

# Report of Bank Pekao S.A. Group for the third quarter of 2022



*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

**Warsaw, November 2022**

# Report on the activities of Bank Pekao S.A. Group for the third quarter of 2022



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## 1. Highlights of Bank Pekao S.A. Group

	3 QUARTERS OF 2022	3 QUARTERS OF 2021	2021	2020
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Operating income	6,941	6,246	8,522	7,796
Operating costs	(3,046)	(2,864)	(3,739)	(3,451)
Profit before income tax	1,420	2,046	3,002	1,725
Net profit for the period attributable to equity holders of the Bank	832	1,481	2,175	1,102
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE) - nominally	4.9%	7.8%	8.7%	4.5%
Return on assets (ROA)	0.4%	0.8%	0.9%	0.5%
Net interest margin	2.7%	2.3%	2.4%	2.5%
Cost / income (including to contributions to the BFG cost and fee paid for the Protection Schemes)	54.7%	50.1%	47.3%	49.2%
Costs of risk	0.68%	0.42%	0.45%	0.99%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Total assets	279,563	247,361	250,567	233,217
Customers' financing <sup>(*)</sup>	175,896	165,336	169,073	151,684
Amounts due to customers <sup>(**)</sup>	206,780	195,842	194,804	177,745
Debt securities issued and subordinated liabilities	11,388	8,671	8,117	8,905
Equity	20,949	24,999	23,863	25,495
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Customers' financing <sup>(*)</sup> / total assets	62.9%	66.8%	67.5%	65.0%
Securities / total assets	18.6%	22.9%	22.9%	26.7%
Deposits <sup>(***)</sup> / total assets	78.0%	82.7%	81.0%	80.0%
Customers' financing <sup>(*)</sup> / deposits <sup>(***)</sup>	80.6%	80.8%	83.3%	81.3%
Equity / total assets	7.5%	10.1%	9.5%	10.9%
Total capital ratio	16.8%	17.6%	17.7%	19.2%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees <sup>(****)</sup>	14,645	14,790	14,702	14,994
Number of outlets	615	652	650	713
Number of ATMs	1,371	1,482	1,475	1,592

<sup>(\*)</sup> Including net investments in financial leases to customers, non-treasury debt securities and excluding reverse repo transactions.

<sup>(\*\*)</sup> Excluding repo transactions and lease liabilities.

<sup>(\*\*\*)</sup> Deposits include amounts due to customers, debt securities issued and subordinated liabilities.

<sup>(\*\*\*\*)</sup> Data for end of 2021 have been recalculated taking into account the retrospective recognition of part of the profit, in accordance with the EBA position expressed in Q&A 2018\_3822 and Q&A 2018\_4085.

Note: Income statement data included in the table above and other notes to the Report on activities were presented according to income statement in a presentation form, which differs from the long form of the income statement presented in the Financial statements of the Group. Reconciliation of income statement in the presentation form and the long form is in the point 6.8 of the Report on activities.

## 2. Highlights of Bank Pekao S.A.

	3 QUARTERS OF 2022	3 QUARTERS OF 2021	2021	2020
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Operating income	6,713	5,906	8,084	7,454
Operating costs	(2,813)	(2,642)	(3,438)	(3,169)
Profit before income tax	1,496	1,956	2,995	1,697
Net profit	941	1,443	2,237	1,126
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE) - nominally	5.8%	7.8%	9.2%	4.8%
Return on assets (ROA)	0.5%	0.8%	0.9%	0.5%
Net interest margin	2.7%	2.3%	2.4%	2.5%
Cost / income (including to contributions to the BFG cost and fee paid for the Protection Schemes)	53.0%	49.3%	46.1%	47.7%
Costs of risk	0.68%	0.43%	0.41%	1.03%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Total assets	268,880	236,536	241,275	222,381
Customers' financing <sup>(*)</sup>	163,273	152,494	157,783	139,926
Amounts due to customers <sup>(**)</sup>	206,970	196,254	195,064	178,276
Debt securities issued and subordinated liabilities	5,835	2,771	2,940	3,281
Equity	20,297	24,120	23,100	24,647
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Customers' financing <sup>(*)</sup> / total assets	60.7%	64.5%	65.4%	62.9%
Securities / total assets	19.8%	24.2%	24.2%	28.2%
Deposits <sup>(**)</sup> / total assets	79.1%	84.1%	82.1%	81.6%
Customers' financing <sup>(*)</sup> / deposits <sup>(**)</sup>	76.7%	76.6%	79.7%	77.1%
Equity / total assets	7.5%	10.2%	9.6%	11.1%
Total capital ratio	18.8%	19.5%	19.6%	21.3%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees <sup>(****)</sup>	12,485	12,685	12,661	12,870
Number of outlets	615	652	650	713
Number of ATMs	1,371	1,482	1,475	1,592

<sup>(\*)</sup> Including non-treasury debt securities and excluding reverse repo transactions.

<sup>(\*\*)</sup> Excluding repo transactions and lease liabilities.

<sup>(\*\*\*)</sup> Deposits include amounts due to customers, debt securities issued and subordinated liabilities.

<sup>(\*\*\*\*)</sup> Data for end of 2021 have been recalculated taking into account the retrospective recognition of part of the profit, in accordance with the EBA position expressed in Q&A 2018\_3822 and Q&A 2018\_4085.

### 3. Summary of Performance

In the three quarters of 2022, we generated the net profit of the Bank Pekao S.A. Group, attributable to the Bank's shareholders in the amount of PLN 831.5 million. This result is lower by PLN 649.7 million than the result achieved in the three quarters of 2021. The following events had a negative impact on the result in three quarters of 2022:

- recognition of the cost related to the modification of PLN mortgage loan agreements granted to consumers due to the suspension of their loan repayments at the amount of PLN 2,429 million,
- recognition of fee paid for the Protection Scheme the members of which are banks operating in the form of a joint-stock company at the amount of PLN 482 million,
- creation of the provisions for legal risk regarding foreign currency mortgage loans in CHF, in the amount of PLN 462 million,
- incurring the costs of additional contributions to the Borrowers Support Fund amounted to PLN 166 million,
- creation of the provisions for reimbursement customers of increased margins on mortgage loans before establishing a mortgage in the amount of PLN 112 million.

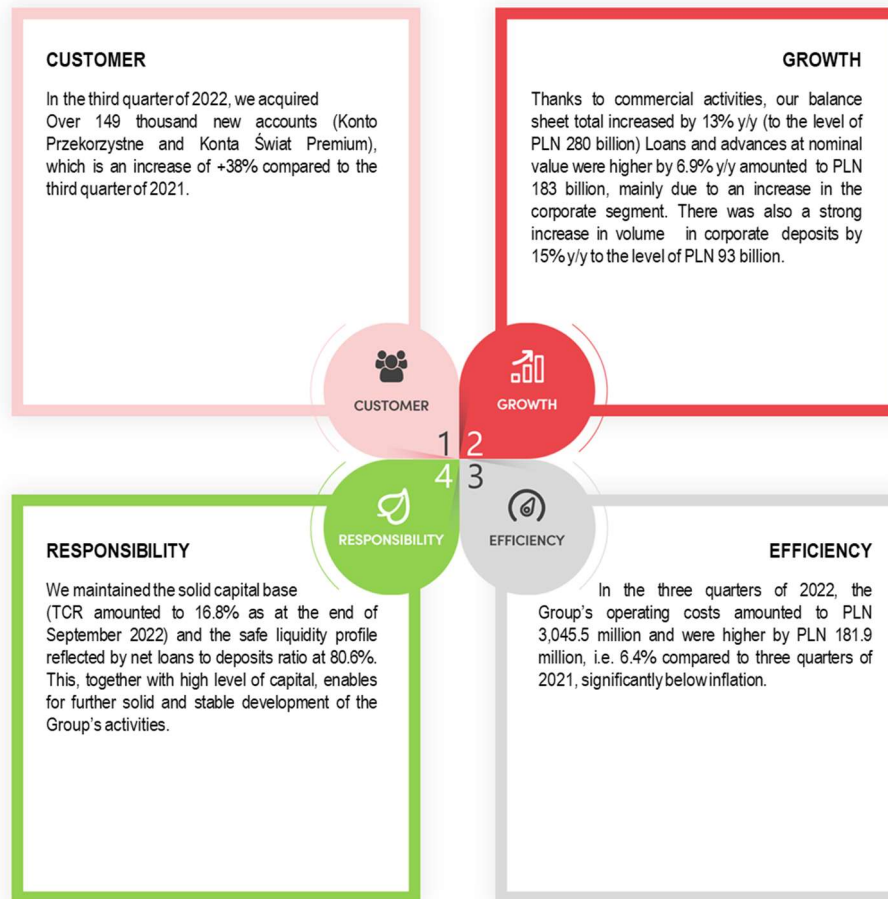
The ROE ratio was at the level of 4.9%.

We increased the scale of our commercial activities, actively supporting clients' financial liquidity and focusing on further digitizing and automating processes, and implementing advanced digital solutions.

We have prepared a wide deposit offer for individual clients including interest rate of 8% per annum on savings accounts, a deposit with with an investment product for 8% per annum for a period of 12 months, deposits with "Żubr" in PeoPay with an interest rate of up to 7% per annum.

We supported the citizens of Ukraine in every possible way. We have prepared a special offer for individual and corporate clients. Bank Pekao S.A., Bank's Foundation and the employees were involved in humanitarian aid and in supporting Ukraine and its citizens.

We focused our activities in the following key strategic areas (in accordance with the adopted Strategy for 2021-2024).



## Strategy and key financial indicators

„Responsible Bank. Modern banking” is the strategy for the years 2021-2024, announced in March 2021.

According to the strategic plan, we:

- will be a universal bank of first choice for its customers,
- will develop remote distribution and customer service model,
- will focus on cost and process efficiency,
- will grow in most profitable market segments.

Our ambition is a strong position among the most profitable and effective banks in Poland, including increasing the return on equity (ROE), reducing the cost-to-income ratio and increasing the number of active mobile banking customers.

### Support for Ukrainian citizens

#### Business activities supporting Ukrainian citizens

We supported the citizens of Ukraine in every possible way. We have prepared a special offer for individual and corporate clients. We have abolished fees for transfers from Poland to banks in Ukraine and from Ukraine to Poland - for transactions made by both individual and corporate clients.

Maintaining the Przekorzystne account for Ukrainian citizens is free, we have also abolished the fee for servicing the card to the account and for cash withdrawals made with it at ATMs in Poland and abroad. We also do not charge a margin or fees for

currency exchange on transactions with the card abroad. We have simplified the procedure for opening an account for individual clients - all one needs is one document identifying a citizen of Ukraine, e.g. a passport.

We have prepared a wide offer for PLN 0 for Ukrainian entrepreneurs. We do not charge fees for company accounts, debit cards and we provide full and free cash service and electronic banking services. We have also introduced facilitations in the process of establishing business relations for companies from Ukraine.

For a long time, we have offered to individual clients the PeoPay mobile application and Pekao24 internet banking available in Ukrainian, as well as service in Ukrainian by consultants of the Bank's infoline.

#### **Humanitarian aid activities for Ukrainian citizens**

In connection with the Russian aggression against Ukraine, the Bank, Bank's Foundation and the employees were involved in humanitarian aid and supporting Ukraine and its citizens.

Foundation of Bank Pekao S.A. donated PLN 500 thousand to a special account of the Polish Red Cross, intended for the most urgent needs of refugees and PLN 250 thousand to Caritas Polska account for the current needs of refugees under the care of this organization.

The Bank's employees financially supported the collections intended to help children and foster families from Ukraine staying under the care of the SOS Children's Villages Association in Poland and for children and mothers under the care of the Children's Hospital at Niekłańska street in Warsaw.

The bank also took direct care of 45 refugees who lived in one of the premises provided by Bank Pekao S.A.. Ongoing support and assistance in adapting to new conditions are provided to refugees by our volunteers - employees of the Bank.

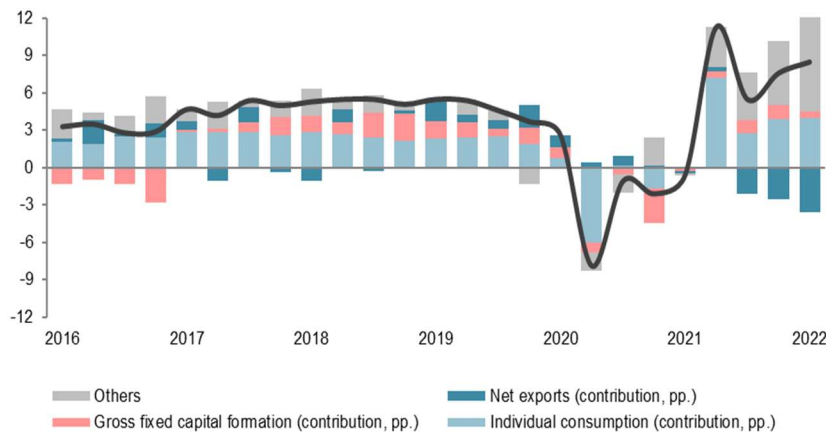
Moreover, many of the Bank's employees have helped and still help in a direct way, accepting refugees at their homes, providing material and material support or acting as volunteers.



## 4. External Activity Conditions

### Economic growth

Economic growth continued to slow down over the course of 2022 – the year began with an increase of 8.5% yoy (in the first quarter), but by third quarter it fell to 3.0% yoy, according to the Bank's latest estimates. The changes in the structure of economic growth were no less spectacular: the contribution from inventory change tumbled from record-high 7.7 p.p. to ca. 1.5 at present. At the same time, until mid-year both household consumption and investment held quite well (ca. 6.5% yoy and 4-7% yoy, respectively). This changed in third quarter – consumption growth dropped to 3.4 and investment growth to 4.5%.



According to the Bank's forecasts third quarter was not the end of the slowdown – on the contrary. GDP will likely grow by 4.1% this year and by 1.2% next year, with risks to the latter number tilted to the downside. Negative factors are numerous: monetary tightening, weakness in household consumption due to the decline in real income over the short term, retrenchment in private investment, slowdown in exports (especially to Western European consumers), the end of the massive inventory buildup mentioned earlier, and the impact of the European energy crisis on the production capacity of industry (Polish one included). Considerable uncertainty can be associated with the shape of fiscal policy and the scale of the possible stimulus to household consumption via higher social transfers.

### Inflation and monetary policy

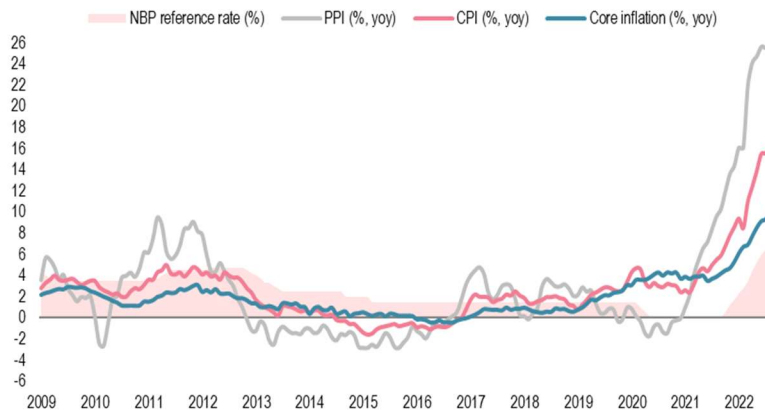
CPI inflation continued its upward trend in the third quarter of 2022 reaching 17.2% y/y in September. Inflation has spilled over into a wide range of goods and services due to the translation of high energy prices by producers and sellers into consumer prices (so-called second-round effects). It is possible because of the persistently high demand in the economy, supported by expansionary fiscal policy. Core inflation excluding food and energy prices accelerated to 10.7% y/y in September.

Inflation was also influenced by non-fundamental components of inflation. Prices of food and non-alcoholic beverages continued to increase in the third quarter. Food prices are rising significantly faster than it would suggest from the seasonal pattern from previous years. High agricultural production costs related to expensive energy, as well as highly dependent on gas prices fertilizers, drive up food prices. Compared to the previous year, prices of food and beverages were in September higher by above 19%.

In the third quarter, energy prices grew very strongly, mainly due to coal prices. This is the category with the highest annual price increase in the entire inflation basket - coal prices were already 172% higher than in September last year. Problems with coal supply will be a factor that will continue to fuel inflation in the near future. Another consequence of rising coal and gas prices are high increases in the prices of central heating and hot water.

In turn, the only major category that pushed inflation down in the third quarter were fuels. This was a consequence of lower crude oil market prices, following the expectations of global economic downturn. Fuel prices are characterized by very high volatility in recent months.

In the environment of increasingly high energy costs spilling onto the economy, inflation will continue to rise until the end of 2022. We will see the inflation peak in this cycle in February next year at a level above 20% y/y. It will be supported by the last year's low reference base effect caused by the Anti-Inflation Shield introduction, which will remain with us at least until the end of 2023. A lot here will also depend on further discretionary government measures to fiscalise inflation in terms of energy prices. We will see a more dynamic decline in inflation from the second quarter of 2023 due to the expected economic slowdown, effects of interest rate hikes, as well as the high reference base from the previous year. Return to the inflation target area should be postponed until 2025.



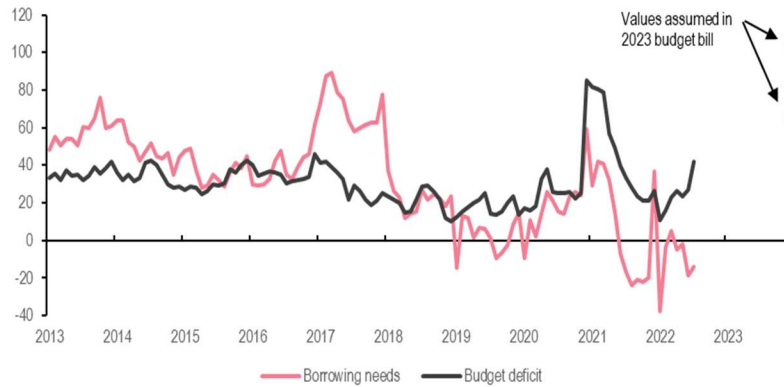
The NBP monetary policy tightening cycle slowed down in the third quarter. The two 25 bps rate hikes (in July and September) pale in comparison with the earlier tightening (615 bps) and reflect the MPC's markedly lower appetite for rate hikes. The MPC has made a mental, rhetorical and actual turn away from combating inflation to a more balanced approach involving protecting economic growth. This does not mean that the rate hikes are completely over, but the bar for additional rate hikes is set much higher than in spring. It is the Bank's view that key NBP interest rates will rise by at least 25 bps.

### Fiscal policy

In the third quarter of 2022, the situation of public finances began to deteriorate, after a relatively good first half of the year. The growth of tax revenues slowed from around 20% y/y at the beginning of 2022 to 13% y/y in August. VAT revenues were impacted by the reduction of VAT rate on food and energy to zero as an anti-inflationary measure. PIT revenues are being dragged down by two Polish Deal reforms, while CIT revenues started to decelerate due to economic slowdown and lower profitability of business (most notably banking sector hit by the cost of credit vacations (about PLN 20 billion in total)). Public spending, on the other hand, is expanding due to higher social spending (i.e. coal allowances) and subsidies to business aimed at mitigation of energy crisis effects. The dynamics of budget spending between January and August 2022 accelerated from 4.3 to 12% y/y.

Although there was still a surplus of PLN 27 billion in the state budget at the end of August, this is solely due to the public spending cycle, the bulk of which is realized in December. The result of public finances in the third quarter clearly deteriorated if one looks at the 12-month rolling total: the deficit, calculated this way, rose from PLN 23 to 42 billion between May and August. This contributed, in addition to the higher expected path of interest rates in Poland, to the repricing of Polish government bonds. Yields on Polish 10-year notes rose from 5.5% at the end of July to around 7% at the end of September and over 8% in the second half of October.

Budget deficit and borrowing needs, PLN billion



### Exchange rate

The downward trend in the PLN continued in the third quarter of 2022. Over the course of three summer months Polish currency weakened from 4.67 to 4.83 against the Euro, from 4.50 to 4.90 against the USD and from 4.70 to 5.00 against CHF. Two factors contributed to it. First, the USD rose to a fresh multi-year high against a broad basket of currencies. The dollar's relentless uptrend can be associated mainly with the weakness in most other major currencies whose exposure to energy-related shocks and their effects is greater, and with increasingly unfavorable perception of inflation and growth prospects in the euro area, UK and Japan. It was the third quarter that saw the perception that current policy mix (tighter monetary and looser fiscal policies) favors the return of inflation to target only in the United States. All this forced the euro to decline to levels unseen in decades, i.e. below parity against the dollar and the swiss franc. The weakening of the euro was also a bad omen for the PLN – traditionally, declines in EUR-USD are correlated with increases in EUR-PLN, leading to outsized increases in USD-PLN. It is worth remembering that Poland and the euro area are sharing many of the same unfavorable fundamentals (policy mix, lack of control over inflation, significant deterioration in terms of trade, external imbalances, exposure to energy shocks and the war in Ukraine in general). This suggests that the PLN will stay weak in the coming months.



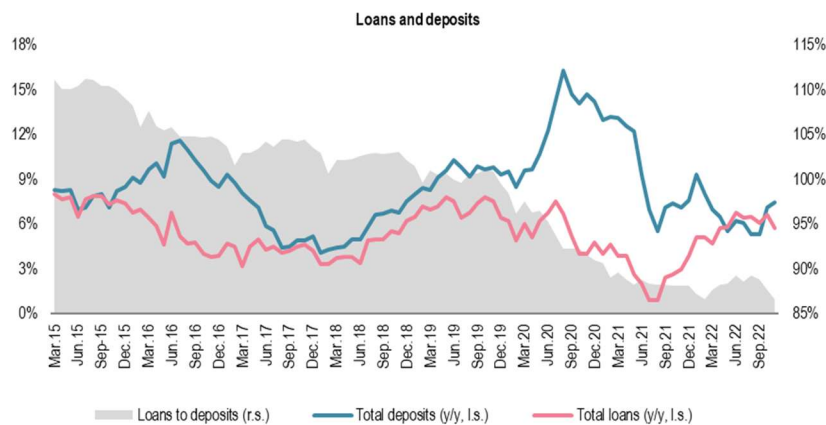
### Banking sector

According to the Financial Supervision Authority (KNF) data, in August 2022 net profit of the banking sector amounted to PLN 8.3 billion and was half as high as in August 2021. Total net operating income of banks increased by 35% year on year, including above all rise of net interest income by 61% y/y (effect of a series of interest rate hikes) and net fees and commission income by 12% y/y. Banks' operating costs were 28% y/y higher, among others due to BFG rates returning to previous, higher levels. Cost of risk more than doubled (+133.1% y/y)

At the end of August 2022 total assets of the banking sector amounted to PLN 2,827 billion and increased by 8.4% compared to August 2021. Total receivables from the non-financial sector increased by 7.6% y/y, while total deposits from this sector by 5.1% y/y.

According to the National Bank of Poland (NBP), at the end of September 2022 the nominal volume of households' loans declined by 0.4% compared to year before. In case of enterprises, a growth of 16.3% y/y was recorded. While for the former the dynamics have remained at a similar level for several months, in the case of companies a clear upward trend has been observed for about a year (the trough of March 2021 saw a decline of almost 9% y/y). This is driven primarily by current and revolving credit, itself boosted by inflation and the increase in the nominal value of working capital financed by said type of loans.

Deposit dynamics are already past the post-pandemic normalization period, when they were lifted by, among other things, various aid programmes and the savings accumulation effect. After September 2022 households' deposits grew by 3.5% y/y and in case of enterprises by 12.3% y/y.



## 5. Internal Factors

### 5.1 Description of the Group

The composition of Bank Pekao S.A. Group is presented in the Notes to the Interim Condensed Separate Financial Statements of Bank Pekao S.A. for the period of 9 months ended on 30 September 2022.

### 5.2 Changes in the Group's structure

#### Contribution of an organized part of the enterprise

On March 31, 2022, the Extraordinary Shareholders Meeting of Pekao Leasing Sp. z o.o. adopted a resolution approving the sale of the Organized Part of the Enterprise to PeUF Sp. z o.o. On April 1, 2022, the share capital of PeUF Sp. z o.o. was increased by the amount of PLN 12,491,900 by way of creating 249,838 shares with a nominal value of PLN 50 and a total nominal value of PLN 12,491,900. The new shares were acquired by Pekao Leasing Sp. z o.o. and covered by an in-kind contribution in the form of the Organized Part of the Enterprise Pekao Leasing Sp. z o.o. covering tangible and intangible assets used to conduct the business of an insurance agent providing insurance distribution services with a value of PLN 12,491,909.30. The value of the Organized Part of Pekao Leasing Sp. z o.o. in excess of the value of the shares taken up, was allocated to agio. On April 1, 2022, an in-kind agreement was also concluded between Pekao Leasing Sp. z o.o. and PeUF Sp. z o.o.

#### Increase of the share capital of Pekao Bank Hipoteczny S.A.

On July 15, 2022, the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register entered an increase in the share capital of Pekao Bank Hipoteczny S.A. by the amount of PLN 65,000,000 through the issue of 650 Shares Series J, with a nominal value of PLN 100,000 each and an issue price equal to the nominal price, ie PLN 100,000 per share. All shares were acquired by Bank Pekao S.A. (the shares were offered only to Bank Pekao S.A. by private subscription pursuant to Article 431 § 2 point 1 of the Commercial Companies Code). Following the increase, the share capital of Pekao Bank Hipoteczny S.A. at the end of September amounts to PLN 323,000,000.

### 5.3 Changes in the Statutory Bodies of the Bank

#### Changes in the Bank's Supervisory Board

The composition of the Supervisory Board of Bank Pekao S.A. has as follows:

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE THIRD QUARTER OF 2022	30 SEPTEMBER, 2022	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST HALF OF 2022
Beata Kozłowska-Chyla Chairman of the Supervisory Board	Beata Kozłowska-Chyla Chairman of the Supervisory Board	Beata Kozłowska-Chyla Chairman of the Supervisory Board
Joanna Dynysiuk Deputy Chairman of the Supervisory Board	Joanna Dynysiuk Deputy Chairman of the Supervisory Board	Joanna Dynysiuk Deputy Chairman of the Supervisory Board
Małgorzata Sadurska Deputy Chairman of the Supervisory Board	Małgorzata Sadurska Deputy Chairman of the Supervisory Board	Małgorzata Sadurska Deputy Chairman of the Supervisory Board
Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board
Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board
Justyna Głębiowska-Michalak Member of the Supervisory Board	Justyna Głębiowska-Michalak Member of the Supervisory Board	Justyna Głębiowska-Michalak Member of the Supervisory Board
Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board
Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board
Marcin Izdebski Member of the Supervisory Board	Marcin Izdebski Member of the Supervisory Board	Marcin Izdebski Member of the Supervisory Board

### Changes in the Bank's Management Board

The Supervisory Board of the Bank, acting pursuant to the Article 368 § 4 and in connection with the Article 369 § 1 of the Code of Commercial Companies and taking into account the assessment of compliance with the suitability requirements, unanimously appointed on 14 June 2022 members of the Bank's Management Board for the new three-year joint term of office, effective as of the day following holding of the Ordinary General Meeting approving the financial statements of Bank for the financial year 2021.

The following persons were appointed to the Management Board of the Bank for the next three-year joint term of the office starting on the date indicated above:

- 1) Leszek Skiba for the President of the Bank's Management Board,
- 2) Marcin Gadomski for the Vice-President of the Bank's Management Board supervising the risk management significant in the Bank's operation,
- 3) Jarosław Fuchs for the Vice-President of the Bank's Management Board,
- 4) Jerzy Kwieciński for the Vice-President of the Bank's Management Board,
- 5) Paweł Strączyński for the Vice-President of the Bank's Management Board,
- 6) Błażej Szczeciński for the Vice-President of the Bank's Management Board,
- 7) Wojciech Werochowski for the Vice-President of the Bank's Management Board,
- 8) Piotr Zborowski for the Vice-President of the Bank's Management Board,
- 9) Magdalena Zmitrowicz for the Vice-President of the Bank's Management Board.

As a result of the assessments performed, the Supervisory Board of the Bank concluded that all members of the Bank's Management Board and the Bank's Management Board as a whole meet the requirements referred to in Art. 22aa The Act of 29 August 1997 - Banking Law and the suitability requirements referred to in the Policy of selecting candidates for the position of a Management Board member and the Key Function and assessment of the suitability of proposed and appointed members of the management board, supervisory board and key functions at the Bank.

According to the submitted statement, none of the persons appointed to the Management Board of the Bank, do not conduct any business competitive to that of the Bank and they are not involved in a competitive business as a shareholder or partner in a civil law company or partnership or a member of a corporate body of a competitive corporation or legal person. None of these persons is entered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS (National Court Register) Act of 20 August 1997.

### The composition of the Management Board of Bank Pekao S.A. has as follows:

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE THIRD QUARTER OF 2022	30 SEPTEMBER, 2022	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST HALF OF 2022
Leszek Skiba President of the Management Board	Leszek Skiba President of the Management Board	Leszek Skiba President of the Management Board
Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board
Marcin Gadomski Vice President of the Management Board	Marcin Gadomski Vice President of the Management Board	Marcin Gadomski Vice President of the Management Board
Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board
Paweł Strączyński Vice President of the Management Board	Paweł Strączyński Vice President of the Management Board	Paweł Strączyński Vice President of the Management Board
Błażej Szczeciński Vice President of the Management Board	Błażej Szczeciński Vice President of the Management Board	Błażej Szczeciński Vice President of the Management Board
Wojciech Werochowski Vice President of the Management Board	Wojciech Werochowski Vice President of the Management Board	Wojciech Werochowski Vice President of the Management Board
Piotr Zborowski Vice President Of The Management Board	Piotr Zborowski Vice President Of The Management Board	Piotr Zborowski Vice President Of The Management Board
Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board

The Management Board ensures that the management system at the Bank is transparent and effective and runs the Bank's affairs in compliance with applicable laws and Best Practices. The core values underlying the management of the Bank are professionalism, reliability and confidentiality.



**LESZEK SKIBA**  
President of the Management  
Board

#### **Leszek Skiba is President of the Management Board**

In 2015, he was appointed Undersecretary of State in the Ministry of Finance, where he was responsible for the supervision over macroeconomic policy and tax legislation. He was also supporting legislative works connected with financial and capital markets, and prepared general outline of the budget system reform. Between March 2019 and April 2020 he served as the President of the Council of the Bank Guarantee Fund.

Between 2009 and 2015 Leszek Skiba worked at the National Bank of Poland, at the Economic Institute, where he worked on NBP's report devoted to the consequences of Poland's membership of the euro area and prepared analyses of the euro area economy. Since 2009, Leszek Skiba has been running public non-profit activities as the President of the Council and expert of the Sobieski Institute.

Leszek Skiba is a graduate of master's degree studies at the Warsaw School of Economics, in the faculty of International Economic and Political Relations. He's the author of numerous publications in the field of his professional work and public activities.

Leszek Skiba fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**JAROSŁAW FUCHS**  
Vice President of the Management  
Board supervising the Private  
Banking and Investment Products  
Division

#### **Jarosław Fuchs Vice President of the Management Board supervising the Private Banking and Investment Products Division**

Jarosław Fuchs received his Master degree with honors in Marketing and Management, in the Faculty of Management of AGH University of Science and Technology in Cracow, as well as he graduated from Banking and Finance studies in Cracow University of Economics.

He started his career in 1994, initially in Big Bank S.A. and AGH University of Science and Technology in Cracow, where he acted as a teaching assistant in Management Faculty. From 1996 to 1997, he worked for Raiffeisen Centrobank S.A. Branch in Cracow, where he was responsible for building relationships with corporate customers. From September 1997, Jarosław Fuchs worked for Societe Generale Warsaw Branch as a Senior Marketing Specialist in the Trade Office in Cracow. In October 2000, he moved to Fortis Bank Polska S.A., as a Senior Customer Advisor in Medium and Large Enterprises Center.

From March 2003, Jarosław Fuchs worked for Bank Millennium S.A. in the position of the Senior Expert and, subsequently – Director of Małopolskie Customer Cooperation Center (Medium and Large Enterprises). From August 2004, he was associated with Bank BPH S.A. in Cracow and next, from December 2007 with Bank Pekao S.A. in managerial positions responsible for corporate customer relations. From March 2011, Jarosław Fuchs was responsible for management of Private Banking Relationship Managers Team as a Regional Sales Office Director in Cracow. At the same time, from 2013, Jarosław Fuchs was working for Pekao Central Brokerage House as a Director in the Region in Strategic Customers Office, where he was responsible for investment product distribution for strategic customers.

Jarosław Fuchs fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**MARCIN GADOMSKI**  
Vice President of the Management  
Board supervising the Risk  
Management Division

### **Marcin Gadomski Vice President of the Management Board supervising the Risk Management Division**

Marcin Gadomski graduated from the Warsaw School of Economics, majoring in Finance and Banking. He was also a scholarship holder studying at the University of Kiel (Germany) and completed doctoral studies at the Warsaw School of Economics. He passed a number of professional certification exams, including: Financial Risk Manager (FRM), Association of Chartered Certified Accountants (ACCA), Project Management Professional (PMP). He participated in the Leadership Development Program run by The John Maxwell Team as well as the Deloitte Leadership Program.

Marcin Gadomski began his professional career at the consulting company Ernst & Young in 2002, where he conducted projects in the area of risk, finance and internal audit in financial institutions and non-financial enterprises. During this period, for several years he supported the Pekao Group in implementing among others requirements of IAS 39, Basel II and solutions regarding capital management as well as assets and liabilities management.

Then he continued his career with Deloitte Advisory, first in 2008-2012 as a Senior Manager, and, after a break, in 2016-2018 as a Director. As part of Deloitte Advisory, Marcin Gadomski provided solutions for the largest financial institutions in Poland and abroad (banks, insurers, leasing companies, brokerage houses), among others in the field of credit policy, risk models, improving the credit process for retail and corporate clients, market and liquidity risk management, regulatory requirements (e.g. IFRS 9, the PFSA recommendations, regulations regarding capital requirements, liquidity, information or reporting obligations), due diligences for takeover purposes.

In the years 2012-2016 Marcin Gadomski was the Director of Retail Credit Risk Unit at Bank Millennium. He was responsible for credit risk strategy, risk appetite, credit policy, credit assessment models, credit decision engines, risk reporting, credit product profitability assessment and credit process support for such business lines as unsecured consumer loans, mortgage loans and small business.

From August 2018 to November 2019 Marcin Gadomski was a Member of the Management Board of Pekao Bank Hipoteczny S.A., where on 20 November 2018 he obtained the consent of the Polish Financial Supervision Authority to entrust him the function of the Member of the Management Board supervising the management of material risks in the bank's operations. Between 29 November 2019 and 21 April 2020 Marcin Gadomski held position of the Vice President of the Management Board of Bank Pekao S.A. responsible for Risks Management Division. Later he was Credit Risk Director there.

Marcin Gadomski additionally sits on supervisory boards as the Chairman of Pekao Bank Hipoteczny S.A., Vice Chairman of the Supervisory Board in Pekao Leasing Sp. z o.o., Pekao Investment Banking S.A. and additionally is a member of the Supervisory Board of Biuro Informacji Kredytowej S.A.

Marcin Gadomski meets suitability requirements determined in art. 22aa of the Banking Law Act.





**JERZY KWIECIŃSKI**  
Vice President of the Management  
Board supervising the Corporate  
Banking and MIB Division

### **Jerzy Kwieciński, Vice President of the Management Board supervising the Corporate Banking and MIB Division**

He is a graduate of Faculty of Materials Engineering of the Warsaw University of Technology and holds a degree of Doctor in the field of technical science. He also completed a postgraduate course for managers at the Warsaw School of Economics and an international Master of Business Administration (MBA) programme run by the University of Antwerp, the University of Staffordshire, the Free University of Brussels and the University of Warsaw. Jerzy Kwieciński also has experience in academic and research and development work, which he gained, among others at the Warsaw University of Technology and as a visiting professor at Brunel University of West London.

Jerzy Kwieciński has more than 30 years of international experience in strategic planning, management of large organizations, programs and projects in the public, private, non-governmental and scientific research sectors, including energy sector. From 1993 to 2004, he worked for the European Commission Representation in Poland, where his duties included management of programmes and projects financed by the European Union. He also participated in the works preparing Poland for membership in the European Union. Between 2004 and 2005 he was the President of Europejskie Centrum Przedsiębiorczości sp. z o.o., where in 2008-2015 he acted as a Vice-President of the Management Board.

In 2005, Jerzy Kwieciński took a position of the Undersecretary of State at the Ministry of Regional Development, where he coordinated the national development policy and cohesion policy, including the work on the National Development Strategy for 2007-2015 and the National Cohesion Strategy for 2007-2013.

Between 2008 and 2015, he served as President of the Management Board of JP Capital Group sp. z o.o., specializing in preparation and implementation of projects and innovations, including establishing and running start-ups. In that period he was also head of Fundacja Europejskie Centrum Przedsiębiorczości (European Entrepreneurship Centre Foundation). In 2015, he was appointed the Secretary of State in the Ministry of Development. Since 2015, he has been a member of the National Development Council. In November 2015, he was appointed the First Deputy of the Deputy Prime Minister in the Ministry of Development. From January 2018, he held the office of the Minister of Investment and Development, and from September 2019 he served also as the Minister of Finance. He held both functions until November 15, 2019.

He worked on, among others on preparation and implementation of the Strategy for Responsible Development and implementation of cohesion policy.

From January to December 2020 he acted as President of the Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), he has been a member of the Supervisory Board in TUW Polski Gaz, Europolgaz SA and President of the Board of Directors PGNiG Upstream Norway.

From March 2021, Chairman of the Supervisory Board of Pekao Investment Banking S.A. and since April 2021, Member of the Supervisory Board of Pekao Leasing Sp. z o.o.

Jerzy Kwieciński fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**PAWEŁ STRĄCZYŃSKI**  
Vice President of the Management  
Board supervising the Financial  
Division

**Paweł Strączyński, Vice President of the Management Board supervising the Financial Division**

Paweł Strączyński has a university degree from the Wrocław University of Economics, the Faculty of National Economy, field of study: finance and banking and Master of Business Administration – Executive MBA degree.

He has extensive managerial experience. Paweł Strączyński has held position of the President of the Management Board of TAURON S.A. He was also Member of the Management Board of PKEE – Polish Electricity Association.

Previously Paweł Strączyński had held position of the Vice President of the Management Board for Finance at PGE Polska Grupa Energetyczna S.A. He had been a Member of the Management Board of companies such as: Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A., ZOWER Sp. z o.o., PGNiG Termika Energetyka Przemysłowa S.A., Przedsiębiorstwo Energetyki Ciepłej S.A. in Jastrzębie-Zdrój and Polska Grupa Biogazowa S.A.

He is also member of the Supervisory Board of KIR S.A. and a member of the Economic Advisors Team at the Ministry of State Assets.

Paweł Strączyński fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**BŁAŻEJ SZCZECKI**  
Vice President of the Management  
Board supervising Banking  
Operations and IT Division

**Błażej Szczeciński, Vice President of the Management Board supervising the Banking Operations and IT Division**

Professionally associated with the Pekao Group since 2004. From 2018 till 2021 he has served as the Chief Transformation Officer and subsequently as the Chief Strategy Officer of Bank Pekao, responsible a.o. for the digital and operational transformation, as well as for the coordination of the work on the strategy of the Bank. From 2017 till 2018 he was responsible for the Transformation and Services Division, where he managed a.o. IT and Operations of the Bank. In 2010- 2017 he was Member of the Management Board of Pekao Leasing Sp. z o.o., where he assumed responsibility for IT, operations, insurance business, and customer service.

Previously, from 2004 till 2010 he held various leadership roles in the Corporate Banking Division of Bank Pekao, including participation in the taskforce preparing the merger of Bank Pekao with the BPH Bank. Before joining Bank Pekao, he worked as consultant for McKinsey and Co. in Frankfurt (Main) in Germany. He also served as a research associate at the University in Frankfurt (Oder) and in Giessen (Germany), as well as professional experience at Dresdner Bank. Since 2017 he has served as the Chairman of the Supervisory Board of Centrum Kart. In addition, from 2017 till 2020 he was also the Vice-chairmen of the Supervisory Board of Pekao Financial Services.

From 2017, Chairman of the Supervisory Board of Centrum Kart S.A. From 2017 to August 2020, in the Supervisory Board of Pekao Financial Services Sp. z o.o. he was the Deputy Chairman and Secretary of the Supervisory Board. He was reappointed to the Supervisory Board of Pekao Financial Services Sp. z o.o. in March 2021 and serves as the Chairman of the company's Supervisory Board.

He has a Ph.D degree in economics from the European University Viadrina Frankfurt (Oder), he graduated from the Faculty of Economics at the European University Viadrina Frankfurt (Oder). He participated in numerous courses and trainings in Poland and abroad, a.o. Unifuture in cooperation with the Institute for Management Development (IMD) in Lausanne (Switzerland).

Błażej Szczeciński fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**WOJCIECH WEROCHOWSKI**  
Vice President of the Management  
Board supervising the Retail  
Banking Division

**Wojciech Werochowski, Vice President of the Management Board supervising the Retail Banking Division**

Manager with 20 years of experience in banking, for 4 years associated with Bank Pekao S.A., with the Retail Banking Division. From December 2017 served as a director of the Retail Customer Credit Products Department, where he managed retail customer credit products and was responsible for the sales activity, portfolio quality as well as financial performance of the product and product development.

Before joining Bank Pekao S.A. he worked at PKO Bank Polski, Bank Citi Handlowy, and Bank BPH, where he was responsible for the development and management of credit products, including mortgage loans, and the CRM function. Between 2000 and 2008 he was associated with General Electric Capital in Poland, with GE Money Bank. He has worked in a number of positions in the areas of product management, development of new business models, strategic pricing and finance management, Lean Six Sigma programs.

He has a university degree and an MBA degree from the University of Gdańsk, Copenhagen Business School and Universiteit Antwerpen. He completed trainings under the GE Management Development Institute, including Six Sigma Black Belt and Advanced Manager Course.

From March 2021, Vice-Chairman of the Supervisory Board of Pekao Direct Sp. z o.o. From April 2022, Member of the Supervisory Board of Pekao Bank Hipoteczny S.A.

Wojciech Werochowski fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**PIOTR ZBOROWSKI**  
Vice President of the Management  
Board supervising the Strategy  
Division

**Piotr Zborowski, Vice President of the Management Board supervising the Strategy Division**

Piotr Zborowski is a graduate of the University of Warmia and Mazury in Olsztyn, Faculty of Law and Administration, major in law. He completed his legal adviser apprenticeship at the District Chamber of Legal Advisers in Warsaw. In Bank Pekao S.A. he was the director responsible for servicing corporate offices as well as corporate governance and supporting the work of the Management Board and Supervisory Board. He was involved in the process of building and implementing the Bank's strategy, as well as in the implementation of a number of strategic projects and cooperation on behalf of the Bank with the PZU S.A. group. Previously, he worked, among others in government administration bodies: the Chancellery of the Prime Minister and the Ministry of State Assets, as the Deputy Director of the Minister's Office. He performed advisory functions in the Military Property Agency and was responsible for organizational and legal supervision in the Military Trade Company.

Piotr Zborowski meets suitability requirements determined in art. 22aa of the Banking Law Act.



**MAGDALENA ZMITROWICZ**  
Vice President of the Management  
Board supervising the Banking  
Enterprise Division

**Magdalena Zmitrowicz, Vice President of the Management Board supervising the Banking Enterprise Division**

In 2018 she started working in Bank Pekao S.A. as Managing Director in Corporate Banking Department and from December 1st, 2018 she was appointed as the Vice President of the Management Board of the Bank. She started her professional career in 1999 in Bank Handlowy w Warszawie S.A. in Retail Banking Sector. She pursued her career in Corporate Banking Division, holding various leadership roles in regional structures of the Bank, including a position of Head of Sales for Northern Region and Head of Public Sector for Regions in the Public Sector Department. Having worked for almost twenty years in the banking industry, she has gained extensive experience both in general banking operations, including in particular the areas of sales, risk, operations and foreign-currency market, as well as in various customers segments, such as retail clients, small, medium and large companies, institutional clients, public sector and international corporations. In 2016-2017, she managed the Corporate Banking Department in the structures of the CEEMEA Commercial Banking Group - Citigroup. She managed the activities of the Strategy Champions Group at Bank Handlowy w Warszawie S.A.

From January 2019, a Member of the Supervisory Board of Pekao Leasing Sp. z o.o. From December 2018, Deputy Chairman of the Supervisory Board of Pekao Faktoring Sp. z o.o., and from March 2021, the Chairman of the Supervisory Board of the Company.

A graduate of the Faculty of Social Sciences at the University of Gdańsk, postgraduate studies at the Faculty of Management at the University of Gdańsk and postgraduate Executive MBA studies (EMBA) organized at the Faculty of Management at the University of Warsaw. She completed many local and foreign trainings, including those in credit risk management, financial analysis and sales. In 2013, she graduated from Commercial Credit College in the USA New York as part of Citigroup.

Magdalena Zmitrowicz meets suitability requirements determined in art. 22aa of the Banking Law Act.

## 5.4 The Bank's share capital and share ownership structure

As at 30 September, 2022, the share capital of Bank Pekao S.A. amounted to PLN 262,470,034 and remained unchanged until the date of submitting the report. The Bank's share capital was divided into 262,470,034 shares in the following series:

- 137,650,000 Series A bearer shares with a par value of PLN 1.00 per share,
- 7,690,000 Series B bearer shares with a par value of PLN 1.00 per share,
- 10,630,632 Series C bearer shares with a par value of PLN 1.00 per share,
- 9,777,571 Series D bearer shares with a par value of PLN 1.00 per share,
- 373,644 Series E bearer shares with a par value of PLN 1.00 per share,
- 621,411 Series F bearer shares with a par value of PLN 1.00 per share,
- 603,377 Series G bearer shares with a par value of PLN 1.00 per share,
- 359,840 Series H bearer shares with a par value of PLN 1.00 per share,
- 94,763,559 Series I bearer shares with a par value of PLN 1.00 per share.

