



Bank Polski

The PKO Bank Polski S.A. Group Directors' Report for 2022

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

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1. INTRODUCTION

Characteristics of operations
PKO Bank Polski S.A. Group – history
Main events and financial results achieved in 2022
Changes in the composition of the Bank's Management Board and Supervisory Board
Development paths
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. Capital Group** or **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 an universal bank that services individuals, legal entities and other Polish and foreign entities.

Apart from strictly banking operations, the PKO Bank Polski S.A. 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.

Nearly 11.7 million
of the Bank's Customers



More than 7.2 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 (20.0%), in loans (17.0%), in sales of mortgage loans (20.4%) and the market for investment funds for individuals (20.6%). PKO Bank Polski S.A. is the leader in terms of current accounts and payment cards.

The PKO Bank Polski S.A. Group offers modern and comprehensive services via its 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 cutting-edge solutions, including those based on artificial intelligence and advanced data analytics, as well as robotics and automation.

As at the end of 2022, the branch network of PKO Bank Polski S.A. covered 967 own outlets (including branches, offices and centres) and 349 agencies. More than 3,000 ATMs were put at the disposal of PKO Bank Polski S.A. customers.

The PKO Bank Polski S.A. Group is one of the largest and best assessed employers in Poland. As at the end of 2022, the PKO Bank Polski S.A. Group employed over 25 thousand FTEs.

THE PKO BANK POLSKI S.A. GROUP BETWEEN 2018 AND 2022

	2022	2021	2020	2019	2018
Statement of financial position (in PLN million)					
Total assets	430,683	418,086	376,966	347,897	324,255
Total equity	35,435	37,693	39,911	41,578	39,101
Own funds	40,723	42,112	41,516	42,330	37,850
Financing granted to customers	246,383	247,572	235,727	244,083	230,438
Customer deposits	339,582	322,296	282,356	256,170	238,723
Net profit/loss	3,333	4,874	-2,557	4,031	3,741
Financial ratios					
Net ROA	0.8%	1.2%	-0.7%	1.2%	1.2%
Net ROE	9.7%	12.1%	-6.0%	10.0%	10.0%
Net ROTE	10.8%	13.2%	-6.5%	10.9%	11.0%
C/I ¹⁾	45.3%	40.4%	40.9%	41.3%	44.2%
Interest margin ²⁾	3.9%	2.7%	3.0%	3.4%	3.4%
Share of impaired exposures	3.80%	3.98%	4.43%	4.26%	4.87%
Cost of credit risk	0.53%	0.55%	0.78%	0.46%	0.59%
Total capital ratio	17.78%	18.73%	18.18%	19.88%	18.88%
Operational data					
Number of customers of PKO Bank Polski S.A. (K), including:	11,666	11,120	11,006	10,933	10,653
Individuals (K)	11,071	10,541	10,463	10,427	10,179
Companies and enterprises (K)	578	563	526	491	459
Corporate Customers (K)	18	17	16	16	15
Number of branches of PKO Bank Polski S.A.	967	975	1,004	1,115	1,155
Number of employees (in FTEs)	25,071	25,657	25,859	27,708	27,856
Number of current accounts with the Bank (K)	9,049	8,490	8,257	8,012	7,697
Information on shares					
Stock exchange capitalization (in PLN million)	37,863	56,163	35,900	43,075	49,338
Number of shares (in million)	1,250	1,250	1,250	1,250	1,250
Share price (in PLN)	30.29	44.93	28.72	34.46	39.47
Dividend per share (in PLN) (paid in the current year from profit for the preceding years)	1.83	0.00	0.00	1.33	0.55

- 1) Data for 2020-2018 does not take into account presentation changes made in 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 credit 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.

- | | |
|------------------|---|
| 1919-1938 | <ol style="list-style-type: none"> 1. Pocztowa 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. Pocztowa 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 Pocztowa Kasa Oszczędności was opened in Poznań. 4. Pocztowa Kasa Oszczędności began running School Savings Unions (Szkolne Kasy Oszczędności). |
|------------------|---|

	<ol style="list-style-type: none"> On the initiative of Pocztaowa 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. Pocztaowa 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 Pocztaowa Kasa Oszczędności, and the cheque turnover in Poland was one and a half times higher than the cash turnover.
1939-1945	The Second World War was a period in which Pocztaowa Kasa Oszczędności's activity came to a standstill and it suffered huge losses.
1946-1990	<ol style="list-style-type: none"> Pocztaowa Kasa Oszczędności was transformed into Powszechna Kasa Oszczędności. The Banking Law Act introduced a privilege for saving deposits held in Powszechna Kasa Oszczędności; they were covered by a State guarantee. Powszechna Kasa Oszczędności introduced a modern product: a current account. 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"> The first Internet information portal of the Bank and the first e-PKO Internet branch were launched. PKO Towarzystwo Funduszy Inwestycyjnych S.A. (PKO TFI S.A.) began its operations. PKO BP BANKOWY PTE S.A. was formed. Bankowy Fundusz Leasingowy S.A. (currently PKO Leasing S.A.) was formed which provides operating and finance leases of non-current assets and property. PKO BP, as one of the founders, formed Centrum Elektronicznych Usług Płatniczych eService S.A. (currently CEUP eService sp. z o.o.). 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"> 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). 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. 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. PKO BP Faktoring S.A. (currently PKO Faktoring S.A.) began operating.
2010-2015	<ol style="list-style-type: none"> 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. 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. BLIK became the Polish market standard. PKO Bank Polski S.A. 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. 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. 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. PKO Towarzystwo Ubezpieczeń S.A. was formed. The Company provides property insurance services to the retail Customers of PKO Bank Polski S.A. 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

1. PKO Bank Polski S.A. was implementing 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 department 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.

1.3 MAIN EVENTS AND FINANCIAL RESULTS ACHIEVED IN 2022

1.3.1 IMPACT OF THE WAR IN UKRAINE ON THE OPERATIONS OF THE PKO BANK POLSKI S.A. GROUP

On 24 February 2022, the Russian Federation (Russia) invaded Ukraine. The war is a strong supply shock for the global (mainly European) economy due to a limited supply and growing prices of energy, agricultural and industrial resources and broken supply chains. This is accompanied by the increased volatility of financial markets and increased risk aversion. The Western world's response to Russian aggression has been to impose economic sanctions and seek to sever ties with the Russian economy as much as possible. The countries of the region, including in particular Poland, have provided shelter to millions of Ukrainian refugees.

In 2022, PKO Bank Polski S.A., together with its Polish companies in the Bank's Group, supported Ukraine and its citizens, especially refugees. It raised funds and organised outreach events and prepared a package of financial services. In cooperation with the National Bank of Poland (NBP) and the National Bank of Ukraine (NBU), it carried out the purchase of the hryvnia. The Bank monitored developments in international sanctions imposed on Russia and other countries on an ongoing basis.

Companies that are members of the PKO Bank Polski S.A. Group, including KREDOBANK S.A. with its registered office in Lviv, operate in Ukraine.

In view of the war in Ukraine, the PKO Bank Polski S.A. Group:

- conducted an analysis of customers in terms of their exposure to the negative effects of armed conflict:
 - measured the loan portfolio in Ukraine taking into account the area in which the customers operate and, depending on the level of limitation of operations or destruction of assets, recognised appropriate allowances – according to KREDOBANK S.A.'s estimates as at the end of 2022, 16% of the company's loan portfolio is located directly in or close to areas of hostilities, including less than 3% in areas of temporary occupation or active hostilities;
 - estimated the value of the portfolio of business loans and leasing transactions of PKO Bank Polski S.A. and its Polish subsidiaries that is exposed to risk – taking into account customers who generate a minimum of 5% of their turnover with counterparties from Ukraine, Russia and Belarus, this value amounts to PLN 3.8 billion,
- recognized additional allowances for credit and leasing exposures in the total amount of PLN 303 million.

PKO Bank Polski S.A. formed a Support Group whose tasks include preventing disruption to the critical processes of the Bank, exchange of information within the Group and coordination of the aid provided. The Bank takes actions to mitigate the threats on an ongoing basis, in particular with respect to ensuring access to the Bank's systems and cyber security.

The geopolitical situation has or may have an impact on the current and future income of customers and, therefore, on the demand for new services and products offered by the PKO Bank Polski S.A. Group and the ability to repay financial liabilities already contracted. It may also have an impact on the amount and terms of future issues of securities of the Bank's Group.

1.3.2 SYSTEM FOR THE PROTECTION OF COMMERCIAL BANKS

In June 2022, PKO Bank Polski S.A. and 7 other banks established a system for the protection of commercial banks, referred to in Chapter 10a of the Banking Law. The aim of the protection system is 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).

As part of the organization of the system:

- The Participating Banks formed the company System Ochrony Banków Komercyjnych S.A. (SOBK) as the system's management entity with a share capital of PLN 1 million;
- SOBK established an assistance fund to provide funds for the financing of the protection system's tasks. The fund is financed by contributions from participating banks.

In 2022, PKO Bank Polski S.A. contributed PLN 956 million to the assistance fund and subscribed for 21,113 shares in SOBK with a total nominal value of PLN 211 thousand, representing 21.1% of the company's share capital.

On 30 September 2022, the BGF decided to initiate the resolution procedure with respect to Getin Noble Bank S.A. At the request of the BGF, PLN 3.47 billion from the assistance fund was earmarked to carry out the resolution procedure for this bank.

1.3.3 CREDIT HOLIDAYS AND CONTRIBUTIONS TO THE BORROWERS' SUPPORT FUND

As part of the implementation of the Act of 7 July 2022 on the crowdfunding of business ventures and on assistance for borrowers, the PKO Bank Polski S.A. Group:

- introduced the so-called statutory credit holidays, i.e. the possibility of suspending, for the repayment periods indicated in the Act, one mortgage loan or advance in PLN, which were intended for satisfying their own housing needs;
 - the Bank's Group adjusted the gross carrying amount of mortgage loans by deducting interest income of PLN 3.1 billion.
- made contributions in the total amount of PLN 313.6 million to the Borrowers' Support Fund.

By the end of 2022, 285.7 thousand customers of the Bank's Group applied for a suspension of their mortgage loan or advance repayment, and the total number of suspended instalments amounted to more than 1.8 million.

1.3.4 MORTGAGE LOANS IN FOREIGN CURRENCIES

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. The settlement involves converting CHF loans into PLN loans as if it had been a PLN loan from the start. The settlements are offered during mediation proceedings conducted by the Mediation Centre of the Polish Financial Supervision Authority (PFSA) Court of Arbitration, during court proceedings and during proceedings initiated by a motion for settlement.

The total number of settlements concluded as at 31 December 2022 was 20,396, of which 19,786 were concluded in mediation proceedings and 610 in court proceedings.

In 2022, the Bank increased the cost of legal risk associated with mortgage loans denominated in and indexed to CHF by PLN 1,914 million. The decision was prompted by a change in the parameters of the legal risk assessment model for these loans as a result of a change in the market environment.

The Bank also recognized a deferred tax asset of PLN 301 million resulting from the ongoing settlement programme.

1.3.5 ADOPTION OF THE NEW STRATEGY

The Management Board of PKO Bank Polski S.A. adopted the Bank's strategy for 2023–2025 "Ready for the challenges, focused on the future", as authorised by the Supervisory Board of the Bank. The new 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. For the first time, apart from financial goals, it also presents business goals. The Bank's strategy, based on seven strategic pillars, also implies a much stronger commitment by PKO Bank Polski S.A. to ESG (Environmental, social and governance) goals.

1.3.6 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 has set a target MREL requirement for the Bank based on consolidated data at 15.36% of the total "TREA" risk exposure and 5.91% of the total "TEM" exposure measure, which must be met by 31 December 2023.

1.3.7 EUROBOND ISSUE PROGRAMME

PKO Bank Polski S.A. has established a new Eurobond issue programme (the Euro Medium Term Notes programme - "EMTN Programme") of up to EUR 4 billion. The EMTN Programme provides for the issue of 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. The Bank may apply for admission of individual series of Eurobonds to trading on a regulated market operated by the Luxembourg Stock Exchange and the Warsaw Stock Exchange.

In 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;
- the Prospectus for the EMTN Programme was approved by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.

On 1 February 2023, as part of the inaugural issue, the Bank issued 3-year Senior Preferred Notes with a total value of EUR 750 million, with the option of early redemption two years after issue. The coupon of the issue is fixed, at 5.625%, payable annually until the early redemption date, and variable thereafter, with quarterly payments. The bonds were admitted to trading on a regulated market on the Luxembourg Stock Exchange. The rating agency Moody's Investors Service has assigned a rating of A3 to the issued tranche of bonds.

1.3.8 BUSINESS DEVELOPMENT

In 2022, the Bank's Group developed products and services, including those offered via remote channels:

- it began to gradually make available to customers a service that is innovative on the Polish market, "PKO Pay Later", which enables purchases to be made within a limit set by the Bank and the liability repaid after 30 days;
- it launched 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;
- has made available the PowerB@nk start-up service, which provides support to entrepreneurs starting economic activities;
- it has substantially increased the share of fixed-rate loans in new mortgage sales.

The number of active IKO applications exceeded a record high of 7.2 million on the Polish banking market at the end of 2022.

PKO Bank Polski S.A., operating in an environment of persistently high inflation and high interest rates, increased the attractiveness of its deposit offering. Efforts in respect of the following offerings were of significant importance:

- the deposit for new funds, for which the interest rate was raised several times and at the end of December reached a maximum of 7.5% for a period of three months and 6.5% for a period of 12 months,
- the term deposit, which was reinstated in the Bank's branches for 6 and 12 months; the interest rate for the entire offering was raised to 2-4% regardless of the offering channel,
- a 3-month mobile deposit available through the IKO app, for which the interest rate and parameters were changed several times to 6% and a limit of PLN 50 thousand,
- the progressive 18-month deposit, for which the interest rate varied in successive saving periods, every six months, and at the end of December 2022 stood at 3%, 6% and 9% for each.

Strong sales of deposits to individuals helped to rebuild the market share of term deposits, which stood at nearly 24.2% (+1.0% y/y) at the end of 2022.

1.3.9 FINANCIAL PERFORMANCE

The PKO Bank Polski S.A. Group's financial performance delivered in 2022 was significantly affected by regulatory and legal factors, i.e. the recognition of the effects of the Act on crowdfunding for business ventures and borrower assistance (so-called statutory credit holidays), the cost of legal risk of mortgages in convertible currencies and high regulatory costs.

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

	2022	2021	Change (y/y)
Net profit/loss	3,333	4,874	-31.6%
Net interest income	11,813	9,882	+19.5%
Net fee and commission income	4,951	4,377	+13.1%
Result on business activities	17,317	15,145	+14.3%
Administrative expenses	-7,850	-6,117	+28.3%
Tax on certain financial institutions	-1,266	-1,079	+17.3%
Net write-downs and impairment	-3,523	-1,467	1.4x
Total assets	430,683	418,086	+3.0%
Total equity	35,435	37,693	-6.0%
Net ROE	9.7%	12.1%	-2.4 p.p.
Net ROTE	10.8%	13.2%	-2.4 p.p.
Net ROA	0.8%	1.2%	-0.4 p.p.
C/I (cost to income ratio)	45.3%	40.4%	+4.9 p.p.
Interest margin ¹⁾	3.90%	2.70%	+1.2 p.p.
Share of impaired exposures	3.80%	3.98%	-0.18 p.p.
Cost of credit risk	0.53%	0.55%	-0.02 p.p.
Total capital ratio	17.78%	18.73%	-0.95 p.p.
Common equity Tier 1 (CET 1)	16.65%	17.53%	-0.88 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 credit holidays) of PLN 3,111 million.

The consolidated net profit of the PKO Bank Polski S.A. Group earned in 2022 amounted to PLN 3,333 million and was PLN 1,541 million lower than in 2021. The decrease in the net result was due to:

- 1) deterioration in net write-downs and impairment of PLN 2,056 million as a result of:
 - recognition in 2022 of the cost of legal risk related to mortgage loans in convertible currencies of PLN 1,914 million;

- a deterioration of net write-downs and impairment (excluding the cost of legal risk) of PLN 142 million, due to recognition of additional allowances due to the war in Ukraine in the amount of PLN 303 million, with lower credit risk allowances at the Bank and the PKO Leasing S.A. Group;
- 2) an increase in administrative expenses by PLN 1,733 million, including an increase in regulatory costs by PLN 1,247 million (as a result, among other factors, of the recognition 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 Borrowers' Support Fund in the amount of PLN 314 million), employee benefits expenses by PLN 253 million and material costs by PLN 202 million;
 - 3) an improvement in the result on business activities of PLN 2,172 million which reached PLN 17,317 million, mainly due to:
 - an increase in net interest income by PLN 1,931 million, despite the recognition in the third quarter of 2022 of the effects of the statutory credit holidays in the amount of PLN 3,111 million, caused by an increase in interest income related mainly to increases in market interest rates, with a simultaneous increase in financing costs;
 - an increase in net fee and commission income by PLN 574 million, driven by higher results generated on lending, insurance, leasing, cards, brokerage and foreign exchange transactions;
 - a decrease in other profit/loss by PLN 333 million, including mainly a decrease in net foreign exchange gains (losses) (as a result of the recognition in 2021 of a foreign exchange gain of approximately PLN 328 million following the decision of the Extraordinary Shareholders' Meeting of the Bank of 23 April 2021 to offer settlements to customers and a deterioration in the gain or loss on foreign exchange transactions), with an increase in other net operating income and expenses (as a result, among other factors, of an increase in income from other leasing activities and the recognition of an expense on the sale of CO₂ emission allowances in 2021).

In 2022, there was an increase in the scale of operations of the Bank's Group:

- total assets reached the level of approx. PLN 431 billion (PLN +13 billion y/y);
- amounts due to customers increased to approx. PLN 340 billion (PLN +17 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 246 billion (PLN -1 billion y/y), with the decrease in financing in the retail segment being offset by an increase in financing granted to corporate customers; financing granted to customers, excluding the impact of gross carrying value adjustments related to statutory credit holidays and the recognition of additional provisions for legal risk of foreign currency loans, would amount to more than PLN 251 billion (PLN +4 billion y/y) at the end of 2022;
- liquid assets (i.e. amounts due from banks, cash, balances with the Central Bank and securities from the banking book) amounted to nearly PLN 153 billion (PLN +10 billion y/y).

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

In 2022, there were changes in the composition of the Management Board of PKO Bank Polski S.A. (the Bank's Management Board or the Management Board), including:

- Iwona Duda resigned from the Management Board; Iwona Duda headed the Management Board until 25 January 2022 and served as President of the Management Board from 26 January 2022 until 9 August 2022;
- Bartosz Drabikowski was dismissed from the Management Board;
- the following people were appointed to the Management Board: Paweł Gruza, Maciej Brzozowski and Andrzej Kopyrski (as of 1 January 2023).

As at 31 December 2022, the Management Board comprised:

- 1) Paweł Gruza – Vice-President of the Management Board, leading the activities of the Management Board; appointed the President of the Management Board subject to the consent of the PFSA as of the date of such consent;
- 2) Maciej Brzozowski – Vice-President of the Management Board;

- 3) Marcin Eckert – Vice-President of the Management Board;
- 4) Wojciech Iwanicki – Vice-President of the Management Board;
- 5) Maks Krackowski – Vice-President of the Management Board;
- 6) Mieczysław Król – Vice-President of the Management Board;
- 7) Artur Kurcweil – Vice-President of the Management Board;
- 8) Piotr Mazur – Vice-President of the Management Board.

On 1 January 2023, the following person became a member of the Management Board:

- 9) Andrzej Kopyrski – Vice-President of the Management Board.

In 2022, there were changes in the composition of the Supervisory Board of PKO Bank Polski S.A. (the Bank's Supervisory Board or Supervisory Board), including:

- Grzegorz Chłopek resigned from the Supervisory Board;
- Robert Pietruszyn was appointed to the Supervisory Board.

As at 31 December 2022 the Supervisory Board comprised:

- 1) Maciej Łopiński – Chair of the Supervisory Board;
- 2) Wojciech Jasiński – Deputy Chair of the Supervisory Board;
- 3) Dominik Kaczmarek – Secretary of the Supervisory Board;
- 4) Mariusz Andrzejewski – Member of the Supervisory Board;
- 5) Andrzej Kisielewicz – Member of the Supervisory Board;
- 6) Rafał Kos – Member of the Supervisory Board;
- 7) Tomasz Kuczur – Member of the Supervisory Board;
- 8) Krzysztof Michalski – Member of the Supervisory Board;
- 9) Robert Pietruszyn – Member of the Supervisory Board;
- 10) Bogdan Szafranski – Member of the Supervisory Board;
- 11) Agnieszka Winnik-Kalemba – Member of the Supervisory Board.

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

PKO Bank Polski S.A.'s Strategy for 2023-2025
Implementation of the Strategy for 2020-2022

PKO BANK POLSKI S.A.'S STRATEGY FOR 2023-2025

On 8 December 2022, the Bank's Management Board adopted a new 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 for 2023-2025 provides for the achievement of ambitious business goals:

- improving customer satisfaction and reaching the TOP3 in 2025 in terms of the NPS (Net Promoter Score) index; which is used to measure customer loyalty and satisfaction - for each customer group;
- improving employee satisfaction as measured by an increase in the eNPS (Employee Net Promoter Score); i.e. the index used to measure employee satisfaction and engagement, by a minimum of 20 points in 2025 relative to 2022;
- the largest volume of new ESG funding in Poland in 2025;
- a minimum of 30% female Material Risk Takers in 2025;
- the rate of process digitisation for the individual customer close to 100% in 2025;
- an increase in the base of primary customers (i.e. customers characterised by three types of activity: logging in to remote channels, transactions and cyclical account replenishment) under the age of 35 by 25% by 2025 (vs. historical performance);

- 20% growth in non-banking revenues of the Bank's Group companies over the three years covered by the strategy.

In addition to the business objectives, financial objectives were also set for the Bank's Group:

- ROE: target of over 12% in 2025, assuming an increase in the Bank Group's equity by around 60% over the strategy horizon and a National Bank of Poland reference rate of 3.0% in 2025;
- the C/I ratio of less than 45% in 2025;
- cost of risk in 2025 in the range of 0.70%-0.90%;
- the Bank's capability to pay dividends / buy-back shares.

DIRECTIONS OF THE NEW STRATEGY

The strategy is based on PKO Bank Polski S.A.'s main competitive advantages: scale of operations, digital and technological competence, as well as security and stability. It will be implemented through measures in 7 strategic pillars.

- **PILLAR 1 – CUSTOMER AT THE CENTRE - A SIMPLE, FRIENDLY AND ACCESSIBLE BANK** - means an organization focused on customers and increasing NPS - by the end of 2025, PKO Bank Polski intends to become one of the top three institutions with the highest NPS among Polish banks for each customer group. The Bank wants to achieve this by simplifying the offer, hyper-personalization and better adapting the banking method to customer preferences, so that in 2025 all services will be available in remote channels, and a visit to a branch will be the customer's choice.
- **PILLAR 2 – LIFESTYLE BANKING: BANK OF THE FUTURE FOCUSED ON MODERN ACQUISITION** – PKO Bank Polski will develop an ecosystem of non-banking services and expand the VAS offer available in the application. The created ecosystem will also be available to people who do not have an account with PKO Bank Polski S.A. This is to translate into strengthening the bank's image as an innovation bank, focused on the future and ultimately on the growth of the young customer base.
- **PILLAR 3 – THE BEST VALUE PROPOSITION FOR BUSINESS CUSTOMERS THANKS TO THE SIZE OF THE BANK'S GROUP** – the Bank focuses on creating value for corporate customers by increasing the use of synergies in the PKO Bank Polski S.A. Group and creating the best product multi-platform on the Polish market. The Bank wants to be the first choice partner for companies that are looking for support in the field of energy transformation, international expansion and for exporters. It also intends to build a new value proposition for companies and enterprises, thanks to a simple digital offer and a lightweight service model. Within the horizon of the new strategy, the Bank wants to use its expertise and presence in the Ukrainian market to support the reconstruction of Ukraine in cooperation with international institutions and private entities.
- **PILLAR 4 – LEADER OF THE ESG TRANSITION IN THE POLISH BANKING SECTOR** – the new strategy is also a much stronger emphasis of the Bank on the implementation of ESG goals - both in aspects related to sustainable financing and reduction of own emissions, the social aspect and internal organizational governance. The Bank intends to implement unique solutions in the field of financing the energy transformation to support the competitiveness of Polish companies in the face of high energy prices, business and regulatory requirements. The Bank will continue to engage in pro-social activities and support diversity and equal treatment of employees, regardless of their age, gender and origin.
- **PILLAR 5 – AGILE TECHNOLOGIES AND FUTURE-READY OPERATIONS** – the strategy assumes IT development focused around 4 key areas: Data management to use the full scale potential of data owned by PKO BP and build the most advanced analytics on the market; cyber security; increasing the scale of Agile methodologies, DevSecOps and selective cloud migration. In the area of operations, the Bank intends to continue automating repetitive processes, and the key optimization levers will be: operations integrated into direct service provision, hyper-automation and centralization of operational activities in the Group.
- **PILLAR 6 – CULTURE OF INNOVATION AND AGILITY - PKO BANK OF TALENTS** – The Bank puts strong emphasis on the employee aspect, which is the key to implementation of an ambitious strategy. By 2025, PKO Bank Polski S.A. intends to increase the eNPS of employees by 20 points by creating an environment of continuous development, transformation of organizational culture and further development of agile working methods.
- **PILLAR 7 – USING THE BANK'S STRONG POSITION FOR INORGANIC GROWTH** – the Bank's strong capital position makes it possible for the Bank to see inorganic growth within the horizon of the new strategy. The Bank will look

at the opportunities offered by the market in the context of potential acquisition targets in the banking sector and among companies from outside the sector with high potential for synergy with the banking business.

IMPLEMENTATION OF THE STRATEGY FOR 2020-2022 PKO BANK OF THE FUTURE

With the end of 2022, PKO Bank Polski S.A. has completed the development work under the strategy for 2020-2022 "PKO Bank of the Future". The bank would have achieved its targets were it not for the negative impact of non-recurring factors in 2022.

The bank has the capacity to generate strong results and an attractive return on capital. However, the PKO Bank Polski S.A. Group's financial performance delivered in 2022 was significantly affected by regulatory and legal factors, i.e. the recognition of the effects of the Act on crowdfunding for business ventures and borrower assistance (so-called statutory credit holidays), the cost of legal risk of mortgages in convertible currencies and high regulatory costs.

Table 2. Strategic goals of PKO Bank Polski S.A. for 2022

	2019	2020	2021	2022 target	Level of achievement
ROE	10.0%	-6.0% adjusted: 7.1%*	12.1%	12.0%	9.7% adjusted: 22.6%**
C/I	41.3%	40.9%	40.4%	~41%	45.3% adjusted: 33.8%***
COST OF CREDIT RISK	0.46%	0.78%	0.55%	0.60%-0,75%	0.53%
NET RESULT	PLN 4.0 billion	PLN -2.6 billion adjusted: PLN 3.2 billion*	PLN 4.9 billion	> PLN 5 billion	PLN 3.3 billion adjusted: PLN 8.2 billion**
CAPITAL	TCR: 19.9%	TCR: 18.2%	TCR: 18.7%	capability to pay out dividend	TCR: 17.8%
	Tier 1: 18.6%	Tier 1: 17.0%	Tier 1: 17.5%		Tier 1: 16.7%

* Return on equity and net result adjusted for the recognized costs of the legal risk and other implications of the Extraordinary General Shareholders' Meeting of the Bank decision on entering into settlements with holders of foreign currency mortgage loans.

** Return on capital and net result adjusted for the impact of: the statutory credit holidays, the legal risk costs of mortgage loans in convertible currencies, the contributions to the System for the Protection of Commercial Banks (System Ochrony Banków Komercyjnych) and the Borrowers' Support Fund, and the provision recognized for the reimbursement of increased margins until the mortgage is established.

*** C/I ratio adjusted for the impact of: the statutory credit holidays, contributions to the System for the Protection of Commercial Banks and the Borrowers' Support Fund, and the provision recognized for the reimbursement of increased margins until the mortgage is established.

In 2022, PKO Bank Polski S.A. continued the process of the Bank's intensive digital transformation. Efforts in this area were a priority for the Bank in both customer service and internal processes. The COVID-19 pandemic accelerated the transition of customers to remote channels. To meet these expectations, the Bank has focused on developing remote channels, increasing the availability of products and services in the digital model while ensuring high customer satisfaction. The IKO mobile app is the most popular banking app in Poland with a wide range of features. The Bank was consistently building an ecosystem of non-banking services provided in remote channels, including in particular the IKO app, which was extended by new functionalities. The Bank continued the optimization of its internal processes, which included a reduction in the operating expenses (through digitization, automation and robotics), and external processes, by increasing the use of artificial intelligence and robo-advisors. The newly implemented solutions make it possible to establish deeper relations with customers and ensure positive customer experience in all channels. The possibilities in this respect are supported by the innovations implemented and advanced data analytics.

Taking into account the changes in the market environment caused by the pandemic, PKO Bank Polski S.A. established the following priority areas and actions (as part of the implemented strategy) and continued them in 2022: Focus on the Customer – segmental approach to the offer and service model, personalized customer experience and building long-term relations, continued transformation of the network into the consultation and digital education centre for customers; Digitization – ensuring that customers have an omnichannel access to banking products and services, increasing sales through remote channels, developing functions and innovations in IKO mobile banking, enhancing CRM and advisor tools, intensifying the use of advanced data analytics, the Road2Cloud Project and constructing a modern platform for electronic channels, including its high accessibility, scalability and security.

Autonomous Bank – accelerating the automation and robotization of processes, increasing the number of processes performed fully digitally, “slim” outlets and an effective service model, simple and convenient offer and communication with the customers, increasing the use of AI in sales and service processes, and in the organization’s internal processes.

For detailed information on the Bank’s achievements in 2022, see Chapter 8 Activities of the PKO Bank Polski S.A. Group.

PKO Bank Polski S.A. is the undisputed leader of the Polish banking sector in both the individual and corporate segments, providing services to more than 11 million customers. The Bank has been building a long-term relationship with its customers by remaining the bank of first choice for 4.8 million primary customers, a year-on-year increase of 7% and 31% over the strategy horizon. The Bank is also the most mobile bank in Poland, providing services to 7 million users through the IKO mobile app, which delivers the best customer service experience confirmed by an average customer rating of 4.8/5. PKO Bank Polski S.A. won the Finnoscore 2022 ranking and became the European digital banking leader.

PKO Bank Polski S.A., together with its Group companies, supports Poland’s energy transformation by complementing its green product offering. In addition, the Bank is reducing the negative impact of its operational activities on the environment. For detailed information on the Bank’s achievements in this area, see Chapter 13.7.6.

The implementation of the Strategy for 2020-2022 has enabled the Bank to achieve high stability and safety indicators. The Bank is one of the safest banks in Europe according to the EBA’s 2021 stress tests, ranking fifth, and has one of the highest ratios of coverage of impaired loans by allowances overall among Polish banks.

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

In 2022, the Bank’s Group:

- maintained a high share in the loan market both in terms of volume and sales of selected products;
- increased its share in the savings market for individuals;
- maintained its position as leader on the market of investment funds for individuals and the sale of mortgage loans.

Table 3. Market share

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018	Change 2022/2021
Loans for:	17.0%	17.4%	17.6%	17.9%	17.6%	-0.4 p.p.
1. individuals, of which:	21.4%	21.9%	22.4%	22.8%	22.9%	-0.5 p.p.
- housing	22.8%	23.7%	24.9%	25.8%	26.1%	-0.9 p.p.
PLN	23.8%	24.7%	26.3%	27.6%	28.3%	-0.9 p.p.
foreign currency	18.9%	20.1%	20.8%	21.0%	21.0%	-1.2 p.p.
- consumer and other, of which:	17.8%	17.1%	16.5%	16.3%	15.8%	0.7 p.p.
overdraft facilities	35.5%	34.1%	32.7%	32.4%	32.1%	1.4 p.p.
2. institutional entities	13.0%	12.8%	12.6%	13.1%	12.7%	0.2 p.p.
Non-Treasury debt securities (indebtedness)	30.8%	29.3%	30.2%	30.7%	32.4%	1.5 p.p.
Mortgage loans (sales)	20.4%	19.8%	19.7%	25.7%	28.9%	0.6 p.p.
Total savings¹⁾, of which:	20.0%	19.2%	18.3%	18.3%	18.4%	0.8 p.p.
- savings of individuals ²⁾	28.1%	25.6%	24.3%	22.6%	22.0%	2.4 p.p.
Deposits:	17.6%	17.8%	17.3%	17.9%	18.1%	-0.2 p.p.
individuals	23.3%	22.5%	21.9%	20.8%	20.2%	0.8 p.p.
institutional entities	11.2%	12.3%	11.5%	13.8%	15.2%	-1.1 p.p.
TFI assets - funds of individuals³⁾	20.6%	19.9%	19.2%	19.5%	21.5%	0.7 p.p.
Brokerage activities - transactions on secondary market	9.2%	12.3%	11.2%	7.5%	7.7%	-3.1 p.p.

Source: NBP, WSE, ZBP, Analizy 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

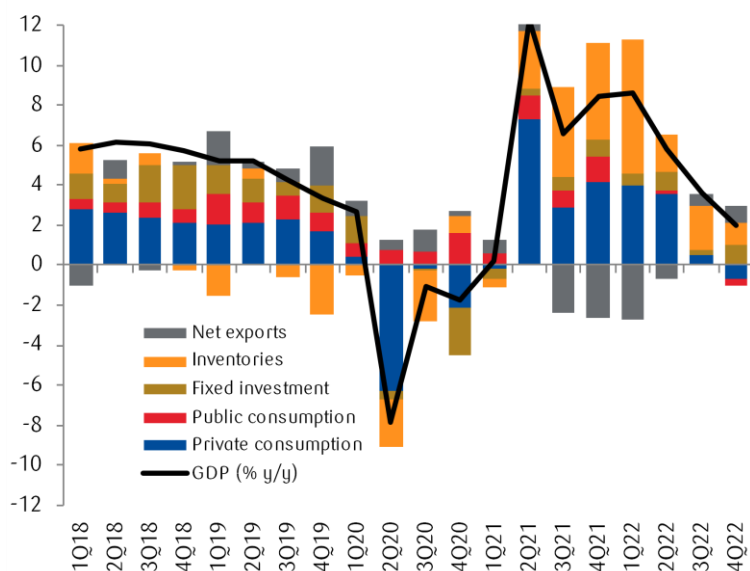
Macroeconomic environment
Situation on the financial market
Position of the Polish banking sector
Position of the Polish non-banking sector
Ukrainian market
Regulatory and legal environment
Factors that will affect future financial performance

2.1 MACROECONOMIC ENVIRONMENT

Macroeconomic factors which shaped the national economy in 2022 are presented below:

GRADUAL SLOWDOWN OF THE ECONOMY IN THE FACE OF EXTERNAL SHOCKS

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



The national economy entered 2022 with a high rate of economic growth, but over the course of the year there was a marked slowdown from 8.5% y/y in the first quarter to 2.0% y/y in the fourth quarter. The cost shock associated with the outbreak of war in Ukraine, most evident in the prices of energy and agricultural commodities, had a negative impact on activity, but owing to a very good start to the year, the whole of 2022 closed with a solid GDP growth of 4.9%. Investment increased, despite high uncertainty, reflecting companies' efforts to reduce the negative effects of rising energy costs (efficiency improvements, investment in alternative energy sources). The decline in the purchasing power of income resulted in a gradual slowdown in the rate of growth of private consumption. The increase in household consumption was mainly driven by the spending of refugees from Ukraine, whose influx after the outbreak of war increased Poland's population by around 4%. Despite the slowdown experienced in the global economy, Polish exports remained on an upward trajectory, helped by the unblocking of global value-added chains and the price competitiveness of domestic production. Rapidly rising import prices have contributed to a significant increase in the trade and current account deficits of the balance of payments. Similar trends were apparent in all energy-importing countries in the Central and Eastern European region.

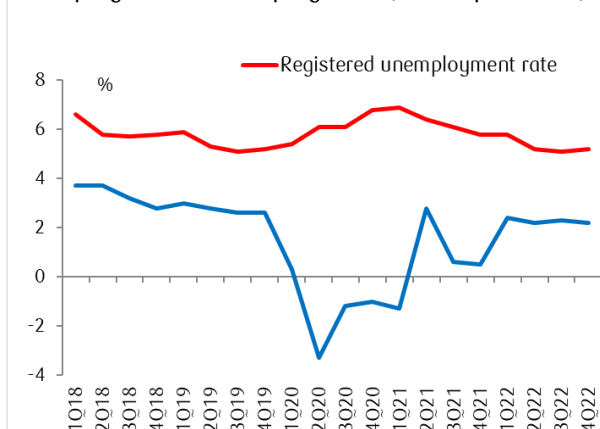
IMPROVING LABOUR MARKET CONDITIONS

The labour market continued to improve in 2022. Although consumer surveys in the second half of the year indicated an increase in consumer concerns about rising unemployment, these concerns were not reflected in actual labour market performance. In December, the registered unemployment rate stood at 5.2%, 0.6 p.p. down on the end of 2021. The domestic labour market absorbed an unprecedented influx of war refugees in 2022 - some 440,000 refugees from

Ukraine found employment in Poland. The employment rate is estimated to have exceeded 60% among working-age war refugees.

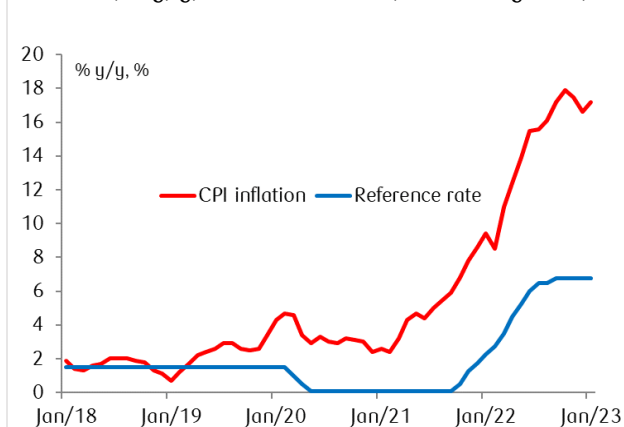
In the third quarter, the number of vacancies in the economy was still high at 135,000; in the fourth quarter, entrepreneurs continued to indicate in business surveys that it was very difficult to find skilled workers – both elements limit the room for a significant increase in unemployment, even in a downturn. Over the course of the year, wages grew at a solid double-digit rate; however, in the second half of the year, the rate of growth of wages in the corporate sector was lower than inflation, implying a decline in real terms. Above-average wage increases, higher than inflation, were recorded only in a few industries (transport, mining, energy), while in other sectors wage dynamics were moderate, implying that there was no price-wage spiral phenomenon. In the second half of 2022, the labour market adjusted to the lower economic growth rate mainly through a reduction in real wage dynamics and a decrease in the demand for new employees, rather than through a reduction in employment and an increase in unemployment.

Unemployment and employment (end of period, %)



INCREASED INFLATION

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

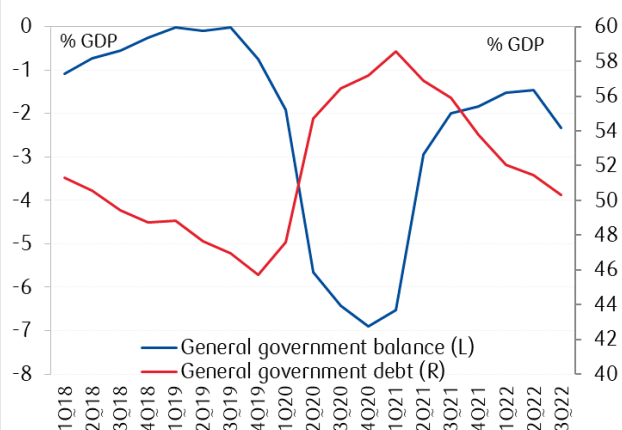


CPI inflation in 2022 was at a strongly elevated level and the intensity of inflationary processes was significantly amplified after Russia's attack on Ukraine. CPI inflation rose sharply from 8.6% y/y at the end of 2021 to a peak of 17.9% y/y in October 2022, despite the government's introduction of the Anti-Inflation Shield, which reduced the annual rate of price growth by 2-3 pp. The main drivers of inflation were energy and fuel prices and, in the second half of the year, food prices. Inflation eased to 16.6% y/y in December, reflecting a downward correction in fuel and heating fuel prices. Price increases observed in the economy during the year were broad-based and covered almost all categories of the inflation basket, reflecting the widespread pass-through of higher business costs to the final consumer (so-called second-round effects). Core inflation (CPI excluding food and energy prices) increased to a record 11.5% y/y in December. In 2022, the surge in inflation was global in nature and particularly pronounced

in Europe, which was struggling to cope with soaring energy prices due to Russia's aggression against Ukraine. Central and Eastern European countries faced particularly high inflation.

SOUND PUBLIC FINANCES DESPITE CRISIS CHALLENGES

Deficit and debt of the public sector



The fiscal deficit (ESA) after the third quarter of 2022 stood at 2.3% of GDP (compared to 1.5% of GDP after the second quarter and 1.8% of GDP in 2021). The increase in the deficit during the third quarter was mainly driven by an increase in social transfers, particularly related to refugee aid. Public debt was on a downward trajectory in 2022 and accounted for 50.3% of annual GDP in the third quarter compared to 53.8% of GDP at the end of 2021. State finances were supported by strong nominal growth in the tax base (consumption, corporate performance) and the transfer of profits of the National Bank of Poland. As a result, despite incurring the costs of the Anti-Inflation Shield (loss of tax revenue) and aid to Ukraine, a solid budget surplus (PLN 18.3 billion) was maintained until November (latest available data).

A CYCLE OF STRONG INTEREST RATE RISES

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

	4Q 2021 (%)	4Q 2022 (%)
Reference rate	1.75	6.75
Bill rediscount rate	1.80	6.80
Bill discount rate	1.85	6.85
Lombard rate	2.25	7.25
Deposit rate	1.25	6.25

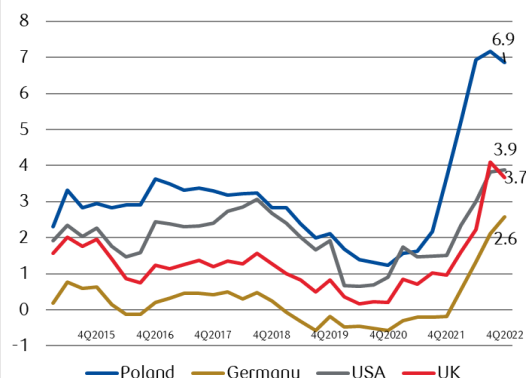
In the first three quarters of 2022, the Monetary Policy Council (MPC) continued the cycle of interest rate rises started in October 2021 in response to the deteriorating inflation outlook. The reference rate increased from 1.75% at the end of 2021 to 6.75% in September, and from the beginning of the cycle, i.e. from October 2021 to September 2022, the NBP reference rate was increased by a total of 665 bp., making this cycle the fastest and largest ever. During the third quarter, the MPC began to signal that the hike cycle was coming to an end, and in October the MPC announced a pause in the hike cycle, which was maintained until the end of 2022. The MPC stressed that the hike cycle was not definitively over and could be resumed if necessary. According to the NBP's projection of November 2022, CPI inflation is expected to return close to target within the monetary policy horizon, allowing for at least a suspension of the rate hike cycle. In the fourth quarter of 2022, the halt in the NBP's interest rate hike cycle and the halt in inflation increases significantly altered market expectations for further changes in monetary policy. FRA contracts have stopped pointing to further interest rate rises, measuring the scenario of the reference rate stabilising at 6.75% for most of 2023.

2.2 SITUATION ON THE FINANCIAL MARKET

INTEREST RATE MARKET

The interest rate market in 2022 was characterised by high volatility and rising yields. Polish bond yields rose for 'two-year bonds' from 3.39% to 6.72% and for 'ten-year bonds' from 3.67% to 6.86%. The main reason was rising inflation, to which central banks had to respond with interest rate hikes. In Poland, the Monetary Policy Council raised the reference rate by 500 b.p. from 1.75% to 6.75%. Pessimism peaked at the beginning of the fourth quarter, when yields on Polish bonds reached as high as 9%. Since then, the market situation has calmed down, not least due to the prospect of avoiding a recession in 2023, with inflation projected to fall.

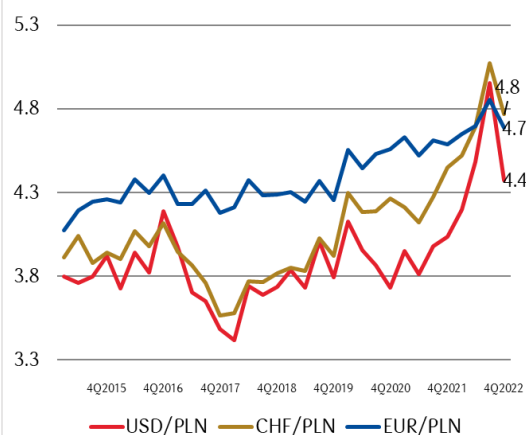
1-years bonds yield (%)



CURRENCY MARKET

The unstable economic situation, largely resulting from the war in Ukraine, as well as significant changes in central bank policies, have triggered heightened exchange rate volatility. Although throughout the year the zloty weakened against the euro on a moderate scale, i.e. by 10 grosze to PLN 4.69, in March the price of the common currency reached PLN 5. This was happening on the back of a wave of risk aversion, which caused increased flows in global financial markets toward the safest currencies. The trend was further supported by major central banks, which increased the attractiveness of deposits in their currencies by pushing up interest rates. It is worth noting, however, that the zloty strengthened and stabilized in the last quarter of 2022, aided by some data suggesting that the economy is not facing a recession in 2023, but only a slowdown in growth.

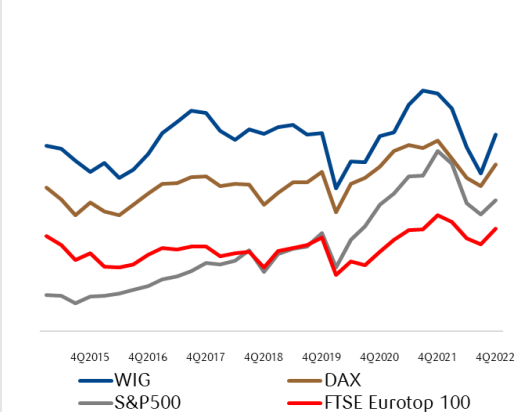
Foreign exchange rates



STOCK MARKET

The year 2022 turned out to be very unfavorable for stockholders, with the WIG index falling by nearly 18%. Concerns about the economic fallout from the war in Ukraine and interest rate hikes in the face of rising inflation have triggered a surge in risk aversion, which has caused stocks to sell off and capital to flow toward safer financial instruments. The end of the year, however, brought a strong rebound in declines that significantly limited losses. Investors returned to the stock markets hoping that interest rates have already reached or are approaching maximum levels, and that the economy will avoid recession, so that the financial performance of companies will deteriorate only to a moderate degree.

Global stock market



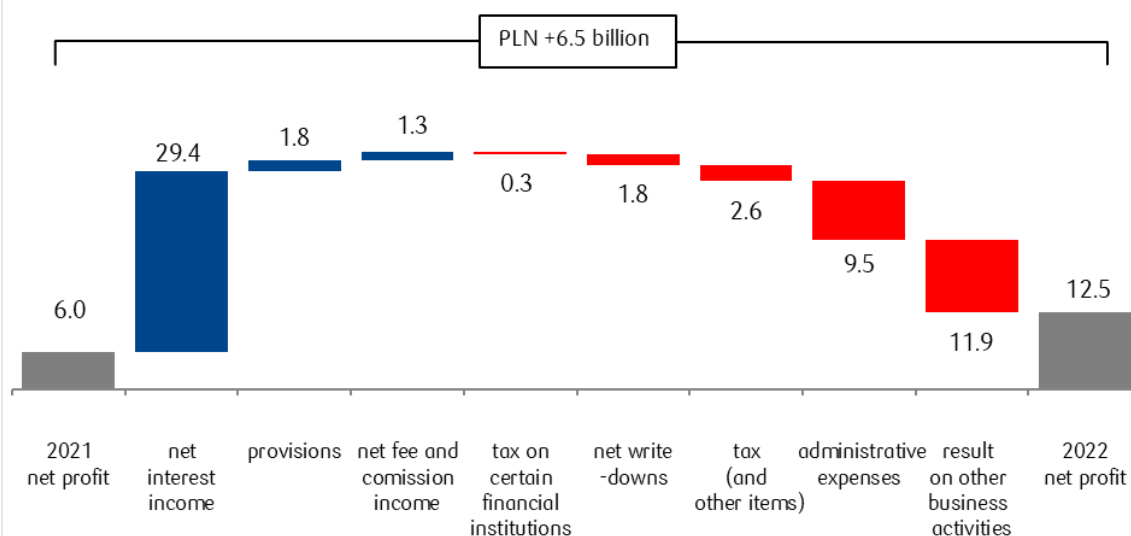
2.3 POSITION OF THE POLISH BANKING SECTOR

NET PROFIT AND RETURNS

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

In 2022, the banking sector recorded net profit of PLN 12.5 billion, compared with the profit of PLN 6.0 billion in 2021. The rolling return on equity (12M ROE) was 6.4%.

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 improvement in net profit was primarily attributable to an increase in interest income, which was related to the rise in interest rates. Near double-digit year-on-year growth was also recorded in commission income, due to the dynamic growth of nominal turnover in the economy (mainly triggered by rising prices), including higher transactivity and demand structure. The baseline, which included the first half of 2021, disrupted by anti-pandemic restrictions, was also not insignificant.

Regulatory burdens and administrative costs, whose double-digit year-on-year growth was related to both rising payroll costs and the cost of running day-to-day operations (including energy or service prices), had an opposite effect. Regulatory burdens in 2022 comprised, in particular, one-time costs related to statutory credit holidays, the establishment of the System for the Protection of Commercial Banks, and contributions to the Borrowers' Support Fund.

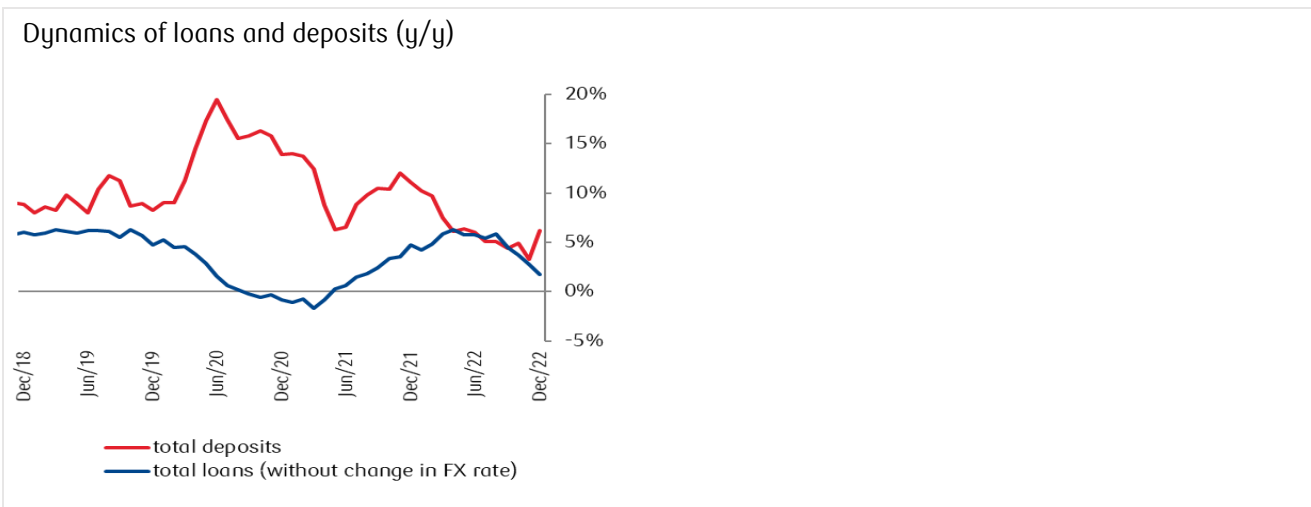
The banks' capital position was good, although it has deteriorated. As at the end of September 2022, the total capital adequacy ratio amounted to 18.2% (most recent data available). The sector's capital adequacy was negatively affected by declines in securities valuations and losses incurred in the third quarter associated with the recognition of statutory credit holidays in the income statement.

