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

REPORT OF THE PKO BANK POLSKI S.A. GROUP FOR THE THIRD QUARTER OF 2023

SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FINANCIAL DATA	PLN million			EUR million		
	01.01-30.09.2023	01.01-30.09.2022 (restated)	Change % (A-B)/B	01.01-30.09.2023	01.01-30.09.2022 (restated)	Change % (D-E)/E
	A	B	C	D	E	F
Net interest income	13 241	7 343	80.3%	2 893	1 566	84.7%
Net fee and commission income	3 390	3 386	0.1%	741	722	2.5%
Net expected credit losses and net impairment allowances on non-financial assets	(841)	(1 190)	(29,3%)	(184)	(254)	(27,6%)
Administrative expenses	(5 521)	(6 038)	(8,6%)	(1 206)	(1 288)	(6,4%)
Profit before tax	6 836	2 410	183.7%	1 493	514	190.5%
Net profit (including non-controlling shareholders)	4 822	1 592	202.9%	1 053	340	209.8%
Net profit attributable to the parent company	4 822	1 594	202.5%	1 053	340	209.8%
Earnings per share for the period - basic (in PLN/EUR)	3.86	1.28	201.6%	0.84	0.27	208.9%
Earnings per share for the period - diluted (in PLN/EUR)	3.86	1.28	201.6%	0.84	0.27	208.9%
Net comprehensive income	9 700	(3 703)	(361,9%)	2 119	(790)	(368,3%)
Total net cash flows	(1 620)	14 614	(111,1%)	(354)	3 117	(111,4%)

SELECTED FINANCIAL DATA	PLN million			EUR million		
	30.09.2023	31.12.2022 (restated)	Change % (A-B)/B	30.09.2023	31.12.2022 (restated)	Change % (D-E)/E
	A	B	C	D	E	F
Total assets	472 949	431 447	9.6%	102 025	91 995	10.9%
Total equity	45 407	35 707	27.2%	9 795	7 614	28.6%
Share capital	1 250	1 250	-	270	267	1.1%
Number of shares (in million)	1 250	1 250	-	1 250	1 250	-
Book value per share (in PLN/EUR)	36.33	28.57	27.2%	7.84	6.09	28.7%
Diluted number of shares (in million)	1 250	1 250	-	1 250	1 250	-
Diluted book value per share (in PLN/EUR)	36.33	28.57	27.2%	7.84	6.09	28.7%
Total Capital Ratio (%)	20.25	19.07	6.2%	20.25	19.07	6.2%
Tier 1	42 868	41 175	4.1%	9 248	8 780	5.3%
Tier 2	2 216	2 584	(14,2%)	478	551	(13,2%)

SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA	PLN million 01.01-30.09.2023	01.01-30.09.2022	Change % (A-B)/B	EUR million 01.01-30.09.2023	01.01-30.09.2022	Change % (D-E)/E
	A	B	C	D	E	F
Net interest income	12 442	7 399	68.2%	2 718	1 578	72.2%
Net fee and commission income	2 889	2 888	0.0%	631	616	2.5%
Net expected credit losses and net impairment allowances on non-financial assets	(739)	(894)	(17,3%)	(161)	(191)	(15,3%)
Administrative expenses	(4 812)	(5 417)	(11,2%)	(1 051)	(1 156)	(9,1%)
Profit before tax	6 228	2 593	140.2%	1 361	553	146.1%
Net profit	4 444	1 769	151.2%	971	377	157.3%
Earnings per share for the period - basic (in PLN/EUR)	3.56	1.42	150.7%	0.78	0.30	160.0%
Earnings per share for the period - diluted (in PLN/EUR)	3.56	1.42	150.7%	0.78	0.30	160.0%
Net comprehensive income	9 125	(3 275)	(378,6%)	1 994	(699)	(385,3%)
Total net cash flows	(397)	15 117	(102,6%)	(87)	3 225	(102,7%)