All the existing shares are ordinary bearer shares. There are no special preferences or limitations connected with the shares, or differences in the rights attached to them. The rights and obligations related to the shares are defined by the provisions of the Polish Commercial Companies Code and other applicable law.

Shareholders of Bank Pekao S.A., holding directly or indirectly, through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Bank, are as follows:

SHAREHOLDER'S NAME	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE THIRD QUARTER OF 2022		AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST HALF OF 2022	
Powszechny Zakład Ubezpieczeń S.A.	52,494,007	20.00%	52,494,007	20.00%
Polski Fundusz Rozwoju S.A.	33,596,166	12.80%	33,596,166	12.80%
Aviva Otwarty Fundusz Emerytalny Aviva Santander	13,281,544	5.06%	13,281,544	5.06%
BlackRock, Inc.	13,231,421	5.04%	-	-
Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	13,201,655	5.03%	13,201,655	5.03%
Other shareholders (below 5%)	136,665,241	52.07%	149,896,662	57.11%
<b>Total</b>	<b>262,470,034</b>	<b>100.00%</b>	<b>262,470,034</b>	<b>100.00%</b>

On 29 September 2022 the Bank received a notification from BlackRock, Inc. regarding the exceeding of the threshold of 5% of total number of votes in the Bank, taking into account contracts for difference (CFD).

Until the date of submitting the report the Bank has not received any other notifications regarding changes in the ownership structure in accordance with par. 69 of the Act of July 29, 2005 on Public Offerings and Conditions Governing the Introduction of Financial Instruments to an Organized System of Trading, and on Public Companies.

## 5.5 Financial credibility ratings

### Bank Pekao S.A. financial credibility ratings

Bank Pekao S.A. co-operates with three leading credit rating agencies: Fitch Ratings (the Fitch), S&P Global Ratings (S&P), and Moody's Investors Service. In the case of the first two agencies, the ratings are provided on a solicited basis under relevant agreements and with respect to Moody's Investors Service the ratings are unsolicited and they are based on publicly available information and review meetings.

As of 30 September 2022, Bank Pekao S.A. had assigned following financial credibility ratings:

<b>FITCH RATINGS</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
Long-Term Default rating (IDR)	BBB	A-
Short-Term Default Rating	F2	F1
Viability Rating	bbb	-
Government Support Rating	No support	-
Outlook	Stable	Stable
National Long-Term Rating	AA-(pol) (stable outlook)	-
National Short-Term Rating	F1+(pol)	-
<b>S&amp;P GLOBAL RATINGS</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
Long-term rating in foreign currencies	BBB+	A-
Long-term rating in domestic currency	BBB+	A
Short-term rating in foreign currencies	A-2	A-2
Short-term rating in domestic currency	A-2	A-1
Stand-alone credit profile	bbb+	-
Outlook	Stable	Stable
<b>S&amp;P GLOBAL RATINGS (RESOLUTION COUNTERPARTY RATING)</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
Long - term RCR in foreign currencies	A-	-
Short - term RCR in foreign currencies	A-2	-
Long - term RCR in domestic currency	A-	-
Short - term RCR in domestic currency	A-2	-
<b>MOODY'S INVESTORS SERVICE (UNSOLICITED RATING)</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
Long-term foreign-currency deposit rating	A2	A2
Short-term deposit rating	Prime-1	Prime-1
Baseline Credit Assessment	baa2	-
Long-term counterparty risk assessment	A2(cr)	-
Short-term counterparty risk assessment	Prime-1(cr)	-
Outlook	Stable	Stable
Long-term Counterparty Risk Rating (CRR)	A2	-
Short-term Counterparty Risk Rating (CRR)	Prime-1	-

On 27 January 2022 S&P rating agency informed the bank about maintaining the ratings of the bank at the current level with the stable outlook.

According to S&P, the bank's rating assessment reflects its strong business position as well as high customer confidence resulting from having strong state-related shareholders - PZU and PFR. According to the agency, the acquisition and integration of part of Idea Bank's assets and liabilities has no significant impact on the capital ratios and risk profile of Bank Pekao. Both the profitability and efficiency of the bank remain at the levels similar to that of other Polish banks and higher than that of many international institutions. According to S&P, the bank's exposure to CHF loans is not significant.

The bank's stable outlook reflects that of Pekao's largest investor - PZU.

On 14 September 2022 Fitch rating agency informed the Bank about lowering the Long-Term Issuer Default Rating (IDR) from "BBB+" to "BBB" with "Stable" outlook, National Long-Term Rating from "AA(pol)" to "AA-(pol)" with "Stable" outlook and Viability Rating from "bbb+ to "bbb". Short-Term Issuer Default Rating (IDR) has been affirmed at "F2" and National Short-Term Rating at "F1+(pol)". Fitch assigned Government Support Rating of "no support".

According to Fitch, the downgrade of Pekao's VR, Long-Term IDR and National Rating primarily reflects the downgrade of the Polish operating environment score to "bbb" from "bbb+" and Fitch's view that it constrains Pekao's overall credit profile, given the bank's broad exposure to the operating environment in Poland.

Pekao's VR, IDRs and National Ratings reflect its strong domestic franchise, seasoned and stable business model. Combined with a moderate risk appetite, these allow it to generate relatively stable returns, as well as solid capital and strong funding and liquidity positions. At the same time, Pekao's overall credit profile is constrained by risks in the domestic operating environment, given the bank's broad exposure to a wide range of customer and business segments in Poland.

#### **Pekao Bank Hipoteczny S.A. financial credibility ratings**

On 14 September, 2022, the Fitch Ratings rating agency published a change in the rating of Pekao Bank Hipoteczny S.A. from BBB + to BBB. As a consequence of this change, on 15 September, Fitch also announced a change in the rating issued by Pekao Bank Hipoteczny S.A. Covered bonds from A- to BBB +. It happened simultaneously with the change of the rating for Bank Pekao S.A. Fitch emphasizes that the rating of Pekao Bank Hipoteczny S.A. is related to the rating of Bank Pekao S.A., which holds 100% of the Bank's shares. According to Fitch, the rating of Pekao Bank Hipoteczny S.A. is influenced by the level of integration with the parent company, the scale of operations and the Bank's capital. The decision to lower the rating is explained by the agency primarily with a change in the rating of the operating environment in Poland (from BBB + to BBB) and is a consequence of the cost of payment moratoria by banks and the risk of further regulatory interventions in the banking sector.

At the end of September 2022, the long-term rating of Pekao Bank Hipoteczny S.A., awarded by the Fitch rating agency, was BBB + with a "Stable" outlook. Covered bonds issued by Pekao Bank Hipoteczny S.A. were rated "BBB +". The high rating of the letters means that Pekao Bank Hipoteczny S.A. has the ability to issue securities with a high level of security and to obtain long-term funds for lending activities.

## 5.6 Achievements of Bank Pekao S.A.

Bank Pekao S.A. is a universal commercial bank offering all financial services available in Poland for individual and institutional clients. A wide range of products, innovative solutions and individual approach ensure comprehensive financial support for clients and an integrated customer service model is a guarantee of the highest quality of services and optimal adjustment to changing customer needs. Since 2017, Bank Pekao S.A. is part of the PZU S.A. capital group, the largest financial institution in Central and Eastern Europe.

A wide product offer, innovative solutions and individual approach provide comprehensive financial service to clients and the integrated customer service model provides the highest quality of services and their optimal adaptation to changing needs. The Bank has measurable advantages that allow it to compete effectively on the market and strengthen its market position in the strategic areas of the Bank's operations. The Bank offers competitive products and services on the Polish market, and high level of customer service and a well-developed distribution network.

### BUSINESS MODEL

The Bank's business model is based on customer segmentation with the following groups of customers:

- **RETAIL BANKING AND PRIVATE BANKING** – serving individual clients, including affluent private banking clients and micro enterprises. Private banking clients are offered investment advisory through private banking centers and remote channels, while all individual clients and micro-enterprises are served through a wide network of branches and partner outlets supported by market-leading remote service channels, including digital channels,
- **ENTERPRISE BANKING** – providing financial services to clients from small and medium-sized enterprises sector that are served by relationship managers with the support of product specialists. The service is carried out in specialized Business Customer Centers, Corporate Centers and universal retail branches. Customers are offered with products and services tailored to their individual needs based on solutions proven in corporate banking and adapted to the needs of the enterprise segment,
- **CORPORATE AND INVESTMENT BANKING** – providing financial services to large enterprises (segmentation by revenues of companies), public sector entities, financial institutions and entities from the commercial real estate financing sector. Corporate and investment banking clients are served by relationship managers with the support of product specialists.

### Distribution channels

The Bank offers to its clients a broad distribution network with ATMs and outlets conveniently located throughout Poland as well as a professional call center and a competitive online and mobile banking platform for individual, corporate and micro companies.

	30.09.2022	30.09.2021
Total number of outlets	615	652
own outlets	532	575
partner branches	83	77
Total number of own ATMs	1,371	1,482

### The number of accounts

At the end of September 2022, the Bank maintained 7,300.0 thousand PLN denominated current accounts, 379.3 thousand mortgage loan accounts and 593.7 thousand "Pożyczka Ekspresowa" (Express Loan) accounts.

(in thousand)

	30.09.2022	30.09.2021
Total number of PLN current accounts (*)	7,300.0	6,823.2
of which packages	5,211.1	4,830.1
Number of mortgage loans accounts (**)	379.3	405.9
of which PLN mortgage loans accounts	353.9	378.6
Number of Pożyczka Ekspresowa loan accounts (***)	593.7	626.4

(\*) Number of accounts including accounts of prepaid cards.

(\*\*) Retail customers accounts.

(\*\*\*) Pożyczka Ekspresowa. Pożyczka Ekspresowa Biznes.

The data presented according to the business model based on the managerial model in which the main criterion for dividing the Group's reporting is the classification of the client depending on his profile and service model.



**RETAIL BANKING AND PRIVATE BANKING**
**Strategy - The „Customer” pillar**

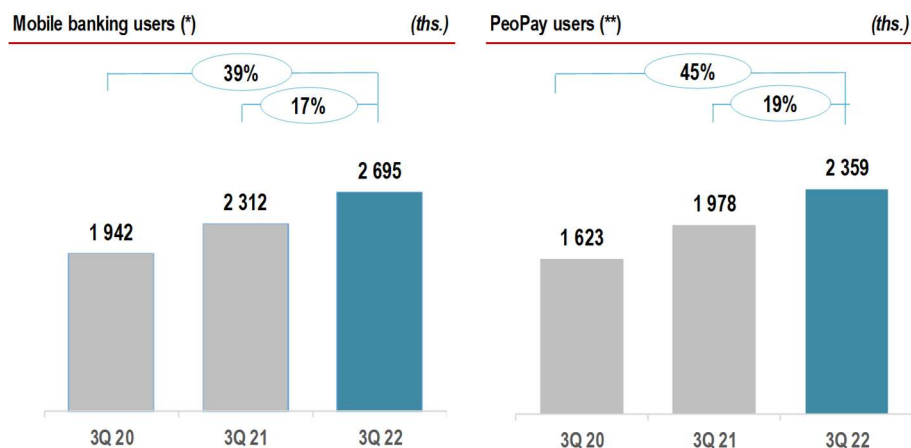
We are intensively developing digital channels as well as quick and convenient service processes. We seek to enable retail clients to handle almost any matter online. **The digitization rate of nearly 100% is one of the key strategic aspirations.**

The PeoPay mobile application becomes the main channel of contact with the client. We plan to make even greater use of advanced data analytics and modern sales support tools in order to personalize the offer, improve service quality and increase the tendency to recommend our services. The key measure of success that we strive for is a leap advance in customer satisfaction rankings.

**Development of electronic and mobile banking**

In the third quarter of 2022, the number of active mobile banking customers increased by 103 thousand - up to 2.7 million - and was 17% higher than a year ago and 39% higher than two years ago. The number of active mobile customers using the PeoPay application increased by 108 thousand - to 2.36 million - and was 19% higher than a year ago and 45% higher than two years ago.

Active mobile banking customers account for 82% of customers using electronic channels, which is an increase compared to the previous year by 2 p.p. and 8 p.p. compared to the third quarter of 2020.



(\*) Unique user actively using electronic banking is a user who logged in to the system and the mobile service m.pekao24.pl. at least once during the last quarter. (in case of using different mobile channels, the client is counted only once).

(\*\*) Unique user PeoPay application, who logged in to the system PeoPay at least once during the last quarter.

In the third quarter of 2022, 89 thousand enterprises actively used mobile banking companies and from electronic banking 219 thousand (an increase of 40 thousand compared to the third quarter of 2021).

PeoPay is one of the best-rated financial applications available in Google Play and AppStore.

In the third quarter of 2022, we introduced a number of new solutions in electronic banking: Pekao24, PeoPay and PeoPay Kids.

On the Pekao24 website and the PeoPay application:

- shortcuts widget - personalized look of the website,
- an updated application for the 300+ benefit adjusted to the new requirements,
- applications for the 300+ benefit and Family Care Capital for Ukrainian citizens,
- application for government loan holidays - suspension of mortgage repayments,
- suggested payment options, execution of transfers with a future date, the possibility of renewing the transfer directly from the history of operations, presentation of the status of impaired payments,
- notifications about receipts - the ability to enable PUSH notifications in PeoPay or SMS,
- a new widget on the PeoPay desktop that shows investment products,

- access to the PeoPay application for clients of the Brokerage House who have the Pekao24Makler service and do not have an account at the Bank.

As part of Open Banking, we have expanded the service (the so-called AIS) of access to information on payment accounts maintained by other banks, such as: balance and transaction history. Access to accounts from other banks makes it easier to apply for a loan, overdraft or credit card, allows you to track account balances and order transfers from accounts in other banks. The electronic journal records the most important activities performed within the Pekao24 and PeoPay systems related to Open Banking services. Launching the service requires the customer's consent, available on the Pekao24 website or the PeoPay application and then confirmed in the bank's online banking system (service consents are granted indefinitely).

### Strategy - The „Growth” pillar

**We strive for business growth in the most profitable market segments product groups and areas of untapped potential, which will result in improved profitability. i.e. consumer finance and in the micro-enterprises segment.**

Over the next four years, Pekao wants to acquire over 400 thousand individual customers every year and increase its market share in cash loans. Moreover we will seek to rejuvenate the demographic structure of the retail customer base. The goal is to acquire over 600 thousand customers under 26 years of age by 2024.

**We also focus on digital growth in investment products.** By 2024 over 80% of the sales volume of investment funds will be realized in remote channels. We are also strengthening business synergies with the PZU Group, which will result in an **increase in sales of insurance products** and a twofold increase in the gross written premium by 2024.

### Number of clients and accounts

In the third quarter of 2022, we acquired over 149 thousand new accounts (Konto Przekorzystne and Konta Świat Premium), an increase of +38% compared to the third quarter of 2021. Since the beginning of 2022, we have opened over 400 thousand accounts – an increase of +40% compared to the same period of 2021.

We continued the promotion of Savings Accounts with higher interest rates in the first 6 months, at the same time encouraging new customers to open an account. Customers who set up an online account could get a bonus of PLN 200. In the third quarter of 2022, sales of selfie accounts amounted to over 32 thousand accounts (three times more than in the third quarter of 2021).

We promoted the opening of on accounts for children (aged from 0 to 17) and young people (aged from 18 to 26). We encouraged to open accounts mainly on-line (parent's panel in PeoPay and Pekao24 and selfie), offering special bonuses. As a result, 42% of all accounts sold in the third quarter of 2022 were opened by young people up to the age of 26 (63 thousand accounts for young people in the third quarter of 2022, an increase of +29% compared to the second quarter of 2022).

As part of the promotion of accounts for young people, we participated in the educational fair Salon Maturzystów, which takes place in the largest 14 academic cities. Students preparing for the Matura exam had the opportunity to familiarize themselves with the Bank's offer and receive an award for opening an account.

The increase in the share of sales of accounts for young people aged 18-26 in recent months was also the result of a new offer addressed to people studying abroad, which allows you to issue an ISIC student card with insurance abroad free of charge. Additional advantages of the offer are the lack of commission for maintaining an account, issuing a card, withdrawals from ATMs around the world and a guarantee of low exchange rates.

Until the end of 2022, we extended a special offer for Ukrainian citizens: a simplified procedure for opening an account, PLN 0 for account maintenance, card handling and ATM withdrawals for 24 months, and free transfers to Ukraine and cash deposits /withdrawals at the Bank's cash desks until the end of the year. In the third quarter of 2022, we opened over 14 thousand accounts for clients from Ukraine.

As part of the Mastercard Bezcenne Chwile loyalty program, we have made it possible for existing customers to obtain up to 12 thousand points for signing up to the program (equivalent to PLN 150) and additional bonus points that can be exchanged for prizes. In September, the number of cards enrolled in the Bezcenne Chwile Program exceeded 300 thousand.

### **Payment cards**

The Credit Card with Żubr is the first credit card in Poland in the subscription model, available in three packages to choose from. At the time of issuing the card, the customer selects the appropriate package: standard, gold or platinum. The card is free in the standard package. The package can be changed free of charge and adapted to your needs without the need to replace the plastic card. The biggest advantages of the card include, among others the option of dividing the repayment into convenient 0% installments, reimbursement for online purchases and payments on motorways, insurance for online purchases and transactions, travel insurance, access to free airport lounges and an exceptionally long interest-free period. The new card is made of 99% recycled raw material.

In the third quarter of 2022, we achieved a +24% increase in the sales of the Credit Card with Żubr compared to the second quarter, the sales of credit cards in September exceeded 6 thousand pieces. The market share in new sales of credit cards increased from 6.5% to 9.0%.

In the third quarter of 2022, we introduced improvements to the Pekao24 electronic banking, PeoPay for credit cards and provided our clients with the following options:

- managing transaction limits (setting an individual limit of cash withdrawals from an ATM, internet or POS transactions, transactions outside Poland),
- closing the installment plan,
- preview of the credit card data with Żubr, thanks to which customers have greater convenience of online payment (access to card data in PeoPay).

In the third quarter of 2022, we conducted wide-ranging promotional campaigns on television, on vod, in cinemas, on the internet and in social media, in which we promoted the Credit Card with Żubr and a cash loan. The advantage of our products was a competitive interest rate - APR 9.9% for a cash loan and a fixed interest rate of 9.7% and APR 9.92% for a Credit Card with Żubr).

As part of the special offer, customers who purchase a Credit Card with Żubr in the period from September 2022 to the end of the year can gain as much as 16 thousand point worth PLN 200 in the Mastercard Bezcenne Chwile Program. All you need to do is sign up for the program and make transactions for a minimum amount of PLN 50, within 30 days of joining the Program.

In the third quarter of 2022, there was a dynamic increase in the number of non-cash card transactions by over +25% y/y and an increase in the number of active cards by over +6% y/y.

### **POS terminal**

We have introduced a new, android type of terminal to the Bank's offer - MiniPOS, which looks like a smartphone with the service of delivering transaction confirmations and reports electronically (e-Confirmation). In addition, at the customer's request, transaction confirmations can be sent to the cardholder by e-mail or SMS. We have implemented the multimerchant service, which allows you to accept transactions on one terminal for two or more entities, and we have made it possible for customers to consent to receive e-Invoices in electronic channels.

### **eCommerce**

In the third quarter of 2022, in cooperation with Tpay, we started servicing online payments on the mojePZU portal. The payment service is integrated with the PZU payment gateway, which allows you to pay for the order without leaving the website, pay by online transfers, BLIK and accept card payments.

### **Lending products**

In the third quarter of 2022, we provided our clients with attractive Express Loan offers with a cautious approach in the light of the dynamically changing macroeconomic situation. The value of granted cash loans, measured by the net volume, amounted to PLN 1,174 billion in the third quarter of 2022 and increased by + 6% compared to the third quarter of 2021.

Sales of cash loans in electronic channels in the third quarter of 2022 achieved a result of PLN 817 million, i.e. an increase by + 69% y/y and + 7% q/q. Over 75% of cash loan agreements were granted in electronic channels.

We have launched new remote omnichannel processes supporting the sale of the Express Loan, account loan and credit card by Pekao Direct consultants and the possibility of increasing the loan limit in the account as part of a remote and quick click process. In the third quarter of 2022, the number of newly signed loan limit agreements in the account increased by +48% compared to the third quarter in 2021.

In the third quarter, we were the first and only in Poland to launch a new product on offer - a loan for medical studies with a guarantee of repayment by BGK in cooperation with the Ministry of Health and Bank Gospodarstwa Krajowego. Credit for medical studies can be applied for by students who are already studying or candidates who want to start studies in paid medical faculties at Polish universities. We have already obtained over 800 applications and launched the first 12 million loan tranches.

### Mortgage loans

In the third quarter of 2022, we improved loan granting processes and remote after-sales processes. We have expanded the product offer, incl. for a residential mortgage loan and a construction and mortgage loan with a BGK guarantee, enabling clients to finance up to 100% of the property value.

The slowdown in the housing loan market translated into a reduction in the number of loan applications and the value of housing loans granted, which in the third quarter of 2022 amounted to approximately PLN 0.5 billion.

### Business clients loans

In the third quarter of 2022, the value of financing granted to business customers increased by + 19% compared to the third quarter of 2021. The increase was influenced among others. by:

- an increase in bank loan sales by +15% y/y supported by the risk assessment path, enabling quick calculation of the available limit and disbursement of a loan or a revolving limit within one day,
- increase in leasing and factoring sales by +22% y/y, supported by the implementation of factoring for business customers ("Płynnościomat").

### Development in the area of insurance products

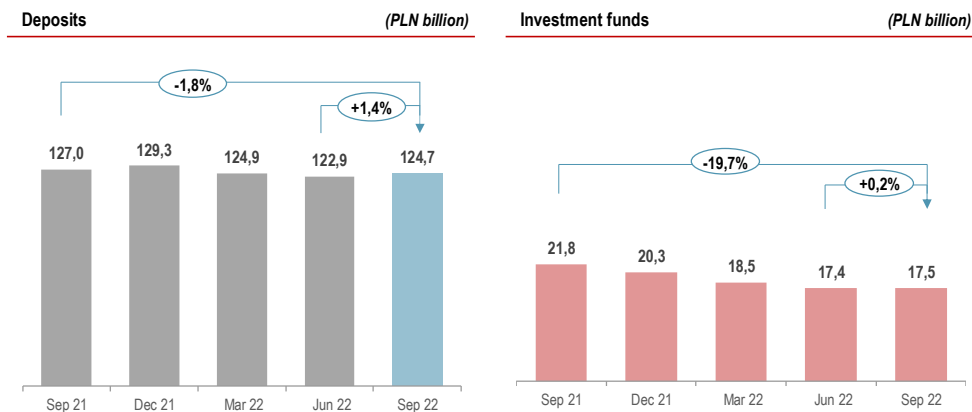
In the third quarter of 2022, we continued design work aimed at extending the bancassurance offer and tightening cooperation within the PZU Group. We have implemented a new insurance and savings product for sale: Certain Profit, which meets the current needs of customers, as evidenced by high sales levels - PLN 109 million in premium collected within 2 months.

The share of cash loans sold with insurance reached 42% (+4.8 p.p. compared to the third quarter of 2021). The growth of mortgage loans sold with insurance amounted to 97%, remaining at a stable, high level for several quarters. More and more of the Bank's customers use personal account insurance, credit card insurance and travel insurance (+49% y/y).

We continued to develop our assurbanking cooperation, increasing the number of PZU distribution channels. In the third quarter of 2022, we started selling Konto Przekorzystny Biznes in over 200 PZU branches.

In September, as part of cooperation with PZU, we acquired over 3 thousand customers. The total number of clients acquired by PZU in Q3 2022 was +15% higher than in the same period last year.

### Deposit, brokering activity and sale of investment products



At the end of September 2022, the total value of deposits and certificates of deposit held by individual and business customers amounted to approximately PLN 125 billion, with an increase of PLN 1.8 billion compared to June 2022.

In the third quarter of 2022, we offered attractive deposit products dedicated to both new and existing customers. The 7% promotion on Savings Accounts enjoyed the greatest interest among customers - we opened over 20.5 thousand new savings accounts. Customers were eager to open deposits for new funds with an interest rate of up to 8% for 1 year and new mobile deposits available in PeoPay with an interest rate of up to 7%.

Clients interested in diversifying their savings could set up a deposit combined with the Pekao TFI investment fund, with an interest rate of up to 7% per annum.

In the third quarter of 2022, together with the Pekao Brokerage House, we introduced the following investment products to the offer for individual and private clients:

- Bank Securities in the form of Certificates of Deposit Strong Zloty EURPLN 9,
- Structured product with full capital protection in PLN: Worst Of Capital Protection Certificate Related to L'Oreal S.A. Shares and The Procter & Gamble Company for 1 year and 2 months issued by Goldman, Sachs & Co. Wertpapier GmbH,
- Structured product with full capital protection in PLN: Certificate with Capital Protection Related to Nestlé S.A. shares for 1 year and 6 months issued by Goldman, Sachs & Co. Wertpapier GmbH,
- Structured product with full capital protection in USD: Two-Year Certificate with Capital Protection of the Worst Of Type Associated with the Shares of L'Oreal S.A. and The Procter & Gamble Company in USD issued by Goldman, Sachs & Co. Wertpapier GmbH,
- Structured product with full capital protection in USD: Two-Year Capital Protection Certificate Worst Of Related to Shares of Novartis AG and Roche Holding AG in USD issued by Goldman, Sachs & Co. Wertpapier GmbH,
- Public offering of series AM4 bonds of KRUK S.A.

We use preferential price conditions for clients purchasing investment products via internet functionalities.

At the end of the third quarter of 2022, the Pekao Brokerage House operated a total of 202.5 thousand investment accounts, servicing 152.9 thousand accounts with active access to services via remote channels. Direct service was carried out within a nationwide network covering a total of 342 locations providing brokerage services.

As at September 30, 2022, the value of the assets of the Pekao Brokerage House was PLN 24.4 billion.

In the third quarter of 2022, we conducted intensive work to enable the purchase of Treasury Bonds through the Pekao Brokerage House. We introduced the bonds to the Bank's offer in October 2022.

## ENTERPRISE BANKING

Enterprise Banking consists of two segments: Small and Medium Enterprises (SME) and Medium Enterprises (MID) segments.

In the third quarter of 2022 we focused on the automation and digitization of the credit process and the development of electronic banking functionalities enabling customer self-service.

### Strategy - The „Customer” pillar

We put the customer and his needs at the center of our activities. intensively develop digital channels and fast and convenient service processes. To an even greater extent, we will use advanced data analytics and modern CRM tools to support sales, which will allow us to better adjust the offer improve the quality of service and increase the tendency to recommend our services.

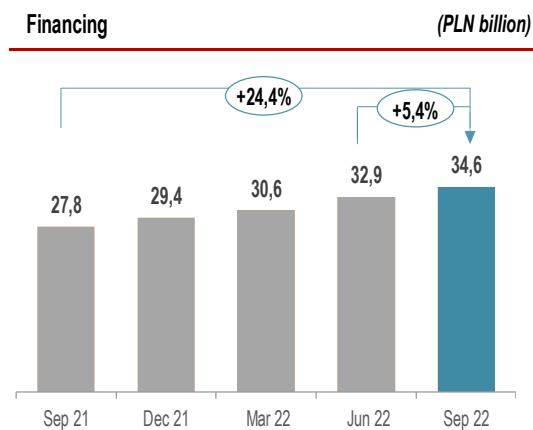
### Lending activities and customer financing

We offer our clients a wide, comprehensive range of products and services. such as bank loans, leasing, factoring, arranging issues of debt securities and other specialized forms of financing,

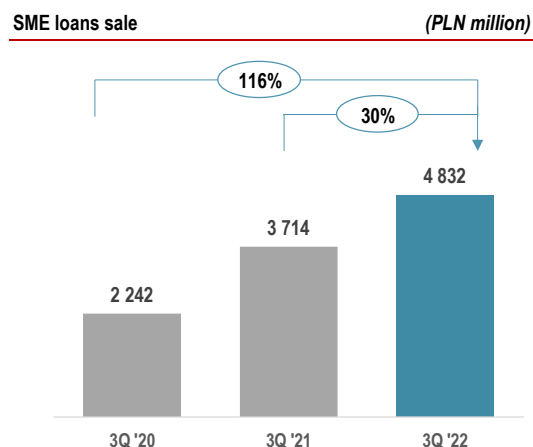
In the third quarter of 2022, we maintained a record-high dynamics of the loan portfolio +24% y/y - an increase in value by PLN 6.8 billion. The growth dynamics in the segments amounted to:

- small and medium-sized enterprises: +25% y/y, PLN +1.8 billion,
- medium-sized corporations: +24% y/y, PLN +5.0 billion,

There was a dynamic increase in value both in loans and in leasing and factoring.



In the third quarter of 2022 the value of loans sold in SMEs exceeded the threshold of PLN 1.7 billion (without renewals), growing by +30% y/y. In the MID segment the value of loans sold reached PLN 3.2 billion - an increase of +40% y/y. In total clients of the Enterprise Banking Division were granted almost 15.4 billion new loans (without renewals) +37% y/y.

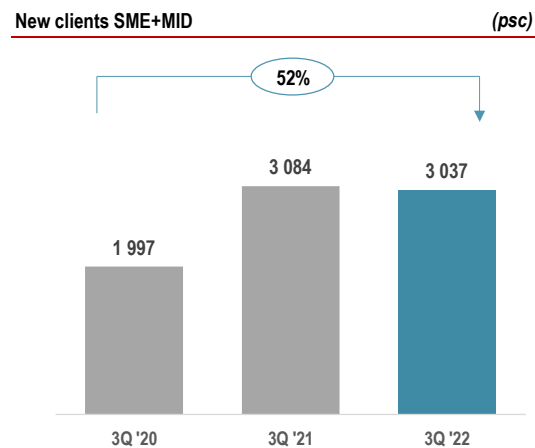


### Transactional banking

The volatility in the currency market, combined with the activities of specialists and currency dealers, contributed to an increase in customer activity in the area of current currency exchange transactions and hedging of currency risk. The volume of currency exchange transactions after the third quarter 2022 increased by 44% y/y. The volume of transactions hedging the currency risk increased by +7% y/y. Enterprises were increasingly hedging against interest rate risk. The volume of these transactions increased by +48% y/y.

### Customer acquisition

after the third quarter of 2022 we acquired 3 thousand SME and MID clients, maintaining the high level of acquisition from the previous year. Particularly noteworthy is the increase in the acquisition of SME clients with a turnover of over 5 million (+18% y/y). At the end of the third quarter of 2022, we handled over 57.5 thousand customers.



In the third quarter of 2022, we published the Report on the Situation of Micro, Small and Medium Enterprises for the years 2021-2022 for the 11th time. Almost 7 thousand entrepreneurs shared with us data and indicators, and above all - experiences. The report discussed key topics for the SME sector - economic growth, the prospects for growth in consumption and investment, the situation on the labor market, wages and inflation. In-depth interviews, consisting of open-ended questions, allowed us to better understand the situation of the SME sector in Poland.

## CORPORATE AND INVESTMENT BANKING

The Corporate Banking includes corporate segments, significant capital groups (the so-called large corporations), public sector clients, financial institutions as well as commercial real estate and specialized financing. The Pekao Group is a leader in these segments. It has a competitive advantage resulting from experience, unique staff, specialized knowledge and processes and the potential to co-finance large projects based on a very strong liquidity and capital position. The Bank provides both the comprehensive services of a universal bank and the services in such areas as leasing, factoring, investment advisory services, advisory in M&A as well as highly advanced treasury, capital market products and custody services. A wide range of products and services, innovative solutions, customised approach and the comprehensive financial services for the largest enterprises, institutions and public sector units are appreciated by clients and decide about the strength of corporate banking of Bank Pekao S.A.

## CLIENTS

At the end of the third quarter of 2022, we serviced over 6.6 thousand clients. We cooperate with the largest companies. We provide support in terms of substantive, operational and financial development of our clients both in everyday business and large strategic projects. In our relations with business partners, the key elements include:

- taking into account the **needs of individual client groups and segments** in the process of designing and adjusting the product offer,
- responsible capital management, inter alia, thanks to a detailed **analysis of clients, transactions and sector expertise** as well as access to the unique corporate and investment banking knowledge and solutions (including DCM competences or targeted product x-sell),
- understanding the situation of clients in global economy by actively **supporting foreign expansion of corporate clients** (M&A, trade finance, export structured finance, correspondent banking, custody),
- actively **supporting clients as part of economic recovery and climate transformation programs** (development and infrastructural projects for strategic and public sector clients),
- providing clients with a wide range of **digital solutions** allowing self-service in remote channels and enabling relationship managers to provide specialized solutions.

### Strategy

Since 2021, we have been implementing a strategy providing for effective volume growth. using competitive advantages such as: in-depth sector expertise, specialist financing knowledge as well as the growing digitalization of processes. According to this Strategy, we want to maintain our leadership position and a high market share in revenues.

Plans and ambitions of Corporate Banking rest on 4 pillars:

#### Growth:

- increase of x-sell.
- high market share in the segment of large corporations.

#### Effectiveness:

- digitalisation and automation of processes.
- promotion of self-service in digital channels.

#### Clients:

- specialist, customised service of complex transactions.
- support in financing public sector projects.

#### Responsibility:

- responsible capital management.
- support of sustainable economic development.

An integral part of our business strategy is the adopted ESG strategy. Pursuing this strategy we want to engage in financing sustainable projects. support the energy transformation of our clients and their transition to a low-carbon economy. We want to achieve these goals. among other things. by financing the development of renewable energy sources (RES), entities operating in the sectors of new technologies, as well as by actively participating in the government and EU programs aimed at reconstruction and climate transformation. The development and modernization of the Polish economy, supporting the service and use of state and EU programs.



**Our approach to growth** is focused on development of modern, digital tools supporting the work of our relationship managers. We pursue this aim by automating their work and providing them with market data, which increases their advisory competences and facilitates establishing long-term business relationships. In addition, we are significantly involved in ecological projects and the projects related to a responsible approach to running business. We are also developing international banking and we actively support foreign expansion of our clients. Our experience and know-how allow us to participate in key transactions on the Polish market.

**Strengthening the bank's effectiveness**, we focus on increasing the level of robotization and automation of both internal processes and the solutions available to clients. We are continuously expanding the scope of self-service operations in digital channels and the number of products available for online purchase.

**We develop our competences.** We show concern for the development, commitment and satisfaction of employees. We believe that they are the key to professional customer service. We are still trying to improve our substantive base and develop competence centers that support the entire bank and build the bank's position as a professional partner on financial markets.

**We are invariably building a customer-centric culture** and we want to be the first choice bank for our partners. We try to be close to our clients in order to quickly and accurately recognize and satisfy their needs. We provide advice based on our knowledge of client's profile, industry and segment. We inform clients about market signals and their possible consequences for business.

**Supporting sustainable economic development**, we actively support the government and EU programs for economic reconstruction and climate transformation (development and infrastructure projects for business clients and public sector units). We support and finance the energy transformation of our clients and the evolution towards green solutions. An important area of our activity is also cooperation with public sector entities, where, in addition to green investments, we are strongly involved in socially responsible projects which positively translate into the quality of life of residents, as well as their way of interacting with the environment.

**We manage our capital in a responsible way** by selecting better clients, products and transactions. We rely on sector expertise, flexible and specialized product offer and competences in structured finance (including DCM). This approach allows us to select the best financing for the client and ensures smooth service thanks to an appropriately constructed set of banking products.

#### **Cooperation with financial institutions and custody services**

The bank holds a leadership position in servicing domestic financial institutions, focusing on providing the highest quality services to insurance companies, investment funds, brokerage houses, financial sector infrastructure entities, cooperative banks as well as savings and credit unions. The range of services includes modern transactional banking products, clearing products, treasury products, custody services and custodian bank services, as well as the access to the comprehensive offer of the Pekao Group entities addressed to this segment of clients.

Under the corresponding banking, as at 30 September 2022, the Bank maintained 75 nostro accounts with 47 banks in 26 countries; it ran 218 loro accounts for 198 foreign clients (banks and other financial institutions) from 46 countries and 43 current accounts for 37 foreign financial institutions. The Bank also intermediated in the execution of transactions for clients of other domestic banks, running 35 loro accounts for 12 Polish banks and maintaining 5 nostro accounts with 1 Polish bank.

Implementing the Bank's strategy aimed at developing the cooperation of the Pekao Group with small and medium-sized enterprises, the Bank successfully acquires, together with its subsidiary: Pekao Leasing Sp. z o.o., financing from the leading development banks (European Investment Bank, Council of Europe Development Bank, Bank Gospodarstwa Krajowego). In the third quarter of 2022, Pekao Leasing Sp. z o.o. launched a loan tranche in the amount of EUR 100 million granted by the Council of Europe Development Bank. Under this financing, Pekao Leasing Sp. z o.o. committed itself to allocate a minimum of 20% of funds to investments supporting climate protection and environmental sustainable development. At the same time, the next 20% of this loan will be allocated to activities promoting gender equality and the development of female entrepreneurship. Bank Pekao S.A. is the arranger and underwriter in this transaction.

#### **Transactional banking**

As part of the transactional banking, in the third quarter of 2022:

- we started a pilot of a new form of handling cash payments with the use of trezor devices. The devices are installed in the bank's branches and enable the posting of customer payments on the basis of QR codes,
- we introduced the application of the NBP deposit rate for the product: Automatic Investment of Funds.

After 3 quarters of 2022, we recorded an increased number of the executed transactions:

- the number of Elixir domestic transfers increased by 7% y/y and the number of ExpressElixir instant transfers sent from PekaoBiznes24 rose by 296% y/y. (we maintain about 20% market share for domestic payments),
- the volume of transactions processed under Pekao Collect service increased by 30% (we process more than 42 million transactions with a total volume of over PLN 73 billion),
- the number of outgoing and incoming foreign transactions increased by 40% and 6% respectively y/y.

**Trade finance**

In the third quarter of 2022, we enabled our clients to use the guarantees of Bank Gospodarstwa Krajowego granted under the new portfolio factoring guarantee line under the LGF-FGK Crisis Guarantee Fund which serve as collateral for repayment of the new limits granted as part of the eFinancing service.

In the period of 3 quarters of 2022, we financed over 48 thousand invoices under the Open Financing Platform the amount of which was over PLN 1,3 billion - higher than in the corresponding period of 2021. We made the financing programs available to entities from other countries (such as Turkey, Bangladesh, China), and at the same time we doubled the number of suppliers using this solution. In the period of three quarters of 2022, the amount of newly opened letters of credit increased by about 80% as compared to three quarters of 2021 and the amount of import letters of credit rose by almost 63%.

**Cooperation with international clients**

The Bank granted loans and prepared comprehensive offers for short and long-term financing of international transactions and the offers for hedging risk of international transactions, supporting the expansion of Polish enterprises on both European markets and in developing countries. The Bank's clients can take advantage of the package of the most beneficial financial solutions adjusted to the model of the conducted business activity.

We signed an agreement with the Export Credit Insurance Corporation (KUKE), which enables KUKE to guarantee repayment of up to 80% of the value of loans granted by the Bank to exporters for their investments in Poland. This means that the bank can significantly increase the scale of financing offered to its clients with unchanged risk exposure indicators, as the collateral is guaranteed by the State Treasury. Entrepreneurs, on the other hand, can - on attractive terms - finance the investment aimed at increasing or creating production capacity for goods intended for export.

**Investment finance, structured finance and commercial real estate**

The Bank supports the development of enterprises and infrastructure through long-term financing of investments in different segments of the economy. We offer our clients the services in the field of investment banking, structured finance and financing of commercial real estate projects, including financing of the construction of warehouses.

In the third quarter of 2022, we:

- granted a loan for the acquisition of a foreign company from the renewable economy sector. The financing amounted to EUR 131 million. The bank acted as the MLA,
- provided financing to the leader of the Polish energy industry. The loan amount was PLN 4,000 million. The bank acted as one of the original lenders,
- granted a loan in the amount of EUR 47 million for the construction of warehouses in central Poland under continued cooperation with the largest developer of warehouse space on the Polish market,
- granted a term loan for PLN 550 million to a leading housing developer in Poland. The Bank acted as the MLA.

**Issuance of debt securities**

In the third quarter of 2022, the Bank participated in issuance of non-treasury debt securities (of corporate entities, banks and municipal units) for the total amount of nearly PLN 13 billion, of which the following transactions deserve special attention:

- the issue of 4-year bonds for the largest IT distributor in Poland for the amount of PLN 30 million, in which the Bank acted as the sole arranger and dealer,
- the issue of 1,5-year bonds for a developer of warehouse space for the amount of EUR 6 million, in which the Bank acted as the sole arranger and dealer,
- the issue of 1-year bonds for a company from the Group operating in the leasing industry for the amount of PLN 500 million, in which the Bank acted as arranger and dealer, and
- the issue of eight series of bonds denominated in EUR and PLN for a company from the Group operating in the factoring industry for the total amount being the equivalent of about PLN 5 billion, in which the Bank acted as the sole arranger and dealer.

**Comprehensive cooperation with the public sector units**

We are a leading bank in cooperation with and financing of public sector in Poland. We cooperate with 11 out of 12 Polish metropolises (92% market share) and we provide ongoing budget support for five of them. We cooperate with every fourth municipality in Poland (25% market share). We maintain business relationships with 92% of towns with county rights and we provide ongoing services to every fifth of them (21%). We also cooperate with every third county (37%) and with almost all provinces (94%). We are a major bank for state universities – 70 of them use our services.

We support public sector entities in the implementation of ESG projects. In the third quarter of 2022 we financed the following green projects: green transport for Gdańsk Buses and Trams (PLN 65 million), sport infrastructure for the Stadium in Zabrze (PLN 103 million).

Particularly noteworthy is the bank's participation in the project of retail treasury bond issue implemented by the Ministry of Finance, combined with the provision of working capital financing in the amount of PLN 200 million.

## 5.7 Factors which will affect the results of the Group

The activity of Bank Pekao S.A. and the Group's companies is in majority conducted on the Polish territory, hence the Group's performance will be mainly affected by economic situation in the country and international events that have influence on domestic economy.

2021 was a time of dynamic economic recovery, supported by the successes in fight against the pandemic and growing optimism. Polish GDP eventually grew by 5.9% y/y, reflecting the recovering business climate. For 2022, however, we forecast a slowdown in economic growth to 4.3% y/y after such a strong rebound in the previous year. This will be mainly due to the weakness of private consumption in Poland and the European Union (including consequences of very high inflation), tightening of monetary policy, possible delays in public investment, as well as the direct and indirect effects of the war in Ukraine. Economic outlook will have an impact on demand for banking products and possible changes in the cost of risk as a result of updated assumptions about the economic situation.

Monetary policy is an important factor influencing banks' performance. The economic situation and very high inflation (and its forecasts) have prompted the Monetary Policy Council to start a cycle of interest rate increases as early as October 2021. Over the past few months, the reference rate has been raised in several steps from 0.1% to 6.75%, already its highest level since 2004, and we expect it to eventually reach 7-7.5%. An environment of rising interest rates - especially in the current, very "steep" cycle - is a favourable situation for banks, which will translate into an improvement in their net interest income, the key part of the sector's operating income. On the other hand, however, high rates may have a negative impact on the demand for credit, as well as on the quality of the existing loan portfolio (possible problems with repayments for some borrowers).

Independently from economic situation, tax and regulatory environment invariably plays major role for banks. In particular, this includes tax on certain financial institutions, high capital requirements, contributions to Bank Guarantee Fund (BFG), costs of further adjustment to a number of regulatory solutions (MIFID II, RODO, PSD II, MREL, among others), as well as introduction in Poland of cap on asset management fees. The BFG Board's recent decisions to lower the target level of Deposit Guarantee Fund and postpone the target level of Restructuring Fund imply that BFG fees will be markedly lower over the medium term. Regardless, the tax and regulatory environment for the sector remains very restrictive, which, combined with the uncertain economic situation, may constrain banks' credit expansion and impact their financial results.

The issue of foreign currency mortgages continues to be one of the most important factors in the institutional environment. Considering no systemic solution in this matter, the banking system will be most affected by court decisions in individual cases. A number of events (i.a. the ruling of CJEU) has led towards higher number of borrowers seeking judicial resolution. This will have a strong negative impact on the performance of banks, especially those with a large portfolio of such loans. So far, the main channel of influence has been the reserves established by banks due the expected legal risk – they have strongly impacted the financial results for last two years. According to most estimates, the total costs for the sector may reach several dozen billion zlotys, but they are difficult to estimate and will be spread over time. Much will depend on, among others, the actual number of lawsuits (how many borrowers will decide to take legal action), the interpretation of national courts in individual cases, the reactions of national supervisory institutions or the actions of the banks themselves. Moreover, it cannot be ruled out that the issue of CHF loans will find a final solution by way of legislation.

Bank Pekao S.A. will monitor the direction of decisions made by Polish courts, as well as market practice and borrowers' behaviour, and will assess on an ongoing basis the probability of cash outflow with respect to the mortgage loans in question. However, the impact may be indirect in case of potential financial problems of some smaller institutions with a particularly large exposure to the discussed risk.

On 14 July, 2022, the Act on social financing for business ventures and support to borrowers was signed, as a result of which customers with PLN mortgage loan agreements were granted the right to suspend loan repayment on the following terms:

- from 1 August 2022 to 30 September 2022 – for a period of two months,
- from 1 October 2022 to 31 December 2022 - for a period of two months,
- from 1 January 2023 to 31 December 2023 - one month in each calendar quarter.

