a view to obtaining the benefits of transactions identified in the strategy (including: expertise and talent acquisition, technological synergies, customer base acquisition, business synergies, business and geographic diversification).

1.6 THE PKO BANK POLSKI S.A. GROUP MARKET POSITION

In 2023, the Bank's Group:

- increased its share of the lending market in terms of volume for both individuals and institutional entities;
- reached a record level of mortgage sales (nearly PLN 22 billion), bringing its market share to nearly 36%;
- increased its share in the savings market of both private individuals and institutional entities;
- maintained its share in the market of investment funds for individuals at above 20%;

Table 3. Market share

	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019	Change 2023/2022
Loans for:	18.1%	17.0%	17.4%	17.6%	17.9%	1.1 p.p.
1. individuals, of which:	22.6%	21.4%	21.9%	22.4%	22.8%	1.2 p.p.
- housing	24.2%	22.8%	23.7%	24.9%	25.8%	1.4 p.p.
PLN	25.0%	23.8%	24.7%	26.3%	27.6%	1.2 p.p.
foreign currency	19.8%	18.9%	20.1%	20.8%	21.0%	0.9 p.p.
- consumer and other, of which:	18.7%	17.8%	17.1%	16.5%	16.3%	0.9 p.p.
overdraft facilities	35.7%	35.5%	34.1%	32.7%	32.4%	0.2 p.p.
2. institutional entities	14.0%	13.0%	12.8%	12.6%	13.1%	1 p.p.
Non-Treasury debt securities (indebtedness)	33.2%	30.8%	29.3%	30.2%	30.7%	2.4 p.p.
Mortgage loans (sales)	35.9%	20.4%	19.8%	19.7%	25.7%	15.5 p.p.
Total savings¹⁾, of which:	21.3%	20.0%	19.2%	18.3%	18.3%	1.3 p.p.
- savings of individuals ²⁾	29.2%	28.1%	25.6%	24.3%	22.6%	1.1 p.p.
Deposits:	18.9%	17.6%	17.8%	17.3%	17.9%	1.3 p.p.
individuals	24.6%	23.3%	22.5%	21.9%	20.8%	1.3 p.p.
institutional entities	12.3%	11.2%	12.3%	11.5%	13.8%	1.1 p.p.
TFI assets - funds of individuals³⁾	20.1%	20.6%	19.9%	18.9%	19.5%	-0.5 p.p.
Brokerage activities - transactions on secondary market	9.7%	9.2%	12.3%	11.2%	7.5%	0.5 p.p.

Source: NBP, WSE, PBA, Anality Online

1) Total savings comprise total deposits, TFI assets and retail savings bonds.

2) Savings of individuals include deposits of individuals, funds of individuals and saving Treasury bonds.

3) In 2021 the market data changed due to the change in the status of two funds into funds for individuals. The data for the prior period was recalculated.

2. EXTERNAL BUSINESS CONDITIONS

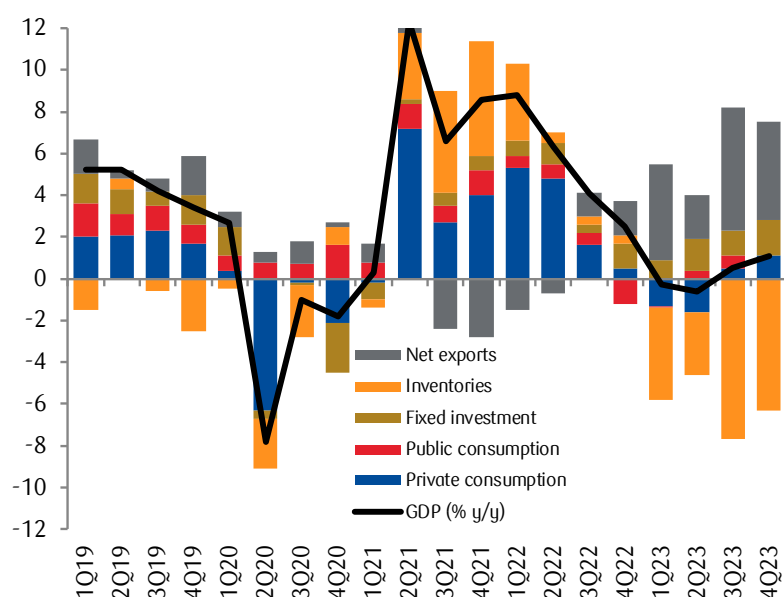
Macroeconomic environment
Situation on the financial Market
Position of the Polish banking sector
Position of the Polish non-banking sector
Ukrainian market
Regulatory and legal environment
Factors that will affect future financial performance

2.1 MACROECONOMIC ENVIRONMENT

Macroeconomic factors which shaped the national economy in 2023 are presented below.

GDP ON THE BRINK OF RECESSION AND RECOVERY IN THE SECOND HALF OF THE YEAR

The pace and decomposition of GDP growth (% y/y) and its components (p.p.)



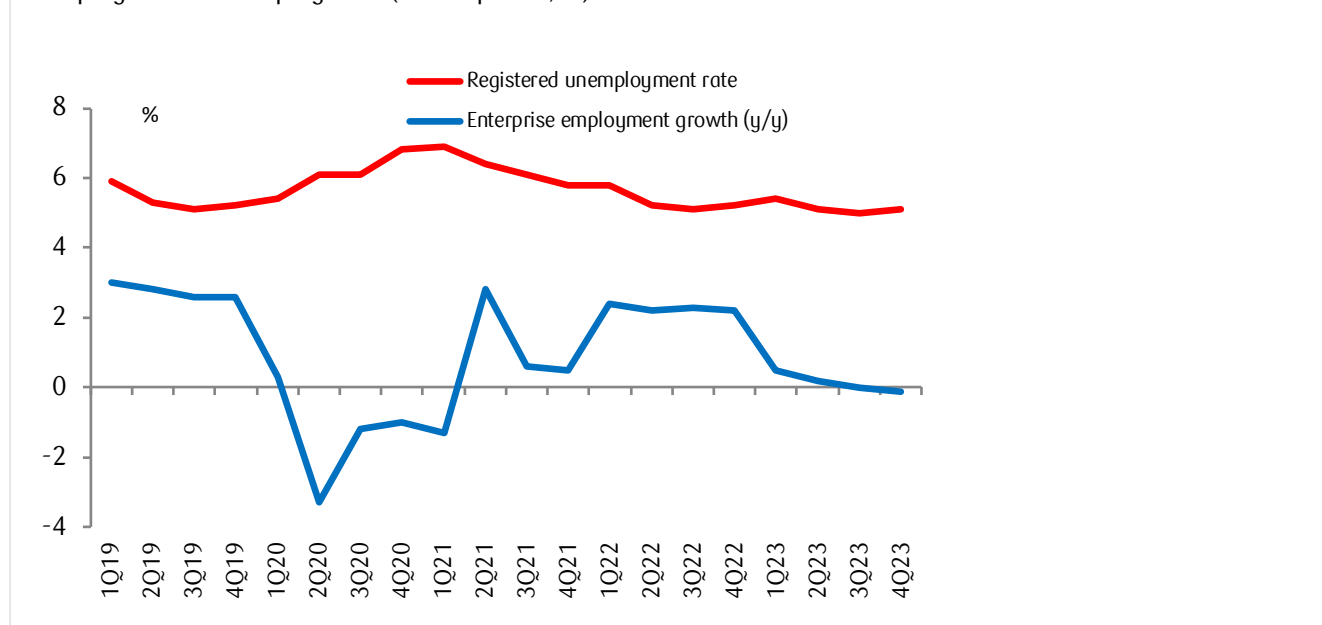
In the first half of the year, the national economy was on the brink of recession, with GDP declining year-on-year. The second half of the year saw an improvement, with GDP growth accelerating from -0.6% y/y in the second quarter to around 1% y/y in the fourth quarter of 2023. At the beginning of the year, consumption decreased as a result of a decline in the purchasing power of income in real terms caused by inflation of more than a dozen per cent. In the third quarter, the decline in inflation, combined with stable nominal income growth in an environment of record-low unemployment, contributed to a recovery in consumer demand, although its momentum weakened somewhat towards the end of the fourth quarter. Solid investment growth continued throughout the year, picking up by 8% underpinned by the energy transition forced by high energy costs. Investment activity was also positively affected by the finalisation of projects financed under the concluding EU financial perspective. Economic activity in 2023 was negatively affected by the reversal of the inventory cycle, following its abnormally strong growth in 2022. Net exports, on the other hand, made a positive contribution to GDP growth - imports were under negative pressure from weak consumption and lower purchases by businesses, and their growth rate was lower than that of exports. A rapid improvement in the external balance of the Polish economy was recorded over the course of 2023 - the current account deficit of 2.4% of GDP in 2022 turned into a surplus of more than 1% of GDP in 2023, boosted by a sharp decline in the prices of imported goods.

LABOUR MARKET RESILIENT TO THE SLOWDOWN

The labour market was stable in 2023, despite the continuing slowdown in economic growth. The registered unemployment rate in December 2023 was 5.1%, 0.1 p.p. lower than at the end of 2022. Labour force participation rates improved steadily - according to the Labour Force Survey, in the third quarter a record 56.8% of the population aged 15-85 was employed and the labour force participation rate was 58.4%. The number of foreigners in the domestic labour market grew steadily, with the Social Insurance Institution's data indicating a stabilisation in the number of insured Ukrainians and an increase in the number of workers from other countries.

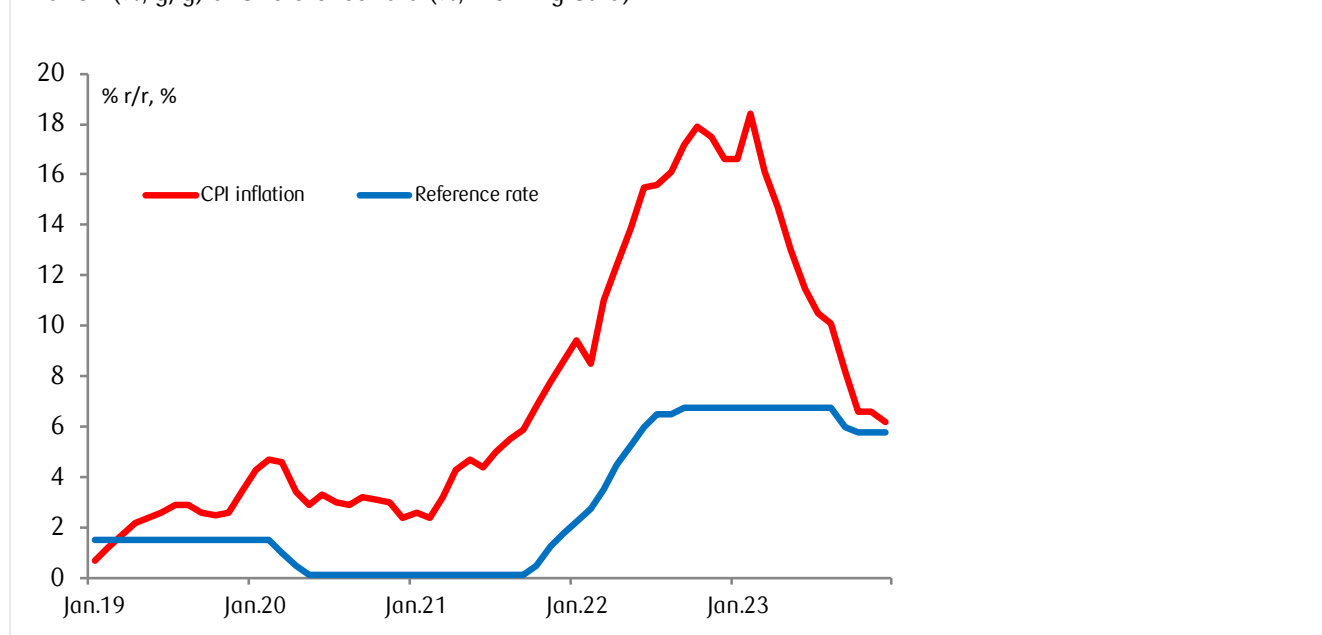
The decline in labour demand was reflected in fewer vacancies in the economy (111 thousand in the third quarter) and declining employment in the business sector. Nominal wages increased at double-digit rates in 2023, with the strongest increase recorded at the beginning of the year. The minimum wage increase of (on average) 17.8% in 2023 provided a noticeable boost, which was reflected in the above-average nominal wage growth observed in sectors with relatively higher minimum wage coverage (e.g. accommodation and catering, administration). In the first half of the year, wages in the corporate sector grew at a slower rate than inflation. However, the increase in real wages resumed in the autumn and its acceleration is driving the forthcoming recovery in consumption.

Unemployment and employment (end of period, %)



RAPID DISINFLATION

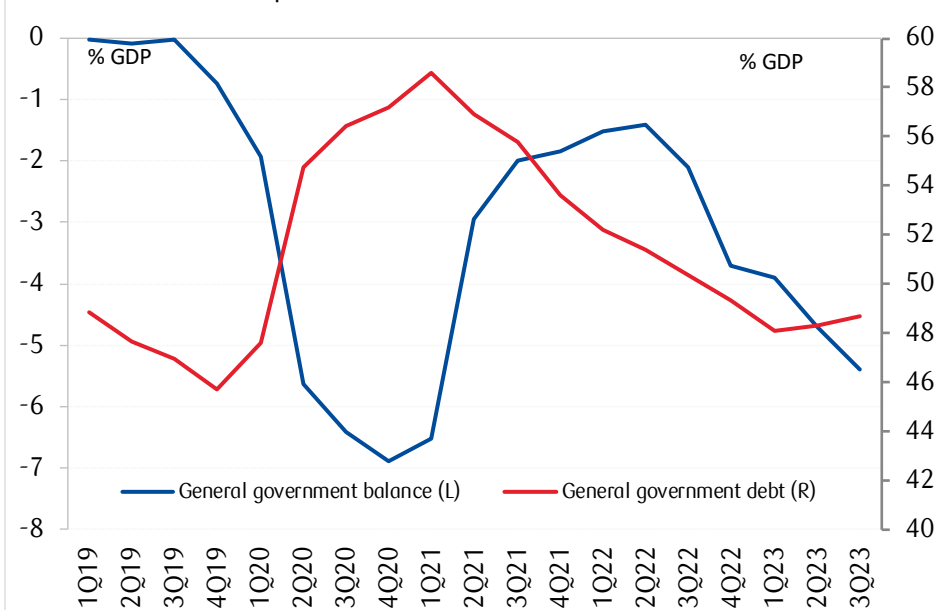
Inflation (% y/y) and reference rate (% monthly data)



2023 saw a marked disinflation, with CPI inflation falling from 18.4% y/y in February to 6.2% y/y in December. The fall in inflation was possible due to the extinction of a negative cost shock, which had pushed up energy and food prices sharply after Russia's attack on Ukraine. At the same time, regulatory measures that have limited the increase in food and energy prices in the past remained in force. From February to the end of the year, the rate of increase in food prices decelerated from 24.0% y/y to 6.0% y/y, the rate of increase in energy prices from 31.1% y/y to 9.8% y/y, and fuel prices, which had increased by 30.8% y/y in February 2023, fell by 6.0% y/y in December. At the same time, core inflation, or CPI excluding food and energy, slowed to 6.9% y/y in December from 12.0% y/y in February 2023. At the end of 2023, the momentum of core inflation was half of what it was at the beginning of the year, but at the same time it stopped declining, signalling that core inflation may be anchored at an excessively high level.

PUBLIC FINANCES UNDER PRESSURE BUT IN CHECK

Deficit and debt of the public sector



The situation of national public finances has been deteriorating steadily since mid-2022 compared to other EU countries. Poland went from being a fiscal frontrunner in 2021 to moving towards the bottom of the EU ranking in terms of fiscal balance over the course of the subsequent two years, with factors such as energy price 'freezing' programmes, PIT reform and the need to increase arms expenditure by leaps and bounds (from around 2% of GDP before 2022 to around 4% of GDP in 2023) contributing to these developments. After the first quarter of 2023, the general government deficit stood at 5.4% of GDP. The Ministry of Finance expects it to be 5.6% of GDP for the whole of 2023. Public debt in the third quarter reached 48.7% of GDP and remains low relative to the EU.

ADJUSTMENT OF INTEREST RATES

Table 4. NBP interest rates (end of the period)

	4Q 2022 (%)	4Q 2023 (%)
Reference rate	6,75	5,75
Bill rediscount rate	6,80	5,80
Bill discount rate	6,85	5,85
Lombard rate	7,25	6,25
Deposit rate	6,25	5,25

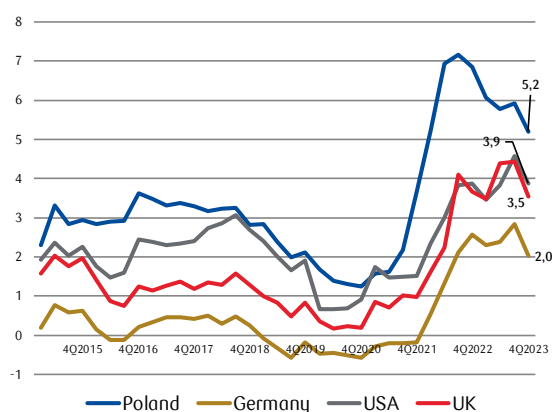
During the first half of the year, the Monetary Policy Council (MPC) kept interest rates unchanged. It was only at the September meeting that an unexpectedly deep cut in NBP interest rates of 75 basis points was made, followed by a more conservative move of 25 basis points in October. Thereafter, the MPC went into wait-and-see mode and did not announce any changes to monetary policy parameters. The Council emphasises the high uncertainty surrounding fiscal and regulatory policy, as well as regarding the pace of economic recovery in Poland. Under these circumstances, the Council considered that the current level of interest rates is conducive to meeting the inflation target in the medium term.

2.2 SITUATION ON THE FINANCIAL MARKET

INTEREST RATE MARKET

The year 2023 was characterised by high volatility, but eventually brought a marked decline in yields on Polish government bonds. At the end of 2023, the yields on 2-, 5- and 10-year bonds were 5.05%, 5.03%, 5.2% respectively. This was mainly due to a decline in inflation by more than 10 percentage points from 16.6% in December 2022 to 6.2% at the end of 2023. Declining inflationary pressure, combined with economic stagnation driven by weak consumption, permitted the MPC to cut interest rates by a total of one percentage point. We have also seen declines in bond yields in the underlying markets, although the major central banks - the ECB and the Fed - have not yet cut interest rates, and are only hinting at the onset of monetary easing cycles.

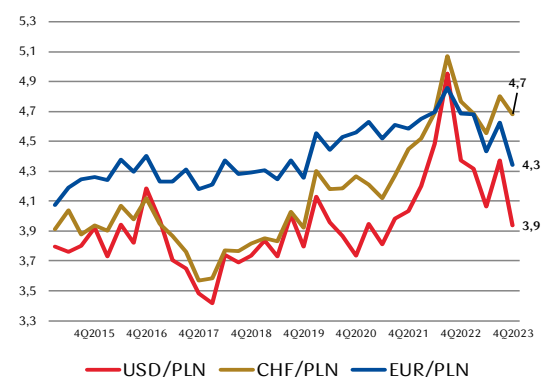
10-years bond yield (%)



CURRENCY MARKET

The złoty strengthened in 2023 against the euro by PLN 0.34 (7%) to PLN 4.34/EUR, and against the US dollar by PLN 0.44 (10%) to PLN 3.97/USD. This happened in spite of the weak economic situation and interest rate cuts made by the MPC. It should be noted that the structure of GDP - consumer recession combined with good foreign trade performance and solid investments - was supportive of the złoty. Towards the end of the year, after the parliamentary elections, the chances of unblocking European funds related to the National Recovery Plan increased, which gave a positive boost to the złoty. Developing country currencies were also supported by the weakening of the US dollar on international markets, which encouraged financial flows to emerging markets.

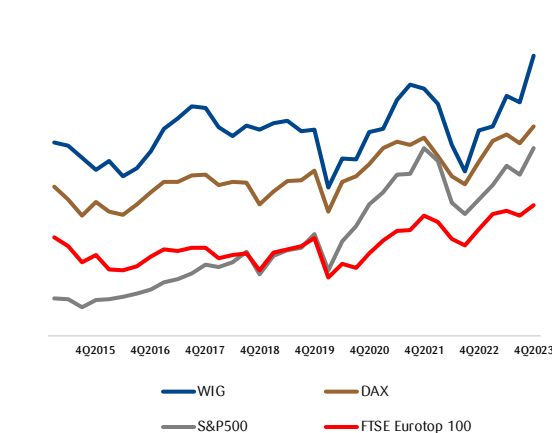
Foreign exchange rates



STOCK MARKET

The year 2023 saw high returns for those investing in stocks, including stocks listed on the Warsaw Stock Exchange. The WIG index climbed by more than 36% reaching the highest level in its history. This situation is partly attributable to the overly pessimistic attitude of investors worried about the economic impact of the war in Ukraine and interest rate rises, which had triggered an overly deep discounting of equities in the previous year. The economy was stagnant for most of the year, but the economic climate turned out better than expected, as did corporate earnings. The upturn was also driven by the two interest rate cuts by the MPC (September, October) and an increase in the chances of European funds from the National Recovery Plan being unlocked.

Global stock market



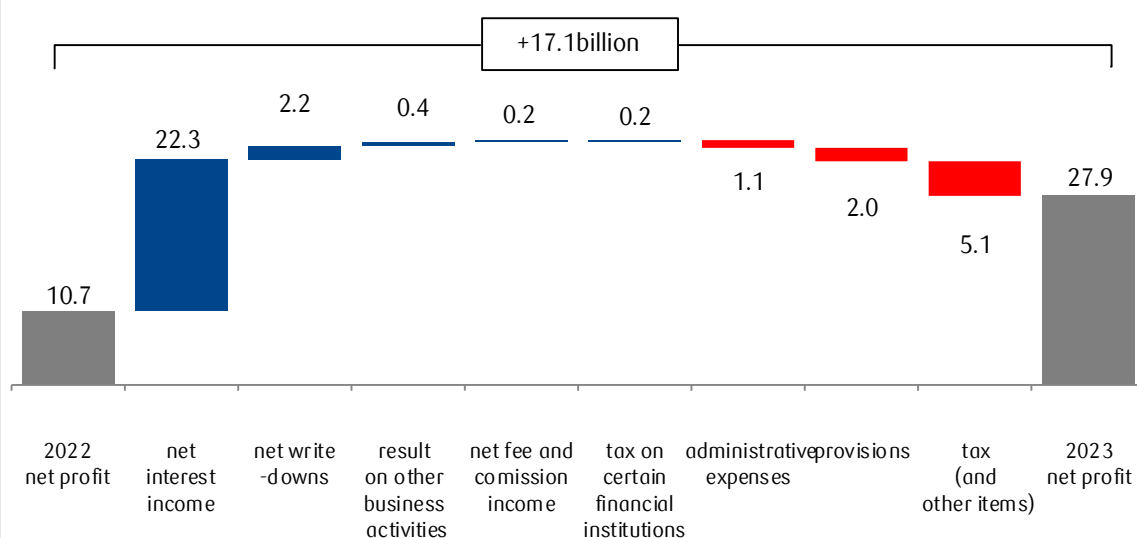
2.3 POSITION OF THE POLISH BANKING SECTOR

NET PROFIT AND RETURNS

(Calculations of PKO Bank Polski S.A, based on the last available PFSA data)

In 2023, the banking sector recorded net profit of PLN 27.9 billion, compared with the profit of PLN 10.7 billion a year earlier. The rolling return on equity (12M ROE) was 11.9%.

Change in the net profit of the banking sector (PLN billion)



The "provisions" item contains, among other things, a part of provisions related to the legal risk of foreign currency mortgage loans.

The main source of the improvement in net profit was the increase in net interest income (+29.3% y/y), which was linked to the achievement (in September 2022) of the peak of the NBP rate cycle. The dynamics were also supported by the absence of the credit holiday that took place a year ago. The improvement in consumer sentiment in the second half of 2023 contributed to the increase in transactivity, while the launch of the government's "Safe 2% Loan" programme brought about a recovery in the home loan market and, as a result, a slight increase in commission income.

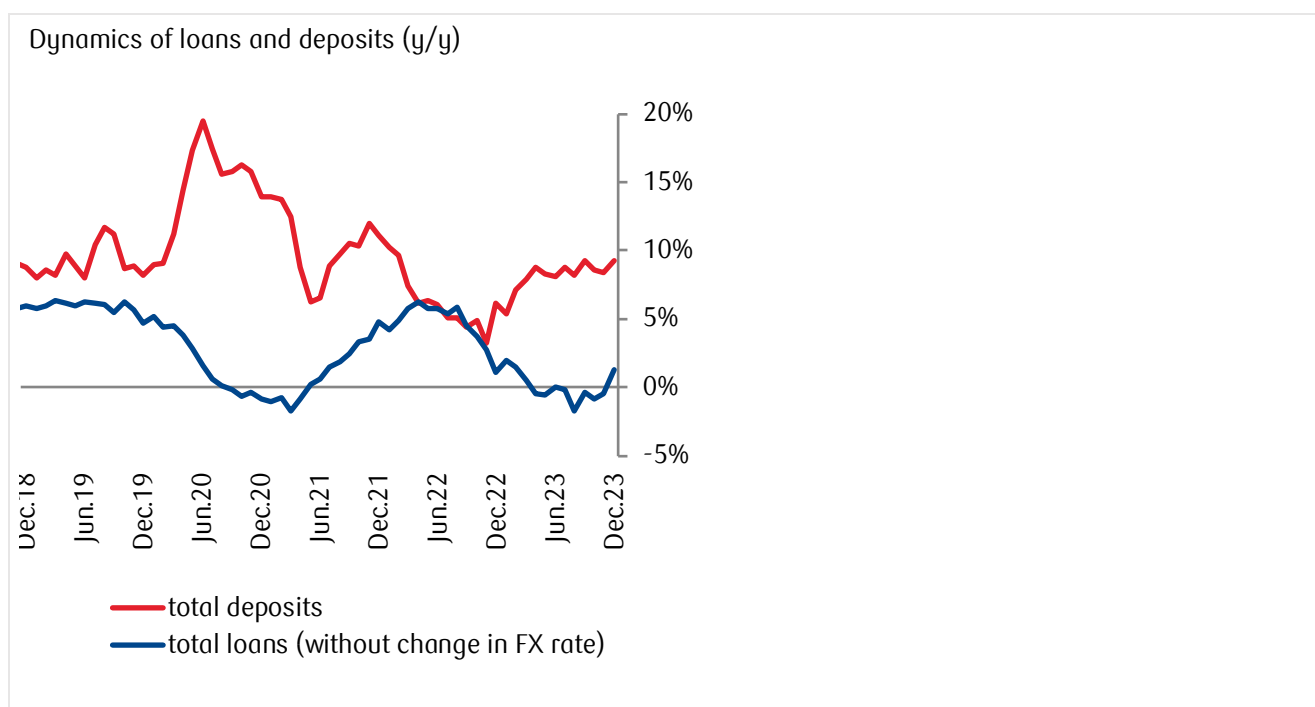
Rising prices, in particular energy, as well as increase in wages, translated into higher operating expenses. At the same time, the regulatory burdens decreased significantly compared to the previous year, owing to the suspension of the contribution to the Deposit Guarantee Fund (in connection with last year's establishment of System Ochrony Banków Komercyjnych S.A.) and the absence of additional contributions to the Borrower Support Fund.

The banks' capital position was improving on the back of rising profitability, with further improvement at the end of the year driven by rising profitability, higher valuation of debt instruments on the balance sheet and the issue of bonds to meet the MREL requirement. As at the end of September 2023, the total capital adequacy ratio amounted to 22.0%.

LOAN AND DEPOSIT MARKET

Based on NBP data and the Analizy Online service site)

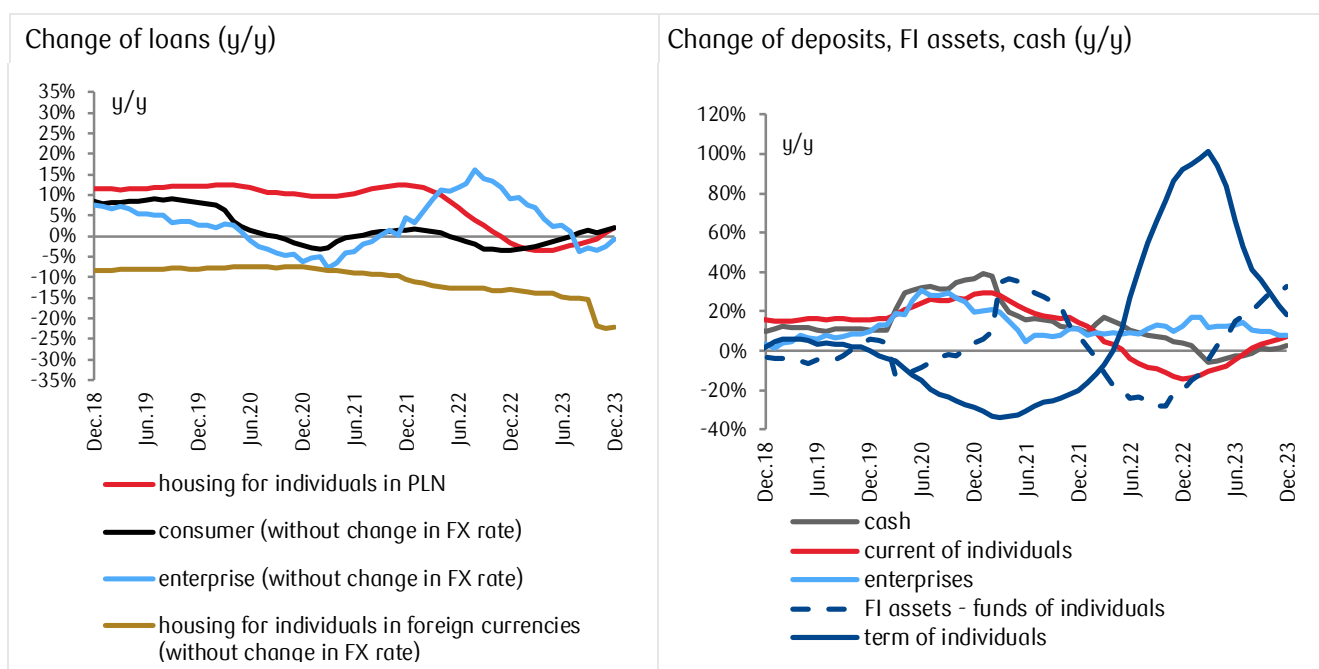
At the end of December 2023, the volume of total loans (net of changes in exchange rates) increased by 1.3% y/y (compared to +1.1% y/y at the end of 2022) after several months of negative year-on-year growth. For deposits, the annual growth rate accelerated to 9.3%, up from 6.2% at the end of 2022, posting an increase in momentum across all customer groups (households, corporates as well as central and local government).



December was the second consecutive month in which, after 13 months of negative annual growth, housing loans in PLN recorded a year-on-year increase of 2.2% y/y (compared to a decline of 1.6% y/y at the end of 2022). The recovery in the home loan market due, among other things, to the introduction of the government's "Safe 2% Loan" programme also led to a series of m/m volume increases from June 2023 onwards. The improvement in consumer sentiment in the second half of 2023 also translated into a recovery in the consumer loan market. Their growth rate (net of exchange rate changes) stood at 2.1% y/y at the end of 2023 (compared to -3.3% y/y at the end of 2022). Business loans, on the other hand, recorded a decline (-0.7% y/y in December 2023 against +9.0% y/y in December 2022), mainly due to a reduction in demand for current financing linked to the reversal of the inventory cycle.

The growth rate of deposits of private individuals accelerated to 12.3% y/y in December (compared to 4.1% at the end of 2022), with a clear change in their structure (current deposits increased by 7.3% y/y at the end of 2023, while the growth rate of term deposits fell to 18.7% y/y). At the end of 2023, assets of investment funds (IFs) for individuals were 32.7% y/y higher than at the end of 2022, driven by an improvement in the stock market and a fall in bond yields and a corresponding increase in their valuations. Investment funds also recorded a positive balance of deposits. Cash in circulation increased by 2.5% y/y in December (+3.9% y/y at the end of 2022).

Liquidity in the banking sector remained very good, with the loan/deposit ratio declining below 70% to 69.2% at the end of 2023 vs 75.6% at the end of 2022.



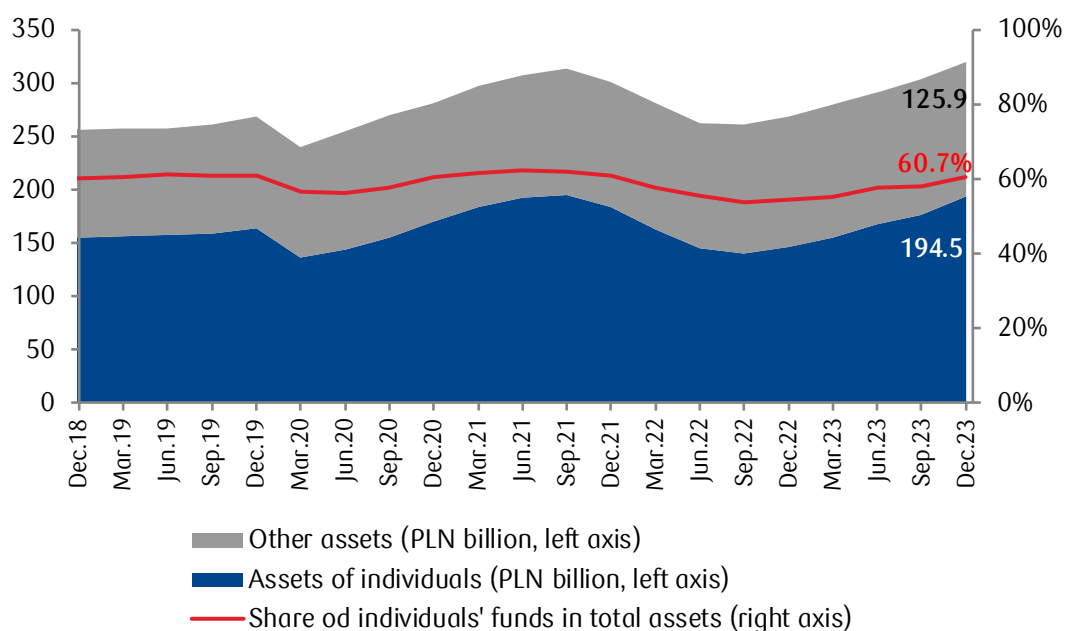
2.4 POSITION OF THE POLISH NON-BANKING SECTOR

INVESTMENT FUNDS MARKET

(Based on the data of Analityz Online)

At the end of December 2023, assets managed by domestic Investment Fund Companies (TFIs) amounted to PLN 320.4 billion (an increase by PLN 50.9 billion y/y), thus reaching the highest level in history. Assets of individuals increased to PLN 195 billion at the end of 2023, accounting for nearly 61% of all funds accumulated in TFIs. As at the end of the analysed period, the value of funds accumulated in the Employee Capital Plans (PPK) target date funds increased to PLN 21.8 billion (+82% y/y).

Structure of assets managed by the Investment Fund Management Companies (PLN billion)



In 2023, the balance of payments and redemptions stood at PLN 22.1 billion (compared to PLN -23.7 billion in 2022). Individuals, for whom the total balance of payments and redemptions in 2023 amounted to PLN 23.7 billion (PLN -24.5 billion in 2022), contributed the most to the high level of net inflows to the market. Debt funds (whose valuations were supported by falling bond yields in 2023) were particularly popular with households, with PLN 19.4 billion flowing into them. Equity funds, on the other hand, were far less popular among individuals, recording an outflow of nearly PLN 0.5 billion in 2023.

OPEN PENSION FUNDS MARKET

(Based on PFSA data)

In 2023, the assets of Open Pension Funds (OFEs) increased by 33% (+PLN 51.7 billion) to PLN 208 billion, driven to the greatest extent by a significant improvement in sentiment on the domestic equity market in the fourth quarter, but also by continued good economic conditions on global financial markets. Shares of companies listed on the domestic regulated market held a dominant position in the structure of OFE assets (approximately 82.1% of net assets at the end of 2023).

At the end of 2023, the number of OFE members stood at 14.6 million, down 2.3% (-338 thousand people) on the previous year.

INSURANCE MARKET

(Calculations of PKO Bank Polski S.A, based on the last available PFSA data.)

In the period of three quarters of 2023, insurance companies earned a net profit of PLN 8 billion (+109.7% y/y), with a technical profit from insurance of 5.3 billion (+30.4% y/y). The financial performance of insurance companies was positively affected by the increase in the result on debt securities and other fixed-income securities and the decrease in the amount of claims paid (-8.3% y/y).

In the life insurance segment, gross written premiums increased by 7.25% y/y (to PLN 17 billion), with a 16.1% y/y decrease in claims paid (PLN 12.1 billion). Cost of insurance activities in the life insurance segment increased by 5.6% y/y (PLN 4.5 billion).

The other non-life insurance segment posted a y/y increase in gross premiums written of 10.4% (to PLN 40.7 billion), with a significant increase in the cost of claims paid to PLN 19.7 billion. Costs of insurance activities in the other personal and property insurance segment increased by 12.7% (to PLN 9.8 billion).

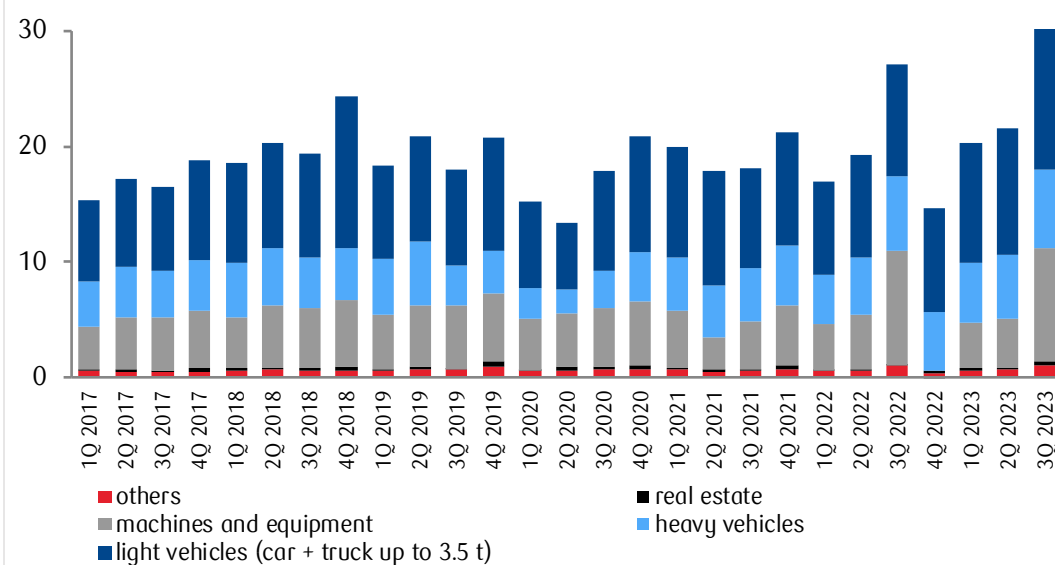
LEASE MARKET

(based on Polish Leasing Association data)

In 2023, the leasing market financed assets worth a total of PLN 102.5 billion, which represents an increase by 16.3% compared to 2022. Vehicles (mainly passenger vehicles) accounted for the largest share of financed assets at 70.9%, followed by machinery and equipment (24.4%).

The share of green assets in leased vehicles increased to 6.0% at the end of the third quarter (compared to 4.1% a year ago).

Lease market structure (new sales) in PLN billion



FACTORING MARKET

(Based on the Polish Factors Association data)

In 2023, the turnover of member companies of the Polish Factors Association decreased by approximately 2.3% y/y, amounting to PLN 450 billion, while the number of businesses using the services of factoring companies was approximately 26.4 thousand (+6.1% y/y).

The largest demand on the part of enterprises was for factoring without recourse, whose share in sales of factoring firms was approx. 38%. Manufacturing and distribution companies, mainly from the food, metal and chemical industries, continued to be the entities that used factoring services the most often.

2.5 UKRAINIAN MARKET

ECONOMIC CONDITIONS

In the third quarter of 2023, economic growth decelerated to 9.3% y/y from 19.5% y/y in the second quarter of 2023. The high growth rate is due to a low reference base, which was dragged down by the effect of the war a year ago. The economy has been gradually recovering. In the third quarter of 2023, GDP, adjusted for seasonal factors, was up 0.7% q/q, following an increase by 0.8% q/q in the second quarter of 2023. The National Bank of Ukraine (NBU) expects GDP growth for the full year 2023 to have been stronger than expected at 5.7%. In contrast, GDP growth in 2024 is expected to decelerate to 3.6% due to weaker output in agriculture and increased labour market imbalances as a consequence of the ongoing war. The importance of the public sector, including military, social and infrastructure reconstruction spending, has increased in the structure of GDP. The share of investment in GDP has also increased, while private consumption has declined, which is typical of economies operating in war mode. Output in the agricultural sector was higher in 2023 than in the previous year. The labour market situation is gradually improving, and real incomes have returned to increases since the second quarter of 2023, also due to increases in funds paid by the state (salaries in the military sector, pensions, social transfers). According to UNHCR, the number of Ukrainian

refugees outside Ukraine was 6.3 million in December 2023, and the number of internal migrants was 3.7 million. Inflation is declining rapidly, falling to 5.1% y/y in December 2023 from 26.6% y/y in December 2022. Inflationary processes have slowed significantly due to, among other factors, easing cost pressures (including on the agricultural goods part due to high yields), the disinflationary impact of the strengthening of the hryvnia (UAH) and the normalisation of expectations regarding inflation. Growing concerns about an increase in inflation in 2024 as the economic recovery continues may decelerate the scale of the ongoing NBU interest rate cut cycle (15% as at the end of January 2024 versus 25% in June 2023). The UAH exchange rate has been released, but the NBU reserves the option to intervene. Currency restrictions are being systematically eased (e.g. limits on foreign currency withdrawals for households have been lifted since December 2023). Foreign exchange reserves in December 2023 increased by 42% y/y to 40.5 billion US dollars (USD). The fiscal sphere remains a critical risk to Ukraine's macroeconomic stability. The fiscal deficit in 2023 exceeded UAH 1.3 trillion (about 20% of GDP) or, excluding foreign grants, UAH 1.7 trillion (about 26% of GDP). According to the Budget Act, the deficit in 2024 is expected to be around UAH 1.6 trillion (over 20% of GDP), and its funding depends on further inflows of external financing (so far mainly from the EU, the US and through IMF loans).

UKRAINIAN BANKING SECTOR

According to data from the NBU, the number of banks which engaged in operations in Ukraine dropped to 63 at the end of November 2023 from 67 at the end of November 2022, due to the bankruptcy of four banks. At the end of November 2023, the value of the banking sector's assets increased by 22.5% y/y to 2.75 trillion Ukrainian hryvnias (UAH) and equity by 54.1% y/y to UAH 337.4 billion. The equity-to-assets ratio had been rising continuously for four quarters, and stood at 12.3% at the end of November 2023, approaching 12.8%, the level recorded at the end of January 2022 (before the Russian invasion of Ukraine). The main reason for the growth in equity was the high profits recorded in the second half of 2023. The banking sector will have to pay a 50% tax on "excess profits" in 2023, and as of 2024 the tax rate will be 25% (previously 18%). The NBU estimates that the one-off levy will not have a significant impact on the stability of the banking sector.

The capitalisation of the Ukrainian banking sector has been improving steadily. At the beginning of January, the capital adequacy ratio R2 decreased to 21.1%, compared to 25.4% at the beginning of December, which was due, among other factors, to the tightening of the capital requirements methodology. Disregarding these effects, the ratio improved significantly from 19.7% at the beginning of 2023 and 18% at the beginning of 2022 (10% requirement). The loan-to-deposit ratio among residents stood at 44.8% in November 2023, falling to its lowest level since the Russian aggression (72.2% in January 2022). The banking sector remains highly liquid, with LCR ratios exceeding requirements several times.

Total deposits increased by 24.2% y/y to UAH 2.26 trillion in November 2023, with resident deposits accounting for 98.6% of the total. Residents' foreign currency deposits grew at a slower rate than total residents' deposits in the second half of 2023 (8.9% y/y and 24.7% y/y respectively in November 2023), contrary to what happened in the first half of the year. The dynamics of total loans was negative in November (down 3.9% y/y to UAH 1.03 trillion), but the rate of decline has been steadily declining since August compared to the minimum level of -11.2% y/y recorded in July 2023. The volume of total loans has been continuously increasing on a month-on-month basis since July 2023, following an earlier period of strong declines. In November 2023, the dynamics of loans to households was positive for the first time since September 2022, at 1.3% y/y, with a further significant decline in loans to businesses (-6.5% y/y). The recovery in loans to households originates in the consumer segment, reflecting the rebound in consumption and rising real incomes of the population. The volume of mortgage lending has been growing steadily, while lending is practically limited to the state-subsidised eOselia programme. The state-subsidised "Affordable 5-7-9% Loan" programme remains the main driver of business lending, although the agreement with the IMF implies a revision of the programme and a focus of assistance on the SME sector. The outlook for lending growth is improving, mainly due to the improving business climate.

At the end of November 2023, the return on assets (ROA) in the Ukrainian banking sector stood at 5.57% and the return on equity (ROE) reached 52.77%.

2.6 REGULATORY AND LEGAL ENVIRONMENT

The financial position and operations of the PKO Bank Polski S.A. Group were also affected by legal and regulatory solutions and supervisory recommendations that came into force in 2023, including in particular:

WITH RESPECT TO LOANS

The Consumer Pawn Loan Act of 14 April 2023 amended, among other things, the Civil Code and the Consumer Credit Act as regards the issue concerning natural persons running an agricultural holding. As a result of the amendments, protection has been extended to all persons running an agricultural holding for the production of crops or animals, including horticulture, fruit growing, beekeeping and fishing. The Act came into force on 7 January 2024. The amendments extended the protection provided by the Consumer Credit Act to persons operating an agricultural holding. The Bank is required to offer lending products to farmers in accordance with the requirements arising from the Consumer Credit Act and extend consumer protection to farmers in cases where financing up to PLN 255,550 is granted.

In December 2023, the Court of Justice of the European Union issued three rulings:

1. in its judgment of 7 December 2023 in Case C-140/22, the CJEU stated that: exercise by a consumer of the rights which that consumer draws from the directive may not be conditional on the lodging, by that consumer, before a court, of a declaration by which he or she states, first, not to consent to that unfair term remaining effective, secondly, to be aware of the fact that the nullity of that term entails the cancellation of that agreement and, moreover, of the consequences of that cancellation and, thirdly, to consent to the cancellation of that agreement; Furthermore, it stated that the compensation sought by the consumer in respect of the restitution of the sums paid by him or her in the performance of the agreement at issue may not be reduced by the equivalent of the interest which that banking institution would have received had the agreement remained in force,
2. In its ruling of 11 December 2023 in Case C-756/22, the CJEU referred to the judgment in Case C-520/21 of 15 June 2023 and pointed out that a bank is not entitled to demand from a consumer the reimbursement of amounts other than the capital paid for the performance of that agreement and statutory default interest from the time of the demand for payment. In a subsequent ruling issued on 12 January 2024 in Case C-488/23, the CJEU definitively determined that banks are not able to claim adjustment from customers if the invalidity of the agreement is a consequence of the removal of abusive clauses from the agreement. The CJEU thus ruled that banks may not demand compensation from consumers consisting of a judicial adjustment of the payment corresponding to that capital, in the event of a substantial change in the purchasing power of the currency concerned after the transfer of that capital to the consumer,
3. In its judgment of 14 December 2023 in Case C-28/22, the CJEU addressed the issue of the limitation period for the parties' claims arising from an agreement declared invalid and objected to the fact that this period should start to run earlier for consumers than for the entrepreneur. At the same time, the CJEU questioned the applicability of a retention plea to the extent that it results in a limitation of the consumer's right to statutory interest for late payment.

The Act of 26 May 2023 on state aid in saving for residential purposes and amending the Act of 1 October 2021 on family housing loans (present name of the act: a family housing loan and a safe 2% loan), under which on 3 July 2023 the Bank introduced a product Safe 2% Loan. Safe 2% Loan is provided under the government's First Home Programme. Its purpose is to help in the acquisition of the first apartment for people aged up to 45. The main assumption is a contribution from the Government Housing Fund to loan instalments during the first 10 years of loan repayment. The programme translated into a marked increase in mortgage sales in the market and in the Bank to record levels (in nominal terms) of more than PLN 9 billion in monthly sales for the entire market with an increase in the Bank's share due to its dominant position in these loans.

Amendment to Recommendation S of the PFSA with regard to the calculation of creditworthiness of 19 June 2023, introducing countercyclical system for calculating the interest rate buffer. It led to a reduction in the buffer for loans with variable interest rates under the current macroeconomic conditions, as well as the reduction of the buffer for loans with a periodical fixed interest rate and the period of determination of this rate for more than 5 years. Higher creditworthiness of customers supports the sale of mortgage loans. A new approach to setting this buffer has also been introduced, having a positive impact on creditworthiness in the period of falling rates.

The Act of 6 October 2022 amending the acts to counteract predatory lending, obliging, inter alia, lending institutions to examine creditworthiness and make provision of financing subject to a positive assessment in this respect. Therefore, since 18 May 2023, these companies were obliged to submit and update information on the loan granted

to the Credit Information Bureau. The new regulations contribute to less diversification of the bank's and non-banking entities' activities on the debt product market for retail customers.

WITH RESPECT TO THE FINANCIAL MARKET

On 29 September 2023, most of the provisions of the Act on amending certain acts in connection with ensuring the development of the financial market and the protection of investors in this market entered into force. Under this Act, dozens of legal acts regulating, inter alia, the functioning of the financial market and the banking sector have been amended. In addition, the Act introduces new regulations on outsourcing and sub-outsourcing in the banking sector, which aim to streamline existing procedures and bring them in line with the Guidelines of the European Banking Authority. The Act aims to organise and streamline the functioning of financial market institutions, in particular with regard to the elimination of barriers to access the financial market, the improvement of oversight of the financial market, the protection of customers of financial institutions, the protection of minority shareholders in public companies and the increase of the level of digitisation in the implementation of supervisory duties by the NSC and the PFSA Office.

One of the key amendments is the restriction of the sale of corporate bonds to retail clients outside the regulated market or alternative trading system and crowdfunding platforms. The Act modifies and extends the existing rules regarding the blocking of accounts when, based on available information, there is a suspicion that a transaction made or planned may be linked to the commitment of a specific offence. In addition, the Act enables the exchange of information covered by secrecy (e.g. banking secrecy) where this is necessary to take action to counter threats to the security of ICT systems. Another new solution is the introduction of the option to use electronic service during the activities carried out by the PFSA, which represents a clear shift towards electronic communication between the PFSA and supervised entities.

WITH RESPECT TO INSURANCE

International Financial Reporting Standard 17 Insurance Contracts (IFRS 17) published by the International Accounting Standards Board in May 2017 and amended in June 2020 and on 9 December 2021.

IFRS 17 was endorsed for use in European Union countries on 19 November 2021 by Regulation 2021/2036 of the European Union. The aim of the new standard is to introduce new uniform rules for the measurement of insurance and reinsurance contracts, ensuring greater comparability of reporting between providers of insurance products, and to provide a number of new disclosures for the use of financial statement users.

This standard is mandatory as of 1 January 2023. IFRS 17 changed the recognition, measurement, presentation and disclosure of insurance contracts distributed by Group companies, both as products linked to, among others, mortgage loans, cash loans and leasing products, and as stand-alone products. The implementation of IFRS 17 as of 1 January 2022 resulted in an increase in the Group's assets by PLN 581 million, liabilities by PLN 295 million and equity by PLN 286 million. For a detailed description of the impact of the implementation of IFRS 17, see Note 14 "IFRS 17 Insurance Contracts" of the Bank Group's consolidated financial statements for the year ended 31 December 2023.

On 26 June 2023, the PFSA issued Recommendation U. Banks must bring their operations into compliance by 1 July 2024. The primary objective of the new Recommendation U is to ensure that customers get value for money from the insurance products offered through bancassurance, including loan or credit repayment insurance (so-called CPI products), the manner in which insurance products are offered through bancassurance, the relationship between the bancassurance bank and the insurance provider. This institution, on the basis of an agreement with the bank, is obliged to bear the costs of insurance cover for the bank and to monitor the processes related to the offering of insurance products by banks, as part of the internal control system, the risk management system and through the audit committee.

WITH RESPECT TO ESG RISK MANAGEMENT

Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any of the other environmental objectives.

The delegated act adds or introduces technical screening criteria for new economic activities contributing to Environmental Objective I and II and revises the existing technical screening criteria for Environmental Objective I and II.

Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

WITH RESPECT TO RISK MANAGEMENT

Rulings of the Court of Justice of the European Union in Cases C-520/21 and C-287/22 increasing costs related to ongoing and possible lost proceedings in cases concerning foreign currency mortgage loans, necessitating an increase in legal risk provisions.

The Regulation of the Minister of Finance of 22 September 2023 amending the Regulation in respect of a higher risk weight for exposures secured with mortgages on real estate, extending the application of preferential risk weights until 30 September 2025, resulting in the maintenance of lower capital requirements.

WITH RESPECT TO IDENTITY VERIFICATION

Act of 7 July 2023 amending certain acts to mitigate certain effects of identity theft. The Act aims to increase protection against fraud resulting from data theft and to reduce the scale of fraudulent financial transfers by incurring financial obligations in the name of another person (e.g. credit agreements, loan agreements, real estate sale agreements) without the owner's knowledge and consent, as well as the phenomenon of so-called SIM swapping, i.e. making a duplicate SIM card, which can then be used to illegally authorise transactions. Due to the imposition of a new verification obligation on the Bank - the blocking of the PESEL number in the blocking database and the imposition of sanctions for non-compliance with the obligation, the Bank must implement changes (including system changes) in the processes of selling accounts, loans, credits, etc. and making withdrawals from accounts at Bank branches by 1 June 2024.

The Act of 26 May 2023 on the mObywatel app introduced, among other things, a new type of document establishing identity in the physical presence of the parties - the mObywatel document. It is a mobile document stating the identity and Polish citizenship of a user of the mObywatel app in the territory of the Republic of Poland. The aforementioned Act entered into force on 14 July 2023. The entry into force of the aforementioned Act entailed the need to introduce the mObywatel document into the catalogue of identity documents recognised by the Bank, as well as the adaptation of the Bank's systems and processes.

WITH RESPECT TO ELECTRONIC DELIVERY

The Act of 12 December 2023 amended the provisions of the Act of 18 November 2020 on electronic delivery. The date of entry into force of the obligation to apply the amended law has been postponed. The deadline for the implementation of electronic delivery cannot be earlier than 30 March 2024 and later than 1 January 2025. In a communication from the Minister of Digitalisation dated 21 December 2023, the implementation deadline was changed from 30 December 2023 to 1 October 2024. Therefore, taking into account Article 155(1) of the above-mentioned Act, starting from 1 January 2025, banks are obliged to have an address for electronic delivery entered in the database of electronic addresses.

WITH RESPECT TO RESIDENTIAL TRUST ACCOUNTS

Amendments to the Act of 20 May 2021 on the protection of the rights of the purchaser of a residential unit or a detached house and the Developer Guarantee Fund (the "Development Act") introduced by two Acts of 7 July 2023:

1. on a pan-European individual pension product,
2. on amending the Act on spatial planning and development and certain other acts.

The Acts have a direct impact on, among other things, the revision of the content of the investment prospectus prepared by developers and, by extension, on the conditions under which banks provide services in respect of maintaining closed and open residential trust accounts.

WITH RESPECT TO TAXES

Act of 16 November 2022 amending the Act on tax on selected financial institutions and certain other acts, which introduces, for selected taxpayers of a tax on certain financial institutions, including domestic banks, the right to reduce, as of 1 January 2023, the tax base by the value of assets in the form of securities covered by the statutory guarantee of the State Treasury and by the value of assets resulting from repo/reverse repo transactions specified in the regulations. The Bank uses the regulation, reducing the tax base for tax on certain financial institutions, among others by the value of assets (i) in the form of securities lawfully covered by the State Treasury guarantee and (ii) resulting from reverse repo transactions.

Regulation of the Minister of Finance of 28 December 2022 on the exclusion of the obligation to collect flat-rate CIT and PIT, which in 2023 excludes the application of the mandatory collection of flat-rate income tax by entities keeping securities accounts or collective accounts (the so-called technical payers) in the case of making payments by them in excess of PLN 2 million to non-residents on amounts due from securities recorded on those accounts. The effect of the regulation is the possibility for the Bank to apply, as an entity keeping securities accounts, preferential, i.e. resulting from double taxation agreements, the principles of taxation of receivables paid to non-residents, regardless of their amount.

WITH RESPECT TO DERIVATIVE MARKET TRANSACTIONS – RECOMMENDATION A

On 19 October 2022, the PFSA adopted Recommendation A (replacing the previous one from 2010) concerning the management by banks of the risks associated with the execution of derivative market transactions by banks. Recommendation A provides a set of best practices concerning the duties and responsibilities of management and supervisory boards, the identification and assessment of risks, monitoring, internal control systems, and the control and reporting of risks in the area covered by the Recommendation. In the Recommendation, the PFSA has adopted an approach based on the principle of proportionality, understood as the adaptation of solutions to the individual specificity and profile of a bank's activities and the scale of risk incurred by the bank. This means that a bank, when dealing in derivatives, should comply with regulations and the extent of policies and procedures should be appropriate to the scale and complexity of the activity.

2.7 FACTORS THAT WILL AFFECT FUTURE FINANCIAL PERFORMANCE

PKO Bank Polski S.A. notes a growing regulatory risk and a risk of macroeconomic changes. The following external factors may impact the operations and future financial performance of the Bank's Group:

In the global economy:

- the war in Ukraine and its economic consequences, including the limited availability of energy resources, increased uncertainty among businesses and consumers, migration flows;
- increased geopolitical risk, with the risk of escalating conflicts in Ukraine, around Taiwan and in the Middle East, and increased political uncertainty in the run-up to the US presidential election;
- risk of repeated disruption to supply chains due to transport disruption in the Red Sea;
- further changes in global supply chains, related to reshoring, i.e. moving production closer to markets (nearshoring) and moving production to countries within broad alliance blocs (friendshoring);
- continued relatively low rates of global economic growth, including the slowdown in the US economy and the recession in Germany;
- a likely shift in the policies of the world's major central banks towards monetary easing;
- the possibility of access to investors from the European market due to debt issuance in the context of the regulatory requirements for minimum own funds and eligible liabilities (if necessary), as well as increased supply of US government bonds;

- risk of a potential additional burden related to the implementation of the global minimum tax (Pillar II) in connection with Council Directive (EU) 2022/2523, which has not yet been implemented in Poland but is effective from 1 January 2024 in selected tax jurisdictions where the Bank operates foreign branches and subsidiaries;
- changes in climate policy, including the accelerating energy transition and the increasing stringency and importance of environmental requirements;

In the Polish economy:

- the expected economic recovery, primarily driven by a recovery in private consumption;
- the path of further changes in NBP interest rates and the level of the mandatory reserve;
- the intensity and persistence of pro-inflationary factors and regulatory action aimed at limiting the scale of price growth;
- the situation in the financial markets, which may reflect, among other things, an increase in geopolitical risks due to a possible escalation of the armed conflict in Ukraine;
- the scale and pace of the inflow of EU funds, mainly under the NRP, and the possibility of their quick utilisation with the risk of supply constraints;
- the continuation of strong cost pressures from the labour market, in the face of a significant increase in the minimum wage and a recovery in demand for employees resulting from the economic recovery in an environment of limited supply in the labour market;
- the expected recovery in demand for loans, especially from households, in view of the prospect of interest rate cuts, programmes to reduce mortgage costs (Housing for a Start) and improved consumer sentiment;
- migration flows, including their impact on labor supply and aggregate demand in the economy;
- risks associated with the increasing polarisation of the political scene, which may limit the effectiveness of the government and affect the operation of some public institutions, including the NBP;
- the shape of new fiscal programmes, including solutions to support disadvantaged borrowers, increase access to the housing market (Housing for a Start), or reduce the contribution burden on entrepreneurs;
- possible further court decisions on the issue of foreign-currency housing loans and PLN loans based on WIBOR rates;
- existing and planned regulations triggering the need for banks to raise additional equity capital or long-term funding including:
 - ✓ the MREL requirement;
 - ✓ the long-term financing ratio;
 - ✓ CRR III/ CRD VI regulatory changes.
- the design of loan holidays 2.0 and the income criteria adopted;
- the risk that the Office for Competition and Consumer Protection (OCCP) will initiate proceedings against the Bank for violating the collective interests of consumers, including in the handling of complaints of the so-called unauthorized transactions, as well as the risk of imposing a penalty by the President of the OCCP in the ongoing proceedings concerning modification clauses in the contractual templates used by the Bank;
- the risk of national courts challenging the ability to charge interest on the so-called credited costs of consumer credit and, as a consequence, allowing borrowers to effectively benefit from the sanction of free credit;
- the risk of incurring a minimum corporate income tax liability, effective as of 1 January 2024, if the taxpayer incurs a loss or low income;
- implementation of corporate income tax requirements related to the obligation to send accounting records to the competent head of the tax office after the end of the tax year (JPK-KR) as of 1 January 2025;
- changes concerning the implementation of the remitter's obligations (including the technical remitter) in corporate and personal income tax, as well as disclosure requirements, with regard to, inter alia, selected bond income, income from investments in equity funds, including the extension of the period of application of the exclusion of the so-called pay & refund mechanism (changes effective as of 1 January 2024).

3. ORGANIZATION OF THE PKO BANK POLSKI S.A. GROUP

Entities covered by the financial statements
Key changes to the structure of the Bank's Group in 2023
Transactions with subordinated entities

3.1 ENTITIES COVERED BY THE FINANCIAL STATEMENTS

[GRI 2-2] Pursuant to the International Financial Reporting Standards (IFRS) as at 31 December 2023 the Bank's Group comprised PKO Bank Polski S.A. as the parent and 36 direct or indirect subsidiaries (at all levels). All the subsidiaries were disclosed in the consolidated financial data pursuant to IFRS 10, "Consolidated financial statements".

List of direct subsidiaries:

PKO BANK POLSKI S.A. GROUP (direct subsidiaries)			
PKO Bank Hipoteczny S.A. Warsaw banking activities	100%	100%	PKO Towarzystwo Funduszy Inwestycyjnych S.A. Warsaw investment fund management
PKO Leasing S.A. Warsaw lease activities	100%	100%	PKO BP BANKOWY PTE S.A. Warsaw pension fund management
PKO Życie Towarzystwo Ubezpieczeń S.A. Warsaw life insurance	100%	100%	PKO Towarzystwo Ubezpieczeń S.A. Warsaw other non-life insurance
KREDOBANK S.A. Lviv, Ukraine banking activities	100%	100%	PKO Finance AB Sollentuna, Szwecja financial services
PKO BP Finat sp. z o.o. Warsaw services, including transfer agent services and outsourcing of IT specialists	100%	100%	Merkury - fiz an¹ Warsaw investing funds collected from fund participants
NEPTUN - fizan¹ Warsaw investing funds collected from fund participants	100%	100%	PKO VC - fizan¹ Warsaw investing funds collected from fund participants

1 - PKO Bank Polski S.A. holds investment certificates of the fund.

The list presents the share of PKO Bank Polski S.A. in the company's share capital, and in the case of funds – share of the fund's investment certificates held. All subsidiaries listed in the Consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2023 (hereinafter: financial statements of the Bank's Group for 2023) are accounted for using the acquisition accounting method.

A full list of the Bank's subsidiaries, associates and joint ventures is presented in the 2023 financial statements of the Bank's Group, in note 1 "Activities of the Group".

3.2 KEY CHANGES TO THE STRUCTURE OF THE BANK'S GROUP IN 2023

In January 2023, the placing of Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A. w likwidacji (in liquidation) and Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A. w likwidacji (in liquidation) (entities from the Merkurij fund portfolio) was entered in the National Court Register.

In September 2023, the Bank's Management Board approved the merger of the investment funds NEPTUN - fizan (the acquiring fund) and Mercury - fizan (the acquired fund) 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. With regard to the continuation of the operations of the Mercury - fizan fund by NEPTUN - fizan, this transaction had no impact on the Consolidated Financial Statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2023. Aforementioned merger was effected on 30 January 2024.

"KREDOLEASING" sp. z o.o., a subsidiary of KREDOBANK S.A., commenced leasing activities. The company launched operations to a limited extent due to the war in Ukraine, where it is based.

3.3 TRANSACTIONS WITH SUBORDINATED ENTITIES

In 2023, PKO Bank Polski S.A. provided services to its related (subordinated) entities, including maintaining bank accounts, accepting deposits, granting loans and advances, debt securities issuance, granting of guarantees and spot exchange transactions and offering participation units and certificates of investment funds, lease products, factoring products and insurance products of the Bank Group companies, and services offered by Brokerage Office of PKO Bank Polski S.A.

The Bank provided services to PKO Bank Hipoteczny S.A. within the scope of intermediation in sales of housing loans for individuals, performing tasks as part of post-transaction services in respect of these loans and support tasks under the outsourcing agreement. The Bank offered its infrastructure and IT services and rented office space to selected Bank's Group companies. Together with Centrum Elektronicznych Usług Płatniczych eService sp. z o.o., the Bank rendered services of payment transaction clearance.

A summary of receivables, liabilities, revenues and costs of the transactions between PKO Bank Polski S.A. and its subordinated entities, including these companies' indebtedness vis-à-vis the Bank as at 31 December 2023, is presented in the financial statements of the Bank's Group for 2023 in Note 72 "Transactions with the State Treasury and related parties".

INFORMATION ON TRANSACTION(S) WITH RELATED PARTIES CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY, IF THEY ARE MATERIAL AND HAVE BEEN CONCLUDED ON TERMS OTHER THAN ON AN ARM'S LENGTH BASIS

Services provided by the Bank to related (subordinated) companies were performed on terms and conditions which do not diverge significantly from the arm's length conditions.

In 2023, subsidiaries of PKO Bank Polski S.A. did not conclude any material transactions with related parties on conditions other than arm's length.

4. FINANCIAL POSITION OF THE PKO BANK POLSKI S.A. GROUP

Key financial indicators Consolidated income statement Consolidated statement of financial position

Financial data is presented on a management basis.

The figures for 2022 have been restated due to the implementation of IFRS 17.

For definitions of major financial items (with reference to items from the income statement and statement of financial position) and financial indicators, see Chapter 14 (Glossary).

Any differences appearing in totals, shares and growth rates result from rounding off amounts to millions of PLN and rounding off percentages in the presented structures to one or two "decimal" places.

4.1 KEY FINANCIAL INDICATORS

As a result of the PKO Bank Polski S.A. Group's performance in 2023, the main financial performance indicators reached the following levels:

Table 5. Financial indicators of the PKO Bank Polski S.A. Group

	31.12.2023	31.12.2022	Change
ROE net (net profit/(loss)/average equity)	13.3%	9.6%	+3.7 p.p.
ROA net (net profit/(loss)/average assets)	1.2%	0.8%	+0.4 p.p.
C/I (cost to income ratio)	31.6%	45.0%	-13.4 p.p.
Interest margin¹⁾ (net interest income/average interest-bearing assets)	4.37%	3.79%	+0.58 p.p.
Share of impaired exposures	3.44%	3.79%	-0.35 p.p.
Cost of credit risk	0.50%	0.52%	-0.02 p.p.
Total capital ratio (own funds/total capital requirement*12.5)	18.65%	19.07%	-0.42 p.p.
Common equity Tier 1 (CET 1)²⁾	17.77%	17.94%	-0.17 p.p.
Leverage ratio	7.81%	9.06%	-1.25 p.p.

1) The interest margin in 2022 was calculated excluding the impact of the recognition in the third quarter of 2022 of the effects of the Act on crowdfunding for business ventures and assistance for borrowers (so-called statutory loan holidays) of PLN 3,111 million.

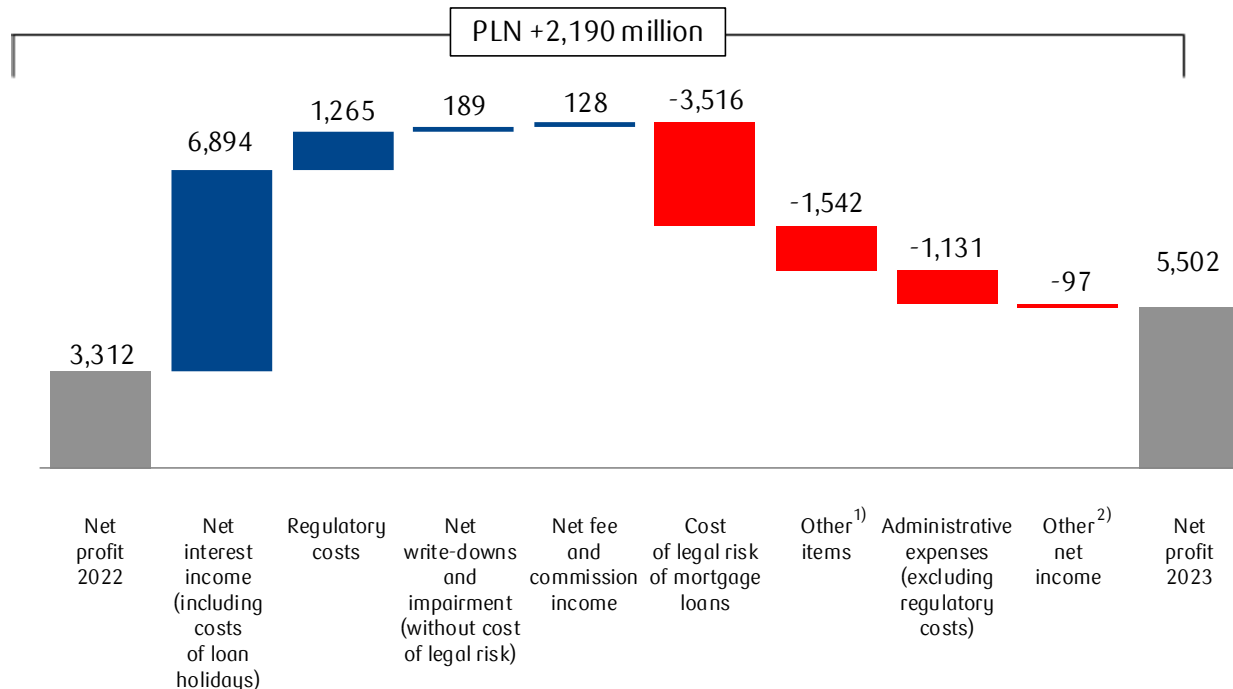
2) The figures for 2022 are restated and recognise the retroactive crediting to the funds of the result for 2022 following the profit distribution by the AGM.

4.2 CONSOLIDATED INCOME STATEMENT

Net interest income
Net fee and commission income
Other net income
Administrative expenses
Net write-downs and impairment

PKO Bank Polski S.A. Group's consolidated net profit in 2023 stood at PLN 5,502 million, which was higher by PLN 2,190 million than in 2022, determined by an improvement in net interest income related mainly to higher average interest rates and the recognition of the effects of the Act on crowdfunding for business ventures and borrower assistance (the so-called statutory loan holidays) in 2022, with a simultaneous deterioration in the result due to the recognition of additional legal risk costs of mortgages in convertible currencies.

Change in net profit of the PKO Bank Polski SA Group (PLN million)



1) This item comprises tax on certain financial institutions, income tax, share in profits/ (losses) of associates and joint ventures, and profit/(loss) attributable to non-controlling shareholders.

2) Other net income reflects net insurance income, dividend income, net income on financial operations, net foreign exchange gains/(losses) and other net operating income and expense.

The profit on business activities of the PKO Bank Polski Group for 2023 amounted to PLN 24,179 million and was PLN 6,925 million (i.e. 40.1%) higher y/y, mainly as a result of an increase in net interest income and net fee and commission income, with a decrease in net other income.

Table 6. Income statement of the PKO Bank Polski S.A. Group (in PLN million)

	2023	2022	Change (in PLN million)	Change (in %)
Net interest income	18,318	11,424	6,894	60.3%
Net fee and commission income	4,626	4,498	128	2.8%
Other net income	1,235	1,332	-97	-7.3%
Net insurance income	711	779	-68	-8.8%
Dividend income	14	51	-37	-72.2%
Gains/(losses) on financial transactions	271	377	-106	-28.0%
Foreign exchange gains/ (losses)	99	-73	172	2,4x
Net other operating income and expense	140	198	-59	-29.6%
Result on business activities	24,179	17,254	6,925	40.1%
Administrative expenses	-7,635	-7,769	134	-1.7%
Tax on certain financial institutions	-1,231	-1,266	35	-2.8%
Net operating result	15,313	8,219	7,094	86.3%
Net write-downs and impairment	-6,850	-3,523	-3,327	94.4%
Share in profits and losses of associates and joint ventures	99	71	28	39.7%
Profit/loss before tax	8,562	4,767	3,795	79.6%
Income tax expense	-3,057	-1,455	-1,602	1,1x
Net profit (including non-controlling shareholders)	5,505	3,312	2,193	66.2%
Profit (loss) attributable to non-controlling shareholders	3	0	3	-
Net profit/loss	5,502	3,312	2,190	66.1%

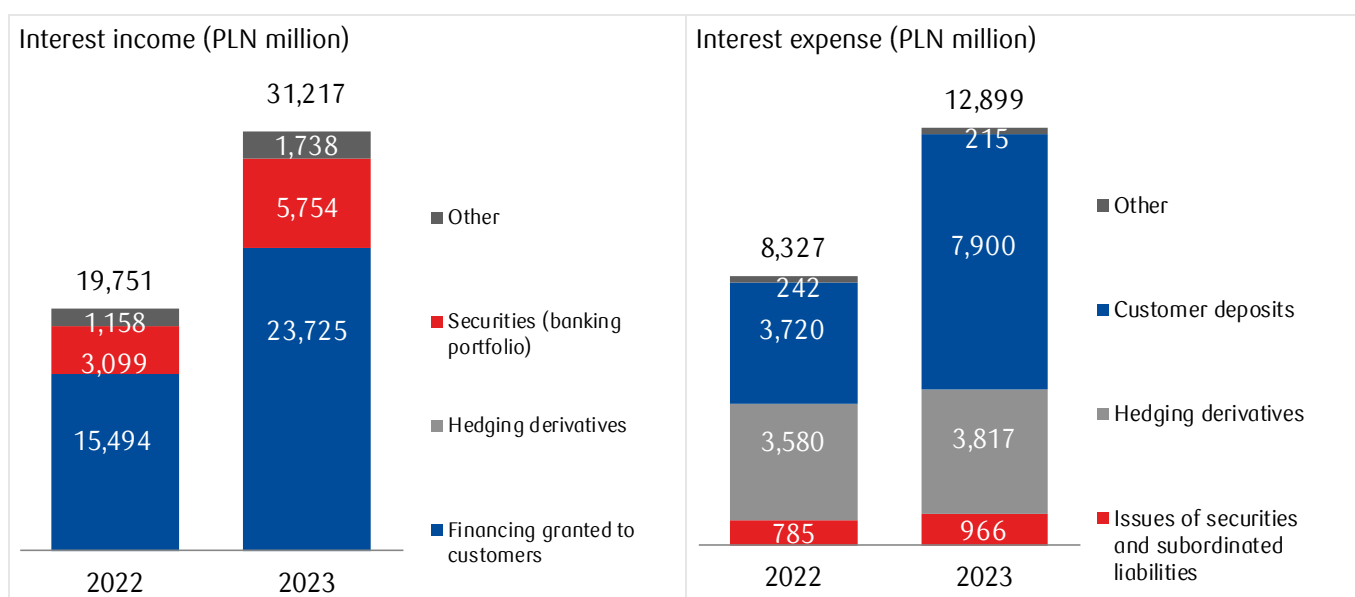
NET INTEREST INCOME

Net interest income for 2023 amounted to PLN 18,318 million, i.e. PLN 6,894 million more than in the previous year.

The y/y increase in the net income was mainly driven by an increase in income from financing granted to customers caused primarily by higher average interest rates. In addition, the year-on-year increase in net income was affected by the recognition in the third quarter of 2022 of a non-recurring loss charged to interest income on statutory loan holidays that reduced income on home loans by PLN 3,111 million. In the fourth quarter of 2023, the Capital Group estimated the actual level of loss due to loan holidays (taking into account, among others, empirical data on the participation rate of customers using loan holidays and prepayments made by customers during the period of the statutory loan holiday programme). Based on the results of the above analysis, the level of loss due to loan holidays was updated and the current amortization of this loss was proportionally reduced. The total positive effect recognized in the books of the Capital Group amounted to PLN 105 million.

Net interest income was also positively affected by the increase in income from securities, as a result of the increase in the average interest rate and the increased average portfolio volume, as well as the increase in interest income from interbank deposits and the mandatory reserve associated with the increased interest rates and the level of the reserve resulting from the increased volume of deposits.

Higher market rates and the Bank's increases in interest rates on deposit products drove up interest expenses, further amplified by the migration of customer funds from current accounts to term deposits. 2023 also saw an increase in interest expense from hedge accounting.



Interest income amounted to PLN 31,217 million and was 58.1% higher than in 2022. This was mainly due to:

- an increase in income from financing granted to customers by PLN 8,231 million y/y - mainly due to a 1.8 p.p. increase in the average interest rate on financing granted to customers. (excluding the impact of statutory loan holidays), resulting from an increase in market interest rates, with a change in the structure of financing (an increase in the share of business and consumer loans at the expense of the share of housing, foreign currency and PLN loans);
- higher income on securities (PLN +2,655 million y/y), mainly as a result of an increase in average interest rates resulting from rising market interest rates and an increase in the average volume of the securities portfolio by nearly PLN 24 billion.

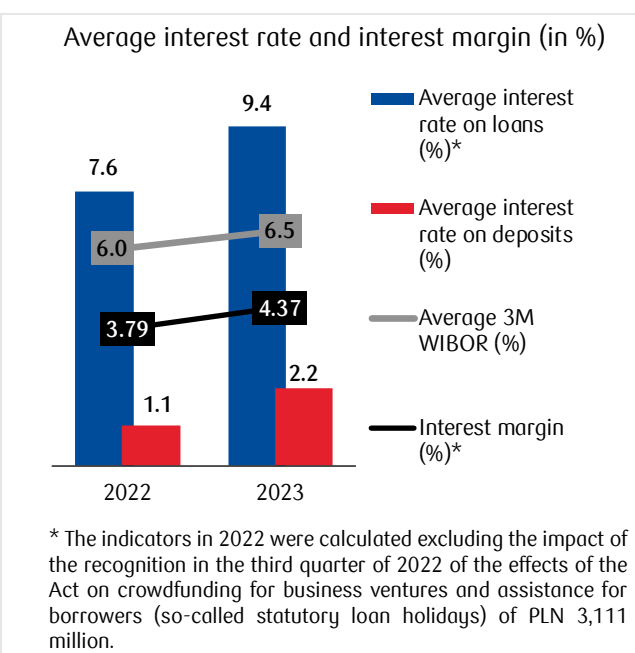
Interest expenses stood at PLN 12,899 million, up PLN 4,572 million from 2022, due to:

- an increase in interest expense on deposits by PLN 4,180 million y/y, which was attributable in particular to higher average annual interest rates in PLN following the MPC's decisions and the resulting increase in interest rates on deposits, as well as changes in the term structure involving an increase in the share of term deposits bearing higher interest rates;
- an increase in the expense from hedge accounting to PLN 3,817 million (PLN 237 million y/y), mainly as a result of rising rates for the PLN, which narrowed the margin between the variable rate paid and the fixed rate received on IRS transactions;
- an increase in bond issue costs by PLN 181 million, mainly related to the issue for the purposes of MREL.

The interest margin in 2023, excluding the impact of recognizing the effects of the statutory loan holidays in the third quarter of 2022, increased by 0.58 p.p. y/y to 4.37%.

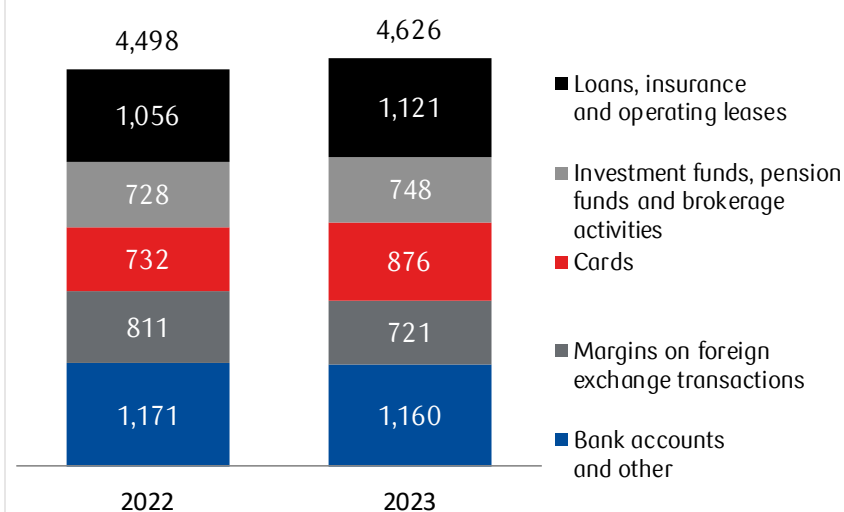
The increase in the margin was driven by higher return on assets associated with the higher average level of market rates, which translated to an increase in interest rates on assets to a greater extent than on liabilities.

In 2023, the average interest rate on PKO Bank Polski S.A.'s loans was 9.4%, and the average interest rate on total deposits was 2.2%. In 2022, it was 7.6% and 1.1%, respectively.



NET FEE AND COMMISSION INCOME

Net fee and commission income (in PLN million)



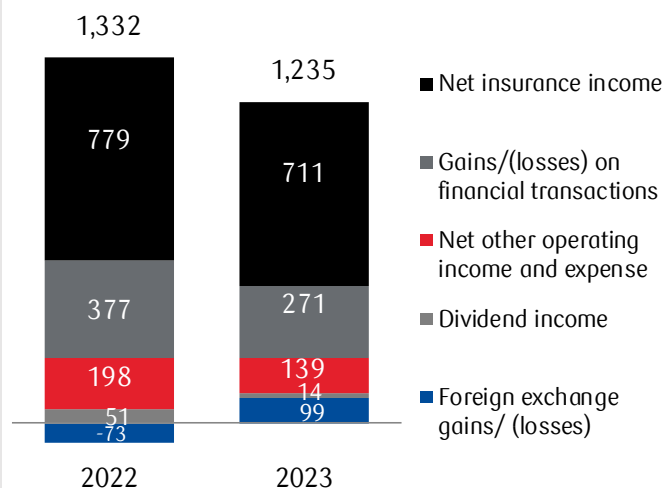
In 2023, net fee and commission income amounted to PLN 4,626 million, and was PLN 128 million higher than in the previous year. The increase in net commission income was due to, among other things:

- higher net income on cards (PLN +144 million y/y) due to a change in the method of settling certain commissions with card organisations (settlement of transactions in foreign currencies), a higher number of cards and higher transaction volumes;
- higher income on loans, insurance and operating leases (PLN +65 million y/y), mainly as a result of an increase in commissions on operating leases and business loans with a decrease in commissions on insurance;
- higher net income from investment funds, pension funds and brokerage activities (PLN +20 million y/y), mainly as a result of higher management fees of PKO TFI S.A. with a decrease in fees for the sale of Treasury bonds;

- lower net income from handling bank and other accounts (PLN 11 million y/y), mainly as a result of incurred commission expenses on guarantees and lower account management fees, with an increase in commissions on foreign transactions, cash transactions and transfers;
- lower net margin on foreign exchange transactions (PLN -90 million y/y), mainly lower commissions on foreign exchange at KREDOBANK S.A. and on exchange at table rates (including settlements with card organisations), accompanied by an increase in commissions on exchange at negotiated rates.

OTHER INCOME

Net other income (in PLN million)

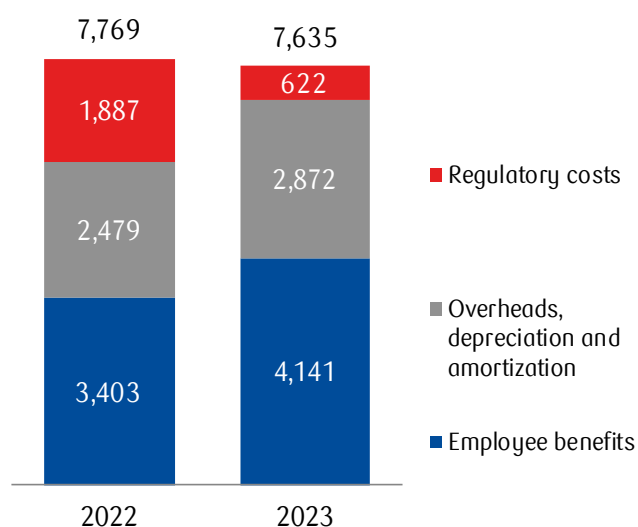


Other net income earned in 2023 amounted to PLN 1,235 million and was PLN 97 million lower than in 2022, among other things, as an effect of:

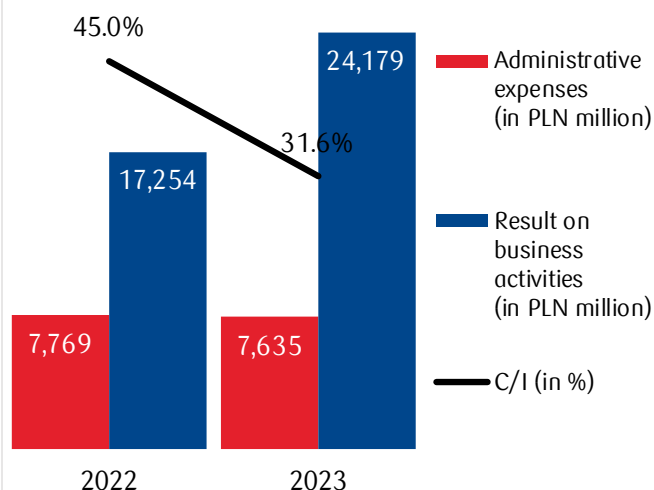
- lower net income from financial operations (PLN -106 million y/y), partly due to a decrease in net income from derivatives (including realised on instruments embedded in structured deposits), with an increase in net income from the valuation of both debt instruments and equities, and an improvement in net income from derecognition of assets;
- lower net insurance income (PLN -68 million y/y), mainly as a result of a decline in mortgage insurance sales and a change in actuarial assumptions regarding expected surrenders in cash loan insurance, with a simultaneous increase in the PKO DOM insurance portfolio and improved claim ratios, as well as an increase in the portfolio in insurance against the loss of value of the vehicle over time (GAP);
- lower net other operating income and expenses (PLN -58 million y/y), among other things as a result of:
 - an increase in litigation costs reimbursed to borrowers for CHF loan settlements by PLN 28 million y/y;
 - the recognition in 2023 of a loss on the sale of CO₂ emission allowances of PLN 26 million, which was fully offset by a positive valuation of customer derivatives related to CO₂ emission allowances;
 - a decrease in donations to the PKO BP Foundation by PLN 24 million y/y, mainly as a result of the allocation of additional funds in 2022 to support Ukraine in connection with the outbreak of war and the relief efforts taken by the Foundation for Ukrainian refugees;
 - a decrease in income from other leasing activities by PLN 23 million (including lower sales of post-lease cars and lower income from early termination of agreements);
- lower dividend income (PLN -37 million y/y), mainly as a result of dividends paid in 2022 by companies held in the PKO VC portfolio (PLN +38.8 million);
- an improvement in net foreign exchange income (PLN +172 million y/y), mainly the income on currency derivatives.

ADMINISTRATIVE EXPENSES

Administrative expenses (in PLN million)



C/I ratio components



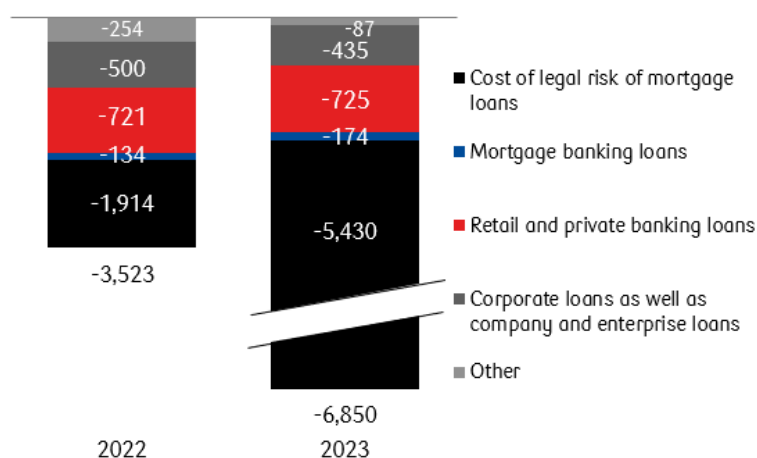
In 2023, administrative expenses amounted to PLN 7,635 million and were 1.7% lower y/y. Their level was mainly determined by:

- decrease by PLN 1,265 million, i.e. 67.0% in regulatory costs, mainly as a result of the recognition in 2022 of an expense relating to the initial contribution to the aid fund at System Ochrony Banków Komercyjnych S.A. of PLN 956 million and the contribution to the Borrower Support Fund of PLN 314 million, while contributions to the Bank Guarantee Fund were lower by PLN 128 million. Contributions to the Bank Guarantee Fund amounted to PLN 280 million in 2023 and were entirely related to the contribution to the mandatory bank restructuring fund (in the previous year, the BFG's costs amounted to PLN 409 million, including PLN 291 million as a contribution to the resolution fund);
- an increase by PLN 738 million, or 21.7%, in the cost of employee benefits, mainly as a result of wage regulations,
- an increase of PLN 326 million, i.e. of 22.3% of tangible costs, mainly as a result of:
 - an increase in property maintenance and rental costs by PLN 133 million, i.e. 46.5%, related, among other things, to the absence of the anti-inflation shield in 2023, which translated into an increase in electricity and heating costs;
 - an increase in promotion and advertising costs by PLN 71 million, or 46.4%;
 - an increase in IT costs by PLN 60 million, or 15.6%;
 - an increase in legal advisory costs by PLN 38 million, i.e. 44.0%, mainly in connection with the handling of cases involving Swiss franc borrowers;
 - an increase by PLN 27 million, or 32.2%, in cash management costs, mainly due to an increase in the transport fee and a higher number of transports.
- an increase in depreciation and amortization expense by PLN 67 million, or 6.6%, as a result of increased amortization of IT intangible assets.

PKO Bank Polski S.A. Group's operating efficiency, as measured by the C/I ratio, stood at 31.6% on an annual basis and improved by 13.4 p.p. y/y, mainly due to an increase in the net income from business activities (40.1% y/y), with a slight decrease in administrative expenses (-1.7% y/y).

NET WRITE-DOWNS AND IMPAIRMENT

Net write-downs and impairment (in PLN million)

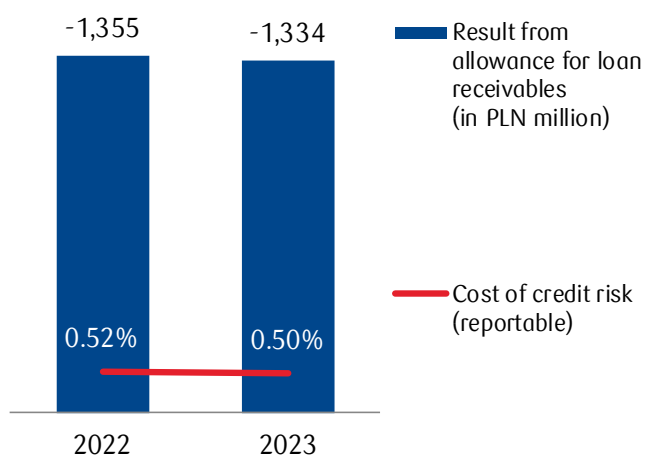


In 2023, net write-downs and impairment (including the cost of legal risk) amounted to PLN -6,850 million and deteriorated by PLN 3,327 million compared to that recorded in the previous year, which was mainly driven by the increase in the cost of legal risk of mortgage loans in convertible currencies by PLN -3,516 million as a result of an update of the parameters of the legal risk assessment model for these loans, taking into account the costs of the settlement programme, the number of settlements reached and estimates of the inflow of new court cases and their expected resolutions. The revision of the parameters adopted also accounts for the expected impact of the judgments of the Court of Justice of the European Union: the judgment of 15 June 2023 in Case C-520/21, the judgment of 14 December 2023 in Case C-28/22 and the order of 12 January 2024 in Case C-488/23 on the future case-law of the Polish courts and on a possible change in customer behaviour.

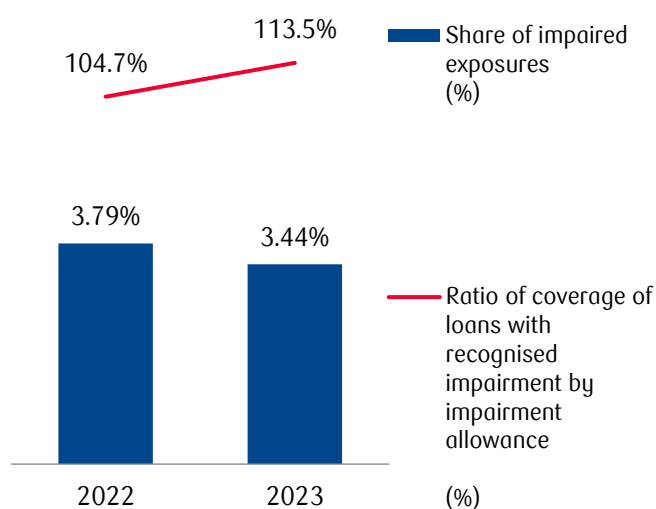
Net credit risk allowances stood at PLN -1,311 million and improved by PLN 234 million, mainly due to the improved quality of the portfolio of corporate entities, companies and businesses.