LOAN AND DEPOSIT MARKET

(Based on NBP data and the Analityz Online service site)

At the end of December 2022, the y/y pace of growth in total loans (net of changes in exchange rates) was positive at 1.7% (compared with 4.7% as at the end of 2021). As for deposits, the annual growth rate slowed to 5.6%, compared to 11.1% at the end of 2021, affected, among other factors, by a deceleration in the growth rate of deposits of private

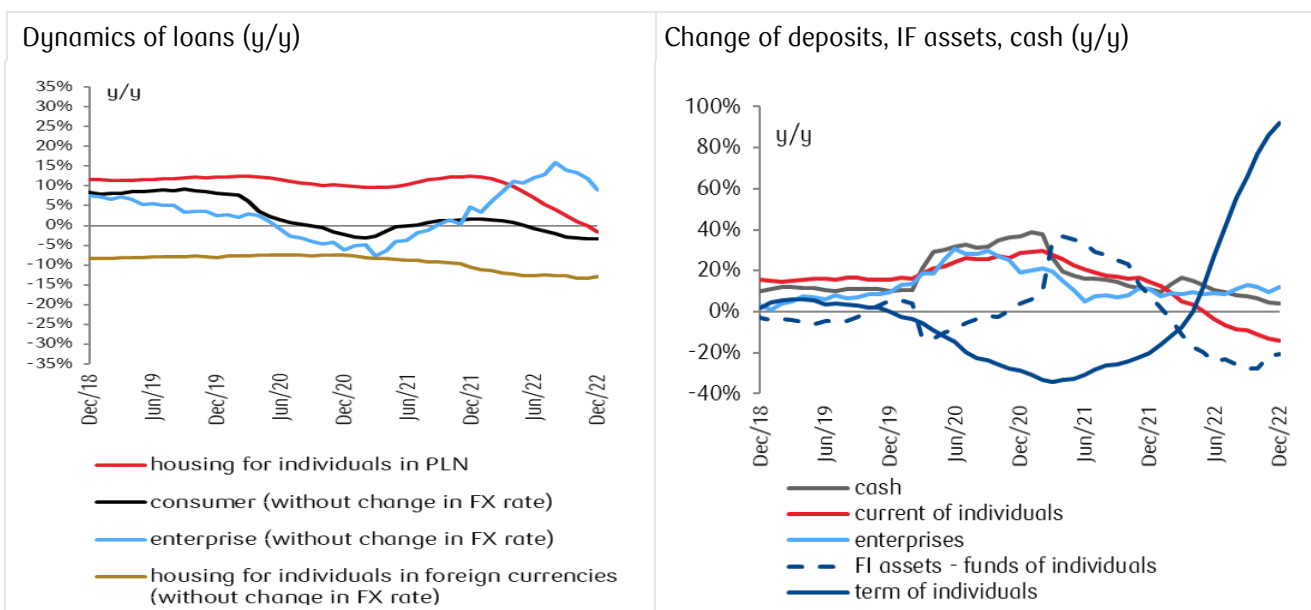
individuals and a decline in deposits of sole proprietors (employing up to 9 people) and central government institutions.



Housing loans in PLN declined by 1.6% y/y in December (vs. a 12.5% y/y increase at the end of 2021). The slump in this market is reflected in a 70% drop in the monthly volume of mortgages granted in PLN. The growth rate of consumer loans (excluding exchange rate changes) was negative (-4.0% y/y in December vs. 1.6% y/y at the end of 2021). Business loans (without exchange rate changes) grew rapidly: 9.0% y/y in December (vs. 4.6% y/y at the end of 2021).

The growth rate of deposits of private individuals slowed to 4.8% y/y in December (vs. 6.3% at the end of 2021), with a marked change in their structure (current deposits fell 14.1% y/y in December, while term deposits grew 92.2% y/y). At the end of December 2022, assets of investment funds (IFs) for individuals were 20.7% year-on-year lower, due in part to the weak performance of the WSE and large declines in securities valuations associated with rising interest rates. The growth rate of cash in circulation decelerated in December to 3.9% y/y (10.9% y/y at the end of 2021). At the end of December 2022, the growth rate of corporate deposits increased to 11.6% y/y (compared to 10.7% y/y at the end of 2021), driven by limited investment activity, revenue growth associated with high nominal consumption and liquidity accumulation, among other factors.

The banking sector's liquidity position remained very good, with the loan/deposit ratio declining to 76.2% at the end of December vs. 78.8% at the end of 2021.



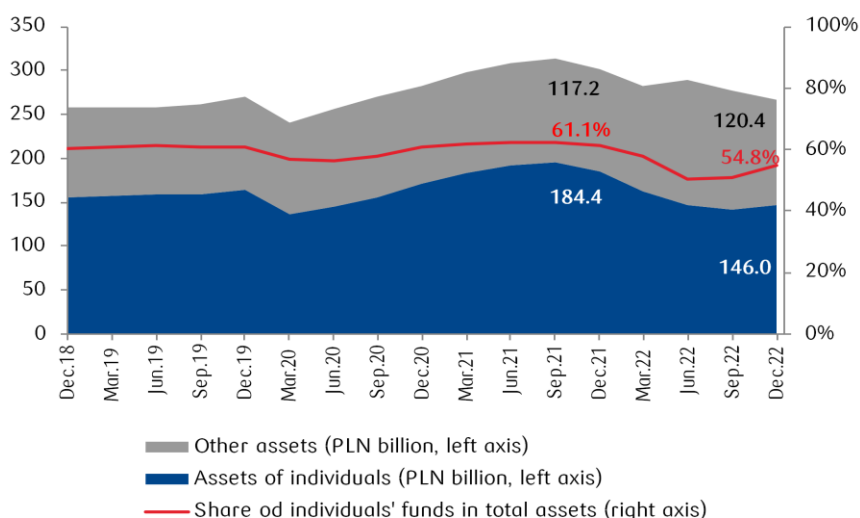
2.4 POSITION OF THE POLISH NON-BANKING SECTOR

INVESTMENT FUNDS MARKET

(Based on the data of Analizy Online)

In 2022, assets under management of Investment Fund Companies fell to PLN 266.3 billion (-11.8% y/y), including assets of individuals falling to PLN 146.0 billion (-20.8% y/y). As at the end of the analysed period, the value of funds accumulated in the Employee Capital Plans (PPK) Defined Maturity Date Funds was PLN 10.3 billion (+58.3% y/y).

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



In 2022, the balance of total payments and redemptions was negative and amounted to PLN -25 billion (+10.9 billion in 2021). Outflows from the market were evident in almost all categories of funds, with the debt fund segment accounting for the largest share of retail portfolios particularly affected. Nearly PLN 21 billion of individuals' funds flowed out of this segment in 2022. Significant outflows were also recorded by the mixed and equity fund segments, from which individuals withdrew a net of PLN 4.6 billion and PLN 2.5 billion, respectively.

At the end of 2022, debt funds remain the most heavily represented fund group among individuals with 49.6% of assets under management of Investment Fund Companies.

OPEN PENSION FUNDS MARKET

(Based on PFSA data)

In 2022, the assets of Open Pension Funds (OFEs) declined by 16.8% (PLN -31.6 billion) to PLN 156 billion. In this period, the number of OFE participants dropped by 1.7% (-284 thousand to 14.9 million).

Domestic equities still held a dominant position in the structure of OFE assets at the end of the year, with a 79.3% share (about 81.9% of net assets at the end of 2021). The performance of OFEs and the decline in assets were largely driven by the situation on the Warsaw Stock Exchange. In 2022, the WIG index fell by 17%, and the WIG-20 index of the largest companies fell by 21%.

INSURANCE MARKET

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

In the third quarters of 2022, insurance companies earned a net profit of PLN 3.8 billion (-28.2% y/y), with the technical profit from insurance falling by 2.1% y/y (to PLN 4.1 billion). The y/y decline in the insurance companies' financial performance was negatively affected by an increase in unrealized losses on deposits by PLN 1.1 billion (+199.2% y/y) and an increase in the cost of investment activities by 0.5 billion (+196.8% y/y).

The structure of the technical profit reflected an increase in the cost of claims paid by PLN 3.3 billion (+10.9% y/y) and an increase in the cost of insurance operations by PLN 1.1 billion (+8.8%). Gross premiums written increased by PLN 1.8 billion (+3.6%) to PLN 52.7 billion.

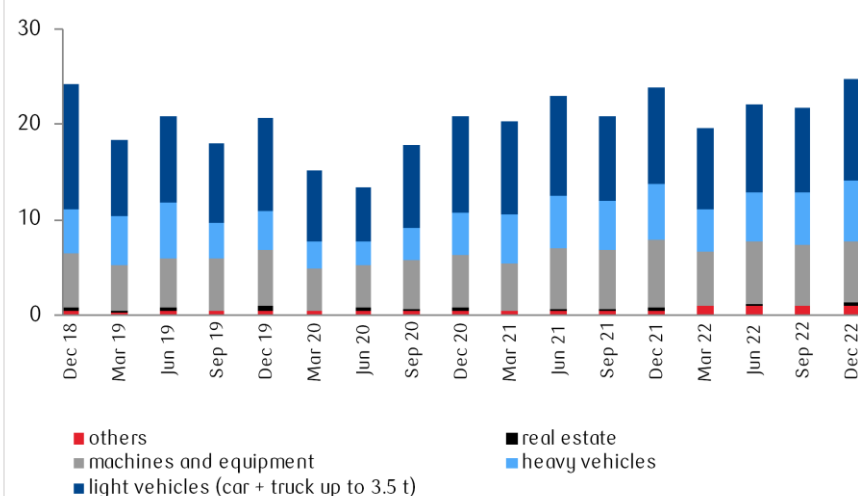
In the life insurance segment, gross written premiums were down by PLN 0.7 billion y/y (-4.2% y/y), with an increase in claims paid of PLN 0.9 billion (+7.0% y/y). Cost of insurance activities in the life insurance segment increased by PLN 0.3 billion (+6.6% y/y).

The other non-life insurance segment posted a y/y increase in gross premiums written of PLN 2.5 billion (+7.3% y/y), with an increase in the cost of claims paid of PLN 2.4 billion (+14.1% y/y). Costs of insurance activities in the other personal and property insurance segment increased by PLN 0.8 billion (+9.9% y/y).

LEASE MARKET

(based on Polish Leasing Association data)

Lease market structure (new sales) in PLN billion



In 2022, the leasing industry financed assets worth PLN 88.1 billion, maintaining financing at the 2021 level (+0.1% y/y). There were also no significant changes in the structure of financing provided on a year-on-year basis. Vehicle financing increased by PLN 0.2 billion (+0.3% y/y), with financing for passenger vehicles and trucks up to 3.5 tons falling by PLN 2 billion (-4.7% y/y) and financing in the truck segment increasing by PLN 2.1 billion (+11.1% y/y). Financing in the machinery and equipment segment increased by PLN 0.3 billion (+1.2% y/y), and in the IT segment increased by PLN 0.05 billion (+4.9% y/y). Financing in the ships, aircraft, rail segment was down by 0.3 billion (-24% y/y) from 2021.

Real estate leasing recorded a decline of -22.4% y/y, with its share in the market structure still marginal at 0.7%. Vehicles maintained the largest share in the financing structure (68.1%) - no y/y change.

At the end of 2022, nearly 70% of the leasing industry's customers comprised micro and small companies, with a slight y/y decrease in the share of micro companies in this group.

FACTORING MARKET

(Based on the Polish Factors Association data)

In 2022, the factoring market posted significant growth. Turnover of member companies of the Polish Factors Association was about 27.1% higher year-on-year, reaching PLN 460.6 billion. At the same time, the number of businesses using the services of factoring companies declined by 3.7% y/y to 24.8 thousand. The number of debtors increased by more than 10.1% y/y to 443.8 thousand.

The largest demand on the part of enterprises was for factoring without recourse, whose share in sales of factoring firms was approx. 38.1%. The share of the second largest market segment, i.e. recourse factoring, was 25.5%. 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

As of February 24, 2022, Ukraine is facing a full-scale war of the highest intensity in Europe since World War II. The outbreak of war has determined Ukraine's economic situation throughout 2022. The war covered the entire territory of Ukraine - either directly or indirectly in the form of airstrikes - just weeks after it began. According to estimates by the National Bank of Ukraine (NBU), Ukraine lost about a third of its GDP in 2022. According to various sources, material losses exceeded USD 100 billion. According to data from the Statistical Office of Ukraine, the average annual inflation rate in 2022 was 20.2%, with December alone reaching 26.6% y/y. According to fragmented data for the first half of 2022, retail trade turnover declined by 19.5% y/y. During the same period, construction output declined by 62.5% y/y, and industrial output contracted by 32.2% y/y. These statistics do not include occupied territories. One of the main challenges for Ukraine's economy in the second half of 2022 was recurring energy shortages, which intensified at the end of the year with attacks on the country's critical infrastructure. According to a survey by the European Business Association (EBA), about 40% of companies have reduced production volumes due to power outages. The agricultural sector struggled with the blockage of export capacity for key agricultural products during the year, but alternative transportation routes have improved its situation.

The labor market situation is also only partially known. According to NBU estimates, the unemployment rate (International Labor Organization definition) reached a range of 30-35% after the war broke out, remaining at that level until the end of the year. The NBU also estimates that nominal wages declined by about 12-13% in 2022. An additional factor complicating the landscape of the Ukrainian labor market is the migration wave triggered by the war. At the end of the first quarter of 2022, the wave of refugees fleeing war reached about 3.4 million people (data from UN HCR, i.e. the UN Refugee Agency). Over the course of the year, the migratory wave began to weaken, with some Ukrainian citizens returning home (in connection with the announced general mobilization, among other things). UN HCR estimates the number of refugees registered in Europe at 7.97 million by the end of 2022.

In June 2022, the NBU raised interest rates sharply - the prime rate from 10% to 25%. The strong monetary tightening was aimed at protecting savings in the hryvnia (UAH), increasing the attractiveness of hryvnia-denominated assets on global markets, stabilizing inflation expectations and reducing pressure on the exchange rate. The exchange rate of the hryvnia is significantly supported by the NBU's currency interventions, and foreign currencies come primarily from international aid, which in October 2022 has already exceeded USD 30 billion (calculated according to the declarations of states and international organizations). The official hryvnia exchange rate, set at 29.2549 hryvnia per US dollar on the day the war broke out, was revised on 21 July to 36.5686, bringing the deviation of the spot rate from the official rate down to 10-12% from 28.5% before the decision to devalue the hryvnia in July. This has eased pressure on the NBU's foreign currency reserves.

Due to the severe recession, the fiscal deficit for January-November 2022 hit a record high (UAH 712 billion). It was attributable to revenue growing by 23.9% y/y (owing to external government assistance and support from international organizations; revenue growth excluding aid funds was 0.8% y/y after 11 months of 2022) and expenditures, which grew by 71.0% y/y in January-November 2022. The NBU estimates that the fiscal sector will end 2022 with a deficit of 25% of GDP.

UKRAINIAN BANKING SECTOR

According to data from the NBU, the number of banks which engaged in operations in Ukraine dropped to 67 in 2022 (compared with 71 in 2021). At the initiative of the NBU, in order to maintain the continuity of critical financial infrastructure, in December 2022, 14 systemically important banks (including KREDOBANK S.A.) established the backbone of a common banking network, i.e. a network of branches scattered across the country, which will provide services to customers in a coordinated manner, including in the event of a power outage.

Total assets in the Ukrainian banking system in 2022 increased to UAH 2.35 trillion (eop) from UAH 2.05 trillion (at the end of 2021). Equity declined to UAH 218.5 billion from UAH 255.5 billion during the period, and accounted for 9.3% of total assets as at the end of 2022, compared to 12.4% as at the end of December 2021. Ukraine's banking sector remains well capitalized (the sector's capital adequacy ratio at 19.68% vs. 18.01% at the end of 2021 and a minimum of 10%). The first half of 2022 saw a decline in the ratio, but it began to improve in the second half of the year.

The volume of loans at the end of 2022 decreased by UAH 38.8 billion compared to the balance at the end of 2021 and stood at UAH 1,040.7 billion. The sources of the decline were loans to households (UAH -33.4 billion), while loans to private non-financial enterprises increased by UAH 10.5 billion. The biggest drops on monthly basis in the volume of loans were observed in February (UAH -40.3 billion) and in December (UAH -37.3 billion).

The volume of deposits was at the end of 2022 higher by UAH 391.3 billion as compared to the end of 2021, reaching UAH 1940.9 billion. In this period, deposits of private enterprises went up by UAH 79.9 billion, and deposits of households increased by UAH 264.8 billion. The volume of currency deposits increased in 2022 by UAH 197.0 billion (to UAH 683.9 billion) and in national currency by UAH 192.9 billion (to UAH 1,210.0 billion). The loan to deposit ratio declined to 53.6% in December 2022 from 69.7% at the end of 2021.

ROA (1.18% in 2022 vs. 4.09% in 2021) and ROE (10.33% in 2022 vs. 35.08% in 2021) declined, with both dropping below zero during the year and returning to positive levels from July.

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 2022, including in particular:

WITH RESPECT TO THE BANK PROTECTION SYSTEM

Act of 7 April 2022 amending the act on mortgage covered bonds, mortgage banks and certain other acts (Journal of Laws of 2022, item 872).

The Act amended e.g. the Banking Law, allowing commercial banks operating in the form of joint-stock companies to create an institutional protection system. It also introduced related amendments to the Act on the Bank Guarantee Fund, the system of deposit guarantees and resolution, e.g. an option of decreasing the target level of funds of the bank deposit guarantee system by the Fund Council.

The Act of 5 August 2022 on the coal allowance (Journal of Laws 2022, item 1692) introduced further amendments to the Banking Law regarding the protection system.

WITH RESPECT TO LOANS AND SUPPORT FOR BORROWERS

The Act of 1 October 2021 on guaranteed housing loans (Journal of Laws of 2021, item 2133), which aims to eliminate the barrier to the granting of a mortgage loan in the form of the lack of own funds constituting the own contribution required by the bank.

The position of the Polish Financial Supervision Authority dated 7 March 2022 on actions aimed at mitigating credit risk. The recommendation concerns, among other things, the parameters applied by banks to assess creditworthiness, e.g. a minimum interest rate change of 5 p.p.

The Act of 7 July 2022 on the crowdfunding of business ventures and on assistance for borrowers. The Act contains a support package for mortgage borrowers, including loan repayment suspension, so-called statutory credit holidays, subsidies from the Borrowers' Support Fund and a declaration of using another index in the place of WIBOR.

Act of 5 August 2022 on amending the Act on mortgage loans and on the supervision of mortgage brokers and agents (Journal of Laws of 2022, item 1719). The Act provides for reimbursement by banks of additional fees that the borrower incurred while waiting for the mortgage to be registered in the land and mortgage register.

WITH RESPECT TO ESG RISK MANAGEMENT

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.

The regulation specifies the conditions under which selected nuclear and natural gas activities can be considered in line with the Taxonomy, on the basis of which disclosures for 2022 are prepared for the Bank Group's key performance indicators in relation to two environmental goals: climate change adaptation and climate change mitigation.

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. The regulation specifies uniform formats for disclosing information on ESG risks, according to which disclosures must be made, starting from 2022, pursuant to Article 449a of Regulation (EU) No 575/2013.

Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

As of August 2022, investment firms are required to obtain information on a client's ESG preferences through a suitability questionnaire, and to review their advisory service delivery and suitability assessment process to include the client's ESG preferences.

Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits.

Transposition into national regulations by the Regulation of the Minister of Finance of 11 August 2022 amending the Regulation on the procedure and conditions for the conduct of investment companies, banks referred to in Article 70 (2) of the Act on trading in financial instruments, and custodian banks (Journal of Laws of 2022, item 1740).

As of 22 November 2022, an obligation was established to integrate sustainability factors into product management processes.

WITH RESPECT TO RISK MANAGEMENT

The Regulation of the Minister of Finance of 18 March 2022 amending the Regulation in respect of a higher risk weight for exposures secured with mortgages on real estate.

Impact: a decrease in capital requirements due to the application of preferential risk weights.

WITH RESPECT TO CORPORATE GOVERNANCE

Recommendation Z of the Polish Financial Supervision Authority concerning corporate governance principles for banks, applied at PKO Bank Polski S.A. as of 1 January 2022. The recommendation provides guidance on: banks' internal governance principles, rules of operation and interactions of the supervisory board and management board, management of conflicts of interest, outsourcing policies, remuneration and dividend policies, risk management and disclosure.

WITH RESPECT TO TAXES

The Act amending the Personal Income Tax Act, the Corporate Income Tax Act and certain other acts of 29 October 2021 (known as "the Polish Deal"; Journal of Laws of 2021, item 2105), and the subsequent regulations constituting the Polish Deal, which change, e.g. the principles for calculating personal income tax advances on wages and salaries and the principles for performing the obligations of WHT remitters, exempt residential buildings and units from tax depreciation, extend the CFC tax obligations (i.e. tax on income of controlled foreign corporations), amend documentation obligations with regard to so-called tax haven transactions, and provide the possibility for taxpayers to form VAT groups, which allow tax to be settled jointly for several entities that meet certain conditions.

The Act on aid for Ukrainian citizens in connection with the military conflict in the territory of Ukraine of 12 March 2022 (Journal of Laws of 2022, item 583) and other regulations which introduce tax preferences for providing aid to Ukrainian citizens.

The Regulations of the Minister of Finance of 30 June 2022 on withholding tax (Journal of Laws of 2022, item 1381 and item 1382) exclude, from July 1 to December 31, 2022, the application of regulations on mandatory tax withholding by the entity that maintains a securities account or omnibus account (so-called technical remitters), on distributions exceeding PLN 2 million, on receivables from securities recorded in these accounts.

At the same time, the business environment in which the Bank's Group operates, including the economic standing of its customers, was affected by the Anti-Inflation Shields, which introduced in particular a temporary reduction in VAT and excise tax rates on selected products (mainly those having a strong effect on prices), including in particular electricity and motor fuels, and exempted electricity provided to households from excise tax.

INTEREST RATE BENCHMARKS REFORM

The Bank Group's operations in 2022 were also affected by regulatory and legal changes to the EU benchmark reform, introduced by Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 of 8 June 2016 (BMR).

As of 1 January 2022, due to the EU benchmark reform and the decision of the UK Financial Conduct Authority (FCA), the LIBOR CHF benchmarks are no longer compiled and published. The European Commission, in Implementing Regulation (EU) 2021/1847 of 14 October 2021 on the designation of a statutory replacement for certain settings of CHF LIBOR, which is in force by operation of law and directly applicable in all Member States of the European Union as of 1 January 2022, has determined substitutes for the CHF LIBOR rates. These substitutes are the 1-month or 3-month SARON compound rate with an indicated value of the adjustment spread, respectively. The SARON rate replaced the CHF LIBOR rate in every contract and financial instrument within the European Union, so this also applied to Polish borrowers. LIBOR EUR, LIBOR GBP, LIBOR JPY, LIBOR USD for tenors of 1W and 2M have also been discontinued since the beginning of 2022. The FCA has begun publishing the so-called synthetic 1M, 3M and 6M rates for LIBOR GBP and JPY.

The Act of 7 July 2022 on the crowdfunding of business ventures and on assistance for borrowers initiated the reform of the WIBOR index. The WIBOR index will be discontinued and replaced by a replacement. The law contains a legal delegation to promulgate it by means of a regulation.

A National Working Group on Benchmark Reform (NWG) has been established to ensure the credibility, transparency and reliability of the development and application of the new benchmark interest rate. The Steering Committee of the National Working Group decided to select the WIRON index as an alternative interest rate benchmark and presented a Roadmap for the process of replacing the WIBOR and WIBID benchmarks with the WIRON index. The benchmark reform in Poland will be implemented by the end of 2024. At the same time, a new offer of financial products based on WIRON will be implemented in 2023-2024 and the full readiness to discontinue the development and publication of the WIBOR and WIBID benchmarks will be reached at the beginning of 2025.

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, mainly including the limited availability of energy resources;
- the response of the global economy to the significant monetary tightening that has already taken place, including strong interest rate hikes in the U.S. and the eurozone, which are likely to continue at least through early 2023;
- A slowdown in global economic growth, in particular possible stagnation in Germany caused by the energy crisis;
- 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);
- changes in the economic situation in China, where a significant economic recovery reflecting a shift away from zero-covid policies is expected during 2023, which could lead to an increase in global demand, improving growth prospects for the global economy, but at the same time could also become a new source of inflationary pressure;
- changes in climate policy, including the accelerating energy transition and the increasing stringency and importance of environmental requirements.

In the Polish economy:

- the path of further changes in NBP interest rates and the level and interest rate of the reserve requirement;
- the intensity and persistence of external factors driving inflation and regulatory measures aimed at limiting the magnitude of inflation growth;
- economic slow-down resulting from a decline in global demand, high inflation and the tightening of monetary policy;
- migration flows, including their impact on labor supply and aggregate demand in the economy;

- an increase in the burden on the public finance sector due to the cost of protective measures in the face of the energy crisis and expenditure on defense and energy transformation, with uncertainty over the inflow of funds from the European Union under the National Recovery Program;
- 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 response of the household sector to the increased level of NBP interest rates, including, among other things, the evolution of consumer demand, demand for loans and the ability to service already contracted liabilities;
- extending the effectiveness of certain provisions of the anti-inflationary shield until 30 June 2023, i.e. preferential VAT rates on selected foods, as well as allowances and compensations related to energy prices and sources, and setting a fixed price for the entire year 2023 for certain annual electricity consumption of selected entities;
- amendments to the rules for the implementation of withholding tax (WHT) remitter obligations, in particular: extending to 2023 the exclusion of the application of regulations on mandatory tax withholding by the entity that maintains a securities account or omnibus account (so-called technical remitters), on distributions exceeding PLN 2 million, on receivables from securities recorded in these accounts, as well as relaxing the conditions for the remitter not to withhold flat-rate income tax on selected bond proceeds exempt from withholding tax (repealing the issuer's obligation to make a representation on exercising due diligence in informing its affiliates of the terms of the tax exemption);
- the authorization for selected taxpayers of the tax on certain financial institutions, including national banks, to reduce the tax base from 1 January 2023 by the value of assets in the form of securities statutorily guaranteed by the State Treasury and by the value of assets resulting from repo/reverse repo transactions specified in the regulations;
- lowering the limits for non-interest costs of consumer loans (fees and commissions) for lending institutions as part of the planned "anti-usury" regulations;
- 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, among other things, in the handling of complaints of the so-called unauthorized transactions, proportional reimbursement of loan costs upon early repayment of mortgage loans and the process of handling the statutory credit holidays, as well as the risk of imposing a penalty by the President of the OCCP in proceedings concerning modification clauses in the contractual templates used by the Bank;
- possible further court decisions on the issue of foreign-currency housing loans and PLN loans based on WIBOR rates;
- a possible decision in 2023 to extend the statutory credit holidays to 2024.

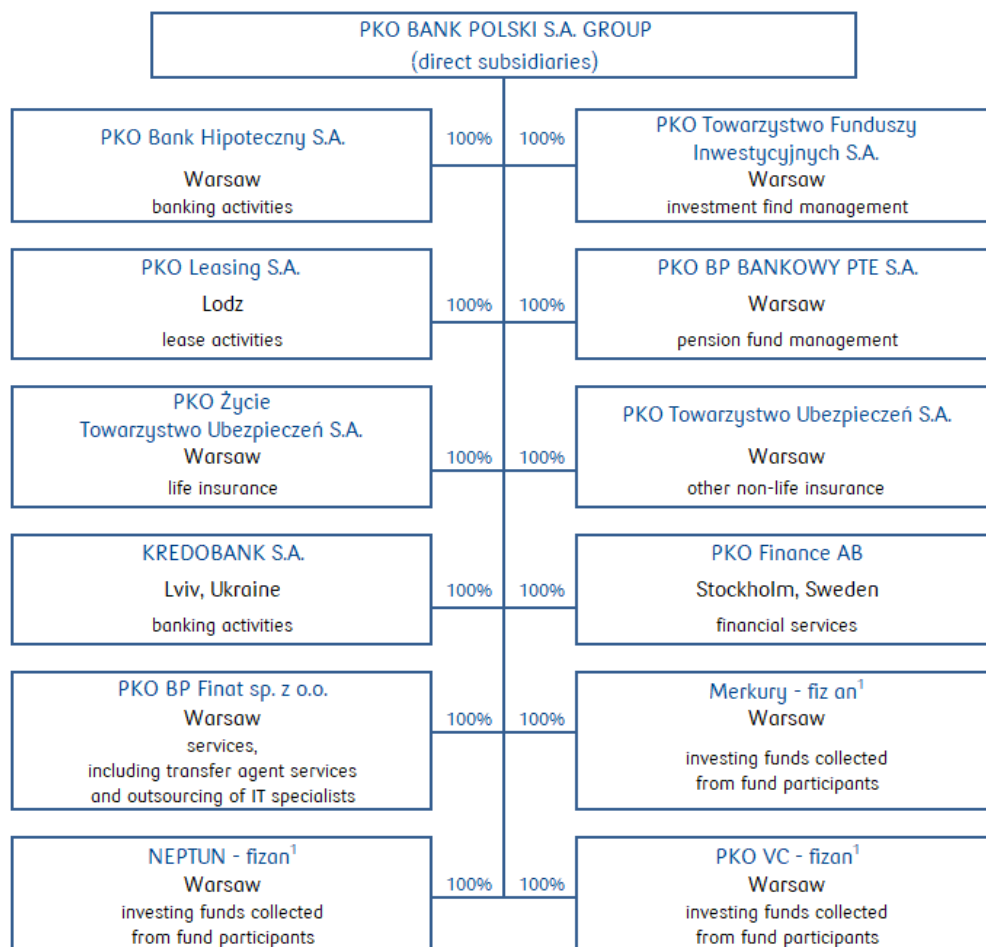
3. ORGANIZATION OF THE PKO BANK POLSKI S.A. GROUP

<p>Entities covered by the financial statements</p> <p>Key changes to the structure of the Bank's Group in 2022</p> <p>Transactions with subordinated entities</p>
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3.1 ENTITIES COVERED BY THE FINANCIAL STATEMENTS

[GRI 2-2] Pursuant to the International Financial Reporting Standards (IFRS) as at 31 December 2022 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:



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 2022 (hereinafter: financial statements of the Bank's Group for 2022) are accounted for using the acquisition accounting method.

A full list of the Bank's subsidiaries, associates and joint ventures is presented in the 2022 financial statements of the Bank's Group (Note 1).

3.2 KEY CHANGES IN THE STRUCTURE OF THE PKO BANK POLSKI S.A. GROUP

In 2022, the following events occurred in the structure of the Group.

- liquidation of ROOF Poland Leasing 2014 (an entity from the PKO Leasing S.A. portfolio) was completed,
- liquidation of Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A. w likwidacji (in liquidation) (an entity from the Merkury fiz an portfolio) was completed.

The aforementioned companies ceased to be members of the PKO Bank Polski S.A. Group.

In December 2022, the Extraordinary General Shareholders' Meeting of the companies: Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A and Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A (entities in the Mercury fiz an portfolio) resolved to put the companies into liquidation. The changes were entered in the National Court Register in January 2023.

3.3 TRANSACTIONS WITH SUBORDINATED ENTITIES

In 2022, PKO Bank Polski S.A. provided services to its related (subordinated) entities, including maintaining bank accounts, accepting deposits, granting loans and advances, issue of debt securities, 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 2022 is presented in the Financial Statements of PKO Bank Polski S.A. for the year ended 31 December 2022 (Note 71).

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 2022, 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.

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 2022, the main financial performance indicators reached the following levels:

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

	31.12.2022	31.12.2021	Change
Net ROE (net profit/(loss)/average equity)	9.7%	12.1%	-2.4 p.p.
Net ROTE (net profit/(loss)/average equity less intangible assets)	10.8%	13.2%	-2.4 p.p.
Net ROA (net profit/(loss)/average assets)	0.8%	1.2%	-0.4 p.p.
C/I (cost to income ratio)	45.3%	40.4%	+4.9 p.p.
Interest margin¹⁾ (net interest income/average interest-bearing assets)	3.90%	2.70%	+1.20 p.p.
Share of impaired exposures	3.80%	3.98%	-0.18 p.p.
Cost of credit risk	0.53%	0.55%	-0.02 p.p.
Total capital ratio (own funds/total capital requirement*12.5)	17.78%	18.73%	-0.95 p.p.
Common equity Tier 1 (CET 1)	16.65%	17.53%	-0.88 p.p.

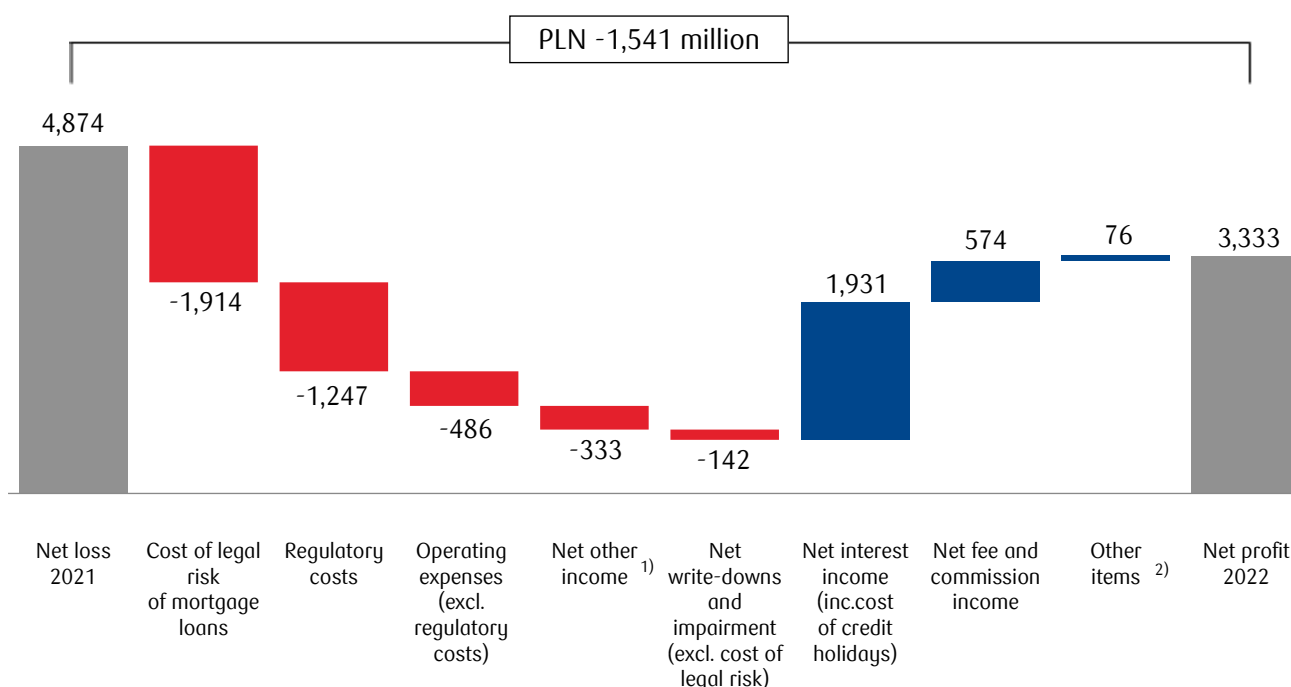
1) The interest margin in 2022 was calculated excluding the impact of the recognition in the third quarter of 2022 of the effects of the Act on crowdfunding for business ventures and assistance for borrowers (so-called statutory credit holidays) of PLN 3,111 million.

4.2 CONSOLIDATED INCOME STATEMENT

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

PKO Bank Polski S.A. Group's consolidated net profit in 2022 stood at PLN 3,333 million, which was lower by PLN 1,541 million than in 2021, determined by the recognition of the effects of the Act on crowdfunding for business ventures and borrower assistance (so-called statutory credit holidays), the cost of legal risk of mortgages in convertible currencies and high regulatory costs (including the cost 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 Borrowers' Support Fund in the amount of PLN 314 million), while improving net interest income attributable mainly to increases in market interest rates.

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



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

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

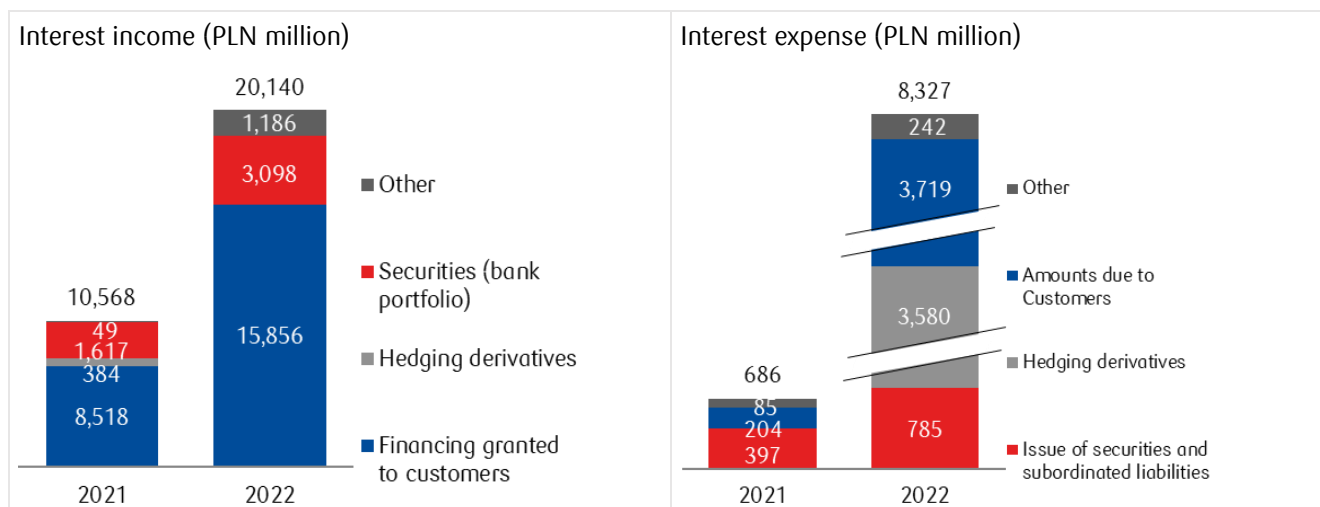
The profit on business activities of the PKO Bank Polski Group for 2022 amounted to PLN 17,317 million and was PLN 2,172 million (i.e. 14.3%) higher y/y, mainly as a result of an increase in net interest income and net fee and commission income, with a decrease in net other income.

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

	2022	2021	Change (in PLN million)	Change (%)
Net interest income	11,813	9,882	1,931	19.5%
Net fee and commission income	4,951	4,377	574	13.1%
Other net income	553	886	-333	-37.5%
Dividend income	51	12	39	3.3x
Gains/(losses) on financial transactions	377	382	-5	-1.2%
Foreign exchange gains/ (losses)	-73	436	-509	-1.2x
Net other operating income and expense	198	56	142	2.5x
Result on business activities	17,317	15,145	2,172	14.3%
Operating expenses	-7,850	-6,117	-1,733	28.3%
Tax on certain financial institutions	-1,266	-1,079	-187	17.3%
Net operating result	8,201	7,949	252	3.2%
Net write-downs and impairment	-3,523	-1,467	-2,056	1.4x
Share in profits and losses of associates and joint ventures	71	31	40	1.3x
Profit/loss before tax	4,749	6,513	-1,764	-27.1%
Income tax expense	-1,416	-1,640	224	-13.7%
Net profit (including non-controlling shareholders)	3,333	4,873	-1,540	-31.6%
Profit (loss) attributable to non-controlling shareholders	0	-1	1	x
Net profit/loss	3,333	4,874	-1,541	-31.6%

NET INTEREST INCOME

Net interest income for 2022 amounted to PLN 11,813 million, i.e. PLN 1,931 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. This effect was partially offset by the recognition in the third quarter of 2022 of a non-recurring loss charged to interest income on statutory credit holidays that reduced income on home loans by PLN 3,111 million. 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. 2022 also saw a decline in interest income from hedge accounting. In turn, net interest income was positively affected by an increase in income from securities, mainly as a result of an increase in the average interest rate.



Interest income amounted to PLN 20,140 million and was 90.6% higher than in 2021. This was mainly due to:

- an increase in income from financing granted to customers by PLN 7,338 million y/y - mainly due to a 3.8 p.p. increase in the average interest rate on financing granted to customers. (excluding the impact of statutory credit holidays), resulting from an increase in market interest rates, with a change in the structure of financing (an increase in the share of business loans at the expense of the share of housing, foreign currency and PLN loans);
- higher income on securities (PLN +1,481 million y/y), mainly as a result of an increase in average interest rates resulting from rising market interest rates;
- lower hedge accounting income (PLN -384 million y/y), mainly related to a significant drop in margins associated with an increase in market interest rates for the PLN.

Interest expenses stood at PLN 8,327 million, up PLN 7,641 million from 2021, mainly due to:

- an increase in interest expense on deposits by PLN 3,515 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;
- hedge accounting, which generated interest expense of PLN 3,580 million y/y, mainly as a result of a decline in average margins on IRS transactions following the interest rate hikes for PLN.

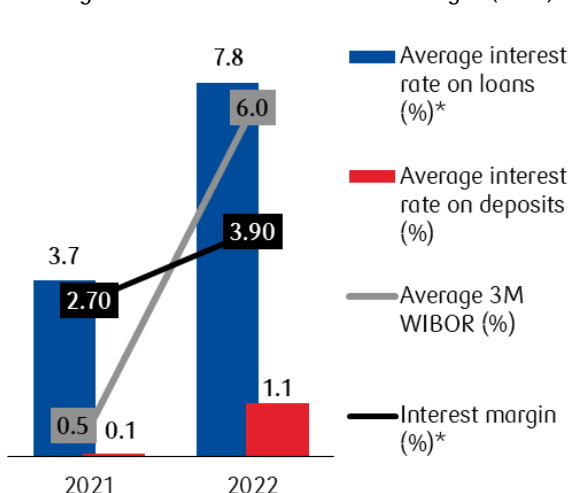
The interest margin in 2022, excluding the impact of recognizing the effects of the statutory credit holidays in the third quarter of 2022, increased by 1.20 p.p. y/y to 3.90%.

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. Interest income was negatively affected by changes in the structure of interest-bearing assets (the share of receivables from banks, bearing interest at lower rates, increased at the expense of the share of securities and the share of receivables from customers, bearing interest at the highest rates).

In 2022 the average interest rate on PKO Bank Polski S.A.'s loans was 7.8%, and the average interest rate on total deposits was 1.1%. In 2021, it was 3.7% and 0.1%, respectively.

Average interest rate of new term deposits in PLN (for individual clients and enterprises) in 2022 was equal to 4.8%.

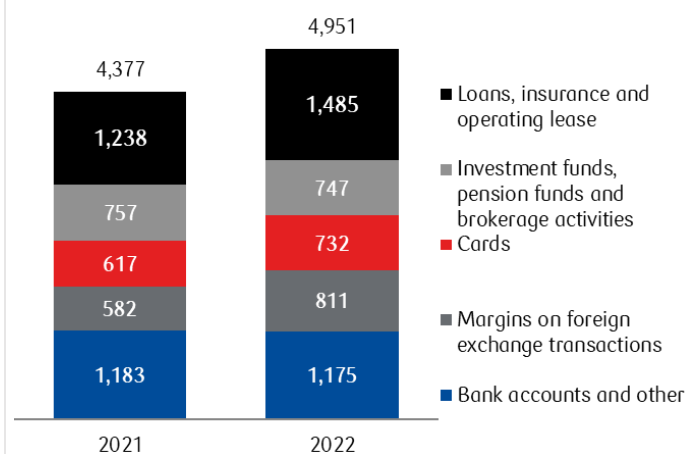
Average interest rate and interest margin (in %)



* 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 credit holidays) of PLN 3,111 million.

NET FEE AND COMMISSION INCOME

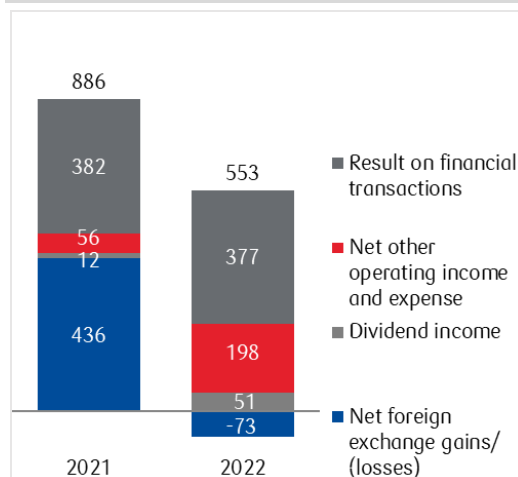
Net fee and commission income (in PLN million)



In 2022, net fee and commission income amounted to PLN 4,951 million, and was PLN 574 million higher than in the previous year. The increase in net commission income was due to, among other things:

- higher income on loans, insurance and operating leases (PLN +247 million y/y), mainly as a result of an increase in commission income on business loans, leasing and factoring, and an increase in income from offering insurance products, accompanied by a decrease in income on housing loans;
- higher net income on margins in Forex transactions (PLN +229 million y/y), mainly in effect of an increase in the number of transactions;
- higher net income on cards (PLN +115 million y/y) due to the higher number of cards and higher number of transactions;
- lower net income from investment funds, pension funds and brokerage activities (PLN -10 million y/y), mainly due to a decrease in commissions for fund management and for the sale of units and commissions on securities exchange trading on the stock market, with an increase in commissions for the sale of Treasury bonds;
- higher net income from maintaining bank accounts and other income (PLN -8 million y/y), due to, among other things, a decrease in fees on high account balances and an increase in the cost of clearing services.

OTHER NET INCOME



Other net income earned in 2022 amounted to PLN 553 million and was PLN 333 million lower than in 2021, among other things, as an effect of:

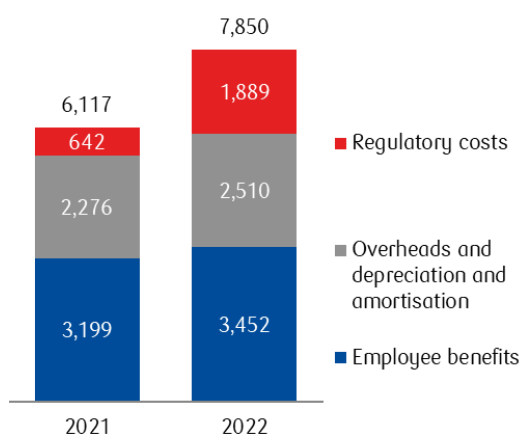
- lower net foreign exchange gains (losses) (PLN -509 million y/y), mainly as a result of the recognition in 2021 of a foreign exchange gain of approximately PLN 328 million following the decision of the Extraordinary Shareholders' Meeting of the Bank of 23 April 2021 to offer settlements to customers and a deterioration

in the gain or loss on foreign exchange transactions due to an increase in PLN interest rates and an increase in the cost of currency conversion in 2022, with an improvement in the net income on customer operations;

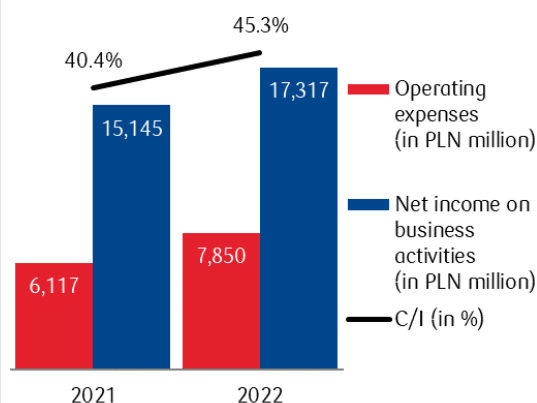
- maintaining the net income on financial operations at a similar level (PLN -5 million y/y);
- higher net other operating income and expenses (PLN +142 million y/y), among other things as a result of:
 - an increase in income from other operations of the PKO Leasing S.A. Group of PLN 28 million (among other things, the sale of post-lease cars, settlement of damages and insurance premiums, income from early termination of agreements);
 - an increase in revenues from hotel operations of Sopot Zdrój sp. z o.o. by PLN 23 million;
 - a decrease in costs of provisions for returns to customers on early repayments of consumer and mortgage loans by PLN 13 million;
 - recognition in 2022 of income from the sale of CO₂ emission allowances in the amount of PLN 18 million (in the previous year, the cost on this account amounted to PLN 60 million, which was fully offset by positive valuation of customer derivatives related to CO₂ emission allowances recognized in the net income on financial operations).

OPERATING EXPENSES

Operating expenses (in PLN million)



C/I ratio components



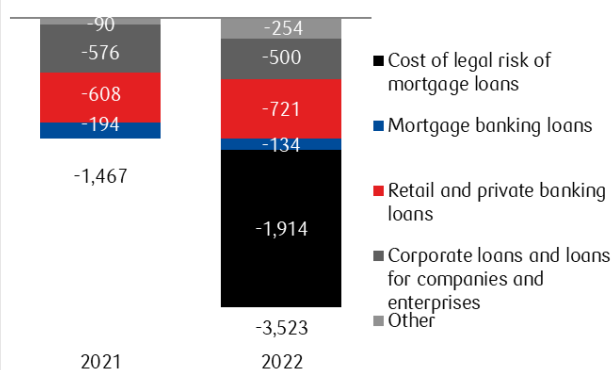
In 2022, operating expenses amounted to PLN 7,850 million and were 28.3% higher y/y. Their level was mainly determined by:

- an increase by PLN 1,247 million, i.e. 194.2% in regulatory costs, mainly as a result of the recognition 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 Borrowers' Support Fund in the amount of PLN 314 million, with simultaneous decrease in contributions to the Bank Guarantee Fund by PLN 73 million – these costs amounted to PLN 409 million, of which PLN 291 million represented a contribution to the resolution fund (in the previous year, BGF costs stood at PLN 482 million, of which PLN 253 million represented the contribution to the resolution fund);
- an increase of PLN 253 million, or 7.9%, in the cost of employee benefits, mainly as a result of wage regulations;
- an increase of PLN 202 million, i.e. of 15.8% of tangible costs, mainly as a result of:
 - an increase in ICT costs by PLN 44 million, or 10.3%;
 - an increase in legal expenses by PLN 27 million, or 45.5%, mainly due to the handling of cases involving Swiss franc borrowers;
 - an increase in promotion and advertising costs by PLN 22 million, or 17.2%;
 - an increase in the cost of maintenance and rental of non-current assets by PLN 21 million, or 7.8%;
- an increase in depreciation and amortization expense by PLN 32 million, or 3.2%, 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 45.3% on an annual basis and deteriorated by 4.9 p.p. y/y, due to a greater increase in operating expenses (28.3% y/y; 8.9% y/y excluding regulatory costs), including a nearly twofold increase in the level of regulatory costs, than the increase in the net income on business activities (14.3% y/y), dragged down by the recognition of the impact of statutory credit holidays.

NET WRITE-DOWNS AND IMPAIRMENT

Net write-downs and impairment (in PLN million)

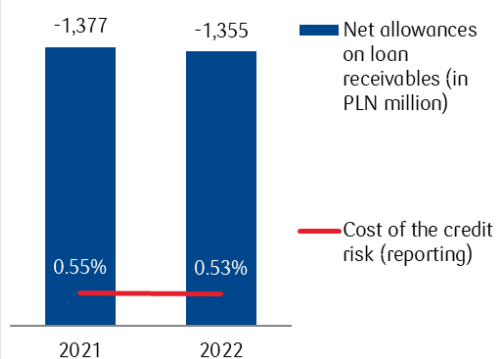


In 2022, net write-downs and impairment (including the cost of legal risk) amounted to PLN -3,523 million and deteriorated by PLN 2,056 million compared to that recorded in the previous year, which was mainly driven by the recognition of the cost of legal risk of mortgage loans in convertible currencies in the amount of PLN -1,914 million as a result of a significant change in the market environment affecting the estimated level of lawsuits and settlements.