SELECTED FINANCIAL DATA	PLN million 30.09.2023	31.12.2022	Change % (A-B)/B	EUR million 30.09.2023	31.12.2022	Change % (D-E)/E
	A	B	C	D	E	F
Total assets	446 939	405 168	10.3%	96 414	86 392	11.6%
Total equity	43 209	34 084	26.8%	9 321	7 268	28.3%
Share capital	1 250	1 250	-	270	267	1.1%
Number of shares (in million)	1 250	1 250	-	1 250	1 250	-
Book value per share (in PLN/EUR)	34.57	27.27	26.8%	7.46	5.81	28.4%
Diluted number of shares (in million)	1 250	1 250	-	1 250	1 250	-
Diluted book value per share (in PLN/EUR)	34.57	27.27	26.8%	7.46	5.81	28.4%
Total Capital Ratio (%)	22.52	20.49	9.9%	22.52	20.49	9.9%
Tier 1	40 648	38 105	6.7%	8 769	8 125	7.9%
Tier 2	2 216	2 584	(14,2%)	478	551	(13,2%)

SELECTED FINANCIAL STATEMENT ITEMS HAVE BEEN TRANSLATED INTO EUR AT THE FOLLOWING RATES	01.01-30.09.2023	01.01-30.09.2022
arithmetic mean of the NBP exchange rates at the end of a month (income statement, statement of comprehensive income and cash flow statement items)	4.5773	4.6880
	30.09.2023	31.12.2022
NBP mid exchange rates at the date indicated (statement of financial position items)	4.6356	4.6899

Bank Polski

Directors' Commentary to the financial results of the PKO Bank Polski S.A. Group for the nine-month period ended 30 September 2023

TABLE OF CONTENTS

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

The Parent company of the Group is Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (**PKO Bank Polski S.A.** or **Bank**). PKO Bank Polski S.A. is the largest commercial bank in Poland and the leading bank on its domestic market in terms of the scale of operations, equity, loans, savings, number of customers and size of the distribution network.

PKO Bank Polski S.A. is an universal bank that provides services to individuals, legal entities and other domestic and foreign entities.

I. SUMMARY OF OPERATIONS IN THE THIRD QUARTER OF 2023

A. MAJOR EVENTS, INCLUDING NON-TYPICAL EVENTS

1. SUPPORT FOR BORROWERS

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

SAFE 2% LOAN UNDER THE GOVERNMENT'S FIRST HOME PROGRAMME

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

According to the programme, loan instalments for 10 years will be reduced by contributions of the Government Housing Fund. Loans of up to PLN 500 thousand for a single or PLN 600 thousand for a marriage and a couple or a single with a child will be covered by additional payments. The maximum amount of the own contribution may not exceed PLN 200 thousand, unless the own contribution consists solely of an undeveloped plot of land. During the subsidized instalment period, the loan will bear interest at a fixed interest rate, which the Bank determines once every 5 years. This programme does not have a limit on the price per 1 sqm. A loan may be sought by persons who did not have an apartment or a house, who have not reached 45 years of age and are creditworthy. Part of the financed amount may be covered by a BGK guarantee. The programme will run until the end of 2027.

In the third quarter of 2023, 30 thousand applications were submitted and 6 thousand agreements were signed.

HOUSING ACCOUNT UNDER THE GOVERNMENT'S FIRST HOME PROGRAMME

The account is designed for people aged between 13 and 45 who do not hold title to a property. One person can have one Account. The maximum duration of the account is 10 years[1]. The Account is offered free of charge, but requires regular payments ranging from PLN 500 to PLN 2,000 per month. The customer can use one month a year for a "holiday from saving" without any consequences – he will still be entitled to the bonus and tax exemption. Until 31 December 2023, the Account offers a promotional interest rate of 5.35% per annum.

If the Account is held for at least 3 full calendar years and the customer fails to meet the regular payments condition or withdraws part of the funds accumulated, or if the maximum term of the Account expires, it will be converted into a Housing Deposit. The deposit will bear interest at no less than 75% of the interest rate on a 12-month savings term deposit account or, if the Bank does not offer one, at no less than 50% of the WIRON index. The condition for entitlement to the housing bonus and income tax exemption is that the Account must be maintained for a minimum of 3 years and that the funds accumulated in the Account must be used for a housing purpose. The funds can also be used for any purpose, but this entails a loss of benefits. Between 10 August and 30 September 2023, 1,363 Accounts were opened and credited with a total of more than PLN 3 million by the Bank's customers.