Net write-downs on non-financial assets amounted to PLN -109 million and deteriorated by PLN 46 million compared to the previous year, mainly due to the revaluation of real property and an increase in the impairment loss on shares in Bank Pocztowy.

Cost of credit risk at the Bank's Group



Quality of the Bank's Group's loan portfolio



The share of impaired loans amounted to 3.44% as at the end of 2023, a decrease of 0.35 p.p. compared to 2022, owing, among other things, to the improvement in the quality of the corporate client portfolio and the Bank's package sales of receivables.

At the end of 2023, the cost of risk amounted to -0.50% and was 0.02 p.p. lower than that recorded in the previous year.

4.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Main items of the Statement of financial position

Financing granted to customers

Sources of financing operations

Customer deposits

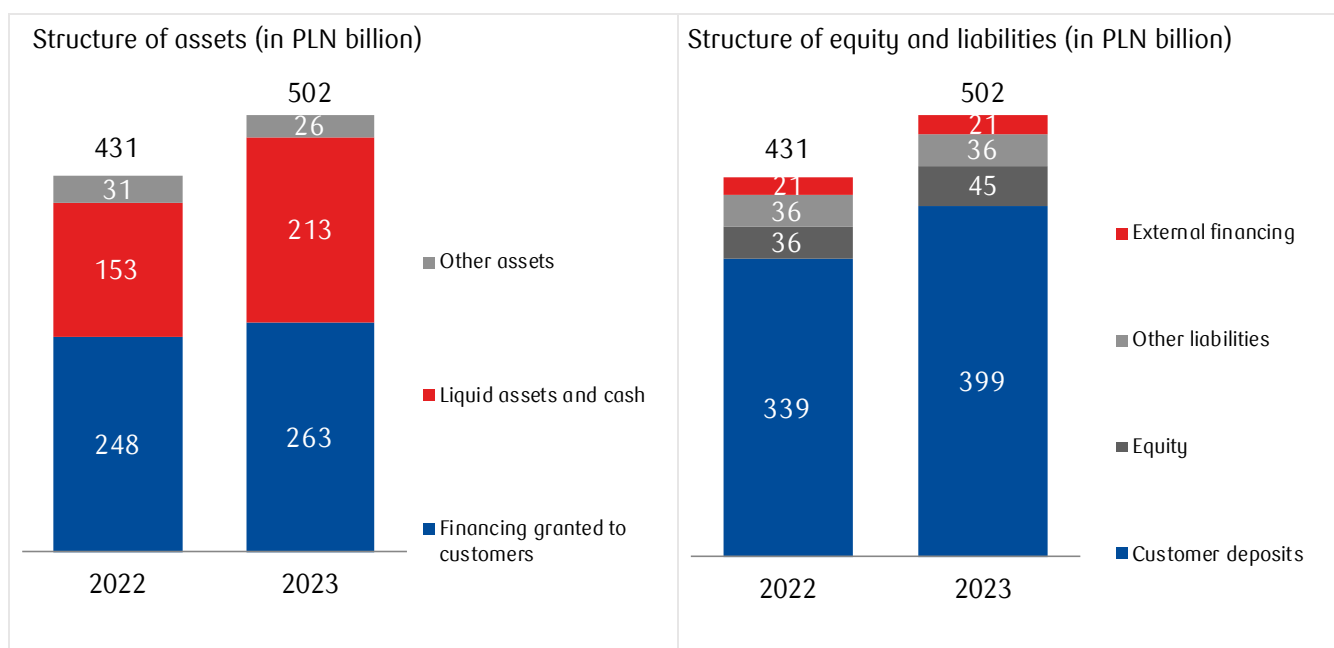
External financing

MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

As at the end of 2023, the PKO Bank Polski S.A. Group's total assets amounted to PLN 501.5 billion and increased by PLN 70.1 billion as of the beginning of the year. Thus, the Bank's Group reinforced its leading position on the Polish banking market.

In terms of financing sources, customer deposits, equity, and external financing increased. The decrease in valuation of derivative instruments resulted in a decrease in other assets and other liabilities.

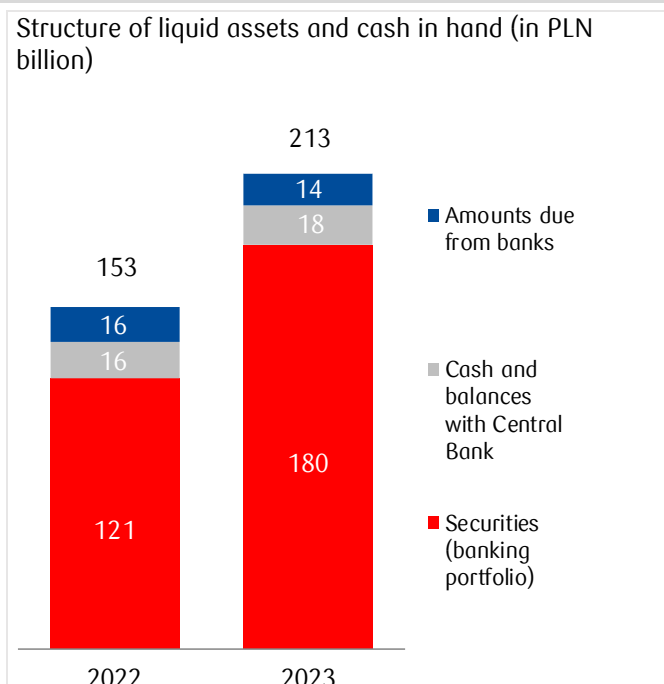
On the asset side, there was an increase mainly in liquid assets (by PLN 60 billion y/y) and financing granted to customers (by PLN 15 billion y/y).



LIQUID ASSETS AND CASH IN HAND

At the end of 2023, the Bank Group's liquid assets and cash stood at around PLN 213 billion, representing an increase by PLN 60 billion since the beginning of the year. An increase of PLN 59.4 billion was recorded on securities (banking portfolio), in particular money bills of the National Bank of Poland and treasury bonds in PLN.

Amounts due from banks decreased by PLN 1.7 billion, with cash and balances at the Central Bank increasing by PLN 1.9 billion and buy-sell back transaction increase by PLN 0.4 billion since the beginning of the year.



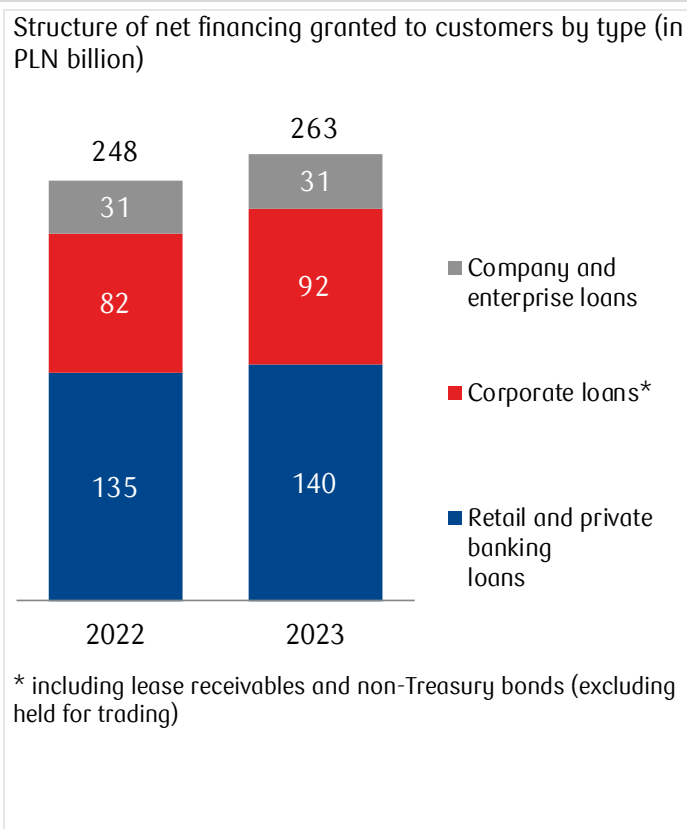
FINANCING GRANTED TO CUSTOMERS

As at the end of 2023, financing granted to customers by the Bank's Group was PLN 262.9 billion which represents an increase by PLN 15.3 billion y/y.

The volume of corporate loans increased by PLN 10.1 billion, while retail and private banking loans increased by PLN 5.1 billion, including real estate loans by PLN 3.7 billion and consumer loans by PLN 1.4 billion. Real estate loans grew as a result of an increase in mortgage loans in PLN (+ PLN 8.8 billion) mainly as a result of the Safe 2% Loan programme, with a decrease in mortgage loans in foreign currencies (PLN -5.1 billion) as a result of repayments, settlements signed and an increase in the provision for legal risk (impact of PLN -2.9 billion).

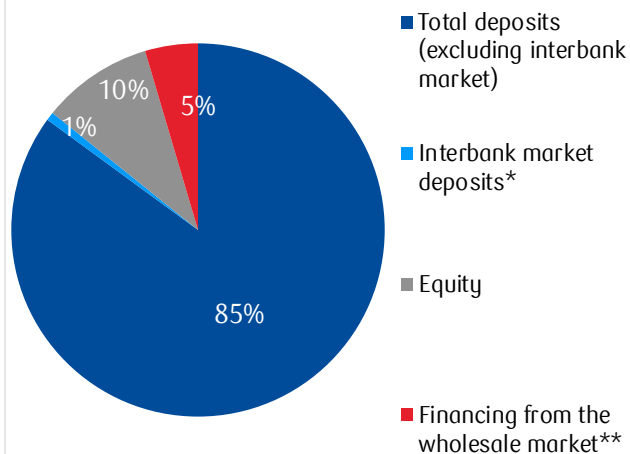
Excluding the impact of the above adjustment to the gross carrying amount, financing granted to customers at the end of 2023 would amount to more than PLN 265 billion compared to more than PLN 249 billion at the end of 2022.

Retail and private banking loans were the main items in the structure of financing by type, with share of 53.1% of the portfolio as at the end of 2023.

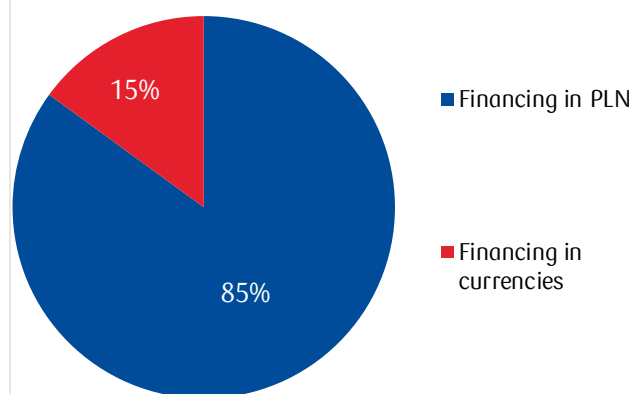


SOURCES OF FINANCING OPERATIONS

Structure of the sources of financing of the Bank's Group operations



Structure of the financing of the Bank's Group operations by currency



* including repo transactions

** including liabilities in respect of debt securities issued, subordinated liabilities, loans and advances received

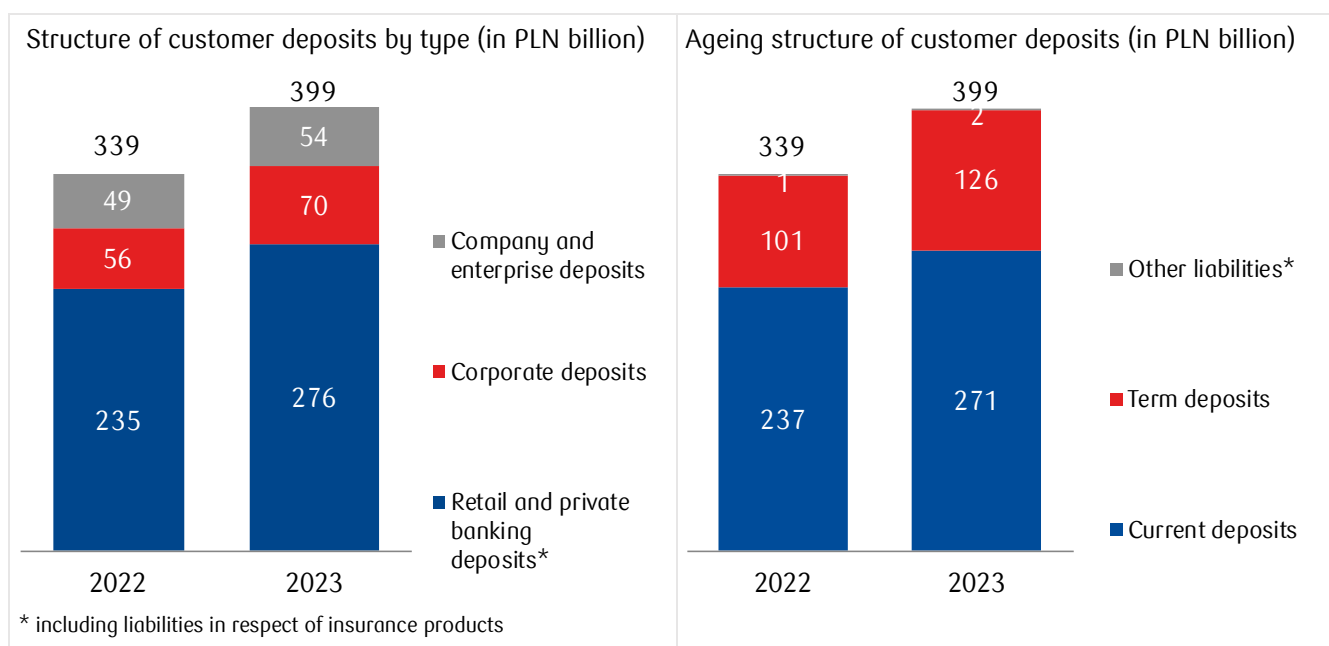
The PKO Bank Polski S.A. Group finances its operations from domestic and foreign sources which come from deposits (also on the interbank market), equity and financing from the wholesale market. The financing from the wholesale market includes liabilities in respect of debt securities issued, subordinated liabilities and loans and advances received from monetary and non-monetary institutions. The main source of financing the Bank's Group's operations are customer deposits, which represent 85% of all sources of finance.

By maintaining an optimal financing structure, the Bank's Group is fully capable of further development and implementation of its investment objectives.

CUSTOMER DEPOSITS

Customer deposits constitute the basic source of financing the Bank's Group's assets. As at the end of 2023, amounts due to customers reached PLN 399.2 billion, which is an increase of PLN 60.3 billion over the year. The factor that contributed to the increase in the deposit base was an increase in retail and private banking deposits (PLN +41.1 billion), corporate deposits (PLN +13.7 billion) as well as business and enterprise deposits (PLN +5.1 billion).

In the ageing structure of customer deposits, the main items are current deposits whose share amounted to 67.9%, down 2.0 p.p. from the end of 2022 in favour of term deposits.



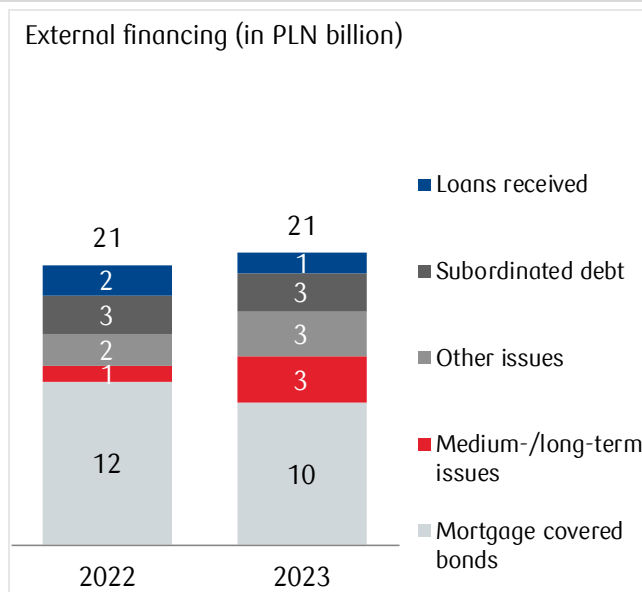
EXTERNAL FINANCING

As at the end of 2023, long-term sources of financing amounted to nearly PLN 21,5 billion, which means an increase by PLN 0.9 billion since the end of 2022.

The change resulted from:

- issue of 3-year Senior Preferred Notes of EUR 750 million;
- an increase in bonds issued by PKO Bank Hipoteczny S.A. by PLN 0.5 billion;
- maturity of some of the EIB and CEB loans;
- a decrease in bonds issued by the PKO Leasing S.A. Group by PLN 0.6 billion as a result of the early redemption of securitisation bonds associated with the termination of the programme;
- a decrease in mortgage covered bonds of PKO Bank Hipoteczny S.A. by PLN 1.6 billion.

External financing (in PLN billion)



5. FINANCIAL STANDING OF THE PKO BANK POLSKI S.A.

Key financial indicators
Income statement
Statement of financial position

Financial data is presented on a management basis.

For definitions of major financial items (with reference to items from the income statement and statement of financial position) and financial indicators, see Chapter 14 (Glossary).

Any differences appearing in totals, shares and growth rates result from rounding off amounts to millions of PLN and rounding off percentages in the presented structures to one or two "decimal" places.

5.1 KEY FINANCIAL INDICATORS

PKO Bank Polski S.A.'s performance in 2023 translated into financial indicators as follows:

Table 7. Financial indicators of PKO Bank Polski S.A.

		31.12.2023	31.12.2022	Zmiana
ROE net	(net financial result/average equity)	12.4%	9.9%	+2.5 p.p.
ROA net	(net profit financial result/average assets)	1.1%	0.8%	+0.3 p.p.
C/l	(cost to income ratio)	30.3%	43.7%	-13.4 p.p.
Interest margin ¹⁾	(net interest income/average interest-bearing assets)	4.37%	3.82%	+0.55 p.p.
Share of impaired exposures		3.18%	3.60%	-0.420 p.p.
Cost of credit risk		0.52%	0.42%	+0.1 p.p.
Total Capital Ratio	(own funds/total capital requirement*12.5)	20.84%	20.49%	+0.34 p.p.
Common equity Tier 1 (CET 1) ²⁾		19.80%	19.19%	+0.61 p.p.
Leverage ratio		8.20%	9.26%	-1.06 p.p.

1) The interest margin in 2022 was calculated excluding the impact of the recognition in the third quarter of 2022 of the effects of the Act on crowdfunding for business ventures and assistance for borrowers (so-called statutory loan holidays) of PLN 2,443 million.

2) The figures for 2022 are restated and recognise the retroactive crediting to the funds of the result for 2022 following the profit distribution by the AGM.

5.2 INCOME STATEMENT

Net interest income
Net fee and commission income
Other net income
Administrative expenses
Net write-downs and impairment

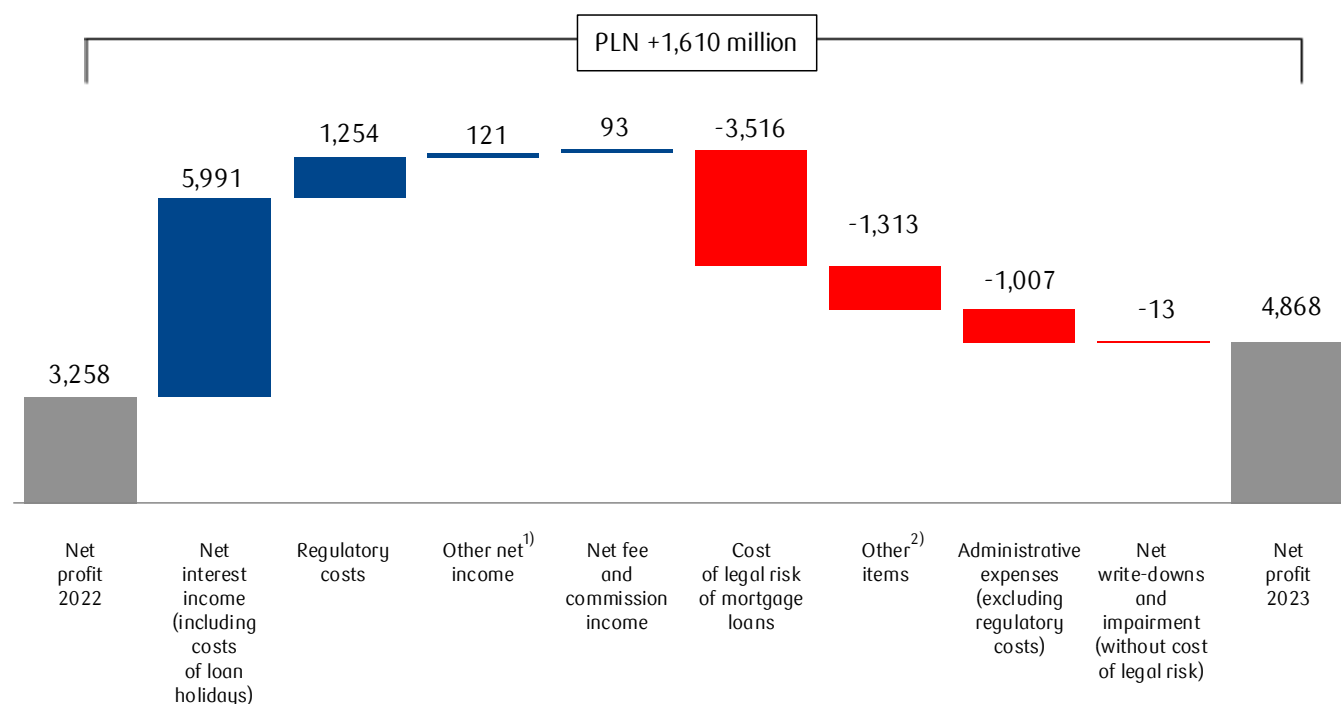
PKO Bank Polski S.A. net profit in 2023 stood at PLN 4,868 million, which was higher by PLN 1,610 million than in 2022, which was determined by the higher average level of interest rates and the recognition in 2022 of the effects of the Act on crowdfunding for business ventures and borrower assistance (the so-called statutory loan holidays) and high regulatory costs (including the cost relating to the initial contribution to the assistance fund to System Ochrony Banków Komercyjnych S.A. in the amount of PLN 956 million and the contribution to the Borrower Support Fund in the amount of PLN 307 million), with a simultaneous increase in the cost of legal risk of mortgage loans in convertible currencies by PLN 3,516 billion.

In 2023, the net result on business activities amounted to PLN 22,050 million and was PLN 6,205 million, i.e. 39.2% higher than in 2022. This was mainly the effect of an increase in net interest income by PLN 5,991 million y/y, and in net fee and commission income by PLN 93 million y/y, as well as in net other income by PLN 121 million y/y.

Table 8. Income statement of PKO Bank Polski S.A. (in PLN millions)

	2023	2022	Change (in PLN million)	Change (%)
Net interest income	17,215	11,224	5,991	53.4%
Net fee and commission income	3,911	3,818	93	2.4%
Other net income	924	803	121	15.1%
Dividend income	683	488	195	39.9%
Gains/(losses) on financial transactions	211	390	-179	-45.9%
Foreign exchange gains/ (losses)	81	-108	189	1.7x
Net other operating income and expense	-51	33	-84	-2.5x
Result on business activities	22,050	15,845	6,205	39.2%
Administrative expenses	-6,678	-6,925	247	-3.6%
Tax on certain financial institutions	-1,166	-1,190	24	-2.0%
Net operating result	14,206	7,730	6,476	83.8%
Net write-downs and impairment	-6,697	-3,168	-3,529	1.1x
Profit/loss before tax	7,509	4,562	2,947	64.6%
Income tax expense	-2,641	-1,304	-1,337	1.0x
Net profit/loss	4,868	3,258	1,610	49.4%

Change in the net profit of the PKO Bank Polski S.A. (in PLN million)



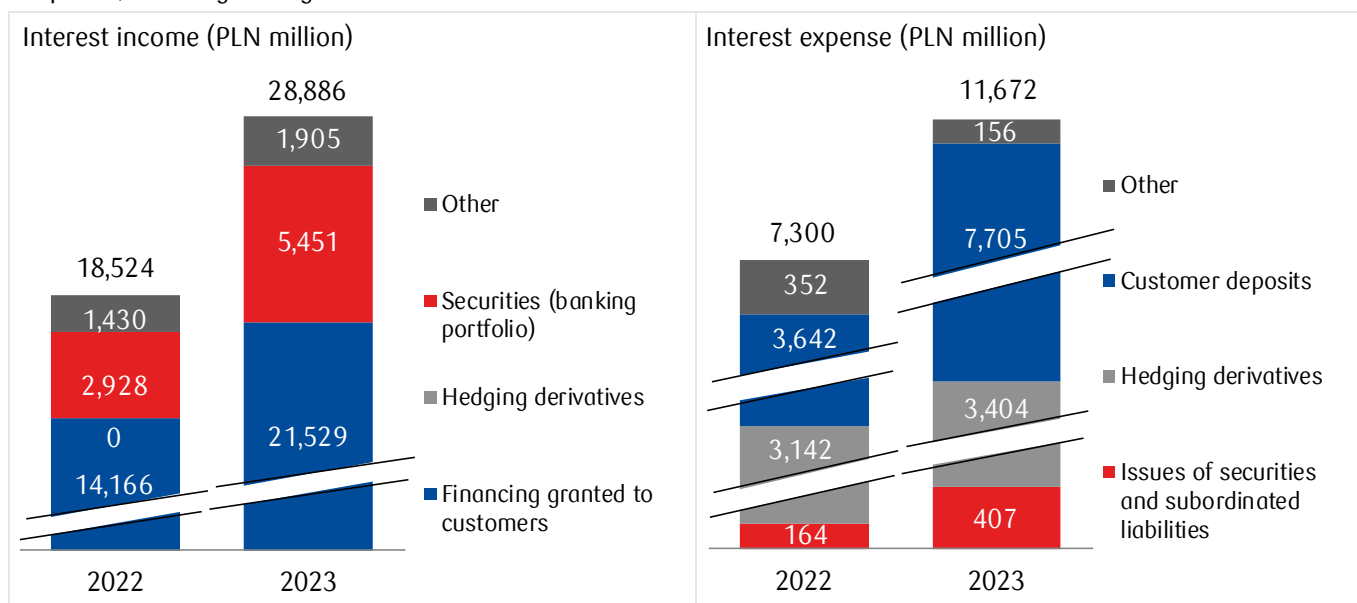
1) Net other income reflects dividend income, result on financial transactions, net foreign exchange gains/(losses) and other net operating income and expense.

2) The item includes tax on certain financial institutions and income tax.

NET INTEREST INCOME

Net interest income for 2023 amounted to PLN 17,215 million, i.e. PLN 5,991 million more than in the previous year. The y/y increase in the net income was mainly driven by an increase in income from financing granted to customers due to an increase in interest rates. The effect is greater due to the recognition in the third quarter of 2022 of a non-recurring loss of PLN 2,443 million related to statutory loan holidays, reducing income on home loans (reduced by the results of the settlement of the impact of loan holidays carried out in the fourth quarter of 2023, which resulted

in the reversal of the initial loss on loan holidays of PLN 83 million). Net interest income in 2023 was negatively affected by an increase in interest expense from hedge accounting and an increase in interest expense on customer deposits, resulting mainly from increases in market rates for the PLN.



Interest income in 2023 reached PLN 28,886 million and was 55.9% higher than in 2022, largely as a result of:

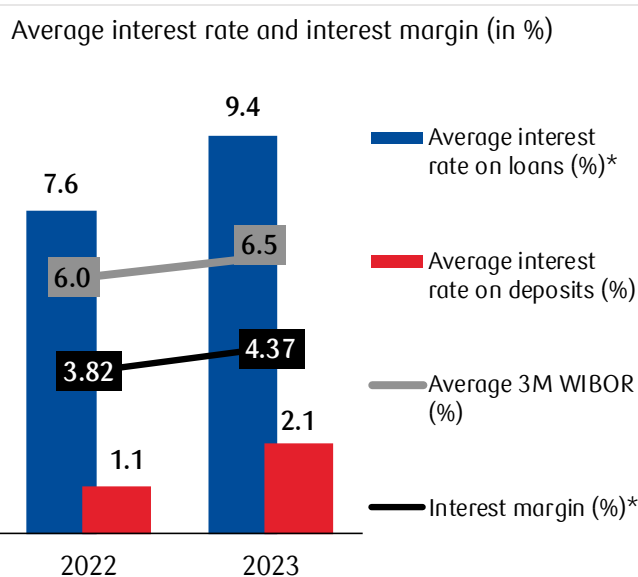
- an increase in revenue from financing granted to customers by PLN 7,363 million y/y - mainly related to a 1.8 p.p. increase in the average interest rate on financing granted to customers. (excluding the impact of statutory loan holidays), with a change in the structure of the average volume of loan receivables (an increase in the share of business and consumer loans at the expense of housing loans in PLN and foreign currencies);
- higher income on securities (PLN +2,523 million y/y), mainly as a result of an increase in average interest rates resulting from rising market interest rates and an increase in the average volume of the securities portfolio by nearly PLN 24.8 billion.

Interest expenses stood at PLN 11,672 million, up PLN 4,372 million from 2022, mainly due to:

- increase in interest expense on deposits by PLN 4,063 million, mainly related to an increase in average interest rates on deposits associated with increases in PLN interest rates following the MPC's decisions and changes in the term structure involving an increase in the share of term deposits bearing interest at higher rates;
- an increase in the expense from hedge accounting to PLN 3,404 million (PLN +262 million y/y), mainly as a result of rising rates for the PLN, which narrowed the margin between the variable rate paid and the fixed rate received on IRS transactions;
- an increase in bond issue costs by PLN 243 million y/y, mainly related to the issue for the purposes of MREL.

The interest margin in 2023, excluding the impact of recognizing the effects of the statutory loan holidays in the third quarter of 2022, increased by 0.55 p.p. y/y to 4.37%. The increase in the margin was driven by a higher return on assets, which was related to the increase in market rates in Poland, which translated to an increase in interest rates on assets to a greater extent than on liabilities. The return on assets was negatively affected by changes in the structure of interest-bearing assets (the share of securities increased at the expense of mainly the share of the highest interest-bearing amounts due from customers and at the expense of the share of amounts due from banks).

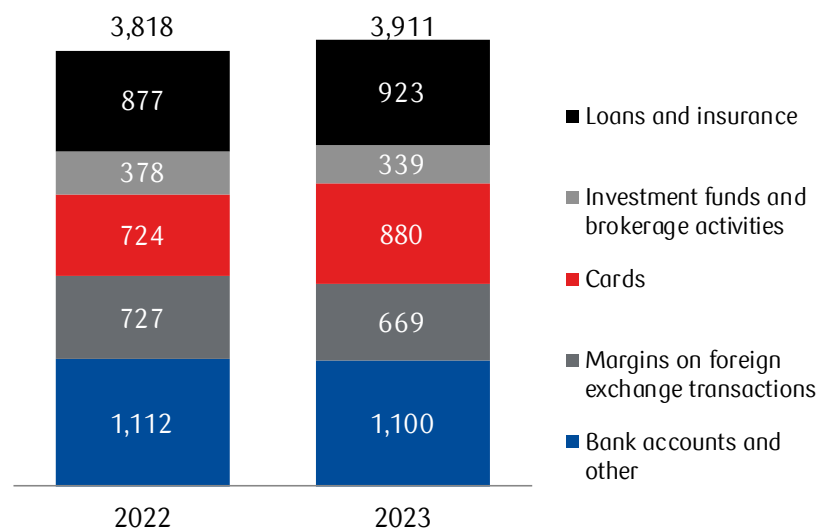
In 2023, the average interest rate on the Bank's loans was 9.4%, and the average interest rate on total deposits was 2.1%. In 2021, it was 7.6% and 1.1%, respectively.



* The indicators in 2022 were calculated excluding the impact of the recognition in the third quarter of 2022 of the effects of the Act on crowdfunding for business ventures and assistance for borrowers (so-called statutory loan holidays) of PLN 2,443 million.

NET FEE AND COMMISSION INCOME

Net fee and commission income (in PLN million)



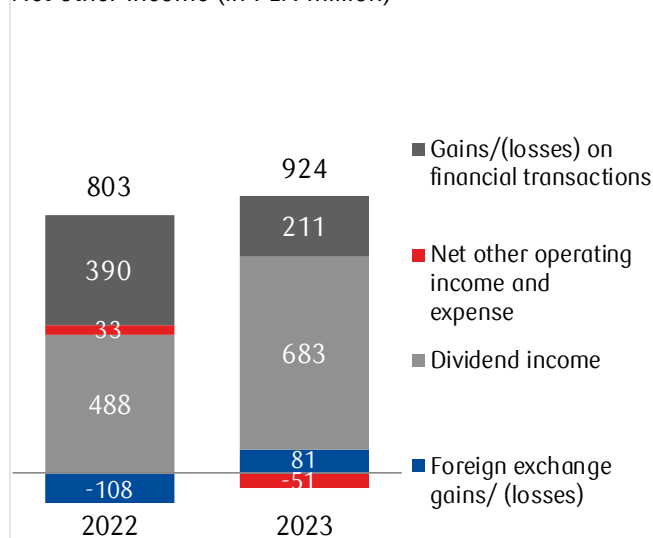
In 2023, net fee and commission income amounted to PLN 3,911 million and was PLN 93 million higher than in the previous year. The increase was determined – among other things – by:

- higher net income on cards (PLN +156 million y/y) due to a change in the method of settling certain commissions with card organisations, a higher number of cards and higher transaction volumes;
- higher net income on loans and insurance (PLN +46 million y/y), mainly in effect of an increase in commission on business loans, as well as commission on insurance, with an increase in commission costs on loans;
- lower net income from handling bank and other accounts (PLN -12 million y/y), mainly as a result of incurred commission expenses on guarantees and lower account management fees, with an increase in commissions on foreign transactions, cash transactions and transfers;

- lower net income from investment funds and brokerage activities (PLN -39 million y/y), mainly due to a decrease in commission on the sale of Treasury bonds;
- lower net margin on foreign exchange transactions (PLN -58 million y/y), mainly as a result of lower commissions on exchange at table rates (including the effect of a change in the settlement method with some card organisations), with an increase in commissions on exchange at negotiated rates.

OTHER NET INCOME

Net other income (in PLN million)



In 2023, other net income amounted to PLN 924 million and was PLN 121 million higher than that earned in 2022, among other things due to:

- an increase in dividend income by PLN 195 million (higher dividends paid by PKO Leasing, PKO TFI and PKO BP Finat);
- an increase in net foreign exchange income by PLN 189 million, mainly as a result of an improvement in the net income on currency derivatives;
- lower net other operating income and expenses (PLN -83 million y/y), among other things as a result of:
 - an increase in litigation costs reimbursed to borrowers for CHF loan settlements by PLN 28 million;
 - the recognition in 2023 of a loss on the sale of CO₂ emission allowances in the amount of PLN 26 million, which was fully offset by a positive valuation of customer derivatives related to CO₂ emission allowances recognised in net income from financial operations;
 - the recognition of income of PLN 23 million in 2022 in respect of a decrease in liability related to providing additional capital to a subsidiary, whereas income recognized in 2023 in this respect amounted to PLN 1 million.
- lower net income on financial operations (PLN -179 million y/y), among other things, as a result of a decrease in net income on derivatives (including that realised on instruments embedded in structured deposits), with higher net income on both debt instruments and equities, and an improvement in net income on derecognition of assets.

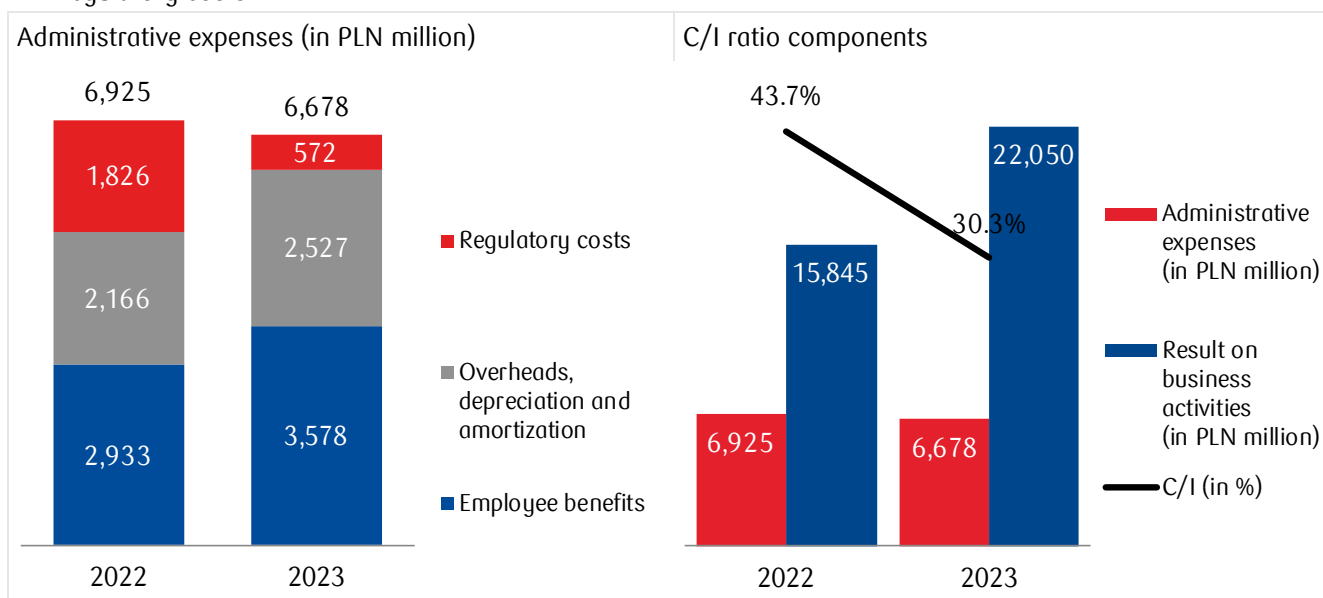
ADMINISTRATIVE EXPENSES

In 2023, administrative expenses amounted to PLN 6,678 million and were 3.6% lower y/y. Their level was mainly determined by:

- decrease by PLN 1,254 million, i.e. 68.7% in regulatory costs, mainly as a result of the recognition in 2022 of an expense relating to the initial contribution to the assistance fund at System Ochrony Banków Komercyjnych S.A. in the amount of PLN 956 million and the payment to the Borrower Support Fund in the amount of PLN 307 million, with simultaneous decrease in contributions to the Bank Guarantee Fund by PLN 119 million – these costs amounted to PLN 262 million and represented entirely a contribution to the mandatory bank restructuring fund

(in the previous year, BGF costs stood at PLN 381 million, of which PLN 264 million represented the contribution to the resolution fund);

- an increase by PLN 645 million, or 22.0%, in the cost of employee benefits, mainly as a result of wage adjustments and an increase in headcount;
- an increase by PLN 291 million, i.e. of 23.1% of tangible costs, mainly as a result of:
 - an increase in property maintenance and rental costs by PLN 127 million, or 48.1%;
 - an increase in promotion and advertising costs by PLN 59 million, or 42.8%;
 - an increase in IT costs by PLN 40 million, or 12.7%;
 - an increase in legal advisory costs by PLN 38 million, i.e. 45.4%, mainly in connection with the handling of cases involving Swiss franc borrowers;
 - an increase in cash management costs by PLN 27 million, or 32.1%;
- an increase in depreciation and amortization expense by PLN 71 million, or 7.8%, as a result of increased amortization of IT intangible assets.
- PKO Bank Polski S.A.'s operating efficiency, as measured by the C/I ratio, stood at 30.3% on an annual basis and improved by 13.4 p.p. y/y, mainly due to an increase in the net income from business activities (39.2% y/y), supported by a decrease in operating expenses (3.6% y/y) due to the absence of a significant burden of regulatory costs.

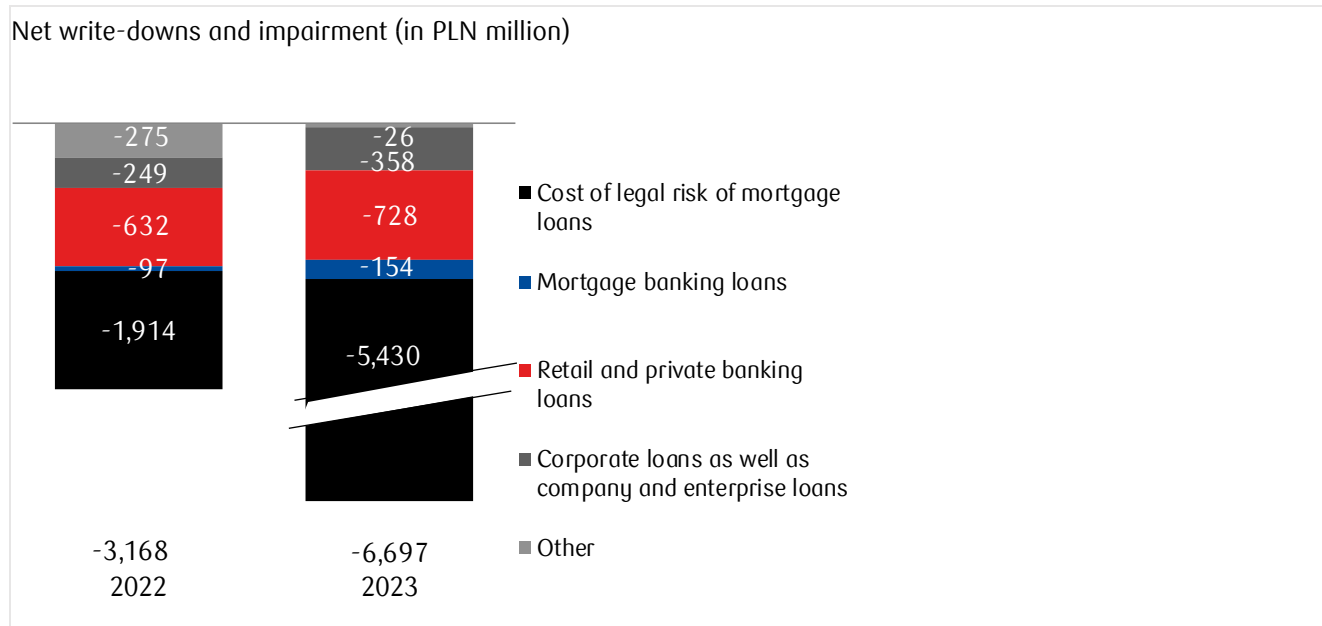


NET WRITE-DOWNS AND IMPAIRMENT

In 2023, net write-downs and impairment (including the cost of legal risk) amounted to PLN -6,697 million and deteriorated by PLN 3,529 million compared to that recorded in the previous year. The level of the result was mainly determined by the increase in the cost of legal risk of mortgage loans in convertible currencies by PLN 3,516 million as a result of an update of the parameters of the legal risk assessment model for these loans, taking into account the costs of the settlement programme, the number of settlements reached and estimates of the inflow of new court cases and their expected resolutions. The revision of the parameters adopted also accounts for the expected impact of the judgments of the Court of Justice of the European Union: the judgment of 15 June 2023 in Case C-520/21, the judgment of 14 December 2023 in Case C-28/22 and the order of 12 January 2024 in Case C-488/23 on the future case-law of the Polish courts and on a possible change in customer behaviour.

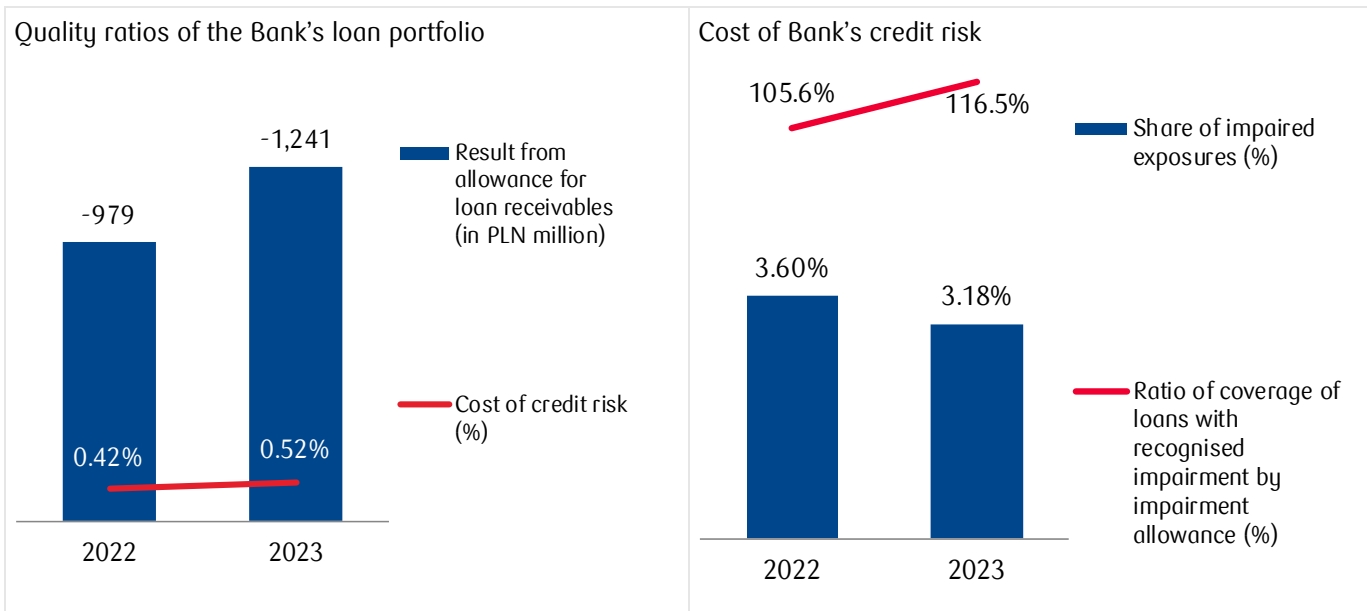
Net credit risk allowances stood at PLN -1,166 million and remained relatively unchanged from the previous year, with an increase in allowances on housing loans offset by an improvement in the net result on the corporate customer portfolio.

Net write-downs on non-financial assets amounted to PLN -100 million and deteriorated by PLN 11 million compared to the previous year, mainly due the reconstruction of additional write-downs on costs charged to the customer, while the asset depreciation write-down improved.



The share of impaired loans amounted to 3.18% as at the end of 2023, down 0.42 p.p. compared to 2022, driven by an increase in the total receivables portfolio and the Bank's package sales of receivables.

At the end of 2023, the cost of risk amounted to -0.52% and was 0.10 p.p. lower than that recorded in the previous year.



5.3 STATEMENT OF FINANCIAL POSITION

Main items of the Statement of financial position

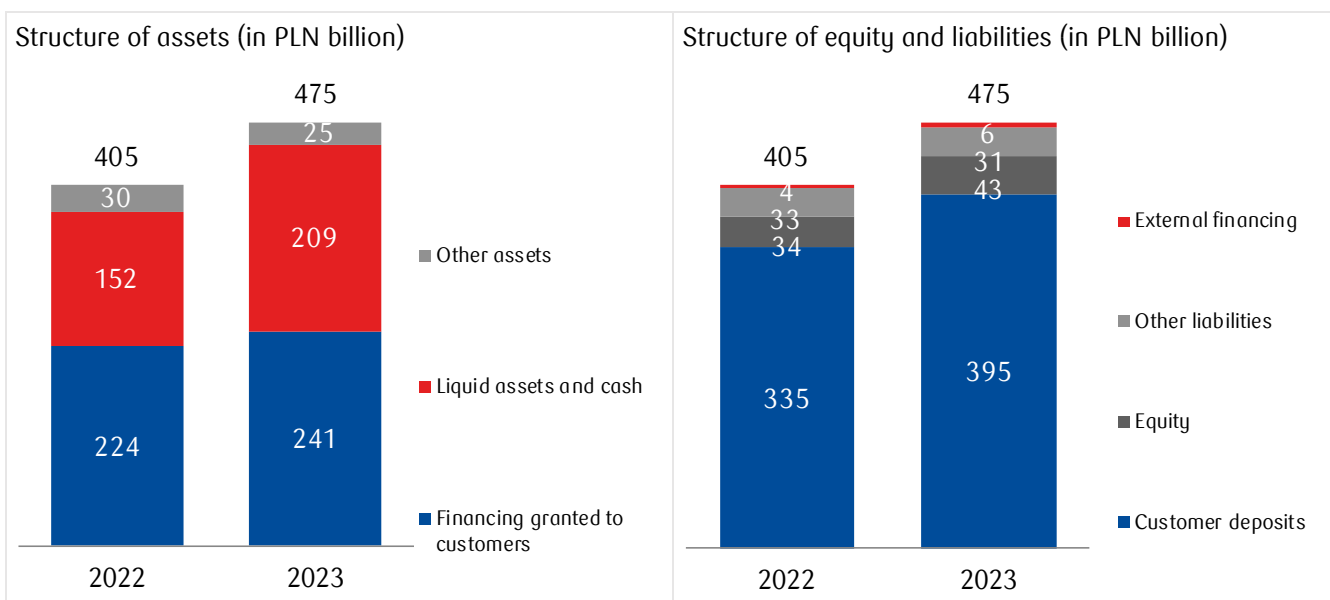
- Liquid assets and cash
- Financing granted to customers
- Customer deposits
- External financing

MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

As at the end of 2023, the PKO Bank Polski S.A.'s total assets amounted to PLN 474,7 billion and increased by PLN 69,5 billion as of the beginning of the year. Therefore, PKO Bank Polski S.A. reinforced its position as the largest institution in the Polish banking sector.

In terms of financing sources, customer deposits, equity, and external financing increased. The decrease in valuation of derivative instruments resulted in a decrease in other assets and other liabilities.

On the asset side, there was an increase mainly in liquid assets (by PLN 57,7 billion y/y) and financing granted to customers (by PLN 17,2 billion y/y).

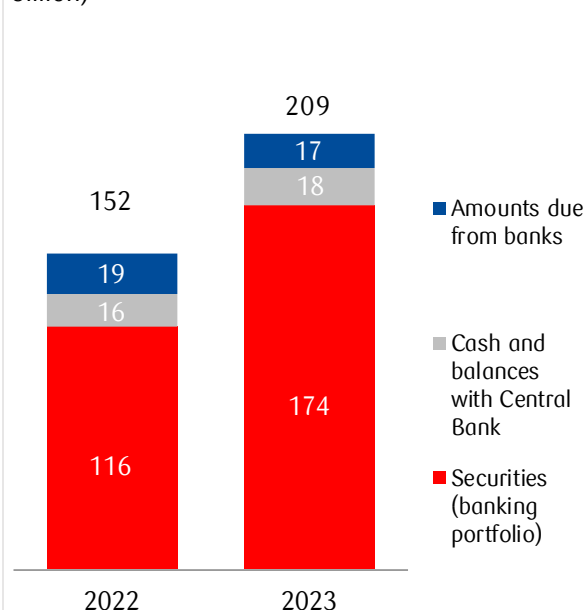


LIQUID ASSETS AND CASH

At the end of 2023, the Bank's liquid assets and cash stood at more than PLN 209 billion, representing an increase by PLN 57.7 billion since the beginning of the year.

The increase in liquid assets was primarily influenced by the growth of securities (banking portfolio) by PLN 58 billion, in particular for National Bank of Poland money bills and treasury bonds in PLN. Amounts due from banks also decreased by PLN 2.5 billion, with cash and balances at the Central Bank increasing by PLN 2 billion and buy-sell back transaction increase by PLN 0.4 billion.

Structure of liquid assets and cash in hand (in PLN billion)



FINANCING GRANTED TO CUSTOMERS

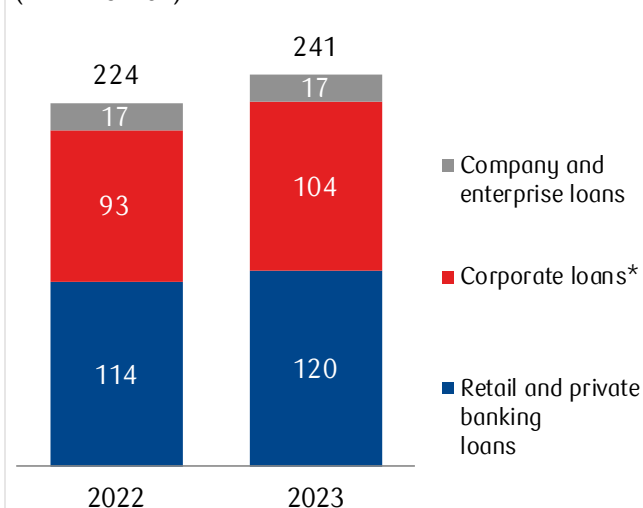
As at the end of 2023, financing granted to customers by the Bank was PLN 240.8 billion which represents an increase by PLN 17.2 billion y/y.

The volume of corporate loans increased by PLN 11.0 billion, while the volume of retail and private banking loans increased by PLN 6.6 billion. The increase in retail and private banking loans was mainly in real estate loans, which were significantly positively impacted by the effect of the Safe 2% Loan programme with the recognition of additional costs of legal risk of foreign currency loans in the amount of PLN 2.9 billion.

Excluding the impact of the above adjustments to the gross carrying amount, financing granted to customers at the end of 2023 would amount to more than PLN 243 billion compared to PLN 225 billion at the end of 2022.

Retail and private banking loans and corporate loans were the main items in the structure of financing by type, with a share of 50.0% and 43.0%, respectively, at the end of 2023.

Structure of net financing granted to customers by type (in PLN billion)



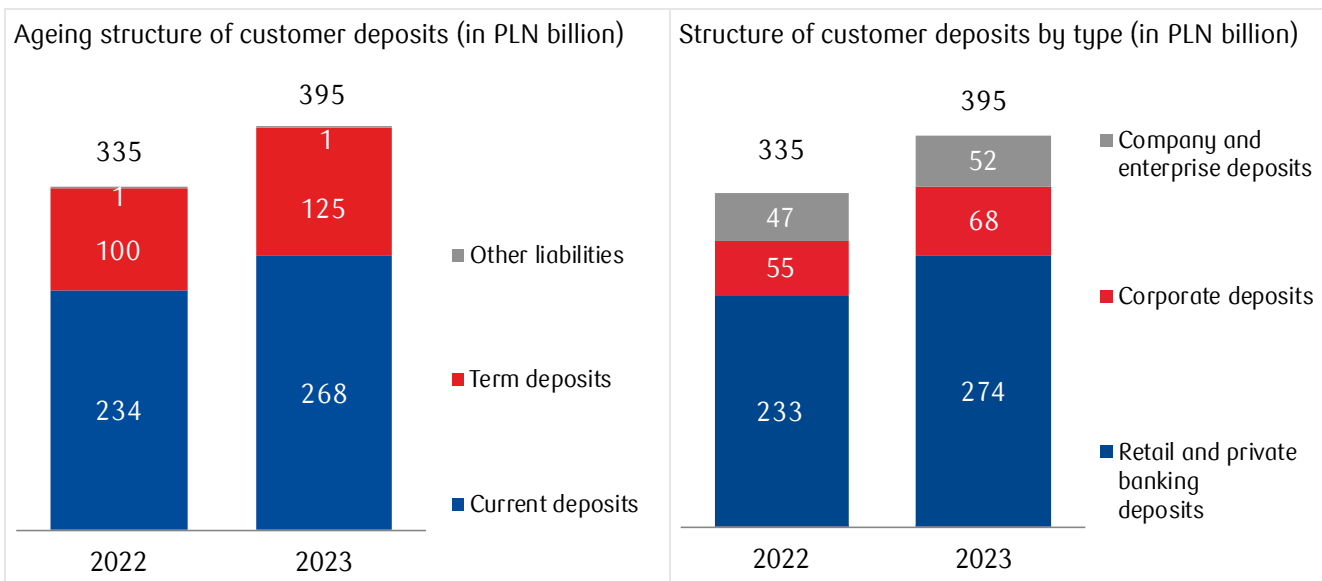
* including non-Treasury bonds (excluding held for trading)

CUSTOMER DEPOSITS

Customer deposits constitute the basic source of financing of the Bank's assets. As at the end of 2023, amounts due to customers reached PLN 394.6 billion, which is an increase of PLN 59.7 billion since the beginning of the year. The factor that contributed to the increase in the deposit base was an increase in retail and private banking deposits (PLN +41.0 billion), corporate deposits (PLN +13.4 billion) as well as business and enterprise deposits (PLN +4.9 billion).

In the structure of amounts due to customers by type, the main items are the retail and private banking deposits (69.4% as at the end of 2023).

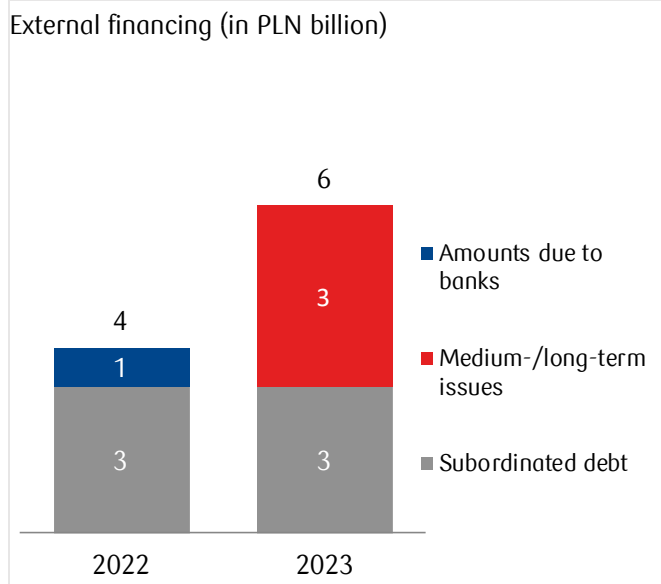
In the ageing structure of customer deposits, the main items are current deposits whose share amounted to 67.8%, down 2.0 p.p. from the end of 2022 in favour of term deposits.



EXTERNAL FINANCING

PKO Bank Polski S.A. is an active participant of the debt securities markets, which enables it to diversify the sources of financing its operations and to adapt them to the regulatory requirements regarding long-term financial stability.

As at the end of 2023, long-term sources of financing amounted to about PLN 6.2 billion, which means an increase by PLN 2.7 billion since the end of 2022, mainly as a result of the issue of 3-year Senior Preferred Notes upon maturity of some of the EIB and CEB loans.



6. REPORT ON REPRESENTATION EXPENSES, AND ON LEGAL, MARKETING, PUBLIC RELATIONS AND SOCIAL COMMUNICATION, AND MANAGEMENT ADVISORY SERVICES

The report was prepared on the basis of the provision of § 15.1.10a of the Articles of Association of PKO Bank Polski S.A. and pursuant to Article 17.6 of the Act on the Principles of Management of State Treasury Property.

In 2023 the Bank incurred representation expenses, expenditure on legal services, marketing services, public relations and social communication services, and advisory services related to management totalling PLN 346.0 million, which represented 1.57% of the Bank's Result on Business Activities (RBA). The corresponding costs incurred by the Bank in 2022 totaled PLN 257.6 million, which accounted for 1.63% of the Bank's RBA).

Table 9. PKO Bank Polski S.A. representation expenses, expenditure on legal services, marketing services, public relations and social communication services, and advisory services related to management.

Type of expense constituting part of the Bank's administrative expenses	2023	
	value (w PLN million)	share in RBA (%)
Marketing services – advertising campaigns supporting the sale of products offered by the Bank, and image campaigns/measures supporting the creation of a positive image of the Bank (mainly a campaign on cyber security, a campaign on the opportunity to finance customer needs and the Bank of the Year image campaign) and sponsorship activities	181.5	0.82%
Legal services – providing constant legal services on behalf of the Bank based on civil law agreements concluded with law firms, expenses on ad hoc legal aid and expenses related to CHF housing loan cases	122.4	0.56%
Costs of management advisory services – advisory services related to business and finance advice	21.4	0.10%
Public relations and social communication services – internal and external communication actions, relating mainly to media publications and support for staff projects	14.4	0.07%
Entertainment costs – expenses aimed at maintaining positive relations with customers, partners and counterparties	6.3	0.03%
Total	346.0	1.57%

7. EQUITY, CAPITAL ADEQUACY MEASURES, DIVIDEND

Equity
Capital adequacy measures
Dividend and profit appropriation

7.1 EQUITY

The equity of the PKO Bank Polski S.A. Group increased by PLN 9.5 billion, i.e. by 26.7% y/y. The increase is mainly due to a higher result in the current period, an increase in unappropriated profit and an increase in accumulated other comprehensive income, reflecting changes in the fair value of the securities portfolio and derivatives in hedge accounting.

The level of equity at the end of 2023 reflects the payment of an interim dividend for the financial year 2023 in the amount of PLN 1.6 billion. By decision of the Bank's Management Board adopted on 19 December 2023 (with the approval of the Supervisory Board and the Polish Financial Supervision Authority "PFSA"), funds from the reserve capital earmarked for this purpose in accordance with the resolution of the Annual General Meeting of PKO Bank

Polski S.A (AGM) of 21 June 2023 on the distribution of PKO Bank Polski S.A's profit earned in 2022 were allocated to the dividend.

Table 10. Total equity and total capital adequacy ratio of the PKO Bank Polski S.A. Group (in PLN million)

	31.12.2023	31.12.2022	Change (PLN million)	Change (%)
Total equity, including:	45,227	35,707	9,520	26.7%
Share capital	1,250	1,250	0	0.0%
Supplementary capital	22,860	23,085	-225	-1.0%
General banking risk fund	1,070	1,070	0	0.0%
Other reserves	7,138	7,091	47	0.7%
Accumulated other comprehensive income	-3,392	-9,007	5,615	-62.3%
Retained earnings	10,810	8,920	1,890	21.2%
Net profit or loss for the period	5,502	3,312	2,190	66.1%
Non-controlling interests	-11	-14	3	-21.4%
Own funds	43,807	43,759	48	0.1%
Total capital ratio ¹⁾	18.65%	19.07%		-0,42 p.p.

1) The figures for 2022 are restated and recognise the retroactive crediting to the funds of the result for 2022 following the profit distribution by the AGM.

7.2 CAPITAL ADEQUACY MEASURES

CAPITAL ADEQUACY MEASURES AS AT THE END OF 2023

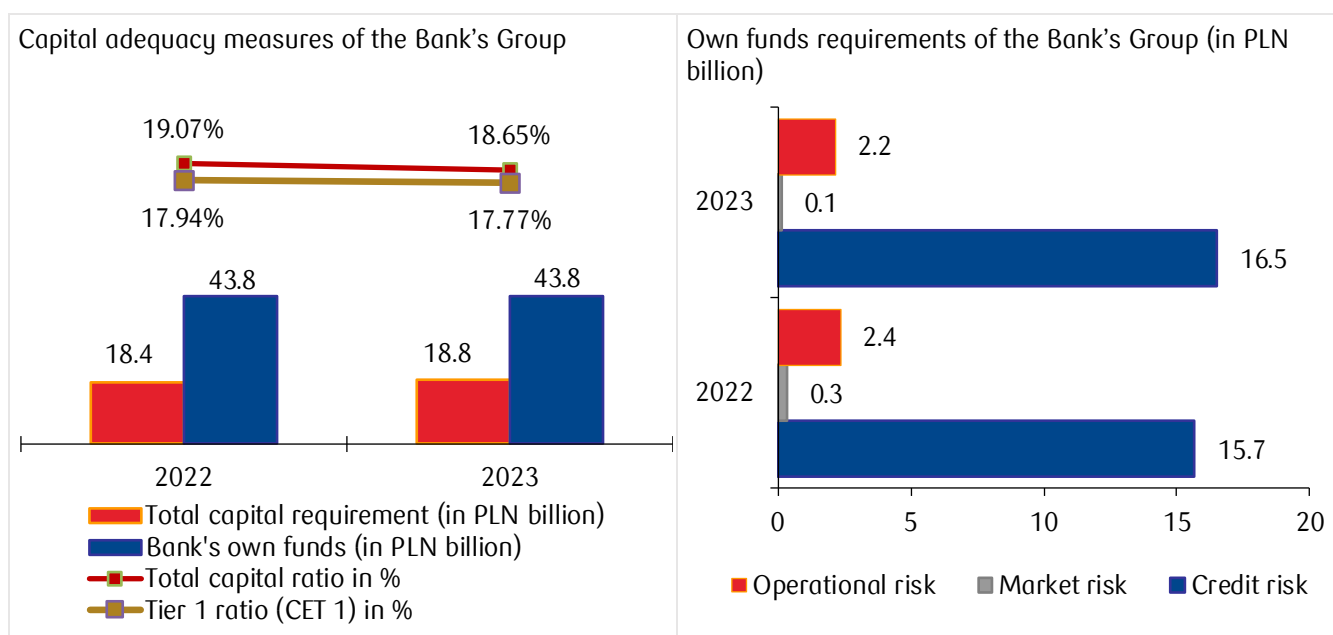
Capital adequacy for the PKO Bank Polski S.A. Group.

The capital adequacy of the PKO Bank Polski S.A. Group in 2023 remained significantly above the supervisory limits. As at the end of 2023, the total capital ratio of the PKO Bank Polski S.A. Group amounted to 18.65% and compared with the end of 2022 it decreased by 0.42 p.p., and the core capital Tier 1 ratio amounted to 17.77% and decreased by 0.17 p.p.

The drop in the capital ratios was determined by an increase in capital requirements by PLN 0.4 billion (resulting mainly from an increase in credit risk requirements by PLN 0.8 billion with a decrease in operational risk requirements by PLN 0.2 billion and market risk requirements by PLN 0.2 billion, with a stable level of own funds).

The level of own funds was most significantly affected by the payment of an interim dividend from reserve capital, which reduced equity by PLN 1.6 billion, the increase in the fair value of financial assets measured at fair value through other comprehensive income by PLN 1.1 billion (in the absence of the possibility to apply the provisions mitigating the impact of the COVID-19 pandemic (Article 468 of the CRR) in 2023), recognition as Common Equity Tier 1 capital, with the approval of the PFSA, of part of the net profit earned for the period from 1 January 2023 to 30 June 2023 in the amount of PLN 1.7 billion and T2 amortisation, which reduced own funds by PLN 0.5 billion.

The increase in the own funds requirement for credit risk by PLN 0.8 billion was driven by an increase in the loan portfolio with the simultaneous application of a preferential risk weight for the portfolio of corporate loans covered by a credit protection guarantee (with the PFSA's consent), which reduced the requirements by approximately PLN 0.5 billion at the end of 2023. Decrease in operational risk requirements by PLN 0.2 billion, mainly due to the implementation of individual scaling of the cost of legal risk of mortgage loans in CHF in the AMA approach in accordance with the PFSA's decision obtained on 22 February 2023, and PLN 0.2 billion lower market risk requirements mainly as a result of not exceeding the foreign exchange position threshold at the end of 2023 compared to the end of 2022.

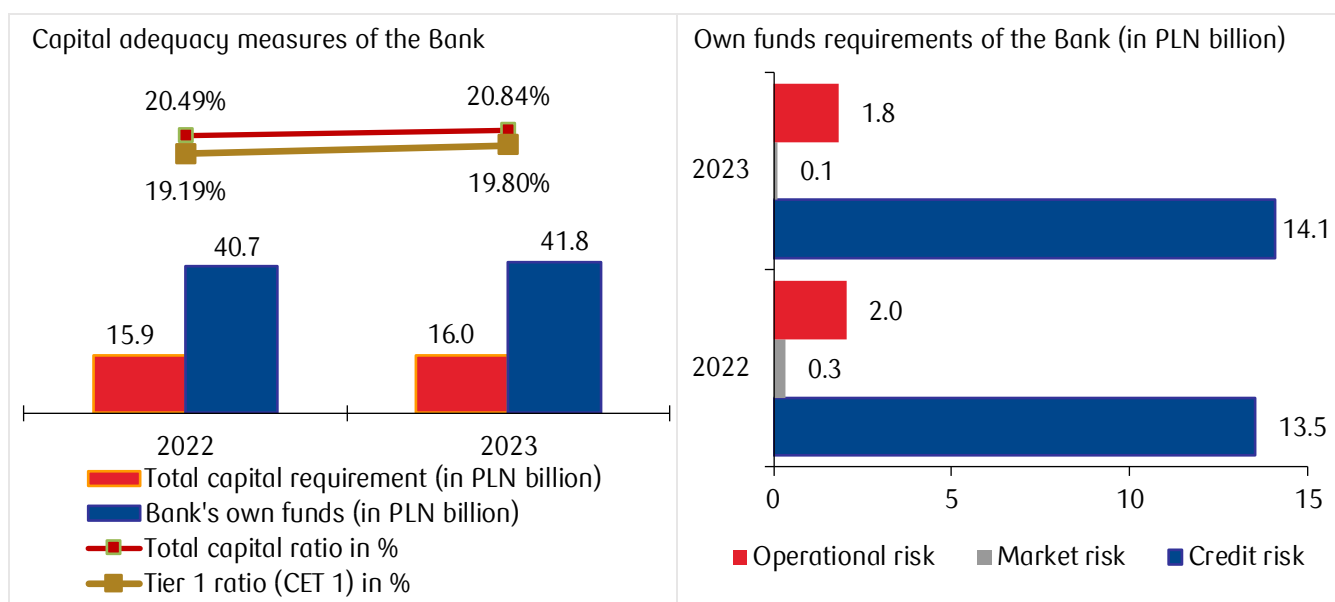


Capital adequacy for PKO Bank Polski S.A.

In 2023, the total capital ratio of PKO Bank Polski S.A. increased by 0.35 b.p. to 20.84%, and the core capital T1 ratio by 0.61 b.p. to 19.80%. The increase in capital ratios is mainly due to an increase in own funds by PLN 1.1 billion and an increase in capital requirements by PLN 0.1 billion.

PKO Bank Polski S.A.'s own funds were higher mainly as a result of an increase in the fair value of financial assets measured at fair value through other comprehensive income by PLN 0.9 billion, with a decrease in the reduction due to exposures excluded from the exposure concentration limit, and deferred tax on the core equity Tier 1 position of PLN 1.1 billion. In addition, the increase in own funds resulted from the consent of the PFSA to include in the core equity Tier 1 a part of the Bank's net profit earned for the period from 1 January 2023 to 30 June 2023 of PLN 1.6 million.

The increase in the own funds requirement for credit risk amounted to PLN 0.6 billion and was driven mainly by an increase in the loan portfolio and the application of a preferential risk weight for the portfolio of corporate loans covered by a credit protection guarantee (with the PFSA's consent), which reduced the requirements by approximately PLN 0.5 billion at the end of 2023. Decrease in own funds requirements for operational risk by PLN 0.2 billion, mainly due to the implementation of individual scaling of the cost of legal risk of mortgage loans in CHF in the AMA approach in accordance with the PFSA's decision obtained on 22 February 2023, and PLN 0.2 billion lower market risk requirements as a result of not exceeding the foreign exchange position threshold at the end of 2023 compared to the end of 2022.



DETERMINATION OF TARGET MREL LEVELS

The Bank Guarantee Fund has set the minimum requirement for own funds and eligible liabilities (MREL) for PKO Bank Polski S.A.

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

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

In accordance with Article 97(4) of the Act on the Bank Guarantee Fund, BGF exempted PKO Bank Hipoteczny S.A. from the requirement to maintain a minimum level of its own and eligible liabilities. Following this decision, TREA and TEM levels are adjusted to exclude PKO Bank Hipoteczny S.A. from consolidation.

In addition, the BFG indicated that KREDOBANK S.A. is not part of the group subject to resolution and should also be excluded from consolidation for the purposes of determining MREL.

The required levels are presented in the table below.

TABLE 11. REQUIRED MREL LEVELS (IN %)

	31.12.2023
MREL (TREA)	15.36
MREL (TREA) subordinated	13.78
MREL (TEM)	5.91
MREL (TEM) subordinated	5.60

As at 31 December 2023, the MREL ratio in relation to the total "TREA" risk exposure amounted to 16.38% (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 21.18%). With regard to the total exposure measure "TEM", the MREL ratio was 9.25%.

7.3 DIVIDEND AND PROFIT APPROPRIATION

RESOLUTIONS RELATING TO THE APPROPRIATION OF PROFIT FOR 2022 AND RETAINED EARNINGS

On 21 June 2023, the Annual General Meeting of PKO Bank Polski S.A. (The Bank's AGM) passed a resolution on distribution of profit of PKO Bank Polski S.A. for 2022, in accordance with which:

- the amount of PLN 1,629,138,013.50 was allocated to reserve capital for the payment of dividends, including interim dividends, in accordance with § 30 of the Bank's Articles of Association;
- the amount of PLN 1,629,138,013.50 was left as unapportioned.

At the same time, the Bank's AGM passed a resolution to leave PKO Bank Polski S.A.'s retained earnings from the previous years, in the amount of PLN 7,808,836,372, undistributed.

The above resolutions are compliant with the individual recommendation of the PFSA received on 17 March 2023, in which the PFSA confirmed that the Bank fulfils the requirements for the payment of dividends at a level of up to 50% of the net profit for 2022 but, at the same time, recommended that the Bank mitigate the risks present in its operations.

The distribution of profit for 2022 adopted by the AGM did not preclude the Bank's Management Board from deciding to distribute profit to shareholders in the form of an interim dividend and to use the reserve capital for this purpose.

In 2023, the Bank consulted the PFSA on two occasions relating to the possibility of the Bank distributing part of its profit from reserve capital in the form of an interim dividend. On 21 July 2023, the Bank received a negative opinion from the PFSA Office in this respect, and on 11 December 2023, the Bank received a positive opinion from the PFSA Office.

In its letter dated 11 December 2023, the PFSA stated that having analysed the current economic and financial standing of the Bank and the arguments presented by the Bank, the PFSA did not raise any concerns to the potential payment of interim dividend by the Bank in the amount of PLN 1.6 billion or less from the profit earned in the period between 1 January 2022 and 31 December 2022 allocated to the reserve capital in line with resolution No 7 of the Annual General Meeting of 21 June 2023 with regard to the distribution of profit earned by PKO Bank Polski S.A. in 2022. The PFSA noted that all decisions affecting the Bank's capital position, including those relating to the distribution of generated profit, should be made taking into account not only the provisions of law and the supervisory authority's positions and guidelines, but also the principles of prudent and stable management of the Bank, and in particular - the need to ensure that the Bank is equipped with own funds to cover all risks occurring in its operations, as well as its further sustainable development.

On 19 December 2023, the Bank's Management Board, acting on the authorisation of the General Meeting (Resolution No 7/2023), decided to pay an interim dividend for the financial year 2023 and to earmark PLN 1,600,000,000 for this purpose. On the same day, the Supervisory Board approved the payment of the interim dividend. The interim dividend was paid out only of the reserve capital created for dividend payment, including interim dividends.

1,250,000,000 shares (series A, B, C, D) gave entitlement to the Interim Dividend. The interim dividend per share was PLN 1.28 gross. The record date for the interim dividend was 25 January 2024. The interim dividend was paid on 1 February 2024.

DIVIDEND POLICY

On 28 November 2022, PKO Bank Polski adopted a dividend policy for the Bank and the Group ("Dividend policy"). The Dividend policy takes into account the Bank's intention to provide stable dividend payments in the long term, in accordance with the principle of prudent management of the Bank and the Bank's Group, in compliance with the law and the PFSA position on the dividend policy assumptions of commercial banks. The objective of the Dividend policy is to optimize the capital structure of the Bank and the Group, while considering the return on equity, the cost of capital and the capital needs for development, and maintaining an appropriate level of the capital adequacy ratios and meeting the minimum requirement for own funds and eligible liabilities (MREL). The repurchase of own shares for redemption is an additional tool for capital redistribution. The General Meeting gives its consent to the acquisition of own shares by the Bank, after prior approval of the Supervisory Board, specifying the terms of the acquisition, including the maximum number of shares to be acquired, the period of authorization to acquire shares, which may not exceed five years and the maximum and minimum amount of consideration for the acquired shares, if the acquisition takes place for consideration. Purchase of own shares for redemption in each case requires the Bank to obtain the prior consent of the Polish Financial Supervision Authority.

THE PFSA'S RECOMMENDATIONS REGARDING DIVIDEND PAYMENTS IN 2024

In December 2023, the PFSA adopted a position on the 2024 dividend policy of supervised institutions.

The dividend payment criteria for commercial banks indicated in the PFSA's positions are as follows:

1. an amount of up to 50% of the profit for 2023 may only be paid out by banks that fulfil all of the following criteria:

- not implementing a recovery programme;
- positively assessed in the supervisory review and assessment process (SREP) – final SREP score not worse than 2.5;
- having a leverage ratio (LR) of more than 5%;
- having a Tier 1 core capital ratio (CET1) of not less than the required minimum: 4.5% +56.25% x P2R requirement + combined buffer requirement + P2G;
- having a Tier 1 capital ratio (T1) not lower than the required minimum: 6% +75% x P2R requirement + combined buffer requirement + P2G;
- having a total capital ratio (TCR) not lower than the required minimum: 8% + P2R requirement + combined buffer requirement +P2G;

where:

- ✓ P2R (Pillar II Requirement) means the additional regulatory capital requirement - currently assigned to cover risks associated with foreign currency lending,
 - ✓ P2G (Pillar II Guidance) or additional capital recommendation – the Bank's sensitivity to an unfavorable macroeconomic scenario is measured using the results of supervisory stress tests.
2. An amount of up to 75% of the profit for 2023 may be paid only by banks meeting at the same time the criteria for payment of 50% and at the same time whose portfolio of receivables from the non-financial sector is characterised by good credit quality (the ratio of the portfolio of non-performing loans to the non-financial sector (NPL), including debt instruments, is at a level of no more than 5%).

The criteria set out in points 1 and 2 should be met by the bank both at the individual and consolidated level, as at the end of 2023 and on the date of the decision of the General Shareholders' Meeting to distribute dividends. The maximum possible level of dividend to be distributed from profit earned in 2023 is limited to 75% in connection with the expectation of strengthening the capital base in order to absorb the possible materialisation of risks accumulated in the environment of the Polish banking sector.

Additionally, the PFSA indicated that the banks which have considerable portfolios of foreign currency housing loans should adjust the rate of dividend distribution based on two additional criteria:

- Criterion 1 – based on the share of foreign currency housing loans for households granted to unsecured borrowers in the total portfolio of amounts due from the non-financial sector;
- Criterion 2 – based on the share of loans granted in 2007 and 2008 in the foreign currency housing loans for households' portfolio.

The PFSA recommended that appropriate adjustments be applied, depending on the size of the Bank's portfolio:

- Criterion 1:
 - banks with a share exceeding 5% – adjustment of the dividend rate by 20 p.p.;
 - banks with a share exceeding 10% – adjustment of the dividend rate by 40 p.p.;
 - banks with a share exceeding 20% – adjustment of the dividend rate by 60 p.p.;
 - banks with a share exceeding 30% – adjustment of the dividend rate by 100 p.p.;
- Criterion 2:
 - banks with a share exceeding 20% – adjustment of the dividend rate by 30 p.p.;
 - banks with a share exceeding 50% – adjustment of the dividend rate by 50 p.p.

whereas the total value of the adjustment (maximum 75%) is the sum of adjustments resulting from both criteria.

The PFSA additionally advised that banks should not undertake other activities, in particular those outside the scope of their current business and operating activities, which could result in a reduction of own funds, without prior consultation with the PFSA. This also applies to dividend payments, if any, from retained earnings and buybacks of own shares. The PFSA expects that any implementation of such operations will be preceded in each case by a consultation with the PFSA and will depend on its outcome.

In a letter dated 13 December 2023, PFSA advised the Bank to mitigate the risks inherent in the Bank's operations by maintaining own funds to cover an additional capital add-on to absorb potential losses resulting from a stress event, in the amount of 0.48 p.p. at the individual level (the level recommended by the PFSA in 2022 was 0.72 p.p.) and 0.42

p.p. at the consolidated level (the level recommended by the PFSA in 2022 was 0.66 p.p.) over the value of the total capital ratio.

According to the letter from the PFSA, the Bank will also receive an individual recommendation regarding both the possibility to pay dividends and other actions that may result in a reduction of the capital base. For details of the PFSA's recommendations to the Bank, see "Events subsequent to the balance sheet date" in Chapter [12](#).

As at 31 December 2023 the ratios amounted to:

- at the consolidated level:
 - Tier 1 capital ratio (T1) and core equity ratio Tier 1 (CET1) = 17.77%;
 - total capital ratio (TCR) = 18.65%;
 - Criterion 1 = 2.74%;
 - Criterion 2 = 26.67%;
- at the separate level:
 - Tier 1 capital ratio (T1) and core equity ratio Tier 1 (CET1) = 19.80%;
 - total capital ratio (TCR) = 20.84%;
 - Criterion 1 = 3.30%;
 - Criterion 2 = 27.45%.

The Bank's intention is to pay dividend in 2024 from the net profit for 2023. The recommendation of the Bank's Management Board regarding dividends will be determined after receiving an individual dividend policy recommendation from the PFSA.

Pursuant to Article 395 § 2(2) of the Commercial Companies Code, the decision on profit distribution remains within the competences of the Bank's Annual General Meeting.

8. ACTIVITIES OF THE PKO BANK POLSKI S.A. GROUP

Support for borrowers Support of Ukraine and the situation of Ukrainian companies from the Bank's Capital Group Operating segments of the Bank's Group Insurance and leasing IT projects and other services Access channels of PKO Bank Polski S.A. Distribution network of PKO Banku Polskiego S.A. Operations area International cooperation Operations of other subsidiaries Prizes and awards for the PKO Bank Polski SA Group
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8.1 SUPPORT FOR BORROWERS

The Bank, in cooperation with Bank Gospodarstwa Krajowego (BGK), offers solutions under the Government's First Home Programme. The offering includes two products: Housing Account and the Government's Safe 2% Loan Programme. Since 1 September 2022, the Bank has been offering a mortgage loan under the "Housing Without Own Contribution" programme. The bank also allows customers to take advantage of statutory loan holidays.

HOUSING ACCOUNT UNDER THE GOVERNMENT'S FIRST HOME PROGRAMME

The account is designed for people aged between 13 and 45 who do not hold title to a property. One person can have one Account. The maximum duration of the account is 10 years (the account may not be maintained until 31 March of the year following the expiry of 10 years counted from 31 December of the year in which the account agreement was signed). The Account is offered free of charge, but requires regular payments of between PLN 500 and PLN 2,000 per month. The customer can use one month a year for a "holiday from saving" without any consequences – he will still be entitled to the bonus and tax exemption. Until 31 December 2023, the Account offered a promotional interest rate of 5.35% per annum. A promotional interest rate of 4.00% per annum applies in the period from 1 January 2024 to 31 March 2024.

If the Account is held for at least 3 full calendar years and the customer fails to meet the regular deposit condition or withdraws part of the funds accumulated, or if the maximum term of the Account expires, it will be converted into a Housing Deposit. The deposit will bear interest at no less than 75% of the interest rate on a 12-month savings term deposit account or, if the Bank does not offer one, at no less than 50% of the WIRON index. The condition for entitlement to the housing bonus and income tax exemption is that the Account must be maintained for a minimum of 3 years and that the funds accumulated in the Account must be used for a housing purpose. The funds can also be used for any purpose, but this entails a loss of benefits. Between 10 August and 31 December 2023, 2,772 Accounts were opened and credited with a total of more than PLN 11.5 million by the Bank's customers.

THE GOVERNMENT'S SAFE 2% LOAN PROGRAMME

In July 2023, the Bank launched the 2% Safe Loan. Under the Safe 2% Loan programme, customers can receive subsidies for loan instalments and financing of up to 100% of the expenditures related to the purchase or construction of their first property. The loan can be used, for example, to purchase an apartment or a house, construct and finish a house, and even purchase a plot along with the construction of a house.

According to the programme, loan instalments for 10 years will be reduced by contributions of the Government Housing Fund. Loans up to PLN 500 thousand for a single and/or PLN 600 thousand for marriage and a couple or single with a child will be covered by additional payments. The maximum amount of the own contribution may not exceed PLN 200 thousand, unless the own contribution consists solely of an undeveloped plot of land.

During the subsidised instalment period, the loan will bear interest at a fixed rate to be determined by the Bank once every 5 years. This programme does not have a limit on the price per 1 sqm. A loan may be sought by persons who did not have an apartment or a house, who have not reached 45 years of age and are creditworthy. Part of the financed amount may be covered by a BGK guarantee. The programme will run until the end of 2027.

In 2023, 64.3 thousand applications were submitted and the number of signed agreements was 29 thousand as at 31 December 2023.

HOUSING LOAN UNDER THE "HOUSING WITHOUT OWN CONTRIBUTION" PROGRAMME

Since September 2022, PKO Bank Polski S.A. has been offering a housing loan with family repayment. If, during the repayment of the loan, the family grows with a second or subsequent child, BGK will pay PLN 20 thousand (for the second child) or PLN 60 thousand (for the third and subsequent child) towards the loan repayment. The loan, granted under the terms of the "Housing without own contribution" program, allows financing of up to 100% of expenses related to the acquisition or construction of a property. Individuals who are creditworthy but do not have sufficient savings for own contribution can apply for the loan. A part of the amount financed is guaranteed by BGK.

Since the launch of the programme, 324 of the Bank's customers have taken advantage of the offering, and the total value of housing loans with family repayment granted to natural persons as at 31 December 2023 reached PLN 112 million, with 282 loans for PLN 99.4 million in 2023 alone.

LOAN HOLIDAYS

The Bank's Group continues to provide the so-called statutory loan holidays, i.e. it allows the suspension of repayment of mortgage loans or advances used to meet one's own housing needs, if the agreement was concluded in PLN before 1 July 2022 and the term of the loan ends after 31 December 2022 - one agreement per customer.

The Act of 7 July 2022 on the crowdfunding of business ventures and on assistance for borrowers enabled the suspension of loans for one month per quarter in 2023.

The option to suspend repayment could also be used by customers who have reached settlements for loans in CHF and the current currency of the loan is PLN. Customers of PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A. could apply through the iPKO website, the Bank's branches or by mail.

By the end December of 2023, 298.5 thousand customers of the Group applied for a suspension of their mortgage loan or advance repayment, and the total number of suspended instalments amounted to 2,108 thousand.

In the fourth quarter of 2023, the Bank Group estimated the actual level of the credit holiday loss, taking into account, among other things, empirical data on the participation rate of customers' use of loan holidays and early repayments made by customers throughout the period of the statutory loan holiday programme. Based on the outcome of the aforementioned analysis, the Bank's Group has partially reversed the loan holiday loss and reduced, proportionally, the amortisation of this loss in the amount of PLN 131 million. This translated into an increase in net interest income

and a decrease in the adjustment of the gross carrying amount of loans. The realised loss on statutory loan holidays, excluding the effect of amortisation, was, in the opinion of the Group, PLN 2,980 million compared to PLN 3,111 million recognised in July 2022.

For details of the level of credit holiday loss in 2023, see the Bank Group's financial statements for 2023, Note 35 "Loans and advances to customers".

MORTGAGE LOANS IN FOREIGN CURRENCIES – SETTLEMENT PROGRAMME

In 2023, PKO Bank Polski S.A. offered settlements to its retail customers who had active mortgage-backed loans in CHF. The settlement involves converting CHF loans into PLN loans as if it had been a PLN loan from the start subject to interest rate at the WIBOR reference rate increased by the margin historically applied to such loans. The settlements are offered during mediation proceedings conducted by the Mediation Centre of the PFSA. The bank also offers settlements on a large scale for loans subject to litigation.

PKO Bank Polski S.A. settlement programme meets its assumptions, i.e. it is a real aid for people repaying mortgage loans in CHF. The mediation formula is free of charge. The customer can come to an agreement with the Bank and/or terminate the mediation proceedings without consequences without reaching an understanding. The programme completely eliminates the materialised and future foreign exchange risk of customers and is a convenient and certain alternative to long-term and costly litigation. According to the assumptions, the Bank bears all the financial consequences of restoring to the consumer the actual and legal status in which the consumer would find themselves if they did not enter into a Swiss Franc loan agreement with the Bank. In the opinion of the Bank, this action fully implements the requirements of Directive 93/13 (Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts) and complies with previous case law of the Court of Justice of the European Union (CJEU).

In order to mitigate the interest rate risk borne by the customer, since the implementation of the programme, the Bank has offered borrowers the possibility to choose a fixed rate option for 5 years. If the period of loan repayment remaining after concluding the settlement is shorter than 5 years, the fixed interest rate will apply until the end of the term of the agreement. Fixed-rate loans are more and more popular – this option was selected in the settlement process in the second half of 2023 by 81% of customers who continue to repay the loan after signing the settlement, and a total of 78% of customers who sign a settlement agreement providing for continuing the loan since the beginning of offering settlements.

By 31 December 2023, 57 thousand mediation applications were registered, 37,195 mediations concluded with a positive outcome, 13,096 mediations concluded with a negative outcome. The total number of settlements concluded as at 31 December 2023 was 36,822, of which 35,154 were concluded in mediation proceedings and 1668 in court proceedings.

CJEU CASE-LAW

In its ruling of 15 June 2023 in Case C-520/21, the CJEU ruled that if a loan agreement containing unfair terms is declared invalid, Directive 93/13: (i) does not preclude a judicial construction of national law whereby a consumer is entitled to claim compensation from a credit institution that goes beyond reimbursement of the monthly instalments and fees paid for performance of that agreement and beyond payment of the statutory interest for late payment from the date of the call for payment, provided that the objectives of Directive 93/13 and the principle of proportionality are complied with, and that (ii) precludes 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 default interest from the date of the call for payment.

In the Bank's opinion, on the grounds of national legislation and the principle of proportionality, the customers cannot make additional claims against the Bank, primarily because they have not provided the Bank with a financial service consisting in the provision of capital. Nor is it reasonable to conclude that the Bank has enriched itself at the expense of the customer and the consumer has been impoverished. With the funds obtained, the customer met its housing needs and the Bank bore the costs of raising the funds, making them available and servicing the loan over the years. Even if it were to be considered that there were legal grounds for the customers' claims, the customer's claims would not necessarily be upheld and the courts may exercise their jurisdiction to dismiss the action when it constitutes an abuse of rights. At present, there is no case law on such customer claims.

With regard to the banks' ability to pursue claims beyond the reimbursement of the capital paid in nominal terms, the CJEU also expressed its position in two orders issued at the end of 2023 and the beginning of 2024. In an order of 11 December 2023, the CJEU ruled that a banking institution is not entitled to demand from a consumer the reimbursement of amounts other than the capital paid for the performance of that agreement and statutory default interest from the time of the demand for payment. In this ruling, the CJEU, as in judgment C-520/21, did not explicitly rule out valorisation, leaving the possibility for banks to pursue this claim open. However, by another decision, issued in case C-488/23 of 12 January 2024, the CJEU definitively determined that Banks are not able to claim valorisation from customers if the invalidity of the agreement is a consequence of the removal of abusive clauses from the agreement. The CJEU thus ruled that banks may not demand compensation from consumers consisting of a judicial valorisation of the payment corresponding to that capital, in the event of a substantial change in the purchasing power of the currency concerned after the transfer of that capital to the consumer.

INCREASED COST OF LEGAL RISK

In 2023, the PKO Bank Polski S.A. Group increased the write-downs on legal risk related to mortgage loans denominated and indexed to CHF by PLN 5,430 million. The increase in the cost of risk resulted from updating the parameters of the legal risk assessment model for these loans, taking into account, among other things, the expected effects of the CJEU judgment of 15 June 2023 in case C-520/21 on the future case-law of the Polish courts, the impact of the CJEU decision of 12 January 2024 in case C-488/23, concerning the question of the admissibility of a demand for compensation from the consumer consisting in a judicial valorisation of the capital paid out in the event that the loan agreement is declared invalid, and also taking into account the CJEU decisions of December 2023 in the cases: C-140/22 of 7 December 2023, C-756/21 of 11 December 2023, C-28/22 of 14 December 2023, concerning the issue of calls for payment and the statutory default interest charged thereon. In addition, the Bank took into account the costs of the settlement programme, the number of settlements and estimates of the inflow of new lawsuits and their expected resolutions.

Detailed information on the write-downs for the legal risk in 2023 was presented in the Financial Statements of the Bank's Group for 2023, Note 26 "Cost of legal risk of mortgage loans in convertible currencies".

8.2 SUPPORT OF UKRAINE AND THE SITUATION OF UKRAINIAN COMPANIES FROM THE BANK'S CAPITAL GROUP

HUMANITARIAN AID AND ASSISTANCE TO EMPLOYEES OF THE UKRAINIAN GROUP COMPANIES

The Bank's Group continued its efforts to support Ukrainian citizens, coordinated by the PKO Bank Polski Foundation. The Foundation donated a total of PLN 3.7 million, including:

- approx. PLN 2.5 million to continue providing accommodation and food in Poland for refugees from Russian-occupied areas,
- PLN 1.2 million to support fifteen NGOs and entities carrying out aid activities.

ACTIVITIES OF UKRAINIAN COMPANIES

PKO Bank Polski S.A. Group companies, including KREDOBANK S.A. with its registered office in Lviv, and its subsidiary, "KREDOLEASING" sp. z o.o., as well as debt collection and financial companies with their registered offices in Kyiv and Lviv, continue to operate in Ukraine.

KREDOBANK S.A. is an universal bank which services customers mainly in the western part of Ukraine and in Kyiv. As at the end of 2023, the Company's head office was in Lviv; there were 68 branches, 13 of which are located in regions most affected by warfare. It grants loans mainly to corporate and medium and small enterprises (SME) customers, also under government programmes and in cooperation with foreign banks.

KREDOBANK S.A.'s priority is to ensure the safety of its employees and maintain uninterrupted operations servicing customers on an on-going basis. The Company complies with all restrictions imposed by the National Bank of Ukraine (NBU) under martial law. KREDOBANK S.A. is included in the list of banks of systemic importance, which includes the top 15 Ukrainian banks. The bank's status confirms the important role of the bank for the operations of the Ukrainian banking sector. The company runs a stable and profitable business. 32 branches of KREDOBANK S.A., which are part of POWER BANKING (joint banking network, established at the initiative of the National Bank of Ukraine), continue to provide customers with services from a specific list of urgent banking services.