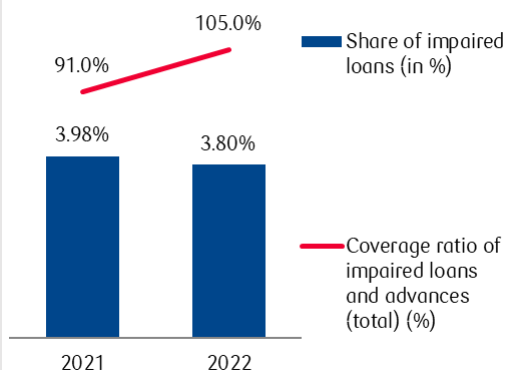
Net credit risk allowances stood at PLN -1,546 million, down by PLN 125 million as a result of recognition of additional allowances with respect to the war in Ukraine in the amount of PLN 303 million, with lower allowances on loans in the Bank and in the PKO Leasing S.A. Group.

Net write-downs on non-financial assets amounted to PLN -63 million and deteriorated by PLN 17 million year-on-year, mainly as a result of recognizing an impairment loss on customer relationships with Raiffeisen Leasing S.A. in the amount of PLN 21 million.

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 3.80% as at the end of 2022 (a 0.18 p.p. decrease compared with 2021), owing to the Bank's package sales of receivables, among other things.

At the end of 2022, the cost of risk amounted to -0.53% and was 0.02 p.p. lower than that recorded in the previous year.

In light of the volatile macroeconomic conditions associated with rising interest rates, increasing the cost of debt service, and rising inflation, which is causing a decline in profitability and thus in customers' repayment capacity, the Bank continues its conservative credit risk management policy of the Bank's Group and strict monitoring of the receivables portfolio.

4.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Main items of the Statement of financial position

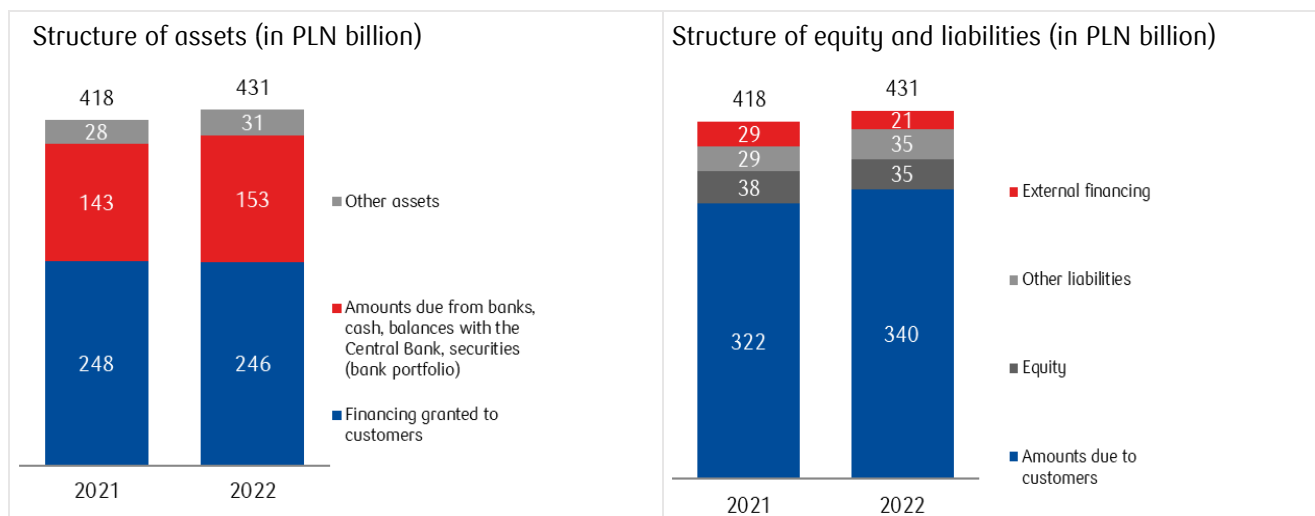
Financing granted to customers
Sources of financing operations
Customer deposits
External financing

MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

As at the end of 2022, the PKO Bank Polski S.A. Group's total assets amounted to nearly PLN 431 billion and increased by approx. PLN 13 billion as of the beginning of the year. Thus, the Bank's Group reinforced its leading position on the Polish banking market.

On the asset side, there was an increase in funds deposited with the Central Bank and other banks in 2022, as well as a slight decrease in the total level of financing granted to customers, which was significantly negatively affected by adjustments to the gross carrying value of the housing loan portfolio (related to the recognition of the impact of the statutory credit holidays and legal risk of foreign currency loans).

In terms of sources of funding, there was a significant increase in customer deposits, with a reduction in the share of external funding and equity. The change in total assets in 2022 was also affected by an increase in the valuation of derivatives (mainly interest rate derivatives), which contributed to an increase in other assets and other liabilities.



FINANCING GRANTED TO CUSTOMERS

As at the end of 2022, financing granted to customers by the Bank's Group was PLN 246.4 billion which represents a decrease by PLN 1.2 billion y/y.

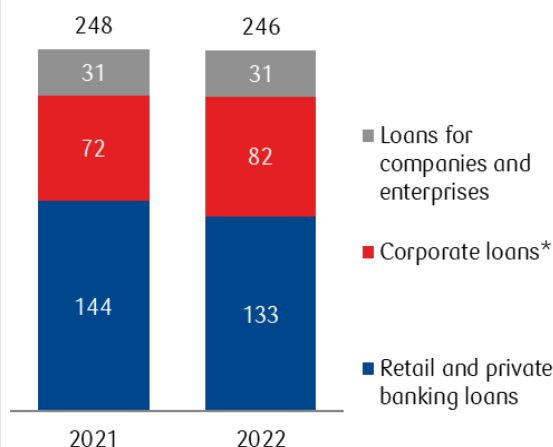
The volume of corporate loans increased by PLN 9.7 billion, with a PLN 10.8 billion decrease in the volume of retail and private banking loans, including real estate loans by PLN 10.2 billion and consumer loans by PLN 0.5 billion.

In 2022, the level of financing granted to customers was significantly negatively impacted by adjustments to the gross carrying value of the housing loan portfolio (related to the recognition in the third quarter of the impact of the statutory credit holidays in the amount of PLN 3.1 billion and the recognition of additional costs for legal risk of foreign currency loans in the amount of PLN 1.9 billion).

Excluding the impact of the above adjustments to the gross carrying amount, financing granted to customers at the end of 2022 would amount to more than PLN 251 billion.

Retail and private banking loans were the main items in the structure of financing by type, with share of 54.2% of the portfolio as at the end of 2022.

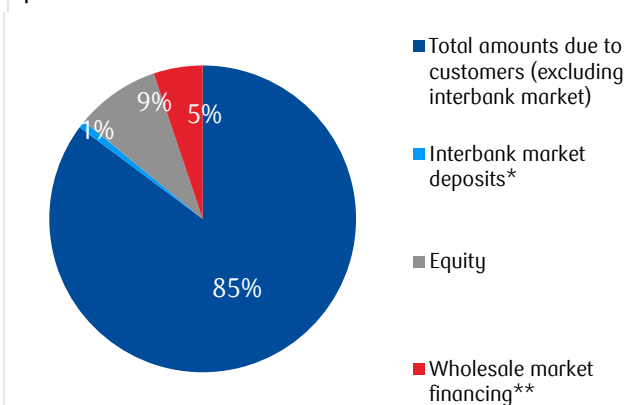
Structure of net financing granted to customers by type (in PLN billion)



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

SOURCES OF FINANCING OPERATIONS

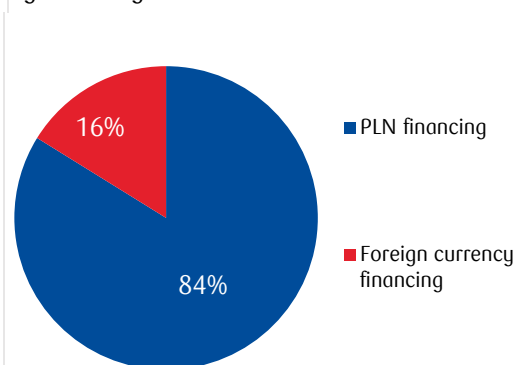
Structure of the sources of financing of the Bank's Group operations



* including repo transactions

** including issues of securities, subordinated liabilities, loans and advances received

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



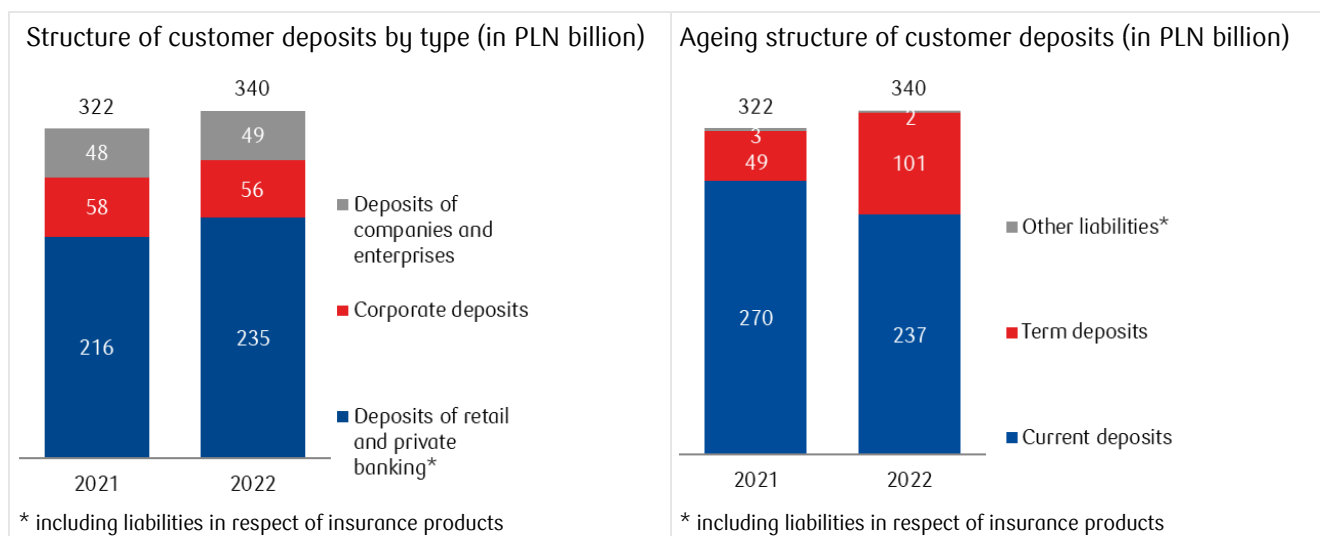
The PKO Bank Polski S.A. Group finances its operations from domestic and foreign sources which come from deposits (also on the interbank market), equity and financing from the wholesale market. The financing from the wholesale market includes liabilities in respect of issues of securities, subordinated 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 PKO Bank Polski S.A 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 2022, amounts due to customers reached PLN 339.6 billion, which is an increase of PLN 17.3 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 +19.0 billion) and deposits of business entities (PLN +0.9 billion), accompanied by a decrease in deposits of corporate entities (PLN -2.6 billion).

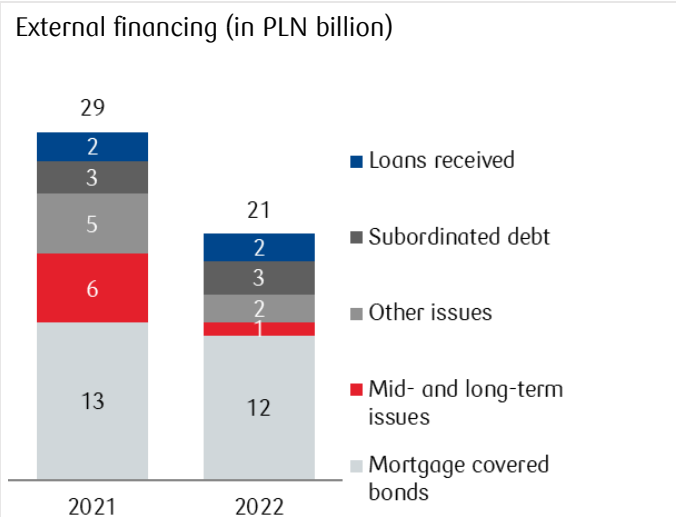
In the ageing structure of customer deposits, the main items are current deposits whose share amounted to 69.7%, down 14.1 p.p. from the end of 2021 in favor of term deposits. The year-on-year increase in the share of term deposits was driven by the introduction of new interest-bearing products for the bank's customers, in response to the rise in market rates.



EXTERNAL FINANCING

As at the end of 2022, long-term sources of financing amounted to nearly PLN 21 billion, which means a drop by PLN 8 billion since the end of 2021. The change resulted from:

- maturity of PKO Finance AB's issue of PLN 3.5 billion;
- a decrease in bonds issued by PKO Bank Hipoteczny S.A. by PLN 2.2 billion;
- a decrease in bonds issued by the PKO Leasing S.A. Group by PLN 1.5 billion;
- a decrease in mortgage covered bonds of PKO Bank Hipoteczny S.A. by PLN 1.1 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 2022 translated into financial indicators as follows:

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

	31.12.2022	31.12.2021	Change
Net ROE (net profit/(loss)/average equity)	9.9%	11.9%	-2.0 p.p.
Net ROTE (net profit/(loss)/average equity less intangible assets)	10.9%	12.8%	-1.9 p.p.
Net ROA (net profit/(loss)/average assets)	0.8%	1.3%	-0.5 p.p.
C/I (cost to income ratio)	43.7%	38.8%	+4.9 p.p.
Interest margin ¹⁾ (net interest income/average interest-bearing assets)	3.82%	2.60%	+1.22 p.p.
Share of impaired exposures	3.60%	3.90%	-0.30 p.p.
Cost of credit risk	0.42%	0.54%	-0.12 p.p.
Total capital ratio (own funds/total capital requirement*12.5)	18.86%	20.23%	-1.37 p.p.
Common equity Tier 1 (CET 1)	17.56%	18.85%	-1.29 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 credit holidays) of PLN 2,443 million.

5.2 INCOME STATEMENT

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

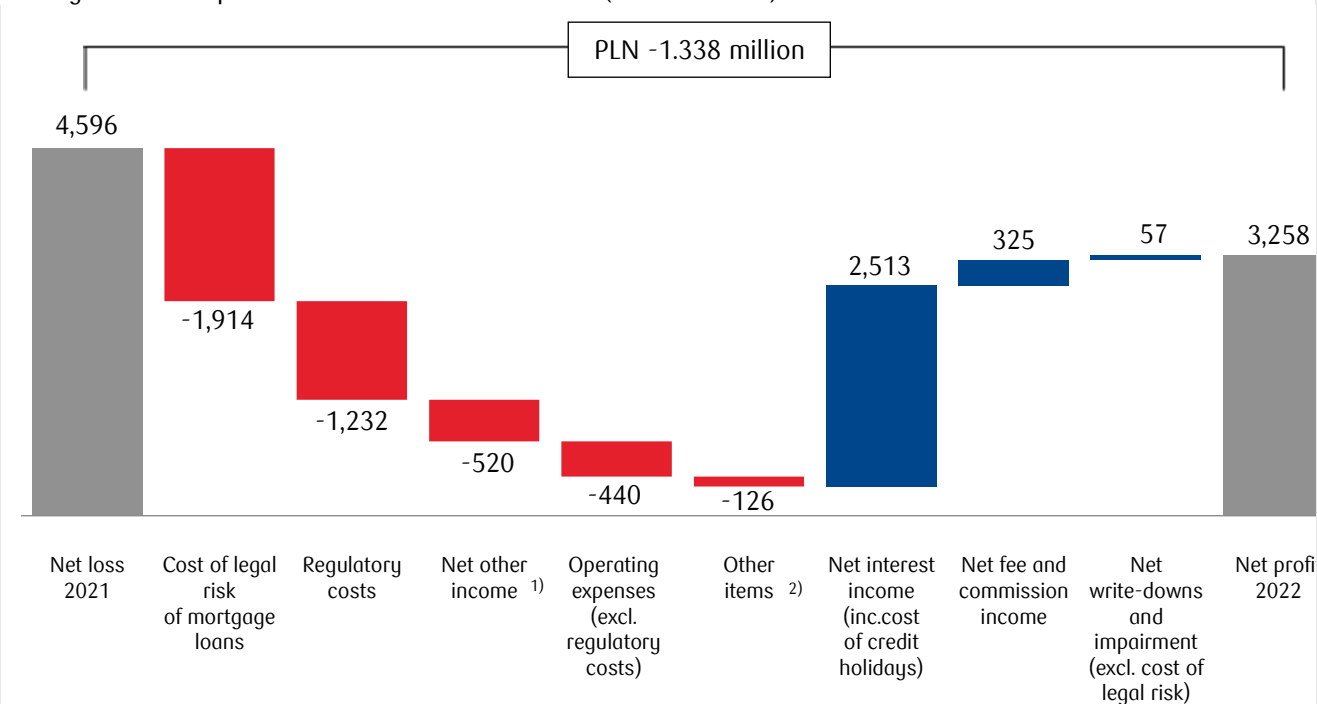
PKO Bank Polski S.A. net profit in 2022 stood at PLN 3,258 million, which was lower by PLN 1,338 million than in 2021, determined by the recognition of the effects of the Act on crowdfunding for business ventures and borrower assistance (so-called statutory credit holidays), the cost of legal risk of mortgages in convertible currencies 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 Borrowers' Support Fund in the amount of PLN 307 million), while improving net interest income attributable mainly to increases in market interest rates.

In 2022, the net result on business activities amounted to PLN 15,844 million and was PLN 2,317 million, i.e. 17.1% higher than in 2021. This was mainly the effect of an increase in net interest income by PLN 2,513 million y/y, and in net fee and commission income by PLN 325 million y/y, with a decrease in net other income by PLN 520 million y/y.

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

	2022	2021	Change (in PLN million)	Change (%)
Net interest income	11,224	8,711	2,513	28.8%
Net fee and commission income	3,818	3,493	325	9.3%
Other net income	803	1,323	-520	-39.3%
Dividend income	488	624	-136	-21.8%
Gains/(losses) on financial transactions	390	367	23	6.3%
Foreign exchange gains/ (losses)	-108	429	-537	-1.3x
Net other operating income and expense	33	-97	130	1.3x
Result on business activities	15,844	13,527	2,317	17.1%
Operating expenses	-6,925	-5,253	-1,672	31.8%
Tax on certain financial institutions	-1,190	-987	-203	20.5%
Net operating result	7,730	7,287	443	6.1%
Net write-downs and impairment	-3,168	-1,311	-1,857	1.4x
Profit/loss before tax	4,562	5,976	-1,414	-23.7%
Income tax expense	-1,304	-1,380	76	-5.5%
Net profit/loss	3,258	4,596	-1,338	-29.1%

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

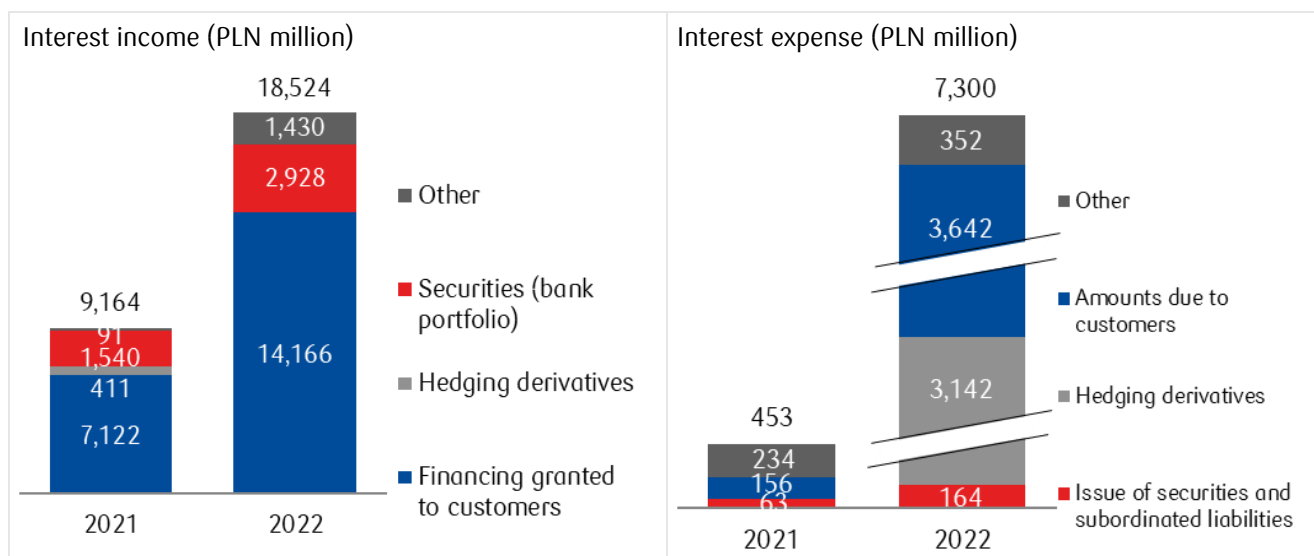


1) Other net income reflects dividend income, net income on financial operations, net foreign exchange gains/(losses) and other net operating income and expense.

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

NET INTEREST INCOME

Net interest income for 2022 amounted to PLN 11,224 million, i.e. PLN 2,513 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. This effect was partially offset by the recognition in the third quarter of 2022 of a non-recurring loss charged to interest income on statutory credit holidays that reduced income on home loans by PLN 2,443 million. Net interest income in 2022 was negatively affected by a decrease in hedge accounting income and an increase in interest expense on customer deposits, resulting mainly from increases in market rates for the PLN.



Interest income in 2022 reached PLN 18,524 million and was 102.1% higher than in 2021, largely as a result of:

- an increase in revenue from financing granted to customers by PLN 7,044 million y/y - mainly related to a 3.6 p.p. increase in the average interest rate on financing granted to customers. (excluding the impact of statutory credit holidays), with a change in the structure of the average volume of loan receivables (an increase in the share of business loans at the expense of other groups of loans, mainly foreign currency housing loans);
- higher income on securities (PLN +1,388 million y/y), mainly as a result of an increase in average interest rates resulting from rising market interest rates;
- lower hedge accounting income (PLN -411 million y/y), mainly as a result of the decline in average margins on IRS transactions following the interest rate hikes for PLN, which translated into negative results presented in interest expense.

Interest expenses stood at PLN 7,300 million, up PLN 6,847 million from 2021, mainly due to:

- increase in interest expense on deposits by PLN 3,486 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;
- hedge accounting, which generated interest expense of PLN 3,142 million y/y, mainly as a result of a decline in average margins on IRS transactions following the interest rate hikes for PLN.

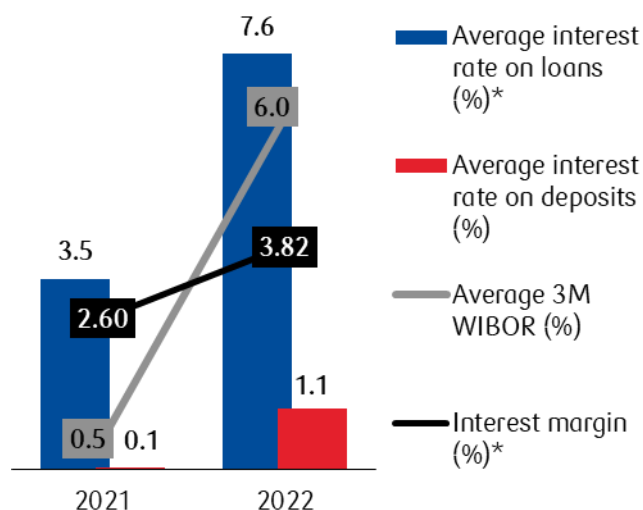
The interest margin in 2022, excluding the impact of recognizing the effects of the statutory credit holidays in the third quarter of 2022, increased by 1.22 p.p. y/y to 3.82%.

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 receivables from banks, bearing interest at lower rates, increased at the expense of mainly the share of securities and the share of receivables from customers, bearing interest at the highest rates).

In 2022, the average interest rate on PKO Bank Polski S.A.'s loans was 7.6%, and the average interest rate on total deposits was 1.1%. In 2021, it was 3.5% and 0.1%, respectively.

Average interest rate of new term deposits in PLN (for individual clients and enterprises) in 2022 was equal to 4.8%.

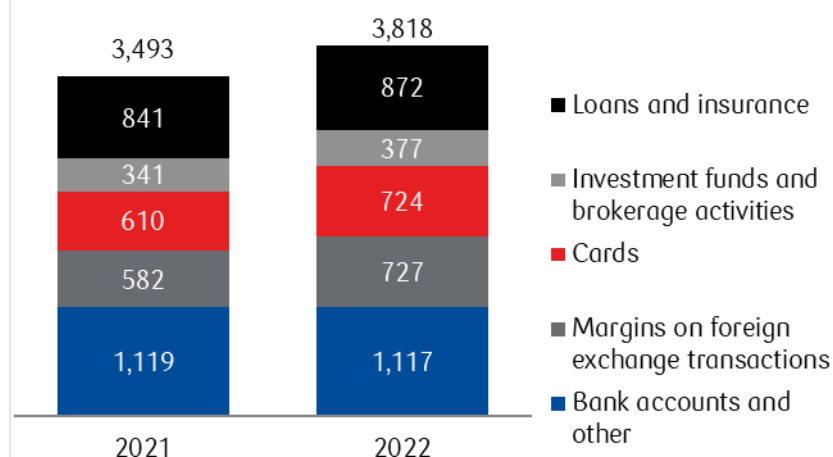
Average interest rate and interest margin (in %)



* 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 credit holidays) of PLN 2,443 million.

NET FEE AND COMMISSION INCOME

Net fee and commission income (in PLN million)

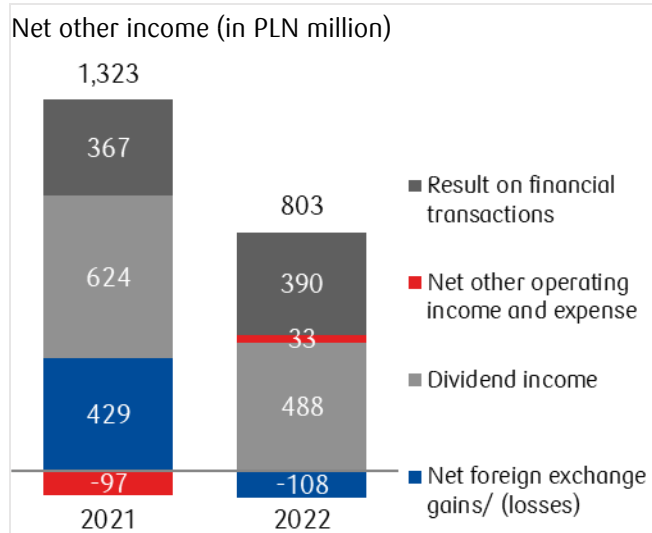


In 2022, net fee and commission income amounted to PLN 3,818 million and was PLN 325 million higher than in the previous year. The increase was determined – among other things – by:

- higher net income on margins in Forex transactions (PLN +145 million y/y) in effect of an increase in the number of transactions;
- higher net income on cards (PLN +114 million y/y) due to the higher number of cards and higher number of transactions;
- higher net income from investment funds and brokerage activities (PLN +36 million y/y), mainly due to an increase in commission on the sale of Treasury bonds;

- higher net income on loans and insurance (PLN +31 million y/y), mainly in effect of an increase in commission on business loans, accompanied by a decline in income on housing loans and commissions for the sale of loan-linked insurance;
- stable net income on maintenance of bank accounts and other.

OTHER NET INCOME



In 2022, other net income amounted to PLN 803 million and was PLN 520 million lower than that earned in 2021, among other things due to:

- lower net foreign exchange gains (losses) (PLN -537 million y/y), mainly as a result of the recognition in 2021 of a foreign exchange gain of approximately PLN 328 million following the decision of the Extraordinary Shareholders' Meeting of the Bank of 23 April 2021 to offer settlements to customers and a deterioration in the gain or loss on foreign exchange transactions due to an increase in PLN interest rates and an increase in the cost of currency conversion in 2022, with an improvement in the net income on customer operations;
- lower dividend income (PLN -136 million y/y);
- higher net income on financial operations (PLN +23 million y/y) – among other things, as a result of an increase in the net income on derivatives (mainly realized on instruments embedded in structured deposits), with lower result on derecognition of assets (mainly due to high income generated on the sale of securities in 2021);
- higher net other operating income and expenses (PLN +130 million y/y), among other things as a result of:
 - a decrease in costs of provisions for returns to customers on early repayments of consumer and mortgage loans by PLN 13 million;
 - recognizing income of PLN 23 million in 2022 in respect of a decrease in liability related to providing additional capital to a subsidiary, whereas costs recognized in 2021 in this respect amounted to PLN 17 million;
 - recognition in 2022 of income from the sale of CO2 emission allowances in the amount of PLN 18 million (in the previous year, the cost on this account amounted to PLN 60 million, which was fully offset by positive valuation of customer derivatives related to CO2 emission allowances recognized in the net income on financial operations).

OPERATING EXPENSES

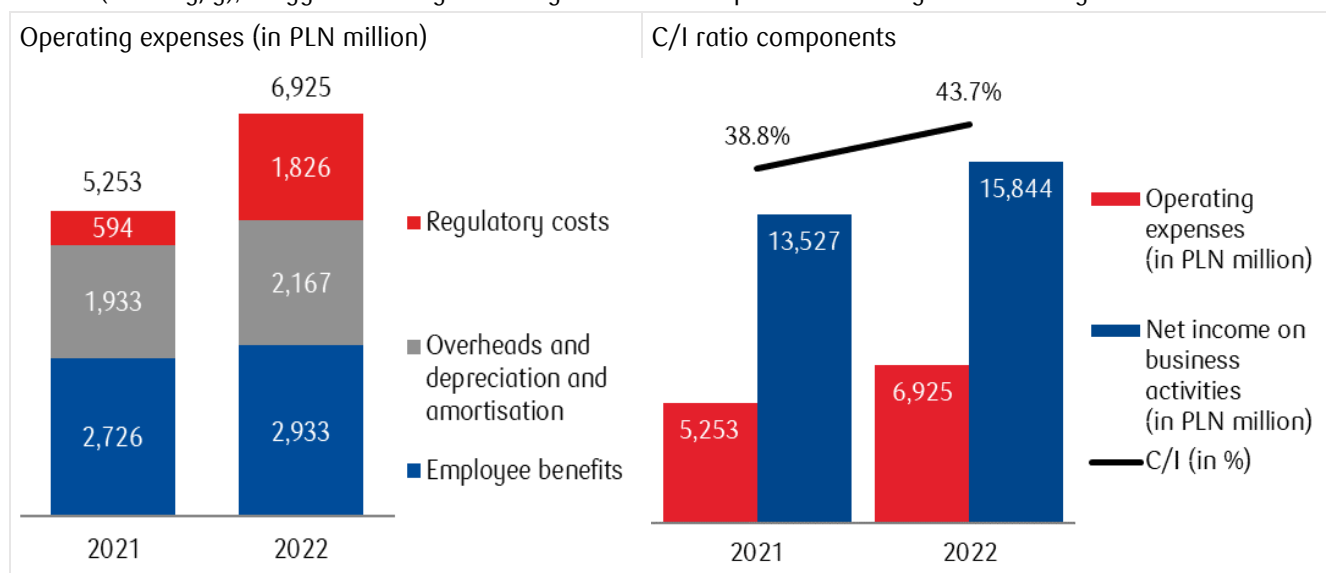
In 2022, operating expenses amounted to PLN 6,925 million and were 31.8% higher y/y. Their level was mainly determined by:

- an increase by PLN 1,232 million, i.e. 207.4% in regulatory costs, mainly as a result of the recognition 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 Borrowers' Support Fund in the amount of PLN 307 million, with simultaneous decrease in contributions to the Bank Guarantee Fund by PLN 80 million –

these costs amounted to PLN 381 million, of which PLN 264 million represented a contribution to the resolution fund (in the previous year, BGF costs stood at PLN 461 million, of which PLN 232 million represented the contribution to the resolution fund).

- an increase by PLN 207 million, or 7.6%, in the cost of employee benefits, mainly as a result of wage regulations;
- an increase by PLN 192 million, i.e. of 18.0% of tangible costs, mainly as a result of:
 - an increase in ICT costs by PLN 48 million, or 14.1%;
 - an increase in legal expenses by PLN 31 million, or 59.4%, mainly due to the handling of cases involving Swiss franc borrowers;
 - an increase in promotion and advertising costs by PLN 25 million, or 22.3%;
 - an increase in the cost of maintenance and rental of non-current assets by PLN 22 million, or 9.0%;
 - an increase in project costs by PLN 16 million, or 31.8%;
- an increase in depreciation and amortization expense by PLN 42 million, or 4.8%, 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 43.7% on an annual basis and deteriorated by 4.9 p.p. y/y, due to a greater increase in operating expenses (31.8% y/y; 9.5% y/y excluding regulatory costs), including a twofold increase in regulatory costs, than the increase in the net income on business activities (17.1% y/y), dragged down by the recognition of the impact of statutory credit holidays.



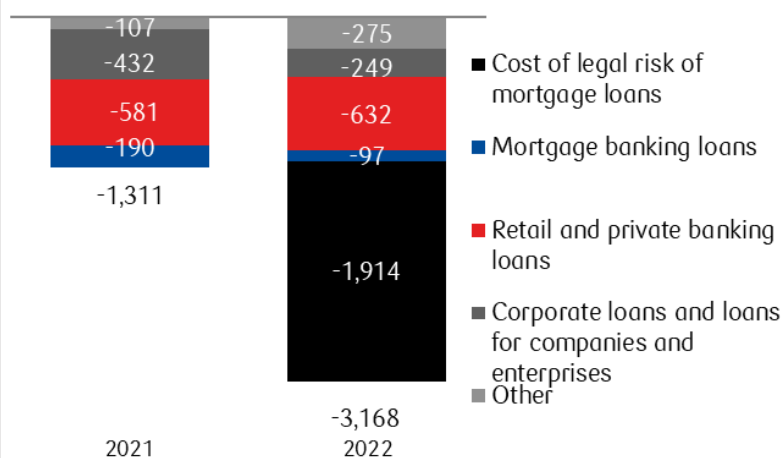
NET WRITE-DOWNS AND IMPAIRMENT

In 2022, net write-downs and impairment (including the cost of legal risk) amounted to PLN -3,168 million and deteriorated by PLN 1,857 million compared to that recorded in the previous year. This was mainly driven by the recognition of the cost of legal risk of mortgage loans in convertible currencies in the amount of PLN -1,914 million as a result of a significant change in the market environment affecting the estimated level of lawsuits and settlements, and recognition of additional allowances of PLN 103 million as a result of the materialization of risks associated with the war in Ukraine.

Net credit risk allowances stood at PLN -1,165 million, an improvement of PLN 91 million, mainly due to an improved performance on housing loans.

Net write-downs on non-financial assets amounted to PLN -89 million and deteriorated by PLN 34 million year-on-year, mainly as a result of recognizing additional impairment loss on shares in Kredobank in the amount of PLN 51.8 million.

Net write-downs and impairment (in PLN million)

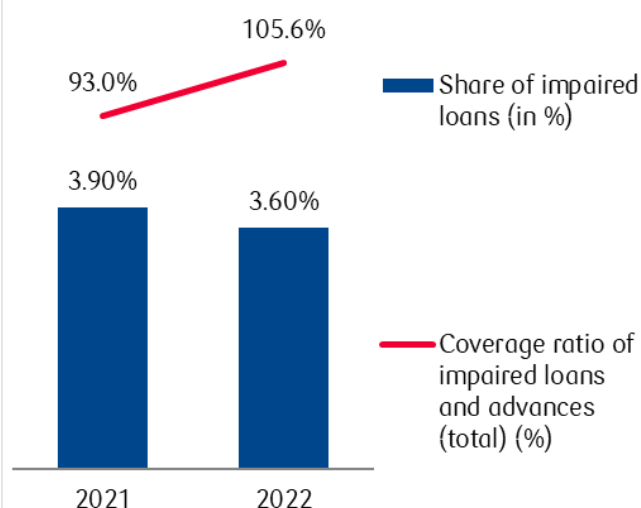


The share of impaired loans amounted to 3.60% as at the end of 2022, down 0.30 p.p. compared to 2021, driven by an increase in the total receivables portfolio and the Bank's package sales of receivables.

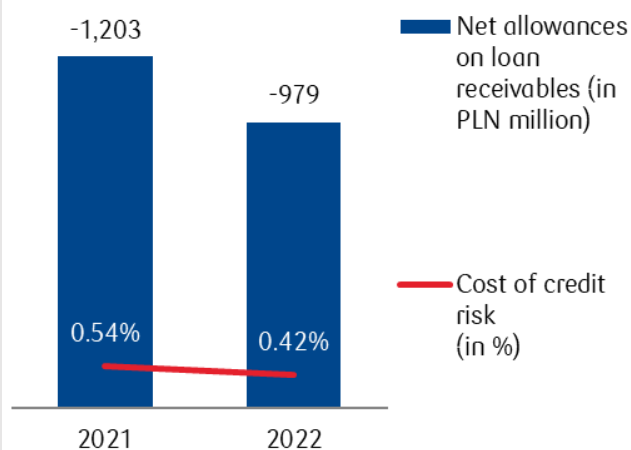
At the end of 2022, the cost of risk amounted to -0.42% and was 0.12 p.p. lower than that recorded in the previous year.

In light of the volatile macroeconomic conditions associated with rising interest rates, increasing the cost of debt service, and rising inflation, which is causing a decline in profitability and thus in customers' repayment capacity, the Bank continues its conservative credit risk management policy and strict monitoring of the receivables portfolio.

Quality ratios of the Bank's loan portfolio



Cost of Bank's credit risk



5.3 STATEMENT OF FINANCIAL POSITION

Main items of the Statement of financial position

Financing granted to customers

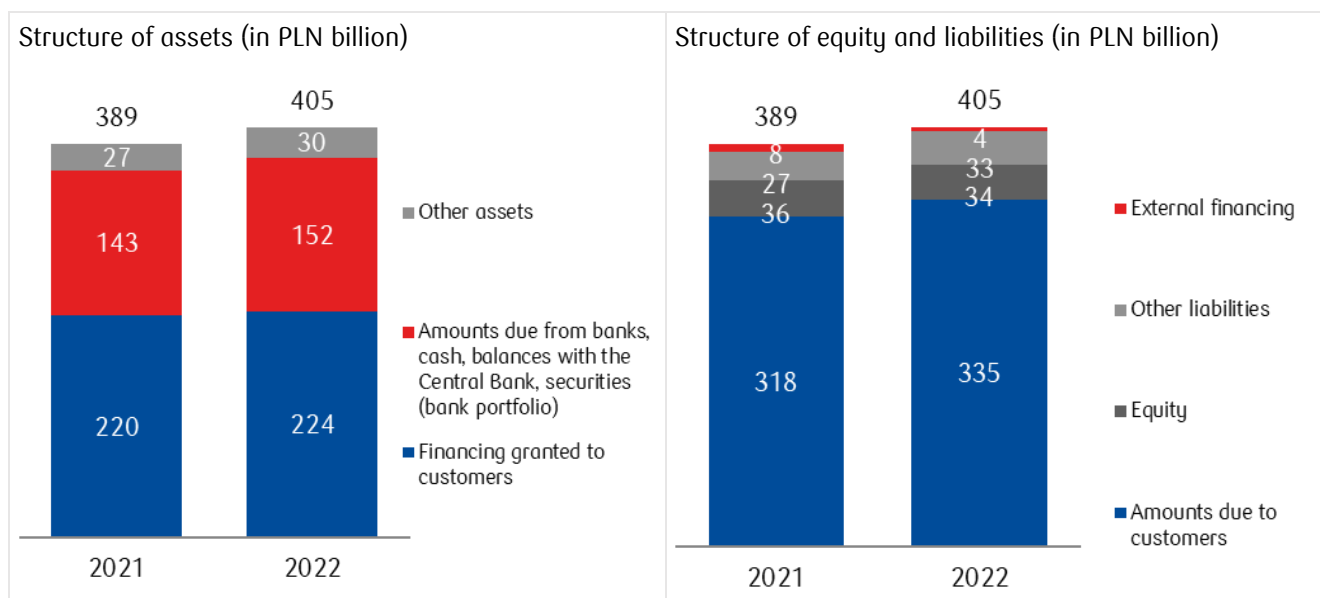
Customer deposits

External financing

MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

As at the end of 2022, the PKO Bank Polski S.A.'s total assets amounted to PLN 405 billion and increased by approx. PLN 16 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.

On the asset side, there was an increase in funds deposited with the Central Bank and other banks in 2022, as well as an increase in the total level of financing granted to customers, despite the negative impact of adjustments to the gross carrying amount of the housing loan portfolio (related to the recognition of the impact of the statutory credit holidays and legal risk of foreign currency loans). In terms of sources of funding, there was a significant increase in customer deposits, with a reduction in the share of external funding and equity. The change in total assets in 2022 was also affected by an increase in the valuation of derivatives (mainly interest rate derivatives), which contributed to an increase in other assets and other liabilities.



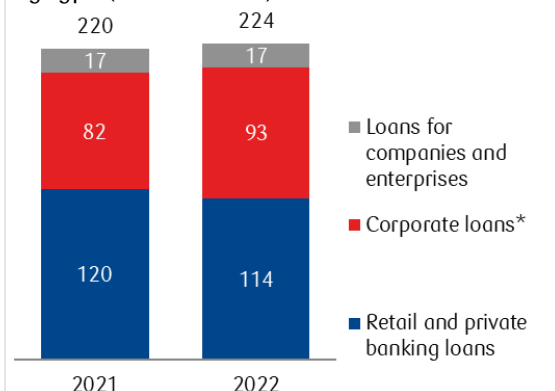
FINANCING GRANTED TO CUSTOMERS

As at the end of 2022, financing granted to customers by the Bank was PLN 223.6 billion which represents an increase by PLN 3.8 billion y/y.

The volume of corporate loans increased by PLN 10.5 billion. The volume of retail and private banking loans, on the other hand, fell by PLN 6.3 billion. The decline in retail and private banking loans was mainly in real estate loans, which were significantly negatively impacted by adjustments to the gross carrying amount (related to the recognition in the third quarter of 2022 of the impact of the statutory credit holidays in the amount of PLN 2.4 billion and the recognition of additional costs for legal risk of foreign currency loans in the amount of PLN 1.9 billion).

Excluding the impact of the above adjustments to the gross carrying amount, financing granted to customers at the end of 2022 would amount to nearly PLN 228 billion. Retail and private banking loans and corporate loans were the main items in the structure of financing by type, with a share of 50.9% and 41.4%, respectively, at the end of 2022.

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



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

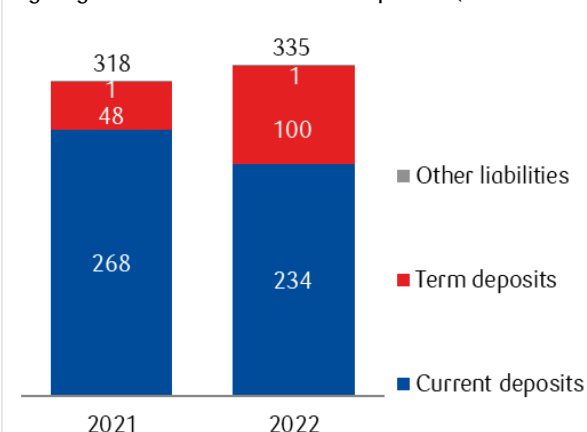
CUSTOMER DEPOSITS

Amounts due to customers constitute the basic source of financing of the Bank's assets. As at the end of 2022 amounts due to customers reached PLN 334.9 billion, which is an increase of PLN 16.8 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 +19.3 billion) and deposits of business entities (PLN +0.6 billion), accompanied by a decrease in deposits of corporate entities (PLN -3.0 billion).

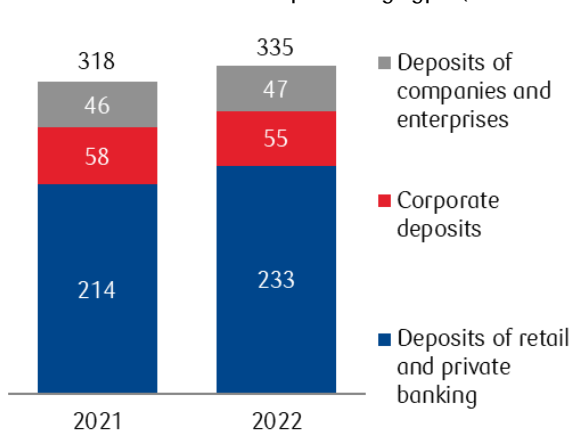
In the structure of amounts due to customers by type, the main items are the retail and private banking deposits (69.5% as at the end of 2022).

In the ageing structure of customer deposits, the main items are current deposits whose share amounted to 69.8%, down 14.6 p.p. from the end of 2021 in favor of term deposits. The year-on-year increase in the share of term deposits was driven by the introduction of new interest-bearing products for the Bank's customers, in response to the rise in market rates.

Ageing structure of customer deposits (in PLN billion)



Structure of customer deposits by type (in PLN billion)

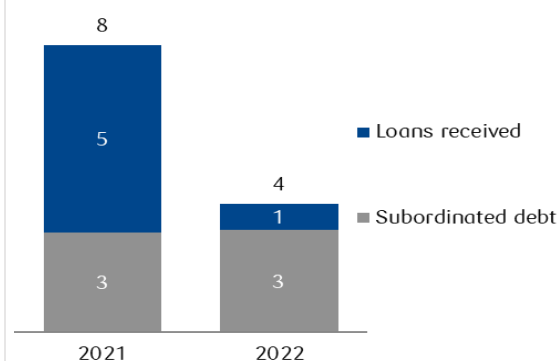


EXTERNAL FINANCING

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 2022, long-term sources of financing amounted to about PLN 3.5 billion, which means a drop by PLN 4.4 billion since the end of 2021, mainly as a result of the maturity of a loan from subsidiary, PKO Finance AB.

External financing (in PLN billion)



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

The report was prepared on the basis of the provision of § 11.1.10a 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 2022 the Bank incurred entertainment costs, expenditure on legal services, marketing services, public relations and social communication services, and advisory services related to management totalling PLN 257.6 million, which represented 1.63% of the Bank's Result on Business Activities (RBA). The corresponding costs incurred by the Bank in 2021 totaled PLN 170.6 million, which accounted for 1.26% of the Bank's RBA).

Table 9. PKO Bank Polski S.A. entertainment costs, 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	2022	
	value (in 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 Christmas image campaign and efforts to promote the 6 th PKO Charity Run) and sponsorship activities	132.7	0.84%
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	89.9	0.57%
Costs of management advisory services – advisory services related to business and finance advice	26.3	0.17%
Public relations and social communication services – internal and external communication actions, relating mainly to media publications	5.7	0.04%
Entertainment costs – expenses aimed at maintaining positive relations with customers, partners and counterparties	2.9	0.02%
Total	257.6	1.63%

7. EQUITY, CAPITAL ADEQUACY MEASURES, DIVIDEND

Equity and return on equity
Capital adequacy measures
Dividend and profit appropriation

7.1 EQUITY

Equity of the PKO Bank Polski S.A. Group went down by 6.0% y/y. The decrease in equity as at the end of 2022 by PLN 2.3 billion, compared with the prior year, results mainly from a decrease in accumulated other comprehensive income of PLN 3.3 billion, determined by changes in the fair value of the securities portfolio and derivatives in hedge accounting.

Changes in the structure of equity also result from resolutions adopted by the Extraordinary General Shareholders' Meeting of the Bank on 12 May 2022 on:

- payment of dividends from net profit for 2021 in the amount of PLN 2.3 billion (i.e. 49.77% of the Bank's net profit);
- leaving the remaining part of the net profit of PLN 2.3 billion as undistributed.

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

	31.12.2022	31.12.2021	Change (in PLN million)	Change (%)
Total equity, including:	35,435	37,693	-2,258	-6.0%
Share capital	1,250	1,250	0	0.0%
Supplementary capital	23,085	23,003	82	0.4%
General banking risk fund	1,070	1,070	0	0.0%
Other reserves	7,091	6,968	123	1.8%
Accumulated other comprehensive income	-9,031	-5,728	-3,303	57.7%
Retained earnings	8,651	6,270	2,381	38.0%
Net profit or loss for the period	3,333	4,874	-1,541	-31.6%
Non-controlling interests	-14	-14	0	0.0%
Own funds	40,723	42,112	-1,389	-3.3%
Total capital ratio	17.78%	18.73%		-0.95 p.p.

7.2 CAPITAL ADEQUACY MEASURES

CAPITAL ADEQUACY MEASURES AS AT THE END OF 2022

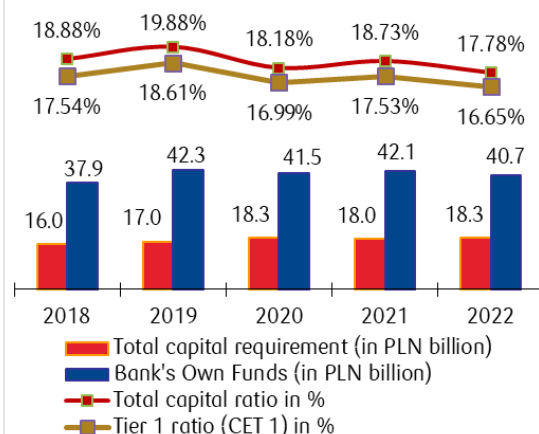
The capital adequacy of the PKO Bank Polski S.A. Group in 2022 remained significantly above the supervisory limits. As at the end of 2022 the total capital ratio of the PKO Bank Polski S.A. Group amounted to 17.78% and compared with the end of 2021 it decreased by 0.95 p.p., and the core capital Tier 1 ratio amounted to 16.65% and decreased by 0.88 p.p.

The drop in the capital ratios was determined by a decrease in own funds by PLN 1.4 billion with the capital requirements being PLN 0.3 billion higher.

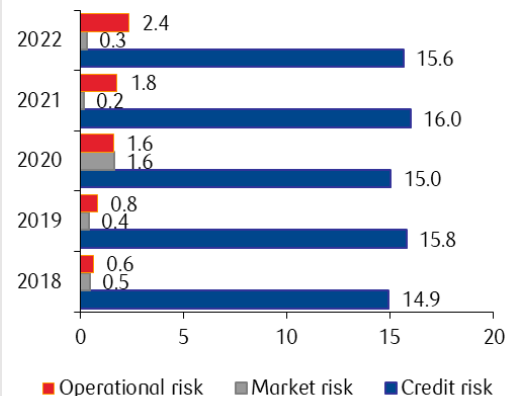
The changes in own funds resulted mainly from: a decrease in the fair value of financial assets measured at fair value through other comprehensive income of approx. PLN 1.7 billion (following the application of provisions mitigating the impact of the COVID-19 pandemic (Article 468 of the CRR)), an increase in the value of deductions from funds due to exceeding the threshold from which excess capital commitments and deferred tax assets reduce funds by approximately PLN 0.2 billion and including in the core equity Tier 1 a part of the net profit earned for the period from 1 January 2022 to 30 June 2022 of PLN 946 million.

In 2022, there was an increase in the own funds requirement for operational risk by PLN 0.6 billion, mainly due to the recognition of the cost of legal risk of mortgage loans in convertible currencies. The decrease in own funds requirements for credit risk amounted to PLN 0.4 billion, mainly due to the application of a preferential risk weighting for foreign currency housing loans covered by the settlement program, which reduced requirements by about PLN 0.6 billion.

Capital adequacy measures of the Bank's Group



Own funds requirements of the Bank's Group (in PLN billion)

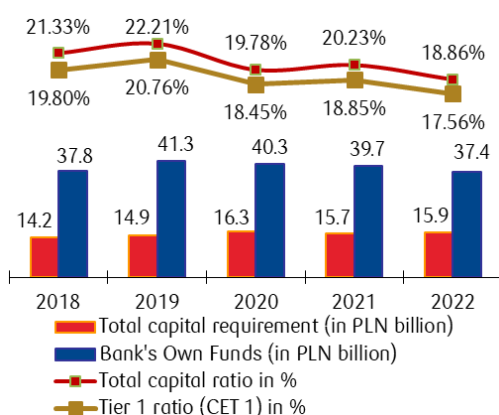


In 2022, the total capital ratio of PKO Bank Polski S.A. decreased by 1.37 b.p. to 18.86%, and the core capital T1 ratio by 1.29 b.p. to 17.56%. The decrease in capital ratios is mainly due to a decrease in own funds by PLN 2.3 billion and an increase in capital requirements by PLN 0.3 billion.