On the basis of the above-mentioned Of the Act, lenders were also required to make additional contributions to the Borrowers Support Fund in the total amount of PLN 1.4 billion by 31 December, 2022.

## 6. Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 30 September 2022 and 2021 respectively is presented in the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 9 months ended on 30 September 2022.

The Report on activities of Bank Pekao S.A. Group for the third quarter of 2022, includes statement of financial position in a short form and income statement in a presentation form as well as the key, selected items from these statements are discussed.

### Main P&L items

In the three quarters of 2022, we generated the net profit of the Bank Pekao S.A. Group attributable to the Bank's shareholders in the amount of PLN 831.5 million. This result is lower by PLN 649.7 million than the result achieved in the three quarters of 2021.

In the three quarters of 2022, the Group's operating income amounted to PLN 6,940.8 million and was higher by 11.1% in comparison with the three quarters of 2021, thanks to both net interest income and net fee and commission income.

- Net interest income in the three quarters of 2022, amounted to PLN 5,033.5 million and was higher by PLN 973.4 million, i.e. 24.0% in comparison with the three quarters of 2021. The net interest result for three quarters of 2022 includes the cost related to the modification of PLN mortgage loan agreements granted to consumers due to the suspension of their repayment in the amount of PLN 2,429 million.
- The Group's net fee and commission income in the three quarters of 2022, amounted to PLN 2,135.2 million and was higher by PLN 142.9 million i.e. 7.2% compared to three quarters 2021, mainly due to customer activity and the adaptation of the offer to the changing market conditions.
- Other net operating income and expenses in the three quarters of 2022 amounted to PLN 280.8 million and were lower by PLN 287.7 million than other net operating income and expenses in the three quarters of 2021, mainly due to creation of the provisions for reimbursement customers of increased margins on mortgage loans before establishing a mortgage in the amount of PLN 111.9 million, creation of a provision for legal risk regarding foreign currency mortgage loans in CHF, in the amount of PLN 128.5 million, revaluation of real estate in the amount of PLN 47.3 million and a lower result on commercial activities.

In the three quarters of 2022 the Group's operating costs amounted to PLN 3,045.5 million and were higher by PLN 181.9 million i.e. 6.4% compared to three quarters of 2021, significantly below inflation. In the second quarter of 2022 there were one-off costs in the IT area in the amount of approximately PLN 83 million gross.

Net allowances for expected credit losses excluding provisions for legal risk regarding foreign currency mortgage loans in CHF amounted to PLN 591.4 million in the three quarters of 2022 and was higher by PLN 92.6 million i.e. 18.6% as compared to three quarters of 2021. In the three quarters of 2022, the Group created provisions for the legal risk of foreign currency mortgage loans in CHF, in the amount of PLN 462.0 million, which charged the result on write-offs in the amount of PLN 333.5 million and other operating costs in the amount of PLN 128.5 million.

In the three quarters of 2022 the Contributions to the Bank Guarantee Fund amounted to PLN 267.2 million and were higher by PLN 7.9 million compared to three quarters of 2021.

On June 7, 2022 the Management Board and Supervisory Board of the Bank adopted resolutions on consent to submitting an application to the Polish Financial Supervision Authority for approval and recognition of the Protection Scheme the members of which are banks operating in the form of a joint-stock company with the draft agreement on the Protection Scheme referred to in Art. 4 sec. 1 point 9a of the Act of August 29, 1997 - Banking Law. In the three quarters of 2022, the Bank created a provision in the amount of PLN 482.1 million gross for payment to the above protection system.

### Contributions to the Borrowers Support Fund

On the basis of art. 89 sec. 1 of the Act of July 7, 2022 on crowdfunding of business ventures and assistance to borrowers, we created a provision in the amount of PLN 165.8 million for the Borrowers Support Fund.

Tax on certain financial institutions in the three quarters of 2022 amounted to PLN 638.5 million and was higher by PLN 106.0 million, i.e. 19.9% as compared to three quarters of 2021, due to an increase in Group's assets.

## Volumes

As at the end of September 2022, loans and advances at nominal value amounted to PLN 183,322.4 million an increase of PLN 11,901.0 million i.e. 6.9% in comparison to the end of September 2021. As at the end of September 2022 the volume of retail loans amounted to PLN 77,726.5 million an decrease of PLN 4,620.4 million i.e. 5.6%. As at the end of September 2022 corporate loans and non-treasury debt securities amounted to PLN 105,595.9 million, an increase of PLN 16,521.4 million, i.e. 18.5% in comparison to the end of September 2021, however with the growth in the segment of enterprises (24% y/y) and leasing receivables.

As at the end of September 2022 amounts due to the Group's customers and debt securities issued amounted to PLN 218,167.5 million an increase of PLN 13,655.3 million, i.e. 6.7% in comparison to the end of September 2021.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 17,469.2 million as at the end of September 2022 an decrease of PLN 4,290.0 million, i.e. 19.7% in comparison to the end of September 2021.

## 6.1 The consolidated income statement – presentation form

In the three quarters of 2022, we generated the net profit of the Bank Pekao S.A. Group, attributable to the Bank's shareholders in the amount of PLN 831.5 million. This result is lower by PLN 649.7 million than the result achieved in the three quarters of 2021. The following events had a negative impact on the result in three quarters of 2022:

- recognition of the cost related to the modification of PLN mortgage loan agreements granted to consumers due to the suspension of their loan repayments at the amount of PLN 2,429 million,
- recognition of fee paid for the Protection Scheme the members of which are banks operating in the form of a joint-stock company at the amount of PLN 482 million,
- creation of the provisions for legal risk regarding foreign currency mortgage loans in CHF, in the amount of PLN 462 million,
- incurring the costs of additional contributions to the Borrowers Support Fund amounted to PLN 166 million,
- creation of the provisions for reimbursement customers of increased margins on mortgage loans before establishing a mortgage in the amount of PLN 112 million.

(in PLN million)

	3 QUARTERS OF 2022	3 QUARTERS OF 2021	CHANGE
<b>Net interest income</b>	<b>5,033.5</b>	<b>4,060.1</b>	<b>24.0%</b>
<b>Net fee and commission income</b>	<b>2,135.2</b>	<b>1,992.3</b>	<b>7.2%</b>
Dividend income	26.8	26.7	0.4%
Trading result	26.2	160.3	(83.7%)
Net other operating income and expenses	(280.8)	6.9	x
<b>Net non-interest income</b>	<b>1,907.4</b>	<b>2,186.1</b>	<b>(12.7%)</b>
<b>Operating income</b>	<b>6,940.8</b>	<b>6,246.2</b>	<b>11.1%</b>
<b>Operating costs</b>	<b>(3,045.5)</b>	<b>(2,863.6)</b>	<b>6.4%</b>
<b>Gross operating profit</b>	<b>3,895.4</b>	<b>3,382.7</b>	<b>15.2%</b>
Net allowances for expected credit losses	(924.9)	(546.1)	69.4%
<b>Net operating profit</b>	<b>2,970.5</b>	<b>2,836.6</b>	<b>4.7%</b>
Contributions to the Bank Guarantee Fund	(267.2)	(259.3)	3.0%
Fee paid for the Protection Schemes	(482.1)	-	x
Contributions to the Borrowers Support Fund	(165.8)	-	x
Tax on certain financial institutions	(638.5)	(532.5)	19.9%
Gains (losses) on associates	3.1	1.0	> 100%
<b>Profit before tax</b>	<b>1,419.9</b>	<b>2,045.8</b>	<b>(30.6%)</b>
Income tax expense	(586.4)	(563.0)	4.2%
<b>Net profit</b>	<b>833.5</b>	<b>1,482.8</b>	<b>(43.8%)</b>
<b>Attributable to equity holders of the Bank</b>	<b>831.5</b>	<b>1,481.2</b>	<b>(43.9%)</b>
Attributable to non-controlling interest	2.0	1.6	25.0%

### Operating income

In the three quarters of 2022, the Group's operating income amounted to PLN 6,940.8 million and was higher by 11.1% in comparison with the three quarters of 2021, thanks to both net interest income and net fee and commission income.

### Total net interest income

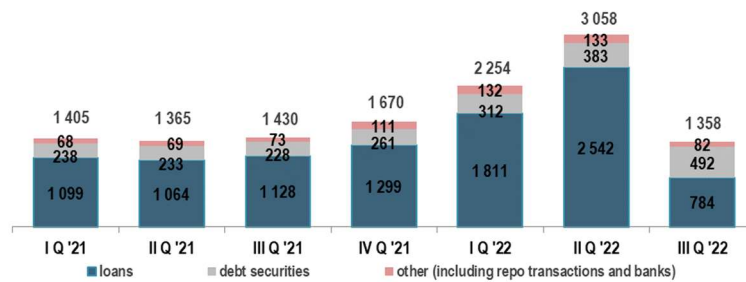
(in PLN million)

	3 QUARTERS OF 2022	3 QUARTERS OF 2021	CHANGE
Interest income	6,670.3	4,199.9	58.8%
Interest expense	(1,636.8)	(139.8)	>100%
<b>Net interest income</b>	<b>5,033.5</b>	<b>4,060.1</b>	<b>24.0%</b>

Net interest income in the three quarters of 2022, amounted to PLN 5,033.5 million and was higher by PLN 973.4 million, i.e. 24.0% in comparison with the three quarters of 2021. The net interest result for three quarters of 2022 includes the cost related to the modification of PLN mortgage loan agreements granted to consumers due to the suspension of their repayment in the amount of PLN 2,429 million.

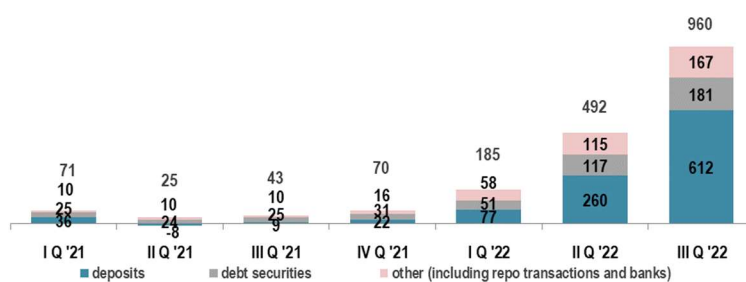


### Interest income



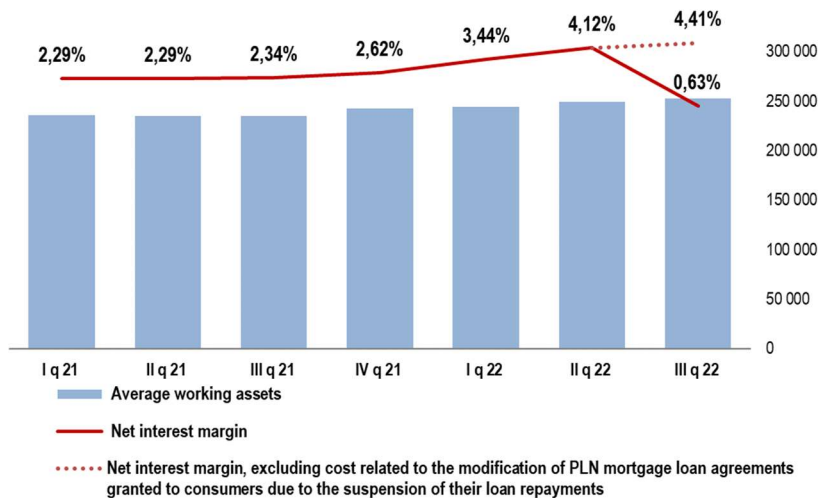
In the three quarters of 2022, the interest income amounted to PLN 6,670.3 million and was higher by PLN 2,470.4 million y/y, mainly due to the increase in market interest rates in the three quarters of 2022, despite the recognition of the cost of credit holidays.

### Interest expense



In the three quarters of 2022, the interest expense amounted to PLN 1,636.8 million and was higher by PLN 1,497.0 million y/y, due to the adaptation of the Bank's product offer to market conditions and customer expectations.

### Interest margin



The interest margin achieved in the three quarters of 2022 was 2.71% and was higher by 0.41 p.p. than the margin achieved in comparison with the three quarters of 2021. The interest margin, excluding cost related to the modification of PLN mortgage loan agreements granted to consumers due to the suspension of their loan repayments, amounted to 4.00% in the three quarters of 2022.



**Net non-interest income**

(in PLN million)

	3 QUARTERS OF 2022	3 QUARTERS OF 2021	CHANGE
Fee and commission income	2,575.9	2,380.3	8.2%
Fee and commission expense	(440.7)	(388.0)	13.6%
<b>Net fee and commission income</b>	<b>2,135.2</b>	<b>1,992.3</b>	<b>7.2%</b>
Dividend income	26.8	26.7	0.4%
Trading result	26.2	160.3	(83.7%)
Net other operating income and expense	(280.8)	6.9	x
<b>Net non-interest income</b>	<b>1,907.4</b>	<b>2,186.2</b>	<b>(12.8%)</b>

The non-interest income in the three quarters of 2022 amounted to 1,907.4 and was lower by PLN 278.8 million i.e. 12.8% compared to the result achieved in the previous year, mainly due to creation of the provisions for reimbursement customers of increased margins on mortgage loans before establishing a mortgage in the amount of PLN 111.9 million, creation of a provision for legal risk regarding foreign currency mortgage loans in CHF, in the amount of PLN 128.5 million, revaluation of real estate in the amount of PLN 47.3 million and a lower result on commercial activities.

The Group's net fee and commission income in the three quarters of 2022, amounted to PLN 2,135.2 million and was higher by PLN 142.9 million i.e. 7.2% compared to three quarters 2021, mainly due to customer activity and the adaptation of the offer to the changing market conditions.

The table below presents the Group's net fee and commission income divided according to the main areas of the activity.

(in PLN million)

	3 QUARTERS OF 2022	3 QUARTERS OF 2021	CHANGE
<b>Net fee and commission income</b>	<b>2,135.2</b>	<b>1,992.3</b>	<b>7.2%</b>
on loans	417.8	411.1	1.6%
on cards	222.2	183.1	21.4%
on mutual funds	226.3	276.2	(18.1%)
on brokerage activate	100.7	103.5	(2.7%)
on margins on foreign exchange transactions with clients	565.3	427.3	32.3%
other	602.9	591.1	2.0%

**Operating costs**

In the three quarters of 2022 the Group's operating costs amounted to PLN 3,045.5 million and were higher by PLN 181.9 million i.e. 6.4% compared to three quarters of 2021, significantly below inflation. In the second quarter of 2022 there were one-off costs in the IT area in the amount of approximately PLN 83 million gross (in the line Other administrative costs and depreciation of property plant and equipment and intangible assets).

(in PLN million)

	3 QUARTERS OF 2022	3 QUARTERS OF 2021	CHANGE
Personnel expenses	(1,708.3)	(1,685.3)	1.4%
General administrative expenses and depreciation	(1,337.2)	(1,178.3)	13.5%
<b>Operating costs</b>	<b>(3,045.5)</b>	<b>(2,863.6)</b>	<b>6.4%</b>

In the three quarters of 2022 cost / income ratio amounted to 43.9% and was lower by 2 p.p. y/y.

As of 30 September 2022 the Group employed 14,645 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 14,790 employees as at the end of September 2021.

**Contributions to the Bank Guarantee Fund**

In the three quarters of 2022 the Contributions to the Bank Guarantee Fund amounted to PLN 267.2 million and were higher by PLN 7.9 million compared to three quarters of 2021.

**Fee paid for the Protection Schemes**

On June 7, 2022 the Management Board and Supervisory Board of the Bank adopted resolutions on consent to submitting an application to the Polish Financial Supervision Authority for approval and recognition of the Protection Scheme the members of which are banks operating in the form of a joint-stock company with the draft agreement on the Protection Scheme referred to in Art. 4 sec. 1 point 9a of the Act of August 29, 1997 - Banking Law. In the three quarters of 2022, the Bank created a provision in the amount of PLN 482.1 million gross for payment to the above protection system.

### Contributions to the Borrowers Support Fund

On the basis of art. 89 sec. 1 of the Act of July 7, 2022 on crowdfunding of business ventures and assistance to borrowers, we created a provision in the amount of PLN 165.8 million for the Borrowers Support Fund.

### Tax on certain financial institutions

Tax on certain financial institutions in the three quarters of 2022 amounted to PLN 638.5 million and was higher by PLN 106.0 million i.e. 19.9% as compared to three quarters of 2021, due to an increase in Group's assets.

## 6.2 Net allowances for expected credit losses

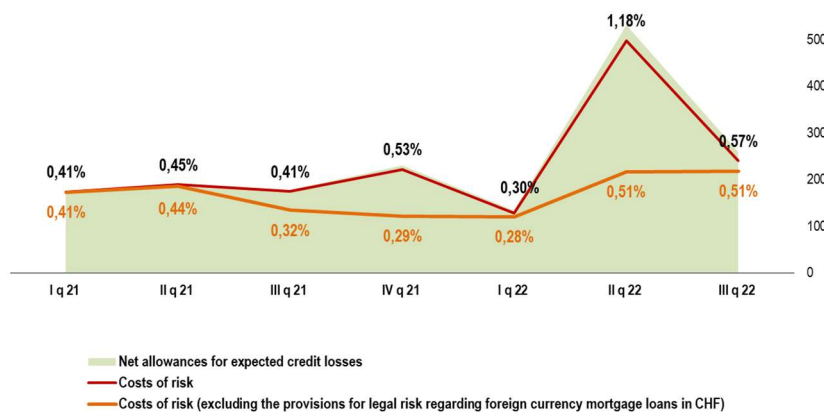
(in PLN million)

	GROUP		BANK PEKAO S.A.	
	3 QUARTERS OF 2022	3 QUARTERS OF 2021	3 QUARTERS OF 2022	3 QUARTERS OF 2021
financial assets measured at amortized cost excluding provisions for legal risk regarding foreign currency mortgage loans in CHF	(605.2)	(575.8)	(574.5)	(557.6)
financial assets measured at fair value through other comprehensive income	10.1	36.1	15.3	26.0
financial liabilities measured at amortized cost	3.6	40.9	26.3	57.7
<b>Net allowances for expected credit losses excluding provisions for legal risk regarding foreign currency mortgage loans in CHF</b>	<b>(591.4)</b>	<b>(498.8)</b>	<b>(532.9)</b>	<b>(473.9)</b>
financial assets measured at amortized cost - provisions for legal risk regarding foreign currency mortgage loans in CHF	(333.5)	(47.3)	(333.0)	(44.0)
<b>Net allowances for expected credit losses</b>	<b>(924.9)</b>	<b>(546.1)</b>	<b>(865.9)</b>	<b>(517.9)</b>

Net allowances for expected credit losses excluding provisions for legal risk regarding foreign currency mortgage loans in CHF amounted to PLN 591.4 million in the three quarters of 2022 and was higher by PLN 92.6 million i.e. 18.6% as compared to three quarters of 2021.

In the three quarters of 2022, the Group created provisions for the legal risk of foreign currency mortgage loans in CHF, in the amount of PLN 462.0 million, which charged the result on write-offs in the amount of PLN 333.5 million and other operating costs in the amount of PLN 128.5 million.

### Costs of risk



The costs of risk excluding provisions for legal risk regarding foreign currency mortgage loans in CHF in the three quarters of 2022 amounted to 0.44% and stabilized at around 50 bps.

### 6.3 The structure of the net profit

(in PLN million)

	3 QUARTERS OF 2022	3 QUARTERS OF 2021	CHANGE
<b>Net profit of Bank Pekao S.A.</b>	<b>941.3</b>	<b>1 442.6</b>	<b>(34.7%)</b>
<b>Entities consolidated under full method</b>			
Pekao Leasing Sp. z o.o.	82.4	60.6	36.0%
Pekao Investment Management S.A.	46.6	67.5	(31.0%)
Pekao Faktoring Sp. z o.o.	28.6	29.9	(4.3%)
Pekao Financial Services Sp. z o.o.	7.2	11.8	(39.0%)
Pekao Investment Banking S.A.	6.3	6.8	(7.4%)
Centrum Kart S.A.	6.0	4.8	25.0%
Pekao Direct Sp. z o.o.	2.6	0.0	x
Pekao Fundusz Kapitałowy Sp. z o.o. w likwidacji	1.2	0.6	>100%
FPB "MEDIA" Sp. z o.o. w upadłości	0.4	(0.2)	x
Pekao Property S.A. w likwidacji	0.0	0.0	x
PEUF Sp. z o.o. (*)	(0.1)	(0.3)	(66.7%)
Pekao Bank Hipoteczny S.A.	(88.1)	3.5	x
Dom Inwestycyjny Xelion Sp. z o.o. (**)	-	1.3	x
<b>Entities valued under the equity method</b>			
Krajowy Integrator Płatności S.A. (***)	3.1	1.0	>100%
Exclusions and consolidation adjustments (****)	(206.0)	(148.7)	38.5%
<b>Net profit of the Group attributable to equity holders of the Bank</b>	<b>831.5</b>	<b>1,481.2</b>	<b>(43.9%)</b>

(\*) In 2021 Pekao Leasing Sp. z o.o., a company of the Bank, acquired 100% of Metsi Sp. Z o.o. with its seat in Warsaw, which then changed its name to PeUF Sp. z o.o. in Warsaw, which constitutes 100% of the votes at the shareholders' meeting of PeUF Sp. z o.o. and deals with the distribution of the distribution.

(\*\*) On October 29.,2021, a promised agreement was signed for the sale of 100% of shares in Dom Inwestycyjny Xelion Sp. z o.o. - the Company's result for 10 months of 2021 is included in the Group's results.

(\*\*\*) On 31 March, 2021 the purchase transaction was completed, as a result of which the Bank became the owner of shares representing 38.33% of the capital and entitling to 38.33% votes at the General Meeting of Krajowy Integrator Płatności SA with its registered office in Poznań a Tpay.com guide.

(\*\*\*\*) Includes, among others transactions within the Group (including dividends from subsidiaries for the previous years), and net profit attributable to non-controlling interest.

## Results of the Bank's major related entities

### ***Pekao Leasing Sp. z o.o. - Pekao Leasing***

In the three quarters of 2022 Pekao Leasing generated a net profit of **PLN 82.4 million**, compared to a profit of PLN 60.6 million in the three quarters of 2021. The result was achieved thanks to an increase in revenues by 19.9% y/y, while maintaining strict control of operating costs and risk costs.

### ***Pekao Investment Management S.A. - Pekao IM***

Consolidated net profit of Pekao IM in the three quarters of 2022 amounted to **PLN 46.6 million**, compared to PLN 67.5 million in the three quarters of 2021. The decrease in the result was due to the situation on the capital market, which translated into a decrease in the value of Pekao TFI assets and another statutory limitation of remuneration rates for management from 1 January 2022.

### ***Pekao Faktoring Sp. z o.o. - Pekao Faktoring***

In the three quarters of 2022, Pekao Faktoring generated a net profit of **PLN 28.6 million** compared to a profit of PLN 29.9 million in the three quarters of 2021. Despite the dynamic increase in factoring turnover (37% y/y), the lower result was influenced by the implementation by the Company of the new methodology of write-offs according to the NDD (New Default Default), in accordance with the EBA guidelines specified in the regulation of the European Parliament and of the Council (EU). Pekao Faktoring ranks first in the turnover on the Polish factoring market.

### ***Pekao Investment Banking S.A. - Pekao IB***

In the three quarters of 2022, Pekao IB achieved a net profit of **PLN 7.2 million**, compared to a profit of PLN 11.8 million in the three quarters of 2021. The profit was influenced by a smaller number of finalized transactions in the area of advisory services on the private and public capital market and debt advisory services compared to the same period last year.

### ***Centrum Kart S.A. – Centrum Kart***

In the three quarters of 2022, Centrum Kart achieved a comparable net profit to the three quarters of 2021 of **PLN 6.3 million**.

### ***Pekao Financial Services Sp. z o.o. - PFS***

In the three quarters of 2022, PFS generated a net profit of PLN 6.0 million (including the Bank's share of **PLN 3.0 million**), compared to a profit of PLN 4.8 million in the three quarters of 2021. The net result was higher mainly due to the effects of strict cost control, with an increase in revenues achieved among others from servicing the PPK program.

### ***Krajowy Integrator Płatności S.A.- KIP***

In the three quarters of 2022, KIP generated a net profit of PLN 7.3 million (including the Bank's share of **PLN 3.0 million**), compared to a profit of PLN 5.4 million achieved after three quarters of 2021. The increase in the result was due to the increase in the scale of KIP's operations in the area of online payments, service websites, extending the possibilities of services provided by KIP, including in cooperation with Bank Pekao S.A.

### ***Pekao Direct Sp. z o.o. - Pekao Direct***

In the three quarters of 2022, Pekao Direct reported a net profit of **PLN 1.2 million**, compared to a profit of PLN 0.6 million in the three quarters of 2021. The improvement in the result was driven by the higher revenues obtained thanks to the growth of the customer base and increased business activity for the Bank.

### ***Pekao Bank Hipoteczny S.A. - Pekao Bank Hipoteczny***

In the three quarters of 2022, Pekao Bank Hipoteczny reported a net loss of **PLN 88.1 million** compared to a profit of PLN 3.5 million in the three quarters of 2021. The loss results mainly from the recognition of costs related to the modification of PLN mortgage loan agreements granted to consumers due to the suspension of their loan and costs of additional contributions to the Borrowers Support Fund.

**The results of Bank Pekao S.A.**

The main items from the Bank's income statement in presentation form are as follows:

(in PLN million)

	3 QUARTERS OF 2022	3 QUARTERS OF 2021	CHANGE
Net interest income	4 888.7	3 879.3	26.0%
Net non-interest income	1 824.3	2 027.1	(10.0%)
<b>Operating income</b>	<b>6 713.0</b>	<b>5 906.3</b>	<b>13.7%</b>
<b>Operating costs</b>	<b>(2 812.5)</b>	<b>(2 642.2)</b>	<b>6.4%</b>
<b>Gross operating profit</b>	<b>3 900.4</b>	<b>3 264.1</b>	<b>19.5%</b>
Net allowances for expected credit losses	(865.9)	(517.9)	67.2%
<b>Net operating profit</b>	<b>3 034.6</b>	<b>2 746.2</b>	<b>10.5%</b>
Contributions to the Bank Guarantee Fund	(264.7)	(257.6)	2.8%
Fee paid for the Protection Schemes	(482.1)	-	x
Contributions to the Borrowers Support Fund	(153.5)	-	x
Tax on certain financial institutions	(638.5)	(532.5)	19.9%
Gains (losses) on subsidiaries	0.0	(0.2)	x
<b>Profit before tax</b>	<b>1 495.8</b>	<b>1 955.9</b>	<b>(23.5%)</b>
<b>Net profit</b>	<b>941.3</b>	<b>1 442.6</b>	<b>(34.7%)</b>

Net profit of Bank Pekao S.A. in the three quarters of 2022 amounted to PLN 941.3 million and was lower by PLN 501.3 million than the result achieved in the three quarters of 2021.

The main Bank's financial information are as follows:

	30.09.2022	30.09.2021	CHANGE
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b>			
(in PLN million)			
Loans and advances at nominal value <sup>(*)</sup>	170 326.6	158 328.7	7.6%
Amounts due to customers	206 970.4	196 253.9	5.5%
Structured Certificates of Deposit	829.7	-	x
Certificates of Deposit	2 158.8	-	x
Subordinated bonds	2 750.0	2 750.0	0.0%
Repo transactions	2 148.8	-	x
<b>Total assets</b>	<b>268 880.2</b>	<b>236 535.7</b>	<b>13.7%</b>
Investment funds distributed through the Bank's network	15 837.1	20 070.8	(21.1%)
<b>Total capital ratio in %</b>	<b>18.8%</b>	<b>19.5%</b>	<b>(0.7 p.p.)</b>

(\*) Including loans and non-treasury debt securities.

Loans and advances at nominal value at the end of September 2022 amounted to PLN 170,326.6 million and were higher by PLN 11,997.9 million i.e. 7.6% than at the end of September 2021. At the end of September 2022 retail loans amounted to PLN 75,250.7 million and corporate loans - PLN 83,161.3 million.

Amounts due to customers, Structured Certificates of Deposit, Certificates of Deposit and Subordinated Bonds at the end of September 2022 amounted to PLN 212,708.9 million and were higher by PLN 13,705.0 million i.e. 6.9% compared to the end of September 2021.

Net assets of investment funds managed by Pekao TFI S.A. distributed by the Bank's network at the end of September 2022 amounted to PLN 15,837.1 million and was lower by PLN 4,233.7 million i.e. 21.1% compared to the end of September 2021.

## 6.4 Structure of the consolidated statement of financial position – short form

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of September 2022, the total assets of Bank Pekao S.A. constitutes 96.2% of the total assets of the whole Group.

ASSETS	30.09.2022		30.09.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	17,879.3	6.4%	7,346.1	3.0%	> 100%
Loans and advances to banks <sup>(*)</sup>	6,096.3	2.2%	5,117.0	2.1%	19.1%
Loans and advances to customers <sup>(**)</sup>	175,896.2	62.9%	165,335.8	66.8%	6.4%
Reverse repo transactions	975.1	0.3%	1,832.8	0.7%	(46.8%)
Securities <sup>(***)</sup>	52,105.3	18.6%	56,639.6	22.9%	(8.0%)
Investments in associates	46.6	0.0%	43.2	0.0%	7.9%
Property, plant and equipment and intangible assets	3,734.8	1.3%	3,937.2	1.6%	(5.1%)
Other assets	22,828.9	8.2%	7,109.1	2.9%	> 100%
<b>Total assets</b>	<b>279,562.5</b>	<b>100.0%</b>	<b>247,360.8</b>	<b>100.0%</b>	<b>13.0%</b>

(\*) Including net investments in financial leases to banks.

(\*\*) Including net investments in financial leases to customers and non-treasury debt securities.

(\*\*\*) Including financial assets held for trading, other financial instruments at fair value through profit and loss and excluding non-treasury debt securities.

EQUITY AND LIABILITIES	30.09.2022		30.09.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	-	0.0%	-	0.0%	x
Amounts due to other banks	9,141.3	3.3%	7,528.6	3.0%	21.4%
Amounts due to customers	206,779.9	74.0%	195,841.5	79.2%	5.6%
Debt securities issued	8,551.1	3.1%	5,900.2	2.4%	44.9%
Subordinated liabilities	2,836.5	1.0%	2,770.5	1.1%	2.4%
Repo transactions	2,148.8	0.8%	-	0.0%	x
Lease liabilities	312.4	0.1%	352.2	0.1%	(11.3%)
Other liabilities	28,843.3	10.3%	9,968.7	4.0%	> 100%
Total equity including	20,949.2	7.5%	24,999.1	10.1%	(16.2%)
non-controlling interests	12.2	0.0%	11.8	0.0%	3.4%
<b>Total equity and liabilities</b>	<b>279,562.5</b>	<b>100.0%</b>	<b>247,360.8</b>	<b>100.0%</b>	<b>13.0%</b>

**Customers' Financing  
Armed conflict in Ukraine**

On 24 February 2022, there was an armed attack by Russia and Belarus on Ukraine. On the day the conflict broke out the Bank launched increased monitoring of the situation of customers from Russia, Belarus and Ukraine.

In terms of credit risk, the Group identifies the following threats:

- credit loss risk for exposures to entities from Russia, Belarus and Ukraine, with the Bank's exposure in this regard mostly covered by KUKE policies.
- the risk that the conflict will translate into deterioration of the economic and credit conditions for the rest of the portfolio (through the raw material price growth channel, disruption of economic relations, deterioration of consumer sentiment, etc.).

As at 30 September 2022 the Group's balance sheet net exposure to countries involved in the conflict amounted to 257 million (which represents 0.15% of the Group's total exposure).

**Customer structure of loans and advances**

(in PLN million)

	30.09.2022	30.09.2021	CHANGE
<b>Loans and advances at nominal value <sup>(*)</sup></b>	<b>183,322.4</b>	<b>171,421.4</b>	<b>6.9%</b>
Loans and investments in financial leases	173,494.6	161,021.1	7.7%
Retail	77,726.5	82,346.9	(5.6%)
Corporate	95,768.1	78,674.2	21.7%
Non-treasury debt securities	9,827.8	10,400.3	(5.5%)
Other <sup>(**)</sup>	1,882.6	1,849.9	1.8%
<b>Impairment allowances</b>	<b>(9,308.8)</b>	<b>(7,935.5)</b>	<b>17.3%</b>
<b>Total net receivables</b>	<b>175,896.2</b>	<b>165,335.8</b>	<b>6.4%</b>
Reverse repo transactions	973.6	1,832.8	(46.9%)
<b>Total Customers' financing <sup>(***)</sup></b>	<b>184,296.0</b>	<b>173,254.2</b>	<b>6.4%</b>

(\*) Excluding reverse repo transactions.

(\*\*) Including interest and receivables in transit.

(\*\*\*) Total customers' financing includes loans and advances at nominal value, securities issued by non-monetary entities and reverse repo transactions.

As at the end of September 2022, loans and advances at nominal value amounted to PLN 183,322.4 million an increase of PLN 11,901.0 million, i.e. 6.9% in comparison to the end of September 2021.

As at the end of September 2022, the volume of retail loans amounted to PLN 77,726.5 million an decrease of PLN 4,620.4 million, i.e. 5.6%.

As at the end of September 2022 corporate loans and non-treasury debt securities amounted to PLN 105,595.9 million an increase of PLN 16,521.4 million, i.e. 18.5% in comparison to the end of September 2021, however with the growth in the segment of enterprises (24% y/y) and leasing receivables.

**Receivables and impairment losses <sup>(\*)</sup>**

(in PLN million)

	30.09.2022	30.09.2021	CHANGE
<b>Gross receivables</b>	<b>185,205.0</b>	<b>173,271.3</b>	<b>6.9%</b>
Stage 1	153,906.5	136,963.9	12.4%
Stage 2	20,791.4	26,801.4	(22.4%)
Stage 3	10,507.1	9,506.0	10.5%
<b>Impairment allowances</b>	<b>(9,308.8)</b>	<b>(7,935.5)</b>	<b>17.3%</b>
Stage 1	(827.5)	(566.0)	46.2%
Stage 2	(1,386.3)	(1,217.0)	13.9%
Stage 3	(7,095.0)	(6,152.5)	15.3%
<b>Total net receivables</b>	<b>175,896.2</b>	<b>165,335.8</b>	<b>6.4%</b>

(\*) Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

As at the end of September 2022 the ratio of impaired receivables (stage 3) to the gross receivables amounted to 5.7%.

**Loans and advances to customers by currency <sup>(\*)</sup>**

	30.09.2022		30.09.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	147,045.9	79.4%	143,485.9	82.8%	2.5%
Denominated in foreign currencies <sup>(**)</sup>	38,159.1	20.6%	29,785.4	17.2%	28.1%
<b>Total</b>	<b>185,205.0</b>	<b>100.0%</b>	<b>173,271.3</b>	<b>100.0%</b>	<b>6.9%</b>
Impairment allowances	(9,308.8)	x	(7,935.5)	x	17.3%
<b>Total net</b>	<b>175,896.2</b>	<b>x</b>	<b>165,335.8</b>	<b>x</b>	<b>6.4%</b>

<sup>(\*)</sup> Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

<sup>(\*\*)</sup> Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish zloty, as at the end of September 2022 their share was 79.4%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (85.5%), CHF (7.4%) and USD (5.7%).

**Loans and advances to customers by contractual maturities <sup>(\*)</sup>**

	30.09.2022		30.09.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	27,779.8	15.0%	16,397.9	9.5%	69.4%
1 to 3 months	8,539.3	4.6%	7,953.8	4.6%	7.4%
3 months to 1 year	17,580.8	9.5%	19,122.0	11.0%	(8.1%)
1 to 5 years	57,689.0	31.1%	58,922.0	34.0%	(2.1%)
Over 5 years	66,596.0	36.0%	64,718.3	37.4%	2.9%
Past due	5,137.5	2.8%	4,307.5	2.5%	19.3%
Other	1,882.6	1.0%	1,849.8	1.1%	1.8%
<b>Total</b>	<b>185,205.0</b>	<b>100.0%</b>	<b>173,271.3</b>	<b>100.0%</b>	<b>6.9%</b>
Impairment allowances	(9,308.8)	x	(7,935.5)	x	17.3%
<b>Total net</b>	<b>175,896.2</b>	<b>x</b>	<b>165,335.8</b>	<b>x</b>	<b>6.4%</b>

<sup>(\*)</sup> Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

As at the end of September 2022 loans and advances with maturity over 5 years represents 36.0% of total loans and advances (mainly attributed to mortgage loans, investment loans and non-treasury debt securities).

Information on loan concentration is included in the Note to the Interim Condensed Separate Financial Statements of Bank Pekao S.A. for the period of 9 months ended on 30 September 2022.



**External sources of financing**

(in PLN million)

	30.09.2022	30.09.2021	CHANGE
Amounts due to Central Bank	-	-	x
Amounts due to other banks	9,141.3	7,528.6	21.4%
Amounts due to customers	206,779.9	195,841.5	5.6%
Debt securities issued	8,551.1	5,900.2	44.9%
Subordinated liabilities	2,836.5	2,770.5	2.4%
Repo transactions	2,148.8	-	x
<b>Total external sources of financing</b>	<b>229,457.6</b>	<b>212,040.8</b>	<b>8.2%</b>

The deposit base is widely diversified and is sourced from retail and corporate customers. In addition, the Group uses also funds borrowed on the interbank market. The Group is not dependent on any single customer nor group of customers.

**Amounts due to customers and debt securities issued**

(in PLN million)

	30.09.2022	30.09.2021	CHANGE
<b>Corporate deposits</b>	<b>93,414.7</b>	<b>81,124.0</b>	<b>15.2%</b>
Non-financial entities	71,935.5	59,686.5	20.5%
Non-banking financial entities	6,429.9	4,825.4	33.3%
Budget entities	15,049.3	16,612.1	(9.4%)
<b>Retail deposits</b>	<b>112,308.6</b>	<b>114,305.0</b>	<b>(1.7%)</b>
Other (*)	1,056.6	412.5	>100%
<b>Amounts due to customers(**)</b>	<b>206,779.9</b>	<b>195,841.5</b>	<b>5.6%</b>
<b>Debt securities issued, of which</b>	<b>11,387.6</b>	<b>8,670.7</b>	<b>31.3%</b>
Structured Certificates of Deposit (SCD)	829.7	-	x
Certificates of Deposit	2,158.8	-	x
Subordinated bonds	2,750.0	2,750.0	0.0%
Pekao Bank Hipoteczny S.A. covered bonds	936.4	1,244.0	(24.7%)
Pekao Bank Hipoteczny S.A. bonds	7.0	156.1	(95.5%)
Pekao Leasing Sp. z o.o. bonds	1,747.6	2,365.3	(26.1%)
Pekao Faktoring Sp. z o.o. bonds	2,813.8	2,130.5	32.1%
Interest	144.3	24.8	>100%
<b>Amounts due to customers and debt securities issued (**)</b>	<b>218,167.5</b>	<b>204,512.2</b>	<b>6.7%</b>
Lease liabilities	312.4	352.2	(11.3%)
Repo transactions	2,148.8	-	x
<b>Amounts due to customers and debt securities issued total (***)</b>	<b>220,628.7</b>	<b>204,864.4</b>	<b>7.7%</b>
<b>Investment funds of Pekao TFI S.A. (ex. Pioneer Pekao TFI)</b>	<b>17,469.2</b>	<b>21,759.2</b>	<b>(19.7%)</b>
Bond and money market funds	12,988.0	16,068.5	(19.2%)
Balanced funds	2,237.6	3,182.8	(29.7%)
Equity funds	1,779.5	2,244.0	(20.7%)
PPK	464.0	263.9	75.8%
including distributed through the Group's network	16,483.6	21,000.3	(21.5%)

(\*) Other item includes interest and funds in transit.

(\*\*) Excluding repo transactions and lease liabilities.

(\*\*\*) Including repo transactions and lease liabilities.

As at the end of September 2022 amounts due to the Group's customers and debt securities issued amounted to PLN 218,167.5 million an increase of PLN 13,655.3 million, i.e. 6.7% in comparison to the end of September 2021.

The total volume of retail deposits, Structured Certificates of Deposit and other amounted to PLN 114,005.6 million as at the end of September 2022 an decrease of PLN 665.7 million, i.e. 0.6% in comparison to the end of September 2021.

The total volume of corporate deposits, Certificates of Deposit, Subordinated bonds, Pekao Bank Hipoteczny S.A. covered bonds and bonds Pekao Leasing Sp. z o.o. bonds Pekao Faktoring Sp. z o.o. bonds interest and other amounted to PLN 104,161.9 million as at the end of September 2022, an increase of PLN 14,321.0 million, i.e. 15.9% as compared to the end of September 2021.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 17,469.2 million as at the end of September 2022 an decrease of PLN 4,290.0 million, i.e. 19.7% in comparison to the end of September 2021.

**Amounts due to customers by currency <sup>(\*)</sup>**

	30.09.2022		30.09.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	168,293.5	81.4%	163,945.3	83.7%	2.7%
Denominated in foreign currencies	38,486.4	18.6%	31,896.1	16.3%	20.7%
<b>Total</b>	<b>206,779.9</b>	<b>100.0%</b>	<b>195,841.5</b>	<b>100.0%</b>	<b>5.6%</b>

<sup>(\*)</sup> Including interest and amounts due in transit and excluding repo transactions and lease liabilities.

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of September 2022 amounted to 81.4%. The majority of amounts due to customers denominated in foreign currencies were in EUR (60.4%) and USD (33.6%).

**Amounts due to customers by contractual maturities <sup>(\*)</sup>**

	30.09.2022		30.09.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	160,402.2	78.0%	181,645.6	92.9%	(11.7%)
Term deposits	45,321.1	22.0%	13,783.4	7.1%	>100%
<b>Total deposits</b>	<b>205,723.3</b>	<b>100.0%</b>	<b>195,428.9</b>	<b>100.0%</b>	<b>5.3%</b>
Interest accrued	203.2	x	5.0	x	>100%
Funds in transit	853.5	x	407.5	x	>100%
<b>Total</b>	<b>206,779.9</b>	<b>x</b>	<b>195,841.5</b>	<b>x</b>	<b>5.6%</b>

<sup>(\*)</sup> Excluding repo transactions and lease liabilities.

## 6.5 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
<b>Total provisions</b>	<b>1,095.4</b>	<b>909.3</b>	<b>1,124.9</b>	<b>958.1</b>
of which:				
provisions for off-balance sheet commitments	367.6	344.8	426.4	412.8
provisions for liabilities to employees	270.3	386.3	261.6	377.7
other provisions	457.5	178.2	436.9	167.6
<b>Deferred tax liabilities</b>	<b>23.5</b>	<b>25.8</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets</b>	<b>2,080.5</b>	<b>1,555.8</b>	<b>1,391.7</b>	<b>1,250.3</b>

## 6.6 Off-balance sheet items

### Statement of Off-balance sheet items

(in PLN million)

	30.09.2022	30.09.2021	CHANGE
Contingent liabilities granted and received	94,106.2	80,026.7	17.6%
Liabilities granted:	61,464.2	57,472.7	6.9%
financial	48,476.1	43,246.1	12.1%
guarantees	12,988.1	14,226.6	(8.7%)
Liabilities received:	32,642.0	22,554.0	44.7%
financial	465.8	1,068.8	(56.4%)
guarantees	32,176.2	21,485.2	49.8%
Derivative financial instruments	517,186.1	444,766.4	16.3%
interest rate transactions	334,922.2	283,489.2	18.1%
transactions in foreign currency and in gold	174,075.9	155,203.8	12.2%
transactions based on commodities and equity securities	8,188.0	6,073.4	34.8%
<b>Total off-balance sheet items</b>	<b>611,292.3</b>	<b>524,793.1</b>	<b>16.5%</b>

Information on loan concentration is included in the 33 Notes to the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 9 months ended on 30 September 2022.

## 6.7 Capital adequacy

### Bank Pekao S.A. Group

Capital ratios are the basic measure applied for the measurement of capital adequacy according to Regulation of the European Parliament and of the Council (EU) No 575/2013 of June 26, 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012, which entered into force since January 1, 2014 together with further amendments, in particular Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, as well as Commission Implementing Regulations or Delegated Regulations (EU) (CRR Regulation).

Capital ratios, capital requirements and own funds have been calculated in accordance with the above mentioned CRR Regulation using national options defined in article 171a of The Banking Act, Act of 5 August 2015 on macro-prudential supervision over financial system and crisis management in financial system (Act on macro-prudential supervision), as well as regulations of minister in charge of the finance institutions.

According to law, the Group and the Bank are required to maintain minimal values of capital ratios resulting from Pillar I level (CRR Regulation), capital requirement of Pillar II resulting from The Banking Act and combined buffer requirement resulting from Act on macro-prudential supervision.

Minimal value of capital ratios on Pillar I level are:

- Total capital ratio (TCR) in amount of 8%,
- Tier I capital ratio (T1) in amount of 6%,
- Common Equity Tier I capital ratio (CET 1) in amount of 4.5%.

Bank and Group do not have any capital requirement of Pillar II.

Combined buffer requirement as at 30 September 2022 consists of:

- Capital conservation buffer in amount of 2.50%,
- Countercyclical capital buffer in amount of 0.00%<sup>1</sup>,
- Other systemically important institution buffer in amount of 0.75%<sup>2</sup>,
- Systemic risk buffer in amount of 0.00%<sup>3</sup>,

In total, Group and Bank are required to maintain:

- Total capital ratio (TCR) in amount of 11.26%,
- Capital ratio Tier I (T1) in amount of 9.26%,
- Common Equity Tier (CET 1) in amount of 7.76%.