Based on guarantees received from the European Bank for Reconstruction and Development and European Commission funds deposited with the BGK (guaranteeing coverage of potential losses), KREDOBANK S.A. expanded lending. In February 2023, KREDOBANK S.A. signed a cooperation agreement with BGK, which covers the endorsement and discounting of letters of credit issued by the company and their post-financing within the established limit. The above transactions are available to importers who are customers of KREDOBANK S.A. and will be accepted by BGK on a case-by-case basis.

KREDOBANK S.A. also provided financing to customers as part of its cooperation with Deutsche Sparkassenstiftung für internationale Kooperation (DSIK) and the Enterprise Expansion Fund.

At the end of 2023, KREDOBANK S.A. granted UAH 9.14 billion (PLN 948 million) in new loans. Compared to 2022, lending increased by more than 100% (UAH 4.54 billion in 2022). The increase in lending was mainly related to sales in the corporate and SME segments.

KREDOBANK S.A. Group reported an increase in assets for 2023 from UAH 38,650 million to UAH 55,819 million and reported a significant net profit of UAH 1.24 billion in an environment of increased income tax, compared to UAH 0.14 billion for 2022.

In 2023, KREDOBANK S.A. received numerous awards and distinctions for its activities in Ukrainian bank rankings.

Table 12. Selected financial data of KREDOBANK S.A. Capital Group*

Statement of financial position	in millions UAH		in millions PLN	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Loans gross	14,125	14,596	1,465	1,836
Deposits gross	46,347	32,831	4,806	4,130
Assets (total assets)	55,819	38,650	5,788	4,862
Equity	5,807	3,946	602	496
Net result	2023	2022	2023	2022
Net result	1,241	138	143	18

* consolidated data according to the International Financial Reporting Standards – the principles in force in the Bank's Group.

The financial and organizational situation of the other Ukrainian companies in the Bank's Group remained stable at the end of 2023. The companies are operating under wartime austerity, have not experienced liquidity tensions, and are maintaining relations with existing counterparties. Service restrictions and work organization are being adjusted on an ongoing basis to the current military situation.

COOPERATION BETWEEN KREDOBANK S.A. AND THE EBRD TO SUPPORT THE RECOVERY OF THE UKRAINIAN ECONOMY

KREDOBANK S.A. has signed an agreement with the European Bank for Reconstruction and Development (EBRD), under which it is able to release funding for Ukrainian entrepreneurs in the total amount of EUR 125 million. The cooperation relates to three areas, i.e. loan guarantees that allow loans of up to EUR 100 million to be granted, investment incentives in the form of grants from the EBRD for small and medium-sized business (sublimit of EUR 15 million out of EUR 100 million) and the opening of a EUR 25 million limit by the EBRD to finance investment projects that support foreign trade. In accordance with the risk-sharing arrangement, the EBRD secures 50% of the credit risk on the new financing of up to EUR 100 million granted by KREDOBANK S.A. for the first 50% of loans (past due more than 90 days).

Two loan tranches of EUR 50 million each (EUR 100 million in total) were disbursed until 31 December 2023. The first loan tranche was drawn down at 100% and the second at 4.8% (EUR 2.4 million). A total of 52.4% of the allocated limit was drawn down as at 31 December 2023. 143 customers received funding.

At the same time, the allocated sublimit for the first of the two tranches for investment funding of EUR 7.5 million has been completely exhausted, together with a simultaneously allocated grant of EUR 1.5 million (for any purpose). 54 customers (38%) benefited from the incentive in the form of a sub-limit, with 70% in the form of leasing. A second tranche for investment funding of EUR 7.5 million has also been released and is drawn down in 2024.

IMPLEMENTATION OF THE SANCTIONS IMPOSED ON RUSSIA AND BELARUS

In 2023, PKO Bank Polski S.A. implemented, on an ongoing basis, the restrictions and changes resulting from the sanctions imposed on Russia and Belarus and introduced, on an ongoing basis, guidelines for the financing of and providing banking services to persons and entities having business dealings with Russia and Belarus, including those customers on whom sanctions have been or can be imposed.

8.3 OPERATING SEGMENTS OF THE BANK'S GROUP

Retail segment
Corporate and investment segment

The PKO Bank Polski S.A. Group conducts business activities in segments adapted in terms of products and services to specific groups of customers. The manner in which the business segments are divided is consistent with the sales management model and a comprehensive product mix. Currently, the Bank's Group conducts its business activities in the retail segment as well as in the corporate and investment segments.

RETAIL SEGMENT

The retail segment offers a full range of banking products and services to individuals as part of retail and private banking, as well as mortgage banking. In addition, it includes transactions with companies and enterprises, developers, cooperatives and property managers. The products and services offered 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, consumer and housing loans, business loans, leases and factoring.

Number of customers: 11,892.6 thousand

Financing granted: PLN 180.6 billion

Savings volume: PLN 469.3 billion

CORPORATE AND INVESTMENT SEGMENT

The corporate and investment segment comprises transactions concluded with corporate customers, local governments and financial institutions. Products and services in this segment include: transaction banking (including account management), deposit products and other liquidity management products, trade finance, treasury products, loan-like products for financing day-to-day and investment needs (including leases and factoring). The segment also includes brokerage activities and the Bank's own liquidity management and investment activities.

Number of customers: 18.5 thousand

Financing granted: PLN 94.6 billion

Savings volume: PLN 72.9 billion

The segment descriptions present management data that include PKO Bank Polski S.A. and significant entities of the Bank's Group; any differences in totals, shares and growth rates are due to rounding.

8.3.1 RETAIL SEGMENT

The offer of the PKO Bank Polski S.A. Group for individuals, companies and enterprises covers a wide range of credit, deposit and insurance products, as well as electronic banking services.

In 2023 in the retail segment the Bank's Group built strong and long-term relations with customers, among other things by making available a maximum number of processes remotely. It focused on developing tools and access channels to enable customers to easily manage their finances from any place and at any time.

Individuals can take advantage of consumer loans in the form of cash advances, revolving loans, credit cards, the "PKO Pay Later" deferred payment service, and housing loans. Investment and investor loans, revolving loans, leases and factoring are available to companies and enterprises.

The deposit and investment offer comprise, among other things, regular saving products, term and structured deposits, investment products of PKO TFI S.A., and Treasury savings bonds.

In 2023, the Bank's product range was expanded to include products resulting from government programmes: Housing Account and Safe 2% Loan.

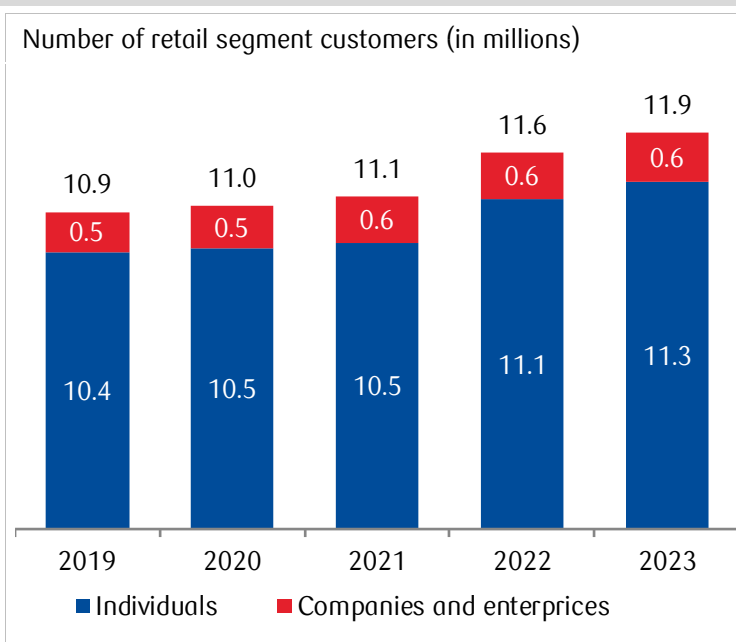
In 2023, the Bank Group's offer provided insurance services, both those related and not linked directly to bank products, to all customers in the retail segment. Insurance linked to Bank products is offered to Customers in connection with, among other things, consumer loans and mortgage loans, checking accounts and bank cards. The offer of insurance independent of Bank products includes, among other things, life insurance, insurance of real estate, travel, motor, Bezpieczny Plan and the OnkoPlan oncological insurance policy, and insurance of leased assets.

CUSTOMERS OF THE SEGMENT

As at the end of 2023 the Retail Segment serviced more than 11.9 million customers, including:

- almost 11.3 million individuals, including 18.9 thousand of Private Banking customers;
- more than 0.6 million companies and enterprises.

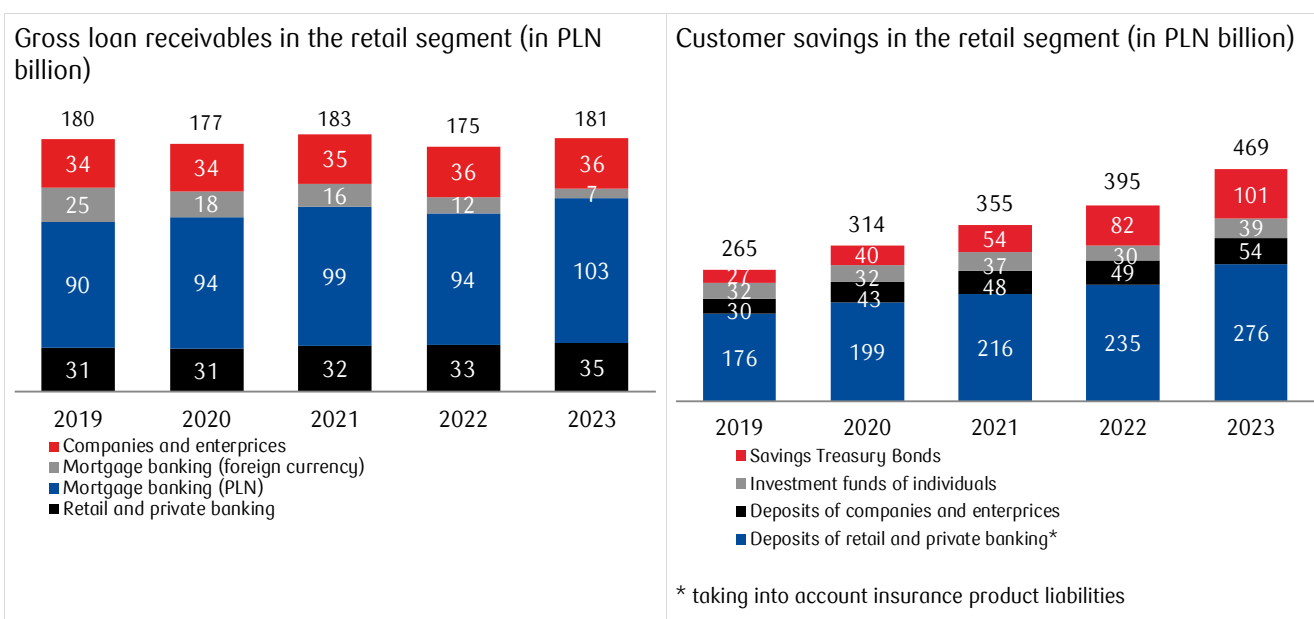
In 2023, the number of customers serviced in the retail segment increased by more than 244 thousand.



BUSINESS VOLUMES

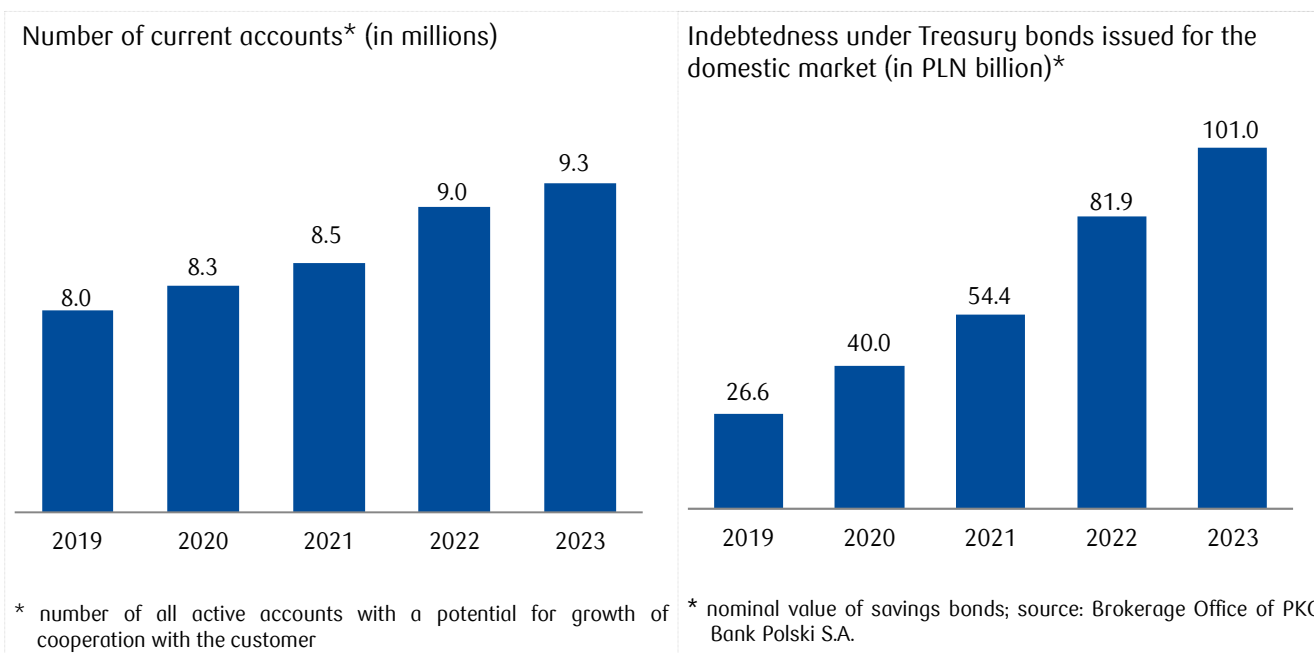
As at the end of 2023:

- total financing for retail segment customers was nearly PLN 181 billion and increased during 2023 by more than PLN 5.9 billion (i.e. 3.4%). This was mainly driven by an increase in the mortgage banking loan portfolio (PLN +3.8 billion), whose level was significantly positively influenced by the Safe 2% Loan programme, with a negative effect from settlements reached and provisions related to the legal risk of foreign currency mortgage loans. In 2023, the financing of companies and enterprises remained stable (PLN +0.3 billion);
- retail segment savings amounted to PLN 469 billion and went up by PLN 74.2 billion (i.e. 18.8%) in 2023. This was driven most significantly by an increase in retail and private banking deposits (PLN +41.1 billion) and funds invested in Treasury savings bonds (PLN +19.1 billion).



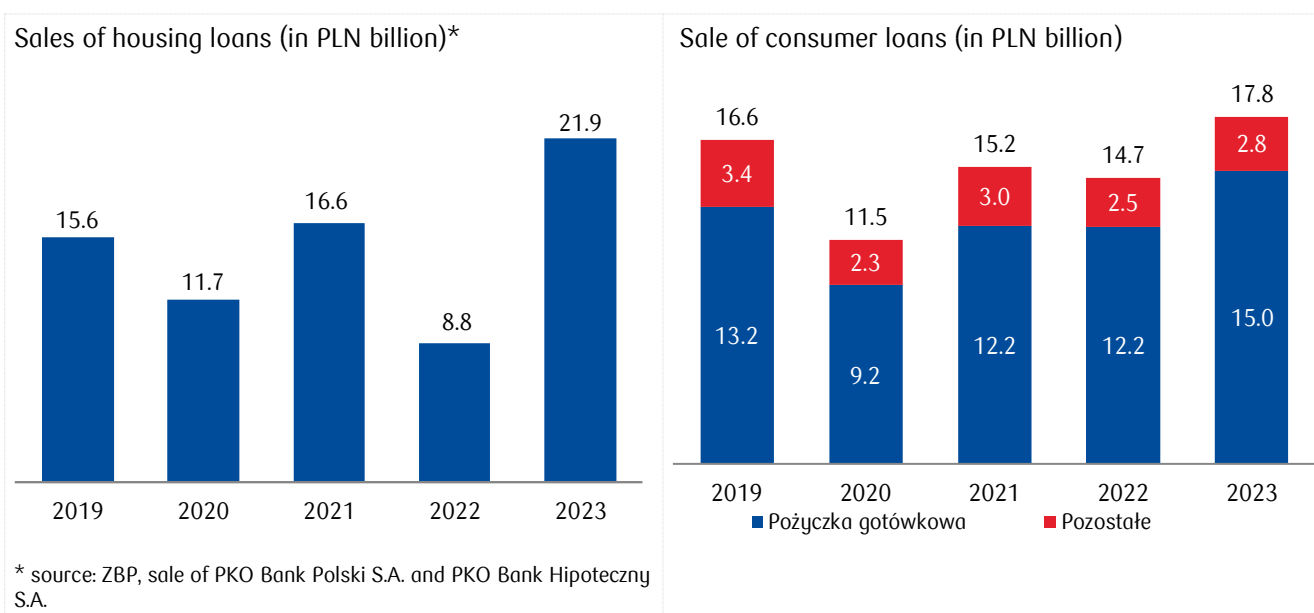
The Bank reinforced its position as market leader in terms of the number of checking accounts maintained (ROR). This number amounted to nearly 9.3 million and went up by more than 229 thousand during the year. It covers all active accounts, which constitutes growth potential for further cooperation with customers.

In 2023, the Bank's Group sold more than 397 million Treasury savings bonds, and the volume of Treasury savings bonds held by the Bank's customers issued to the domestic market amounted (at nominal value) to more than PLN 101 billion, up by more than 23% from the end of 2022.



In 2023, the Bank Group granted housing loans to individuals with a total value of more than PLN 21.9 billion, strengthening its leading position in the market with a share of 35.9% throughout 2023 (an increase in share by nearly 16 p.p.). 2023 proved to be a record year in terms of both nominal sales and market share.

Sale of consumer loans amounted to a total of PLN 17.8 billion (including PLN 15 billion of cash loans) and in 2023 increased by over PLN 3.1 billion, i.e. 21.4% (cash loan increased by nearly PLN 2.9 billion, i.e. 23.6%)



In 2023, the share of fixed-rate loans in new sales (granted by PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A.) reached 72.5%, and their total share in the portfolio of PLN mortgage loans increased to 27.3% as at 31 December 2023 (compared to 17.9% as at the end of 2022).

In 2023, 64.3 thousand Safe 2% Loan applications were submitted to the Bank and the number of agreements concluded as at 31 December 2023 is 29 thousand.

ACTIVITIES IN 2023

Deposit offering

PKO Bank Polski S.A., operating in an environment of persistently high inflation and high interest rates, maintained the attractiveness of its deposit offering in the first half of 2023 – it has introduced new products and changed the terms and conditions of existing products. Taking into account the interest rate cut by the MPC and changes in the competitors' offerings, the Bank gradually reduced deposit interest rates in the second half of 2023.

The Bank for individual customers (natural persons) in particular:

- introduced new products:
 - IKO birthday deposit with interest of 10% p.a., thanks to which customers could allocate their funds up to PLN 50 thousand for 6 months, provided that the mobile application is active (the implementation of at least one of the three conditions in IKO – purchase of investment funds, purchase of insurance, establishment of a standing order). The deposit was active from 1 June to 30 June 2023,
 - deposit for Personal Banking customers and Private Banking customers, which allows funds to be deposited for 3 months,
 - PKO Towarzystwo Funduszy Inwestycyjnych S.A. (PKO TFI) Investor deposit for Private Banking customers who invest in funds managed by PKO TFI – it is a 3-month deposit, non-revolving, opened up to the maximum amount of funds accumulated by the customer in open-ended investment funds and in an account for PPK/PPE,
 - 25-month, non-revolving structured term deposits based i.a. on baskets of shares: American, German or Asian companies, and on baskets of shares: telecommunications companies, biotechnology companies, companies related to e-commerce and lifestyle; 24-month, non-renewable deposits based on baskets of shares of: dividend companies II, financial companies, UK companies, automotive companies, technology companies, global companies, companies related to the aviation sector, US companies,
 - "PKO Mój Plan" ("PKO My Plan") regular investment programme. In this programme, the customer can choose between 2 debt funds and 3 equity funds. The first deposit is at least PLN 2,000 and each subsequent deposit is at least PLN 200.

- reintroduced the Mobile Deposit, which allows funds to be deposited for three months, and subsequently reduced the interest rate to 4.75% per annum,
- reduced the interest rate of:
 - the deposit for new funds to 4.75% per annum for 3 months and 4.25% per annum for 12 months, respectively,
 - deposits for Personal Banking and Private Banking customers to 3.5% and 4% per annum respectively,
 - term deposits to 1%/ 2%/ 2.5% per annum for periods of 3, 6 and 12 months respectively,
 - the 60+ deposit to 3% per annum,
 - the PKO TFI investor deposit to 5.25% per annum,
 - the Specialised Investment Programme Autolokacja III to 6% per annum,

In 2023, the bank launched 11 editions of the New Funds promotion for the Plus Savings Account, where the promotional interest rate was as follows:

- 5.5% in January, February, March, April, May and July,
- 6.5% in June, September, October,
- 5.75% in November and
- 5.25% in December.

The promotion on Pierwsze Konto Oszczędnościowe (First Savings Account – an account for people up to the age of 18) is also active until the end of April 2024, with an interest rate of up to 8% per annum on systematic savings of up to PLN 10 thousand.

The average interest rate on new term deposits in PLN (for individuals and enterprises) in 2023 was 5.23%. The average interest rate on all term deposits in PLN placed with PKO Bank Polski S.A was 5.08% in 2023, compared to 3.11% in 2022.

Loan offering

In 2023, the Bank:

- with regard to housing loans (in addition to the activities described in Chapter 8.1 Borrower support):
 - extended the offer of a “green mortgage” to 30 September 2025 by increasing the discount on the mortgage margin for the customer delivering an energy performance certificate;
 - extended the offer to support borrowers with CHF mortgage loans until 31 December 2024 to limit the negative effects following from the changes in the exchange rate of CHF;
 - introduced a special offering for uniformed services reducing the loan origination fee;
 - continued a promotional offer with a commission reduced to 0.5% when using life insurance;
- with regard to consumer loans as part of the cash loan offering:
 - unified the offering. At present, regardless of the customer segment, it is possible to obtain financing of up to PLN 300 thousand without collateral;
 - made fixed-rate financing available through online channels;
- with respect to supporting operations and financing of companies and enterprises:
 - made an EKO loan available to housing associations and cooperatives. Customers who make green investments benefit from the commission-free financing of the Our Renovation Investor Loan. These investments include, but are not limited to: insulating buildings, purchasing and installing photovoltaic panels and heat pumps, building parking spaces with access to an electric/hybrid vehicle charger.
 - updated its financing offering for individual farmers running agricultural holdings - increasing the limit for a clean loan to PLN 300 thousand for the farmer's loan and overdraft facility, and made the Agricultural Guarantee Fund (FGR) guarantees available in June 2023. Under the agreement with Bank Gospodarstwa Krajowego (BGK), the Bank was able to grant repayment guarantees for current account working capital loans, the SME loan and the investment loan of up to 80% of their value. In addition, with the guarantee,

entities can access subsidised interest rates on revolving working capital loans (i.e. overdrafts and SME loans) of 5% per annum;

- made available, in cooperation with BGK, a new green loan for the upgrade of infrastructure (e.g. buildings, machinery and equipment). The aim of the investment is to reduce energy consumption by at least 30%.
- extended the thermal upgrade loan offering with a BGK premium to all corporate customers. The loan is intended for the purpose of improving the energy efficiency of public buildings, increasing thermal insulation of buildings and saving energy;
- extended the offering to include loans in EUR (auxiliary account overdrafts, non-revolving working capital loans, investment loans) with the possibility of establishing a de minimis guarantee;
- introduced micro-factoring limits for new customers;
- introduced a special offering for a loan to refinance liabilities with a 0% commission for an overdraft and/or a loan with a 0.5% commission with the possibility of applying individual conditions for margins;
- introduced a promotion for the Bank's customers without a loan – as part of the promotion, the commission for granting an overdraft facility/loan was reduced to 0%;
- extended the preferential conditions for granting de minimis guarantees until the end of 2023 – collateral up to 80% of the loan value, no commission fee.

8.3.2 CORPORATE AND INVESTMENT SEGMENT

The PKO Bank Polski S.A. Group consistently tightens cooperation with the largest corporations, central and local government entities and foreign customers, and expands its scope based on the range of products offered.

The Bank's Group participates in financing strategic investment projects and local government projects. The financing takes the form of syndicated loans and bilateral loans, or the issue of securities.

The Bank's Group offers wide access to funds to finance investment projects and advisory services focused on selecting the optimum form of funding and repayment terms to its customers.

The Bank maintains securities accounts for customers and facilitates domestic and foreign market transactions, and acts as a depository for pension and investment funds.

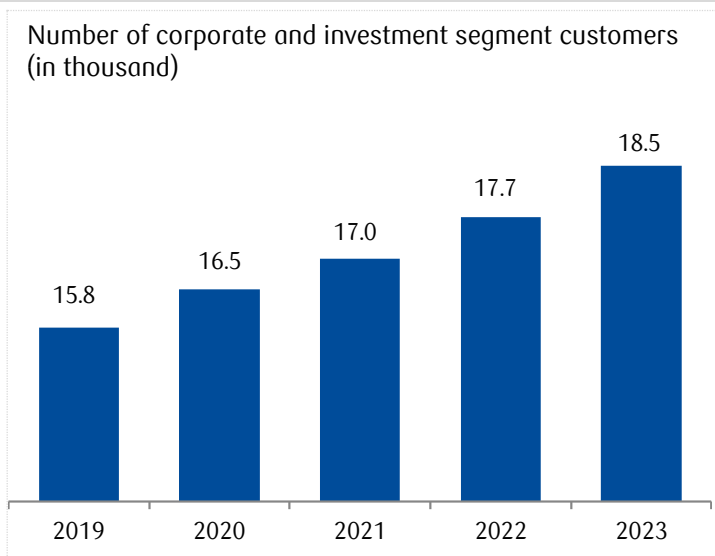
The Bank's Customers who are interested in entering and increasing their share of international markets may use a wide scope of products and services, such as: transaction banking, including international cash pooling, e-banking, Treasury products, trade finance and corporate loans, offered by the Bank's foreign branches.

CUSTOMERS OF THE SEGMENT

As at the end of 2023 the Corporate Segment and the Investment Segment serviced nearly 18.5 thousand customers, including:

- nearly 9.3 thousand corporate customers, more than 1.4 thousand strategic customers;
- more than 5.5 thousand local and central government institutions plus budgetary and related entities;
- more than 1.9 thousand foreign customers;
- nearly 0.4 thousand financial customers.

Since the beginning of 2023, the number of customers serviced in this segment increased by more than 0.8 thousand.

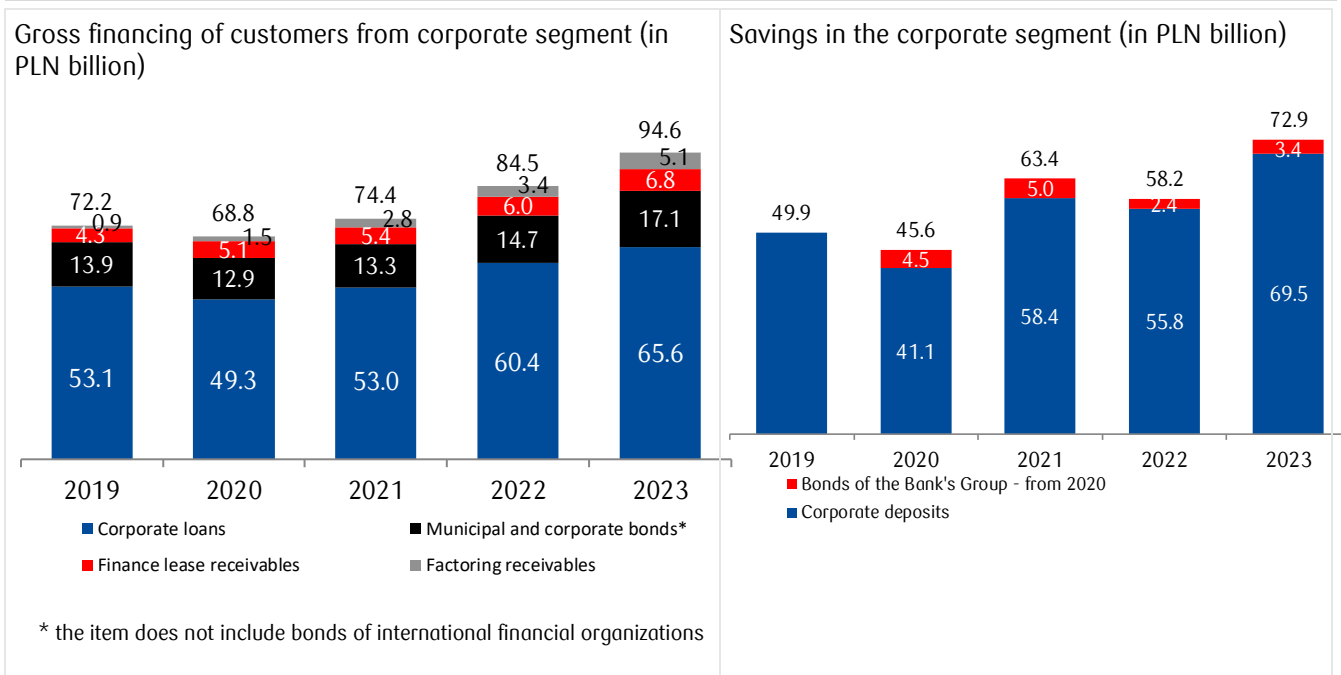


In 2023, the Bank's Group maintained its position as market leader for servicing the largest local government units: it handles the budgets of 7 voivodeships and 25 cities with poviats rights, including 8 voivodeship capital cities. For

many years the Bank has also been financing and servicing banking of other public entities, including Social Insurance Institution, organizational entities of Państwowe Gospodarstwo Leśne Lasy Państwowe (State Forests), hospitals, communal companies, systematically reinforcing the position of a leader in financing the Polish economy both independently and as a significant participant of banking syndicates.

Under the service offer of the Bank's subsidiaries, customers from the corporate segment may use lease and factoring products and services. A wide range of fixed assets may be financed in the form of a lease, depending on the customers' needs. Apart from standard products, the offer also includes services of renting car fleet and cooperation with suppliers.

BUSINESS VOLUMES



As at the end of 2023, total financing of customers from the corporate segment, including loans, bonds issued, lease and factoring receivables amounted to nearly PLN 95 billion and increased since the beginning of the year by nearly PLN 10.2 billion (i.e. 12.0%). The largest increases were in loans by more than PLN 5.1 billion (or 8.5%) and bonds by nearly PLN 2.5 billion (or 16.9%).

The level of savings of corporate segment customers as at 31 December 2023 stood at nearly PLN 73 billion and increased over the year by more than PLN 14.7 billion, mainly as a result of an increase in deposits by PLN 13.7 billion and an increase in the level of funds invested in bonds issued by the Bank's Group companies by nearly PLN 1 billion.

ACTIVITIES IN 2023

In 2023, the PKO Bank Polski S.A. Group:

- in terms of its deposit offering, operating in an environment of persistently high inflation and high interest rate volatility, adjusted the interest rate on its dynamic account to enable effective and automatic deposit of surpluses, above the minimum amount of PLN 500;
- with respect to financing and banking services for public entities, it concluded:
 - agreements for comprehensive banking services for the budgets of the Mazowieckie and Małopolskie provinces and their organizational entities, as well as the city of Szczecin, the city of Gdynia, the city of Elbląg, the city of Zamość and their organizational units;
 - 6 syndicated loan agreements totalling more than PLN 0.7 billion, under which the Bank's share totalled nearly PLN 0.4 billion;
 - 215 municipal bond issue agreements totalling nearly PLN 3.0 billion;

- with respect to financing the corporate segment customers, it concluded:
 - 53 syndicated loan agreements totalling more than PLN 46.6 billion, nearly EUR 9.6 billion, USD 0.4 billion and nearly NOK 0.5 billion, under which the Bank's share totalled more than PLN 10.8 billion, more than EUR 1.1 billion and nearly USD 0.1 billion;
 - 1 bank guarantee agreement for more than EUR 0.1 billion;
 - 1 agreement to issue corporate bonds in the form of a banking syndicate in the amount of PLN 0.35 billion;
 - as co-organiser and joint bookrunner, agreements for the issue of corporate bonds in the form of banking syndicates totalling nearly PLN 3.5 billion, under which the Bank's share totalled more than PLN 0.6 billion;
 - with respect to brokerage activities (conducted by the Bank's Brokerage Office), it conducted:
 - as joint bookrunner, the accelerated book-building share offering of Allegro.eu S.A. with a total value of over PLN 2.9 billion;
 - as co-offering agent, global coordinator and manager, a book-building share offering of CCC S.A. worth approximately PLN 505 million;
 - as global co-ordinator and manager, an accelerated book-building share offering of Atal S.A. worth PLN 262 million;
 - as global co-ordinator and joint bookrunner, an accelerated book-building share offering of Archicom S.A. worth PLN 220 million;
 - as a member of the distribution syndicate, issues of Kruk S.A. bonds with a total value of PLN 265 million;
 - as offering agent and global coordinator, issues of bonds of Ghelamco Invest Sp. z o.o. totalling approximately PLN 125 million;
 - as an investment company acting as intermediary in the public offering, issues of Echo Investment S.A. bonds with a total value of approximately PLN 100 million;
- as at the end of 2023:
- it maintained almost 152 thousand securities accounts and cash accounts, as well as more than 568.4 thousand registration accounts;
 - it provided services concerning units in 394 funds and sub-funds managed by 10 fund management companies.

8.4 INSURANCE AND LEASING

In 2023, insurance and leasing services provided both to retail and corporate customers were intensified.

Activities and achievements:

INSURANCE	
Housing insurance PKO Dom	In 2023, more than 411 thousand insurance agreements were concluded. Gross premiums written in 2023 amounted to PLN 125.7 million, up 68% on the same period in 2022.
PKO Moto motor insurance	In 2023, the Bank changed its motor insurance distribution model based on a stand-alone offering under its own brand PKO Moto.
	Launch of the process of sharing data covered by bank secrecy for use by PKO Towarzystwo Ubezpieczeń S.A. to, inter alia, assess insurance risk, calculate premium, improve loss adjustment process. The data is shared on the basis of a voluntary consent of the Bank's customer.
	In 2023, more than 190 thousand motor insurance agreements were concluded at the Bank, with more than 120 thousand of these already under the new PKO Moto model. The premium written on agreements concluded in 2023 totalled PLN 154 million.

LEASES	
Expansion of financing for luxury brands	The PKO Leasing Group has become a partner of Inchcape JLR Poland sp. z o.o. for the financing of Jaguar, Range Rover, Defender and Discovery luxury brands in Poland with a gross vehicle weight of up to 3.5 tonnes. The agreement provides for the wholesale financing of stock and retail financing of new and used cars in the form of leases, lease loans, a subscription programme, long and short-term rentals.
Szybkie Auto (Fast Car)	Extension of the pilot "Szybkie Auto" ("Fast Car") procedure, which is designed to finance vehicles from authorised dealers and enables a financing decision to be made within one business day.
Development of other vehicle financing	Establishing cooperation with KROSS and enabling business customers of 36 KROSS stores throughout Poland to use the PKO Leasing offer in the field of universal bicycle leasing as well as those supported by an electric engine.
Leasing 2.0	The launch of three new products aimed at financing cars, heavy transport as well as machinery and equipment. The new products have been structured in such a way as to enable both the customer and adviser to have immediate, transparent information about the available transaction parameters, the required documents and the stage of the process.
Free registration	Organising another edition of the promotional Free Registration offering with insurance against the loss of value of the vehicle over time (GAP). The offering is aimed at all PKO Leasing and Bank customers and in the iPKO process supported by bank advisors.
Summer with leasing	Making a fuel card worth PLN 500 available to small and medium-sized enterprises from the banking channel (for agreements with a value of more than PLN 100 thousand).
PKO Leasing Online at Media Expert	Expansion of the cooperation with Media Expert with an online channel (www.mediaexpert.pl) enabling the customers of the retailer to benefit from a fast, fully automatic and remote leasing process available 24/7 without leaving the office.
Simplified lease	Introduction (in collaboration with the Bank) of an offering for customers operating as sole proprietors - simplified lease for new and used cars and trucks up to 3.5 tonnes, with a net value of up to PLN 300 thousand (the offering is available online at the iPKO website - without leaving the office and without unnecessary formalities).
Offering for agriculture	Signing of agreements with the following companies: <ul style="list-style-type: none"> • Bauer Group Polska sp. z o.o., a nationwide supplier of agricultural machinery and equipment for their financing. • Wielton S.A. - Wielton Agro Finance - one of the three largest manufacturers of semi-trailers, trailers and car bodies for a new promotional factory financing programme for customers in the agro segment (farms and agricultural enterprises).
Development of digital processes and remote channels	<ul style="list-style-type: none"> • launch of the company's processes and systems for the acceptance of mID as an acceptable form of customer identity identification, • making the transition from iPKO Biznes to the PKO Leasing Customer Portal available to customers, • implementation of further stages in the development of digital process tools PKO Leasing Online enabling customers to obtain leasing financing in stationary stores and from online suppliers from the machinery and equipment segment

8.5 IT PROJECTS AND OTHER SERVICES

The PKO Bank Polski S.A. Group offers modern and comprehensive services accessible via its digital channels. The Bank, in cooperation with Operator Chmury Krajowej S.A. and other global providers of cloud services, has

consistently followed its "path towards the cloud". PKO Bank Polski S.A. has been developing its operations with a particular focus on solutions based on artificial intelligence, robotics and automation.

Significant activities of the PKO Bank Polski S.A. Group in 2023:

PKO Pay Later	PKO Bank Polski was the first bank in Poland to independently provide the deferred payment service "PKO Pay Later". At the end of 2023, approximately 175 thousand customers were active users of the service, and the total amount of limits granted reached PLN 138 million. Customers have so far executed close to 1.9 million transactions for the total amount of PLN 260.4 million. 98% of transactions were executed with a BLIK code.
Digital Mortgage	Release of a new calculator on the Bank's website to calculate the estimated instalment and creditworthiness for the Własny Kąt mortgage.
	Release of a monthly loan instalment and creditworthiness calculator on the Bank's website – a component adapted to the Safe 2% Loan.
	Making the Tenant Certificate service available on iPKO and the IKO mobile app. "Code for Simpl.rent services for landlords" is a solution for landlords to verify a tenant before signing a lease.
	Embedding instalment and creditworthiness calculators in a new layout on pkbp.pl. Preparation of an enhanced service for electronic signature and seal taking into account integration with the new document repository.
Bank in the Metaverse	Conducting the first Virtual Job Fair in an innovative form in Poland, using the rapidly developing Metaverse technology. The fair attracted over 600 participants and over 30 recruitment processes were launched. The media coverage reached a total of more than 3.7 million people worldwide.
	<p>Premiere of an Educational VR game from PKO Bank Polski.</p> <p>The game, by means of a virtual simulation and specific real-life examples, helps to manage the household budget and teaches not only the practical application of economic knowledge, but also the right social attitudes. It is an element of the "Kasa z klasą" educational programme developed by PKO Bank Polski in cooperation with the Foundation.</p>
	PKO Bank Polski, at the "TechnoBiznes 2023" Gala, was awarded in the "Lider2022" competition organised by Gazeta Bankowa for opening a branch in Metaverse and honoured for its robotisation solutions that support processes related to statutory loan holidays. The competition's jury, which evaluated 40 technological solutions presented by banks, recognised the innovative nature of PKO Bank Polski's implementations.
	<p>PKO Bank Polski will accelerate growth in the Metaverse</p> <p>The Bank is preparing to create attractive spaces on gaming platforms such as Fortnite and Roblox and wants to expand its activities on Metaverse-class platforms such as Decentraland and The Sandbox. It also wants to build more VR models of its branches. The bank is currently looking for companies with the right technological experience to collaborate on the creation and maintenance of virtual spaces and gamification design on gaming and Metaverse-class platforms.</p>
Poland ClimAccelerator	Continuation of the Bank's participation in the Poland ClimAccelerator programme, which aims to search for start-ups, scale-ups and innovative companies operating in the field of green technologies that will be feasible for implementation in the Bank's Group companies;
	Implementation of 4 carbon footprint calculators for the Bank's customers.
	Launch of calculator solution trials with 200 customers, along with a one-year subscription, onboarding, and full consultancy support.

Collaboration with the Fintech Poland Foundation	Joining the FinTech Poland community in the development of technology-based services. The aim of the initiative is to integrate the financial innovation community in Poland. The Foundation has published a report entitled "How to do fintech in Poland", portraying the industry in the context of the overall economy and the financial sector. PKO Bank Polski S.A was the strategic partner of the project.
Let's Fintech Programme	Promoting Polish innovation in the field of finance under the slogan Future Finance Poland with the participation of Polish companies and institutions (PKO Bank Polski, the Polish Investment and Trade Agency and the FinTech Poland Foundation) at the Singapore Fintech Festival, the largest annual FinTech festival worldwide organised by the Monetary Authority of Singapore, Elevandi and Constellar in cooperation with the Association of Banks in Singapore. The main message of the Polish delegation was to showcase Poland's advantages, which offer strong arguments in its efforts to become one of the leading global financial centres. This year's edition was attended by more than 60 thousand people from 130 countries. Owing to the activities carried out by the Let's Fintech team, the Bank generated PLN 1.8 million in AVE (advertising equivalent).
Process automation	Implementation of 295 processes by the end of 2023 using technology that enables the automation of structured, repetitive activities (RPA). For further details, see Chapter 1.5
Voicebots	<p>Launch of new and development of existing bots for:</p> <ul style="list-style-type: none"> • measuring NPS (Net Promoter Score) after a customer visit to a branch; • handling questions on the automatic enrolment of PPK in TFIs; • information support for the government's Safe 2% Loan programme; • confirmation of large-value transfers; • context handling for the topic of enforcement seizures; • confirmation of a BLIK withdrawal transaction at an ATM; • extensions to the analytics of card payments in the voice assistant in IKO (it can perform a spending analysis by 7 categories and 40 subcategories). <p>More than 13.8 million conversations in total conducted by bots in 2023 (up 32% y/y). All of the Bank's voicebots have already handled a total of 31 million calls.</p>
Cloud technologies	<p>Launch of new functionalities of the IKO mobile application in cloud computing, including full support for establishing and maintaining the session and operation history.</p> <p>Migration and activation of the eBankart system (responsible for Bank's debit cards). Implementation of the system on the new platform is part of Road 2 Cloud strategy.</p> <p>Launch of work on Artificial Intelligence (AI) technologies in cloud environments to prepare them for the deployment of AI for business and technology applications in the Bank.</p>
ESG in the risk area	<p>Development of algorithms for climate risk determination and climate risk database. The scope of data covers, among other things, flood risks, substrates and droughts in the Bank's systems to the addresses of mortgage collateral and address of the registered office of companies. In addition, the acquisition of sector data on physical risks.</p> <p>Automatic acquisition of data on the actual energy efficiency of the real estate (EP) from the Central Register of Building Characteristics to the credit risk database for real estate collateral.</p> <p>Preparation of a tool to handle verification of compliance with the Taxonomy (in the form of surveys).</p> <p>Cooperation with and inclusion of the Bank in the Partnership for Carbon Accounting Financials (PCAF) on emissions performance (acquisition of sector data, best practices on emissions performance and decarbonisation approaches, access to PCAF databases).</p>

Security of card payments	Use of the BOT to confirm BLIK cash withdrawal transactions at ATMs according to specific parameters.
PKO Token Space	Development and submission of a grant application to the NCRD (National Centre for Research and Development) for the PKO Token Space Predict project, concerning the development of models for predicting the price of digital assets. The solution will use artificial intelligence technologies.
Credit risk assessment platform	Implementation of the use of Machine Learning models for credit appraisal processes for businesses, mortgages and increased use of Machine Learning models for Customer Finance.

8.6 ACCESS CHANNELS OF PKO BANK POLSKI S.A.

IKO mobile banking
iPKO Internet banking
Contact Center of PKO Bank Polski S.A.

IKO MOBILE BANKING

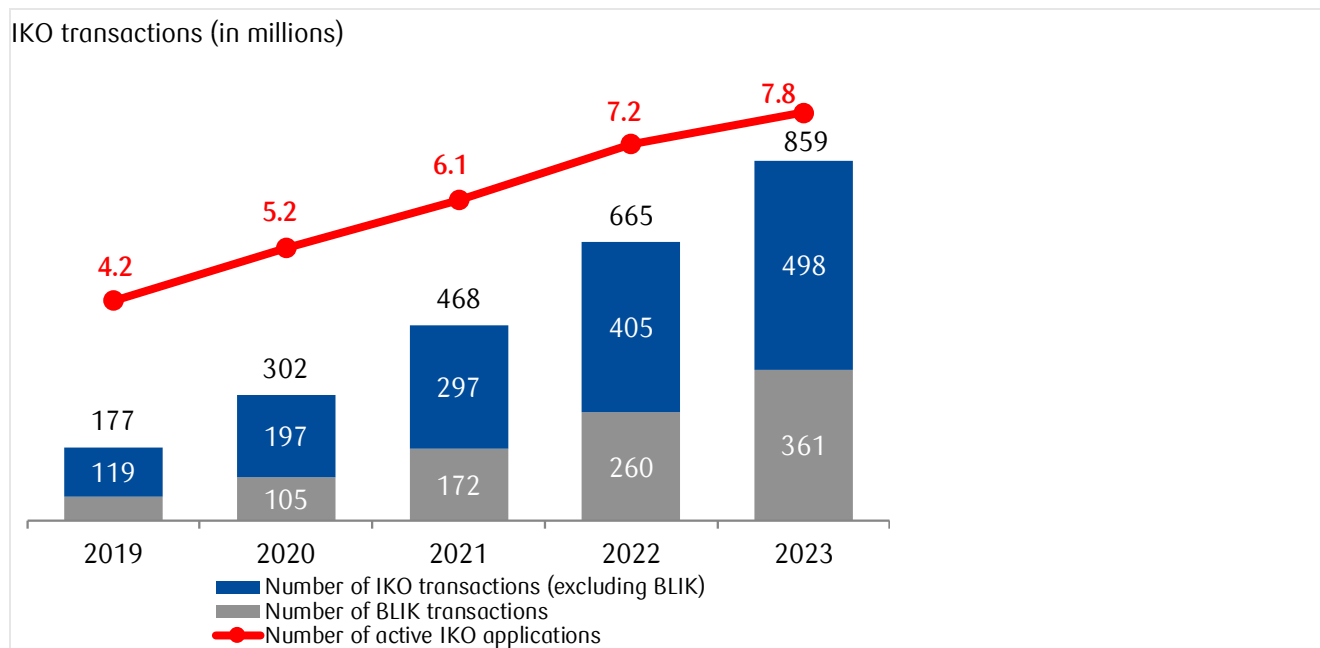
PKO Bank Polski SA offers advanced technological solutions to its customers, providing them with complete, simple, functional and at the same time safe access to banking services using telephones. Digital banking at the Bank is strongly supported by the IKO mobile app, which the Bank has been developing for 10 years. The app currently has more than 100 features and offers a wide range of services, including non-banking ones.

The number of active IKO applications reached a record high of nearly 7.8 million on the Polish banking market at the end of 2023. Since its launch in March 2013, users have logged in to the application nearly 8.7 billion times and made nearly 2.6 million transactions for a total amount of PLN 709 billion.

The number of transactions concluded until the end of 2023 using the proximity BLIK in the IKO application amounted to more than 72.7 million.

In 2023, all bots handled more than 13.8 million calls, which is a record - an increase by 32% y/y. The year ended with more than 31 million calls, including 5 bots with a total number of calls exceeding 1 million (helpline - 15.3 million, voice assistant in IKO - 5.1 million, soft debt collection (reminder of overdue payments) - 4.7 million, NPS surveys (relational and transactional) - 2.9 million, cash loan lead - 2 million).

In 2023, the IKO voice assistant made a total of more than 2.5 million customer calls (+70% y/y).



In 2023, IKO functionality has been expanded to include new capabilities:

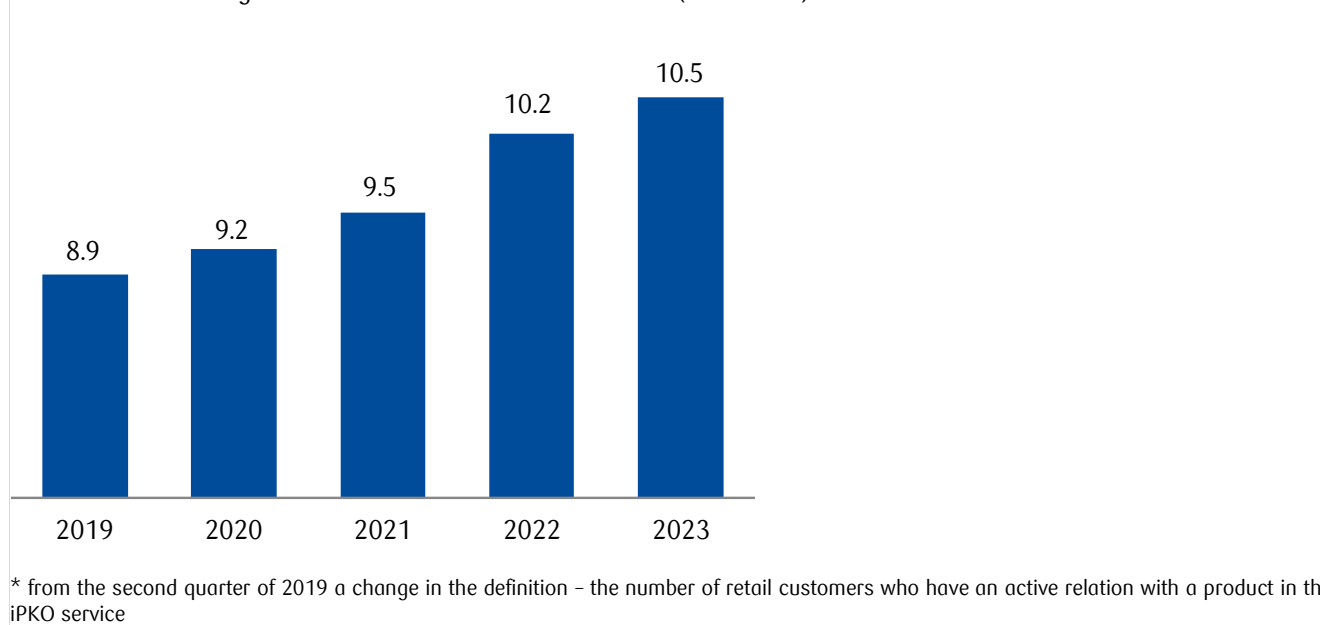
- addition of the "Daily" panel, which allows personalised shortcuts to the most frequently used options to be set up on the main screen;
- contact with the Bank in the app - addition of the option to send messages to the Bank directly from the app;
- purchase of gold at the Mint of Poland;
- ordering foreign currency transfers from and to an account maintained in a currency other than PLN;
- reminders about the upcoming expiry date of the identity document and the need to update it;
- introduction of a message during the IVR call to warn the customer of possible scams;
- presentation of clear and legible information on:
 - rates of return for investment products;
 - promotional interest rate in the savings account;
 - fees and commissions for accounts and debit cards;
- the option to express the spouse's digital consent when launching selected products offered by the Bank;
- enabling customers to complete a questionnaire for the NPS survey after the completion of various transactions and operations;
- enabling the "PKO Konto Pierwsze" to be opened fully online;
- management of tax recipients;
- support for additional cards;
- changes in loans and advances:
 - presentation of information related to loan holidays;
 - presentations of the instructions that can be given for a given loan;
 - presentation of the branch where the agreement for this product was concluded;
 - servicing the 2% loan - presentation of schedule information;
- spending analysis in the IKO voice assistant;
- submission of instructions for a Certificate of loan;
- applying for car insurance on the IKO app (renewing or cancelling a policy, providing information on the sale of a car);
- enabling the purchase of a Term Deposit;
- presentation of enforcement seizures on accounts;
- continued improvement of WCAG digital accessibility;
- development of cloud solutions to support the growing volume of application log-ons.

IPKO INTERNET BANKING

The customers can use iPKO and iPKO biznes, PKO Leasing and PKO Junior as part of the Bank's electronic banking services. These services provide customers with access to information on their accounts and products, and enable them to execute a number of transactions online.

iPKO

Number of retail segment customers with access to iPKO (in millions)*



In 2023, the Bank introduced the following new features to iPKO to make it easier for customers to use banking services:

- value-added services ecosystem (VAS Marketplace) where the following services were made available throughout 2023: Telemedycyna (Telemedicine), Bezpieczny ekran (Safe Screen), Bezpiecznie w Internecie (Safe on the Internet), Legimi, Simpl.rent, Canal+ and Multikino code purchases;
- price microservice – a new section added to the product details with information on fees and commissions;
- placing satisfaction surveys in messages, with the ability to direct them to specific customer groups;
- adaptation of the iPKO website to support mID;
- PKO Moto motor insurance package;
- summary of the portfolio of investment funds, i.e. its value, result and rate of return from the beginning of the investment and implementation of notifications of changes in the portfolio;
- the possibility of using the dark mode in the functions displayed in IKO from iPKO (customers who use the dark mode in the IKO app will already see it in all available functions that are displayed in IKO from iPKO);
- a new ekantor service with a user-friendly and simplified interface, linked to an AI-based classification;
- multi-person access, whereby customers can, i.a., give their employees the authority to manage their e-banking account, manage the company's finances with their representatives and select the people who will order and accept transfers and other transactions;
- new version of the iPKO dealer online exchange service for businesses;
- documents with information about changes to the account or its terms and conditions can be downloaded directly from iPKO;
- new current account application;
- application for financial support for farmers – access to the entry point for logging into the ARiMR platform;
- addition of an anniversary deposit.

In addition, in 2023 the Bank implemented changes to the existing functionalities of the website:

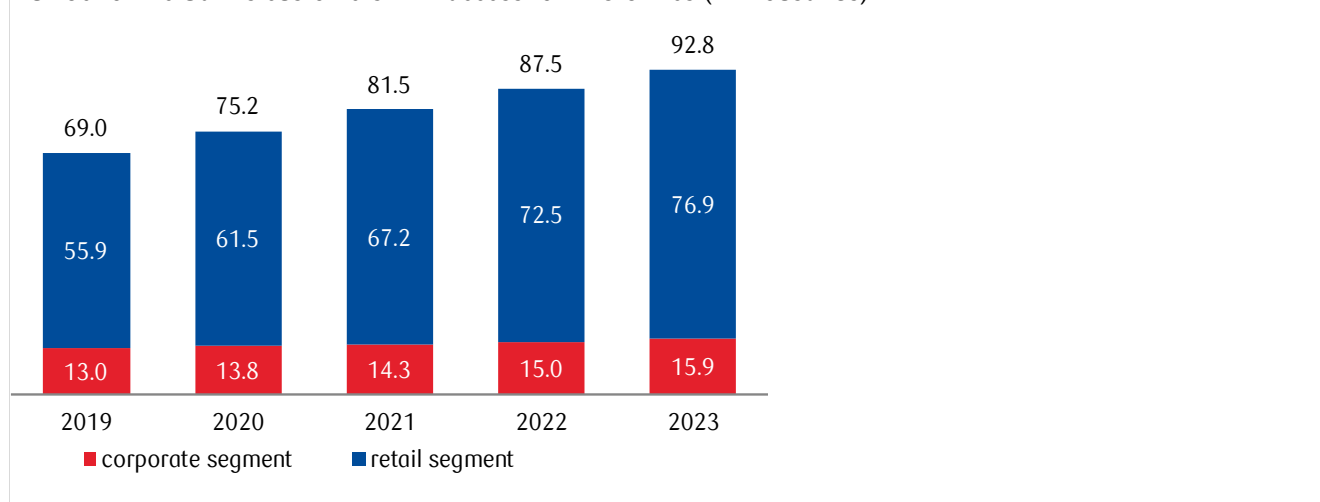
- Open Banking – release of functions for adding accounts from other banks and managing AIS (account information services);

- a new layout for the Savings section of iPKO ensuring convenient browsing of deposits on any device, including phones and tablets;
- a new, responsive process of temporary blocking and unblocking of cards;
- expansion of many new functions by other language versions;
- new compact process for purchasing a Term Deposit;
- changes in filtering and displaying the history of operations, taking into account suggestions and comments received from customers;
- optimisation of the process of changing a telephone number by the customer himself/herself without the need for hotline consultants to confirm it;
- option to change the amount in foreign transfers in the event of a charge exceeding the amount of the transfer;
- presenting the exact time of the card operation in the transaction details;
- information about the costs associated with investing in investment funds;
- more convenient use of direct debits adapted to display on mobile devices (RWD);
- new notification icon and the appearance of the message inbox, along with providing convenient service on mobile devices;
- new edition of the 300+ (Good Start) application.

IPKO BUSINESS

The iPKO biznes electronic banking system is addressed to all institutional customers who wish to have online and mobile access to the standard products and specialist banking services.

Number of the Bank's customers with access to iPKO biznes (in thousands)



In 2023, the Bank made new functionalities available to the iPKO biznes users, such as:

- integration with further popular financial and accounting systems – customers can retrieve account history, statements and order transfers directly from their ERP system, without having to log on to iPKO biznes;
- the tender accounts module, where it is possible to control the main and linked tender accounts, as well as to manage payments of counterparty tender deposits and submit tender settlement instructions;
- the SWIFT Tracker module for foreign transfers, where the customer can access, i.a. the status of the transfer, costs and information on reasons for rejection or cancellation;
- direct access to the PKO Leasing Customer Portal without the need for an additional login (this measure resulted from the strategic objective Expansion of the product multiplatform);
- quick issue of information or sales messages for a selected list of customers;
- addition of mID in the products and services supported in iPKO biznes;

- a bundle of usability-enhancing changes, including improvements to the PKO Cash service resulting from the NPS survey, and facilitations to the iPKO biznes mobile authorisation.

In addition, in 2023 the Bank implemented changes to the existing functionalities of the website:

- mobile authorisation tools,
- ability to generate and send confirmations of financial operations directly from the application, present blockades (unsettled transactions) on debit cards, and add information on the sum of blockades on debit and prepaid cards;
- ability to order domestic transfers and transfers to own account. Transfer orders in the mobile app can be ordered by users who are authorised to carry out such operations in the iPKO business website. The ability to order transfers will only be available to app users who have access to corporate/company accounts held at a Polish branch;
- the option to sign an agreement for access to the new version of the iPKO dealer platform with a mobile authorisation tool;
- execution of Express Elixir instant transfers.

PKO LEASING WEBSITE

PKO Leasing S.A. has been developing functionalities for remote customer self-service through the Customer Portal, a state-of-the-art online platform for lease agreement management.

By the end of 2023:

- 96.5% of PKO Leasing customers used the Customer Portal;
- online payment options were expanded to include BLIK and BLIK OneClick, with 300 thousand transactions executed;
- PKO Leasing S.A. processed 33 thousand online applications;
- sending letters by post has been replaced by online delivery on the Portal. This included:
 - debt collection letters - termination of agreements, requests for payment, renewals;
 - fines;
 - letters concerning the scheduled termination of the agreement.

PKO JUNIOR APPLICATION

PKO Junior is the bank's offering for parents and children up to the age of 12. Currently, many banks address their offerings to this age group and an important element is the mobile app for children. With its features, it teaches the child how to manage a budget on the phone. The use of the app is comfortable and safe, as the parent controls all the actions performed in the PKO Junior app in their iPKO service. The bank was the first to offer such a solution on the Polish market.

After 10 years of operation, the app has been re-developed in a new technology - Flutter. With this change, the app can be developed simultaneously on two platforms: Android and iOS. The Bank released a new version of the app in July 2023.

To date, 749 thousand children aged 12 and below have benefited from the offer. On average, 8 non-cash transactions are made by children each month and 98.6% of all their transactions are card payments.

The new functionalities of the PKO Junior app include:

- the option of logging in with a password, PIN number, fingerprint and facial scan (biometrics);
- new security standards, in line with current guidelines of the Bank;
- intuitive menus that make it easier for children to navigate and that are consistent with iPKO navigation.

CONTACT CENTER OF PKO BANK POLSKI S.A.

The Contact Center provides efficient and effective service over the phone, via email, chat and social media. Bank employees are available around the clock and provide comprehensive customer service by:

- executing instructions;

- providing information and education;
- encouraging active use of self-service applications;
- selling the bank's products and insurance products.

To ensure the highest quality and efficiency of service, artificial intelligence is used. A customer contacting the helpline is greeted by a voicebot. Its task is to:

- recognise the intention of the contact;
- handle simple matters for the customer (providing information, performing simple instructions, e.g. assigning a PIN to a payment card, blocking access to the Internet service and IKO app);
- transferring the call to a qualified consultant if necessary.

In 2023, the Bank implemented confirmation of suspicious transactions (transfers, BLIK, card transactions) via voicebot. As a result, more instructions are confirmed in less time.

In 2023, bots handled more than 15 million calls. This contributed to a significant reduction in service costs.

The Bank demonstrates attention to customer security. Special attention is paid to potentially fraudulent situations. The Bank educates customers on security to strengthen vigilance and prevent scams.

The option to confirm the identity of the employee calling and to verify the customer using the IKO app has been introduced. With this solution, the customer is assured that he or she is talking to an employee of the Bank.

Solutions to meet the needs of our customers are identified and introduced on an ongoing basis. In 2023, two specialised lines were launched: service for customers aged 75 and over and for customers reporting security threats. These solutions ensure that our customers are served with special attention and that the extent and manner of service takes into account their special needs.

Service is provided in English and Ukrainian. In 2023, the hours of operation of the Ukrainian-language helpline have been extended (7 a.m. to 10 p.m.) and service on weekends and holidays has been introduced.

The quality of service provided by our employees is recognised in external surveys. In the 2023 Moje Bankowanie survey, the Bank's telephone and e-mail service obtained high positions on the podium. In the summary for the full year, it ranked second. This is a jump of 5 positions compared to the previous year.

The Institution of the Year survey recorded a high increase in the quality score of the Bank's Helpline, and the quality of service provided to Ukrainian-speaking customers by an employee was recognised in the Polish Contact Centre Awards competition.

8.7 DISTRIBUTION NETWORK OF PKO BANK POLSKI S.A.

Network of branches and agencies Corporate Banking Centre Private Banking Centre
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NETWORK OF BRANCHES AND AGENCIES

PKO Bank Polski SA, with an eye to providing convenient access to its products and services, provides its customers with a wide network of retail branches and agencies, private banking offices, corporate branches, as well as branches located abroad. The modernisation and optimisation of the branch network is carried out on a continuous basis, and decisions on whether to open a branch on a particular micro-market are made by reference to economic criteria, taking into account the growth potential. In 2023, the space allocated to retail branches was reduced by 11.2 thousand m² owing to optimisation measures taken.

At the end of 2023, the Bank's branch network comprised:

- 882 retail branches organized into 10 regional divisions, 8 private banking offices and 11 corporate banking offices;
- 23 regional corporate centres (RCK) organized into 7 regional corporate branches, as well as the branches located in the Federal Republic of Germany and the Czech and Slovak Republics.

In relation to the end of the year 2022, the total number of retail units decreased by 23.

Table 13. Operating data of the retail and corporate segment

	2023	2022	2021	2020	2019
Number of branches in the retail segment	911	934	942	972	1,073
regional retail branches	10	10	10	10	11
retail branches	882	905	913	943	1,043
private banking branches	8	8	8	8	8
corporate banking branches	11	11	11	11	11
Number of branches in the corporate and investment segment:	34	33	33	32	42
regional corporate branches	7	7	7	7	7
regional corporate centres	23	23	23	23	33
Foreign branches ¹⁾	4	3	3	2	2
Number of agencies	286	349	447	492	538
Number of ATMs	3,056	3,011	2,976	3,022	3,080

1) Figures for 2023 include the Romanian branch, which has not yet commenced operations.

The branch and ATM network is complemented by the agency network. At the end of 2023, the Bank cooperated with 286 agencies. The drop in the number of agencies observed during the last years is caused by a reduction in profitability as a result of the changing and dynamic market situation.

The Bank continues to improve the conditions in which customer service is provided and enhance the comfort of its operations by upgrading or relocating its branches to more attractive locations. The aim is to provide modern, user-friendly branches, tailored to the needs of customers and employees. The Bank has transformed nearly 200 branches in recent years. In 2023 alone, the first year of the Bank's new Strategy, 47 upgraded own branches were handed over, including the completion of: 17 branch relocations and 30 branch upgrades.

Customer amenities such as electronic media and Internet workstations have been put in place in upgraded and relocated branches. At the same time, work continues on converting some branches into branches without cash processing in advisory positions, so-called cashless branches. Cash can only be deposited or withdrawn by customers using self-service devices. At the end of 2023, 50 branches operated under the cashless model (change by 17 branches y/y).

In addition to measures to improve the quality of employees' work, in 2023 the Bank carried out a project to provide even better support for customers with disabilities. As part of the project, the methodology for determining the accessibility of bank branches for people with different types of disabilities was revised. Training on how to serve people with different types of disabilities was prepared and delivered - by 15 December 2023, 81% of the network's employees received training. Upgrades were made to several dozen bank branches taking into account accessibility requirements for people with disabilities. In 2023, the Bank continued to implement a new service model for retail customers, based on the role of the Customer Assistant, i.e. an employee responsible for the initial identification of the customer's needs from the moment he or she enters the branch and for arranging the visit as efficiently as possible. At the end of 2023, the Customer Assistant service model was in operation in around 200 branches.

CORPORATE BANKING CENTRE

PKO Bank Polski S.A.'s Corporate Banking Centre (CBP) is an optimal service model designed to support the development of entrepreneurs and meet their needs for financial services. Operating since 2018, CBP generates a steady increase in performance by successively expanding its customer base and increasing the level of customer satisfaction, which was confirmed by an independent NPS survey compared to other competing banks, ranking PKO Bank Polski S.A. 3rd (source: Indicator Polska, May 2022, surveys of customers with revenues of 5-30 million). In 2023, the threshold for qualifying customers to be served by the CBP has been increased (companies with annual revenues of PLN 15-60 million), which should contribute to higher year-end acquisitions and optimise the sales model.

By separating the Corporate Banking Centre, PKO Bank Polski can build a positive image and brand of PKO Bank Polski as a reliable business partner for Polish enterprises, owing to, among other things:

- a specialised group of nearly 140 advisers, who continue to improve their competences and work directly with credit analysts and specialists from the Bank's Group;
- better matching of the product and pricing offering to customers' needs and shorter waiting time for a loan decision as a result of improvements in the lending process;
- increased attractiveness of the offering by adding products from the Bank's Group, and close cooperation with dedicated specialists in factoring, leasing and treasury products;
- cyclical meetings with customers to promote the Bank's and the Bank Group's products and, above all, to educate and popularise innovative solutions based on market opportunities and current public programmes.

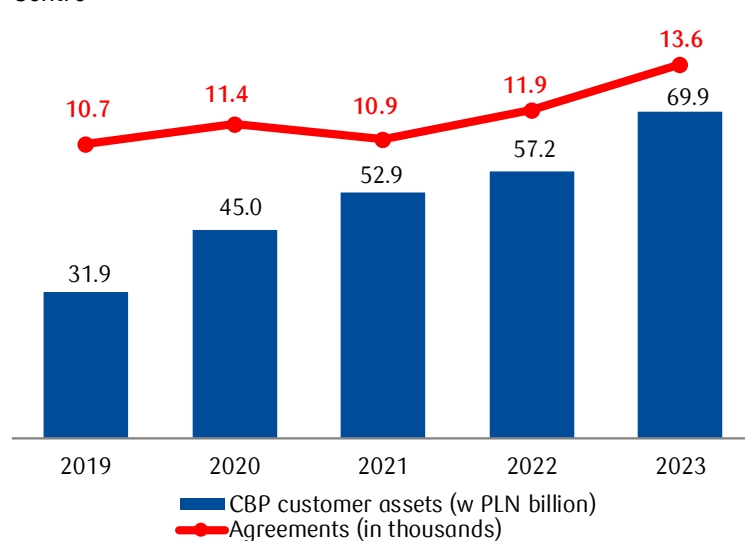
PRIVATE BANKING CENTRE

PKO Bank Polski S.A. has been providing comprehensive financial services as part of its Private Banking offering for more than a dozen years and provides customers with access to a wide range of financial products and instruments, from personal and deposit accounts serviced both remotely and in the traditional manner, through brokerage and treasury services, prestigious credit cards with a convenient insurance package, to a full spectrum of investment products and the rental or leasing of cars or yachts. Private Banking also offers comprehensive financing for current and investment needs.

The Private Banking Offices serve customers in the largest Polish cities: Warsaw, Gdansk, Kraków, Katowice, Poznan, Wrocław, Łódź, Szczecin, Bydgoszcz, as well as Białystok and Lublin.

As at the end of 2023, the Private Banking Centre managed a portfolio of assets worth nearly PLN 70 billion (an increase by 22.2% y/y), and the number of clients served was about 18.9 thousand (an increase of 12.7% y/y).

Agreements and assets of the customers of the Private Banking Centre



8.8 OPERATIONS AREA

In 2023, the operations area continued to centralize and transform services in the Bank and Bank Group's companies, as well as centralise operational tasks, resulting in very good efficiency and cost performance. Tasks were carried out in a state-of-the-art structure involving the following operational units: Contact Center and after-sales and development teams. This is another year when the operations area, through active automation and robotics activities, recorded an increased number of tasks completed. At the same time, it has systematically reduced the involvement of people handling processes manually.

By combining the competences of the two areas (operations and Contact Center), we were able to build a state-of-the-art, remotely operated middle office process for handling cases after the death of our customers. Owing to the extensive cooperation between the employees of operations, the Contact Center and the branch network, the current handling of heirs contacting the Bank has been simplified and allows the task to be completed during a single contact.

In less than a month, the Bank designed and implemented a process for the Safe 2% Loan which has been very popular among customers. The process was largely robotised and automated, and for cases that required manual handling, the Bank ensured that it was executed with high efficiency and quality, so that customers received funds in a very short time.

The operations area continued to handle the statutory credit holiday process, which was largely automated. Only cases that required additional clarification were referred to manual handling.

In order to meet the expectations of our customers, the operations area implemented telephone handling of cases reported that can be resolved in a single contact, without having to accept a notification and wait for a resolution. As

a result, customers receive assistance and a solution already during or immediately after the call, and the Bank does not engage additional staff to clarify simple requests.

In response to the needs reported by customers and in fulfilment of the obligation imposed by the legislator, the Bank introduced the operational handling of the housing account with the BGK subsidy mechanism. The process has been largely robotised. Only complicated cases that require additional clarification are referred to manual handling.

In addition, the process of handling certificates issued at the request of customers has been largely robotised. At present, the majority of cases concerning loan and deposit products are handled automatically, which has significantly reduced the waiting time for documents to be issued.

The operations area has started to redesign the enforcement seizure process. As a result of the changes, customers receive faster responses to enquiries regarding seizures. A number of improvements have been introduced affecting the timeliness of service, which is important for both customers and enforcement authorities.

In 2023, the Bank implemented products dedicated specifically to farmers, such as a loan with subsidies from the Agency for the Restructuring and Modernisation of Agriculture and an agricultural guarantee, into its operational service. As in other areas, a significant proportion of these processes have been robotised.

The OCR mechanism was implemented in the process of registering mail addressed to the Bank, improving the efficiency of this process.

The total number of tasks completed by robots by the end of 2023 exceeded 256.3 million, with 77.3 million in 2023 alone.

8.9 INTERNATIONAL COOPERATION

The Group entities, in particular PKO Bank Polski S.A., PKO Bank Hipoteczny S.A. and PKO Leasing S.A., have been actively using the opportunities to issue financial instruments on the debt markets, both in Poland and abroad, for many years.

The Bank's Group acquires funds from foreign financial markets, among other things by obtaining loans from international financial institutions (including the Development Bank of the Council of Europe and the European Investment Bank) which allows it to present a preferential offer to SMEs.

KREDOBANK S.A., as a Ukrainian company, additionally obtains funding from special credit programmes from the Enterprise Development Fund and grants from the Deutsche Sparkassenstiftung für internationale Kooperation (DSIK) for SME clients using investment loans.

The Bank's Group also participates in portfolio guarantee programmes (including of the European Investment Fund). In 2023, guarantees were offered under the COSME programme.

For detailed information on securities issues and loans received in the context of international cooperation, see Note 38 "Financing received" to the financial statements of the Bank's Group for 2023.

The Bank's Group remains a leader in the Polish market in providing services to banking financial institutions. Through an extensive and effective network of correspondent banking relationships, it ensures the Bank's smooth operation in foreign markets, despite the challenges and restrictions stemming from the war in Ukraine.

The Bank's Group is systematically increasing the portfolio of serviced foreign corporate and financial customers and expanding the range of available products. The Bank focuses mainly on acquiring customers that are daughter companies of leading foreign entities from the area of the European Union, and at the same time expands competences which allow building long-term relations with customers from other regions of the world, including particularly Asia.

The insurance companies from the Bank's Group – PKO Życie Towarzystwo Ubezpieczeń S.A. and PKO Towarzystwo Ubezpieczeń S.A. – cooperate with reinsurers on the international market.

8.10 OPERATIONS OF OTHER SUBSIDIARIES

PKO Bank Polski S.A.'s subsidiaries, with their registered office in Poland, offer mortgage loans and provide services mainly in respect of leases, factoring, investment funds, pension funds and insurance, car fleet management services, transfer agent services, provide technological solutions and outsource IT professionals.

CHARACTERISTICS OF THE OPERATIONS OF SELECTED PKO BANK POLSKI S.A. GROUP COMPANIES

The results of operations presented in the description are derived from the financial statements of the individual companies prepared according to the International Financial Reporting Standards, and in respect of insurance companies, according to Polish Accounting Standards. Data available as at the date of the financial statements.

PKO BANK HIPOTECZNY S.A.

PKO Bank Hipoteczny SA is the leader on the Polish mortgage bank market in terms of total assets and the portfolio of mortgage loans. The company is also the largest issuer of mortgage covered bonds in Poland.

In 2023, PKO Bank Hipoteczny S.A. reported a net profit of PLN 165.8 million (vs. a net loss of PLN 405.8 million in 2022, which was related to the recognition of a loss on loan holidays introduced by the Act of 7 July 2022 on crowdfunding for business ventures and borrower assistance).

PKO Bank Hipoteczny S.A. specializes in granting mortgage housing loans to retail customers and purchases receivables in respect of such loans from PKO Bank Polski S.A. The Company issues mortgage covered bonds (in PLN and in foreign currencies), which constitute one of the main sources of long-term financing of loans secured with real estate in the PKO Bank Polski S.A. Group.

As at 31 December 2023 the total gross value of the PKO Bank Hipoteczny S.A. loan portfolio amounted to PLN 18.0 billion, including PLN 8.1 billion of mortgage housing loans purchased from PKO Bank Polski S.A.

In 2023, PKO Bank Hipoteczny S.A. carried out three mortgage covered bond issues with a total nominal value of PLN 1.75 billion. The total nominal value of mortgage covered bonds issued by the company and outstanding as at the end of 2023 was PLN 10.4 billion. This included green mortgage bonds worth PLN 2.7 billion.

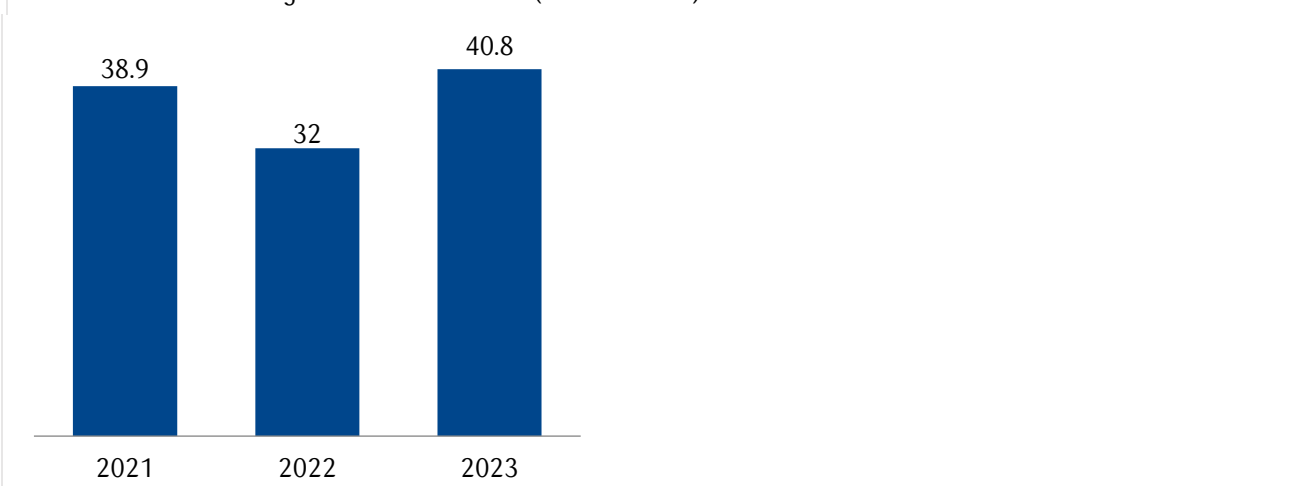
PKO TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A.

The core business of the Company is creating and managing investment funds. The Company also offers specialized investment programs and manages Employee Pension Programmes (PPE) and Employee Capital Plans (PPK).

In 2023 the Company earned net profit of PLN 237.7 million (vs. PLN 189.3 million in 2022).

The value of the funds' net assets under the Company's management amounted to PLN 40.8 billion as the end of 2023, which represents a 27.7% increase in assets.

Value of assets of managed investment funds (in PLN billion)



PKO TFI S.A. ranks first with 20.06% share of funds' assets under management excluding selected investors and second in terms of net assets value with 12.74% share of the total investment fund market*.

As at 31 December 2023, PKO TFI S.A. managed 60 investment funds and sub-funds.

At the end of 2023 PKO TFI S.A. was the Polish market leader in Employee Capital Plans in terms of the assets under management with a 31.3% market share.

* Source: Anality Online, January 2024.

PKO BP BANKOWY PTE S.A.

The Company manages PKO BP Bankowy Otwarty Fundusz Emerytalny and PKO Dobrowolny Fundusz Emerytalny, which offer the Individual Retirement Account (IKE) and Individual Retirement Security Account (IKZE).

In 2023, the Company earned net profit of PLN 24.1 million (vs. a PLN 24.8 million in 2022).

Results of operations of the Open Pension Fund (OFE)*:

As at the end of 2023, the net asset value of PKO BP Bankowy OFE managed by PKO BP BANKOWY PTE S.A. amounted to PLN 9.5 billion, which is an increase by more than PLN 2.4 billion compared with the end of 2022. The increase reflects a significant improvement in the financial markets.

PKO Bankowy OFE had 850.0 thousand participants as at the end of December 2023 (864.1 thousand as at the end of 2022). PKO BP Bankowy OFE ranks 7th on the pension fund market in terms of net asset value and in terms of the number of participants*.

* Source: www.knf.gov.pl

PKO LEASING S.A. GROUP

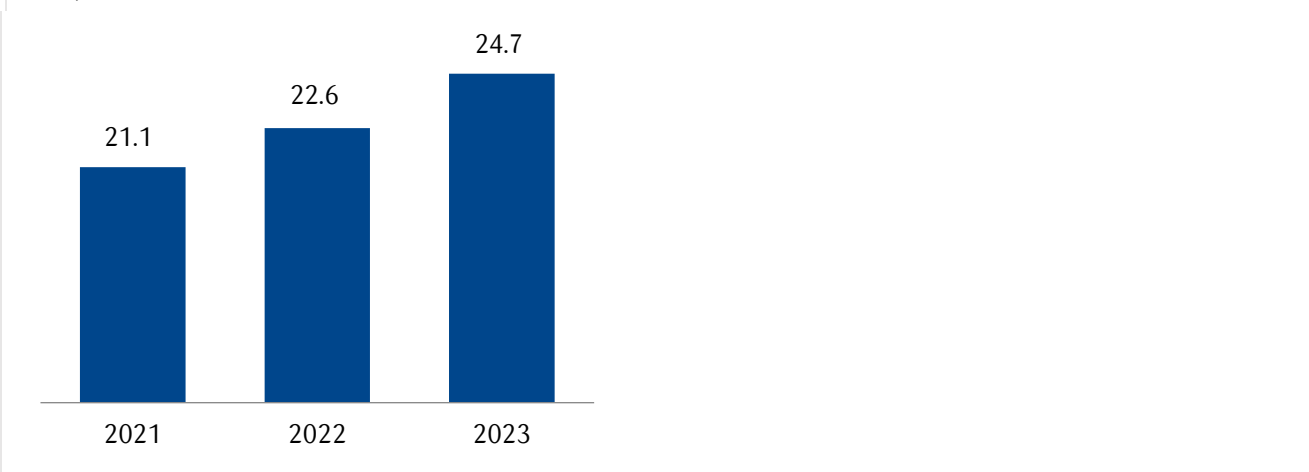
The PKO Leasing S.A. Group (i.e. PKO Leasing S.A. and its subsidiaries) offers financial services in respect of lease and factoring and provides insurance agent, fleet management and vehicle rental services.

The PKO Leasing S.A. Group earned a net profit of PLN 353.4 million in 2023. The net profit for the year 2022 was PLN 347.2 million.

PKO Leasing S.A. and its subsidiaries offer leases and loans. Customers may use these services to finance their fixed assets, such as passenger cars, delivery vehicles and trucks, machines, equipment, technological lines, medical equipment, computer hardware and software.

As at 31 December 2023, the carrying value of amounts due from customers in respect of leases and loans (both matured and not yet matured) and the carrying value of fixed assets under operating leases in the PKO Leasing S.A. Group totalled PLN 24.7 billion.

Amounts due from customers in respect of leases and advances, and fixed assets under operating leases (in PLN billion)



The PKO Leasing S.A. Group has been the leader of the Polish lease and rental market for several years. It pursues the “Cyfrowa Era Leasingu” (Digital Era for Leases) strategy, which stipulates stronger use of digital tools and development of operations in new market segments.

PKO Faktoring S.A. provides domestic and export factoring services with and without recourse, reverse factoring and a factoring programme service for suppliers.

In 2023, the carrying amount of amounts due from customers was PLN 5.39 billion. As at the end of 2022, it was PLN 3.60 billion.

In 2023, the value of factoring turnover was PLN 31.02 billion (in 2022: PLN 31.4 billion).

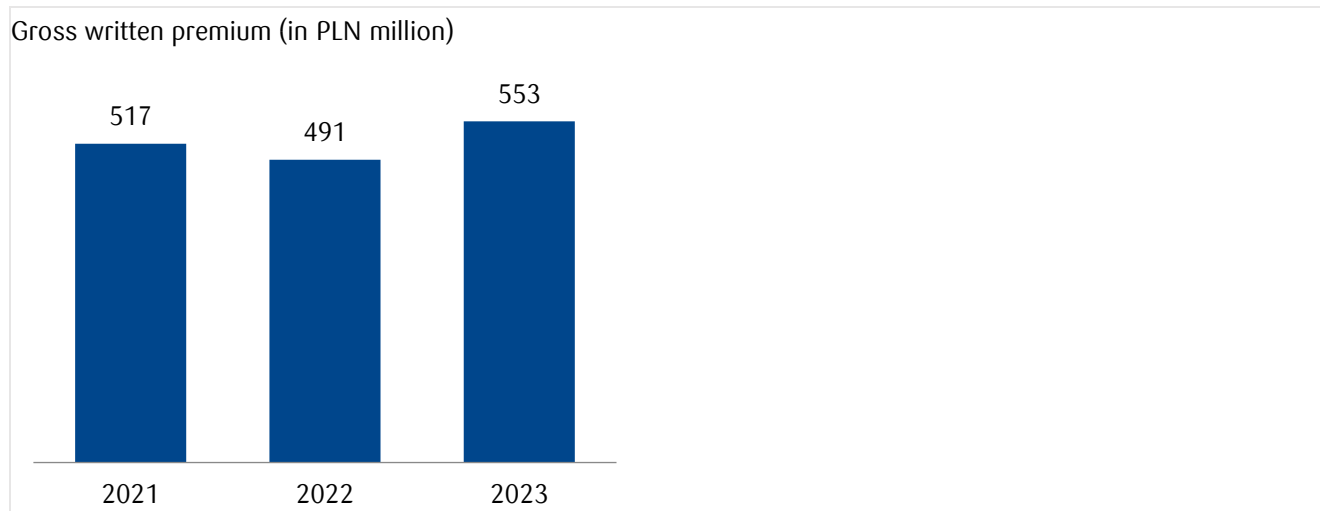
As at 31 December 2023, the Company ranked 5th (in terms of turnover) among the factoring companies associated in the Polish Factors' Association, with a market share of 8.7%.

PKO ŻYCIE TOWARZYSTWO UBEZPIECZEŃ S.A. GROUP

The PKO Życie Towarzystwo Ubezpieczeń S.A. Group earned a net profit of PLN 82.9 million in 2023 (in 2022, the Group's net profit was PLN 54.9 million).

PKO Życie Towarzystwo Ubezpieczeń S.A.'s business activities comprise life insurance (Section I insurance). The Company offers both standalone products and products supplementing the banking products offered by PKO Bank Polski S.A.

Gross written premiums under insurance contracts concluded by the Company in 2023 amounted to PLN 553 million. As at the end of 2023, the Company insured 1,054 thousand people (1,026 thousand people in 2022).



PKO TOWARZYSTWO UBEZPIECZEŃ S.A.

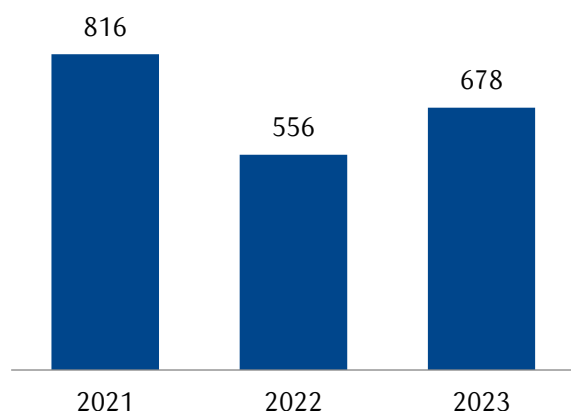
In 2023, the Company earned net profit of PLN 107.0 million (vs. PLN 87.0 million in 2022).

PKO Towarzystwo Ubezpieczeń S.A.'s business comprises other non-life insurance (Section II insurance). The Company focuses on providing insurance against loss of income, accident and sickness, as well as property insurance for borrowers and mortgage borrowers. The Company also offers motor insurance and state-of-the-art residential and home insurance, PKO Dom.

The company reports a high NPS of 60.39 for the claim handling process.

Gross written premiums under insurance contracts concluded by the Company in 2023 amounted to PLN 678 million. As at the end of 2023, the Company insured 1,474 thousand people (1,413 thousand people in 2022).

Gross written premium (in PLN million)



PKO BP FINAT SP. Z O.O.

In 2023 the Company earned net profit of PLN 27.8 million (vs. PLN 29.6 million in 2022).

PKO BP Finat sp. z o.o. provides technological and operational services to support the core activities of PKO Bank Polski S.A. Group companies.

PKO Finat sp. z o.o. also provides comprehensive services to companies outside the Bank's Capital Group, mainly from the financial sector, performing activities that support their core business, including PPK record-keeping services, transfer agent services, ancillary services for closed-end fund and company accounting for investment funds, handling group insurance dedicated to products offered by PKO Bank Polski S.A. It also specialises in competence outsourcing of IT specialists, project teams and IT processes, including production processes for IT systems and applications.

The company also provides intermediation services in the sale of non-financial products to the Bank's customers. It provides a wide range of services available through electronic banking, including phone top-ups, gift cards to platforms with entertainment and other services, toll payments, e-Accounting for entrepreneurs, BIK products, insurance, tickets for Ekstraklasa matches, to name a few.

In 2023, PKO Finat sp. z o.o. launched the VAS API Integration Platform serving as an interface between the Bank and digital service providers for the handling of procurement processes, settlements and recurring payments.

8.11 PRIZES AND AWARDS FOR THE PKO BANK POLSKI S.A. GROUP

In 2023, the PKO Bank Polski S.A. Group received many prizes and awards, the most important of which are listed below.

AWARDS RECEIVES BY PKO BANK POLSKI S.A.

BEST DIGITAL LOAN FOR SMEs (NOVEMBER 2023)

PKO Bank Polski S.A. was ranked 1st in the CEE 23 SME Banking Awards in the "digital lending for SMEs" category and 3rd in the "online banking for SMEs" category. The CEE SME Banking Awards competition has been organised by the SME Banking Club, an association of bankers, for several years. As part of this initiative, banks and fintechs are awarded for the best digital solutions for SME customers in the CEE region.

ECO-FRIENDLY CARDS (NOVEMBER 2023)

PKO Bank Polski S.A.'s payment cards made from recycled material were awarded in the Green Face of Technology category at the Future of Payments conference, held by the Cashless Poland Foundation.

The Bank has been issuing payment cards to its customers made of Ocean Plastic® from the Parley for the Oceans organisation since mid-2023. PKO Bank Polski S.A. is the first bank in Poland to join the small group of issuers of payment cards made of this material.

DIGITAL EXCELLENCE AWARDS (NOVEMBER 2023)	<p>PKO Bank Polski S.A. has won the "Community Award" for PKO Pay Later. This is a deferred payment service. PKO Bank Polski S.A. was the first bank in Poland and one of the few in the world to make it independently available to its customers in November 2022. Within a year, the service was activated by more than 150 thousand customers, who used it to pay for purchases totalling PLN 198 million.</p> <p>The Digital Excellence Awards is an initiative launched by DE Group, addressed to organisations that want to showcase their transformational successes.</p>
TOP BRAND (NOVEMBER 2023)	<p>PKO Bank Polski S.A. has become the winner of the "banks" category in the 16th edition of the ranking.</p> <p>The media power of the Bank's brand was estimated at more than 8.4 million points. This is the second value of the brand's media power in a general ranking of 500 brands from 50 industries present on the Polish market.</p> <p>Top Brand is the largest media survey in Poland carried out by Press magazine and PSMM Monitoring & More.</p>
GLOBAL RETAIL BANKING INNOVATION AWARDS (OCTOBER 2023)	<p>PKO Bank Polski S.A. was ranked 1st in the "Outstanding Customer Relations & Brand Engagement Initiative" category for activities related to building its presence in the Metaverse. In justifying the award, the organisers noted the innovative approach in organising the #PKOBankTalentów Virtual Job Fair and the marketing activities building the engagement of metaverse platform users around the Bank's brand.</p> <p>The Global Retail Banking Innovation Awards competition is hosted by The Digital Banker. In this year's edition, the jury assessed 530 projects submitted by 190 banks from around the world.</p>
THE BEST ANNUAL REPORT (OCTOBER 2023)	<p>PKO Bank Polski S.A. won 3 awards in the competition. It was awarded the special award "The Best of The Best" for the another consecutive year. It also received an award for the best remuneration report. The third award was given for a consistently high level of financial reporting.</p> <p>The Bank's Annual Report was appreciated mainly for its presentation, its approach to the various elements of the report and the completeness of the regulatory disclosures. The competition has been organised by the Institute of Accounting and Taxation for 18 years.</p>
HYPERAUTOMATION CHAMPIONS 2023 (JUNE 2023)	<p>PKO Bank Polski S.A. received the jury's special award "Hyper Automation Champion" in the 2nd edition of the competition. The bank was recognised for its use of Robotic Process Automation technology in the implementation of loan holidays.</p> <p>The main objective of the competition is to reward the most effective hyper-automation implementations. Their effectiveness is measured by comparing the business objectives set before the implementation with the results obtained afterwards.</p>
FINNOSCORE LEADER (MAY 2023)	<p>PKO Bank Polski S.A. was ranked 1st in the Finnoscore 2023 ranking and became the European Digital Banking Leader.</p> <p>The bank was rated highest for its online banking, mobile app, attractiveness to potential customers and remote onboarding. This distinction confirms the Bank's strong position as a technology leader, not only in the Polish banking sector, but also compared to the world's leading banks.</p> <p>The ranking is based on publicly available information and objectively assesses the digital maturity and innovation experience of banks. 300 criteria were examined in 12 selected segments. 230 banks from 26 countries in Europe and North America were analysed.</p>
GOLDEN BANKER (MAY 2023)	<p>PKO Bank Polski S.A. won in the mortgage loan product category. The bank stood out from the competition with, among other things, an attractive mortgage price offering featuring a full set of options for customers choosing different interest rates. In the child's account category, PKO Bank Polski S.A. was ranked 2nd. The organiser recognised the Bank for its attractive savings offering for the youngest.</p> <p>It was the fourteenth edition of the ranking organised by "Bankier.pl" and "Puls Biznesu".</p>
BROKER OF THE YEAR (APRIL 2023)	<p>The WSE granted the Broker of the Year prize to the Brokerage Office – Biuro Maklerskie PKO Banku Polskiego. The award was presented for the highest share of a local stock exchange member in session trading in shares from the Main Market and NewConnect</p>

	<p>and for the highest share of an exchange member in session trading in treasury and non-treasury bonds on the regulated market and the WSE ATS (Alternative Trading System of the WSE). This is the sixth time the Brokerage Office has received this award.</p>
<p>MOBILE TRENDS AWARDS (MARCH 2023)</p>	<p>In the 12th edition of the IKO competition, PKO Bank Polski S.A.'s mobile app won, for the second year in a row, the top prize in the internet user vote, winning over apps with significantly more users.</p> <p>IKO is the most popular mobile banking app in Poland and one of the best-rated banking apps in the world. It is appreciated, among other things, for its innovation, practical features and user-friendly solutions.</p> <p>The Mobile Trends Awards is a prestigious industry award. It is granted to companies that make successful use of mobile technologies.</p>
<p>TOP EMPLOYER 2023 (JANUARY 2023)</p>	<p>PKO Bank Polski S.A. was awarded the prestigious Top Employer title and certificate for the 4th time. It confirms a responsible personnel strategy, a high-quality working environment and consistency in shaping the corporate culture.</p> <p>This year's survey results demonstrate that the solutions implemented by the Bank in the areas of recruitment, onboarding, ethics and the digitalisation of HR processes, among others, rank it at the forefront of the labour market. The Bank's rating regularly improves, which confirms the systematic development and implementation of improved personnel management strategies.</p> <p>The certification programme run by the Top Employers Institute is one of the most demanding and the Top Employer title one of the most prestigious in the area of HR management.</p>
<p>AWARDS RECEIVED BY THE BANK'S SUBSIDIARIES</p>	
<p>DIAMONDS OF INNOVATION (NOVEMBER 2023)</p>	<p>PKO Leasing S.A.'s offering available on the Bank's iPKO website was recognised in the Diamonds of Innovation competition in the category "Innovation of the Year: Finance". Customers of PKO Bank Polski S.A., running a sole proprietorship, can sign a leasing agreement for the purchase of a car on iPKO website, online, without leaving the office and without unnecessary formalities.</p> <p>Diamonds of Innovation is a competition held by the Executive Club, which rewards business leaders for innovative activities that define the directions of industry development.</p>
<p>LEADER OF EU FINANCIAL INSTRUMENTS IN POLAND (SEPTEMBER 2023)</p>	<p>PKO Leasing S.A. was awarded twice by the National Contact Point for EU Financial Instruments. The company was honoured in the categories 'Best National EU Financial Intermediary' and 'Best Leasing Company'.</p> <p>PKO Leasing S.A. has almost 20 years of experience in cooperating with EU institutions in the field of raising finance. The award confirms the commitment of the largest leasing company in Poland to offering a variety of solutions to customers to facilitate access to funding.</p>

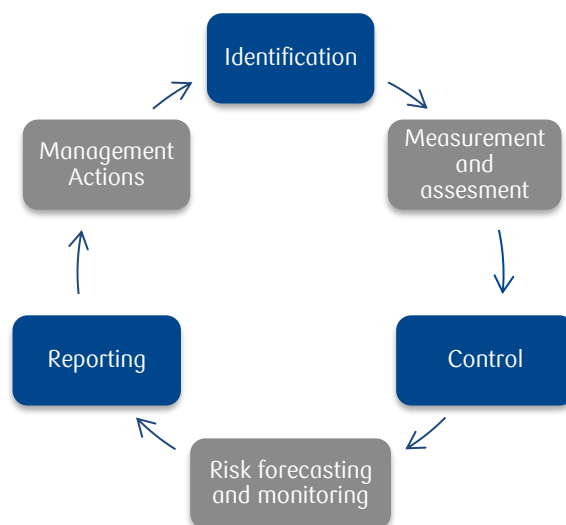
9. RISK MANAGEMENT

Principles of Risk Management
Characteristics of the credit policy of the PKO Bank Polski S.A.