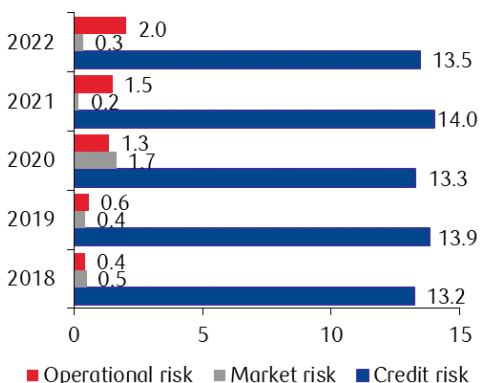
Own funds of PKO Bank Polski S.A. decreased by PLN 2.3 billion, mainly as a result of a decrease in the fair value of financial assets measured at fair value through other comprehensive income of approx. PLN 1.5 billion (following the application of provisions mitigating the impact of the COVID-19 pandemic (Article 468 of the CRR)), and an increase in the reduction due to exposures excluded from the exposure concentration limit, and deferred tax on the core equity Tier 1 position of PLN 1.0 billion. 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 2022 to 30 June 2022 of PLN 895 million.

The own funds requirement for operational risk increased by PLN 0.6 billion, mainly due to the recognition of the cost of legal risk of mortgage loans in convertible currencies. The decrease in own funds requirements for credit risk amounted to PLN 0.5 billion, mainly due to the application of a preferential risk weighting for housing loans covered by the settlement program, which reduced requirements by about PLN 0.6 billion.

Capital adequacy measures of the Bank



Own funds requirements of the Bank (in PLN billion)



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 13.96% of TREA by 31 December 2023.

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 5.65% of TEM by 31 December 2023.

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.

The required levels, along with the destination path, are presented in the table below.

Table 11. Required MREL levels (in %)

	31.12.2022	31.12.2023
MREL (TREA)	11.68	15.36
MREL (TREA) subordinated	10.98	13.96
MREL (TEM)	4.46	5.91
MREL (TEM) subordinated	4.32	5.65

As at the end of 2022, the Bank is in compliance with the MREL TREA requirement and the MREL TEM specified in the destination path as at the end of 2022.

7.3 DIVIDEND AND PROFIT APPROPRIATION

RESOLUTIONS RELATING TO THE APPROPRIATION OF PROFIT FOR 2021 AND RETAINED EARNINGS

On 12 May 2022, 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 2021, in accordance with which:

- the amount of PLN 2,287,500,000 (i.e. 49.77% of the Bank's net profit) was earmarked for the payment of dividend;
- the remaining net profit of PLN 2,308,836,372 was transferred to retained earnings.

The gross dividend amounted to PLN 1.83 per share and was payable on all 1,250 million shares. The AGM set the dividend (record) date as 4 August 2022 and the dividend payment date as 23 August 2022.

At the same time, the Bank's AGM passed a resolution to leave PKO Bank Polski S.A.'s retained earnings, in the amount of PLN 5,500,000,000, undistributed.

The aforementioned resolutions are consistent with the individual recommendation of the Polish Financial Supervision Authority dated 23 February 2022, in which the PFSA recommended that the Bank should mitigate the risk of its operations by:

- refraining from payment of a dividend in excess of 50% of the profit earned in the 2021;
- refraining from any other actions taken without consultation with the supervisory authority, in particular not included in the scope of the current business and operating activities, which could result in a decrease in own funds, including any payment of dividend from retained earnings or redemption of treasury shares.

At the same time, the PFSA confirmed that the Bank met the requirements for payment of dividend at a level of up to 50% of the net profit for 2021, as defined in December 2021 in the PFSA position on dividend policies of supervised institutions for 2022.

DIVIDEND POLICY

On 15 of December 2022, PKO Bank Polski S.A. adopted a dividend policy for the Bank and the Bank's 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 Bank's 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).

In accordance with the Dividend policy, the buyback 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 PAYMENTS OF DIVIDEND FOR 2022

In December 2022, the Polish Financial Supervision Authority adopted a position on the 2023 dividend policy of supervised institutions, which was subsequently confirmed in a letter dated 23 December 2022.

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 2022 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 (BION) – final BION 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:
 $4.5\% + 56.25\% \times \text{P2R requirement} + \text{combined buffer requirement (including 3\% supervisory buffer)}$;
 - having a Tier 1 capital ratio (T1) not lower than the required minimum:
 $6\% + 75\% \times \text{P2R requirement} + \text{combined buffer requirement (including 3\% supervisory buffer)}$;
 - having a total capital ratio (TCR) not lower than the required minimum:
 $8\% + \text{P2R requirement} + \text{combined buffer requirement (including 3\% supervisory buffer)}$;
2. an amount of up to 75% of the profit for 2022 may be paid only by banks meeting at the same time the criteria for payment of 50% taking into account, as part of the capital criteria, the bank's sensitivity to an adverse macroeconomic scenario;
3. an amount of up to 100% of the profit for 2022 may be paid only by banks meeting at the same time the criteria for payment of 75% and whose portfolio of receivables from the non-financial sector is characterised by good credit quality (share of NPLs, including debt instruments, not exceeding 5%).

The criteria set out in points 1-3 should be met by the bank both at the individual and consolidated level.

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 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 100%) is the sum of adjustments resulting from both criteria.

The Bank's sensitivity to an unfavorable macroeconomic scenario is measured using the results of supervisory stress tests and has been defined by the PFSA in the form of a recommendation (P2G).

In a letter dated 23 December 2022, 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 0.72 p.p. at the individual level and 0.66 p.p. at the consolidated level 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.

As at 31 December 2022 the ratios amounted to:

- at the consolidated level:
 - Tier 1 capital ratio (T1) and core equity ratio Tier 1 (CET1) = 16.65%;
 - total capital ratio (TCR) = 17.78%;
 - Criterion 1 = 5.03%;
 - Criterion 2 = 32.90%;
- at the separate level:
 - Tier 1 capital ratio (T1) and core equity ratio Tier 1 (CET1) = 17.56%;
 - total capital ratio (TCR) = 18.86%;
 - Criterion 1 = 6.09%;
 - Criterion 2 = 33.80%.

The Bank's intention is to pay dividend in 2023 from the net profit for 2022. 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
System for the protection of commercial banks
Support of Ukraine and its refugees and operations of Ukrainian subsidiaries
Operating segments of the Bank's Group
Insurance and leasing
IT projects and other services
Distribution network and access channels
Operations area
International cooperation
Operations of other subsidiaries
Prizes and awards for the PKO Bank Polski SA Group

8.1 SUPPORT FOR BORROWERS

CREDIT HOLIDAYS

As part of the implementation of the Act of 7 July 2022 on the crowdfunding of business ventures and on assistance for borrowers, the PKO Bank Polski S.A. Group introduced the so-called statutory credit holidays.

The PKO Bank Polski S.A. Group has allowed the suspension of housing loan repayment, up to two months per quarter in the period from 1 August 2022 to 30 September 2022 and from 1 October 2022 to 31 December 2022, and up to one month per quarter in the period from 1 January 2023 to 31 December 2023.

The suspension of repayment was applied to mortgage loans and, as of October 2022, to mortgage 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 consumer.

The option to suspend repayment can also be used by customers who have reached settlements for loans in Swiss francs (CHF) and the current currency of the loan is the zloty (PLN).

Customers of PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A. can apply through the iPKO website, the Bank's branches or by mail.

The Bank's Group adjusted the gross carrying amount of mortgage loans by deducting interest income of PLN 3.1 billion. The value of the adjustment was determined as the difference between the present value of the estimated cash flows resulting from the loan agreements, taking into account the suspension of instalment payments, and the present gross carrying amount of the loan portfolio. The loss calculation is based on the assumption that approximately 63% of customers holding a PLN-denominated mortgage loan will choose to benefit from credit holidays (customer participation rate).

By the end of December 2022, 285.7 thousand customers of the Bank's Group applied for a suspension of their mortgage loan or advance repayment, and the total number of suspensions applied for was 1,831 thousand, representing 42% of the maximum number of instalments to be suspended for all eligible customers.

As at 31 December 2022, the Bank's Group has assessed the adequacy of the level of credit holiday loss in terms of value. The results of the above analysis confirmed that the credit holiday loss recognised in the amount of PLN 3.1 billion is at an adequate level. An increase in the customer participation rate in the future, and thus the level of costs arising from it, could potentially be driven by factors such as rising unemployment levels, changing customer behaviour and rising market interest rates.

HOUSING LOANS WITHOUT OWN CONTRIBUTION

Since September 2022, PKO Bank Polski S.A. has been offering a housing loan with family repayment granted under the terms of the "Housing without own contribution" program, which 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 Bank Gospodarstwa Krajowego (BGK).

SETTLEMENT PROGRAMME FOR FOREIGN CURRENCY MORTGAGE LOANS

In 2022, 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. 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. In 2022, the range of products covered by the settlements was expanded to include MIX mortgage loans granted in CHF to meet housing needs and loans converted from Polish zloty (PLN) to Swiss francs (CHF). The settlements are offered during mediation proceedings conducted by the Mediation Centre of the Polish Financial Supervision Authority.

The bank also offers settlements on a large scale for loans subject to litigation.

In order to mitigate the interest rate risk, 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 2022 by 83% of customers who continue to repay the loan after signing the settlement. and a total of 75% of customers who continue to repay the loan since the beginning of offering settlements.

By the end of 2022, 37.5 thousand mediation applications were registered, 20,944 mediations concluded with a positive outcome, 8,124 mediations concluded with a negative outcome.

WITHDRAWAL FROM INCREASING THE MARGIN UNTIL A MORTGAGE HAS BEEN ESTABLISHED

In connection with amendments to the Act on mortgage loans and supervision over mortgage loan intermediaries and agents, the Bank's Group introduced changes consisting of resigning from increasing the margin by 0.9 p.p. in the period between disbursement of a loan and entry of the mortgage in a land and mortgage register becoming effective.

The Bank's Group has recognized an adjustment to the gross carrying amount of mortgage loans due to the refund of funds charged to customers due to a 0.9 p.p. margin increase until the mortgage is recorded, with respect to

agreements entered into since 22 July 2017 – PLN 46 million as at the end of 2022. A reimbursement is made without the customer having to submit a request.

GUARANTEES FOR ENTERPRISES FROM BGK

As of 1 July 2022, customers of PKO Bank Polski S.A. and PKO Factoring S.A. were able to take advantage of guarantees from Bank Gospodarstwa Krajowego (BGK) in respect of new agreements relating to, respectively:

- a portfolio guarantee line securing repayment of loans for the financing of everyday business activities or capital expenditure in order to improve the borrower's financial liquidity;
- a portfolio guarantee line securing a factoring limit for the financing of everyday business activity of the entrepreneur (in the form of recourse factoring or reverse factoring without assignment of rights under an insurance policy) and helps to improve its financial liquidity.

The programme is dedicated to medium and large companies (in the case of loans) and to all enterprises (in the case of factoring) (in both cases, with the exception of financial institutions).

The guarantees cover up to 80% of the amount of the loan/the factoring limit, and the maximum amount which can be guaranteed is PLN 250 million. The purpose of the guarantee is to help the entrepreneurs affected by the adverse economic effects of the Russian aggression against Ukraine, including the effects of the sanctions imposed by the European Union and its economic partners and the retaliatory measures introduced in response to them, maintain financial liquidity. The aforementioned agreements allow to grant BGK crisis guarantees until 31 December 2023 (the Bank) and 30 June 2023 (the company).

In 2022, 75 of the Bank's customers and 44 of PKO Faktoring S.A.'s customers took advantage of the above support, and the total value of the guarantees granted amounted to PLN 841.2 million for the Bank's customers and PLN 176.1 million for the company's customers.

In 2022, PKO Bank Polski S.A.'s customers and PKO Leasing S.A.'s customers also benefited from guarantees aimed at minimising the impact of the COVID-19 pandemic, including:

- the Bank's customers (medium and large enterprises) until 30 June 2022 benefited from BGK guarantees under the guarantee line agreement from the Liquidity Guarantee Fund and 81 of the Bank's customers benefited from this support in the first half of the year, with the total value of guarantees issued in this period amounting to PLN 1.04 billion,
- PKO Leasing S.A.'s customers. (micro-, small- and medium-sized entrepreneurs) until 31 December 2022 benefited from the Pan-European Guarantee Fund (PFG) under the agreement with BGK concerning the guarantee line from the Lease/Lease advance Guarantee Fund and 50 of the company's customers took advantage of this support in 2022, with the total value of guarantees issued during this period amounting to PLN 53 million.

8.2 SYSTEM FOR THE PROTECTION OF COMMERCIAL BANKS

On 14 June 2022, PKO Bank Polski S.A. and 7 other commercial banks, i.e. Alior Bank S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Millennium Bank S.A., Bank Polska Kasa Opieki S.A. and Santander Bank Polska S.A. (the Participating Banks) formed a system for the protection of commercial banks, which is referred to in Chapter 10a of the Banking Law. The system is supervised by the PFSA. The aim of the protection system is to ensure the liquidity and solvency of the Participating Banks on the terms and conditions and to the extent specified in the protection system agreement, as well as to support the resolution regime carried out by the Bank Guarantee Fund (BGF) or the takeover of a bank as referred to in Article 146b(1) of the Banking Law.

The Participating Banks established the company System Ochrony Banków Komercyjnych S.A. (SOBK) as the system's management entity with a share capital of PLN 1 million. The Bank subscribed for 21,113 shares in SOBK with a total nominal value of PLN 211,130, representing 21.1% of the company's share capital.

SOBK established an assistance fund to provide funds for the financing of the protection system's tasks. The fund is financed by contributions from Participating Banks. The Bank's contribution to the aid fund in 2022 amounted to PLN 956 million.

Other domestic banks can join the protection system if they satisfy the terms specified in the applicable regulations and in the protection system agreement. In accordance with the BGF Act, the BGF Council may decide to decrease the target amount of the bank deposit guarantee system taking into account, among other things, the amount of funds accumulated in the protection system.

The liability of each Participating Bank for the obligations associated with its participation in the protection system is limited to the amount of contributions which the particular Participating Bank is obliged to make to acquire shares of SOBK and the payments which it is obliged to make to the aid fund. Each Participating Bank may terminate the protection system agreement with 24-months' notice. After such termination, the agreement shall remain in force with respect to the other Participating Banks.

On 30 September 2022, the Bank Guarantee Fund (BGF) decided to initiate the resolution procedure with respect to Getin Noble Bank S.A. In accordance with the application received from the BGF and the basic tasks of the protection system (as defined in chapter 10a of the Banking Law), SOBK granted support for the safe application of the special resolution regime with respect to the aforementioned bank totalling PLN 3.47 billion, including a subsidy and acquisition of a block of 49% of the shares in a bridge institution formed by the BGF, to which the operations of Getin Noble Bank S.A. were transferred). Under the generally applicable laws, SOBK has no voting rights in the authorities of the bridge institution and, consequently, no influence on its management – it plays the role of a passive investor supporting the institution's stability.

8.3 SUPPORT OF UKRAINE AND ITS REFUGEES AND OPERATIONS OF UKRAINIAN SUBSIDIARIES

HUMANITARIAN AID AND ASSISTANCE TO EMPLOYEES OF THE UKRAINIAN GROUP COMPANIES



Since the first moments of the war in Ukraine, the Bank Group has been involved in various forms of aid. The main efforts of the Bank and its Polish subsidiaries were coordinated by the PKO Bank Polski Foundation (the Foundation) and financed from the Foundation's resources (including additional funds donated by the Bank for program activities) and from voluntary donor contributions collected in a special bank account of the Foundation. In addition, PKO Bank Polski S.A. made an earmarked donation of PLN 3 million to the Foundation's account.

Aid efforts carried out from the Foundation's budget mainly targeted KREDOBANK S.A. employees and their families, who were provided with transportation after crossing the border, accommodation and food, medical care and daily necessities. In addition, a donation was made to the wards to support the process of empowerment of refugees in Poland. A total of 900 people were assisted by the Foundation in 2022, and the value of the aid amounted to nearly PLN 12 million.

From the funds accumulated from voluntary contributions to the Foundation's account:

- support was provided to 75 non-governmental organizations and units carrying out aid activities for refugees from Ukraine for a total of PLN 8.3 million;
- costs of initiatives for Ukrainian refugees organized locally by PKO Bank Polski S.A. volunteers were covered; the Foundation spent PLN 3.9 million to cover the costs of transporting women and children from Ukraine to Poland, accommodation, purchase of medicines and groceries.

In addition, in 2022, the Foundation made in-kind donations of decommissioned assets acquired from Bank Group's companies (including minivans, furniture, computers, among others), as well as defibrillators and an ambulance with a total value of PLN 2.1 million.

The Bank's subsidiaries also made monetary donations and organized the transportation of refugees and the purchase and transportation of items for refugees from their own funds.

KREDOBANK S.A. (a Ukrainian company), including through the activities of the Kreda Foundation, donated a total of UAH 15.8 million (approximately PLN 2 million at the average exchange rate quoted by the National Bank of Poland on 31 December 2022) for war-related humanitarian activities in 2022.

The above funds were transferred:

- as monetary donations – mainly to the State Special Transport Service of the Ministry of Defense of Ukraine for the extension and equipment of the Anti-Mine Action Center and to the city of Lviv for defense and humanitarian needs;
- for the purchase of medical equipment, medicines and food – including but not limited to: for the hospitals of Lviv and Kharkiv;

- to fund the "Brave to Be Together" campaign, as part of which a thousand children evacuated from war zones and occupied territories who went to school for the first time in western Ukraine were prepared for school.
- for the organization and operation of a shelter for refugees from combat areas in Lviv until 30 September 2022 - the shelter accommodated 738 refugees, including 235 children;
- for organizing the transportation of war refugees from eastern Ukraine to Poland.

The Company also helped its employees and their families, in particular in terms of evacuation and accommodation. Aid campaigns organized by the Bank's Group in Poland and Ukraine were supported by volunteers – employees of the Group.

PRODUCT OFFERING

PKO Bank Polski S.A. offers a package of amenities for Ukrainian citizens.

- Natural persons can open the standard PKO Konto Bez Granic with a multi-currency card offered free of charge for a period of 12 months, with access through the Internet and telephone, or its temporary version – Czasowe Konto Bez Granic – for customers who do not have an identity document. In total, between 24 February and 31 December 2022, the Bank opened 367 thousand savings accounts for Ukrainian citizens, including 50.5 thousand temporary accounts (Czasowe Konto Bez Granic).
- The Bank has made it possible for Ukrainian citizens opening a savings account at PKO Bank Polski S.A. to obtain a free of charge "instant card" at selected branches.
- At PKO Bank Polski S.A.'s ATMs, as part of the PKO Awizo service, benefits indicated in the Act on assistance for citizens of Ukraine can be withdrawn.
- The following elements are provided by the Bank in Ukrainian: the IKO mobile app, the iPKO e-banking website (login page and selected elements), a section on the Bank's website, ATM screen support, IVR (Interactive Voice Response) voice messages and selected banking documents and materials.
- The Bank does not charge fees for foreign transfer orders to banks in Ukraine.

Until June 2022, banking services were offered at the PGE National Stadium in Warsaw, where almost 13.5 thousand accounts were opened in a period of more than 2.5 months.

The Bank is offering a promotional Company Account to companies operating in Ukraine or which launched operations in Poland after 24 February 2022 and whose organizational structure includes a minimum of one beneficial owner who is a Ukrainian citizen. The offering is aimed at companies that open PKO Konto Firmowe or PKO Konto Firmowe Premium.

As part of the special offering, customers are exempted for 12 months from, among other things, fees for maintaining a current account and auxiliary accounts, for domestic transfers and transfers to banks in Ukraine, and for withdrawals and deposits at Bank branches. During the period of the special offering, i.e. from 28 March to 31 December 2022, the Bank opened 540 business accounts. 94% of these are newly opened businesses operating in the market for up to 12 months.

EXCHANGE OF HRYVNIA

PKO Bank Polski S.A., on behalf of the National Bank of Poland, operated the hryvnia exchange as the only bank in Poland until September 2022.

In the period from 25 March to 9 September 2022, in 100 branch offices of the Bank, refugees from Ukraine could exchange hryvnias to Polish zlotys, on specific terms and at the exchange rate quoted by the National Bank of Ukraine (NBU).

Nearly 103 thousand Ukrainian citizen took advantage of this opportunity and exchanged UAH 728 million in total. The average exchange operation amounted to UAH 7 thousand (with a maximum limit of UAH 10 thousand). All hryvnias exchanged were transferred by the Bank to the NBP at the rate quoted by the NBU.

ACTIVITIES OF THE UKRAINIAN COMPANIES OF THE PKO BANK POLSKI S.A. GROUP.

(All figures have been translated using the average exchange rate quoted by the National Bank of Poland on 31 December 2022).

PKO Bank Polski S.A. Group companies, including KREDOBANK S.A. with its registered office in Lviv, and debt collection and financial companies with their registered offices in Kyiv and Lviv, continue to operate in Ukraine.

KREDOBANK S.A. is a universal bank which services customers mainly in the western part of Ukraine and in Kyiv. As at the end of 2022, the Company's head office was in Lviv; there were 66 branches, 13 of which are located in regions most affected by warfare. In the first quarter of 2022, one of the company's branches in Kyiv was destroyed. From February 2022, in connection with the military aggression of Russia, 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 services customers in regions where no active military actions are in progress. The management monitors the Company's operations on a daily basis and ensures quick reaction to incidents and changes in the situation.

The Company's Management Board estimates potential losses at a level which has no impact on KREDOBANK S.A.'s ability to continue its operations. As at the end of 2022, according to an assessment based on the available official information, approximately 16% of the company's loan portfolio is located directly in or close to areas of hostilities, including less than 3% in areas of temporary occupation or active hostilities;

In 2022, KREDOBANK S.A. granted UAH 4.5 billion (PLN 0.57 billion) in new loans, including 86% to legal persons and 14% to natural persons. Compared to 2021, lending decreased by 69%.

In 2022, KREDOBANK S.A. recognized credit risk allowances of about UAH 1.7 billion (i.e., PLN 213.9 million).

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

	in UAH million		in PLN million	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Loans, gross	14,950	17,459	1,881	2,196
Deposits, gross	32,903	24,386	4,139	3,068
Assets (total assets)	38,650	32,999	4,862	4,151
Equity	3,946	3,860	496	486
	for 2022	for 2021	for 2022	for 2021
Net profit or loss	138	801	17	101

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

In December 2022, 32 branches of KREDOBANK S.A. became part of POWER BANKING, that is, a joint banking network established at the initiative of the National Bank of Ukraine, i.e. a network of branches scattered throughout Ukraine, with the aim of providing customers with a specific list of urgent banking services, including in the event of a power outage.

KREDOBANK S.A. has signed new loan guarantee agreements that will enable lending to Ukrainian entrepreneurs in 2023, including with the European Bank for Reconstruction and Development (EBRD) and the European Commission, which has allocated funds for Bank Gospodarstwa Krajowego to secure the company's lending.

The financial and organizational situation of the other Ukrainian companies in the Group was stable at the end of 2022. The companies 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 war conditions.

IMPLEMENTATION OF THE SANCTIONS IMPOSED ON RUSSIA AND BELARUS

PKO Bank Polski S.A. has implemented restrictions and changes resulting from sanctions imposed on Russia and Belarus. It has reviewed and changed the directions of settlements with the banks to which the sanctions do not apply, changed the correspondent in Russian roubles (RUB) and terminated the nostro and loro account agreements with the banks covered by sanctions. As a result, the payments in all currencies to and from Russian and Belorussian banks covered by the sanctions have been blocked.

PKO Bank Polski S.A. has introduced 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 main principles applied by the Bank are unavailability, limitation or withdrawal of financing and financial services.

The Bank monitors international sanctions on an ongoing basis and takes appropriate action in this regard.

PKO Bank Polski S.A. takes appropriate actions when it finds its customer on the list of persons and entities covered by special restrictions issued by the Minister of Internal Affairs and Administration, known as the Polish sanctions list. In the event of any changes in the restrictions, the Bank implements the competent authority's decisions on an ongoing basis, in accordance with the provisions of the Act of 13 April 2022 on special solutions aimed at preventing support for the aggression on Ukraine and maintaining national security. The Bank implements on an ongoing basis the decisions of the competent authority to release funds of entities subject to restrictive measures.

8.4 OPERATING SEGMENTS OF THE PKO BANK POLSKI S.A. GROUP

Retail segment Corporate and investment segment
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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: 11,648.6 thousand

Financing granted: PLN 173.5 billion

Savings volume: PLN 395.0 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: 17.7 thousand

Financing granted: PLN 84.5 billion

Savings volume: PLN 58.2 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.

8.4.1 RETAIL SEGMENT

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

In 2022 in the retail segment the PKO Bank Polski S.A. 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, mortgage loans, revolving loans, credit cards and housing loans. Investment and investor loans, revolving loans, leases and factoring are available to companies and enterprises.

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

The Bank Group's offer provides 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 and the OnkoPlan oncological insurance policy, and insurance of leased assets.

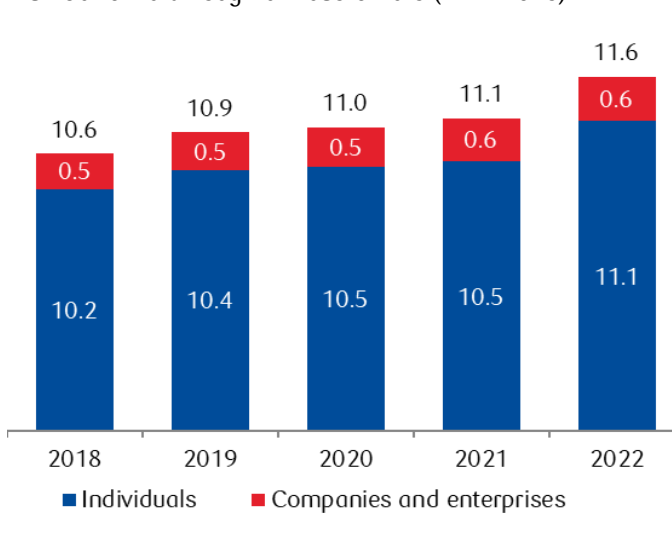
CUSTOMERS OF THE SEGMENT

As at the end of 2022 the Retail Segment serviced more than 11.6 million customers, including:

- almost 11.1 million individuals, including 16.7 thousand of Private Banking customers;
- nearly 0.6 million companies and enterprises.

Since the beginning of 2022, the number of customers serviced in the retail segment increased by more than 545 thousand.

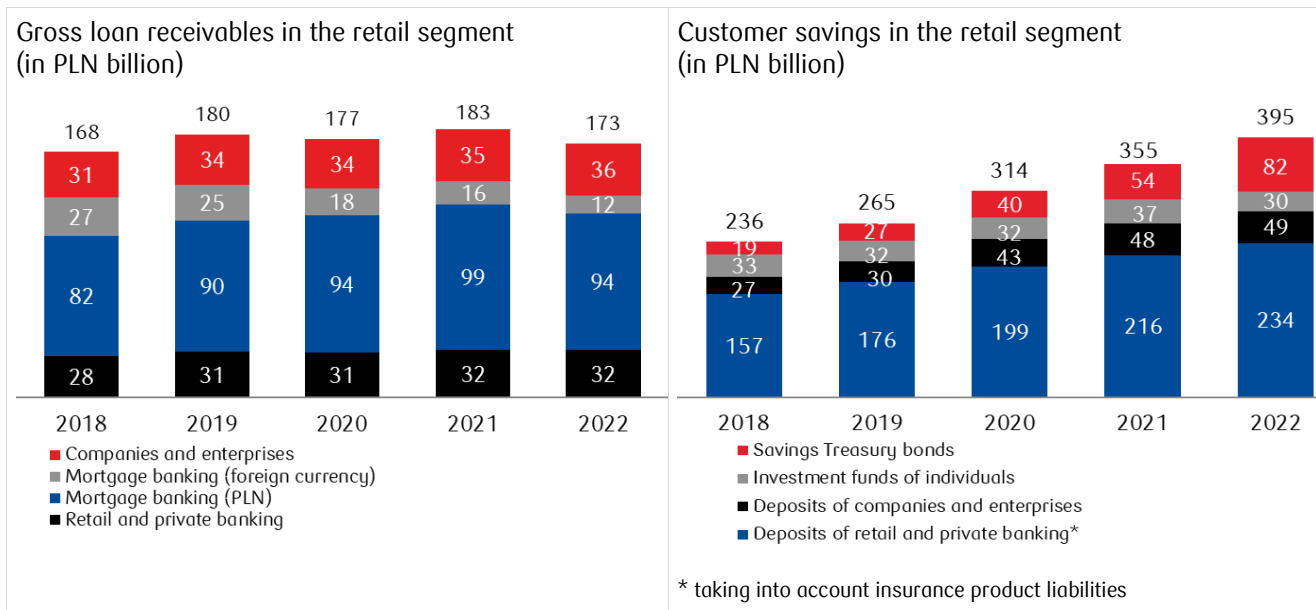
Number of retail segment customers (in millions)



BUSINESS VOLUMES

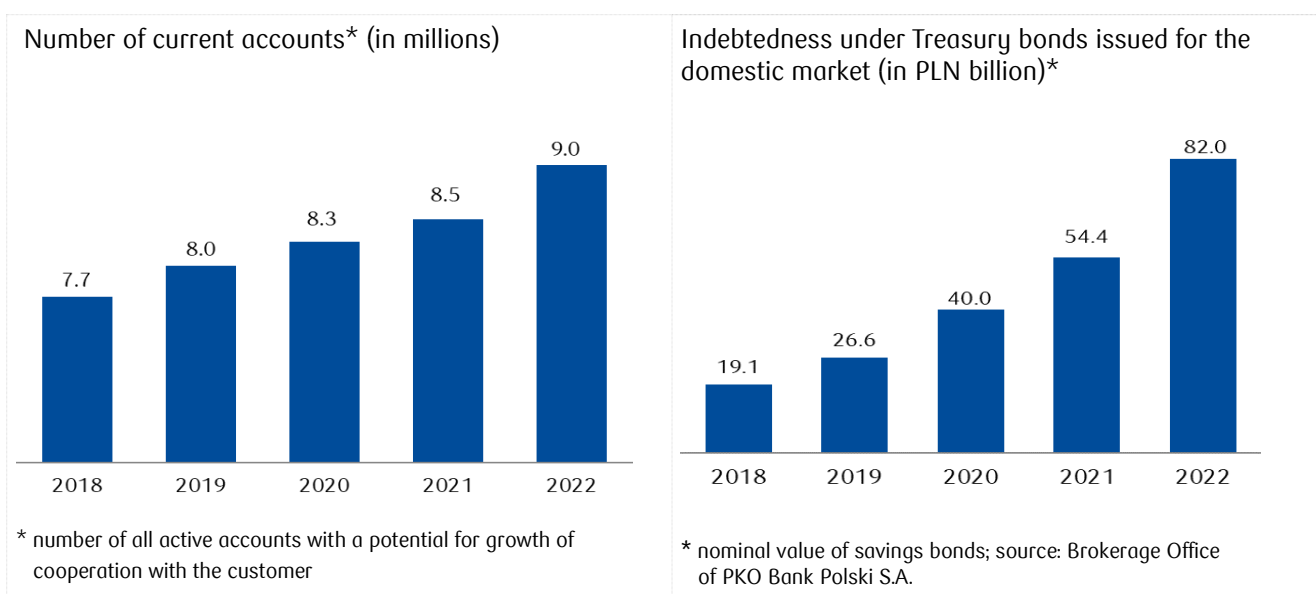
As at the end of 2022:

- total financing for retail segment customers exceeded PLN 173 billion and decreased during 2022 by nearly PLN 9.8 billion (i.e. 5.3%). This was mainly due to a decline in the mortgage banking portfolio (PLN -10.0 billion), with the level of decline significantly affected by adjustments related to the statutory credit holiday and legal risk of foreign currency mortgage loans. In 2022, financing of companies and enterprises increased (PLN +0.4 billion);
- retail savings amounted to PLN 395 billion and went up by PLN 40.0 billion (i.e. 11.3%) in 2022. This was driven by an increase in Treasury savings bonds (PLN +27.6 billion) and in retail and private banking deposits (PLN +18.1 billion).

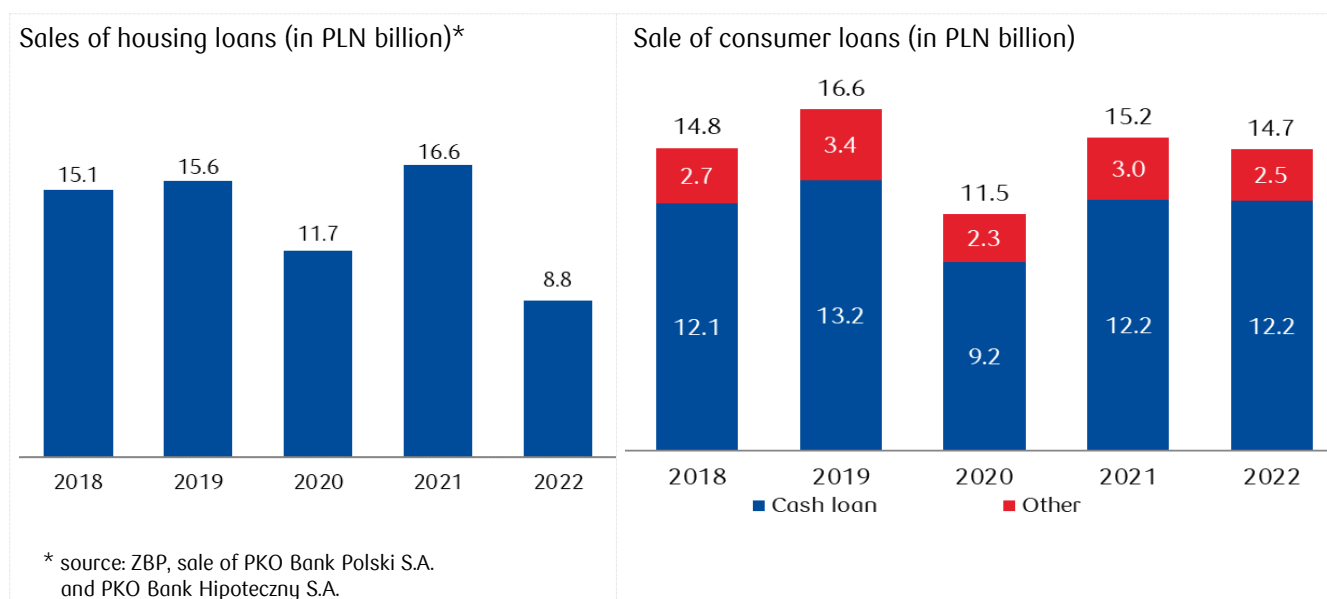


The Bank reinforced its position as market leader in terms of the number of checking accounts maintained (ROR). This number amounted to more than 9.0 million and went up by more than 559 thousand during the year. It covers all active accounts, which constitutes growth potential for further cooperation with customers.

In 2022, the Bank's Group sold a record-breaking nearly 565 million Treasury savings bonds (i.e., more than 130% more than in 2021), and the outstanding balance of Treasury savings bonds issued to the domestic market amounted (at face value) to more than PLN 82 billion, nearly 51% higher than at the end of 2021.



In 2022, the Bank's Group granted housing loans to individuals with a total value of more than PLN 8.8 billion, which - despite a decline in sales - helped maintain its leading position in the market with a share of nearly 20.4% throughout 2022 (a 0.6 p.p. increase in share).



In 2022, the share of fixed-rate loans in new sales (granted by PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A.) reached 63.9%, and their total share in the portfolio of PLN mortgage loans increased to 17.9% as at 31 December 2022 (compared to 2.5% as at the end of 2021). The number of annexes signed to mortgage loan agreements (annexes include the conversion of existing variable-rate loans to fixed-rate loans) in 2022 amounted to more than 38.3 thousand.

ACTIVITIES IN 2022

Deposit offering

The PKO Bank Polski S.A. Group, operating in an environment of persistently high inflation and high interest rates, increased the attractiveness of its deposit offering – in 2022 it introduced new products and raised interest rates on the existing ones.

In 2022, PKO Bank Polski S.A. for individual customers (natural persons) in particular:

- raised interest rates and expanded its offerings:
 - the deposit for new funds – a maximum of 7.5% for a period of three months and 6.5% for a period of 12 months;
 - term deposit – as at the end of December, deposits were available at the Bank's outlets and remote channels for 3, 6, 12 months with interest rates of up to 4%;
- introduced new products:
 - "Good Morning Deposit" for new customers with an interest rate of 8%, on a 3-month renewable deposit available on the IKO app;
 - USD term deposit offered to Private Banking customers with an interest rate of 1% on a 12-month revolving deposit; the deposit can be opened in branches, iPKO website and via the Bank's call center;
 - a progressive deposit for a period of 18 months, where the interest rate changed every 6 months and stood at 3% 6% and 9% in subsequent savings periods;
 - a deposit under the Specialized Investment Program "Autolokacja III" offered jointly with PKO Towarzystwo Funduszy Inwestycyjnych S.A - with an interest rate of 8% for a period of 6 months.
- Customers were also able to take advantage of the offering for:
 - the mobile deposit – interest rate of 6% for a period of 3 months;
 - the 60+ offered to customers over 60 years of age – interest rate of 6% for a period of 24 months.

In 2022, individual customers could also benefit from:

- Increased standard interest rate on Savings Accounts of up to 2%;
- promotion for new funds in the Plus Savings Account - in the fourth quarter the interest rate was 5.5% for 57 days;
- increased interest rate on the First Savings Account (an account for people under the age of 18) to 8% per annum with systematic saving.

For companies and enterprises, the Bank:

- reinstated standard deposits and raised their interest rates; as at the end of December, the interest rates on deposits were as follows: a 1-month deposit - 1.5%, a 3-month deposit - 2%, a 6-month deposit - 3% and an annual deposit - 4%, and the minimum deposit threshold was lowered to PLN 2 thousand;
- introduced a progressive deposit for new funds for a period of 12 months, with interest rates that change every 4 months and stand at 2%, 4% and 7% in subsequent savings periods.

The interest rates listed above are per annum.

Loan offering

In 2022, the PKO Bank Polski S.A. Group:

- 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 2023; based on delivering an energy performance certificate to the Bank for the property constituting collateral for the loan customers may be charged a lower margin;
 - extended the offer to support borrowers with CHF mortgage loans until 31 December 2023 to limit the negative effects following from the changes in the exchange rate of CHF;
 - introduced a promotional offer lowering fixed interest rates for loans for 5 years;
 - introduced a promotional offer with a commission reduced to 0% when using life insurance;
 - extended the term of a special offer reducing to a minimum the real estate appraisal fee when applying for a loan online (at iPKO);
- with regard to consumer loans:
 - made insurance available for a consolidation loan applied for through the iPKO website or the IKO mobile app;
 - maintained its offer of a cash loan with a fixed interest rate;
- with respect to supporting operations and financing of companies and enterprises:
 - made available the PowerB@nk service for startups, which supports entrepreneurs starting a business by providing a package of tools to set up a website and a free consultation with an accountant; the new service received an award: Consumer Quality Leader - Debut of the Year 2022;
 - increased the maximum amount of low-volume financing (simplified process) to PLN 1 million;
 - introduced the application for a loan or advance with collateral in the form of a BGK de minimis guarantee for repayment of a loan or advance from another bank;
 - waived commissions for loans supporting green investments;
 - made available reverse factoring, which aids the liquidity of the entrepreneur through the repayment by PKO Faktoring S.A. of its liabilities arising from purchases made in PLN and basic currencies;
 - implemented the option of granting a loan in an auxiliary account in EUR assessed using the rating method with collateral other than a BGK guarantee;
 - made a digital credit application available to customers operating as partnerships and general partnerships.

8.4.2 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 PKO Bank Polski S.A. 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 Polish 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.

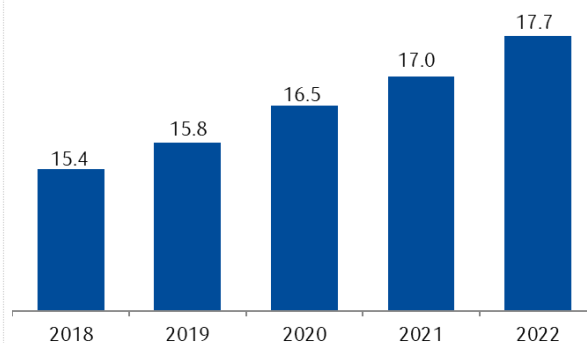
CUSTOMERS OF THE SEGMENT

As at the end of 2022 the Corporate Segment and the Investment Segment serviced nearly 17.7 thousand customers, including:

- more than 9 thousand corporate customers,
- more than 1.4 thousand strategic customers,
- nearly 5.3 thousand local and central government institutions plus budgetary and related entities,
- more than 1.6 thousand foreign customers,
- nearly 0.4 thousand financial customers.

Since the beginning of 2022, the number of customers serviced in this segment increased by nearly 0.7 thousand.

Number of corporate and investment segment customers (in thousand)

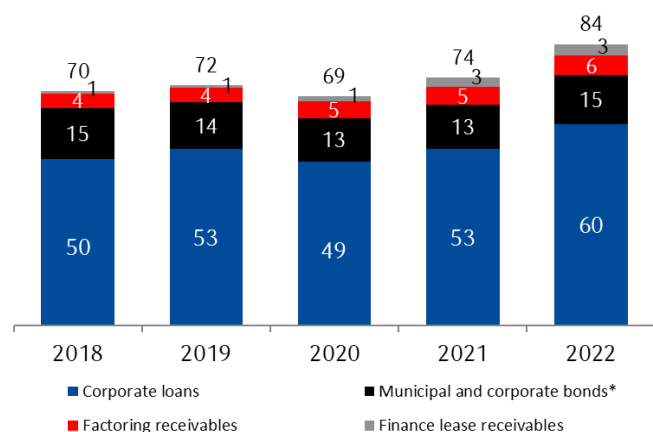


In 2022, the Bank's Group maintained its position as market leader for servicing the largest local government units: it handles the budgets of 7 voivodeships and 26 cities with poviats rights, including 9 voivodeship capital cities. For many years the Bank has also been financing and servicing banking of other public entities, including Social Insurance Institution, organizational units 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. Any fixed asset 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.

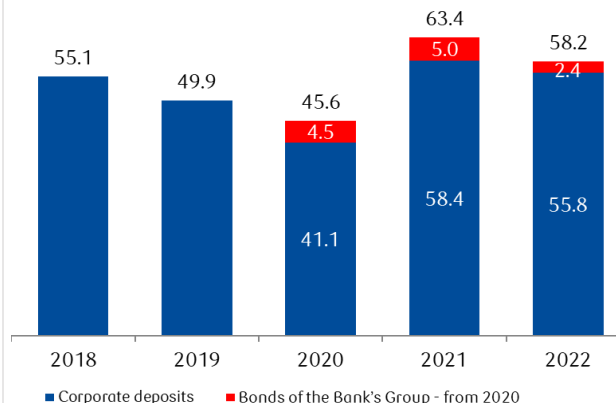
BUSINESS VOLUMES

Gross financing of customers from corporate segment
(in PLN billion)



* the item does not include bonds of international financial organizations

Savings in the corporate segment
(in PLN billion)



As at the end of 2022, total financing of customers from the corporate segment, including loans, bonds issued, lease and factoring receivables amounted to more than PLN 84 billion and increased since the beginning of the year by more than PLN 10.0 billion (i.e. 13.5%). The largest increases were in loans by nearly PLN 7.5 billion (or 14.1%) and bonds by nearly PLN 1.4 billion (or 10.5%).

The level of savings of corporate segment customers as at 31 December 2022 exceeded PLN 58 billion and decreased over the year by more than PLN 5.1 billion, mainly as a result of a decrease in deposits by PLN 2.6 billion and a decrease in the level of funds invested in bonds issued by the Bank's Group companies by nearly PLN 2.6 billion.

ACTIVITIES IN 2022

In 2022, the PKO Bank Polski S.A. Group:

- with respect to financing and banking services for public entities, it concluded:
 - agreements for comprehensive banking services for the budgets of the Lubelskie, Pomorskie, Kujawsko-Pomorskie provinces and their organizational units, as well as the city of Bielsko-Biała, the city of Zielona Góra and their organizational units;
 - an agreement to open and maintain consolidated accounts for the Social Insurance Fund, the Bridging Pension Fund and the Social Insurance Institution, as well as to process bulk payments.
 - 160 municipal bond issue agreements totaling more than PLN 2.9 billion;
- with respect to financing the corporate segment customers, it concluded:
 - 27 syndicated loan agreements totaling more than PLN 10.1 billion and more than EUR 3.2 billion, under which the Bank's share totaled more than PLN 3.0 billion and more than EUR 0.4 billion;
 - 3 bank guarantee agreements totaling more than PLN 0.6 billion under which the Bank's share totaled more than PLN 0.3 billion;
 - 4 corporate bond issue agreements with a total value of nearly PLN 9.7 billion, under which the Bank's share totaled nearly PLN 1.7 billion;
 and prepared, as co-organizer and joint bookbuilder, an issue of bonds of Cyfrowy Polsat S.A. totaling PLN 2.67 billion;

- with respect to brokerage activities (conducted by the Bank's Brokerage Office):
it conducted:
 - as the global coordinator, offering agent and book-building manager, the placement of shares of Polska Grupa Energetyczna S.A. with a value of approximately PLN 3.2 billion;
 - as the global coordinator and bookbuilder, a sale of shares under the accelerated book-building procedure of Polski Koncern Naftowy ORLEN S.A., worth more than PLN 715 million;
 - as the offering agent, issues of bonds of Echo Investment S. A. with a total value of PLN 205 million;
 - as a member of the distribution syndicate, issues Kruk S.A. bonds with a total value of PLN 195 million;
 as at the end of 2022:
 - it maintained almost 148 thousand securities accounts and cash accounts, as well as more than 518 thousand registration accounts;
 - it provided services concerning units in 403 funds and sub-funds managed by 10 fund management companies;
- with regard to the deposit offering:
 - introduced a dynamic account and increased its interest rate - it is a separate account to handle automatic and effective overnight cash deposits; the minimum amount is PLN 500 thousand and the interest rate is 1.3% (per annum).

8.5 INSURANCE AND LEASING

In 2022 insurance and leasing services provided both to retail and corporate customers were intensified.

Activities and achievements:

INSURANCE	
Housing insurance PKO Dom	Launch of policy renewal process using various customer contact channels (text message, e-mail, remote channels).
	Launching a website for customers to handle selected residential claims online on their own. Based on the photos and information provided in the application, the system independently calculates the amount of compensation and, after approval by the customer, executes the payment to the indicated account.
	More than 300 thousand PKO Dom policies sold in 2022, securing the Bank Group's 4.8% share of the home insurance market in Poland.
Sales of motor insurance	Expansion of the offering to include motor lease insurance - PKO Leasing S.A. customers, through the Bank, can insure the leased vehicle under the PKO Auto Package.
	More than 180 thousand motor insurances sold in 2022 (27 thousand more than in 2021). At the end of 2022, the Bank had 174 thousand customers in its portfolio. Since the Bank began distributing motor insurance in mid-2018, a total of more than 500 thousand contracts have been concluded.
Sales of other insurance	PKO Towarzystwo Ubezpieczeń S.A. recorded an increase of 125% in gross premiums written for children and youth insurance (PKO Ubezpieczenie Dziecka) and 141% for travel insurance (Moje Podróże ²⁴) compared to 2021.

LEASES

"My e-car" programme	<p>The achievement by the PKO Leasing S.A. Group (PKO Leasing S.A. Group) of a significant participation in the "My e-car" Program, which aims to support the purchase of green vehicles. The program makes it possible to obtain a subsidy on the initial payment for leasing and long-term rental of new electric or hydrogen-powered cars and vans.</p> <p>In 2022, 22% of subsidy applications were made through PKO Leasing S.A. Group companies, nearly 50% of the subsidy paid by the National Fund for Environmental Protection and Water Management was paid to PKO Leasing S.A. Group customers, the PKO Leasing S.A. Group achieved a leading position in electric car financing in Poland with a market share of 21%.</p>
Automarket.pl	In 2022, the number of cars sold via the Automarket.pl platform was 17% higher than in the previous year. More than one-third of the financing agreements were concluded with PKO Bank Polski S.A. customers.
Expansion of the offering	The launch of a new financing offer for motorcycles, scooters and quads in cooperation with Liberty Corporation Sp. z o.o. The offering includes leasing and loans for entrepreneurs and consumer leasing for individuals. PKO Leasing S.A. is the exclusive official financing partner for Liberty Corporation Sp. z o.o.
Development of remote functionalities	<p>Making it possible for the Bank's customers to carry out the entire leasing process for new cars (cars and trucks up to 3.5 T) remotely via iPKO. This is the first such process available on the Polish market and the first step towards making the full product offering of the PKO Leasing S.A. Group available on the iPKO website.</p> <p>Making lease financing from PKO Leasing S.A.'s website available online at Media Markt and Media Expert stationary stores. All entrepreneurs can take advantage of the offering, regardless of the size of the company or how long it has been in business.</p>
	Providing customers with an online claim reporting process in the PKO Leasing Customer Portal. Customers gained the possibility of self-service in terms of reporting a loss, in a channel and tool to which PKO Bank Polski S.A. customers have direct access from iPKO Internet banking website, without having to log in again.

8.6 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 2022:

PKO Pay Later	<p>Launching a gradual rollout of the "PKO Pay Later" service to customers, which allows them to make purchases within a limit set by the Bank and repay the liability after 30 days. The solution will be available in all online and offline stores in Poland and around the world that accept BLIK, as well as in online stores upon selecting the "Pay with iPKO" payment method.</p> <p>The service won the Most Interesting Payment Project 2022 category in the Cashless Pay 2022 poll.</p>
Digital Mortgage	As part of the project to create an innovative mortgage sales process including a state-of-the-art loan product, by the end of 2022, an omni-channel lending process, electronic documentation workflow and minimized the list of documents provided by customers were designed. The concepts for a new mortgage product have been developed, which specifically includes individual pricing and cross-sell approaches.