<sup>1</sup> Countercyclical capital buffer was calculated as of September 30, 2022 at the level 0.0077% for Bank and 0.0097% for Group.

<sup>2</sup> On September 16, 2022, the Polish Financial Supervisory Commission requested the Financial Stability Committee to issue an opinion on increasing the O-SII buffer for the Bank by 0.25% to 1.0%. The FSC, on September 23, 2022, issued a favorable opinion on imposition an O-SII buffer equivalent to 1.0% on the Bank. The final decision will be issued by the Polish Financial Supervisory Commission after obtaining the FCS's position. The Bank will inform about the completion of the aforementioned proceedings and decision regarding the buffer in a separate report.

<sup>3</sup> According to the Regulation of the Minister of Finance, the systemic risk buffer was abolished on March 19, 2020. The buffer value applicable until that date was 3% of the total risk exposure amount for all exposures located only in the territory of the Republic of Poland.

The capital ratios of the Group and the Bank were significantly above the minimum required by the law.

As of 30 September, 2022 Group total capital ratio amounted to 16.8% and common equity Tier I ratio amounted to 15.0%.

The table below presents the basic information concerning the Group capital adequacy as of 30 September, 2022, 31 December, 2021 and 30 September, 2021.

(in PLN thousand)

<b>CAPITAL REQUIREMENT</b>	<b>30.09.2022</b>	<b>31.12.2021<sup>(*)</sup></b>	<b>30.09.2021</b>
Credit Risk	10,559,404	10,756,386	10,556,321
Market Risk	91,899	112,121	100,430
Counterparty credit risk including CVA	340,574	253,316	326,266
Operational risk	1,018,388	848,430	854,962
<b>Total capital requirement</b>	<b>12,010,265</b>	<b>11,970,253</b>	<b>11,837,979</b>
<b>OWN FUNDS</b>			
Common Equity Tier I Capital	22,533,634	23,659,934	23,250,342
Tier II Capital	2,750,000	2,750,000	2,750,000
<b>Own funds for total capital ratio</b>	<b>25,283,634</b>	<b>26,409,934</b>	<b>26,000,342</b>
<b>Common Equity Tier I Capital ratio (%)</b>	<b>15.0%</b>	<b>15.8%</b>	<b>15.7%</b>
<b>Total capital ratio TCR (%)</b>	<b>16.8%</b>	<b>17.7%</b>	<b>17.6%</b>

<sup>(\*)</sup> Data have been recalculated taking into account the retrospective recognition of part of the profit, in accordance with the EBA position expressed in Q&A 2018\_3822 and Q&A 2018\_4085.

Total Capital Ratio of Pekao Group as at the end of September 2022 was lower by 0.8 p.p. compared to the end of September 2021, mainly due decrease of own funds by 2.8% and higher capital requirements by 1.5%. Common equity Tier I Capital Ratio of Pekao Group as at the end of September 2022 was lower by 0.7 p.p. compared to the end of September 2021.

Decrease of own funds for total capital ratio results mainly from lower IFRS 9 and HTC&S transitional period as well as decrease of HTC&S portfolio valuation.

Increase of total capital requirement results mainly from higher operational risk capital requirement mainly due to increase of provisions for loans denominated in foreign currencies.

## 6.8 Reconciliation of income statement – presentation form and long form

### Consolidated income statement for 2022

<b>INCOME STATEMENT – PRESENTATION FORM'S ITEMS</b>	<b>LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM</b>	<b>3 QUARTERS OF 2022</b>
<b>Net interest income</b>	<b>Net interest income</b>	<b>5,033,486</b>
<b>Net fee and commission income</b>	<b>Net fee and commission income</b>	<b>2,135,173</b>
Dividend income	Dividend income	26,790
Trading result	-	26,171
	Net result on other financial instruments at fair value through profit and loss	34,156
	Result on fair value hedge accounting	1,963
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(9,948)
<b>Net other operating income and expenses</b>	<b>Net other operating income and expenses</b>	<b>(280,777)</b>
	Operating income	88,878
	Operating expenses	(369,655)
<b>Net non-interest income</b>	-	<b>1,907,357</b>
<b>Operating income</b>	-	<b>6,940,843</b>
<b>Operating costs</b>	-	<b>(3,045,479)</b>
	General administrative expenses depreciation	(4,599,185)
	less - Contributions to the Bank Guarantee Fund	267,219
	Less - Fee paid for the Protection Schemes	482,140
	less - Contributions to the Borrowers Support Fund	165,835
	less – Tax on certain financial institutions	638,512
<b>Gross operating profit</b>	-	<b>3,895,364</b>
Net allowances for expected credit losses	Net allowances for expected credit losses	(924,869)
<b>Net operating profit</b>	-	<b>2,970,495</b>
Contributions to the Bank Guarantee Fund	Contributions to the Bank Guarantee Fund	(267,219)
Fee paid for the Protection Schemes	Fee paid for the Protection Schemes	(482,140)
	Contributions to the Borrowers Support Fund	(165,835)
Tax on certain financial institutions	Tax on certain financial institutions	(638,512)
Gains (losses) on associates	-	3,122
<b>Profit before income tax</b>	<b>Profit before income tax</b>	<b>1,419,911</b>
Income tax expense	Income tax expense	(586,394)
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b>833,517</b>
<b>Attributable to equity holders of the Bank</b>	<b>Attributable to equity holders of the Bank</b>	<b>831,507</b>
Attributable to non-controlling interest	Attributable to non-controlling interest	2,010

**Consolidated income statement for 2021**

<b>INCOME STATEMENT – PRESENTATION FORM'S ITEMS</b>	<b>LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM</b>	<b>3 QUARTERS OF 2021</b>
<b>Net interest income</b>	<b>Net interest income</b>	<b>4,060,109</b>
<b>Net fee and commission income</b>	<b>Net fee and commission income</b>	<b>1,992,274</b>
Dividend income	Dividend income	26,659
Trading result	-	160,268
	Net result on other financial instruments at fair value through profit and loss	120,363
	Result on fair value hedge accounting	2,981
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	36,924
Net other operating income and expenses	Net other operating income and expenses	6,915
	Operating income	75,527
	Operating expenses	(68,612)
<b>Net non-interest income</b>	-	<b>2,186,116</b>
<b>Operating income</b>	-	<b>6,246,225</b>
<b>Operating costs</b>	-	<b>(2,863,566)</b>
	General administrative expenses depreciation	(3,655,417)
	less - Contributions to the Bank Guarantee Fund	259,338
	less – Tax on certain financial institutions	532,513
<b>Gross operating profit</b>	-	<b>3,382,659</b>
Net allowances for expected credit losses	Net allowances for expected credit losses	(546,071)
<b>Net operating profit</b>	-	<b>2,836,588</b>
Contributions to the Bank Guarantee Fund	Contributions to the Bank Guarantee Fund	(259,338)
Tax on certain financial institutions	Tax on certain financial institutions	(532,513)
Gains (losses) on associates	-	1,048
<b>Profit before income tax</b>	<b>Profit before income tax</b>	<b>2,045,785</b>
Income tax expense	Income tax expense	(562,966)
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b>1,482,819</b>
<b>Attributable to equity holders of the Bank</b>	<b>Attributable to equity holders of the Bank</b>	<b>1,481,208</b>
Attributable to non-controlling interest	Attributable to non-controlling interest	1,611

## 7. Quarterly Income Statement

### 7.1 Consolidated income statement

#### Consolidated income statement for 2022 and 2021

(in PLN thousand)

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Interest income	1,357,913	3,058,208	2,254,139	1,670,439	1,430,228	1,364,910	1,404,779
Interest income calculated using the effective interest method	1,512,453	3,090,641	2,183,403	1,574,704	1,354,688	1,296,270	1,336,590
Financial assets measured at amortised cost	1,352,082	2,967,493	2,073,383	1,476,990	1,259,802	1,180,899	1,191,489
Financial assets measured at fair value through other comprehensive income	160,371	123,148	110,020	97,714	94,886	115,371	145,101
Other interest income related to financial assets measured at fair value through profit or loss	(154,540)	(32,433)	70,736	95,735	75,540	68,640	68,189
Interest expense	(960,022)	(491,699)	(185,053)	(69,787)	(43,170)	(25,458)	(71,180)
<b>Net interest income</b>	<b>397,891</b>	<b>2,566,509</b>	<b>2,069,086</b>	<b>1,600,652</b>	<b>1,387,058</b>	<b>1,339,452</b>	<b>1,333,599</b>
Fee and commission income	872,750	866,981	836,184	849,692	842,719	800,788	736,798
Fee and commission expense	(158,431)	(151,121)	(131,190)	(154,451)	(139,062)	(128,034)	(120,935)
<b>Net fee and commission income</b>	<b>714,319</b>	<b>715,860</b>	<b>704,994</b>	<b>695,241</b>	<b>703,657</b>	<b>672,754</b>	<b>615,863</b>
Dividend income	440	26,074	276	3	1,062	25,597	-
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	20,509	(39,778)	53,425	9,482	27,197	64,559	28,607
Result on fair value hedge accounting	(404)	1,197	1,170	723	335	847	1,799
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	1,357	(7,095)	(4,210)	(7,061)	2,917	23,194	10,813
Net allowances for expected credit losses	(259,850)	(530,575)	(134,444)	(232,127)	(178,138)	(191,900)	(176,033)
Operating income	36,384	23,884	28,610	46,019	28,846	27,944	18,737
Operating expenses	(141,176)	(199,060)	(29,419)	(69,134)	(25,146)	(28,495)	(14,971)
General administrative expenses and depreciation	(1,354,898)	(1,797,035)	(1,447,252)	(1,091,843)	(1,099,275)	(1,139,277)	(1,416,865)
Gains (losses) on associates	1,465	565	1,092	3,880	693	355	-
<b>Profit / loss before income tax</b>	<b>(583,963)</b>	<b>760,546</b>	<b>1,243,328</b>	<b>955,835</b>	<b>849,206</b>	<b>795,030</b>	<b>401,549</b>
Income tax expense	40,859	(291,813)	(335,440)	(262,096)	(217,841)	(189,672)	(155,453)
<b>Net profit / loss</b>	<b>(543,104)</b>	<b>468,733</b>	<b>907,888</b>	<b>693,739</b>	<b>631,365</b>	<b>605,358</b>	<b>246,096</b>
<b>Attributable to equity holders of the Bank</b>	<b>(543,583)</b>	<b>467,925</b>	<b>907,165</b>	<b>693,689</b>	<b>630,780</b>	<b>604,780</b>	<b>245,648</b>
Attributable to non-controlling interests	479	808	723	50	585	578	448



## 7.2 Consolidated statement of comprehensive income

### Consolidated statement of comprehensive income for 2022 and 2021

(in PLN thousand)

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
<b>Net profit / loss</b>	<b>(543,104)</b>	<b>468,733</b>	<b>907,888</b>	<b>693,739</b>	<b>631,365</b>	<b>605,358</b>	<b>246,096</b>
<b>Other comprehensive income</b>							
<b>Item that are or may be reclassified subsequently to profit or loss:</b>							
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	(61,235)	(297,356)	(454,162)	(700,846)	(97,002)	(274,631)	(200,938)
Profit or loss on fair value measurement	(57,938)	(295,037)	(449,834)	(697,980)	(94,533)	(257,773)	(194,753)
Profit or loss reclassification to income statement after derecognition	(3,297)	(2,319)	(4,328)	(2,866)	(2,469)	(16,858)	(6,185)
Impact of revaluation of derivative instruments hedging cash flows (net)	42,254	(987,309)	(800,343)	(1,132,204)	(232,201)	(100,101)	(271,771)
<b>Items that will never be reclassified to profit or loss:</b>							
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	(5,833)	(45,946)	(21,309)	(23,774)	(36,638)	31,262	35,952
Remeasurements of the defined benefit liabilities (net)	-	14,251	-	38,710	-	-	-
<b>Other comprehensive income (net of tax)</b>	<b>(24,814)</b>	<b>(1,316,360)</b>	<b>(1,275,814)</b>	<b>(1,818,114)</b>	<b>(365,841)</b>	<b>(343,470)</b>	<b>(436,757)</b>
<b>Total comprehensive income</b>	<b>(567,918)</b>	<b>(847,627)</b>	<b>(367,926)</b>	<b>(1,124,375)</b>	<b>265,524</b>	<b>261,888</b>	<b>(190,661)</b>
<b>Attributable to equity holders of the Bank</b>	<b>(568,397)</b>	<b>(848,435)</b>	<b>(368,649)</b>	<b>(1,124,462)</b>	<b>264,939</b>	<b>261,310</b>	<b>(191,109)</b>
Attributable to non-controlling interests	479	808	723	87	585	578	448

## 7.3 Consolidated income statement – presentation form

### Consolidated income statement for 2022 and 2021

(in PLN thousand)

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
<b>Net interest income</b>	<b>397,891</b>	<b>2,566,509</b>	<b>2,069,086</b>	<b>1,600,652</b>	<b>1,387,058</b>	<b>1,339,452</b>	<b>1,333,599</b>
Net fee and commission income	714,319	715,860	704,994	695,241	703,657	672,754	615,863
Dividend income	440	26,074	276	3	1,062	25,597	-
Trading result	21,462	(45,676)	50,385	3,144	30,449	88,600	41,219
Net other operating income and expenses	(104,792)	(175,176)	(809)	(23,115)	3,700	(551)	3,766
<b>Net non-interest income</b>	<b>631,429</b>	<b>521,082</b>	<b>754,846</b>	<b>675,273</b>	<b>738,868</b>	<b>786,400</b>	<b>660,848</b>
<b>Operating income</b>	<b>1,029,320</b>	<b>3,087,591</b>	<b>2,823,932</b>	<b>2,275,925</b>	<b>2,125,926</b>	<b>2,125,852</b>	<b>1,994,447</b>
Operating costs	(981,886)	(1,085,318)	(978,275)	(875,464)	(892,798)	(932,720)	(1,038,048)
<b>Gross operating profit</b>	<b>47,434</b>	<b>2,002,273</b>	<b>1,845,657</b>	<b>1,400,461</b>	<b>1,233,128</b>	<b>1,193,132</b>	<b>956,399</b>
Net allowances for expected credit losses	(259,850)	(530,575)	(134,444)	(232,127)	(178,138)	(191,900)	(176,033)
<b>Net operating profit</b>	<b>(212,416)</b>	<b>1,471,698</b>	<b>1,711,213</b>	<b>1,168,334</b>	<b>1,054,990</b>	<b>1,001,232</b>	<b>780,366</b>
Contributions to the Bank Guarantee Fund	57,040	(57,040)	(267,219)	(29,969)	(27,120)	(28,861)	(203,357)
Fee paid for the Protection Schemes	(41,838)	(440,302)	-	-	-	-	-
Contributions to the Borrowers Support Fund	(165,835)	-	-	-	-	-	-
Tax on certain financial institutions	(222,379)	(214,375)	(201,758)	(186,410)	(179,357)	(177,696)	(175,460)
Gains (losses) on associates	1,465	565	1,092	3,880	693	355	-
<b>Profit / loss before income tax</b>	<b>(583,963)</b>	<b>760,546</b>	<b>1,243,328</b>	<b>955,835</b>	<b>849,206</b>	<b>795,030</b>	<b>401,549</b>
Income tax expense	40,859	(291,813)	(335,440)	(262,096)	(217,841)	(189,672)	(155,453)
<b>Net profit / loss</b>	<b>(543,104)</b>	<b>468,733</b>	<b>907,888</b>	<b>693,739</b>	<b>631,365</b>	<b>605,358</b>	<b>246,096</b>
<b>Attributable to equity holders of the Bank</b>	<b>(543,583)</b>	<b>467,925</b>	<b>907,165</b>	<b>693,689</b>	<b>630,780</b>	<b>604,780</b>	<b>245,648</b>
Attributable to non-controlling interest	479	808	723	50	585	578	448

## 8. Other Information

### 8.1 Management Board position regarding the possibility of achieving previously published forecasts

The Bank has not published the forecast of the financial results for 2022.

### 8.2 Shares in the Bank and related entities held by the Bank's Directors

According to information available to the Bank as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the third quarter of 2022 and as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the first half of 2022 the Members of the Bank's management and supervisory bodies did not held shares of Bank Pekao S.A.

### 8.3 Pending litigations

Information on significant legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of liabilities and receivables of the Bank and its subsidiaries is included in Note 33 to the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 9 months ended on 30 September 2022.

### 8.4 Information on derivative financial instruments and hedge accounting

Information on derivative financial instruments and hedge accounting is included in Note 25 to the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 9 months ended on 30 September 2022.

### 8.5 Related party transactions

In the third quarter of 2022 the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm's length.

In the third quarter of 2022 the Bank and its subsidiaries did not provide any sureties in respect of loans or advances or did not provide any guarantees to an entity or a subsidiary of such entity, which the total value would be significant.

Detailed information on related party transactions is included in Note 35 to the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 9 months ended on 30 September 2022.

### 8.6 Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in Note 5 to the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 9 months ended on 30 September 2022.

### 8.7 Seasonality or cyclical nature of the Bank's activity

The demand for the financial services offered by the Bank is stable with no material impact of seasonal changes. Due to the nature of the Bank's activity, it is not subject to seasonal or cyclical changes.

### 8.8 Issuance, redemption and repayment of debt securities

#### Structured Certificates of Deposit

Structured Certificates of Deposit are investment products for the Bank's clients that form an alternative to traditional banks' deposits. The total value of the Bank's liabilities relating to these products amounted to PLN 829.7 (principal value) as at the end of September 2022. There are 6 issuance of Structured Certificates of Deposit open in PLN with the maximum maturity date on 26 September 2023.

#### Certificates of Deposit

Certificates of Deposit are investment products denominated in PLN that guarantee 100% protection of invested funds also in case of termination before redemption date. The total value of the Bank's liabilities under these products amounted to PLN 2,158.8 million (principal value) as at the end of September 2022. There are 5 issuances of Certificates of Deposit, with the maximum maturity date on 15 June 2023.

**Subordinated bonds**

On 30 October 2017 the Bank issued 10 years subordinated bonds with a total nominal value of 1.25 PLN billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 21 December 2017 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 15 October 2018 the Bank issued 10 years subordinated bonds with a total nominal value of PLN 0.55 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 16 November 2018 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 15 October 2018 the Bank issued 15 years subordinated bonds with a total nominal value of PLN 0.20 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 18 October 2018 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 4 June 2019 the Bank issued 12 years subordinated bonds with a total nominal value of PLN 0.35 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 8 July 2019 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 4 December 2019 the Bank issued 12 years subordinated bonds with a total nominal value of PLN 0.40 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 10 December 2019 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

**Pekao Bank Hipoteczny S.A. covered bonds**

The total value of the company's liabilities due to covered bonds amounted to PLN 936.4 million (principal value) as at the end of September 2022. Liabilities from covered bonds with maturity up to 1 year account for 9.5%, up to 2 years account for 14.9% up to 3 years account for 26.0% up to 5 years account for 40.1%, up to 10 years account for 9.5% of the total nominal value.

**Pekao Bank Hipoteczny S.A. bonds**

The total value of the company's liabilities under bonds amounted to PLN 7.0 million (principal value) as at the end of September 2022 with maturity date up to 1 month the total nominal value.

**Pekao Leasing Sp. z o.o. bonds**

The total value of the company's liabilities under bonds amounted to PLN 1.747.6 million (principal value) as at the end of September 2022 with maturity date up to 3 months account for 22.3%, up to 6 months account for 27.9%, and up to 2 years account for 49.8% of the total nominal value.

**Pekao Faktoring Sp. z o.o. bonds**

The total value of the company's liabilities under bonds with maturity date to 3 months amounted to PLN 2,813.8 million (principal value) as at the end of September 2022.

## 8.9 Subsequent events

### **Positive opinion of the Financial Stability Committee regarding a change of the other systemically important institution buffer for Bank Polska Kasa Opieki S.A.**

With reference to the report No, 20/2022 dated 23 September 2022, Bank hereby informs that received a positive opinion of the Financial Stability Committee (FSC) regarding imposition on the Bank the O-SII buffer, equivalent to 1,00% of the total risk exposure amount calculated in accordance with art, 92 par, 3 of the Regulation of the European Parliament and of the Council (EU) No, 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No, 648/2012.

A final decision will be taken by the Polish Financial Supervision Authority after obtaining the FSC's position, The Bank will inform in a separate report about the completion of the proceedings and decision regarding the O-SII buffer.

### **Signing of annex to the significant loan agreement – update inside information**

On 21, October 2022, Bank signed with the Bank's Client the annex to significant agreement on a Multi-Purpose Loan Limit secured by the State Treasury guarantee, The annex increases the amount of the loan by PLN 4,8 billion ie to the amount of PLN 9,6 billion and is secured by the State Treasury guarantee.

The transaction has been approved by the Supervisory Board of the Bank.

Due to the form of collateral, financing is excluded from the Bank's large exposure concentration limit.

Due to the dependence of the entry into force of the annex on the establishment of security in the form of a guarantee of the State Treasury, at the moment of signing the annex to the agreement, the transaction has no material effect on the Bank's solvency ratios.

The liquidity profile of the Bank also remains safe and the surplus above the regulatory requirements significantly exceeds the total amount of the transaction.

# **Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 9 months ended on 30 September 2022**



**Warsaw, November 2022**

*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

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## I. Consolidated income statement

	NOTE	III QUARTER 2022 PERIOD FROM 01.07.2022 TO 30.09.2022	3 QUARTERS 2022 PERIOD FROM 01.01.2022 TO 30.09.2022	III QUARTER 2021 PERIOD FROM 01.07.2021 TO 30.09.2021 RESTATED	3 QUARTERS 2021 PERIOD FROM 01.01.2021 TO 30.09.2021 RESTATED
Interest income	8	1 357 913	6 670 260	1 430 228	4 199 917
Interest income calculated using the effective interest method		1 512 453	6 786 497	1 354 688	3 987 548
Financial assets measured at amortised cost		1 352 082	6 392 958	1 259 802	3 632 190
Financial assets measured at fair value through other comprehensive		160 371	393 539	94 886	355 358
Other interest income related to financial assets measured at fair value through profit or loss		(154 540)	(116 237)	75 540	212 369
Interest expense	8	(960 022)	(1 636 774)	(43 170)	(139 808)
<b>Net interest income</b>		<b>397 891</b>	<b>5 033 486</b>	<b>1 387 058</b>	<b>4 060 109</b>
Fee and commission income	9	872 750	2 575 915	842 719	2 380 305
Fee and commission expense	9	(158 431)	(440 742)	(139 062)	(388 031)
<b>Net fee and commission income</b>		<b>714 319</b>	<b>2 135 173</b>	<b>703 657</b>	<b>1 992 274</b>
Dividend income	10	440	26 790	1 062	26 659
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	11	20 509	34 156	27 197	120 363
Result on fair value hedge accounting		(404)	1 963	335	2 981
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	12	1 357	(9 948)	2 917	36 924
Net allowances for expected credit losses	13	(259 850)	(924 869)	(178 138)	(546 071)
Operating income	14	36 384	88 878	28 846	75 527
Operating expenses	14	(141 176)	(369 655)	(25 146)	(68 612)
General administrative expenses and depreciation	15	(1 354 898)	(4 599 185)	(1 099 275)	(3 655 417)
Gains / losses on associates	16	1 465	3 122	693	1 048
<b>PROFIT / LOSS BEFORE INCOME TAX</b>		<b>(583 963)</b>	<b>1 419 911</b>	<b>849 206</b>	<b>2 045 785</b>
Income tax expense	17	40 859	(586 394)	(217 841)	(562 966)
<b>NET PROFIT / LOSS</b>		<b>(543 104)</b>	<b>833 517</b>	<b>631 365</b>	<b>1 482 819</b>
1. Attributable to equity holders of the Bank		(543 583)	831 507	630 780	1 481 208
2. Attributable to non-controlling interests		479	2 010	585	1 611
Earnings per share (in PLN per share)					
basic for the period	18	(2.07)	3.17	2.40	5.64
diluted for the period	18	(2.07)	3.17	2.40	5.64

Notes to the financial statements presented on pages 20 – 82 constitute an integral part of the condensed interim consolidated financial statements.



## II. Consolidated statement of comprehensive income

	III QUARTER 2022 PERIOD FROM 01.07.2022 TO 30.09.2022	3 QUARTERS 2022 PERIOD FROM 01.01.2022 TO 30.09.2022	III QUARTER 2021 PERIOD FROM 01.07.2021 TO 30.09.2021 RESTATED	3 QUARTERS 2021 PERIOD FROM 01.01.2021 TO 30.09.2021 RESTATED
<b>Net profit / loss</b>	<b>(543 104)</b>	<b>833 517</b>	<b>631 365</b>	<b>1 482 819</b>
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	(61 235)	(812 753)	(97 002)	(572 571)
Profit or loss on fair value measurement	(57 938)	(802 809)	(94 533)	(547 059)
Profit or loss reclassification to income statement after derecognition	(3 297)	(9 944)	(2 469)	(25 512)
Impact of revaluation of derivative instruments hedging cash flows (net)	42 254	(1 745 398)	(232 201)	(604 073)
<b>Items that will never be reclassified to profit or loss:</b>				
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	(5 833)	(73 088)	(36 638)	30 576
Remeasurements of the defined benefit liabilities (net)	-	14 251	-	-
<b>Other comprehensive income (net of tax)</b>	<b>(24 814)</b>	<b>(2 616 988)</b>	<b>(365 841)</b>	<b>(1 146 068)</b>
<b>Total comprehensive income</b>	<b>(567 918)</b>	<b>(1 783 471)</b>	<b>265 524</b>	<b>336 751</b>
1. Attributable to equity holders of the Bank	(568 397)	(1 785 481)	264 939	335 140
2. Attributable to non-controlling interests	479	2 010	585	1 611

Notes to the financial statements presented on pages 20 – 82 constitute an integral part of the condensed interim consolidated financial statements.

### III. Consolidated statement of financial position

	NOTE	30.09.2022	31.12.2021
<b>ASSETS</b>			
Cash and due from Central Bank	20	17 879 295	4 696 620
Loans and advances to banks	21	6 096 288	3 328 087
Derivative financial instruments (held for trading)	22	18 764 046	7 928 539
Hedging instruments		360 936	78 216
Loans and advances to customers (including receivables from finance leases)	23	166 963 839	159 228 756
Securities	24	59 550 459	67 320 567
Assets pledged as security for liabilities	25	2 462 279	846 097
Assets held for sale		12 034	12 744
Investments in associates		46 582	44 035
Intangible assets	26	2 159 278	2 300 382
Property, plant and equipment	27	1 575 523	1 830 231
Income tax assets		2 397 826	1 865 347
1. Current tax assets		317 336	216 539
2. Deferred tax assets	17	2 080 490	1 648 808
Other assets		1 294 116	1 086 984
<b>TOTAL ASSETS</b>		<b>279 562 501</b>	<b>250 566 605</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Amounts due to Central Bank		-	-
Amounts due to other banks	28	9 141 333	8 575 469
Financial liabilities held for trading	29	630 512	639 733
Derivative financial instruments (held for trading)	22	18 454 911	7 969 343
Amounts due to customers	30	209 241 118	195 161 943
Hedging instruments		4 867 617	2 221 732
Debt securities issued	31	8 551 138	5 355 355
Subordinated liabilities		2 836 484	2 761 474
Income tax liabilities		25 273	29 871
1. Current tax liabilities		1 814	4 966
2. Deferred tax liabilities	17	23 459	24 905
Provisions	32	1 095 355	883 108
Other liabilities		3 769 546	3 105 291
<b>TOTAL LIABILITIES</b>		<b>258 613 287</b>	<b>226 703 319</b>
<b>Equity</b>			
Share capital		262 470	262 470
Other capital and reserves		18 038 410	19 554 958
Retained earnings and net profit for the period		2 636 128	4 034 001
<b>Total equity attributable to equity holders of the Bank</b>		<b>20 937 008</b>	<b>23 851 429</b>
Non-controlling interests		12 206	11 857
<b>TOTAL EQUITY</b>		<b>20 949 214</b>	<b>23 863 286</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>279 562 501</b>	<b>250 566 605</b>

Notes to the financial statements presented on pages 20 – 82 constitute an integral part of the condensed interim consolidated financial statements.

## IV. Consolidated statement of changes in equity

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	TOTAL EQUITY	
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES					OTHER
<b>Equity as at 1.01.2022</b>	<b>262 470</b>	<b>19 554 958</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 684 220</b>	<b>(1 618 480)</b>	<b>369 538</b>	<b>4 034 001</b>	<b>23 851 429</b>	<b>11 857</b>	<b>23 863 286</b>
<b>Comprehensive income</b>	-	<b>(2 616 988)</b>	-	-	-	<b>(2 616 988)</b>	-	<b>831 507</b>	<b>(1 785 481)</b>	<b>2 010</b>	<b>(1 783 471)</b>
Remeasurements of the defined benefit liabilities (net of tax)	-	14 251	-	-	-	14 251	-	-	14 251	-	14 251
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(812 753)	-	-	-	(812 753)	-	-	(812 753)	-	(812 753)
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(73 088)	-	-	-	(73 088)	-	-	(73 088)	-	(73 088)
Revaluation of cash flow hedging financial instruments (net of tax)	-	(1 745 398)	-	-	-	(1 745 398)	-	-	(1 745 398)	-	(1 745 398)
Net profit for the period	-	-	-	-	-	-	-	831 507	831 507	2 010	833 517
<b>Appropriation of retained earnings</b>	-	<b>1 100 409</b>	-	-	<b>1 116 336</b>	-	<b>(15 927)</b>	<b>(2 229 030)</b>	<b>(1 128 621)</b>	<b>(1 560)</b>	<b>(1 130 181)</b>
Dividend paid	-	-	-	-	-	-	-	(1 128 621)	(1 128 621)	(1 560)	(1 130 181)
Profit appropriation to other reserves	-	1 100 409	-	-	1 116 336	-	(15 927)	(1 100 409)	-	-	-
<b>Other</b>	-	<b>31</b>	-	-	<b>31</b>	-	-	<b>(350)</b>	<b>(319)</b>	<b>(101)</b>	<b>(420)</b>
Other	-	31	-	-	31	-	-	(350)	(319)	(101)	(420)
<b>Equity as at 30.09.2022</b>	<b>262 470</b>	<b>18 038 410</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>10 800 587</b>	<b>(4 235 468)</b>	<b>353 611</b>	<b>2 636 128</b>	<b>20 937 008</b>	<b>12 206</b>	<b>20 949 214</b>

Notes to the financial statements presented on pages 20 – 82 constitute an integral part of the condensed interim consolidated financial statements.

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	TOTAL EQUITY	
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES					OTHER
<b>Equity as at 1.01.2021</b>	<b>262 470</b>	<b>22 243 269</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 386 555</b>	<b>1 355 621</b>	<b>381 413</b>	<b>2 977 889</b>	<b>25 483 628</b>	<b>11 349</b>	<b>25 494 977</b>
<b>Comprehensive income</b>	-	<b>(2 964 219)</b>	-	-	-	<b>(2 964 219)</b>	-	<b>2 174 897</b>	<b>(789 322)</b>	<b>1 698</b>	<b>(787 624)</b>
Remeasurements of the defined benefit liabilities (net of tax)	-	38 673	-	-	-	38 673	-	-	38 673	37	38 710
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(1 273 417)	-	-	-	(1 273 417)	-	-	(1 273 417)	-	(1 273 417)
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	6 802	-	-	-	6 802	-	-	6 802	-	6 802
Revaluation of cash flow hedging financial instruments (net of tax)	-	(1 736 277)	-	-	-	(1 736 277)	-	-	(1 736 277)	-	(1 736 277)
Net profit for the period	-	-	-	-	-	-	-	2 174 897	2 174 897	1 661	2 176 558
<b>Appropriation of retained earnings</b>	-	<b>275 908</b>	-	-	<b>287 783</b>	-	<b>(11 875)</b>	<b>(1 118 437)</b>	<b>(842 529)</b>	<b>(1 088)</b>	<b>(843 617)</b>
Dividend paid	-	-	-	-	-	-	-	(842 529)	(842 529)	(1 088)	(843 617)
Profit appropriation to other reserves	-	275 908	-	-	287 783	-	(11 875)	(275 908)	-	-	-
<b>Other</b>	-	-	-	-	<b>9 882</b>	<b>(9 882)</b>	-	<b>(348)</b>	<b>(348)</b>	<b>(102)</b>	<b>(450)</b>
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	9 882	(9 882)	-	-	-	-	-
Other	-	-	-	-	-	-	-	(348)	(348)	(102)	(450)
<b>Equity as at 31.12.2021</b>	<b>262 470</b>	<b>19 554 958</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 684 220</b>	<b>(1 618 480)</b>	<b>369 538</b>	<b>4 034 001</b>	<b>23 851 429</b>	<b>11 857</b>	<b>23 863 286</b>

Notes to the financial statements presented on pages 20 – 82 constitute an integral part of the condensed interim consolidated financial statements.

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	TOTAL EQUITY	
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES					OTHER
<b>Equity as at 1.01.2021</b>	<b>262 470</b>	<b>22 243 269</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 386 555</b>	<b>1 355 621</b>	<b>381 413</b>	<b>2 977 889</b>	<b>25 483 628</b>	<b>11 349</b>	<b>25 494 977</b>
<b>Comprehensive income</b>	-	<b>(1 134 599)</b>	-	-	<b>11 469</b>	<b>(1 146 068)</b>	-	<b>1 481 208</b>	<b>346 609</b>	<b>1 611</b>	<b>348 220</b>
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt financial instruments measured at fair value through other comprehensive income (net of tax)	-	(572 571)	-	-	-	(572 571)	-	-	(572 571)	-	(572 571)
Revaluation or sale of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	42 045	-	-	11 469	30 576	-	-	42 045	-	42 045
Revaluation of hedging financial instruments (net of tax)	-	(604 073)	-	-	-	(604 073)	-	-	(604 073)	-	(604 073)
Net profit for the period	-	-	-	-	-	-	-	1 481 208	1 481 208	1 611	1 482 819
<b>Appropriation of retained earnings</b>	-	<b>275 908</b>	-	-	<b>287 783</b>	-	<b>(11 875)</b>	<b>(1 118 437)</b>	<b>(842 529)</b>	<b>(1 088)</b>	<b>(843 617)</b>
Dividend paid	-	-	-	-	-	-	-	(842 529)	(842 529)	(1 088)	(843 617)
Profit appropriation to other reserves	-	275 908	-	-	287 783	-	(11 875)	(275 908)	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	<b>(350)</b>	<b>(350)</b>	<b>(102)</b>	<b>(452)</b>
Other	-	-	-	-	-	-	-	(350)	(350)	(102)	(452)
<b>Equity as at 30.09.2021</b>	<b>262 470</b>	<b>21 384 578</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 685 807</b>	<b>209 553</b>	<b>369 538</b>	<b>3 340 310</b>	<b>24 987 358</b>	<b>11 770</b>	<b>24 999 128</b>

Notes to the financial statements presented on pages 20 – 82 constitute an integral part of the condensed interim consolidated financial statements.

## V. Consolidated cash flow statement

	NOTE	III QUARTER 2022 PERIOD FROM 01.07.2022 TO 30.09.2022	3 QUARTERS 2022 PERIOD FROM 01.01.2022 TO 30.09.2022	III QUARTER 2021 PERIOD FROM 01.07.2021 TO 30.09.2021	3 QUARTERS 2021 PERIOD FROM 01.01.2021 TO 30.09.2021
<b>Cash flow from operating activities – indirect method</b>					
<b>Profit / loss before income tax</b>		<b>(583 963)</b>	<b>1 419 911</b>	<b>849 206</b>	<b>2 045 785</b>
<b>Adjustments for:</b>		<b>(2 713 217)</b>	<b>4 850 736</b>	<b>(455 441)</b>	<b>212 179</b>
Depreciation and amortization	15	160 617	477 718	163 726	481 329
Share in gains (losses) from associates		(1 465)	(3 122)	(693)	(1 048)
Gains (losses) on investing activities		(21 427)	(37 036)	(10 412)	(47 332)
Net interest income	8	(397 891)	(5 033 486)	(1 387 058)	(4 060 109)
Dividend income	10	(440)	(26 790)	(1 062)	(26 659)
Interest received		1 153 864	6 047 894	1 329 641	3 924 844
Interest paid		(949 262)	(1 542 550)	(44 538)	(194 393)
Income tax paid		(14 369)	(512 541)	(199 883)	(601 833)
Change in loans and advances to banks		150 202	64 669	(28 833)	1 158 627
Change in derivative financial instruments (assets)		(284 100)	(10 835 507)	(495 601)	759 515
Change in loans and advances to customers (in this receivables from financial leases)		(3 510 633)	(7 212 964)	(2 183 976)	(1 939 612)
Change in securities (including assets pledged as security for liabilities)		(987 679)	(819 903)	(230 301)	1 099 125
Change in other assets		(228 092)	(3 364 973)	(153 542)	(1 079 760)
Change in amounts due to banks		(4 006 796)	(182 009)	(1 237 559)	(2 277 798)
Change in financial liabilities held for trading		(18 931)	(9 221)	(142 194)	(339 992)
Change in derivative financial instruments (liabilities)		195 903	10 485 568	436 849	(899 030)
Change in amounts due to customers		6 060 895	14 124 854	3 761 012	4 450 543
Change in debt securities issued		(72 545)	(304 487)	(373 980)	(381 753)
Change in subordinated liabilities		53 970	75 010	12 765	12 662
Payments for short-term leases and leases of low-value assets		(502)	(1 668)	(556)	(1 697)
Change in provisions		88 409	212 247	1 339	(83 310)
Change in other liabilities		(82 945)	3 249 033	329 415	259 860
<b>Net cash flows from operating activities</b>		<b>(3 297 180)</b>	<b>6 270 647</b>	<b>393 765</b>	<b>2 257 964</b>
<b>Cash flow from investing activities</b>					
<b>Investing activity inflows</b>		<b>6 294 824</b>	<b>24 740 008</b>	<b>45 188 520</b>	<b>186 846 033</b>
Subsidy received for taking over the part of the activities of Idea Bank S.A. including purchased cash		-	-	-	193 904
Sale of securities measured at amortized cost and at fair value through other comprehensive income		6 285 021	24 661 110	45 161 142	186 547 904
Sale of intangible assets and property, plant and equipment		9 363	52 108	26 316	77 566
Dividend received	10	440	26 790	1 062	26 659
<b>Investing activity outflows</b>		<b>(2 520 129)</b>	<b>(17 982 522)</b>	<b>(44 187 247)</b>	<b>(182 755 237)</b>
Acquisition of associates		-	-	-	(42 193)
Acquisition of securities measured at amortized cost and at fair value through other comprehensive income		(2 426 608)	(17 740 606)	(44 042 457)	(182 359 196)
Acquisition of intangible assets and property, plant and equipment		(93 521)	(241 916)	(144 790)	(353 848)
<b>Net cash flows from investing activities</b>		<b>3 774 695</b>	<b>6 757 486</b>	<b>1 001 273</b>	<b>4 090 796</b>

	NOTE	III QUARTER 2022 PERIOD FROM 01.07.2022 TO 30.09.2022	3 QUARTERS 2022 PERIOD FROM 01.01.2022 TO 30.09.2022	III QUARTER 2021 PERIOD FROM 01.07.2021 TO 30.09.2021	3 QUARTERS 2021 PERIOD FROM 01.01.2021 TO 30.09.2021
<b>Cash flows from financing activities</b>					
<b>Financing activity inflows</b>		<b>2 933 954</b>	<b>6 128 831</b>	<b>750 142</b>	<b>3 621 556</b>
Due to loans and advances received from banks		922 952	1 555 547	750 142	750 142
Issue of debt securities		2 011 002	4 573 284	-	2 871 414
<b>Financing activity outflows</b>		<b>(2 254 562)</b>	<b>(3 147 544)</b>	<b>472 996</b>	<b>(4 678 702)</b>
Repayment of loans and advances received from banks		(314 032)	(858 198)	182 457	(1 018 465)
Redemption of debt securities		(784 935)	(1 076 857)	1 160 849	(2 731 691)
Dividends and other payments to shareholders		(1 128 621)	(1 128 621)	(842 529)	(842 529)
Payments for the principal portion of the lease liabilities		(26 974)	(83 868)	(27 781)	(86 017)
<b>Net cash flows from financing activities</b>		<b>679 392</b>	<b>2 981 287</b>	<b>1 223 138</b>	<b>(1 057 146)</b>
<b>Total net cash flows</b>		<b>1 156 907</b>	<b>16 009 420</b>	<b>2 618 176</b>	<b>5 291 614</b>
including effect of exchange rate fluctuations on cash and cash equivalents held		178 470	286 284	58 236	24 372
<b>Net change in cash and cash equivalents</b>		<b>1 156 907</b>	<b>16 009 420</b>	<b>2 618 176</b>	<b>5 291 614</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>22 588 138</b>	<b>7 735 625</b>	<b>9 678 786</b>	<b>7 005 348</b>
<b>Cash and cash equivalents at the end of the period</b>	34	<b>23 745 045</b>	<b>23 745 045</b>	<b>12 296 962</b>	<b>12 296 962</b>

Notes to the financial statements presented on pages 20 – 82 constitute an integral part of the condensed interim consolidated financial statements.