9.1 PRINCIPLES OF RISK MANAGEMENT

Risk management is one of the key internal processes, both in PKO Bank Polski SA, and in other entities of the PKO Bank Polski SA Group. Risk management is aimed at ensuring the profitability of business activities while ensuring control over the risk level and maintaining it within the system of limits and risk tolerance limits adopted by the Bank and the Group in the changing macroeconomic and legal environment.

The primary objective is to ensure adequate management of all types of risk related to its business. As part of the risk management system, the Bank's Group identifies, measures and assesses, controls, forecasts, monitors and reports risk, and performs management actions.



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

RISK IDENTIFICATION:

Risk identification consists of recognizing the existing and potential sources of risk and estimating the significance of its potential impact on the Bank's and the Bank Group's financial situation. As part of risk identification, the Bank and the Bank's Group entities identify the risks considered to be material in the Bank's or the Group's operations.

RISK MEASUREMENT AND ASSESSMENT:

Risk measurement and assessment are aimed at determining the scale of threats connected with the risks arising. Risk measurement covers determining the risk assessment measures adequate to the type and significance of the risk, and data availability. Quantitative and qualitative risk measurement results are the basis for the risk assessment aimed at identifying the scale or scope of risk.

As part of risk measurement, the Bank's Group carries out:

- specific stress tests which are conducted separately for individual risk types and are used to assess sensitivity of a given risk to unfavourable market conditions,
- comprehensive stress tests conducted jointly for the concentration risk and risks regarded as material, used to determine sensitivity of the capital adequacy measures and Bank's results to the occurrence of a negative scenario of changes in the environment and the functioning of the Bank's Group.

The stress-tests are conducted by the Bank's Group based on assumptions which ensure a sound assessment of the risk, in particular taking into account the recommendations of the Polish Financial Supervision Authority.

RISK CONTROL:

Risk control involves the determination of risk control mechanisms adjusted to the scale and complexity of the Group's activities, especially in the form of strategic tolerance limits for the individual types of risk. Strategic risk tolerance limits are subject to regular monitoring, and if they are exceeded, the Bank's Group takes management actions.

RISK FORECASTING AND MONITORING:

Risk forecasting involves foreseeing future risk levels, taking into account the assumed business development projections, and internal and external events. Risk level forecasts are assessed by the Bank and the Bank's Group (so-called "reverse stress tests") in order to verify their accuracy.

Risk monitoring involves observing 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). Risk monitoring and forecasting frequency is adequate to the materiality and variability of specific risks.

RISK REPORTING:

Risk reporting includes informing about the results of the risk identification, measurement, assessment and forecasting, causes of changes in the risks, actions taken and recommended. The scope, frequency and form of the reporting are adjusted by the Bank to the managerial level of the recipients. If potential liquidity problems arise, the Supervisory Board is immediately informed about significant changes in the risk level, and in particular, about threats and remedial actions taken, and of their impact on the Bank's liquidity level.

MANAGEMENT ACTIONS:

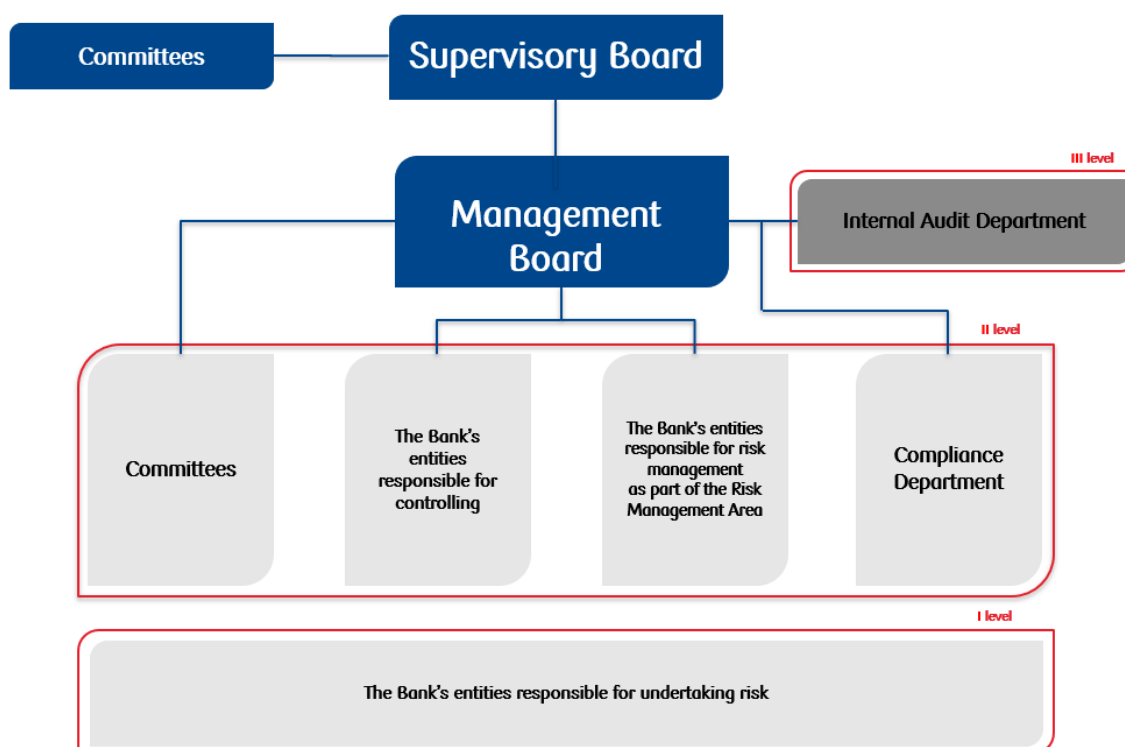
Management actions consist of determining the desired risk level favourable for building the structure of assets and liabilities. Management actions may result, in particular, in:

- acceptance of the risk – determining the acceptable risk level, taking into account business needs and developing management actions in the event that the level is exceeded;
- reduction of the risk – mitigation of the impact of the risk factors or effects of its materialization (e.g. by reducing or diversifying the risk exposure, determining limits, utilizing collaterals);
- transfer of the risk – transferring responsibility for covering potential losses (e.g. by transferring the risk to another entity with the use of legal instruments, such as insurance contracts, security services agreements for a building, accepting guarantees);
- risk avoidance – resignation from the risk-generating activity or elimination of the probability of materialization of the risk factor, including in particular determination of zero tolerance to risk.

The Bank supervises the functioning of individual entities in the Bank's Group. The Bank monitors their risk management systems and supports their development. In addition, the Bank takes into account the level of risk in particular Group companies for the purpose of the risk monitoring and reporting system at the Bank's Group level. Risk management in the Bank takes place in all of the organizational units of the Bank.

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

Organizational structure of banking risk management



The Supervisory Board supervises and evaluates the risk management process, in particular, on the basis of regular reports on the risk, taking into account the adequacy and effectiveness of the risk management system and information about the implementation of the risk management strategy, also the level of limits which limit the risk and conclusion from stress tests, and if necessary, orders the verification of the process.

The Supervisory Board is supported by the following committees: the Nominations and Remuneration Committee, the Risk Committee and the Audit Committee.

In respect of risk management, the Management Board the Bank is responsible for strategic risk management, including supervising and monitoring actions taken by the Bank in respect of risk management. The Management Board makes major decisions affecting the risk profile of the Bank and adopts internal regulations concerning risk management. It ensures operation of the risk management system, monitors and assesses its functioning, and transfers the respective information to the Supervisory Board. In its risk management activities, the Management Board is supported by the following committees:

- the Risk Committee;
- Asset and Liability Management Committee (KZAP);
- Bank's Credit Committee (KKB);
- Operational Risk Committee (KRO);
- Sustainable Development Committee (KZR).

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

- the Bank's Group manages all identified types of risk;
- 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 management measurement or assessment systems are tailored to the scale and complexity of individual risks, the current and planned operations of the Bank's Group and its operating environment, and are periodically verified and validated;
- organisational independence of the risk management area from business operations is maintained,
- 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 Bank assesses the materiality of all the identified risks on a regular basis, at least annually. Some of them have a material impact on the profitability and capital necessary to cover the exposure. Internal capital is assessed for risks that are regarded as material. All risks classified as material for PKO Bank Polski S.A. are also material for the Bank's Group.

In 2023, the catalogue of risk types regarded as material was not extended.

Below is a list of all risks regarded as material in the Bank.

- **CREDIT RISK** – the risk of incurring losses due to the Customer's default in payments to the Bank's Group or as a risk of a decrease in the economic value of amounts due to the Bank's Group when the Customer's ability to repay amounts due to the Bank deteriorates;
- **CURRENCY RISK** – the risk of incurring losses in connection with exchange rate fluctuations. The risk is generated by maintaining open positions in various foreign currencies;
- **INTEREST RATE RISK** – the risk of incurring losses on the Bank's Group's statement of financial position and off-balance sheet items sensitive to interest rate changes, in connection with changes in interest rates on the market;
- **LIQUIDITY RISK** – the risk of the inability to regularly settle liabilities due to a lack of liquid assets; liquidity risk comprises financing risk;
- **OPERATIONAL RISK** – the risk of losses being incurred due to the failure or unreliability of the internal processes, people and systems or due to external events. Operational risk excludes reputation and business risks, and includes legal and cyber security risks;

- **LEGAL RISK** – the risk of losses being incurred due to a lack of knowledge and understanding, failure to comply with legal norms and accounting standards, inability to enforce contractual provisions, unfavourable interpretations or rulings issued by courts or public administration bodies,
- **CYBER SECURITY RISK** – the degree of exposure to potential negative cyber security risk factors related to telecommunication technologies which may lead to a financial loss for the organization by violating the availability, integrity, confidentiality or accountability of the information processed in the Bank's IT system resources (SIB);
- **RISK OF FOREIGN CURRENCY MORTGAGE LOANS FOR HOUSEHOLDS** – the risk of incurring losses due to the customer's default in payments to the Bank related to a foreign currency mortgage loan;
- **BUSINESS (STRATEGIC) RISK** – the risk of failing to achieve the assumed financial targets, including incurring losses, which results from adverse changes in the business environment, making bad decisions, incorrectly implementing the decisions made, or not taking appropriate actions in response to changes in the business environment;
- **MACROECONOMIC RISK** – the risk of deterioration in the Bank's Group financial situation as a result of an adverse change in macroeconomic conditions; macroeconomic risk includes geopolitical risk, understood as the macroeconomic effects taking into account the negative effects of the geopolitical environment on the economy and financial markets;
- **MODEL RISK** – the risk of incurring losses resulting from incorrect business decisions made based on the models in place.

The Bank pursues the ESG risk integration plan with the risk management system. The Bank manages ESG risk as part of its management of other risks as – ESG risk is not a separate risk but a cross-cutting risk affecting individual risks, in particular credit risk.

ESG risk was defined by the Bank as the risk of negative financial consequences for the Bank of the current or future impact of ESG risk factors on customers and counterparties or the Bank's statement of financial position items.

SIGNIFICANT ACTIVITIES OF THE PKO BANK POLSKI S.A. GROUP IN 2023.

PKO Bank Polski S.A. has been monitoring the situation of its customers on an ongoing basis and adjusting its credit policy with a view to securing a good quality loan portfolio. As part of the measurement of credit exposures, the Bank specifically took into account information on customers' economic ties with counterparties in Ukraine, Belarus and Russia. The Bank Group recognized an allowance for its portfolio of loans granted in Ukraine.

In the Bank's Group (Polish entities), the Bank applied guidelines for the financing of and providing banking services to:

- customers conducting business whose business model is based on the benefits of active operation in the markets of Russia and Belarus or through significant links (e.g. economic, personal),
- customers on whom sanctions have been or can be imposed in connection with Russia's war in Ukraine.

In terms of interest rate risk, the series of interest rate cuts initiated in the third quarter of 2023 reduced the reference rate to 5.75% at the end of 2023, which translated into an increase in valuations in the portfolio of debt instruments and derivatives that hedge the volatility of interest income. At the same time, the customers' interest in mortgage loans temporarily based on fixed interest rates, in particular the "Safe 2% Loan", continues, affecting the interest income sensitivity measures of the Bank.

The Bank's Group has maintained a safe level of liquidity, allowing for a quick and effective response to potential threats. Supervisory and internal measures of liquidity risk were maintained significantly above accepted warning thresholds. In 2023, the PKO Bank Polski S.A. structured its sources of funding accordingly by adjusting its deposit offering (in particular deposit interest rates) to meet current needs, while at the same time renewing long-term securities and covered bonds issued maturing in 2023 in the amount of approximately PLN 4.5 billion (including EUR 0.75 billion and PLN 1.25 billion).

KREDOBANK S.A.'s liquidity, despite the ongoing conflict in Ukraine, remained stable and secure; the company did not experience a decline in liquidity measures or significant deposit outflows; KREDOBANK S.A. is classified by the NBU as a systemic bank of Ukraine.

At the same time, in connection with the war in Ukraine, the Bank has had a Support Group, chaired by the Head of Crisis Staff, in place since 2022 to, among other things, prevent the disruption of the Bank's critical processes, exchange information within the Bank's Group and coordinate the aid provided. The Bank takes actions to mitigate

the threats associated with the war in Ukraine on an ongoing basis, in particular with respect to ensuring access to the Bank's systems and cyber security.

A detailed description of material risks management principles, including risk mitigation techniques, protection measures taken and hedge accounting policies is provided in the Bank Group's financial statements for 2023 (in the part describing risk management and in Note 33 "Hedge accounting and other derivative instruments"), and in the Capital Adequacy Report and other information reportable by the PKO Bank Polski S.A. Group as at 31 December 2023.

9.2 CHARACTERISTICS OF THE LENDING POLICY OF THE PKO BANK POLSKI S.A.

The credit policy of the Bank and the Bank's Group consists of a set of principles and guidelines contained in credit regulations and procedures, which together form the credit risk management process.

The Bank's credit risk management takes into account external factors, including compliance with external regulations and recommendations of the supervision and inspection authority, as well as internal factors, including in particular the level of strategic limits and credit risk parameters.

The priority of the risk management activities is the balanced relation of risk and the assumed profitability level, within the specified risk appetite limits. Comprehensive risk measurement is ensured by using a wide range of qualitative and quantitative methods, which are supported by appropriate IT systems and analytical tools.

The credit risk management model is adjusted to the current business activity and market conditions in the individual customer segments.

Credit risk assessment of exposures is separated from the sales function thanks to an appropriate organizational structure, independence in developing and validating tools supporting an assessment of credit risk and independence of decisions approving departures from the recommendations of these tools.

The financing terms offered to the customer depend on the assessment of credit risk level of the customer. The risk assessment takes into account the sector policies described in Chapter 13.7.6B.

In order to mitigate the level of credit risk resulting from interest rate increases and inflation, PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A. introduced changes to the parameters used in the assessment of the creditworthiness of individual borrowers applying for housing loans (in accordance with Recommendation S and the position of the Office of the PFSA of 7 March 2022 communicated to banks). As part of these changes, the minimum value of the interest rate buffer was increased to 5 p.p., the minimum subsistence costs were increased (taking into account the inflation rate), and the maximum acceptable DStI (debt service to income) values were changed.

According to the rating of corporate customers, companies and enterprises, the Bank each time assesses and classifies the impact of environmental, social and corporate governance factors (ESG) on the customer's creditworthiness and identifies leveraged credit transactions.

The Bank's subsidiaries with a material level of credit risk manage credit risk individually. Their credit risk assessment and measurement methods are adapted to those applied at PKO Bank Polski S.A. They take into account the specific nature of the entity's activities.

10. BENEFITS FOR MANAGERS AND SUPERVISORS

Principles for remunerating members of the Management Board of PKO Bank Polski S.A.

Variable remuneration components for Members of the Management Board and key managers who have a material impact on the Bank's risk profile

Information on non-financial remuneration components due to individual Members of the Management Board and key managers

Principles for remunerating members of the Supervisory Board of PKO Bank Polski S.A.

Agreements concluded between the Bank and managers

Liabilities due to pensions for former supervisors and managers

10.1 PRINCIPLES FOR REMUNERATING MEMBERS OF THE MANAGEMENT BOARD OF PKO BANK POLSKI S.A.

[GRI 2-19] Compensation Plan for Members of the Bank's Management Board is regulated by:

- Remuneration Policy for members of the Supervisory Board and the Management Board of the Bank, approved by the resolution No. 35/2020 of the General Shareholders' Meeting of the Bank dated 26 August 2020;
- Remuneration Policy for employees of the Bank and the PKO Bank Polski S.A. Group, approved by resolution No 195/2022 of the Bank's Supervisory Board dated 30 December 2022;
- Principles of employment and remuneration of members of the Bank's Management Board, approved by Resolution No 196/2022 of the Bank's Supervisory Board of 30 December 2022.

In accordance with these Principles, Members of the Bank's Management Board are entitled to:

- fixed remuneration in the amount specified in the Act of 9 June 2016 on the terms of setting the remuneration of managers of certain companies, and as at 31 December 2023 amounting to, with respect to the President of the Management Board: 15 (fifteen) fold, and with respect to the other Members of the Bank's Management Board: 14.5 (fourteen and a half) fold of the average monthly remuneration in the corporate sector, without profit sharing schemes in the fourth quarter of the preceding year, as announced by the President of the Central Statistical Office,
- variable remuneration – additional remuneration awarded and paid after the performance appraisal period, in particular: bonuses, awards for special professional achievements, severance pay (excluding fixed remuneration and benefits awarded based on the applicable legal regulations).

BENEFITS FOR MEMBERS OF THE MANAGEMENT BOARD OF PKO BANK POLSKI S.A. RECEIVED AND DUE FROM PKO BANK POLSKI S.A.

Table 14. Employee benefits for Members of the Management Board of the Bank paid in 2023 by PKO Bank Polski S.A. (in PLN thousand)

	Fixed remuneration paid in 2023	Variable remuneration for 2018-2023* paid in 2023		Other benefits**	Total remuneration paid and benefits provided in 2023
		Benefits paid in cash	Share-based payments settled in cash		
Dariusz Szwed	879	-	-	4	883
Maciej Brzozowski	1,201	236	-	4	1,441
Marcin Eckert	1,201	303	90	4	1,598
Paweł Gruza	1,201	127	-	4	1,332
Wojciech Iwanicki	1,201	293	37	57	1,588
Andrzej Kopyrski	1,201	-	-	25	1,226
Artur Kurcweil	1,201	295	50	58	1,604
Piotr Mazur	1,201	430	396	75	2,102
Maks Kraczkowski	336	646	366	645	1,993
Mieczysław Król	336	657	378	650	2,021
Management Board of the Bank	9,960	2,987	1,317	1,524	15,788
Members of the Management Board, who ceased to perform their functions in previous years	-	1,610	2,254	945	4,809
Total	9,960	4,597	3,570	2,470	20,597

* Severance payments awarded and paid in 2023 were included in variable remuneration for 2023.

** Contributions to the Employee Pension Programme (EPP), compensation for abiding by the non-competition clause and income from private use of a company car - in 2023

	Fixed remuneration paid in 2022	Variable remuneration for 2017-2021 paid in 2022		Other benefits *	Total remuneration paid and benefits provided in 2022
		Benefits paid in cash	Share-based payments settled in cash		
Paweł Gruza	425	-	-	-	425
Maciej Brzozowski	832	-	-	-	832
Marcin Eckert	1,074	131	-	-	1,205
Wojciech Iwanicki	1,074	54	-	19	1,147
Maks Kraczkowski	1,074	354	563	70	2,061
Mieczysław Król	1,074	366	613	72	2,125
Artur Kurcweil	1,074	72	-	31	1,177
Piotr Mazur	1,074	380	646	74	2,174
Iwona Duda	670	48	-	407	1,125
Bartosz Drabikowski	1,028	127	139	45	1,339
Management Board of the Bank	9,399	1,532	1,961	718	13,610
Members of the Management Board, who ceased to perform their functions in previous years	-	2,051	3,510	1,211	6,772
Total	9,399	3,583	5,471	1,929	20,382

* Contributions to the Employee Pension Programme (PPE) and compensation for abiding by the non-competition clause.

Table 15. Benefits from PKO Bank Polski S.A. to members of the Bank's Management Board payable and potentially payable in subsequent years (in PLN thousand)

	Variable remuneration payable as at 31.12.2023 - share-based payments settled in cash	Variable remuneration granted for 2019-2023*, approved and not approved for payment		Total amount of variable remuneration payable and potentially payable
		Variable remuneration in cash	Amount of cash to be converted into a financial instrument	
Dariusz Szwed	-	-	-	-
Maciej Brzozowski	-	180	416	596
Marcin Eckert	-	322	625	947
Paweł Gruza	-	85	212	297
Wojciech Iwanicki	-	281	573	854
Andrzej Kopyrski	-	-	-	-
Artur Kurcweil	-	291	585	876
Piotr Mazur	61	438	846	1,345
Maks Kraczkowski	44	486	818	1,348
Mieczysław Król	58	498	831	1,387
Management Board of the Bank	163	2,581	4,906	7,650
Members of the Management Board who ceased to perform their functions in previous years	355	1,467	2,613	4,435
Total	518	4,047	7,520	12,085

* Severance payments awarded in 2023, which will be paid in subsequent years, are included in the variable remuneration in the form of cash for 2023. As these severance payments were included in the variable remuneration awarded for 2023, their allocation to instrument and cash will be made when calculating the total variable remuneration for 2023.

Table 16. Remuneration of members of the Bank's Management Board received from related parties (in PLN '000)

	2023	2022
Marcin Eckert*	62	-

* The figure presented relates to net remuneration for serving on the Supervisory Board of the associate of PKO Bank Polski S.A.

10.2 VARIABLE REMUNERATION COMPONENTS FOR MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGERS WHO HAVE A MATERIAL IMPACT ON THE BANK'S RISK PROFILE

[GRI 2-19] PKO Bank Polski S.A. strives to ensure the validity of the rules for determining variable components of remuneration. This is performed in accordance with the requirements of CRD V and the Commission Delegated Regulation (EU) 2021/923 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive.

Variable remuneration components are awarded primarily based on bonus targets set within the framework of the Management by Objectives (MbO) programme.

The purpose of the targets set is to guarantee that the risk related to the activities of the Bank is taken into account. Risk is reflected both by determining the appropriate risk-sensitive criteria for assessing the effectiveness of work, and reducing or withdrawing the variable remuneration component in the case of deteriorated financial results, loss or deterioration in other ratios.

Variable remuneration components for the particular assessment period (calendar year) are awarded after settling bonus targets, in accordance with the table below:

Table 17. Forms of variable remuneration

Amount of variable remuneration (gross)	Non-deferred variable remuneration 50% cash / 50% phantom shares	Deferred variable remuneration 50% cash / 50% phantom shares
Up to PLN 700,000 (inclusive)	60% of the basic variable remuneration	40% of the basic variable remuneration
	- in the first year following the bonus period	- in equal instalments over the next years after the first year following the bonus period
Over PLN 700,000	PLN 420,000 plus 40% of the amount exceeding PLN 700,000	PLN 280,000 plus 60% of the amount exceeding PLN 700,000

The deferral period for which the phantom shares are awarded equals 5 years.

Each of the components of accrued variable remuneration may be reduced as a result of:

- breach of the obligations arising from the contract;
- lack of compliance with the legal regulations or Customer service standards;
- improper performance of professional duties;
- attitude towards other employees breaching social coexistence rules.

The bonus amount:

- for the Management Board Member (MBM) can be adjusted (decreased or increased) by a certain ratio, depending on the results achieved by the Bank, specified in the Bank's Annual Note (a set of key management indicators specified for a given calendar year);
- for an MRT (Material Risk Taker), who is not a Member of the Management Board, it can be adjusted (increased) by a certain ratio, depending on the results achieved by the Bank, specified in the Bank's Annual Note.

The Bank's Supervisory Board or the Management Board respectively may apply a malus solution reducing the amount of the variable remuneration component due in subsequent settlement periods. This is possible in the case of:

- a significant deterioration in the Bank's results;
- a significant adverse change in equity;
- MRT breaching the law or making serious errors;
- adjustment of the achievement and degree of achievement of the results or targets of MRT;
- deterioration in the performance of the areas supervised or managed by the aforementioned persons;
- granting the variable remuneration component based on incorrect or misleading information or MRT fraud.

The remuneration policy for members of the Bank's Supervisory Board and Management Board does not provide for an obligation to pay back awarded and already paid out variable remuneration. The policy empowers the Supervisory Board to adopt additional provisions, inter alia, regarding the Bank demanding the return of the variable remuneration (clawback). In 2023, no such demand occurred.

MRTs (except Members of the Bank's Management Board) may benefit from health care services financed by the Bank and the social benefits fund. MRTs (including Members of the Bank's Management Board) can avail themselves of PPEs.

In the case of severance pay related to dismissal (other than resulting from generally applicable laws), the amount reflects the performance assessment for the last three years of employment. The Bank's internal regulations stipulate the maximum amount of severance pay.

A Member of the Management Board shall be entitled to severance pay subject to fulfilling the function of Member of the Bank's Management Board for at least twelve months before termination of the aforementioned contract. An MRT can receive the severance pay subject to being employed as an MRT for at least twelve months before termination of the employment contract.

Members of the Management Board and certain MRTs are additionally subject to non-competition agreements. These agreements provide for payment of compensation equivalent of up to 100% of the basic salary arising from the contract for refraining from employment in a competitive firm after termination of employment with the Bank, for no more than six months.

The "Rules for Employment and Remuneration of Members of the Bank's Management Board" also include provisions involving:

1. the application of the above Principles to a limited extent, as provided for in Article 9ca (1b) of the Banking Law;
2. determining the maximum ratio of the average total annual gross remuneration of the Bank's Management Board members to the average total annual gross remuneration of other employees of the Bank at 1:22;
3. implementing gender neutrality principles with regard to the compensation of members of the Bank's Management Board;
4. inclusion of environmental and social responsibility goals;
5. In May 2023 the Bank's Management Board passed a resolution on disbursements of variable remuneration awarded to the Bank's MRTs in 2023. In June 2023, the Bank's Supervisory Board passed a resolution on approving the amount of variable remuneration to be paid to the Members of the Bank's Management Board. Its provisions were amended by a resolution of the Supervisory Board in July 2023, postponing the date of payment of remuneration from July 2023 to 3 November 2023. The resolutions of the Management Board and the Supervisory Board with respect to variable remuneration for 2020 maintained limits of the amounts payable in respect of the deferred portion of the remuneration of 21% due to the financial results achieved compared to the long-term development plans. In connection with the circumstances related to the COVID-19 epidemic, in particular the extraordinary business restrictions, and the possible economic consequences of the situation and their expected impact on the banking sector, in 2023 the change in proportion and date of payment of variable remuneration for the years 2018-2019 introduced in 2020 was upheld.

Table 18. Changes in the proportion and dates of payment of variable remuneration.

Description	Amount arising from internal regulations previously in force			Amount arising from extraordinary resolutions adopted in 2023, respectively:		
Proportion between non-deferred and deferred variable remuneration for 2019	Non-deferred 60%*			Non-deferred 40%*		
	Deferred 40%*			Deferred 60%		
Proportion between variable remuneration for 2019 in cash / in the form of financial instruments	Cash 50%			Cash 40%		
	Financial instrument 50%			Financial instrument 60%		
Date of payment of deferred variable remuneration with reference to outstanding instalments for the years 2018-2019	MBM	cash	MBM	cash	MBM	cash
		Financial instrument	2 January	Financial instrument	Instrument	Financial instrument
	MRT	cash	MRT	cash	MRT	cash
		Financial instrument	15 November	Financial instrument	Instrument	Financial instrument

* In accordance with internal regulations, up to the amount of PLN 700,000 the proportion is 60% to 40%, and above this amount 40% to 60%.

10.3 | INFORMATION ON NON-FINANCIAL REMUNERATION COMPONENTS DUE TO INDIVIDUAL MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGERS

Since 1 July 2017, the principles for employment and remuneration of Members of the Bank's Management Board have been adapted to the provisions of the Act of 9 June 2016 on the terms of setting the remuneration of managers of certain companies (Journal of Laws of 2016, item 1202 as amended). Following the change, Members of the Management Board are not entitled to non-financial remuneration components.

10.4 PRINCIPLES FOR REMUNERATING MEMBERS OF THE SUPERVISORY BOARD OF PKO BANK POLSKI S.A.

[GRI 2-19] Monthly remuneration for the members of the Bank's Supervisory Board is determined by the Remuneration Policy for Members of the Bank's Supervisory Board and Management Board. Monthly remuneration of members of the Supervisory Board is determined as a product of the base salary referred to in Article 1(3)(11) of the Act of 9 June 2016 on the terms of setting the remuneration of managers of certain companies and the following multiplier:

- for the Chairman of the Supervisory Board – 2.75;
- for the Deputy Chairman of the Supervisory Board – 2.5
- for the Secretary of the Supervisory Board – 2.25;
- for the remaining Members of the Supervisory Board – 2.

The remuneration shall be increased by 10% if a Member of the Supervisory Board sits on at least one standing committee of the Supervisory Board.

In addition to their remuneration, Members of the Supervisory Board shall be entitled to reimbursement for the costs incurred in connection with their function. This comprises in particular travel costs from the place of residence to the location of the Supervisory Board's meeting and back, costs of accommodation and food.

REMUNERATION RECEIVED BY MEMBERS OF THE SUPERVISORY BOARD FROM PKO BANK POLSKI S.A.

Table 19. Remuneration received by Members of the Supervisory Board from PKO Bank Polski S.A. (in PLN thousand)

	Fixed remuneration paid in 2023	Fixed remuneration paid in 2022
Mariusz Andrzejewski	182	163
Wojciech Jasiński	228	204
Dominik Kaczmarek	205	183
Andrzej Kisielewicz	182	163
Rafał Kos	182	163
Tomasz Kuczur	182	163
Maciej Łopiński	185	204
Robert Pietryszyn	230	19
Bogdan Szafrański	182	163
Agnieszka Winnik-Kalemba	182	163
Grzegorz Chłopek	-	143
Krzysztof Michalski	182	163
Total	2,122	1,894

10.5 AGREEMENTS CONCLUDED BETWEEN THE BANK AND MANAGERS

In 2023, every Member of the Bank's Management Board has concluded a management agreement with the Bank. The agreements lay down, among other things, the remuneration terms and competition ban.

10.6 LIABILITIES DUE TO PENSIONS FOR FORMER SUPERVISORS AND MANAGERS

In 2023, there were no liabilities arising from pensions and benefits of a similar nature for former members of management, supervisory or administrative bodies and no liabilities incurred in connection with those pensions (in accordance with the provisions of § 70(7)(18) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information submitted by issuers of securities and the conditions for recognizing as equivalent the information required by the law of a non-member country (Journal of Laws of 2018, item 757 as amended).

11. CORPORATE GOVERNANCE

Information for investors
Statement of compliance with the corporate governance principles
Shares of PKO Bank Polski S.A. and its related entities held by the Bank's authorities

11.1 INFORMATION FOR INVESTORS

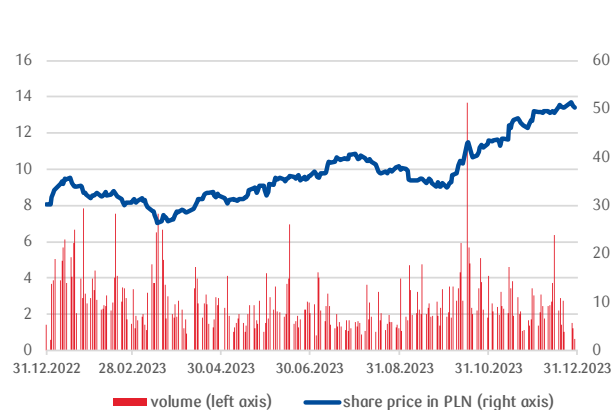
Quotations of shares of PKO Bank Polski S.A. on the WSE
Ratings
Investor relations

11.1.1 QUOTATIONS OF SHARES OF PKO BANK POLSKI S.A. ON THE WSE

In 2023, the share price of PKO Bank Polski S.A. increased by 66.1% to PLN 50.32 at the end of the year, reaching PLN 51.5 during the year, the highest since the crisis initiated by the collapse of Lehman Brothers. Such a strong increase in the share price reflected a significant increase in earnings per share and an increase in valuation expressed as the P/BV ratio due to an improvement in return on equity and a reduction in the cost of capital of the Polish market.

Prices of PKO Bank Polski S.A. shares in the period 31.12.2022-31.12.2023

Changes in the price of shares of PKO Bank Polski S.A. vs. WIG-Banki index in the period 31.12.2022-31.12.2023 (31.12.2021=100%)



At the end of 2023, PKO Bank Polski S.A. was the largest domestic bank listed on the WSE. At the end of the last trading session in 2023, it was valued by the investors at PLN 62.9 billion.

Due to their high liquidity and capitalization, the Bank's shares are a part of a number of stock exchange indices, such as the Polish large companies' indices WIG20 and WIG30, the WIG-Banki banking sector index, the index of companies representing the highest social responsibility standards WIG-ESG, the MSCI Emerging Markets index and the large companies index FTSE Russell and STOXX Europe 600.

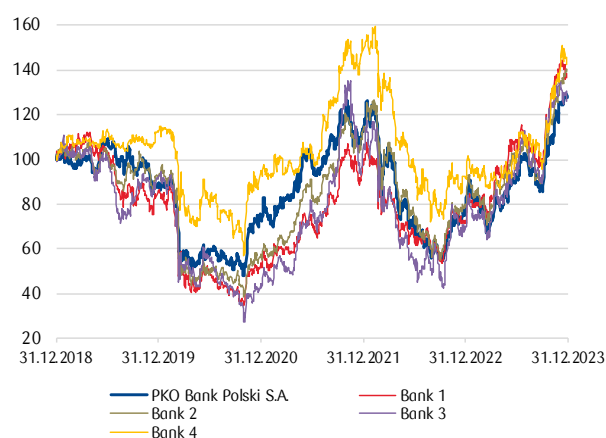
Table 20. Key data on the PKO Bank Polski S.A. shares

	2023	2022
Share price at the end of the year (PLN)	50.32	30.29
Maximum share price (PLN)	51.50	50.44
Minimum share price (PLN)	24.83	21.14
Rate of return since the beginning of the year (%)	66.13	-27.57
Number of shares (K)	1,250,000	1,250,000
Capitalization at the end of the year (PLN million)	62,900.0	37,862.5
Average trading volume per session	2,685,704	3,483,522
Share in trading volume (%)	8.86	9.64
Average number of transactions per session	7,736	8,110
Earnings per share (PLN)	4.40	2.65
Book value per share (PLN)	36.18	28.57
P/E (x)	11.43	11.43
P/BV (x)	1.39	1.06

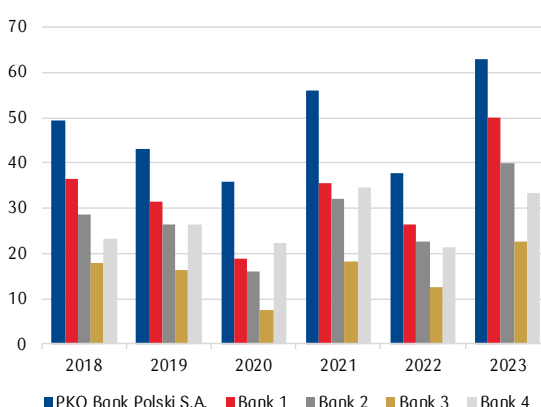
Source: Data based on the WSE statistics

PRICE OF SHARES AND CAPITALIZATION OF PKO BANK POLSKI S.A. COMPARED TO COMPETING BANKS

Changes in the price of shares of PKO Bank Polski S.A. vs. share prices of competing banks in the period 31.12.2018-31.12.2023 (31.12.2018=100%)



Capitalization (end of period, PLN billion)



11.1.2 RATINGS

RATINGS OF PKO BANK POLSKI S.A.

The creditworthiness of PKO Bank Polski S.A. is assessed by Moody's Investors Service rating agency which awards a paid rating to the Bank.

Table 21. Ratings of PKO Bank Polski S.A. as at 31 December 2023 (paid rating)

Moody's Investors Service	
Long-term deposit rating	A2 with stable outlook
Short-term deposit rating	P-1
Senior unsecured debt rating	A3 with stable outlook

MTN Programme rating	(P)A3
Other short-term liabilities of the Programme rating	(P)P-2
Counterparty risk assessment - long-term	A2
Counterparty risk assessment - short-term	P-1
Opinion on counterparty risk (CR) - long-term	A2(cr)
Opinion on counterparty risk (CR) - short-term	P-1(cr)

Table 22. ESG ratings of PKO Bank Polski S.A. as at 31 December 2023

FTSE Russell	3,3
MSCI	A
Sustainalytics	23,5 (Medium)
V.E	46

RATINGS OF PKO BANK HIPOTECZNY S.A.

Table 23. Ratings of PKO Bank Hipoteczny S.A. as at 31 December 2023 (paid rating)

Moody's Investors Service	
Long-term issuer rating	A3
Short-term issuer rating	P-2
Counterparty risk assessment - long-term	A2
Counterparty risk assessment - short-term	P-1
Opinion on counterparty risk - long-term	A2(cr)
Opinion on counterparty risk - short-term	P-1(cr)
Rating for PLN mortgage covered bonds issued	Aa1
Rating for EUR mortgage covered bonds issued	Aa1

The ratings for the covered bonds issued are confirmed with each issue.

RATINGS OF KREDOBANK S.A.

As at 31 December 2023, KREDOBANK S.A. had the following ratings granted by Ukrainian rating agencies:

Table 24. Ratings of KREDOBANK S.A. as at 31 December 2023 (paid ratings)

"Expert-Rating" Rating Agency	
Credit rating on country-wide scale	uaAAA with stable outlook
"Standard-Rating" Rating Agency	
Credit rating on country-wide scale - long-term	uaAAA with stable outlook
Credit rating on national scale - short-term	uaK1 with stable outlook
Deposit rating on country-wide scale	ua1 with stable outlook

The long-term credit rating of KREDOBANK S.A. on a country-wide scale reflects the investment level, and thus meets Ukrainian statutory requirements regarding investing funds from insurance reserves by insurers and investing pension fund assets.

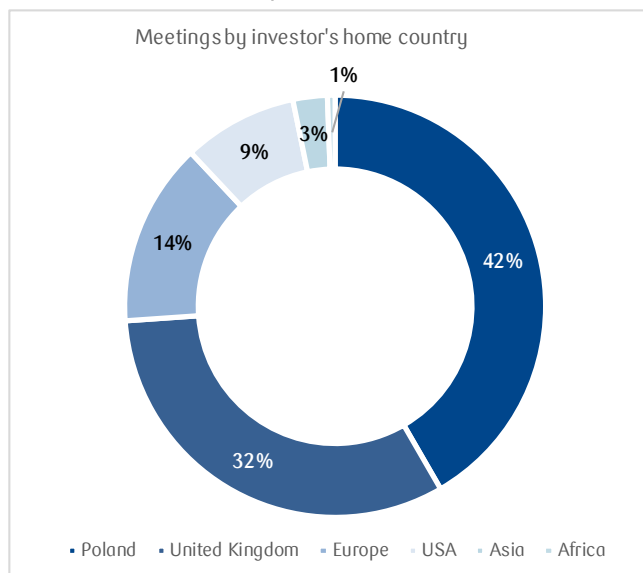
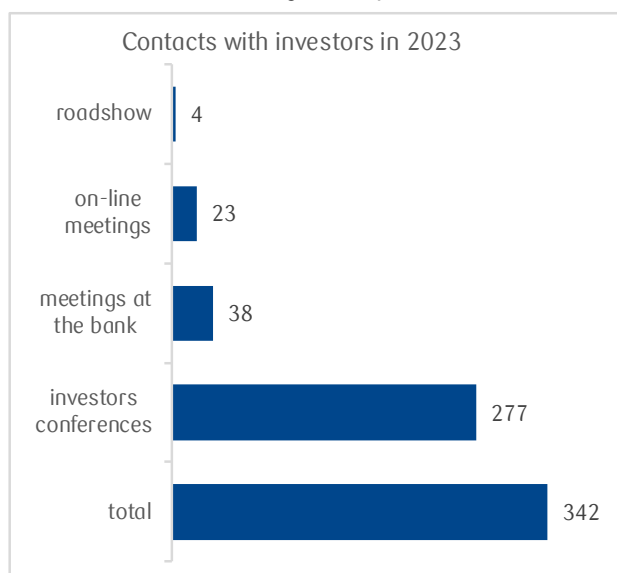
11.1.3 INVESTOR RELATIONS

PKO Bank Polski S.A. maintains regular contact with investors and financial market analysts and aims at maintaining high communication standards. The Bank's representatives ensure transparent, reliable and complete access to information on the functioning of the Bank, its financial performance and the situation in the banking sector. The Bank allows various forms of contact preferred by the investors and analysts.

In 2023, 342 investor meetings were held.

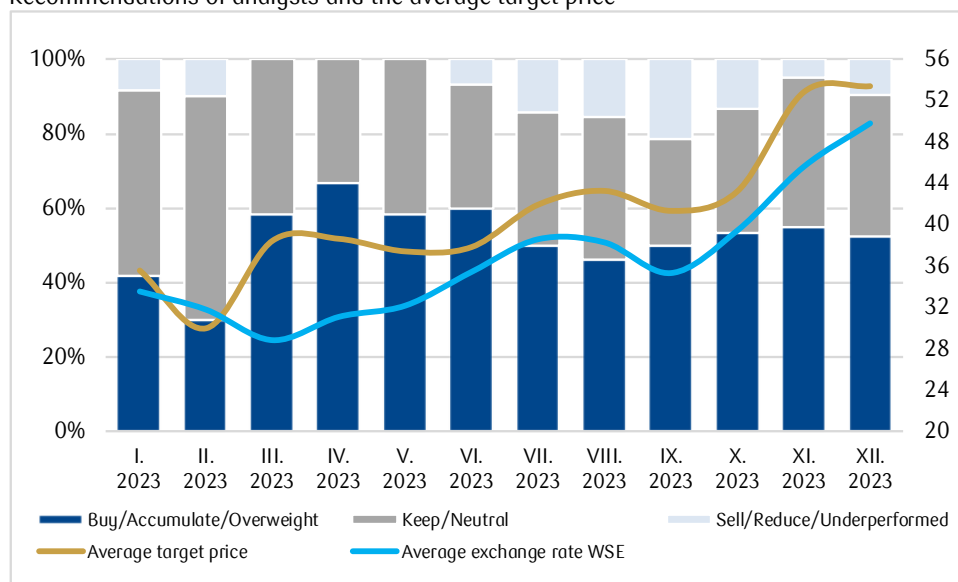
- The Bank's and the Bank Group's financial performance was presented after each quarter by the Bank's Management Board; the performance presentation was broadcast over the Internet,

- The Bank's Management Board participated in a number of investor conferences held by brokerage firms: 277 meetings were held during 16 face-to-face conferences and 4 online conferences with investors from Poland (42%), the UK (32%), other European countries (14%), North America (mainly the US) and South America (9%), Asia (3%) and Africa (1%);
- 61 individual meetings took place, of which 23 were held online and 38 took place in the Bank's office.



PKO Bank Polski S.A. is observed by a wide group of analysts from brokerage offices who issue recommendations to entities listed on the WSE on an ongoing basis. At the end of the year 2023, 18 Polish and foreign analysts published reports and recommendations concerning the Bank's shares. The average target price of the Bank's shares for 2023 was PLN 53.4.

Recommendations of analysts and the average target price



All information of significance to the Bank's investors and shareholders was immediately published on the Investor Relations website at <https://www.pkobp.pl/investor-relations/>. In 2023, the Bank once again launched its online annual report in the form of a website in two language versions: Polish and English

(<https://raportroczny2022.pkobp.pl/> <https://raportroczny2022.pkobp.pl/en/>), which facilitates obtaining key financial and business information.

11.2 STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES

Application of the corporate governance principles
Control systems in the process of preparing financial statements
Share capital, significant blocks of shares and control powers
Restrictions imposed on shares of PKO Bank Polski S.A.
Principles of appointing and dismissing members of the Management Board of PKO Bank Polski S.A.
Principles for amending the Articles of Association of PKO Bank Polski S.A.
General Shareholders' Meeting of PKO Bank Polski S.A. and the shareholders' rights
Supervisory Board of PKO Bank Polski S.A. - composition, powers and principles of functioning
Management Board of PKO Bank Polski S.A. - composition, powers and principles of functioning
Diversity policy in the composition of the Bank's Management Board and Supervisory Board

11.2.1 APPLICATION OF THE CORPORATE GOVERNANCE PRINCIPLES

General corporate governance principles in place at PKO Bank Polski S.A., i.e. the internal regulations for the Bank's management and control of its operations taking into account the principles and expectations of all stakeholders, arise from the generally applicable legal regulations, including in particular the Commercial Companies Code and the Banking Law, the laws regulating the functioning of the capital market and the rules issued by the WSE (Best Practices for companies listed at the WSE), the Polish Financial Supervision Authority (corporate governance principles for supervised entities and supervisory recommendations for the banking sector).

The Bank is subject to the following sets of corporate governance principles:

- „Best Practices for WSE Listed Companies 2021” (applicable to the Bank in connection with the listing of the Bank's shares on the WSE Main Market).
 - „Best Practices for WSE Listed Companies 2021” are available on the WSE website in the section on corporate governance issues of listed companies (<https://www.gpw.pl/best-practice2021>),
- „Corporate Governance Principles for Supervised Institutions” (applicable to the Bank in connection with its status as an institution supervised by the PFSA),
 - “Corporate Governance Principles for Supervised Institutions” are available on the Polish Financial Supervision Authority's website (https://www.knf.gov.pl/dla_rynku/regulacje_i_praktyka/zasady_ladu_korporacyjnego)

CORPORATE GOVERNANCE PRINCIPLES CONTAINED IN BEST PRACTICES FOR WSE LISTED COMPANIES 2021

The Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (“the Warsaw Stock Exchange”, “WSE”), by resolution No 13/1834/2021 of 29 March 2021, adopted a set of corporate governance principles for joint-stock companies issuing shares, convertible bonds or bonds with pre-emptive right, which are admitted to trading on a WSE regulated market, i.e. “Best Practices for WSE Listed Companies 2021” (“Best Practice 2021”), which entered into force on 1 July 2021.

Best Practice 2021 is addressed to all authorities of the company. The Management Board of PKO Bank Polski S.A. (hereinafter: the Bank's Management Board or the Management Board), the Supervisory Board of PKO Bank Polski S.A. (hereinafter: the Bank' Supervisory Board or the Supervisory Board) and the General Shareholders' Meeting of PKO Bank Polski S.A. (hereinafter: the General Shareholders' Meeting of the Bank or the General Shareholders' Meeting) expressed their opinion on the application of these practices – they all approved the Best Practice 2021 without any exceptions.

In 2023 none of the Bank's authorities declared any deviations from the principles of the Best Practice 2021.

The information on the scope of application of the aforementioned principles by the Bank (in the form stipulated in the WSE Rules) is available on the Bank's website (<https://www.pkobp.pl/investor-relations/corporate-governance/best-practice-for-wse-listed-companies-2021/>).

The Supervisory Board's assessment of the manner in which the Bank complies with its disclosure requirements under the WSE Rules and the regulations on current and periodic information disclosed by issuers of securities is contained in the annual reports of this body, which are available on the Bank's website.

INCIDENTAL BREACH OF BEST PRACTICES 2021

In 2023, there was no incidental breach of any of the principles contained in the Best Practice 2021.

CORPORATE GOVERNANCE PRINCIPLES FOR SUPERVISED INSTITUTIONS ISSUED BY THE POLISH FINANCIAL SUPERVISION AUTHORITY

The "Corporate Governance Principles for Supervised Institutions" issued by the PFSA on 22 July 2014 (the "Principles") define the internal and external relations for institutions supervised by the PFSA, including the relations with the shareholders and customers, the organizational structure, the functioning of internal audit, the key internal systems and functions, the statutory bodies and the principles for their cooperation.

In 2014, the Bank accepted the Principles for use with respect to the competences and obligations of the Management Board, i.e. managing the Bank's affairs and its representation, in compliance with the generally binding laws and the Bank's Articles of Association. Nevertheless, it was assumed that Chapter 9 of the Principles, concerning the managing of assets at the customer's risk, will not be applied due to the fact that the Bank does not conduct such activities.

The Supervisory Board accepted the Principles for use with respect to the competences and obligations of the Supervisory Board, i.e. supervising the conduct of the Bank's affairs in compliance with the generally binding laws and the Bank's Articles of Association.

The General Meeting, within the scope of its powers, adopted the Principles for use, subject to departure from the following principles:

- § 10 (2) of the Principles, with respect to the introduction of personal rights or other special rights for shareholders;
- § 12 (1) of the Principles with reference to shareholders' responsibility for prompt recapitalisation of the supervised institution;
- § 28 (4) of the Principles with reference to the assessment by the decision-making body of whether the adopted remuneration policy promotes the development and operational security of the supervised institution.

In accordance with the justification presented by the State Treasury together with the proposed draft resolution of the General Shareholders' Meeting of 2015, waiving the application of the principle specified in §10 (2) and §12 (1) of the Principles was justified by the uncompleted process of the Bank's privatization by the State Treasury.

Waiving the application of the principle set out in § 28 (4) was justified by the excessive scope of the remuneration policy in question, which is subject to the assessment by the decision-making authority. In the opinion of the State Treasury, the policy for remunerating employees who perform key functions but are not members of the supervisory or management bodies should be assessed by their employer or principal (i.e. the Bank represented by the Management Board whose activities are supervised by the Supervisory Board).

Pursuant to § 27 of the Principles, the Bank's Supervisory Board performs a regular assessment of the application of the Principles and the results of this assessment are made available on the Bank's website and communicated to the other bodies of the Bank. To date, the Supervisory Board has made such an assessment on eight occasions - for 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 (in all these cases it gave a positive evaluation).

As of 1 January 2022, PKO Bank Polski S.A. has also applied the provisions of Recommendation Z, concerning internal governance principles in banks, issued by the PFSA. Recommendation Z supplements, details and develops issues in the field of issues which have already been regulated in the Principles. In the event that the scope of the Recommendation coincides with the scope of the Principles, the provisions of Recommendation Z shall take precedence. To the extent not regulated in Recommendation Z, the Principles shall apply.

The content of Recommendation Z is available on the PFSA website:

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

INFORMATION ON THE APPLICATION OF THE PRINCIPLES CONTAINED IN THE BEST PRACTICE 2021 AND THE PFSA CORPORATE GOVERNANCE PRINCIPLES FOR SUPERVISED INSTITUTIONS

Information on the application of corporate governance principles is set out below. In accordance with the Commission Recommendation of 9 April 2014 on the quality of corporate governance reporting (2014/208/EU), the issues which, in the Bank's opinion, are the most important for the shareholders are described.

GENERAL SHAREHOLDERS' MEETING AND SHAREHOLDER RELATIONS

The Bank sets the place, date and form of the General Shareholders' Meetings taking into account the need to allow as many shareholders as possible to participate. The Bank did not organize any General Shareholders' Meetings using means of electronic communication (e-meeting) in 2023. As a result of adopting all principles contained in Best Practice 2021, as well as the waiver of the exemption of §8(4c) of the PFSA "Corporate Governance Principles for Supervised Institutions", the Bank allows the possibility of organizing e-meetings if it is expected by the shareholders. The Bank is able to provide the technical infrastructure necessary to hold them and is prepared in terms of procedures for the organisation of e-meetings (the Supervisory Board has adopted regulations for holding general meetings using electronic communication means). Irrespective of the above, in order to ensure maximum transparency of the decision-making process, the General Shareholders' Meetings are broadcast in real time and they are open to media representatives.

On 7 June 2021, the Annual General Shareholders' Meeting adopted all principles contained in Best Practices 2021, including the principle that draft resolutions must be presented not later than 3 days before the date of the meeting and that the candidates to the Supervisory Board must make the necessary statements. The General Meeting held in 2023 adhered to these principles.

As a rule, the Management Board and Supervisory Board members participate in the General Shareholders' Meetings. In 2023, their participation took different forms – either of the physical presence at the place of the meeting or of real time bilateral communication with the use of electronic means. These bodies were represented by persons capable of discussing the matters on the agenda and providing informed responses to any questions asked during the meeting. The Management Board presented the financial results and other relevant information contained in the financial statements and discussed significant events relating to the previous financial year, comparing the presented data to the preceding years.

In accordance with the Bank's dividend policy adopted in 2022, the Bank intends to distribute dividends in the long term in a stable manner, in compliance with the principle of prudent management of the Bank and the Bank's Group. At the present stage, the Bank does not identify any reasons not to apply Best Practice 2021 with respect to limiting the possibility of retaining the total profit earned in a given year at the Bank.

INFORMATION POLICY AND COMMUNICATION WITH INVESTORS

The Bank's overriding aim regarding information activities is to guarantee high standards of communication with the participants of the capital market, which are a sign of respect for the principles of universal and equal access to information. To achieve this aim, the Bank pursues its information policy in a manner that ensures proper, reliable and complete access to information about the Bank for all investors, with no preferences as regards any of them. The above rules have been formally adopted by the Bank in the "Principles of information policy of PKO Bank Polski S.A. regarding communication with investors and clients", available on the Bank's website ([Information disclosure policy - PKO Bank Polski \(pkobp.pl\)](#)).

The Bank communicates with the investors directly, by organizing online performance meetings, by participating in a wide range of investor conferences and bilateral meetings, and through its activity on the corporate website, which has a dedicated investor relations section. The website contains key information on the Bank and the securities issued, including the information on the Bank's strategy, financial statements, presentations, key financial data in a format that allows its direct use, contact details and other information which is usually published by companies, in accordance with the relevant recommendations.

The investor relations section at [Corporate Governance - PKO Bank Polski \(pkobp.pl\)](#) contains information on corporate governance principles, basic corporate documents, policies and reports, as well as information on the application of Best Practice 2021 and the PFSA's "Corporate Governance Principles for Supervised Institutions".

In view of the adoption of the Strategy for 2023-2025, and in order to ensure proper communication with stakeholders, the Bank has published information about the Strategy's objectives, measurable goals, including in

particular long-term goals, and measures planned for its implementation on its website. This information is available in the investor relations section at [Strategy of PKO Bank Polski S.A. na lata 2023-2025 \(pkobp.pl\)](#).

The ESG area is one of the pillars of PKO Bank Polski S.A.'s strategy for 2023-2025. The Bank's ESG strategy includes a set of metrics in three areas of sustainability: environmental, social and corporate governance. Information on the ESG targets included in the 2023-2025 Strategy is available on the Bank's website: [Strategy of PKO Bank Polski S.A. na lata 2023-2025 \(pkobp.pl\)](#).

In addition to the regular meetings associated with the publication of results, dialogue with shareholders is carried out on an ongoing basis. The investors' questions are answered immediately after their receipt, not later than within 14 days. If more time is required due to special circumstances, the investor is notified in advance about the planned date of providing the response. The Bank does not limit the group of persons entitled to information to the shareholders. When answering questions, the Bank assesses the possibility of providing a response to a specific question taking into account the need to protect company secrets or a potential conflict with the applicable laws. It also evaluates the importance of the question in order to provide explanations within an appropriate time and at the appropriate level of detail.

The Bank also has recommended internal regulations in place concerning the provision of explanations and rectification of false, inaccurate or detrimental media reports.

MANAGEMENT BOARD AND SUPERVISORY BOARD OF THE BANK

Members of the Management Board and Supervisory Board are appointed in a manner allowing for the selection of persons having high qualifications, skills and experience that are adequate to their position and ensuring that the Management Board and Supervisory Board members (both individually and collectively) will issue independent opinions and decisions in all areas of the Bank's operations.

The above is reflected in the following policies in place at the Bank:

- The policy concerning the assessment of appropriateness of the candidates for members and members of the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski S.A. (adopted by the General Shareholders' Meeting);
- The policy concerning the appropriateness of the Management Board members and key officers of the Bank and appropriateness assessment at the Bank's Group companies (adopted by the Supervisory Board of the Bank).

The policy for ensuring diversity of the composition of the Management Board and Supervisory Board is a part of the suitability policy.

The diversity policy defines diversity objectives and criteria and is designed to ensure that members of the Management Board and Supervisory Board are appropriately selected to obtain a broad range of competences, knowledge and skills that are adequate for the position and, at the same time, to ensure diversity in terms of age and gender. The competent authorities that select candidates for specific positions take into account the result of suitability assessment and aim at achieving a balance between genders or at least 30% representation of the less numerous gender. The aforementioned suitability policies also specify deadlines and methods for monitoring the achievement of diversity objectives.

In accordance with the Bank's Articles of Association, if the number of Supervisory Board members drops below five, the General Shareholders' Meeting must be convened to appoint an appropriate number of members.

The General Meeting and the Supervisory Board, as part of succession management, make decisions on the selection of new members respectively: of the Supervisory Board and the Management Board, bearing in mind: the objective of ensuring continuity in decision-making by the bodies as well as individually by the members of the Management Board in the area they supervise; the need to ensure the achievement of the Bank's strategic objectives; the principle of diversity in the composition of the bodies; and ensuring the collective suitability of the bodies.

Having regard to the representations made by the members of the Supervisory Board, as at 31 December 2023 the Supervisory Board was mostly composed of independent members. The Chair of the Supervisory Board does not combine his function with managing the work of the audit committee of the Supervisory Board. More information on the Supervisory Board is provided in section 11.2.8.

In accordance with the rules, the Supervisory Board members voting against a resolution may express a dissenting opinion which shall be recorded in the minutes. The Supervisory Board votes on resolutions by open ballot. Voting by

secret ballot is ordered when personal issues are discussed or at the request of at least one Supervisory Board member.

Members of the Supervisory Board devote the necessary amount of time for the performance of their duties. The turnout is very high and any absences are justified.

The Supervisory Board may use the services of external advisors, experts or consultants at the Bank's cost.

Since the Bank has adopted all principles contained in Best Practice 2021, the Supervisory Board annual reports contain elements required by Best Practice 2021.

Serving on the Bank's Management Board is the main area of activity for the members of this body, who do not take any other professional activity if devoting their time to such activity would make it impossible for them to serve on the Management Board diligently.

Appointment of a Management Board member to the supervisory body of a company which does not belong to the Bank's Group requires the approval of the Supervisory Board.

INTERNAL SYSTEMS AND FUNCTIONS

PKO Bank Polski S.A. has a management system in place, comprising an internal control system and a risk management system. The Management Board is responsible for the design and implementation of these systems. These systems are designed to suit the size of the Bank as well as the nature and scale of its business. The Bank has separate units within its structure responsible for carrying out tasks in the aforementioned systems.

The internal control system supports the management of the Bank by ensuring the effectiveness and efficiency of the Bank's operations, the reliability of financial reporting, compliance with the Bank's risk management principles and compliance of the Bank's operations with generally applicable laws, the Bank's internal regulations, supervisory recommendations and market standards adopted by the Bank. The internal control system is arranged at the Bank on three independent levels:

The internal control system at PKO Bank Polski S.A. comprises:

- the control function which ensures compliance with controls relating, in particular, to risk management at the Bank; this function covers all of the Bank's units, and the organizational positions in these units responsible for the performance of tasks allocated to a particular function.
- the compliance function – the Compliance Department (CD), which is an organisationally separate, independent function with a key role in compliance and non-compliance risk management,
- the internal audit function – the Internal Audit Department (IAD), which is an independent and objective function performing assurance and advisory activities to assess the adequacy and effectiveness of the risk management system and the internal control system.

The Bank appoints an officer to head the internal audit function (IAD), who acts in accordance with the law, the supervisory regulations of the PFSA, as well as best practices and the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors.

The heads of IAD and CD report directly to the President of the Management Board and are appointed with the prior approval of the Supervisory Board. The IAD activities are subject to an independent external evaluation at least once in five years.

The Supervisory Board evaluates the internal control system and its components on an annual basis based on the information and reports provided by the Management Board, the Audit Committee of the Supervisory Board, the IAD and the CD, as well as the findings of the registered auditor and those resulting from the supervisory activities of authorised institutions. The Supervisory Board is supported in such activities by the Audit Committee of the Supervisory Board.

Other entities of the Bank's Group have internal control systems adapted to the specific nature of their activities. The manner of functioning of internal control systems depends on the business entity's size and scope of its operations.

The risk management process consists of the following main components: the risk management strategy adopted by the Management Board and approved by the Supervisory Board, the processes for managing the specific types of identified risk, and regular reviews of the aforementioned strategy and processes. The heads of the structures responsible for the management of other risks report to the Management Board member supervising the Risk Management Area.

CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS

The Bank has adopted the principles for the management, identification and disclosure of conflicts of interest or potential conflicts of interest and taking actions to control such conflicts, minimize their occurrence and mitigate their adverse effect on the Bank's operations and its relations with the customers and other entities.

These principles regulate e.g. the responsibilities of the members of the Bank's bodies with respect to reporting potential and actual conflicts of interest and limiting the involvement of persons who have a potential conflict of interest in the matters to which such conflict of interest relates. In accordance with the rules and regulations of the Management Board and the Supervisory Board, their members have the right to express dissenting opinions, which are recorded in the minutes of the Management or Supervisory Board meeting.

The principles of conflict management also apply to preventing preference of some shareholders over the others - all transactions and agreements must be concluded on an arm's length basis, in compliance with the generally applicable laws and the Bank's internal regulations.

REMUNERATION

[GRI 2-20] Guided by prudent and stable risk, capital and liquidity management and with particular concern for the long-term prosperity of PKO Bank Polski S.A. and the interests of its shareholders, and having regard to external regulations in the area of remuneration, the Bank has introduced adequate internal regulations governing, inter alia, the remuneration principles for persons holding managerial positions, including members of the Bank's bodies. The remuneration rules put in place are designed to support the implementation of the Bank's strategy and long-term interests and to contribute to sound and effective risk management.

The Bank has a remuneration policy for members of the Supervisory Board and the Management Board adopted by the Annual General Shareholders' Meeting in 2020.

According to this policy, the total remuneration of a member of the Bank's Management Board consists of a fixed part and a variable part. The variable remuneration depends on the level of achievement of management objectives such as: achieving the net financial result of the Bank and the Bank's Group, achieving the indicated economic and financial indicators (including the customer satisfaction indicator), implementing the strategy of the Bank and the Bank's Group and maintaining the market position of the Bank. The Supervisory Board defines objectives for the individual Management Board members, which should also include such criteria as acting in the public interest, taking part in environmental protection and preventing potential adverse social effects of the Bank's operations. The total fixed and variable remuneration of each member of the Bank's Management Board is in line with the principle of gender neutrality.

PKO Bank Polski S.A. also adopts rules on the remuneration of employees whose activities have a significant impact on the Bank's risk profile (Material Risk Takers; hereinafter: MRT). The MRT's variable remuneration depends on the level of achievement of bonus targets, which, depending on the tasks assigned, may take into account the Bank's financial situation and the growth in its value and include e.g. customer satisfaction index or the level of execution of the Bank's strategy.

The heads of the internal audit function, the compliance function, the legal function, the organisational units in charge of risk management at the second level and the human resources function receive variable remuneration for the achievement of the objectives resulting from their functions, and their remuneration shall not depend on the financial performance of the areas of the Bank's operations controlled by them.

The payment of variable remuneration to both members of the Bank's Management Board and other MRTs is preceded each time by an assessment of the Bank's economic position, as well as a long-term evaluation of these individuals in terms of the proper performance of their duties.

The maximum ratio of the average total annual gross remuneration of the Bank's Management Board members to the average total annual gross remuneration of other employees of the Bank was set at 1:22.

The level of remuneration of members of the Bank's authorities and MRTs is adequate to the scope of tasks entrusted to particular persons. The work in committees of the Bank's Supervisory Board is taken into account in the remuneration of the members of these committees. The amount of remuneration of the Supervisory Board members does not depend on the Bank's short-term results.

OTHER BEST PRACTICES

The Bank has revised and redefined the applicable values. Three key values have been introduced for the successful implementation of the Bank's mission and strategy:

1. partnership - together we care about the best customer and employee experience, we build partner relations based on mutual respect, openness and trust;
2. growth - we embrace change and take on ambitious challenges, we nurture our own growth and support others in doing so, we offer support to customers to grow in a rapidly digitalising world;
3. impact - we act boldly, value proactivity, responsibility and commitment, are innovative in creating solutions and effective in achieving goals.

The values were formulated based on the opinions and proposals of employees and the Bank's Management Board. The values adopted by the Bank are communicated in particular by indicating the behaviours and attitudes that comply with these values and are taken into account in the management processes applied in the Bank.

Accordingly, the Bank's Management Board adopted the revised Code of Ethics of PKO Bank Polski S.A. in the form of a resolution on 15 December 2023 (Code of Ethics), which sets out the new values of the Bank. A draft resolution of the Supervisory Board approving the amended Code of Ethics is currently being processed.

The Code of Ethics sets out the framework for the mutual relations between individuals who work for the Bank, between the Bank's employees and those who act on behalf of the Bank, as well as between those who act on behalf of the Bank. The Bank's Code of Ethics also sets out the values, principles, standards of conduct and ethical attitudes in relations with customers and in the Bank's business activities and in the Bank's relations with the environment. The Code is directly related to the Bank's organizational culture; it supplements this culture and is a tool supporting the popularization and implementation of ethical values at the Bank.

The values, principles, standards of conduct and ethical attitudes outlined in the Bank's Code of Ethics apply to all employees of the Bank, as well as to persons acting on behalf of the Bank, including those performing banking and factual activities related to banking activities, and to persons intermediating in their performance, including in particular persons representing the Bank and acting on behalf of the Bank.

Verification of compliance with the Bank's ethical principles is assessed by the Bank's Management Board on an annual basis. Information on the outcome of the assessment by the Management Board is communicated at least once a year to the Bank's Supervisory Board.

11.2.2 CONTROL SYSTEMS IN THE PROCESS OF PREPARING FINANCIAL STATEMENTS

The internal control system at PKO Bank Polski S.A. covers, among other things, the process of preparing financial statements to ensure effective and reliable operations, reliability of disclosures presented and compliance with laws, internal regulations and best market practices and standards. At all levels of the internal control system, the Bank's employees apply controls built into the processes and systems and IT applications that support the implementation of these processes. These controls are subject to independent monitoring on all internal control system levels, which includes testing and ongoing review of controls.

In the process of preparing financial statements, which is an essential process for achieving the objectives of the Bank's internal control system and business objectives, the Bank has established controls, and compliance with these controls is monitored independently at a frequency and to the extent specified in the control function matrix for this process.

The basis for the preparation of the consolidated financial statements of the PKO Bank Polski S.A. Group are the financial statements of the parent company, PKO Bank Polski S.A., and the financial information of consolidated companies and investment funds (so-called consolidation packages) supplemented by additional data and disclosures necessary in the consolidation process, provided by these companies and funds and the Bank's units participating in the process of preparing the consolidated financial statements.

The financial statements of PKO Bank Polski S.A. are based on the Bank's accounting records. Source data from the data warehouse is also used. The process of preparing financial data for reporting purposes is automated, and data preparation is subject to operational and acceptance procedures. The controls in place in the process of preparing the financial statements involve verifying and reconciling the reporting data with the accounting records and other

documents underlying the preparation of the financial statements, as well as with the applicable regulations on accounting policies and the preparation of financial statements.

The process of preparing financial statements is subject to regular multi-stage verification (in particular with regard to the correctness of accounting reconciliations, substantive analysis and reliability of information), and the financial statements are subject to multi-stage approval. The Bank has embedded controls in the processing of financial data for reporting purposes, which include verification of the accuracy and reliability of the data presented. Manual corrections, including those resulting from management decisions, are subject to special verification.

The Bank's employees monitor changes in external reporting regulations on an ongoing basis, analyze market standards and apply best practices, and, if necessary, update internal regulations and implement changes in systems supporting the reporting process.

The financial reporting process uses reporting applications both for the preparation of the Bank's financial statements and for the consolidation process, as well as for the preparation of consolidated financial statements. IT systems used for reporting meet cyber security requirements.

The Accounting and Reporting Department, which reports to the Vice-President of the Bank's Management Board responsible for the Finance and Accounting Area, is responsible for the preparation and compilation of the financial statements of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group.

In terms of the qualitative and quantitative information contained in the financial statements concerning:

- risk management in the Bank and the Bank's Group;
- disclosures on tax issues;
- disclosures on segmentation;

the Accounting and Reporting Department cooperates with the Banking Risk Division, the Tax Department and the Planning and Controlling Department.

The Accounting and Reporting Department oversees the accuracy, completeness and consistency of the data contained in consolidation packages prepared by consolidated entities (companies and funds). This Department also controls the consistency and completeness of the Bank's accounting records, as well as administers and manages the chart of accounts.

To ensure the completeness of the disclosures required by International Financial Reporting Standards in the annual financial statements, the Accounting and Reporting Department prepares a checklist based on the applicable standards. In addition, on 21 December 2021, a resolution of the Bank's Management Board introduced the Policy on Disclosure of Financial Instruments in the financial statements of PKO Bank Polski S.A. thus meeting the requirements of Recommendation R regarding the rules for classifying credit exposures, estimating and recognizing expected credit losses and credit risk management. Pursuant to section 36.6 of the Recommendation, the Bank's Management Board annually reviews the applied policies for disclosure of information on financial instruments. The Policy is reviewed in order to ensure its compliance with the Bank's risk profile, current market conditions, accounting standards and supervisory requirements. The last review for the period from 31 December 2022 to 31 December 2023 was adopted by the Management Board on 13 February 2024.

Annual and semi-annual financial statements and quarterly interim reports (comprising the Management Board's commentary and the consolidated financial statements of the PKO Bank Polski S.A. Group, together with the condensed financial statements of PKO Bank Polski S.A.):

- are submitted to the Management Board of PKO Bank Polski S.A., which, after preliminary approval, forwards them to the Audit Committee of the Supervisory Board and the Supervisory Board;
- are subject to review by the Audit Committee of the Supervisory Board and the Supervisory Board (whereby, in the case of the annual financial statements of the Bank and of the Group, the opinion of the Supervisory Board is expressed in the form of a resolution);
- are finally authorised for publication by the Bank's Management Board.

The statements bear a qualified electronic signature by all members of the Management Board.

Annual and semi-annual financial statements, in accordance with generally applicable legislation, are additionally subject to audit and review by an independent audit firm, as appropriate.

The Supervisory Board performs annual assessments of the compliance of the annual consolidated financial statements of the Bank's Group, the annual financial statements of the Bank and the Directors' Report on the

operations of the Bank's Group and of the Bank with the books, documents and facts, pursuant to Article 382 (3) of the Commercial Companies Code.

PKO Bank Polski S.A. is committed to ensuring the highest reporting standards. Each year, it participates in The Best Annual Report competition, where it has been awarded the special prize "The Best of the Best" for the best annual report in the financial institutions category for several years now.

The Bank also exercises control functions with respect to the consolidated subsidiaries through its representatives on the supervisory bodies of the respective entities.

AUDIT FIRM

On 23 September 2021, pursuant to § 15(1)(2) of the Bank's Articles of Association, the Bank's Supervisory Board selected PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k. (PwC) as the audit firm to audit and review the financial statements of the Bank and of the Bank's Group for the years 2022-2023. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k. with its registered office in Warsaw, ul. Polna 11, is entered in the list of audit firms maintained by the National Board of Registered Auditors under the number 144. On 31 January 2022, the Bank concluded an agreement with PwC for the audit and review of the financial statements of the Bank and the Bank's Group for the years 2022-2023. The financial statements of the Bank and the Bank's Group for 2020-2021 were also audited by PwC in accordance with the Supervisory Board's decision of 13 December 2018.

In 2023, PwC provided permitted non-audit services to the Bank, including review of the financial statements, review of consolidation packages prepared for the purpose of demonstrating disclosures related to the implementation of IFRS 17 "Insurance Contracts", issuance of comfort letters for the purpose of conducting the issuance, assurance services to assess the Bank's compliance with client asset custody requirements, evaluation of the report prepared by the Supervisory Board on the remuneration of the members of the Bank's Management and Supervisory Boards.

Table 25. Total net remuneration payable to PwC (in PLN '000)

Total net remuneration due to the audit firm auditing the financial statements for services of the Bank	2023	2022
for the audit of the financial statements of the Bank and the consolidated financial statements of the Bank's Group	1 913	1 549
for assurance services, including reviews of the financial statements	1 737	1 010
Total	3 650	2 559

On 15 December 2022, the Supervisory Board selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. 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.

11.2.3 SHARE CAPITAL, SIGNIFICANT BLOCKS OF SHARES AND CONTROL POWERS

As at 31 December 2023, the share capital of PKO Bank Polski S.A. amounted to PLN 1,250,000,000 and was divided into 1,250,000,000 shares with a nominal value of PLN 1 each. All the Shares have been fully paid. The amount of the Bank's share capital did not change in 2023.

Table 26. Structure of the share capital of PKO Bank Polski S.A.

Series	Type of shares	Number of shares	Nominal value of 1 share	Nominal value of 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
		1,250,000,000		1,250,000,000

According to the best knowledge of PKO Bank Polski S.A., as at 31 December 2023 the following three shareholders held, directly or indirectly, significant blocks of shares (at least 5%): State Treasury, Nationale-Nederlanden Otwarty Fundusz Emerytalny and Allianz Polska Otwarty Fundusz Emerytalny.

Table 27. Shareholding structure of PKO Bank Polski S.A.

	As at 31.12.2023		As at 31.12.2022		Change in the share in the number of votes at the GSM
	Number of shares	Share in the number of votes at the GSM and in the share capital	Number of shares	Share in the number of votes at the GSM and in the share capital	
State Treasury	367,918,980	29.43%	367,918,980	29.43%	0.00%
Nationale-Nederlanden Open Pension Fund ¹⁾	115,594,152	9.25%	108,266,112	8.66%	0.59%
Allianz Poland Open Pension Fund ¹⁾	101,787,594	8.14%	106,567,559	8.53%	-0.39%
Other shareholders ²⁾	664,699,274	53.18%	667,247,349	53.38%	-0.20%
Total	1,250,000,000	100%	1,250,000,000	100%	0.00%

1) Wyliczenia według stanów posiadania akcji na koniec danego okresu publikowanych przez PTE w informacjach półrocznych lub rocznych o strukturze aktywów funduszu i kursu z Biuletynu Statystycznego GPW.

2) W tym Bank Gospodarstwa Krajowego, który na 31 grudnia 2023 roku posiadał 24.487.297 akcji, co stanowi 1,96% udziału w liczbie głosów na Walnym Zgromadzeniu.

The shares of PKO Bank Polski S.A. and other securities issued by the Bank do not carry any specific control rights. The Bank is not aware of any agreements concluded in 2023, based on which any changes could occur in the future in the proportions of the shares held by the current shareholders or bond holders.

Table 28. Exposure of Open Pension Funds to the shares of PKO Bank Polski S.A.

Shareholder	Number of shares	Share in the number of votes at the GSM and in the share capital	Number of shares	Share in the number of votes at the GSM and in the share capital
	As at 31.12.2023		As at 31.12.2022	
Nationale-Nederlanden OFE	115,594,152	9.25%	108,266,112	8.66%
Allianz Poland OFE	101,787,594	8.14%	106,555,815	8.52%
PZU OFE	58,996,508	4.72%	56,683,943	4.53%
Vienna OFE (formerly; Aegon OFE)	33,777,391	2.70%	31,967,391	2.56%
Uniqa OFE (formerly: AXA OFE)	23,513,483	1.88%	23,513,483	1.88%
Generali OFE	52,899,640	4.23%	21,445,456	1.72%
Pocztynlion OFE	6,443,630	0.52%	6,443,630	0.52%

11.2.4 RESTRICTIONS IMPOSED ON SHARES OF PKO BANK POLSKI S.A.

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 PKO Bank Polski S.A. (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.

The 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. The conversion into bearer shares or transfer of A-series registered shares, after obtaining such approval, results in the expiry of restrictions in respect of the shares subject to conversion into bearer shares or transfer, to the extent to which this approval was given;
- Article 13 (1) (26) of the Act of 16 December 2016 on the principles for public property management (apart from the statutory exceptions), the shares of PKO Bank Polski S.A. held by the State Treasury or rights from these shares cannot be sold;
- Article 77 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012, any reduction, redemption or repurchase of Common Equity Tier 1 instruments issued by the Bank is only possible with the prior permission of the PFSA.

The Bank has not identified any other restrictions relating to transfer of the ownership rights arising from the Bank's securities.

11.2.5 PRINCIPLES OF APPOINTING AND DISMISSING MEMBERS OF THE MANAGEMENT BOARD OF PKO BANK POLSKI S.A.

[GRI 2-10] The Management Board of PKO Bank Polski S.A. consists of three to nine members. Management Board members, including the President and Vice-Presidents, are appointed and dismissed by the Supervisory Board for a joint three-year term.

The powers of the Supervisory Board include suspending, for important reasons, individual or all members of the Management Board and delegating members of the Supervisory Board, for a period of no more than three months, to temporarily perform the duties of members of the Management Board who have been dismissed, have resigned or are unable to perform their duties for other reasons.

The Management Board members should meet the requirements of Article 22aa of the Banking Law, i.e. have higher education, at least five years of experience in employment or business activity, including at least three years on a management or independent position or as a person running business activity on their own.

In accordance with the "Suitability policy concerning the Management Board members and key officers of the Bank and suitability assessment at the Bank's Group companies" (the "Suitability Policy"):

- Management Board members are appointed by the Supervisory Board after completing the qualification process;
- the process of selection of Management Board members ensures appointment of competent persons and guarantees their suitability and proper performance of their obligations, taking into account the principle of diversity in the composition of the Bank's Management Board.

Suitability of the candidates and members of the Management Board is verified in the form of assessment of their individual suitability and the collective suitability of Management Board members. The suitability assessment is performed by the Nominations and Remuneration Committee of the Supervisory Board each time a new Management Board member is appointed and once a year as part of the periodical assessment. The suitability assessment is approved by the Supervisory Board. The Supervisory Board may also perform an additional suitability assessment in other, justified situations, which affect the requirements addressed to the Management Board or its individual members.

The suitability criteria set out in the Management Board Suitability Policy include an assessment of their qualifications, understood as knowledge, experience and skills in terms of their suitability for their functions and duties assigned, as well as in terms of the Bank's management principles, the structure of the Bank's Group and potential conflicts of interest that may be related to their functions and duties assigned, and an assessment of their reputation.

In addition, the assessment criteria include, among others, an assessment of the integrity and ethicality of conduct, the ability to form independent judgement and the ability to devote sufficient time to the responsibilities assigned.

Following the annual review of the Management Board Suitability Policy, in December 2023 the Bank's Supervisory Board adopted amendments to the Policy.

The major changes included:

- specifying the deadline and method of achieving the gender diversity objectives on the Management Board by assuming that the target achievement of at least a minimum level of gender diversity (i.e. 30%) in the composition of each Bank's Management Board should take place starting from the appointment of the Bank's Management Board for a new joint term after 31 December 2025, and that the achievement of this target will be achieved by applying the principle of equal opportunities in the selection of Management Board members and fostering a culture of diversity in the organisation.

Before a Management Board member is appointed for another term, the assessment of his/her performance during the previous terms (including the previous suitability assessments) is taken into account.

Appointing the President of the Management Board and the Board Member responsible for managing material risk in the Bank's operations requires the consent of the PFSA.

The term of office of a Management Board member expires not later than on the day of the General Shareholders' Meeting approving the financial statements for the last full financial year of his/her term. The term of office of a Management Board member also expires upon his/her death, resignation or dismissal. The mandate of a Management Board member appointed during a term of office of the Management Board expires at the end of the term of office for which he/she was appointed.

Pursuant to the Commercial Companies Code, the General Shareholders' Meeting also has the right to dismiss or suspend a Management Board member.

The rights of the Management Board members, including those relating to decisions concerning the issue or redemption of shares, are described in section 11.2.9.

11.2.6 PRINCIPLES FOR AMENDING THE ARTICLES OF ASSOCIATION OF PKO BANK POLSKI S.A.

An amendment to the Articles of Association of PKO Bank Polski S.A. (the Bank's Articles) requires a resolution of the General Shareholders' Meeting of PKO Bank Polski S.A., the approval of the PFSA and entry in the National Court Register.

Pursuant to the provisions of the Commercial Companies Code, resolutions on amendments to the Bank's Articles require a qualified majority of three-fourths of the votes. Resolutions regarding an amendment to the Bank's Articles increasing benefits for shareholders or limiting the rights granted personally to the individual shareholders require the consent of all the shareholders concerned.

AMENDMENTS INTRODUCED TO THE BANK'S ARTICLES IN 2023

On 21 June 2023, the Bank's Annual General Meeting adopted Resolution No 32/2023 on amendments to the Bank's Articles pursuant to which the Bank's Articles were amended as follows:

- the following point e is added in § 4(2)(15) after point d:
"e) executing orders to buy and/or sell financial instruments on behalf of the principal,"

The amendment resulted from the need to bring internal regulations into line with the requirements of Recommendation A of the Polish Financial Supervision Authority of October 2022 on management of risk related to derivative operations by banks. In accordance with the aforesaid recommendation, the conclusion by an investment firm of a transaction service on its own behalf, referred to in Article 69(2)(3) of the Act on trading in financial instruments, should be considered execution of clients' orders. The Bank was obliged to implement such a service.

- § 7(4) shall read as follows:
"4. Purchase of own shares by the Bank for cancellation shall require a resolution of the General Meeting and consent of the Polish Financial Supervision Authority."

The amendment resulted from the need to bring the regulations into line with the recommendations of the PFSA Office, as set out in its letter of 27 May 2022, in which the PFSA Office obliged banks operating in the form of joint-stock companies to review their articles of association with regard to the presence of provisions concerning the acquisition of own shares for cancellation. The PFSA Office placed special emphasis on the need to reflect, in the wording of the statutes of banks, the obligation to obtain the consent of the Polish Financial Supervision Authority for the purchase of the bank's own shares for cancellation. In response to the said letter from the PFSA Office, the Bank declared that it would take action to make the necessary changes to the Articles.

On 23 January 2024, the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division of the National Court Register entered the aforementioned amendments to the Bank's Articles in the Register.

11.2.7 GENERAL SHAREHOLDERS' MEETING OF PKO BANK POLSKI S.A. AND THE SHAREHOLDERS' RIGHTS

The General Shareholders' Meeting of PKO Bank Polski S.A. is the highest authority of the Bank. The rights of the General Shareholders' Meeting, the manner of convening it and the principles for participation in the General Shareholders' Meeting are set out in: the Code of Commercial Companies, the Bank's Articles (in particular, § 9-10) and the Rules and Regulations of the General Shareholders' Meeting. The text of the Bank's Articles and the Rules and Regulations of the General Shareholders' Meeting are available on the Bank's website in the Investor relations section at [Corporate governance principles - PKO Bank Polski \(pkobp.pl\)](https://pkobp.pl/corporate-governance-principles).

The General Shareholders' Meeting of PKO Bank Polski S.A. is held as the annual or extraordinary meeting, in accordance with the provisions of the Commercial Companies Code, the Bank's Articles and the Rules of the General Shareholders' Meeting.

An amendment to the Rules and Regulations of the General Shareholders' Meeting requires a resolution of the General Shareholders' Meeting passed by an absolute majority of the votes in a vote by open ballot. Amendments are applied for the first time during the General Shareholders' Meeting convened after the GSM that introduced such amendments, unless the resolution provides otherwise.

On 21 June 2023, the Annual General Meeting of PKO Bank Polski S.A. adopted new Rules of the General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna. The Regulations, in addition to amendments of an editorial, updating and organising nature, provide for changes resulting from the amendment of the Commercial Companies Code made by the Act of 18 November 2020 on electronic delivery.

The General Shareholders' Meeting is convened by the Management Board, the annual GSM is convened once a year within six months of the end of the year. The Supervisory Board may convene the Annual General Shareholders' Meeting if it has not been convened by the Management Board within the statutory deadline and it may convene the Extraordinary General Shareholders' Meeting as it sees fit. In the situations defined in the Commercial Companies Code, also the shareholders have the right to convene the Extraordinary General Shareholders' Meeting or demand that it be convened.

THE PRINCIPLES OF FUNCTIONING AND COMPETENCES OF THE GENERAL SHAREHOLDERS' MEETING

In addition to matters stipulated in generally binding legal regulations, the competences of the General Shareholders' Meeting include passing resolutions on:

- appointing and dismissing members of the Supervisory Board;
- approving the Rules of the Supervisory Board;
- purchasing shares of the Bank for the purpose of their redemption and determining consideration for the shares redeemed;
- establishing and releasing special funds created from net profit;
- disposal of real estate, share in real estate or perpetual usufruct right by the Bank if the value of the real estate or the right being subject to such an act exceeds 25% of the share capital; such consent is not required if the real estate, share in real estate or perpetual usufruct right has been purchased within the framework of enforcement, bankruptcy or restructuring proceedings, or based on another agreement with the Bank's debtor;
- issuance of convertible bonds, bonds with a pre-emptive right or subscription warrants;
- laying down the principles for remuneration of members of the Management Board and Supervisory Board;
- approval of: financial statements (of the Bank and the Bank's Group), Directors' Reports (on the operations of the Bank and the Bank's Group) and reports on the activities of the Supervisory Board;
- approving the proper discharge of duties by members of the Management Board and the Supervisory Board;
- profit distribution or offset of loss;
- determining the dividend day and the date of dividend payment;
- disposal and leasing out of the enterprise or an organized part thereof and creation of a limited property right thereon;
- amendments to the Bank's Articles of Association;
- increase or decrease in the Bank's share capital.

Unless the Commercial Companies Code provides otherwise, the General Shareholders' Meeting is valid irrespective of the number of shares represented.

In accordance with the Bank's Articles and within the scope specified in the Rules of the Supervisory Board, the Supervisory Board should express an opinion on matters placed on the agenda of the General Shareholders' Meeting, and the shareholders should be given enough time to understand that opinion.

Resolutions of the General Shareholders' Meeting shall be passed by an absolute majority of votes unless generally binding legal provisions or provisions of the Bank's Articles of Association provide otherwise.

In accordance with the Bank's Articles:

- removing a matter from the agenda or desisting from further consideration of a matter placed on the agenda at the request of shareholders shall require a resolution of the General Shareholders' Meeting passed by a three-quarter majority of the votes after obtaining the consent of all shareholders present at the General Shareholders' Meeting who requested that the matter be placed on the agenda;
- resolutions of the General Shareholders' Meeting on share preferences and issues concerning the Bank's merger by transfer of all of its assets to another company, its liquidation, decrease of the share capital by redeeming a

part of the shares without a simultaneous share capital increase or changing the scope of the Bank's activities resulting in the discontinuation of its banking activities require a 90% majority of the votes cast.

The General Shareholders' Meeting may adjourn sessions by a majority of two-thirds of the votes. Such adjournment may not exceed a total of thirty days.

The General Shareholders' Meeting passes resolutions in an open vote, with the reservation that a secret ballot shall be ordered in respect of:

- elections of members of the Bank's authorities;
- motions to bring members of the authorities or liquidators of PKO Bank Polski S.A. to justice;
- personnel matters;
- at the request of at least one shareholder present or represented at the General Shareholders' Meeting;
- in other situations, specified in generally binding legal regulations.

The General Shareholders' Meeting is convened by announcement published on the Bank's website and in the manner specified for the disclosure of current information by public companies. An announcement, including the materials presented to the shareholders, is available on the Bank's website in the section "Investor relations" at [General meeting - PKO Bank Polski \(pkobp.pl\)](#) from the date of convening the General Shareholders' Meeting

The General Shareholders' Meetings are held in the registered office of PKO Bank Polski S.A. or in another location in Poland, which is indicated in the announcement on convening the meeting. The meetings are broadcast online in real time. Representatives of the media are allowed to participate in the General Shareholders' Meetings.

The General Shareholders' Meetings may be recorded with the use of devices recording sound or sound and image. Personal data is processed in compliance with the principles defined in the announcement on convening the General Meeting. The recordings of the General Shareholders' Meetings are published by the Bank on its website in the section "Investor relations" at [Video and teleconferences - PKO Bank Polski \(pkobp.pl\)](#).

RIGHTS OF THE SHAREHOLDERS

The most important rights of the shareholders of PKO Bank Polski S.A. include:

- participation in profit recognized in the Bank's financial statements (audited by a registered auditor) and earmarked by the General Shareholders' Meeting for payment to the shareholders;
- the possibility of participation in the General Shareholders' Meeting, including the right to vote, put forward motions, make objections and ask questions.

Shareholders representing at least half of the share capital or the total number of votes at the Bank can convene the Extraordinary General Shareholders' Meeting.

A shareholder or shareholders representing at least one-twentieth of the total number of votes or the total number of shares may request that the Extraordinary General Shareholders' Meeting be convened and certain matters be placed on its agenda. They also may, before the date of the General Shareholders' Meeting, submit to the Bank in writing or via electronic means of communication draft resolutions on matters placed on the agenda or matters which are planned to be placed on the agenda.

Additionally, during the General Shareholders' Meeting the shareholders have the right to present draft resolutions or propose amendments or supplements to draft resolutions included in the agenda of the General Shareholders' Meeting.

Each shareholder's right to vote is limited to 10% of the total number of votes existing at the Bank on the day on which the General Shareholders' Meeting is held. The exemptions from this limitation and its principles are described in § 10 of the Bank's Articles.

The right to participate in the General Shareholders' Meeting is granted to the persons who were shareholders of the Bank sixteen days before the date of the GSM.

Pledgees and users with voting rights have the right to participate in the General Shareholders' Meeting if the limited property right established in their favour is registered in the securities account on the date of registering participation in the General Shareholders' Meeting.

Shareholders may participate in the General Shareholders' Meeting and exercise their voting rights in person (or, in the case of shareholders who are not natural persons, through a person authorized to make statements of intent on their behalf) or by proxy.

A power of attorney to participate in the General Shareholders' Meeting and exercise voting rights must be given in writing or in an electronic form.

A Member of the Management Board, a member of the Supervisory Board, a liquidator and an employee of PKO Bank Polski S.A. or a member of the governing bodies or an employee of a company or cooperative which is a subsidiary of the Bank may act as the shareholders' proxies at the General Shareholders' Meeting of PKO Bank Polski S.A.

A shareholder may not, either personally or by proxy, or as a proxy of another person, vote on resolutions concerning his/her liability to PKO Bank Polski S.A. on whatever account, including the acknowledgement of the fulfilment of his/her duties, exemption from any duty towards PKO Bank Polski S.A., or any dispute between him/her and PKO Bank Polski S.A.

Members of the Bank's Management Board and the Bank's key registered auditor, within the limits of their competence and to the extent necessary for the resolution of the matters discussed by the General Meeting, are required to answer a question concerning information about the Bank to a participant in such a meeting if this is justified for the assessment of a matter on the agenda.

If there are compelling reasons for doing so, the Bank's Management Board may provide the participant in the General Meeting with the information in writing, no later than two weeks from the date of the request at the General Meeting.

The questions asked at the Annual General Shareholders' Meeting on 21 June 2023 and the answers to these questions are published on the website in the section "Investor relations" at [Report no 18/2023 – answers to shareholder's questions raised at the Annual General Meeting on 21 June 2023 \(pkobp.pl\)](#)

11.2.8 SUPERVISORY BOARD OF PKO BANK POLSKI S.A. - COMPOSITION, POWERS AND PRINCIPLES OF FUNCTIONING

[GRI 2-9] The Supervisory Board of PKO Bank Polski S.A. consists of 5 to 13 members appointed for a three-year joint term of office.