LikePOS	Releasing the LikePOS mobile application for business customers to accept contactless payments on Android devices.
Contactless payments	Implementing three new contactless payments for Bank customers: SwatchPAY!, Xiaomi Pay (for Mastercard holders only), Google Pay - offered to users of Android smartphones (version 5.0 or higher) that support NFC technology and Wear OS smartwatches.
Process automation	Implementation of 230 processes by the end of 2022 using technology that enables the automation of structured, repetitive activities (RPA).
Poland ClimAccelerator	Launch of 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; Categories of solutions sought include: GreenTech, carbon footprint reporting, fleet management, materials innovation, vertical farms, waste and recycling, and office building air purification. The program was launched in collaboration with EIT Climate-KIC, a leader in European climate innovation, and Accelpoint, the market's flagship start-up accelerator.
Voicebots	Launching new bots: a bot that confirms card transactions (calls the customer and assists in blocking or unblocking the card when the security system (EFM) flags a transaction as suspicious), to IKO activation (contacts customers who have entered an incorrect code in the activation process or want to launch IKO on a phone number outside the file), "PKO Pay Later" (calls to confirm whether the customer voluntarily requested a limit in the "PKO Pay Later" service) and for the post-service NPS survey (calls after the customer has spoken to a consultant).
	More than 10.4 million conversations in total conducted by bots in 2022.
Cloud technologies	Moving 12 thousand customer advisor jobs to the cloud. The virtualization of workplaces has reduced the risk of failure and raised the level of security.
	Based on cloud technologies, implementation of advanced solutions for advanced data analytics, machine learning and business process support.
	Making more systems available to customers, including the PKO Bank Polski S.A information website and the first functionalities of the IKO mobile app.
Bank in the Metaverse	<p>Launching the Warsaw PKO Rotunda in the Metaverse.</p> <p>Users of the Decentraland platform can visit the virtual PKO Rotunda, where an exhibition of Polish contemporary art has been made available. For the Bank, being present in the Metaverse is an opportunity to gain experience and test technological solutions that will serve to develop a new channel of communication with customers and its business use in the future.</p>

8.7 DISTRIBUTION NETWORK AND ACCESS CHANNELS

IKO mobile banking
 iPKO Internet banking
 Contact Center of PKO Bank Polski S.A.
 Network of branches and agencies
 Corporate Banking Centre
 Private Banking Centre

IKO MOBILE BANKING

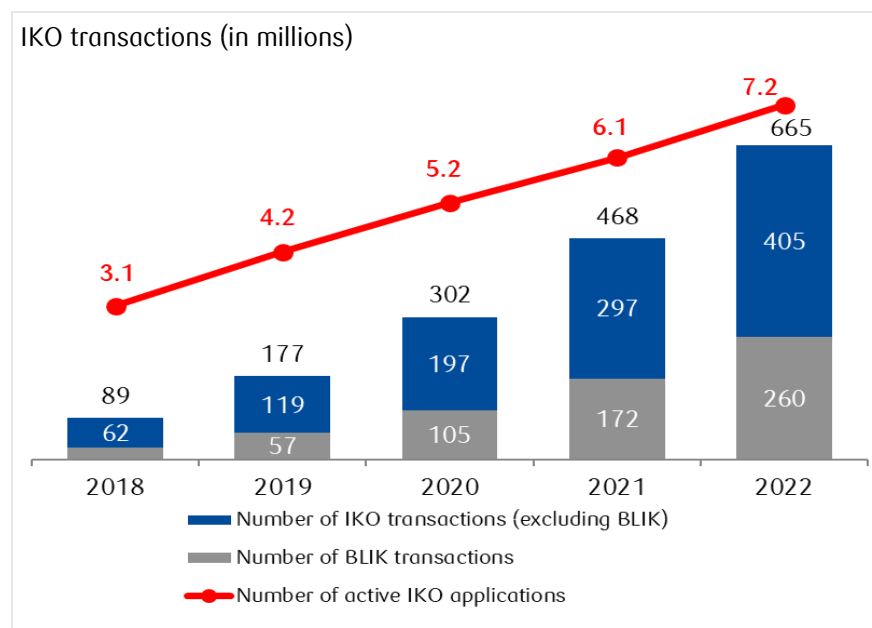
PKO Bank Polski SA offers advanced technological solutions to its customers, providing them with complete, simple, functional and at the same time safe access to banking services using telephones. Digital banking at PKO Bank Polski S.A. is strongly supported by the IKO mobile application.

The number of active IKO applications exceeded a record high of 7.2 million on the Polish banking market at the end of 2022. Since its launch in March 2013, users have logged in to the application nearly 6.4 billion times and made nearly 1.7 million transactions for a total amount of PLN 457 billion.

The number of transactions concluded until the end of 2022 using the proximity BLIK in the IKO application amounted to more than 26.4 million.

The IKO voice assistant held a total of more than 2.5 million conversations with customers. Almost 1.5 million calls were held in 2022 alone (an increase of 94% y/y).

In the Fintech Awards 2022, in the BankTech category, the Bank received an honorable mention for the development of the voice assistant in IKO.



In 2022, IKO functionality has been expanded to include new capabilities:

- offering a new payment limit service, "PKO Pay Later," which allows deferral of repayments of executed transactions for 30 days;
- purchase of an e-TOLL highway e-ticket, which will allow customers to more conveniently travel on toll sections of selected highways; IKO is the first banking application on the Polish market to offer such a service;
- text search and filtering of account history and debit card history;
- a new layout for the list of recipients and the ability to manage domestic and corporate recipients;
- verification of the identity of the Bank employee calling the customer, thus increasing the security of customers, who can make sure that they are actually talking to a Bank employee and are not victims of fraud;
- a new application to open a PKO Children's Account with a PKO Junior debit card;
- making new features available to users who do not have an account with PKO Bank Polski S.A.:
 - preview of credit cards, loans and credits, foreign currency and savings accounts;
 - currency exchange service;
 - cash loan application;
- a new version of the "Scan and Pay" function, which allows customers to read data from scanned invoices in a faster and more efficient way;
- management of the PKO Dom insurance policy and preview of the installment schedule in motor insurance;
- presentation of information on the amount of fees or commissions for the processing of transactions before ordering a regular transfer, own transfer, tax transfer, as well as the presentation of currency conversion margins for card transactions;

- changing identity documents, mailing address and switching to electronic correspondence for loan and investment products;
- launching new features in the voice assistant:
 - advanced analysis of card spending at a specific merchant;
 - card cancellation;
 - temporary blockade;
 - card unlocking;
 - presentation of funds blocked in the account;
 - history of recent transactions from several accounts;
- instruction for early repayment of consumer loans;
- making the iPKO dealer online exchange service available for businesses.

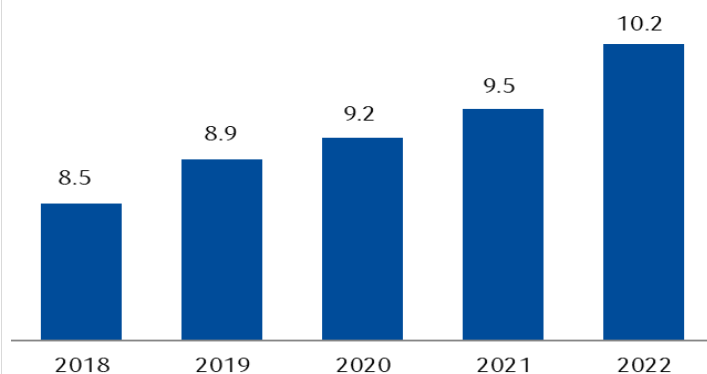
IPKO INTERNET BANKING

The customers can use iPKO and iPKO biznes services 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 effect transactions through the Internet.

iPKO

The Bank constantly promotes iPKO Internet banking among retail customers and small- and medium-sized enterprises. It includes remote self-management of accounts, banking products and other services. The customers have fast, safe and easy access to their funds (also those entrusted to some other companies of the Bank's Group) irrespective of the equipment used. Fees for using iPKO banking services are lower than the commissions and fees charged for the transactions in the traditional channels of contact with the Bank.

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



* from the second quarter of 2019 a change in the definition – the number of retail customers who have an active relation with a product in the iPKO service

In 2022, PKO Bank Polski S.A. introduced the following new features to iPKO to make it easier for customers to use banking services:

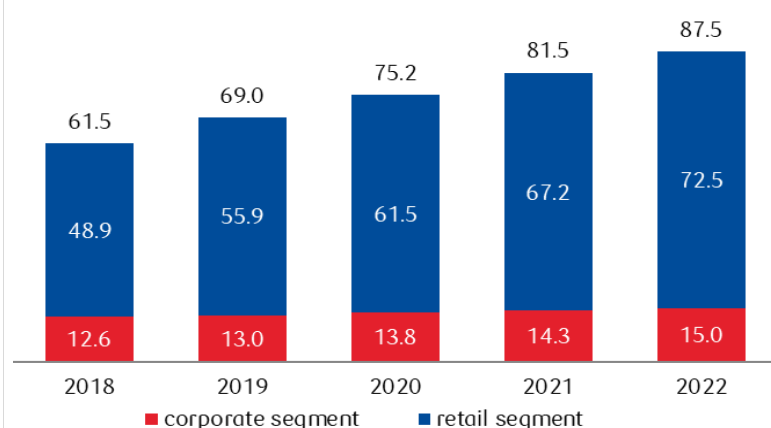
- offering a new service, innovative on the Polish market, "PKO Pay Later" - which allows postponing the repayment of transactions carried out by the customer during online shopping for 30 days;
- launch of an English language version of the website; the English language version can be used to explore, among other things: the login page of the website (including the login help section), the home page after logging in, navigation through the website, account details, transfer forms and list of recipients, and history of transactions on accounts;

- release of a search engine that responds dynamically to the phrases entered (live search) with regard to site navigation to facilitate quick access to all functions;
- revamping the "Settings" section, which now allows, among other things, micropersonalization, i.e. choosing the default account and context visible after logging in, and adjusting for display on mobile devices;
- the process of purchasing and handling investment funds on iPKO and the IKO mobile app through thematic investments;
- additional safeguards for changing iPKO passwords and logging in on new devices that require the use of an authorization tool;
- changes to domestic, own and tax transfers involving the provision of information on transfer fees and commissions;
- a new foreign transfer template with numerous conveniences to facilitate this type of operation;
- new onboarding, a process that makes it easier for new customers to start using electronic banking;
- possibility of submitting Family 500+ applications for the new accounting period and applications for subsidizing a child's stay in a nursery, children's club or with a day care provider, including the possibility of submitting applications for 500+ and family care capital (RKO) to the Social Insurance Institution in iPKO and Inteligo for parents earning income outside Poland;
- sale of tickets for selected matches organized as part of PKO BP Ekstraklasa games;
- arranging appointments with advisors;
- providing access to services offered by the Credit Information Bureau (Biuro Informacji Kredytowej S.A.) – alerts and reports;
- new forms of filters and categories for searching the history of operations;
- a new layout of the Documents section in iPKO for downloading documents issued by the Bank, along with the addition of new documents (statements for closed accounts, PADs), which reduces the quantity of documents sent in paper form.

IPKO BIZNES

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 2022, PKO Bank Polski S.A. made new functionalities available to the iPKO biznes users, such as:

- increasing transaction security by introducing additional confirmation for all transfers ordered to accounts outside the contractor base;

- launch of credit and debit card applications and making prepaid cards available through API in iPKO biznes Integra,
- providing developers with a new module for Residential Escrow Accounts; developers can control the status of their accounts, verify deposits and withdrawals separately for each buyer, make instructions, check schedules and download reports;
- streamlining the authorization tool activation process;
- making the iPKO dealer's online currency exchange service available on the iPKO business mobile app;
- enabling authorization of applications submitted in the iPKO business mobile app.

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 2022:

- 97% of PKO Leasing S.A. customers used the Portal;
- nearly 1 million payments have been processed through the Portal;
- PKO Leasing S.A. processed 35 thousand online applications.

CONTACT CENTER OF PKO BANK POLSKI S.A.

The Contact Center plays an important role in serving retail segment customers, providing efficient and effective customer service via a phone, e-mail or social media. During the calls, the Bank's products and insurance products are actively sold, and customer cases regarding fraudulent and potentially fraudulent situations are handled.

PKO Bank Polski S.A.'s hotline employs several hundred consultants who remain at the customers' service 24 hours a day, 7 days a week. Consultants provide customers with information or ensure the execution of instructions, and guide customers through self-service applications where they handle their products themselves.

The Contact Centre also plays an important role in the amicable settlement processes relating to loans denominated in CHF. The helpline provides the necessary information on an ongoing basis, presents solutions regarding the options for the mediation process, and makes appointments for customers to sign settlements. To ensure the efficiency of the process, a special IVR solution was made available which supports customers in answering their queries.

Since 2021, each of the customers calling the Bank's helpline is greeted by a bot, that is AI (Artificial Intelligence) which verifies his/her intentions and connects him/her with the consultant most knowledgeable on the matter. The bot helps answer simple questions from customers or performs a number of instructions on its own – in 2022, among other things, the process of unlocking account accesses (iPKO and telephone service) and card blocking for customers with more than 1 card was implemented.

At the inbound helpline, the bot processed a total of 117 thousand instructions in 2022 (including 84 thousand unlocked accesses, 23 thousand blocked cards and 10 thousand blocked IDs).

In total, the bot handled 6.1 million calls in 2022 (a y/y increase of 95%).

By using AI, the Bank reduces costs and increases the speed of service, and cases requiring a custom solution are usually referred to a consultant.

In the latest Institution of the Year survey conducted by Moje Bankowanie sp. z o.o. the Bank's Contact Center won the top position in helpline communication.

As part of the Bank's offering to Ukrainian refugees, the Contact Center has built a Ukrainian-language service line. At present, a customer calling the automated assistant can choose Ukrainian as the language of service. People who moved to Poland in connection with the events in Ukraine have been hired to serve customers in Ukrainian.

For corporate customers, a separate Corporate Customer Service Center has been established to provide comprehensive after-sales service and technical electronic banking support via phone, email and in-person meetings. Dozens of specialized account managers and e-banking specialists provide support to customers – responding to their needs, drafting documents, clarifying complaints and handling security incidents. The support provided is rated very highly by customers each year – the satisfaction rating for cooperation in 2022 with a consultant at the call center reached 4.88 points on a 5-point scale.

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 optimization 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 of that micro-market (retail branches) and optimization of the coverage of business areas (corporate branches).

As at the end of 2022, the network of PKO Bank Polski S.A.'s branches comprised:

- 905 retail branches organized into 10 regional divisions, 8 private banking offices and 11 corporate banking offices;
- 23 regional corporate centres 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 2021, the total number of retail units decreased by 8.

The drop in the number of branches is among other things the result of digital transformation which is one of the key elements of the consistently pursued development strategy of PKO Bank Polski S.A. The digital transformation supports customers switching to remote service channels and at the same time implements the assumptions of the government project "From a Paper to a Digital Poland".

Table 13. Operating data of the retail and corporate segment

	2022	2021	2020	2019	2018
Number of branches in the retail segment:	934	942	972	1,073	1,113
regional retail branches	10	10	10	11	11
retail branches	905	913	943	1,043	1,083
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:	33	33	32	42	42
regional corporate branches	7	7	7	7	7
regional corporate centres	23	23	23	33	33
foreign branches	3	3	2	2	2
Number of agencies	349	447	492	538	577
Number of ATMs	3,011	2,976	3,022	3,080	3,133

The branch and ATM network is complemented by the agency network. As at the end of 2022, PKO Bank Polski S.A. collaborated with 349 agencies. The drop in the number of agencies observed during the last three years is caused by lower profitability resulting from a lower number of customers using agencies during the Covid-19 pandemic.

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. Customer amenities such as electronic media and Internet workstations have been put in place in upgraded and relocated branches. In 2022, a total of 30 branch projects were completed, including: 18 branch relocations and 12 branch upgrades.

PKO Bank Polski S.A. has been consistently implementing a new model for serving retail customers based on the role of a customer assistant, i.e. an employee responsible for initially identifying the customer's needs as soon as he or she enters the branch and arranging the visit as efficiently as possible. Branches switching to the new service model are being equipped with Internet workstations with access to the electronic banking portals of PKO Bank Polski S.A. and other banks. The bank is emphasizing even better channel education, greater customer satisfaction with the visit, and ensuring that waiting times to meet the objective of the visit are reduced. At the end of 2022, about 120 branches of the Bank were adapted to the new model.

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 2022, 33 branches were operating under the cashless model.

In addition, a branch in the experimental PKO Koncept format was launched in June in the Warsaw complex of the revitalized Norblin Factory.

CORPORATE BANKING CENTRE

The Corporate Banking Centre of PKO Bank Polski S.A. is an optimum environment created for the development of businesses with revenues ranging from PLN 5 million to PLN 30 million and similar product and service needs. In 2022, the number of customers served by the Corporate Banking Centre increased by nearly 12% to 15.9 thousand at the end of the year.

A separate Corporate Banking Centre makes it possible to build the image of PKO Bank Polski S.A. as a reliable business partner for Polish businesses, thanks to:

- its service team;
- creating a specialized group of nearly 150 mobile advisors cooperating directly with credit analysts;
- improving the advisors' credit competence, better matching of the product offer and price range to the customer's needs, and reducing the waiting time for a credit decision due to improvements in the lending process;
- limiting paper documentation in relations with the Bank, remotely communicating with Customers, as well as automating the processes using iPKO and iPKO biznes.

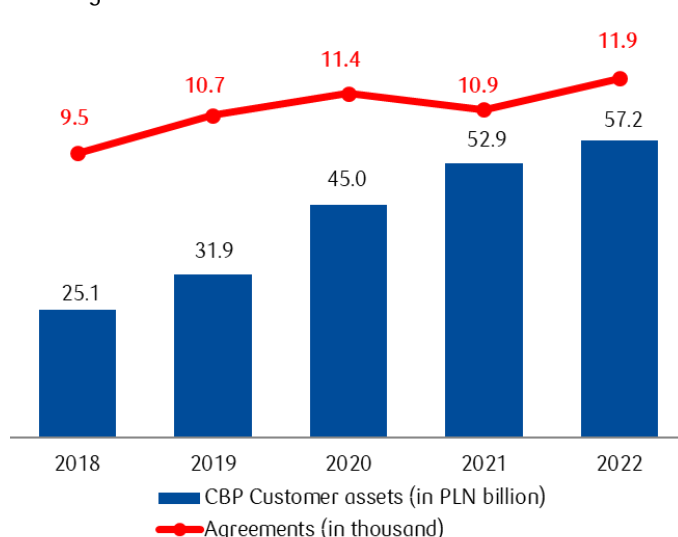
PRIVATE BANKING CENTRE

PKO Bank Polski S.A. is constantly developing its Private Banking and enables customers to access a wide range of financial products and instruments.

The Private Banking Offices serve customers in the largest Polish cities: Warsaw, Gdansk, Cracow, Katowice, Poznan, Wroclaw, Lodz, Szczecin, Bydgoszcz, as well as Bialystok and Lublin.

As at the end of 2022, the Private Banking Centre managed a portfolio of assets worth nearly PLN 57.2 billion (an increase by 8.0% y/y), and the number of clients served was about 16.8 thousand (an increase of 8.9% y/y).

Agreements and assets of the customers of the Private Banking Centre



8.8 OPERATIONS AREA

In 2022, the operations area continued to centralize and transform services in the Bank and Bank Group's companies, delivering very good efficiency and cost results. Operations were carried out for all segments of the Bank's customers (retail and corporate). Tasks were carried out in a state-of-the-art structure involving the following operational units: Contact Center and after-sales and development teams.

The Bank's operations area carried out new tasks, particularly related to serving customers in the first weeks after the outbreak of war in Ukraine, including Ukrainian refugees.

- The surge in demand for cash in Poland following the outbreak of war in Ukraine prompted the need for an operationally efficient supply of Polish and foreign currency to branches throughout Poland, as well as to ATMs. The effectiveness of operations in ensuring access to cash was made possible by a series of preventive measures, including reviewing emergency procedures and activating them as early as the first day of the war. This allowed the Bank to maintain liquidity and cash availability.

- Due to the shortage of foreign currency in the market and the lack of supply from the Central Bank, PKO Bank Polski S.A. organized the supply of foreign currency to the market at the request of other commercial banks. In the period from 24 February to 31 March 2022, the Bank supplied foreign currency with a value of PLN 3.3 billion, of which an amount equal to PLN 1 billion was supplied to its competitors – other commercial banks.
- The bank has efficiently set up a helpline that serves its customers – Ukrainian citizens – in their native language. People who have sought refuge in our country due to the events in Ukraine have been recruited to serve customers in Ukrainian.
- The Bank's operations area participated in the introduction of sanctions on payments made to selected entities, which resulted in a large increase in the volume of ancillary activities to, among other things, transactions ordered by the Bank's customers to beneficiaries in the Russian Federation and Belarus in particular, as well as those received on behalf of beneficiaries who maintain accounts with the Bank from sanctioned entities. As at 1 January 2023, 73 entities are subject to the ban.

In less than a month, the Bank designed and implemented a statutory credit holiday process that is almost 100% automated and robotized. Only extremely complex contracts are sent to manual processing.

In the area of operational financial settlements, the Bank:

- unified the settlement of all securities transactions that are concluded through the BondSpot platform - there was a reduction in counterparty insolvency risk owing to the use of net settlements;
- entered into a partnership with EuroClear to operate a securities deposit account for the Initial Margin, paving the way for the development of securities trading in foreign markets.

Cash turnover at PKO Bank Polski S.A. (PLN and currencies converted to PLN) increased by 27% in 2022 compared to 2021, i.e. to PLN 369 billion. Turnover in foreign currencies accounted for about 7% of turnover in PLN.

The increase in closed-end deposits by 56%, closed-end withdrawals by 24%, branch cash deposits by 28% and device deposits by 21% had the largest impact on the increase in the Bank's turnover. Increases in closed-end deposits and withdrawals prove that the Bank is the first choice for large, networked corporate clients.

Once again, the Bank maintained a very good performance in terms of the quality of transactions carried out in the U.S. dollar (USD). PKO Bank Polski S.A. received the prestigious Quality Recognition Award from the U.S. bank JP Morgan for the highest quality of interbank operations in U.S. dollars, among which, depending on their type, 100% and 98.79% were error-free operations.

PKO Bank Polski S.A. continued to digitize and robotize its operational processes. The Bank:

- implemented 1st stage of the automation of the process of accounting for purchase invoices (referring to the Administration Area), using the digitization of documents by the electronic mailroom, with intelligent document reading (iOCR) technology;
- implemented a digital process to prepare customized pricing terms for a corporate customer;
- introduced automated and AI solutions in the area of handling correspondence addressed to the Bank using iOCR technology.

The number of tasks executed by robots in 2022 exceeded 176 million.

8.9 INTERNATIONAL COOPERATION

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.

The Bank's Group also participates in portfolio guarantee programmes (including of the European Investment Fund). In 2022, guarantees were offered under the COSME and EGF programmes.

For detailed information about loans received under the international cooperation, see Note 39 to the financial statements of the Bank's Group for 2022.

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 2022, PKO Bank Hipoteczny S.A. reported a net loss of PLN 405.8 million (vs. a net profit of PLN 94.9 million in 2021). The reason for generating the loss was the recognition of the impact of the statutory credit holidays – the company recognized an adjustment reducing interest income and the value of the loan portfolio by the value resulting from the modification of estimated future cash flows in the amount of PLN 667 million.

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 2022 the total gross value of the PKO Bank Hipoteczny S.A. loan portfolio amounted to PLN 19.0 billion, including PLN 9.0 billion of mortgage housing loans purchased from PKO Bank Polski S.A.

In 2022, PKO Bank Hipoteczny S.A. issued green mortgage covered bonds in EUR with a nominal value of EUR 500 million. This was the first foreign issue in Poland and the Central and Eastern Europe of green mortgage covered bonds secured solely with high quality residential mortgage loans in Polish zlotys. The total nominal value of mortgage covered bonds issued by the company and outstanding as at the end of 2022 was PLN 12 billion. This included green mortgage bonds worth PLN 2.8 billion.

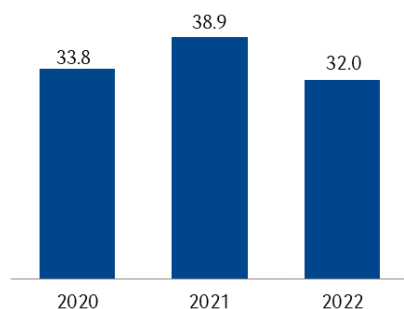
PKO TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A.

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 2022 the Company earned net profit of PLN 189.3 million (vs. PLN 218.8 million in 2021).

The value of the funds' net assets under the Company's management amounted to PLN 32.0 billion as the end of 2022, which represents a 17.9% decrease in assets compared with the end of 2021.

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



PKO TFI S.A. ranks first with 20.6% share of funds' assets under management excluding selected investors and second in terms of net assets with 12.0% share of the total investment fund market*.

As at 31 December 2022, PKO TFI S.A. managed 63 investment funds and sub-funds.

The company in 2022 introduced, together with the Bank, the Specialized Investment Program "Autolokacja III" - a product where funds accumulated on deposit with the Bank are periodically transferred to an investment sub-fund designated by the program participant. At the end of 2022, the value of net assets invested in sub-funds under the above program amounted to nearly PLN 561 million.

At the end of 2022 PKO TFI S.A. was the Polish market leader in Employee Capital Plans in terms of the assets under management with a 31.8% market share.

* Source: Analizy Online, January 2022.

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 (Indywidualne Konto Emerytalne - IKE) and Individual Retirement Security Account (Indywidualne Konto Zabezpieczenia Emerytalnego - IKZE).

In 2022, the Company earned net profit of PLN 24.8 million (vs. a PLN 16.2 million in 2021).

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

As at the end of 2022, the net asset value of PKO BP Bankowy OFE managed by PKO BP BANKOWY PTE S.A. amounted to PLN 7.1 billion, which is a decrease by more than PLN 1.4 billion compared with the end of 2021. The decline resulted from the deterioration in the financial markets, primarily due to the conflict in Ukraine.

PKO Bankowy OFE had 864.1 thousand participants as at the end of December 2022 (877.1 thousand as at the end of 2021).

PKO BP Bankowy OFE ranks 9th 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

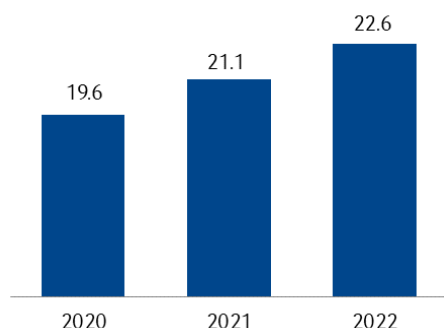
The PKO Leasing S.A. Group (i.e. PKO Leasing S.A. and its subsidiaries) offers financial services in respect of lease and factoring and provides insurance agent, fleet management and vehicle rental services.

The PKO Leasing S.A. Group earned a net profit of PLN 347.2 million in 2022. The net profit for the year 2021 was PLN 249.1 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 2022, 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 22.6 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 2022, the carrying amount of amounts due from customers was PLN 3.60 billion. As at the end of 2021, it was PLN 2.92 billion.

In 2022, the value of factoring turnover was PLN 31.4 billion (in 2021: PLN 22.5 billion).

As at 31 December 2022, the Company ranked 6th (in terms of turnover) among the factoring companies associated in the Polish Factors' Association, with a market share of 6.8%.

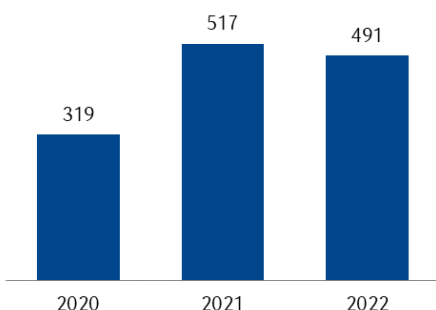
PKO ŻYCIE TOWARZYSTWO UBEZPIECZEŃ S.A. GROUP

The PKO Życie Towarzystwo Ubezpieczeń S.A. Group earned a net profit of PLN 54.9 million in 2022 (in 2021, the Group's net profit was PLN 15.5 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 2022 amounted to PLN 491.1 million. As at the end of 2022, the Company insured 1,026 thousand people (1,021 thousand people in 2021).

Gross written premium (in PLN million)



PKO TOWARZYSTWO UBEZPIECZEŃ S.A.

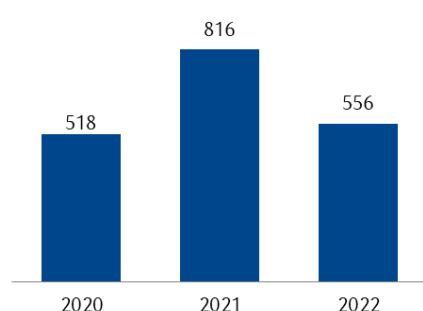
In 2022, the Company earned net profit of PLN 87.0 million (vs. PLN 67.1 million in 2021).

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 more than 60 for the claim handling process.

Gross written premiums under insurance contracts concluded by the Company in 2022 amounted to PLN 555.8 million. As at the end of 2022, the Company insured 1,413 thousand people (1,196 thousand people in 2021).

Gross written premium (in PLN million)



PKO BP FINAT SP. Z O.O.

In 2022 the Company earned net profit of PLN 29.6 million (vs. PLN 33.0 million in 2021).

PKO BP Finat sp. z o.o. provides outsourcing services, such as comprehensive services for financial sector entities, including transfer agent services as well as fund and company accounting services.

Its offer includes implementing and maintaining cloud solutions for companies, i.e. providing stable, automated and safe solutions in the cloud environment. It also provides competence outsourcing services for IT specialists, project teams and IT processes.

It is also a provider of non-financial products in PKO Bank Polski S.A.'s electronic banking. (including: GSM top-ups, gift cards, BIK reports). The company offers solutions for handling PPKs.

Based on a permit from the Polish Financial Supervision Authority, PKO BP Finat sp. z o.o. also provides services as a national payment institution.

8.11 PRIZES AND AWARDS FOR THE PKO BANK POLSKI SA GROUP

In 2022, the PKO Bank Polski S.A. Group received many prizes and awards, the most important of which are listed below.

AWARDS RECEIVED BY PKO BANK POLSKI S.A.

BANK OF THE YEAR 2022 IN POLAND (DECEMBER 2022)

PKO Bank Polski S.A. has been awarded the title of "Bank of the Year 2022 in Poland" by the prestigious monthly magazine "The Banker". A panel of international experts recognized the Bank primarily for its digitalization, which is one of the main directions of its development.

The "Bank of the Year" competition is organized by The Banker monthly, published by the Financial Times since 1926. When selecting the best bank, the competition's jury analyzes business performance, strategic initiatives and key technologies, also related to the specifics of operating in a particular country.

INNOVATION LEADER ACCORDING TO IT COMPANIES (NOVEMBER 2022)	<p>In the 17th edition of the IT@Bank ranking, PKO Bank Polski S.A. was awarded in the "Innovation Leader according to IT companies" category. The IT industry recognized the Bank for fostering innovation, implementing cutting-edge technologies and setting the course for the digital revolution in the financial and public sectors.</p> <p>The IT@Bank ranking is an initiative of Miesięcznik Finansowy BANK. Its aim is to award the persons, technological solutions and firms associated with the financial sector that make it more innovative.</p>
BRAND OF BRANDS OF THE 15TH ANNIVERSARY (NOVEMBER 2022)	<p>PKO Bank Polski S.A. has become the triple winner of the 15th edition of the Top Brand ranking. It won the grand prize - the Brand of Brands 15th Anniversary statuette, the Brand of Brands 2022 award, and won in the industry's ranking.</p> <p>PKO Bank Polski S.A. was the leader of the banks category in all 15 editions of the ranking. In 2022, it also won the overall ranking of 500 brands from 50 industries. Top Brand is the largest media survey in Poland carried out by Press magazine and Press-Service Media Monitoring.</p>
ENVIRONMENTALLY RESPONSIBLE COMPANY 2022 (OCTOBER 2022)	<p>PKO Bank Polski S.A. has been awarded the statuette of Environmentally Responsible Company 2022. The bank was recognized for its activities in support of environmental protection, particularly green financing. PKO Bank Polski S.A. consistently supports the green transformation of the Polish energy system and is a proven partner in green investment lending.</p> <p>The award was granted by the economic editors of the Fratria Media Group.</p>
POLISH CONTACT CENTER AWARDS (JUNE 2022)	<p>In the competition, PKO Bank Polski S.A.'s Voicebots won in the category for solutions supporting Contact Center operations.</p> <p>The jury appreciated the extensive use of artificial intelligence (AI) and advanced analytics, the dynamic development of the project and its scale. The technology supports all customers on the inbound helpline and performs some of the processes on the outbound helpline.</p> <p>The Polish Contact Center Awards is the most important competition of the Polish contact center and customer service sector, organized by the Polish Marketing Association SMB. It aims to recognize the best specialists, solutions and companies in the area of remote customer communication.</p>
SPECIAL AWARD OF THE JURY OF THE COMPETITION FOR LEADERS IN THE WORLD OF BANKING AND INSURANCE (APRIL 2022)	<p>The competition's jury awarded PKO Bank Polski S.A. a special prize in recognition of its relief efforts for war-affected Ukrainians.</p> <p>PKO Bank Polski S.A. was recognized for its systemic commitment to the hryvnia exchange program, and was the only commercial bank to join the hryvnia-to-Polish zloty exchange campaign in cooperation with the National Bank of Poland and the National Bank of Ukraine. Also highlighted was the multifaceted operational and charitable support the Bank provides to war refugees from Ukraine.</p> <p>The Leaders of the Banking and Insurance World Awards recognize personalities contributing to the development of the banking and insurance sector and the most effective institutions in the financial industry.</p>
BROKER OF THE YEAR (APRIL 2022)	<p>Summing up the results of 2021, the WSE granted the Broker of the Year 2021 prize to the Bank's Brokerage Office (Biuro Maklerskie PKO Banku Polskiego S.A.). The Bank's Brokerage Office received the WSE award for the fifth year in a row. At the gala, the Brokerage Office was also awarded in the "Main Market" category for the highest share in session and block trading in shares, and in the "Catalyst" category for the highest share in bond trading.</p>

MOBILE TRENDS AWARDS (MARCH 2022)	<p>In the 11th edition of the competition, IKO - the mobile app of PKO Bank Polski S.A. - won the main prize by winning the most votes (more than 15 thousand) from Internet users, who appreciated it for, among other things, its innovation, user-friendly solutions and dynamic development.</p> <p>IKO is the most popular mobile banking app in Poland and one of the best-rated banking apps in the world, with an average score of 4.8 in 2021 based on reviews from more than 770 thousand customers.</p> <p>The Mobile Trends Awards is a prestigious industry award. It is granted to companies that make successful use of mobile technologies.</p>
THE MOST RELIABLE FINANCIAL INSTITUTION (JANUARY 2022)	<p>In the "Most Credible in the Polish Economy" competition held by the ISBNews news agency, PKO Bank Polski S.A. was awarded the title of "Most Credible Financial Institution."</p> <p>The purpose of the competition is to recognize companies that contribute to the economic success of Poland, trusted partners in business, operating their business in a transparent and honest manner in accordance with the principles of corporate social responsibility. The panel recognized the Bank for its record financial performance, business development, as well as the implementation of advanced technologies and the rollout of remote service channels.</p>
TOP EMPLOYER 2022 (JANUARY 2022)	<p>PKO Bank Polski S.A. has been awarded the prestigious Top Employer title for another consecutive year. Certification by the Top Employers Institute - the world's leading authority on the survey of working conditions - confirms the Bank's position as one of the best employers in Poland. This is demonstrated, among other things, by the Bank's focus on fostering a work environment based on an open and engaging culture, focusing on development, integration and attention to wellbeing.</p> <p>The Top Employer Certificate confirms that PKO Bank Polski S.A. offers working conditions on par with the best employers in the market and puts employees first in its organization. The results of the survey show that the solutions implemented by the Bank in terms of employee support, benefits, care for health and their well-being rank it among the top. In addition, the overall certification score has also improved year on year.</p>
"PARKIET" FORECAST COMPETITION (JANUARY 2022)	<p>PKO Bank Polski S.A. economists won the "Parkiet" forecast competition. As in the previous edition of the competition - they ranked 1st in the main ranking for macro and market indicators combined, and won the macroeconomic indicator forecast ranking. The winning team beat 24 teams from other banks.</p> <p>Accurate assumptions about the strength of the labor market and the smooth unwinding of pandemic losses in the economy, amid the heightened volatility and uncertainty that marked 2021, proved to be the foundation for success.</p>
AWARDS RECEIVED BY THE BANK'S SUBSIDIARIES	
BANK DEPOSIT RELIABILITY RANKING (DECEMBER 2022)	<p>KREDOBANK S.A. maintained its leading position in the bank deposit reliability ranking of the "Standard-Rating" rating agency and, despite, the ongoing war in Ukraine, once again confirmed its credibility.</p> <p>The ranking analyzed data from three quarters of 2022, including the bank's capital, loan portfolio quality, liquidity, profitability and scale of operations.</p>
INSURANCE STAR RATING (NOVEMBER 2022)	<p>In the 1st edition of "Dziennik Gazeta Prawna's" Insurance Stars ranking, PKO Towarzystwo Ubezpieczeń S.A. won in the capital category, for its large increase in own funds and distinction in terms of assets.</p>
LEADER IN ELECTROMOBILITY FINANCING (OCTOBER 2022)	<p>PKO Leasing S.A. and Masterlease were awarded by BOŚ Bank for their contribution to the development of the "My e-car" program. During the 8 months of 2022, PKO Leasing Group S.A. registered the largest number of zero-emission cars of all leasing and CFM companies in the Polish market.</p>

9. RISK MANAGEMENT

Principles of Risk Management
Discussion of the Bank's lending policy

9.1 PRINCIPLES OF RISK MANAGEMENT

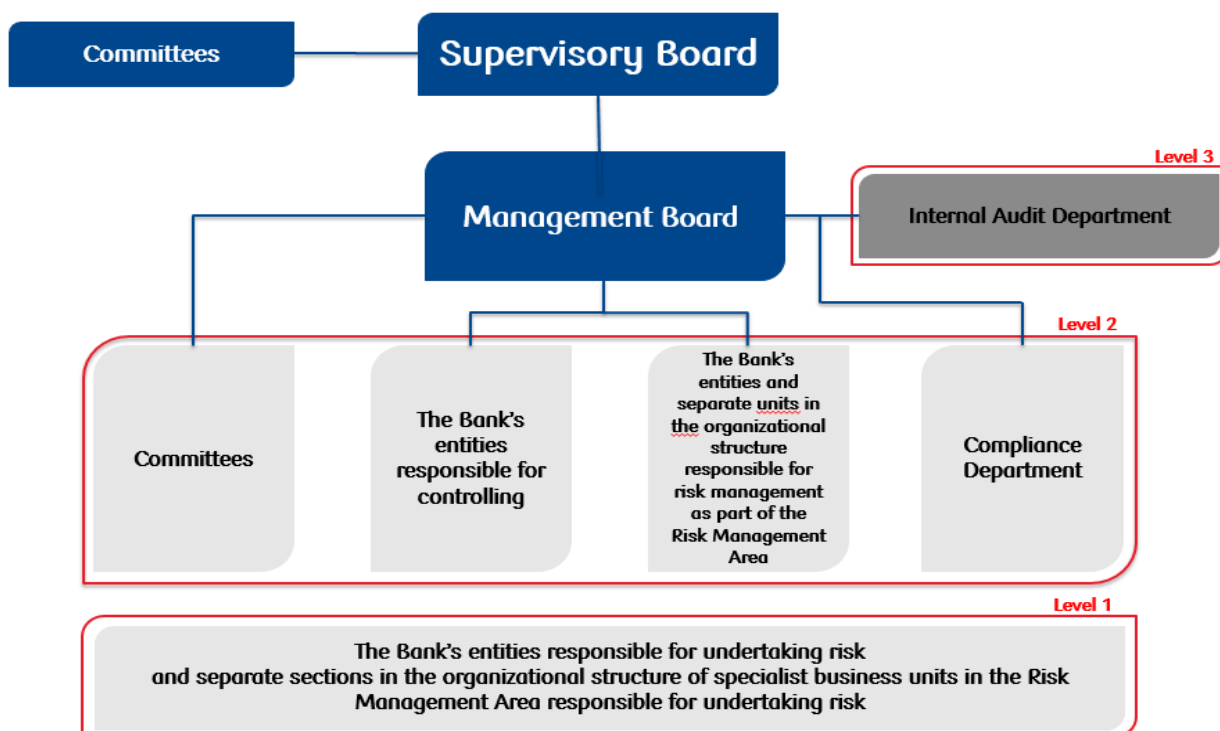
Risk management is one of the key internal processes, both in PKO Bank Polski SA, and in other entities of the PKO Bank Polski SA Group. Risk management is aimed at ensuring the profitability of business activities while ensuring control over the risk level and maintaining it within the system of limits 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 PKO Bank Polski S.A. Group identifies, measures and assesses, controls, forecasts, monitors and reports risk, and performs management actions.

The risk management system covers:

- organizational structure, allocation of duties and responsibilities;
- internal regulation system;
- tools, including information databases.

Organizational structure of banking risk management



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;
- the area of risk management remains organizationally independent from business activities;
- risk management is integrated into the planning and controlling systems;
- the level of risk is monitored and controlled on an on-going basis;
- the risk management process supports the implementation of the Bank's strategy in compliance with the Risk Management Strategy, in particular with respect to the level of risk tolerance.

The 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 2022, the catalogue of risk types regarded as material was not extended.

Below is a list of all risks regarded as material in PKO Bank Polski S.A.

- **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.
- **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 in place at the Bank. 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 2022

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.

The PKO Bank Polski S.A. Group (Polish entities) has introduced 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 2022, in terms of interest rate risk, the banking sector was challenged by larger than expected increases in interest rates. In a series of 11 interest rate increases commenced in the fourth quarter of 2021, the reference rate was increased to 6.75% as at the end of 2022, resulting in persistent negative valuation of the portfolio of debt instruments and derivative instruments hedging interest income. At the same time, customers' interest in mortgage loans based on a periodically fixed interest rate continues, which affects both measures of interest income sensitivity and the Bank's economic value sensitivity.

The Bank's Group has maintained a safe level of liquidity, allowing for a quick and effective response to potential threats. In 2022, 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 and by repaying maturing funds raised from the financial market through issuance,
- monitored the cash volumes in the Bank's branches and ATMs on an ongoing basis due to a temporarily increased interest in cash withdrawals (in response to the outbreak of the war in Ukraine) and used its best efforts to allow customers to withdraw cash.

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

At the same time, in connection with the war in Ukraine, in 2022 PKO Bank Polski S.A. appointed a Support Group led by the Head of the Crisis Staff, whose tasks include preventing disruption to the critical processes of the PKO Bank Polski S.A. Group, exchange of information within the Group and coordination of 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 2022 (in the part describing risk management and in Note 33 relating to hedge accounting), and in the Capital Adequacy Report and other information reportable by the PKO Bank Polski S.A. Group as at 31 December 2022.

9.2 CHARACTERISTICS OF THE LENDING POLICY OF 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] The system for remunerating 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 BP 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 2022 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 BANK RECEIVED AND DUE FROM PKO BANK POLSKI S.A.

Table 14. Employee benefits for Members of the Management Board of the Bank paid in 2022 by PKO Bank Polski S.A. (in PLN thousand)

	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

* Payments to the Employee Pension Programme (PPE) and compensation for abiding by the non-competition clause – in 2022.

	Fixed remuneration paid in 2021	Variable remuneration for 2016-2020 paid in 2021		Other benefits *	Total remuneration paid and benefits provided in 2021
		Benefits paid in cash	Share-based payments settled in cash		
Paweł Gruza	-	-	-	-	-
Maciej Brzozowski	-	-	-	-	-
Marcin Eckert	438	-	-	-	438
Wojciech Iwanicki	179	-	-	-	179
Maks Kraczkowski	760	313	476	54	1,603
Mieczysław Król	760	346	479	55	1,640
Artur Kurcweil	240	-	-	-	240
Piotr Mazur	784	364	559	60	1,767
Iwona Duda	162	-	-	-	162
Bartosz Drabikowski	423	81	239	26	769
Management Board of the Bank	3,746	1,104	1,753	195	6,798
Members of the Management Board, who ceased to perform their functions in previous years	2,910	1,945	2,668	1,503	9,026
Total	6,656	3,049	4,421	1,698	15,824

* Payments 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 31.12.2022 - share-based payments settled in cash	Variable remuneration granted for 2018-2021, 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	
Paweł Gruza	-	-	-	-
Maciej Brzozowski	-	-	-	-
Marcin Eckert	-	88	219	307
Wojciech Iwanicki	-	36	90	126
Maks Kraczkowski	29	291	670	990
Mieczysław Król	38	316	697	1,051
Artur Kurcweil	-	48	120	168
Piotr Mazur	40	332	728	1,100
Iwona Duda	-	32	81	113
Bartosz Drabikowski	-	85	212	297
Management Board of the Bank	107	1,228	2,817	4,152
Members of the Management Board, who ceased to perform their functions in previous years	232	1,850	3,864	5,946
Total	339	3,078	6,681	10,098

None of the members of the Bank's Management Board (according to its composition as at 31 December 2022) received remuneration from entities affiliated with PKO Bank Polski S.A., understood as subsidiaries, joint ventures and associates, in 2022.

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 16. 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 assessment period	– in equal instalments over the next years after the first year following the assessment 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 2022, 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.

In December 2022, the Bank amended the Rules for Employment and Remuneration of Members of the Bank's Management Board (approved by Resolution No 196/2022 of the Supervisory Board) consisting of:

1. extending the actual deferral period of the variable remuneration, starting with the remuneration for 2021, as well as extending the actual retention period of the instrument by moving the payment date from 2 January to 1 July,
2. the introduction of a provision on the application of the above Principles to a limited extent, as provided for in Article 9ca (1b) of the Banking Law,
3. 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.
4. implementing gender neutrality principles with regard to the compensation of members of the Bank's Management Board,
5. adding provisions on environmental and social responsibility goals and provisions clarifying severance pay.

In May 2022 the Bank's Management Board passed a resolution on disbursements of variable remuneration awarded to the Bank's MRTs in 2022. In June 2022 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 the aforementioned resolution of the Supervisory Board No 196/2022, postponing the date of payment of remuneration in the instrument. 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 2022 the change in proportion and date of payment of variable remuneration for the years 2017-2019 introduced in 2020 was upheld.

Table 17. Changes in the proportion and dates of payment of variable remuneration.

Description	Amount arising from internal regulations			Amount arising from extraordinary resolutions adopted in 2022, i.e.:		
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 instruments	Cash 50%			Cash 40%		
	Instrument 50%			Instrument 60%		
Date of payment of deferred variable remuneration with reference to outstanding instalments for the years 2017-2019	MBM	Cash	1 July	MBM	Cash	1 July (unchanged)
		Instrument	2 January		Instrument	1 July
	MRT	Cash	30 April	MRT	Cash	31 May
		Instrument	15 November		Instrument	31 May of the following year

* 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 BANK'S 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 18. Remuneration received by Members of the Supervisory Board from PKO Bank Polski S.A. (in PLN thousand)

	Fixed remuneration paid in 2022	Fixed remuneration paid in 2021
Mariusz Andrzejewski	163	116
Grzegorz Chłopek	143	116
Grażyna Ciurzyńska*	-	68
Zbigniew Hajtasz	-	123
Marcin Izdebski	-	75
Wojciech Jasiński	204	130
Dominik Kaczmarek	183	63
Andrzej Kisielewicz	163	116
Rafał Kos	163	116
Tomasz Kuczur	163	16
Maciej Łopiński	204	70
Krzysztof Michalski	163	116
Robert Pietrzych	19	-
Piotr Sadownik	-	100
Bogdan Szafranski	163	16
Agnieszka Winnik-Kalemba	163	56
Total	1,894	1,297

Other benefits not included in fixed remuneration: use of a company car for private purposes by the member of Supervisory Board in 2021 in the amount of PLN 7 thousand.

10.5 AGREEMENTS CONCLUDED BETWEEN THE BANK AND MANAGERS

In 2022, 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 2022, 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 clause 7 point 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

2022 was a difficult year for nearly all financial asset classes, including shares. PKO Bank Polski S.A.'s share price fell by 33% and the rate of return on the shares, taking into account dividend payments, was - 28%, as was the WIG index for Banks (WIG-Banki), which also fell by 28%. The main reasons for the decline in shares included a significant increase in the risk premium demanded by investors as a result of the outbreak of war in Ukraine, escalating international tensions and increased uncertainty about possible regulations and their impact on performance, as well as an increase in the risk-free rate as a result of the surge in market interest rates.

Prices of PKO Bank Polski S.A. shares
in the period 31.12.2021-31.12.2022



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



At the end of 2022, PKO Bank Polski S.A. was the largest domestic bank listed on the Warsaw Stock Exchange. At the end of the last trading session in 2022, it was valued by the investors at PLN 38 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 19. Key data on the PKO Bank Polski S.A. shares

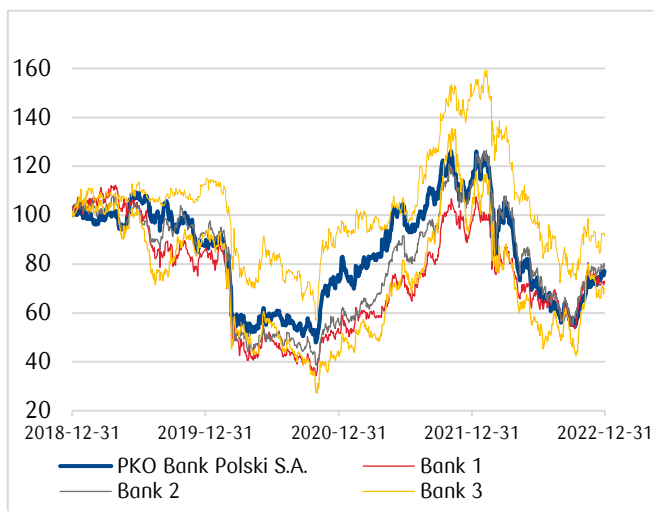
	2022	2021
Share price at the end of the year (PLN)	30.29	44.93
Maximum share price (PLN)	50.44	50.36
Minimum share price (PLN)	21.14	27.51
Rate of return since the beginning of the year (%)	-27.57	56.44
Number of shares	1,250,000	1,250,000
Capitalization at the end of the year (PLN million)	37,862.5	56,162.5
Average trading volume per session	3,483,522	2,293,578
Share in trading volume (%)	9.64	6.91
Average number of transactions per session	8,110	6,030
Earnings per share (PLN)	2.67	3.90
Book value per share (PLN)	28.35	30.15
P/E (x) ¹⁾	8.94	11.95
P/BV (x) ¹⁾	1.14	1.24

Source: Data based on the WSE Statistical Bulletin

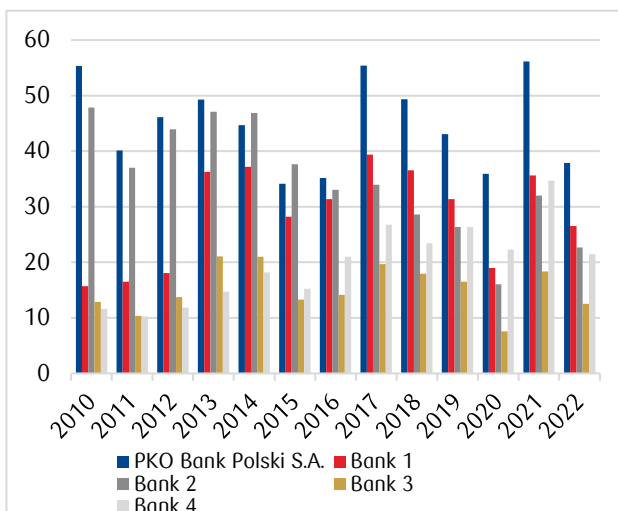
1) Source: Bloomberg as of February 20, 2023.

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 31.12.2018-31.12.2022 (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 20. Ratings of PKO Bank Polski S.A. as at 31 December 2022 (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 21. ESG ratings of PKO Bank Polski S.A. as at 31 December 2022

FTSE Russell	3.3
MSCI	A
Sustainalytics	21 (Medium)
V.E	46

RATINGS OF PKO BANK HIPOTECZNY S.A.

Table 22. Ratings of PKO Bank Hipoteczny S.A. as at 31 December 2022 (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

Outlook: stable

RATINGS OF THE PKO LEASING S.A. GROUP

As at 31 December 2022, bonds issued by Polish Lease Prime 1 DAC, a special purpose vehicle established within the PKO Leasing S.A. Group for the purposes of the asset securitization programme, had the following ratings:

Table 23. Ratings of Polish Lease Prime 1 DAC bonds as at 31 December 2022 (paid rating)

A-class bonds rating	
Scope Agency	AAA
ARC Agency	AA-
B-class bonds rating	
Scope Agency	BB-
ARC Agency	BB+

RATINGS OF KREDOBANK S.A.

As at 31 December 2022, KREDOBANK S.A. had the following ratings granted by Ukrainian rating agencies:

Table 24. Ratings of KREDOBANK S.A. as at 31 December 2022 (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.