## VI. Income statement of Bank Pekao S.A.

	III QUARTER 2022 PERIOD FROM 01.07.2022 TO 30.09.2022	3 QUARTERS 2022 PERIOD FROM 01.01.2022 TO 30.09.2022	III QUARTER 2021 PERIOD FROM 01.07.2021 TO 30.09.2021 RESTATED	3 QUARTERS 2021 PERIOD FROM 01.01.2021 TO 30.09.2021 RESTATED
Interest income	1 264 710	6 302 957	1 349 313	3 966 007
Interest income calculated using the effective interest method	1 417 803	6 415 531	1 274 526	3 752 872
Financial assets measured at amortised cost	1 210 913	5 898 606	1 173 575	3 383 950
Financial assets measured at fair value through other comprehensive income	206 890	516 925	100 951	368 922
Other interest income related to financial assets measured at fair value through profit or loss	(153 093)	(112 574)	74 787	213 135
Interest expense	(846 765)	(1 414 218)	(24 932)	(86 753)
<b>Net interest income</b>	<b>417 945</b>	<b>4 888 739</b>	<b>1 324 381</b>	<b>3 879 254</b>
Fee and commission income	790 904	2 336 924	734 556	2 077 055
Fee and commission expense	(164 463)	(456 710)	(135 440)	(376 789)
<b>Net fee and commission income</b>	<b>626 441</b>	<b>1 880 214</b>	<b>599 116</b>	<b>1 700 266</b>
Dividend income	439	211 657	1 062	168 166
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	17 771	23 898	26 639	116 097
Result on fair value hedge accounting	(404)	1 963	335	2 981
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	1 357	(9 948)	2 917	36 924
Net allowances for expected credit losses	(250 804)	(865 881)	(182 364)	(517 903)
Operating income	33 843	82 804	28 710	72 053
Operating expenses	(141 265)	(366 374)	(25 641)	(69 427)
General administrative expenses and depreciation	(1 261 312)	(4 351 296)	(1 024 609)	(3 432 295)
Gains / losses on subsidiaries	-	-	-	(170)
<b>PROFIT / LOSS BEFORE INCOME TAX</b>	<b>(555 989)</b>	<b>1 495 776</b>	<b>750 546</b>	<b>1 955 946</b>
Income tax expense	36 804	(554 449)	(199 011)	(513 338)
<b>NET PROFIT / LOSS</b>	<b>(519 185)</b>	<b>941 327</b>	<b>551 535</b>	<b>1 442 608</b>
Earnings per share (in PLN per share)				
basic for the period	(1.97)	3.59	2.11	5.50
diluted for the period	(1.97)	3.59	2.11	5.50



## VII. Statement of comprehensive income of Bank Pekao S.A

	III QUARTER 2022 PERIOD FROM 01.07.2022 TO 30.09.2022	3 QUARTERS 2022 PERIOD FROM 01.01.2022 TO 30.09.2022	III QUARTER 2021 PERIOD FROM 01.07.2021 TO 30.09.2021 RESTATED	3 QUARTERS 2021 PERIOD FROM 01.01.2021 TO 30.09.2021 RESTATED
<b>Net profit / loss</b>	<b>(519 185)</b>	<b>941 327</b>	<b>551 535</b>	<b>1 442 608</b>
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):				
profit or loss on fair value measurement	(58 323)	(811 773)	(89 870)	(565 325)
profit or loss reclassification to income statement after derecognition	(3 297)	(9 944)	(2 469)	(25 512)
Impact of revaluation of derivative instruments hedging cash flows (net)	42 254	(1 745 398)	(232 201)	(604 073)
<b>Items that will never be reclassified to profit or loss:</b>				
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	(5 833)	(73 088)	(36 638)	30 576
Remeasurements of the defined benefit liabilities (net)	-	14 251	-	-
<b>Other comprehensive income (net of tax)</b>	<b>(21 902)</b>	<b>(2 616 008)</b>	<b>(358 709)</b>	<b>(1 138 822)</b>
<b>Total comprehensive income</b>	<b>(541 087)</b>	<b>(1 674 681)</b>	<b>192 826</b>	<b>303 786</b>

## VIII. Statement of financial position of Bank Pekao S.A

	30.09.2022	31.12.2021
<b>ASSETS</b>		
Cash and due from Central Bank	17 878 699	4 696 615
Loans and advances to banks	6 770 941	3 998 628
Derivative financial instruments (held for trading)	18 834 695	7 966 726
Hedging instruments	360 936	78 216
Loans and advances to customers	152 245 527	143 424 982
Securities	62 660 834	72 924 656
Assets pledged as security for liabilities	2 462 279	846 097
Assets held for sale	12 034	12 744
Investments in subsidiaries	1 642 425	1 577 425
Investments in associates	42 194	42 194
Intangible assets	1 312 592	1 445 830
Property, plant and equipment	1 497 042	1 745 152
Income tax assets	2 086 712	1 562 861
Current tax assets	299 427	198 129
Deferred tax assets	1 787 285	1 364 732
Other assets	1 073 318	953 087
<b>TOTAL ASSETS</b>	<b>268 880 228</b>	<b>241 275 213</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Liabilities</b>		
Amounts due to Central Bank	-	-
Amounts due to other banks	4 568 523	5 069 257
Financial liabilities held for trading	630 512	639 733
Derivative financial instruments (held for trading)	18 483 790	7 978 525
Amounts due to customers	209 464 443	195 451 091
Hedging instruments	4 867 617	2 221 732
Debt securities issued	2 998 669	178 573
Subordinated liabilities	2 836 484	2 761 474
Income tax liabilities	-	-
Current tax liabilities	-	-
Deferred tax liabilities	-	-
Provisions	1 124 866	935 987
Other liabilities	3 608 805	2 939 020
<b>TOTAL LIABILITIES</b>	<b>248 583 709</b>	<b>218 175 392</b>
<b>Equity</b>		
Share capital	262 470	262 470
Other capital and reserves	17 407 664	18 915 464
Retained earnings and net profit for the period	2 626 385	3 921 887
<b>TOTAL EQUITY</b>	<b>20 296 519</b>	<b>23 099 821</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>268 880 228</b>	<b>241 275 213</b>

## IX. Statement of changes in equity of Bank Pekao S.A.

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES			
<b>Equity as at 1.01.2022</b>	<b>262 470</b>	<b>18 915 464</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 146 343</b>	<b>(1 583 686)</b>	<b>233 127</b>	<b>3 921 887</b>	<b>23 099 821</b>
<b>Comprehensive income</b>	-	<b>(2 616 008)</b>	-	-	-	<b>(2 616 008)</b>	-	<b>941 327</b>	<b>(1 674 681)</b>
Remeasurements of the defined benefit liabilities (net of tax)	-	14 251	-	-	-	14 251	-	-	14 251
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(811 773)	-	-	-	(811 773)	-	-	(811 773)
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(73 088)	-	-	-	(73 088)	-	-	(73 088)
Revaluation of cash flow hedging financial instruments (net of tax)	-	(1 745 398)	-	-	-	(1 745 398)	-	-	(1 745 398)
Net profit for the period	-	-	-	-	-	-	-	941 327	941 327
<b>Appropriation of retained earnings</b>	-	<b>1 108 208</b>	-	-	<b>1 108 208</b>	-	-	<b>(2 236 829)</b>	<b>(1 128 621)</b>
Dividend paid	-	-	-	-	-	-	-	(1 128 621)	(1 128 621)
Profit appropriation	-	1 108 208	-	-	1 108 208	-	-	(1 108 208)	-
<b>Equity as at 30.09.2022</b>	<b>262 470</b>	<b>17 407 664</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>10 254 551</b>	<b>(4 199 694)</b>	<b>233 127</b>	<b>2 626 385</b>	<b>20 296 519</b>

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
<b>Equity as at 1.01.2021</b>	<b>262 470</b>	<b>21 573 419</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>8 852 566</b>	<b>1 368 046</b>	<b>233 127</b>	<b>2 811 482</b>	<b>24 647 371</b>	
<b>Comprehensive income</b>	-	<b>(2 941 850)</b>	-	-	-	<b>(2 941 850)</b>	-	<b>2 236 829</b>	<b>(705 021)</b>	
Remeasurements of the defined benefit liabilities (net of tax)	-	38 201	-	-	-	38 201	-	-	38 201	
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(1 250 576)	-	-	-	(1 250 576)	-	-	(1 250 576)	
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	6 802	-	-	-	6 802	-	-	6 802	
Revaluation of cash flow hedging financial instruments (net of tax)	-	(1 736 277)	-	-	-	(1 736 277)	-	-	(1 736 277)	
Net profit for the period	-	-	-	-	-	-	-	2 236 829	2 236 829	
<b>Appropriation of retained earnings</b>	-	<b>283 895</b>	-	-	<b>283 895</b>	-	-	<b>(1 126 424)</b>	<b>(842 529)</b>	
Dividend paid	-	-	-	-	-	-	-	(842 529)	(842 529)	
Profit appropriation	-	283 895	-	-	283 895	-	-	(283 895)	-	
<b>Other</b>	-	-	-	-	<b>9 882</b>	<b>(9 882)</b>	-	-	-	
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	9 882	(9 882)	-	-	-	
<b>Equity as at 31.12.2021</b>	<b>262 470</b>	<b>18 915 464</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 146 343</b>	<b>(1 583 686)</b>	<b>233 127</b>	<b>3 921 887</b>	<b>23 099 821</b>	

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
<b>Equity as at 1.01.2021</b>	<b>262 470</b>	<b>21 573 419</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>8 852 566</b>	<b>1 368 046</b>	<b>233 127</b>	<b>2 811 482</b>	<b>24 647 371</b>	
<b>Comprehensive income</b>	-	<b>(1 127 353)</b>	-	-	<b>11 469</b>	<b>(1 138 822)</b>	-	<b>1 442 608</b>	<b>315 255</b>	
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(565 325)	-	-	-	(565 325)	-	-	(565 325)	
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	42 045	-	-	11 469	30 576	-	-	42 045	
Revaluation of cash flow hedging financial instruments (net of tax)	-	(604 073)	-	-	-	(604 073)	-	-	(604 073)	
Net profit for the period	-	-	-	-	-	-	-	1 442 608	1 442 608	
<b>Appropriation of retained earnings</b>	-	<b>283 895</b>	-	-	<b>283 895</b>	-	-	<b>(1 126 424)</b>	<b>(842 529)</b>	
Dividend paid	-	-	-	-	-	-	-	(842 529)	(842 529)	
Profit appropriation	-	283 895	-	-	283 895	-	-	(283 895)	-	
<b>Equity as at 30.09.2021</b>	<b>262 470</b>	<b>20 729 961</b>	<b>9 137 221</b>	<b>1 982 459</b>	<b>9 147 930</b>	<b>229 224</b>	<b>233 127</b>	<b>3 127 666</b>	<b>24 120 097</b>	

## X. Cash flow statement of Bank Pekao S.A.

	III QUARTER 2022 PERIOD FROM 01.07.2022 TO 30.09.2022	3 QUARTERS 2022 PERIOD FROM 01.01.2022 TO 30.09.2022	III QUARTER 2021 PERIOD FROM 01.07.2021 TO 30.09.2021 RESTATED	3 QUARTERS 2021 PERIOD FROM 01.01.2021 TO 30.09.2021 RESTATED
<b>Cash flow from operating activities – indirect method</b>				
Profit / loss before income tax	(555 989)	1 495 776	750 546	1 955 946
<b>Adjustments for:</b>	<b>(2 177 468)</b>	<b>3 475 519</b>	<b>1 461 257</b>	<b>1 713 541</b>
Depreciation and amortization	149 294	444 284	152 485	447 927
Gains (losses) on investing activities	(21 386)	(36 673)	(10 247)	(47 831)
Net interest income	(417 945)	(4 888 739)	(1 324 381)	(3 879 254)
Dividend income	(439)	(211 657)	(1 062)	(168 166)
Interest received	1 081 632	5 727 038	1 250 430	3 692 925
Interest paid	(627 411)	(1 088 125)	(13 781)	(115 521)
Income tax paid	-	(467 535)	(186 574)	(556 771)
Change in loans and advances to banks	428 859	(121 948)	6 550	562 462
Change in derivative financial instruments (assets)	(316 480)	(10 867 969)	(508 686)	764 852
Change in loans and advances to customers	(3 210 046)	(8 318 533)	(1 889 381)	(685 370)
Change in securities (including assets pledged as security for liabilities)	(1 038 017)	(923 920)	(14 246)	1 257 508
Change in other assets	250 098	(2 923 695)	(73 032)	(890 858)
Change in amounts due to banks	(4 116 520)	(310 507)	(432 394)	(1 875 672)
Change in financial liabilities held for trading	(18 931)	(9 221)	(142 194)	(339 992)
Change in derivative financial instruments (liabilities)	205 851	10 505 265	437 285	(914 815)
Change in amounts due to customers	5 804 472	13 907 792	3 923 193	4 376 317
Change in debt securities issued	(51 036)	(74 752)	(12 774)	(18 394)
Change in subordinated liabilities	53 970	75 010	12 765	12 662
Payments for short-term leases and leases of low-value assets	(219)	(764)	(182)	(587)
Change in provisions	88 883	188 879	10 361	(98 583)
Change in other liabilities	(422 097)	2 871 289	277 122	190 702
<b>Net cash flows from operating activities</b>	<b>(2 733 457)</b>	<b>4 971 295</b>	<b>2 211 803</b>	<b>3 669 487</b>
<b>Cash flow from investing activities</b>				
<b>Investing activity inflows</b>	<b>11 065 841</b>	<b>36 285 841</b>	<b>47 591 279</b>	<b>192 279 610</b>
Subsidy received for taking over the part of the activities of Idea Bank S.A. including purchased cash	-	-	-	193 904
Sale of securities measured at amortized cost and at fair value through other comprehensive income	11 009 587	36 084 678	47 590 218	192 005 658
Sale of intangible assets and property, plant and equipment	4 099	14 831	-	-
Dividend received	52 155	186 332	1 061	80 048
<b>Investing activity outflows</b>	<b>(6 002 324)</b>	<b>(26 787 102)</b>	<b>(46 152 213)</b>	<b>(188 692 031)</b>
Acquisition of subsidiaries and associates	(65 000)	(65 000)	-	(42 193)
Acquisition of securities measured at amortized cost and at fair value through other comprehensive income	(5 853 765)	(26 511 003)	(46 020 076)	(188 320 595)
Acquisition of intangible assets and property, plant and equipment	(83 559)	(211 099)	(132 137)	(329 243)
<b>Net cash flows from investing activities</b>	<b>5 063 517</b>	<b>9 498 739</b>	<b>1 439 066</b>	<b>3 587 579</b>

	III QUARTER 2022 PERIOD FROM 01.07.2022 TO 30.09.2022	3 QUARTERS 2022 PERIOD FROM 01.01.2022 TO 30.09.2022	III QUARTER 2021 PERIOD FROM 01.07.2021 TO 30.09.2021 RESTATED	3 QUARTERS 2021 PERIOD FROM 01.01.2021 TO 30.09.2021 RESTATED
<b>Cash flows from financing activities</b>				
<b>Financing activity inflows</b>	<b>2 012 939</b>	<b>4 573 284</b>	-	-
Due to loans and advances received from banks	-	-	-	-
Issue of debt securities	2 012 939	4 573 284	-	-
<b>Financing activity outflows</b>	<b>(3 014 405)</b>	<b>(3 217 053)</b>	<b>(1 017 265)</b>	<b>(1 664 761)</b>
Repayment of loans and advances received from banks	(104 847)	(244 776)	(98 551)	(212 086)
Redemption of debt securities	(1 754 046)	(1 760 023)	(48 410)	(524 138)
Dividends and other payments to shareholders	(1 128 621)	(1 128 621)	(842 529)	(842 529)
Payments for the principal portion of the lease liabilities	(26 891)	(83 633)	(27 775)	(86 008)
<b>Net cash flows from financing activities</b>	<b>(1 001 466)</b>	<b>1 356 231</b>	<b>(1 017 265)</b>	<b>(1 664 761)</b>
<b>Total net cash flows</b>	<b>1 328 594</b>	<b>15 826 265</b>	<b>2 633 604</b>	<b>5 592 305</b>
including effect of exchange rate fluctuations on cash and cash equivalents held	183 184	293 529	58 501	24 387
<b>Net change in cash and cash equivalents</b>	<b>1 328 594</b>	<b>15 826 265</b>	<b>2 633 604</b>	<b>5 592 305</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>22 771 178</b>	<b>8 273 507</b>	<b>10 255 050</b>	<b>7 296 349</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>24 099 772</b>	<b>24 099 772</b>	<b>12 888 654</b>	<b>12 888 654</b>

# XI. Notes to the Interim Condensed Consolidated Financial Statements

## 1. General information

Bank Polska Kasa Opieki Spółka Akcyjna (hereafter 'Bank Pekao S.A.' or 'the Bank'), with its headquarters in Poland 00-844, Grzybowska Street 53/57 Warsaw, was incorporated on 29 October 1929 in the Commercial Register of the District Court in Warsaw and has been continuously operating since its incorporation.

Bank Pekao S.A. is registered in the National Court Registry – Enterprise Registry of the Warsaw District Court, XII Commercial Division of the National Court Registry in Warsaw under the reference number KRS 0000014843.

The Bank's shares are quoted on the Warsaw Stock Exchange (WSE). The Bank's securities, traded on regulated markets, are classified in the banking sector.

Bank Pekao S.A. is a universal commercial bank, offering a broad range of banking services on domestic financial markets, provided to retail and corporate clients, in compliance with the scope of services, set forth in the Bank's Articles of Association.

The Bank runs both PLN and forex operations, and it actively participates in both domestic and foreign financial markets. Moreover, acting through its subsidiaries, the Group provides stockbroking, leasing, factoring operations and offering other financial services.

According to IFRS 10 'Consolidated financial statements', the parent entity of Bank Pekao S.A. is Powszechny Zakład Ubezpieczeń S.A. (hereinafter 'PZU S.A.') with its registered office in Warsaw at Al. Jana Pawła II 24.

The Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2022 to 30 September 2022 contain financial information of the Bank and its subsidiaries (together referred to as the 'Group'), and the associates accounted for using equity method.

The share ownership structure of the Bank is presented in the Note 5.4 of the Report on the activities of Bank Pekao S.A. Group for the III quarter of 2022.

## 2. Group structure

The Group consists of Bank Pekao S.A. as the parent entity and the following subsidiaries

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			30.09.2022	31.12.2021
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Pekao Leasing Sp. z o.o.	Warsaw	Leasing services	100.00	100.00
<i>PeUF Sp. z o.o.</i>	<i>Warsaw</i>	<i>Financial support</i>	<i>100.00</i>	<i>100.00</i>
Pekao Investment Banking S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Transferable agent	66.50	66.50
Pekao Direct Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Pekao Property S.A. (in liquidation)	Warsaw	Real estate development	100.00	100.00
<i>FPB - Media Sp. z o.o. (in bankruptcy)</i>	<i>Warsaw</i>	<i>Real estate development</i>	<i>100.00</i>	<i>100.00</i>
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	Warsaw	Business consulting	100.00	100.00
Pekao Investment Management S.A.	Warsaw	Holding	100.00	100.00
<i>Pekao TFI S.A.</i>	<i>Warsaw</i>	<i>Asset management</i>	<i>100.00</i>	<i>100.00</i>

As at 30 September 2022 and 31 December 2021 all subsidiaries of the Bank have been consolidated.

As at 30 September 2022 and 31 December 2021 the Group held no shares in entities under joint control.



**Investments in associates**

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			30.09.2022	31.12.2021
Krajowy Integrator Płatności S.A.	Poznan	Monetary brokerage	38.33	38.33

### 3. Business combinations

In 2021, the transaction of taking over the Idea Bank S.A. enterprise by Bank Pekao S.A., covering all its property rights and liabilities as at the end of the day of initiating resolution, took place, i.e. on 31 December 2020, excluding certain property rights and obligations indicated in the BGF decision in question. This transaction was described in detail in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2021.

### 4. Statement of compliance

The Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of nine months ended on 30 September 2022 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union and other applicable regulations.

These financial statements do not include all information and disclosures required for annual financial statements, and shall be read in conjunction with the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2021.

The consolidated financial statements of Bank Pekao S.A. Group as at and for the year ended 31 December 2021 are available at the Bank's website [www.pekao.com.pl](http://www.pekao.com.pl).

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State, the Bank is required to publish the financial report for the third quarter of 2022, i.e. current interim period.

These interim condensed consolidated financial statements were authorized for issue by the Management Board on 2 November 2022.

#### 4.1. New standards, interpretations and amendments to published standards that have been approved and published by the European Union and are effective on or after 1 January 2022

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
<b>IFRS 3 (amendment)</b> 'Business combinations'	The amendments to IFRS 3 include: <ul style="list-style-type: none"> <li>Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework,</li> <li>Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination, and</li> <li>Add to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.</li> </ul>	The standard's amendments did not have a material impact on the financial statements in the period of their first application.
<b>IAS 16 (amendment)</b> 'Property, plant and equipment'	The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	The standard's amendments did not have a material impact on the financial statements in the period of their first application.
<b>IAS 37 (amendment)</b> 'Provisions, contingent liabilities and contingent assets'	The amendments to IAS 37 specify that the 'cost of fulfilling' an onerous contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.	The standard's amendments did not have a material impact on the financial statements in the period of their first application.

#### 4.2. New standards, interpretations and amendments to published standards that have been issued by the International Accounting Standards Board (IASB) and have been approved by the European Union but are not yet effective

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
<b>MSSF 17</b> 'Insurance contracts'	The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' and related interpretations while applied. Date of application: annual periods beginning on or after 1 January 2023.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 1 (amendment)</b> 'Presentation of financial statement'	The amendments to IAS 1 include: <ul style="list-style-type: none"> <li>an entity is required to disclose its material accounting policy information instead of its significant accounting policies,</li> <li>clarification that accounting policy information may be material because of its nature, even if the related amounts are immaterial,</li> <li>clarification that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and</li> <li>clarification that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.</li> </ul> Date of application: annual period beginning on or after 1 January 2023.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 8 (amendment)</b> 'Accounting policies, changes in accounting estimates and errors'	The amendments to IAS 8 include: <ul style="list-style-type: none"> <li>the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty,</li> <li>clarification that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors,</li> <li>clarification that a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.</li> </ul> Date of application: annual periods beginning on or after 1 January 2023.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IAS 12 (amendment)</b> 'Income taxes'	The amendments introduce the requirement to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will mainly apply to transactions such as leases for the lessee and decommissioning obligations. Date of application: annual periods beginning on or after 1 January 2023.	The Group is currently analyzing the impact of the standard's amendment on the financial statements in the period of its first application.
<b>MSSF 17 (amendment)</b> 'Insurance contracts' and <b>IFRS 9 (amendment)</b> 'Financial instruments'	The main amendment regards entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. There are no changes to the transition requirements in IFRS 9. Date of application - an annual period beginning on or after 1 January 2023.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application

#### 4.3. New standards, interpretations and amendments to published standards that have been published by the International Accounting Standards Board (IASB) and not yet approved by the European Union

STANDARD/ INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
<b>IAS 1 (amendment)</b> 'Presentation of financial statements'	The amendments affect requirements in IAS 1 for the presentation of liabilities. In particular, these amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Date of application: annual periods beginning on or after 1 January 2023.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
<b>IFRS 16 (amendment)</b> 'Leases'	The amendments to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retain. A sale and leaseback transaction involves the transfer of an asset by an entity (the seller-lessee) to another entity (the buyer-lessor) and the leaseback of the same asset by the seller-lessee. Date of application: annual periods beginning on or after 1 January 2024.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.

#### 4.4. Other expected regulatory changes

The Act on social financing for business ventures and support to borrowers provides for the possibility of introducing a substitute for the WIBOR reference index, with the details of the substitute and the date of its introduction being determined by a dedicated regulation of the Minister of Finance.

In connection with the above, in July 2022, a national working group for the reform of reference indexes ('NGR') was established from representatives of inter alia the Ministry of Finance, the National Bank of Poland, the Office of the Polish Financial Supervision Authority, as well as the largest banks, insurance companies and investment companies. The purpose of NGR is to prepare a new index and a schedule for its implementation in such a way as to ensure the security of the financial system.

In the third quarter of 2022, NGR decided to select the WIRON index (Warsaw Interest Rate Overnight) as an alternative reference interest rate indicator, the input data of which is information representing overnight transactions.

Ultimately, WIRON is to become the key interest rate benchmark which will be used in financial contracts (e.g. loan agreements), financial instruments (e.g. debt securities or derivatives) and by investment funds (e.g. in setting management fees).

In addition, in the third quarter of 2022, NGR developed a schedule of the so-called Road Map, the purpose of which is to create a liquid market for cash and derivative financial instruments using the selected RFR reference indicator for the Polish zloty (PLN), preparation operational and technical of all financial market participants (issuers, investors, market infrastructure institutions) to replace the WIBOR and WIBID benchmarks by WIRON, to carry out the required changes in Polish and European Union law and to build full awareness of the reform and its consequences among all financial market participants, especially consumers.

Due to the very many interrelated elements involved in the reform of benchmarks, the process will be staggered over time. NGR specified in the Road Map that with the effective cooperation of all parties involved, the reform of benchmarks in Poland will be fully implemented by the end of 2024, while the implementation by market participants of a new offer of financial products using the WIRON index is planned for 2023 and 2024.

## 5. Significant accounting policies

### General information

The interim condensed consolidated financial statements have been prepared in Polish Zloty, and all amounts are stated in PLN thousand, unless indicated otherwise.

The financial statements have been prepared on a going concern basis on the assumption that the Group will continue its business operations substantially unchanged in scope for a period of at least one year from the balance sheet date.

In the period of three quarters of 2022 the Group did not amend its accounting policies in respect to valuation of assets and liabilities and profit measurement, except for the changes to the quantitative criteria described below for the determination of significant modifications and changes in the presentation of the depreciation of property, plant and equipment and intangible assets in the income statement.

The accounting policies applied by the Group in these interim condensed consolidated financial statements, apart from changes described above are the same as those applied in the Consolidated Financial Statements of Bank Pekao S.A. Group for the year ended on 31 December 2021. Those accounting policies have been applied uniformly to all presented reporting periods and by all entities of the Group.

The consolidated financial statements include the requirements of all the International Financial Reporting Standards and International Accounting Standards approved by the European Union and related interpretations. Changes in published standards and interpretations, which became effective on or after 1 January 2022, had no material impact on the Group's financial statements.

The financial statements does not take into consideration interpretations and amendments to standards, pending approval by the European Union or approved by the European Union but came into force or shall come into force after the balance sheet date (Note 4.2 and Note 4.3). In the Group's opinion, amendments to standards and interpretations will not have a material impact on the consolidated financial statements of the Group.

### Comparability of financial data

In the interim condensed consolidated financial statements of Bank Pekao S.A. Group for the period nine months of 2022, the Group and the Bank made the following changes to the accounting principles:

- 1) a change in the quantitative criteria for determining significant modifications.

Due to entry into force on 1 January 2022 of the 'Recommendation R on the principles of credit exposure classification, estimation and recognition of expected credit losses and credit risk management' issued by the Polish Financial Supervision Authority. The Group uses the criterion of extending the loan period by at least 1 year and at least doubling the residual period to the original maturity (meeting both conditions jointly) for all exposures, regardless of their classification to risk groups (before the change, this criterion applied to Stage 1 and Stage 2).

The above-mentioned changes of the accounting principles resulted in the identification of new POCI assets and the need to transform the comparable data in terms of the gross value of loans and advances to customers measured at amortized costs and the value of allowances for expected credit losses relating to these loans (presentation changes between Stage 3 and POCI assets), but they had no impact on the total net value of loans and advances to customers.

The impact of changes on the comparative data of the consolidated income statement is presented in the tables below.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	DATA FOR 31.12.2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 31.12.2021 AFTER RESTATEMENT
Gross carrying amount of loans and advances to customers measured at amortized costs (Stage 3)	8 321 120	(278 466)	8 042 654
Gross carrying amount of loans and advances to customers measured at amortized costs (POCI assets)	817 321	166 567	983 888
Allowances for expected credit losses (Stage 3)	5 919 147	(149 633)	5 769 514
Allowances for expected credit losses (POCI assets)	205 961	37 734	243 695

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	DATA FOR 01.01.2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 01.01.2021 AFTER RESTATEMENT
Gross carrying amount of loans and advances to customers measured at amortized costs (Stage 3)	8 528 493	(285 266)	8 243 227
Gross carrying amount of loans and advances to customers measured at amortized costs (POCI assets)	39 572	181 671	221 243
Allowances for expected credit losses (Stage 3)	5 655 257	(103 595)	5 551 662

The impact of changes on the comparative data of the separate income statement is presented in the tables below.

SEPARATE STATEMENT OF FINANCIAL POSITION	DATA FOR 31.12.2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 31.12.2021 AFTER RESTATEMENT
Gross carrying amount of loans and advances to customers measured at amortized costs (Stage 3)	7 666 616	(278 466)	7 388 150
Gross carrying amount of loans and advances to customers measured at amortized costs (POCI assets)	785 391	166 567	951 958
Allowances for expected credit losses (Stage 3)	5 593 830	(149 633)	5 444 197
Allowances for expected credit losses (POCI assets)	192 927	37 734	230 661

SEPARATE STATEMENT OF FINANCIAL POSITION	DATA FOR 01.01.2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 01.01.2021 AFTER RESTATEMENT
Gross carrying amount of loans and advances to customers measured at amortized costs (Stage 3)	7 934 298	(285 266)	7 649 032
Gross carrying amount of loans and advances to customers measured at amortized costs (POCI assets)	6 565	181 671	188 236
Allowances for expected credit losses (Stage 3)	5 421 319	(103 595)	5 317 724

- 2) a change in the method of presenting the depreciation costs of property, plant and equipment and intangible assets.

The Group has presented the above-mentioned costs under 'General administrative expenses and depreciation'. Before the change, they were presented in a separate item of the income statement 'Depreciation and amortization'.

In the Group's opinion, the change in the presentation of the above-mentioned costs increases the transparency of the income statement from the point of view of its users.

3) a change in the method of presenting the debt collection costs in the income statement.

Following the change introduced in the financial statements for the year ended on 31 December 2021, the Group recognized the above-mentioned costs under 'Other operating expenses'. Before the change, they were presented in the item 'General administrative expenses'.

The above-mentioned changes of the accounting principles made it necessary to transform the comparable data, but they did not affect the level of the presented financial result.

The impact of changes on the comparative data of the consolidated income statement is presented in the tables below.

CONSOLIDATED INCOME STATEMENT	DATA FOR III QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR III QUARTER 2021 AFTER RESTATEMENT
General administrative expenses	(942 081)	942 081	-
Depreciation and amortization	(163 726)	163 726	-
General administrative expenses and depreciation	-	(1 099 275)	(1 099 275)
Other operating expenses	(18 614)	(6 532)	(25 146)

CONSOLIDATED INCOME STATEMENT	DATA FOR 3 QUARTERS 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 3 QUARTERS 2021 AFTER RESTATEMENT
General administrative expenses	(3 192 997)	3 192 997	-
Depreciation and amortization	(481 329)	481 329	-
General administrative expenses and depreciation	-	(3 655 417)	(3 655 417)
Other operating expenses	(49 703)	(18 909)	(68 612)

The impact of changes on the comparative data of the separate income statement is presented in the tables below.

SEPARATE INCOME STATEMENT	DATA FOR III QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR III QUARTER 2021 AFTER RESTATEMENT
General administrative expenses	(879 632)	879 632	-
Depreciation and amortization	(152 485)	152 485	-
General administrative expenses and depreciation	-	(1 024 609)	(1 024 609)
Other operating expenses	(18 133)	(7 508)	(25 641)

SEPARATE INCOME STATEMENT	DATA FOR 3 QUARTERS 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 3 QUARTERS 2021 AFTER RESTATEMENT
General administrative expenses	(3 006 244)	3 006 244	-
Depreciation and amortization	(447 927)	447 927	-
General administrative expenses and depreciation	-	(3 432 295)	(3 432 295)
Other operating expenses	(47 551)	(21 876)	(69 427)

4) a change in the method of presenting the items in the statement of comprehensive income, adjusting the presentation of individual components of this statement to the components presented in the statement of changes in equity.

Following the change introduced in the financial statements for the year ended on 31 December 2021, the items of the statement of comprehensive income are presented in net amounts. Before the change, they were presented as gross amounts with a separate item for income tax.

The above-mentioned changes made it necessary to transform the comparable data for the nine months period ended on 30 September 2021, but they did not affect the level of the presented result of comprehensive income.

The impact of changes on the comparative data of the consolidated statement of comprehensive income is presented in the tables below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	DATA FOR III QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR III QUARTER 2021 AFTER RESTATEMENT
Change in fair value of financial assets measured at fair value through other comprehensive income:	(119 754)	119 754	-
profit or loss on fair value measurement	(116 706)	116 706	-
profit or loss reclassification to income statement after derecognition	(3 048)	3 048	-
Change in fair value of cash flow hedges	(286 668)	286 668	-
Tax on items that are or may be reclassified subsequently to profit or loss	77 219	(77 219)	-
Effects of the revaluation of investments in equity instruments designated at fair value through other comprehensive	(45 232)	45 232	-
Tax on items that will never be reclassified to profit or loss	8 594	(8 594)	-
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	-	(97 002)	(97 002)
profit or loss on fair value measurement	-	(94 533)	(94 533)
profit or loss reclassification to income statement after derecognition	-	(2 469)	(2 469)
Revaluation of derivative instruments hedging cash flows (net)	-	(232 201)	(232 201)
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	-	(36 638)	(36 638)
<b>Other comprehensive income (net of tax)</b>	<b>(365 841)</b>	<b>-</b>	<b>(365 841)</b>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	DATA FOR 3 QUARTERS 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 3 QUARTERS 2021 AFTER RESTATEMENT
Change in fair value of financial assets measured at fair value through other comprehensive income:	(706 877)	706 877	-
profit or loss on fair value measurement	(675 381)	675 381	-
profit or loss reclassification to income statement after derecognition	(31 496)	31 496	-
Change in fair value of cash flow hedges	(745 769)	745 769	-
Tax on items that are or may be reclassified subsequently to profit or loss	276 002	(276 002)	-
Effects of the revaluation of investments in equity instruments designated at fair value through other comprehensive	37 748	(37 748)	-
Tax on items that will never be reclassified to profit or loss	(7 172)	7 172	-
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	-	(572 571)	(572 571)
profit or loss on fair value measurement	-	(547 059)	(547 059)
profit or loss reclassification to income statement after derecognition	-	(25 512)	(25 512)
Revaluation of derivative instruments hedging cash flows (net)	-	(604 073)	(604 073)
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	-	30 576	30 576
<b>Other comprehensive income (net of tax)</b>	<b>(1 146 068)</b>	<b>-</b>	<b>(1 146 068)</b>

The impact of changes on the comparative data of the separate income statement is presented in the tables below.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME	DATA FOR III QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR III QUARTER 2021 AFTER RESTATEMENT
Change in fair value of financial assets measured at fair value through other comprehensive income:	(110 950)	110 950	-
profit or loss on fair value measurement	(107 902)	107 902	-
profit or loss reclassification to income statement after derecognition	(3 048)	3 048	-
Change in fair value of cash flow hedges	(286 668)	286 668	-
Tax on items that are or may be reclassified subsequently to profit or loss	75 547	(75 547)	-
Effects of the revaluation of investments in equity instruments designated at fair value through other comprehensive	(45 232)	45 232	-
Tax on items that will never be reclassified to profit or loss	8 594	(8 594)	-
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	-	(89 870)	(89 870)
profit or loss on fair value measurement	-	(87 401)	(87 401)
profit or loss reclassification to income statement after derecognition	-	(2 469)	(2 469)
Revaluation of derivative instruments hedging cash flows (net)	-	(232 201)	(232 201)
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	-	(36 638)	(36 638)
<b>Other comprehensive income (net of tax)</b>	<b>(358 709)</b>	<b>-</b>	<b>(358 709)</b>

SEPARATE STATEMENT OF COMPREHENSIVE INCOME	DATA FOR 3 QUARTERS 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 3 QUARTERS 2021 AFTER RESTATEMENT
Change in fair value of financial assets measured at fair value through other comprehensive income:	(697 932)	697 932	-
profit or loss on fair value measurement	(666 436)	666 436	-
profit or loss reclassification to income statement after derecognition	(31 496)	31 496	-
Change in fair value of cash flow hedges	(745 769)	745 769	-
Tax on items that are or may be reclassified subsequently to profit or loss	274 303	(274 303)	-
Effects of the revaluation of investments in equity instruments designated at fair value through other comprehensive	37 748	(37 748)	-
Tax on items that will never be reclassified to profit or loss	(7 172)	7 172	-
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	-	(565 325)	(565 325)
profit or loss on fair value measurement	-	(539 813)	(539 813)
profit or loss reclassification to income statement after derecognition	-	(25 512)	(25 512)
Revaluation of derivative instruments hedging cash flows (net)	-	(604 073)	(604 073)
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	-	30 576	30 576
<b>Other comprehensive income (net of tax)</b>	<b>(1 138 822)</b>	<b>-</b>	<b>(1 138 822)</b>

5) change in presentation of securities in the cash flow statement.

Following the change introduced in the financial statements for the year ended on 31 December 2021, the items 'Change in financial assets held for trading' and 'Change in investment (placement) securities' were presented in the item 'Change in securities (including assets pledged as security for liabilities)'.

The above-mentioned changes made it necessary to transform the comparable data for the nine-months ended on 30 September 2021, and they related to cash flows from operating activities, the total level of which did not change.

The impact of changes on the comparative data of the consolidated cash flow statement is presented in the table below.

CONSOLIDATED CASH FLOW STATEMENT	DATA FOR III QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR III QUARTER 2021 AFTER RESTATEMENT
Change in financial assets held for trading	(192 158)	192 158	-
Change in investment (placement) securities	(38 143)	38 143	-
Change in securities (including assets pledged as security for liabilities)	-	(230 301)	(230 301)

CONSOLIDATED CASH FLOW STATEMENT	DATA FOR 3 QUARTERS 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 3 QUARTERS 2021 AFTER RESTATEMENT
Change in financial assets held for trading	703 779	(703 779)	-
Change in investment (placement) securities	395 346	(395 346)	-
Change in securities (including assets pledged as security for liabilities)	-	1 099 125	1 099 125

The impact of changes on the comparative data of the separate cash flow statement is presented in the tables below.

SEPARATE CASH FLOW STATEMENT	DATA FOR III QUARTER 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR III QUARTER 2021 AFTER RESTATEMENT
Change in financial assets held for trading	45 649	(45 649)	-
Change in investment (placement) securities	(59 895)	59 895	-
Change in securities (including assets pledged as security for liabilities)	-	(14 246)	(14 246)

SEPARATE CASH FLOW STATEMENT	DATA FOR 3 QUARTERS 2021 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR 3 QUARTERS 2021 AFTER RESTATEMENT
Change in financial assets held for trading	805 100	(805 100)	-
Change in investment (placement) securities	452 408	(452 408)	-
Change in securities (including assets pledged as security for liabilities)	-	1 257 508	1 257 508

## 6. Accounting estimates

The preparation of interim condensed consolidated financial statements in accordance with IFRS requires the Management Board of the Bank to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Estimates and assumptions are reviewed on an ongoing basis by the Group and rely on historic data and other factors including expectation of the future events which seems justified in given circumstances.

However, taking into account the significant uncertainty as to the further development of the economic situation, in particular due to the current geopolitical situation and the ongoing armed conflict in the eastern part of Europe, the estimates made may change in the future. The uncertainty of the estimates made by the Group as at 30 September 2022 concerns mainly:

- forecasts regarding macroeconomic assumptions, in particular those relating to key economic indicators (i.e. the level of the expected economic slowdown, GDP, employment, housing prices, inflation, levels of market interest rates, possible disruptions in capital markets, etc.),
- possible business disruptions due to decisions made by public institutions, enterprises and consumers to help contain the spread of the virus Covid-19,
- the effectiveness of the support programs that have been designed to support businesses and consumers.

Significant accounting estimates that are affected by the aforementioned risk factors and the related uncertainties relate primarily to expected credit losses and the determination of the recoverable amount of non-financial assets.

Information on the assumptions made and the uncertainty related to the estimates made, connected to a significant risk of material adjustments to the financial statements for the next reporting period, is presented below.

### Impairment of loans and advances to customers, expected credit losses

At each balance sheet date the Group assesses whether there is any objective evidence ('trigger') that credit exposures are impaired taking into consideration actual definition of Default. The definition of Default consistently considers all financial instruments. For financial instruments that are not impaired, the Group assesses if credit risk has increased significantly since initial recognition.



If at balance sheet date credit risk concerning the financial instrument has not increase significantly since initial recognition, the Group assesses impaired allowances for expected credit losses with regard to the financial instrument as an amount equal 12-month expected credit losses. Otherwise, the Group assesses impaired allowances for expected credit losses with regard to the financial instrument as an amount equal expected credit losses over the expected life (lifetime horizon) of that financial instrument (lifetime expected credit losses).

In order to determine the expected credit losses, the Group distinguishes individually significant exposures, in particular: all financial assets towards the borrower for which the Group's total exposure as at the balance sheet date is at least PLN 4 million or PLN 1 million in the case of customers overdue more than 90 days or in the case of which the condition for restructuring has been met on at least one contract.

For all individually significant financial instruments, which are impaired as at balance sheet date, the Group measures the impairment allowance (impairment credit loss) as part of individual assessment. The individual assessment is carrying out by the Group's employees and consists of individual verification of the default occurrence and projection of future cash flows from foreclosure, less costs incurred for obtaining and selling the collateral or other repayment resources. The Group compares the estimated future cash flows applied for measurement of individual expected credit losses with the actual cash flows on a regular basis.

For all other financial instruments the Group measures the allowance for expected credit losses according to IFRS 9, taking into account forecasts and expected future economic conditions in the context of credit risk.

#### **Impairment of non-current assets (including goodwill)**

At each balance sheet date the Group reviews its non-current assets for indications of impairment. The Group performs an impairment test of goodwill on a yearly basis or more often if impairment triggers occur.

Where such indications exist, the Group makes a formal estimation of the recoverable value (of a given assets or – in the case of goodwill - all cash-generating units to which the goodwill relates). If the carrying amount of a given asset is in excess of its recoverable value, impairment is defined and a write-down is recorded to adjust the carrying amount to the level of its recoverable value. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

Estimation of the value-in-use of an assets (or cash generating unit) requires assumptions to be made regarding, among other, future cash flows which the Group may obtain from the given asset (or cash generating unit), any changes in amount or timing of occurrence of these cash flows and other factors such as the lack of liquidity. The adoption of different measurement assumptions may affect the carrying amount of some of the Group's non-current assets.

As at 30 September 2022, there was no need to make impairment allowances for non-current assets.

#### **Provisions for legal risk regarding foreign currency mortgage loans in CHF**

As at 30 September 2022 the Group assessed the probability of the impact of legal risk regarding foreign currency mortgage loans in CHF on future expected cash flows from loan exposures and the probability of cash outflows.

Given the inconsistent judicial decisions regarding foreign currency mortgage loans in CHF and the short period of historical data regarding lawsuits related to the above-mentioned loans, the estimation of the provision required the Group to adopt expert assumptions and is associated with significant uncertainty.

Details on the main assumptions used to estimate the provisions for legal risk regarding foreign currency mortgage loans in CHF are presented in Note 36.2.

#### **Provisions for commission refunds in the event of early repayment of loan**

As at 30 September 2022 the Group assessed the legal risk arising from the judgment of the Court of Justice of the European Union (hereinafter the 'CJEU') on consumer loans and estimated the possible amount of cash outflow as a refund of commission to the customer in relation to early repayment of those loans (for loans prepaid before the judgment of the CJEU, i.e. before 11 September 2019).

The Group also estimated the possible amount of cash outflow as a refund of commission to the customer in relation to early repayment of mortgage loans.

In addition, with regard to balance sheet exposures as at 30 September 2022, the Group estimated the possible prepayments of these exposures in the future.

The estimates required the Group to adopt expert assumptions primarily regarding the scale of complaints and amounts reimbursed for prepaid loans, as well as the expected scale of prepayments and future returns for balance sheet exposures, and are associated with significant uncertainty.

Details on the estimated provision for earlier repayments of consumer loans and mortgage loans are presented in Note 32.

#### **Fair value measurement**

The principles of estimating fair value of derivative instruments and unquoted debt securities measured at fair value did not change in relation to 31 December 2021.

**Costs of modifying PLN mortgage loan agreements with regard to possible suspension of repayment**

In connection with the entry into force of the Act on social financing for business ventures and support to borrowers, enabling consumers with PLN mortgage loan agreements to suspend their repayments, the Group estimates the costs associated with a possible modification of these agreements in this respect, taking into account the expertly determined participation ratio. Details are presented in Note 8.

## 7. Operating segments

Data reported in the section stem from the application of the management model ('Model') in which the main criterion for segmentation is the classification of customers based on their profile and service model.

Reporting and monitoring of results, for managerial purposes, include all components of the income statement up to the gross profit level. Therefore, the income from the segment's activities as well as operating costs related to those activities (including direct and allocated costs in line with the allocation model applied) and other components of income statement are attached to each segment.

The Group settles transactions between segments on an arm's length basis by applying current market prices. Fund transfers between retail, private, corporate and investment banking segments, and the assets and liabilities management and other area are based on market prices applicable to the funds' currency and maturity, including liquidity margins.

**Operating segments**

The operating segments of the Group are as follows:

- Retail banking – all banking activities related to retail customers (excluding private banking customers) and micro companies with annual turnover not exceeding PLN 5 million, as well as results of the subsidiaries, and shares in net profit of associates accounted for using the equity method, that are assigned to the retail banking activity,
- Private banking – all banking activities related to the most affluent individual customers,
- Corporate and Investment banking – all banking activities related to large companies and results of the subsidiaries that are assigned to the Corporate and Investment banking activity,
- Enterprise banking - all banking activities related to the companies with annual turnover from PLN 5 million to PLN 100 million and below 5 million in the case of companies conducting full accounting,
- Assets and Liabilities management and other – supervision and monitoring of fund transfers, interbank market, debt securities and other instruments, other activities centrally managed as well as the results of subsidiaries and share in net profit of associates accounted for using the equity method that are not assigned to other reported segments.