The number of Supervisory Board members is set by the Eligible Shareholder (as defined below), also in the case of putting forward a motion for electing the Supervisory Board by voting in separate groups.

The State Treasury, as the Eligible Shareholder, pursuant to § 11(1) of the Bank's Articles of Association, set the number of members of the Supervisory Board at 11.

[GRI 2-10] A shareholder having the right to exercise the biggest number of votes arising from the shares in the Bank's share capital at the General Shareholders' Meeting electing the Supervisory Board members, hereinafter called "the Eligible Shareholder", shall present the candidates for the number of Supervisory Board members determined in accordance with the formula described below. The candidates for the other seats on the Supervisory Board may be presented by all shareholders, including the Eligible Shareholder.

The number of seats on the Supervisory Board reserved for the candidates presented by the Eligible Shareholder shall be calculated in accordance with the following formula:

$$N = 13 * S, \text{ where:}$$

N - is the number of seats on the Supervisory Board reserved for candidates presented by the Eligible Shareholder.

If N is not a whole number, the number of seats on the Supervisory Board is equal to N rounded up to the nearest whole number; at the same time, the total number of seats on the Supervisory Board reserved for the candidates presented by the Eligible Shareholder must not exceed 8 (eight);

S - is the share of the Eligible Shareholder in the share capital of the Bank, calculated as the quotient of the number of shares from which the Eligible Shareholder may vote at the General Shareholders' Meeting electing the Supervisory Board members and all shares in the Bank's share capital outstanding as at the date of the General Shareholders' Meeting.

If the General Shareholders' Meeting appoints a smaller number of Supervisory Board members than the number resulting from the above formula, the Eligible Shareholder shall have the right to present and put to the subsequent votes at the same General Shareholders' Meeting a number of candidates not bigger than twice the difference between

the number of Supervisory Board members calculated in accordance with that formula and the number of members appointed from among the candidates previously presented by the Eligible Shareholder.

Members of the Supervisory Board shall be appointed and dismissed by the General Shareholders' Meeting. The process of their selection shall ensure the appointment of competent persons and guarantee their suitability and proper performance of their obligations. The Supervisory Board members shall be selected taking into account the requirements of the individual and collective suitability assessment described in the "Policy for the suitability assessment of candidates for members and members of the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski S.A." (the "Supervisory Board Suitability Policy") and taking into account the principle of diversity in the composition of the Supervisory Board.

The suitability assessment of the candidates and members of the Supervisory Board is performed taking into account in the first place the requirements of Article 22aa of the Banking Law.

The General Shareholders' Meeting performs the suitability assessment of the individual Supervisory Board members and the collective assessment of the whole Supervisory Board each time a new Supervisory Board member is appointed and once a year as part of the periodical assessment. The General Shareholders' Meeting may also perform an additional suitability assessment in other, justified situations, which affect the requirements addressed to the Supervisory Board or its individual members. Such additional assessments shall be initiated by the Bank.

The suitability criteria set out in the Supervisory Board Suitability Policy include an assessment of their qualifications, understood as knowledge, experience and skills in terms of their suitability for their functions and duties assigned, as well as in terms of the principles for supervising the Bank's activities, and potential conflicts of interest that may be related to their functions and duties assigned, and an assessment of their reputation.

In addition, the assessment criteria include, among others, an assessment of the integrity and ethicality of conduct, the ability to form independent judgement and the ability to devote sufficient time to the responsibilities assigned.

No amendments were made to the Supervisory Board Suitability Policy in 2023.

[GRI 2-11] The Chair and Deputy Chair of the Supervisory Board shall be appointed by Eligible Shareholder from among the appointed Supervisory Board members, also if the Supervisory Board has been elected by voting in separate groups.

The Supervisory Board's term of office began on 26 August 2020 and ran for three consecutive full financial years (i.e. ended 31 December 2023). The term of office of a Supervisory Board member expires not later than on the day of the General Shareholders' Meeting approving the financial statements for the last full financial year of his/her term.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD IN 2023

The following changes in the composition of the Supervisory Board of the Bank took place in 2023:

- with effect from 24 March 2023, Mr Maciej Łopiński resigned as Chair of the Bank's Supervisory Board,
- The Minister of State Assets, acting as an Authorised Shareholder within the meaning of § 11(2) of the Bank's Articles of Association, in consideration of § 35(1) of the Bank's Articles of Association, in accordance with § 12(1) of the Bank's Articles of Association, appointed Mr Robert Pietryszyn as Chair of the Bank's Supervisory Board as of 24 March 2023.
- Mr Krzysztof Michalski resigned as a member of the Bank's Supervisory Board with effect from 20 December 2023. The resignation of a member did not adversely affect the collective suitability of the entire body.

In accordance with the Policy on the Assessment of Suitability of Candidates for Members and Members of the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski S.A., on 21 June 2023, the Bank's Annual General Meeting conducted a periodic assessment of the suitability of the Bank's Supervisory Board, confirming the individual suitability of the Supervisory Board members and the collective suitability of the entire body.

Pursuant to section 2.3 of "Best Practices for WSE Listed Companies 2021", at least two Supervisory Board members satisfy the independence criteria referred to in the Act on registered auditors, audit firms and public oversight of 11 May 2017 and have no real and significant relationships with any shareholder holding at least 5% of the total number of votes.

Due to adopting the aforementioned principle by the Bank, as part of the assessment of individual suitability, each Supervisory Board member made a declaration of compliance or non-compliance with such independence criteria.

According to these declarations, in the composition of the Supervisory Board as at 31 December 2023: eight Supervisory Board members (i.e. Mariusz Andrzejewski, Andrzej Kisielewicz, Rafał Kos, Maciej Łopiński, Tomasz Kuczur, Robert Pietryszyn, Bogdan Szafrąński, Agnieszka Winnik-Kalemba) satisfy the independence criteria set out in the Best Practice 2021, and two Supervisory Board members (i.e. Wojciech Jasiński, Dominik Kaczmarek) do not satisfy the independence criteria. Krzysztof Michalski did not meet the independence criterion as at the date of resignation as a member of the Bank's Supervisory Board.

As at 31 December 2023, the Supervisory Board consisted of 10 persons.

COMPOSITION OF THE SUPERVISORY BOARD OF PKO BANK POLSKI S.A. AS AT 31 DECEMBER 2023

ROBERT PIETRYSZYN – CHAIR OF THE SUPERVISORY BOARD

On 18 October 2022 he was appointed to the Supervisory Board for the current term of office.

He graduated in law from the University of Wrocław and MBA from the Wrocław Academy of Economics.

Experienced manager, entrepreneur. He started his career in the investment boutique Profes. In the years 2006-2008 he was cooperating with the KGHM Group, then until 2011 he conducted consulting activities. Since 2011, he has been responsible for the largest investment in the post-war history of Wrocław.

On 24 March 2023, the Bank's Management Board received a letter from the Minister of State Assets informing, that the Minister of State Assets, acting as an Authorised Shareholder within the meaning of § 11(2) of the Bank's Articles of Association, in consideration of § 35(1) of the Bank's Articles of Association, in accordance with § 12(1) of the Bank's Articles of Association, appointed Mr Robert Pietryszyn as Chair of the Bank's Supervisory Board as of 24 March 2023.

In his professional career, he was a member of the Management Board of PZU S.A., PZU Życie S.A. and the President of Lotos Group.

At present, he is a partner in a consulting company.

Lecturer in strategic management, member of many Supervisory Boards.

Independent member of the Supervisory Board.

Year of birth: 1979

WOJCIECH JASIŃSKI – DEPUTY CHAIR OF THE SUPERVISORY BOARD

Member of the Supervisory Board since 25 February 2016.

A graduate of the Faculty of Law and Administration of the University of Warsaw (1972). From 1972 to 1986, he worked in Płock, among other things, at the National Bank of Poland, the Branch in Płock, at the Town Hall, as legal counsel in the Tax Chamber. In 1990-1991, he organized the local government structures in the Płockie Voivodeship, as a Representative of the Government Plenipotentiary for Local Government Reform. From 1992 to 1997 he worked in the Supreme Audit Office (NIK) as director of the NIK Branch Office in Warsaw, Finance and Budget Team, and State Budget Department. In 1997-2000, he was a member and then President of the Management Board of Srebrna, a company with its registered office in Warsaw. He was a member of the Supervisory Board of Bank Ochrony Środowiska S.A. in 1998-2000. From September 2000 to July

current term of office. 2001 he was Undersecretary of State at the Ministry of Justice. In 2006-2007, he was Minister of the State Treasury.

On 7 June 2021 he was appointed Deputy Chair of the Supervisory Board by the State Treasury. Since 2001, he has been a member of the Polish Parliament (during the 4th, 5th, 6th, 7th and 8th terms) where he was Chairman of the Standing Subcommittee for the Banking System and Monetary Policy, Chairman of the Economy Committee, and Chairman of the Public Finance Committee. He was also a member of the State Treasury Committee in the Sejm.

President of the Management Board of PKN ORLEN S.A. from 16 December 2015 to 5 February 2018. From June 2018 to July 2019 – plenipotentiary of the Management Board of Energa S.A. for the development of investments and energy markets.

He was a Chair of the Supervisory Board of PKN ORLEN S.A.

From 1 July 2022, adviser to the President of the NBP.

Dependent member of the Supervisory Board.

Year of birth: 1948

DOMINIK KACZMARSKI – SECRETARY OF THE SUPERVISORY BOARD

On 7 June 2021, he was appointed to the Supervisory Board for the current term of office. Dominik KaczmarSKI graduated from the Faculty of Law and Administration of the University of Warsaw with a Master of Arts degree in law and a Master of Science degree in quantitative methods in economics and information systems from the Warsaw School of Economics. He has a tax advisor qualification. He has an MBA in Finance & Technology from the School of Business of the Warsaw University of Technology. He passed the second level of the CFA programme in November 2022.

On 8 June 2021 he was appointed Secretary of the Supervisory Board. He gained professional experience working in the largest international advisory firms (PwC in 2012-2014 and Deloitte in 2014-2016) as an expert in taxation of the financial sector.

From February 2016 to January 2020, he worked at the Ministry of Finance as Deputy Director of the Sectoral, Local and Gambling Taxes Department, and subsequently as the Deputy Director and Department Director of the Tax System Department. He dealt with tax on certain financial institutions and participated in the sealing of the tax system in the area of CIT and VAT, among others through the STIR (Clearing House Data Communications System) regulation.

He performed the following functions: Secretary of the Anti-Tax Avoidance Council, member of the State Examination Board for Tax Advisors, member of the General Tax Law Codification Commission, and member of the team of corporate law experts working as part of the Commission for Corporate Governance Reform.

From March 2020 to June 2021, Mr KaczmarSKI was a member of the Supervisory Board of PKN Orlen S.A., and since June 2020 he has been a member of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) (and its chair since July 2020).

He performed the function of Director of the Analyses and Reporting Department at the Ministry of State Assets.

Dependent member of the Supervisory Board.

Year of birth: 1989

MARIUSZ ANDRZEJEWSKI – MEMBER OF THE SUPERVISORY BOARD

Member of the Supervisory Board since 22 June 2017. He works as a university professor at the Kraków University of Economics, where he also serves as the head of the Department of Financial Accounting. He served as Dean of the Faculty of Finance and Law from 2016 to 2019 and as Dean of the College of Economics, Finance and Law from 2019 to 2020. He holds a full doctoral degree in economics. In

<p>On 26 August 2020, he was appointed to the Supervisory Board for the current term of office.</p>	<p>2013-2019, he worked as associate professor at the School of Banking and Management in Kraków. In 2003-2013, he worked in the Bielsko-Biała School of Finances and Law, where he was also head of the Finance Department.</p> <p>He graduated from three faculties, studied accounting at the Faculty of Management at the Kraków Academy of Economics, automatics and robotics, specializing in artificial intelligence, and computer science at the Faculty of Electrical Engineering, Automatics and Electronics at the AGH University of Science and Technology in Kraków. During his studies, he received a scholarship of the Minister of National Education three times. In 2001, during the execution of a grant by the State Committee for Scientific Research, he wrote and defended his doctoral thesis, which was published as a book by Wydawnictwo Naukowe PWN under the title "Accounting and Disclosure of Information by Listed Companies".</p> <p>He obtained business experience while sitting on supervisory boards of companies including: Zakłady Chemiczne Alwernia S.A., Kombinat Koksochemiczny Zabrze S.A., Północ Nieruchomości S.A. (a company listed on NewConnect), PolRest S.A. (a company listed on the WSE), Media Nieruchomości S.A., Przedsiębiorstwo Inżynierii Miejskiej sp. z o.o. w Czechowicach-Dziedzicach, AWSA Holland II BV. He was also President of the Management Board of Altair Sp. z o.o., member of the Management Board in charge of finance of TBS Złocień Sp. z o.o. and advisor to the Management Board at the Institute of Business Law and Foreign Investments (Instytut Prawa Spotek i Inwestycji Zagranicznych – IPSiZ Sp. z o.o.). He was an Arbitrator at the Arbitration Court at the Polish Financial Supervision Authority. Currently he is the Chair of the Supervisory Board of PKP Polskie Linie Kolejowe S.A., Chair of the Supervisory Board of INSTAL Kraków S.A. and Deputy Chair of the Supervisory Board of Tauron Sprzedaż sp. z o.o. He holds a professional title of registered auditor. In 2005-2006 he was Undersecretary of State in the Ministry of Finance.</p> <p>He is a member of the European Accounting Association (EAA) and the International Association for Accounting Education & Research (IAAER). He also is a member of the Polish Economic Society (PTE) and the Scientific Council of the Accountants Association in Poland.</p> <p>Author or co-author of over 150 academic publications and several dozen expert opinions on economics.</p> <p>Independent member of the Supervisory Board.</p>
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Year of birth: 1971

ANDRZEJ KISIELEWICZ – MEMBER OF THE SUPERVISORY BOARD

<p>Member of the Supervisory Board since 25 February 2016.</p>	<p>Professor of mathematical sciences. He works at the Wrocław University of Technology, at the Faculty of Mathematics. He obtained his full doctoral degree from the University of Wrocław, and was awarded a PhD. in mathematics from the Polish Academy of Sciences. A graduate of the University of Wrocław. He gained his professional experience in various academic centres, including: Vanderbilt University (Nashville, USA), Polish Academy of Sciences, Technische University (Darmstadt, Germany), The University of Manitoba (Winnipeg, Canada), Blaise Pascal University (Clermont-Ferrand, France). He has experience as a member of supervisory boards. At present he is also a member of the Supervisory Board of KGHM Polska Miedź S.A.</p> <p>He is the author of more than 85 academic publications in foreign journals on mathematics, logic and computer science as well as many books (e.g. Sztuczna inteligencja i logika [Artificial Intelligence and Logic], Wprowadzenie do informatyki [An Introduction to Computer Science], etc.). He is also the author of many opinions, reviews and expert opinions, including for the National Science Centre and the European Commission. His professional interests include the application of mathematics, logic and</p>
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On 26 August 2020, he was appointed to the Supervisory Board for the current term of office.

computer science in practice, artificial intelligence, business intelligence, digitization and argumentation theory.

Independent member of the Supervisory Board.

Year of birth: 1953

RAFAŁ KOS – MEMBER OF THE SUPERVISORY BOARD

On 26 August 2020, he was appointed to the Supervisory Board for the current term of office.

Attorney at Law, partner in the law office Kubas Kos Gałkowski. Doctor of Laws (Jagiellonian University), studied International Business Law at UC Davies (California), completed postgraduate studies in American Business Law at CUA Columbus School of Law (Washington, DC).

Vice-President of the Court of Arbitration at the Lewiatan Confederation in Warsaw. Appointed a Permanent Arbitrator and Conciliator of the Court of Arbitration at the General Counsel to the Republic of Poland (since 2020). Member of The Board of Visitors Columbus School of Law, CUA in Washington DC (since 2017). Expert of the Parliamentary Committee on Justice and Human Rights on the draft law on the enforcement of claims in class actions (2009), member of the Team for amendments to the Bankruptcy and Reorganization Law of the Minister of Justice (2012), Team for systemic solutions in the field of amicable methods of resolving economic disputes, facilitating the performance of economic activity of the Minister for the Economy (2013), the Team for Economic Law of the Minister for Development (2015) and the Commission for Corporate Governance Reform and the Expert Teams to the Minister of State Assets: on increasing the efficiency of supervisory boards and on corporate law (2020).

Recommended as an expert in litigation and arbitration by, among others, Who's Who Legal, Chambers and Partners, Rzeczpospolita daily.

Independent member of the Supervisory Board.

Year of birth: 1971

TOMASZ KUCZUR – MEMBER OF THE SUPERVISORY BOARD

On 12 October 2021, he was appointed to the Supervisory Board for the current term of office.

Lawyer and expert in political science. A graduate of the Faculty of Law and Administration of the University of Warmia and Mazury and the Bydgoszcz Academy (now the Kazimierz Wielki University in Bydgoszcz). He obtained a PhD in law from the Faculty of Law and Administration of the University of Warmia and Mazury. He obtained a full doctorate in social science at the University of Wrocław. Professor in social sciences. Head of the Department of Contemporary Political and Administrative Systems. Professor at the Kazimierz Wielki University in Bydgoszcz.

Independent member of the Supervisory Board.

Year of birth: 1973

MACIEJ ŁOPIŃSKI – MEMBER OF THE SUPERVISORY BOARD

Appointed to the Supervisory Board for the current term of office on 7 June 2021 and on the same day the State Treasury appointed him Chair of the Supervisory Board.

A graduate of the University of Wrocław. Editor-in-chief of Tygodnik Gdański, journalist at Głos Wybrzeża and Tygodnik Czas. Deputy to the Sejm (the Polish Parliament) of the 7th term. In the years 2005-2010, Secretary of State at the Chancellery of the President of Poland, Lech Kaczyński, and in the years 2015-2016 - at the Chancellery of the President of Poland, Andrzej Duda. Mr Łopiński has many years of experience in corporate law and corporate governance gained at the supervisory bodies of various companies, including PZU S.A., KGHM Polska Miedź S.A., PZU Asset Management S.A., Telewizja Polska S.A.

Independent member of the Supervisory Board.

On 24 March 2023, Mr Maciej Łopiński announced his resignation as Chair of the Bank's Supervisory Board as of that date. Notwithstanding his resignation from the aforementioned function, Mr Maciej Łopiński remained a member of the Supervisory Board
Year of birth: 1947

BOGDAN SZAFRAŃSKI – MEMBER OF THE SUPERVISORY BOARD

On 12 October 2021, he was appointed to the Supervisory Board for the current term of office.

An economist and Americanist, expert in strategic financial management, capital market, US politics and economy and Polish-American relations. He obtained a PhD in management science at the Faculty of Management of the Warsaw University and passed the Chartered Financial Analyst (CFA) exam at level 2.

A graduate of the University of California Irvine (UCI), where he obtained an MBA in finance from the Merage School of Business. Before that he studied at the Faculty of Management of the University of Warsaw and the Faculty of Foreign Trade of the Warsaw School of Economics (SGH). He also took a PhD course in economics at the University of California Los Angeles (UCLA).

He worked in California, USA for high tech companies, such as Digital Corporation, Advanced Photonics, Inc. and Xsirus Superconductivity, Inc. He was a member and then the chair of the Supervisory Board of Polam Credit Union in Los Angeles (the Polish credit unions SKOK are based on the CU model).

Subsequently, he was President of the ZEM Celma S.A. Group, Vice-President for Finance and Administration of Kapsch Telecom Sp. z o.o., Vice-President of the Management Board for Strategic Shareholder Cooperation at a telecommunications joint venture Energis Polska Sp. z o.o. (National Grid, Energis, PKP), Strategy and Development Director at Tel-Energo S.A., Vice-President for Finance of PKP Cargo S.A., advisor to the Management Board of Petrolot Sp. z o.o. for financial restructuring, and Management Board member for Finance and Business at PLK S.A.

In 1994, he passed the exam for candidates for supervisory board members, and since then he has been a member of a number of supervisory boards, including the supervisory boards of companies with the participation of the State Treasury (PFR S.A., Lotos Terminale S.A., ZEM Celma S.A., KWB Konin S.A., PKP PLK S.A.).

He carried out independent consulting activities at MetaStrategy Consulting in the area of strategic management, economic value added (EVA) management, valuation of enterprises and M&A consultancy.

He is a lecturer in finance at the Faculty of Management and the Centre for American Studies at the University of Warsaw and at the Lazarski University. He is a commentator of economic and political events in TVP Info, TVN24 BiŚ and author of articles on management, privatization and finance. A member of the Polish-US think tank Polonia Institute.

Independent member of the Supervisory Board.

Year of birth: 1958

AGNIESZKA WINNIK-KALEMBA – MEMBER OF THE SUPERVISORY BOARD

On 7 June 2021, she was appointed to the Supervisory Board for the current term of office.

Ms. Winnik-Kalemba graduated from the Faculty of Law and Administration of the University of Wrocław in 1995. In 1995-1997, she participated in the post-graduate scholarship programme funded by the US government at Georgetown University in Washington D.C. and the University of Kentucky the James W. Martin School of Public Policy and Administration. In the years 1999-2003, she trained to become an attorney-at-law.

Since 2003, she has run her own law firm – Kancelaria Adwokacka Adw. Agnieszka Winnik-Kalemba. In 1986-1989, she cooperated with the Regional Executive Committee of the “Solidarity” Trade Union – the Lower Silesia Region (Regionalny Komitet Wykonawczy NSZZ Solidarność Region Dolny Śląsk) and the “Solidarity” Committee for Interventions and the Rule of Law (Komisja Interwencji i Praworządności NSZZ Solidarność) run by Zofia and Zbigniew Romaszewski. In 1989-2000, she worked for: the Executive Office of the “Solidarity” Trade Union - the Lower Silesia Region; the Law Offices of Bowles, Keating, Matuszewich & Fiordalisi a Partnership of Professional Corporation, Chicago USA (as a legal assistant); the Chairman of the Chamber of Regions of the Council of Europe (as a legal assistant); the Vivodship Sejmik of Wrocław Voivodship; the Legal Office of the Lower Silesian Marshal Office in Wrocław (as its director).

In 2006-2008, Ms. Winnik-Kalemba was a member of the Supervisory Board of PKO Bank Polski S.A., and in 2016 she was Deputy Chair of the Supervisory Board of PKO Bank Polski S.A.

She was the Chair of the Supervisory Board of KGHM Polska Miedź S.A.

Year of birth: 1969

PRINCIPLES OF FUNCTIONING OF THE SUPERVISORY BOARD

The Supervisory Board functions based on generally applicable legal regulations, the Articles of Association and the Rules passed by the Supervisory Board and approved by the General Shareholders' Meeting. Meetings of the Supervisory Board are held at least once a quarter.

On 21 June 2023, the Annual General Shareholders' Meeting of PKO Bank Polski S.A. approved the Rules of Procedure of the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna adopted by the Supervisory Board. The new Regulations of the Supervisory Board, include, in particular, the following amendments vs. the previous Regulations of the Supervisory Board:

- § 3 item 1 – introduction of the provision on the Supervisory Board issuing opinions on matters put on the agenda of the General Meeting, consistent with Best Practices for WSE listed companies 2021;
- § 7 – taking into account the standard resulting from Article 382¹ of the Code of Commercial Companies, governing the cooperation of the Supervisory Board with external advisors;
- § 8 (2) – adjusting the time limit for convening meetings at the request of a Member of the Supervisory Board or the Management Board to the time limit of 2 weeks required by the Code;
- § 8 (5) added – introduction of the possibility for the Supervisory Board to hold meetings also without formal conveying, in accordance with Article 389 § 6 of the Code of Commercial Companies;

The Supervisory Board performs its duties collectively.

The Supervisory Board passes resolutions by an absolute majority of votes, in the presence of at least half of the members, including the Chair or Deputy Chair, except for resolutions specified in the Bank's Articles, which require (apart from the quorum indicated) a qualified majority of 2/3 of the votes. The members of the Supervisory Board to whom the given voted matter relates do not participate in the vote.

The work of the Supervisory Board is managed by the Chair, and in his/her absence – by the Deputy Chair. The Chair represents the Supervisory Board before the other authorities of PKO Bank Polski S.A., regulatory authorities and other persons.

Meetings of the Supervisory Board are convened by the Chair or, in his/her absence, by the Deputy Chair on his/her own initiative or at the request of a member of the Supervisory Board or at the request of the Management Board.

Meetings of the Supervisory Board may be convened with the possibility of participation (and passing of resolutions) via remote communication channels, in accordance with the "Rules for participation in a meeting of the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna by means of direct remote communication" adopted by the Supervisory Board (the Rules of e-meetings).

With the exception of matters specified in the Bank's Articles of Association, the Supervisory Board may also pass resolutions outside the meeting in writing (by circulation) or using means of direct remote communication, in particular e-mail.

In 2023 the Supervisory Board held 11 meetings and passed 171 resolutions.

The participation of the Supervisory Board members in the meetings in 2023 is presented in the following table.

Table 29. Attendance of members of the Supervisory Board of the Bank in 2023

Full name	Attendance*
Mariusz Andrzejewski	11/11
Wojciech Jasiński	11/11
Dominik Kaczmarek	9/11
Andrzej Kisielewicz	9/11
Rafał Kos	10/11
Tomasz Kuczur	11/11
Maciej Łopiński	9/11
Krzysztof Michalski	11/11
Robert Pietryszyn	10/11
Bogdan Szafranski	11/11
Agnieszka Winnik-Kalemba	9/11

* Attendance at meetings / number of meetings in the period of performing the function.

All absences were considered justified by resolutions of the Supervisory Board.

COMPETENCES AND RESPONSIBILITIES OF THE SUPERVISORY BOARD

The Supervisory Board exercises continuous supervision over the Bank's activities in all areas of its operations.

In addition to other powers and duties stipulated by generally applicable legal regulations and the provisions of the Articles of Association of PKO Bank Polski S.A., the competences of the Supervisory Board include passing resolutions pertaining, in particular to:

- approving the following documents adopted by the Management Board: policies, rules and regulations, including: the Bank's strategy, the risk management strategy, the Bank management strategy, the dividend policy, the remuneration policy, the policy for internal capital assessment and capital management, and review of strategies and procedures for internal capital assessment and capital management, the compliance policy of the Bank, internal control system, regulations of the Management Board, regulations for the management of special funds created from net profit, organizational rules of the Bank, compliance and internal audit unit regulations;
- approving the annual financial plan adopted by the Management Board;
- approving the overall risk tolerance level determined by the Management Board;
- appointing an audit firm to conduct the audit or review of the Bank's financial statements and the consolidated financial statements of the Bank's Group;
- passing the Rules:
 - of the Supervisory Board;
 - for granting loans, advances, bank guarantees and warranties to members of the Management Board and Supervisory Board, persons holding managerial positions in the Bank and to entities related to these persons by capital or organizational links;

- appointing and dismissing, by secret ballot, the President of the Management Board, the Vice-Presidents and the members of the Management Board;
- suspending, for important reasons, individual or all members of the Management Board and delegating members of the Supervisory Board, for a period of no more than three months, to temporarily perform the duties of members of the Management Board who have been dismissed, have resigned or are unable to perform their duties for other reasons;
- giving its prior consent for actions fulfilling statutory criteria, including, among other things, disposal of fixed assets (intangible assets, tangible fixed assets, long-term investments), taking up, the purchase or sale of shares in another company, subscription or purchase of bonds convertible to shares, concluding a material agreement by PKO Bank Polski S.A. with a shareholder holding at least 5% of the total number of votes in the Bank or with a related entity, concluding a contract for legal services, marketing services, public relations and social communication services or management consultancy services, donation agreements or similar agreements, debt release agreements and other similar agreements whose value exceeds the amount indicated in the Bank's Articles;
- applying to the Polish Financial Supervision Authority for consent for the appointment of the President of the Management Board and a Management Board member supervising the management of risk material to the Bank's activities, and for entrusting the function of Management Board member supervising the management of risk material to the Bank's activities to a current Management Board member who has not supervised the management of this risk to date;
- evaluation of the functioning of the Bank's remuneration policy and presentation of a relevant report to the Annual General Shareholders' Meeting;
- opinion on the application of the "Principles of corporate governance for supervised institutions" by the Bank;
- granting approval for opening or closing a foreign branch.
- issuing opinions on the matters put on the agenda of the General Meeting by the Management Board, whereas the Supervisory Board must not issue opinions with reference to those which refer solely to the Supervisory Board or Supervisory Board Members;
- considering information received from the Management Board on all important matters concerning the activities of the Bank and risk relating to the activities conducted and the manner of managing such risk;
- preparing annual reports presented to the Annual General Meeting in compliance with the Best Practices or with the Corporate Governance Principles.

The Supervisory Board also presents an annual report on the activities of the Supervisory Board to the General Meeting, which includes, among other things, an assessment of the Directors' Report on the activities (of the Bank's Group, including the Bank) and the financial statements (of the Bank and the Bank's Group) for the previous year in terms of their conformity with the books, documents and facts, and an assessment of the Management Board's proposals for the distribution of profit or coverage of loss.

In order to fulfil its duties, the Supervisory Board may, in particular, examine all documents of the Bank, review the Bank's assets and request the Bank to prepare or submit any information, documents, reports or explanations concerning the Bank (in particular its activities or assets) and information, reports or explanations concerning its subsidiaries or related companies. The Management Board may not restrict the members of the Supervisory Board from accessing information, documents, reports or explanations requested by them.

The Supervisory Board may use the services of external advisors, experts or consultants at the Bank's cost.

In the performance of their duties, members of the Supervisory Board should exercise the diligence required by the professional nature of their activities and maintain their loyalty to the Bank.

Members of the Supervisory Board are not in breach of their duty of care arising from the professional nature of their activities if, in acting loyally towards the company, they act within the limits of reasonable economic risk, including on the basis of information, analyses and opinions that should be taken into account in the circumstances in making a careful assessment.

COMMITTEES OF THE SUPERVISORY BOARD

In accordance with the Bank's Articles, the Supervisory Board appoints from among its members committees which it is required to appoint under the binding legislation. The Supervisory Board may also appoint other committees from

among its members. The committees of the Supervisory Board act on the basis of Rules adopted by the Supervisory Board.

The Supervisory Board, in accordance with its rules, appoints in particular a nomination and remuneration committee, a risk committee, an audit committee and a strategy committee.

The Nominations and Remuneration Committee appointed by the Supervisory Board functions in accordance with the provisions of Annex I to the Commission Recommendation 2005/162/EC on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board.

In 2023, all rules of the Supervisory Board committees were amended.

Committees appointed by the Supervisory Board.

AUDIT COMMITTEE OF THE SUPERVISORY BOARD

TASKS

- monitoring the financial reporting process, including the review of interim and annual financial statements (separate and consolidated);
- monitoring the adequacy, effectiveness and efficiency of the internal control system, including with respect to financial reporting, and the quality of the internal audit work in assessing the adequacy of the internal control system;
- monitoring the effectiveness of the risk management system with respect to financial reporting, in particular by analyzing information received from the Risk Committee;
- monitoring the audit activities, in particular performance of the audit by the audit firm, taking into account all conclusions and findings of the Polish Agency for Audit Oversight, which is referred to in the Act on registered auditors, resulting from inspections carried out in the audit firm;
- controlling and monitoring the independence of the registered auditor and the audit firm carrying out the audit of the financial statements, in particular when the audit firm also provides services other than audit to the Bank's Group;
- informing the Supervisory Board of the audit results and explaining how the audit contributed to the fairness of the Bank's financial reporting and explaining the role of the Committee in the audit process;
- assessing the independence of the registered auditor and consenting to the provision of permissible services other than audit to the Bank and the Bank's Group by the audit firm's related entities or a member of the audit firm's network, in accordance with the policy;
- developing a policy for selecting the audit firm to conduct an audit and providing the Supervisory Board with recommendations as to adopting the policy;
- developing a policy for the provision of services other than audit by the audit firm performing the audit, its related entities and a member of the audit firm's network, and providing the Supervisory Board with recommendations as to adopting the policy;
- developing a procedure for selecting an audit firm to conduct an audit and providing the Supervisory Board with recommendations as to adopting the policy;
- providing the Supervisory Board with recommendations as to the appointment of the audit firm to conduct the audit;
- submitting recommendations aimed at ensuring the fairness of the Bank's financial reporting to the Supervisory Board;
- submitting recommendations to the Supervisory Board with regard to the statement concerning the audit firm conducting the audit of the annual financial statements of the Bank and consolidated financial statements of the Bank's Group;
- developing the rules for the process of disclosing and exchanging data and information between the PFSA, the audit firm, the key registered auditor and the Bank, and recommending their adoption to the Supervisory Board;
- presenting to the Supervisory Board, at least once a year, issues that may have a significant impact on the financial performance of future periods or the position of the Bank and the Bank's Group.

AS AT 31 DECEMBER 2022, THE AUDIT COMMITTEE CONSISTED OF:

		Date of the appointment to the Committee*
Chair:	Agnieszka Winnik-Kalemba	15 June 2021
Deputy Chair:	Mariusz Andrzejewski	24 September 2020
Members:	Dominik Kaczmarek	15 June 2021
	Rafał Kos	24 September 2020
	Bogdan Szafranski	16 December 2021

* During the present term of the Supervisory Board

INDEPENDENCE CRITERIA AND COMPETENCES

In 2023, as part of the periodic suitability assessments of members of the Supervisory Board carried out in June, it was assessed whether the candidate and members of the Supervisory Board meet the requirements necessary to serve on the Audit Committee of the Supervisory Board.

According to the aforementioned assessments, the members of the Audit Committee jointly meet the conditions of independence and qualifications in accordance with the Act on registered auditors, audit firms and public oversight of 11 May 2017.

Including as at 31 December 2023:

- Chair of the Audit Committee Agnieszka Winnik-Kalemba and Mariusz Andrzejewski, Rafał Kos and Bogdan Szafranski are independent, i.e. the majority of the Audit Committee members, are independent;
- The following members have the most adequate knowledge and experience in the scope of the Audit Committee's activity, including competences in accounting and auditing of financial statements:
 - Mariusz Andrzejewski - competences confirmed by a PhD. in economics and qualifications of a registered auditor; member of Polish and international accounting and bookkeeping associations; additionally, skills resulting from professional experience related to performing management and supervisory functions and working as a registered auditor;
 - Dominik Kaczmarek - competences resulting from knowledge and skills gained within the educational programme connected with the title of tax advisor and with applying for the title of Chartered Financial Analyst, completed MBA Finance & Technology studies and a master's degree in quantitative methods in economics and information systems at the SGH Warsaw School of Economics; in addition, he has professional experience in bank tax reviews and calculations, as well as in the process of auditing financial statements (with regard to tax components);
 - Bogdan Szafranski - knowledge and skills gained within the educational programme at the University of California Irvine (UCI), where he completed MBA studies at the Merage School of Business in the area of finance, as well as resulting from his experience as a lecturer in the Faculty of Finance and Banking of the Lazarski University in Warsaw (mainly in the area of financial and management accounting);
- all members of the Audit Committee collectively have knowledge and skills in the area of banking resulting from, among other things, their education, professional experience and functions performed (as more fully described in the biographical notes in this chapter).

NUMBER OF MEETINGS There were 8 Audit Committee meetings in 2023.

ATTENDANCE OF MEMBERS OF THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD AT COMMITTEE MEETINGS IN 2023.

Name and Surname	Attendance *
Mariusz Andrzejewski	8/8
Dominik Kaczmarek	7/8
Rafał Kos	8/8
Bogdan Szafranski	8/8
Agnieszka Winnik-Kalemba	6/8

* Attendance at meetings / number of meetings in the period of performing the function.

THE POLICY FOR THE APPOINTMENT OF AN AUDIT FIRM AND THE POLICY FOR THE PROVISION OF SERVICES

The main purpose of the Policy for selecting the audit firm to audit the financial statements of the Bank and the Bank's Group (hereinafter: the Selection Policy) and the Policy for the provision of permissible services other than audit to the Bank and the Bank's Group companies by the audit firm performing the audit, its related entities or members of its network (hereinafter: the Policy for providing the services), is to ensure the compliance of the audit firm selection process and the provision of services by this firm to the Bank and the Group with the applicable laws and recommendation L of the Polish Financial Supervision Authority, in particular in terms of ensuring the audit firm's independence and objectivity and satisfaction of the requirements concerning mandatory rotation and cooling off periods.

The Selection Policy defines the following principles of mandatory rotation and cooling off periods with respect to the audit firm and the key registered auditor.

- the maximum period of uninterrupted performance of statutory audit engagements by the same audit firm, an audit firm related to that firm or any member of a network operating in the European Union of which these audit firms are members is 10 audited financial years. This period may be extended (with PFSA's approval) by two years, to a maximum of 12 audited financial years, if more than one audit firm is engaged in the joint audit formula, provided that the statutory audit results in the preparation of a joint audit report;
- an agreement for audit of the financial statements shall be concluded for a period not shorter than 2 financial years and not longer than 3 financial years, with an option of extending it for the following audited period of at least two financial years;
- after the end of the maximum period of uninterrupted performance of engagements referred to in item 1, the audit firm may perform a statutory audit again not earlier than 4 years after the end of the previous audit of the financial statements of the Bank and the Bank's Group;
- a key registered auditor must not perform a statutory audit of the financial statements for a period longer than 5 audited financial years;
- a key registered auditor may perform a statutory audit of the financial statements again not earlier than three years after the end of the last statutory audit of the financial statements of the Bank and the Bank's Group.

In accordance with the Selection Policy, the Supervisory Board conducts the proceedings for signing an agreement for the audit of the financial statements of the Bank and the Bank's Group in the form of an open tender. Having completed the selection procedure organized by the Bank, the Audit Committee provides to the Supervisory Board a recommendation concerning the audit firm selection. Unless it is recommended to renew the audit engagement, the recommendation presents at least two audit firms to be selected from and an indication of the preferred one (with a justification). The Supervisory Board selects the audit firm based on the Audit Committee's recommendation. Clear and unbiased criteria are applied in the selection of the audit firm on the basis of the proposals submitted. These criteria include in particular:

- approach to the activities, internal arrangements to ensure independence and compliance with other applicable provisions of law, professional standards, quality control standards and principles of professional ethics, and the reputation of the audit firm;
- the audit approach, including the proposed audit methodology, areas of particular interest, the overall audit plan, the communication strategy, the IT tools used;
- professional experience in the industry in which the Bank and the Bank's Group operate, experience in cooperation with the Bank and the Bank's Group companies and geographical reach taking into account the scope of the Bank's Group's activities;
- assessment of the members of the team assigned to carry out the audit, their qualifications and training, team management, customer relationship management and interpersonal skills;
- the amount of remuneration expected and the estimated labour intensity;
- auditor and audit firm insurance and liability coverage.

The Audit Committee recommendations for the selection of the audit firm to audit the financial statements for the years 2020-2021 and 2022-2023 satisfied the applicable requirements and were prepared based on the selection procedures organized by the Bank, which satisfied the applicable criteria.

In accordance with the Policy for providing the services, the provision of permissible services other than audit by the audit firm performing the audit, its related entities or members of its network to the Bank requires approval of the Audit Committee of the Supervisory Board of the Bank. The approval of the Audit Committee of the Supervisory Board is also required in the case of permissible services other than audit provided to a company of the Bank's Group (on the request of such company). The company requesting such approval must present the approval of its Audit Committee or its Supervisory Board.

In 2023, the audit firm PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k. provided permissible non-audit services to the Bank. Before concluding the agreement on providing permissible non-audit services, the Supervisory Board Audit Committee conducted evaluation of the independence of the audit firm and approved providing such services. The remuneration of the audit firm is presented in section 11.2.2 of this report.

NOMINATIONS AND REMUNERATION COMMITTEE OF THE SUPERVISORY BOARD

TASKS

[GRI 2-20] Expressing opinions and monitoring the remuneration rules set out in the Remuneration Policy adopted by the Bank on an ongoing basis and supporting the Bank's authorities in developing and implementing this policy.

In particular, the Committee is responsible for the performance of the following tasks:

- expressing opinions on the general rules for remunerating persons whose professional activities have a material impact on the Bank's risk profile to be approved by the Supervisory Board;
- conducting periodical reviews of the Remuneration Policy and presenting their results to the Supervisory Board;
- presenting to the Supervisory Board proposals of principles for hiring and remunerating members of the Management Board;
- presenting or giving an opinion on the remuneration decisions to be taken by the Supervisory Board - in particular on the remuneration of members of the Management Board, including severance payments for members of the Management Board;
- assessing the MbO targets set for and pursued by the members of the Management Board, their value and importance, and providing an opinion to the Supervisory Board in this regard;
- assessing tools and systems adopted to guarantee that the remuneration system in the Bank's Group properly accounts for all types of risk, liquidity and equity levels and that the Remuneration Policy complies with the proper and effective risk management principles, supports such management and is consistent with the business strategy, goals, corporate culture and values, and the long-term interests of the Bank's Group;
- overseeing the fixed remuneration of heads of units performing independent control functions, including the compliance, internal audit and risk management units;
- providing opinions and monitoring variable remuneration components of leaders of the compliance, internal audit and risk management units;
- presenting opinions to the Supervisory Board on the settlement of MbO targets for members of the Management Board for a given assessment period approved by the Supervisory Board;
- reviewing the report of the internal audit function's review of the implementation of the remuneration policy;
- preparing a draft report on the evaluation of the functioning of the Remuneration Policy in the Bank, which is presented by the Supervisory Board to the General Shareholders' Meeting.

Additionally, the Committee's tasks include:

- expressing opinions on the diversity policy relating to the composition of the Management Board;
- assessing the suitability of and recommending to the Supervisory Board candidates for the Management Board, including taking into account the necessary knowledge, competence and experience of the Management Board as a whole necessary to manage the Bank and taking into account diversity in the composition of the Management Board;
- defining the scope of duties for the candidate to the Management Board approved by the Supervisory Board, as well as defining the requirements concerning the knowledge and competences and the expected involvement in terms of the amount of time necessary to perform the function of a Management Board member;

- determining the target representation of the gender which is under-represented in the Management Board, to be approved by the Supervisory Board;
- periodically (at least once a year) assessing the structure, size, composition and effectiveness of the functioning of the Management Board and recommending respective changes to the Supervisory Board;
- periodically (at least once a year) assessing the suitability, including assessing the knowledge, competences and experience of the Management Board as a whole and of its individual members, and informing the Management Board of the results of the assessment;
- periodically assessing the Management Board's policy in respect of the selection and appointment of persons to managerial positions at the Bank having a significant impact on the Bank's risk profile and submitting respective recommendations to the Management Board;
- giving an opinion on, including an annual review of the suitability policy concerning the Management Board members and key officers of the Bank and suitability assessment at the Bank's Group companies and recommending amendments to this policy to the Supervisory Board;
- giving an opinion on policy on assessing the suitability of candidates for members and members of the Bank's Supervisory Board as part of its review by the Supervisory Board.

AS AT 31 DECEMBER 2022, THE NOMINATIONS AND REMUNERATION COMMITTEE CONSISTED OF:

		Date of the appointment to the Committee*
Chair:	Wojciech Jasiński	24 September 2020
Deputy Chair:	Dominik Kaczmarek	8 June 2021
Members:	Andrzej Kisielewicz	24 September 2020
	Tomasz Kuczur	14 October 2021
	Robert Pietryszyn	9 November 2022
	Bogdan Szafrąński	14 October 2021

* During the present term of the Supervisory Board

NUMBER OF MEETINGS There were 9 meetings of the Nominations and Remuneration Committee in 2023.

ATTENDANCE OF MEMBERS OF THE NOMINATIONS AND REMUNERATION COMMITTEE AT COMMITTEE MEETINGS IN 2023.

Name and Surname	Attendance *
Wojciech Jasiński	9/9
Dominik Kaczmarek	7/9
Andrzej Kisielewicz	7/9
Tomasz Kuczur	9/9
Robert Pietryszyn	8/9
Bogdan Szafrąński	9/9

* Attendance at meetings / number of meetings in the period of performing the function.

RISK COMMITTEE OF THE SUPERVISORY BOARD

TASKS

- evaluating the overall current and future readiness of the Bank to take risks, taking into account the risk profile of the Bank Group, including, in particular, the strategic tolerance limits adopted by the Management Board on particular risks for the Bank and the Bank's Group;
- expressing opinions on the Bank's operational risk management strategy adopted by the Management Board and information on the implementation of this strategy submitted by the Management Board, as well as other periodic reports on risk management and capital adequacy, taking into account the annual assessment of the adequacy and effectiveness of the risk management system, information on the implementation of the risk management strategy, a

review of scenarios, including stress scenarios (to determine the response of the Bank's risk profile to external and internal events) and findings from stress tests;

- expressing opinions on the approval policy for new products adopted by the Management Board and recommending its approval to the Supervisory Board;
- expressing opinions on the disclosure policy adopted by the Management Board and recommending its approval to the Supervisory Board;
- expressing opinions on other resolutions of the Management Board in respect of risk management and capital adequacy which are subject to approval by the Supervisory Board;
- supporting the Supervisory Board in overseeing the implementation of the Bank's operational risk management strategy;
- reviewing whether the prices of assets and liabilities offered to customers fully envision the Bank's business model and its strategy in terms of risk and suggesting corrective actions to the Management Board;
- assessing the risks associated with the financial products and services offered;
- expressing opinions on solutions for reducing business risk with the use of the Bank's property insurance and civil liability insurance for members of the Bank's authorities and proxies;
- ongoing monitoring of the risk management system and providing the Supervisory Board with information on the results of this monitoring;
- expressing opinions on the information on the risk management strategy and risk management system disclosed by the Bank to the general public;
- carrying out an annual review of the remuneration policy for employees of the Bank and the Bank's Group, and in particular evaluating whether incentives arising from this policy and remuneration practice take into account risk, capital and liquidity, as well as the probability and time perspective of generating profits by a company of the Group, as well as approving the report on this review, submitted for information to the Supervisory Board;
- ongoing monitoring of the implementation of risk management strategy and making recommendations to the Supervisory Board on necessary adjustments to the risk strategy resulting, inter alia, from changes in the Bank's business model, market events or recommendations made by the Risk Management unit;
- advising on the selection of external advisors, experts and consultants in the event that the Supervisory Board wishes to use their services;
- evaluating recommendations of external and internal auditors and follow-up in the form of appropriate implementation of the respective measures;
- cooperating with the Nominations and Remuneration Committee in connection with the Committee's opinions on the suitability policy concerning the Management Board members and key officers of the Bank and suitability assessment at the Bank's Group companies to maintain this policy in line with effective and sound risk management;
- performing other tasks specified by the Supervisory Board with regard to risk management at the Bank.

AS AT 31 DECEMBER 2022, THE RISK COMMITTEE CONSISTED OF:

		date of appointment to the Committee*
Chair:	Mariusz Andrzejewski	24 September 2020
Deputy Chair:	Dominik Kaczmarski	15 June 2021
Members:	Wojciech Jasiński	24 September 2020
	Andrzej Kisielewicz	24 September 2020
	Bogdan Szafranski	14 October 2021

* During the present term of the Supervisory Board.

Krzysztof Michalski was also a member of the Risk Committee until 20 December 2023 (date of resignation).

NUMBER OF MEETINGS There were 8 meetings of the Risk Committee in 2023.

ATTENDANCE OF MEMBERS OF THE RISK COMMITTEE AT COMMITTEE MEETINGS IN 2023

Name and Surname	Attendance *
Mariusz Andrzejewski	8/8
Wojciech Jasiński	8/8
Dominik Kaczmarek	6/8
Andrzej Kisielewicz	6/8
Krzysztof Michalski	8/8
Bogdan Szafranski	8/8

* Attendance at meetings / number of meetings in the period of performing the function.

STRATEGY COMMITTEE OF THE SUPERVISORY BOARD

TASKS

- expressing opinions on the Bank's strategy adopted by the Management Board, the approval of which is the competence of the Supervisory Board;
- supporting the Supervisory Board in overseeing the implementation of the strategy, in particular by analyzing periodic information on the implementation thereof presented by the Management Board;
- expressing opinions on strategic activities of the Bank, which require the prior consent of the Supervisory Board, in particular on their compliance with the binding strategy of the Bank;
- performing other tasks specified by the Supervisory Board with regard to the implementation of the strategic goals and key projects of the Bank.

AS AT 31 DECEMBER 2022, THE STRATEGY COMMITTEE CONSISTED OF:

		date of appointment to the Committee*
Chair:	Dominik Kaczmarek	15 June 2021
Deputy Chair:	Bogdan Szafranski	14 October 2021
Members:	Mariusz Andrzejewski	24 September 2020 roku
	Andrzej Kisielewicz	24 September 2020 roku
	Tomasz Kuczur	14 October 2021
	Robert Pietryszyn	9 November 2022

* During the present term of the Supervisory Board.

Krzysztof Michalski was also a member of the Strategy Committee until 20 December 2023 (date of resignation).

NUMBER OF MEETINGS There were 3 meetings of the Strategy Committee in 2023.

ATTENDANCE OF MEMBERS OF THE STRATEGY COMMITTEE AT COMMITTEE MEETINGS IN 2023.

Name and Surname	Attendance *
Mariusz Andrzejewski	3/3
Dominik Kaczmarek	3/3
Andrzej Kisielewicz	3/3
Tomasz Kuczur	3/3
Krzysztof Michalski	3/3
Robert Pietryszyn	1/3
Bogdan Szafranski	3/3

* Attendance at meetings / number of meetings in the period of performing the function.

11.2.9 MANAGEMENT BOARD OF PKO BANK POLSKI S.A. - COMPOSITION, POWERS AND PRINCIPLES OF FUNCTIONING

[GRI 2-9] The Management Board of PKO Bank Polski S.A. consists of three to nine members. The Management Board members are appointed by the Supervisory Board for a joint three-year term. [GRI 2-11] Appointing the President of the Management Board and the Board member responsible for overseeing the management of material risk in the Bank's operations requires the consent of the PFSA.

The current term of office of the Management Board began on 3 July 2020.

CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD

In 2023, composition of the Bank's Management Board changed as follows:

- Mr Andrzej Kopyrski joined the Bank's Management Board on 1 January 2023, pursuant to a decision of the Bank's Supervisory Board of 15 December 2022;
- Mr Paweł Gruza resigned, effective at the end of 12 April 2023, from managing the work of the Bank's Management Board and from applying for the position of President of the Bank's Management Board; the resignation submitted did not mean Mr Paweł Gruza's resignation from participation in the composition of the Management Board of the Bank or from the function of the Vice-President of the Management Board of the Bank;
- Mr Mieczysław Król resigned as a member of the Bank's Management Board with effect from 13 April 2023;
- The Bank's Supervisory Board dismissed Mr Maks Krackowski from the Bank's Management Board with effect from 13 April 2023;
- The Supervisory Board appointed Mr Dariusz Szwed as Vice-President of the Bank's Management Board, effective 14 April 2023, for the current joint term of office of the Bank's Management Board, which commenced on 3 July 2020, and at the same time appointed Mr Dariusz Szwed as President of the Bank's Management Board, subject to the approval of the Polish Financial Supervision Authority and as of the date of such approval;
- The Polish Financial Supervision Authority unanimously approved the appointment of Mr Dariusz Szwed as President of the Bank's Management Board effective 31 August 2023;

Due to the above changes in the composition of the Bank's Management Board, the Supervisory Board approved amendments to the internal division of responsibilities on the Bank's Management Board, which came into effect on 14 April 2023. In addition, in 2023 the Bank's Supervisory Board approved changes to the internal division of responsibilities unrelated to the change in the composition of the Bank's Management Board, which came into effect on 1 July, 1 September and 4 October 2023.

Following changes in the composition of the Bank's Management Board and changes in the division of responsibilities, the Nominations and Remuneration of the Bank's Supervisory Board carried out an assessment, as a result of which it confirmed:

- the individual suitability of the new member of the Bank's Management Board, Mr Dariusz Szwed, and the collective suitability of the entire Management Board;
- the individual suitability of the members of the Bank's Management Board affected by the above change in responsibilities, including: Maciej Brzozowski (in April and in June), Marcin Eckert (in April), Paweł Gruza (in April) and Andrzej Kopyrski (in April and in August), Dariusz Szwed (in October).

The suitability assessment was approved by the Bank's Supervisory Board.

Additionally, in connection with the Vice-President Marcin Eckert taking up a function in the Supervisory Board of Bank Pocztowy, as well as with the change in the structural assignment of the Bank's organisational entity in the supervision of corporate and strategic corporate clients, the Nominations and Remuneration Committee of the Bank's Supervisory Board carried out an assessment of the impact of the above circumstances on the individual assessment of suitability of the Vice-Presidents, as a result of which the continued suitability of the Vice-Presidents to perform the function in the Bank's Management Board was confirmed. The suitability assessment was approved by the Bank's Supervisory Board.

Taking the above into account, in 2023 the Nominations and Remuneration Committee of the Supervisory Board carried out:

- preliminary suitability assessment - related to the appointment of a new member to the Management Board (April);
- additional suitability assessment - related to the change in the division of competences in the Bank's Management Board and to the occurrence of the aforementioned other circumstances that may affect the individual suitability assessment of the members of the Bank's Management Board (February, April, June, August and October);
- periodical suitability assessments - related to the annual assessment of the suitability of the members of the Bank's Management Board (December);
- collective suitability assessments of the Management Board (additional assessment related to the change in the composition of the Management Board and periodic assessment) - taking into account the personnel changes made and changes in the internal division of competences within the Management Board (April and December).

The suitability assessments were performed in accordance with the "Suitability policy concerning the Management Board members and key officers of the Bank and suitability assessment at the Bank's Group companies".

As a result of the above assessments, the Nominations and Remuneration Committee of the Supervisory Board confirmed the individual suitability of the members of the Bank's Management Board and the collective suitability of the Management Board. The above suitability assessments were approved by the Supervisory Board.

As at 31 December 2023, the Bank's Management Board consisted of 8 people.

COMPOSITION OF THE MANAGEMENT BOARD OF PKO BANK POLSKI S.A.

Composition of the Management Board as at 31 December 2023.

DARIUSZ SZWED - PRESIDENT OF THE MANAGEMENT BOARD SUPERVISING THE MANAGEMENT BOARD PRESIDENT AREA

Member of the Management Board since 14 April 2023.

The Supervisory Board of the Bank appointed Mr Dariusz Szwed (with effect from 14 April 2023) as the President of the Bank's Management Board, subject to the consent of the PFSA and upon obtaining such consent. Until that consent was obtained, Mr Dariusz Szwed was the Vice President of the Bank's Management Board managing the work of the Bank's Management Board. On 31 August 2023, the Polish Financial Supervision Authority unanimously approved the appointment of Mr Dariusz Szwed as President of the Bank's Management Board.

Dariusz Szwed has got almost 30 years' experience in the financial sector. Since 2021, he was the Member of the Management Board of Bank Gospodarstwa Krajowego in which he recently supervised the area of business and banking operations, following supervising earlier the areas of IT, European funds and implementation of the internal pillar "Digital and process transformation, within bank's strategy 2021-2025".

In the years 2019-2021 he was the Vice President of the management board of Alior Bank, where he supervised the entire bank's business - sales and products for retail and business customers, treasury activities, private banking area and a brokerage office. At the same time, he was the president of the management board of Alior TFI. He was also a member of several committees, including the credit committee. Previously, since 1995, he worked in Santander Bank Polska, recently as the director of the private banking department, where he was responsible for supervision over comprehensive business activities, including operational, credit and reputational risk in this area. He also supervised the retail activity of the bank's brokerage office. He was also a member of the team managing the merger of Santander Bank Polska and the separated part of Deutsche Bank, where he was responsible for the analysis and implementation of business solutions in the merged bank.

Graduate of the banking and finance faculty of WSB University of Poznan and management faculty of Czestochowa University of Technology. He also holds a diploma from the SGH Warsaw School of Economics.

Year of birth: 1973

Functions performed in the Bank's standing committees in 2023	Risk Committee (Chair) - since 31 August, Transformation Committee (Chair) - since 31 August, IT Security Committee (Chair) - since 31 August, Asset and Liability Management Committee (Chair) - since 31 August, Asset and Liability Management Committee (member) - from 14 April to 30 August, Sustainable Development Committee (Chair) - since 10 July, Strategy Committee (Chair) - from 14 April,
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MACIEJ BRZOWSKI – VICE-PRESIDENT OF THE BANK'S MANAGEMENT BOARD IN CHARGE OF THE RETAIL AND CORPORATE BANKING AREA,

Member of the Management Board since 25 March 2022.	<p>He graduated from the Faculty of Management at the University of Warsaw. He holds the Master of Business Administration title.</p> <p>Maciej Brzowski has been working in the banking sector since the beginning of his professional career. He started his career in 1996 at PKO Bank Polski S.A. Since 1999 he was involved in sales and risk area at Kredyt Bank S.A. He also coordinated the optimization of business processes in the organization. He participated in works related to building models determining the risk of default for corporate entities and calculating capital requirements.</p> <p>Since 2008 to 2012 he held managerial functions in the Risk Assessment Department and the Inspection Department in the Polish Financial Supervision Authority Office, where he was responsible, among others, for the area of banking regulations and validation of advanced credit risk models for calculating banks' capital requirements.</p> <p>In 2017-2020, he has dealt with the issues of risk and stability of the financial system and influence of EU regulations on functioning of the banking sector at the National Bank of Poland as deputy director of the Financial Stability Department. His responsibilities also included cooperation with the European Systemic Risk Board in the area of systemic risk.</p> <p>Member of the Management Board of Alior Bank S.A. until 24 March 2022, responsible for risk management (obtained approval from the Polish Financial Supervision Authority). He oversaw the areas of credit, debt recovery and restructuring, market, liquidity and operational risks and capital requirements. He chaired and was a member of the relevant committees in this regard.</p> <p>He was a member of the Supervisory Boards of Alior TFI S.A. and Alior Leasing Sp. z o.o.</p> <p>Member of the Management Board of PKO Bank Polski S.A. since 25 March 2022. He also serves as Chair of the Supervisory Board of PKO Towarzystwo Funduszy Inwestycyjnych S.A. and Deputy Chair of the Supervisory Board of PKO Bank Hipoteczny S.A.</p> <p>He lectured on the basics of financial risk at the Social College of Entrepreneurship and Management in Łódź.</p>
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Year of birth: 1973

Functions performed in the Bank's standing committees in 2023	Credit Committee of the Bank (Member); Risk Committee (Member); Strategy Committee (Member); Asset and Liability Management Committee (Member); Sustainable Development Committee (Member).
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MARCIN ECKERT – VICE-PRESIDENT OF THE MANAGEMENT BOARD OF THE BANK IN CHARGE OF THE FINANCE AND ACCOUNTING AREA

Member of the Management Board since 8 June 2021.

Graduate of the Advanced Management Program at the Harvard Business School. He also completed the Leadership Academy for Poland programme and graduated from the Faculty of Law and Administration at the Nicolaus Copernicus University in Toruń.

Previously he worked for the PZU Group as the Managing Director for Corporate Matters (from 2017). In the years 2019-2021, he was a member of the Management Board of PZU S.A. and PZU Życie S.A. At the PZU Group, he was responsible for the strategy and projects, the Administration Office, the Corporate Governance Office, the Office of Supervision of Foreign Companies and the Information Technology Function. In 2018-2020, he was a member and Deputy Chair of the Supervisory Board of Alior Bank S.A. and Chair of the Supervisory Board of PZU Zdrowie S.A., from June 2020 to June 2021 he was Deputy Chair of the Supervisory Board of Bank Pekao S.A. At present, Mr Eckert is the Chair of the Supervisory Board of Totalizator Sportowy sp. z o.o. and PKO BP BANKOWY PTE S.A. and Deputy Chair of the Supervisory Board of Bank Pocztowy S.A.

He has been an attorney-at-law since 2001, specializing in commercial law, tax law and labour law. Before joining the PZU Group he worked as Senior Associate at Bird & Bird Szepietowski i Wspólnicy (as the Benefits & Compensation practice leader). Before that, he worked for TGC Tax Advisers sp. z o.o. (as director of the Tax Department), Mazars Audyt Sp. z o.o. (as director of the Tax and Legal Department) and Ernst & Young (Senior Manager).

Year of birth: 1971

Functions performed in the Bank's standing committees in 2023

Data Quality Committee (Deputy Chair);
Risk Committee (Member);
Operational Risk Committee (Member);
Strategy Committee (Member);
Transformation Committee (Member);
Assets and Liabilities Management Committee (Member);
Sustainable Development Committee (Member).

PAWEŁ GRUZA – VICE-PRESIDENT OF THE BANK'S MANAGEMENT BOARD IN CHARGE OF THE OPERATIONS AND INTERNATIONAL BANKING AREA

Member of the Management Board since 10 August 2022.

He graduated from the University of Warsaw's Faculty of Law and Administration.

From 10 September 2018 he held the position of the Vice President of the Management Board (International Assets) in KGHM Polska Miedź S.A. An Undersecretary of State in the Ministry of Finance since November 2016. Co-author of the tax reform. An Undersecretary of State in the Ministry of the State Treasury from April to November 2016. He managed a portfolio of companies with State Treasury ownership and state legal entities. He worked on reforming supervision over State Treasury companies. An expert and a management board member of Fundacja Republikańska (Republican Foundation) from 2007 to 2016. As a representative of the minister responsible for financial institutions he was also a member of the Polish Financial Supervision Authority.

He was a partner and a management board member of MMR Consulting sp. z o.o., as well as a partner in the tax consultant office GWW Tax from 2007 to 2016. In 2000-2006 he worked in consultancy companies, Arthur Andersen and

Year of birth: 1977	Ernst & Young. He managed interdisciplinary consultant projects for Polish and international companies from the industrial and financial sector. Author and co-author of numerous publications on taxes and social security.
Functions performed in the Bank's standing committees in 2023	Risk Committee (Member) – since 26 May; Operational Risk Committee (Member) – since 27 April; Strategy Committee (Member); Asset and Liability Management Committee (member) - from 1 February to 12 April; Sustainable Development Committee (Member).

WOJCIECH IWANICKI – VICE-PRESIDENT OF THE MANAGEMENT BOARD OF THE BANK IN CHARGE OF THE ADMINISTRATION AREA

Member of the Management Board since 14 October 2021.	He graduated from the Faculty of Philosophy and Sociology of the Maria Curie-Skłodowska University (UMCS) in Lublin. He obtained the Executive Master of Business Administration title. He has several years of professional experience in the management of administration, logistics, infrastructure, human resources and IT. In 2017 he joined the PZU Group, where he performed the functions of director of the Administration Office at PZU S.A., PZU Życie S.A., PZU Centrum Operacji S.A., TUW PZUW. He was also a director in charge of administration and finance in the Public Procurement Office. In the years 2014-2016, director of the Office of the President of the General Counsel to the State Treasury. From 2006 to 2010, deputy director in the office of the President of the Republic of Poland. Deputy Chair of the Supervisory Board of Sigma BIS S.A. since October 2019.
Year of birth: 1974	
Functions performed in the Bank's standing committees in 2023	Risk Committee (Member) – since 26 May; Strategy Committee (Member); Sustainable Development Committee (Member).

ANDRZEJ KOPYRSKI – VICE-PRESIDENT OF THE BANK'S MANAGEMENT BOARD IN CHARGE OF THE CORPORATE AND ENTERPRISE BANKING AREA

Member of the Management Board since 1 January 2023.	He is a graduate of Warsaw University of Technology and University of Strathclyde in Glasgow. He started his banking career in Bank Pekao S.A. in 1992. In 1993-1996 he worked in corporate banking in ING Bank Polska S.A. and later he headed structured finance operations in Deutsche Bank Polska S.A. and since 1997 till 2001 he was Director in ABN Amro Bank (Polska) in charge of structured finance and capital markets. Since 2001 he held a position of Member of the Management Board in HSBC Financial Services (Poland). Since April 2002 he worked in Bank BPH S.A. as Managing Director responsible for Sales, Structured Finance and Capital Markets Area and after merger with Bank Pekao S.A. he took the responsibility for Investment Banking and Structured Finance Department. In 2008-2018 he was the Vice President of the Management Board of Bank Pekao S.A. managing the corporate and investment banking operations. Then he worked at the Polish Development Fund (PFR), where he was responsible for the Investment Division, supervising capital investments and the support program for large companies.
Year of birth: 1965	

Functions performed in the Bank's standing committees in 2023	Credit Committee of the Bank (Member); Risk Committee (Member); Strategy Committee (Member); Asset and Liability Management Committee (member) - since 27 April; Sustainable Development Committee (Member).
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ARTUR KURCWEIL - VICE-PRESIDENT OF THE BANK'S MANAGEMENT BOARD IN CHARGE OF THE TECHNOLOGY AREA

Member of the Management Board since 14 September 2021.	<p>Artur Kurcweil has more than 20 years of experience in IT management. In the years 2011-2021 he worked for the PZU Group: until 2019 as IT director, and from 2020 as the managing director for digitization. He was in charge of digital transformation of the PZU Group services, IT projects, ensuring business continuity and cyber security implementations. He also performed the function of director in charge of the Innovations Lab, a unit of the PZU Group dealing with cooperation with international start-ups, testing and implementing innovations. Before 2011, he worked at IBM for 5 years and at the Siemens Group for 8 years. During three years of work in the Siemens head office in Munich he gained international project experience and knowledge of consulting and international IT management.</p> <p>In his work, Artur Kurcweil is focused on innovation, digitization and effectiveness of processes and dynamic development of multi-channel business. Thanks to his professional experience gained both as a customer and a service provider, he understands the needs of the market and fast changes in the area of new technologies.</p> <p>He graduated from the SGH Warsaw School of Economics, where he completed studies in cyber security management, and from the West Pomeranian Business School in Szczecin, where he obtained BSc in information technology and econometrics and M.A. in economics.</p> <p>He is a member of the Supervisory Board of Krajowa Izba Rozliczeniowa S.A. and is a member of the Electronic Banking Council of the Polish Bank Association.</p>
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Year of birth: 1973

Functions performed in the Bank's standing committees in 2023	IT Architecture Committee (Chair); Data Quality Committee (Chair); IT Security Committee (Deputy Chair); Risk Committee (Member); Operational Risk Committee (Member); Strategy Committee (Member); Transformation Committee (Member); Sustainable Development Committee (Member).
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PIOTR MAZUR - VICE-PRESIDENT OF THE BANK'S MANAGEMENT BOARD IN CHARGE OF THE RISK MANAGEMENT AREA

Member of the Management Board since 8 January 2013.	<p>He is Vice-President of the Management Board of PKO Bank Polski S.A. in charge of the Risk Management Area, upon the approval of the PFSA granted on 8 January 2013.</p> <p>He graduated from the Faculty of Organization and Management at the Academy of Economics in Wrocław.</p> <p>He has more than 30 years of experience in banking – mainly in the areas of risk, restructuring and loans, and in international financial groups operating in Europe, the USA and South America. A member of supervisory boards, creditors' committees, a member and chairman of key risk management committees. He participated in the development of the strategy of Bank Zachodni WBK S.A., was</p>
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directly responsible for risk management, optimization of debt collection and restructuring processes, and cooperated with the regulators in Poland and abroad.

He started his professional career in 1991 at Bank BPH S.A., in the loans area. In 1992, he joined Bank Zachodni S.A. and, following the merger with Wielkopolski Bank Kredytowy S.A., with BZ WBK S.A. In 1992-2000, he worked in the Capital Investments Department and in 2000-2005 he held the position of Director of the Credit Quality Control Department. In the years 2005-2008 he was the Director of Business Intelligence and Risk Management Area, and in the years 2008-2010 - Deputy Chief Risk Officer. From January 2011 he was Chief Credit Officer and from March 2012 also Deputy Chief Risk Officer. Moreover, he was Chair of the Credit Committee at BZ WBK S.A., Deputy Chair of the Credit Risk Forum, and Deputy Chair of the Risk Model Forum.

He was a member of the Supervisory Boards of the following PKO Bank Polski S.A. Group companies: PKO Bank Hipoteczny S.A., PKO Leasing S.A. and PKO Faktoring S.A.

He is a member of the Supervisory Board of Biuro Informacji Kredytowej S.A. and System Ochrony Banków Komercyjnych S.A.

Year of birth: 1966

Functions performed
in the Bank's standing committees
in 2023

The Bank's Credit Committee (Chair);
Operational Risk Committee (Chair);
Risk Committee (Deputy Chair);
Sustainable Development Committee (Deputy Chair);
IT Security Committee (Member);
Data Quality Committee (Member);
Strategy Committee (Member);
Asset and Liability Management Committee (Member).

PRINCIPLES OF OPERATION OF THE MANAGEMENT BOARD

The Management Board of the Bank operates on the basis of generally applicable laws, the Bank's Articles and the Rules of the Management Board adopted by the Management Board and approved by the Supervisory Board.

The Management Board manages the Bank's affairs and represents the Bank. The Bank informs the Supervisory Board of all significant issues concerning the Bank's operations.

The Management Board performs its activities at the Management Board meetings. The Management Board meetings are organized on an as needed basis, not less frequently than once a week.

The President of the Management Board manages the work of the Management Board, i.e. convenes the Management Board meetings and presides over them and presents the Management Board's position to other bodies of the Bank and third parties.

The Management Board makes decisions in the form of resolutions at meetings or outside meetings by circulation (in writing). The Management Board may make decisions with the use of the means of direct remote communication, including in particular e-mail.

Resolutions of the Management Board are required with respect to all matters exceeding the scope of the Bank's ordinary business. Resolutions concerning risk management may be passed in the absence of the Management Board member in charge of material risk in the Bank's operations in exceptional cases only. If the vote of the Management Board member in charge of the material risk in the Bank's operations on a resolution concerning risk management is different from the vote of a majority of the Management Board members or from the preliminary proposal included in the draft resolution, such member should provide a written explanation of his/her decision. The Management Board shall be obliged to notify the Supervisory Board of this fact immediately and provide it with a written explanation of the reasons behind the votes of the Management Board and the Management Board member in charge of the material risk in the Bank's operations.

Resolutions of the Management Board are passed by an absolute majority of votes. In the event of an equal number of votes, the President of the Management Board has the casting vote.

The Management Board's working procedures and matters that require a Management Board resolution are specified in the Rules of the Management Board.

By Resolution No 33/2023 of the Supervisory Board of 9 March 2023, the Supervisory Board approved the Regulations of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna adopted by the Management Board.

The amendment to the Regulations of the Management Board was intended to streamline the process of preparing Management Board meetings and to clarify and adapt the provisions of the Regulations to current practice with regard to the preparation and approval of materials for Management Board meetings, their placement on the meeting agenda and the signing of resolutions and minutes.

The powers of the President of the Management Board have also been clarified and it has been indicated that regulations issued by the President of the Management Board apply to the preparation and approval of meeting materials and the placing of topics on the agenda of Management Board meetings. The catalogue of amendments also includes provisions adapting the scope of the information contained in the minutes of the Management Board meeting to the current practice of the body. In addition, the possibility for the Management Board to receive information material using the electronic communication systems in place at the Bank was sanctioned.

Declarations on behalf of the Bank may be made by:

- the President of the Management Board acting independently;
- two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy;
- two proxies acting jointly;
- attorneys acting independently or jointly, within the framework of the power of attorney granted.

As at 31 December 2023, there were four proxies at the Bank. One proxy was revoked in 2023.

In 2022, the Bank's Management Board held 55 meetings and passed 690 resolutions.

The participation of the Bank's Management Board members in the meetings in 2023 is presented in the following table.

Table 30. Attendance of Management Board members in 2023

Name and Surname	Attendance *
Dariusz Szwed	38/39
Maciej Brzozowski	51/55
Marcin Eckert	45/55
Paweł Gruza	50/55
Wojciech Iwanicki	51/55
Andrzej Kopyrski	45/55
Artur Kurcweil	47/55
Piotr Mazur	48/55

* Attendance at meetings / number of meetings in the period of performing the function.

COMPETENCES AND RESPONSIBILITIES OF THE MANAGEMENT BOARD

The competences of the Management Board include all matters related to managing the affairs of PKO Bank Polski S.A. that do not fall within the competences of the General Shareholders' Meeting or the Supervisory Board in accordance with the provisions of the generally applicable law or the Bank's Articles.

In accordance with the Management Board Rules, the competences of the Bank's Management Board include in particular:

- defining the Bank's strategy and the Bank management strategy, taking into account the risk of the operations and the principles of prudent and stable management of the Bank;
- defining the risk management strategy and the overall risk tolerance level;

- establishment and liquidation of the Bank's standing committees and defining their characteristics;
- establishing, transforming and liquidating the Bank's entities in Poland and abroad;
- defining the Rules for managing special funds created from net profit, the Bank's Organizational Rules and the Management Board Rules;
- appointing proxies and defining the rules for appointing attorneys at the Bank;
- defining the principles for the functioning of the management system, including in particular: the principles for the functioning of the internal control system, the principles for management of specific risks, the non-compliance risk management policy assumptions, the principles of the information policy with respect to capital adequacy, the principles for capital adequacy and equity management concerning the processes of internal capital estimation, capital planning and dividend policy;
- defining the annual financial plan for the Bank and the Bank's Group;
- defining the principles for the identification of business models and performing tests of contractual cash flow characteristics;
- defining accounting policies;
- adopting annual and interim financial statements of the Bank, consolidated financial statements of the Bank's Group and quarterly reports of the Bank's Group;
- defining bancassurance policies;
- defining the remuneration policy, which is also applicable to the Bank's subsidiaries;
- defining bank products and other banking and financial services;
- defining the principles of the Bank's participation in companies and other organizations;
- making decisions on the payment of interim dividend to the shareholders.

Decisions on the acquisition of the Bank's shares for the purposes of their redemption and determining the value of remuneration for shares redeemed, and on increasing or reducing the Bank's share capital are not within the competences of the Management Board – they are taken by the General Shareholders' Meeting.

Members of the Management Board supervise the areas of activities allocated to them and make decisions on matters of ordinary management within the areas supervised by them.

As at the end of 2023, the internal division of responsibilities within the Bank's Management Board is as follows:

- [GRI 2-12] The President of the Management Board (overseeing the President's Area) is in particular in charge of matters related to supervision of the operation of the Bank's bodies, supervision of the operation of the Bank's standing committees, macroeconomic strategy and analysis, internal audit, security, compliance risk, conduct risk, reputation risk, legal services, human resources management, communication and marketing as well as corporate governance and coordination of ESG activities;
- The Vice-President of the Management Board in charge of the Retail and Corporate Banking area is responsible in particular for matters relating to the development of the product offering for private individuals, including the design of the investment banking and insurance offering, product sales and services to private individuals and companies;
- The Vice-President of the Management Board in charge of the Corporate and Enterprise Banking Area is responsible in particular for matters relating to institutional banking, the development of the Bank's treasury product offering and its own activities in the financial market, the development of the product offering for companies, enterprises and corporate and public sector banking customers, the sale of products to these customers, excluding companies;
- The Vice-President of the Management Board in charge of the Finance and Accounting Area is responsible in particular for the following matters: financial planning and controlling, accounting and financial reporting, and taxes;
- The Vice-President of the Management Board in charge of the Administration Area is responsible in particular for the Bank's property management and procurement matters;
- The Vice-President of the Management Board in charge of the Operations and International Banking area is responsible, in particular, for the handling of operations, the customer advocacy function, the provision of

fiduciary services, the sale of products and the servicing of international banking customers, the servicing of customers via means of remote communication, product administration and cash management;

- The Vice-President of the Management Board in charge of the Technology Area is responsible in particular for telecommunications and IT matters;
- The Vice-President of the Management Board in charge of the Risk Management Area is responsible in particular for the management of all risks relating to the Bank's activities, excluding compliance risk, conduct risk and reputation risk, as well as matters relating to the restructuring and recovery of the Bank's receivables.

The current organisational chart of the Bank, including the areas of responsibility of individual members of the Management Board, is available on the Bank's website in the Investor Relations section at [Corporate governance principles - PKO Bank Polski \(pkobp.pl\)](https://www.pkobp.pl/corporate-governance-principles).

In the performance of their duties, members of the Management Board should exercise the diligence required by the professional nature of their activities and maintain their loyalty to the Bank.

Members of the Management Board are not in breach of their duty of care arising from the professional nature of their activities if, in acting loyally towards the company, they act within the limits of reasonable economic risk, including on the basis of information, analyses and opinions that should be taken into account in the circumstances in making a careful assessment.

BANK COMMITTEES COMPRISING MEMBERS OF THE MANAGEMENT BOARD

As at the end of 2023, the following standing committees functioned in the Bank with the participation of members of the Management Board:

ASSET AND LIABILITY COMMITTEE

PURPOSE	Managing assets and liabilities by influencing the structure of the balance sheet of the Bank and its off-balance sheet items in a manner conducive to achieving the optimum financial result.
TASKS	Supporting the Management Board in the following activities of the Bank and its Group: <ul style="list-style-type: none">– shaping the structure of the Bank's balance sheet;– capital adequacy management;– managing profitability, taking into account the specific nature of the individual areas of activity and the respective risks;– managing financial risk, including market and liquidity risks, business risk, and credit risk (settlement and pre-settlement risk) of the transaction on the wholesale market.

RISK COMMITTEE

PURPOSE	Setting strategic directions and tasks with respect to banking risk in the context of the Bank's strategy, the macroeconomic situation and the regulatory environment, analyzing periodic reports related to banking risks and developing appropriate guidance based thereon, as well as preparing the banking risk management strategy and its periodic reviews.
TASKS	Monitoring the integrity, adequacy and effectiveness of the banking risk management system, capital adequacy and allocation of internal capital to individual business lines and implementing the risk management policy pursued as part of the Bank's Strategy. Analysing and evaluating the utilization of strategic risk limits set in the Banking Risk Management Strategy. Expressing opinions on periodic risk reports submitted for approval to the Supervisory Board and taking into account information from these reports when issuing opinions.

CREDIT COMMITTEE

PURPOSE	Management of credit risk occurring when taking lending decisions or decisions concerning liabilities managed by responsible units of the Bank, as well as management of the risk of incurring losses as a result of taking wrong business decisions on the basis of the credit risk models.
TASKS	Making decisions on the segregation of duties to make credit or sales decisions and claims management decisions.

Making lending decisions concerning the biggest matters of the Bank's Customers, as well as issuing recommendations for the Bank's Management Board in lending matters.

Making decisions in matters concerning restructured receivables.

Setting industry limits, limits concerning appetite for portfolio credit risk and exposure concentration risk.

Making decisions concerning the implementation of credit risk models and anti-fraud models in lending processes, in particular with respect to scoring or rating.

Making decisions on the implementation of a model for determining allowances for expected credit losses on financial assets.

Accepting reports on the monitoring or review of models and loan portfolio quality, in which credit risk models are used.

Accepting monthly and quarterly credit risk reports.

OPERATIONAL RISKS COMMITTEE

PURPOSE Effective management of operational risk to improve the safety of the Bank's operations.

TASKS Determining the directions of operational risk management development.

Supervising the functioning of operational risk management, including the tasks concerning continuity of the Bank's operations.

Coordination of operational risk management.

Determining measures to be taken in the event of an emergency which exposes the Bank to reputational risk and results in operating losses.

Making decisions about implementing and changing the model for legal risk related to mortgage loans.

TRANSFORMATION COMMITTEE

PURPOSE Ensuring the effective transformation of the Bank in line with its development directions, including ensuring the consistency of business objectives and maximization of the business value of changes in the Bank (e.g. within formations and projects).

TASKS Operational management of the Bank's Strategy implementation.

Performing key roles in the New Management Model (NMM) in accordance with the Bank's internal regulations concerning the New Model of Work and the New Management Model.

Making decisions on the implementation of and changes to projects, as well as decisions pertaining to tangible costs and other operating costs.

Allocation of funds for urgent purchases resulting from the business continuity plan in the event of a crisis.

Overseeing projects and development initiatives, particularly work progress, project budgets, financial and non-financial benefits.

Initiating activities enhancing the Bank's effectiveness.

Managing the annual financial limit for the implementation of projects; and development initiatives.

Solving disputes within the area of competences of the Committee, on lower decision-making levels

STRATEGY COMMITTEE

PURPOSE Oversight of the strategic planning process and management of the Bank's strategy.

TASKS Managing the activities relating to Strategy development and implementation.

Making decisions, recommendations, recommendations or opinions on strategic planning and management of the Strategy.

Oversight of the implementation of the Strategy and the achievement of the strategic objectives.

Resolving any disputes arising during the development and implementation of the Strategy.

IT ARCHITECTURE COMMITTEE

PURPOSE	Development of the IT architecture ensuring the implementation of the Bank's Strategy.
TASKS	Development of key assumptions of the IT architecture of the Bank (principles). Periodic evaluation of the IT architecture functioning at the Bank. Development of a target architecture model. Initiating activities aimed at implementing the target architecture model.

IT SECURITY COMMITTEE

PURPOSE	Increasing the effectiveness of supervision and control over the IT system safety at the Bank (SIB).
TASKS	Issuing recommendations on the SIB safety, in particular related to: <ul style="list-style-type: none">- coordination and monitoring of work related to the SIB safety;- setting the directions of the activities of the Bank with respect to SIB safety;- specifying actions, which should be taken in the event of emergency situations which put the Bank's image at risk and cause operating or financial losses in the area of SIB safety;- monitoring the risk related to SIB safety.

DATA QUALITY COMMITTEE

PURPOSE	Setting strategic directions of the activities relating to data quality management and data architecture at the Bank in the context of the Data Management System (DMS), oversight of its functioning and assessment of its effectiveness and the activities undertaken by the individual organizational units of the Bank.
TASKS	Taking decisions on data management in the Bank, including in particular decisions pertaining to: <ul style="list-style-type: none">- DMS development directions;- determining the conditions for non-compliance with data quality requirements, in particular in cases justified by the continuity of the Bank's operations. Making recommendations to the Bank's units on data management, in particular with regard to: <ul style="list-style-type: none">- activities carried out by the Bank's units;- introducing new or changing existing data management solutions;- preparing drafts of new internal regulations or amendments to existing regulations of the Bank;- prioritization of activities within the DMS and prioritisation of action plans. Making recommendations to the Bank's Management Board on data management, in particular: <ul style="list-style-type: none">- on the strategic directions of the development of the DMS;- the adoption of Management Board resolutions that affect data quality.

SUSTAINABLE DEVELOPMENT COMMITTEE

PURPOSE	Making or developing the decisions needed to achieve the Bank's and the Bank Group's strategic objectives in terms of sustainability and overseeing the operation of an integrated system for managing the impact of ESG (Environmental, Social, Governance) factors on the Bank and the Bank's Group (ESG Governance);
TASKS	Oversight of the implementation of ESG policies, strategies, regulations and standards at the Bank and the Bank's Group to ensure compliance with sustainability regulations, including in particular: <ul style="list-style-type: none">- Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment (taxonomy);- Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (SFRD);- Directive 2014/95/EU of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (NFRD);- Directive (EU) 2022/2464 of the European Parliament and of the Council of amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (CSRD).

Oversight of the implementation within the Bank and the Bank's Group of the data infrastructure and IT solutions needed for ESG management, including the aggregation and systematisation of data based on the principles arising from the regulations indicated above.

Determination of climate and environmental impact targets for the Bank and the Bank's Group and oversight of their implementation.

Oversight of the classification of assets in terms of Taxonomy (eligible assets).

In addition to the aforementioned functions, members of the Bank's Management Board were also members of non-standing committees established within the framework of projects. The Bank also has the Investment Committee and the Sponsorship Committee. Members of the Management Board are not members of these committees.

11.2.10 DIVERSITY POLICY IN THE COMPOSITION OF THE BANK'S MANAGEMENT BOARD AND SUPERVISORY BOARD

THE IMPLEMENTED DIVERSITY POLICY

The diversity policy for the members of the Bank's Management and Supervisory Boards is an important part of the Bank's suitability assessment policies, i.e.:

- The suitability policy concerning the Management Board members and key officers of the Bank and suitability assessment at the Bank's Group companies;
- The policy on assessing the suitability of candidates for members and members of the Bank's Supervisory Board.

The provisions implemented by the Bank set the directions for selecting, appointing and planning succession, including staff resources and suitability assessment of the Management Board members and key officers of the Bank. These persons are assessed in terms of their competences, knowledge and skills, experience adequate to the position and reputation understood as sufficiently unblemished opinion, honesty and ethical behaviour. Based on the regulations implemented, the General Shareholders' Meeting makes decisions on the selection and suitability assessment of the candidates and members of the Bank's Supervisory Board, the Supervisory Board makes decisions on the selection and suitability assessment of the Management Board members, and the Management Board members make decisions on the selection and suitability assessment of the MRT (Material Risk Takers). The Bank's Supervisory Board monitors the effectiveness of the policy applied and, if appropriate, makes changes taking into account the recommendations of the Nominations and Remuneration Committee.

Following the annual review of the Management Board Suitability Policy, in December 2023 the Bank's Supervisory Board adopted amendments to the provisions of the Diversity Policy regarding:

- specifying the deadline and method of achieving the gender diversity objectives on the Management Board by assuming that the target achievement of at least a minimum level of gender diversity (i.e. 30%) in the composition of each Bank's Management Board should take place starting from the appointment of the Bank's Management Board for a new joint term after 31 December 2025, and that the achievement of this target will be achieved by applying the principle of equal opportunities in the selection of Management Board members and fostering a culture of diversity in the organisation.

Equivalent changes to the diversity policy for members of the Bank's Supervisory Board are planned for 2024.

DIVERSITY POLICY ASSUMPTIONS

- The policies for assessing the suitability of candidates and members of the Bank's Management Board and candidates and members of the Bank's Supervisory Board include the Bank's/General Shareholders' Meeting's commitment to take into account the principles of diversity in selecting candidates for members of the aforementioned bodies.
- The principle of diversity in selecting the Bank's Supervisory Board and Management Board members is based on objective substantive criteria in terms of education, skills and professional experience. The additional criteria which support diversity in the composition of these bodies are age and gender.
- When making changes to the composition of the Bank's Management Board, including the selection of members of the Management Board for a new term of office, the Bank's Supervisory Board shall each time analyse the possibility of taking into account gender diversity objectives.

- The policies contain the commitment to monitor the effectiveness of their application, including in terms of diversity objectives.
- The suitability assessment policy contains an obligation for the Bank's subsidiaries to introduce regulations regarding the principles of suitability – respective regulations are in place in the Group entities.

STRUCTURE OF THE MANAGEMENT AND SUPERVISORY BODIES AND MRT (MATERIAL RISK TAKERS)

Table 31. Diversity by gender, age and experience – statistics as at 31 December 2023 [GRI 405-1]

Gender	Women	Men
Supervisory Board	1	9
Management Board	-	8
MRT (Material Risk Takers)	17	58

Age	30-40	41-50	51-60	above 60
Supervisory Board	1	2	3	4
Management Board	-	5	3	-
MRT (Material Risk Takers)	6	44	24	1

Years of service at the Bank	up to 5 years	5-10 years	10-15 years	15-20 years	above 20 years
Supervisory Board	7	3	-	-	-
Management Board	6	1	1	-	-
MRT (Material Risk Takers)	22	18	12	9	14

Years of service at the Bank: for members of the Management Board and Supervisory Board there are years at the position in the Management Board and Supervisory Board.

OBJECTIVES OF DIVERSITY OF THE COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

- The application of the diversity policy is aimed at ensuring appropriate selection of the Management Board and Supervisory Board members in order to obtain a wide range of competences, knowledge and skills adequate to a particular position and ensure that the Management Board and Supervisory Board members (both individually and collectively) issue top quality, independent opinions and decisions in all areas of the Bank's operations.
- In their selection of members of the Bank's bodies, the General Shareholders' Meeting and the Supervisory Board of the Bank try to achieve gender balance in the composition of the Bank's Supervisory Board and Management Board, respectively, or at least to achieve a minimum representation of the less numerous gender at 30%, taking into account the results of the suitability assessments.
- The target achievement of at least a minimum level of gender diversity in the composition of each Bank's Management Board should take place starting from the appointment of the Bank's Management Board for a new joint term after 31 December 2025.
- The diversity targets relating to the composition of the Supervisory Board and the Management Board of the Bank are considered in the selection of members of these bodies only to the extent that it does not have an adverse effect on their functioning and suitability.

11.3 SHARES OF PKO BANK POLSKI S.A. AND ITS RELATED ENTITIES HELD BY MEMBERS OF THE BANK'S AUTHORITIES

The table below shows the number of shares in PKO Bank Polski S.A. held by members of the Bank's Management Board as at the date of publication of the Directors' Reports on the activities of the Bank's Group in 2023.

Table 32. Shares of PKO Bank Polski S.A. held by members of the Bank's Management Board (composition as at the date of publication of the report for 2023)

Full name	Number of shares held as at the date of publication of the report for:			
	2023		2022	
	Number of shares	Total nominal value of shares held in PLN	Number of shares	Total nominal value of shares held in PLN
Szymon Midera	-	-	-	-
Maciej Cieślukowski	-	-	-	-
Marek Radzikowski	-	-	-	-
Piotr Mazur	8,000	8,000	8,000	8,000

As at the date of publication of the Directors' Reports on the activities of the Bank's Group in 2023 and 2022, members of the Bank's Supervisory Board did not hold any shares in PKO Bank Polski S.A.

Members of the Management Board and Supervisory Board and persons closely related to them are required to notify the Bank and the PFSA of any transactions concluded on their own account involving the Bank's shares, the Bank's debt instruments or derivative instruments and other related financial instruments of the Bank.

Members of the Management Board and Supervisory Board are also prohibited from concluding transactions on their own account or on the account of a third party, directly or indirectly, concerning the Bank's shares, the Bank's debt instruments or derivatives and other related financial instruments during the 30 days prior to the date of publication of its interim report by the Bank (closed period).

As at 31 December 2023, the members of the Management Board and Supervisory Board of the Bank did not hold shares or investment certificates in entities related to PKO Bank Polski S.A., i.e. its subsidiaries, joint ventures and associates.

12. OTHER INFORMATION

Purchase and sale of own shares
Information required based on Article 111a of the Banking Law
Published forecasts of financial results for 2022
Employee share plan
Significant agreements and material agreements with the central bank or supervisory authorities
Issues of securities of PKO Bank Polski S.A. in 2022
Underwriting agreements and guarantees granted to subsidiaries
Information on proceedings at court, before a competent arbitration tribunal or a public administration body
Loans incurred and advances, guarantee and surety agreements
Financial liabilities and guarantees granted
Value of collateral set up on accounts or assets of the borrowers
Seasonality of cyclical activity in the reporting period
Events that occurred after the date on which the financial statements are prepared

PURCHASE AND SALE OF OWN SHARES

PKO Bank Polski S.A. did not purchase or sell any own shares on its own account during the period covered by the report.

INFORMATION REQUIRED BASED ON ARTICLE 111A OF THE BANKING LAW

Table 33. Activities of the Bank's Group by EU member states and third countries

in PLN million	Turnover (revenues)*	Profit/loss before tax	Income tax expense	Profit/loss after tax	Number of employees in FTEs**
In EU member states:					
- Poland	39,440	8,594	2,646	5,701	23,628
- Czech Republic	61	28	0	34	8
- Germany	79	23	10	33	7
- Slovak Republic	12	0	0	0	5
- Sweden	2	-1	0	0	0
- Ireland	57	0	0	0	0
In third countries:					
- Ukraine	746	269	-121	146	1,489

* turnover (revenues) defined as the sum of interest income, fee and commission income and other operating income.

** Information on the number of employees is provided according to the guidance published by the Central Statistical Office in 2018 in "Methodical principles of labour market and salary statistics". Number of employees is calculated based on employment contracts, excluding employees on child care leave and unpaid leave granted for periods longer than 3 months continuously.

The above summary includes data of PKO Bank Polski S.A. and subsidiaries included in consolidation within the meaning of Article 4(1)(48) of the European Parliament and Council Regulation No 575/2013 (i.e. in prudential consolidation). Prudential consolidation, unlike consolidation in accordance with the International Financial Reporting Standards, covers only subsidiaries which meet the definition of an institution, a financial institution or an ancillary service undertaking.

PKO Bank Polski S.A. and subsidiaries of the Bank which are included in the prudential consolidation have their registered offices in the territory of Poland (where they mainly conduct the following activities: banking, asset management, investment and pension fund management, leasing and factoring, and provide brokerage and transfer agent services as well as provide technological solutions), Ukraine (banking and debt collection activities), Sweden (leasing and raising funds from bond issues) and Ireland (securitization of lease receivables). PKO Bank Polski S.A. also provides services through its branches in the Czech Republic, Germany, and Slovakia.

The presented values are the sum total of items in the separate financial statements of these entities (according to the data as at the date of the summary).

In 2022, PKO Bank Polski S.A. did not sign any agreements mentioned in Article 141t (1) of the Banking Law, i.e. financial support agreements with entities that are subject to consolidated supervision, which operate within the same holding, or with closely related entities.

Rates of return on assets of the Bank's Group and the Bank are presented in table No 1 and table No 5, respectively.

PUBLISHED FORECASTS OF FINANCIAL RESULTS FOR 2023

PKO Bank Polski SA did not publish forecasts of financial performance for 2023. In current reports, the Bank communicated information on significant events that affected the Bank's and the Bank's Group's results.

EMPLOYEE SHARE PLAN

No employee share plan is in place at PKO Bank Polski S.A.

SIGNIFICANT AGREEMENTS AND MATERIAL AGREEMENTS WITH THE CENTRAL BANK OR SUPERVISORY AUTHORITIES

PKO Bank Polski S.A. is obliged to inform in the current reports about all agreements meeting the definition of confidential information provided in Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse.

In 2023, The Bank has entered into and published information about a guarantee agreement entered into on 27 February 2023, which provides unfunded credit protection in respect of the Bank's portfolio of selected corporate credit receivables, in accordance with the CRR. The total value of the Bank's debt portfolio covered by this guarantee is over PLN 12,292 million, and the portfolio consists of the bond portfolio of PLN 1,515 million ("Portfolio A") and the

portfolio of other receivables of PLN 10,777 million ("Portfolio B"). The coverage ratio is 100% for Portfolio A and 80% for Portfolio B, therefore the total Guarantee amount is PLN 10,137 million. The maximum time of coverage under the Guarantee is 60 months, however the Bank is entitled to terminate the Guarantee prior to the expiry of this period.