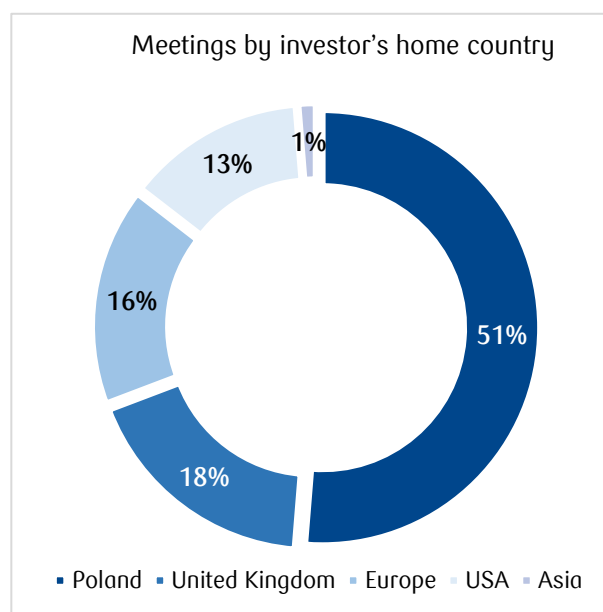
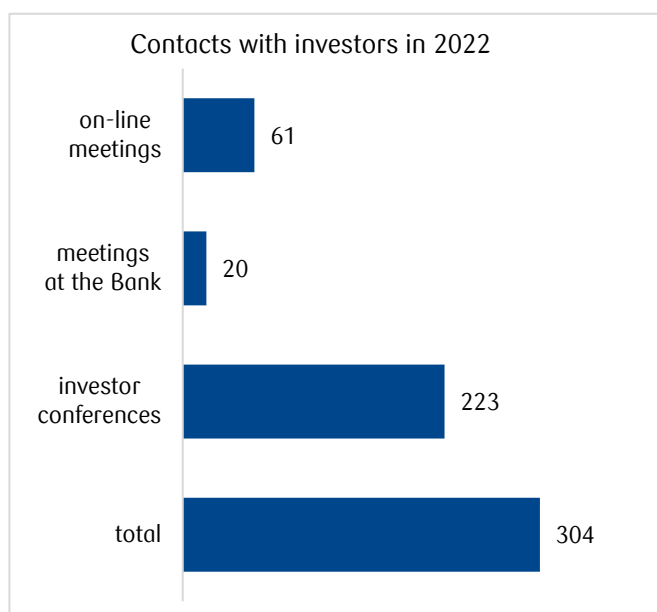
11.1.3 INVESTOR RELATIONS

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.

Due to the change in the form of contact caused by the COVID-19 pandemic, a significant proportion of meetings with investors and analysts were held remotely by teleconference and video conference. In 2022, 304 investor meetings were held.

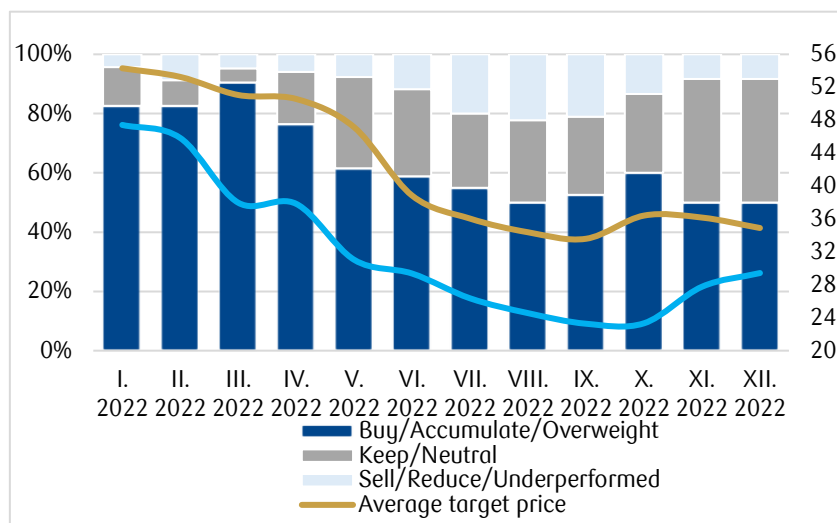
In 2022:

- 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: 223 meetings were held during 10 online conferences and 9 face-to-face conferences with investors from Poland (51%), the UK (18%), other European countries (16%), North America (mainly from the US) and South America (13%), Asia (1%),
- 81 individual meetings took place, of which 61 were held online and 20 took place in the Bank's office.



PKO Bank Polski S.A. is observed by a wide group of analysts from brokerage houses who issue recommendations to entities listed on the Warsaw Stock Exchange on an ongoing basis. At the end of the year 2022, 18 Polish and foreign analysts published reports and recommendations concerning the Bank's shares. The average target price of the Bank's shares as of end 2022 was PLN 35.40.

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 2022, the Bank once again launched its online annual report in the form of a website in two language versions: Polish and English (<https://raportroczny2021.pkobp.pl/>, <https://raportroczny2021.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 Warsaw Stock Exchange (Best Practice 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 applies the following sets of corporate governance principles:

- “Best Practice for WSE Listed Companies 2021”
 - “Best Practice for WSE Listed Companies 2021” 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”,
 - “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 PRACTICE 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 new 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 Practice for WSE Listed Companies 2021” (“Best Practice 2021”), which entered into force on 1 July 2021.

Best Practice 2021 include ESG (Environmental, Social and Governance) issues relating to e.g. climate protection, sustainable development, diversity in the composition of the companies’ authorities and equal remuneration, as well as new principles concerning profit distribution, issue of shares without pre-emptive rights, or buy-back of own shares. A lot of importance was attached to the best possible preparation of the General Meeting (a deadline is set for sending draft resolutions by shareholders), as well as to the process of proposing candidates to the Supervisory Board and appointing Supervisory Board members, in accordance with the legal requirements applicable to audit committee members and the diversity policy adopted in line with the relevant provision of the Best Practice 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 2022 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 obligations 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 2022, there was an incidental breach of Rule 4.9.1 of the Best Practice 2021 in connection with the failure of a shareholder to propose a candidate for a member of the Supervisory Board of PKO Bank Polski S.A. no later than 3 days before the general meeting. A report on this matter has been published and is available at the following address: [2ed21b25-a3bb-4b39-8121-a1de1e9649bb.pdf \(pkobp.pl\)](https://www.pkobp.pl/investor-relations/corporate-governance/best-practice-for-wse-listed-companies-2021/2ed21b25-a3bb-4b39-8121-a1de1e9649bb.pdf).

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

The “Corporate Governance Principles for Supervised Institutions” issued by the Polish Financial Supervision Authority (PFSA) on 22 July 2014 (the “Principles”) are a set of rules defining the internal and external relations for institutions supervised by the Polish Financial Supervision Authority (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 section 2 of the Principles, with respect to the introduction of personal rights or other special rights for shareholders;
- § 12 section 1 of the Principles with reference to shareholders' responsibility for prompt recapitalization of the supervised institution;
- § 28 section 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 clause 2 and §12 clause 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 section 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 seven occasions - for 2015, 2016, 2017, 2018, 2019, 2020 and 2021 (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 2022. 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 necessary technical infrastructure.

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.

The principle that all draft resolutions presented to the General Shareholders' Meeting by the Management Board or by the shareholders must contain a justification is applied and effectively enforced.

On 7 June 2021, the Annual General Shareholders' Meeting adopted all principles contained in Good 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 Shareholders' Meetings organized after 1 July 2021 were held in respect of these principles, apart from the one incidental breach of principle described above.

As a rule, the Management Board and Supervisory Board members participate in the General Shareholders' Meetings. In 2022 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 2022 the General Shareholders' Meetings did not make any decisions to issue shares with or without pre-emptive rights. However, the Bank does not identify any rationale for not applying the principles of Best Practice 2021 regarding such decisions.

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 policy 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 \(pkobp.pl\)](https://www.pkobp.pl/informacja)).

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 \(pkobp.pl\)](https://www.pkobp.pl/corporate-governance) 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 assumptions, 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. 2023-2025 \(pkobp.pl\)](https://www.pkobp.pl/strategy).

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. 2023-2025 \(pkobp.pl\)](https://www.pkobp.pl/strategy)).

For more information on ESG factors in the Bank's operations, please go to: [ESG at PKO Bank Polski Group \(pkobp.pl\)](https://www.pkobp.pl/esg).

In order to ensure that investors have access to the most up-to-date financial information possible, the Bank publishes financial statements as soon as possible for the organization.

Such publications are accompanied by meetings with the shareholders, analysts and representatives of the media, at which the Management Board presents and comments on the adopted strategy and its execution, the Bank's and its Group's financial results, and the most important events affecting the Bank's operations, results and prospects for the future.

The meetings can be held in person, online or in a hybrid form. In the case of remote meetings, the Bank ensures that they are interactive, i.e. that bilateral communication is possible, so that questions can be asked and answered.

Video recordings of the meetings with the media and analysts are published on the Bank's website at: [Video and teleconferences - PKO Bank Polski \(pkobp.pl\)](https://www.pkobp.pl/en/teleconferences).

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 suitability 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 suitability of the Management Board members and key officers of the Bank and suitability assessment at the Bank's Group companies (adopted by the Supervisory Board of the Bank).

The diversity policy 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 Bank's Supervisory Board, as part of succession management, makes decisions regarding the selection of new members of the Bank's Management Board keeping in mind the objective to ensure continuity in decision making with regard to the area of the Bank's operations supervised by a given member of the Management Board, the need to ensure execution of the Bank's strategic objectives, the principle of diversity of the Management Board composition and the collective suitability of the Management Board.

Having regard to the statements made by the members of the Supervisory Board, as at 31 December 2022 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 all 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 organizationally separate, independent unit with a key role in compliance and compliance risk management,
- the internal audit function – the Internal Audit Department (IAD), which is an independent and objective unit 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 internal auditor to head the internal audit function (IAD), who acts in accordance with the law, the supervisory regulations of the PFSA, as well as good 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 auditor and those resulting from the supervisory activities of authorized 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 variable remuneration of MRTs is directly linked to the Bank's financial situation and the growth of its value, with the reservation that the managers of the internal audit unit, compliance unit, legal unit and the organizational units responsible for second level risk management and HR matters 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 variable remuneration of employees whose activities have a significant impact on the Bank's risk profile depends on the level of achievement of their bonus targets, which, depending on their individual responsibilities, may include e.g. customer satisfaction ratio or the level of execution of the Bank's strategy.

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 GOOD PRACTICES

Another set of values, principles, standards of conduct and ethical attitudes applicable to PKO Bank Polski S.A. is the Code of Ethics of PKO Bank Polski S.A., amended in 2022 (Code of Ethics) adopted by a resolution of the Management Board and approved by the Bank's Supervisory Board.

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 good 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 statement 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.

PKO Bank Polski S.A. employees monitor changes in external reporting regulations on an ongoing basis, analyse market standards and apply good 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 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.

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 authorized 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 2022, PwC provided permitted non-audit services to the Bank, including review of the financial statements, assessment of the Bank's Management Board's and Supervisory Board's remuneration report prepared by the Supervisory Board, issuance of comfort letters for the establishment of the issue programme and the execution of the issue, assurance services to assess the Bank's compliance with client asset custody requirements.

Table 25. Total net remuneration payable to PwC (in PLN '000)

Total net remuneration due to the audit firm auditing the financial statements	2022	2021
for the audit of the financial statements of the Bank and the consolidated financial statements of the Bank's Group	1,549	1,529
for assurance services, including reviews of the financial statements	1,010	798
Total	2,559	2,327

11.2.3 SHARE CAPITAL, SIGNIFICANT BLOCKS OF SHARES AND CONTROL POWERS

As at 31 December 2022, 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 2022.

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	PLN 312,500,000
A Series	ordinary bearer shares	197,500,000	PLN 1	PLN 197,500,000
B Series	ordinary bearer shares	105,000,000	PLN 1	PLN 105,000,000
C Series	ordinary bearer shares	385,000,000	PLN 1	PLN 385,000,000
D Series	ordinary bearer shares	250,000,000	PLN 1	PLN 250,000,000
		1,250,000,000		PLN 1,250,000,000

According to the best knowledge of PKO Bank Polski S.A., as at 31 December 2022 the following three shareholders held, directly or indirectly, significant blocks of shares (at least 5%): the State Treasury, Nationale Nederlanden Open Pension Fund and the Allianz fund group.

Table 27. Shareholding structure of PKO Bank Polski S.A.

	As at 31.12.2022		As at 31.12.2021		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%	-
Nationale Nederlanden Open Pension Fund ¹⁾	108,266,112	8.66%	103,500,000	8.28%	0.38 p.p.
Allianz fund group ^{1),2),3)}	106,567,559	8.53%	96,568,413	7.73%	0.80 p.p.
Other shareholders ⁴⁾	667,247,349	53.38%	682,012,607	54.56%	-1.18 p.p.
Total	1,250,000,000	100.00%	1,250,000,000	100.00%	-

- 1) Calculation of shareholdings as at the end of the year published by Universal Pension Fund Management Companies (PTE) in annual information about the structure of fund assets and quotation from the securities exchange official list (Cedula Gieldowa).
- 2) The group includes: Allianz Polska Open Pensions Fund, Allianz Polska Voluntary Pension Fund, Drugi Allianz Polska Open Pension Fund.
- 3) The figure as at 31 December 2021 includes shares held by former funds: Aviva Open Pension Fund and Allianz Open Pension Fund; it does not include shares held by Allianz Polska Voluntary Pension Fund.
- 4) Including Bank Gospodarstwa Krajowego, which as at 31 December 2022 and 31 December 2021 held 24,487,297 shares carrying 1.96% of the votes at the GSM.

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 2022, 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 31.12.2022		As at 31.12.2021	
Nationale-Nederlanden OFE	108,266,112	8.66%	103,500,000	8.28%
Allianz OFE fund Group ^{1),2)}	106,555,815	8.52%	96,568,413	7.73%
PZU OFE	56,683,943	4.53%	52,915,942	4.23%
Aegon OFE	31,967,391	2.56%	32,878,074	2.63%
NNLife OFE (formerly: Metlife OFE)	30,040,414	2.40%	30,298,318	2.42%
UNIQA OFE (formerly: AXA OFE)	23,513,483	1.88%	23,513,483	1.88%
Generali OFE	21,445,456	1.72%	19,928,593	1.59%
Pocztylion OFE	6,443,630	0.52%	6,293,630	0.50%

- 1) The group includes: Allianz Polska Open Pension Fund and Drugi Allianz Polska Open Pension Fund.
- 2) The figure as at 31 December 2021 includes shares held by former funds: Aviva Open Pension Fund and Allianz Open Pension Fund.

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 belonging to 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 "Management Board 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 who guarantee 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 September 2022 the Bank's Supervisory Board adopted amendments to the Policy.

The most important amendments concerned highlighting:

- the need to have the knowledge and skills in aspects that enable the Management Board members to perform the tasks entrusted to them with regard to the management of money laundering and terrorist financing risks, ESG risks and the management of the impact of ESG risk factors on the entity's activities;
- the relevance of ongoing monitoring of situations that could potentially and materially affect the previous assessment of the individual suitability of a Management Board member or the collective suitability of the Management Board;

and clarifying the expected minimum involvement of a member of the Management Board in the performance of his or her duties, including the possibility to perform duties at an increased level during periods requiring increased activity, including, inter alia, those resulting from restructuring, institutional transfers, acquisitions, mergers, takeovers or crisis situations.

The amendments introduced were related to the revision of the Guidelines of the European Banking Authority and the European Securities and Markets Authority on the assessment of the suitability of members of the management body and key function holders.

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 2022

On 4 October 2022, the registry court entered an amendment to the Bank's Articles in the National Court Register. It consisted of amending § 30(1) and § 34a in the following manner:

- § 30(1) reads as follows: "Irrespective of the supplementary capital, a reserve capital shall be created for offsetting potential accounting losses or for other purposes, in particular for the payment of a dividend, an interim dividend or the purchase of the own shares by the Bank in accordance with § 7(4).",
- in § 34a, the third sentence reads as follows: "An advance towards a dividend may amount to no more than half of the Bank's profit earned since the end of the previous financial year, as reported in the financial statements audited by a registered auditor, plus the reserve capital earmarked for the payment of an interim dividend and less unabsorbed losses and the own shares."

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.

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's Group, including Bank) 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.

Shareholders shall have the right to ask questions, through the Chairman of the General Shareholders' Meeting, to the members of the Management Board and Supervisory Board and the key registered auditor of PKO Bank Polski S.A. If it is necessary for assessing a matter placed on the agenda of the General Shareholders' Meeting, the Management Board (subject to statutory exceptions) shall be obliged to present information about the Bank to the shareholder on request. In justified cases, the Management Board may provide information in writing within two weeks of the end of the General Shareholders' Meeting.

The questions asked at the Annual General Shareholders' Meeting on 12 May 2022 and the answers to these questions are published on the website in the section "Investor relations" at [Report No. 13/2022 – Answers to shareholders' questions raised at the Annual General Meeting on 12 May 2022 \(pkobp.pl\)](#).

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.

Following the annual review of the policy, the May 2022 General Meeting adopted amendments to the Supervisory Board Suitability Policy.

The most important amendments concerned highlighting:

- the need for the Bank's Supervisory Board to be competent to perform its supervisory function with regard to aspects of money laundering or terrorist financing risks and ESG risks;
- the relevance of ongoing monitoring of situations that could potentially and materially affect the previous assessment of the individual suitability of a Supervisory Board member or the collective suitability of the Bank's Supervisory Board;

and clarifying the expected minimum involvement of a member of the Bank's Supervisory Board in the performance of his or her duties, including the possibility to perform duties at an increased level during periods requiring increased

activity, including, inter alia, those resulting from restructuring, institutional transfers, acquisitions, mergers, takeovers or crisis situations.

The amendments introduced were related to the revision of the Guidelines of the European Banking Authority and the European Securities and Markets Authority on the assessment of the suitability of members of the management body and key function holders.

At the same time, the General Meeting, taking into account the revised principles of the Supervisory Board Suitability Policy, 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.

[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 current term of office of the Supervisory Board commenced on 26 August 2020.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD IN 2022

The following changes in the composition of the Supervisory Board of the Bank took place in 2022:

- Grzegorz Chłopek resigned from the Supervisory Board with effect from 17 October 2022;
- The Extraordinary General Shareholders' Meeting of the Bank appointed Robert Pietryszyn to the Supervisory Board as of 18 October 2022.

The Extraordinary General Shareholders' Meeting of the Bank confirmed the individual suitability of the new Supervisory Board member in connection with his election to the Supervisory Board and the entire body (collective suitability), taking into account the changes in its composition.

Pursuant to section 2.3 of "Best Practice 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, as at 31 December 2022: eight Supervisory Board members (i.e. Mariusz Andrzejewski, Andrzej Kisielewicz, Rafał Kos, Maciej Łopiński, Tomasz Kuczur, Robert Pietryszyn, Bogdan Szafranski, Agnieszka Winnik-Kalemba) satisfy the independence criteria set out in the Best Practice 2021, and three Supervisory Board members (i.e. Wojciech Jasiński, Dominik Kaczmarek, Krzysztof Michalski) do not satisfy the independence criteria.

As at 31 December 2022, the Supervisory Board consisted of 11 persons.

COMPOSITION OF THE SUPERVISORY BOARD OF PKO BANK POLSKI S.A. AS AT 31 DECEMBER 2022

MACIEJ ŁOPIŃSKI – CHAIR 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 Gdańsk. 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.

Year of birth: 1947

WOJCIECH JASIŃSKI – DEPUTY CHAIR OF THE SUPERVISORY BOARD

Member of the Supervisory Board since 25 February 2016.

On 26 August 2020, he was appointed to the Supervisory Board for the current term of office.

On 7 June 2021, he was appointed Deputy Chair of the Supervisory Board by the State Treasury.

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, also 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 2001 he was Undersecretary of State at the Ministry of Justice. In 2006-2007, he was Minister of 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.

Since 5 March 2020, Chair of the Supervisory Board of PKN ORLEN S.A.

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.

On 8 June 2021, he was appointed Secretary of the Supervisory Board.

Dominik KaczmarSKI graduated from the Faculty of Law and Administration of the University of Warsaw with a Master of Arts degree in law. 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.

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).

At present, he performs 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 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.

On 26 August 2020, he was appointed to the Supervisory Board for the current term of office.

He graduated from three faculties, studied accounting at the Faculty of Management at the Kraków University 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".

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.

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.

Author or co-author of over 150 academic publications and several dozen expert opinions on economics.

Independent member of the Supervisory Board.

Year of birth: 1971

ANDRZEJ KISIELEWICZ – MEMBER OF THE SUPERVISORY BOARD

Member of the Supervisory Board since 25 February 2016.

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

On 26 August 2020, he was appointed to the Supervisory Board for the current term of office.

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.

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 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 Commission for Arbitration of the Supreme Bar Council (since 2015) and The Board of Visitors CUA Law (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) and the Team for Economic Law of the Minister for Development (2015).

Currently a member of the Commission for Corporate Governance Reform and expert teams of the Minister of State Assets: on increasing the effectiveness of supervisory boards and on corporate law.

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

KRZYSZTOF MICHALSKI – MEMBER OF THE SUPERVISORY BOARD

Member of the Supervisory Board since 17 September 2019.

On 26 August 2020, he was appointed to the Supervisory Board for the current term of office.

Graduate of the Law and Administration and Political Science faculties at the Marie Curie-Skłodowska University in Lublin and the Faculty of Economic Sciences at the University of Warsaw. He has also obtained an MBA in Innovation and Data Analysis from the Institute of Computer Science of the Polish Academy of Sciences (PAN) and the Woodbury School of Business at Utah Valley University.

Mr Michalski began his professional career in 2009 at an international trade company operating globally, where he was responsible for market research, creating new products, marketing and sales development on foreign markets. Since 2017 he has been the leader of the investor relations team at the Ministry of Development. He was responsible for various operations in the area of private investment, cooperation with Polish and foreign investors and financial institutions and supporting the execution of large investment projects.

He directed the work of the expert team at the Chancellery of the Prime Minister. He was responsible for analyses and advice on tax, business and financial issues.

Currently, Vice President of the Management Board of Agencja Rozwoju Przemysłu S.A. He is responsible for the area of equity transactions.

Dependent member of the Supervisory Board.

Year of birth: 1985

ROBERT PIETRYSZYN – MEMBER 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 University of Economics.

Experienced manager, entrepreneur. He started his career in the investment boutique Profes. In 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.

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.

Lecturer in strategic management, member of many Supervisory Boards.

Independent member of the Supervisory Board.

Year of birth: 1979

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.

Recently he has been 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 Telewizja Republika, TVP Info, TVN24 BiŚ, Radio Wnet, 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 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.

At present she is the Chair of the Supervisory Board of KGHM Polska Miedź S.A.

Independent member of the Supervisory Board.

Year of birth: 1969

FUNCTIONING PRINCIPLES 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 12 May 2022, 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 Rules introduced an amendment to implement Recommendations 9.2 and 9.3 of Recommendation Z of the PFSA, concerning the possibility for members of the Supervisory Board to review and submit comments or dissenting opinions to the minutes of the Supervisory Board meeting before signing them, whereby comments not taken into account and dissenting opinions should be recorded in the minutes with an indication of the reasons for not taking them into account.

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 2022 the Supervisory Board held 18 meetings and passed 196 resolutions.

The participation of the Supervisory Board members in the meetings in 2022 is presented in the following table.

Table 29. Attendance of members of the Supervisory Board of the Bank in 2022

Full name	Attendance *
Mariusz Andrzejewski	16/18
Grzegorz Chłopek	14/15
Wojciech Jasiński	15/18
Dominik Kaczmarowski	17/18
Andrzej Kisielewicz	17/18
Rafał Kos	16/18
Tomasz Kuczur	17/18
Maciej Łopiński	18/18
Krzysztof Michalski	17/18
Robert Pietruszyn	3/3
Bogdan Szafranski	18/18
Agnieszka Winnik-Kalemba	14/18

* 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: strategies, 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 rules, 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, property, plant and equipment, 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.

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.

The amended provisions of the Commercial Companies Code introduced, as of 13 October 2022, the exclusion of civil liability of supervisory board members for damage caused to the company, as long as these persons acted in a loyal manner towards the company and within the limits of reasonable economic risk.

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 2022, the 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.
- 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 Audit Oversight Commission, 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 procedure.
- 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 appointment to the Committee*
Chair:	Agnieszka Winnik-Kalemba	15 June 2021
Deputy Chair:	Mariusz Andrzejewski	24 September 2020
Members:	Dominik Kaczmariski	15 June 2021
	Rafał Kos	24 September 2020
	Bogdan Szafranski	16 December 2021

* During the present term of the Supervisory Board.

Grzegorz Chłopek was also a member of the Audit Committee until 17 October 2022 (date of resignation).

INDEPENDENCE CRITERIA AND COMPETENCES

In 2022, as part of the suitability assessments of members of the Supervisory Board carried out (interim in May and related to the change in the composition of the Supervisory Board - in October), 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 statutory auditors, audit firms and public oversight of 11 May 2017.

As at 31 December 2022:

- 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 Kaczmariski – 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 professional experience in tax reviews and calculations for banks and in the process of auditing financial statements (in the area of their 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).
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NUMBER OF MEETINGS There were 12 Audit Committee meetings in 2022.

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), approved by the Supervisory Board after the recommendation of Audit Committee, 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.

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 2022, 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.

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;
- recommending the scope of duties for the candidate to the Management Board specified 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;
- recommending to the Supervisory Board the target representation of the gender which is under-represented in the Management 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 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 Pietrzych	9 November 2022
	Bogdan Szafranski	14 October 2021

* During the present term of the Supervisory Board

NUMBER OF MEETINGS There were 10 meetings of the Nominations and Remuneration Committee in 2022.

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 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 advisors, experts and external 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 Kaczmarek	15 June 2021
Members:	Wojciech Jasiński	24 September 2020
	Andrzej Kisielewicz	24 September 2020
	Krzysztof Michalski	24 September 2020
	Bogdan Szafranski	14 October 2021

* During the present term of the Supervisory Board.

Grzegorz Chłopek was also a member of the Risk Committee until 17 October 2022 (date of resignation).

NUMBER OF MEETINGS There were 9 meetings of the Risk Committee in 2022.

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
	Andrzej Kisielewicz	24 September 2020
	Tomasz Kuczur	14 October 2021
	Krzysztof Michalski	24 September 2020
	Robert Pietrzych	9 November 2022

* During the present term of the Supervisory Board.

NUMBER OF MEETINGS There were 9 meetings of the Strategy Committee in 2022.

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 30 July 2020.

CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD

In 2022, composition of the Bank's Management Board changed as follows:

- On 26 January 2022, the Polish Financial Supervision Authority approved the appointment of Iwona Duda as President of the Bank's Management Board and thus Iwona Duda took up the position of President of the Bank's Management Board on 26 January 2022 (until 25 January 2022, Iwona Duda was Vice President of the Bank's Management Board and headed the Management Board);
- The Bank's Supervisory Board appointed Maciej Brzozowski as Vice-President of the Management Board with effect from 25 March 2022;
- Ms Iwona Duda resigned as President of the Bank's Management Board as well as from the Bank's Management Board itself as of the end of 9 August 2022;
- The Bank's Supervisory Board appointed Paweł Gruza to the position of Vice-President of the Bank's Management Board as of 10 August 2022; at the same time, the Bank's Supervisory Board appointed Paweł Gruza to the position of President of the Bank's Management Board subject to and as of the date of the approval by the Polish Financial Supervision Authority, and entrusted Paweł Gruza with heading the work of the Bank's Management Board until the approval by the Polish Financial Supervision Authority;
- On 15 December 2022, the Supervisory Board of the Bank:
 - dismissed Bartosz Drabikowski, who oversaw the Finance and Accounting Area, from the Management Board,
 - appointed Andrzej Kopyrski as Vice-President of the Management Board as of 1 January 2023.

On 15 December 2022, the Supervisory Board approved amendments to the Bank's Organizational Rules regarding changes to the areas of operation and the related division of competences of the members of the Management Board, as a result of which:

- on 15 December 2022, Maciej Brzozowski took over the supervision of the Strategic Client and Investment Banking Area and, until 31 December 2022, the supervision of the Business and Enterprise Banking and Corporate Client Area (he previously supervised the Analysis, Corporate and Business Banking and Wealthy Client Area),
- On 15 December 2022, Marcin Eckert took over the supervision of the Finance and Accounting Area (he previously supervised the Corporate and Investment Banking Area),
- On 1 January 2023, Andrzej Kopyrski assumed oversight of the Business and Enterprise Banking and Corporate Client Area.

In connection with the annual process of periodic assessment of the suitability of the Bank's Management Board members and the Bank's Management Board as a whole, changes in the composition of the Management Board and the related changes in the division of powers within the Bank's Management Board, in 2022 the Nominations and Remuneration Committee of the Supervisory Board performed:

- preliminary suitability assessments – associated with the appointment of new Management Board members (March, August and December);
- periodical suitability assessments – associated with a suitability assessment of the existing members who remained on the Management Board taking into account the changes in the internal division of responsibilities within the Bank's Management Board (December);
- collective suitability assessments (periodical and additional) of the Management Board – taking into account the changes in the composition of the Management Board and in the internal division of powers (March, August 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", respectively:

- on the previous basis (in respect of assessments performed before 29 September 2022),
- under the revised basis (in respect of assessments performed as of 29 September 2022).

As a result of the above assessments, the Nominations and Remuneration Committee of the Supervisory Board confirmed the individual suitability of the members appointed in 2022 and existing 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 2022, 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 2022.

PAWEŁ GRUZA – VICE-PRESIDENT OF THE MANAGEMENT BOARD MANAGING THE WORK OF THE MANAGEMENT BOARD AND SUPERVISING THE MANAGEMENT BOARD PRESIDENT AREA

Member of the Management Board since 10 August 2022.	<p>He graduated from the University of Warsaw's Faculty of Law and Administration.</p> <p>Graduate of IESE Business School, University of Navarra, where he completed the Advanced Management Program.</p> <p>From 10 September 2018 to 9 August 2022 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.</p> <p>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 among others in Ernst & Young. He managed interdisciplinary consultant projects for Polish and international companies from the industrial and financial sector.</p> <p>Author and co-author of numerous publications on taxes and social security.</p>
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Year of birth: 1977

Functions performed in the Bank's standing committees in 2022.	Strategy Committee (Member).
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MACIEJ BRZOWSKI – VICE PRESIDENT OF THE MANAGEMENT BOARD OF THE BANK IN CHARGE OF THE STRATEGIC CLIENT AND INVESTMENT BANKING AREA AND UNTIL 31 DECEMBER 2022 THE CORPORATE AND BUSINESS BANKING AND CORPORATE CLIENT 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 BP.</p> <p>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.</p>
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He participated in works related to building models determining the risk for corporate entities and calculating capital requirements.

Since 2008 to 2012 he held managerial functions in the Risk Assessment Department and the Inspection Department in the Polish Financial Supervision Authority Office (deputy manager), where he was responsible, among others, for the area of banking regulations and validation of advanced credit risk models for calculating banks' capital requirements.

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.

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.

He was a member of the Supervisory Boards of Alior TFI S.A. and Alior Leasing Sp. z o.o.

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.

He lectured on the basics of financial risk at the Social College of Entrepreneurship and Management in Łódź.

Year of birth: 1973

Functions performed in the Bank's standing committees in 2022.

Strategy Committee (Member);
Bank's Credit Committee (Member) – from June 3;
Risk Committee (Member) – from December 15;
Assets and Liabilities Management Committee (Member) – from December 15.

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 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 Area. 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).
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Year of birth: 1971

Functions performed in the Bank's standing committees in 2022.	Risk Committee (Member); Strategy Committee (Member); Assets and Liabilities Management Committee (Member); Bank's Credit Committee (Member) – from December 15; Data Quality Committee (Deputy Chair) – from December 15; Operational Risk Committee (Member) – from December 15; Transformation Committee (Member) – from December 15.
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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.	<p>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.</p> <p>Mr Iwanicki has more than 10 years of professional experience in the management of administration, logistics, infrastructure, human resources and IT.</p> <p>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 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.</p>
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Year of birth: 1974

Functions performed in the Bank's standing committees in 2022:	Strategy Committee (Member).
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MAKS KRACZKOWSKI – VICE-PRESIDENT OF THE MANAGEMENT BOARD OF THE BANK IN CHARGE OF THE RETAIL MARKET AREA AND INTERNATIONAL BANKING

Member of the Management Board since 4 July 2016.	<p>He graduated from the University of Warsaw's Faculty of Law and Administration. He completed the Advanced Management Program 194 at the Harvard Business School and holds an EMBA diploma.</p> <p>Currently he is Chair of the Supervisory Board of the following companies: KREDOBANK S.A., PKO Leasing S.A., PKO Życie Towarzystwo Ubezpieczeń S.A. and PKO Towarzystwo Ubezpieczeń S.A. From September 2016 to October 2021 he was Deputy Chair of the Credit Committee of the Bank.</p> <p>From July 2016 to October 2021 he was in charge of the Cooperation with Local Government Authorities and Government Agencies Area. From January to December 2018 he supervised the Legal and Compliance Area.</p> <p>He has many years of experience in establishing laws and knowledge of Polish and international business matters.</p> <p>A lawyer, manager and Member of Parliament of the 5th, 6th, 7th, 8th term.</p>
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Year of birth: 1979

Functions performed in the Bank's standing committees in 2022.	Risk Committee (Member); Strategy Committee (Member); The Bank's Credit Committee (Member) – from June 3.
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MIECZYŚLAW KRÓL - VICE-PRESIDENT OF THE MANAGEMENT BOARD OF THE BANK IN CHARGE OF THE OPERATIONS AREA

Member of the Management Board since 6 June 2016.	<p>A graduate of the Faculty of Finance and Statistics of the Warsaw School of Economics and the International School of Management. He completed his post-graduate studies at the Warsaw School of Economics (Collegium of Management and Finance).</p> <p>He has been working in banking and finance for more than thirty years. He has worked, among others, at the National Bank of Poland. Associated with PKO Bank Polski S.A. for many years; from 2006 to 2010 he was Director of the Audit Department and, at the same time, Chairman of the Audit Committee of KREDOBANK S.A. Then, from 2011 to 2015, he was Director of the Audit Department at Bank Ochrony Środowiska S.A. in Warsaw. In 2006-2007, he combined his work at PKO Bank Polski S.A. with his function on the Supervisory Board of Centrum Finansowo-Bankowe in Warsaw. In 2007, he was Chairman of the Supervisory Board of Zakłady Chemiczne Organika Sarzyna in Nowa Sarzyna and of the Monument Preservation and Conservation Workshops. He lectured at the Academy of Business Activity in Warsaw. He has authored many articles about banking and economics.</p> <p>In 1998-2002, he was a councillor for the District [powiat] of Warsaw. He was Deputy Chairman of the Budget Committee and member of the Audit Committee. In 2002-2014, he was a councillor at the City Council of the Capital City of Warsaw, where he was Chairman and then Deputy Chairman of the Budget and Finance Commission and a member of the Health Commission. As part of his social activities, he managed the Social Council of the Father Jerzy Popiełuszko Hospital in Warsaw - Bielany.</p> <p>He is the Chair of the Supervisory Board of PKO Bank Hipoteczny S.A. and Deputy Chair of the Supervisory Boards of: PKO Leasing S.A., PKO Towarzystwo Ubezpieczeń S.A. and PKO Życie Towarzystwo Ubezpieczeń S.A.</p>
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Year of birth: 1958

Functions performed in the Bank's standing committees in 2022.	Operational Risk Committee (Member); Strategy Committee (Member).
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ARTUR KURCWEIL - VICE-PRESIDENT OF THE MANAGEMENT BOARD OF THE BANK 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 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 within PZU Group.</p> <p>Before 2011, he worked at IBM for more than 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</p>
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	<p>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 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>
Year of birth: 1973	
Functions performed in the Bank's standing committees in 2022.	<p>IT Architecture Committee (Chair);</p> <p>Data Quality Committee (Chair);</p> <p>IT Security Committee (Deputy Chair);</p> <p>Risk Committee (Member);</p> <p>Operational Risk Committee (Member);</p> <p>Strategy Committee (Member);</p> <p>Transformation Committee (Member).</p>
PIOTR MAZUR - VICE-PRESIDENT OF THE MANAGEMENT BOARD OF THE BANK 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 directly responsible for risk management, optimization of debt collection and restructuring processes, and cooperated with the regulators in Poland and abroad.</p> <p>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 2005-2008 he was the Director of Business Intelligence and Risk Management Area, and in 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.</p> <p>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.</p> <p>He is a member of the Supervisory Board of Biuro Informacji Kredytowej S.A. and System Ochrony Banków Komercyjnych S.A.</p>
Year of birth: 1966	

Functions performed in the Bank's standing committees in 2022.	The Bank's Credit Committee (Chair); Operational Risk Committee (Chair); Risk Committee (Deputy Chair); IT Security Committee (Member); Data Quality Committee (Member); Strategy Committee (Member); Assets and Liabilities Management Committee (Member).
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In addition, we present information on Andrzej Kopyrski, who oversees the Corporate and Business Banking and Corporate Client Area from 1 January 2023.

ANDRZEJ KOPYRSKI - VICE-PRESIDENT OF THE MANAGEMENT BOARD OF THE BANK

Member of the Management Board since 1 January 2023.	<p>He is a graduate of Warsaw Institute of Technology and University of Strathclyde in Glasgow.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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Year of birth: 1965

Functions performed in the Bank's standing committees as at 1 January 2023.	Bank's Credit Committee (Member); Risk Committee (Member); Strategy Committee (Member).
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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.

In 2022, the Bank's Management Board held 54 meetings and passed 618 resolutions.

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 2022, there were five proxies at the Bank. In 2022, four proxies were revoked and five joint proxies were granted with the authority to act with a member of the Management Board or with a second proxy.

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 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 2022, the internal division of responsibilities within the Bank's Management Board is as follows:

- [GRI 2-12] The President of the Management Board (the Vice-President of the Management Board in charge of the work of the Management Board awaiting the approval of the Polish Financial Supervision Authority for his appointment as President of the Management Board) 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, internal audit, security, compliance risk, conduct risk, reputation risk, legal services, communication and promotion, macroeconomic analyses, strategy, human resources management and coordination of ESG activities;
- The Vice-President of the Management Board in charge of the Business and Enterprise Banking and Corporate Client Area is responsible in particular for matters relating to institutional banking, the development of product offerings for companies and enterprises, the development of credit products for corporate and public sector clients and the sale of products and services to institutional, corporate and enterprise clients;
- The Vice-President of the Management Board in charge of the Strategic Client and Investment Banking Area is responsible in particular for matters relating to the development of transactional and treasury product offerings for corporate market clients, investment product offerings for the Bank's clients, product sales and service to strategic corporate clients and private banking and investment banking clients, as well as matters relating to the Bank's own activities in the financial market;
- 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, taxation and corporate governance;
- 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 Retail Market and International Banking Area is responsible in particular for matters relating to the development of the product offering for private individuals, including the design of the insurance banking product offering, the sale of products and services to private individuals and companies and the Bank's activities abroad;
- The Vice-President of the Management Board in charge of the Operations Area is responsible in particular for matters relating to the handling of operations, the exercise of the customer advocacy function, the provision of fiduciary services, customer service via means of remote communication (contact centre), 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 Bank's organizational chart, including the areas of responsibility of individual members of the Management Board, is published 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.

The amended provisions of the Commercial Companies Code introduced, as of 13 October 2022, the exclusion of civil liability of management board members for damage caused to the company, as long as these persons acted in a loyal manner towards the company and within the limits of reasonable economic risk.

BANK COMMITTEES COMPRISING MEMBERS OF THE MANAGEMENT BOARD

As at the end of 2022, the following standing committees functioned in the Bank with the participation of members of the Management Board:

ASSETS AND LIABILITIES MANAGEMENT COMMITTEE OF PKO BANK POLSKI S.A

PURPOSE	Managing assets and liabilities by influencing the structure of the balance sheet of PKO Bank Polski S.A. 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. Analyzing 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 OF THE BANK

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.
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TASKS	<p>Determining the directions of operational risk management development.</p> <p>Supervising the functioning of operational risk management, including the tasks concerning continuity of the Bank's operations.</p> <p>Coordination of operational risk management.</p> <p>Determining measures to be taken in the event of an emergency which exposes the Bank to reputational risk and results in operating losses.</p>
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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	<p>Operational management of the Bank's Strategy implementation.</p> <p>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.</p> <p>Making decisions on the implementation of and changes to projects, as well as decisions pertaining to material costs and other operating costs.</p> <p>Allocation of funds for urgent purchases resulting from the business continuity plan in the event of a crisis.</p> <p>Overseeing projects and development initiatives, particularly work progress, project budgets, financial and non-financial benefits.</p> <p>Initiating activities enhancing the Bank's effectiveness.</p> <p>Managing the annual financial limit for the implementation of projects; and development initiatives.</p> <p>Solving disputes within the area of competences of the Committee, on lower decision-making levels</p>

STRATEGY COMMITTEE

PURPOSE	Oversight of the strategic planning process and management of the Bank's strategy.
TASKS	<p>Managing the activities relating to strategy development and implementation.</p> <p>Making key decisions necessary to ensure the implementation of the strategy.</p> <p>Solving potential disputes arising during the implementation of the strategy.</p>

IT ARCHITECTURE COMMITTEE

PURPOSE	Development of the IT architecture ensuring the implementation of the Bank's Strategy.
TASKS	<p>Development of key assumptions of the IT architecture of the Bank (principles).</p> <p>Periodic evaluation of the IT architecture functioning at the Bank.</p> <p>Development of a target architecture model.</p> <p>Initiating activities aimed at implementing the target architecture model.</p>

IT SECURITY COMMITTEE

PURPOSE	Increasing the effectiveness of supervision and control over the IT system safety at PKO Bank Polski S.A. (SIB).
TASKS	<p>Issuing recommendations on the SIB safety, in particular related to:</p> <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	<p>Taking decisions on data management in the Bank, including in particular decisions pertaining to:</p> <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. <p>Making recommendations to the Bank's units on data management, in particular with regard to:</p> <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. <p>Making recommendations to the Bank's Management Board on data management, in particular:</p> <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.

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. PKO Bank Polski S.A. 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.

In 2022, the contents of the above-mentioned policies were amended in line with changes resulting from the new Guidelines of the European Banking Authority and the European Securities and Markets Authority "on the assessment of the suitability of members of the management body and key function holders" as regards, among other things:

- emphasizing the relevance of the competences of the members of the bodies with regard to the management of money laundering and terrorist financing risks, ESG risks and the management of the impact of ESG factors on the Bank's activities;
- ongoing monitoring of situations that may affect the suitability of members of the bodies;
- clarifying the expected minimum level of commitment of members of the bodies to their duties.

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.
- 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 30. Diversity by gender, age and experience – statistics as at 31 December 2022 [GRI 405-1]

Gender	Women	Men
Supervisory Board	1	10
Management Board	-	8
MRT (Material Risk Takers)	14	53

Age	30-40	41-50	51-60	above 60
Supervisory Board	2	2	3	4
Management Board	-	5	2	1
MRT (Material Risk Takers)	9	41	17	0

Years of service at the Bank	up to 5 years	5-10 years	10-15 years	15-20 years	above 20 years
Supervisory Board	8	3	-	-	-
Management Board	5	3	-	-	-
MRT (Material Risk Takers)	16	17	10	9	15

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 diversity targets relating to the composition of the Supervisory Board and the Management Board of the Bank relating to gender and age 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 2022 and 2021.

Table 31. 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 2022)

Full name	Number of shares held as at the date of publication of the report for:			
	2022		2021	
	Number of shares	Total nominal value of shares held in PLN	Number of shares	Total nominal value of shares held in PLN
Maciej Brzozowski	0	0	-	-
Marcin Eckert	0	0	0	0
Paweł Gruza	0	0	-	-
Wojciech Iwanicki	0	0	0	0
Andrzej Kopyński	496	496	-	-
Maks Kraczkowski	0	0	0	0
Mieczysław Król	6,000	6,000	6,000	6,000
Artur Kurcweil	0	0	0	0
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 2022 and 2021, 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 2022, 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 cyclicity of activities 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 32. 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	27,557	4,916	-1,399	3,517	23,153
- Czech Republic	20	7	0	7	8
- Germany	31	23	-2	21	6
- Slovak Republic	2	-6	0	-6	3
- Sweden	160	-14	-46	-60	0
- Ireland	97	0	0	0	0
In third countries:					
- Ukraine	578	18	-5	13	1,493

* 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 services 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 section 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 5 and table No 7, respectively.

PUBLISHED FORECASTS OF FINANCIAL RESULTS FOR 2022

PKO Bank Polski SA did not publish forecasts of financial results for 2022. In current reports, the Bank communicated information on significant events that affected the Bank's and the Bank 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 2022, the Bank concluded and published information on:

a) agreements relating to the acquisition and disposal of a block of shares in PKN ORLEN S.A. (PKN ORLEN), including:

- agreement of 29 September 2022 for the purchase of shares in PKN ORLEN – the Bank acquired 14,161,080 PKN ORLEN bearer shares from the State Treasury – Ministry of State Assets for a price equal to the result of the multiplication of the number of shares and the price of one share in accordance with the closing price of PKN ORLEN shares on the main market of the Warsaw Stock Exchange on the date of conclusion of the agreement decreased by the discount determined on market terms;
- transaction to hedge the economic risk of acquiring shares in PKN ORLEN – on 30 September 2022, the Bank entered into a Total Return Swap transaction with PKN ORLEN S.A. for a period of 1 month, where the underlying instrument was the purchased shares; PKN ORLEN made a cash deposit in favor of the Bank as collateral for the claim, which was subject to interest on market terms;
- agreements of 18 October 2022 to dispose of all 14,161,080 shares in PKO ORLEN acquired from the State Treasury - the sale took place via an accelerated book building (ABB) formula,

b) an annex to the loan agreement concluded with one of the customers, as a result of which the customer's final repayment date for the loan was extended by 24 months.

The Bank also announced that it was working on the possible acquisition of a block of shares (i.e. 75% less 10 shares) of Bank Pocztowy S.A., which is held by Poczta Polska S.A., in the third quarter of 2022.

In March 2022, PKO Bank Polski S.A. signed an agreement with the National Bank of Poland (NBP) to carry out the purchase of the hryvnia at the Bank's outlets and its resale to the NBP at the exchange rate set by the National Bank of Ukraine. Based on the aforementioned agreement, refugees from Ukraine were able to exchange the hryvnia for Polish zloty at selected branches of PKO Bank Polski S.A. between 25 March and 9 September 2022.

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 2022

In 2022, PKO Bank Polski S.A. did not issue any securities.

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 2022, 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 2,490 million as at 31 December 2022. The Brokerage Office's portfolio as at the end of 2022 contained mortgage-covered bonds with a total nominal value of PLN 7.0 million.

As at 31 December 2022, 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 2 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 2022 (in nominal terms) amounted to PLN 1.5 billion. As at 31 December 2022, PKO Bank Polski S.A. held no bonds issued by the company.

In 2022, PKO Bank Polski S.A. issued, with regard to activities of its subsidiaries:

- one guarantee for the repayment of loans with an aggregate value of EUR 115 million (up to December 2029);
- five guarantees relating to the payment of liabilities resulting from agreements with suppliers and proper performance of contracts with customers with an aggregate value of PLN 3.3 million (up to December 2026);
- five guarantees for repayment of liabilities arising from the rental of office space and parking lots with a total value of PLN 197 thousand and EUR 197 thousand (up to July 2025).

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 2022, 19,522 on court proceedings were pending against the Bank (as at 31 December 2021: 12,349) relating to mortgage loans granted in previous years in foreign currency with a total value in dispute of PLN 7,725 million (as at 31 December 2021: PLN 3,855 million), including one group proceeding with 72 loan agreements. The subject matter of the Bank's clients' actions is mainly claims for declaration of invalidity of an agreement or for payment of amounts paid by the client to the Bank in performance of an invalid agreement. Customers allege abusive provisions 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 2022 – in Notes 49 and 47, respectively.

LOANS INCURRED AND ADVANCES, GUARANTEE AND SURETY AGREEMENTS

In 2022, 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 2022, net financial and guarantee liabilities of the Bank's Group amounted to PLN 85.7 billion, of which 85.4% were financial liabilities. Overall, the growth rate of financial and guarantee commitments granted was 6.8% y/y, mainly as a result of an increase in financial commitments under business credit lines and limits and a decrease in financial commitments under real estate credit lines and limits.

Table 33. Off-balance sheet liabilities granted (in PLN millions)

	31.12.2022	31.12.2021	Change (in PLN million)	Change (%)
Financial liabilities granted:	73,205	68,402	4,803	7.0%
housing credit lines and limits	3,683	5,265	-1,582	-30.0%
business credit lines and limits	52,455	46,941	5,514	11.7%
consumer credit lines and limits	10,650	10,698	-48	-0.4%
factoring credit lines and limits	2,749	2,116	633	29.9%
finance lease credit lines and limits	843	712	131	18.4%
Other	2,825	2,670	155	5.8%
Guarantee commitments granted:	12,478	11,799	679	5.8%
financial entities	2,806	2,353	453	19.3%
non-financial entities	9,286	9,012	274	3.0%
public sector	386	434	-48	-11.1%
Total	85,683	80,201	5,482	6.8%

DESCRIPTION OF GUARANTEES AND SURETIES GRANTED BY THE 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 2022, 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 688 billion. The aforementioned amount concerns loan agreements, leases and advances.

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 9 February 2023, PKO Bank Hipoteczny S.A. issued, within the framework of the International Mortgage Covered Bond Issue Programme - covered bonds with a total nominal value of PLN 500 million maturing in February 2026.
2. On 16 February 2023, the Opinion of the Advocate General at the Court of Justice of the European Union (CJEU) was published in "franc-related" case C-520/21 (Advocate Opinion) concerning the possibility for consumers and banks to claim beyond the consideration provided under a loan agreement that has been declared invalid by the court. The Advocate General concluded that:
 - as far as consumer claims are concerned – they do not conflict with the Directive, but the validity of such claims would have to result from national law, and it is for the national court to decide. The Advocate General emphasised that this does not mean that consumers' claims must be upheld, and that national courts may also exercise their jurisdiction to dismiss such an action where it constitutes an abuse of rights,
 - as regards claims by banks – provisions of the Directive preclude the Bank from bringing such claims against consumers.

By contrast, the Advocate General does not comment directly on other potential formulas for settling the time value of money, and in particular does not formulate a clear thesis on how to define the concept of "principal" subject to repayment.

In the Bank's view, the Advocate's opinion is a post-reporting date event that does not require adjustment under IAS 10 Events subsequent to the reporting period. The Advocate's opinion cannot form the basis for recognising its effects in the cost of legal risk on mortgage loans in CHF in the financial statements of the Bank and the Bank's Group for the year 2022.

However, in the Bank's opinion:

- 1) The level of additional legal risk costs recognised by the Bank and the Bank's Group will depend primarily on customer behaviour, i.e. whether the number of lawsuits brought by customers is in line with current model assumptions or whether the Advocate's opinion has a significant impact on increasing the number of lawsuits; The Advocate's opinion and the subsequent ruling of the CJEU may result in negative trends affecting the level of estimated risk, resulting from an increased propensity of customers to file lawsuits.
- 2) At the date of publication of these statements, the Bank is unable to estimate the potential impact of these factors beyond the sensitivity analysis presented in the financial statements of the Bank and the Bank's Group for the year 2022 in note: *Cost of legal risk of foreign currency mortgage loans*,
- 3) At the date of publication of these statements, the Bank is not able to estimate the impact of potential customers' claims that exceed return of cash benefits.

In the opinion of the Bank's Management Board, the information available to it as at 31 December 2022 does not indicate any risk of a breach of the legally required minimum levels of capital adequacy or a threat to the going concern assumed in the financial statements of the Bank and the Bank's Group for the year 2022.

3. On 27 February 2023, after having obtained the required corporate approvals, the PKO Bank Polski S.A. concluded a guarantee agreement with a counterparty providing for unfunded credit protection with respect of a portfolio of selected corporate exposures of the Bank, within the meaning of the Capital Requirements Regulation, CRR.

The total value of the portfolio covered under the guarantee amounts to over PLN 12,292 million and the portfolio comprises of a portfolio of bonds, with a value of PLN 1,515 million (Portfolio A) and a portfolio of other exposures, with a value of PLN 10,777 million (Portfolio B). The coverage ratio under the guarantee is 100% - in respect of Portfolio A and 80% - in respect of Portfolio B, which means that the total amount of the guarantee is PLN 10,137 million. The maximum time of coverage under the guarantee is 60 months, however the Bank is entitled to unilaterally terminate the guarantee prior to the expiry of this period.

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 2022, 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.

[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 has reported in accordance with the GRI Standards for the period from 1 January to 31 December 2022 (*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 2022. The previous Statement was prepared for the year 2021 and published on 24 February 2022. The contact for topics related to the Statement is as follows: esg@pkobp.pl.