[1] The account may not be maintained until 31 March of the year following the expiry of 10 years counted from 31 December of the year in which the account agreement was signed.

HOUSING LOAN UNDER THE "HOUSING WITHOUT OWN CONTRIBUTION" PROGRAMME

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

Since the launch of the programme, 282 of the Bank's customers have taken advantage of the offering, and the total value of housing loans with family repayment granted to natural persons as of 30 September 2023 amounted to PLN 93 million, and PLN 17.4 million in the third quarter of 2023 alone.

LOAN HOLIDAYS

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

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

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

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

By the end of September of 2023, 297.5 thousand customers of the Group applied for a suspension of their mortgage loan or advance repayment, and the total number of suspended instalments applied for amounted to 2,091 thousand.

As of 30 September 2023, the Bank's Group has estimated the level of loan holidays loss in terms of value. The total effect recognised in the Group's accounting records amounted to PLN 3,111 million, unchanged from the effect recognised as at 31 December 2022.

For detailed information on the level of loan holiday loss in the third quarter of 2023, please refer to the Condensed Interim Consolidated Financial Statements of PKO Bank Polski S.A. Group for the nine months ended 30 September 2023 (Financial Statements of the Bank's Group for the third quarter of 2023) – Note 25 "Loans and advances to customers".

2. MORTGAGE LOANS IN FOREIGN CURRENCIES

SETTLEMENT PROGRAMME

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

PKO Bank Polski S.A. settlement programme still meets its assumptions, i.e. it is a real aid for people repaying mortgage loans in CHF. The mediation formula is free of charge. The customer can come to an agreement with the Bank or terminate the mediation proceedings without consequences without reaching an understanding. The programme completely eliminates the materialised and future foreign exchange risk of customers and is a convenient and certain alternative to long-term and costly litigation. According to the assumptions, the Bank bears all the financial consequences of restoring to the customer the actual and legal status in which the customer would find themselves if they did not enter into a Swiss Franc loan agreement with the Bank.

In order to mitigate the interest rate risk borne by the customer, since the implementation of the programme, the Bank has offered borrowers the possibility to choose a fixed rate option for 5 years. If the period of loan repayment remaining after concluding the settlement is shorter than 5 years, the fixed interest rate will apply until the end of the term of the agreement. Fixed-rate loans are more and more popular – this option was selected in the settlement process since the beginning of 2023 by 86% of customers who continue to repay the loan after signing the settlement, and a total of 78% of customers who sign a settlement agreement providing for continuing the loan since the beginning of offering settlements.

In the third quarter of 2023, the Bank continued its efforts to encourage customers to join the programme through telephone contact or information in the Bank's transaction systems.

By 30 September 2023, 55 thousand mediation applications were registered, 34,819 mediations concluded with a positive outcome, 12,397 mediations concluded with a negative outcome. The total number of settlements concluded as at 30 September 2023 was 34,253, of which 32,897 were concluded in mediation proceedings and 1,356 in court proceedings.

COST OF LEGAL RISK

In the third quarter of 2023, the PKO Bank Polski S.A. Group did not increase the write-downs on legal risk related to mortgage loans denominated and indexed to CHF.

Detailed information on the write-downs for the legal risk in the third quarter of 2023 was presented in the Financial Statements of the Bank's Group for the third quarter of 2023) – Note 19 "Cost of legal risk of mortgage loans in convertible currencies".

3. DEPOSIT OFFERING OF THE BANK

PKO Bank Polski S.A., taking into account the cut in interest rates by the Monetary Policy Council (MPC) and changes in its competitors' offerings, has changed its interest rates on deposits.

In the third quarter of 2023, the Bank for individual customers (natural persons):

- ✓ reintroduced the mobile Deposit, which allows funds to be deposited for three months at an interest rate of 6%, and subsequently reduced the interest rate to 5.5% per annum,
- ✓ unified the interest rate on the Deposit for new funds regardless of the customer segment – 6% per annum for both contractual periods (3 and 12 months),
- ✓ reduced the interest rate of the Autolokacja III WPI to 7% per annum,
- ✓ introduced 24-month, non-renewable structured Deposits based on a baskets of shares: dividend companies II, financial companies, UK companies, automotive companies.