In March 2023, PKO Bank Polski S.A signed an agreement with the National Bank of Poland for the Bank's participation in the Target-NBP system for euro-denominated payments.

Subsidiaries of PKO Bank Polski S.A. did not conclude any material agreements with the central bank or with the supervisory authorities.

ISSUES OF SECURITIES OF PKO BANK POLSKI S.A. IN 2023

On 1 February 2023, PKO Bank Polski S.A. issued 3-year Senior Preferred Notes with a total value of EUR 750 million. For details, see chapter 1.3.2. "Issue of Eurobonds to cover the minimum level of own funds and eligible liabilities (MREL) requirement".

UNDERWRITING AGREEMENTS AND GUARANTEES GRANTED TO SUBSIDIARIES

On 30 August 2017, PKO Bank Hipoteczny S.A. concluded an agreement with PKO Bank Polski S.A. amending the agreement signed in 2015 on the National Mortgage Covered Bond Issue Programme. In accordance with the amending agreement, Brokerage Office of PKO Bank Polski S.A. had the role of underwriter (until August 2017, mortgage covered bonds were offered as standard issue bonds). In 2023, PKO Bank Hipoteczny S.A. did not issue any mortgage covered bonds under the aforesaid agreement. The aggregate nominal value of issued and outstanding mortgage covered bonds issued as part of firm commitment underwriting was PLN 1,990 million as at 31 December 2023. The Brokerage Office's portfolio as at the end of 2023 contained mortgage-covered bonds with a total nominal value of PLN 20.0 million.

As at 31 December 2023, issues of bonds of PKO Bank Hipoteczny S.A. under the Bond Issue Programme were governed by the Agreement on the Bond Issue Programme of 30 September 2015, with subsequent annexes, signed with PKO Bank Polski S.A., pursuant to which the maximum value of bonds issued and not redeemed based on the programme is PLN 6 billion, and the Guarantee Agreement of 30 September 2015, with subsequent amendments, pursuant to which PKO Bank Polski S.A. undertakes to be the underwriter of the bonds issue up to a total value of PLN 1 billion. At the same time, on the basis of separate agreements, PKO Bank Hipoteczny S.A. authorized the Bank's Brokerage Office to act as Issue Agent and PKO Bank Polski S.A. to act as Dealer.

The liability of PKO Bank Hipoteczny S.A. in respect of the bonds issued as part of the aforesaid programme as at the end of December 2023 (in nominal value) amounted to PLN 2.0 billion. As at 31 December 2023, PKO Bank Polski S.A. held no bonds issued by the company.

In 2023, PKO Bank Polski S.A. issued, with regard to activities of its subsidiaries:

- two tender guarantees with a total value of PLN 1 million (up to April 2024);
- one guarantee for the repayment of loans with an aggregate value of EUR 115 million (up to December 2030);
- five guarantees for repayment of liabilities arising from the rental of office space and parking lots with a total value of PLN 1.1 million and EUR 6.8 thousand (up to March 2028).
- one guarantee to secure recourse factoring and reverse factoring agreements concluded in the event of non-payment for financed receivables (Risk Sharing) with a limit of up to PLN 100 million up to 24 November 2025. As at 31 December 2023, the guarantee had been called in the amount of PLN 13 million.

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

Taking into consideration the value of and an increase in the number of court proceedings, PKO Bank Polski S.A. considered as material the court proceedings relating to mortgage loans in convertible currencies. As at 31 December 2023, 30,498 on court proceedings were pending against the Bank (as at 31 December 2022: 19,522) relating to mortgage loans granted in previous years in foreign currency with a total value in dispute of PLN 11,948 million (as at 31 December 2022: PLN 7,725 million), including one group proceeding with 72 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.

Information on the value of all legal proceedings of the Bank and Bank's Group, as well as a description of the main disputes, including those relating to mortgage loans in convertible currencies, is presented in the financial statements of the Bank's Group and the Bank for 2023 – in Notes 47 “Legal claims” and 29 “Income taxes”, respectively.

LOANS INCURRED AND ADVANCES, GUARANTEE AND SURETY AGREEMENTS

In 2023, the Bank's Group did not incur any loans or advances, and did not receive any guarantees or sureties that would not be related to operating activities.

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED

As at 31 December 2023, net financial and guarantee liabilities of the Bank's Group amounted to PLN 95.2 billion, of which 87.1% were financial liabilities. Overall, the growth rate of financial and guarantee commitments granted was 11.1% y/y, mainly as a result of an increase in financial commitments for real estate credit lines and limits and for factoring, and a decrease in financial commitments for finance lease credit lines and limits.

Table 34. Off-balance sheet liabilities granted (in PLN millions)

	31.12.2023	31.12.2022	Change (in PLN million)	Change (%)
Financial liabilities granted:	82,922	73,205	9,717	13.3%
housing credit lines and limits	6,898	3,683	3,215	87.3%
business credit lines and limits	56,333	52,455	3,878	7.4%
consumer credit lines and limits	10,780	10,650	130	1.2%
factoring credit lines and limits	4,289	2,749	1,540	56.0%
finance lease credit lines and limits	738	843	-105	-12.5%
Other	3,884	2,825	1,059	37.5%
Guarantee commitments granted:	12,236	12,478	-242	-1.9%
financial entities	2,810	2,806	4	0.1%
non-financial entities	9,054	9,286	-232	-2.5%
public sector	372	386	-14	-3.6%
Total	95,158	85,683	9,475	11.1%

OPIS GWARANCJI I PORĘCZEŃ UDZIELANYCH PRZEZ BANK

PKO Bank Polski S.A., including foreign branches of the Bank, grant guarantees to secure liabilities resulting from the current activities of customers. These are mainly guarantees for: payment, due performance of contract (performance bond), statutory warranty (rękojmia), tenders (bid bond)), return of advance payment, loan repayment and customs duty guarantee. The Bank also grants counter guarantees and opens standby letters of credit. The guarantees are issued both on paper and in an electronic form.

The guarantees are granted based on the provisions of the Banking Law and Civil Code. Guarantees issued in international trading can be subject to the Uniform Rules for Demand Guarantees (if the parties so decide) or the provisions of a foreign law (if the guarantee is subject to such jurisdiction).

When granting a guarantee, the process of customer evaluation and the scope of information required is analogous to the one applicable to loans. The Bank uses the same approach to the evaluation of the credit risk as in the case of balance sheet exposures.

VALUE OF COLLATERAL SET UP ON ACCOUNTS OR ASSETS OF THE BORROWERS

At the end of 2023, the value of collateral set up on accounts or assets of the borrowers as part of the PKO Bank Polski S.A. Group was PLN 497 billion. The aforementioned amount concerns loan agreements, leases and loans.

SEASONALITY OF CYCLICALITY OF ACTIVITIES IN THE REPORTING PERIOD

PKO Bank Polski S.A. is a universal bank, which provides services on the whole territory of Poland, and thus its activities are exposed to seasonal fluctuations similar to those affecting the entire Polish economy. The operations of the other PKO Bank Polski S.A. Group companies do not show any material traits of seasonality or cyclicity either.

EVENTS THAT OCCURRED AFTER THE DATE ON WHICH THE FINANCIAL STATEMENTS ARE PREPARED

1. On 20 February 2024, the Management Board of PKO Bank Polski S.A. informed that it had decided to issue senior non preferred bonds ("Bonds") within the framework of the Programme for the issue of own bonds on the domestic market, the establishment of which was announced by the Bank in report No 32/2011 ("Programme"). The Programme has been modified in order to allow the Bonds to be recognised as eligible liabilities of the Bank pursuant to Article 97a(1)(2) of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and compulsory restructuring.

On 23 February 2024 the Bank completed the subscription of 5-year bonds „senior non preferred” of total nominal value PLN 1 billion made on the domestic market, under the PLN 5 billion Own Bond Issue Programme. The interest rate on the bonds is variable, being the sum of the WIBOR 6M reference rate and the margin of 159 bps. The Bank may be entitled to early redemption of the Bonds, after obtaining the consent of the Bank Guarantee Fund. The issue date is set for 28 February 2024. The bonds will be 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 compulsory restructuring.

2. On 21 February 2024, the Bank received the individual recommendation from the Polish Financial Supervision Authority („PFSA”) in which the PFSA confirmed that the Bank fulfils the criteria for the payment of dividend up to 75% of the profit for 2023, whereby the maximum amount of payment may not exceed the amount of the annual profit less the profit generated in 2023 already counted as own funds. The Bank has included in its own funds the net profit, achieved in the first half of 2023, in the amount of PLN 1,624,430,283 at standalone level and PLN 1,697,253,857 at consolidated level.

On 26 February 2024, the Bank received an extra explanation from the PFSA, in which the PFSA states that the amount of the interim dividend paid, derived from the part of the profit generated in 2022, allocated to the reserve capital for the payment of dividends (including interim dividends), may not reduce the amount indicated in the PFSA's position, about which the Bank informed above.

13. STATEMENT ON NON-FINANCIAL INFORMATION

13.1 GENERAL INFORMATION

[GRI 2-1] Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (PKO Bank Polski S.A. or the Bank) is a household name. The Bank has been listed on the Warsaw Stock Exchange (WSE) since 2004. The Bank is a joint-stock company entered into the National Court Register under number KRS 0000026438. The shareholding structure is presented in Table 27. The Bank's registered office is located in Warsaw.

The Bank, together with its subsidiaries, creates the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (the PKO Bank Polski S.A. Group or the Bank's Group). At the end of 2023, the Bank's Group comprised the parent entity (the Bank), 12 direct subsidiaries and indirect subsidiaries (see chapter 3.1).

The Bank's Group operates in the territory of the Republic of Poland. Moreover, through its subsidiaries it operates in the territory of Ukraine, Sweden and Ireland. It also operates branches in the Federal Republic of Germany, the Czech Republic and the Slovak Republic. The Bank also conducts cross-border business in EEA countries (Austria, Belgium, Denmark, France, Spain, the Netherlands, Norway, Portugal, Sweden, Hungary, Italy, Lithuania, Ireland, Slovakia, Romania, the Czech Republic, Germany).

[GRI 2-2] The Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (the PKO Bank Polski S.A. Group or the Bank's Group) and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (PKO Bank Polski S.A. or the Bank) have prepared a Statement on the non-financial information (the Statement), which forms a separate part of the Directors' Report. The individual issues have been presented in the Statement with regard to the Bank's Group, with the Bank highlighted. The Bank and the Bank's Group satisfy the criteria of an entity that is required to draw up the Statement.

The Bank and the Bank's Group report for the period from 1 January to 31 December 2023 in accordance with the GRI Standards (*revised Universal Standards 2021*, which came into force on 1 January 2023) and in accordance with the non-financial reporting requirements specified in the Accounting Act.

[GRI 2-3] The Bank's Group publishes such statements and financial reports annually. The Statement presents the operations of the PKO Bank Polski S.A. Group in the period from 1 January to 31 December 2023. The previous Statement was prepared for the year 2022 and published on 10 March 2023. The contact for topics related to the Statement is as follows: esg@pkobp.pl.

The Bank and the Bank Group meet the Accounting Act's criteria for non-financial reporting obligations.

Meeting the criteria for non-financial reporting

	2023	2022
BANK		
Average annual headcount in full-time equivalents (Article 49b(1) of the Accounting Act)	20,957.64	21,015.65
Total assets in the balance sheet as at the end of the financial year (Art. 49b(1) of the Accounting Act) in PLN	474,670,716,591	405,167,607,694
Net revenue from sales of goods and products for the financial year (Article 49b(1) of the Accounting Act) in PLN	22,001,827,389	15,777,635,219
THE BANK'S GROUP		
Average annual headcount in full-time equivalents in the issuer's group (Article 55(2b) of the Accounting Act)	24,927.97	24,984.40
Before the consolidation eliminations referred to in Article 60(2) and (6) of the Accounting Act:		
Total assets in the balance sheet as at the end of the financial year (Art. 55(2b) of the Accounting Act) in PLN	539,759,382,595	463,979,590,032
Net revenue from sales of goods and products for the financial year (Article 55(2b) of the Accounting Act) in PLN	24,653,402,799	17,669,020,286
After the consolidation eliminations referred to in Article 60(2) and (6) of the Accounting Act		
Total assets in the balance sheet as at the end of the financial year (Art. 55(2b) of the Accounting Act) in PLN	501,515,692,346	430,683,208,552
Net revenue from sales of goods and products for the financial year (Article 55(2b) of the Accounting Act) in PLN	23,369,363,001	17,216,846,257

Note: Data for 2022 come from the published Management Report for 2002

[GRI 2-4] The Bank reports a data correction to the Statement on non-financial information for 2022: the value of water consumption for the Bank in 2022 was 224.2 MI instead of 223.5 MI (calculation error).

[GRI 2-5] The Statement on non-financial information for 2023 is not subject to an external audit.

[GRI 2-14] The Statement was approved by the Management Board and the Supervisory Board of the Bank.

[GRI 2-6] The Bank, creating the value, cooperates with the suppliers of goods and services (*upstream*). The recipients of the value generated by the Bank are its customers (*downstream*). The Bank provides services to 11,892.6 thousand retail customers and 18.5 thousand corporate customers. In the process of creating the value, the Bank cooperates with agents and intermediaries and with entities to which it delegates some tasks (*outsourcing*).

Business partners of the Bank

SUPPLIERS	OUTSOURCING		
	OTHER ENTITIES	AGENTS	INTERMEDIARIES
<p>There are more than 5,800 suppliers registered in the Bank's purchasing application. In 2023 more than 489 purchase proceedings were conducted, resulting in more than 700 contracts concluded. The main purchasing categories involved were software, telecommunications, branch refurbishment and upgrades, IT equipment and cash handling equipment.</p> <p>Most of the contracts are long-term, i.e. their term is 2 years with the possibility of their possible extension.</p>	<p>The Bank outsources various activities to third parties. Examples of such activities include, among others, handling cash withdrawals and non-cash transactions, debt collection, cash processing, document archiving and disposal, support for the sale of movable and immovable property of the Bank's debtors, implementation of marketing activities and research, website maintenance, IT services.</p> <p>At the end of 2023, the Bank had agreements with 76 external entities cooperating in the execution of agreements for the Bank with 16 subcontractors, and the number of agreements in force was 94.</p> <p>In 2023, the Bank signed 13 outsourcing agreements with external entities, which concluded agreements for the benefit of the Bank with 2 subcontractors.</p>	<p>Agents are entrepreneurs who, on the basis of the agreement concluded with the Bank, provide exclusively, for and on behalf of the Bank, a brokerage service in the scope of banking and actual activities (necessary to sell products and services). The agreement regulates the scope of services and products for which the agent is remunerated. The list of services and products does not entirely coincide with the scope of services provided by the Bank.</p>	<p>The Bank distributes housing loans, inter alia, through intermediaries. Mortgage intermediaries are entrepreneurs who, on the basis of the agreement concluded with the Bank, perform actual actions only for and on behalf of the Bank (e.g. customer acquisition, preparation and presentation of the offer to the client, collection of complete documents, submission of the application with the documentation to the Bank's branch, where the process is continued and the credit agreement is concluded). The Bank cooperates only with mortgage credit intermediaries authorised by the PFSA Office to conduct business as an intermediary of a mortgage loan.</p>

<p>Almost all Bank's suppliers are Polish companies.</p>	<p>On the website, the Bank provides a complete list of enterprises performing activities for the benefit of the Bank through outsourcing (https://www.pkobp.pl/media_files/f59f78aa-01c9-4b11-9204-8f15b96d663a.pdf).</p>	<p>At the end of 2023, the Bank cooperated with 231 agents operating 286 agencies.</p>	<p>The agreement regulates the scope of distribution of housing loans for which the intermediary is remunerated. At the end of 2023, the Bank cooperated with 66 mortgage credit intermediaries.</p>
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For a description of relations with business partners, please refer to section 13.7.12.

13.2 STUDY OF MATERIALITY

[GRI 3-1] The Bank monitors on an ongoing basis the impact of its activities on the environment. The following are used for the assessment:

- audit of stakeholders' opinions,
- analysis of topics taken at the General Meetings of Shareholders,
- contacts with investors,
- communication with rating agencies,
- communication with the media and non-governmental organizations,
- opinions of sectoral analysts,
- customer and employee feedback survey,
- analysis of irregularities,
- analysis of complaints,
- collaboration with subsidiaries,
- data analysis tools.

There were no significant changes in business activities, business relationships and the manner of operations conducted in 2023. The list of relevant stakeholders has not changed as well.

As a result of the conducted analyses, 13 topics were identified in which the Bank's Group has a significant impact on the environment and stakeholders. Following the GRI standard, the criterion for selecting the topics was the economic, environmental and human impact, including human rights. The list of topics did not change compared to the previous year. For each topic, the strength of impact was assessed and the topics were ranked according to the order of impact - from the largest to the lowest impact. Three groups of topics were distinguished according to the influence of:

- critical topics that carry the risk of significant violation of customer interests in a way that may threaten future business conduct,
 - topics that pose serious risks to the environment, but do not violate the stability of business,
- topics that take into account the impact on stakeholders but are limited to a selected group.

Significant stakeholder groups [GRI 2-29]	List of material topics [GRI 3-2]
<ol style="list-style-type: none"> 1) Customers 2) Business partners in the value chain 3) Shareholders and investors 4) Local communities 5) Employees 	<p>Critical impact</p> <ol style="list-style-type: none"> 1) Security of customers and their funds 2) Ethics 3) Product compliance 4) Corruption 5) Communication <p>Significant impact</p> <ol style="list-style-type: none"> 6) Environment 7) Climate 8) Sustainable development <p>Limited impact</p> <ol style="list-style-type: none"> 9) Employees 10) Social environment 11) Human rights 12) Supply chain 13) Occupational health and safety

Existing governance policies and principles have been reviewed for each topic and described in detail in section 13.6. It was analysed whether the activities conducted by the Bank and subsidiaries belonging to the Bank's Group may have a significant negative impact on each of the material topics. Where this possibility was identified, the description of potential impact mechanism of actions taken by the Bank was added.

The study of materiality showed that the Bank and most of the subsidiaries have appropriate policies in all areas encompassed by the Statement, while the risks, which are considered to be key, have already been identified in the risk management process. The Statement contains descriptions of the risks identified in the Bank's Group to which the principle of "comply or explain" was applied: an explanation was added to information on the lack of full coordination of selected policies at the Group level.

13.3 BUSINESS MODEL AND MANAGEMENT STRUCTURE

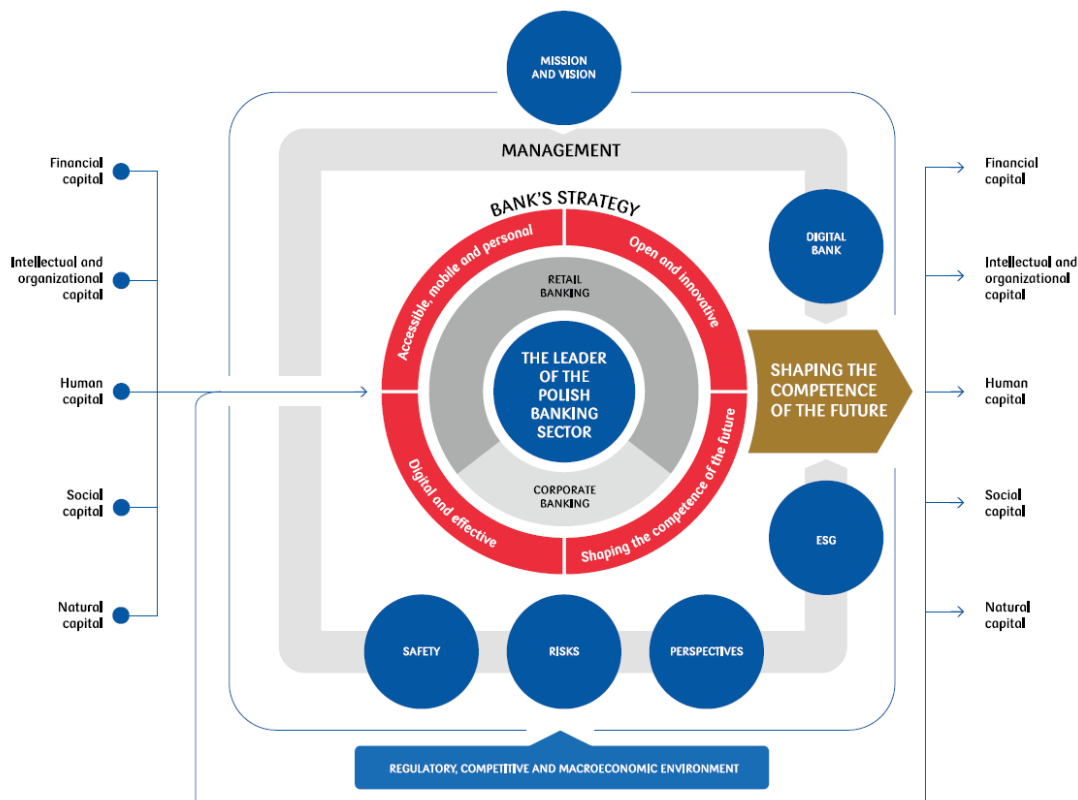
The Bank's Group is a leading financial institution in Central and Eastern Europe. The Bank, the parent entity of the Bank's Group, is the largest commercial bank in Poland in terms of the value of assets and equity, the value of loans, deposits, and savings, the size of the distribution network, as well as the number of customers served and the number of employees.

The Bank is a universal bank that provides deposit and lending services to individuals and legal entities. It provides financial services and provides customer service in branches, agencies, as well as modern online and mobile banking systems. In 2022, it opened the first branch in the Metaverse. The Bank provides services to the largest number of retail customers, which makes it particularly important in customer education, allowing them to use new products and new channels of access to financial services offered.

Through its subsidiaries, the Bank's Group offers, among other things, mortgage loans, specialist financial services including leasing, factoring, investment funds, pension funds and insurance, fleet management services, transfer agent services, provides technological solutions and manages real estate. It also conducts banking operations and provides debt collection and financial services in Ukraine.

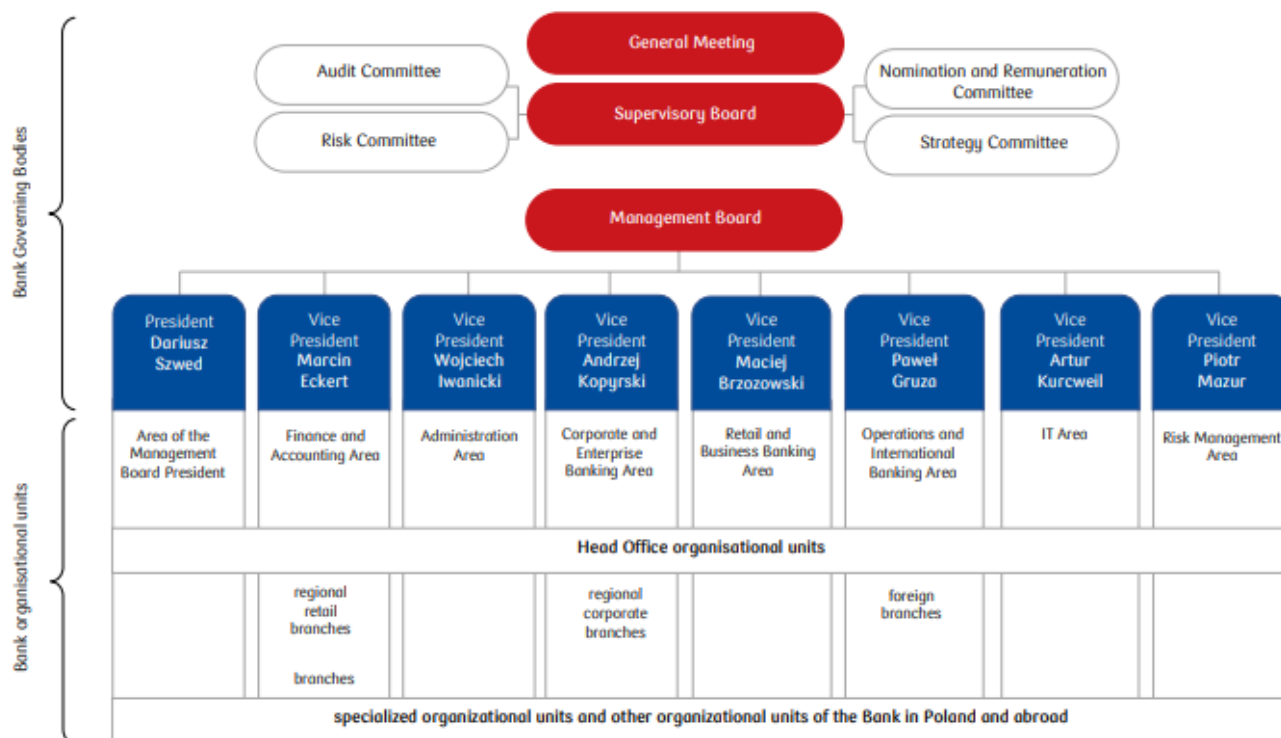
The Bank earns income from interest, commissions and fees and from other sources. It finances operating costs from the revenue generated. The profit shall be distributed with shareholders to the extent permitted by financial supervision institutions. Apart from financial profits, the Bank is trying to generate benefits for the economy, environment and local communities. The sustainable dimension of activities in all areas has been incorporated into the 2023-2025 strategy.

Value creation model



The management structure of PKO Bank Polski S.A. and its subsidiaries is based on standard, market principles of management. The Bank's organizational structure is divided into 8 areas, which reflect the Bank's areas of operations.

Management structure of PKO Bank Polski S.A. (31.12.2023) [GRI 2-9]



[GRI 2-28] The Bank is a member of many organizations, both industrial and regional (e.g. the Polish Bank Association (Związek Banków Polskich), CFA Institute) and many business organizations, such as chambers of commerce and business associations (e.g. the Polish Association of Listed Companies (Stowarzyszenie Emitentów Giełdowych), the Federation of Polish Entrepreneurs (Federacja Przedsiębiorców Polskich)). As at the end of 2023, the Bank participated in 77 organizations, and during the year joined, among others, PCAF (*Partnership for Carbon Accounting Financials*), IIF (*Institute of International Finance*) and FFP (*Future Finance Poland*).

ESG GOVERNANCE

[GRI 2-13] In order to make the decisions necessary to implement the Bank's and the Bank Group's sustainable development (ESG) tasks and strategic objectives, the Bank's Management Board established a Sustainable Development Committee (Committee) in July 2023. The Committee is composed of all members of the Management Board, the directors of divisions of key areas and the director of the Sustainable Development Department, while the Committee's participants are the presidents of the Management Boards of PKO Bank Hipoteczny S.A, PKO Leasing S.A. and PKO Towarzystwo Funduszy Inwestycyjnych S.A., as well as the directors of the divisions with functional responsibility for corporate and strategic customer relations, retail customer, finance, accounting, corporate customer credit risk, marketing and communication, procurement, strategy and digital transformation, application development and maintenance, service transformation, and the director of the Legal Department. The Committee's activities are chaired by the President of the Management Board or the Vice-President of the Management Board managing the work of the Bank's Management Board, and their deputy is the Vice President of the Management Board supervising the Risk Management Area. Within the Committee, thematic Working Groups have been established to focus on specific thematic areas that are relevant to the implementation of the strategic ESG objectives.

The Bank is progressively implementing processes and expanding the organisational structure (governance) to ensure integrated management of the ESG area. Some of the new ESG-related tasks have been assigned to existing units and, where warranted, new units have been established with a sole focus on ESG issues.

In October 2022, the ESG Sustainable Development Department ESG was established in the area of the President of the Management Board. The Department coordinates the design and implementation, in cooperation with the relevant

units of the Bank, of measures to ensure the achievement of the strategic ESG objectives for the Bank and the Bank's Group.

In July 2023, the Public ESG Programmes Department was set up in the Corporate and Enterprise Banking area, with the objectives of supporting the development of the offering to customers in terms of products and services linked to public and EU programmes, including those supporting sustainable development ESG, particularly climate transformation.

In the area of Operations and International Banking, an ESG Operations Support Office has been established to provide operational support in the acquisition and building of a database on customers served for the purpose of the Bank's financing of the sustainable development of these customers and to participate in the improvement of the Bank's activities regarding this financing.

ESG risk management is placed in the area of the Vice President overseeing the Risk Management Area, within which the ESG Risk Team operates. In particular, the Team identifies, monitors and assesses the materiality of ESG risks in the Bank and ensures their reporting, as well as coordinating the implementation of consistent risk management standards across the Bank's Group regarding the mitigation of the impact of climate-related (ESG) factors on individual risks, including the level of risk in the Bank's loan portfolio.

The Group Reporting Office operates since 2019 in the Finance and Accounting Area, which tasks include collecting, analysing and disclosing information on social and environmental topics.

The Bank's representatives actively participate in the Sustainable Finance Committee at the Polish Bank Association (the Bank's representative is a member of the Committee Bureau) and in sustainable finance working groups at the Polish Bank Association, established in order to develop interpretation of the regulations, methods of disclosure and a common position in the public consultation processes of EU regulations.

13.4 NON-FINANCIAL FACTORS IN THE BANK'S STRATEGY

STRATEGIC ESG OBJECTIVES AND THEIR IMPLEMENTATION

The strategic ESG objectives are included in Pillar 4 of the Bank's Strategy for 2023-2025 - Leader of ESG transformation in the Polish banking sector. Oversight of the implementation of the Strategy and the achievement of strategic objectives at the Bank is carried out by the Strategy Committee, which comprises members of the Bank's Management Board.

Together with its Group companies, the Bank supported Poland's energy transition by financing sustainable projects and expanding its product offering. In 2023, the Bank:

- increased funding for sustainable and transformational projects, including funding for wind farms (onshore and offshore), the purchase of zero-emission buses, the expansion of a factory to produce separators for electric car batteries, or the purchase of state-of-the-art locomotives,
- provided syndicated financing to the Enea Group. The total amount is PLN 2.5 billion, with PKO Bank Polski's share being the largest and amounting to PLN 750 million,
- expanded the offer for companies by adding an ecological loan and implemented guarantee schemes for the housing market related to thermal renovation bonuses and eco payment cards;
- made two investment sub-funds available which are categorised as light green plus products, i.e. which meet the requirements of Article 8 of the SFDR;
- has extended its long-term rental offering to include electric cars as part of the "My Electrician" programme.

In the area of social responsibility, the Bank:

conducted an image campaign "#Ekoodpowiedzialni" to promote ecological attitudes;

- launched an ESG training programme for employees as part of the #ESGo! (2.2 thousand people have been trained);

- organised the "Sztuka Pomagania (The Art of Helping)" auction, which is the culmination of the "Bank Dobrych Serc (Good-Hearted Bank)" campaign to support 48 Single Mother's Homes across Poland. 11 paintings from the Bank's collection were auctioned, raising almost PLN 350 thousand.

In terms of corporate governance, the Bank:

- built the ESG governance structure,
- introduced ESG criteria for the evaluation of suppliers in all tendering procedures;
- took steps to reduce its carbon footprint from operations.

The settlement of the Strategy's objectives based on non-financial performance indicators is presented in the tables below.

Management objectives

COMMITMENT BY 2025	INDICATOR	2023	2022
Increase in the proportion of women in management positions to >40%	Share of women in management positions	38.7	38.7
Increase the proportion of women in MRT positions in the Bank to >30%	Share of women in MRT positions in the Bank	22.7	20.6
>2% participation of people with disabilities among employees	Share of people with disabilities among employees	1.2	1.2
Closing the gender pay gap	Gender pay gap	2%	4%
voluntary departure rate <7%	Voluntary departure rate	5.4	7.9
ratio of total staff turnover <14%	Ratio of total staff turnover	10.0	13.4

Environmental objectives

COMMITMENT BY 2025	IMPLEMENTATION IN 2023
The highest volume of new financing for sustainable and transformation projects	PLN 2.2 billion
Top 3 Bank in ESG financing in each business segment, supporting customers with an energy transformation expertise	Target for the end of 2025
Climate neutrality in Scope 1 and 2 by 2030	Medium-term target (until 2030)
Reducing own emissions (Scope 1 and 2)	Reducing the Bank's emissions (Scope 1 and 2), location-based method, compared to the previous year (2022) by 5.75%
>90% of energy purchased certified as green-sourced	97.6% of the electricity purchased by the Bank
First issue of the Bank's own green bonds	Target for the end of 2025

The Bank has also adopted a target to create and publish a trajectory for reducing the Bank's CO₂ emissions (in progress) and a commitment to systematically expand the disclosure of the Bank's CO₂ emissions (see Table 42).

Social objectives

COMMITMENT BY 2025	IMPLEMENTATION IN 2023
Leader in youth financial education (increase in the number of Junior accounts)	<ul style="list-style-type: none"> Increase in child account sales by 27% PKO Junior app - 749 thousand children aged up to 12 have used it so far (see section 8.6).
Leader in activities that support the digital transformation of various social groups, including seniors (promotion of digital public services - access to e-gov through the bank's digital channels; application and page in multiple language versions)	<ul style="list-style-type: none"> 1.2 million applications for 500+ and 300+ benefits 4.5 million customers with e-Identity service, 1.2 million activations of this service in 2023
Leader in combating social exclusion (inclusive banking for people with disabilities; offer tailored to the specific needs of customers of all ages and at any location)	<ul style="list-style-type: none"> Actions taken to reduce exclusion are described in section 13.7.10A Launch of a specialist service line for customers aged 75 and over in the Contact Centre (2023)
Leader in support for the population of Ukraine and the country reconstruction process	<ul style="list-style-type: none"> Market leader in terms of the number of accounts for foreigners - over 700 thousand accounts according to PB.pl as at the third quarter of 2023 The Bank maintains 499 thousand accounts for Ukrainians Donation of PLN 3.7 million by the PKO Bank Polski Foundation to support Ukrainian citizens (accommodation and food for refugees in Poland and units carrying out relief activities (chapter 8.2)).

	<ul style="list-style-type: none">• Service at the Bank's Contact Centre in Ukrainian - extension of the Ukrainian-language helpline hours in 2023 (7 a.m. to 10 p.m.) and introduction of service at weekends and holidays• Cooperation between the Bank and KREDOBANK S.A. to prepare for participation in the distribution of funds for the recovery and reconstruction of Ukraine and to provide support to customers who do business between Poland and Ukraine, or who intend to participate in the recovery processes in Ukraine. Collaboration to attract customers. Launch of the business information platform #Plan4ua.com. <p>Cooperation of representatives of both banks with the government plenipotentiary for Polish-Ukrainian development cooperation, the KUKK and business associations in both countries.</p>
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13.5 KEY NON-FINANCIAL PERFORMANCE INDICATORS

One component of environmental risk management is a strategic ESG risk tolerance limit. A measure of tolerance for this risk is the ratio of the value of loans for customers in high-emission industries and the Bank's total assets. In 2023, the share of loans to customers in carbon-intensive industries was 0.19% with a tolerance limit for the Bank and the Group set at $\leq 1.6\%$ compared to 0.38% at the end of 2022. This limit is monitored on a quarterly basis and reported to the Bank's Management Board.

13.6 POLICIES

The Bank's Group has adopted policies for the most important social and employee-related issues, the natural environment, respect for human rights and prevention of corruption and has the following regulations:

- Code of Ethics,
- Information policy and communication with investors,
- Dividend policy (Chapter 7.3),
- Security policy (incl. cybersecurity)
- Policy on the assessment of suitability of the Supervisory Board members
- Diversity policy in respect of the Management and Supervisory Board,
- Sponsorship and charity policy,
- Policy for appointing an audit firm,
- Policy for counteracting money laundering and financing of terrorism,
- Principles for ensuring compliance and managing non-compliance risk
- Employment regulations of the bank and recruitment principles
- Remuneration policy,
- Principles for employee development
- Anti-harassment and anti-discrimination policy,
- Common labour market policy,
- Procurement policy,
- Tax strategy,
- Occupational health and safety policy,
- Principles of waste management and environmental protection.

Full policy descriptions are available at: [Policies and principles \(pkobp.pl\)](#).

TAX STRATEGY

Since 2021, the Bank, as an entity operating in a responsible and transparent manner, has had the Tax Strategy of PKO Bank Polski S.A. adopted by the Management Board in the form of a resolution and approved by the Supervisory Board. Each year, the Bank reviews the Strategy for its validity and, if necessary, makes recommendations to the Management Board and Supervisory Board for approval.

In accordance with the statutory obligation, the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Tax Group (hereinafter: TG), which consists of: The Bank, PKO Bank Hipoteczny S.A. and PKO Leasing S.A. has prepared another annual Information on the pursued tax strategy for 2022. The Bank's Tax Strategy and the information prepared by the TG on the pursued tax strategy for 2020, 2021 and 2022 are available on the Bank's website ([Tax strategy of PKO Bank Polski S.A. - PKO Bank Polski \(pkobp.pl\)](#)).

PROCUREMENT POLICY

The basic internal regulations on procurement are as follows: Procurement Policy, Rules for the purchase of goods and services, Procedures for the purchase of goods and services and Code of Ethics for Suppliers and Bidders.

The Procurement Policy was adopted by a resolution of the Bank's Management Board in October 2023 and replaced the previous procurement policy introduced by a decision of the Director of the procurement department.

The purpose of the Procurement Policy is to ensure the efficient and sustainable development of the Bank (paragraph 1(1) of the Procurement Policy). The Procurement Policy applies to all purchases of the Bank (paragraph 3 of the Policy). It introduces procurement standards, establishes procurement objectives and defines good and bad practices of the procurement process.

Among the purchasing standards, the Policy introduces the obligation to take environmental, social and corporate governance (ESG) objectives into account when evaluating bidders and suppliers (paragraph 4(7) of the Policy). The Policy establishes the following as procurement objectives: quality, efficiency and development (aiming to optimise functional requirements while minimising the life-cycle costs of goods and services). The procurement organisation's medium-term goal, on the other hand, is to apply and enhance the importance of the requirements formulated in the procurement procedure with regard to ESG factors. The Procurement Policy furthermore establishes, among other things, the following ESG-relevant standards for the procurement process, i.e. fair treatment of bidders and suppliers, proportionality of the requirements and criteria established in the process to the goods or services purchased, and management of conflicts of interest. As best practice during the procurement process, the Procurement Policy recognises, among others, a fair evaluation of bids consisting in: (i) evaluation on the basis of the criteria adopted (including ESG), the weights of the assessments and the documents and information provided, (ii) an appropriate distinction between elimination criteria and evaluated criteria, (iii) the use of criteria related to the need addressed and relevant to the selection, (iv) objectivity in the evaluation and (v) the avoidance of unjustified preferential evaluations.

COMMON LABOUR MARKET POLICY

In the first quarter of 2023, the Bank adopted the "Common Labour Market Policy of PKO Bank Polski S.A. Group Companies". The aim of the policy is to implement guiding objectives to ensure that the Group companies operate on the internal and external labour market as entities sharing a uniform employment and remuneration policy, a coherent organisational culture, a stable and safe working environment, without creating competition for each other in attracting employees, but creating a consistent image of the Group as an employer. Among other things, the policy is intended to implement effective tools for the recruitment and development of relevant employee competences. The policy was made available to the Bank's subsidiaries for adoption and implementation.

13.7 MATERIAL TOPICS: MANAGEMENT AND RISKS

[GRI 3-3] The individual chapters show how material topics are managed taking into account the ESG risks. [GRI 2-23] [GRI 2-24] For each topic, the existing policies or other internal regulations, the way they are implemented and their results were presented. [GRI 2-25] The existing processes to remediate negative impacts have been presented.

RISK MANAGEMENT SYSTEM

In accordance with the Risk Management Strategy at the Bank and in the Bank's Group, the Bank oversees the risk management systems at the Bank and other entities of the Bank's Group and supports the development of these systems, as well as takes into account the risk profile of the operations of the individual entities in the monitoring and reporting of risk at the Bank's Group level. The principles and method of assessment of the individual types of risk in the Bank's subsidiaries are specified in the internal regulations developed taking into account the opinions and recommendations formulated by the Bank, as well as the provisions of the Risk Management Strategy at the Bank and in the Bank's Group.

The risk management system is adapted to the nature, scale and complexity of the operations of the Bank's Group, as well as the regulatory, social and natural environment. The Bank's Management Board is responsible for the functioning of an effective risk management system. The Management Board regularly verifies whether the methods of identifying, measuring or estimating risk, controlling, monitoring and reporting risk are adjusted to the size and profile of the risk at the Bank and in the Bank's Group as well as the external environment. The Bank's Management Board provides the Supervisory Board with information on the functioning of the risk management system at the Bank and the Bank's Group.

By managing risk appropriately, the Bank ensures the stability of its financial result and strengthening of the Bank's market position.

The Bank's Group has identified the risks, which are to be managed and found some of these risks to be material. The Bank assesses the materiality of the risks at least once a year. The following risks are considered material in the Bank: credit risk, the risk of mortgage loans in foreign currencies for households, foreign exchange risk, interest rate risk, liquidity risk (including financing risk), operational risk, business (strategic) risk, the risk of macroeconomic changes and model risk. Other entities of the Bank's Group may consider other types of risk to be material. The Bank then verifies the materiality of such risks at the Bank's Group level.

In 2021, the Bank has conducted an analysis of its risk management process and has incorporated basic ESG definitions in the risk management strategy of the Bank and the Bank's Group. They include:

- ESG factors: environmental, social, and governance factors that may have a positive and/or negative impact on the Bank's customers and counterparties and/or its balance sheet; ESG factors with a negative impact are referred to as ESG risk factors.
- ESG risk: the risk of negative financial consequences for the Bank of the current and/or future impact of ESG risk factors on customers and counterparties and/or the Bank's statement of financial position items.

The purpose of ESG risk management is to support sustainable development and building the long-term value of the Bank through integrated management of the impact of ESG factors. The ESG risk management takes into account the perspective of double materiality: the impact of ESG factors on the activities, financial result and development of the Bank as well as the impact of the Bank's activities on society and the environment. The Bank manages the ESG risk as part of managing other types of risk. The ESG risk is not a separate type of risk but a cross-cutting one which affects the individual risk types. The ESG risk management is supported by all committees that function at the Bank within the scope of their activities and competences related to the ESG risk.

SELECTION OF MATERIAL TOPICS

As the first step in preparing the Statement, the Bank reviewed the ESG risks in the Bank's Group, which were identified in 2022. It has been confirmed that the list has not changed and contains the following risks:

- risk of a breach of security of customers and their funds,
- risk of unethical business conduct,
- product compliance risk,
- corruption risk,
- risk of incorrect communication,
- risk of a negative impact on the natural environment,
- climate risk,
- risk for sustainable development,
- employment risk,
- risk of a negative impact on the social environment,
- risk of violation of human rights,
- supply chain risk,
- occupational health and safety (OHS).

13.7.1 SECURITY OF CUSTOMERS AND THEIR FUNDS

A. CUSTOMER SECURITY WHILE USING THE PRODUCTS

One of the Bank's priorities is to set the highest security standards. Customer security in the process of using the products of the Bank and the Bank's Group primarily includes the security of Customers' funds and the physical security of the Customers at the Bank's facilities. [GRI 2-23] The question of security is governed in the Bank's internal regulations, including the Security Policy at PKO Bank Polski S.A. and, in detail, the regulations regarding specific areas of security: (i) protection of people and property, (ii) IT System security, (iii) managing security incidents, (iv) security of protected information.

SECURITY OF CUSTOMERS' FUNDS

The activities of the Bank and other entities of the Bank's Group related to ensuring the security of customers' funds concern ensuring the security of both the funds entrusted and the funds invested using the products offered. The initiatives regarding ensuring a stable and secure infrastructure made it possible to achieve very high reliability indicators for the operation of the IT infrastructure.

Security of the invested funds: The Bank makes every effort to ensure that its products do not generate the risk of the loss of funds by the customers. This is particularly important in the case of investment products. Therefore, as part of the obligations imposed by the MiFID, the Bank informs its customers before conducting a transaction on whether a given product is suitable for them.

Security of entrusted deposits: The main mechanism which guarantees the security of customers' funds is the stability of the Bank's financial result and the results of the other entities of the Bank's Group. An additional mechanism is the Bank's participation in the obligatory deposit guarantee system operating under the Act on the Bank Guarantee Fund, the deposit guarantees system and special resolution.

The security of customers' funds is also guaranteed by the cybersecurity procedures.

PHYSICAL SECURITY OF CUSTOMERS

The Bank and the other entities of the Bank's Group ensure the highest quality of direct customer service in their locations, among other things, thanks to the security standards which meet the requirements of legal regulations and norms, implemented at the Bank. State-of-the-art systems, equipment and technical and organizational solutions adequate to the threats and risk identified are used in all facilities. They ensure physical security of customers, employees, cash and deposits, as well as security of protected information, including bank secrecy and personal data.

Protection covers all locations and self-service equipment made available to the customers and has the form of:

- physical safeguards (construction, mechanical and electronic, including burglary and robbery signalling systems, surveillance TV and access control),
- continuous direct physical protection of selected facilities of the Bank,
- monitoring of alarm signals by certified security firms and the arrival of the so-called intervention groups after receiving alarm signals.

Moreover, the employees of all branches and agencies of the Bank undergo training in security in the form of e-learning and training delivered directly in the branches, with drills in "Counteracting robberies and dealing with security threats". This training prepares Bank and agency employees to deal with various situations that threaten the safety of the Bank's employees and customers.

B. CYBERSECURITY

MANAGEMENT STRUCTURE

The Bank has a security policy in place, which also relates to the principles of digital security. The policy was approved by the Management Board in 2015. The Bank has a Cybersecurity Department which deals with:

- ensuring the security of the Bank's IT system,
- development of systems and monitoring of cybersecurity parameters and critical services,
- servicing cybersecurity events and incidents, including the events and incidents in the area of electronic banking.

The current level of infrastructure security is the responsibility of the department director, who also supervises the Security Operations Centre (SOC). The director of the Cybersecurity Department is responsible for implementing the cybersecurity policy and for controlling cybersecurity. The Vice-President of the Management Board responsible for the Technology Area supervises the performance of these functions. The President of the Management Board oversees the implementation of the policy. In order to improve the methods of counteracting crime at the Bank, the Cybersecurity Department prepares analyses and presents the Management Board and the Supervisory Board of the Bank with conclusions and recommendations concerning the implementation and/or modification of specific solutions.

The monitoring of and responding to incidents are performed by the specialist CERT unit of the Bank. In order to ensure IT security of the Bank's services, incident response operates on a 24/7/365 basis.

Since 2021, a CyberSecurity Operations Centre has been in operation at the Bank, which also includes monitoring and incident response for the Bank's Group companies. The 24/7 SOC operates on the basis of a SOAR-class system allowing automation in monitoring, response as well as handling security incidents. In 2023, the PKO BP CERT team notified and blocked, in cooperation with CSIRT PFSA, CERT Polska and CERT Orange, more than 1,930 fake pages. The frauds mainly targeted electronic services and customers of the Bank, but 20% of the cases concerned frauds of a different type, which shows the contribution of the PKO BP CERT team to the overall level of ICT security in the Polish cyberspace. The bank uses advanced protection mechanisms against DDoS attacks, which allows CERT PKO BP to quickly and efficiently respond to and remove the effects of volumetric attacks targeting e-banking services.

CERT PKO BP is a member of an international forum of cybersecurity incident responders FIRST and belongs to the task force of European response teams (TERENA TF-CSIRT) and the related Trusted Introducer organization. It is also a leading member of the Banking Cybersecurity Centre, operating under the patronage of the Polish Bank Association.

The Bank educates its employees regularly in ICT environment security and the security of information processed in that environment. It provides employees with e-learning courses on cyber-security (10 modules) to help users gain knowledge of potential threats. This training is mandatory for new employees. The Bank performs training in accordance with the agreed schedule of training and monitors their performance by employees on an ongoing basis as part of independent monitoring of control mechanisms.

In accordance with the Bank's policy, the principles of cybersecurity must be complied with also by third parties (contractors). The Bank sets security requirements for the providers of IT services with respect to the protection of the Bank's information, access to the Bank's buildings and rooms, and the protection of the Bank's information systems.

The awareness-raising of employees also engages a program of simulated phishing attacks. The messages are sent to all persons employed in the Bank and imitate the actual risks to which users are exposed on a daily basis. Since 2022, Security Awareness training has been carried out periodically and extended to all employees and the Bank's Management Board.

The Bank operates an internal unit (RedTeam), which simulates potential attacks in a controlled manner, in order to identify weaknesses before their use by criminals. Activities to simulate attacks have been automated through, among other things, the implementation of a BAS (Breach and Attack Simulation) tool. In 2023, the Purple Team unit became active with the development of a dedicated platform for offensive and defensive teams to work together.

In response to trends related to attacks on corporate environments, in terms of the technologies currently implemented in the Bank at various levels, particular attention was paid to security of:

- the use of 'open source' software in application release processes (CI/CD),
- implementation of tools based on generative artificial intelligence (genAI) to support business processes (e.g. customer communication, holistic analytics),
- tools based on Blockchain technology and cloud environments.

In 2023, information within the scope of ThreatIntelligence was widely analysed in the scope of activities carried out in cyberspace related to the conflict of Russia/Ukraine, with the simultaneous inclusion of threats which may materialise at the Bank. At the same time, a system to identify trends in attacks on customers based on customer reports has been implemented in view of the constantly high threat posed by false investments and phishing attacks. The system is designed to monitor changes in customer attack scenarios.

AUDIT

The bank responds to cyber security threats on an ongoing basis. It monitors information sources, creates potential threat scenarios, analyses risks, implements safeguards and responds to incidents in a structured manner. The Bank has a formalized process in place for verifying the security and sensitivity of new or modified systems and applications before the launch of their production. Every project change that involves a system that is critical to business processes is analysed and undergoes an IT security audit.

An internal audit of the IT processes is performed at least once every 3 years. The selection of IT processes to be audited in a given year depends, among other things, on the following factors: the results of the internal audits performed, changes in the ICT environment, risks associated with identified internal and external frauds, and changes in internal and external regulations affecting the Bank's functioning and operating activities. Internal audits of IT processes are performed by the IT and Security Audit Team of the Bank in accordance with a predefined schedule. External cybersecurity audits are outsourced to the audit firms with which the Bank has signed framework agreements.

MANAGING THE RISK OF UNAUTHORIZED ACCESS TO CUSTOMERS' FUNDS THROUGH ELECTRONIC BANKING

The most important threat to the security of customers identified by the Bank and PKO Towarzystwo Funduszy Inwestycyjnych S.A. is associated with potential criminal activities of third parties targeted at customers using electronic channels of access to banking and investment services.

Firstly, the Bank uses the latest ICT security solutions which guarantee secure access to funds held by customers. The Bank is constantly improving the quality of its IT systems security, in particular with regard to the applications used by the Bank's customers. This concerns, among other things, combating actively phishing websites pretending to be the Bank's websites, identifying criminals intentions and ability, taking into account tactics, techniques and procedures (standardization and structuring of information about threats within a single data model), tracking the development of malware attacking the Bank's customers, developing mechanisms of detecting infected customers' computers, as well as improving the rules and extending the scope of monitoring of electronic transactions.

Secondly, the Bank attaches a great deal of importance to informing and raising customers' awareness of the safe use of electronic banking services and payment cards. This is because security in this respect depends to a large extent on the users' actions. The Bank's educational activities include, in particular:

- regular educational campaigns conducted on social media and other channels for contact with customers, e.g. the educational portal www.bankomania.pkobp.pl,
- videos with examples of real attacks published on YouTube,
- educational articles in electronic media and press,
- webinars and trainings with the most common attacks,
- responding to customers' enquiries on an ongoing basis (e-mail, social media),
- onsite meetings for customers and banking stakeholders on the most common scams (aimed at seniors, entrepreneurs and students),
- ongoing communication of the Bank's views on various issues and provision of educational materials on cybercrime and the principles of security to the media,
- on-going campaigns and spreading awareness through external information channels (cooperation with radio is currently underway through participation in programmes on cyber security),
- responding to other signals regarding threats on an ongoing basis,
- provision of information on cybersecurity to customers through the Bank's websites, the transactional platform and by e-mail.

In 2023, mechanisms were implemented to detect and prevent vishing attacks, which consist of attempts to impersonate the Bank's call centre and thereby persuade the Bank's customers to execute fraud scenarios.

In 2023, the Bank was improving systems for incident, anomaly and advanced malware detection and a large number of actions relating to incident handling was automated. The technology stack of solutions used for computer forensics purposes was replaced. It ensured the technological validity of the solutions used for computer forensics purposes in accordance with the current requirements profile.

Representatives of the Bank also engage in the work of the Banking Cybersecurity Centre (BCC) operating at the Polish Bank Association. The purpose of BCC is to take comprehensive and long-term measures which are aimed at

improving the safety of mobile and electronic banking and preparing tools (structures, procedures, information exchange mechanisms) enabling crisis management (e.g. in the event of a massive attack).

The Bank does not have an ISO 27001 certificate, however, its cybersecurity processes and regulations are developed on the basis of the requirements of this standard. The high organizational maturity in the area of handling cybersecurity incidents is particularly important in the light of the PFSA's decision issued in 2018 on recognizing PKO Bank Polski S.A. as a key service operator as defined in the Act on the national cybersecurity system.

C. PRIVACY RISK

PKO Bank Polski S.A. follows the generally applicable regulations, including:

- Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation, GDPR),
- the Personal Data Protection Act of 10 May 2018,

and its own internal regulations on the security of protected information taking into account personal data protection issues.

These internal regulations apply to the principles of personal data processing at the Bank, in particular the method of processing it and the technical and organizational measures ensuring the security of the process.

The Bank's internal regulations with regard to security concern in particular:

- security of protected information,
- IT system security,
- protection of people and property,
- management of security incidents where, among others, the method of management of personal data protection violations has been defined,
- conducting investigations.

PRIVACY AND DATA SECURITY

The Security Standards for the Bank's Group address the following issues: security of protected information including personal data protection, business continuity management, ICT security, counteracting money laundering, security incident management, outsourcing principles and security reporting principles.

The Bank processes personal data in keeping with the requirements of the generally applicable laws, including the principle of legality and data transparency, the principle of purpose limitation, the principle of data minimization, and the principle of maintaining the accuracy, integrity, and confidentiality of processed data. In order to achieve these objectives, the Bank applies both procedural regulations and technological solutions. They are designed to observe the personal data processing principles defined in the GDPR.

The Bank appointed a Data Protection Officer (DPO). Their tasks comprise supervision over the correctness of personal data processing. Customers may contact the DPO by sending letters to the Bank's address and/or by e-mail: iod@pkobp.pl.

As required by the GDPR, the Bank has prepared Information on personal data processing and provides it to its customers. They are informed about the applicable principles of personal data processing, the purpose of its processing and their rights, including the right to access, rectify and erase data.

Moreover, a dedicated website of the Bank <https://www.pkobp.pl/pkobpppl-en/gdpr/> presents information on personal data processing, including information on the appointed DPO, on the manner of personal data processing, the legal basis for the processing, and the rights of the data subjects.

If data is processed on the basis of the consent of the data subject, the data subject is informed about the right to withdraw consent.

The Bank's Customers also have access to complaint paths for expressing doubts concerning data security, as well as requesting the exercise of rights under the GDPR. Internal regulations concerning the management of personal data breaches have also been developed. The Bank has defined the principles for informing customers about a breach of their data security. Those principles are in compliance with the generally applicable laws. This also applies to the provision of information competent authorities of breaches, which also results from internal regulations and legal

provisions. Ongoing exchange of information and improvement of security on the basis of the best practices are the permanent features of the cooperation and the Agreements in place in the Bank's Group.

RISK MANAGEMENT OF THE RISK OF UNAUTHORIZED ACCESS TO CUSTOMER INFORMATION

The Bank manages the risk of unauthorised access to information about customers in accordance with the "Security Policy of PKO Bank Polski S.A.". The "Principles of security of protected information at PKO Bank Polski S.A.", which are an element of the Security Policy, regulate the issues of confidentiality of information and the maintenance of bank secrecy, as well as personal data security, including the liability of the Bank's employees regarding security of protected information. Every employee is obliged to complete appropriate training in personal data protection in accordance with formal procedures. Such training courses are also organized regularly. Measures aimed at ensuring data security are taken with the participation of the Management Board. For this purpose, the best policies and system security solutions are implemented. Such solutions (in terms of both systems and policies) are constantly evaluated, audited and improved in accordance with the best market practices. The Security Department oversees the Bank's security responsibilities and reports in this respect to the Bank's Management Board on a quarterly, semi-annual and annual basis and to the Supervisory Board on a semi-annual and annual basis. The activities of the Security Department also include carrying out internal security inspections in the Bank's organizational units, which also cover information security, and giving opinions on new solutions and projects implemented at the Bank in the area of the protection of information.

In accordance with these principles:

- employees have access to protected information at the Bank in accordance with their assigned job description and responsibilities,
- before starting the processing of protected information, employees provide training in the security of protected information,
- if materials containing protected information are provided to external entities, a non-disclosure agreement is concluded by and between the parties, whereas in the case of entrusting the processing of personal data, an agreement is concluded on entrusting the processing of personal data. Such agreement includes, among other things, the obligations of the entities cooperating with the Bank to protect the entrusted data, use it exclusively for the purposes of performing the agreement and inform about any security breaches. The Bank defines the requirements concerning the protection of the processed data in accordance with the generally applicable laws. The Bank may also control the security of the processed data at the cooperating entities.

The Bank is obliged to maintain banking secrecy as defined in the Banking Law.

Any information constituting bank secrecy, including the personal data of the Bank's customers, may only be made available in compliance with the obligations arising from the generally applicable laws in accordance with the provisions of the Banking Law. Enquiries from entities authorized to demand access to the information constituting bank secrecy are considered by the Bank in accordance with the law. The information subject to bank secrecy is provided only in the situations specified in the aforementioned Act, once the conditions giving the Bank the right to provide such information have been satisfied.

In the event of a violation of personal data protection, the Bank takes measures in accordance with the adopted Principles for security incident management at PKO Bank Polski SA and the GDPR. If a violation is identified, immediate action is taken to analyse it and to mitigate its adverse effects, if any. Any violations of personal data protection resulting in a risk to the personal rights and/or freedoms of natural persons are immediately reported to the President of the Personal Data Protection Office (UODO). Moreover, if a violation of personal data protection could result in a high level of risk to the personal rights and/or freedoms of natural persons, the data subject is immediately notified of such violation.

Each of the other entities of the Bank's Group, which processes personal data, has separate internal regulations and performs obligations related to the protection of personal data as a separate administrator. The companies have implemented the Security Standards, including standards relating to personal data protection, which form part of the "Security Standard Guidelines for the PKO Bank Polski S.A. Group". They are in line with the generally applicable regulations and the standards applied at the Bank and, to the necessary extent, they contain specific regulations which are adequate to the specific nature of the particular entity's business.

13.7.2 ETHICS

A. ETHICS

As one of the largest employers in Poland, the Bank undertakes to conduct and promote ethical business, build an ethical organizational culture and follow the principles of social responsibility.

In December 2023, the Bank amended the Code of Ethics by resolution of the Management Board, and in January 2024, the Supervisory Board approved the amended Code. The Bank has revised and redefined the applicable values. Three key values have been introduced for the successful implementation of the Bank's mission and strategy:

- partnership - together we care about the best customer and employee experience, we build partner relations based on mutual respect, openness and trust,
- growth - we embrace change and take on ambitious challenges, we nurture our own growth and support others in doing so, we offer support to customers to grow in a rapidly digitalising world,
- impact - we act boldly, value proactivity, responsibility and commitment, are innovative in creating solutions and effective in achieving goals.

The key values were formulated based on the opinions and proposals of employees and the Bank's Management Board. The values adopted by the Bank are communicated in particular by indicating the behaviours and attitudes that comply with these values and are taken into account in the management processes applied in the Bank.

The Code of Ethics sets out the framework for the mutual relations between individuals who work for the Bank, between the Bank's employees and those who act on behalf of the Bank. The Bank's Code of Ethics also sets out the values, principles, standards of conduct and ethical attitudes in relations with customers and in the Bank's business activities and in the Bank's relations with the environment. The Code is directly related to the Bank's organizational culture; it supplements this culture and is a tool supporting the popularization and implementation of ethical values.

The values, principles, standards of conduct and ethical attitudes outlined in the Bank's Code of Ethics apply to all employees of the Bank, as well as to persons acting on behalf of the Bank, including those performing banking and factual activities related to banking activities, and to persons intermediating in their performance, including in particular persons representing the Bank and acting on behalf of the Bank.

Verification of compliance with the Bank's ethical principles is assessed by the Bank's Management Board on an annual basis. Information on the outcome of the assessment by the Management Board is communicated at least once a year to the Bank's Supervisory Board.

MEASURES TAKEN	Defining and promoting standards concerning business decisions and employee attitudes, Increasing awareness of the significance of business ethics among employees by organizing training, workshops and dedicated information campaigns, Ensuring that the whole of the Bank's Group follows uniform standards of ethics, Promoting firms which follow the principles of ethics in their relations with customers, business partners and employees, Social involvement in the initiatives addressed to local communities and global projects, Taking steps to ensure a high standard of solutions in the area of ethics (confirmed by certificates), Ensuring that employees have the right to associate and freedom of speech.
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The Bank has analysed the ethical risks for each group of stakeholders and takes measures to mitigate such risks:

STAKEHOLDERS	RISKS	MANAGEMENT
Employees	Corruption and bribery Violating the trade secret Bullying, harassment, other forms of discrimination Violating the terms and conditions of employment	Chapter 13.7.4 (anti-corruption) The Bank mitigates the risks of violating the business secret, bullying, harassment and other forms of discrimination, as well as the risk of violating the terms and conditions of employment by defining the appropriate responsibilities of the employees in this respect and penalties for non-compliance in the Bank's Working Regulations.
Customers	Unethical sales Unauthorized access to Customer information Unauthorized access to customers' funds	Chapter 13.7.3 (misselling) Chapter 13.7.5A (filing complaints and reporting violations) Chapter 13.7.1C (a risk of unauthorized access to Customer information), data protection, observing bank secrets) Chapter 13.7.1A and B (risk of unauthorized access to customer funds)

	Social exclusion Non-transparent relations with political parties	Chapter 13.7.10A (special actions supporting the customers with disabilities) The Bank has internal regulations adopted by the Management Board, concerning relations with political parties and defining the principles for opening bank accounts and granting loans to political parties.
Counterparties	Corruption and bribery Extortion of trade credit	Chapter 13.7.4 (anti-corruption) Chapter 13.7.12B (on time payments)
Social surroundings	Corruption and bribery Adverse effect on the environment Adverse effect on the communities	Chapter 13.7.4 (anti-corruption) Chapter 13.7.6 (impact monitoring) Chapter 13.7.10C (charitable and sponsorship activities)

DISSEMINATION OF ETHICS AND BANK'S VALUES

In 2023, the Bank conducted training activities addressed to all employees of the Bank and to the management staff. The training focused on issues that are important to promote the ethics of team conduct, such as building team relations, identifying emotions, dealing with stress, motivating employees to work and manage the team in change environment.

All newly-employed staff members are informed about the value and the Code of Ethics on the first working days as part of the onboarding process.

At the end of 2023, the Bank's refreshed values were announced. The communication campaign included a range of outreach and educational activities on the Bank's values and expected attitudes, e.g. webinars for managers, audio and video materials.

COUNTERACTING THE VIOLATIONS OF THE STANDARDS OF ETHICS

In addition to the promotion of the Bank's values and ethical conduct, the Bank finds it equally important to counteract all forms of violation of ethics in all aspects of the operations referred to above (including counteracting bullying and discrimination). Therefore, the following procedures have been defined in a clear and transparent manner:

- reporting any violations – this path is available to every employee in any form (also anonymously),
- proceedings to investigate the reported (potential) violations,
- monitoring and reporting (also to a competent member of the Bank's Management Board) the violations identified.

These procedures and principles of conduct have been adopted by the Bank's Management Board.

The Bank's Code of Ethics and the Bank's Working Regulations contain provisions concerning, among other things, counteracting discrimination due to gender, age, disability, religion and denomination, race, ethnic origin, nationality, political views, trade union membership, sexual orientation, employment for a limited and/or unlimited period and on a full-time and/or part-time basis.

Each employee is obliged to comply with the Bank's Code of Ethics and participate in the development and promotion of the organizational culture and the related values.

In order to counteract violations of ethics, the Bank applies separate internal regulations: "Anti-harassment and anti-discrimination policies, and the procedure for handling complaints concerning the violation of employee rights". Employees can send reports to a dedicated email box or in traditional paper form to the Department of Employee Equity. Former employees of the Bank can also lodge a complaint.

The Bank analyses the cases reported through dedicated internal channels also in terms of non-compliance and violations related to conflicts of interests.

In addition to promoting values among the employees, the Bank also monitors employee complaints for potential violations of the standards of ethics. The competent Members of the Management Board of the Bank are informed quarterly about employee complaints in the areas they supervise and the way in which the case has been resolved. The Members of the Management Board are also entitled to review the documentation concerning the examination of the complaint. Moreover, the President of the Management Board of the Bank is informed quarterly about all complaints filed by employees.

In September 2023, the Bank's Management Board adopted a resolution to which the "Report on compliance with ethical standards at PKO Bank Polski S.A. for 2022" was attached. At the same time, the Management Board positively assessed compliance with the ethical principles set out in the Code of Ethics of PKO Bank Polski S.A. in 2022. The Supervisory Board, at its meeting in November 2023, took note of the item "Information for the Supervisory Board on the results of the Management Board's assessment of compliance with the Bank's ethics principles for 2022".

In accordance with the regulations concerning the assessment of suitability of candidates for Management Board members and the members of the Management Board of the Bank adopted by the Bank, in assessing suitability in terms of the guarantee of the proper performance of duties, the Supervisory Board takes into account the criteria of reputation, integrity and ethical conduct of candidates for the members of the Bank's Management Board (as part of the preliminary assessment) as well as the members of the Bank's Management Board (as part of the periodic assessment). If a candidate for a Management Board member and/or a Management Board member is found unsuitable in terms of the guarantee, the candidate may not be appointed to the body or measures may be taken to dismiss a member of the body from their position. Similar principles apply in the policy on the assessment of suitability concerning the members of the Bank's Supervisory Board.

ETHICS IN THE BANK'S GROUP

The entities of the Bank's Group have implemented the Company's Code of Ethics based on the template made available by the Bank, which means the application of uniform principles across the entire Bank's Group. The Code of Ethics, revised in 2023, was distributed to the Bank's Group companies for implementation in January 2024.

COMMUNICATION OF CRITICAL CONCERNS

[GRI 2-16] In the employment area there are mechanisms in place to promote and monitor compliance with the ethical standards at the Bank, including mechanisms for monitoring situations violating these principles based on, among others, the internal procedures introduced, the Code of Ethics and reporting obligations towards the Management Board and the Supervisory Board. Within these mechanisms:

- Members of the Bank's Management Board receive information on occurrence of violations in their reporting areas on a quarterly basis,
- As part of the annual report on compliance with ethics at the Bank, the Management Board and the Supervisory Board of the Bank receive comprehensive information.

In 2023, no significant concerns were raised in the employment area, and therefore no significant concerns were raised to the Management Board and Supervisory Board of the Bank regarding negative influence of the organisation on its stakeholders, including those related to business relations.

As part of the functioning of an anonymous system for notifying violations to the Bank's Management Board or the Supervisory Board, there were no information indicating any irregularities which resulted in the organisation's critical influence on its stakeholders.

COLLECTIVE KNOWLEDGE AND ASSESSMENT OF THE EFFECTIVENESS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD IN TERMS OF SUSTAINABLE DEVELOPMENT

[GRI 2-17] Assessment of the knowledge, skills and experience of members of the Management Board and Supervisory Board of the Bank on sustainable development, including the ability to manage ESG risk and the impact of ESG risk factors on Bank's operations, is one of the verification criteria as part of preliminary and periodic (annual) suitability assessments (members of the bodies) and collective (the Bank's bodies) suitability assessments.

[GRI 2-18] The fulfilment of the tasks of the Bank's bodies in the field of sustainable development is achieved by, but not limited to:

- introduction/update of the Bank's internal regulations relating to the undertaking of activities in the ESG area,
- determination by the Bank of non-financial indicators and objectives and their performance,
- development of the Bank's strategy aimed at achieving ESG objectives and sustainable development,
- setting managerial objectives to members of the Bank's Management Board covering the ESG area, including customer and employee satisfaction indicators as well as implementation of the Bank's strategy (linking the strategic objective for women in MRT positions to the remuneration of the members of the Bank's Management Board).

Performance review of the Bank's Management Board and Supervisory Board with regard to fulfilment of entrusted obligations, including monitoring the management of the organisation's impact on ESG issues, is assessed in several respects, including through periodic monitoring of:

- the implementation of the indicators and non-financial objectives related to the ESG area,
- implementation of management objectives of the Bank's Management Board members, including the implementation of the Bank's strategy,
- the impact of the organisation on the stakeholders and the social environment,

and is a component of, among others:

- control/review mechanisms in the area of compliance with corporate governance,
- the discharge of liability process,
- reporting and suitability assessment mechanisms for members of the body,
- a settlement mechanism of management objectives of the Bank's Management Board members, as well as
- ESG ratings assigned to the Bank, which remain at the medium level.

CONFLICT OF INTEREST

[GRI 2-15] The Bank has in place the Principles of managing conflicts of interest adopted by the Bank's Management Board and approved by the Supervisory Board. The Principles set out a policy for preventing, identifying and disclosing conflicts of interest or potential conflicts of interest and taking actions to control such conflicts, minimize the risk of their occurrence and mitigate their adverse effect on the Bank's operations and its relations with the customers and other entities.

The Bank identifies a conflict of interest when there may be a conflict of interest between:

- the Bank and the Bank's customer or an affiliate of the Bank and the Bank's customer,
- two or more customers of the Bank,
- a related party of the Bank and the Bank,
- Bank or a related party of the Bank and a supplier or bidder or their related party,
- shareholders of the Bank and the Bank.

Conflicts of interest may also arise from the Bank's participation in the determination of benchmark rates. In pursuing the above objectives, the Bank avoids activities that may cause conflicts of interest by establishing appropriate controls, takes appropriate measures to identify conflicts and seeks to eliminate or limit the negative impact of conflicts of interest on the Bank's operations.

Anyone who has identified a possible conflict of interest or a potential conflict of interest is obliged to immediately notify the relevant person indicated in the internal regulations - his or her supervisor, the person in charge of the Bank's unit, the Branch Manager - and forward the information to the Compliance Department.

The employee informed considers the circumstances of the conflict reported, determines the actions that will eliminate the conflict or counteract its negative effects and identifies the persons responsible for their implementation. In addition, he or she is obliged to report the conflict to the Register maintained by the Compliance Department and to monitor the effects of the measures agreed and update them if necessary.

Members of the Bank's Supervisory Board and Management Board should refrain from engaging in professional or non-professional activities which might give rise to a conflict of interest or otherwise have an adverse effect on his or her reputation as a member of the supervisory or management body.

A member of the Supervisory Board shall, at the latest on the date of his or her election, submit a written declaration of his or her membership of the management or supervisory bodies of other entities and of his or her shareholding if, as a result of such shareholding, he or she is entitled to exercise at least 5% of the votes at the general meeting (shareholders' meeting). A member of the Supervisory Board should immediately inform the Supervisory Board of any other circumstances that may cause a potential conflict of interest affecting his or her relations with the Bank's Group, including his or her activities in the Supervisory Board.

A member of the Supervisory Board, having regard to the provisions of the Regulations of the Supervisory Board and the Bank's internal regulations on the principles of corporate governance, is obliged to inform permanent participants of the meeting of the Supervisory Board about the conflict of interest which occurred and/or which may arise, refrain

from participating in the discussion, and refrain from voting on the adoption of a resolution on the matter to which such conflict pertains.

A member of the Management Board shall submit, at the latest on the date of election, a written declaration membership in the management or supervisory bodies, and stock or shareholdings, if as a result of their possession, a member of the Management Board is entitled to exercise at least 5% of votes at the general meeting (the shareholders' meeting).

A member of the Management Board may not, without the consent of the Supervisory Board, engage in competitive interests, participate in companies engaged in competitive activities in relation to the Bank or Group Companies, or provide work or services in any other form to entities engaged in competitive activities. A member of the Management Board who has determined that a conflict of interest or a situation giving rise to an imminent risk of a conflict of interest will arise as a result of his or her tasks under his or her contract with the Bank should promptly notify: President of the Management Board, Chair of the Supervisory Board, Director of the Compliance Department.

The Compliance Department informs the President of the Bank's Management Board on a monthly basis of reported conflicts of interest involving all Bank employees. In addition, the Bank's Management Board and Supervisory Board are notified of the number and topics of reported conflicts of interest in quarterly reports.

The Bank makes available, on the public website, the relevant information concerning the policy of managing conflicts of interest and information adopted at the Bank regarding the Bank's management of significant conflicts of interest and conflicts that could arise due to transactions concluded by the Bank with entities operating in the Bank's Group ([Principles for the management of conflicts of interest \(pkobp.pl\)](#)). The disclosure shall include identification of possible types of conflicts of interest, including identification of key controls, such as segregation of duties, information barriers, exclusion from decisions taken.

The Bank is obliged to provide the Polish Financial Supervision Authority with information on material conflicts of interest or conflicts of interest that could arise due to transactions entered into by the Bank with the Bank's related parties and their extent. The following information shall not be disclosed publicly: personal data, bank secret, and/or company secret.

In cases where it is not possible to eliminate the impact of the identified conflict on the customer's interest, the Bank shall inform the customer about the conflict of interest identified in relations with the customer and about actions taken to protect the customer's interests. If a conflict of interest is disclosed, the Bank shall request the customer to confirm their will to conclude and/or continue the agreement or the provision of the service.

B. PREVENTION OF MONEY LAUNDERING

In 2023, the Bank took measures to comply with the provisions of the Act of 1 March 2018 on the prevention of money laundering and terrorist financing (hereinafter: the "AML Act") and the guidelines of the European Banking Authority. To this end, in the second quarter, the Bank's Management Board appointed Mr Dariusz Szwed, President of the Bank's Management Board, as the person responsible for implementing the obligations set out in the AML Act. An officer in a managerial position (AMLCO) has also been appointed, responsible for ensuring that the activities of the Bank, its employees and other persons cooperating with the Bank comply with the provisions of the Act, as well as a senior officer (AMLRO) entrusted with, among other things, identifying risks related to money laundering and terrorist financing in the Bank's activities and taking measures to mitigate them.

Internal AML/CFT procedures were also revised. In the second quarter of 2023, the Bank's Management Board updated the Principles for Counteracting Money Laundering and Terrorist Financing at PKO Bank Polski S.A., defining the procedure and division of responsibilities with regard to AML/CFT. In November 2023, the Policy on Counteracting Money Laundering and Terrorist Financing (hereinafter the "Group Policy") was also updated for all entities of the Bank's Group and foreign branches, with the aim of strengthening the supervision of the duties performed in terms of AML/CFT in these entities.

The document adopted set out the standards to be observed by the Bank and the Group entities which are the obliged institutions, and by all persons working in them, including permanent and temporary associates, consultants, contractors, agents, intermediaries and their employees (see <https://www.pkobp.pl/relacje-inwestorskie/esg-w-grupie-pko-banku-polskiego/polityki-i-zasady/>, questionnaire: [bcb01b2f-4247-4e74-8d85-2f8262788264.pdf](https://www.pkobp.pl/relacje-inwestorskie/esg-w-grupie-pko-banku-polskiego/polityki-i-zasady/bcb01b2f-4247-4e74-8d85-2f8262788264.pdf) ([pkobp.pl](#))).

The Group Policy, which is one of the internal procedures, sets out the scope of the provisions implemented and applied by the Bank and Group companies, which include in particular:

- Know Your Customer (KYC) process,
- monitoring of transactions in order to assess whether customers' transactions are consistent with the known customer profile and the intended nature of economic relations,
- monitoring of sanctions to prevent establishing prohibited relationships by checking whether the customer is present on sanction lists,
- method of documenting the analyses carried out and the identified ML/FT risks associated with the economic relations with the customer or the occasional transaction,
- archiving,
- training,
- method of exchanging and protecting information provided for the purpose of fulfilling obligations in the areas of counteracting money laundering and terrorist financing,
- self-assessment of risk.

The Bank reviews the Group Policy periodically, at least once a year. The Bank also prepares quarterly AML/CFT information to be submitted to the Bank's Management Board by the AML/CFT Department Director (DPP). Each foreign branch also has a separate procedure in place for the handling and division of AML/CFT responsibilities and a designated AML/CFT coordinator. The Bank's Management Board also receives quarterly updates on money laundering and terrorist financing incidents at each branch.

In fulfilling its obligations under the AML Act, the Group applies financial security measures before establishing a business relationship with a customer and then reapplies them during the relationship at the intervals adequate to a given customer's risk.

If the Group cannot apply one of the basic financial security measures, it takes appropriate steps in accordance with Article 41 of the Act on preventing money laundering and financing of terrorism, i.e. it does not establish economic relations, does not carry out an occasional transaction, does not conduct transactions via a bank account, terminates business relationships.

As part of the Know Your Customer process, the Group identifies and verifies customers and beneficial owners, determines the risk of money laundering and financing of terrorism, monitors customers' transactions and, in the event of identifying circumstances which may indicate money laundering and/or financing of terrorism and/or a well-founded suspicion of money laundering, it takes appropriate measures, including putting transactions on hold, blocking the account and/or freezing the funds. The Bank applies special mitigating measures in the form of freezing funds and withholding assets or withholding transactions from persons and entities listed on:

- the lists published by the General Inspector based on the resolution of the United Nations Security Council passed under Chapter VII of the United Nations Charter, concerning threats to international peace and security caused by terrorist attacks, in particular the lists referred to in section 3 of resolution 2253 (2015) of the United Nations Security Council and/or in section 1 of resolution 1988 (2011) of the United Nations Security Council,
- the list of persons and entities subject to special mitigating measures, published by the General Inspector of Financial Information (GIIF),
- the sanction lists issued by the European Union,
- the sanction lists issued by the Republic of Poland,
- the list of persons and entities to whom the measures referred to in the Act on special solutions in the field of counteracting aggression in Ukraine and used to protect national security published by the Ministry of Interior and Administration are applied,
- the lists announced by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC).

In 2023, PKO Bank Polski S.A. implemented, on an ongoing basis, the restrictions and changes resulting from the sanctions imposed on Russia and Belarus and introduced, on an ongoing basis, guidelines for the financing of and providing banking services to persons and entities having business dealings with Russia and Belarus, including those customers on whom sanctions have been or can be imposed.

The Group operates in accordance with the laws of each country in which it conducts its activities and cooperates with institutions which are tasked with preventing money laundering and financing of terrorism (the General Inspector of Financial Information in Poland and the relevant financial analytics institutions for the foreign branches).

Legal changes in the area of AML/CFT have contributed to a significant increase in the number of responsibilities imposed on financial institutions, which is why the number of FTEs for AML/CTF functions has increased by 79% in 2023. Mandatory training programmes were extended to all persons performing AML responsibilities.

Changes were also made to the organisational structure to strengthen the continuity of the Bank's handling of the critical AML/CFT process by conducting ongoing and post-analysis of suspicious transactions after they have taken place and findings for authorised parties.

In order to promote awareness of AML/CFT among the Group's employees, a dedicated portal was launched containing, among other things, a knowledge base with materials to facilitate AML tasks, a list of applicable internal and external regulations and useful links.

13.7.3 PRODUCT COMPLIANCE

[GRI 2-27] In terms of the products offered, PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group pursue a policy which is to ensure: compliance of the products with the applicable regulations and their correct labelling. The scope of this policy at the Bank and in the Bank's Group encompasses the stage of formulating a product offer, the presentation of the product to the customer, the purchase (i.e. signing the agreement) and the stage of the product being used by the customer. The principles and mechanisms of pursuing the compliance policy and appropriate labelling of products apply to the Bank and the entire Bank's Group.

COMPLIANCE OF THE PRODUCTS WITH THE APPLICABLE STANDARDS

The Bank and the Bank's Group make every effort to ensure that the products offered meet the requirements set out in the legal regulations and the accepted market standards. These efforts are focused on ensuring that:

- the products offered are adequate to the needs of the customers to whom they are addressed,
- the manner and proposed form of the purchase of products are adequate to their nature,
- before concluding the agreement, customers are provided with reliable, transparent and comprehensive information about the product, in particular its nature, design, conditions, benefits and risks, as well as fees, commissions and other costs related to the conclusion, performance and potential early termination of the agreement (in a manner comprehensible to an average person).

These principles apply to all entities of the Bank's Group, as well as the enterprises which the Bank has entrusted with the performance of specific operations related to the sale and/or handling of products.

MANAGING THE RISK OF MISSELLING PRODUCTS TO CUSTOMERS

As part of ensuring compliance of the products with the regulations, the Bank manages the misselling risk at the stage of product development and launch, and then at the stage of offering the product to customers. Each product undergoes a pre-implementation analysis with regard to the risks it generates and the identification of target customer groups. The Bank also identifies the groups of customers to which the Bank should not offer the purchase of a given product because of its inadequacy to their needs or for other reasons (the so-called anti-groups). Employees of the Bank may not recommend or offer the purchase of financial instruments that are assessed as incompatible with the customer's objectives or needs. The misselling risk is also mitigated at the stage of commencing the sales activity – before offering the purchase of a specific product to a customer, it is assessed whether a given product is adequate to the needs of this type of customer. It aims eliminate the cases, for example, of selling unemployment insurance to pensioners and/or long-term investment products to elderly persons. Additionally, the Bank always provides reliable and exhaustive information to customers about the products offered so that they can make an informed choice. The Bank informs customers about both benefits and risks arising from the purchase of the individual products.

The Bank applies solutions to bar customers from instruments that do not comply with their sustainable development preferences by, among other things, analysing customers' needs and paying particular attention to the content of the advertising messages formulated to inform them of the environmental aspects of the products offered (see 13.7.5B).

The Bank considers any irregularities reported by the Bank's customers (in particular complaints) within the deadlines arising from the legal regulations. Depending on the findings, the Bank takes steps to eliminate such irregularities, prevent their future occurrence and improve the quality of service (for more information, see chapter 13.7.5A).

Similar solutions concerning misselling risk management, in keeping with the principle of proportionality, are also in place in the other entities of the Bank's Group which develop and/or sell financial products.

APPROPRIATE PRODUCT LABELLING

[GRI 417-1] The Bank's Group, including the Bank, fulfils the requirements concerning appropriate labelling of banking and investment products by providing the customers with all the necessary information about them, especially at the pre-contract stage.

The scope of information provided about the products is specified in the applicable legal regulations and the recommendations of the PFSA. The general rule is that the highest level of protection is available to retail customers – consumers. This information is formulated in such a way that it is comprehensible to the so-called “average consumer” within the meaning of the Act on counteracting unfair market practices, i.e. a consumer who is sufficiently well-informed, attentive and cautious, whereas the scope of the information provided to financial institutions and other professional buyers of financial products and services is narrower.

The appropriate product labelling also applies to the Bank's advertising messages, which support its sales activities and shape its brand image. All marketing materials published by the Bank take into account the specific obligations arising from the legal regulations (e.g. the Consumer Credit Act – as regards the advertising of such loans) as well as market standards and the PFSA guidance formulated in the adopted “Principles of advertising banking services”.

COMPLIANCE WITH THE LAW AND REGULATIONS

[GRI 2-27] In 2023 there were no significant instances of non-compliance with the law in the Bank and no significant penalties were imposed on the Bank for non-compliance with the law.

13.7.4 CORRUPTION

ANTI-CORRUPTION SYSTEM AT THE BANK

PKO Bank Polski S.A. does not tolerate corruption and counteracts all corrupt practices. Such phenomena as nepotism and accepting or offering any physical goods in order to influence decisions or measures taken are in contradiction with the Bank's values of credibility and trust.

The Bank has a number of internal regulations regarding the prevention of corruption, including accepting benefits, presents or gifts, in particular:

- PKO Bank Polski S.A.'s Code of Ethics,
- Code of Banking Ethics (Principles of Good Banking Practice) by the Polish Bank Association,
- Principles of ensuring compliance, non-compliance risk management and conduct risk management at the Bank.

These documents jointly define the Bank's policy, and the last one defines the procedure to be followed in the event of identification of a risk of corruption.

The Bank follows internal anti-corruption principles and prevents the creation of an environment which is conducive to the commitment of the offences referred to in Articles 229, 230a, 296a and 305 of the Criminal Code (acts of corruption) by the Bank's related entities. The solutions adopted ensure:

- counteracting the emergence of mechanisms for granting financial and personal benefits,
- familiarizing the Bank's related entities with the principles of criminal liability for the crimes referred to above,
- observance, by the people related to the Bank, of the PKO Bank Polski S.A.'s Code of Ethics and the Bank's internal regulations on reporting the acceptance of benefits, presents and/or gifts by the Bank's employees,
- counteracting making decisions under the influence of corrupt activities and in conflicts of interests,
- immediate notification of the competent organizational units of the Headquarters and the Bank's authorities by the Bank's related entities of possible corrupt proposals received by those persons, regarding the operations of the Bank, as well as reporting them to the competent public administration authorities.

[GRI 205-1] Within the Bank's Group, including the Bank, the risks related to corruption are identified in particular:

- in the individual and business customer service areas,

- in the area of the supply of goods and services to the entities of the Bank's Group, including the Bank, by external entities,
- in connection with donations and sponsorship agreements.

These areas are subject to particular attention, the processes are regulated in detail, while decisions which have significant financial consequences are accepted, in principle, through the so-called "second hand" (they require dual acceptance).

The Bank's internal regulations on the prevention of corruption with regard to the Bank's employees and people acting on behalf of the Bank include:

- the prohibition to accept benefits, presents or gifts intended for personal use from customers and prospective customers, as well as from the representatives of the entities cooperating with the Bank and/or seeking to enter into cooperation with the Bank, which could:
 - result in an informal obligation to a given customer and/or person cooperating with the Bank,
 - cause a conflict of interests,
 - otherwise affect the manner in which the Bank's employee performs their professional duties negatively.this prohibition applies, in particular, to cash or cash equivalents, donations in kind (presents and gifts) and other material benefits (in particular the financing of travel, leisure or training expenses, participation in events or lending an asset, e.g. a car, for free-of-charge use or use on terms that deviate from arm's length terms), as well as the acceptance, by any person involved in the procurement proceedings organized by the Bank, of any gifts and benefits from entities which are bidders or prospective bidders in these proceedings,
- exclusion of the possibility of circumventing the above prohibition, in particular by persuading other people (e.g. people living in the same household, family members or relatives) to accept the gift on their behalf,
- under exceptional circumstances, it is acceptable to accept a benefit or present in business relations, under the terms and conditions set out in the Bank's internal regulations regarding the acceptance of benefits, presents or gifts
- the prohibition to offer, on behalf of the Bank, customers, counterparties, representatives of public administration authorities and other entities any benefits, presents, gifts or incentives which are not a part of the Bank's product and service offer in order to persuade those persons to behave in a particular way, especially to take measures which are contrary to the legal regulations or good practices.

If a Bank employee has doubts as to whether the acceptance of a benefit, present or gift is allowed in a given situation, they are required to consult their superior or the Bank's unit which manages compliance risk. Every new employee of the Bank receives information on the principles applicable in this regard.

Corrupt behaviour is treated as non-compliance and reported to the Bank's Management Board and Supervisory Board. The risk of corruption is an element of the compliance risk assessment process.

In the other entities of the Bank's Group, each subsidiary whose business activities are associated with the risk of corruption has appropriate regulations in place to prevent corrupt practices. Every employee is required to read and apply these regulations. Each entity formulates appropriate regulations taking into account the specific nature of its activities and its own assessment of the areas of risk of corruption and bribery, therefore the Bank's Group does not have a standard policy in this respect.

In 2023, no critical events in this area were identified, and no corruption activities were identified in the entities of the Bank's Group which could result in disrupting the operations of the Bank or the other entities of the Bank's Group.

The Bank and the other entities of the Bank's Group also apply their anti-corruption measures to their prospective counterparties. A bidder taking part in the procurement proceedings declares that "they do not offer or provide any financial benefits to influence the decision on the selection of their proposal. They do not affect the selection of the proposal in a manner which is contrary to the law or good practice and do not take part in any agreements or arrangements with other third parties which are aimed at influencing their selection".

Every employee of the Bank is required to undergo training in the principles for counteracting any corrupt practices.

[GRI 2-26] SYSTEM OF NOTIFYING BREACHES AND REPORTING

OPEN REPORTS

The Bank's employees have the possibility to report irregularities openly. An open report should be submitted to the Compliance Department or to another unit of the Bank, using the following communication channels: electronic, by surface mail, telephone and in person (at any location, also outside the Bank). The reporting person is fully protected, excluding cases which must be disclosed to courts and law enforcement bodies in connection with criminal proceedings pending. Should they suffer any repression, there is a possibility to seek the assistance of the President of the Management Board. The reporting person will be provided with feedback if this is without detriment to the interests of the Bank or third parties.

ANONYMOUS REPORTS

The Bank has a system for reporting breaches anonymously, introduced by resolution of the Management Board and the Supervisory Board (the institution of whistleblower is applicable to all unethical acts, illegal or contrary to the Bank's internal regulations and to breaches of the recommendations of supervisory and audit authorities). Additionally, the Bank obliged employees to report every suspected crime committed in connection with the Bank's activities. Such reports may also be submitted on a general basis by other persons. A report regarding a member of the Management Board is addressed to the Chairman of the Supervisory Board, and all other reports are addressed to the President of the Bank's Management Board. The Bank has internal regulations which define the manner of proceeding in such matters.

Anonymous applications can be submitted electronically, by phone and/or by post, and as of 2.01.2023, via a dedicated, independent and encrypted communication channel as well (<https://www.pkobp.pl/sygnanet/>).

The persons reporting irregularities anonymously are guaranteed full protection of their personal details and of the information they provide. If, based on the contents of the report, the reporting person's identity can be established, such information is deleted by the recipient of the report before further action is taken. Employees reporting irregularities, even if the allegations they make are not confirmed, are protected in particular against any repressive measures, discrimination or other types of unfair treatment. Should they suffer any repression, there is a possibility to seek the assistance of the President of the Bank's Management Board.

The Bank also has detailed procedures for conducting verification and rectification activities as a result of the reported breaches. Reports are verified by a limited number of persons appointed by the President of the Bank's Management Board.

Once the report has been analysed, the notifier should receive feedback on the outcome of the proceedings. In most cases, the identity of the reporting party is unknown, so it is not always possible to communicate it.

In 2023, the Bank received several dozen anonymous reports. They concerned primarily the relationships between the employees and superiors. Only in very few cases were the irregularities confirmed.

In the case of a breach of the applicable laws or the Bank's internal regulations, including those regarding corruption, by an employee of the Bank, the Bank applies the solutions specified in the provisions of the labour law. If a specific case is qualified as grounds for instituting disciplinary proceedings, the Bank conducts such proceedings and, depending on their outcome, makes use of the list of consequences provided for in the above regulations, including the right to terminate the employee's employment contract.

The Bank provides preliminary and regular training for its employees on reporting breaches and cases of non-compliance. The Bank provides the employees with access to the necessary information and internal regulations in this area, also in electronic form in the intranet.

Information on the reported irregularities, including those involving corruption activities and the results of their verification, is reported on a cyclical basis to the Management Board and the Supervisory Board of the Bank.

Similar solutions are applied at the selected companies of the Bank's Group adequately to the scale and scope of their activities.

[GRI 205-3] In 2023, no cases of corruption were identified, as in 2022.

13.7.5 COMMUNICATION

A. COMPLAINTS

The complaints process is an important part of building the positive experience of customers and their satisfaction from cooperation with entities of the Bank's Group. Every complaint brought by a customer is considered individually, and every problem reported is carefully analysed and explained.

COMPLAINT HANDLING PROCESS AT THE BANK

The submission of complaints or appeals by customers may take on various forms, depending on the customer's decision: written, oral or electronic. In addition, if the customer lodges an appeal, they may arrange a personal meeting with the Customer's Ombudsman.

The complaint handling process is conducted along two lines:

- the first line consists of units dealing with the first complaints of customers in accordance with the tasks they perform, and with reports concerning personal data protection filed by the President of the Personal Data Protection Office,
- the second line is the Customer's Ombudsman and the Office of the Customer's Ombudsman. They consider:
 - appeals of customers against the decision of the Bank's first line in the complaint handling process,
 - customer-related reports from the PFSA and external institutions dealing with the protection of customer rights (such as: the Banking Consumer Arbitration, the Arbitration Court at the Polish Bank Association, the Arbitration Court at the Polish Financial Supervision Authority, the Municipal or District Consumer Ombudsman and the Financial Ombudsman),
 - individual cases, in particular due to the significance of the reported issue.

The solution proposed by the Customer's Ombudsman is the Bank's final position in a given matter.

Complaints and/or appeals are handled with due care and diligence, fairly, thoroughly and as quickly as possible. The Bank's Code of Ethics, the Principles of Best Banking Practice, the Code of Best Brokerage Practice and the Customer Service Quality Standards are applied in considering complaints.

Considering a complaint and/or an appeal involves, in particular:

- analysing and assessing its validity,
- taking appropriate steps to eliminate the irregularities,
- giving a comprehensive response.

Pursuant to the Act on the handling of complaints by financial market entities, on the Financial Ombudsman and on the Financial Education Fund, the Bank follows the principle that a response to a customer's complaint should be formulated in a clear and understandable manner and that it should include:

- a factual and legal justification, unless the complaint is resolved in line with the customer's wishes,
- information about the Bank's position with regard to the Customer's objections, including an indication of the relevant parts of the agreement or the product regulations,
- specification of the deadline within which the customer's claim that has been accepted by the Bank will be fulfilled.

The deadlines for replying are in line with the provisions of the law, in particular with the aforementioned Act and the agreements concluded with the customers.

The Office of the Customer's Ombudsman regularly monitors and reports, among other things, to the Operational Risk Committee and the Bank's Management Board and Supervisory Board. The process of handling complaints is supplemented by the initiation of positive changes at the Bank.