Operating segments reporting for the period from 1 January to 30 September 2022

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ENTERPRISE BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
External interest income	4 401 919	8 578	2 624 503	1 004 595	(1 369 335)	6 670 260
External interest expenses	(307 140)	(61 033)	(1 036 379)	(53 173)	(179 049)	(1 636 774)
<b>Net external interest income</b>	<b>4 094 779</b>	<b>(52 455)</b>	<b>1 588 124</b>	<b>951 422</b>	<b>(1 548 384)</b>	<b>5 033 486</b>
Internal interest income	2 624 874	243 445	1 828 695	503 755	(5 200 769)	-
Internal interest expenses	(2 996 950)	(9 664)	(2 277 662)	(736 784)	6 021 060	-
<b>Net internal interest income</b>	<b>(372 076)</b>	<b>233 781</b>	<b>(448 967)</b>	<b>(233 029)</b>	<b>820 291</b>	<b>-</b>
<b>Total net interest income</b>	<b>3 722 703</b>	<b>181 326</b>	<b>1 139 157</b>	<b>718 393</b>	<b>(728 093)</b>	<b>5 033 486</b>
<b>Fee and commission income and expense</b>	<b>873 364</b>	<b>110 502</b>	<b>554 766</b>	<b>551 062</b>	<b>45 479</b>	<b>2 135 173</b>
<b>Other non-interest income</b>	<b>(773)</b>	<b>(956)</b>	<b>88 118</b>	<b>48 763</b>	<b>(362 968)</b>	<b>(227 816)</b>
<b>Operating income</b>	<b>4 595 294</b>	<b>290 872</b>	<b>1 782 041</b>	<b>1 318 218</b>	<b>(1 045 582)</b>	<b>6 940 843</b>
Personnel expenses	(733 291)	(64 519)	(190 297)	(172 378)	(547 847)	(1 708 332)
General administrative expenses and depreciation (including allocation of operating costs)	(1 137 019)	(43 999)	(177 330)	(234 224)	255 425	(1 337 147)
<b>Operating costs</b>	<b>(1 870 310)</b>	<b>(108 518)</b>	<b>(367 627)</b>	<b>(406 602)</b>	<b>(292 422)</b>	<b>(3 045 479)</b>
<b>Gross operating profit</b>	<b>2 724 984</b>	<b>182 354</b>	<b>1 414 414</b>	<b>911 616</b>	<b>(1 338 004)</b>	<b>3 895 364</b>
Net allowances for expected credit losses	(591 128)	(1 696)	(130 782)	(143 738)	(57 525)	(924 869)
<b>Net operating profit</b>	<b>2 133 856</b>	<b>180 658</b>	<b>1 283 632</b>	<b>767 878</b>	<b>(1 395 529)</b>	<b>2 970 495</b>
Contributions to the Bank Guarantee Fund	(225 593)	(549)	(158 193)	(66 181)	183 297	(267 219)
Fee paid for the Protection Scheme	-	-	-	-	(482 140)	(482 140)
Contributions to the Borrowers Support Fund	-	-	-	-	(165 835)	(165 835)
Tax on certain financial institutions	-	-	-	-	(638 512)	(638 512)
Gains / losses on associates	-	-	-	-	3 122	3 122
<b>Profit before tax</b>	<b>1 908 263</b>	<b>180 109</b>	<b>1 125 439</b>	<b>701 697</b>	<b>(2 495 597)</b>	<b>1 419 911</b>
Income tax expense						(586 394)
<b>Net profit for the period</b>						<b>833 517</b>
<b>Attributable to equity holders of the Bank</b>						<b>831 507</b>
Attributable to non-controlling interests						2 010
Allocated assets	76 055 546	258 161	79 555 100	25 705 900	65 967 221	247 541 928
Unallocated assets						32 020 573
<b>Total assets</b>						<b>279 562 501</b>
Allocated liabilities	114 543 553	12 769 532	66 654 800	30 087 753	5 342 674	229 398 312
Unallocated liabilities						29 214 975
<b>Total liabilities</b>						<b>258 613 287</b>

Operating segments reporting for the period from 1 January to 30 September 2021

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ENTERPRISE BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
External interest income	2 013 706	3 048	905 326	307 407	970 430	4 199 917
External interest expenses	(36 667)	(7 584)	(48 312)	(2 268)	(44 977)	(139 808)
<b>Net external interest income</b>	<b>1 977 039</b>	<b>(4 536)</b>	<b>857 014</b>	<b>305 139</b>	<b>925 453</b>	<b>4 060 109</b>
Internal interest income	1 867 263	201 564	563 435	352 858	(2 985 120)	-
Internal interest expenses	(597 192)	(2 267)	(249 543)	(100 138)	949 140	-
<b>Net internal interest income</b>	<b>1 270 071</b>	<b>199 297</b>	<b>313 892</b>	<b>252 720</b>	<b>(2 035 980)</b>	<b>-</b>
<b>Total net interest income</b>	<b>3 247 110</b>	<b>194 761</b>	<b>1 170 906</b>	<b>557 859</b>	<b>(1 110 527)</b>	<b>4 060 109</b>
<b>Fee and commission income and expense</b>	<b>851 492</b>	<b>138 693</b>	<b>510 699</b>	<b>474 821</b>	<b>16 569</b>	<b>1 992 274</b>
<b>Other non-interest income</b>	<b>7 194</b>	<b>(1 010)</b>	<b>106 022</b>	<b>30 155</b>	<b>51 481</b>	<b>193 842</b>
<b>Operating income</b>	<b>4 105 796</b>	<b>332 444</b>	<b>1 787 627</b>	<b>1 062 835</b>	<b>(1 042 477)</b>	<b>6 246 225</b>
Personnel expenses	(686 171)	(61 370)	(161 263)	(144 943)	(631 531)	(1 685 278)
General administrative expenses and depreciation (including allocation of operating costs)	(1 049 435)	(44 117)	(155 472)	(212 215)	282 951	(1 178 288)
<b>Operating costs</b>	<b>(1 735 606)</b>	<b>(105 487)</b>	<b>(316 735)</b>	<b>(357 158)</b>	<b>(348 580)</b>	<b>(2 863 566)</b>
<b>Gross operating profit</b>	<b>2 370 190</b>	<b>226 957</b>	<b>1 470 892</b>	<b>705 677</b>	<b>(1 391 057)</b>	<b>3 382 659</b>
Net allowances for expected credit losses	(239 661)	918	(137 090)	(116 306)	(53 932)	(546 071)
<b>Net operating profit</b>	<b>2 130 529</b>	<b>227 875</b>	<b>1 333 802</b>	<b>589 371</b>	<b>(1 444 989)</b>	<b>2 836 588</b>
Contributions to the Bank Guarantee Fund	(223 527)	(645)	(132 929)	(53 174)	150 937	(259 338)
Tax on certain financial institutions	-	-	-	-	(532 513)	(532 513)
Gains / losses on associates	-	-	-	-	1 048	1 048
<b>Profit before tax</b>	<b>1 907 002</b>	<b>227 230</b>	<b>1 200 873</b>	<b>536 197</b>	<b>(1 825 517)</b>	<b>2 045 785</b>
Income tax expense						(562 966)
<b>Net profit for the period</b>						<b>1 482 819</b>
<b>Attributable to equity holders of the Bank</b>						<b>1 481 208</b>
Attributable to non-controlling interests						1 611
Allocated assets	81 576 199	298 817	65 334 137	20 598 546	64 129 679	231 937 378
Unallocated assets						15 423 401
<b>Total assets</b>						<b>247 360 779</b>
Allocated liabilities	113 483 944	15 859 130	51 797 443	27 136 125	4 764 309	213 040 951
Unallocated liabilities						9 320 700
<b>Total liabilities</b>						<b>222 361 651</b>

Reconciliations of operating income for reportable segments

	3 QUARTERS 2022	3 QUARTERS 2021
Net interest income	5 033 486	4 060 109
Net fee and commission income	2 135 173	1 992 274
Dividend income	26 790	26 659
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	34 156	120 363
Result on fair value hedge accounting	1 963	2 981
Profit (loss) from derecognition of financial assets and financial liabilities not at fair value through profit or loss	(9 948)	36 924
<b>Operating income</b>	<b>7 221 620</b>	<b>6 239 310</b>
Other operating income	88 878	75 527
Other operating expenses	(369 655)	(68 612)
<b>Total operating income for reportable segments</b>	<b>6 940 843</b>	<b>6 246 225</b>

## 8. Interest income and expense

### Interest income

	III QUARTER 2022			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	1 352 082	160 371	-	1 512 453
Loans and advances (in this receivables from financial leases)	776 516 (*)	4 770	-	781 286
Interbank placements	165 061	-	-	165 061
Reverse repo transactions	74 303	-	-	74 303
Debt securities	336 202	155 601	-	491 803
Other interest income related to financial assets measured at fair value through profit or loss	-	-	(154 540)	(154 540)
Loans and other receivables from customers	-	-	3 036	3 036
Hedging derivatives	-	-	(163 166)	(163 166)
Debt securities held for trading	-	-	5 590	5 590
<b>Total</b>	<b>1 352 082</b>	<b>160 371</b>	<b>(154 540)</b>	<b>1 357 913</b>

	3 QUARTERS 2022			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	6 392 958	393 539	-	6 786 497
Loans and advances (in this receivables from financial leases)	5 118 612 (*)	11 754	-	5 130 366
Interbank placements	316 776	-	-	316 776
Reverse repo transactions	152 708	-	-	152 708
Debt securities	804 862	381 785	-	1 186 647
Other interest income related to financial assets measured at fair value through profit or loss	-	-	(116 237)	(116 237)
Loans and other receivables from customers	-	-	6 863	6 863
Hedging derivatives	-	-	(133 884)	(133 884)
Debt securities held for trading	-	-	10 784	10 784
<b>Total</b>	<b>6 392 958</b>	<b>393 539</b>	<b>(116 237)</b>	<b>6 670 260</b>

(\*) in this estimated cost related to the possible modification of PLN mortgage loan agreements granted to consumers due to the suspension of their loan repayments at the gross amount of PLN 2 428 649 thousand.

On 14 July 2022, the Act on social financing for business ventures and support to borrowers (the 'Act') was signed, as a result of which consumers with PLN mortgage loan agreements acquired the right to suspend the repayment of these loans under the following conditions:

- from 1 August 2022 to 30 September 2022 – for a period of two months,
- from 1 October 2022 to 31 December 2022 - for a period of two months,
- from 1 January 2023 to 31 December 2023 - one month in each calendar quarter.

Pursuant to the requirements of the International Financial Reporting Standard 9 'Financial Instruments' ('IFRS 9'), the entitlement for customers to suspend their loan repayments introduced by the provisions of the Act requires the adjustment of the gross carrying amount of the abovementioned loans by designating and recognizing in the Group's financial result the estimated cost resulting from the above-mentioned permissions as the difference between:

- the present value of the expected cash flows from the loan portfolio that meets the criteria of the Act (gross carrying amount of this portfolio),
- the present value of the expected cash flows from the loan portfolio, determined based on the modified cash flows taking into account the terms of the Act (i.e. the possibility of suspending the repayment of loan installments within the specified time frame with the simultaneous extension of the loan period) discounted with the current effective interest rate of the above-mentioned portfolio,

taking into account the estimated level of participation of eligible customers who, in the Group's opinion, will exercise this right.

The Group assumed expertly that the estimated participation rate (using the rights resulting from the Act) would be 85%. As a result of the above, the Group recognized in the financial results the estimated cost related to the modification of PLN mortgage loan agreements granted to consumers due to the suspension of their loan repayments at the gross amount of PLN 2 428 649 thousand.

If we assume that the participation ratio is 100%, the above cost would amount to PLN 2 857 234 thousand.

Due to the fact that the above calculation is an estimate of the expected exercise by customers of the rights resulting from the Act, and the actual implementation will take place in the period specified in the Act, i.e. from the third quarter of 2022 to the end of 2023 under the conditions specified in the Act, the final cost related to the above-mentioned modifications may change and will be charged to the Group's current financial results.

#### Interest income

	III QUARTER 2021			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	1 259 802	94 886	-	1 354 688
Loans and advances (in this receivables from financial leases)	1 126 234	1 980	-	1 128 214
Interbank placements	(2 306)	-	-	(2 306)
Reverse repo transactions	321	-	-	321
Debt securities	135 553	92 906	-	228 459
Other interest income related to financial assets measured at fair value through profit or loss	-	-	75 540	75 540
Loans and other receivables from customers	-	-	97	97
Hedging derivatives	-	-	74 656	74 656
Debt securities held for trading	-	-	787	787
<b>Total</b>	<b>1 259 802</b>	<b>94 886</b>	<b>75 540</b>	<b>1 430 228</b>

#### Interest income

	3 QUARTERS 2021			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	3 632 190	355 358	-	3 987 548
Loans and advances (in this receivables from financial leases)	3 272 377	17 878	-	3 290 255
Interbank placements	(2 343)	-	-	(2 343)
Reverse repo transactions	682	-	-	682
Debt securities	361 474	337 480	-	698 954
Other interest income related to financial assets measured at fair value through profit or loss	-	-	212 369	212 369
Loans and other receivables from customers	-	-	311	311
Hedging derivatives	-	-	211 026	211 026
Debt securities held for trading	-	-	1 032	1 032
<b>Total</b>	<b>3 632 190</b>	<b>355 358</b>	<b>212 369</b>	<b>4 199 917</b>

#### Interest expense

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Deposits from customers	(612 448)	(948 706)	(8 730)	(36 450)
Interbank deposits	(28 898)	(65 767)	(1 017)	(3 191)
Repo transactions	(102 472)	(192 498)	(36)	(62)
Loans and advances received	(32 887)	(73 457)	(6 663)	(19 514)
Leasing	(2 753)	(7 995)	(1 881)	(6 916)
Debt securities	(180 564)	(348 351)	(24 843)	(73 675)
<b>Total</b>	<b>(960 022)</b>	<b>(1 636 774)</b>	<b>(43 170)</b>	<b>(139 808)</b>

## 9. Fee and commission income and expense

### Fee and commission income

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Accounts maintenance, payment orders and cash transactions	178 410	555 896	188 057	537 971
Payment cards	193 557	547 382	158 101	440 549
Loans and advances	118 286	341 984	125 012	343 284
Margin on foreign exchange transactions with clients	192 871	565 337	162 785	427 311
Service and sell investment and insurance products	91 298	278 728	118 989	355 616
Securities operations	27 815	88 788	29 428	97 967
Custody activity	17 497	53 812	18 397	51 682
Guarantees, letters of credit and similar transactions	22 430	64 111	20 152	56 932
Other	30 586	79 877	21 798	68 993
<b>Total</b>	<b>872 750</b>	<b>2 575 915</b>	<b>842 719</b>	<b>2 380 305</b>

### Fee and commission expense

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Payment cards	(116 478)	(325 200)	(95 490)	(257 452)
Money orders and transfers	(6 919)	(19 383)	(5 925)	(16 555)
Securities and derivatives operations	(13 493)	(39 238)	(10 737)	(36 383)
Acquisition services	(9 773)	(18 862)	(13 746)	(39 863)
Custody activity	(5 122)	(17 778)	(5 760)	(17 946)
Accounts maintenance	(1 489)	(4 021)	(1 253)	(3 340)
Investment funds management	(608)	(1 946)	(429)	(916)
Other	(4 549)	(14 314)	(5 722)	(15 576)
<b>Total</b>	<b>(158 431)</b>	<b>(440 742)</b>	<b>(139 062)</b>	<b>(388 031)</b>

## 10. Dividend income

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Issuers of securities measured at fair value through profit or loss	440	717	1 062	1 082
Issuers of equity instruments designated at fair value through other comprehensive income	-	26 073	-	25 577
<b>Total</b>	<b>440</b>	<b>26 790</b>	<b>1 062</b>	<b>26 659</b>

## 11. Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Gains / losses on loans and advances to customers measured mandatorily at fair value through profit or loss	2 666	3 284	741	2 014
Gains / losses on securities measured mandatorily at fair value through profit or loss	(10 814)	(28 471)	(8 470)	2 528
Foreign exchange result	(12 607)	7 779	(16 728)	56 453
Gains / losses on derivatives	40 797	55 216	47 232	42 125
Gains / losses on securities held for trading	467	(3 652)	4 422	17 243
<b>Total</b>	<b>20 509</b>	<b>34 156</b>	<b>27 197</b>	<b>120 363</b>

## 12. Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss

### Realized gains

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Financial assets measured at amortised cost	6 894	11 084	2 029	8 611
Financial assets measured at fair value through other comprehensive income	4 085	12 292	3 109	31 856
Financial liabilities measured at amortized cost	48	112	-	-
<b>Total</b>	<b>11 027</b>	<b>23 488</b>	<b>5 138</b>	<b>40 467</b>

### Realized losses

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Financial assets measured at amortised cost	(9 654)	(33 418)	(2 038)	(3 034)
Financial assets measured at fair value through other comprehensive income	(15)	(15)	(63)	(361)
Financial liabilities measured at amortized cost	(1)	(3)	(120)	(148)
<b>Total</b>	<b>(9 670)</b>	<b>(33 436)</b>	<b>(2 221)</b>	<b>(3 543)</b>
<b>Net realized profit/loss</b>	<b>1 357</b>	<b>(9 948)</b>	<b>2 917</b>	<b>36 924</b>

## 13. Net allowances for expected credit losses

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Loans and other financial assets measured at amortized cost (*)	(255 829)	(601 470)	(91 142)	(562 627)
Debt securities measured at amortized cost	(3 651)	(3 682)	(20 411)	(13 205)
Loans measured at fair value through other comprehensive income	198	53	167	22 175
Debt securities measured at fair value through other comprehensive income	7 838	10 090	(10 302)	13 920
Off-balance sheet commitments	16 351	3 594	(14 597)	40 936
Provision for legal risk regarding foreign currency mortgage loans	(24 757)	(333 454)	(41 853)	(47 270)
<b>Total</b>	<b>(259 850)</b>	<b>(924 869)</b>	<b>(178 138)</b>	<b>(546 071)</b>

(\*) Item includes impairment losses on loans and advances to banks and receivables from financial leases.

## 14. Other operating income and expenses

### Other operating income

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Gains on disposal of property, plant and equipment	15 842	22 702	7 778	17 451
Premises rental income, terminals and IT equipment	5 608	16 910	5 285	15 564
Operating leasing net income (*)	947	2 617	896	2 570
Compensation, recoveries, penalty fees and fines received	3 858	11 187	3 915	11 812
Miscellaneous income	2 323	7 728	2 001	8 395
Recovery of debt collection costs	3 093	12 922	2 523	6 206
Net revenues from sale of products, goods and services	2 403	5 100	1 381	4 144
Other	2 310	9 712	5 067	9 385
<b>Total</b>	<b>36 384</b>	<b>88 878</b>	<b>28 846</b>	<b>75 527</b>



## (\*) Operating leasing net income

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Income from operating leases	2 664	8 032	2 852	8 406
Costs of depreciation of fixed assets provided under operating leases	(1 717)	(5 415)	(1 956)	(5 836)
<b>Total</b>	<b>947</b>	<b>2 617</b>	<b>896</b>	<b>2 570</b>

## Other operating expenses

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Provision for liabilities disputable and other provisions (*)	(102 879)	(130 921)	20	(13 912)
Provision for legal risk regarding foreign currency mortgage loans	(17 966)	(128 528)	(8 148)	(5 051)
Credit and factoring debt collection costs	(6 123)	(19 248)	(6 532)	(18 909)
Loss on disposal of property, plant and equipment and intangible assets	(38)	(299)	(674)	(2 915)
Card transactions monitoring costs	(5 586)	(14 570)	(4 256)	(9 673)
Sundry expenses	(1 752)	(5 986)	(536)	(3 106)
Costs of litigation and claims	(2 919)	(7 769)	(1 002)	(2 502)
Impairment allowance on fixed assets, litigations and other assets	(899)	(47 371)	1 794	615
Compensation, penalty fees and fines	(420)	(1 561)	(781)	(1 876)
Other	(2 594)	(13 402)	(5 031)	(11 283)
<b>Total</b>	<b>(141 176)</b>	<b>(369 655)</b>	<b>(25 146)</b>	<b>(68 612)</b>

(\*) The item also includes the provision for commission refunds in case of early repayment of consumer loans paid before the CJEU judgment and a provision for commission refunds for prepaid mortgage loans (Note 32).

## 15. General administrative expenses and depreciation

## Personnel expenses

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Wages and salaries	(478 605)	(1 437 404)	(431 045)	(1 439 624)
Insurance and other charges related to employees	(87 352)	(257 388)	(77 558)	(238 265)
Share-based payments expenses	(3 009)	(13 540)	2 334	(7 389)
<b>Total</b>	<b>(568 966)</b>	<b>(1 708 332)</b>	<b>(506 269)</b>	<b>(1 685 278)</b>

## Other administrative expenses

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Overheads (*)	(239 851)	(799 582)	(210 743)	(640 784)
Tax on certain financial institutions	(222 379)	(638 512)	(179 357)	(532 513)
Fee paid for the Protection Scheme	(41 838)	(482 140)	-	-
Contributions to the Bank Guarantee Fund, including:	57 040	(267 219)	(27 120)	(259 338)
to the resolution fund	-	(210 179)	-	(170 592)
to the banks' guarantee fund	57 040	(57 040)	(27 120)	(88 746)
Contributions to the Borrowers Support Fund (**)	(165 835)	(165 835)	-	-
Fees to cover costs of supervision over banks (KNF)	(2 242)	(29 094)	(1 862)	(26 255)
Other taxes and fees	(10 210)	(30 753)	(10 198)	(29 920)
<b>Total</b>	<b>(625 315)</b>	<b>(2 413 135)</b>	<b>(429 280)</b>	<b>(1 488 810)</b>

(\*) including: an increase in 2022 of the cost related to reclassification of part of IT expenses from intangible assets to administrative expenses in the amount of PLN 123.8 million.

(\*\*) Estimated costs of additional contributions to the Borrowers Support Fund ('BSF'), resulting from an Article 89 (1) of the Act of 7th July 2022 on social financing for business ventures and support to borrowers, which obliges lenders to contribute a total of PLN 1.4 billion to the BSF by 31 December 2022.

**Depreciation**

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Property, plant and equipment	(77 633)	(240 412)	(80 272)	(240 971)
Intangible assets (*)	(82 984)	(237 306)	(83 454)	(240 358)
<b>Total</b>	<b>(160 617)</b>	<b>(477 718)</b>	<b>(163 726)</b>	<b>(481 329)</b>

(\*) including: a decrease in 2022 in the cost related to reclassification of part of IT expenses from intangible assets to administrative expenses in the amount of PLN 41.0 million.

<b>Total administrative expenses and depreciation</b>	<b>(1 354 898)</b>	<b>(4 599 185)</b>	<b>(1 099 275)</b>	<b>(3 655 417)</b>
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## 16. Gains / losses on associates

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Share in gains / losses from associates				
Krajowy Integrator Platności S.A.	1 465	3 122	693	1 048
<b>Total</b>	<b>1 465</b>	<b>3 122</b>	<b>693</b>	<b>1 048</b>

## 17. Income tax

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
<b>INCOME STATEMENT</b>				
<b>Current tax</b>	<b>(353 388)</b>	<b>(405 661)</b>	<b>(272 041)</b>	<b>(602 373)</b>
Current tax charge in the income statement	(353 058)	(393 235)	(271 677)	(595 628)
Adjustments related to the current tax from previous years	1	(11 189)	-	(5 994)
Other taxes (e.g. withholding tax)	(331)	(1 237)	(364)	(751)
<b>Deferred tax</b>	<b>394 247</b>	<b>(180 733)</b>	<b>54 200</b>	<b>39 407</b>
Occurrence and reversal of temporary differences	394 247	(180 733)	54 200	39 407
<b>Tax charge in the consolidated income statement</b>	<b>40 859</b>	<b>(586 394)</b>	<b>(217 841)</b>	<b>(562 966)</b>
<b>EQUITY</b>				
<b>Deferred tax</b>	<b>5 819</b>	<b>613 861</b>	<b>85 813</b>	<b>268 830</b>
Income and costs disclosed in other comprehensive income:				
revaluation of financial instruments - cash flows hedges	(9 912)	409 414	54 467	141 696
fair value revaluation through other comprehensive income	14 363	190 646	22 752	134 306
<b>Tax on items that are or may be reclassified subsequently to profit or loss</b>	<b>4 451</b>	<b>600 060</b>	<b>77 219</b>	<b>276 002</b>
<b>Tax charge on items that will never be reclassified to profit or loss</b>	<b>1 368</b>	<b>13 801</b>	<b>8 594</b>	<b>(7 172)</b>
fair value revaluation through other comprehensive income – equity securities	1 368	17 144	8 594	(7 172)
remeasurements the defined benefit liabilities	-	(3 343)	-	-
<b>Total charge</b>	<b>46 678</b>	<b>27 467</b>	<b>(132 028)</b>	<b>(294 136)</b>

## 18. Earnings per share

### Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of the ordinary shares outstanding during the period.

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Net profit / loss	(543 583)	831 507	630 780	1 481 208
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Earnings per share (in PLN per share)	(2.07)	3.17	2.40	5.64

### Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of the ordinary shares outstanding during the given period adjusted for all potential dilution of ordinary shares.

As at 30 September 2022 and 30 September 2021 here were no diluting instruments in the form of convertible bonds in the Group.

	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Net profit / loss	(543 583)	831 507	630 780	1 481 208
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 470 034	262 470 034	262 470 034	262 470 034
Diluted earnings per share (in PLN per share)	(2.07)	3.17	2.40	5.64

## 19. Dividends

On 15 June 2022, the Ordinary General Meeting of Bank Pekao S.A. adopted a resolution on the distribution of the Bank's profit for 2021. The amount of PLN 1 128 621 146.20 was allocated to the dividend for shareholders, with the amount of dividend per share being PLN 4.30. The dividend record date was 25 July 2022, and the dividend payment date was 4 August 2022.

## 20. Cash and balances with Central Bank

CASH AND DUE FROM CENTRAL BANK	30.09.2022	31.12.2021
Cash	4 764 684	3 699 683
Current account at Central Bank	13 126 275	996 945
Placements	588	-
Other	104	67
<b>Gross carrying amount</b>	<b>17 891 651</b>	<b>4 696 695</b>
Impairment allowances	(12 356)	(75)
<b>Net carrying amount</b>	<b>17 879 295</b>	<b>4 696 620</b>

## 21. Loans and advances to banks

Loans and advances to banks by product type

	30.09.2022	31.12.2021
Current accounts	886 985	271 163
Interbank placements	1 465 645	623 227
Loans and advances	183 651	156 073
Cash collaterals	2 584 560	1 458 469
Reverse repo transactions	645 444	583 012
Cash in transit	332 891	237 324
<b>Total gross amount</b>	<b>6 099 176</b>	<b>3 329 268</b>
Impairment allowances	(2 888)	(1 181)
<b>Total net amount</b>	<b>6 096 288</b>	<b>3 328 087</b>

## 22. Derivative financial instruments (held for trading)

Fair value of trading derivatives

30.09.2022	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	15 954 931	15 858 113
Forward Rate Agreements (FRA)	8 045	4 778
Options	101 278	120 593
Other	665	219
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	271 848	265 462
Currency Forward Agreements	657 282	1 078 378
Currency Swaps (FX-Swap)	985 410	411 929
Options for currency and gold	146 803	113 292
Transactions based on equity securities and stock indexes		
Options	992	989
Other	-	-
Transactions based on commodities and precious metals		
Options	-	-
Other	636 792	601 158
<b>Total</b>	<b>18 764 046</b>	<b>18 454 911</b>

**Fair value of trading derivatives**

31.12.2021	ASSETS	LIABILITIES
<b>Interest rate transactions</b>		
Interest Rate Swaps (IRS)	6 421 198	6 544 007
Forward Rate Agreements (FRA)	6 344	12 394
Options	22 481	24 224
Other	774	773
<b>Foreign currency and gold transactions</b>		
Cross-Currency Interest Rate Swaps (CIRS)	122 657	86 655
Currency Forward Agreements	298 987	393 370
Currency Swaps (FX-Swap)	215 953	114 043
Options for currency and gold	75 774	39 380
<b>Transactions based on equity securities and stock indexes</b>		
Options	21 094	21 094
Other	-	-
<b>Transactions based on commodities and precious metals</b>		
Options	15 785	15 350
Other	727 492	718 053
<b>Total</b>	<b>7 928 539</b>	<b>7 969 343</b>

## 23. Loans and advances to customers

**Loans and advances to customers by product type**

	30.09.2022			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	76 982 974	-	10 409	76 993 383
Current accounts	14 678 420	-	-	14 678 420
Operating loans	17 035 614	-	11 710	17 047 324
Investment loans	26 938 829	262 925	12 158	27 213 912
Cash loans	13 038 345	-	-	13 038 345
Payment cards receivables	1 076 970	-	-	1 076 970
Financial leasing	9 505 408	-	-	9 505 408
Factoring	8 220 710	-	-	8 220 710
Other loans and advances	7 201 397	-	116 664	7 318 061
Reverse repo transactions	975 117	-	-	975 117
Cash in transit	81 967	-	-	81 967
<b>Gross carrying amount</b>	<b>175 735 751</b>	<b>262 925</b>	<b>150 941</b>	<b>176 149 617</b>
Impairment allowances (*) (**)	(9 185 778)	-	-	(9 185 778)
<b>Net Carrying amount</b>	<b>166 549 973</b>	<b>262 925</b>	<b>150 941</b>	<b>166 963 839</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 824 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 819 454 thousand.

**Loans and advances to customers by product type**

	31.12.2021			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	79 499 810	130 688	12 035	79 642 533
Current accounts	11 319 765	-	-	11 319 765
Operating loans	12 738 985	-	13 720	12 752 705
Investment loans	24 257 384	115 141	14 979	24 387 504
Cash loans	13 432 675	-	-	13 432 675
Payment cards receivables	1 055 195	-	-	1 055 195
Financial leasing	8 648 948	-	-	8 648 948
Factoring	7 143 838	-	-	7 143 838
Other loans and advances	7 318 872	-	119 645	7 438 517
Reverse repo transactions	969 705	-	-	969 705
Cash in transit	138 524	-	-	138 524
<b>Gross carrying amount</b>	<b>166 523 701</b>	<b>245 829</b>	<b>160 379</b>	<b>166 929 909</b>
Impairment allowances (*) (**)	(7 701 153)	-	-	(7 701 153)
<b>Net Carrying amount</b>	<b>158 822 548</b>	<b>245 829</b>	<b>160 379</b>	<b>159 228 756</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 877 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 496 022 thousand.

**Loans and advances to customers by customer type**

	30.09.2022					TOTAL
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	NET CARRYING AMOUNT			
Corporate	95 513 938	(5 898 140)	89 615 798	262 925	20 107	89 898 830
Individuals	78 179 297	(3 168 706)	75 010 591	-	116 664	75 127 255
Budget entities	2 042 516	(118 932)	1 923 584	-	14 170	1 937 754
<b>Loans and advances to customers</b>	<b>175 735 751</b>	<b>(9 185 778)</b>	<b>166 549 973</b>	<b>262 925</b>	<b>150 941</b>	<b>166 963 839</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 824 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 819 454 thousand.

	31.12.2021					TOTAL
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	NET CARRYING AMOUNT			
Corporate	81 344 974	(4 981 129)	76 363 845	245 829	24 169	76 633 843
Individuals	82 910 593	(2 598 088)	80 312 505	-	119 645	80 432 150
Budget entities	2 268 134	(121 936)	2 146 198	-	16 565	2 162 763
<b>Loans and advances to customers</b>	<b>166 523 701</b>	<b>(7 701 153)</b>	<b>158 822 548</b>	<b>245 829</b>	<b>160 379</b>	<b>159 228 756</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 877 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 496 022 thousand.

## 24. Securities

	30.09.2022	31.12.2021
Debt securities held for trading	907 504	499 727
Debt securities measured at amortised cost	41 475 332	44 276 101
Debt securities measured at fair value through other comprehensive income	16 653 192	21 954 170
Equity instruments held for trading	4 052	1 061
Equity instruments designated for measurement at fair value through other comprehensive income	330 142	418 012
Equity instruments mandatorily measured at fair value through profit or loss	180 237	171 496
<b>Total</b>	<b>59 550 459</b>	<b>67 320 567</b>

### Debt securities held for trading

	30.09.2022	31.12.2021
Debt securities issued by central governments	752 508	212 941
T- bills	-	-
T- bonds	752 508	212 941
Debt securities issued by banks	43 496	94 264
Debt securities issued by business entities	111 044	192 205
Debt securities issued by local governments	456	317
<b>Total</b>	<b>907 504</b>	<b>499 727</b>

### Debt securities measured at amortised cost

	30.09.2022	31.12.2021
Debt securities issued by State Treasury	19 558 520	23 834 022
T-bills	-	-
T-bonds	19 558 520	23 834 022
Debt securities issued by central banks	28 033	20 893
Debt securities issued by banks	9 470 761	8 337 709
Debt securities issued by business entities	8 862 393	8 793 876
Debt securities issued by local governments	3 555 625	3 289 601
<b>Total</b>	<b>41 475 332</b>	<b>44 276 101</b>
including impairment of assets	(153 820)	(132 754)

### Debt securities measured at fair value through other comprehensive income

	30.09.2022	31.12.2021
Debt securities issued by State Treasury	9 300 838	13 126 929
T-bills	-	-
T-bonds	9 052 393	12 876 749
Other	248 445	250 180
Debt securities issued by central banks	-	-
Debt securities issued by banks	3 220 833	3 409 191
Debt securities issued by business entities	2 426 408	3 411 382
Debt securities issued by local governments	1 705 113	2 006 668
<b>Total</b>	<b>16 653 192</b>	<b>21 954 170</b>
including impairment of assets (*)	(38 467)	(48 628)

(\*) The impairment allowance for debt securities measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount.

### Equity securities held for trading

	30.09.2022	31.12.2021
Shares	4 052	1 061
<b>Total</b>	<b>4 052</b>	<b>1 061</b>

Equity instruments designated for measurement at fair value through other comprehensive income

	30.09.2022	31.12.2021
Shares	330 142	418 012
<b>Total</b>	<b>330 142</b>	<b>418 012</b>

Equity instruments mandatorily measured at fair value through profit or loss

	30.09.2022	31.12.2021
Shares	180 237	171 496
<b>Total</b>	<b>180 237</b>	<b>171 496</b>

## 25. Assets pledged as security for liabilities

TYPE OF TRANSACTION AS AT 30.09.2022	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	Bonds held for trading (measured at fair value through profit or loss)	-	-	-
Repo transactions	Bonds measured at amortised cost	2 321 181	2 300 000	2 007 837
Repo transactions	Bonds measured at fair value through other comprehensive income	141 098	165 840	140 935
<b>Total</b>		<b>2 462 279</b>	<b>2 465 840</b>	<b>2 148 772</b>

TYPE OF TRANSACTION AS AT 31.12.2021	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	Bonds held for trading (measured at fair value through profit or loss)	48 474	49 104	48 590
Repo transactions	Bonds measured at fair value through other comprehensive income	797 623	800 000	799 631
<b>Total</b>		<b>846 097</b>	<b>849 104</b>	<b>848 221</b>

Apart from assets pledged as security for liabilities presented separately in the financial statements, the Group also identifies liabilities do not meet the criterion of separate presentation in accordance with IFRS 9.

TYPE OF TRANSACTION AS AT 30.09.2022	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	789 431	760 000	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	bonds	203 665	200 000	173 465
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	bonds	461 337	494 250	372 593
Lombard and technical loan	bonds	8 435 575	8 647 643	-
Other loans	bonds	278 846	287 100	261 377
Debt securities issued	loans, bonds	1 305 718	1 348 906	944 873
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	26 547	26 547	-
Derivatives	bonds	73 234	71 916	40 075
Uncommitted Collateralized Intraday Technical Overdraft Facility Agreement	bonds	27 672	34 089	-



TYPE OF TRANSACTION AS AT 31.12.2021	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	781 770	740 000	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	bonds	185 172	180 000	156 353
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	bonds	389 905	373 400	309 539
Lombard and technical loan	bonds	5 480 924	5 800 164	-
Other loans	bonds	300 272	297 700	276 327
Debt securities issued	loans, bonds	1 402 335	1 405 857	1 086 532
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	28 013	28 013	-
Derivatives	bonds	187 753	182 509	152 687
Uncommitted Collateralized Intraday Technical Overdraft Facility Agreement	bonds	39 029	32 196	-

## 26. Intangible assets

	30.09.2022	31.12.2021
Intangible assets, including:	1 410 726	1 551 830
research and development expenditures	9 701	10 624
licenses and patents	826 444	913 080
other	123 235	130 842
assets under construction	451 346	497 284
Goodwill	748 552	748 552
<b>Total</b>	<b>2 159 278</b>	<b>2 300 382</b>

## 27. Property, plant and equipment

	30.09.2022	31.12.2021
Non-current assets, including:	1 526 506	1 720 780
land and buildings	946 715	1 099 493
machinery and equipment	364 398	387 813
transport vehicles	113 519	122 782
other	101 874	110 692
Non-current assets under construction and prepayments	49 017	109 451
<b>Total</b>	<b>1 575 523</b>	<b>1 830 231</b>

In the period from 1 January to 30 September 2022 the Group acquired 'Property, plant and equipment' amounted PLN 52 420 thousand (in 2021 - PLN 230 637 thousand), while the value of property, plant and equipment sold amounted to PLN 13 333 thousand (in 2021 - PLN 28 317 thousand).

In the period from 1 January to 30 September 2022 and in 2021 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

### Contractual commitments

As at 30 September 2022 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 24 785 thousand (as at 31 December 2021 - PLN 8 498 thousand).

## 28. Amounts due to other banks

Amounts due to other banks by product type

	30.09.2022	31.12.2021
Current accounts	1 164 323	844 693
Interbank deposits and other liabilities	2 230 008	2 275 862
Loans and advances received	5 455 390	4 577 576
Repo transactions	-	848 221
Cash in transit	291 531	29 031
Lease liabilities	81	86
<b>Total</b>	<b>9 141 333</b>	<b>8 575 469</b>

## 29. Financial liabilities held for trading

Financial liabilities held for trading by issuer and product type

	30.09.2022	31.12.2021
Debt securities issued by central governments	630 512	639 733
T- bonds	630 512	639 733
<b>Total</b>	<b>630 512</b>	<b>639 733</b>

## 30. Amounts due to customers

Amounts due to customers by entity and product type

	30.09.2022	31.12.2021
Amounts due to corporate, including:	78 435 684	61 716 411
current accounts	57 601 412	59 747 288
term deposits and other liabilities	20 834 272	1 969 123
Amounts due to budget entities, including:	15 057 843	16 420 528
current accounts	12 273 893	16 369 501
term deposits and other liabilities	2 783 950	51 027
Amounts due to individuals, including:	112 432 915	116 346 734
current accounts	90 527 689	105 422 043
term deposits and other liabilities	21 905 226	10 924 691
Repo transactions	2 148 772	-
Cash in transit	853 458	320 304
Lease liabilities	312 446	357 966
<b>Total</b>	<b>209 241 118</b>	<b>195 161 943</b>

## 31. Debt securities issued

Debt securities issued by type

	30.09.2022	31.12.2021
Liabilities from bonds	4 609 141	4 086 984
Certificates of deposit	2 998 669	178 573
Mortgage bonds	943 328	1 089 798
<b>Total</b>	<b>8 551 138</b>	<b>5 355 355</b>

The Group redeems its own debt securities issued on a timely basis.

## 32. Provisions

Changes in provisions in the reporting period

3 QUARTERS 2022	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS (**)	TOTAL
<b>Opening balance</b>	<b>211 909</b>	<b>17 330</b>	<b>240 368</b>	<b>360 133</b>	<b>53 368</b>	<b>883 108</b>
Provision charges/revaluation	160 029	-	15 676	239 250	125 461	540 416
Provision utilization	(16 441)	(5 007)	(27 612)	-	(18 794)	(67 854)
Provision releases	(12 501)	-	-	(242 844)	-	(255 345)
Foreign currency exchange differences	1 599	-	-	11 025	-	12 624
Other changes	-	-	(17 594)	-	-	(17 594)
<b>Closing balance</b>	<b>344 595</b>	<b>12 323</b>	<b>210 838</b>	<b>367 564</b>	<b>160 035</b>	<b>1 095 355</b>
Short term	4 318	12 323	6 670	105 609	423	129 343
Long term	340 277	-	204 168	261 955	159 612	966 012

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 252 299 thousand and a provision for early repayments of consumer and mortgage loans in the amount of PLN 33 957 thousand as at 30 September 2022.

(\*\*) In this provisions for reimbursement customers of increased margins on mortgage loans before establishing a mortgage in the amount of PLN 111 921 thousand as at 30 September 2022.

2021	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
<b>Opening balance</b>	<b>178 589</b>	<b>81 077</b>	<b>294 880</b>	<b>383 415</b>	<b>50 743</b>	<b>988 704</b>
Increase due to acquisition of part of Idea Bank S.A. activity	392	-	-	1 608	-	2 000
Provision charges/revaluation	60 774	72 385	18 013	196 880	14 793	362 845
Provision utilization	(24 343)	(136 132)	(24 874)	-	(12 168)	(197 517)
Provision releases	(4 372)	-	-	(222 285)	-	(226 657)
Foreign currency exchange differences	587	-	-	515	-	1 102
Other changes	282	-	(47 651)	-	-	(47 369)
<b>Closing balance</b>	<b>211 909</b>	<b>17 330</b>	<b>240 368</b>	<b>360 133</b>	<b>53 368</b>	<b>883 108</b>
Short term	2 785	17 330	14 456	61 895	848	97 314
Long term	209 124	-	225 912	298 238	52 520	785 794

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 130 185 thousand and a provision for early repayments of consumer loans in the amount of PLN 16 107 thousand as at 31 December 2021.

### Provisions for litigation and claims

Provisions for litigation and claims include court, administrative and other legal proceedings. Provisions for litigation and claims were estimated in the amount of expected outflow of resources embodying economic benefits.

Provisions for litigation and claims also include the part of total provision created for legal risk related to foreign currency mortgage loans in CHF, in part relating to exposures already repaid (fully or partially). Details about the above provisions are presented in Note 36.2 of these condensed interim consolidated financial statements.

*An issue related to the judgment of the Court of Justice of the European Union regarding consumer credit agreements*

On 11 September 2019, the Court of Justice of the European Union (hereinafter the 'CJEU') issued a judgment in Case C-383/18 concerning preliminary questions regarding the consumer's right to reduce the total cost of loan in the event of early repayment of consumer loan.

The Group analyzed the legal risk resulting from the above judgment and in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets,' assessed the probability of cash outflow as a refund of commission in connection with early repayment of loans made by borrowers before the abovementioned judgment of the CJEU.

For the purpose of estimating the aforementioned provision, the Group performed an analysis of data on early repayment of loans and complaints. As a result of the above, the Group has determined a matrix of probability of repayment depending on the amount of commission to be repaid and the period when the earlier repayment was made.

As at 30 September 2022 the provision regarding early repayment of consumer loans made before the judgment of the CJEU (i.e. before 11 September 2019) amounts to PLN 7.8 million (as at 31 December 2021 - PLN 16.1 million).

In the case of early repayment of consumer loans made by borrowers after the judgment of the CJEU (i.e. after 11 September 2019), the Group automatically reduces the borrower's total cost of loan and returns the funds to the customer.

The Group also reimburses its customers a part of the mortgage loan costs incurred, in the event of early full and partial repayment of the mortgage loan resulting in a shortening of the loan period, granted to consumers under a loan agreement concluded from 22 July 2017 (date of entry into force of the Act on Mortgage Loans and Supervision of Mortgage Brokers and Agents). As at 30 September 2022, the balance of the provision created for this purpose is PLN 42.3 million (including the amount of PLN 16.1 million for the current reimburses presented in the line 'Other liabilities').

In addition, with respect to balance sheet exposures consumer loans and mortgage loans as at 30 September 2022, the Group estimated possible future prepayments of these exposures. In accordance with the above, the Group recognized the amount of PLN 32.3 million in 'Other liabilities' (as at 31 December 2021 - PLN 13.8 million).

The performed estimates required the Group to adopt expert assumptions and are associated with uncertainty. The Group monitors the validity of all the assumptions adopted in the process of creating the aforementioned provision on an ongoing basis.

#### **Provisions for defined benefits plans**

Provisions for defined benefits plans consist of provisions for retirement benefits and death-in-service benefits. The present value of such obligations is measured by an independent actuary using the projected unit credit method.

#### **Other provisions**

Other provisions include in particular provisions for other employee benefits and provisions for reimbursement customers of increased margins on mortgage loans before establishing a mortgage, in connection with the entry into force of the Act of 5 August 2022 on the amendment to the Act on Mortgage Loans and on the supervision of mortgage brokers and agents and the act amending the act on personal income tax, the act on corporate income tax and some other acts.

## **33. Contingent commitments**

#### **Court cases**

As of 30 September 2022 the following court cases for payment are pending with involvement of the Group, that are important in view of the value of the object of litigation:

- 1) in the group of liabilities (against the Group):
  - brought by the receiver for a joint stock company in liquidation bankruptcy – lawsuit for payment of compensation for a damage incurred as a result of the Bank's demanding immediate payment of the amounts due in virtue of payment of the price from the credit receivables transfer agreement and conducting debt enforcement collection of the portion of the price remaining for payment by a court enforcement officer, value of the object of litigation PLN 57 450 130 litigation initiation date – 30 April 2015, in the present factual and legal circumstances the Bank assesses the funds outflow risk as possible,
  - brought by a natural person – lawsuit for payment by the Bank of an amount charged by virtue of settlement of financial future or forward transactions, value of the object of litigation PLN 38 916 555.18, litigation initiation date – 2 October 2016, on 6 May 2019 the Regional Court in Warsaw issued a sentence ordering the Bank to pay the amount of PLN 3 392 349.18 and as to the remainder the Court dismissed the suit, the sentence is not legally valid, the Bank and the plaintiff appealed against the judgment. On the 16 December 2020 the Court of Appeal in Warsaw quashed the sentence of the Regional Court in its entirety and remitted the case to that Court. The Bank maintains it is current assessment of the risk of outflow of found and, in terms of the amount awarded by the Regional Court, the Bank assesses the funds outflow risk as probable and in the remaining scope as possible,
  - brought by a legal person – lawsuit for payment of compensation for the loss of value of the leased assets; value of the object of litigation PLN 21 001 551, litigation initiation date – 10 March 2011, in the present factual and legal circumstances the Bank assesses the funds outflow risk as minor,
  - brought by a legal person – lawsuit for payment of damages for a tort and improper performance of a bank account agreement in connection with the execution of payment instructions from the plaintiff's bank accounts, value of the object of litigation PLN 14 579 152.50, litigation initiation date – 17 August 2015, in the present factual and legal circumstances, the Bank assesses the funds outflow risk as possible.
- 2) in the group of receivables (brought by the Group):
  - Bank's lawsuit for payment against the guarantors for surety securing the repayment of the loan granted, value of the object of litigation PLN 136 495 075, litigation initiation date – 18 July 2022,
  - Bank's lawsuit for payment against limited debtor by virtue of mortgage collateralizing repayment of the granted credit, value of the object of litigation PLN 132 877 901, litigation initiation date – 21 January 2016,

- Bank's lawsuit for payment against limited debtor by virtue of mortgage collateralizing repayment of the Bank's receivables resulting from banking activities, value of the object of litigation PLN 46 695 088, litigation initiation date – 15 September 2010, invalid sentence of the Regional Court in Warsaw of 13 January 2015 awarding for the benefit of the Bank the amount of PLN 40 425 047,
- proceedings on the Bank's appeal against the decision of the President of the Office of Competition and Consumer Protection of 16 October 2020, pursuant to which the provisions on the rules for determining exchange rates in the exchange rate table, used by the Bank in annexes to currency-denominated mortgage loan agreements, value of the object of litigation PLN 21 088 807, litigation initiation date – 16 November 2020, on 14 July 2022 the Regional Court in Warsaw issued a sentence revoking the contested decision, the sentence is not final,
- Bank's lawsuit for payment against a legal person for improper performance of the agreement on the term and procedure of assigning receivables from leasing transactions and their redemption, value of the object litigation PLN 20 485 377.32, litigation initiation date – 12 June 2002.

None of the litigations pending in the third quarter of the year 2022 before the court, authority competent for arbitrary proceedings or a body of public administration posed a threat for financial liquidity of the Group.

The Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the provisions as at 30 September 2022 is PLN 344 595 thousand (PLN 211 909 thousand as at 31 December 2021).

In addition, as at 30 September 2022 the Group assessed the legal risk of foreign currency mortgage loans in CHF and created a provision related to this risk. Details are presented in Note 36.2.