In the third quarter of 2023, the Bank launched three editions of a promotion for new funds for Rachunek Oszczędnościowy Plus (Savings Account Plus):

- ✓ 7.5% per annum plus a standard interest rate for up to PLN 100 thousand for 60 days,
- ✓ 7% per annum plus a standard interest rate for up to PLN 100 thousand for 60 days,
- ✓ 6.5% per annum plus a standard interest rate for up to PLN 250 thousand for 90 days,

In addition, the Bank has extended the promotion on Pierwsze Konto Oszczędnościowe (First Savings Account – an account for people up to the age of 18) until the end of April 2024 with an interest rate of up to 8% p.a. for systematic saving of up to PLN 10 thousand.

The average interest rate on new term deposits in PLN (for individuals and enterprices) in the third quarter of 2023 was 5.02%. The average interest rate on all term deposits in PLN placed with PKO Bank Polski S.A was 5.3% in the third quarter of 2023, compared with 5.18% in the second quarter of 2023 and 3.62% in the third quarter of 2022.

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

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

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

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

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

5. Interest rate benchmarks reform in Poland

The work on benchmark reform is being carried out by the National Working Group on Benchmark Reform (NWG), appointed by the Office of the Polish Financial Supervision Authority. The NWG is working on a recommendation on the principles and methods for replacing the WIBOR/WIBID benchmarks with the WIRON benchmark. In the third quarter of 2023, the NWG adopted a recommendation on the rules and methods of conversion of existing issues of debt securities where WIBOR is used.

Since the third quarter of 2020, the PKO Bank Polski S.A. Group, starting with the reform of LIBOR benchmarks, has been running an inter-disciplinary project supervised by members of the Management Board of the Bank with the participation of subsidiaries' representatives from PKO Bank Hipoteczny, PKO Leasing S.A. and PKO Faktoring S.A. related to the adjustment of the Bank and its subsidiaries to changes introduced as part of the benchmark reform.

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

6. Support for Ukraine and the situation of Ukrainian companies from the Bank's Group

PKO Bank Polski S.A continued to support aid campaigns and offered a package of financial services to Ukrainian citizens, particularly refugees. The Bank monitored developments in international sanctions imposed in particular on Russia and Belarus on an ongoing basis and took appropriate measures.

Activities of Ukrainian companies

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

KREDOBANK S.A. is a universal bank which services customers mainly in the western part of Ukraine and in Kyiv. As at the end of September 2023, the Company's head office was in Lviv, there were 67 branches, 13 of which located in regions most affected by warfare.

The Company complies with all restrictions imposed by the National Bank of Ukraine (NBU) under martial law.

KREDOBANK S.A. is included in the list of banks of systemic importance, which includes the top 15 Ukrainian banks. The bank's status confirms the important role of the bank for the operations of the Ukrainian banking sector. The company runs a stable and profitable business. In the third quarter of 2023, KREDOBANK S.A. received numerous awards and distinctions for its activities in Ukrainian bank rankings.

KREDOBANK S.A. grants loans to corporate and SME customers under government programmes and in cooperation with foreign banks.

KREDOBANK S.A. has signed an agreement with the European Bank for Reconstruction and Development (EBRD), under which it is able to release funding for Ukrainian entrepreneurs in the total amount of EUR 125 million. The cooperation relates to three solutions, i.e. loan guarantees that allow loans of up to EUR 100 million to be granted, investment incentives in the form of grants from the EBRD for small and medium-sized business and the opening of a EUR 25 million limit by the EBRD to finance investment projects that support foreign trade. In accordance with the risk-sharing arrangement, the EBRD secures 50% of the credit risk on the new financing of up to EUR 100 million granted by KREDOBANK S.A. In the third quarter of 2023, the first loan tranche (EUR 50 million) was released, 78% of which was drawn down by 30 September 2023. At the same time, the allocated limit for the first of the two tranches for investment funding of EUR 7.5 million has been exhausted, together with a simultaneously allocated grant of EUR 1.5 million (for any purpose). 54 customers benefited from the programme, including 70% in the form of leasing.