Every unit at the Bank which considers complaints and appeals of the customers:

- analyses the reports received to identify possible irregularities, the reasons for them and the places of their occurrence and to identify possible changes to products, services or processes whose implementation would contribute to an improvement in the quality of the services provided by the Bank,
- initiates remedial or improvement measures.

The competent unit (in terms of its responsibilities and the subject matter of the initiative):

- takes remedial measures to eliminate irregularities,
- implements improvements in products, services or processes,
- provides information on the remedial or improvement measures taken and the deadline and method for their implementation to the Office of the Customer's Ombudsman and to the unit handling the report.

This approach to the complaint handling process means that individual reports from customers lead to the implementation of solutions that are beneficial not only for the reporting person, but also for other customers.

The implementation of remedial measures is monitored by the Office of the Customer's Ombudsman.

COMPLAINT HANDLING PROCESS AT THE OTHER ENTITIES OF THE BANK'S GROUP

The Bank's subsidiaries manage complaints on their own, and they implement and follow their own procedures for receiving and considering customer complaints. These procedures:

- have been specified in the form of internal procedures/ regulations of the entities,
- are included in the regulations and contained in the agreements with customers or
- arise from the provisions of the generally applicable laws.

Complaints are handled in a reliable and objective manner, taking into account all the information and documents related to the problem reported by the customer and in accordance with the provisions of the law and concluded agreements.

Most of the Bank's subsidiaries are also subject to the Act on the handling of complaints by financial market entities, on the Financial Ombudsman, and on the Financial Education Fund which regulates this process in detail.

INDICATORS DESCRIBING THE COMPLAINT HANDLING PROCESS

In 2023, the entities of the Bank's Group received approx. 349 thousand complaints (352 thousand in 2022), of which over 82% were handled within 14 days (79% in 2022). Approximately 53% of all cases were fully or partly settled in the customer's favour (56% in 2022).

B. MARKETING COMMUNICATION

The Bank's marketing communication policy is regulated by the "Principles for the conducting of marketing and public relations (PR) activities and social communication by PKO Bank Polski S.A." which were adopted by resolution of the Management Board in June 2022. The purpose of social communication is to build the Bank's market position and brands, to create the expected, consistent image of the Bank, the entities of the Bank's Group, and the PKO Bank Polski Foundation, in particular by supporting sales activities, initiating and implementing projects aimed at building brand awareness among its stakeholders as well as socially. The principles of conducting marketing activities are regulated by, by not limited to "General requirements for creating advertising messages regarding trading in financial instruments" (appendix no. 3 to the Principles). The Bank's internal regulations concerning the principles for conducting marketing activities define the features of appropriate advertising messages, as well as the list of undesirable actions. According to these principles, an advertising message, in particular:

- should be designed in a reliable manner, not be misleading, and should feature respect for the generally applicable laws, principles of fair trading and good practices,
- should clearly indicate the product and/or service it relates to,
- must not present benefits in a way that would diminish the significance of the costs and risks associated with the purchase of a product and/or service.
- should not mislead nor create an opportunity to mislead the customer.

In addition to the Bank's internal regulations, in its marketing communications the Bank follows:

- "PKO Bank Polski S.A.'s Strategy for 2023-2025",
- "The Code of Banking Ethics" prepared by the Polish Bank Association as part of the Principles of Good Banking Practice,
- "Best Practices in consumer credit advertising standards" developed jointly by the Polish Bank Association, the Conference of Financial Enterprises and the Association of Lending Companies,

- “The principles for advertising banking services” by the Polish Financial Supervision Authority,
- “The canon of best financial market practices” prepared by entities in the financial and insurance sector.

When creating an advertising message, the Bank should:

- ensure the compliance of the form and content of advertising messages prepared and published with the generally applicable law, recommendations of the financial supervision authorities, market standards, good practices, and internal regulations of the Bank,
- ensure that the graphic form in the advertising message gives an average recipient the opportunity to become familiar with material information about the product and/or service advertised in this message, in particular with all information published pursuant to legal regulations and recommendations of external supervisory and control authorities,
- specify the source of the information presented if the advertising message refers to results of polls, statistical surveys, rankings, ratings or other data.

In its marketing activities, the Bank has mechanisms that prevent the creation of unethical and unreliable messages. Each time, the correctness of the communication is consulted with the units whose tasks include verifying the compliance of messages with the generally applicable laws. The ethical standards in marketing communication and the mechanisms for preventing the risk of unethical communications also apply to materials prepared at the Bank's request by external entities (advertising agencies, event agencies).

The same standards apply to all customer groups. Each message should be formulated in a comprehensible, reliable and credible way, regardless of the customer to whom it is addressed.

Within the Bank's Group, the subsidiaries have internal regulations which require them to design messages in compliance with ethical standards (this does not apply to entities that do not actively conduct marketing activities). These standards coincide with those adopted by the Bank. In addition, the Bank's subsidiaries which have signed agency agreements with the Bank for the provision of marketing services to the Bank's Group are required to apply the internal regulations on marketing communications in force at the Bank.

In their marketing activities, all of the Bank's subsidiaries have control mechanisms to prevent the risk of irresponsible or unethical communication from the company. The marketing communication is approved respectively by a given company's supervisory units or, additionally, in the case of companies which have signed agency agreements with the Bank for the provision of marketing services to the Bank's Group – by the Bank's competent units.

[GRI 417-3] In 2023, as part of the marketing activities conducted by the Bank's Group and the Bank, no administrative proceedings concerning the violation of ethics in marketing communication were pending, and no inconsistencies were recorded in marketing communication.

C. COMMUNICATION WITH INVESTORS AND CUSTOMERS

In order to maintain proper relations with all of its shareholders, the Bank has adopted the “PKO Bank Polski S.A. Information Policy with respect to contacts with investors and customers” (the policy was approved by the Management Board on 9 December 2014). According to its provisions, the overriding aim of the Bank's information activities is to guarantee high standards of communication with capital market participants, which are a sign of respect for the principles of universal and equal access to information. As part of its information policy, the Bank takes into account the interests of all investors, provided that they are not in conflict with the Bank's interests. The objective of the information policy is to define the mechanisms of communication with capital market participants to ensure appropriate, fair and full access to information about the Bank for all investors, without giving preference to any of them. Detailed principles of operation of the policy are described in chapter 11.2.1.

INVESTORS' INTEREST IN ESG ISSUES

[GRI 2-29] Investors' interest in ESG issues in 2023 remained at levels far lower than before the outbreak of the war in Ukraine. Investors who demonstrated interest in this topic focused on the issues of the Bank's involvement in the energy transition and the potential impact of the parliamentary elections on the Bank's corporate governance principles.

The Bank operates a tab dedicated to ESG issues on its website:

[ESG at PKO Bank Polski Group \(pkobp.pl\)](https://pkobp.pl).

D. CUSTOMER SATISFACTION

[GRI 2-29] The Bank evaluates the stakeholders' commitment based on regular customer satisfaction surveys.

RETAIL CUSTOMER RECOMMENDATION AND SATISFACTION SURVEYS

In line with the Strategy for 2023-2025, the Bank places emphasis on improving the customer experience. The aim is to be among the top three banks according to the criterion of customer recommendation of the bank (NPS indicator). The current position is not satisfactory. The Bank has been taking a number of measures to improve the indicator. One of these is the inclusion of the bank's recommendation indicator in the objectives of most of the bank's units, continuing the customer-centric approach based on the principle that customer satisfaction and loyalty are central to the bank's operations and strategy.

The Bank still conducts the following internal retail customer surveys:

- relational surveys – conducted among customers in the segments: Primary Customer, Personal Banking and Sole Proprietorships (SME), measuring the level of customers' loyalty and their satisfaction with cooperation with the Bank, encompassing the whole of the customer's experience,
- transactional surveys – conducted at the key points of contact between the customer and the Bank, immediately after the event, measuring satisfaction with a given interaction, which is defined in space and time, and the Bank's NPS following the customer's recent experience in connection with that event.

Relational surveys are carried out on a continuous basis.

Surveys using a voicebot were continued – this technique is used permanently to conduct relational surveys of customers in the Primary customer segment. In addition, a survey following a customer visit to a branch was implemented in 2023 using voicebot technology. It examines the level of recommendation of customers who purchase products and also execute various service instructions at the branch.

In 2023, surveys continued to be conducted in the iPKO transactional platform (survey embedded in notifications). The bank has also started work on launching an identical survey on the IKO mobile app. Currently, the Bank asks customers for their opinion after completing less than 100 applications and instructions (around 60 in 2022).

In total, in 2023 the Bank collected over 1.5 million surveys using various methods, including the remote channels. There are plans to further increase the number of processes monitored, especially the service processes following the purchase of a product.

INSTITUTIONAL CUSTOMER SATISFACTION SURVEYS

Institutional customer satisfaction is one of the key pillars in the Bank's Strategy for 2023-2025 - by 2025, the Bank wants to be among the 3 top-rated banks. It measures its position in an independent, external benchmark study, which allows it to analyse customer satisfaction with its services compared to competitor banks and set targets that reflect its market position. Targets for the NPS of the institutional client can be found in the Bank's note, notes of members of the Bank's Management Board and key personnel related to the corporate and corporate banking area. In 2023, the targets set were met at 120%.

Internal surveys monitoring corporate customer satisfaction (relational NPS, transactional NPS, satisfaction with individual products) are a tool used on a daily basis. The main monitored indicator, the relational NPS, was 46, which was the highest result since the beginning of the survey implementation in the corporate segment (up 5 points since 2022). High Response Rate (62%), which has been continuing for several years, is a sign that customers appreciate this form of dialogue for the Bank. Apart from monitoring the level of customer satisfaction, the Bank also conducts an in-depth dialogue with customers at every stage of the product development process - the concept of changes is preceded by the analysis of customers' needs and previous reports, the prepared concept is verified with customers (e.g. through mock-up tests), while the implementation involves the assessment of satisfaction with the solution prepared. In the process of granting budgets for development works, the assessment of the impact of a given action on customer satisfaction is taken into account, while measures based on their satisfaction are an ongoing element of post-implementation assessment. From 2023, financial institutions that are customers of the Bank have also been included in the NPS programme, while the NPS programme for corporate banking customers will be rolled out by 2024.

In 2023, a number of initiatives aimed at improving customer satisfaction and meeting the strategic objective were launched, including changes to the onboarding process (which resulted in an improvement in the NPS for new

customers of more than 20 points), the implementation of mobile authorisation and the ability to execute transfers from the mobile app (following these implementations, the NPS of the mobile app is 55), and changes to the design of the loan agreement and the lending process itself in the fourth quarter.

13.7.6 ENVIRONMENT

A. DIRECT ENVIRONMENTAL IMPACT

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.

The Group entities have procedures and structures in place for monitoring the legal changes regarding the environment, which are significant for their operations. In 2023, none of the Group entities conducted an activity that could significantly affect the environment. [GRI 307-1] No administrative proceedings relating to a breach of the environmental regulations were conducted with respect to the Group that would result in any financial penalties.

Direct impact on the environment depends on the manner of consumption of limited natural resources. The Group monitors the consumption of such resources and engages in activities aimed at reducing their consumption.

None of the Bank's Group entities conducted an energy efficiency audit in 2023. In 2021, in accordance with the requirements of the Act on energy efficiency the Bank conducted an energy efficiency audit. The findings of the audits in previous years were used to identify the areas with the greatest energy-saving potential and to draw up action plans, which are now being successively implemented.

[GRI 303-1] According to estimates, in 2023 water consumption in the Bank was approx. 229.4 mega litres (224.2 mega litres in 2022) and 46.6 mega litres (45.5 mega litres in 2022) in other entities of the Group. The increase in water consumption in the Bank (by 2.3% y/y) is due to the increased presence of employees in the office (up by 1pp), the increase in headcount and the first-time inclusion of the Bank's foreign branches in the calculations.

POLICIES

The Bank amended its internal regulations (Resolution of the Management Board) by separating the "Principles of waste management and environmental protection at PKO Bank Polski S.A." and by amending the "Principles of asset management at PKO Bank Polski S.A."

The Principles set out procedures for: waste management and environmental protection, the collection of information for the Statement on non-financial information, the manner of determining emissions, taking measures to raise environmental awareness among employees and measures to optimise the use of the Bank's resources.

CONSUMPTION OF ENERGY AND FUELS AND GREENHOUSE GAS EMISSIONS

Table 35. Energy consumption within the organization (in MWh) [GRI 302-1], [GRI 302-4]

	BANK	Oth. Entities	GROUP	GROUP	BANK	Oth. Entities	GROUP	BANK	Oth. Entities	GROUP
	2023			y/y (%)	2022			2021		
Fuel used in buildings	17,205	3,001	20,206	-13.2	19,603	3,671	23,274	22,122	3,889	26,011
natural gas	14,353	2,574	16,927	-20.3	17,647	3,603	21,250	19,706	3,749	23,455
heating oil	2,702	0	2,703	50.4	1,789	8	1,797	2,188	98	2,286
diesel oil	59	421	480	291.5	71	51	123	49	12	61
LPG	0	5	5	-41.8	0	9	9	0	30	30
lignite	0	0	0	-	0	0	0	0	0	0
coal	91	0	91	-5.9	96	0	96	179	0	179
Fuel used in vehicles	25,156	12,530	37,686	4.5	23,774	12,305	36,079	19,356	10,224	29,579
diesel oil	1,394	2,660	4,054	-30.8	1,737	4,125	5,862	1,124	4,097	5,221
LPG	0	0	0	-	0	0	0	0.2	0	0.2
gasoline	23,762	9,870	33,631	11.3	22,037	8,180	30,217	18,231	6,127	24,358
Energy purchased	130,658	17,798	148,457	-5.4	136,484	20,513	156,997	143,181	19,831	163,012
electricity	71,703	10,480	82,183	-6.3	74,031	13,652	87,683	75,494	11,125	86,618
heat	58,955	7,319	66,274	-4.4	62,453	6,861	69,314	67,687	8,706	76,394
Total energy consumption	173,019	33,329	206,348	-4.6	179,861	36,489	216,350	184,658	33,944	218,602

Table 36. Energy consumption within the organization by country (in MWh) in 2023

	Total	Poland	Czech R.	Germany	Slovak R.	Ukraine	Romania
Electricity	82,183	78,050	7	12	5	4,087	22
Heat	66,274	65,524	0	26	0	723	0

Table 37. Intensity of energy consumption by the Bank's Group [GRI 302-3] in 2023

Wskaźnik	Jednostka	2023	y/y (%)	2022	2021
Total energy consumption per employee	MWh / person	7.9	-7.5	8.6	8.4
Total energy consumption per PLN 1 million assets	MWh / PLN 1 million assets	411.4	-17.9	501.5	522.9

[GRI 302-4] Since 2019, the Bank has been systematically reducing energy consumption. Total energy consumption in 2023 is down 4.6% for the Group compared to 2022, including a 3.8% decrease for the Bank and an 8.7% decrease for the companies. The consumption of certain fuels in buildings has decreased: natural gas, LPG and coal. Group companies (SGK) reported a 720% increase in diesel consumption in relation to 2022. In 2023, the company that consumed the most diesel (99.6% of total SGK consumption) was KREDOBANK S.A. The increased demand for diesel was a result of the ongoing war in Ukraine - rocket attacks by the Russian army resulted in power supply problems, causing KREDOBANK S.A. to use diesel generators. The consumption of diesel used in SGK vehicles has also changed. Diesel consumption decreased by 35.5%, as a result of the replacement of diesel cars at PKO Leasing.

In order to reduce energy consumption the Bank has been improving the efficiency of the resources used and has continued the following measures: replacement of windows, replacement of lighting with energy-efficient lighting and installation of automatic light controls, replacement of heaters and change of heating method to gas heating, installation of ventilation with recuperation, installation of time switches on electric water heaters, fitting of heating boilers with controls, modernisation of air-conditioning units, insulation of buildings, replacement of thermostatic valves with heads on radiators.

70 reactive power compensation systems have been installed at the Bank's properties, which should result in a reduction in reactive power consumption losses of an estimated 933,104 kvarh/year.

The bank replaced the external signage from friezes to spatial letters (a consequence of landscape resolution amendments in force) reducing the materials used and ensuring lower electricity consumption.

The bank has completed measures to optimise the operation of air handling units. The aim of these measures is to achieve energy savings and obtain energy efficiency certificates. Applications for the issue of Energy Efficiency Certificates for the upgrade of control automation for mechanical ventilation systems (covering 73.707 toe, 82 sites) were submitted to the ERO in June 2023 (case pending). According to the audit findings, the estimated reduction in electricity consumption is: 66.501 MWh/year.

Following the completion of the automation upgrade activities, the Bank submitted applications to the ERO in June 2023 for the issue of Energy Efficiency Certificates for the upgrade of boiler automation in natural gas and fuel oil-fired sources and the application of automation in electric hot water heaters (covering a total of 80.234 toe, boiler automation: 52 sites, automation in heaters: 420 sites - case pending). According to the audit findings, the estimated reduction in electricity consumption is: 131.03 (MWh/year).

The Bank has been installing photovoltaic micro-installations on its own properties since 2021. Photovoltaic installations do not reduce consumption, but change the energy generation structure of the property. The use of photovoltaic installations results from the Bank's Energy Audit carried out in 2021.

In 2023, the Bank has installed 15 photovoltaic installations with a total capacity of 451.78 kWp, for which the estimated renewable energy yield is 409,373 kWh/year. At the end of 2023, the Bank's facilities had 28 photovoltaic micro-installations, with five units installed at the end of the year not yet put into production.

Table 38. Electricity generated by the Bank's photovoltaic micro-installations (kWh)

	2023	2022
In-house production of renewable energy	300,571	171,105
Consumption of electricity generated in-house	226,995	123,376
Sale of renewable energy generated by the Bank	73,576	47,729

The Bank's strategic goal is to achieve climate neutrality in 2030, which involves reducing energy consumption. The process of recruiting a consultant to develop an emissions reduction trajectory has been initiated.

Table 39. Emissions by source in MgCO_{2e} by market-based method [GRI 305-1], [GRI 305-2], [GRI 305-3], [GRI 305-5]

	BANK	Oth. Entities	GROUP	GROUP	BANK	Oth. Entities	GROUP	BANK	Oth. Entities	GROUP
	2023			y/y (%)	2022			2021		
Scope 1 – direct emissions from:	10,308	3,668	13,976	-5.0	10,849	3,867	14,716	10,000	3,388	13,388
fuels used in buildings	3,656	630	4,286	-11.2	4,081	744	4,825	4,681	797	5,478
fuels used in vehicles	5,846	2,857	8,703	-0.5	5,725	3,019	8,745	4,757	2,591	7,348
consumption of refrigerants	805	182	987	-13.9	1,043	103	1,146	562	0	562
Scope 2 – indirect emissions from:	22,168	6,782	28,950	-14.3	26,274	7,510	33,784	28,101	9,203	37,304
purchase of electricity	840	4,277	5,117	-38.5	3,335	4,990	8,324	4,590	6,305	10,895
purchase of heat	21,328	2,505	23,833	-6.4	22,939	2,520	25,460	23,511	2,898	26,409
Total emissions (Scope 1 + 2)	32,476	10,450	42,927	-11.5	37,124	11,376	48,500	38,101	12,591	50,692
Scope 3	26,334	6,513	32,846	79.7	14,841	3,436	18,277	3,536	-	3,536
cat. 1. purchased goods and services	580	-	580	-	-	-	-	-	-	-
cat. 3. WTT emissions*	12,989	1,624	14,613	97.5	3,987	3,413	7,400	-	-	-
cat. 5. waste generated in operation	19	-	19	-	-	-	-	-	-	-
cat. 6. business travel domestic and foreign	1,295	120	1,416	172.7	513	6	519	195	-	195
cat. 7. employee commuting	8,444	4,769	13,213	51.7	8,694	17	8,711	3,341	-	3,341
cat. 11. use of sold products	961	-	961	-	-	-	-	-	-	-
cat. 13. lease of space	2,044	-	2,044	24.1	1,647	0	1,647	-	-	-
Total emissions (Scope 1 + 2 + 3)	58,810	16,963	75,773	13.5	51,965	14,813	66,777	41,637	12,591	54,228

*WTT (Weel to Tank) – emissions generated at the stage of production of fuels and fuels to generate electricity and emissions related to the generation of electricity lost during transmission and distribution.

Table 40. GHG emissions intensity indicators in the Bank's Group [GRI 305-4]

Wskaźnik	Jednostka	2023	r/r (%)	2022	2021
GHG emissions (Scope 1+2) per employee	Mg CO _{2e} / person	1.7	-14.2	1.9	2.0
GHG emissions (Scope 1+2) per client	kg CO _{2e} / person	3.6	-17.6	4.4	4.8
GHG emissions (Scope 1+2) per PLN 1 million ass	kg CO _{2e} / PLN 1 million assets	85.6	-23.9	112.4	121.2

Table 41. Emissions by method in MgCO₂e [GRI 305-1], [GRI 305-2], [GRI 305-3] in 2023

Zakres 1 [GRI 305-1]	Zakres 2 [GRI 305-2]	Zakres 3 [GRI 305-3]
13,976	75,548 (location based)	32,846
	28,950 (market based)	
Direct emissions of the Bank's Group as a result of fuel combustion in sources owned by it and purchase of refrigerants	Indirect emissions of the Bank's Group resulting from the use of purchased electricity and heat	Indirect emissions of the Bank's Group arising from business travel, employees commuting, WTT, and lease of space

The reported emission limits include: (1) in the case of data for the Bank only this entity (100% of emissions) (2) in the case of data for the Group: The Bank and all subsidiaries of the Bank according to operational control (100% of emissions of each of the entities). The reported emissions comprise Scope 1, 2, and 3.

The Bank is systematically expanding its Scope 3 emissions data, so the base year has not yet been determined. The disclosures for 2023 expand the scope of emissions to include Category 1 (emissions from purchased products and services for the Bank), Category 5 (emissions from waste generated for the Bank) and Category 11 (emissions from the use of sold products for the Bank). Emissions from the use of sold products included emissions generated when the Bank's customers use two apps: iPKO and IKO. In the business travel emissions accounts, emissions from overnight stays in hotels were calculated for the first time (for the Bank), and in the employee commuting accounts, emissions generated during employee remote working were calculated (for the Bank).

Table 42. Scope 3 emission categories presented in the disclosures in subsequent years

2019	No calculation of emissions in Scope 3
2020	Domestic business travel for the Bank
2021	Domestic and foreign business travel for the Bank Bank employee commuting
2022	Domestic and foreign business travel for the Bank and subsidiaries (cat. 6) Bank and subsidiaries employee commuting (cat. 7) WTT emissions (cat. 3) Media consumption in areas rented to third parties (cat. 13)
2023	Emissions from purchased products and services (cat. 1) for the Bank WTT emissions (cat. 3) for the Bank and companies Waste generated (cat. 5) for the Bank Domestic and foreign business travel for the Bank and subsidiaries (cat. 6) Bank and subsidiaries employee commuting (cat. 7) Emissions from use of products sold (cat.11) for the Bank Media consumption in areas rented to third parties (cat. 13) for the Bank

Table 43. Scope 3 categories included in the calculation for 2023

CATEGORY	IS IT INCLUDED IN THE CALCULATION?		
	BANK		SGK
	POLAND	FOREIGN BRANCHES	
category 1 Purchased products and services	Yes	No	No
category 3 Energy and fuel-related activities	Yes	Yes	Yes
category 5 Waste in activities	Yes	No	No
category 6 Business travel	Yes	Yes	Yes
category 6 Business travel - hotel accommodation	Yes	No	No
category 7 Employee commuting	Yes	Yes	Yes
category 7 Employee commuting - remote work	Yes	No	No
category 11 Use of products sold	Yes	No	No
category 13 Leased assets	Yes	No	No

Greenhouse gas emissions were calculated in accordance with the Greenhouse Gas Protocol (GHG) Corporate Accounting and Reporting Standard (revised) using the market-based and location-based methods.

No recalculation of greenhouse gas emissions was carried out for the base year (2019).

Detailed information on the methodology used to calculate emissions and the comparison with the base year are presented in the Inventory of greenhouse gas emissions of PKO Bank Polski S.A. for 2023 (<https://www.pkobp.pl/relacje-inwestorskie/esg-w-grupie-pko-banku-polskiego/emisje-gazow-cieplarnianych/>).

In 2023, the Bank Group's emissions decreased (-11.5%, y/y, Scope 1 and 2, over 2022), driven by declines in emissions at the Bank (-12.5%) and SGK (-8.1%). These changes were due to:

- lower fuel consumption,
- purchasing decisions of the Bank, which purchased Guarantees of Origin of electricity from RES (solar and wind sources) in 2023, for 70,000 MWh (1,000 MWh more than in 2022), for which the emission factor is 0 kg CO₂ (market-based calculation). The electricity purchased from RES accounted for 97.6% of the Bank's electricity consumption. The purchase of guarantee of origin contributed to a reduction of emissions by 45,570 MgCO_{2e}. The bank did not buy energy from nuclear sources.
- the emission factor for electricity used in the location-based calculation. The factor used excludes emissions associated with transmission losses. Furthermore, year on year, the national emission factor is decreasing as a result of the increasing share of RES in the national energy mix,
- from a decrease in the consumption of purchased electricity and heat (-6.3% and -4.4%).
- from a reduction in refrigerant consumption.

The Bank calculated GHG emissions intensity ratios for the purpose of comparison with the market. Total 1+2 Scope emissions for the Bank's Group were used in the calculation. In this way, a full picture was obtained of the carbon footprint generated as a result of the operating activities.

The Group purchased electricity and heat, no purchases of technological steam or cooling were recorded.

WASTE

Table 44. Non-municipal waste produced by the Bank (in tonnes)

	2023	y/y (%)	2022	2021
Total	893	28	697	901
hazardous*	15	-25	20	21
Other	878	30	677	880
including:				
bulky waste	443	30	342	303
electronic and electric	302	49	203	366
magnetic and optical data carriers	3	257	0.84	1
paper and cardboard waste (binders)	19	73	11	32
iron and steel waste	111	-8	120	178

* electric and electronic appliances, such as air conditioners, used monitors, refrigerators

The increase in bulky waste generated is due to the closure of branches and the relocation of employees to a new location in Warsaw. The increase in the volume of electro-waste generated (ATMs, multi-safes, dispensers) results from the closure of branches and the reclassification of cash branches to non-cash branches.

The Bank, as a waste producer, plans its activities to prevent them from being generated in the first place or reduce the amount of waste generated. The Bank has taken the following measures to reduce the quantity of waste produced:

- repair of electronic and electrical devices instead of handing them over for scrapping,
- repair of furniture fittings,
- elimination of paper correspondence in favour of electronic correspondence,
- elimination of plastic waste (discontinuation of the use of coffee capsules, bottled water, plates, cutlery and cups),
- encouraging the Bank's customers to resign from paper correspondence in favour of electronic mail,
- resale of redundant assets instead of handing them over for scrapping.

The Bank also takes waste management measures by selling assets to Bank employees and by making donations in cooperation with the Foundation. The sale of assets is carried out via a specially developed intranet site. In 2023, the Bank sold 938 items of assets.

In 2023, the Bank had an agreement for the collection of non-municipal waste with the same service provider as previously. The service provider holds ISO 9001:2015 and 14001:2005 certificates. The waste collected from the Bank

is handed over by the service provider to other waste management companies, in accordance with the decisions held and the applicable regulations.

[GRI 306-2] Hazardous electrical and electronic waste is handed over by the Bank to a specialized company, where it is processed and recycled (100%).

Paper bank documentation is collected by a specialist company and shredded.

Moreover, in 2023 the Bank conducted the selective collection of municipal waste in all own locations and a number of rented locations.

In other entities of the Bank's Group, the amount of waste generated increased from 373 tonnes in 2022 to 358 tonnes in 2023 (wastes generated which were destroyed or transferred to landfill).

5%

decrease in A4 paper consumption compared to previous year

67%

decrease in A4 paper consumption for the last 7 years

FLEET MANAGEMENT

The Bank replaced 84 petrol vehicles with low-emission hybrid vehicles. It has also begun working with VivaDrive to pilot electro mobility, where the feasibility of the Bank's fleet for electric car deployment is being tested. At the end of 2023, the Bank had 1,578 cars, including 105 low-emission cars, 1,388 petrol cars and 85 diesels.

SPACE MANAGEMENT

The Bank continued a project Flexidesk which is aimed at creating a new working environment and enabling work rotation/remote office work by adapting office space to a flexible working model and providing standard IT equipment. The project has resulted in the creation of 181 rotational workstations in Kraków in 2023 and a reduction of approximately 2 thousand m² of office space in the Bank.

Decisions have been taken to continue the Flexidesk project in 2024 in Kraków, Olsztyn, Toruń and to implement new projects in Gdynia and Wrocław. A further reduction in space of around 10 thousand m² and the creation of around 740 rotational workstations is expected.

The Bank optimised the space of its branches. As a result of the measures taken, branch space was reduced by more than 11 thousand m² (from 339 thousand m² to 328 thousand m²).

Measures are underway to increase the energy efficiency of the Bank's properties and to reduce energy consumption concerning the replacement of lighting, thermo-modernisation of properties, air conditioning and ventilation, and heating methods.

The area of the Bank's buildings and premises (owned and leased) was 789 thousand m² at the end of 2023, having increased by 6.3 thousand m². The increase in the Bank's total area results from the acquisition of new leased space - the Bank's Head Office at ul. Świętokrzyska 36 in Warsaw.

OTHER PRO-ENVIRONMENTAL MEASURES

The Bank has prepared and piloted a tool to assess the impact of the implementation of replacement and investment projects on energy consumption, emission levels, changes in non-commercial waste and water consumption. The tool enables the collection of information on building certificates and other indicators of a project's environmental impact. The deployment of the tool was launched in early 2024. Projects that generate environmental impacts will be tagged in the IT systems, enabling the collection of additional project data and analysis of how projects are achieving their planned environmental effects.

Project assumptions that affect the contribution to environmental objectives:

- Relocation to properties with a higher energy standard (building certification, energy certificates),
- Property upgrades and infrastructure projects qualifying the project as affecting an environmental objective, e.g. installation of photovoltaic systems, thermo-modernisation of buildings (insulation, replacement of windows, doors), replacement of heat sources and lighting, BMS installations and upgrades, consumption of cooling agents,
- Space optimisation, decommissioning of branches (impact on reduction of energy consumption, water consumption, changes in non-municipal waste).

The bank carries out environmental education activities. A series of meetings were prepared for employees, #ESGo!, during which information on the Bank's carbon footprint was presented.

B. INDIRECT ENVIRONMENTAL IMPACT

POLICIES

One of the tools for managing credit risk for selected industries/sectors is lending policies. The Bank has the following policies: Renewable Energy Sources, Carbon-Intensive Energy Sector, Chemistry-Oil-Gas, Revenue Real Estate (adopted and implemented in 2022), Construction and building materials, Car Dealers and CFM companies, Public Healthcare, Trade, LGU (adopted and implemented in 2022).

Apart from the aforementioned policies, the Bank (in the corporate segment) monitors changes and market trends in various industries/sectors on an ongoing basis, publishes internal materials (e.g., industry leaflets identifying current market trends) and organizes industry meetings. These measures have a direct impact on the high quality of the loan portfolio. The policies that have an impact on the environment and the climate are discussed below.

POLICY FOR FINANCING	Adopted and implemented in 2020 for the Bank and the Bank's Group. Revision in 02/2022 (extension of the catalogue of collaterals and repayment sources).
THE RENEWABLE ENERGY SECTOR (RES)	Purpose: gradually increasing the share in the financing of renewable energy. Motivation: supporting the natural environment, preventing global climate change, transformation of the Polish economy towards net zero emissions. The policy defines the preferred directions of development of the loan portfolio in the renewable energy segment. It is focused in particular on the financing of photovoltaic farm and wind turbine projects. However, other projects can also receive financing. Project assessments performed by the Bank include an analysis of the following issues: formal documents, transaction parameters, sources of repayment (e.g. a successful renewable energy auction, PPA), as well as the investor's capital resources and experience.
POLICY FOR FINANCING HIGH-EMISSIONS ENERGY SECTOR	Adopted and implemented in 2019 for the Bank and the Bank's Group, updated in 2020 (tightening of the financing conditions in order to raise environmental awareness and support and accelerate eco-transformation). Industry leaflet: 02/2022. Purpose: a gradual change in the loan portfolio structure by reducing the exposure to customers and transactions based on coal as an energy carrier (in line with the European climate policy and aiming for zero net emissions for the Polish economy in 2050). The policy covers, among other things, the following industries: coal and lignite mining, coal-related sectors (e.g. production of mining machinery, trading in coal and similar products), generation of electricity/heat (with the exception of RES) and supplementary activities in the power sector (transmission, distribution, heat and power plants). The main policy assumptions: <ul style="list-style-type: none"> with respect to coal and lignite mining, production of boilers, fireplaces and burners (coal-fired) – reducing the exposure (with the exception of coke as a raw material entered on the EU list of critical raw materials), with respect to energy/heat production – not financing any new coal- or lignite-based sources and gradual reduction in the existing exposure, whereas in 2022, in view of the war in Ukraine and the increase in energy commodity prices and the need to secure coal supplies from alternative sources other than Russia, thus pursuing its social responsibility dimension, the Bank decided to increase its financing in the district heating sector and to selectively finance energy security transactions (coal purchases) on a transitional basis. reducing general purpose financing and transforming it into ESG financing, aimed at improving energy efficiency, changing the energy mix or modernization of transmission networks (coal-based projects can be financed on the condition that the funds are spent on modernization aimed at meeting the environmental requirements; in such cases, the purpose of financing must be precisely defined and the use of funds must be controlled); with respect to coal-related industries (e.g. production of mining machinery, trading in coal and coal-based products) - gradual reduction in exposure, precise definition of the purposes of financing and control of its use, financing of entities with diversified customer or product/service portfolios (i.e. generating significant revenues from other sources not related to mining) and/or those transforming their operations is acceptable.
POLICY FOR FINANCING THE CHEMISTRY, OIL AND GAS SECTOR	Adopted and implemented in 2019 for the Bank and the Bank's Group. Industry leaflet: 09/2021. Policy for Financing the Chemistry, Oil and Gas Sector defines, among other things, the framework for financing entities operating in the sectors of oil and natural gas extraction, production and distribution of liquid and gaseous fuels, production and trading in chemicals/chemical products, and production and sales of rubber and plastic goods. The Bank adopted a strategy for reducing engagement for activities covered by the Directive of the European Parliament and of the Council (EU) 2019/904 of 5 June 2019 on the reduction of the impact of certain plastic products on the environment and a prudent approach to the mining industry, oil and gas mining, chemicals, chemical products and rubber products. The prudent approach is reflected in, among other things, an assessment of compliance with environmental standards and the impact on the environment and an evaluation of the business model with regard to the concept of sustainable business development. The future shape of this policy may be affected by changes in EU law, e.g. with regard to the approach to the use of natural gas during the period of energy transformation, as well as the growing requirements in the ESG area.
REVENUE REAL ESTATE POLICY	Adopted and implemented in 2022. Industry leaflet: 06/2022 (for residential real estate).

The policy defines the framework for financing entities in the commercial real estate market and developers on the residential property market, and indicates the main assumption of cooperation with the best players on the market, financing the highest quality assets in the best locations, and reducing the speculative phase.
The policy defines operating limits of concentration, including individual types of assets and geographical ones.
The policy defines recommended boundary parameters for the transaction, as well as the structure of clauses and collaterals. In assessing the business model and identifying risks, the policy recommends taking into account the concept of sustainable business development, including benefits that can bring business to both stakeholders, local communities and the environment.

POLICY FOR FINANCING PUBLIC HEALTH CARE	Adopted and implemented in 2020 for the Bank and the Bank's Group. The policy indicates preferred transaction parameters and introduces best practices/standards for financing public hospitals. Environmental aspect: collection, sorting, storage, transfer, transport and method of disposal of hospital waste (mainly medical) regulated by the law (e.g. the Act on waste, Environmental Protection Law => municipal waste => disposal in accordance with local regulations, medical waste => disposal by a specialist company (e.g. incineration)).
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ESG IN THE LENDING PROCESS

On 29 May 2020, the European Banking Authority issued the Guidelines on loan origination and monitoring (EBA/GL/2020/06), which apply to the Bank as of 30 June 2021. The guidelines set out internal governance, processes and mechanisms for credit and counterparty risk, as well as requirements related to the assessment of borrowers' creditworthiness. In accordance with the guidelines, the Bank assesses, on a case-by-case basis, the impact of the ESG factors on a customer's creditworthiness in the corporate segment and in the companies and enterprises segment, evaluated using rating methods. The Bank takes into account data on energy consumption and the customer's greenhouse gas emissions, as well as on its plans to reduce emissions and adapt to climate changes.

The lending process also includes an assessment related to the loan transaction. On the one hand, the Bank assesses the impact of a given loan transaction on ESG issues, and on the other hand, it examines how ESG factors affect the loan transaction.

As part of the verification exercise, the Bank classifies lending transactions into four colour-coded categories: transactions with a positive impact (green ESG category), transactions with a neutral impact (white ESG category), transactions with a possibly negative impact (yellow ESG category) and transactions with a significantly negative impact (brown ESG category).

When assessing the ESG factors, the Bank takes into account such factors as the risk of climate change and its impact on the customer's operations, potential influence of the customer on climate, factors related to human capital or health and safety, and governance factors (including the corporate culture and internal audit). By using appropriate tools, the Bank estimates ESG risks, assesses and controls them. The identification of ESG risks allows the identification of projects which do not meet the increasingly high environmental and social requirements.

PRODUCTS OF THE BANK'S GROUP SUPPORTING CLIMATE CHANGE MITIGATION AND ADAPTATION ACTIVITIES THAT ARE NOT FULLY ALIGNED WITH THE TAXONOMY

Green mortgage (offered jointly by the Bank with PKO Bank Hipoteczny S.A.)	"Własny Kąt" mortgage loan for buildings that meet certain EP ratings. Ability to reduce the loan margin upon delivery of an energy performance certificate for the property pledged as collateral for the loan, documenting compliance with the primary energy demand (PE) ratio and its validity period. In 2023, the margin discount was increased from 0.02 pp to 0.1 pp.
Thermomodernisation loan for multi-family buildings (for housing cooperatives and homeowner associations, LGUs and corporate customers) in the Bank's offer	Those who receive this loan may obtain non-refundable aid from the state budget in the form of a thermal modernization bonus or an overhaul bonus for repaying 20% of the loan amount. The loan is intended for the purpose of improving the energy efficiency of buildings, increasing thermal insulation of buildings and saving energy. In 2023, the possibility of granting such loans to all corporate customers was introduced. Commission-free loan.
The "PKO Global Ecology and Social Responsibility" investment fund offered by PKO TFI S.A.	The fund's assets are invested in entities whose operations are environmentally friendly and which generate a positive impact on the society. First valuation: 23 October 2019, rate of return at the end of 2023: 33.06%.
The "PKO Global Bond" investment fund offered by PKO TFI S.A.	A bond sub-fund that invests a portion of its assets (at least 50%) in debt instruments used to finance sustainable development, such as green bonds. Investing in this fund means supporting, at the same time, initiatives that have a positive impact on the environment, such as developing renewable energy, upgrading transport infrastructure, increasing the energy efficiency of buildings, etc. The Fund promotes environmental or social aspects within the meaning of Article 8 of the SFDR Regulation from 25.08.2023.
Ekożyczka, a loan for the purchase and installation of photovoltaic panels	The repayment period is from 2 to 120 months, the interest rate is 8.99%, and the commission for granting the loan is 2 or 5%. The customer should provide an invoice documenting the purchase of

and other environmentally-friendly devices and vehicles of up to PLN 50 thousand (in the Bank's offer for individuals)	photovoltaic devices for at least 85% of the loan amount within 3 months from the date of receipt of the loan. Otherwise, the interest is increased to the current maximum interest rate level. As from 2020, Ekopożyczka is also available to individuals who do not have bank accounts with the Bank.
Transactions on the CO ₂ emission rights market - commodity swaps and commodity forwards	Transactions addressed to the Bank's corporate customers who are obliged to redeem such rights every year in accordance with the EU ETS regulations. The Customers may trade in such transactions and hedge against changes in the prices of emission rights.
FG POIR (BIZNESMAX) guarantees from BGK (in the Bank's offer)	The possibility to secure loans for the so-called environmentally-friendly projects, such as a circular economy, electromobility, renewable energy sources. The company should carry out a project of eco-friendly innovation with pro-environmental effect.
Electric vehicle leasing (offered by PKO Leasing S.A.)	An agreement of PKO Leasing and Masterlease with Bank Ochrony Środowiska S.A. as part of the implementation of a government programme "Mój elektryk" (My e-car). Provision of assistance to customers in obtaining a subsidy under a programme for the purchase of an electric and/or hydrogen powered vehicle combined with an offer of lease services.
Financing of electric vehicle charging stations and points (in the offer of PKO Leasing S.A. for enterprises)	Leasing and/or loan available to all entrepreneurs. Initial fee from 10%, financing period from 48 to 60 months. Financing of charging points with capacity up to 22kW, large charging stations and construction facilities with the installation of at least one charging point with a high power. Possibility of financing energy storage facilities.
Financing of photovoltaic equipment (offered by PKO Leasing for enterprises)	Leasing and/or loan for the financing of photovoltaic equipment. Initial fee from 10%, financing period to 72 months, object of financing: panels and equipment installation costs. The module can be installed on the roof or ground. Possibility for financing wind turbines, heat pumps, and other energy generation equipment by prosumers.
Electric car rental (offered by Masterlease)	Extension of the long-term rental offer to include electric cars under the "Mój Elektryk" (My e-car) programme
Green structured deposits	25-month structured deposit based on the basket of shares of leaders in sustainable development offered during the subscription period from 18.07.2022 to 1.08.2022. A 25-month non-revolving structured term deposit based on a basket of shares of sustainable companies II - the companies selected have high sustainability (ESG) ratings; interest for the client depends on the change in the companies' share prices during the term of the deposit. Deposit offered during the subscription period from 15.03.2023 to 29.03.2023.
Green mortgage covered bonds of PKO Bank Hipoteczny S.A.	In 2019, PKO Bank Hipoteczny SA issued the first green mortgage covered bonds in Poland. The total value of the two issues carried out in 2019 was PLN 500 million. In 2022, PKO Bank Hipoteczny S.A. issued for the first time green covered bonds denominated in EUR for EUR 500 million. PKO Bank Hipoteczny S.A. is gradually building a portfolio of loans which qualify for being financed with the funds obtained from issues of green mortgage covered bonds. The value of this portfolio as at the end of 2022 was PLN 5,794 million, i.e. more than twice the value of the green mortgage covered bonds issued. The portfolio of loans financed with the issues of green mortgage covered bonds was verified by an external firm (Sustainalytics) which confirmed the correctness of the utilization of the funds. The portfolio of mortgage loans qualifying for financing with the proceeds from green mortgage covered bonds offers annual energy savings of 256,428 MWh and allows avoiding annual greenhouse gas emissions of 96,160 tCO ₂ (which is more than the combined annual greenhouse gas emissions of the whole Bank's Group).
Sustainability-linked bonds	Green bond issues, where the proceeds from the issue will be used to finance sustainability-related objectives.
Sustainability-linked loans	Loans for general or investment purposes where the margin is linked to the achievement of the company's sustainability objectives in ESG areas.
Environmental loan for infrastructure upgrade - with subsidy from Bank Gospodarstwa Krajowego (BGK)	Loan made available in cooperation with BGK for investments reducing energy consumption in the company (e.g. upgrade of buildings, machinery and equipment). The aim of the investment is to reduce energy consumption by at least 30%. Reimbursement of up to 80% of investment expenditure.
Loan to finance photovoltaic farms (investment projects)	Offer for customers operating as commercial companies. The funding relates to photovoltaic equipment with installation services, where the equipment is installed on the ground for the purpose of producing energy for sale.

SHARE OF LOAN PORTFOLIO FOR CARBON-INTENSIVE INDUSTRIES

In 2023, the share of loans to customers from carbon-intensive industries stood at 0.19% (with a tolerance limit for the Bank \leq 1.6% and the Bank's Group \leq 1.6%) compared to 0.38% at the end of 2022 (for more see section 13.7.7 - Metrics and targets).

The Bank aligns its processes for identifying, assessing and controlling ESG risks with applicable regulations, including the EU Taxonomy. For the purpose of identifying assets in terms of eligibility and compliance with the EU Taxonomy, in December 2023 the Bank introduced principles for the classification of sustainability finance that will distinguish between environmentally positive and socially positive finance. The measures initiated will have an impact on the lending process in future reporting periods.

13.7.7 CLIMATE

The Bank carefully monitors the information published on anthropogenic climate change and is aware of corporate responsibility for complying with the obligations recorded in the Paris Agreement. The Bank wants to achieve its business objectives by maintaining its impact on the climate change resulting from its operating and product activities and the impact of climate change on business activities at the lowest possible level. In its activities, the Bank wants to support the long-term objective of the Paris Agreement - increase of the global average temperature below 2°C as compared to pre-industrial times.

Since 2019 the Bank has been calculating the level of greenhouse gas emissions from operating activities (for the Bank and for the Bank's Group). In 2021, it adopted ambitious short-term objectives concerning reduction in the Bank's (Scope 1 and Scope 2) GHG emissions aligned with the objectives of the Paris Agreement (accounting the Directors' Report for 2022). The Strategy for 2023-2025 adopts new climate targets and an accounting of these is provided in section 13.4. The Bank is focused on improving and expanding the measurement categories of GHG emissions generated by the Bank in all three scopes. Additionally, the Bank eliminates carbon-intensive energy sources, buys energy from RES, takes actions limiting energy consumption (e.g. photovoltaic installations in selected real properties of the Bank).

The Bank is aware of the impact of its loan portfolio on climate and the impact of the risk of climate change on its loan portfolio. The Bank has adopted lending policies for the carbon-intensive sector, RES as well as the chemical, oil and gas industries. The aim of the policy for the carbon-intensive sector is to successively reduce the exposure to customers and transactions based on coal as an energy carrier (consistency with the European climate policy and moving towards net-zero carbon emissions in 2050) and to refrain from financing new energy production sources based on coal and lignite. On the other hand, the RES policy assumes increasing the financing of operations related to renewable energy in a successive manner.

As part of works on the Bank's Strategy 2023-2025, the Bank tried to estimate the volume of emissions generated by its loan portfolio. The Bank does not have the full data on the emissions of its customers, while some of them do not even have such knowledge about themselves. In order to estimate the emissions, data on the industry's average emissivity were used. The estimated product emissions in Scope 3 exceed the reported emissions of the Bank in Scope 1 and Scope 2 by over 300 times. In the new strategy, the Bank declared that it will start emission calculations in Scope 3 and prepare the trajectory of emission reductions based on a scientific approach. For more information on the calculation of Scope 3 emissions, see Metrics and Targets.

The Bank discloses climate-related information in accordance with the TCFD (Task Force on Climate-related Financial Disclosures) recommendation. The guidelines aim to encourage financial institutions and non-financial companies to disclose information on climate-related risks and opportunities. The guidelines centre around four thematic areas: Governance, Strategy, Risk management, Metrics and objectives. For several years, the Bank has been conducting climate disclosures in CDP Disclosure Insight Action using the TCFD recommendations and for 2023 as one of eight Polish banks, and it has received a climate change disclosure rating ("D").

CLIMATE DISCLOSURES ACCORDING TO THE TCFD STANDARD

GOVERNANCE

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

The committees functioning in the Bank within the scope of their tasks and competences take decisions, issue recommendations, and opinions on activities related to ESG risk.

A Sustainable Development Committee was established in 2023 to take the decisions necessary for the implementation of the Bank's and the Bank Group's strategic objectives in terms of sustainable development and to oversee the management of the impact of ESG factors on the

Bank and the Bank's Group. The Committee is composed of all members of the Management Board and heads of most areas. The Committee's activities are chaired by the President of the Management Board or the Vice-President of the Management Board managing the work of the Bank's Management Board, and their deputy is the Vice President of the Management Board supervising the Risk Management Area.

At the end of 2022, an ESG Sustainability Department was established in the Bank, reporting to the President of the Management Board. Its task is to ensure that the Bank's and the Bank Group's operations comply with generally applicable laws and other external regulations relating to sustainable and responsible ESG development and to coordinate activities to ensure that the Bank's and the Bank Group's strategic ESG objectives are met.

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

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

STRATEGY

The Bank adopted a Strategy for 2023-2025, in which it specified its climate ambitions as follows:

- limiting own CO₂ emissions of the Bank through modernisation of branches and offices, and electrification of fleets,
- increasing the share of energy purchased certified as green-sourced,
- reaching net-zero in Scope 1 and 2 by 2030.

In the risk area, the Bank intends to:

- extend the process of scoring and analysis of the portfolio to include ESG aspects,
- build sector expert opinions,
- carry out climate stress tests,

With regard to financing, the Bank wants to:

- expand the product offer supporting sustainable development,
- identify priority sectors and customers to support decarbonisation,
- finance complex transformation investments,
- begin calculating Scope 3 emissions as part of the preparation of the trajectory of a science-based reduction.

The Bank continuously analyses the possible impact of climate change trends by identifying opportunities and threats to its operational activities and growth prospects. One of the key opportunities related to climate action is the possibility of expanding the Bank Group's product offering for financing sustainable and transformational projects, including with the use of public funds.

The Bank recognises new opportunities to finance low-carbon products and services and to finance customers' energy transition towards low-carbon and climate-resilient operations. This offering is tailored to the changing needs of all customers in the Bank's Group (corporate customers, companies and enterprises, and individual customers). As a result of the activities undertaken, the Bank intends to become the leader of the highest volume of new financing of sustainable and transformation projects.

Taking into account the strategic objectives in terms of sustainable development, understood as a positive impact on the environment and society together with ensuring compliance with the principles of corporate governance, the Bank adopted the "Principles for the classification of sustainable development financing in the PKO Bank Polski S.A. Group" in December 2023. The principles take into account the requirements of international standards and the regulatory environment, in particular those arising from the EU Taxonomy and the European Green Bond (Regulation (EU) 2023/2631 of the European Parliament and of the Council). The principles are subject to regular review, at least quarterly. The findings of the review are presented to the Sustainable Development Committee.

The Bank is in the process of implementing the provisions of the Principles, in particular with regard to its business and reporting processes, as well as the related IT systems. At the same time, the process of adapting the offering to the requirements for products with a positive environmental impact is underway.

RISK MANAGEMENT

The Bank is aware of the potential impact of climate change on operating activities. In the long to medium term, it identifies the following physical risk factors and risks associated with the transition to a low-carbon economy:

- an increase in the frequency and suddenness of abnormal weather events (storms, floods, fires, heat waves) can lead to a loss of some revenue, reducing debt servicing capacity and the value of collateral (credit risk),
- natural disasters and sudden weather events may cause a sudden increase in cash requirements (liquidity risk),
- rising greenhouse gas emission allowance prices could significantly alter the financial position and debt servicing capacity of companies operating in carbon-intensive sectors: energy, fuel, transport and logistics (credit risk),
- the lack of market success of green technologies financed by the Bank may lead to a loss of some revenue (financing risk),

- the need for the Bank's customers to incur high capital expenditure in the area of energy transformation may lead to a reduction in the economic value of the credit exposure due to a deterioration in the customer's ability to service its liabilities (credit risk),
- the financing of carbon-intensive sectors negatively perceived by stakeholders, market participants and rating agencies may translate into reputational damage for the Bank (reputational risk),
- the sudden revaluation of securities and derivatives, for example for products related to industries affected by stranded assets, could result in a financial loss for the Bank (market risk, liquidity risk),
- the need for the Bank's customers to undergo a capital-intensive energy transition, may result in a reduction in deposits (liquidity risk),
- the downgrading of the Bank's ESG rating may make it more difficult to attract new investors and increase the cost of funding (liquidity risk).

The industry in which the Bank Group operates does not have a significant direct impact on the climate. This impact manifests itself primarily indirectly through the financing provided to customers. Therefore, the Bank considers environmental, social and governance impact assessments in the risk assessment of each lending transaction. The findings of the assessments are reflected in the customer rating and structure of the transaction.

The Bank carries out a number of projects and analyses at the customer and portfolio level aimed at developing solutions and tools to support ESG risk management. The Bank analyses exposures in the banking book sensitive to:

- the impact of chronic and sharp physical events related to climate change according to the sector and geographical location of the customer's activity or the location of the collateral in the form of real estate. In its analyses, the Bank uses climate models (the KLIMADA 2.0 project) published by the National Institute for Environmental Protection, under which RCP8.5 scenario is analyzed (maintenance of the current rate of growth of greenhouse gas emissions, in the business as usual formula, the average temperature of the Earth will increase by 4.5° in relation to pre-industrial levels) for the decades 21-30; 31-40; 41-50. The Bank uses the scale of exposure to physical risk from 1 to 5 (1 – low, 5 – very high). In the Report "Capital Adequacy and other information of the Powszechna Kasa Oszczędności Bank Polski S.A. Group subject to disclosure as at 31 December 2023" (hereinafter: F3 Disclosure Report), the Bank discloses the existence of physical risk in all geographical locations for which the risk of a prolonged and violent physical phenomenon is very high;
- transition risks associated with the transition to a low-carbon and climate-resilient economy, according to sectors that are major contributors to climate change. Based on an expert review of its portfolio of non-financial companies, the Bank identified entities operating in the fossil fuel, oil fuel, natural gas and electricity generation industries. With climate impact reduction targets in mind, the Bank decided to gradually change the structure of its loan portfolio by implementing lending policies such as: the High Carbon Energy Sector or Chemistry-Oil-Gas.

Buildings account for around 40% of energy consumption in the European Union. Due to the significant contribution of the real estate sector to the total energy consumption level, the Bank analyses the exposures in its loan portfolio that are linked to collateral in the form of developed real estate on the basis of the size of the non-renewable primary energy (PE) demand indicator. For some properties, the Bank has the actual values of the PE indicator as set out in the energy certificates made available in the Central Register of Energy Performance of Buildings maintained by the Ministry of Development and Technology. For properties for which the Bank does not hold energy performance certificates, the size of the PE ratio was estimated using an expert method based on the type of property and the year of its construction. Importantly, in the process of valuing the credit collateral for corporate customers, the Bank has introduced a requirement to submit, together with the appraisal report, the certificates issued for the property with regard to compliance with environmental standards, in particular the energy performance certificate. If the property generates above-average risks, in particular environmental risks, it can only serve as supporting collateral.

Detailed information on the Bank Group's loan portfolio secured by real estate, broken down by energy efficiency baskets according to the value of the PE indicator, is contained in the F3 Disclosure Report.

The primary analytical tool used for climate risk management in financial institutions is climate stress testing. The Bank has developed a methodology and tools for carrying out climate stress tests. The methodology is based on a modification of customers' financial statements and takes into account key factors affecting customers' financial position and the value of collateral such as greenhouse gas (GHG) prices, capital expenditure, energy intensity of buildings and drought risk. The use of scenarios with time horizons of 1 year, 3 years and 30 years enables a thorough analysis of both short-term and long-term risks. The work to develop climate stress tests is a milestone set out in the Bank's Strategy. The entire exercise will be completed on 30 June 2024 with an analysis of the impact on the Bank's loan portfolio.

The Bank is participating in a one-off non-reporting study on climate risk scenarios in the context of the EU 'FIT-for-55' package organized by the European Banking Authority, through the Office of the Polish Financial Supervision Authority.

In the ESG Risk Management Area, the Bank performs tasks to ensure compliance with the following external regulations:

- EU Taxonomy (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 including delegated regulations) - in 2024, the Bank Group is for the first time required to report a key performance indicator, the Green Asset Ratio (GAR), which measures the percentage of the Bank Group's assets that finance taxonomy-compliant (environmentally sustainable) business activities relative to the Bank Group's total assets. In 2023, the Bank initiated work on implementing a tool to support the assessment of meeting the technical eligibility criteria of the EU Taxonomy in the form of taxonomy questionnaires. The taxonomy questionnaires will be an integral part of the process of identifying/classifying sustainable assets.
- Implementing Technical Standards - Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks in accordance with Article 449a of Regulation (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. The Bank develops principles for disclosure of information on ESG risks in accordance with the applicable regulation implementing technical standards (ITS). Due to the limited availability

of some data as at 31 December 2023, the disclosures are based on actual data and data estimated by experts. For details of this disclosure, please refer to the F3 Disclosure Report.

The Bank is working to expand its IT systems for collecting, aggregating and managing sustainability data.

METRIC AND TARGETS

ESG risk is monitored through a strategic tolerance limit on exposure to customers in carbon-intensive industries, introduced in 2021 into the risk management strategy. A measure of tolerance for this risk is the ratio of the value of loans for customers in high-emission industries and the Bank's total assets. As at 31 December 2023, the share of loans to customers in carbon-intensive industries was 0.19% (with a tolerance limit of $\leq 1.6\%$ for the Bank and $\leq 1.6\%$ for the Bank Group) compared with 0.38% at the end of 2022 (with a tolerance limit of $\leq 0.8\%$ for the Bank and $\leq 0.8\%$ for the Bank Group). The tolerance limit has been increased by 0.8 p.p. for the Bank to enable the financing of the country's energy transition. This limit is monitored on a quarterly basis and reported to the Bank's Management Board. The Bank decided to increase its financing in the district heating sector and to selectively finance energy security transactions (coal purchases) on a transitional basis, in view of the war in Ukraine and the increase in energy commodity prices and the need to secure coal supplies from alternative sources other than Russia, thus pursuing its social responsibility dimension.

The Bank is currently working on determining the emission intensity of the Bank's asset portfolio (scope 3). To achieve this, in 2023 the Bank joined the Partnership for Carbon Accounting Financials (PCAF), which has developed a single global standard for calculating and reporting greenhouse gas emissions for the financial sector. The PCAF methodology enables the quantification of GHG emissions associated with, among other factors, corporate loans, securities and mortgages. The results of the GHG emissions calculations for the industries identified in Formula 1 and Formula 3 of the Implementation Technical Standards will be presented in the F3 Disclosure Report as at 30 June 2024.

By determining the level of funding for Scope 3 emissions, the Bank will be able to commit to a decarbonisation path for the loan portfolio over the next few years. A decarbonisation path will be developed using a science-based approach to contribute to reducing global warming of the planet.

Section 13.7.6 shows the emission values for the other scopes.

13.7.8 SUSTAINABLE DEVELOPMENT

A. SUSTAINABLE FINANCING (SFDR)

In 2023, PKO TFI offered two "green" sub-funds separated within PKO Parasolowy - fio: "PKO Global Ecology and Social Responsibility" and "PKO Global Bond". Both sub-funds are categorised as light green plus products, i.e. fulfilling the requirements of Article 8 of the SFDR and having balanced investments in addition (within the meaning of Article 2(17) of the SFDR). At the same time, PKO TFI launched a website dedicated to "green investments" ([Zielone inwestycje \(ESG\) \(pkotfi.pl\)](https://www.zieloneinwestycje.esg.pkotfi.pl)). Article 10 SFDR disclosures for the sub-funds "PKO Global Ecology and Social Responsibility" and "PKO Global Bond" are available on the aforementioned website.

B. SUSTAINABLE FINANCING (MIFID)

In 2023, PKO TFI, together with a working group established at the Chamber of Fund and Asset Managers, took steps to develop a solution that would meet the requirements of the Regulation of the Minister of Finance of 29 June 2023 amending the Regulation on the manner, procedure and conditions for the conduct of activities by investment fund companies, which became effective on 24 January 2024.

PKO TFI has analysed and revised its customer survey process, where the questions on investment objectives defined by the customer include the option to make investments taking into account sustainable development goals (ESG). Thus, if a customer is interested only in investing in such solutions, only sub-funds that meet the SFDR requirements will be presented in the survey result, whereas all other sub-funds that do not meet these requirements will be outside the customer's target group (changes implemented on 12 January 2024).

In addition, the changes have extended to the transactional platform www.i-fundusze.pl, where information on a sub-fund's compliance with SFDR requirements is presented on screen in the form of an infotip next to the sub-fund in question, taking into account the categories resulting from the survey responses.

In 2023, the Bank aligned the content of the Bank's MIFID Product Management Rules with the changes to IT systems introduced in November 2022 to incorporate customer sustainability objectives and sustainability factors (ESG) into the product management process. The Bank has expanded the criteria for defining a negative target group.

C. TAXONOMY

TAXONOMY OF THE EUROPEAN UNION

The taxonomy disclosure of the PKO Bank Polski S.A. Group has been prepared on the basis of a package of regulations that have been implemented into European law by Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter: EU Taxonomy) together with the following delegated regulations:

- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (hereinafter: Delegated regulation on climate);
- Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (hereinafter: Delegated Regulation to Article 8 of the Taxonomy);
- Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (hereinafter: Delegated regulation on nuclear and gas);
- Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any of the other environmental objectives (hereinafter: Delegated Regulation on technical screening criteria for new activities for Environmental Objective 1 and 2);
- Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (hereinafter: Delegated Regulation on an EU environmental sustainability taxonomy).

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

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

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

1. contributes substantially to one or more of the six environmental objectives;
2. does not do significant harm to any of the other objectives ("do no significant harm" principle, DNSH);
3. is carried out in compliance with the minimum safeguards;
4. meets the technical screening criteria (as defined in the Delegated Regulation on climate, the Delegated Regulation on nuclear and gas, the Delegated Regulation on technical screening criteria for new activities for the first and second environmental objectives, the Delegated Regulation on EU environmental sustainability taxonomy).

The technical screening criteria setting out the requirements for each economic activity indicate the conditions under which that activity makes a significant contribution to the environmental objective in question and does not cause serious harm to other environmental objectives.

SCOPE OF TAXONOMY DISCLOSURE

The Bank Group's disclosure for 2023 provides a full taxonomic analysis of the Bank Group's individual transactions in terms of both eligibility for the taxonomy and alignment with the taxonomy in relation to the first two environmental objectives: climate change mitigation (CCM) and climate change adaptation (CCA). Its results are presented in the tables in the section: Key Performance Indicators.

Information on economic activities identified as making a significant contribution to the other four environmental objectives and new activities in the area of the first two environmental objectives was only assessed for eligibility with the taxonomy based on the dominant NACE codes of non-financial enterprises subject to the NFRD and is presented together in the section: Additional disclosures.

Information on the Bank Group's exposure to nuclear and natural gas business financing is presented in the section: Disclosure of business activities in certain energy sectors.

KEY PERFORMANCE INDICATORS

In accordance with Article 8 of the EU Taxonomy, PKO Bank Polski Group S.A., as a public interest entity preparing non-financial statements in accordance with Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and by groups (hereinafter: the NFRD), is required to disclose information for 2023 indicating what proportion of the portfolio is used to finance taxonomy-aligned activities. The primary performance indicator for credit institutions is the Green Asset Ratio (GAR), which refers to the core lending and investment activities of the Bank's Group, including loans, advances and debt securities, as well as equity instruments. The GAR reflects the extent to which the Bank's Group finances Taxonomy-aligned activities.

The GAR determines the percentage of the Bank Group's assets financing Taxonomy-aligned (environmentally sustainable) business activities compared to the total assets of the Bank's Group taken into account in the GAR calculation. The green asset ratio is calculated on the basis of the scope of prudential consolidation (in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms) and the FINREP report, i.e. consolidated financial statements prepared for central banks. A list of the Bank's Group entities subject to prudential consolidation is included in the Report "Capital adequacy and other information of the PKO Bank Polski S.A. Group subject to disclosure as at 31 December 2023".

The assets included in the GAR numerator, in accordance with regulatory requirements, represent the Bank Group's exposures relating to loans and advances, debt securities and equity instruments in the banking book to:

- financial enterprises meeting the criteria indicated in Article 19a or 29a of the NFRD;
- non-financial enterprises meeting the criteria indicated in Article 19a or 29a of the NFRD;
- households in relation to residential property loans, building renovation loans and motor vehicle loans;
- local authorities/municipalities in relation to the financing of housing and other specialist funding needs, and
- repossessed commercial and residential real estate collateral.

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

The tables below present quantitative information as at 31 December 2023 regarding the Bank Group's key performance indicators to be disclosed from 1 January 2024, by environmental objective: climate change mitigation and adaptation, and by customer segment and financial instrument.

Template 1 provides information on on-balance sheet and off-balance sheet assets, i.e. loans and advances, debt securities and equity instruments, captured in the GAR calculation;

Template 2 contains information on exposures to non-financial enterprises subject to the NFRD, including taxonomy-aligned exposures that have been assigned, on the basis of the PKD code of their principal activity, to sectors covering taxonomy-aligned economic activities at NACE-4 level;

Template 3 contains information on GAR key performance indicators (relative to the stock);

Template 4 contains information on new exposures originated in 2023 (in relation to flow);

Template 5 contains information on key performance indicators for off-balance sheet exposures: financial guarantees and assets under management.

The tables are presented in two variants depending on the type of performance indicator (KPI) used in the assessment of exposures with unknown funding purpose (general purpose) in determining eligibility for the taxonomy and alignment with the taxonomy towards non-financial enterprises subject to the NFRD. These indicators are Turnover KPI (key performance indicator on turnover) and CapEx KPI (key performance indicator on capital expenditure).

The tables indicated in Annex VI of the Delegated Regulation to Article 8 of the Taxonomy were used to present the key performance indicators of the Bank's Group.

Table 45. Template 0 – a summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

in PLN million		Total environmentally sustainable assets (by CapEx)	KEY PERFORMANCE INDICATOR (Turnover)	KEY PERFORMANCE INDICATOR (CapEx)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2 of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main key performance indicator	Green asset ratio (GAR) stock	4,178.13	0.95%	1.23%	65.37%	41.94%	34.63%
in PLN million		Total environmentally sustainable activities (by CapEx)	Key performance indicator (Turnover)	Key performance indicator (CapEx)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2 of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Additional KPIs	GAR (flow)	1,737.67	1.88%	2.94%	61.74%	38.20%	38.26%
	Trading book	-	-	-	-	-	-
	Financial guarantees	-	-	-	-	-	-
	Assets under management	723.44	0.53%	1.94%	-	-	-
	Fee and commission income	-	-	-	-	-	-

Table 46. Template 1 – assets for the calculation of GAR – CapEx

in PLN million	Total [gross] carrying amount	Disclosure reference date T														
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)						
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)						
		Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally suitable (Taxonomy-aligned)				Of which environmentally suitable (Taxonomy-aligned)						
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling		
GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HTF eligible for GAR calculation	121,666.28	112,166.50	4,149.98	-	0.85	905.83	33.24	28.16	-	4.57	112,199.74	4,178.13	-	0.85	910.40
2	Financial undertakings	164.49	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Credit institutions	19.91	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	19.91	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Other financial corporations	144.58	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	of which insurance undertakings	144.57	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	144.57	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Non-financial undertakings	12,058.63	3,027.66	1,296.75	-	0.85	905.83	33.24	28.16	-	4.57	3,060.91	1,324.91	-	0.85	910.40
21	Loans and advances	11,735.05	2,984.80	1,293.06	-	0.00	905.38	28.16	28.16	-	4.57	3,012.96	1,321.22	-	0.00	909.95
22	Debt securities, including UoP	323.58	42.86	3.69	-	0.85	0.45	5.09	-	-	-	47.95	3.69	-	0.85	0.45
23	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Households	109,236.89	109,138.75	2,853.23	-	-	-	-	-	-	-	109,138.75	2,853.23	-	-	-
25	of which loans collateralised by residential immovable property	109,138.75	109,138.75	2,853.23	-	-	-	-	-	-	-	109,138.75	2,853.23	-	-	-
26	of which building renovation loans	2,174.00	2,165.87	24.91	-	-	-	-	-	-	-	2,165.87	24.91	-	-	-
27	of which motor vehicle loans	90.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	Local governments financing	206.18	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	206.18	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	0.09	0.09	-	-	-	-	-	-	-	-	0.09	-	-	-	-
32	Assets excluded from the numerator for GAR calculation (covered in the denominator)	217,753.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	Financial and Non-financial undertakings	170,456.86	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	70,308.65	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	Loans and advances	67,893.38	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	of which loans collateralised by commercial immovable property	21,356.93	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38	Debt securities	2,260.34	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Equity instruments	154.93	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	Non-EU country counterparties not subject to NFRD disclosure obligations	3,213.90	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	Loans and advances	2,479.23	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	Debt securities	423.69	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	Equity instruments	310.97	-	-	-	-	-	-	-	-	-	-	-	-	-	-
44	Derivatives	11.66	-	-	-	-	-	-	-	-	-	-	-	-	-	-
45	On demand interbank loans	8,023.86	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46	Cash and cash-related assets	41.45	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	Other categories of assets (e.g. goodwill, commodities, etc.)	39,219.24	-	-	-	-	-	-	-	-	-	-	-	-	-	-
48	Total GAR assets	339,419.36	112,166.50	4,149.98	-	0.85	905.83	33.24	28.16	-	4.57	112,199.74	4,178.13	-	0.85	910.40
49	Assets not covered for GAR calculation	179,816.30	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	Central governments and Supranational issuers	138,106.93	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	Central banks exposure	32,725.28	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	Trading book	8,984.09	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	Total assets	519,235.66	112,166.50	4,149.98	-	0.85	905.83	33.24	28.16	-	4.57	112,199.74	4,178.13	-	0.85	910.40
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																
54	Financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Assets under management	43,647.28	723.44	723.44	-	40.30	495.12	71.78	71.78	-	49.12	1,529.68	846.18	-	40.30	579.12
56	Of which debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	Of which equity instruments	43,647.28	723.44	723.44	-	40.30	495.12	71.78	71.78	-	49.12	1,529.68	846.18	-	40.30	579.12

Table 47. Template 1 – assets for the calculation of GAR – Turnover

in PLN million		a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
		Disclosure reference date 1														
		Climate Change Mitigation (CCM)			Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)							
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)							
Of which environmentally sustainable (Taxonomy-aligned)			Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)									
			Of which Use of Proceeds	Of which transitional	Of which enabling					Of which Use of Proceeds	Of which transitional	Of which enabling				
GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HF eligible for GAR calculation	121,666.28	109,880.99	3,228.21	-	-	249.96	43.27	6.94	-	4.84	109,924.26	3,235.15	-	-	254.80
2	Financial undertakings	164.49	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Credit institutions	19.91	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	19.91	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Other financial corporations	144.58	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	of which insurance undertakings	144.57	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	144.57	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Non-financial undertakings	12,058.63	742.16	374.98	-	-	249.96	43.27	6.94	-	4.84	785.43	381.92	-	-	254.80
21	Loans and advances	11,735.05	704.22	371.27	-	-	246.28	6.94	6.94	-	4.84	711.16	378.21	-	-	251.13
22	Debt securities, including UoP	323.58	37.94	3.71	-	-	3.68	36.33	-	-	-	74.26	3.71	-	-	3.68
23	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Households	109,236.89	109,138.75	2,853.23	-	-	-	-	-	-	-	109,138.75	2,853.23	-	-	-
25	of which loans collateralised by residential immovable property	109,138.75	109,138.75	2,853.23	-	-	-	-	-	-	-	109,138.75	2,853.23	-	-	-
26	of which building renovation loans	2,174.00	2,165.87	24.91	-	-	-	-	-	-	-	2,165.87	24.91	-	-	-
27	of which motor vehicle loans	90.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	Local governments financing	206.18	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	206.18	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	0.09	0.09	-	-	-	-	-	-	-	-	0.09	-	-	-	-
32	Assets excluded from the numerator for GAR calculation (covered in the denominator)	217,753.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	Financial and Non-financial undertakings	170,456.86	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	70,308.65	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	Loans and advances	67,893.38	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	of which loans collateralised by commercial immovable property	21,356.93	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38	Debt securities	2,260.34	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Equity instruments	154.93	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	Non-EU country counterparties not subject to NFRD disclosure obligations	3,213.90	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	Loans and advances	2,479.23	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	Debt securities	423.69	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	Equity instruments	310.97	-	-	-	-	-	-	-	-	-	-	-	-	-	-
44	Derivatives	11.66	-	-	-	-	-	-	-	-	-	-	-	-	-	-
45	On demand interbank loans	8,023.86	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46	Cash and cash-related assets	41.45	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	Other categories of assets (e.g. goodwill, commodities, etc.)	39,219.24	-	-	-	-	-	-	-	-	-	-	-	-	-	-
48	Total GAR assets	339,419.36	109,880.99	3,228.21	-	-	249.96	43.27	6.94	-	4.84	109,924.26	3,235.15	-	-	254.80
49	Assets not covered for GAR calculation	179,816.30	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	Central governments and Supranational issuers	138,106.93	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	Central banks exposure	32,725.28	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	Trading book	8,984.09	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	Total assets	519,235.66	109,880.99	3,228.21	-	-	249.96	43.27	6.94	-	4.84	109,924.26	3,235.15	-	-	254.80
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																
54	Financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Assets under management	43,647.28	193.88	193.88	-	0.99	142.34	35.03	35.03	-	25.72	654.82	229.78	-	0.99	168.69
56	Of which debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	Of which equity instruments	43,647.28	193.88	193.88	-	0.99	142.34	35.03	35.03	-	25.72	654.82	229.78	-	0.99	168.69

Table 48. Template 2 – GAR sector information – CapEx

Breakdown by sector - NACE 4 digits level (code and label)	a		b		c		d		e		f		g		h		y		z		aa		ab					
	Climate Change Mitigation (CCM)										Climate Change Adaptation (CCA)										TOTAL (CCM + CCA + WTR + CE + PPC + BIO)							
	Non-Financial corporates (Subject to NFRD)				SMEs and other NFC (Not subject to NFRD)				Non-Financial corporates (Subject to NFRD)				SMEs and other NFC (Not subject to NFRD)				Non-Financial corporates (Subject to NFRD)				SMEs and other NFC (Not subject to NFRD)							
	[Gross] carrying amount				[Gross] carrying amount				[Gross] carrying amount				[Gross] carrying amount				[Gross] carrying amount				[Gross] carrying amount							
PLN million		Of which environmentally sustainable (CCM)		PLN million		Of which environmentally sustainable (CCM)		PLN million		Of which environmentally sustainable (CCA)		PLN million		Of which environmentally sustainable (CCA)		PLN million		Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)		PLN million		Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)						
1	B0729	57.28	2.35	-	-	-	-	-	-	-	-	-	-	-	-	57.28	2.35	-	-	-	-	-	-					
2	C1013	3.92	3.92	-	-	1.31	1.31	-	-	-	-	-	-	-	-	5.23	5.23	-	-	-	-	-	-					
3	C1082	1.89	-	-	-	-	-	-	-	-	-	-	-	-	-	1.89	-	-	-	-	-	-	-					
4	C1102	0.90	-	-	-	-	-	-	-	-	-	-	-	-	-	0.90	-	-	-	-	-	-	-					
5	C1610	0.79	-	-	-	-	-	-	-	-	-	-	-	-	-	0.79	-	-	-	-	-	-	-					
6	C1920	2.44	1.16	-	-	-	-	-	-	-	-	-	-	-	-	2.44	1.16	-	-	-	-	-	-					
7	C2014	519.55	10.65	-	-	3.57	3.57	-	-	-	-	-	-	-	-	523.12	14.22	-	-	-	-	-	-					
8	C2030	0.10	0.04	-	-	-	-	-	-	-	-	-	-	-	-	0.10	0.04	-	-	-	-	-	-					
9	C2059	0.07	0.02	-	-	-	-	-	-	-	-	-	-	-	-	0.07	0.02	-	-	-	-	-	-					
10	C2219	1.80	0.70	-	-	-	-	-	-	-	-	-	-	-	-	1.80	0.70	-	-	-	-	-	-					
11	C2229	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00	-	-	-	-	-	-	-					
12	C2361	1.01	-	-	-	0.66	0.66	-	-	-	-	-	-	-	-	1.67	0.66	-	-	-	-	-	-					
13	C2442	50.94	23.72	-	-	-	-	-	-	-	-	-	-	-	-	50.94	23.72	-	-	-	-	-	-					
14	C2445	0.00	0.00	-	-	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-	-	-					
15	C2530	26.20	-	-	-	15.06	15.06	-	-	-	-	-	-	-	-	41.26	15.06	-	-	-	-	-	-					
16	C2593	1.33	-	-	-	-	-	-	-	-	-	-	-	-	-	1.33	-	-	-	-	-	-	-					
17	C2751	25.29	2.52	-	-	2.98	2.98	-	-	-	-	-	-	-	-	28.27	5.50	-	-	-	-	-	-					
18	C2841	2.77	-	-	-	4.57	4.57	-	-	-	-	-	-	-	-	7.34	4.57	-	-	-	-	-	-					
19	C2920	1.84	0.63	-	-	-	-	-	-	-	-	-	-	-	-	1.84	0.63	-	-	-	-	-	-					
20	C2931	12.86	12.86	-	-	-	-	-	-	-	-	-	-	-	-	12.86	12.86	-	-	-	-	-	-					
21	C2932	4.91	1.14	-	-	-	-	-	-	-	-	-	-	-	-	4.91	1.14	-	-	-	-	-	-					
22	C3109	47.13	17.90	-	-	-	-	-	-	-	-	-	-	-	-	47.13	17.90	-	-	-	-	-	-					
23	D3514	1,636.62	1,155.81	-	-	0.01	0.01	-	-	-	-	-	-	-	-	1,636.63	1,155.82	-	-	-	-	-	-					
24	D3523	0.00	0.00	-	-	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-	-	-					
25	F4110	51.38	-	-	-	-	-	-	-	-	-	-	-	-	-	51.38	-	-	-	-	-	-	-					
26	F4120	0.01	0.00	-	-	-	-	-	-	-	-	-	-	-	-	0.01	0.00	-	-	-	-	-	-					
27	F4322	0.94	0.00	-	-	-	-	-	-	-	-	-	-	-	-	0.94	0.00	-	-	-	-	-	-					
28	G4642	8.91	-	-	-	-	-	-	-	-	-	-	-	-	-	8.91	-	-	-	-	-	-	-					
29	G4711	320.00	-	-	-	-	-	-	-	-	-	-	-	-	-	320.00	-	-	-	-	-	-	-					
30	G4771	0.02	0.00	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.00	-	-	-	-	-	-					
31	G4772	30.73	-	-	-	-	-	-	-	-	-	-	-	-	-	30.73	-	-	-	-	-	-	-					
32	G4791	0.61	-	-	-	-	-	-	-	-	-	-	-	-	-	0.61	-	-	-	-	-	-	-					
33	H4920	175.00	60.78	-	-	-	-	-	-	-	-	-	-	-	-	175.00	60.78	-	-	-	-	-	-					
34	I6130	10.46	2.53	-	-	5.09	-	-	-	-	-	-	-	-	-	15.54	2.53	-	-	-	-	-	-					
35	I6820	29.96	-	-	-	-	-	-	-	-	-	-	-	-	-	29.96	-	-	-	-	-	-	-					

Table 49. Template 2 – GAR sector information – Turnover

Breakdown by sector - NACE 4 digits level (code and label)		a		b		c		d		e		f		g		h		y		z		aa		ab			
		Climate Change Mitigation (CCM)								Climate Change Adaptation (CCA)								TOTAL (CCM + CCA + WTR + CE + PPC + BIO)									
		Non-Financial corporates (Subject to NFRD)				SMEs and other NFC (Not subject to NFRD)				Non-Financial corporates (Subject to NFRD)				SMEs and other NFC (Not subject to NFRD)				Non-Financial corporates (Subject to NFRD)				SMEs and other NFC (Not subject to NFRD)					
		[Gross] carrying amount				[Gross] carrying amount				[Gross] carrying amount				[Gross] carrying amount				[Gross] carrying amount				[Gross] carrying amount					
PLN million		Of which environmentally sustainable (CCM)		PLN million		Of which environmentally sustainable (CCM)		PLN million		Of which environmentally sustainable (CCA)		PLN million		Of which environmentally sustainable (CCA)		PLN million		Of which environmentally sustainable (CCA)		PLN million		Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)		PLN million		Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	
1	B0729	17.02	11.01															17.02	11.01								
2	C1610	0.79	-															0.79	-								
3	C1920	2.02	0.19															2.02	0.19								
4	C2014	18.41	-															18.41	-								
5	C2059	0.01	-					0.00	0.00									0.01	0.00								
6	C2361	1.01	-					0.66	0.66									1.67	0.66								
7	C2442	64.03	33.84					-	-									64.03	33.84								
8	C2445	0.00	-					-	-									0.00	-								
9	C2530	16.64	0.11					1.42	1.42									18.06	1.54								
10	C2593	0.08	-					-	-									0.08	-								
11	C2751	26.60	3.83					0.01	0.01									26.60	3.84								
12	C2841	3.77	-					4.84	4.84									8.61	4.84								
13	C2920	0.05	-					-	-									0.05	-								
14	C2931	11.66	11.66					-	-									11.66	11.66								
15	C2932	0.20	-					-	-									0.20	-								
16	C3109	0.46	-					-	-									0.46	-								
17	D3514	320.46	243.79					-	-									320.46	243.79								
18	D3523	0.00	0.00					-	-									0.00	0.00								
19	F4110	60.62	-					-	-									60.62	-								
20	F4120	0.01	0.00					-	-									0.01	0.00								
21	F4322	0.53	0.03					-	-									0.53	0.03								
22	G4772	0.03	0.01					-	-									0.03	0.01								
23	G4791	0.61	-					-	-									0.61	-								
24	H4920	161.25	67.00					-	-									161.25	67.00								
25	J6130	5.95	3.52					36.33	-									42.28	3.52								
26	L6820	29.96	-					-	-									29.96	-								

Table 50. Template 3 – GAR KPI stock – CapEx

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af	
		Disclosure reference date T															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
% (compared to total covered assets in denominator)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					
		Of which Use of Proceeds			Of which transitional	Of which enabling	Of which Use of Proceeds			Of which transitional	Of which enabling	Of which Use of Proceeds			Of which transitional	Of which enabling	
GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HFI eligible for GAR calculation	92.19%	3.41%	-	0.00%	0.74%	0.03%	0.02%	-	0.00%	92.22%	3.43%	-	0.00%	0.75%	23.43%	
2	Financial undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%	
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%	
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
15	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%	
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%	
19	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20	Non-financial undertakings	25.11%	10.75%	-	0.01%	7.51%	0.28%	0.23%	-	0.04%	25.38%	10.99%	-	0.01%	7.55%	2.32%	
21	Loans and advances	25.43%	11.02%	-	-	7.72%	0.24%	0.24%	-	0.04%	25.67%	11.26%	-	-	7.75%	2.26%	
22	Debt securities, including UoP	13.25%	1.14%	-	0.26%	0.14%	1.57%	-	-	-	14.82%	1.14%	-	0.26%	0.14%	0.06%	
23	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
24	Households	99.91%	2.61%	-	-	-	-	-	-	-	99.91%	2.61%	-	-	-	21.04%	
25	of which loans collateralised by residential immovable property	100.00%	2.61%	-	-	-	-	-	-	-	100.00%	2.61%	-	-	-	21.02%	
26	of which building renovation loans	99.63%	1.15%	-	-	-	-	-	-	-	99.63%	1.15%	-	-	-	0.42%	
27	of which motor vehicle loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02%	
28	Local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.04%	
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.04%	
31	Collateral obtained by taking possession: residential and commercial immovable properties	100.00%	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	-	
32	Total GAR assets	33.05%	1.22%	-	0.00%	0.27%	0.01%	0.01%	-	0.00%	33.06%	1.23%	-	0.00%	0.27%	65.37%	

Table 51. Template 3 – GAR KPI stock – Turnover

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af	
		Disclosure reference date T															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
% (compared to total covered assets in denominator)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					
		Of which Use of Proceeds			Of which transitional	Of which enabling	Of which Use of Proceeds			Of which transitional	Of which enabling	Of which Use of Proceeds			Of which transitional	Of which enabling	
GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	90.31%	2.65%	-	-	0.21%	0.04%	0.01%	-	-	0.00%	90.35%	2.66%	-	-	0.21%	23.43%
2	Financial undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%
19	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Non-financial undertakings	6.15%	3.11%	-	-	2.07%	0.36%	0.06%	-	0.04%	6.51%	3.17%	-	-	2.11%	2.32%	
21	Loans and advances	6.00%	3.16%	-	-	2.10%	0.06%	0.06%	-	0.04%	6.06%	3.22%	-	-	2.14%	2.26%	
22	Debt securities, including UoP	11.72%	1.15%	-	-	1.14%	11.23%	-	-	-	22.95%	1.15%	-	-	1.14%	0.06%	
23	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Households	99.91%	2.61%	-	-	-	-	-	-	-	99.91%	2.61%	-	-	-	-	21.04%
25	of which loans collateralised by residential immovable property	100.00%	2.61%	-	-	-	-	-	-	-	100.00%	2.61%	-	-	-	-	21.02%
26	of which building renovation loans	99.63%	1.15%	-	-	-	-	-	-	-	99.63%	1.15%	-	-	-	-	0.42%
27	of which motor vehicle loans	-	-	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	0.02%
28	Local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.04%
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.04%
31	Collateral obtained by taking possession: residential and commercial immovable properties	100.00%	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	-	-
32	Total GAR assets	32.37%	0.95%	-	-	0.07%	0.01%	0.00%	-	0.00%	32.39%	0.95%	-	-	0.08%	65.37%	

Table 52. Template 4 – GAR KPI flow – CapEx

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af	
		Disclosure reference date T															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total new assets covered
% (compared to flow of total eligible assets)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					
		Of which Use of Proceeds	Of which transitional	Of which enabling	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which Use of Proceeds	Of which transitional	Of which enabling	
GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HfI eligible for GAR calculation	76.79%	7.71%	-	-	2.82%	0.02%	0.00%	-	-	76.82%	7.71%	-	-	2.82%	23.54%	
2	Financial undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
15	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
19	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20	Non-financial undertakings	17.05%	12.76%	-	-	10.12%	0.09%	0.01%	-	-	17.14%	12.77%	-	-	10.12%	6.55%	
21	Loans and advances	17.65%	13.30%	-	-	10.58%	0.01%	0.01%	-	-	17.65%	13.30%	-	-	10.58%	6.27%	
22	Debt securities, including UoP	3.85%	0.93%	-	-	0.09%	1.87%	-	-	-	5.72%	0.93%	-	-	0.09%	0.28%	
23	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
24	Households	100.00%	5.77%	-	-	-	-	-	-	-	100.00%	5.77%	-	-	-	16.96%	
25	of which loans collateralised by residential immovable property	100.00%	5.77%	-	-	-	-	-	-	-	100.00%	5.77%	-	-	-	16.96%	
26	of which building renovation loans	99.69%	3.99%	-	-	-	-	-	-	-	99.69%	3.99%	-	-	-	0.15%	
27	of which motor vehicle loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
28	Local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%	
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%	
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
32	Total GAR assets	29.28%	2.94%	-	-	1.07%	0.01%	0.00%	-	-	29.29%	2.94%	-	-	1.07%	61.74%	

Table 53. Template 4 – GAR KPI flow – Flow

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af	
		Disclosure reference date T															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total new assets covered
% (compared to flow of total eligible assets)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					
		Of which Use of Proceeds		Of which transitional	Of which enabling	Of which Use of Proceeds		Of which transitional	Of which enabling	Of which Use of Proceeds		Of which transitional	Of which enabling				
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfF eligible for GAR calculation	73.01%	4.93%	-	-	0.63%	0.16%	-	-	-	73.17%	4.93%	-	-	0.63%	23.54%	
2	Financial undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
15	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
19	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20	Non-financial undertakings	3.45%	2.80%	-	-	2.25%	0.58%	-	-	-	4.03%	2.80%	-	-	2.25%	6.55%	
21	Loans and advances	3.51%	2.87%	-	-	2.29%	-	-	-	-	3.51%	2.87%	-	-	2.29%	6.27%	
22	Debt securities, including UoP	2.19%	1.30%	-	-	1.30%	13.37%	-	-	-	15.56%	1.30%	-	-	1.30%	0.28%	
23	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
24	Households	100.00%	5.77%	-	-	-	-	-	-	-	100.00%	5.77%	-	-	-	16.96%	
25	of which loans collateralised by residential immovable property	100.00%	5.77%	-	-	-	-	-	-	-	100.00%	5.77%	-	-	-	16.96%	
26	of which building renovation loans	99.69%	3.99%	-	-	-	-	-	-	-	99.69%	3.99%	-	-	-	0.15%	
27	of which motor vehicle loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
28	Local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%	
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%	
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
32	Total GAR assets	27.84%	1.88%	-	-	0.24%	0.06%	-	-	-	27.90%	1.88%	-	-	0.24%	61.74%	

Table 54. KPI off-balance sheet exposures – CapEx

	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
	Disclosure reference date T													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
	% (compared to total eligible off-balance-sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)		
Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
Of which Use of Proceeds		Of which transitional	Of which enabling		Of which Use of Proceeds		Of which enabling	Of which Use of Proceeds		Of which transitional	Of which enabling			
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Assets under management (AuM KPI)	1.66%	1.66%	-	0.09%	1.13%	0.16%	0.16%	-	0.11%	3.50%	1.94%	-	0.09%	1.33%

Table 55. Template 5 – KPI off-balance sheet exposures – Turnover

	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
	Disclosure reference date T													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
	% (compared to total eligible off-balance-sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)		
Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
Of which Use of Proceeds		Of which transitional	Of which enabling		Of which Use of Proceeds		W tym wspomaganie	Of which Use of Proceeds		Of which transitional	Of which enabling			
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Assets under management (AuM KPI)	0.44%	0.44%	-	0.00%	0.33%	0.08%	0.08%	-	0.06%	1.50%	0.53%	-	0.00%	0.39%

CONTEXTUAL INFORMATION – KEY ASSUMPTIONS FOR GAR CALCULATION

IDENTIFICATION OF ENTITIES SUBJECT TO THE NFRD

The Bank has analysed its portfolio with respect to customers required to report on non-financial matters in accordance with the criteria indicated in Article 19a or 29a of the NFRD. The entities analysed meet the definition of large entities that are public interest entities or public interest entities that are the parent of a large group, have more than 500 employees and publish statements on non-financial information, among other mandatory disclosures on the EU Taxonomy. As part of the customer verification process, the Bank made auxiliary use of the Credit Information Bureau's (BIK) ESG database containing data resulting from Polish companies' non-financial reporting obligations for 2022.

ASSESSMENT OF ELIGIBILITY FOR AND ALIGNMENT WITH THE TAXONOMY OF EXPOSURES TO FINANCIAL AND NON-FINANCIAL ENTITIES SUBJECT TO THE NFRD

Exposures to financial enterprises that meet the criteria indicated in Articles 19a or 29a of the NFRD have not been assessed for alignment with the taxonomy due to the transitional period until the end of 2023. During this period, financial undertakings are required to publish information on eligibility for taxonomy of their business activities. The Bank Group's disclosure on the eligibility of financial entities for the taxonomy has been prepared based on the information presented in the non-financial reports of these entities published in 2023 (for 2022). If a financial firm subject to the NFRD disclosed an eligibility indicator for taxonomy in total, i.e. without splitting into Turnover KPI and CapEx KPI, the Bank assigned a value of zero to exposures to entities for both Turnover KPI and CapEx KPI.

To determine exposures to non-financial entities subject to the NFRD as taxonomy-eligible and taxonomy-compliant, the Bank used the Turnover and CapEx KPIs. These indicators were disclosed by these entities in the non-financial reports published in 2023 (for 2022). For exposures included in the banking book where the purpose of the funds is not known (loans and advances, debt securities and equity instruments, the value of taxonomy-eligible and taxonomy-compliant assets was calculated as the product of the gross carrying amount and the respective KPIs: Turnover KPI and CapEx KPI.

As taxonomy-eligible but not taxonomy-aligned activities were not assigned to a specific environmental objective by these entities, the Bank assumed that they would be disclosed as activities contributing to the first environmental objective, i.e. climate change mitigation (CCM). However, if it was clear from the activity described by the entity that this activity contributes to the second environmental objective, i.e. climate change adaptation (CCA), then the Bank assigned it to CCA.

In 2023, the Bank began work on implementing a customer survey process for taxonomy alignment, so in this disclosure the Bank does not classify loans with a known funding purpose due to the lack of information on taxonomy eligibility and alignment for financed investment projects.

Off-balance sheet exposures to non-financial entities subject to the NFRD are assessed as taxonomy eligible and compliant based on the Turnover KPI and CapEx KPI. The KPIs of these customers were disclosed in the non-financial reports published in 2023 (for 2022).

ASSESSMENT OF ELIGIBILITY FOR AND ALIGNMENT WITH THE TAXONOMY OF EXPOSURES TO HOUSEHOLDS

Exposures to households for residential real estate loans and loans for building renovations were considered taxonomy eligible, while they were considered taxonomy compliant if they met the condition of making a significant

contribution to climate change mitigation and the principle of 'no significant harm' in relation to climate change adaptation.

According to the interpretation of the Ministry of Economic Development and Technology, the assessment of a significant contribution to climate change mitigation for residential buildings constructed before 31 December 2020 is met when the non-renewable primary energy demand for heating, ventilation, cooling and domestic hot water preparation (EP indicator) is less than 76.59 kWh/(m²*year) and has been confirmed on the basis of the building's energy performance certificate.

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

ASSESSMENT OF ELIGIBILITY FOR AND ALIGNMENT WITH THE TAXONOMY OF EXPOSURES TO LOCAL GOVERNMENT UNITS

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

ASSESSMENT OF THE ELIGIBILITY OF REPOSSESSED COMMERCIAL AND RESIDENTIAL REAL ESTATE COLLATERAL

Exposure representing repossessed collateral in the form of commercial real estate has been classified as taxonomy-eligible but not taxonomy-aligned.

Table 56. Summary of selected green asset ratios (GAR) of the Bank's Group

Green asset ratio (GAR) (PLN mln)	Taxonomy-aligned exposures based on the KPI Turnover	Green asset ratio KPI Turnover	Taxonomy-aligned exposures based on the KPI CapEx	Green asset ratio KPI CapEx
GAR for lending activities to non-financial NFRD undertakings	378.21	3.22%	1,321.22	11.26%
GAR for debt securities to non-financial NFRD undertakings	3.71	1.15%	3.69	1.14%
GAR for total financing in Non-Financial NFRD undertakings	381.92	3.17%	1,324.91	10.99%
GAR for residential real estate or house renovation loans to households	2,853.23	2.61%	2,853.23	2.61%
Total green asset ratio (Total GAR)	3,235.15	0.95%	4,178.13	1.23%

DISCLOSURE OF BUSINESS ACTIVITIES IN CERTAIN ENERGY SECTORS.