### Financial commitments granted

Financial commitments granted by entity

	30.09.2022	31.12.2021
Financial commitments granted to:		
banks	1 472 348	623 903
customers	46 225 092	42 259 888
budget entities	778 512	341 534
<b>Total</b>	<b>48 475 952</b>	<b>43 225 325</b>

### Guarantees issued

Guarantees issued by entity

	30.09.2022	31.12.2021
Issued to banks:		
guarantees	1 456 134	1 590 262
securities' underwriting guarantees	-	-
confirmed export letters of credit	103 212	125 772
Issued to customers	10 154 667	11 330 096
guarantees	6 957 139	8 106 033
securities' underwriting guarantees	2 266 261	2 865 321
sureties	931 267	358 742
Issued to budget entities:		
guarantees	23 106	26 522
securities' underwriting guarantees	1 250 997	1 375 295
<b>Total</b>	<b>12 988 116</b>	<b>14 447 947</b>

**Off-balance sheet commitments received**

Off-balance sheet commitments received by entity

	30.09.2022	31.12.2021
Financial received from:	465 780	1 127 531
banks	328 553	927 533
customers	137 227	199 998
budget entities	-	-
Guarantees received from:	32 176 245	23 179 416
banks	12 818 431	11 656 688
customers	12 797 452	10 357 310
budget entities	6 560 362	1 165 418
<b>Total</b>	<b>32 642 025</b>	<b>24 306 947</b>

Moreover, the Group has the ability to obtain financing from National Bank of Poland secured securities.

## 34. Additional information to the consolidated cash flow statement

Cash and cash equivalents

	30.09.2022	30.09.2021
Cash and amounts due from Central Bank	17 879 295	7 346 093
Loans and receivables from banks with maturity up to 3 months	5 865 750	4 950 869
<b>Cash and Cash equivalents presented in the cash flow statement</b>	<b>23 745 045</b>	<b>12 296 962</b>

Restricted availability cash and cash equivalents as at 30 September 2022 amounted to PLN 13 126 275 thousand (PLN 3 405 126 thousand as at 30 September 2021).

## 35. Related party transactions

The transactions between the Bank and related parties are typical transactions arising from current operating activities conducted by the Bank. Such transactions mainly include loans, deposits, foreign currency transactions and guarantees.

**The credit granting process applicable to the Bank's management and entities related to the Bank**

According to the Banking Act, credit transactions with Members of the Bank's Management Board and Supervisory Board, persons holding managerial positions at the Bank, with the entities related financially or organizationally therewith, are based on the Bank's Articles of Association and the Bank's internal regulations specifying the rules for crediting the Bank's management and related entities.

The Regulation provides detailed decision-making procedures, applicable to transactions with such persons and entities, also defining the decision-making levels authorized to take decisions. In particular, the transactions with the Members of the Bank's Management Board or Supervisory Board or with an entity related therewith financially or organizationally, taking into account the amount of the Bank's total exposure to a given person or entity, are subject to decisions to be made by the Bank's Management Board and Supervisory Board or the Bank's Credit Committee.

Members of the Bank's Management Board and entities related therewith financially or organizationally may take advantage of credit products offered by the Bank on standard terms and conditions of the Bank. In particular, the Bank may not offer more advantageous credit interest rates to such persons or entities.

Credit risk assessment is performed using the methodology applied by the Bank, tailored to the client's segment and type of transaction.

**Related party transactions**

Related party transactions as at 30 September 2022

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank's parent entity	13	-	6 831	3 093	270 084	-	225 959
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	3 778	-	9 054	8 169	301 369	66	817
<b>Subsidiaries of Bank Pekao S.A Group entities</b>							
Krajowy Integrator Platności S.A.	-	-	-	8	37 706	-	-
Key management personnel of the Bank Pekao S.A.	1 082	-	-	-	6 181	-	-
<b>Total</b>	<b>4 873</b>	<b>-</b>	<b>15 885</b>	<b>11 270</b>	<b>615 340</b>	<b>66</b>	<b>226 776</b>

Related party transactions as at 31 December 2021

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank's parent entity	11 838	-	4 061	4 770	151 803	-	1 976
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	618	-	209	9 455	181 649	802	996
<b>Subsidiaries of Bank Pekao S.A Group entities</b>							
Krajowy Integrator Platności S.A.	-	-	-	7	50 743	-	-
Key management personnel of the Bank Pekao S.A.	654	-	-	-	2 508	-	-
<b>Total</b>	<b>13 110</b>	<b>-</b>	<b>4 270</b>	<b>14 232</b>	<b>386 703</b>	<b>802</b>	<b>2 972</b>

Income and expenses from transactions with related parties for the period from 1 January 2022 to 30 September 2022

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	(1 357)	(6 068)	33 383	(175)	477	(1 699)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	227	(4 499)	37 618	(216)	768	(37 478)
<b>Subsidiaries of Bank Pekao S.A Group entities</b>						
Krajowy Integrator Płatności S.A.	-	-	184	-	-	-
Key management personnel of the Bank Pekao S.A.	31	(51)	-	-	-	-
<b>Total</b>	<b>(1 099)</b>	<b>(10 618)</b>	<b>71 185</b>	<b>(391)</b>	<b>1 245</b>	<b>(39 177)</b>

Income and expenses from transactions with related parties for the period from 1 January 2021 to 30 September 2021

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	(1 338)	-	38 246	(614)	886	(414)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	(5)	(2)	39 842	(170)	1 103	(17 359)
<b>Subsidiaries of Bank Pekao S.A Group entities</b>						
Krajowy Integrator Płatności S.A.	-	-	154	-	-	-
Key management personnel of the Bank Pekao S.A.	35	-	-	-	-	-
<b>Total</b>	<b>(1 308)</b>	<b>(2)</b>	<b>78 242</b>	<b>(784)</b>	<b>1 989</b>	<b>(17 773)</b>



Off-balance sheet financial liabilities and guarantees as at 30 September 2022

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	3 949	107 000	-	560 027
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	8 013	102 093	-	-
Subsidiaries of Bank Pekao S.A Group entities				
Krajowy Integrator Płatności S.A.	-	1 300	-	-
Key management personnel of the Bank Pekao S.A.	1 389	-	-	-
<b>Total</b>	<b>13 351</b>	<b>210 393</b>	<b>-</b>	<b>560 027</b>

Off-balance sheet financial liabilities and guarantees as at 31 December 2021

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	2 735	107 148	-	528 931
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	7 056	102 241	-	-
Key management personnel of the Bank Pekao S.A.	156	-	-	-
<b>Total</b>	<b>9 947</b>	<b>209 389</b>	<b>-</b>	<b>528 931</b>

**Remuneration expenses of the Bank's Management Board and Supervisory Board Members**

	VALUE OF BENEFITS	
	3 QUARTERS 2022	3 QUARTERS 2021
<b>Management Board of the Bank</b>		
Short-term employee benefits (*)	10 157	9 082
Post-employment benefits	-	492
Long-term benefits (**)	729	716
Share-based payments (***)	3 088	3 477
<b>Total</b>	<b>13 974</b>	<b>13 767</b>
<b>Supervisory Board of the Bank</b>		
Short-term employee benefits (*)	1 119	935
<b>Total</b>	<b>1 119</b>	<b>935</b>

(\*) Short-term employee benefits include: base salary, bonuses and other benefits due in next 12 months from the date of the balance sheet.

(\*\*) The item 'Other long-term benefit' includes: provisions for deferred bonus payments.

(\*\*\*) The value of share-based payments is a part of Personnel Expenses, recognized according to IFRS 2 during the reporting period in the income statement, representing the settlement of fair value of share options and shares, including phantom shares, granted to the Members of the Bank's Management Board.

The Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associates in the period from 1 January to 30 September 2022 and in the period from 1 January to 30 September 2021.

**Remuneration expenses of Supervisory Boards and Management Boards of subsidiaries**

	VALUE OF BENEFITS	
	3 QUARTERS 2022	3 QUARTERS 2021
<b>Companies' Management Boards</b>		
Short-term employee benefits	12 453	10 394
Post-employment benefits	1 159	1 168
Long-term benefits	487	1 033
Paid termination benefits	242	156
<b>Total</b>	<b>14 341</b>	<b>12 751</b>
<b>Companies' Supervisory Boards</b>		
Short-term employee benefits	692	797
<b>Total</b>	<b>692</b>	<b>797</b>

## 36. Risk management and fair value

### 36.1. Credit risk

The general framework for the risk management, credit risk mitigation methods and rating models did not change substantially compared to those described in the in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

Due to the risk:

- related to the ongoing armed conflict in Eastern Europe and its potential consequences for the situation of enterprises and consumer moods,
- greater than expected increase in interest rates, which may translate into a high increase in the burden on certain customer groups,
- greater than expected economic slowdown due to growing cost pressure on entrepreneurs, and
- subsequent COVID-19 mutations and subsequent waves of the pandemic,

the Group identifies increased credit risk, which was included in the estimation of impairment losses on credit exposures according to the principles described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

Additionally, the Group issued guidelines for the assessment of transactions with entities related to Ukraine, Belarus and Russia, taking into account the impact of the risk arising from the war on the territory of Ukraine. The guidelines define the requirements / restrictions with regard to providing financing to these entities and managing the existing loan portfolio. Modifying these requirements by adjusting them to the changing situation related to the war in Ukraine and using the experience gained in this area will be carried out in subsequent periods.

### Armed conflict in Ukraine

On 24 February 2022, there was an armed attack by Russia and Belarus on Ukraine. On the day the conflict broke out, the Bank launched increased monitoring of the situation of customers from Russia, Belarus and Ukraine.

In terms of credit risk, the Group identifies the following threats:

- credit loss risk for exposures to entities from Russia, Belarus and Ukraine, with the Bank's exposure in this regard mostly covered by KUKÉ policies,
- the risk that the conflict will translate into deterioration of the economic and credit conditions for the rest of the portfolio (through the raw material price growth channel, disruption of economic relations, deterioration of consumer sentiment, etc.).

In the third quarter of 2022, the Group selected clients operating in high-risk industries and increased their PD level by 100% which consequently led to an increase in the expected credit losses in the working portfolio by PLN 111 million. The increase was taken into account for loans with a total gross carrying amount of PLN 10 351 million. The total amount of the increase in expected credit losses in the three quarters of 2022 in the portfolio related to clients operating in high-risk industries amounts to PLN 170 million. The analysis of the industries took into account the indirect impact of the armed conflict in Ukraine. The following areas of increased risk were indicated:

- large net recipients / consumers of energy and raw materials most exposed to an increase in the prices of energy raw materials in the following industries: industrial processing, mining and quarrying,
- industries most exposed to threats related to the current downturn, exposed to slowdown, inflation and high interest rates. In particular, it is industry (including machinery, chemical, furniture, metal, wood, mineral) and sensitive industries, including: construction, land transport, accommodation, gastronomy, rental and lease.

As at 30 September 2022, the Group's balance sheet net exposure to countries involved in the conflict amounted to PLN 257 million (which represents 0.15% of the Group's total exposure).

The tables below present the Group's exposures to countries involved in the armed conflict in Ukraine as at 30 September 2022 and 31 December 2021.

30.09.2022	UKRAINE	RUSSIA	BELARUS	TOTAL
<b>Balance sheet exposures</b>				
Loans and advances to banks	-	-	150 304	150 304
Loans and advances to customers (including receivables from finance leases)	40 204	72	70 519	110 795
<b>Gross carrying amount</b>	<b>40 204</b>	<b>72</b>	<b>220 823</b>	<b>261 099</b>
Impairment allowances	(750)	(47)	(3 124)	(3 921)
<b>Net carrying amount</b>	<b>39 454</b>	<b>25</b>	<b>217 699</b>	<b>257 178</b>
<b>Off- balance sheet exposures</b>				
Financial commitments granted	158	13	81 191	81 362
Guarantees issued	-	73 047	-	73 047
<b>Total nominal value</b>	<b>158</b>	<b>73 060</b>	<b>81 191</b>	<b>154 409</b>
Impairment allowances of granted off-balance sheet liabilities	-	(7 305)	(812)	(8 117)

31.12.2021	UKRAINE	RUSSIA	BELARUS	TOTAL
<b>Balance sheet exposures</b>				
Loans and advances to banks	12 695	466	118 160	131 321
Loans and advances to customers (including receivables from finance leases)	42 660	67	84 400	127 127
<b>Gross carrying amount</b>	<b>55 355</b>	<b>533</b>	<b>202 560</b>	<b>258 448</b>
Impairment allowances	(871)	(6)	(1 242)	(2 119)
<b>Net carrying amount</b>	<b>54 484</b>	<b>527</b>	<b>201 318</b>	<b>256 329</b>
<b>Off- balance sheet exposures</b>				
Financial commitments granted	566	561	119 129	120 256
Guarantees issued	-	160 979	9 189	170 168
<b>Total nominal value</b>	<b>566</b>	<b>161 540</b>	<b>128 318</b>	<b>290 424</b>
Impairment allowances of granted off-balance sheet liabilities	(1)	(228)	(344)	(573)

In the Group's opinion, as at the date of approval of these financial statements for publication, the situation does not threaten the assumption that the Group will continue as a going concern for a period not shorter than one year from the balance sheet date. However, depending on the further development of the situation, it may have a negative impact on the future financial results of the Group.

**Changes in the methodology of calculation an expected credit losses**

In the third quarter of 2022, the Group did not implement changes to the calculation of expected credit losses, except for a change in the approach to customers operating in high-risk industries in the section of the Report on the armed conflict in Ukraine.

In the second quarter of 2022, the Bank introduced changes to the rules for calculating allowances related to the implementation of the updated Recommendation R of the Polish Financial Supervision Authority. The changes included:

- 1) The use of the so-called New Default Definition ('NDD') in line with the EBA/GL/2016/07 guidelines,
- 2) Updating the portfolio segmentation to bring it into line with NDD,
- 3) Reconstruction of the default probability ('PD') model to better reflect the risk level dependence of the exposure age for retail portfolios,
- 4) Reconstruction of the Transfer Logic ('TL') model in order to ensure that the thresholds for classification to Stage 2 remain unchanged during the term of the contract, as expected by the Polish Financial Supervision Authority,
- 5) Other changes related to the above (including recalibration of other models).

The main changes related to the implementation of NDD in the area of calculation an expected credit losses (in terms of the capital adequacy, NDD was implemented at the beginning of 2022) are: adjustment of segmentation (division of the portfolio into retail and non-retail clients with an additional division of retail clients into sub-portfolios by segment or product ) taking into account the relative threshold in the calculation of the days past due, adjustment of the absolute threshold in the calculation of days past due, adjustment of the rules of contagion of default exposures, taking into account the quarantine for qualitative premises and taking into account additional qualitative indications of unlikelihood to pay.

In area of segmentation, the division of portfolios for all relevant models used in the estimation of allowances was adjusted to the segmentation used under NDD, which was not ensured in the previous approach, where the segmentation for each model was independent. The alignment addresses the highest level of segmentation and ensures consistency in the application of NDD and all models used. At the lower level of segmentation, the divisions appropriate for the modeled observation / risk parameter are used.

In area of the PD model, changes are of a different nature for the modeled portfolios (for which the Bank has sufficient historical data and uses them to set risk parameters) and benchmark portfolios (for which it does not have sufficient data and determines risk parameters based on internal benchmarks extrapolated from other portfolios or external data). The main change for the modeled portfolios in relation to the current approach is the use of the migration matrix, instead of the survival analysis, to estimate the risk of default, which in a more consistent way allows for taking into account time dependencies such as the survival effect (quick entry into default loans with high PD and improvement of quality credit portfolio) or the effect of negative selection (faster repayment of good loans and remaining in the portfolio of loans with an average higher risk in the late years after origination). Additionally, migration matrices allow for effective use of historical data to determine the dependence of PD on credit age and are resistant to potential data disturbances, which is important when using long time series. For benchmark portfolios, the most important change consists in replacing the periodic expert assessment used so far with an algorithmic approach based on the long-term average loss ratio of the analyzed portfolio, or with the external rating of the exposure / client.

As regards the TL model, the approach was completely rebuilt in order to meet the requirements of Recommendation R. The measure of credit risk change was simplified, which is determined as the quotient of the average annual PD value over the exposure life horizon as at the reporting date and the initial recognition date determined in accordance with the previous paragraph. The increase in risk measured by this measure is considered significant if it exceeds the established threshold. This threshold is 2 increased by the calibration parameter 'a'. Calibration of parameter 'a' is performed separately for each homogeneous group of portfolios modeled to correspond to the Group's risk appetite in the period at the time of origination the transaction. The parameter 'a' determined in a given quarter is assigned to all exposures that will be defined as initially recognized in the next quarter of the recognition and parameter is constant during the life of the exposure. The described criterion of classification to Stage 2 allows to minimize the deviations of the exposure valuation from the hypothetical valuation in which the write-offs would be estimated as a change in the lifetime loss expected from the moment of initial recognition. The second quantitative criterion for classification into Stage 2 is the value of one-year PD determined using scoring / rating models above the level of 25%. This criterion results from the fact that the Bank granting loans does not accept the risk higher than approximately 10%. A 25% PD therefore by definition means a significant increase in credit risk. The last quantitative criterion for classification into Stage 2 is the benchmarking results based on NBP data and the average long-term DR (default rate) of a given portfolio. If the share of Stage 2 in the Bank is lower than the long-term average for the polish banking sector in a given portfolio (or three times DR), then the Bank classifies exposures into the Stage 2 until the average is reached, where the credits are moved in the order corresponding to their distance from Stage 2 in based on the other 2 criteria mentioned before. This approach ensures, to the minimum extent required, the consistency of the shares of Stages in the Bank with the average share in the banking sector. The described solution replaced the quantile regression used so far in order to statistically identify significant changes in risk. Each of the three criteria described is applied separately.

The other significant changes to the models concerned the consistency of segmentation for other models from NDD (for the recovery rate / RR / and exposures at default / EAD / models) and the calculation of these risk parameters into NDD time series.

However, compared to the end of 2021, the Bank did not introduce any significant changes in portfolio quality forecasting and continues to use trend analysis for retail portfolios and quantitative / expert analysis for the other portfolios. In particular, due to the instability of internal and external conditions, the probability of the pessimistic scenario (50%) is still high.

In total, the changes described above did not have a significant impact on the level of expected credit losses on the date of implementation (end of April). The amount of impairment losses for the Bank decreased by PLN 3 million. Changes in the default definition resulted in decrease in the level of assets classified in Stage 3 by PLN 147 million gross carrying amount, mainly due to the implementation of a relative threshold (1%) in the calculation of days past due.

*Sensitivity analysis concerning the forecast of the macroeconomic situation*

The Bank determines expected credit losses taking into account three scenarios for the macroeconomic situation: base (assumed for the calculation as the most probable – 45%), optimistic (assuming positive changes in the quality of the portfolio in subsequent years as compared to the baseline scenario, with 5% probability of realization) and pessimistic (assuming negative changes in the situation in the following years compared to the baseline scenario, with a probability of 50%).

The changes in expected credit losses presented in the table below for exposures without impairment were designated as the difference between the expected credit losses calculated for a specific macroeconomic scenario and expected credit losses calculated taking into account all scenarios macroeconomic factors weighted with the probability of their realization (in accordance with IFRS 9).

30.09.2022	BASE SCENARIO	OPTIMISTIC SCENARIO	PESYMISTIC SCENARIO
Change in the level of expected credit losses for exposures without impairment (Stage 1 and 2), assuming 100% realization of the scenario	(226.3)	(958.4)	330.1

The table below presents the results of the ECL sensitivity analysis for the assumed changes in PD and RR/LGD parameters carried out separately for exposures subject to individual and group analysis. For the exposures included in the Bank analysis, the PD and recovery rate (1-RR=LGD) increase and decrease by 1% and 5% scenario were presented compared to the values used to calculate the expected credit loss as of date 30 September 2022. For the exposures analyzed individually, the estimated impact is presented as a reduction of recoveries from collaterals included in the debt collection scenario by 10%.

Changes in impairment allowances level (ECL) in different scenarios of changing the influencing parameters for the calculation of write-offs (in millions of zlotys).

PARAMETER DELTA	SCENARIO		
	GROUP ANALYSIS		INDIVIDUAL ANALYSIS
	PD CHANGE	RECOVERY RATE CHANGE (1-LGD)	PD CHANGE
-10.0%	n/a	n/a	73.1
-5.0%	(96.0)	198.3	n/a
-1.0%	(19.4)	39.6	n/a
1.0%	19.6	(39.5)	n/a
5.0%	96.7	(193.9)	n/a

The tables below present the changes in impairment allowances and gross carrying amount of financial assets not measured at fair value through profit or loss by classes of financial assets.

	LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)				TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT	
<b>GROSS CARRYING AMOUNT</b>					
<b>GROSS CARRYING AMOUNT AS AT 1.01.2022</b>	<b>4 276 944</b>	<b>49 296</b>	<b>-</b>	<b>40</b>	<b>4 326 280</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(10 260)	10 260	-	-	-
Transfer to Stage 3	(150 444)	-	150 444	-	-
New / purchased / granted financial assets	16 506 647	-	-	-	16 506 647
Financial assets derecognised, other than write-offs (repayments)	(1 643 252)	(49 187)	-	-	(1 692 439)
Financial assets written off (**)	-	-	(139)	-	(139)
Other, including changes resulting from exchange rates	85 797	3	-	(6)	85 794
<b>GROSS CARRYING AMOUNT AS AT 30.09.2022</b>	<b>19 065 432</b>	<b>10 372</b>	<b>150 305</b>	<b>34</b>	<b>19 226 143</b>
<b>IMPAIRMENT ALLOWANCE</b>					
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2022</b>	<b>1 255</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1 256</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(27)	27	-	-	-
Transfer to Stage 3	(1 033)	-	1 033	-	-
New / purchased / granted financial assets	164	-	-	-	164
Financial assets derecognised, other than write-offs (repayments)	(771)	-	-	-	(771)
Financial assets written off (**)	-	-	(139)	-	(139)
Changes in level of credit risk (excluding the transfers between the Stages)	12 707	92	1 135	(1)	13 933
Other, including changes resulting from exchange rates	911	(110)	-	-	801
<b>IMPAIRMENT ALLOWANCE AS AT 30.09.2022</b>	<b>13 206</b>	<b>9</b>	<b>2 029</b>	<b>-</b>	<b>15 244</b>

(\*) Receivables from the Central Bank include a current account and deposits.

(\*\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 140 thousand.

	LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)				TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT	
<b>GROSS CARRYING AMOUNT</b>					
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>2 729 506</b>	<b>168</b>	<b>-</b>	<b>86</b>	<b>2 729 760</b>
Increases due to the acquisition of part of the activities of Idea Bank S.A.	1 295 830	-	-	-	1 295 830
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(49 187)	49 187	-	-	-
Transfer to Stage 3	-	-	-	-	-
New / purchased / granted financial assets	3 301 324	-	-	-	3 301 324
Financial assets derecognised, other than write-offs (repayments)	(2 976 180)	-	-	(3)	(2 976 183)
Financial assets written off (**)	-	-	-	-	-
Other, including changes resulting from exchange rates	(24 349)	(59)	-	(43)	(24 451)
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>4 276 944</b>	<b>49 296</b>	<b>-</b>	<b>40</b>	<b>4 326 280</b>
<b>IMPAIRMENT ALLOWANCE</b>					
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>1 232</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>1 236</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
New / purchased / granted financial assets	1 274	-	-	-	1 274
Financial assets derecognised, other than write-offs (repayments)	(87)	-	-	-	(87)
Financial assets written off (**)	-	-	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	4 594	-	-	(3)	4 591
Other, including changes resulting from exchange rates	(5 758)	-	-	-	(5 758)
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2021</b>	<b>1 255</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1 256</b>

(\*) Receivables from the Central Bank include a current account and deposits.

(\*\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 0 thousand.

TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
<b>GROSS CARRYING AMOUNT AS AT 1.01.2022</b>	<b>132 465 053</b>	<b>25 032 106</b>	<b>4 501 279</b>	<b>3 541 375</b>	<b>983 888</b>	<b>166 523 701</b>	<b>115 140</b>	<b>130 689</b>	<b>245 829</b>
Transfer to Stage 1	10 340 291	(10 108 855)	(132 100)	(99 336)	-	-	-	-	-
Transfer to Stage 2	(8 524 093)	8 799 710	(19 696)	(255 921)	-	-	-	-	-
Transfer to Stage 3	(2 131 065)	(873 764)	1 125 283	1 879 546	-	-	-	-	-
New / purchased / granted financial assets	40 609 646	-	-	-	15 431	40 625 077	150 000	-	150 000
Financial assets derecognised, other than write-offs (repayments)	(27 333 926)	(2 504 316)	(1 140 946)	(243 880)	(100 090)	(31 323 158)	(2 753)	(131 930)	(134 683)
Financial assets written off (*)	-	-	(178 328)	(257 984)	(265)	(436 577)	-	-	-
Modifications not resulting in derecognition	(2 976)	(392)	-	(124)	(27)	(3 519)	-	-	-
Other, including changes resulting from exchange rates	(790 699)	311 312	309 002	164 520	356 092	350 227	538	1 241	1 779
<b>GROSS CARRYING AMOUNT AS AT 30.09.2022</b>	<b>144 632 231</b>	<b>20 655 801</b>	<b>4 464 494</b>	<b>4 728 196</b>	<b>1 255 029</b>	<b>175 735 751</b>	<b>262 925</b>	<b>-</b>	<b>262 925</b>
<b>IMPAIRMENT ALLOWANCE (**)</b>									
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2022</b>	<b>586 640</b>	<b>1 101 304</b>	<b>3 412 466</b>	<b>2 357 048</b>	<b>243 695</b>	<b>7 701 153</b>	<b>1 954</b>	<b>1 923</b>	<b>3 877</b>
Transfer to Stage 1	396 404	(333 193)	(31 591)	(31 620)	-	-	-	-	-
Transfer to Stage 2	(55 909)	147 513	(4 452)	(87 152)	-	-	-	-	-
Transfer to Stage 3	(67 807)	(94 295)	22 533	139 569	-	-	-	-	-
New / purchased / granted financial assets	209 963	-	-	-	5 051	215 014	2 206	-	2 206
Financial assets derecognised, other than write-offs (repayments)	(68 528)	(41 163)	(15 878)	(46 774)	(13 836)	(186 179)	-	(1 923)	(1 923)
Financial assets written off (*)	-	-	(178 328)	(257 984)	(265)	(436 577)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(231 472)	363 124	84 852	500 741	175 518	892 763	(336)	-	(336)
Other, including changes resulting from exchange rates	21 903	257 411	308 005	193 777	218 508	999 604	-	-	-
<b>IMPAIRMENT ALLOWANCE AS AT 30.09.2022</b>	<b>791 194</b>	<b>1 400 701</b>	<b>3 597 607</b>	<b>2 767 605</b>	<b>628 671</b>	<b>9 185 778</b>	<b>3 824</b>	<b>-</b>	<b>3 824</b>

(\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 405 183 thousand.

(\*\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income is included in the Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 894 454 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 30 September 2022 amounted to PLN 37 978 thousand.



TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
GROSS CARRYING AMOUNT AS AT 01.01.2021	113 515 763	25 978 924	5 236 011	3 292 482	39 572	148 062 752	720 770	754 285	1 475 055
Change in accounting policies	-	-	(164 697)	(120 569)	181 671	(103 595)	-	-	-
<b>GROSS CARRYING AMOUNT AS AT 01.01.2021 (AFTER CHANGE)</b>	<b>113 515 763</b>	<b>25 978 924</b>	<b>5 071 314</b>	<b>3 171 913</b>	<b>221 243</b>	<b>147 959 157</b>	<b>720 770</b>	<b>754 285</b>	<b>1 475 055</b>
Increases due to the acquisition of part of the activities of Idea Bank S.A.	11 188 837	-	-	-	872 105	12 060 942	-	-	-
Transfer to Stage 1	7 016 857	(6 840 700)	(7 080)	(169 077)	-	-	-	-	-
Transfer to Stage 2	(11 201 335)	11 453 901	(43 973)	(208 593)	-	-	-	-	-
Transfer to Stage 3	(549 762)	(1 091 496)	59 204	1 582 054	-	-	-	-	-
New / purchased / granted financial assets	41 934 360	-	-	-	8 206	41 942 566	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(28 884 540)	(4 516 026)	(624 103)	(704 941)	(277 655)	(35 007 265)	(600 683)	(622 051)	(1 222 734)
Financial assets written off (*)	-	-	(143 005)	(282 258)	(66)	(425 329)	-	-	-
Modifications not resulting in derecognition	(2 150)	(999)	(2)	(214)	-	(3 365)	-	-	-
Other, including changes resulting from exchange rates	(552 977)	48 502	188 924	152 491	160 055	(3 005)	(4 947)	(1 545)	(6 492)
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>132 465 053</b>	<b>25 032 106</b>	<b>4 501 279</b>	<b>3 541 375</b>	<b>983 888</b>	<b>166 523 701</b>	<b>115 140</b>	<b>130 689</b>	<b>245 829</b>
Including the gross carrying amount as at 31 December 2021 loans and credits from the acquisition of some of the activities of Idea Bank S.A.	5 679 719	751 651	19 285	339 364	757 506	7 547 525	-	-	-
<b>IMPAIRMENT ALLOWANCE</b>									
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	390 616	1 175 162	3 568 016	2 087 241	15 976	7 237 011	5 242	21 329	26 571
Change in accounting policies	-	-	(35 045)	(68 550)	-	(103 595)	-	-	-
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>390 616</b>	<b>1 175 162</b>	<b>3 532 971</b>	<b>2 018 691</b>	<b>15 976</b>	<b>7 133 416</b>	<b>5 242</b>	<b>21 329</b>	<b>26 571</b>
Transfer to Stage 1	240 293	(187 274)	(1 553)	(51 466)	-	-	-	-	-
Transfer to Stage 2	(31 711)	(70 247)	(8 089)	110 047	-	-	-	-	-
Transfer to Stage 3	(62 455)	(140 571)	(188 770)	391 796	-	-	-	-	-
New / purchased / granted financial assets	210 484	-	-	-	2 573	213 057	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(56 214)	(54 219)	(46 927)	(52 712)	(49 294)	(259 366)	(3 733)	(19 258)	(22 991)
Financial assets written off (*)	-	-	(143 005)	(282 258)	(66)	(425 329)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(122 535)	278 303	159 173	368 289	162 598	845 828	1 903	(2 074)	(171)
Other, including changes resulting from exchange rates	18 162	100 150	108 666	(145 339)	111 908	193 547	(1 458)	1 926	468
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2021</b>	<b>586 640</b>	<b>1 101 304</b>	<b>3 412 466</b>	<b>2 357 048</b>	<b>243 695</b>	<b>7 701 153</b>	<b>1 954</b>	<b>1 923</b>	<b>3 877</b>

(\*) Including the value of contractual interest subject to partial write-off in the amount of PLN 209 110 thousand.

(\*\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(\*\*\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 496 022 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 December 2021 amounted to PLN 11 026 thousand.

CORPORATE	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL- NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
GROSS CARRYING AMOUNT AS AT 1.01.2022	64 585 717	10 454 389	4 245 739	1 135 228	923 901	81 344 974	115 140	130 689	245 829
Transfer to Stage 1	4 363 090	(4 219 178)	(132 100)	(11 812)	-	-	-	-	-
Transfer to Stage 2	(5 253 492)	5 276 406	(16 276)	(6 638)	-	-	-	-	-
Transfer to Stage 3	(1 819 501)	(415 214)	1 094 757	1 139 958	-	-	-	-	-
New / purchased / granted financial assets	32 977 645	-	-	-	12 402	32 990 047	150 000	-	150 000
Financial assets derecognised, other than write-offs (repayments)	(18 175 360)	(826 373)	(1 131 771)	(82 069)	(68 112)	(20 283 685)	(2 753)	(131 930)	(134 683)
Financial assets written off	-	-	(159 750)	(98 923)	(263)	(258 936)	-	-	-
Modifications not resulting in derecognition	(1 574)	177	-	-	-	(1 397)	-	-	-
Other, including changes resulting from exchange rates	785 442	296 951	269 838	61 585	309 119	1 722 935	538	1 241	1 779
<b>GROSS CARRYING AMOUNT AS AT 30.09.2022</b>	<b>77 461 967</b>	<b>10 567 158</b>	<b>4 170 437</b>	<b>2 137 329</b>	<b>1 177 047</b>	<b>95 513 938</b>	<b>262 925</b>	<b>-</b>	<b>262 925</b>
<b>IMPAIRMENT ALLOWANCE (*)</b>									
IMPAIRMENT ALLOWANCE AS AT 1.01.2022	447 553	287 293	3 179 916	842 741	223 626	4 981 129	1 954	1 923	3 877
Transfer to Stage 1	174 306	(136 918)	(31 591)	(5 797)	-	-	-	-	-
Transfer to Stage 2	(44 357)	50 899	(2 842)	(3 700)	-	-	-	-	-
Transfer to Stage 3	(26 462)	(15 569)	2 900	39 131	-	-	-	-	-
New / purchased / granted financial assets	174 104	-	-	-	4 132	178 236	2 206	-	2 206
Financial assets derecognised, other than write-offs (repayments)	(54 533)	(10 876)	(12 176)	(17 030)	(11 729)	(106 344)	-	(1 923)	(1 923)
Financial assets written off	-	-	(159 750)	(98 923)	(263)	(258 936)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	(94 484)	125 022	70 955	277 013	184 011	562 517	(336)	-	(336)
Other, including changes resulting from exchange rates	24 671	13 068	286 224	10 753	206 822	541 538	-	-	-
<b>IMPAIRMENT ALLOWANCE AS AT 30.09.2022</b>	<b>600 798</b>	<b>312 919</b>	<b>3 333 636</b>	<b>1 044 188</b>	<b>606 599</b>	<b>5 898 140</b>	<b>3 824</b>	<b>-</b>	<b>3 824</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

CORPORATE	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT -IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
<b>GROSS CARRYING AMOUNT</b>									
GROSS CARRYING AMOUNT AS AT 1.01.2021	49 845 330	10 386 311	4 957 895	609 049	31 859	65 830 444	720 770	754 285	1 475 055
Change in accounting policies	-	-	(163 715)	(14 527)	135 826	(42 416)	-	-	-
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>49 845 330</b>	<b>10 386 311</b>	<b>4 794 180</b>	<b>594 522</b>	<b>167 685</b>	<b>65 788 028</b>	<b>720 770</b>	<b>754 285</b>	<b>1 475 055</b>
Increases due to the acquisition of part of the activities of Idea Bank S.A.	10 945 224	-	-	-	839 930	11 785 154	-	-	-
Transfer to Stage 1	3 532 047	(3 519 786)	(4 901)	(7 360)	-	-	-	-	-
Transfer to Stage 2	(6 474 680)	6 517 656	(31 149)	(11 827)	-	-	-	-	-
Transfer to Stage 3	(261 410)	(439 031)	65 122	635 319	-	-	-	-	-
New / purchased / granted financial assets	26 412 947	-	-	-	2 551	26 415 498	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(19 134 729)	(2 331 040)	(610 827)	(105 712)	(260 179)	(22 442 487)	(600 683)	(622 051)	(1 222 734)
Financial assets written off	-	-	(133 981)	(50 925)	-	(184 906)	-	-	-
Modifications not resulting in derecognition	(154)	189	-	-	-	35	-	-	-
Other, including changes resulting from exchange rates	(278 858)	(159 910)	167 295	81 211	173 914	(16 348)	(4 947)	(1 545)	(6 492)
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>64 585 717</b>	<b>10 454 389</b>	<b>4 245 739</b>	<b>1 135 228</b>	<b>923 901</b>	<b>81 344 974</b>	<b>115 140</b>	<b>130 689</b>	<b>245 829</b>
Including the gross carrying amount as at 31 December 2021 loans and credits from the acquisition of some of the activities of Idea Bank S.A.	5 572 909	672 163	19 285	338 739	744 682	7 347 778	-	-	-
<b>IMPAIRMENT ALLOWANCE (*)</b>									
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	253 166	256 267	3 360 851	531 917	12 773	4 414 974	5 242	21 329	26 571
Change in accounting policies	-	-	(34 804)	(7 612)	-	(42 416)	-	-	-
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>253 166</b>	<b>256 267</b>	<b>3 326 047</b>	<b>524 305</b>	<b>12 773</b>	<b>4 372 558</b>	<b>5 242</b>	<b>21 329</b>	<b>26 571</b>
Transfer to Stage 1	64 495	(60 948)	(1 052)	(2 495)	-	-	-	-	-
Transfer to Stage 2	(26 133)	33 825	(2 921)	(4 771)	-	-	-	-	-
Transfer to Stage 3	(15 285)	(37 951)	(174 715)	227 951	-	-	-	-	-
New / purchased / granted financial assets	156 346	-	-	-	247	156 593	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(42 745)	(24 969)	(41 694)	(15 352)	(48 943)	(173 703)	(3 733)	(19 258)	(22 991)
Financial assets written off	-	-	(133 981)	(50 925)	-	(184 906)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	48 719	91 114	118 407	67 677	164 085	490 002	1 903	(2 074)	(171)
Other, including changes resulting from exchange rates	8 990	29 955	89 825	96 351	95 464	320 585	(1 458)	1 926	468
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2021</b>	<b>447 553</b>	<b>287 293</b>	<b>3 179 916</b>	<b>842 741</b>	<b>223 626</b>	<b>4 981 129</b>	<b>1 954</b>	<b>1 923</b>	<b>3 877</b>

(\*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

MORTGAGE LOANS TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
<b>GROSS CARRYING AMOUNT AS AT 1.01.2022</b>	<b>55 327 153</b>	<b>12 593 477</b>	<b>69 525</b>	<b>1 180 331</b>	<b>36 463</b>	<b>69 206 949</b>
Transfer to Stage 1	5 516 884	(5 452 969)	-	(63 915)	-	-
Transfer to Stage 2	(1 746 345)	1 943 127	(3 420)	(193 362)	-	-
Transfer to Stage 3	(147 863)	(299 650)	28 382	419 131	-	-
New / purchased / granted financial assets	4 113 585	-	-	-	93	4 113 678
Financial assets derecognised, other than write-offs (repayments)	(5 587 804)	(1 175 512)	(7 253)	(85 120)	(12 459)	(6 868 148)
Financial assets written off	-	-	(9 931)	(43 356)	-	(53 287)
Modifications not resulting in derecognition	(233)	(108)	-	(7)	(5)	(353)
Other, including changes resulting from exchange rates	(1 629 858)	35 788	14 509	91 225	23 334	(1 465 002)
<b>GROSS CARRYING AMOUNT AS AT 30.09.2022</b>	<b>55 845 519</b>	<b>7 644 153</b>	<b>91 812</b>	<b>1 304 927</b>	<b>47 426</b>	<b>64 933 837</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2022</b>	<b>29 499</b>	<b>477 022</b>	<b>51 664</b>	<b>635 779</b>	<b>16 182</b>	<b>1 210 146</b>
Transfer to Stage 1	153 297	(140 389)	-	(12 908)	-	-
Transfer to Stage 2	(243)	51 206	(1 610)	(49 353)	-	-
Transfer to Stage 3	(6 156)	(22 552)	19 046	9 662	-	-
New / purchased / granted financial assets	2 117	-	-	-	(3)	2 114
Financial assets derecognised, other than write-offs (repayments)	(1 199)	(9 397)	(3 670)	(13 561)	(1 149)	(28 976)
Financial assets written off	-	-	(9 931)	(43 356)	-	(53 287)
Changes in level of credit risk (excluding the transfers between the Stages)	(114 385)	142 993	8 660	155 894	(767)	192 395
Other, including changes resulting from exchange rates	(5 194)	240 762	12 833	155 695	3 737	407 833
<b>IMPAIRMENT ALLOWANCE AS AT 30.09.2022</b>	<b>57 736</b>	<b>739 645</b>	<b>76 992</b>	<b>837 852</b>	<b>18 000</b>	<b>1 730 225</b>

MORTGAGE LOANS TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
GROSS CARRYING AMOUNT AS AT 1.01.2021	51 376 624	12 877 516	93 775	1 004 285	1 330	65 353 530
Change in accounting policies	-	-	(767)	(53 535)	28 833	(25 469)
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>51 376 624</b>	<b>12 877 516</b>	<b>93 008</b>	<b>950 750</b>	<b>30 163</b>	<b>65 328 061</b>
Increase due to acquisition of part of Idea Bank S.A. activity	43 943	-	-	-	9 521	53 464
Transfer to Stage 1	2 930 054	(2 824 869)	(2 174)	(103 011)	-	-
Transfer to Stage 2	(4 058 665)	4 207 116	(11 328)	(137 123)	-	-
Transfer to Stage 3	(128 805)	(420 251)	(6 630)	555 686	-	-
New / purchased / granted financial assets	11 021 723	-	-	-	492	11 022 215
Financial assets derecognised, other than write-offs (repayments)	(5 813 051)	(1 381 284)	(12 991)	(95 860)	(2 615)	(7 305 801)
Financial assets written off	-	-	(3 146)	(7 558)	-	(10 704)
Modifications not resulting in derecognition	(818)	(434)	(2)	(39)	-	(1 293)
Other, including changes resulting from exchange rates	(43 852)	135 683	12 788	17 486	(1 098)	121 007
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>55 327 153</b>	<b>12 593 477</b>	<b>69 525</b>	<b>1 180 331</b>	<b>36 463</b>	<b>69 206 949</b>
<b>IMPAIRMENT ALLOWANCE</b>						
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	20 648	528 449	55 782	365 269	173	970 321
Change in accounting policies	-	-	(82)	(25 387)	-	(25 469)
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>20 648</b>	<b>528 449</b>	<b>55 700</b>	<b>339 882</b>	<b>173</b>	<b>944 852</b>
Transfer to Stage 1	66 831	(48 427)	(439)	(17 965)	-	-
Transfer to Stage 2	(453)	(145 082)	(4 913)	150 448	-	-
Transfer to Stage 3	(5 751)	(24 538)	(10 724)	41 013	-	-
New / purchased / granted financial assets	8 418	-	-	-	41	8 459
Financial assets derecognised, other than write-offs (repayments)	(1 089)	(7 128)	(4 581)	(13 033)	(135)	(25 966)
Financial assets written off	-	-	(3 146)	(7 558)	-	(10 704)
Changes in level of credit risk (excluding the transfers between the Stages)	(54 937)	114 004	9 730	142 940	3 408	215 145
Other, including changes resulting from exchange rates	(4 168)	59 744	10 037	52	12 695	78 360
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2021</b>	<b>29 499</b>	<b>477 022</b>	<b>51 664</b>	<b>635 779</b>	<b>16 182</b>	<b>1 210 146</b>

OTHER LOANS AND ADVANCES TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
<b>GROSS CARRYING AMOUNT AS AT 1.01.2022</b>	<b>10 534 201</b>	<b>1 846 367</b>	<b>73 760</b>	<b>1 225 794</b>	<b>23 522</b>	<b>13 703 644</b>
Transfer to Stage 1	440 213	(416 605)	-	(23 608)	-	-
Transfer to Stage 2	(1 473 084)	1 529 006	-	(55 922)	-	-
Transfer to Stage 3	(162 982)	(158 900)	2 144	319 738	-	-
New / purchased / granted financial assets	3 415 063	-	-	-	2 936	3 417 999
Financial assets derecognised, other than write-offs (repayments)	(3 219 973)	(470 491)	(1 924)	(76 693)	(19 519)	(3 788 600)
Financial assets written off	-	-	(8 647)	(115 586)	(2)	(124 235)
Modifications not resulting in derecognition	(1 169)	(461)	-	(117)	(22)	(1 769)
Other, including changes resulting from exchange rates	507	(22 181)	24 872	11 585	23 638	38 421
<b>GROSS CARRYING AMOUNT AS AT 30.09.2022</b>	<b>9 532 776</b>	<b>2 306 735</b>	<b>90 205</b>	<b>1 285 191</b>	<b>30 553</b>	<b>13 245 460</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2022</b>	<b>103 822</b>	<b>332 855</b>	<b>68 852</b>	<b>878 525</b>	<b>3 888</b>	<b>1 387 942</b>
Transfer to Stage 1	67 749	(54 835)	-	(12 914)	-	-
Transfer to Stage 2	(10 327)	44 427	-	(34 100)	-	-
Transfer to Stage 3	(35 190)	(56 174)	587	90 777	-	-
New / purchased / granted financial assets	33 701	-	-	-	920	34 621
Financial assets derecognised, other than write-offs (repayments)	(12 730)	(19 855)	(32)	(16 183)	(958)	(49 758)
Financial assets written off	-	-	(8 647)	(115 586)	(2)	(124 235)
Changes in level of credit risk (excluding the transfers between the Stages)	(19 501)	94 092	5 237	67 695	(7 727)	139 796
Other, including changes resulting from exchange rates	2 427	3 580	8 950	27 209	7 949	50 115
<b>IMPAIRMENT ALLOWANCE AS AT 30.09.2022</b>	<b>129 951</b>	<b>344 090</b>	<b>74 947</b>	<b>885 423</b>	<b>4 070</b>	<b>1 438 481</b>

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
OTHER LOANS AND ADVANCES TO INDIVIDUAL CLIENTS	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>GROSS CARRYING AMOUNT</b>						
GROSS CARRYING AMOUNT AS AT 1.01.2021	9 914 404	2 576 845	72 081	1 679 138	6 381	14 248 849
Change in accounting policies	-	-	(215)	(52 507)	17 012	(35 710)
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>9 914 404</b>	<b>2 576 845</b>	<b>71 866</b>	<b>1 626 631</b>	<b>23 393</b>	<b>14 213 139</b>
Increases due to the acquisition of part of the activities of Idea Bank S.A.	13 985	-	-	-	4 889	18 874
Transfer to Stage 1	461 306	(402 595)	(5)	(58 706)	-	-
Transfer to Stage 2	(616 738)	677 877	(1 496)	(59 643)	-	-
Transfer to Stage 3	(159 547)	(232 213)	716	391 044	-	-
New / purchased / granted financial assets	4 385 232	-	-	-	5 163	4 390 395
Financial assets derecognised, other than write-offs (repayments)	(3 331 808)	(787 685)	(287)	(503 371)	(3 517)	(4 626 668)
Financial assets written off	-	-	(5 787)	(223 774)	(66)	(229 627)
Modifications not resulting in derecognition	(1 178)	(754)	-	(175)	-	(2 107)
Other, including changes resulting from exchange rates	(131 455)	14 892	8 753	53 788	(6 340)	(60 362)
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>10 534 201</b>	<b>1 846 367</b>	<b>73 760</b>	<b>1 225 794</b>	<b>23 522</b>	<b>13 703 644</b>
<b>IMPAIRMENT ALLOWANCE</b>						
IMPAIRMENT ALLOWANCE AS AT 1.01.2021	113 302	383 954	39 344	1 190 054	3 031	1 729 685
Change in accounting policies	-	-	(159)	(35 551)	-	(35 710)
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021 (AFTER CHANGE)</b>	<b>113 302</b>	<b>383 954</b>	<b>39 185</b>	<b>1 154 503</b>	<b>3 031</b>	<b>1 693 975</b>
Transfer to Stage 1	106 269	(75 264)	-	(31 005)	-	-
Transfer to Stage 2	(4 969)	40 854	(255)	(35 630)	-	-
Transfer to Stage 3	(41 379)	(78 082)	(3 367)	122 828	-	-
New / purchased / granted financial assets	45 719	-	-	-	2 284	48 003
Financial assets derecognised, other than write-offs (repayments)	(12 188)	(22 070)	(651)	(24 324)	(215)	(59 448)
Financial assets written off	-	-	(5 787)	(223 774)	(66)	(229 627)
Changes in level of credit risk (excluding the transfers between the Stages)	(106 293)	73 580	30 352	157 556	575	155 770
Other, including changes resulting from exchange rates	3 361	9 883	9 375	(241 629)	(1 721)	(220 731)
<b>IMPAIRMENT ALLOWANCE AS AT 31.12.2021</b>	<b>103 822</b>	<b>332 855</b>	<b>68 852</b>	<b>878 525</b>	<b>3 888</b>	<b>1 387 942</b>

	DEBT SECURITIES MEASURED AT AMORTISED COST (*)					DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)		
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT- IMPAIRED) INDIVIDUAL ASSESSMENT	PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
<b>GROSS CARRYING AMOUNT</b>								
<b>GROSS CARRYING AMOUNT AS AT 1.01.2022</b>	<b>44 016 625</b>	<b>318 725</b>	<b>34 554</b>	<b>38 951</b>	<b>44 408 855</b>	<b>22 662 766</b>	<b>89 027</b>	<b>22 751 793</b>
Transfer to Stage 1	269 496	(269 496)	-	-	-	25 833	(25 833)	-
Transfer to Stage 2	(37 000)	37 000	-	-	-	(8 178)	8 178	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	5 752 629	-	-	-	5 752 629	12 000 289	-	12 000 289
Financial assets derecognised, other than write-offs (repayments)	(7 326 858)	(37 364)	-	-	(7 364 222)	(18 491 743)	(11 830)	(18 503 573)
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Other, including changes resulting from exchange rates	1 136 154	1 108	3 111	14 856	1 155 229	544 693	1 088	545 781
<b>GROSS CARRYING AMOUNT AS AT 30.09.2022</b>	<b>43 811 046</b>	<b>49 973</b>	<b>37 665</b>	<b>53 807</b>	<b>43 952 491</b>	<b>16 733 660</b>	<b>60 630</b>	<b>16 794 290</b>
<b>IMPAIRMENT ALLOWANCE (**)</b>								
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2022</b>	<b>60 717</b>	<b>7 625</b>	<b>34 554</b>	<b>29 858</b>	<b>132 754</b>	<b>45 615</b>	<b>3 073</b>	<b>48 688</b>
Transfer to Stage 1	710	(710)	-	-	-	92	(92)	-
Transfer to Stage 2	(2 457)	2 457	-	-	-	(87)	87	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	12 313	-	-	-	12 313	367	-	367
Financial assets derecognised, other than write-offs (repayments)	(2 079)	(48)	-	-	(2 127)	(6 183)	(100)	(6 283)
Changes in level of credit risk (excluding the transfers between the Stages)	(228)	(6 276)	-	-	(6 504)	(3 926)	(248)	(4 174)
Other, including changes resulting from exchange rates	814	1	3 111	15 616	19 542	-	-	-
<b>GROSS CARRYING AMOUNT AS AT 30.09.2022</b>	<b>69 790</b>	<b>3 049</b>	<b>37 665</b>	<b>45 474</b>	<b>155 978</b>	<b>35 878</b>	<b>2 720</b>	<b>38 598</b>

(\*) Debt securities presented in the statement of financial position under 'Securities' and 'Assets pledged as security for liabilities'.