The financial and organizational situation of the other Ukrainian companies in the Group was stable at the end of September 2023.

B. Changes in the Management Board and Supervisory Board of the PKO Bank Polski S.A.

Changes in the composition of the Bank's Management Board

Changes in the third quarter of 2023

- The Financial Supervision Authority unanimously approved the appointment of Mr Dariusz Szwed as President of the Bank's Management Board effective 31 August 2023,
- The Bank's Supervisory Board approved an amendment to the internal division of responsibilities in the Bank's Management Board related to the change in responsibilities between areas, which came into effect on 1 September 2023.

Following the aforementioned change, the Appointments and Remuneration Committee of the Bank's Supervisory Board carried out an individual suitability assessment, as a result of which the individual suitability of the Vice President, Andrzej Kopyrski, affected by the amendment, was confirmed. The suitability assessment was approved by the Bank's Supervisory Board.

Composition of the Bank's Management Board and division of responsibilities as at 30 September 2023:

1. Dariusz Szwed – President of the Management Board in charge of the Management Board President Area,
2. Maciej Brzozowski – Vice-President of the Management Board in charge of the Retail and Business Banking Area,
3. Marcin Eckert – Vice-President of the Management Board in charge of the Finance and Accounting Area,
4. Paweł Gruza – Vice-President of the Management Board in charge of the Operations and International Banking Area,
5. Wojciech Iwanicki – Vice-President of the Management Board in charge of the Administration Area,
6. Andrzej Kopyrski – Vice-President of the Management Board in charge of the Corporate and Enterprise Banking Area,
7. Artur Kurcweil – Vice-President of the Management Board in charge of the Technology Area,
8. Piotr Mazur – Vice-President of the Management Board in charge of the Risk Management Area.

Subsequent events

On 4 October 2023, the Bank's Supervisory Board approved amendments to the internal division of responsibilities within the Bank's Management Board.

The Appointments and Remuneration Committee of the Bank's Supervisory Board carried out assessments of the individual suitability of the members of the Bank's Management Board in respect of whom there was a change in their previous responsibilities. As a result of the assessment, the individual suitability of the President of the Management Board and Vice-President, Andrzej Kopyrski, was confirmed.

The change in the division of responsibilities did not affect the composition of the Bank's Management Board and the names of the Areas.

Changes in the composition of the Bank's Supervisory Board

The composition of the Bank's Supervisory Board did not change in the third quarter of 2023.

C. Business conditions

Macroeconomic environment

The third quarter saw a slight recovery in economic activity, with decelerating declines in retail sales, sustained negative growth in industrial output and accelerating growth in construction output. The fall in inflation and continued double-digit nominal wage growth resulted in a rebound in real incomes. This, in turn, makes it possible to rebuild consumer spending whose year-on-year decline has noticeably decelerated. Investment activity came as a positive surprise, linked to the completion of projects from the EU's previous multi-year financial perspective. Despite the downturn, the situation on the labour market remains good. The registered unemployment rate has stabilised around its historical low (5.0%), and weaker economic activity is merely resulting in fewer vacancies rather than a reduction in employment. The number of people who have lost their jobs for company-related reasons remains low and concerns about rising unemployment in the consumer survey are diminishing. Wages continue to grow at a double-digit pace, albeit slightly weaker than in early 2023.

The disinflation process is advancing and the economy's price level did not rise in the period between April and September. In September, CPI inflation declined to 8.2% year-on-year, more than 10pp lower than the peak reached in February this year. The reasons for the drop in inflation are manifold. They range from exogenous factors, such as falling fuel prices, decelerating food and energy prices, to fundamental factors. Core inflation, net of food and energy prices, also decreases significantly, to 8.4% year-on-year in September, with a significant deceleration in core price growth.

In response to a marked fall in inflation, MPC began a cycle of interest rate cuts. In September, the base interest rates of the National Bank of Poland (NBP) were cut by 75bps, stronger than expected, triggering a significant adjustment in market quotations. The MPC explained this surprising move by the increase in real interest rates, the significant deterioration in the economic situation at home and abroad, coupled with a strong fall in current inflation and the prospect of further reductions. In October, interest rates were cut again, but more cautiously, by 25bps. The MPC does not rule out further rate cuts, but makes them contingent on incoming data and the medium-term inflation outlook.