[GRI 2-4] The Bank reports an adjustment of data to the Statement on non-financial information for 2021: in table 45, the value of total emissions (Scope 1+2+3) for the Bank's Group of the Bank in 2021 should amount to 54,228 MgCO₂e instead of 41,637 MgCO₂e.

[GRI 2-5] The Statement on non-financial information for 2022 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 11.6 million retail customers and 17.7 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	AGENTS	INTERMEDIARIES
<p>There are more than 5,000 suppliers registered in the Bank's purchasing application. In 2022 more than 450 new purchase proceedings were conducted, resulting in more than 600 new contracts concluded. The main purchasing categories of new contracts were related to software, refurbishment and modernization of facilities, security and technical security systems, as well as purchase of materials, small equipment and administrative services. Most of the contracts are long-term, i.e. their term is 2 years with the possibility of their possible extension. Almost all Bank's suppliers are Polish companies.</p>	<p>The Bank entrusts various activities to external entities. Examples of such activities include, among others, handling cash withdrawals and non-cash transactions, debt collection, cash processing, document archiving, support for sale of movables and real estate of the Bank's debtors, Internet services, IT services.</p> <p>At the end of 2022, the Bank had agreements with 59 external entities cooperating in the execution of agreements for the Bank with 11 subcontractors, and the number of agreements in force was 89.</p> <p>In 2022, the Bank signed 14 outsourcing agreements with external entities which concluded agreements for the benefit of the Bank with 4 subcontractors.</p> <p>On the website, the Bank provides a complete list of enterprises performing activities for the benefit of the Bank (https://www.pkobp.pl/media_files/f59f78aa-01c9-4b11-9204-8f15b96d663a.pdf).</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>At the end of 2022, the Bank cooperated with 267 agents operating 349 agencies.</p>	<p>The Bank distributes housing loans, inter alia, through intermediaries. 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. The agreement regulates the scope of distribution of housing loans for which the intermediary is remunerated. At the end of 2022, the Bank cooperated with 77 mortgage credit intermediaries.</p>

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:

- survey 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 2022. 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. A new element of the analysis is the assessment of the strength of the Bank's Group's impact in

each topic and ordering them in the order of influence – 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, described in detail in section 13.5. 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

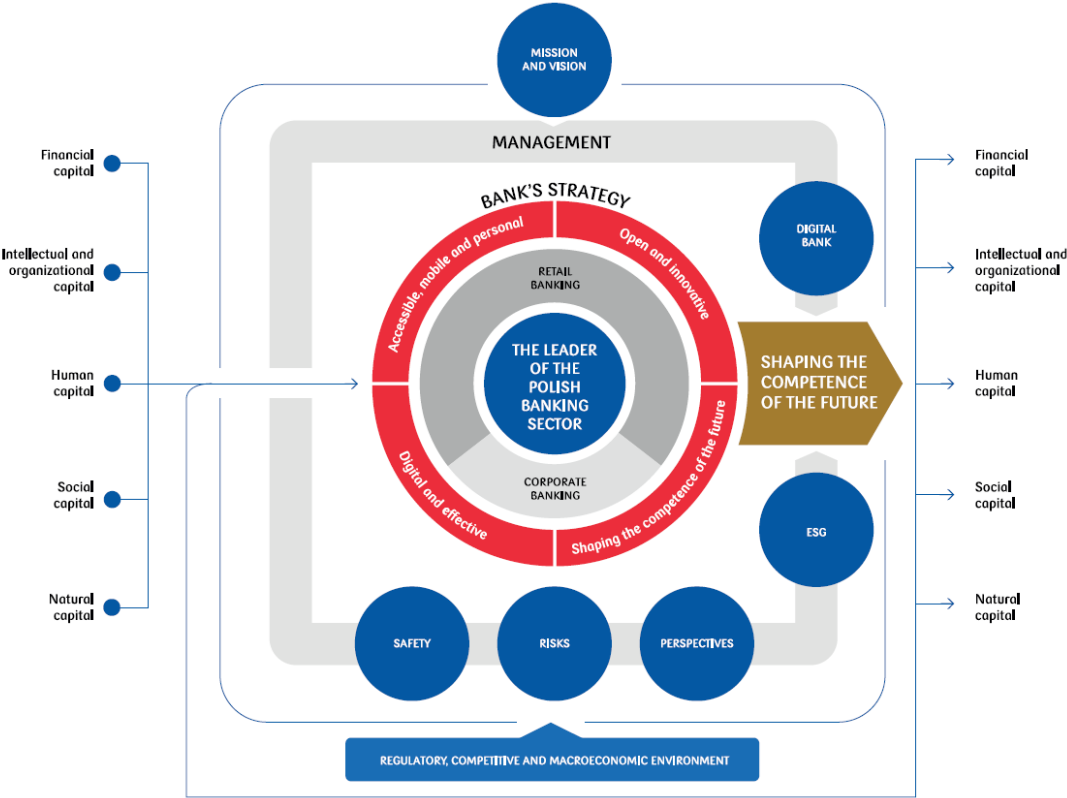
The Bank's Group is a leading financial institution in Central and Eastern Europe. The Bank, the parent entity of the Bank's Group, is the largest commercial bank in Poland in terms of the value of assets and equity, the value of loans, deposits, and savings, the size of the distribution network, as 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.

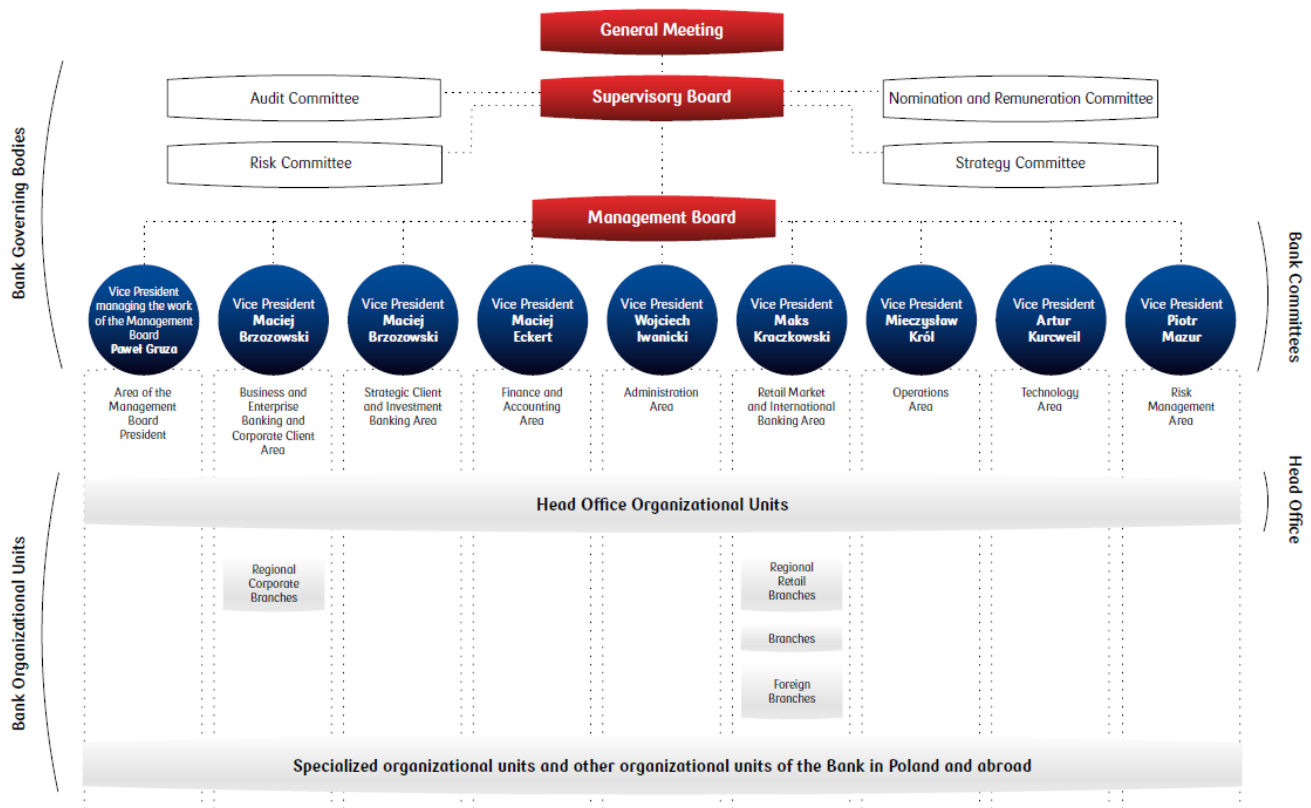
The Bank earns income from interest, commissions and fees and from other sources. It finances operating costs from the revenue generated. The profit shall be distributed with shareholders to the extent permitted by financial supervision institutions. Apart from financial profits, the Bank is trying to generate benefits for the economy, environment and local communities. The sustainable dimension of activities in all areas has been incorporated into the new 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 9 areas, which reflect the Bank's areas of operations.

Management structure of PKO Bank Polski S.A. (31.12.2022)* [GRI 2-9]



*On 1 January 2023, Andrzej Kopyrski (Vice-President of the Management Board) was added to the Management Board.

[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 Association of Entrepreneurs and Employers (Związek Przedsiębiorców i Pracodawców)). As at the end of 2022, the Bank participated in 76 organizations, and during the year, it joined the Polish Association of Capital Investors and Association of Family Companies.

ESG GOVERNANCE

A new organizational unit was set up in the Finance and Accounting Area in 2019 – the Group Reporting Office, whose tasks include collecting, analysing and disclosing information on social and environmental topics.

[GRI 2-13] In the years 2020-2021 the Bank's Group implemented the project "ESG in the PKO Bank Polski SA Group". The aim of the project was to improve the quality of non-financial reporting, leading to increasing the Bank's position in ESG ratings and to improving the Bank's reputation as an institution which, apart from financial objectives, sets environmental, social and governance objectives. The project ensured the coordination of ESG topics in the Bank's Group under the supervision of the Steering Committee at the level of the Bank's Management Board. After completion of the project, the ESG Sustainable Development Department was established at the end of 2022, under the supervision of the President of the Management Board. The new department is expected to achieve full operational efficiency at the beginning of 2023 and will become the ESG competence centre coordinating the activities in the Bank's Group.

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

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" (hereinafter: the Strategy). One of the goals of the Strategy is to seize the position of leader in ESG transformation in the Polish banking sector.

Implementation of the Strategy takes into account business development in all customer segments and assumes:

CORPORATE CUSTOMER	INDIVIDUAL CUSTOMER	LEASING AND FINANCING OF OTHER ASSETS	COMPANIES AND ENTERPRISES
Advice and financing of complex transformation investments available thanks to competences and expertise of employees Extension of the scope of structured ESG financing	Green mortgages Offer of cash loans for ESG purposes Expanding the offer of topic-specific funds Konto dla młodych (Youth account)	Increasing the attractiveness of the leasing offer for green products Expansion of the long-term lease offer Offering complementary products for customers who have already photovoltaic installations and/or purchased an electric car (heat pump, batteries)	Support for companies and enterprises through a dedicated ecosystem of products and services Strengthening the offer based on public payment schemes

The Bank will conduct activities in the following areas of support:

OPERATIONAL MODEL	DATA INFRASTRUCTURE	RISK	OPERATING EFFECTIVENESS
Building a central team responsible for coordination of knowledge exchange and promotion of ESG	Preparing to meet regulatory requirements and issues of green securities Identifying priority sectors and customers to support decarbonisation	A scoring and portfolio analysis process, extended with ESG aspects Constructing sector-specific expertise in Risk teams Conducting climate stress tests	Reaching net-zero in Scope 1 and 2 by 2030 Limiting own CO ₂ emissions of the Bank through modernisation of branches and office buildings, and electrification of fleets

As the ESG transition Leader, the Bank set itself ambitious environmental, social and managerial goals:

ENVIRONMENT	SOCIETY	CORPORATE GOVERNANCE
The highest volume of new financing for sustainable and transformation projects Top 3 Bank in ESG financing in each business segment, supporting customers with an energy transformation expertise Climate neutrality in Scope 1 and 2 by 2030 >90% of energy purchased certified as green-sourced First issue of the Bank's own green bonds	Leader in youth financial education (increase in the number of Junior accounts) 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) 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) Leader in support for the population of Ukraine and the country reconstruction process	>40% of women in managerial positions and senior management positions >30% of women in <i>material risk taker</i> positions ~0% gender pay gap >2% participation of people with disabilities in job applications, recruitment interviews, and among employees <7% voluntary termination rate <14% ratio of total staff turnover Creation and publication of a trajectory for reducing CO ₂ emissions Systematic expansion of the scope of disclosures in the scope of CO ₂ emissions of the Bank

13.5 KEY NON-FINANCIAL PERFORMANCE INDICATORS

In June 2021, the Bank's Management Board and the Bank's Supervisory Board adopted indicators to be achieved in the ESG area and included them in the Bank's Group's non-financial goals for the following years. The settlement of achievement of non-financial objectives is presented below.

Key non-financial performance indicators in the area of the environment

COMMITMENT/INDICATOR	2022	2021	2020	2019
[GRI 305-5] Reduction in the Bank's greenhouse gas emissions (Scope 1 and 2) of 60% by 2025 (the base year 2019) Note: the changes in the values for the years 2020 and 2021 result from the recalculation of the base year	-61.7%	-60.7%	-38.9%	Base year
Elimination of the exposure to the coal mining sector by 2030 Indicator: the share of financing for the coal and lignite mining sectors in total assets	0.09%	0.13%	0.27%	0.27%
Increase in the Bank's green financing of 5% y/y	54%	83%	X	X
Value of exposure to green financing at least 3 times higher than the value of exposure to carbon-intensive financing for the Bank's Group (the data relates to the Bank only)	5.0	3.5	1.6	1.4

Key non-financial performance indicators in the area of employment (in per cent)

COMMITMENT/INDICATOR	2022	2021	2020	2019
At least 35% of women employed in key managerial positions in the total number of managers in the Bank's Group by 2025	40	38	42	X
At least 35% of women employed in other material managerial positions in the total number of managers in the Bank's Group by 2025	38	37	42	X
Employee rotation rate of no more than 14% in the Bank's Group by 2025	14.1	13.1	12.5	15.3
Voluntary employee resignation rate of no more than 7% in the Bank's Group by 2025	8.8	8.1	5.3	X
Implementation of systemic projects to support the employment of people with disabilities in the Bank's Group/ Indicator: the share of employment of people with disabilities in the total number of employees (in per cent)	1.4	1.4	1.0	X

Ratios in the employment area were at the expected level, except for turnover and voluntary termination, where deterioration was noted. The turnover ratio presented is in line with the trends observed on the labour market in 2022. Duration of the pandemic showed the potential of remote working. The new form of work, as well as the existing employee market, were conducive to job change decisions in 2022. While responding to trends in the labour market, the Bank took several actions aimed at maintaining employees in the organization.

Key non-financial performance indicators in the area of procurement

COMMITMENT	IMPLEMENTATION
Updating the Procurement Policy in keeping with the ESG principles by the end of Q3 2021	The Procurement Policy was updated and agreed in Q3 2021 and subsequently implemented by decision of the Procurement Department Director on 11.10.2021. Another policy update is planned for Q4 2023.
Conducting an ESG survey among the Bank's key suppliers by the end of 2021	The Bank conducted ESG surveys among its key suppliers in Q2 2021. The purpose of conducting the ESG surveys was to determine the level of familiarity with ESG issues among the Bank's suppliers, mainly with regard to the experience gained from participating in procurement proceedings organized by other entities, but also with regard to own practices and internal policies. The conclusions drawn from the surveys were used in updating the Procurement Policy and to prepare a Supplier or Bidder Code of Ethics.
Preparation of the Supplier Code of Ethics by the end of Q1 2022	30.03.2022 the Bank's Management Board adopted the "The Code of Ethics for Suppliers or Bidders cooperating with PKO Bank Polski S.A. as part of purchasing proceedings". New document was implemented from 1.04.2022. The Code was included in the RFP. Each Supplier or Bidder participating in the purchasing procedure accepts the above mentioned Code of Ethics and thus undertakes to apply it. The competent body responsible for purchasing goods and services at the Bank is obliged to provide information concerning the application of the Code of Ethics by suppliers or bidders annually to the competent ethics professional unit, covering the previous year. The Code of Ethics puts the requirements for the Bank-Supplier/Bidder-surroundings relations, taking into account corporate social responsibility, e.g. in the area of information security, prevention of corruption and conflicts of interest, environment and relations within the supply chain. The Bank does not accept any forms and manifests of forced labour, prohibited work of children, or work contrary to health and safety regulations. Suppliers/ bidders should analyse their activities with due diligence in the field of environmental protection (e.g. CO ₂ emissions, sewage management, waste disposal, noise reduction, biodiversity protection). The Bank cooperates with its subsidiaries in the area of standardising purchasing requirements in the Bank's Group, including the implementation of the Code of Ethics. Currently, the Bank's consultations with companies are underway in order to implement the regulations in individual companies.

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 company,
- 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,
- Principles for counteracting bullying and discrimination,
- Procurement policy,
- Tax strategy.

Full policy descriptions are available at: [Policies and principles \(pkobp.pl\)](https://pkobp.pl/policies-and-principles).

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. In 2022, the Bank reviewed it in terms of its validity and will present recommendations for approval to the Management Board and the Supervisory Board.

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 2021. The Bank's Tax Strategy and the informations prepared by the TG on the pursued tax strategy for 2020 and 2021 are available on the Bank's website ([Tax strategy of PKO Bank Polski S.A. - PKO Bank Polski \(pkobp.pl\)](#)).

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 monitors whether the methods of identifying, measuring and/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 Management Board guarantees the operation of the risk management system, monitors and evaluates its functioning and informs the Supervisory Board thereof.

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. Due to the cross-cutting dimension of ESG risks, which are not separate risks but which form part of the classic risk categories, the Bank's Group did not set them apart as a separate category. 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 ESG risks in the risk management strategy of the Bank and the Bank's Group. The ESG risk is understood as the risk of negative financial implications which are the result of the impact of ESG factors on customers and counterparties or balance sheet 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.

As the first step in preparing the Statement, the Bank reviewed the ESG risks in the Bank's Group, which were identified in 2021. It has been confirmed that the list has not changed and contains the following risks:

- breach of security of customers and their funds,

- unethical business conduct,
- product compliance risk,
- corruption,
- incorrect communication,
- negative impact on the natural environment,
- climate,
- sustainable development.
- employment,
- negative impact on the social environment,
- violation of human rights,
- supply chain,
- 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.

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 directly with drills in "Counteracting robberies and dealing with security threats". The implementation of

direct training, suspended due to pandemic, was resumed in June 2022 and in subsequent years will be gradually carried out in all branches.

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 IT 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.

In 2021, the Bank implemented the project CyberSecurity Operations Centre as part of which the processes of the Cybersecurity Department were streamlined and a strategy was drawn up for providing services to the Group companies. Moreover, as part of the project a SOAR class system was implemented, which allows the servicing of security incidents to be automated. The implemented changes translated into significant improvements in the handling of alerts and incidents, which allowed to shorten the response process and influenced the mitigation of threats (in some cases even 95% – phishing service). In 2022, the PKO BP CERT team notified and blocked, in cooperation with CERT Polska and CERT Orange, more than 2,700 fake pages. Frauds were directed mainly to the electronic services and customers of the Bank, but 25% 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.

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 Bank 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. In 2022, it provided employees with new e-learning trainings, thanks to which users gained knowledge about threats related to:

- using mobile devices,
- using personal IT equipment for professional purposes and using the Bank's equipment for private purposes,
- publication of information concerning the Bank by employees in the Internet (especially in the social media),
- social engineering attacks.

The training also provides a package of mandatory trainings for each new employee. 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.

The awareness-raising of employees also engages a program of simulated phishing attacks launched in October 2022. 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.

In accordance with the Bank's policy, the principles of cybersecurity must be complied with not only by the employees but 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.

In 2022, the Security Awareness training (simulation of a phishing attack) covered all employees of the Bank (over 20,000), and a dedicated training has been conducted for the Bank's Management Board. The Bank also operates an

internal unit (RedTeam), which simulates potential attacks in a controlled manner, in order to identify weaknesses before their use by criminals.

In 2022, 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 imposition of threats which may materialise at the Bank. Great emphasis was placed on removing vulnerabilities, which resulted in the lowest number of vulnerabilities in the Bank's history.

AUDIT

The Bank identifies threats to cybersecurity on an ongoing basis. It monitors the sources of information, implements protection against potential threats and develops incident response plans. 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. The said process is performed in two dimensions: in connection with the process of software implementation and modification at the Bank and in connection with the project process. Every new project which changes a key system from the perspective of the business processes is subject to 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),
- 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,
- responding to other signals regarding threats on an ongoing basis,
- provision of information on cybersecurity to customers through the Bank's websites, the transactional service and by e-mail.

In 2022, the effectiveness of malware detection (especially mobile software) among the Bank's customers reached close to 100%. In total, more than 40 thousand infections and/or anomalies were detected and reported to anti-fraud systems for iPKO mobile banking customers. In addition, proof of concept tests were carried out for the service mitigating attacks against customers through impersonation of Bank's hotline and the project campaigns were started to further improve the security of customers using biometrics.

In 2022, the Bank was improving systems for incident, anomaly and advanced malware detection and a large number of actions relating to incident handling was automated. 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 personal data protection regulations.

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.

Additionally, the Bank applies internal regulations regarding, in particular:

- security of protected information,
- IT system security,
- protection of people and property,
- management of security incidents where the method of management of personal data protection violations has been defined,
- conducting investigations,
- designing and implementing security mechanisms.

PRIVACY AND DATA SECURITY

The Security Standards for the Bank's Group address the following issues: 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/pkobppl-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.

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. Any irregularities are addressed in compliance with the law, which includes informing the competent authorities about breaches, as required by the internal regulations and the law.

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." 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 personal data protection. 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 supervises the performance of duties associated with the protection of information at the Bank and prepares information on the state of security for the Bank's Management Board and Supervisory Board in the form of semi-annual reports. 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:

- access to protected information at the Bank is only given to employees within the scope of their corporate tasks and duties,
- 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. Enquiries from entities authorized to demand access to the information constituting bank secrecy (e.g. government institutions) 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.

The Code of Ethics was adopted by resolution of the Bank’s Management Board in 2014. The Code is a set of the most important values, principles, standards of conduct and ethical attitudes determining mutual relations in business and in the Bank’s relations with the outside world. In practical terms, the Code is a tool supporting the popularization and implementation of ethical values at the Bank. Its provisions are binding on the employees and all persons who perform business activities for and/or on behalf of the Bank and/or act as intermediaries in the Bank’s operations. According to the Bank’s Working Regulations, every employee of the Bank is obliged to observe the Code of Ethics.

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, defining and promoting key values which are necessary for the implementation of the Bank’s mission, such as reliability, customer satisfaction, continuous improvement and entrepreneurship – these values constitute the basis for the employee competence model, 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 Social exclusion Non-transparent relations with political parties	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) 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 (time-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 2022, 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.

In addition, the Bank offers training on ethics and values to agents.

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: "The Principles for counteracting bullying and discrimination, and the procedure for handling complaints concerning the violation of employee rights". The employees report such cases to dedicated email addresses.

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 Bank's Management Board 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 Bank's Management Board is informed quarterly about all complaints filed by employees.

In addition, in 2022 the Bank's Management Board and the Supervisory Board approved the revision of the Code of Ethics. The new rules specified:

- a) that behaviours that are inconsistent with ethical attitudes indicated in the "Code of Ethics of PKO Bank Polski S.A." are unacceptable,
- b) the process of verification and assessment of compliance with ethical standards at the Bank

As part of the implementation of this process, the Bank's Management Board, based on the "Report on compliance with ethical standards at the Bank" prepared in 2021, conducted a positive assessment of compliance with the ethical standards set out in the Code of Ethics of PKO Bank Polski S.A., and informed the Supervisory Board about the results of the assessment.

In accordance with the regulations concerning the assessment of suitability of candidates for Management Board members and the members of the Management Board of PKO Bank Polski S.A. adopted by PKO Bank Polski S.A., 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 sent by the Bank, which means the application of uniform principles across the entire Bank's Group.

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, in particular those which may have a negative impact of the organisation on stakeholders, as well as the manner of dealing with business relations and the social environment based on, among others, the internal complaint procedure 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 2022, 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 Bank's 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.

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 principles of managing conflicts of interest are adopted by the Bank's Management Board and approved by the Supervisory Board.

Members of the Supervisory Board are obliged to immediately inform the Supervisory Board of any circumstances that may cause a potential conflict of interest affecting their relations with the Bank's Group, including their activities in the Supervisory Board. The Chairman of the Supervisory Board takes a decision not to provide a member of the Supervisory Board in respect of whom there are circumstances giving rise to a potential conflict of interest with documents and information deliberated on by the Supervisory Board related to the matters to which the conflict pertains. Moreover, a member of the Supervisory Board 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 is obliged to refrain from any professional and/or non-professional activity that could lead to a conflict of interests and/or otherwise have an adverse effect on their reputation as a member of the Bank's management body. A member of the Management Board shall be obliged to submit to the Supervisory Board, at the latest on the date of election, a written declaration on all other professional activities, membership in the management and/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 any business competitive with the Bank or the entities of the Bank's Group, nor participate in companies engaged in competitive activities towards the Bank or the entities of the Bank's Group as a partner (shareholder) or a member of management or supervisory bodies, and may not, without the consent of the Supervisory Board, participate in any form of provision of work or other services to entities engaged in competitive activities towards the Bank or entities of the Bank's Group.

The President of the Bank's Management Board shall be informed on a monthly basis about conflicts of interest concerning all employees of the Bank. In addition, the Bank's Management Board and the Supervisory Board are informed on a quarterly basis about the number and subjects of conflicts of interest notifications concerning all employees of the Bank.

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. Information on material conflicts of interest or conflicts of interest that could arise due to transactions concluded by the Bank with the Bank's related parties and the scope thereof shall be submitted by the Bank to the Polish Financial Supervision Authority. 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 December 2022, the Bank's Management Board updated a policy for preventing money laundering and financing of terrorism (AML), which applies to all entities of the Bank's Group. The purpose of this Policy is to prevent the use of the Group's products in the activities related to money laundering and/or financing of terrorism. The Policy defines the standards that should be observed by the Bank, its subsidiaries and all persons working for them, including

permanent and temporary associates, consultants, contractors, external agents and their employees (see [Policies and principles \(pkobp.pl\)](#), questionnaire: [bcb01b2f-4247-4e74-8d85-2f8262788264.pdf \(pkobp.pl\)](#))

The Policy is one of the internal procedures defining the scope of the transfer of data, regulations, obligations, standards and measures used to prevent money laundering and financing of terrorism. The Bank and the Group companies develop, implement, update and enforce the internal AML regulations. These provisions comprise:

- identification and verification of the Customer,
- monitoring of transactions in order to assess whether customers' transactions are consistent with the known customer profile and the intended nature of business relationships (identification of unusual and suspicious transactions and examination of the source of funds where appropriate),
- recording of above-threshold transactions,
- monitoring of sanctions to prevent establishing prohibited relationships by checking whether the customer is present on sanction lists,
- method of exchange and protection of information,
- financial security measures, including identification of beneficial owners,
- manner of storage of documents and information,
- manner of fulfilment of obligations comprising the provision of information about transactions and notifications to the General Inspector,
- manner of popularizing the knowledge of the regulations on preventing money laundering and financing of terrorism among the Bank's employees,
- reporting of actual and/or potential violations of the regulations on preventing money laundering and financing of terrorism by the employees,
- internal control and/or oversight of the compliance of the operations with the regulations on preventing money laundering and financing of terrorism and the principles of conduct set out in the internal regulations,
- principles of documentation of the difficulties identified in connection with the verification of the identity of a beneficial owner and measures taken in connection with the identification of a natural person holding a senior managerial position as a beneficial owner,
- verification of financial institutions as part of the process of establishing correspondent relationships (LORO, exchange of RMA keys).

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 business relationships, does not carry out an occasional transaction, does not conduct transactions via a bank account, terminates business relationships.

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 not providing assets to persons or entities entered in the following lists:

- 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 lists published on the basis of the regulations of the Council of the European Union,

- 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).

The persons performing AML duties participate in training programmes concerning the execution of such duties.

Within their organizations, the Bank and its subsidiaries appoint AML officers responsible for the exchange of information among the Group entities. The Bank performs periodic reviews of the Group policy at least annually. It also prepares quarterly information on counteracting money laundering and financing of terrorism, which is presented by the AML and CFT Department Director to the Bank's Management Board.

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 GIIF in Poland and the relevant financial analytics institutions for the foreign branches).

The most recent update of the Anti-Money Laundering and Terrorist Financing Policy of 2022 was aimed at strengthening the supervision within the Bank's Group on obligations implemented in these entities under AML/CFT.

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.

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). If there are any anti-groups, control mechanisms are implemented to mitigate the misselling risk. 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 in this regard. 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 (see 13.7.8B).

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.

CORRECT PRODUCT LABELLING

[GRI 417-1] The Bank's Group, including the Bank, fulfils the requirements concerning correct 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 proper 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 2022 there were no significant instances of non-compliance with the law in the Bank and no 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 and/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, 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 principles 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 2022, 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".

[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 or organizational unit of the Bank's Headquarters, 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 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.

Since the identity of the reporting person is unknown, it is therefore not possible in most cases to provide feedback to the reporting person.

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. Every employee of the Bank is required to undergo training in the principles for counteracting any corrupt practices.

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.

In 2022, 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.

[GRI 205-3] In 2022, no cases of corruption were identified, as in 2021.

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,
 - reports concerning the customers filed by:
 - the PFSA,
 - external institutions dealing with the protection of Customers' 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 Financial Ombudsman, and the Municipal or District Consumer 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 Good Banking Practice and the Standards of customer service quality 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 collection and 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 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 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 2022, the entities of the Bank's Group received approx. 352 thousand complaints (315 thousand in 2021), of which over 79% were handled within 14 days (85% in 2021). Approximately 56% of all cases were fully or partly settled in the customer's favour (55% in 2021).

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:

- "The Code of Banking Ethics" prepared by the Polish Bank Association as part of the Principles of Good Banking Practice,
- "Good 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 good 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 bodies,
- 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 departments.

[GRI 417-3] In 2022, 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] The outbreak of war in Ukraine and the resulting energy crisis in Europe dominated the interest of investors in non-financial issues in 2022. The issue of Poland's energy security, the risk of recession as a result of energy shortages for business entities, and the effects of mass migration of Ukrainian refugees to Poland have been among the more frequently addressed issues for several months. Due to the dramatic nature of events before our eyes, investors significantly reduced the frequency of questions regarding environmental issues. Communication focused more on social issues, including, in particular, the Bank's efforts to support refugees. The Bank organised evacuation to Poland and ensured the maintenance of the employees and families of employees of the Ukrainian subsidiary KREDOBANK S.A. and supported the refugees in material terms and through the work of its volunteers.

The Bank expects an increased interest in ESG in 2023, especially in environmental issues.

The Bank operates a tab dedicated to ESG issues on its website: [ESG at PKO Bank Polski Group \(pkobp.pl\)](https://www.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

The Bank's objective is to find itself among the best three banks, taking into account the level of the customer's recommendation ratio. The current place among other banks is not satisfactory and the Bank is undertaking a number of actions aimed at improving this ratio. In 2022, the Bank's recommendation ratio was re-recognised in the objectives of most of the Bank's units – it is a continuation of customer-oriented approach in line with the principle that their satisfaction and loyalty are key in terms of the Bank's actions and strategy.

The Bank still conducts the following internal retail customer surveys:

- relational surveys – conducted among customers in the Primary customer segment, 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.

As part of relational surveys, in 2022 internal relational surveys of Personal Banking customers and SME customers were carried out for the first time. Both 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 the transactional survey area, the network of surveys on the iPKO transactional platform has been developed very strongly – currently, the Bank is asking customers for their opinions following the completion of approx. 60 requests and instructions.

In 2022, a survey was also implemented in the IKO mobile application. The survey is available to every customer after logging in. The customer can share their opinion at their convenience in a topic that is important to them.

In addition, a survey was carried out for the first time in the iPKO transaction service, embedded in the mail. The Customer is redirected to a survey from the iPKO messages. The Bank will develop this survey method in 2023.

In total, in 2022 the Bank collected over 950 thousand 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.

CORPORATE CUSTOMER SATISFACTION SURVEYS

In 2022, the Bank continued satisfaction surveys of corporate customers (relational, transactional NPS, satisfaction with individual products). The main monitored indicator, the relational NPS, was 41, which was the highest result since the beginning of the survey implementation in the corporate segment. High Response Rate (61%), which has been continuing for several years, is a sign that customers appreciate this form of dialogue for the Bank. In addition, together with other banks, the Bank continues to implement an independent external benchmark for customer satisfaction with corporate banks, so that it may analyse the satisfaction of customers with services in comparison to competitive banks. The bank is the initiator of this project.

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.

In 2022, the Bank's key analysis was the analysis of customer paths (*Customer Journey Map*) in the onboarding process (starting of cooperation with the bank, launch of electronic banking, first transactions). Thanks to new customers who decided to share their experience with the first interaction with the Bank, more than 30 recommendations to improve the customer and employee experience were accepted.

13.7.6 ENVIRONMENT

A. DIRECT ENVIRONMENTAL IMPACT

SCALE OF THE DIRECT IMPACT ON THE NATURAL ENVIRONMENT

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 2022, 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. In the previous years, a number of entities of the Bank's Group performed energy efficiency audits (in 2022, such an audit was performed by the subsidiary Sopot Zdrój sp. z o.o.). On the basis of the results of such audits, the Group entities identified the areas with the highest energy saving potential and drew up action plans which are currently being successively implemented.

In 2021, in accordance with the requirements of the Act on energy efficiency the Bank conducted an energy efficiency audit. During the audit tasks were defined the implementation of which should lead to a reduction in energy consumption. These tasks are mainly focused on the optimization of the use/ modernization of the automatic control of heat sources and technical installations in properties (HVAC, heating). Investment tasks were also defined for a few properties. Some of the tasks concern properties which may be withdrawn from use in the near future, therefore the Bank is focused on carrying out only those tasks the completion of which will bring actual savings.

[GRI 303-1] According to estimates, in 2022 water consumption in the Bank was approx. 223.5 mega litres (216.9 mega litres in 2021) and 45.5 mega litres (41.7 mega litres in 2021) in other entities of the Group. The increase in water consumption in the Bank (by 3% y/y) is due to the increased presence of employees in the office (56% in 2022 vs 51% in 2021).

CONSUMPTION OF ENERGY AND FUELS AND GREENHOUSE GAS EMISSIONS

Table 34. Energy consumption within the organization (in MWh) [GRI 302-1], [GRI 302-4]

	BANK	OTHER ENTITIES	GROUP	GROUP y/y (%)	BANK	OTHER ENTITIES	GROUP	BANK	OTHER ENTITIES	GROUP	BANK	OTHER ENTITIES	GROUP
	2022				2021			2020			2019		
Fuel used in buildings	19,603	3,671	23,274	-10.5	22,122	3,889	26,011	22,765	3,871	26,636	24,122	3,095	27,216
natural gas	17,647	3,603	21,250	-9.4	19,706	3,749	23,455	20,866	3,732	24,598	20,465	2,940	23,405
heating oil	1,789	8	1,797	-21.4	2,188	98	2,286	1,672	94	1,767	3,368	132	3,500
diesel oil	71	51	123	100.3	49	12	61	56	10	66	81	17	98
LPG	0	9	9	-69.0	0	30	30	0	34	34	0	6	6
lignite	0	0	0		0	0	0	0	0	0	0	0	0
coal	96	0	96	-46.3	179	0	179	171	0	171	208	0	208
Fuel used in vehicles	23,774	12,305	36,079	22.0	19,356	10,224	29,579	18,400	10,180	28,580	28,697	9,903	38,600
diesel oil	1,737	4,125	5,862	12.3	1,124	4,097	5,221	815	4,479	5,295	1,211	4,093	5,304
LPG	0.0	0	0		0.2	0	0.2	0	0	0	0	0	0
gasoline	22,037	8,180	30,217	24.1	18,231	6,127	24,358	17,585	5,701	23,285	27,486	5,810	33,296
Energy purchased	136,484	20,513	156,997	-3.7	143,181	19,831	163,012	147,788	17,473	165,261	150,450	19,973	170,422
electricity	74,031	13,652	87,683	1.2	75,494	11,125	86,618	80,829	10,004	90,832	81,675	11,034	92,709
heat	62,453	6,861	69,314	-9.3	67,687	8,706	76,394	66,959	7,469	74,428	68,774	8,939	77,713
Total energy consumption	179,861	36,489	216,350	-1.0	184,658	33,944	218,602	188,953	31,524	220,477	203,268	32,971	236,239

Table 35. Intensity of energy consumption by the Bank's Group [GRI 302-3]

Indicator	Unit	2022	y/y (%)	2021	2020	2019
Total energy consumption per employee	MWh / person	8.6	2.1	8.4	8.4	8.4
Total energy consumption per PLN 1 million assets	MWh / PLN 1 million assets	502.4	-3.9	522.9	584.9	679.0

Table 36. Emissions by source in MgCO₂e by market-based method [GRI 305-1], [GRI 305-2], [GRI 305-3], [GRI 305-5]

	BANK	OTHER ENTITIES	GROUP	GROUP	BANK	OTHER ENTITIES	GROUP	BANK	OTHER ENTITIES	GROUP	BANK	OTHER ENTITIES	GROUP
	2022			y/y (%)	2021			2020			2019 (recalculated)		
Scope 1 – direct emissions from:	10,849	3,867	14,716	9.9	10,000	3,388	13,388	10,096	3,405	13,501	13,143	2,638	15,781
fuels used in building	4,081	744	4,825	-11.9	4,681	797	5,478	4,751	792	5,543	5,154	636	5,790
fuels used in vehicles	5,725	3,019	8,745	19.0	4,757	2,591	7,348	4,562	2,613	7,175	7,077	2,001	9,079
consumption of refrigerants	1,043	103	1,146	104.0	562	0	562	783	0	783	912	0	912
Scope 2 – indirect emissions from:	26,274	7,510	33,784	-9.4	28,101	9,203	37,304	49,125	8,312	57,438	83,729	9,057	92,785
purchase of electricity	3,335	4,990	8,324	-23.6	4,590	6,305	10,895	25,864	5,836	31,700	59,143	5,861	65,004
purchase of heat	22,939	2,520	25,460	-3.6	23,511	2,898	26,409	23,262	2,476	25,738	24,585	3,195	27,781
Total emissions (Scope 1 + 2)	37,124	11,376	48,500	-4.3	38,101	12,591	50,692	59,221	11,717	70,939	96,872	11,694	108,567
WTT emissions	3,987	3,413	7,400	-	-	-	-	-	-	-	-	-	-
domestic and foreign business travel	513	6	519	166.1	195	-	195	289	-	289	-	-	-
employee commuting	8,694	17	8,711	-	3,341	-	3,341	0	-	0	-	-	-
lease of space	1,647	0	1,647	-	-	-	-	-	-	-	-	-	-
Scope 3	14,841	3,436	18,277	416.8	3,536	-	3,536	289	-	289	-	-	-
Total emissions (Scope 1 + 2 + 3)	51,965	14,813	66,777	23.1	41,637	12,591	54,228	59,510	11,717	71,227	96,872	11,694	108,567

Table 37. GHG emissions intensity indicators in the Bank's Group [GRI 305-4]

Indicator	Unit	2022	y/y (%)	2021	2020	2019
GHG emissions Scope 1+2 per employee	Mg CO ₂ e / person	1.9	-1.3	2.0	2.7	3.9
GHG emissions Scope 1+2 per customer	kg CO ₂ e / person	4.4	-8.9	4.8	6.8	10.4
GHG emissions Scope 1+2 per PLN 1 million assets	kg CO ₂ e / PLN 1 million assets	112.6	-7.1	121.2	188.2	312.1

Table 38. Emissions by method in MgCO₂e [GRI 305-1], [GRI 305-2], [GRI 305-3]

Scope 1 [GRI 305-1]	Scope 2 [GRI 305-2]	Scope 3 [GRI 305-3]
14,716	80,416 (location based) 33,784 (market based)	18,277
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. Emissions in Scope 3 were extended to include data relating to subsidiaries, WTTs and rental of business space.

Scope 3	
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)

*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.

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.

The Bank recalculated the base year (2019) for Scope 1 (the DEFRA emission indicators database was used) and for Scope 2 (the National Centre for Emissions Management (KOBIZE) ratios were used after taking into account transmission losses and balance sheet differences). Detailed information on the method 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 2022 ([Greenhouse gas emissions \(pkobp.pl\)](https://www.pkobp.pl/greenhouse-gas-emissions)).

In 2022, the Bank's Group's emissions decreased (by 4.3%, y/y, Scope 1 and 2), what was the result of decrease in the emissions in the Bank and in subsidiaries. Direct emissions from the use of fuel in buildings and indirect emissions

from the purchase of electricity and thermal energy decreased, and direct emissions from the consumption of fuels used in vehicles (an increase in passages) and emissions from refrigerants (the result of the increased loss and thus the increased volume of supplemented refrigerants) have increased.

In 2022, the Bank purchased guarantees of origin of electricity from RES in the amount of 69,000 MWh, which accounted for 93% of the Bank's electricity consumption. The purchase of guarantee of origin contributed to a reduction of emissions by 52,591.37 MgCO_{2e}.

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.

OPTIMIZATION OF ENERGY CONSUMPTION

[GRI 302-4] The total energy consumption in the Bank's Group in 2022 was 1% lower than in 2021, with a 2.6% drop for the Bank and a 7.5% increase for the other Group entities (increase in consumption of fuels used in vehicles mainly in the PKO Leasing S.A. Group, as well as diesel fuel for power generators by subsidiary companies in Ukraine).

Since 2019, the Bank has been systematically reducing energy consumption. In 2022, total energy consumption at the Bank decreased as a result of, among others, the following activities:

- Five photovoltaic installations with a total capacity of 130.49 kWp have been installed. As a result, the Bank expects a reduction in energy consumption from fossil sources – estimated renewable energy yields 117,662 kWh/year,
- The work of the existing ventilation centres in real properties (79 central) was optimised. Expected effect: reduction of electricity consumption by reducing the efficiency of night and non-working days (863,888 kWh/year),
- Electric water heater (388) equipped in time switches,
- 31 oil and gas boilers were upgraded (replacement of drivers).

The savings expected for points c and d amount to 1,179,398.3/year in total (0.6% of the Bank's annual consumption).

Tasks b, c, d resulted from the Bank's Energy Efficiency Audit performed in 2021.

[GRI 302-4] The Bank continues activities aimed at implementation of the Energy Management System in accordance with ISO50001. It aims to optimize energy consumption at the enterprise, introduce a single energy consumption control system and intensify the measures aimed at reducing the consumption of energy carriers.

WASTE

Table 39. Non-municipal waste produced by the Bank (in tonnes)

	2022	y/y (%)	2021	2020	2019
Total	697	-23	901	736	843
hazardous*	20	-5	21	15	16
Other	677	-23	880	721	827
including:					
bulky waste	342	13	303	261	532
electronic and electric	203	-45	366	243	136
magnetic and optical data carriers	0.84	-16	1	1	2
paper and cardboard waste (binders)	11	-66	32	37	4
iron and steel waste	120	-33	178	179	152

* electric and electronic appliances, such as air conditioners, used monitors, refrigerators

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,
- resale of redundant assets instead of handing them over for scrapping,

- 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.

In 2022, 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 2022 the Bank and the Group conducted the selective collection of municipal waste in all own locations and a number of rented locations.

The increase in the amount of oversized waste results from the liquidation of large branches, liquidation of a training centre, and scrapping of furniture equipment in the headquarters.

In other entities of the Bank's Group, the amount of waste generated decreased from 490 tonnes in 2021 to 373 tonnes in 2022 (wastes generated which were destroyed or transferred to landfill).

2%

decrease in A4 paper consumption to the previous year

66%

decrease in A4 paper consumption for the last 6 years

FLEET MANAGEMENT

The Bank has acquired low-carbon cars. In 2022, 629 vehicles were delivered to the Bank, including 581 with a petrol engine and 48 with diesel engine. Among the 581 petrol vehicles, 189 are equipped with the Mild Hybrid engine, and 15 with a hybrid drive. Pilot use of electric vehicles in the fleet was also carried out.

SPACE MANAGEMENT

As a result of the activities undertaken, the Bank reduced the area of buildings and premises of the Bank (own and leased) by 25 thousand m² (from 807.7 thousand m² as at the end of 2021 to 782.7 thousand m² at the end of 2022) and the area of branches by approx. 10 thousand m² (modernisation or transfer).

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 implementation of the project resulted in reducing office space by 10.7% in the Bank's tested location. In 2022, 411 rotating workstations were created in Lodz and the office space was reduced by 2.2 thousand m². The decision was made to implement the project in 2023 in three other cities (expected reduction of space by approx. 13 thousand m²).

As part of the consolidation of office space, an agreement was signed in 2022 to lease the new Bank Headquarters at Świętokrzyska Street no. 36 in Warsaw. The real property holds the BREEAM Interim certificate of sustainable construction at the Outstanding level (93.6%) – it is the highest-rated building in Poland. In order to reduce CO₂ emissions in the construction process, routes of building materials and waste exports were minimized. The Bank's new headquarters use state-of-the-art solutions such as: flexible BMS (management of all systems and devices in the building), heat and moisture recovery system from the outside of the building, efficient lighting management, three-layer windows with UV coatings, silver insulation, reduction of heat loss and precision regulation. In addition, the location is equipped with 9 electric car charging slots.

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 THE RENEWABLE ENERGY SOURCES (RES)	<p>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).</p> <p>Purpose: gradually increasing the share in the financing of renewable energy. Motivation: supporting the natural environment, preventing global climate change, transformation of Poland into a zero-emission economy.</p> <p>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.</p>
POLICY FOR FINANCING HIGH-EMISSIONS ENERGY SECTOR	<p>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.</p> <p>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 net zero emissions by 2050).</p> <p>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).</p> <p>The main policy assumptions:</p> <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	<p>Adopted and implemented in 2019 for the Bank and the Bank's Group. Industry leaflet: 09/2021.</p> <p>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.</p>
REVENUE REAL ESTATE POLICY	<p>Adopted and implemented in 2022. Industry leaflet: 06/2022 (for residential real estate).</p> <p>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.</p> <p>The policy defines operating limits of concentration, including individual types of assets and geographical ones.</p> <p>The policy defines recommended boundary parameters for the transaction, as well as the structure of clauses and collaterals.</p> <p>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.</p>
POLICY FOR FINANCING PUBLIC HEALTH CARE	<p>Adopted and implemented in 2020 for the Bank and the Bank's Group.</p> <p>The policy indicates preferred transaction parameters and introduces good practices/standards for financing public hospitals:</p> <p>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)).</p>

ESG IN THE LENDING PROCESS

Since 30 June 2021 each time the Bank assesses 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 method. 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 Bank also examines the impact of credit transactions on ESG and classifies them to four categories, from transactions with a positive impact on ESG to those with material negative impact. 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. By identifying these risks, the Bank may support the financing of environmentally sustainable and socially responsible projects, as well as eliminate the financing of activities/projects with a negative impact on the environment.

As part of promoting knowledge about the ESG, the Bank organises internal meetings and presents ESG issues in contacts with representatives of selected industries.

"GREEN" PRODUCTS OF THE BANK'S GROUP

Green mortgage (offered jointly by the Bank with PKO Bank Hipoteczny S.A.)	The Customers may obtain a lower margin on the "Własny Kąt" mortgage loan based on the energy performance certificate for the property.
Thermomodernisation loan for multi-family buildings (for housing cooperatives and homeowner associations, and LGUs) 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 performance of projects financed with the "Nasz remont" loan with a bonus provided by BGK makes it possible to reduce demand for energy. In 2022, the possibility of granting such loans to LGUs was introduced.
The "PKO Ekologii i Odpowiedzialności Społecznej Globalny" 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 by the end of 2022: 18.22%.
A lease and/or a loan for the financing of photovoltaic devices (products included in the offer of PKO Leasing S.A. for enterprises)	This product is offered under a simplified procedure (there is no need to provide any financial documents) and the Customer may obtain financing for both photovoltaic panels and their installation (the financing of up to PLN 250 thousand may be provided for the entire photovoltaic installation for a period of up to six years). The company finances modules installed on roofs as well as on the ground.
Ekopożyczka, a loan for the purchase and installation of photovoltaic panels and other environmentally-friendly devices and vehicles of up to PLN 50 thousand (in the Bank's offer for individuals)	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 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.
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 S.A. 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.
Green structured deposit	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.
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	<p>Cyfrowy Polsat S.A. corporate bonds worth 2.67 billion PLN (the largest issue of corporate bonds of a private entity denominated in PLN in the history of the Polish capital market and the first Polish issue of Sustainability-linked bonds). PKO Bank Polski S.A. was a co-organiser of the issue and co-founder of the order book.</p> <p>The funds obtained as part of the issue will support the objective of installing 1,000 MW of clean energy production capacity (e.g. CO₂e 2 million tonnes per year).</p> <p>The public offering was addressed to institutional investors on the Polish market. Unsecured bonds, floating coupon based on WIBOR 6M plus a margin, which in the first interest period amounts to 3.85% p.a. 97 investors were allotted to the bonds.</p>
Sustainability-linked loans	The Bank signed an annex to the syndicated loan granted to a company in the media and technology area. ESG clauses and indicators were introduced to the agreement. The margin was dependent on the achievement of goals in line with the company's ESG strategy. Funding volume close to PLN 1 billion has not changed.

VALUE OF BANK'S EXPOSURE

Table 40. The exposure (loans (on- and off-balance sheet) and debt securities and the balance sheet equivalent of treasury limits) to the corporate segment entities and SME as a percentage of the Bank's total assets as at 31 December 2022

	2022	2021	2020	2019
"Green" branches (e.g. energy production from renewable energy sources, sewage disposal, water treatment and supply, waste collection/ treatment, remediation etc.)	1.92	1.30	0.80	0.96
Loans for housing cooperatives and homeowner associations for the thermo-modernization of multi-family residential buildings	0.50	0.57	0.67	0.72
Carbon-intensive energy sectors	0.38	0.37	0.51	0.70

In 2020, the largest credit exposures of customers from the corporate segment were individually subject to ESG marking – green, white, yellow or brown – depending on their impact on the environment.

Starting from 2021, each credit exposure in the Bank towards the corporate customer is marked with ESG based on an assessment of factors related to environmental protection, social policy and corporate governance. Exposures to carbon-intensive sectors are subject to monitoring based on the Strategic ESG Risk Tolerance Limit.

Over the last two years the Bank has significantly increased its share of green funding in its portfolio. The newly granted loans for projects related to the implementation of investments in RES, whose year-on-year increase amounted to more than PLN 1.3 billion, are mainly responsible for high value of this ratio, of which the newly granted financing made available to the customer is PLN 998 million. The dominant objective of financing was photovoltaic farms.

In 2022, the share of loans to customers from carbon-intensive industries amounted to 0.38% with the tolerance limit of the Bank $\leq 0.8\%$ and the Bank's Group's of $\leq 0.8\%$, against 0.37% last year. 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.

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 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 in chapter 13.5). The Bank is focused on improving the measurement of GHG emissions generated by the Bank in all 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 product portfolio on climate and the impact of the risk of climate change on its product 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.

The Bank has also made a commitment regarding the composition of its product portfolio (the relation of "green" financing to carbon-intensive financing, increasing the volume of green financing by 5% a year, eliminating the exposure to the coal-mining sector by 2030). Accounting for these objectives is presented in chapter 13.5.

As part of works on the Bank's Strategy 2023-2025, the Bank tried to estimate emissions generated by its product portfolio. The Bank does not have any 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 currently 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.

The Bank discloses climate-related information in accordance with the TCFD (Task Force on Climate-related Financial Disclosures) recommendation. For several years, it has been conducting climate disclosures in CDP Disclosure Insight Action using the TCFD recommendations and for 2022 as one of seven Polish banks, and it has received a climate change disclosure rating ("D").