(\*\*) The impairment allowance for debt securities measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount.



	DEBT SECURITIES MEASURED AT AMORTISED COST (*)					DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (**)		
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)  INDIVIDUAL ASSESSMENT	PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
<b>GROSS CARRYING AMOUNT</b>								
<b>GROSS CARRYING AMOUNT AS AT 1.01.2021</b>	<b>27 263 713</b>	<b>38 433</b>	<b>32 971</b>	<b>-</b>	<b>27 335 117</b>	<b>42 593 115</b>	<b>144 385</b>	<b>42 737 500</b>
Increases due to the acquisition of part of the activities of Idea Bank S.A.	15 080	-	-	40 266	55 346	312 513	-	312 513
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(288 318)	288 318	-	-	-	(14 500)	14 500	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	24 751 516	-	-	-	24 751 516	203 923 638	-	203 923 638
Financial assets derecognised, other than write-offs (repayments)	(8 273 584)	(8 108)	-	-	(8 281 692)	(224 163 865)	(70 243)	(224 234 108)
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Other, including changes resulting from exchange rates	548 218	82	1 583	(1 315)	548 568	11 865	385	12 250
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>44 016 625</b>	<b>318 725</b>	<b>34 554</b>	<b>38 951</b>	<b>44 408 855</b>	<b>22 662 766</b>	<b>89 027</b>	<b>22 751 793</b>
<b>IMPAIRMENT ALLOWANCE (**)</b>								
<b>IMPAIRMENT ALLOWANCE AS AT 1.01.2021</b>	<b>40 018</b>	<b>582</b>	<b>32 971</b>	<b>(5)</b>	<b>73 566</b>	<b>60 041</b>	<b>3 102</b>	<b>63 143</b>
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(7 041)	7 041	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	38 183	-	-	-	38 183	16 888	-	16 888
Financial assets derecognised, other than write-offs (repayments)	(3 312)	-	-	-	(3 312)	(18 957)	(98)	(19 055)
Changes in level of credit risk (excluding the transfers between the Stages)	(7 255)	3	-	-	(7 252)	(12 356)	68	(12 288)
Other, including changes resulting from exchange rates	124	(1)	1 583	29 863	31 569	(1)	1	-
<b>GROSS CARRYING AMOUNT AS AT 31.12.2021</b>	<b>60 717</b>	<b>7 625</b>	<b>34 554</b>	<b>29 858</b>	<b>132 754</b>	<b>45 615</b>	<b>3 073</b>	<b>48 688</b>

(\*) Debt securities presented in the statement of financial position under 'Securities' and 'Assets pledged as security for liabilities'.

(\*\*) The impairment allowance for debt securities measured at fair value through other comprehensive income is included in the 'Revaluation reserve' item and does not reduce the carrying amount.

**Moratoria and portfolio guarantees implemented due to COVID-19**

In 2022, the Group continued to use loan repayment programs and portfolio guarantee agreements with Bank Gospodarstwa Krajowego (BGK) and European Investment Fund (EIF), limiting the effects of COVID-19, described in the financial statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

As at 30 September 2022, the gross carrying amount of the loan portfolio covered by the above-mentioned moratoria (active and expired) amounted to PLN 11 729 million (PLN 13 049 million as at 31 December 2021) and 59 892 customers were covered by moratoria (67 372 customers as at 31 December 2021). The gross carrying amount of the loan portfolio subject to active moratoria as at 30 September 2022 was PLN 30 million (as at 31 December 2021, PLN 54 million). The negative result on insignificant modifications recognized in the period of 9 months ended on 30 September 2022 related to these moratoria amounted to PLN –2.8 million (in the 2021 year PLN –3.2 million) and was recognized in the net interest income.

As at 30 September 2022, the gross carrying amount of the loan portfolio covered by BGK's and EIF's portfolio guarantees limiting the effects of COVID-19 was PLN 7 905 million (as at 31 December 2021 PLN 6 494 million) and guarantees covered 11 783 customers (9 893 customers as at 31 December 2021).

**36.2. Legal risk regarding foreign currency mortgage loans in CHF****1) Adopted accounting principles**

The Group recognizes that the legal risk related to the outstanding portfolio of foreign currency mortgage loans in CHF as at 30 September 2022 affects the expected cash flows from this portfolio and the level of expected credit loss within the meaning of IFRS 9 that can be incurred by the Group.

However, with regard to the repaid portfolio of foreign currency mortgage loans in CHF, the Group applies IAS 37 and recognizes provisions allocated to this part of the portfolio under 'Provisions' and 'Other operating expenses'.

**2) Portfolio characteristics**

Bank Pekao S.A. has not granted loans in CHF to the public since 2003. Almost the entire current portfolio of loans in CHF for individuals was taken over by Bank Pekao S.A. in the process of partial division of Bank BPH S.A. (loans granted before August 2006).

As at 30 September 2022, the Group had a portfolio of foreign currency mortgage loans in CHF with a total gross carrying amount of PLN 2 792.6 million (i.e. CHF 550.7 million) compared to PLN 2 716.5 million (i.e. CHF 610.7 million) as at 31 December 2021.

The tables below present the structure and quality of the CHF loan portfolio for individuals:

	30.09.2022					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>Gross carrying amount, of which:</b>	<b>921</b>	<b>2 146 793</b>	<b>88 612</b>	<b>548 416</b>	<b>7 891</b>	<b>2 792 633</b>
denominated in CHF	921	2 145 906	88 612	548 028	7 891	2 791 358
indexed to CHF	-	887	-	388	-	1 275
<b>Impairment allowances, of which: (*)</b>	<b>(9)</b>	<b>(509 715)</b>	<b>(65 467)</b>	<b>(455 632)</b>	<b>(2 094)</b>	<b>(1 032 917)</b>
denominated in CHF	(9)	(509 710)	(65 467)	(455 409)	(2 094)	(1 032 689)
indexed to CHF	-	(5)	-	(223)	-	(228)
<b>Carrying amount, of which:</b>	<b>912</b>	<b>1 637 078</b>	<b>23 145</b>	<b>92 784</b>	<b>5 797</b>	<b>1 759 716</b>
denominated in CHF	912	1 636 196	23 145	92 619	5 797	1 758 669
indexed to CHF	-	882	-	165	-	1 047

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 819 454 thousand.

	31.12.2021					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
<b>Gross carrying amount, of which:</b>	<b>2 078</b>	<b>2 211 523</b>	<b>64 638</b>	<b>431 157</b>	<b>7 127</b>	<b>2 716 523</b>
denominated in CHF	2 078	2 209 618	64 638	430 730	7 127	2 714 191
indexed to CHF	-	1 905	-	427	-	2 332
<b>Impairment allowances, of which: (*)</b>	<b>(1)</b>	<b>(275 193)</b>	<b>(44 021)</b>	<b>(332 096)</b>	<b>(6 728)</b>	<b>(658 039)</b>
denominated in CHF	(1)	(275 174)	(44 021)	(331 883)	(6 728)	(657 807)
indexed to CHF	-	(19)	-	(213)	-	(232)
<b>Carrying amount, of which:</b>	<b>2 077</b>	<b>1 936 330</b>	<b>20 617</b>	<b>99 061</b>	<b>399</b>	<b>2 058 484</b>
denominated in CHF	2 077	1 934 444	20 617	98 847	399	2 056 384
indexed to CHF	-	1 886	-	214	-	2 100

(\*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 496 022 thousand.

As of 30 September 2022 the average LTV for CHF loans to individuals granted by the Group amounted to 35.8% (35.3% as at 31 December 2021), with an average LTV for the whole portfolio of mortgage loans of 50.4% (52.3% as at 31 December 2021).

### 3) Court proceedings related to foreign currency mortgage loans in CHF

On 3 October 2019, the Court of Justice of the European Union (hereinafter the 'CJEU') issued a ruling on a CHF-indexed loan granted by another bank, in which it interpreted the provisions of Council Directive 93/13 / EEC of 5 April 1993 on unfair terms in consumer loans based on the CHF indexed loan agreement. The CJEU indicated the consequences of recognizing the possible abusiveness of conversion clauses by the domestic court, without examining the possible abusiveness of contractual provisions at all. The CJEU did not prejudge that in the event that a domestic court finds possible abusiveness, the court should automatically declare the entire contract invalid. The assessment in this respect remains to be decided by the national court, but the CJEU has not ruled out the possibility of filling the gap resulting from the abusive nature of conversion clauses by means of domestic regulations.

The ruling of the CJEU constitutes general guidelines for Polish courts. Final decisions made by Polish courts are made on the basis of EU regulations interpreted in accordance with the CJEU judgment, taking into account the provisions of domestic law and the analysis of the individual circumstances of each case. At the same time, it is difficult to talk about a formed line of jurisprudence in cases of mortgage loans in CHF, which is often confirmed by mutually exclusive judgments of common courts, as well as legal inquiries to the CJEU and the Supreme Court to resolve doubts.

In particular, attention should be paid to the application submitted on 29 January 2021 by the First President of the Supreme Court to the full composition of the Civil Chamber of the Supreme Court to resolve legal issues related to FX mortgage loans in CHF, relating in particular to the following aspects:

- 1) whether the abusive provisions relating to the method of determining the currency rate in an indexed or denominated loan agreement can be replaced by provisions of civil or customary law,
- 2) if it is impossible to establish a binding exchange rate for a foreign currency in a denominated loan agreement, the agreement may bind the parties in the remaining scope,

- 3) if it is impossible to establish a binding exchange rate for a foreign currency in the loan agreement, the agreement may bind the parties in the remaining scope,
- 4) whether the balance theory or the theory of two conditions will apply in the event of cancellation of the loan agreement,
- 5) which is the moment to start the limitation period in the event that the bank makes a claim against the borrower for the repayment of the loan,
- 6) whether it is possible for banks and borrowers to receive remuneration for using the funds.

In the Group's opinion, the ruling of the Supreme Court in the above issues may have a significant impact on the further shaping of the line of judicial decisions in this regard. However, it is not certain whether and when the full Civil Chamber will adopt a resolution on the above-mentioned legal questions.

On 7 May 2021, a resolution was adopted by the Supreme Court composed of seven judges, after the resolution of the legal issue in the case III CZP 6/21 in the Civil Chamber, indicating that:

- a prohibited contractual provision (Art.385 (1) § 1 of the Civil Code) is from the outset, by operation of law, ineffective in favor of the consumer, who may subsequently give informed and free consent to this provision and thus restore its effectiveness retroactively,
- if the loan agreement cannot be binding without an ineffective provision, the consumer and the lender are entitled to separate claims for the reimbursement of cash benefits provided in the performance of the agreement (Art. 410 § 1 in conjunction with Art. 405 of the Civil Code). The lender may request the return of the benefit from the moment the loan agreement becomes permanently ineffective.

The resolution in question was given the force of a legal principle, therefore in the scope of resolved issues, it is binding in other cases examined by common courts as well as by the Supreme Court.

In addition, there is a trend on the market related to the referral by common courts of inquiries regarding various types of doubts arising to the Supreme Court, as well as to the CJEU, which may also affect the future directions of judicial decisions. An example of such an important ruling is the judgment of the CJEU of 8 September 2022 issued in joined cases C-80/21 to C-82/21, in which the CJEU replied to the questions referred for a preliminary ruling by the District Court for Warszawa Śródmieście in Warsaw in the CHF case. The CJEU stated:

- 1) The national court may not find that the entire contract term is unfair, but only its element which renders it unfair, if such removal would amount to changing the content of the term which would affect its essence. This means that, in principle, the national court is confined to finding that a whole contract term is unfair.
- 2) If a national court finds that a contract term is unfair, with the result that the entire contract may continue in force despite the exclusion of the unfair terms, the national court cannot replace these terms with a national provision of an optional nature. This means that in such a case the national court may not apply the provisions of the Civil Code concerning the conversion of installments with the average exchange rate of the National Bank of Poland.
- 3) The national court, after finding that a contract term is unfair, is not entitled to amend the content of that term in order to maintain the validity of the contract, which cannot remain in force after removal of the term, if the relevant consumer has been informed of the consequences of nullity of the contract and has agreed to the consequences of this nullity. This means that if the consumer has agreed to the consequences of the nullity of the contract (being informed of them), the national court may not, by ruling, change the content of such a condition, but must declare nullity.
- 4) The run of the 10-year limitation period for the consumer's claim for reimbursement of the paid installments may not start from the moment of performance of each service in the performance of the contract (repayment of each installment), even if the consumer was not able to independently assess the unfairness of a contract term or did not become aware of unfair nature of this condition and without taking into account that the loan agreement provided for a much longer (30-year) repayment period. This means that the 10-year limitation period for the consumer's claim for repayment of installments does not start from the date of repayment of each installment. In practice, it should be assumed that no consumer claims for reimbursement of installments paid have expired.

On the other hand, the CJEU has still not commented on the preliminary ruling concerning the limitation of the bank's claim against the consumer (for the return of the capital paid out or, possibly, the remuneration for using the capital), as well as the bank's entitlement to remuneration for the use of the capital. The CJEU will most likely rule on these issues in the middle of next year at the earliest.

As at 30 September 2022, 2 554 individual court cases were pending against the Group regarding foreign currency mortgage loans in CHF, which were granted in previous years, with the total value of the claim in the amount of PLN 774.8 million (as at 31 December 2021, the number of cases was 1 596, and the corresponding value of the dispute is PLN 459.2 million). The main cause of the dispute, as indicated by the plaintiffs, concerns the questioning of the provisions of the loan agreement with regard to the Group's application of conversion rates and results in claims regarding the partial or complete invalidity of the loan agreements. In the period of 9 months ended on 30 September 2022, the Group received 373 unfavorable court judgments in cases brought by borrowers, including 65 final judgments and 18 favorable court judgments, including 5 final judgments (in 2021: 124 unfavorable court judgments, including 19 final judgments stating the invalidity of the loan agreement and 11 favorable court judgments, including 4 final judgments).

#### 4) Provision related to foreign currency mortgage loans in CHF - assumptions and calculation methodology

As at 30 September 2022, the level of the provision for the above-mentioned legal risk related to foreign currency mortgage loans in CHF estimated by the Group amounted to PLN 1 071.8 million and increased compared to the level of these provisions as at 31 December 2021.

The above amount includes the provision for individual pending litigation to which the Group is a party in the amount of PLN 398.2 million as at 30 September 2022 (PLN 266.1 million as at 31 December 2021) and the portfolio provision for other foreign currency mortgage loan agreements in CHF, which are subject to legal risk related to the nature of these agreements, in the amount of PLN 673.6 million as at 30 September 2022 (PLN 360.1 million as at 31 December 2021).

With regard to the portfolio provision, as at 30 September 2022, the Bank based its calculations on 3 possible scenarios in order to best account for the various possible solutions which are currently being analyzed in the banking sector, in the estimation.

The calculation of the provision performed by the Bank as at 30 September 2022 was based on the following scenarios:

- 1) the baseline scenario - considered as the most probable, in which based on the analysis of the number and trend of the lawsuits to date, the Group estimates the number of borrowers who will bring lawsuits against the Group regarding the questioning of the loan agreement and the probability of losing the lawsuits, as well as possible financial consequences in the event of losing a court case, accepting as possible settlement:
  - invalidation of the entire agreement for a foreign currency mortgage loan in CHF as a result of recognizing the indexation clause as illegal, which the decision is considered to be the most probable,
  - recognition that the clauses contained in the loan agreement constitute prohibited contractual provisions resulting in the determination of the loan balance in PLN and the interest rate on the loan based on the LIBOR rate, the so-called 'defrancation',
  - recognizing the valorization clause as abusive and replacing the Bank's exchange rate table in its content with the average exchange rate of the National Bank of Poland,
  - dismissal of the claim.

In the baseline scenario as at 30 September 2022, the Bank took into account the current state of the macroeconomic environment, including the currently observed trends in court judgments regarding foreign currency mortgage loans in CHF, consequently, increasing the expected number of litigation cases by around 40% compared to the assumptions made as at 31 December 2021. As a result, the Group estimates that in total around 17% of foreign currency borrowers (with both active and repaid loans) have filed or will file lawsuits against the Group.

Moreover, the Group updated the expectations, including the probability distribution of possible dispute resolution and the amount of expected financial consequences in the event of losing a court case, taking into account the statistics for currently pending disputes. In particular, the share of loan agreement cancellation in possible settlement scenarios increased to 90% (compared to 80% at the end of 2021). In this scenario, the Group does not assume any settlements with customers.

- 2) settlement scenario – as a possible scenario of events in the Bank's opinion in the current market conditions, in which the majority of customers (approximately 85% of the portfolio value) will qualify for the option of settlements with the Bank based on solutions implemented in the banking sector, as proposed by the Chairman of the Polish Financial Supervision Authority.

In the settlement scenario, the financial effects for the Bank are equal to the sum of the differences between the current balance of the foreign currency mortgage loan in CHF and the balance of the hypothetical loan in PLN based on the WIBOR rate increased by the margin of the loan granted at the same time and for the same period as the loan in CHF and repaid by the borrower in accordance with the repayments made on the CHF loan. As a result, with the current market parameters, the Bank's costs of concluding settlements would amount to approximately PLN 760 million. For contracts currently in dispute, the Bank assesses the possible propensity of customers to withdraw the lawsuit and conclude a settlement, taking into account the ratio of the benefit that can be achieved by the customer from the settlement to the potential benefit from the lawsuit (including the costs of pursuing a lawsuit) and the expected resolution of the dispute.

- 3) negative scenario - as a possible scenario to occur in a situation of a significant deterioration of the macroeconomic environment, in particular in terms of a significant intensification and deepening of the negative trend regarding unfavorable jurisprudence and common courts of law regarding foreign currency mortgage loans in CHF, the number of possible claims will be twice as high as assumed in the baseline scenario, with a simultaneous greater likelihood with regard to unfavorable court judgments. Moreover, with regard to the probability distribution of possible settlements of disputes in this scenario, the Group also assumed a higher probability of invalidity of the entire agreement of a foreign currency CHF mortgage loan (at the level of 95% of decisions - unchanged compared to those adopted in 2021). In this scenario, the Group does not assume any settlements with customers.

Although the subject of legal risk related to the CHF loan portfolio is one of the key topics in the banking sector in recent years, there is still a history of data on the scale of lawsuits (in particular in the field of final judgments), and whether the line of court jurisprudence in this area is not stabilized. All of the above causes that the process of determining the level of the provision requires each time the Group adopts many expert assumptions based on professional judgment.

Subsequent rulings and possible sectoral solutions that will appear on the Polish market with regard to FX mortgage loans in CHF, may have an impact on the amount of the provision determined by the Group and cause the need to change individual assumptions made in calculations. In connection with the above uncertainty, it is possible that the amount of the provision will change in the future.

In line with the above principles, as at 30 September 2022, the Group allocated the total amount of the provision in the amount of PLN 1 071.8 million as follows:

1. PLN 819.5 million for current and future disputes regarding balance sheet exposures, recognized as an element of impairment allowances for loan receivables in correspondence with 'Net allowances for expected credit losses' (PLN 496 million as at 31 December 2021),
2. PLN 252.3 million for current and future legal disputes regarding repaid exposures, recognized as provisions in correspondence with 'Other operating expenses' (PLN 130.2 million as at 31 December 2021).

A summary of the recognition of the provision for legal risk related to FX mortgage loans in CHF in the statement of financial position and profit and loss is presented in the tables below.

STATEMENT OF FINANCIAL POSITION	30.09.2022	31.12.2021
<b>Impairment allowances for loan exposures, including:</b>	<b>819 454</b>	<b>496 022</b>
Individual provisions	309 663	215 421
Portfolio provisions	509 791	280 601
<b>Provisions for litigation and claims, including:</b>	<b>252 299</b>	<b>130 185</b>
Individual provisions	88 488	50 681
Portfolio provisions	163 811	79 504
<b>Total</b>	<b>1 071 753</b>	<b>626 207</b>

INCOME STATEMENT	III QUARTER 2022	3 QUARTERS 2022	III QUARTER 2021	3 QUARTERS 2021
Net allowances for expected credit losses	(24 757)	(333 454)	(41 853)	(47 270)
Other operating expenses	(17 966)	(128 528)	(8 148)	(5 051)
<b>Total</b>	<b>(42 723)</b>	<b>(461 982)</b>	<b>(50 001)</b>	<b>(52 321)</b>

#### *Sensitive analysis*

The Group performed a sensitivity analysis in relation to the significant assumptions of the provision calculation, where a change in the level of individual parameters would have the following impact on the amount of the provision for the legal risk of foreign currency mortgage loans in CHF.

Impact on the provision level in the event of changes to the assumptions (with other elements of the calculation unchanged)

PARAMETR	SCENARIO	IMPACT ON THE PROVISION LEVEL on 30.09.2022
Number of lawsuits	+20%	163 893
	-20%	(163 893)
Probability of failure	+10 p.p. (no more than 100%)	86 042
	-10 p.p.	(104 669)
Probability of a contract invalidity scenario	+10 p.p. (no more than 100%)	81 242
	-10 p.p.	(98 235)

PARAMETR	SCENARIO	IMPACT ON THE PROVISION LEVEL on 31.12.2021
Number of lawsuits	+20%	96 882
	-20%	(72 669)
Probability of failure	+10 p.p. (no more than 100%)	60 614
	- 10 p.p.	(46 926)
Probability of a contract invalidity scenario	+10 p.p. (no more than 100%)	52 915
	- 10 p.p.	(37 412)

### 36.3. Market risk

#### Market risk of the trading book

The model of market risk measurement has not changed in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

The table below presents the market risk exposure of the trading portfolio of the Group measured by Value at Risk as at 30 September 2022 and as at 31 December 2021.

	30.09.2022	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	291	14	153	1 338
interest rate risk	3 708	1 680	2 643	4 107
Trading portfolio	3 273	1 719	2 844	4 573

	31.12.2021	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	409	13	75	433
interest rate risk	2 306	801	2 155	4 072
Trading portfolio	2 331	810	2 190	3 892

#### Interest rate risk of the banking book

The banking book interest rate risk management process has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

The continuation of dynamic increase in NBP base interest rates recorded in 2022 had an impact on i.a. an increase in deposits' rate and resulted on decrease of the sensitivity of NII under a scenario of an interest rates down. A significant increase in the volume of loans with a fixed or periodically fixed interest rate had a similar effect. The Bank continued its efforts to maintain a balanced structural exposure to interest rate risk, which results in stabilization of the sensitivity of economic value of the Bank's equity.

The table below presents the sensitivity of contractual interest income (NII) to the interest rate change by 100 b.p. and sensitivity of economic value of the Bank's equity (EVE) to the interest rate change by 200 b.p. (standard regulatory shock excluding the risk profile of own funds) as at 30 September 2022 and as at 31 December 2021. For both measures the impact of mortgage payments holidays was taken into account.

SENSITIVITY IN % (*)	30.09.2022	31.12.2021
NII	(3.42)	(7.51)
EVE	(5.95)	(6.31)

(\*) The risk profile of own funds is taken into account by the Bank in estimating the sensitivity of the economic value of capital for the purposes of internal analyses.

**Currency risk**

The foreign currency exchange risk management process has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

The tables below present the Group's foreign currency risk profile measured by Value at Risk and currency position.

**Value at Risk**

CURRENCY (*)	30.09.2022	31.12.2021
Currencies total (**)	412	732

(\*) VaR presented in 'Currencies total' is VaR for the whole portfolio, and includes correlations among currencies.

**Currency position**

30.09.2022	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS- DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	43 999 282	31 983 502	22 230 957	34 333 952	(87 215)
USD	9 550 427	13 750 785	17 275 869	13 054 435	21 076
CHF	3 495 477	791 750	782 490	3 496 466	(10 249)
GBP	339 147	1 286 488	1 041 675	92 507	1 827
NOK	300 711	69 486	10 081	240 692	614
SEK	103 161	87 443	14 324	29 972	70
CAD	76 514	89 235	18 579	5 629	229
DKK	41 662	19 147	9 237	31 457	295
CZK	36 718	48 694	335 117	322 768	373
RON	48 284	11 476	560 063	596 331	540
CNY	52 198	7 590	814 668	862 913	(3 637)
HRK	2 364	1 408	35 524	36 325	155
HUF	970	24 423	173 500	149 898	149
Other currencies	163 651	72 766	1 610 841	1 706 508	(4 782)
<b>Total</b>	<b>58 210 566</b>	<b>48 244 193</b>	<b>44 912 925</b>	<b>54 959 853</b>	<b>(80 555)</b>

31.12.2021	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS- DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	30 600 095	26 904 921	23 686 721	27 365 640	16 255
USD	9 557 499	9 675 647	8 151 754	7 986 501	47 105
CHF	2 790 085	646 075	1 292 040	3 432 811	3 239
GBP	381 213	1 164 222	824 835	39 707	2 119
NOK	309 595	69 547	3 810	243 324	534
SEK	82 692	93 263	21 740	11 066	103
CAD	47 538	73 851	29 296	2 713	270
DKK	44 844	28 647	7 702	24 039	(140)
CZK	40 875	30 127	320 348	327 500	3 596
RON	26 910	16 286	256 645	271 019	(3 750)
CNY	135 717	31 846	617 757	721 252	376
HRK	839	1 703	128 240	127 123	253
HUF	4 965	28 886	352 172	328 232	19
Other currencies	43 837	50 292	87 759	80 089	1 215
<b>Total</b>	<b>44 066 704</b>	<b>38 815 313</b>	<b>35 780 819</b>	<b>40 961 016</b>	<b>71 194</b>



### 36.4. Liquidity risk

The liquidity risk management process has not changed significantly in relation to that described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

Regulatory liquidity long-term norms and LCR and NSFR (\*)

SUPERVISORY LIQUIDTY NORMS		LIMIT	30.09.2022	31.12.2021
LCR	Liquidity coverage ratio	100%	166%	190%
NSFR	Net stable funding ratio	100%	142%	142%

(\*) The values of regulatory liquidity ratios have been determined in accordance with the principles set out by the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation No. 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions.

The tables below present adjusted liquidity gap:

30.09.2022	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	61 829 408	9 809 024	29 760 160	109 843 620	68 320 289	279 562 501
Equity and liabilities	28 039 500	13 876 828	31 033 221	58 777 421	147 835 531	279 562 501
Off-balance sheet assets/liabilities (net)	(4 148 673)	(3 686 025)	745 775	2 335 539	4 263 419	(489 965)
<b>Periodic gap</b>	<b>29 641 235</b>	<b>(7 753 829)</b>	<b>(527 286)</b>	<b>53 401 738</b>	<b>(75 251 823)</b>	<b>(489 965)</b>
<b>Cumulated gap</b>	<b>-</b>	<b>21 887 406</b>	<b>21 360 120</b>	<b>74 761 858</b>	<b>(489 965)</b>	<b>-</b>

31.12.2021	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	58 533 152	6 812 658	32 746 498	85 758 703	66 715 594	250 566 605
Equity and liabilities	18 992 088	16 235 633	30 475 107	42 857 218	142 006 559	250 566 605
Off-balance sheet assets/liabilities (net)	(9 708 164)	17 907	1 064 407	3 561 182	4 420 559	(644 109)
<b>Periodic gap</b>	<b>29 832 900</b>	<b>(9 405 068)</b>	<b>3 335 798</b>	<b>46 462 667</b>	<b>(70 870 406)</b>	<b>(644 109)</b>
<b>Cumulated gap</b>	<b>-</b>	<b>20 427 832</b>	<b>23 763 630</b>	<b>70 226 297</b>	<b>(644 109)</b>	<b>-</b>

### 36.5. Operational risk

There have been no significant changes in the operational risk management process in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

### 36.6. Fair value of financial assets and liabilities

#### Financial instruments that are measured at fair value in the consolidated statement of financial position of the Group

The process of measuring financial instruments at fair value has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

Assets and liabilities measured at fair value in breakdown by fair value hierarchy levels

30.09.2022	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets:</b>	<b>7 054 564</b>	<b>25 421 028</b>	<b>5 279 481</b>	<b>37 755 073</b>
Financial assets held for trading	748 119	123 186	40 251	911 556
Derivative financial instruments, including:	-	18 763 506	540	18 764 046
Banks	-	3 627 208	244	3 627 452
Customers	-	15 136 298	296	15 136 594
Hedging instruments, including:	-	360 936	-	360 936
Banks	-	276 175	-	276 175
Customers	-	84 761	-	84 761
Securities measured at fair value through other comprehensive income	6 306 445	6 173 400	4 644 587	17 124 432
Securities measured at fair value through profit or loss	-	-	180 237	180 237
Loans and advances to customers measured at fair value through other comprehensive income	-	-	262 925	262 925
Loans and advances to customers measured at fair value through profit or loss	-	-	150 941	150 941
<b>Liabilities:</b>	<b>630 512</b>	<b>23 322 528</b>	<b>-</b>	<b>23 953 040</b>
Financial liabilities held for trading	630 512	-	-	630 512
Derivative financial instruments, including:	-	18 454 911	-	18 454 911
Banks	-	3 857 589	-	3 857 589
Customers	-	14 597 322	-	14 597 322
Hedging instruments, including:	-	4 867 617	-	4 867 617
Banks	-	1 159 653	-	1 159 653
Customers	-	3 707 964	-	3 707 964

31.12.2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets:</b>	<b>8 538 322</b>	<b>17 905 364</b>	<b>5 859 840</b>	<b>32 303 526</b>
Financial assets held for trading	225 288	229 541	94 433	549 262
Derivative financial instruments, including:	-	7 922 679	5 860	7 928 539
Banks	-	1 559 398	5 860	1 565 258
Customers	-	6 363 281	-	6 363 281
Hedging instruments, including:	-	78 216	-	78 216
Banks	-	63 402	-	63 402
Customers	-	14 814	-	14 814
Securities measured at fair value through other comprehensive income	8 313 034	9 674 928	5 181 843	23 169 805
Securities measured at fair value through profit or loss	-	-	171 496	171 496
Loans and advances to customers measured at fair value through other comprehensive income	-	-	245 829	245 829
Loans and advances to customers measured at fair value through profit or loss	-	-	160 379	160 379
<b>Liabilities:</b>	<b>639 733</b>	<b>10 191 075</b>	<b>-</b>	<b>10 830 808</b>
Financial liabilities held for trading	639 733	-	-	639 733
Derivative financial instruments, including:	-	7 969 343	-	7 969 343
Banks	-	1 251 678	-	1 251 678
Customers	-	6 717 665	-	6 717 665
Hedging instruments, including:	-	2 221 732	-	2 221 732
Banks	-	836 833	-	836 833
Customers	-	1 384 899	-	1 384 899

## Change in fair value of financial assets measured at fair value according to Level 3 by the Group

3 QUARTER 2022	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
<b>Opening balance</b>	<b>94 433</b>	<b>5 860</b>	<b>245 829</b>	<b>160 379</b>	<b>171 496</b>	<b>5 181 843</b>	<b>-</b>
Increases, including:	1 082 386	958	161 237	16 764	8 741	1 222 051	(764)
Reclassification from other levels	22 884	958	-	-	-	1 045 635	(602)
Transactions made in 2022	-	-	-	-	-	-	(162)
Acquisition/Granting	1 057 851	-	154 302	12 081	-	53 832	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments	1 651	-	6 935	4 683	8 741	122 584	-
recognized in the income statement	1 651	-	6 935	4 683	8 741	108 149	-
recognized in revaluation reserves	-	-	-	-	-	14 435	-
Decreases, including:	(1 136 568)	(6 278)	(144 141)	(26 202)	-	(1 759 307)	764
Reclassification to other levels	(40 507)	(1 455)	-	-	-	(832 757)	-
Settlement/Redemption	(13 000)	(3 044)	(134 868)	(26 202)	-	(328 670)	-
Sale/Repayment	(1 083 018)	-	-	-	-	(239 454)	-
Losses on financial instruments	(43)	(1 779)	(9 273)	-	-	(358 426)	764
recognized in the income statement	(43)	(1 779)	-	-	-	(76 975)	764
recognized in revaluation reserves	-	-	(9 273)	-	-	(281 451)	-
<b>Closing balance</b>	<b>40 251</b>	<b>540</b>	<b>262 925</b>	<b>150 941</b>	<b>180 237</b>	<b>4 644 587</b>	<b>-</b>
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>(381)</b>	<b>(418)</b>	<b>(9 843)</b>	<b>4 597</b>	<b>-</b>	<b>(282 184)</b>	<b>-</b>
Income statement:	(381)	(418)	1 164	4 597	-	26 772	-
net interest income	18	-	829	1 711	-	20 276	-
net allowances for expected credit losses	-	-	335	-	-	6 496	-
result on financial assets and liabilities held for trading	(399)	(418)	-	2 886	-	-	-
Other comprehensive income	-	-	(11 007)	-	-	(308 956)	-

## Change in fair value of financial assets measured at fair value according to Level 3 by the Group

2021	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
<b>Opening balance</b>	<b>43 532</b>	<b>1 712</b>	<b>1 475 055</b>	<b>187 001</b>	<b>160 486</b>	<b>10 490 998</b>	<b>-</b>
Increases, including:	5 940 649	11 973	96 431	764	11 010	4 046 238	4 390
Increase due to acquisition of part of Idea Bank S.A. activity	-	4 453	-	-	-	85 309	4 390
Reclassification from other levels	32 977	-	-	-	-	788 236	-
Transactions made in 2021	-	-	52 830	764	-	-	-
Acquisition/Granting	5 904 973	-	-	-	-	3 050 445	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments	2 699	7 520	43 601	-	11 010	122 248	-
recognized in the income statement	2 649	7 520	43 601	-	11 010	119 579	-
recognized in revaluation reserves	50	-	-	-	-	2 669	-
Decreases, including:	(5 889 748)	(7 825)	(1 325 657)	(27 386)	-	(9 355 393)	4 390
Reclassification to other levels	(209)	-	-	-	-	(298 662)	3 696
Settlement/Redemption	(21 729)	(7 825)	(1 099 062)	(23 634)	-	(4 357 890)	694
Sale/Repayment	(5 856 240)	-	(203 000)	-	-	(4 654 666)	-
Losses on financial instruments	(11 570)	-	(23 595)	(3 752)	-	(44 175)	-
recognized in the income statement	-	-	-	(3 752)	-	(125)	-
recognized in revaluation reserves	(11 570)	-	(23 595)	-	-	(44 050)	-
<b>Closing balance</b>	<b>94 433</b>	<b>5 860</b>	<b>245 829</b>	<b>160 379</b>	<b>171 496</b>	<b>5 181 843</b>	<b>-</b>
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>(11 304)</b>	<b>2 102</b>	<b>(5 376)</b>	<b>(3 782)</b>	<b>-</b>	<b>(233 588)</b>	<b>-</b>
Income statement:	(11 304)	2 102	4	(3 782)	-	10 990	-
net interest income	486	-	1 494	273	-	14 456	-
net allowances for expected credit losses	-	-	(1 490)	-	-	(3 466)	-
result on financial assets and liabilities held for trading	(11 790)	2 102	-	(4 055)	-	-	-
Other comprehensive income	-	-	(5 380)	-	-	(244 578)	-

Transfers of instruments between fair value hierarchy levels are based on changes in availability of active market quotations at the end of the reporting periods.

In the period from 1 January to 30 September 2022 the following transfers of financial instruments between the levels of the fair value hierarchy were made:

- from Level 3 to Level 2: corporate and municipal bonds which were valued based on information on the prices of comparable financial instruments, corporate, municipal and treasury bonds as well as currency and interest rate derivatives with immaterial impact of the estimated credit parameters on the valuation, and equity derivative instruments for which impact of the estimated volatility on the valuation was immaterial,
- from Level 2 to Level 3: corporate and municipal bonds for which impact of estimated credit parameters was material as well as equity derivative instruments with material impact of estimated volatility on the valuation.

#### Financial instruments that are not measured at fair value in the consolidated statement of financial position of the Group

The process of valuation of financial instruments that are not presented at fair value in the financial statements has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2021.

Assets and liabilities not measured at fair value in the financial statement in breakdown by fair value hierarchy levels.

30.09.2022	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>Assets</b>					
Cash and due from Central Bank	17 879 295	17 804 002	4 764 683	13 039 217	102
Loans and advance to banks	6 096 288	6 093 081	-	2 994 009	3 099 072
Loans and advances to customers measured at amortised cost	166 549 973	164 976 611	-	974 995	164 001 616
Debt securities measured at amortised cost	43 796 513	38 020 276	19 186 920	13 733 191	5 100 165
Other assets	1 294 116	1 294 116	-	-	1 294 116
<b>Total Assets</b>	<b>235 616 185</b>	<b>228 188 086</b>	<b>23 951 603</b>	<b>30 741 412</b>	<b>173 495 071</b>
<b>Liabilities</b>					
Amounts due to Central Bank	-	-	-	-	-
Amounts due to other banks	9 141 333	9 116 722	-	889 511	8 227 211
Amounts due to customers	209 241 118	208 960 733	-	-	208 960 733
Debt securities issued	8 551 138	8 540 176	-	8 540 176	-
Subordinated liabilities	2 836 484	2 829 609	-	2 829 609	-
Other liabilities	3 769 546	3 769 546	-	-	3 769 546
<b>Total Liabilities</b>	<b>233 539 619</b>	<b>233 216 786</b>	<b>-</b>	<b>12 259 296</b>	<b>220 957 490</b>

Assets and liabilities not measured at fair value in the financial statement in breakdown by fair value hierarchy levels

31.12.2021	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>Assets</b>					
Cash and due from Central Bank	4 696 620	4 696 695	3 699 683	997 012	-
Loans and advance to banks	3 328 087	3 334 784	-	1 476 248	1 858 536
Loans and advances to customers measured at amortised cost	158 822 548	157 567 855	-	969 694	156 598 161
Debt securities measured at amortised cost	44 276 101	41 828 431	22 436 197	2 700 086	16 692 148
Other assets	1 086 984	1 086 984	-	-	1 086 984
<b>Total Assets</b>	<b>212 210 340</b>	<b>208 514 749</b>	<b>26 135 880</b>	<b>6 143 040</b>	<b>176 235 829</b>
<b>Liabilities</b>					
Amounts due to Central Bank	-	-	-	-	-
Amounts due to other banks	8 575 469	8 591 675	-	3 110 410	5 481 265
Amounts due to customers	195 161 943	194 824 190	-	-	194 824 190
Debt securities issued	5 355 355	5 350 726	-	5 350 726	-
Subordinated liabilities	2 761 474	2 747 964	-	2 747 964	-
Other liabilities	3 105 291	3 105 291	-	-	3 105 291
<b>Total Liabilities</b>	<b>214 959 532</b>	<b>214 619 846</b>	<b>-</b>	<b>11 209 100</b>	<b>203 410 746</b>

## 37. Subsequent events

Significant subsequent events are presented in the Note 8.9 'Subsequent events' of the Report on the activities of Bank Pekao S.A. Group for the third quarter of 2022.

02.11.2022 Date	Leszek Skiba Name/Surname	President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.11.2022 Date	Jarosław Fuchs Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.11.2022 Date	Marcin Gadomski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.11.2022 Date	Jerzy Kwieciński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.11.2022 Date	Paweł Strączyński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.11.2022 Date	Błażej Szczecki Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.11.2022 Date	Wojciech Werochowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.11.2022 Date	Piotr Zborowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.11.2022 Date	Magdalena Zmitrowicz Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature

## Glossary

**IFRS** – International Financial Reporting Standards – the standards, interpretations and their structure adopted by the International Accounting Standards Board (IASB).

**IAS** – International Accounting Standards – previous name of the standards forming part of the current IFRS.

**IFRIC** – International Financial Reporting Interpretations Committee – the committee operating under the International Accounting Standards Board publishing interpretations of IFRS.

**CIRS** – Currency Interest Rate Swap – the transaction exchange of principal amounts and interest payments in different currencies between two counterparties.

**IRS** – Interest Rate Swap – the agreement between two counterparties, under which the counterparties pay each other (at specified intervals during the contract life) interest on contractual principal of the contract, charged at a different interest rate.

**FRA** – Forward Rate Agreement – the contract under which two counterparties fix the interest rate that will apply in the future for a specified amount expressed in currency of the transaction for a predetermined period.

**CAP** – the financial agreement, which limits the risk borne by lender on a variable interest rate, exposed to the potential loss as a result of increase in interest rates. Cap option is a series of call options on interest rates, in which the issuer guarantees the buyer the compensation of the additional interest costs, that the buyer must pay if the interest rate on loan increases above the fixed interest rate.

**FLOOR** – the financial agreement, which limits the risk of incurring losses resulting from decrease in interest rates by the lender providing the loan at a variable interest rate. Floor option is a series of put options on interest rates, in which the issuer guarantees the interest to be paid on the loan if the interest rate on the loan decreases below the fixed interest rate.

**PD** – Probability Default – the parameter used in Internal Ratings-Based Approach which determines the likelihood that the debtor will be unable to meet its obligation. PD is a financial term describing the likelihood of a default over an one year time horizon.

**LGD** – Loss Given Default – the percentage of loss over the total exposure when bank's counterparty goes to default.

**EAD** – Exposure at Default.

**EL** – Expected Loss.

**Life-time ECL** – Lifetime Expected Credit Loss.

**CCF** – Credit Conversion Factor.

**VaR** – Value at Risk – the risk measure by which the market value of an asset or portfolio may be reduced for a given assumptions, probability and time horizon.

**ICAAP** – Internal Capital Adequacy Assessment Process – the process of assessing internal capital adequacy.

**FVH** – fair value hedge accounting.

**CFH** – cash flow hedge accounting.