NBP interest rates as at the end of the third quarter of 2023 (in %)

- reference rate 6.00
- bill discount rate 6.10
- bill rediscount rate 6.05
- lombard rate 6.50
- deposit rate 5.50

SITUATION ON THE FINANCIAL MARKET

In the third quarter of 2023, financial markets were characterised by high volatility. Some central banks, including the NBP, decided to start easing monetary policy following ongoing disinflation, but the two largest monetary centres - the Federal Reserve and the European Central Bank - surprised us with a hawkish approach. Consequently, US Treasury yields rose in the global interest rate market, approaching the 5% mark. The bond market slump in the US had a negative impact on other markets, including Europe. In Poland, a rate cut of as much as 75bps caused yields on short-maturity papers to drop, but the situation on the international debt markets, combined with uncertainty about the long-term inflation outlook and the scale of the supply of new bonds in the following years, triggered an increase in yields on debt papers.

In the foreign exchange market, the hawkish rhetoric of the US central bank and the relative strength of the local economy favoured the strengthening of the US dollar (USD). The zloty remained stable until the Monetary Policy Council's decision to make a surprisingly strong reduction in the cost of money. During this period, the Polish currency weakened against the euro by a dozen or so grosze from around 4.50 to around 4.65, before stabilising and starting to recover. The stock markets suffered from weak trading sentiment. The combination of the restrictive monetary policies of the major central banks and the continued weak economic activity did not encourage investment in equities. The WIG index fell by 3% in the third quarter.

ECONOMIC SITUATION ON THE UKRAINIAN MARKET

In the second quarter of 2023, Ukraine's GDP grew by 19.5% year-on-year and by 0.8% quarter-on-quarter. The high year-on-year growth dynamic is due to the low base effect (the first full quarter since the invasion). Ukraine's economy is gradually adapting to the extreme conditions, activity in agriculture is growing, a gradual increase in output in industry, construction and a recovery on the consumption side are observed. The National Bank of Ukraine expects GDP growth to reach 2.9% in 2023 and accelerate to 3.5% in 2024. The macroeconomic environment is improving on the back of, i.a., steadily declining inflation (7.1% y/y in September 2023), which is already lower than the nominal wage growth rate. The disinflation process has enabled the easing of monetary policy (reduction of the NBU discount rate to 20% from 25% in June 2023) and the implementation of the floating hryvnia exchange rate (floating exchange rate with regular NBU interventions to stabilise the market) from 3 October 2023, instead of the previous fixed rate against the USD. External balance is ensured largely through the inflow of foreign grants and through revenues from exports of key commodities. As a result, foreign exchange reserves have increased to USD 39.7 billion in September 2023 from USD 23.9 billion a year earlier. The fiscal side remains a challenge, burdened by the financing of arms expenditure, although the resulting deficit has been contained by, i.a., the inflow of international aid.

UKRAINIAN BANKING SECTOR

According to NBU data, the number of banks that were operational in Ukraine at the end of August 2023 decreased to 64 compared to 67 at the end of August 2022. At the end of August 2023, the value of the sector's assets increased by 21.5% year-on-year, to 2.62 trillion Ukrainian hryvnias (UAH), and equity by 21.9% year-on-year, to UAH 0.30 trillion. The equity-to-assets ratio stood at 11.3% in September 2023, up for the third consecutive quarter from the local low of 9.8% recorded in December 2022.