The Bank has not identified the Bank Group's exposure to nuclear-related business activities. The tables below present information on business activities related to natural gas. They are presented in two variants, depending on which indicator (Turnover KPI or CapEx KPI) was used in the calculation of eligibility for taxonomy and alignment with the taxonomy of general purpose exposures to non-financial enterprises subject to the NFRD.

Table 57. Template 1 Nuclear and fossil gas related activities (CapEx)

Nuclear energy related activities		
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES

Table 58. Template 1 Nuclear and fossil gas related activities (Turnover)

Nuclear energy related activities		
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES

Table 59. Template 2. Taxonomy-aligned economic activities (denominator) - CapEx, PLN million

Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)						
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		
	Amount	%	Amount	%	Amount	%	
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	4,178	1.23%	4,150	1.22%	28	0.01%
8	Total applicable KPI	4,178	1.23%	4,150	1.22%	28	0.01%

Table 60. Template 2. Taxonomy-aligned economic activities (denominator) – Turnover, PLN million

Economic activities		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	3,235	0.95%	3,228	0.95%	7	0%
8	Total applicable KPI	3,235	0.95%	3,228	0.95%	7	0%

Table 61. Template 3. Taxonomy-aligned economic activities (numerator) – CapEx, PLN million

Economic activities		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate Change Adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	4,178	100%	4,150	99.33%	28	0.67%
8	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	4,178	100%	4,150	99.33%	28	0.67%

Table 62. Template 3. Taxonomy-aligned economic activities (numerator) – Turnover, PLN million

Economic activities		Amount and proportion (the information is to be presented in monetary amounts and as					
		CCM + CCA		Climate change		Climate Change	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	0%	-	0%	-	0%
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	3,235	100%	3,228	99.79%	7	0.21%
8	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	3,235	100%	3,228	99.79%	7	0.21%

Table 63. Template 4. Taxonomy-eligible but not taxonomy-aligned economic activities – CapEx, PLN million

Economic activities		Proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	301	0.09%	301	0.09%	-	0%
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	97	0.03%	97	0.03%	-	0%
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	4	0%	4	0%	-	0%
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	107,620	31.71%	107,615	31.71%	5	0.00%
8	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	108,022	31.82%	108,017	31.82%	5	0.00%

Table 64. Template 4. Taxonomy-eligible but not taxonomy-aligned economic activities – Turnover, PLN million

Economic activities		Proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%	-	0%	-	0%
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2	0.00%	2	0.00%	-	0%
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	28	0.01%	28	0.01%	-	0%
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1	0.00%	1	0.00%	-	0%
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	106,658	31.41%	106,621	31.41%	36	0.00%
8	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	106,689	31.42%	106,653	31.42%	36	0.00%

Table 65. Template 5. Taxonomy non-eligible economic activities – CapEx, PLN million

Economic activities		Amount	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
7	Amount and proportion of other taxonomy-non eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	9,467	2.79%
8	Total amount and proportion of taxonomy-non eligible economic activities in the denominator of the applicable KPI	9,467	2.79%

Table 66. Template 5. Taxonomy non-eligible economic activities – Turnover, PLN million

Economic activities		Amount	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
7	Amount and proportion of other taxonomy-non eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	11,742	3.46%
8	Total amount and proportion of taxonomy-non eligible economic activities in the denominator of the applicable KPI	11,742	3.46%

ADDITIONAL DISCLOSURES

The Bank analysed the economic activities of non-financial entities subject to the NFRD based on the dominant NACE code for the other four environmental objectives and new activities in the area of the first two environmental objectives. The results of this analysis indicated that some of the economic activities contribute to 5 of the 6 environmental objectives at the same time. Therefore, as it is not possible to assign a specific percentage to an environmental objective, the indicators presented below refer to economic activities eligible for taxonomy in total for all six environmental objectives and to economic activities not eligible for taxonomy.

Table 67. Quantitative information

INDICATOR	2023
Exposures to taxonomy non-eligible economic activities in total assets	1.0%
Exposures to taxonomy eligible economic activities in total assets (all 6 environmental objectives)	1.5%

VOLUNTARY DISCLOSURES

In addition to the mandatory taxonomy disclosure, the Bank discloses voluntary information on the taxonomy eligibility and alignment of exposures to non-financial enterprises that are not subject to mandatory disclosure under Article 8 of the EU Taxonomy. The Bank has sourced information on the achievement of environmental taxonomy targets on a voluntary basis and bilaterally as part of the investment lending process. In 2023, the Bank commenced work on implementing taxonomy questionnaires, which support the assessment of meeting the technical screening criteria of the EU Taxonomy, for targeted financing. The taxonomy analysis covered 24 investment loans in a total amount of PLN 2,049.7 million, including 18 investment loans in a total amount of PLN 1,701.9 million for financing non-taxonomy-eligible business activities and six investment loans in a total amount of PLN 347.1 million for taxonomy-eligible business activities. Among the loan transactions concluded, two of them, totalling PLN 79.3 million, concerned investment projects meeting the criterion of making a significant contribution to climate change mitigation and the "do no significant harm" principle. One investment project concerned the financing of high-efficiency cogeneration of heat and power from bioenergy, the other the financing of innovative recovery of materials from waste. The Bank has no information on the compliance of the two borrowers analysed with the minimum safeguards. Exposures from these transactions were considered partially taxonomy-aligned and were not included in the calculation of the GAR numerator for 2023.

QUALITATIVE INFORMATION TO BE DISCLOSED IN ACCORDANCE WITH ANNEX XI OF THE DELEGATED REGULATION TO ARTICLE 8 OF THE EU TAXONOMY

In December 2022, the Bank's Management Board adopted the "Strategy of PKO Bank Polski for the years 2023-2025 - "Ready for the challenges, focused on the future" It is focused on people - employees and customers - as well as innovation, technology and sustainability. The Bank wants to support the long-term goal of the Paris Agreement - to limit the increase in global temperature to well below 2°C compared to pre-industrial levels.

The Bank continues to implement financing solutions for the energy transition of the Polish economy, both in terms of energy and social mobility. The Bank Group's product offering is tailored to the changing needs of all its customers. The portfolio of the Bank's Capital Group is successively expanding to include financing for wind, solar, hydro, biomass energy, energy-efficient real estate or electromobility. The implementation of the Strategy takes into account the further development of business in all customer segments: corporate, business and enterprise, individual, and the development of leasing activities to support the competitiveness of Polish companies in the face of rising energy prices and changing business and regulatory requirements. These measures are intended to help redirect capital towards activities that will significantly contribute to the achievement of European Green Deal goals such as climate neutrality and resilience, zero emissions, protection of biodiversity and ecosystems, transition to a circular economy and sustainable use of water and marine resources.

As a result of the measures planned and taken, the Bank intends to become the leader of the highest volume of new financing of sustainable and transformation projects.

With this in mind, in December 2023, the Bank adopted the Principles for the classification of sustainability financing in the PKO Bank Polski S.A. Group, which take into account the requirements of international standards and the regulatory environment, in particular those arising from the EU Taxonomy and the European Green Bond. The Bank is in the process of implementing the provisions of the Principles, in particular with regard to its business and reporting processes, as well as the related IT systems. In January 2024, taxonomy questionnaires were implemented at the Bank to support the assessment of meeting the technical screening criteria of the EU Taxonomy for targeted financing. The questionnaires form the basis for obtaining information from the Bank's customers regarding compliance with the minimum requirements that an investment financed by the Bank or a business activity carried out by the Bank's customers should meet in order to be considered environmentally sustainable.

The survey process will help monitor the level of funding for environmentally sustainable projects, which is an important part of achieving the objectives arising from the Bank's strategy for 2023-2025.

At the same time, the process of adapting the offering to the requirements for products with a positive environmental impact is underway.

13.7.9 EMPLOYEES

A. EMPLOYMENT AND EMPLOYEE BENEFITS

EMPLOYMENT

Table 68. Total number of employees (in FTEs)

	2023	r/r (%)	2022	r/r (%)	2021	r/r (%)	2020
Bank	21,638	1.9	21,230	-2.1	21,686	-1.2	21,939
Other entities	3,962	3.1	3,842	-3.2	3,970	1.3	3,920
The Bank's Group	25,601	2.1	25,071	-2.3	25,657	-0.8	25,859

The Bank adjusts its level of employment on an ongoing basis to the current business needs and development plans. The Bank Group's headcount at the end of 2023 was 25,601 FTEs (including: 1,489 FTEs in Ukrainian companies), up 529 FTEs compared to the end of 2022. The increase in employment is due to the implementation of new initiatives as part of the adopted strategy.

[GRI 2-8] The main form of employment in the Bank as well as in the Bank's Group is an employment contract. The Bank also utilises civil law agreements for its employees. In 2023, 1,721 persons received payment under a specific work contract, a contract of mandate, or a student internship: 2 specific work contracts, 1,506 contracts of mandate, and 213 student internships. The percentage of persons working on the basis of civil law contracts constitutes 7.4% of employment contracts and civil law contracts combined.

Table 69. Employees by position, age, working time and gender [GRI 405-1] [GRI 2-7]

	BANK						THE BANK'S GROUP					
	2023			2022			2023			2022		
	total	women	men	total	women	men	total	women	men	total	women	men
by position and gender												
regular employees	86.4%	74%	26%	86.4%	75%	25%	85.6%	73%	27%	85.6%	74%	26%
middle management	7.4%	64%	36%	7.8%	64%	36%	7.5%	62%	38%	8.0%	62%	38%
managers	5.9%	59%	41%	5.5%	59%	41%	6.3%	55%	45%	6.0%	55%	45%
MRT (Material Risk Takers)	0.3%	23%	77%	0.3%	23%	77%	0.5%	25%	75%	0.5%	24%	76%
total	100%	73%	27%	100%	74%	26%	100%	71%	29%	100%	72%	28%
by age group and gender												
up to 30 years	12%	68%	32%	11%	71%	29%	12%	68%	32%	12%	70%	30%
from 30 to 50 years	61%	71%	29%	62%	71%	29%	63%	70%	30%	64%	70%	30%
above 50 years	27%	79%	21%	27%	80%	20%	25%	77%	23%	24%	78%	22%
total	100%	73%	27%	100%	74%	26%	100%	71%	29%	100%	72%	28%
by full-time and part-time employment and gender												
full-time	99%	73%	27%	99%	73%	27%	97%	72%	28%	97%	72%	28%
part-time	1%	79%	21%	1%	78%	22%	3%	63%	37%	3%	64%	36%
by agreement terms												
indefinite period	87%	72%	28%	87%	73%	27%	83%	72%	28%	87%	72%	28%
definite period	13%	74%	26%	13%	76%	24%	17%	70%	30%	13%	75%	25%
by region												
in EU countries	100%	73%	27%	100%	74%	26%	94%	71%	29%	94%	72%	28%
in third countries (Ukraine)	-	-	-	-	-	-	6%	71%	29%	6%	69%	31%
Total employment	100%	73%	27%	100%	74%	26%	100%	71%	29%	100%	72%	28%

The share in the number of employees of a given gender and/or in the total number of employees. Only employees with an employment contract are included.

Table 70. Newly hired employees and turnover rate in the Bank and the Bank's Group by age group and gender [GRI 401-1]

	BANK						THE BANK'S GROUP					
	newly hired			turnover rate			newly hired			turnover rate		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
<30	46.1%	46.9%	47.9%	2.6%	6.6%	3.1%	43.3%	44.9%	45.0%	2.8%	6.2%	3.3%
30-50	49.0%	48.8%	49.1%	4.8%	3.5%	6.0%	51.5%	50.6%	51.7%	5.5%	4.9%	7.1%
>50	4.9%	4.2%	3.0%	2.6%	3.3%	3.2%	5.2%	4.5%	3.3%	2.4%	3.0%	2.9%
women	65.5%	71.6%	69.0%	7.4%	10.0%	9.3%	65.5%	69.6%	67.1%	7.7%	10.4%	9.7%
men	34.5%	28.4%	31.0%	2.6%	3.4%	3.0%	34.5%	30.4%	32.9%	3.0%	3.7%	3.6%
Total	11.6%	11.3%	11.1%	10.0%	13.4%	12.3%	12.6%	11.7%	12.5%	10.7%	14.1%	13.1%

Share in the total number of employees

The turnover rate calculated as the ratio of the number of employees terminated in 2023 to the number of employees at the end of 2022. The ratio of voluntary resignations at the Bank was 5.4%, retirement - 1.8% of the workforce at the end of the year. For the Bank's Group these figures were, respectively: 6.4% and 1.5%. There were no redundancies in 2023.

Table 71. Returns to work after parental leave in 2023 [GRI 401-3]

	BANK		THE BANK'S GROUP	
	women	men	women	men
Employees eligible for parental leave in the reporting year (2023)	476	93	593	121
Employees who took parental leave in 2023	509	19	679	26
Employees who returned to work in the reporting year after parental leave ended in 2023	414	18	514	24
Employees who returned to work after parental leave ended, that are still employed 12 months after their return to work	453	3	523	4
Return to work rate: share of return to work after the parental leave (%)	81%	95%	76%	92%
Retention rate: share of employees who returned to work after the parental leave and stayed employed (%)	86%	50%	84%	67%

Table 72. Additional information on the employment at the Bank

	2023	2022	2021	2020
Permanent contract employment (share in total employment)	86.8%	87.4%	88.2%	89.5%
Fixed-term contract employment (share in total employment)	13.2%	12.6%	11.8%	10.5%
in this contract for replacement	1.8%	1.6%	1.9%	1.5%
Employees with duration of employment >10 years (share in total employment)	73.4%	51.6%	74.0%	74.9%
Average duration of employment for women (years)	15	16	16	16
Average duration of employment for men (years)	12	12	11	11
Number of women employed (thousands)	16	16	16	16
Number of persons on management positions (in thousands)	1.3	1.2	1.2	1.2
Number of women on management positions (in thousands)	0.8	0.7	0.7	0.7
Number of newly hired (in thousands)	2.5	2.4	2.4	1.0
Number of women among newly hired (in thousands)	1.6	1.7	1.7	0.7
Share of employment with disabilities in total employment	1.2%	1.2%	1.2%	1.2%

The employment policy at the Bank and in the Bank's Group is based on the principle that every employee is important, regardless of their gender, age, health condition, sexual orientation, religion, marital status or country of origin.

The Bank and the entities of the Bank's Group use their best efforts to ensure diversity among the employees at every level in accordance with the applicable internal policies (chapter F).

HYBRID WORK MODEL

There is a hybrid work model at the Bank that allows for a flexible approach and alignment of its assumptions with the realities and business goals. Decisions about the proportion of work in the office and at home are made by managers. The solution has been introduced in those Bank units whose nature allows for their execution from home and office.

The model introduced takes into account the specificity of tasks and processes in a given unit, the achieved effects, the achievement of objectives, and the available area (within buildings with a determined turnover ratio). Employees can benefit from various forms of support to improve team management and work. Support tools are available, including a home and office work planning application, a system for desk booking in selected locations, as well as instant messaging to facilitate the organisation of online meetings.

Most of the Polish entities of the Bank's Group are also working in a hybrid model.

REMUNERATION

Table 73. The relationship between the weighted average salary of women and men by group of positions in Bank (%)

	2023	2022	2021
Distribution network	101	98	97
Other non-managerial positions	96	94	93
Middle management	96	95	95
Managers	97	97	97
MRT	98	93	84
Total:	98	96	95

[GRI 405-2] The global ratio of women's salaries to men's salaries calculated as the total weighted average salary of women to that of men (including the salaries of members of the Management Board of the Bank - alignment with EBA guidelines) paid in 2023 was 98% (+2 p.p. y/y) in the Bank and 97% (+4 p.p. y/y) in the Bank's Group.

The calculation of the ratio of women's salaries to men's salaries is based on a comparison of salaries in separate homogeneous groups, weighted by the size of these groups. These groups bring together employees with the same valuation levels (the valuation of work in individual positions), families of positions and the same geographical location.

The calculation of the gap in the Bank's Group takes into account the ratios of the individual companies (companies according to prudential consolidation based in Poland), weighted by the headcount of the individual companies in the Bank's Group.

The gender pay gap calculated on the basis of the weighted average salary was 2% at the Bank and 3% in the Bank's Group. The gender pay gap at the Bank based on the median was 1.6%.

The remuneration variation ratio calculated on the basis of the methodology set out in the guidelines to the Best Practices for WSE Listed Companies 2021 totalled 31.7% at the Bank. This ratio is calculated as the percentage difference between the average monthly total salary of all women and men for 2023. It does not take into account employment structure, value levels, families of positions or geographical location, which, irrespective of gender, have an impact on employees' salaries.

The presented gender pay gap level does not indicate any unfounded inequalities in the amounts of women's and men's salaries, and the reasons for the deviations owing to gender are the result of the nature of the organization in which female employees are more numerous.

The Bank's remuneration policy is gender-neutral. The changes introduced in 2022 to the Remuneration Policy for employees of the Bank and the Bank's Group were intended to emphasise the importance of gender neutrality in remuneration and the application of this principle.

The process of determining the salaries at the Bank is based on the valuation of positions. Valuation of positions, in accordance with the commonly used market methodology, is based on the determination of an appropriate level of indicators for strictly defined criteria: skills (technical knowledge, managerial skills, interpersonal skills), problem

solving (freedom of thinking, challenges, freedom of action) and impact on the result (type of influence, field of operation). The essence of valuation is the fact that it applies to a given position, not a person.

The fixed salary is related to the complexity of the tasks within a given organizational structure, the level of responsibility associated with a given position and the necessary skills. The structure of the system for granting variable remuneration takes into account the specificity of positions, in particular: managerial staff, sales, and support. Variable remuneration of employees is based on the bonus system, in which it is required to achieve specific quantitative and performance targets connected with the Bank's strategy.

The Bank performs regular salary reviews for different positions, which also analyse the relationship between the salaries of women and men, taking into account internal benchmarks and data provided in remuneration reports and studies in the process of determining and optimizing the remuneration strategy.

In order to ensure that the same positions are comparable and to eliminate the total effect of other elements on the salary level, the Bank also uses the so called "Comparatio" (CR) which compares the salary offered to an employee with an appropriate market benchmark. The internal analyses performed using this ratio show that there are no differences between the remuneration of women and men at the Bank and that both groups receive remuneration at the market level.

The "Policy for remunerating the employees of the Bank and the PKO BP S.A. Group", which is applied in the Bank's Group, ensures a consistent salary system by:

- applying a salary system which is in line with market trends,
- acquiring optimal job candidates,
- adjusting mechanisms, tools and salary levels to the strategy and goals of the Bank and the Bank's Group,
- taking into account the ability of the Bank's Group to determine the desired mechanisms and salary levels,
- determining fixed salaries on the basis of the valuation of positions,
- determining the remuneration structure on the basis of performance at work and the appraisal of the employees' skills,
- building responsibility in the employees for their tasks which are assessed on the basis of objective criteria,
- ensuring that the variable salary components are parameterized so that they take into account the long-term cost of risk, cost of capital and liquidity risk of the Bank and the Bank's Group,
- establishing a system in which the forms of remuneration do not encourage the people involved to favour their own interests or the interests of the Bank and the other entities of the Bank's Group to the detriment of customers.

[GRI 2-21] The ratio of the highest total remuneration paid in 2023 to the median of the total annual remuneration of all employees (excluding the highest salary) is 10,6.

The ratio of the percentage increase of the highest total compensation paid in the organisation in 2023 to the percentage increase in the median total annual remuneration for all employees (excluding the highest salary) is 0.68.

The above ratios were calculated on the basis of total remuneration paid out to employees employed on an employment contract in 2023, i.e. excluding the total remuneration paid to Members of the Management Board under management contracts concluded.

[GRI 2-30] A Collective Bargaining Agreement concluded with the company trade union organizations is in force at the Bank. It governs, among other things, salary-related issues. According to the Collective Bargaining Agreement, the Bank's employees are entitled to the following salary components: (i) the base salary, (ii) allowances for working overtime and at night and in conditions which are particularly onerous and harmful to their health, (iii) bonuses and rewards for special achievements at work.

Base salaries and additional benefits granted to the employees are determined on the basis of the valuation of positions, considering the analysis of market salaries.

The Bank has a bonus system under which the amount of a bonus depends on the achievement of the targets set. The targets set for the employees are related to the Bank's key management indicators.

Apart from the bonus system, there is a system for awarding the Bank's employees. The employees may receive rewards:

- individually - when they achieve outstanding performance at work and/or for accomplishments which have produced important results for the Bank,

- for recommending candidates for employment with the Bank,
- for taking measures related to employee retention.

The key activities related to the Bank's employee compensation plan in 2023 included:

- global wage adjustment campaign linked to length of service,
- one-off reward campaign,
- sales support competition campaigns for employees of selected organisational entities – in particular for employees of the retail network units.

In the entities of the Bank's Group, depending on the level of employment, the principles of remunerating employees are defined in the payroll regulations and in the employment contracts or in the employment contracts only. In the individual entities of the Bank's Group, there are separate bonus systems for the employees.

ADDITIONAL BENEFITS

Table 74. Major non-salary benefits for the employees [GRI 401-2]

BANK	Share in total employment (%)			Change (y/y)
	2023	2022	2021	2023/2022
Medical packages	100	100	100	+0 p.p.
Employee pension program	77	77	78	0 p.p.
Subsidization of organized recreation	8	9	10	-1 p.p.
Welfare payments	3	3	3	-1 p.p.
Housing advances	17	17	14	0 p.p.
Benefits available from MyBenefit platform or special social benefits such as holiday bonuses	100	100	100	+0 p.p.
Sport cards	7	6	5	+1 p.p.
THE BANK'S GROUP				
Medical packages	98	84	99	+14 p.p.
Employee pension program	69	66	69	+3 p.p.
Subsidization of organized recreation	8	13	9	-5 p.p.
Welfare payments	2	3	3	-1 p.p.
Housing advances	14	15	17	-1 p.p.
Benefits available from MyBenefit platform or special social benefits such as holiday bonuses	92	84	88	+8 p.p.
Sport cards	8	5	5	+3 p.p.

[GRI 401-2] All non-salary benefits are available to the employees irrespective of their type of contract and/or working time (full time and/or part time).

MEDICAL CARE	Additional medical care: varied packages of benefits assigned to specific groups of positions, with the possibility for employees to purchase a higher package for an additional charge. "Zdrowie jak w Banku" (Guaranteed health) – a preventive programme focused on the early detection of diseases and the promotion of a healthy lifestyle, and a dedicated package of tests aimed at detecting complications after the SARS Cov-2 virus illness. Other entities of the Bank's Group (operating in Poland) provide medical care to their employees on the terms negotiated with the healthcare provider by the Bank, based on separate agreements.
EMPLOYEE PENSION PROGRAMME (EPP)	The Bank's EPP has been operated since 2013 in the form of an agreement under which the Bank makes a Basic Contribution (3.5% of an employee's salary) and an Additional Employee Contribution to the Investment Funds managed by PKO TFI S.A. Other major companies in the Bank's Group also have EPPs in place.
OTHER	Additional benefits from the Company Social Benefits Fund: the MyBenefit cafeteria system, interest-free loans for the renovation/replacement/purchase of a first flat and/or house, non-repayable fortuitous and social benefits, subsidies for leisure or childcare. The amount of funds received on the MyBenefit platform depends

on the gross income per person in the family. Some of the Bank's Group companies also offer the possibility of using the MyBenefit platform to their employees - under separately concluded agreements. Vouchers, offers and discounts, group insurance, sports cards, development and training programmes, supporting sports initiatives and activities as well as charitable activities of the employees.

B. RECRUITMENT POLICY

The recruitment policy of the Bank's Group is focused on employing persons with different types of professional experience and skills based on high standards of counteracting discrimination and personal data protection. The recruitment process respects the rights of the candidate, which means that all employees of the Bank and the Group involved in the process are guided by the principles of equal treatment and do not discriminate between job applicants, including, in particular, on the grounds of: gender, age, disability, race, colour, religion, nationality, political opinion, trade union membership, ethnic or social origin, property, birth or sexual orientation. They take into account the aspect of candidate diversity as a value that affects the innovation, creativity and efficiency of teams.

RECRUITMENT PROCESSES ARE SUPPORTED BY MODERN IT TOOLS AND SYSTEMS

The Bank cares about the candidates' experience in the recruitment process by diversifying the channels of reaching different groups of candidates, using modern selection methods. To reach the candidates, the Bank conducts dedicated campaigns in the social media, takes part in job fairs and industry conferences, cooperates with the academic community, supports selected initiatives and takes active measures to reach passive candidates directly.

To support the internal recruitment process, centralised cooperation agreements on the recruitment and selection process have been concluded with key companies in the Bank's Group.

The Bank regularly surveys the experience of external and internal candidates to improve the recruitment process.

The Bank also has an internal recommendation programme. If the candidate recommended by an employee is hired and satisfies the conditions specified in the rules, the recommending employee will receive a cash reward. In 2023, all positions in the Bank were included in the programme and the amount of the reward for hiring candidates for key positions was increased.

For years, the Bank has been developing an internship programme aimed at students and graduates - #StażNaDzieńDobry. Participants in this programme can develop their career in their chosen area of the Bank Group's business. Three new editions of the internship programme have been launched in 2023:

- #StażNaDzieńDobry - Corporate Customer,
- #GenESG - internships in the area of sustainable development,
- #ZaRzykuj - internships in the risk area.

An important aspect of the Bank's activities in reaching out to potential candidates is the collaboration with universities. In response to business needs, the Bank cooperates with the academic community by taking part in many events organized at universities. It cooperates actively with career offices in promoting job offers and internships. It organizes workshops and lectures and takes selected courses of study under its wing as part of sharing knowledge and strengthening cooperation with the academic community.

The Bank actively supports and promotes internal mobility as part of the #Perspektywy initiative, through internal information campaigns, internal job fairs, internships, consultations with recruiters and job publications. By doing so, it encourages employees to participate in internal recruitment processes across the Bank's Group. Moreover, it provides an optimum amount of time for the transfer of an employee selected in internal recruitment to the new entity. This makes the process fast and simple.

C. FREEDOM OF ASSOCIATION AND TRADE UNION ORGANIZATIONS

Employees are represented at the Bank by the trade unions and the Bank Employee Council.

The employer does not prevent the employees from joining the trade unions and the Bank Employee Council or acting as their members in any way. The employee organizations at the Bank have the right to determine their own internal principles, are free to elect their representatives and appoint authorities, operate and prepare the programme for their operation. This is consistent with the principles of freedom of association referred to in Convention No. 87 of the International Labour Organization on Freedom of Association and Protection of the Right to Organize.

There are three company union organisations at the Bank:

- The National Trade Union of PKO BP S.A. Employees,
- “Solidarity” Independent Self-Governing Trade Union of PKO BP S.A. Employees,
- Inter-Company Organisation for Banking and Service Employees No 06-005 OPZZ “Confederation of Labour”, with the first being a representative union within the meaning of the Trade Unions Act (Journal of Laws of 2022, item 854).

As at 31 December 2023, trade union members constituted 12.6% of the total number of employees.

Meetings with trade unions and the Bank Employee Council are organized when necessary, at least a few times a year. The social partners are informed about the planned organizational changes without undue delay [GRI 402-1]. In 2023, the most frequently discussed issues concerned the employee remuneration and other employment benefits.

The social partners actively seek information they need to conduct their activities. Both the trade unions and the Bank Employee Council have the opportunity to obtain the information they need to conduct their activities. In order to make it easier for the social partners to act, special communication channels have been developed for the trade unions and the Bank Employee Council to provide information about their activities. For this purpose, a special tab – “Dialogue and Employee Representation” – has been added to the INTRA Portal. The Employee Council uses this tool and provides employees with regular messages about which they are additionally informed via the newsletter.

Trade union members are Social Labour Inspectors at the Bank. The Social Labour Inspection is a function performed by employees on a voluntary basis. Its aim is to ensure that the workplace offers safe and healthy working conditions and respects the employee rights specified in the labour law. The Bank provides space for the performance of the tasks of the Social Labour Inspection.

The Bank cooperates with these social partners in accordance with the applicable regulations. In accordance with the generally applicable laws, the Bank provides the social partners with information about:

- the employment-related aspects of the employer’s activities and economic situation and the changes anticipated in this respect,
- the level, structure and anticipated changes in employment and the measures aimed at maintaining the employment level,
- measures that may cause significant changes in the organization of work or the basis of employment.
- If the law so requires, the Bank holds consultations or negotiations with the social partners. Consultations are held, among other things, in the event of planned organizational changes which lead to significant changes in the organization of work, the level of employment and the type of employment contracts. On the other hand, negotiations with the trade unions are conducted, among other things, with respect to the principles of remuneration and social benefits.
- The employees may report their objections, opinions, suggestions and comments through the trade unions or directly to a dedicated mailbox. This is regulated by a procedure for reporting complaints and irregularities. An employee is entitled to additional support in the process of clarifying a complaint, namely, they may indicate a representative of a trade union organization or an employee representative appointed in accordance with other internal regulations, who will participate in meetings with the employee or submit opinions on the validity of the claim.
- The Bank also operates the Bank's Employee Board elected in elections concluded on 22 August 2022. The principles of cooperation with the Bank Employee Council have been set out in a separate agreement. Under this agreement, the Bank Employee Council has, among other things, the right to receive information from the employer within 7 days of requesting it. The members of the Bank Employee Council may also use the equipment, devices and materials provided by the employer in carrying out the Employee Council's tasks.
- At the entities of the Bank’s Group, a trade union organization is present at KREDOBANK S.A. Trade union organizations do not operate at the other entities of the Bank’s Group.
- At the entities of the Bank’s Group, the dialogue with the employees takes place in accordance with the applicable regulations. Its form is adapted to the size of the entity and its specificity. The dialogue with employees is conducted in accordance with legal regulations and forms of communication with employees adopted in the entity: directly, by e-mail and/or through the intranet. The employees have the opportunity to lodge complaints about a breach of employee rights and other irregularities.
- No collective disputes were recorded at the entities of the Bank’s Group.

[GRI 407-1] No operations or suppliers characterized by a high risk of restricting the freedom of association and collective agreements were identified at the Bank in 2023.

D. DEVELOPMENT AND EDUCATION

Table 75. Basic data on training at the Bank in 2023 [GRI 404-3], [GRI 404-1]

	BANK			THE BANK'S GROUP		
	total	women	men	total	women	men
Share of employees subject to annual performance evaluation (as of 04.04.2023) in the group of employees eligible for evaluation (%)	87	88	84	79	80	75
Average hours of training per year per employee	18	17	21	17	16	20

[GRI 404-2] Development activities are adjusted to the specific nature of the Bank and the individual entities of the Bank's Group and regulated by internal regulations. It guarantees a flexible approach to the development policy.

"The method of organisation and implementation of development activities at PKO Bank Polski S.A." sets out the goals, directions and activities of the Bank in the area of management of the development of the Bank's employees or other co-workers. The main assumption of the adopted training policies is:

- supporting the pursuit of the strategic goals of the entities of the Bank's Group and the business objectives,
- onboarding of new employees,
- ensuring the upgrade of professional qualifications of the employees and adapting their knowledge and skills to the changing requirements of the market in which a given entity operates,
- preparing the employees for the implementation of new solutions and products offered by entities of the Bank's Group and/or for introducing changes to the existing solutions and/or products offered.

All employees, regardless of their age or gender, may benefit from training activities in the Bank's Group. Individual entities may apply the criterion of the position held, when referring employees to specific training, such as participation in education at University level (various levels of education at the individual entities of the Bank's Group) or foreign language courses. The employers finance training activities in whole or in part.

The Bank updates the List of Training Courses every quarter and communicates it on the intranet portal. The list contains a number of development activities for employees and managers. It contains a description of individual activities and an easy to use tool for signing up for individual training sessions. In addition, the Training Catalogue has gained a new form of publicly available video training courses in 2023, expanding soft skills and implementing topics on the most recent development trends. The training offer available in the catalogue was enriched with publicly available courses in hard skills, i.e. Excel, selected software languages, power BI and other - all courses are available on line in the so-called Application Zone. In addition, as part of the new Knowledge in a Nutshell programme, employees can share their experience on a wide range of topics from the business world as well as their passions and interests.

The Bank runs traditional development projects for both hard and soft skills. A team of several dozen internal trainers conducts group training, on-the-job training and internal workshops (also for interns). Group training is provided by external companies on selected projects. The Digital Transformation employees have access to both internal training courses in agile methodology and to certified training courses. The employees also participate in foreign language courses.

The Bank's employees use the internal e-learning platform very actively, mainly for providing training in product knowledge, the knowledge of processes and the use of IT applications.

As part of their professional development, the employees may apply for a subsidy to the costs of their education in the form of post-graduate studies, Master of Business Administration (MBA) courses, solicitor's training or language courses. The Bank also conducts adaptation programmes for new employees, which are adjusted to the specific nature of individual business areas. Training courses organized at the Bank are available to all employees regardless of the form of employment (an employment contract and/or a fixed-term contract (interns)).

With initiatives that promote internal mobility, the Bank supports the professional development of its employees, thereby creating opportunities to tap into the potential of employees within the organisation.

These initiatives include reskilling programmes - which allow employees to acquire entirely new skills, internal internships - which facilitate career change, and internal job fairs or individual consultations with recruiters, which further broaden career prospects not only within the Bank but also across the Group.

The #KreatorzyJutra programme was also held in 2023, with the aim of building the so-called 'Digital Mindset' of employees, strengthening competences that support the achievement of strategic goals, building attitudes that support openness to change and innovation, and showcasing how new technologies affect our reality. All employees of the Bank were able to access the programme. Approximately 2,400 people took part in the programme, 500 of whom completed it with a certificate, i.e. watched all the videos and answered the questionnaires prepared.

ESG EDUCATION

The #ESGo development programme was launched in 2023. The aim of the programme is to educate all employees on sustainability. Building core and expert competencies is expected to enable the Bank's successful ESG transition. In 2023, 293 employees participated in ESG training and 1,923 people attended online meetings. Participants learned about what ESG is, about the Bank's ESG strategic objectives and the Bank's role as a financing institution for ESG transition in Poland. The Bank's employees have also been enhancing their ESG qualifications in postgraduate studies. The aim of the studies is to be able to translate sustainability and ESG requirements into the Bank's operations and to gain knowledge about the Bank's portfolio monitoring and management and the ESG requirements that customers should meet.

As part of the partnership between the Bank, Group companies and the PKO Bank Polski Foundation, employee eco-volunteering initiatives were implemented. Customers, retired employees, local governments and educational institutions were invited to participate. The project was nationwide.

E. ENPS SURVEY (EMPLOYEE NET PROMOTER SCORE)

The #JakCiSięPracuje survey measures the willingness to recommend an employer to other people (the so-called eNPS index) and examines how employees rate various aspects of the workplace, e.g. satisfaction with collaboration, the immediate supervisor or the working environment.

Four editions of the survey were held in 2023. The eNPS indicator in each of these, i.e. quarter on quarter, continued its upward trend. The Bank ended the year with an average eNPS score of 35. The other indices surveyed also maintained their high scores or even posted increases.

Actions taken by the Bank in order to improve the employees' experience generated the expected effect. The findings of each survey are used to implement new facilities and solutions tailored to current needs on an on-going basis.

In 2023, the eNPS survey was also conducted for the first time in the key Companies of the Bank's Group. Its average result was comparable to that of the Bank's first survey in June 2022.

F. DIVERSITY

Promoting diversity is present in many aspects of the activities of the Bank and the entire Bank's Group. It assumes, among other things, respect for others, equal treatment and using the potential of employees. Diversity means that people are important irrespective of any differences between them, such as their gender, age, health condition, sexual orientation, religion, marital status or country of origin. In building teams, the Bank understands that diversity is their asset both in creating innovations and in smooth operations.

The Bank aims to ensure, promote and popularise diversity. It takes care that diversity, as a value, but also as a practice, is present in the organizational culture, initiatives and measures taken, as well as in the relevant policies, regulations and processes.

PRINCIPLES OF EQUAL TREATMENT, ANTI-DISCRIMINATION AND RESPECT FOR HUMAN RIGHTS

OBJECTIVES AND COMMITMENTS

The obligation of equal treatment in employment is a fundamental principle at the level of policies, regulations and processes developed and carried out at the Bank. Therefore, the Bank's internal acts adopted at Management Board level include crucial commitments pertaining to:

- counteracting discrimination in employment and non-discrimination of employees, in particular due to gender, age, disability, race, religion, nationality, political views, trade union membership, ethnic origin, denomination and

sexual orientation and due to employment for a limited and/or unlimited period and on a full-time or part-time basis,

- application of objective criteria and transparent rules at the Bank in the processes of recruitment, remuneration, employee development, access to training and access to employee benefits,
- guaranteeing equal treatment of employees performing the same type of work or work of equal value,
- applying objective and fair criteria for performance appraisal.

The above commitments are based, among other things, on the Conventions of the International Labour Organization (Conventions Nos. 100 and 111).

METHODS OF IMPLEMENTING THE OBJECTIVES AND COMMITMENTS

The Bank has introduced internal regulations, including the Bank's Code of Ethics (also in force in the Bank's Group Companies), in which it identifies and promotes desirable values. In particular, the Bank:

- identified important values, as well as attitudes and behaviour promoted in relations among employees, with customers, in business activities and in relations with the Bank's environment, and indicated behaviour that is unacceptable in view of ethical standards of the Bank,
- defined powers and methods of proceeding in the area of counteracting discrimination and bullying at work, including methods of reporting violations, clearly and precisely,
- created mechanisms for reporting, including anonymous reporting, and investigating all types of irregularities noticed by employees in the workplace,
- monitors and reports regularly (also to the relevant members of the Bank's Management Board) instances of violations of the adopted values and principles.

In addition, the Bank:

- supports employees in their integration at the company and facilitates the creation of interest groups,
- ensures freedom of speech by organizing publicly available forums, provided that ethical principles and culture of expression are properly respected, and by organizing chats with key managers of the Bank,
- undertakes educational initiatives to promote the Bank's values (also among the companies of the Bank's Group and cooperating entities), as well as to counteract discrimination and bullying, among other things, by organizing training courses, workshops and information campaigns,
- regularly initiates training courses for managers in effective communication and providing feedback, taking into account the diversity aspect.

In order to guarantee equal treatment of employees who perform the same type of work or work of equal value, the Bank applies:

- objective principles of the valuation of positions based on an international methodology, with the participation of independent consulting firms and related guarantees of minimum remuneration levels contained in the Company Collective Bargaining Agreement,
- monitoring of remuneration in individual employee categories, including a breakdown by gender, the results of which are reported to the Bank's management,
- regular remuneration reviews aimed at diagnosing and counteracting differences in remuneration resulting from criteria other than objective criteria.

POLICY ON BULLYING AND DISCRIMINATION

The Bank strongly opposes any forms of discrimination that contradict the organization's values and promotes attitudes based on mutual respect among employees. Any conduct that can suggest the presence of bullying is unacceptable.

The Bank's policy regarding bullying and discrimination is regulated in the internal regulations:

- The Bank's Working Regulations,
- Anti-harassment and anti-discrimination policies, and the procedure for handling complaints concerning the violation of employee rights.

The Bank's Code of Ethics also contains significant provisions concerning the attitudes and values promoted among the employees.

The Bank has internal regulations in place for counteracting bullying and discrimination and for handling complaints concerning the violation of employee rights. These principles guarantee counteracting unfavourable phenomena in employee relations and specify how to react to situations of interpersonal conflicts. Based on these principles, an employee of the Bank may report a complaint about any breach of the employee rights defined in the legal acts or internal regulations without worrying about the consequences. Moreover, the employee is entitled to additional support in the process of investigating the complaint. They can indicate a representative of a trade union organization or an employee representative (appointed based on the Bank's internal regulations) who will participate in meetings with the employee or submit opinions on the validity of the claim. Ongoing support for the employees is offered by the HR Contact Centre. Thanks to this, the employees may obtain up-to-date information also about the way to report complaints and anonymous notifications of breaches of employee rights. A separate position - employee relations manager - has also been established. The person in this position is responsible for providing comprehensive education on the issues of bullying, discrimination, harassment and supports proceedings that follow up on employee complaints.

Complaints concerning broadly understood breaches of employee rights are considered individually. For each of them, the optimal manner of handling is determined, which enables formulating appropriate conclusions and recommendations or taking additional measures or HR-related decisions, if necessary. In the course of verifying the complaints, various methods are used (among other things, anonymous surveys, in-depth interviews with employees, verification of turnover ratios and other HR/business data). Each time, when deciding what measures should be taken, care is taken to ensure the highest possible impartiality of the assessment. Therefore, many times representatives of different units participate in the process of investigating the matter, in line with the Bank's organizational structure.

Other entities of the Bank's Group also have the necessary solutions in their internal regulations, which guarantee compliance with the law regarding the prevention of bullying and discrimination. These solutions function in separate regulations or as appropriate provisions in the working regulations, codes of ethics and other regulations adequate to a given entity.

TRAINING IN THE SUBJECT OF DIVERSITY

Appropriate diversity management increases team work efficiency, improves the atmosphere at work, helps retain valuable and experienced employees, enhances innovation and creativity. For these reasons, such training is organized at the Bank. Managers acquire knowledge and skills in the management of diverse teams. It makes it possible to eliminate undesirable behaviour and situations and support valuable and positive behaviour.

DIVERSITY INITIATIVES

The diversity policy is also composed of various initiatives undertaken at the Bank, including strategic projects aimed at creating a friendly work environment and cooperation with external entities to support diversity in the workforce.

COLLABORATION WITH EXTERNAL ENTITIES

Collaboration with external entities that supports diversity in the workforce includes:

- internship and training programmes offering the opportunity of development to pupils, students and graduates of secondary schools and universities with various profiles;
- professional development programmes for people with disabilities, including the provision of workstations adapted to the needs of such people (the principles for carrying out tasks relating to occupational health and safety as well as standards in technological and technical solutions require taking the necessary measures to adjust workstations to the needs of persons with disabilities),
- cooperation with universities and secondary schools, as part of which workshops are organized at selected universities in Poland and at the Bank, during which students have an opportunity to learn about selected areas of the Bank's operations.

INITIATIVES SUPPORTING THE DIVERSITY IN THE BANK

The Bank organizes integration programs and supports employee initiatives to strengthen the integration of employees from different areas of operation and representing different social groups. These include sports initiatives

and activities and charitable activities of the employees as volunteers. These initiatives help to create a friendly organizational culture and build relationships based on the diversity of the employees' interests.

#JestemUSiebie is a new initiative to build awareness around inclusive collaboration. Invited experts talk about how to turn differences into effective collaboration and communication. The video material, which is available to all employees, also provides knowledge about unconscious biases or neurodiversity.

#FokusNaCiebie (#FocusOnYou). The programme for selecting guidelines and materials on a well-being topic was continued in line with the employee's preferences. The program is freely available from any place and at any time – employees can watch Live Event meetings via Teams Live Event, or play recorded events in the audio library, on top of short videos and podcasts. Out of care for the work-life balance, as well as both emotional and physical well-being, the materials concern such topics as the role of and ways to relax, the impact of diet and sleep on our well-being or ways to reduce stress levels. In 2023, the Bank additionally provided employees with the Focus on You platform, where employees can access a range of useful materials and tips.

#CzasNaFeedback (#TimeForFeedback). There is a process at the Bank as part of which the deliverables, competences, achievements, feedback or development goals of employees are summarized on a regular basis. They are aimed at supporting the employee in individual professional development. The expected attitudes and behaviour towards employees are included in a competence model based on the Bank's values. This model is universal, it applies to all employees and promotes, among other things, communication and cooperation which have an impact on building harmonious, diverse teams. As part of this solution, employees also receive feedback from their co-workers throughout the year.

13.7.10 SOCIAL ENVIRONMENT

A. SOCIAL PRODUCTS AND INITIATIVES

Financing of housing needs	<p>In 2023, PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A. granted housing loans to private individuals of PLN 21.9 billion (a 35.9% share of sales of new mortgage loans in 2023).</p> <p>Since 2014 PKO Bank Polski S.A. has been involved in a nationwide initiative supporting large families: a reduced commission for granting Własny Kąt Hipoteczny (My Own Place Mortgage) housing loan to holders of a Large Family Card.</p>
Supporting education	<p>Preferential student loans for students and doctoral students (the Bank offers forgiveness of a part of the loan for the best graduates). At the end of 2023, the value of preferential student loans was PLN 410 million.</p>
Counteracting financial exclusion	<p>The Bank has the largest network of branches and agencies of all banks operating in Poland. The coverage of the Bank's network provides access to banking services also to people living in places where the Bank's main competitors do not have any branches. Electronic banking is an important addition to the branch network.</p> <p>Support in the acquisition of digital competence: since 2020, selected locations of the Bank offer their customers online self-service points (for persons who do not have a computer or Internet access). The Bank's customers can benefit from self-service education in the branches (all branches) and support from a Bank employee in the use of ATMs/cash deposit machines, handling self-service transactions (in 200 branches) and Internet workstations enabling them to log in to the iPKO transactional platform (in approximately 300 branches by the end of 2023).</p> <p>The Simple Communication project involves, among other things, making the messages presented on the e-banking platforms and in the product documentation more comprehensible for the Customers.</p>
Supporting long-term savings	<p>The possibility of investing in investment funds (PKO TFI S.A.) and in savings Treasury bonds, including long-term ones. The offer of ROD and ROS bonds for the beneficiaries of the 500+ programme.</p>
Education of children	<p>The offer of educational products for children under the age of 13 and their parents. PKO Junior's offer includes: PKO Konto Dziecka (PKO Child's Account), Parent account (any account from the Bank's offering with access to iPKO to operate the child's account), Pierwsze Konto Oszczędnościowe (First Savings Account), NNW PKO Ubezpieczenie dziecka (PKO Accident Insurance for Children) (0-20 years of age), PKO Junior payment cards, as well as online services and telephone applications: junior.pkobp.pl, junior.inteligo.pl.</p> <p>The Bank has been conducting the Szkolne Kasy Oszczędności (School Savings Accounts) programme in cooperation with schools for more than 90 years. It is the oldest, largest and at the same time the most innovative financial education programme in Poland. Since the revitalisation of the SKO programme in 2011-2012, more than 4.5 thousand primary schools across Poland have benefited from the programme. The SKO offer includes three types of accounts: for pupils (with online access through www.sko.pkobp.pl), schools and parents' councils. The Bank also offers a social media platform SzkolneBlogi.pl, where over 800 schools participating in the SKO programme have their blogs. Overall, nearly 1 million children under the age of 13 have already used the PKO Junior and SKO offers (accounts for children and accounts for pupils).</p> <p>In 2023, PKO Bank Polski's School Saving Accounts programme was enriched with new educational materials and tools. The teaching tool base for SKO Teacher-Guardians has expanded to include materials on cyber security and digital hygiene</p>

(topics covered for the first time in the Bank's educational materials). The bank also organised events for SKO Teacher-Guardians and school principals. These were an opportunity to broaden horizons on technological trends, the use of artificial intelligence, the creation of digital identities in the Metaverse, discoveries in genetic engineering. Digital hygiene, the impact of the Internet and smartphones on people of all ages and the topic of long-term financial management from the perspective of children and adults were also some of the topics covered.

Other educational activities, including numerous publications on socially relevant topics such as cyber security (e.g. social engineering), finance (e.g. chatbots in banking), environmental issues (e.g. digital pollution), consumer awareness (e.g. greenwashing), personal development (e.g. PFSA's fintech learning platform), also helped to raise the competences of SKO Teachers-Guardians. The aim of the activities was to raise awareness of the need to improve professional and personal competences and to expand knowledge on one's own.

The Bank provided all beneficiaries with animated educational videos to support environmental awareness building and management of family finances. In addition, as many as 100 thousand SKO/PKO Junior educational publications in printed form were distributed to beneficiaries in the 2023 school year during promotional and educational initiatives supported or organised by the Bank (educational picnics, open days of banking facilities, lessons in schools and facilities, educational competitions).

In addition, for the third time, both pupils of schools participating in SKO and all those interested (including adults) were able to test their knowledge using the online SKO Knowledge Test. In total, nearly 200,000 tests were taken in all editions. The test verifies and consolidates knowledge in finance, entrepreneurship, healthy lifestyles, first aid, environmental protection and cyber security.

Education of senior citizens	Senior citizens' digital education project: internal research on the way in which seniors use remote channels and the preparation, on the basis of this research, of educational materials for older people made available in branches. "Safe online" - educational meetings across the country to raise awareness of the dangers of cyberspace and the principles of safe banking using the tools offered by the Bank. The meetings were attended by bank specialists and the Police's cybercrime units. The aim of the meetings was to educate seniors on how to properly handle risk situations, what situations to look out for and who to contact in case of doubt.
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Supporting the development of small enterprises (microfinancing)	Loans with BGK guarantee: de minimis (https://www.pkobp.pl/firmy/kredyty/gwarancje-bgk/gwarancja-de-minimis-z-bgk/) and FG POIR (BIZNESMAX) guarantees (https://www.pkobp.pl/firmy/kredyty/gwarancje-bgk/gwarancje-fg-poir/) Overdraft of up to PLN 20,000 without security (https://www.pkobp.pl/firmy/konta/debet-w-koncie/) Credit card PKO EURO BIZNES of up to PLN 50,000 (https://www.pkobp.pl/firmy/karty/karty-kredytowe/karta-kredytowa-pko-euro-biznes/) Financing of invoices (https://www.pkobp.pl/firmy/finansowanie-faktur/) SME working capital loan (https://www.pkobp.pl/firmy/kredyty/produkty-kredytowe/kredyt-obrotowy-msp/) SME all-purpose loans (https://www.pkobp.pl/firmy/kredyty/produkty-kredytowe/pozyczka-msp/) Leases (https://www.pkobp.pl/firmy/leasing/leasing-dla-firmy/) Investment loan for companies (https://www.pkobp.pl/firmy/kredyty/produkty-kredytowe/kredyt-inwestycyjny-msp/) Mortgage loan for companies (https://www.pkobp.pl/firmy/kredyty/produkty-kredytowe/pozyczka-hipoteczna-msp/) Factoring (https://www.pkobp.pl/firmy/factoring/) Technology loan with BGK technology premium (https://www.pkobp.pl/firmy/kredyty/produkty-kredytowe/kredyt-technologiczny/) Environmental loan (https://www.pkobp.pl/firmy/kredyty/produkty-kredytowe/kredyt-ekologiczny/) Start-up loan (https://www.pkobp.pl/firmy/kredyty/produkty-kredytowe/pozyczka-start/) Low-value loans granted on the basis of the customer's declaration on income (https://www.pkobp.pl/klienci-indywidualni/pozyczki/szybka-pozyczka-gotowkowa/)
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Supporting customers with disabilities in the use of banking services	Preventing financial exclusion of persons with disabilities through: <ul style="list-style-type: none">• Appropriate selection of locations (along a main pedestrian route, with access to parking spaces, accessible to persons with disabilities) and appropriate arrangement of space in the branches. In 2023, 47 retail branches were upgraded, including by increasing architectural accessibility. By the end of 2023, architectural accessibility was ensured in 759 own branches (83% of branches; in 2022 it was 784 branches - 81% of branches).• Commencement of work on a new standard for the arrangement and upgrade of branches. The first branch upgrades to the new standard are scheduled for 2024.• Ensuring that customers with a guide/assistance dog are able to enter each branch/agency of the Bank.• Providing services to persons with hearing impairments and the deaf in the Polish Sign Language in every branch and agency (through a smartphone).• The possibility of individual service adapted to the type and degree of a customer's disability - if required, in a dedicated, comfortable and safe room.• Adaptation of the Bank's website, the IPKO e-banking website and the IKO mobile app for people with special needs in accordance with the international WCAG 2.1 standard at AA level.• The Talk2IKO voice assistant: increasing the accessibility of the application to persons with manual disabilities, regular addition of new processes - it enables, among other things, voice support for persons withdrawing cash from ATMs
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- using a card and BLIK codes, searching for transactions in transaction history, change of limits, repayment of credit card or summary of expenditure category, and checking current savings.
- Expanding the range of services that are available online – including increasing the number of documents that can be submitted online regularly (among other things, documents for an application for a mortgage loan and loans for entrepreneurs).
 - Development of the sales services provided by branch advisors by telephone and/or online (video chats) in all business lines, among other things, for persons with reduced mobility. In this channel one can currently submit an order to a mortgage loan and term deposits, obtain information about the status of products at the bank – balance of funds, history of operations or interest, report suspicions of fraud, apply for a cash loan, overdraft limit, credit card, car insurance, or PKO Dom, as well as obtain personalized assistance of the advisor when using the iPKO transactional platform of a Bank.
 - Possibility of opening a personal account without having to visit a branch (the so-called selfie account).
 - Introducing the possibility of making an appointment with an advisor at a specific time via the website – for physical meetings at the branches, telephone meetings and online meetings (video chats).
 - Development of alternative forms of transaction authorization (text messages, customer screens which offer the possibility of signing an order on an electronic pad and receiving copies of documents by e-mail available in all of the Bank's branches).
 - Possibility to use online public administration services via the Trusted Profile and e-Identity and to apply for family benefits from the Social Insurance Institution (800+, Family Capital Care, Subsidised Nursery Stay, Good Start).
 - ATM accessibility: at the end of 2023, 2,666 ATMs (88% of the banking network) were equipped with audio modules. Information on the location of such devices can be found on the Bank's website and on the Dostępny Bankomat (Available ATM) interbank platform.
 - Training more than 80% of the Bank's employees responsible for serving customers in branches in 2023 in the principles of serving people with different types of disabilities and the principles of communication with such people. Access to additional information on the dedicated intranet page or by contacting the training tutors.

B. EFFECT ON THE BUDGET

Table 76. Central and local taxes constituting revenues of the state budget and local budgets (in PLN millions)

	BANK				THE BANK'S GROUP			
	2023	2022	2021	2020	2023	2022	2021	2020
Central taxes, including:	6,848	4,285	3,348	3,019	7,304	4,712	3,464	3,279
corporate income tax	2,294	1,702	1,508	1,452	2,426	1,791	1,526	1,388
tax on certain financial institutions	1,166	1,190	985	957	1,231	1,266	1,077	1,055
personal income tax	376	336	292	258	432	386	333	293
lump sum personal income tax	2,151	628	298	310	2,153	632	306	311
lump sum corporate income tax	14	39	26	6	15	40	26	7
value added tax	847	390	239	36	1,047	597	196	225
Local taxes, including:	20	21	16	17	74	78	75	78
vehicle tax	0	0	0	0	48	45	45	44
real estate tax	14	13	13	14	16	22	24	27
fee for perpetual usufruct	2	5	2	2	5	7	4	5
other taxes and fees	4	3	1	1	5	4	2	2
Total:	6,868	4,306	3,364	3,036	7,378	4,790	3,539	3,357

Note: the table presents data of the subsidiaries which were a part of the Bank's Group at the year-end and had tax liabilities to the Polish state budget.

Table 77. Taxes paid by the Bank's subsidiaries to the Ukrainian budget (in UAH millions)

	2023	2022	2021	2020
Total:	1,531	337	501	441
<i>including:</i>				
central	1,379	203	372	323
local	152	134	129	118

Table 78. Taxes paid by foreign branches of the Bank to the budgets of the countries competent according to the location of the foreign branch

w mln	EUR	CZK
2023	Germany	Czech R.
Total:	2	35
<i>including:</i>		
central	2	35
local	0	0

C. INVOLVEMENT IN PRO-SOCIAL ACTIVITIES

In accordance with its Mission, the Bank conducts activities whose aim is to have a positive impact on the society, the economy, and the environment. The Bank supports activities promoting pro-social attitudes and popularising national heritage, educational and sports projects, and actively participates in economic and industry events.

The Bank and the Foundation implement projects jointly or separately in the most important programme areas in terms of image. Furthermore, the Foundation is involved in activities which are focused on social welfare, protection of life and health, and ecology.

Table 79. Expenditure on sponsorship and charitable activities in 2023 of the Bank, the PKO Bank Polski Foundation and the Bank's Group companies (in PLN)

PURPOSE OF FUNDING	VALUE
culture and arts	6,103,500
science and education	2,471,299
Sport	26,995,810
Business	11,904,246
Innovations	1,752,465
charitable activities	36,546,888

SPONSORSHIP ACTIVITIES

Objectives

The Bank conducts sponsoring projects, focusing on the following areas:

- sport – encouraging physical activity, promoting mass sports, including football (Bank's partnership with the Ekstraklasa), and running as part of the programme "PKO Biegajmy Razem" (PKO Let's Run Together),
- culture and art – protecting and promoting the Polish cultural heritage, popularizing high culture,
- science and education - promotion of gaining knowledge, care for education of Poles,
- innovations – supporting innovative solutions relating to IT and new technologies,
- business – presenting the Bank as a banking leader, supporting Polish entrepreneurs, promoting Polish business in the international markets, supporting the development of entrepreneurship.

Examples of support in the most important areas

Sport: PKO Bank Polski Ekstraklasa

Since 2019, the Bank has been the titular partner of the Ekstraklasa competition. In 2023, the cooperation agreement was extended for further seasons. The main objective of the cooperation is the development of Polish sport, including the creation of a strong professional league and the support of young football talents in Poland. Through the Partner Programme, PKO BP Ekstraklasa clubs are engaged in the promotion of personal accounts in return for a commission, which they can then use, among other things, to develop their activities. Supporters, on the other hand, have the opportunity to order an Official Ekstraklasa Card - a payment card with the crest of their favourite club. This is the only such product on the market. The Bank also develops the "PKO Bank Polski Grajmy Razem" (PKO Bank Polski Let's Play Together) channels on social media, where, among other things, it promotes the best young players by awarding a prize for the best youth player of the month, and also implements the "Fan Couch" project, which integrates fans at every stadium in the country. Since 2022, the Bank's customers have been able to purchase tickets for selected

matches of PKO Bank Polski Ekstraklasa on the iPKO website. As part of its cooperation with Ekstraklasa, the Bank also supports e-sports games under the name PKO Bank Polski Ekstraklasa Games. In 2023, the EA SPORTS FC 24 tournament took place in the PKO Rotunda, bringing together more than 100 players. Through its cooperation with Ekstraklasa, the Bank is also involved in the "Ekstra Class Academies" project, i.e. a series of sporting events for children organised by PKO BP Ekstraklasa clubs.

Sport: runs and other sport events

In 2023, the Bank supported 21 major events, including Poznań Półmaraton (Poznań Half Marathon), PKO Białystok Półmaraton (PKO Białystok Half Marathon), PKO Rzeszów Półmaraton (PKO Rzeszów Half Marathon), Bieg Piastów, the Polish edition of the Wings for Life run, during which regular charity actions were conducted in cooperation with PKO Bank Polski Foundation.

The PKO Bieg Charytawny (Charity Run), organised by the Bank in cooperation with the PKO Bank Polski Foundation, was also held for the seventh time. Participants in 12 cities, through their activity, supported the charity's goal of sports scholarships for children and young people. The amount of PLN 2,050,906 will be transferred by PKO Bank Polski Foundation in 2024.

The Bank also encouraged people to look after their health and lead a healthy lifestyle by continuing the stadium campaign BiegamBoLubię (IRunBecauseILikeTo).

In addition to the running events, the Bank supported yet again a series of international, indoor horse riding competitions known as Cavaliada Tour, and also promoted physical activity by supporting beach volleyball tournaments and many local sporting events.

Culture and art

The sponsorship of culture and art is one of the main areas of the Bank's sponsoring activity. Inviting customers to prestigious events allows us to strengthen existing, and build new business relationships. Examples of support for cultural institutions in 2023:

- Philharmonic orchestras/operas: The National Philharmonic in Warsaw, the Warmia and Mazury Philharmonic in Olsztyn, the Podlasie Opera and Philharmonic – European Centre of Art in Białystok, the Zielona Góra Philharmonic, the Podkarpackie Philharmonic Orchestra, the Krakow Opera, the Silesian Opera, the Wrocław Opera, AUKSO – the Tychy City Chamber Orchestra, Zamość Symphony Orchestra.
- Theatres: The Music Theatre in Poznań, the Music Theatre in Gdynia, the Music Theatre in Lublin, Kamienica Theatre in Warsaw, Białaluka Puppet Theatre, Zagłębie Theatre in Sosnowiec.
- Museums: Wawel Royal Castle State Art Collections, National Museum in Wrocław, the National Museum in Szczecin, the Central Museum of Textiles in Lodz, the Diocesan Museum in Siedlce, the Castle Museum in Pszczyna, Łazienki Królewskie Museum.

In 2023, the Bank was a partner of the Fryderyk Chopin Institute, sponsoring events such as: "Chopin and his Europe Festival", "2nd International Chopin Competition on Historical Instruments", "Children's Day at Żelazowa Wola" and "Concert on the Anniversary of the Death of Fryderyk Chopin".

Science and education

In 2023, the Bank cooperated with universities and academic centres, including: The Warsaw School of Economics, SWPS University of Humanities and Social Sciences in Warsaw, or the University of Silesia in Katowice, as well as Fundacja Akademia Retoryki Igora Zalewskiego (Foundation – Oratory Academy of Igor Zalewski). The most important educational projects:

- SGH - Partners Club - a one-year partnership with the Warsaw School of Economics in a minimum of four areas: employer branding and recruitment, education and science, strengthening the capacity of SGH and community projects.
- UX Manager Master Class - the first course in Poland to deal holistically with the topic of UX management.
- The "Best Young Orator" and the "Academic Oratory Competition" – competitions promoting oratory art and the ability to effectively argue,

Business

As one of the leaders in the financial market, the Bank participated actively in organizing congresses and conferences enabling the exchange of experience and solutions among various business environments. The events are usually attended by many of the Bank's customers - both current customers and those the Bank is seeking to attract. Sponsorship engagement has the potential to translate into building relationships with potential customers.

Examples of the largest and most important projects with the Bank's participation:

- **Economic events:** European Financial Congress, Banking&Insurance Forum, 2022 Krynica Forum, Kongres Przyszłości (Future Congress), Forum Wizja Rozwoju (Development Vision Forum), Invest Cuffs 2022, UX Poland, ESG Report - Karpacz Economic Forum, IMPACT 2023,
- **Congresses and trade competitions:** Retail Banking Congress, Corporate Banking Congress, Rail Congress, Aviation Market Congress, Energy Congress, European Local Government Congress, Chamber of Brokerage Conference, ForFin - Finance and Investment Forum, EY Entrepreneur of the Year Competition, Business Course Competition, Energy Transformation Congress,
- **Chambers of Commerce:** The bank cooperates with chambers of industry and commerce and associations that work for the benefit of local entrepreneurs. The chambers undertake a number of initiatives for the benefit of their members, organising meetings and conferences to enhance the knowledge and skills of entrepreneurs.

The Bank, being aware of climate change challenges, supports the energy transformation of Poland and reduces the negative impact of its operating activities on the environment, supports environmental education and day-to-day activities follows the principle of social responsibility.

Innovations/new technologies

The Bank took an active part in events promoting the development of innovations used in banking and actively supported projects which were aimed at promoting the digital transformation and the development of new technologies:

- Infoshare - the largest conference in Central and Eastern Europe focused on technology, new media and support for young companies.
- Venture Cafe - an initiative aimed at strengthening the innovation ecosystem in Warsaw; the project initiates, creates and implements platform programs, thanks to which cities become friendly ecosystems for innovators and start-ups,
- Day of Women's Careers in IT - the fifth edition of the online event for all women who wish to enter the IT industry.

In view of the development of new technologies and the increasing involvement of many of the Bank's units in projects relating to innovation in the broadest sense and the need to support the technological transformation of the financial sector, the Bank has been involved to a significant extent in accelerator projects:

- Fintech Poland ecosystem, whose main objective is the effective integration of the financial innovation environment in Poland,
- Accelerator greentech.ac - an accelerator programme for climate-positive startups concluded with the publication of a report on the Polish ClimateTech startup ecosystem,
- Teen Crunch - Accelerator Programme - aimed at young innovators and entrepreneurs aged 15-22 who want to create their own startup in the future.

In 2023, thanks to the partnership in the project "Let's Singapore with PKO Bank Polski competition" - as part of the European Fintech Hackcelerator 2023, the Bank's representatives took part in the Singapore Fintech Festival to promote the Polish fintech sector abroad.

CHARITABLE ACTIVITIES

The PKO Bank Polski Foundation (the Foundation) substantively and financially supports projects of importance to the development of Poland, implemented for and in consultation with local communities, serving the purpose of building the civic society.

The scope of the Foundation's activities is specified in the Foundation's Statutes, while the principles of cooperation between the Bank and the Foundation are governed by the agreement. Grants awarded by the Bank were the main source of financing for the Foundation's statutory objectives in 2023. Additionally, the Bank transfers to the

Foundation a part of the profit generated on non-cash transactions with charity cards Inteligo Visa payWave "Goodness pays interest".

The Foundation also transfers donations in kind to non-governmental organizations in the form of computer hardware and furniture withdrawn from use from various units of the Bank.

Examples of support in the most important areas

- **Hope:** activities under the name "Aid for Ukraine (Pomoc dla Ukrainy)", support for Single Mother's Homes through the "Bank of Good Hearts" campaign, supply of Polish services, assistance to people at risk of exclusion, harmed and disabled in cooperation with, among others, Fundacja Dorastaj z Nami (Grow Up with Us Foundation),
- **Culture:** protection of cultural assets and national heritage as well as support and promotion of artistic events and achievements in cooperation with, among others, the Royal Castle in Warsaw, the Bogumił Łepecki Foundation Warsaw Symphony Orchestra "Sonata",
- **Health:** life and health protection and health prevention in cooperation with, among others, the University Centre for Women's and Newborn Health Foundation, Ewa Błaszczyk's "Akogo?" Foundation,
- **Tradition:** consolidating national awareness, protecting national heritage and shaping civic attitudes in cooperation with, among others, the Warsaw Uprising Museum and the Polish Obligation Foundation,
- **Education:** supporting science, education and alternative forms of education in Poland, in cooperation with, among others, the Siemacha Association and the Queen Hedvig Scholarship Foundation,
- **Sport:** encouraging physical activity, particularly among children and young people, as well as promoting sport among people with disabilities in cooperation with, among others, the Robert Korzeniowski Foundation and the "Przemysł" Sports Development Association in Przemysł,

Assistance to individuals

In 2023 the Foundation provided support for 111 people – the assistance included funding for treatment and rehabilitation.

Own projects of the Foundation:

- Banking Honorary Blood Donation Campaign, which is aimed at raising new generations of honorary blood donors. In 2023, nearly 1,500 people joined the two-day campaign in 11 cities across Poland, thanks to whom nearly 1,500 litres of blood and blood components were donated.
- 7th PKO Charity Run – 2023 saw the 7th edition of the charity run, taking place simultaneously in 12 stadiums in Poland. The aim of the campaign was to raise funds for sports scholarships for children and young people achieving good results in individual sports. The Foundation's support of PLN 2 million will be provided for this purpose in 2024. The runs were followed by picnics where families spent time together in a games zone for the youngest.
- Bank of Good Hearts - a project in collaboration with the Bank, which included a charity fundraising event and the 'Art of Helping' auction. During the auction, the rental of 11 paintings from the Bank's collection by eminent Polish contemporary painters was auctioned, thereby raising funds for the wards of 48 Single Mother's Homes.
- Eco-volunteering - a nationwide project in partnership with the Bank that aims to build environmental responsibility through community involvement in sustainable development activities.
- Art is here - a project carried out in cooperation with the Bank, involving the organisation of cultural events in the form of picnics in 10 regions of Poland. Each of the planned events was about a different type of art.
- PKO for Children - as part of the initiative, 1,500 LifeVac emergency kits were purchased and donated to public nurseries and children's clubs across Poland. Rescue kits enable the airway to be cleared quickly and effectively.
- Seniors' Ball - a project implemented in cooperation with the Warsaw City Council for the Praga-Północ district, involving the organisation of a ball on the occasion of Senior Citizens' Day.
- PKO for the Heroes - Helping Warsaw Insurgents - the aim of the project is to provide patronage for the activities of the Nie Zapomnij o Nas Foundation to provide permanent care for veterans.
- Cash with Class - a project with the Bank that aims to provide financial education to secondary school students. Students will be able to gain knowledge in: managing a household budget, setting up and running a business, principles of saving and investing money. They will be introduced to the operating model of the modern labour market and learn about aspects of corporate social responsibility.
- The Feast of Saint Nicholas Integration Meetings are an initiative launched in cooperation with the Bank to organise Santa Claus meetings for the children of employees of the Bank and the Bank's Group, as well as children from selected childcare centres and orphanages.

Volunteering

The Foundation encourages employees of the Bank to engage in campaigns for local communities. A total of 340 volunteers signed up to volunteer with the Foundation in 2023. At present, there are a total of 415 members. Volunteer assistance activities entailed involvement in projects initiated by the Foundation, such as: Eco-volunteering, 7th PKO Charity Run, "PKO for the Heroes - Help for Warsaw Insurgents", the "Laptops from the Foundation" campaign, the "Become a Bank Santa" campaign, as well as in aid activities initiated by the volunteers themselves.

13.7.11 HUMAN RIGHTS

[GRI 2-23] In the process of developing regulations, procedures and policies relating to human rights, the entities of the Bank's Group draw on the achievements of international organizations and respect the fundamental principles set out in the International Bill of Rights which is composed of the following documents:

- the Universal Declaration of Human Rights,
- UN Convention: The International Covenant on Civil and Political Rights,
- UN Convention: The International Covenant on Economic, Social and Cultural Rights.

Depending on the size and specificity of a given entity of the Bank's Group, observing human rights is manifested both in the internal provisions, the initiatives undertaken and in everyday practice. This concerns, in particular, to the rights to:

- recognize the identity of every employee,
- proclaiming one's views and opinions, freedom of thought, conscience and religion,
- protection of personal rights,
- equal treatment,
- access to information,
- access to healthcare,
- respect for privacy.

INTERNAL DOCUMENTS RELATED TO HUMAN RIGHTS

Some of the entities of the Bank's Group have included provisions relating to respect for human rights and the prohibition of discrimination in such documents as their working regulations or the Code of Ethics. The Bank's policy concerning respect for human rights is contained in the following documents:

- the PKO Bank Polski SA's Code of Ethics,
- Anti-harassment and anti-discrimination policies and the procedure for handling complaints concerning the violation of employee rights,
- Principles of recruitment and the Recruitment Standards,
- agreements concluded with service providers (applicable to personal data protection agreements).

Issues relating to forced labour and child labour are not directly reflected in the Bank's regulations, because:

- the prohibition of forced labour arises from Article 4 of the Convention for the Protection of Human Rights and Fundamental Freedoms,
- the prohibition to employ people under the age of 15 arises from Article 190, para. 2 of the Labour Code.

In its practice, the Bank follows the rules contained in the Children's Rights and Business Principles.

The other entities of the Bank's Group incorporate the issues of respect for human rights in their processes, everyday practice and in the unwritten rules.

RESPECT FOR HUMAN RIGHTS

[GRI 2-24] One of the most crucial elements/stages of the analysis is the identification of human rights in the context of the operations conducted. No cases of employment of minors or forced labour were identified in the Group entities operating in various countries.

A separate task is the issue of observing the human rights in the supply chain which, in the context of the Group entities, boils down to relationships with suppliers and the outsourcing of services (mainly banking services). The issues of observance of human rights are reflected in the procedures and agreements signed with these entities.

Examples of activities conducted within the Group entities, in which respect for human rights is manifested, are presented below:

- counteracting bullying and discrimination,
- basing the periodic performance appraisal rules/summary of performance on a dialogue with the employee, the employee's participation in the process, collecting feedback from a variety of sources,
- use of recruitment principles that ensure equal treatment of candidates during the selection process for filling vacancies, without any discrimination, prejudice and without obtaining information that could violate the candidate's rights and personal dignity,
- basing promotion decisions on an objective appraisal of qualifications, skills and performance,
- supporting diversity in management, in particular with respect to age, experience, style of work, thinking; promotion of diversity among managers as an asset and not a limitation;
- enabling employees to express their opinions and influence important issues regarding the organization and working conditions, management, the organizational culture, as well as enabling the provision of information about perceived crimes and fraud – ensuring anonymity and confidentiality for the reporting persons (the whistleblower mechanism),
- protecting personal rights (personal data, sensitive data) of the employees and customers through carefully prepared procedures and systems and the inclusion of restrictive provisions in contracts concluded with service providers who have access to such data,
- creating conditions for satisfying needs related to leisure and culture, as well as respect for the principle of work-life balance,
- ensuring freedom of association,
- Under the continuing well-being programme #FokusNaCiebie (#FocusOnYou) a number of measures were organized to improve the "well-being" of employees. Numerous online events, video materials and articles concerned, among other things: preventive healthcare, physical activity, health diet, sleep or the emotional condition.
- information materials on hybrid work not only contain guidelines on the ways and organisation of work, but also on how to take care of occupational health, including breaks, reducing unnecessary meetings in favour of specific tasks, or reconciling office work with remote work.
- The Bank's Group applies the same human rights standards across the entire supply chain in its business activities.

[GRI 2-25] The Bank takes action to prevent violations of human rights, including employee rights, but it is not able to eliminate all conflicts. In 2023, 17 cases concerning employment relationships ended in the final termination of proceedings (11 were won, 6 were lost).

The entities in the Bank's Group monitor the risks accompanying the individual human rights and manage them at the company level.

COMMUNICATING HUMAN RIGHTS

The basic internal communication tool is the Intra portal which contains information on benefits, privileges, rights and obligations of the Bank's employees. On the Intranet portal of the Bank, the employees can find the following documents:

- PKO Bank Polski S.A.'s Code of Ethics,
- Principles of Recruitment,
- Recruitment Standards,
- Anti-harassment and anti-discrimination policies and the procedure for handling complaints concerning breaches of employee rights (regulations updated and communicated within the organization in 2018; a clear presentation of the principles for counteracting bullying and discrimination and the procedure for handling complaints was attached to the text of the regulations to make it easier for the employees to use the procedure);
- Best practices in serving persons with disabilities, as well as a presentation of the Bank's Values.

Human rights are communicated externally through the Bank's publicly accessible website which contains information about the PKO Bank Polski Foundation, about the idea of charity it pursues as a measure of respect for the environment, in particular for other people.

13.7.12 SUPPLY CHAIN

The Bank follows the principles of social responsibility in the supply chain by managing its relationships with external entities in the following manner:

- optimising the level of competition in the procurement procedure,
- fair treatment of bidders and suppliers,
- ensuring the confidentiality of the proceedings,
- ensuring that the requirements and criteria established in the procedure are proportionate to the goods or services purchased,
- managing conflicts of interest,
- taking measures to prevent corruption and ensure the integrity and transparency of procurement processes,
- requiring suppliers to adhere to the principles of social and environmental responsibility.

A. OPERATIONAL RISK RELATED TO OUTSOURCING BANKING ACTIVITIES TO EXTERNAL ENTITIES

The Bank conducts banking activities with the support of external entities. As a result, it is exposed to operational risk arising from outsourcing services to them.

REGULATIONS	Principles for operational risk management, Principles for outsourcing the activities of PKO Bank Polski S.A. to external entities other than agents and/or intermediaries (outsourcing), Principles for cooperation with agents, and Principles for cooperation with intermediaries and Internet intermediaries.
STAGES	Risk management is performed at all stages of outsourcing activities to external entities: <ul style="list-style-type: none">• before selecting an entity: assessment of the risks related to outsourcing activities, including the assessment of the critical nature of the activities planned to be outsourced,• selection of the entity: assessment of the entity's activities, its reliability, technical and organisational measures and standards for the protection of personal data, assurance of ethical principles and standards, assessment of the entity's financial position and ability to ensure continuity in the performance of the activities entrusted, identification and assessment of the existence of conflicts of interest,• concluding an outsourcing contract: including contractual provisions in contracts with contractors which secure the interests of the Bank and its customers (including securing data containing protected information, possibility of effective oversight of outsourcing contracts by the competent supervisory authorities and other required provisions), maintaining and ongoing updating of the records of contracts concluded and the entities which perform them,• monitoring of cooperation: supervising the performance of contracts, regular review of contingency plans, regular risk assessment, including the critical nature of the activities outsourced, reporting irregularities in the performance of contracts, monitoring KRIs providing information about the scale of breaches in cooperation with external entities, other than agents and intermediaries, bi-annual review of the cooperation with external entities performing outsourcing contracts and presenting the results to the relevant bodies.
RISK IN THE GROUP	The procedures for managing operational risk, including the outsourcing risk at PKO Bank Hipoteczny S.A., correspond to the standards applied at the Bank; at KREDOBANK S.A., they correspond to the requirements of the National Bank of Ukraine, which are based on the EBA/GL/2019/02 Outsourcing Guidelines of 25 February 2019.

B. COOPERATION WITH SUPPLIERS OF GOODS AND SERVICES RELATED TO THE ONGOING PROCUREMENT OF THE ENTITIES OF THE BANK'S GROUP

REGULATION S	<p>Efficient and responsible purchasing processes guarantee the smooth operation of each company. To meet expectations concerning this area, in Q4 2022 the Bank established a Procurement Division, bringing together units responsible for both the execution of purchasing processes and the verification of suppliers, as well as implementation and development of a new purchasing application. The task of the Bank's Procurement Division is to oversee the procurement process in order to ensure the timely supply of the required goods and services of an appropriate quality. In addition to the Bank's interest in the broad sense, the Procurement Division oversees compliance of the procurement processes with the principles of ethics, including the principle of equal treatment of all participants. When selecting suppliers, the Bank also takes into account certain criteria other than price, and the compliance with business ethics and strives for transparent relationships with suppliers.</p> <p>The Procurement Policy of October 2023 has been developed based on market best practice, taking into account the findings of internal audits. The Bank is bound by the regulations on the purchase of goods for services, laying down principles and methods of purchases which are updated on an ongoing basis, in accordance with the changing regulatory environment. The main regulatory provisions in addition to the Policy are the "Principles for purchasing goods and services", "Procedures for purchasing goods and services at the Bank", "Supplier or Bidder Code of Ethics". In 2024, it is planned to repeal the existing Principles and Procedures and adopt new internal legislation in their place to regulate the procurement process by taking into account the latest trends and regulatory requirements.</p>
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In accordance with para. 12(3) of the Procurement Policy, measures have been taken to develop uniform standards for the procurement policy in the Bank's Group companies.

Since the second quarter of 2022, the RFP is accompanied by the Supplier or Bidder Code of Ethics, and the Supplier, in wishing to submit an offer, is obliged to accept its provisions.

The Code of Ethics has been communicated to the Bank's Group companies with a request to implement it in their ongoing procurement procedures. The process of implementing the companies' revised procurement regulations, including the Code of Ethics, was completed in July 2023.

In 2023, an ESG Questionnaire has been adopted, in which a bidder aiming to provide services or offer supplies to the Bank is required to answer a series of questions that may affect the evaluation of bids in the procurement process (see section on ESG). The ESG questionnaire is attached to the RFP.

PRINCIPLES

Relationships with suppliers are built on the basis of honesty, transparency of action, mutual respect and professionalism, including, in particular, through:

- honouring the accepted arrangements and obligations,
- making payments and settling other liabilities in a timely manner and in accordance with the contractual terms,
- resolving difficult situations and conflicts through dialogue,
- verifying suppliers solely on the basis of merit and business considerations, observing the ESG criteria,
- informing suppliers about the standards of conduct,
- efficient communication with suppliers at every stage of the procurement process.

CONFLICT OF INTERESTS

In 2023, in carrying out the procurement process the Bank analysed the situations which could cause a potential conflict of interests. All employees of the Bank participating in the purchasing procedure confirm the absence of a conflict of interest. In the event of a conflict of interest, the Bank's employee is obliged to submit a statement in accordance with the Bank's internal regulations, however, a conflict of interest should be reported immediately after its occurrence, at each stage of the purchasing procedure. In particular, a model declaration of conflict of interest is attached to the RFP. The suppliers are obliged to disclose all situations/relationships which cause or could cause a conflict of interests in the future, with the bid. If such circumstances arise, at each stage of the procurement process, among others, after the bid has been submitted, at the stage of signing the contract or afterwards, the affected bidder or supplier is obliged to submit a declaration on this matter immediately.

TIMELY SETTLEMENT OF LIABILITIES

The Bank and other entities of the Bank's Group approach the issue of settling their liabilities to suppliers in a timely manner with due care and diligence. In 2023, the value of invoices paid late, on which interest was charged as a result, constituted a marginal percentage of all the invoices paid.

Table 80. Share of the value of invoices on which interest was paid in the total value of invoices paid

	BANK					GROUP				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
Share in total value of invoices (%)	0.031	0.088	0.003	0.009	0.001	0.014	0.043	0.022	0.017	0.024

ESG CRITERIA

In 2023, the Bank has made the use of ESG criteria mandatory in all procurement procedures conducted by tender.

As part of the environmental area, the bidder is assessed, among other things, as to whether:

- it takes action to reduce the amount of waste produced, applies the rules for separating waste, disposes of hazardous waste in an appropriate manner,
- it makes rational use of electricity and heat, favours the use of "green" energy, takes measures to reduce water consumption and counteracts water pollution,
- it minimises emissions of greenhouse gases, exhaust fumes and dust to an extent appropriate to its operations, and in particular manages its car fleet in a rational manner, choosing vehicles with lower capacity and fuel consumption and, where possible, equipped with environmentally friendly propulsion systems.

As part of the social area, the bidder is assessed, among other things, as to whether:

- it ensures that human rights are respected in its activities, does not employ children and complies with the applicable legislation on child labour,
- it applies legislation on workers' rights, including health and safety at work, ensures proper working conditions for its employees,
- it ensures equal treatment, in particular of employees and contractors, does not engage in any discriminatory practices, in particular on the grounds of age, gender, disability, religion or racial affiliation.

As part of the corporate governance area, the bidder is assessed, among other things, as to whether:

- it bases its activities on fair and free competition as well as reliability and credibility in communication,
- it protects and does not disclose confidential information obtained in the course of cooperation, complies with security regulations for all information processed,
- it takes care to select counterparties that meet ESG requirements.

Evaluation criteria relating to ESG are mandatory evaluation criteria for tenders.

PROCESS CERTIFICATION	The Bank holds the Procurement Excellence certificate issued by CIPS (Chartered Institute of Procurement and Supply), the largest procurement organization in the world. The recertification process began in 2023.
GRI INDICATORS	[GRI 414-1] In 2023, the Bank applied ESG criteria in all tender procedures. [GRI 414-2] In 2023, the Bank did not record any negative social effects in the supply chain [GRI 407-1] No operations or suppliers characterized by a high risk of restricting the freedom of association and collective agreements were identified at the Bank in 2023.

13.7.13 OCCUPATIONAL HEALTH AND SAFETY

The Bank's "Rules for the protection of persons and property", adopted by a resolution of the Management Board in 2018, are in place, setting out the obligation to train employees in fire protection and the general rules of conduct in the event of a fire.

There is also a "Procedure for the protection of persons and property" (adopted by a decision of the Director of the President's Division in 2015), which sets out the rules for: the use of fire protection installations and the division of competences; the development of fire safety instructions for banking facilities; furnishing facilities with fire protection equipment and installations and ensuring their efficiency; and the provision of fire protection training.

Table 81. OHS indicators

BANK	THE BANK'S GROUP
[GRI 403-1] OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM	
<p>The OHS Service at the Bank has been organized as a stand-alone Office for Occupational Health and Safety (OHS) and forms part of the structures of the Administration Division. The unit is divided into field teams supporting all of the Bank's facilities in Poland. The employees of the Office perform the tasks specified in the "Regulation of the Council of Ministers (...) on the OHS Service" on a daily basis. These tasks include:</p> <ul style="list-style-type: none"> periodical assessment of occupational risk, analysis of accidents and incidents that have occurred to date and monitoring events that may potentially lead to accidents, ongoing and periodical OHS inspections in all locations and units of the Bank, conducting introductory and periodical OHS training, ongoing advice on occupational safety issues to both the employer and all employees working for the Bank. <p>Moreover, the OHS Office seeks to improve occupational health and safety on an ongoing basis by popularizing prevention, best practices and prophylaxis in the broad sense. Thus, the Office complies with the legal requirements defining the fulfilment of the employer's obligations towards employees.</p>	<p>All subsidiaries of the Bank perform OHS tasks in accordance with the applicable laws. These laws are so clear that, in fact, it means applying the same OHS principles across the entire Bank's Group. Entities located outside Poland operate under the principles specific to the country in which they are registered.</p>
[GRI 403-2] HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION	
<p>The Bank identified job hazards and found out that there were no jobs that would entail a risk classified as high (i.e. there are no jobs that would require action to reduce the risk level). Occupational risk for 100% of the positions at the Bank was assessed using the Risk Score method. Each assessment is subject to ongoing monitoring and periodical verification.</p> <p>The main hazards defined at the workplaces include:</p> <ul style="list-style-type: none"> falls on the same level (slipping, stumbling), fall to a lower level (stairs), inappropriate lighting and/or glare, hitting against fixed objects, overload of the musculoskeletal system or sight (working at the computer), electrocution (operation of devices powered with electricity), traffic accidents (business travel), 	

[GRI 403-3] OCCUPATIONAL HEALTH SERVICES

The Bank has a contract for providing occupational health services with Luxmed. Employees have medical check-ups at the start of their employment and regular check-ups afterwards at Luxmed branches or cooperating clinics. Every employee may also use specific medical care services free of charge outside the scope of occupational health. The contract also provides for a possibility of extending the scope of medical services for the employee and their family.

Other entities of the Bank's Group (operating in Poland) provide medical care to their employees on the terms negotiated with the healthcare provider by the Bank, based on separate agreements.

[GRI 403-4] WORKER PARTICIPATION, CONSULTATION AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY

Communication between the employees and the employer is carried out in the form of an open dialogue through the trade unions. The unions operate at the Bank in a robust and representative manner. An employee representative always participates in the periodic OHS Commissions and has the opportunity to communicate directly with an occupational health and safety representative.

[GRI 403-5] EMPLOYEE TRAINING ON OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety training at the Bank is organized by the internal OHS service. Introductory training is carried out on an ongoing basis in all locations in Poland on a classroom basis, using proprietary materials and teaching aids. In 2023, 3,189 new employees were trained. From the second half of 2023, periodic health and safety training consists of two modules: the first one on health and safety issues is provided to employees via e-learning, while the second one covering the topic of pre-medical first aid is provided in a classroom format and includes practical first aid exercises. The exam, which the employee takes after completing both modules, is received by a committee composed of two employees of the OHS service via electronic communication sources. In 2023, 12,236 persons received periodic training, thus completing all the training that was suspended due to the applicable regulations related to the Covid19 pandemic.

The dynamics of the OHS service and the number of its members allow it to maintain the percentage of newly-hired people who have received training at 100%. Moreover, the OHS Office staff includes qualified paramedics and first aid instructors who gradually train employees in pre-medical first aid. Such training is provided to those who are willing and 247 people were trained in 2023.

[GRI 403-6] PROMOTION OF WORKER HEALTH

All entities of the Bank's Group, including the Bank, take voluntary (other than legally required) action to promote employee health. Popularization of a healthy lifestyle contributes to an increased interest in the following benefits offered by the employers in the Bank's Group:

- free of charge preventive check-ups (e.g. an annual health package, mammography, flu shots),
- training courses promoting a healthy lifestyle (e.g. exercise tutorials for office workers, including those working remotely),
- access to many sports and leisure facilities as part of the employee benefit package,
- organization of sports clubs, competitions and events supporting physical activity and protecting the natural environment,
- organization of pro-health events, e.g. "Zdrowie jak w banku (Guaranteed health)", "#FokusNaCiebie (#FocusOnYou)" - promoting a healthy lifestyle, paying attention to the aspects related to: diet, activity (yoga, dancing, personalised exercises) as well as work-life balance.

Moreover, the Bank was active in external sports events as their organizer, patron or sponsor, which builds its image of an entrepreneur promoting a healthy lifestyle.

[GRI 403-7] PREVENTION AND MITIGATION OF OCCUPATIONAL HEALTH AND SAFETY IMPACTS DIRECTLY LINKED BY BUSINESS RELATIONSHIPS

Preventive measures taken at the Bank to improve safety and working conditions:

- support and definition of measures to be taken in the event of occurrence or psychological or social hazards, such as stress or bullying,
 - information campaigns concerning ergonomics and safety at work (manuals, brochures, topic-specific intranet sites),
 - additional, non-obligatory training in first aid and safe driving courses for employees using company cars,
-

- prevention of problems with vision: access to eyesight tests, reimbursement of the purchases of eye glasses and corrective lenses,
- accident prevention is carried out by the OHS services during induction and periodical training. Prevention of work-related accidents is carried out in consultation with the employees,
- the employer provides personal protective equipment for workstations that are exposed to external factors.

[GRI 403-8] EMPLOYEES COVERED BY THE OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

The basic occupational health and safety management system arising from the generally applicable laws covers 100% of the employees.

[GRI 403-9] WORK-RELATED INJURIES

In 2023, 78 accidents were reported (68 in 2022). As a result of the proceedings conducted, 8 of them were not classified as work-related accidents, and 17 are still pending. The most common work-related injuries include fractures, sprains and contusions, as well as superficial injuries.

The total number of accidents reported in 2023 in the other entities of the Bank's Group was 8 (6 in 2022). One of them concerned a person working based on a contract other than the contract of employment. All proceedings were completed, and all of them were classified as an accident at work.

[GRI 403-10] WORK-RELATED ILL HEALTH

In 2023, two proceedings were initiated for the occurrence of occupational diseases in former employees of the Bank, both proceedings are still pending with the State Labour Inspectorate and no decision has been issued in this regard. However, 6 proceedings that had been initiated in previous years were completed, with 7 decisions issued. One of these was appealed by an employee, but after a review, the State Regional Sanitary Inspector upheld his position. Two other decisions found occupational diseases, one of which stated that the disease was not contracted at PKO Bank Polski but at another workplace. The second decision declaring an occupational disease was challenged by the OHS Office, but this challenge was not acknowledged during the investigation. Following the completion of the 4 remaining investigations, the Bank received decisions that there were no grounds for finding an occupational disease.

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14. GLOSSARY

Interest-bearing assets – amounts due from banks, securities and loans and advances to customers,

Liquid assets and cash – amounts due from banks, cash, balances with the Central Bank, securities (banking portfolio), repo transactions,

CPI – consumer price index,

Customer deposits – amounts due to customers,

Financing granted to customers – loans and advances granted to customers (including finance lease receivables) and municipal and corporate bonds (excluding the bonds of international financial organizations) presented in securities, other than securities held for trading,

External financing – subordinated liabilities, liabilities in respect of issue of securities measured at amortised cost, and loans and advances received,

Other liabilities – derivative hedging instruments, other derivative instruments, liabilities in respect of insurance activities, other liabilities, current income tax liabilities, deferred income tax provisions, provisions, reverse repo transactions, amounts due to the Central Bank and amounts due to banks,

Operating expenses – operating expenses (including net regulatory charges),

Regulatory costs – net regulatory charges,

Total capital ratio – own funds to the total capital requirement multiplied by 12.5,

Securities (banking portfolio) – securities less municipal and corporate bonds (excluding bonds held for trading) and bonds of international financial organizations,

Other assets – derivative hedging instruments, other derivative instruments, investments in associates and joint ventures, non-current assets held for sale, intangible assets, tangible fixed assets, insurance receivables, current income tax receivables, deferred income tax assets, other assets and repo transactions,

Risk-free rate – the average annual yield on 10-year Treasury bonds,

Average interest on loans – interest income on loans and advances to customers on an annual basis to the average balance of loans and advances to customers from the last 5 quarters,

Average interest on deposits – interest expense on amounts due to customers on an annual basis to the average balance of amounts due to customers from the last 5 quarters,

C/I ratio (costs to income ratio) – operating expenses (including net regulatory charges) to the result on business activities on an annual basis,

Tier 1 capital ratio – Tier 1 capital to the total capital requirement multiplied by 12.5,

Leverage ratio – Tier 1 capital to the total of on-balance sheet assets and off-balance sheet liabilities after taking into account the CCF,

Credit risk cost indicator – net write-downs and impairment of loans and advances to customers for the last 12 months to the average gross amounts due to customers at the beginning and end of the reporting period and interim quarterly periods,

Interest margin ratio – net interest income on an annual basis to the average balance of interest-bearing assets (including amounts due from banks, securities and loans and advances to customers) from the last 5 quarters,

Net ROA – net profit for the year to the average balance of assets from the last 5 quarters,

Net ROE – net profit for the year to the average balance of equity from the last 5 quarters,

Share of exposures with recognized impairment – a portfolio with recognized impairment in the portfolio of loans and corporate and municipal bonds (not guaranteed by the State Treasury), including loans measured at fair value through profit or loss,

Net operating result – result on business activities, operating expenses and tax on certain financial institutions,

Result on financial transactions – result on financial transactions and gains and/or losses on derecognition of financial instruments less the result on loans measured at fair value through profit and/or loss,

Net write-downs and impairment – result on allowances for expected credit losses, result on impairment of non-financial assets and cost of legal risk associated with mortgage loans in convertible currencies and result on loans measured at fair value through profit or loss,

Result on business activities – result on business activities less result on loans measured at fair value through profit or loss,

Net profit – net profit recognized in the consolidated income statement understood as the net profit attributable to equity holders of the parent company.

STATEMENT OF THE MANAGEMENT BOARD

The Management Board of PKO Bank Polski S.A. declares that in accordance with its best knowledge the annual Directors' Report of the PKO Bank Polski S.A. Group for 2023 prepared jointly with the Directors' Report of PKO Bank Polski S.A. includes an accurate description of the development and achievements, as well as the situation of the PKO Bank Polski S.A. Group and PKO Bank Polski S.A., including a description of the main risks and threats.

SIGNATURES OF ALL THE MEMBERS OF THE BANK'S MANAGEMENT BOARD

The original Polish document is signed with a qualified electronic signatures library.