CLIMATE DISCLOSURES ACCORDING TO THE TCFD STANDARD

GOVERNANCE
<p>The Vice-President of the Management Board managing the work of the Management Board is responsible for the management of ESG risks, while management of the individual risks is the responsibility of the organizational units nominated by the Management Board. 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.</p> <p>The Credit Risk Department is responsible for:</p> <ul style="list-style-type: none"> • monitoring of strategic credit risk limits and strategic climate risk limits (ESG) in view of the credit risk, • monitoring the utilisation of internal portfolio limits, in particular with regard to climate risk limits (ESG), • coordinating the implementation of consistent risk management standards in the Bank's Group related to limiting the impact of climate factors (ESGs) on individual types of risks, in particular on the risk level of the Bank's credit portfolio. <p>At the end of 2022, the Bank has created the Sustainable Development Department, reporting to the President of the Management Board (Vice-President of the Management Board awaiting the Polish Financial Supervision Authority's consent to the appointment as the President of the Management Board). The task of the new department is to coordinate activities ensuring sustainable and responsible development of the Bank and Bank's Group.</p>
STRATEGY
<p>The Bank adopted a new Strategy for 2023-2025, in which it specified its climate ambitions as follows:</p> <ul style="list-style-type: none"> - 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. <p>With regard to financing, the Bank intends to:</p> <ul style="list-style-type: none"> - 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.

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.

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.

RISK MANAGEMENT

The Bank takes into account climate factors in the customer's credit assessment and is preparing to assess the corporate portfolio in accordance with the sustainable activity taxonomy. The Bank recognises business opportunities related to financing the transformation of customers' activities into low-carbon activities and related to adaptation to climate change. To this end, it expands its product offering and supports customers in transformation and adaptation to climate change.

The Bank is aware of the potential impact of climate change on operating activities. In the medium-term horizon, it identifies the following physical and transformation climate risks:

- regulatory risk associated with the prices of emission rights and extension of the ETS system to other sectors, and the plan to introduce the Carbon Border Adjustment Mechanism (CBAM) by 10/2023. The above activities may significantly change the financial standing of customers and affect their ability to service their liabilities,
- regulatory risk associated with extension of the scope of reported emissions and making the reporting of greenhouse gas emissions obligatory rather than voluntary across the supply and value chain,
- the risk associated with the financing of the investment projects on new environment-friendly technologies which may not succeed on the market,
- the risk of an increase in the frequency and severity of unusual weather phenomena, leading to a change in the collateral value.

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 NACE 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 scenarios is analysed (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 used the scale of exposure to physical risk from 1 to 5 (1 – low, 5 – very high). In the Capital Adequacy Report, the Bank discloses the existence of physical risk in all geographic locations for which the risk of a chronic and sharp physical phenomenon is material.

The opportunities identified by the Bank include new possibilities for financing low-carbon products and services and the financing of energy transition. The Bank systematically extends its offer of green products setting ambitious strategic goals for green financing.

In the ESG Risk Management Area, the Bank performs tasks to ensure compliance with the following external regulations:

- 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) – the Bank and Bank's Group are engaged in a project to operationalize the technical criteria of the EU Taxonomy;
- 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 is working to expand its IT systems for collecting, aggregating and managing sustainability data.

The Bank developed principles for disclosure of information on ESG risks in accordance with the applicable regulation implementing technical standards (ITS). Due to the limited availability of certain data as at 31.12.2022, some information is based on expertly estimated data. For details of this disclosure please refer to the Capital Adequacy Report.

METRICS AND OBJECTIVES

In 2021, the Risk Management Strategy included the climate risk by introducing a quantitative strategic risk tolerance limit for exposures to customers from carbon-intensive industries (concentration risk). In 2022, due to the need to purchase energy carriers as a result of war in Ukraine, financing of carbon-intensive sector customers with a guarantee of the State Treasury who implement programmes for the purchase of energy carriers from the above limit was excluded. The share of loans to customers from carbon-intensive industries in the balance sheet total of the Bank is monitored on a monthly basis and reported to the Credit Committee of the Bank and the Management Board. The limit was set at 0.8% of assets (actual funding level is much lower).

Other climate-related measures and objectives (financing coal extraction, green financing, relation of green and carbon-intensive financing) are set out in Chapter 13.3.

13.7.8 SUSTAINABLE DEVELOPMENT

A. SUSTAINABLE FINANCING (SFDR)

According to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation), in 2021 PKO TFI S.A. and the Bank's Brokerage Office published their strategies for incorporating sustainability risks into investment decision-making processes (Article 3) and information on the integration of changes in compensation policies to consider sustainability risks (Article 5) (<https://www.pkotfi.pl/sfdr/>, https://www.bm.pkobp.pl/media_files/9636be2e-3d5f-4b30-b4b6-a9936c8ee499.pdf). PKO TFI S.A. also published a statement that it does not take into account the adverse effects of its investment decisions on sustainable development factors (Article 4 of the SFDR).

Currently PKO TFI works on the introduction of the fund to the product offer, which, in accordance with the provisions of the SFDR regulation, promotes, among other things, environmental and/or social aspects. Completion of this work, including appropriate disclosures on the transparency of sustainability impacts at the level of the product, is planned for the first quarter of 2023. Work is also underway to extend the product offer to include a larger number of funds meeting the criteria set out in the SFDR Regulation.

B. SUSTAINABLE FINANCING (MIFID)

In 2022, the Bank implemented the Commission Delegated Regulation (EU) 2017/565, which recommended the inclusion of ESG factors in the investment advisory and portfolio management services (full regulatory names available in Chapter 2.6).

Changes were made to the classification of customers and the assessment of suitability of investment services and financial instruments.

A question was added to the MiFID survey concerning the identification of customer's preferences related to sustainability in the case of investment advisory services provided by the Bank and the Brokerage Office.

In the investment recommendation provided, the Bank takes into account the specific sustainability preferences indicated by the customer. If no financial instrument offered by the Bank as part of the investment advisory service meets the customer's preferences, the Bank does not provide an investment recommendation to the customer and explains the reasons for its decision. The recommendation covers participation units of investment funds managed by PKO TFI S.A. (a company belonging to the Bank's Group). Due to the fact that the investment advisory service provided by the Bank is limited to PKO TFI S.A.'s investment funds, risks for sustainable development are taken into account at the stage of implementation of the investment policy by PKO TFI S.A. In the case of the Brokerage Office, the scope of advisory services is wider and covers, apart from fund units, other financial instruments.

The Bank also implemented Directive 2017/593 together with transposition in the form of a regulation of the Minister of Finance of 11/08/2022, which came into force on 22/11/2022. Internal regulations were amended and MiFID questionnaire was supplemented with an additional question to customers regarding their investment goals related to sustainable development. ESG factors were also included in the process of product governance, i.e. the identification of target markets.

Information collected from customers regarding the ownership and/or non-fulfilment of investment purpose related to sustainable development is taken into account when determining whether the customer is in the target group for the product. This principle does not apply to structured deposits, derivatives and State Treasury bonds.

Similar changes concerning the survey of customer sustainable development goals preferences were introduced in PKO TFI S.A.

The customer may, at any time, adjust their preferences and objectives.

As part of its investment advisory services, the Bank does not currently consider the main adverse effects of investment decisions on sustainable development factors and their potential impact on return on investment. The Bank does not rule out the possibility of changing this position in the future. With respect to instruments included in the investment advisory service, the Brokerage Office shall take into account the adverse effects on sustainability factors.

C. TAXONOMY

According to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council and Commission Delegated Regulation (EU) 2021/2178 (Article 10), the Bank's Group is obliged to disclose its indicators for 2022 as regards two objectives of the Taxonomy for sustainable activities: climate change adaptation and climate change mitigation. Delegated acts have not yet been adopted for the remaining four objectives of taxonomy.

The Bank's Group is working on incorporating the criteria of compliance with the Taxonomy into its business strategy, the establishing of objectives, into product building processes and into the principles of cooperation with its Customers and counterparties. In accordance with the new Strategy, the Bank set the objective of achieving the highest volume of new financing of sustainable and transformation projects.

The ratios presented relate to Taxonomy-eligible activities. Determining a green asset ratio will require setting apart Taxonomy-aligned exposures.

QUANTITATIVE INFORMATION

Table 41. Key performance indicators of the Bank's Group (%)

INDICATOR	2021**	2022
1. Exposures to taxonomy non-eligible economic activities in total assets	1.6	1.4
2. Exposures to taxonomy eligible economic activities in total assets	0.8	0.6
3. Exposures to central governments, central banks and supranational issuers in total assets	27.8	27.7
4. Derivatives in total assets	2.8	3.3
5. Exposures to undertakings that are not obliged to publish non-financial information in total assets	16.1	18.2
6. Trading portfolio in total assets	0.06	0.04
7. On demand inter-bank loans in total assets	3.3	3.3
8. Total assets (PLN million)*	415,651	428,698

*Bank's Group assets by prudential consolidation presented in FINREP report

** correction of data compared to the disclosure in the Statement on non-financial information for 2021

The Bank presents adjusted values of ratios for 2021 and new ratios for 2022. The adjustment of last year's data results mainly from clarification of definitions and exclusion of off-balance sheet exposures.

CONTEXTUAL INFORMATION

In the process of classification of activities to the taxonomy, the Bank analyzing the portfolio of exposures to the entities in the corporate market customer segment (excluding LGUs), identified non-financial reporting entities. The criteria of the Accounting Act, which concern the obligation of non-financial reporting (Article 49b) for public interest entities listed on EU markets were applied. The Bank has performed a system-based PKD/NACE verification of the customer with regard to Taxonomy qualification (*eligible, non-eligible*) without determining the compliance of the granted financing with the technical classification criteria (*aligned, non-aligned*).

The group of the Bank's customers which are public interest entities also include financial sector entities. For financial sector entities which report non-financial information, the Bank verified the consistency of a customer's core PKD/NACE codes with the types of activities for the first two objectives of the Taxonomy (climate change adaptation and mitigation). The exposures defined in the above are divided into taxonomy-eligible and non-eligible exposures.

Entities which conduct business activities and report non-financial information, have mostly not published information about what proportion of their activities is Taxonomy-eligible yet. In this situation, the Bank made estimates based on generally available data, which means that the values presented are voluntary disclosures.

ADDITIONAL DISCLOSURES

Apart from exposures to customers conducting business activities, there is a group of exposures to households and local government units which may be assessed in the future in terms of eligibility and alignment with the Taxonomy. The share of exposures to households collateralized with residential properties and exposures to local government units in 2022 was nearly 27.1% of total assets.

13.7.9 EMPLOYEES

A. EMPLOYMENT AND EMPLOYEE BENEFITS

EMPLOYMENT

Table 42. Total number of employees (in FTEs)

	2022	y/y (%)	2021	y/y (%)	2020	y/y (%)	2019
Bank	21,230	-2.1	21,686	-1.2	21,939	-7.2	23,639
Other entities	3,842	-3.2	3,970	1.3	3,920	-3.7	4,069
The Bank's Group	25,071	-2.3	25,657	-0.8	25,859	-6.7	27,708

At the end of 2022, employment in the Bank's Group amounted to 25,071 full time equivalents (including in Ukrainian companies: 1,493 FTEs), which is a 586 FTE decrease compared to the end of 2021.

The Bank adjusts its level of employment on an ongoing basis to the current business needs and development plans. The decrease in employment at the Bank in 2022 results from the centralisation of functions and processes which have an impact on changing the manner and/or scope of tasks performed and the implementation of new IT technologies which affect the efficiency of processes.

[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 2022, 1,632 persons received payment under a specific work contract, a contract of mandate, or a student internship: 1 specific work contract, 1,383 contracts of mandate, and 248 student internships. The percentage of persons working on the basis of civil law contracts constitutes 7% of employment contracts and civil law contracts combined.

Table 43. Employees by position, age, working time and gender [GRI 405-1] [GRI 2-7]

	BANK						THE BANK'S GROUP					
	2022			2021			2022			2021		
	total	women	men	total	women	men	total	women	men	total	women	men
by position and gender												
regular employees	86%	75%	25%	86%	76%	24%	80%	69%	31%	86%	75%	25%
middle management	8%	64%	36%	9%	66%	34%	9%	51%	49%	9%	64%	36%
managers	6%	59%	41%	5.2%	58%	42%	9%	39%	58%	6%	54%	46%
MRT (Material Risk Takers)	0%	23%	77%	0.3%	23%	77%	1%	30%	70%			
total	100%	74%	26%	100%	74%	26%	100%	64%	36%	100%	72%	28%
by age group and gender												
up to 30 years	11%	71%	29%	11%	72%	28%	17%	93%	33%	13%	70%	30%
from 30 to 50 years	62%	71%	29%	60%	71%	29%	72%	64%	36%	62%	70%	30%
above 50 years	27%	80%	20%	29%	81%	19%	12%	59%	41%	25%	80%	20%
total	100%	74%	26%	100%	74%	26%	100%	64%	36%	100%	72%	28%
by full-time and part-time employment and gender												
full-time	99%	73%	27%	99%	74%	26%	86%	65%	35%	97%	73%	27%
part-time	1%	78%	22%	1%	81%	19%	14%	59%	41%	3%	65%	35%
by agreement terms												
indefinite period	87%	73%	27%	88%	74%	26%	89%	61%	39%			
definite period	13%	76%	24%	12%	76%	24%	11%	64%	36%			
by region												
in EU countries	7%	41%	59%		41%	59%	5%	100%	0%			
in third countries (Ukraine)	93%	82%	18%				95%	49%	51%			
Total employment	100%	78%	22%	100%	74%	26%	100%	51%	49%	100%	72%	28%

The share in the number of employees of a given gender and/or in the total number of employees

Table 44. 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	
	2022	2021	2022	2021	2022	2021	2022	2021
<30	46.9%	47.9%	6.6%	3.1%	44.9%	45.0%	6.2%	3.3%
30-50	48.8%	49.1%	3.5%	6.0%	50.6%	51.7%	4.9%	7.1%
>50	4.2%	3.0%	3.3%	3.2%	4.5%	3.3%	3.0%	2.9%
women	71.6%	69.0%	10.0%	9.3%	69.6%	67.1%	10.4%	9.7%
men	28.4%	31.0%	3.4%	3.0%	30.4%	32.9%	3.7%	3.6%
Total	11.3%	11.1%	13.4%	12.3%	11.7%	12.5%	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 2022 to the number of employees at the end of 2021. The ratio of voluntary resignations at the Bank was 7.85%, retirement – 1.98%, and planned group redundancies – 1.02% of the number of employees at the end of the year. For the Bank's Group these figures were as follows: 8.8%; 1.69% and 0.90%.

Table 45. Returns to work after parental leave in 2022 [GRI 401-3]

	BANK		THE BANK'S GROUP	
	women	men	women	men
Employees eligible for parental leave in the reporting year (2022)	692	163	812	182
Employees who took parental leave in 2022	493	9	658	10
Employees who returned to work in the reporting year after parental leave ended in 2022	508	6	619	6
Employees who returned to work after parental leave ended, that are still employed 12 months after their return to work	464	3	528	4
Return to work rate: share of return to work after the parental leave (%)	100%	67%	94%	60%
Retention rate: share of employees who returned to work after the parental leave and stayed employed (%)	87%	50%	85%	67%

Table 46. Additional information on the employment at the Bank in 2022

	2022	2021	2020
Permanent contract employment (share in total employment)	87.4%	88.2%	89.5%
Fixed-term contract employment (share in total employment)	12.6%	11.8%	10.5%
in this contract for replacement	1.6%	1.9%	1.5%
Employees with duration of employment > 10 years (share in total employment)	51.6%	74.0%	74.9%
Average duration of employment for women (years)	16	16	16
Average duration of employment for men (years)	12	11	11
Number of women employed (thousands)	16	16	16
Number of persons on management positions (in thousands)	1.2	1.2	1.2
Number of women on management positions (in thousands)	0.7	0.7	0.7
Number of newly hired (in thousands)	2.4	2.4	1.0
Number of women among newly hired (in thousands)	1.7	1.7	0.7
Number of employed foreigners	37	36	21
Share of employment with disabilities in total employment	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, while the decisions on the proportion of work at the office and at home are made by the heads of the unit. The solution has been introduced in those areas of the Bank's activity, whose nature allows for

their execution from home and office. The assumptions are in response to expectations of the employees reported during meetings, workshops, and cyclical surveys.

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 were implemented, 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. Inspirational meetings are held with external and internal experts that present good practices, guidelines, and sessions of experience exchange by managerial staff.

Most of the Polish entities of the Bank's Group are also working in a hybrid model.

SUPPORT FOR REFUGEES FROM UKRAINE

Since the beginning of the war in Ukraine, PKO Bank Polski S.A. has supported people seeking shelter in Poland, including employees of Ukrainian companies from the Bank's Group and their families, also offering work. As part of various forms of cooperation, as at 31 December 2022, the Bank employed 132 Ukrainians. The offers were addressed mainly to people interested in working in customer service and the Contact Centre, where the command of Ukrainian was important. Ukrainian citizens who do not know the Polish language were provided with training preparing for work in their own language.

Additionally, the Bank carried out a number of additional activities aimed at potential employees from Ukraine, among others: published job offers in Ukrainian language addressed to candidates in the area of technology in social media and at points located in temporary accommodation sites.

REMUNERATION

Table 47. The relationship between the weighted average salary of women and men by group of positions in Bank (%)

	2022	2021
Distribution network	98	97
Other non-managerial positions	94	93
Middle management	95	95
Managers	97	97
MRT	93	84
Total:	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 was 96% at the Bank and 93% in the Bank's Group.

The calculation of the ratio of women's salaries to men's salaries is based on average salaries weighted by the number of employees of the homogeneous groups identified. 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 gender pay gap calculated on the basis of the weighted average salary was 4% at the Bank and 7% in the Bank's Group. The gender pay gap at the Bank based on the median was 3.5%.

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 small 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 does not discriminate employees based on their gender. In 2022, changes were introduced to the Remuneration Policy for employees of the Bank and PKO BP S.A. Bank's Group, which are, among others, aimed at emphasising the importance of neutrality of remuneration regardless of gender and applying 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 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 surveys 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 2022 to the median of the total annual remuneration of all employees (excluding the highest salary) is 15.55.

The ratio of the percentage increase of the highest total compensation paid in the organisation in 2022 to the median percentage increase in total annual remuneration for all employees (excluding the highest salary) is 0.90.

The above ratios were calculated on the basis of total remuneration paid out to employees employed on an employment contract in 2022, 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 remuneration system in 2022 included:

- two global wage adjustment campaigns: first, in the annual wage review against the market, the second related to years of service. These actions allowed compensation to remain competitive and offset the impact of macroeconomic factors,
- one-off reward campaign,
- sales support competition campaigns for employees of selected organizational units – in particular for employees of the retail network units. The competition winners were awarded financial rewards and additional training to raise their professional qualifications.

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 48. Major non-salary benefits for the employees [GRI 401-2]

	Share in total employment (%)		Change (y/y)
	2022	2021	2022/2021
BANK			
Medical packages	100	100	+0 p.p.
Employee pension programme	77	78	-1 p.p.
Subsidization of organized recreation	9	10	-1 p.p.
Welfare payments	3	3	+0 p.p.
Housing advances	17	14	+3 p.p.
Benefits available from MyBenefit platform and/or special social benefits, such as Christmas bonuses	100	100	0 p.p.
Sports cards	6	5	+1 p.p.
THE GROUP			
Medical packages	84	99	-15 p.p.
Employee pension programme	66	69	-3 p.p.
Subsidization of organized recreation	13	9	+4 p.p.
Welfare payments	3	3	+0 p.p.
Housing advances	15	17	-2 p.p.
Benefits available from MyBenefit platform and/or special social benefits, such as Christmas bonuses	84	88	-4 p.p.
Sports cards	5	5	+0 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. "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. The amount of funds received depends on the gross income per person in a given family. Some of the Bank's Group companies also offer the possibility of using the MyBenefit platform to their employees. Vouchers, offers and discounts, group insurance, 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 employees are selected without taking into account discriminatory criteria (including: age, gender, disability, race, religion, nationality, political views, trade union membership, ethnic origin, religion, sexual orientation). Recruitment processes are supported by modern IT tools and systems.

The Bank actively supports and promotes internal employee mobility through in-house information campaigns, internal job fairs and consultations with recruiters aimed at encouraging its employees to take part in internal recruitment (across the entire Bank's Group) as part of professional development in other business areas. 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.

In 2022 the Bank launched the internal internship programme #ReStart – as a new opportunity for internal mobility. The programme aims to enable current employees to develop career in the Bank's structures and support recruitment processes for positions requiring specific competencies and experience.

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. The transparency of the recruitment process is supported by modern technologies, including the ATS. 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.

In 2022, the Bank implemented new forms of reaching candidates in the form of podcasts, as well as campaigns using banking infrastructure such as ATMs/deposit machines or electronic information hubs in bank branches.

The Bank regularly surveys the experience of external and internal candidates to improve the recruitment process.

The Bank also has an internal recommendation programme. As part of this programme, the employees may recommend candidates for work. 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 2022, the Programme was extended to cover more positions for which the employees may recommend candidates with suitable qualifications. The amounts of rewards for key positions in the IT area were also increased.

For years, internship programmes such as #StażNaDzieńDobry (#InternshipForAStart) have been one of the Bank's strengths. The programme is addressed to students and young graduates who may carry out tasks in one of the following five paths: Sales, IT, Data Analytics, Cybersecurity and Business Support.

Cooperation with universities is an important aspect of building the image of an employer. 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.

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 trade unions 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 2022, trade union members constituted 10.5% 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 2022, the most frequently discussed issues concerned the employee remuneration.

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 – “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. Alternatively, they may do so without the intermediation of the trade unions, using a dedicated e-mail address. 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.

In the Bank also operates the Bank's Employee Council 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 2022.

D. DEVELOPMENT AND EDUCATION

Table 49. Basic data on training at the Bank in 2022 [GRI 404-3], [GRI 404-1]

	BANK			GROUP		
	total	women	men	total	women	men
Number of training days in a year	80,440	62,494	17,946	88,464	66,560	21,904
Share of employees subject to regular annual performance evaluation (as of 02.05.2022) in the group of employees eligible for evaluation (%)	88	88	88	83	84	82
Average hours of training per year per employee	13	13	13	13	13	13

[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 principles of employee development and succession planning in PKO Bank Polski S.A." set 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 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 an entity of the Bank's Group 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.

The Bank conducts projects to develop 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 or solicitor's training. The Bank also conducts adaptation programmes, 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)).

E. ENPS SURVEY (EMPLOYEE NET PROMOTER SCORE)

The eNPS indicator is a measure of the effectiveness of the Bank's activities in the area of employee experience management. The eNPS ratio on permanent functions in the business dialogue at the Bank, in the same way as other key strategic indicators (e.g. customer NPS).

In 2022, two editions of the eNPS survey took place "How is your work?". Within its scope, employees were asked how much are they inclined to recommend the Bank as an employer, and how satisfied they are with the cooperation, direct superior, or working environment. In the spring edition carried out at the turn of May and June, the Bank's referral ratio as the employer was -15 (on a scale from -100 to 100). At the Bank's level, the highest scored indices

are the Hybrid Work Model (78%) and Direct Superior (75%). Each manager of a team with a minimum of 7 participating employees received their report with the result of eNPS and other indices.

The remeasurement was performed in December. The survey was performed a Pulse Check and only the inclination to recommend the Bank as an employer was surveyed. The result in December was +27.7.

The eNPS ratio increased in the Bank by as much as 42.7 p.p. between June and December. It can be interpreted as a great success. 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.

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 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, in which it indicates and promotes the 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 2022, it introduced a mechanism for reporting the compliance with ethical standards at the Bank to the Management Board and the Supervisory Board.

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,
- The Principles for counteracting bullying and discrimination, 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.

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.

STRATEGIC PROJECTS

Friendly work environment. The strategy of building a friendly environment was continued, which includes such aspects as a functional workplace, implementation of a hybrid work model, or the digitization and simplification of processes. Creating a standardized, modern workplace, provided with tools, equipment and properly arranged space, makes work easier.

#HybrydaSięLubić (#HybridIsCool). Meetings were organised and informative materials were made available to guide working ways, market trends and good practices in hybrid work.

#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.

#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.

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.

OTHER 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.

Due to the war in Ukraine, initiatives dedicated to employees of KREDOBANK S.A. who came to Poland were conducted in 2022.

The policy of diversity in the composition of the Management Board and the Supervisory Board of the Bank was discussed in chapter 11.2.10.

13.7.10 SOCIAL ENVIRONMENT

A. SOCIAL PRODUCTS AND INITIATIVES

Financing of housing needs	<p>In 2022, PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A. granted housing loans to private individuals of PLN 8.8 billion (a 20.4% share of sales of new mortgage loans in 2022).</p> <p>Since 2014 PKO Bank Polski S.A. has been involved in a nationwide initiative supporting large families: a reduced commission for granting a 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 2022, the value of preferential student loans was PLN 411.6 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>Since 2020, selected locations of the Bank offer their customers online self-service points (for persons who do not have a computer and/or Internet access).</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> <p>Support in the acquisition of digital competence: At every branch of the Bank, customers were offered individual support from a Bank employee in using ATMs/cash deposit machines and using their Bank products through electronic channels – the iPKO computer application and IKO mobile application. Such education was provided with the help of modern technological tools, such as the demo versions of the applications, interactive videos and so-called customer screens. Such solutions will continue to be developed in the following years.</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), ROR Rodzica (the parent's current 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 currently the oldest, largest and at the same time the most innovative financial education programme in Poland, with more than 4.5 thousand primary schools (one in three such schools in Poland) participating in this programme (under the agreement with the Bank). 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, more than 930 thousand children used the PKO Junior and SKO offers (accounts for children and accounts for pupils). In 2022, the second edition of the National SKO Knowledge Test (one of the criteria in SKO Competition for schools and teachers) was carried out in two editions over 120 thousand times (education in the field of finance, entrepreneurship, ecology, healthy lifestyle, cybersecurity). An important educational novelty was also a publication devoted to the practical aspects of first aid. The publication, together with an educational poster, was provided to the schools that were the most active in SKO. It is also accessible to everyone online, on the Bank's website. In addition, a Polish-Ukrainian dictionary was published, including the most necessary terms, useful in everyday life. The glossary in the printed version reached about 1000 Polish schools to enable better integration and comfort of children, both those who came from Ukraine in 2022 and their Polish peers.</p>
Education of senior citizens	<p>A handbook for mobile application use was prepared, network security meetings were held, and e-mails were prepared and sent on the security of banking services and available functionalities.</p>
Supporting the development of small enterprises (microfinancing)	<p>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/)</p> <p>Overdraft of up to PLN 20,000 without a security (https://www.pkobp.pl/firmy/konta/debet-w-koncie/)</p> <p>Credit card PKO EURO BIZNES of up to PLN 50,000 (https://www.pkobp.pl/firmy/karty/karty-kredytowe/karta-kredytowa-pko-euro-biznes/)</p> <p>Financing of invoices (https://www.pkobp.pl/firmy/finansowanie-faktur/)</p> <p>SME working capital loan (https://www.pkobp.pl/firmy/kredyty/produkty-kredytowe/kredyt-obrotowy-msp/)</p> <p>SME all-purpose loans (https://www.pkobp.pl/firmy/kredyty/produkty-kredytowe/pozyczka-msp/)</p> <p>Leases (https://www.pkobp.pl/firmy/leasing/leasing-dla-firm/)</p> <p>Investment loan for companies (https://www.pkobp.pl/firmy/kredyty/produkty-kredytowe/kredyt-inwestycyjny-msp/)</p> <p>Mortgage loan for companies (https://www.pkobp.pl/firmy/kredyty/produkty-kredytowe/pozyczka-hipoteczna-msp/)</p> <p>Factoring (https://www.pkobp.pl/firmy/factoring/)</p> <p>Low-value loans granted on the basis of the customer's declaration on income (https://www.pkobp.pl/klienci-indywidualni/pozyczki/szybka-pozyczka-gotowkowa/)</p>

Supporting customers with disabilities in the use of banking services	<p>Preventing financial exclusion of persons with disabilities through:</p> <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. By the end of 2022, architectural availability was ensured in 784 own branches, i.e. 81% of branches; • 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; • Adapting the portals and applications to the needs of the visually impaired, the blind and persons with manual disabilities in compliance with the WCAG 2.1 standard at the AA level. • The Talk2IKO voice assistant: increasing the accessibility of the application to persons with manual disabilities, regular addition of new processes – it currently enables, among other things, voice support for persons withdrawing cash from ATMs 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 transaction service of a Bank; • Offering the 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). • Providing services to persons with hearing impairments and the deaf in the Polish Sign Language in every branch and agency (through a smartphone) – all advisers have been trained to provide professional services to deaf customers. • Availability of ATMs. At the end of 2022, 2,575 machines (86% of the Bank's 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. • Actively counteracting digital exclusion: the possibility of using self-service education in the branches and supporting the Bank's employee when using self-service devices in outlets – ATMs/deposit machines and online positions enabling logging in to iPKO transaction service. Self-service education is carried out in all branches of the bank, whereas at the end of 2022, Internet workstation dedicated to customers were in 209 branches, and about 90 of these branches additionally employed customer assistant – an employee focusing particularly on in-depth education and support for customers in self-service transactions. In 2023 the bank plans to develop the project.
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B. EFFECT ON THE BUDGET

Table 50. Central and local taxes constituting revenues of the state budget and local budgets (in PLN millions)

	BANK				THE BANK'S GROUP			
	2022	2021	2020	2019	2022	2021	2020	2019
Central taxes, including:	4,285	3,348	3,019	2,978	4,712	3,464	3,279	3,477
corporate income tax	1,702	1,508	1,452	1,339	1,791	1,526	1,388	1,525
tax on certain financial institutions	1,190	985	957	931	1,266	1,077	1,055	1,022
personal income tax	336	292	258	281	386	333	293	316
flat-rate personal income tax	628	298	310	366	632	306	311	371
flat-rate corporate income tax	39	26	6	28	40	26	7	29
value added tax	390	239	36	33	597	196	225	214
Local taxes, including:	21	16	17	20	78	75	78	91
vehicle tax	0	0	0	0	45	45	44	55
real estate tax	13	13	14	13	22	24	27	24
fee for perpetual usufruct	5	2	2	6	7	4	5	9
other taxes and fees	3	1	1	1	4	2	2	3
Total:	4,306	3,364	3,036	2,998	4,790	3,539	3,357	3,568

Notes: 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.

In 2022, the Bank paid out a dividend amounting to PLN 2,287,500,000.

Table 51. Taxes paid by the Bank's subsidiaries to the Ukrainian budget (in UAH millions)

	2022	2021	2020	2019
Total:	337	501	441	419
<i>including:</i>				
central	203	372	323	314
local	134	129	118	105

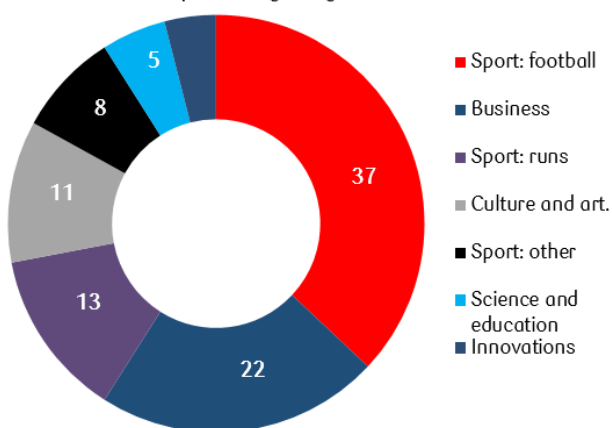
C. INVOLVEMENT IN PRO-SOCIAL ACTIVITIES

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 congresses and industry conferences.

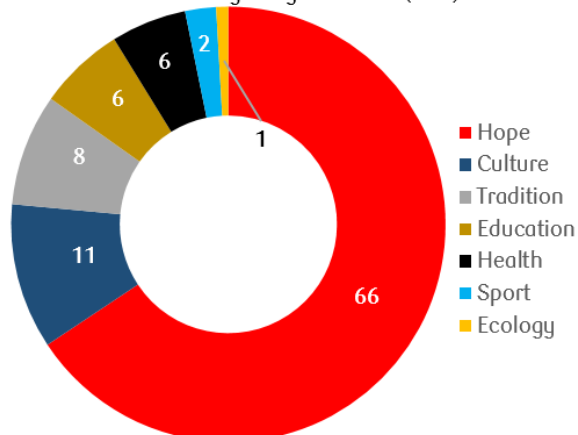
The Bank carries out projects both at national and local levels, supporting initiatives that are important to local communities. Such activities facilitate the integration of communities, the development of entrepreneurship among the region's inhabitants and its promotion.

Both the Bank, as part of its sponsorship activities, and the PKO Bank Polski Foundation, as part of its charity activities (Foundation), verify every beneficiary of the support provided. The Bank and the Foundation implement projects jointly and/or separately in the most important programme areas in terms of image, such as sport, culture and education. Furthermore, the Foundation is involved in activities which are focused on social welfare, protection of life and health, and ecology.

Structure of the sponsoring budget in 2022 (%)



Structure of the charity budget in 2022 (w %)



SPONSORSHIP ACTIVITIES

Objectives

The sponsorship activities of the Bank are aimed at promoting the image of the Bank as a trustworthy financial institution, socially involved, innovative and open to its customers' needs.

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 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.

In 2022, 252 sponsorship projects received financial support.

Examples of support in the most important areas

Sport: PKO Bank Polski Ekstraklasa

For 4th season in a row, the Bank is the titular sponsor of Ekstraklasa, the highest tier of Polish association football. The Bank also engaged in e-sport as part of the Ekstraklasa Games project (FIFA 22 tournament). The main objective of the cooperation is to help the Bank develop the league and young football talents in Poland. The Bank engages clubs, through the Partnership Programme, in the promotion of personal accounts for an appropriate commission. The funds can be allocated by clubs to the development of infrastructure, education of young footballers, sports innovation. In addition, each Supporter has the option to have an official Ekstraklasa Card – a payment card with a favourite club crest. This is the only such product on the market. At the same time, as part of the cooperation, the Bank develops “PKO Bank Polski Grajmy Razem (Let’s Play Together)” channels in social media, promotes youth footballers by awarding the best ones every month, and continues the “Kanapa Kibica (Supporter’s Couch)” project, which integrates supporters at every stadium in the country. Since 2022, Supporters and simultaneously the Bank’s customers have been able to purchase tickets for selected matches of PKO Bank Polski Ekstraklasa on the iPKO website.

Sport: runs and other sport events

In 2022, the Bank supported 18 major events, including PKO Poznań Półmaraton (PKO 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.

After a 2-year break, PKO Bieg Charytawny (Charity Run), organized by the Bank in cooperation with the Foundation, also returned to the stadium. Participants in 12 cities, through their activity, supported children’s psychiatry and psychology. The amount of PLN 2,087,335.25 was transferred by PKO Bank Polski Foundation.

The Bank also encouraged people to look after their health and lead a healthy lifestyle by continuing the programme BiegamBoLubię (IRunBecauseILikeTo). It is a series of free of charge running practices for runners at all fitness levels. In 2022, almost 30 thousand runners in nearly 100 stadiums all over Poland took part in the training.

In addition to the running events, the Bank supported yet again a series of international, indoor horse riding competitions known as Cavaliada Tour and the Warsaw Jumping competitions, as well as numerous local events.

Culture and art

The sponsorship of culture and art is one of the main areas of the Bank’s sponsoring activity, as by engaging in valuable cultural events, it makes a real impact on the development of the taste and sensitivity of consumers. Inviting customers to prestigious events allows us to strengthen existing, and build new business relationships. Examples of support for cultural institutions in 2022:

- 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 Krakow Opera, the Silesian Opera, the Wrocław Opera, AUKSO – the Tychy City Chamber Orchestra,
- Theatres: The Music Theatre in Poznań, the Music Theatre in Gdynia, the Music Theatre in Lublin,
- Museums: The Stanisław Wyspiański Museum in Krakow, the National Museum in Szczecin, the Central Museum of Textiles in Łódź, the Diocesan Museum in Siedlce, the Castle Museum in Pszczyna.

In 2022, the Bank launched the Sponsorship of the National Museum in Wrocław, which includes the following branches: The National Museum, the Ethnographic Museum, the “Racławice Panorama” Museum, and the Four Domes Pavilion Museum of Modern Art.

In 2022, the Bank became a Strategic Partner of the Wawel Royal Castle, one of the most important museums in the country, which was a royal residence for multiple centuries and remains a symbol of Polish state.

Other important events sponsored in 2022 are music festivals in various regions of Poland:

- The “SCHOLA CANTORUM” National Early Music Band Festival,
- The “Musica Sacromontana” Oratory Music Festival in Gostyń Św. Góra,
- International Festival – Days of Orthodox Church Music in Hajnówka.

Science and education

In 2022, the Bank cooperated with universities and academic centres, including: The Adam Mickiewicz University of Poznań and the University of Silesia, as well as with the T. Sygietyński State Folk Ensemble of Song and Dance

“Mazowsze” in Karolin (PZLPiT), or Foundation – Oratory Academy of Igor Zalewski. The most important educational projects:

- University of Colour – the educational project of Adam Mickiewicz University of Poznań,
- The “Best Young Orator” and the “Academic Oratory Competition” – competitions promoting oratory art and the ability to effectively argue,
- Educational exhibitions performed by PZPiT Mazowsze – shows for children and teenagers, as well as dance workshops, singing workshops, human cut-outs, or organized visits to the Folklore Centre.

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. Examples of projects with the Bank's participation:

- **Economic events:** European Financial Congress, Banking&Insurance Forum, 2022 Krynica Forum, VI Future Congress, Development Vision Forum, 590 Congress, Poland – Great Project Congress, Invest Cuffs 2022, UX Poland,
- **Congresses and trade competitions:** Retail Banking Congress, Railway Congress, Energy Congress, Congress of Family-Owned Companies in Wrocław, European Local Government Congress, Conference of the Chamber of Brokerage Houses, EY Entrepreneur of the Year Competition, Polish Entrepreneur of the Year Competition of Gazeta Polska Codziennie,
- **Chambers of Commerce:** The Bank also supported twelve local chambers of commerce throughout Poland as well as three bilateral chambers of industry and commerce.

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. In 2022, the Bank supported the following initiatives: TOGETAIR (Climate Summit and Polish Multimedia Climate Report), Energy Congress in Wrocław, project of Kurier Lubelski “ECO-LIFE – ECO-EFFECT”, “ESG Talks” debate organised by the Manager publishing house, wGospodarce.pl Green Forum conference, a Wrocław University of Technology conference “Hydrogen as a remedy for the climate and energy crisis”.

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.
- UX Poland – one of the largest UX conferences in Europe, concerning User Experience & Product Design, Interaction Designers, Digital Transformation Specialists, and Developers.
- Wolves Summit – an international conference aimed at combining business angels, VC funds, technology talents, investors, and corporations with promising companies in the region,
- 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 fourth edition of the online event for all women who wish to enter the IT industry.

CHARITABLE ACTIVITIES

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 2022. 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 support is designated to one of the four charity initiatives, selected by the customer.

In 2022, 386 projects out of 1,140 applications for financial donations for social activities were approved. The charitable activities of the Foundation in 2022 were aimed to help victims of war in Ukraine to a large extent.

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 common name “Aid for Ukraine”, supply of Polish services, assistance to people at risk of exclusion, harmed and disabled in cooperation with, among others, Grow Up with Us Foundation,
- **Culture:** protection of cultural assets and national heritage as well as support and promotion of artistic events and events in cooperation with, among others, the Warsaw Royal Castle, the Wawel Royal Castle, the Powązki Cemetery Foundation, Cultural Scene Association,
- **Health:** life and health protection and health prevention in cooperation with Military Medical Institute, Independent Public Healthcare Centre in Pruszków, Independent Public Healthcare Centre in Wołomin,
- **Tradition:** recording national awareness, supporting the development of national heritage and shaping civic attitudes in cooperation with, among others, the Foundation of Heritage of the Republic of Poland, Jastkowice Culture and History Association “Heritage and Remembrance”, and Christian Renewal Association “Remembrance and Identity”,
- **Education:** cooperation with Siemacha Association, the Janusz Kurtyka Foundation, Media Education Foundation, Republican Foundation.

Assistance to individuals

In 2022 the Foundation provided support for 68 people – the aid involved, among others, assistance in the treatment and rehabilitation, covering training costs and developing sports talents.

Own projects of the Foundation:

- Banking Honorary Blood Donation Campaign, which is aimed at raising new generations of honorary blood donors (in 2022, almost 2,200 people joined in the campaign, thanks to whom nearly 900 litres of blood were donated to people in need),
- the Charity running campaign “I am running for...” – in 2022, 19 campaigns were organized, with the participation of 5,703 runners and PLN 190,000 was collected for 21 beneficiaries: 19 children and 2 adults. Since the beginning of the programme, i.e. since 2013, a total of 506 campaigns were carried out with 222,600 participants and the support being provided to 574 beneficiaries at over PLN 6.6 million,
- The Feast of Saint Nicholas Integration Meetings are a cyclical pre-Christmas event for children of employees of the Bank and care institutions – in 2022, during the 10th edition of the Meetings, 25 meetings were organised in 18 cities throughout Poland. Over 4 thousand children participated, for whom Christmas gifts were prepared,
- Depository of Banking Collections – as part of the programme promoting the creativity of young artists, the Foundation carried out a documentary film from the cycle “Portraits of Artists”, presenting Robert Kuśmierowski, one of the most famous contemporary Polish performers and sculptors.

Ecological grant competition

2022 saw the conclusion of a green grant competition “Let the Earth Breathe”. The Foundation received over 100 applications, 40 of which were positively recommended by the competition committee. Primary and secondary schools, non-governmental organizations and self-government cultural institutions received a total of over PLN 400 thousand to achieve the objectives of the competition, i.e. raising environmental awareness and knowledge about the climate.

Volunteering

The Foundation encourages employees of PKO Bank Polski to engage for the benefit of local communities. Since 2013, 1,652 people signed up to the employee volunteering database, and 29 volunteers registered in 2022. Their aid measures were mainly focused on granting aid to war refugees from the territory of Ukraine.

INVOLVEMENT OF THE OTHER ENTITIES OF THE BANK’S GROUP IN PRO-SOCIAL ACTIVITIES

KREDOBANK S.A. committed significantly to activities aimed at minimising the negative effects of war in Ukraine (Chapter 8.3), supporting, among others, transport services of the Ministry of Defence of Ukraine, providing funds for humanitarian aid, as well as various equipment and products to the institutions in need of or distributing the same.

PKO Leasing S.A., through the PKO Bank Polski Foundation, was also active in providing assistance to Ukraine – both in kind and in cash. In addition, it was involved in the sponsorship of numerous industry congresses, including the New Mobility Congress and the European Rolling Stock Forum and sports: amateur colon race “Via Lower Silesia” and educational: Elektromobilni.pl social campaigns.

PKO Życie Towarzystwo Ubezpieczeniowe S.A. and PKO Towarzystwo Ubezpieczeń S.A. were active in promoting activities in the field of physical culture: sponsorship of the following events: Via Lower Silesia and PKO Ubezpieczenia Junior Race, as well as bicycle races for amateurs and races for children. PKO TU SA also sponsored the MKS Unia Hrubieszów club in the field of sports sections and supporting the statutory activities of the club.

PKO TFI S.A., through a donation granted to the Foundation of PKO Bank Polski, as well as other companies of the Bank's Group, was involved in Ukraine's assistance. The company also sponsored industry conferences, among others, the Conference of the Chamber of Brokerage Houses or the Finances of Poles project – a series of meetings with experts involved in investing, saving, capital market and retirement pensions – conducted in cooperation with Dziennik Gazeta Prawna.

APPROACH TO STAKEHOLDER ENGAGEMENT

[GRI 2-29] The Bank studies the approach of its stakeholders to its charitable and sponsorship activities on a continuous basis. The Bank is among the most recognisable sponsors on the market, and in the banking industry is the most recognisable company supporting various activities and events. Sponsorship of cultural events is particularly appreciated. The largest percentage of banking customers recalls with the Bank's support granted to PKO Charity Run.

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 and/or the Code of Ethics (Ethical Standards). The Bank's policy concerning respect for human rights is contained in the following documents:

- the PKO Bank Polski SA's Code of Ethics,
- Principles of counteracting bullying and discrimination and the procedure for handling complaints concerning the violation of employee rights,
- Principles of recruitment and the Standards of Recruitment,
- 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 principles 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 principles.

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 principles of the periodic appraisal/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 #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, healthy 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 2022 20 cases concerning employment relationships ended in the final termination of proceedings (9 were won, 11 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, the employees can find the following documents:

- PKO Bank Polski S.A.'s Code of Ethics,

- Principles of Recruitment,
- Recruitment Standards,
- The principles for counteracting bullying and discrimination 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);
- Good 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 entities of the Bank's Group follow the principles of social responsibility in the supply chain by managing their relationships with external entities in the following manner:

- they follow the principles of fair competition,
- they settle their liabilities in a timely manner to ensure liquidity in the supply chain,
- as part of the procurement policy, at the RFP stage they oblige the suppliers to follow the principles of social and environmental responsibility,
- they support diversity in cooperation with external entities.

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	<p>Risk management is performed at all stages of outsourcing activities to external entities:</p> <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, • selecting an entity: the assessment of operations, technical and organizational measures to protect data, credibility, financial position of the entity and the possibility of ensuring continuity of the entrusted operations, identification and assessment of the existence of a conflict of interests, • 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. KREDOBANK S.A. has adopted its internal regulations: entering into cooperation is preceded by an assessment of the risk related to outsourcing a given activity.

B. COOPERATION WITH SUPPLIERS OF GOODS AND SERVICES RELATED TO THE ONGOING PROCUREMENT OF THE ENTITIES OF THE BANK'S GROUP

REGULATIONS	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
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	<p>certain criteria other than price, and the compliance with business ethics and strives for transparent relationships with suppliers. The procurement policy is developed on the basis of the best market practices. 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 are the "Principles for purchasing goods and services", "Procedures for purchasing goods and services at the Bank", "Supplier or Bidder Code of Ethics", and the "Procurement policy" updated in 2021. The policy takes into account the most important aspects of the procurement of goods and services at the Bank, the possibility of applying ESG criteria, and refers to the best business practices. It also sets strategic objectives for the procurement process. Another update of the Policy is planned in Q4 2023.</p>																											
PRINCIPLES	<p>Relationships with suppliers are built on the basis of honesty, transparency of action, mutual respect and professionalism, including, in particular, through:</p> <ul style="list-style-type: none">• 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 INTEREST	<p>In 2022, 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. Information for suppliers is attached to the RFP: Conflict of Interest map and template of conflict of interest statement. 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.</p>																											
TIMELY SETTLEMENT OF LIABILITIES	<p>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 2022, the value of invoices paid late, on which interest was charged as a result, constituted a marginal percentage of all the invoices paid.</p> <p>Table 52. Share of the value of invoices on which interest was paid in the total value of invoices paid</p> <table><tr><th></th><th colspan="4">BANK</th><th colspan="4">GROUP</th></tr><tr><th></th><th>2022</th><th>2021</th><th>2020</th><th>2019</th><th>2022</th><th>2021</th><th>2020</th><th>2019</th></tr><tr><td>Share in total value of invoices (%)</td><td>0.088</td><td>0.003</td><td>0.009</td><td>0.001</td><td>0.043</td><td>0.022</td><td>0.017</td><td>0.024</td></tr></table>		BANK				GROUP					2022	2021	2020	2019	2022	2021	2020	2019	Share in total value of invoices (%)	0.088	0.003	0.009	0.001	0.043	0.022	0.017	0.024
	BANK				GROUP																							
	2022	2021	2020	2019	2022	2021	2020	2019																				
Share in total value of invoices (%)	0.088	0.003	0.009	0.001	0.043	0.022	0.017	0.024																				
ESG CRITERIA	<p>Suppliers interested in entering into cooperation with the Bank may register at the "PKO Zakupy" procurement platform on their own. Each supplier must be approved by an employee of the Procurement Department. Suppliers who have been approved may take part in procurement proceedings.</p> <p>The Bank and the Companies of the Bank's Group have an impact on the suppliers with respect to socio-environmental issues at the stage of each RFP sent. In accordance with its content, when joining in the procurement proceedings, the suppliers must declare that, throughout the supply chain, they are guided by the overriding principle of respecting the law, a sense of justice and social responsibility and they understand the influence exerted by their activities on the natural environment, their surroundings, the other party, their employees, co-workers, subcontractors and business partners, and they are guided by the ethical standards.</p> <p>The subsequent part of the statement contains detailed declarations regarding:</p> <ul style="list-style-type: none">• ensuring safety in the workplace,• being guided by cooperation, trust, and a responsible and partnership approach to the other party,• compliance with the principles on working time and remuneration for work,• respect for human rights,• counteracting corruption,• protecting the natural environment. <p>Since Q2 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.</p>																											
PROCESS CERTIFICATION	<p>The Bank holds the Procurement Excellence certificate issued by CIPS (Chartered Institute of Procurement and Supply), the largest procurement organization in the world.</p>																											
GRI INDICATORS	<p>[GRI 414-1] In 2022, all new suppliers (268) were verified by the Bank in terms of social criteria.</p> <p>[GRI 414-2] In 2022, the Bank did not record any negative social effects in the supply chain</p>																											

13.7.13 OCCUPATIONAL HEALTH AND SAFETY

Table 53. 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 an Office for Occupational Health and Safety (OHS) and forms part of the structures of the Administration Centre. 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, • observing OHS principles in connection with the SARS-CoV-2 hazard. <p>Moreover, the OHS Office seeks to improve occupational health and safety on an ongoing basis by popularizing prevention, good 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 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), • mental strain associated with the exposure to Covid-19. 	
[GRI 403-3] OCCUPATIONAL HEALTH SERVICES	
<p>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 and/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.</p>	<p>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.</p>
[GRI 403-4] WORKER PARTICIPATION, CONSULTATION AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY	
<p>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.</p>	
[GRI 403-5] EMPLOYEE TRAINING ON OCCUPATIONAL HEALTH AND SAFETY	
<p>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, using proprietary materials and teaching aids, personally and/or remotely using information and communications technology.</p> <p>Periodical OHS training in accordance with the Act of 2 March 2020 on special solutions related to preventing, counteracting and combating COVID-19 has been suspended due to the extension of the period of its validity until the 60th day from the date of lifting the state of epidemic emergency. However, due to the high and constantly growing number of people whose training will finish after the above-mentioned deadline, the periodic training process was launched in October 2022. The</p>	

training is done by employees in the form of e-learning, and the exam is received by a committee composed of two employees of the OHS service via electronic communication sources.

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 who regularly train employees in first aid (the process of first aid training was temporarily suspended in 2022 due to the restrictions associated with the pandemic, and the training was limited to the demand notified by the units).

[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 and/or Covid-19 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. "Guaranteed health", "#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,
- continuity of measures aimed at preventing and controlling the working conditions in view of the Covid-19 risk.

[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 2022, 68 accidents were reported (69 in 2021). As a result of the proceedings conducted, 7 of them were not classified as work-related accidents, and 10 are still pending. The most common work-related injuries include: bruises, sprains and dislocations, and other bodily injuries.

The total number of accidents reported in 2022 in the other entities of the Bank's Group was 6 (13 in 2021). One of them concerned a person working based on a contract other than the contract of employment. All proceedings were completed, and two of them were not classified as an accident at work.

[GRI 403-10] WORK-RELATED ILL HEALTH

In 2022, 9 suspicions of occupational diseases were reported for 7 persons, and all of them were related to former employees of the Bank (in 2021, there were 5 notifications). In the same year, the adjudicating authority issued 4 decisions stating that there were no grounds for classification as a group of occupational diseases (2 decisions related to previous years' notifications, and 2 related to proceedings initiated in 2022). The other proceedings are still pending.

13.8 GRI STANDARDS CONTENT INDEX

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14. GLOSSARY

Interest-bearing assets – amounts due from banks, securities and loans and advances to customers,

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 amortized cost, and loans and advances received,

Other liabilities – hedging derivatives, 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, property, plant and equipment, 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,

Credit risk cost indicator – net impairment allowances on 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-earning 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,

Net ROTE – net profit for the year to the average balance of equity less intangible assets 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 2022 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 MEMBERS OF THE BANK'S MANAGEMENT BOARD

The original Polish document is signed with a qualified electronic signatures library.