A period of systematic improvement in Ukraine's measures of banking sector stability continues. The R2 capital adequacy ratio increased to 25.0% at the beginning of October from 19.7% at the beginning of 2023 and 18.0% at the beginning of January 2022 (10% requirement). In August 2023, the loan-to-deposit ratio among residents increased for the first time since August 2022 and stood at 45.1% compared to 72.2% in January 2022, indicating strong liquidity in the sector. Total deposits increased by 29.3% year-on-year in August to UAH 2.18 trillion, with resident deposits accounting for 98.7%. The growth rate of foreign currency deposits has been steadily weakening (29.3% year-on-year in August against a peak of 52.4% year-on-year in April 2023), and their volume amounted to UAH 0.73 trillion. In July and August 2023, total loan volumes returned to month-on-month increases (+0.2% month-on-month in July and +1.0% month-on-month in August to UAH 1.01 trillion), after declining for several months. However, loan growth remained negative and amounted to -9.6% year-on-year for total loans in August, -7.2% year-on-year for households and -10.8% year-on-year for businesses. The strongest rebound can be observed in the household loans segment (UAH 0.23 trillion), where volumes increased for the fourth consecutive month in August, mainly driven by consumer loans. The improvement is also visible in the volume of loans to businesses.

At the end of August 2023, return on assets (ROA) stood at 6.57% and return on equity (ROE) was 64.72%. In comparison, at the end of August 2022, these measures stood at 0.62% and 5.50% respectively.

D. Business development and financing

Development of services, products and tools

Achievements of PKO Bank Polski S.A.

Development of retail banking, corporate and housing markets products	
Mortgage banking	Sales of housing loans to natural persons, supported by the Safe 2% Loan offering, reached PLN 4.4 billion in the third quarter of 2023, with a market share of 28.5%, compared to PLN 1.6 billion in the third quarter of 2022.
	Increase in the share of fixed interest rate loans. In the third quarter of 2023, the share of fixed-rate loans in new sales (granted by PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A.) reached 75.4%, and their total share in the portfolio of PLN mortgage loans increased to 21.7% as of 30 September 2023 (from 17.9% as at the end of 2022).
Financing	Release of the EKO loan for housing communities and cooperatives. Customers who make green investments benefit from the commission-free financing of the Our Renovation Investor Loan. These investments include, but are not limited to: insulating buildings, purchasing and installing photovoltaic panels and heat pumps, building parking spaces with access to an electric/hybrid vehicle charger.
Development of corporate banking and the services of the Brokerage Office	
Corporate banking	Conclusion of 8 syndicated loan agreements and 5 annexes increasing or extending the Bank's exposure under the existing syndicated loans in a total amount of nearly PLN 6.5 billion and more than EUR 3.6 billion, where the Bank's share was more than PLN 2.3 billion and EUR 384 million respectively.
	Conclusion of 60 municipal bond issue agreements with a total amount of nearly PLN 687 million.
	Completion of 1 green bond issue within a consortium in the total amount of PLN 340 million, where the Bank's share was PLN 85 million.
	The granting of 4 syndicated loans to the Municipality of Wrocław in the total amount of PLN 500 million, where the Bank's share was PLN 275 million.
	Signing a comprehensive agreement for providing banking management of the budget of the City of Elbląg and its organizational units.
	Introducing the possibility of granting de minimis guarantees to secure loans in EUR (i.e. overdraft, investment loan, non-revolving working capital loan and revolving working capital loan), which will allow corporate customers to secure foreign currency loans with BGK guarantees to a greater extent than before.
Services of the Brokerage Office (Biuro Maklerskie PKO Banku Polskiego)	Conducting, as Global Co-ordinator and Manager, an offering of ATAL S.A. shares, in an accelerated book-building procedure, with a value of PLN 262 million.
	Reaching PLN 13.3 billion of turnover on the secondary market of shares in the third quarter of 2023, which accounts for 9.88% of the market turnover and places Brokerage Office – Biuro Maklerskie PKO Banku Polskiego at the 2nd position in the ranking of brokerage offices.

	Maintaining 151.2 thousand securities and cash accounts and 539.7 thousand registered accounts at the end of the third quarter of 2023.
	Conducting services for participation units in 398 funds and sub-funds managed by 10 investment fund companies at the end of the third quarter of 2023.
Development of insurance products	
Home insurance PKO Dom	An increase in the value of gross premium written in the first three quarters of 2023 to PLN 88 million, which means an increase by 66% compared to the corresponding period of 2022. 650 thousand policies have been sold since the product's launch. More than 70% of policies renewed.
PKO Moto motor insurance	Completion of the process of changing the motor insurance distribution model – from the model involving a Panel based on a comparison engine of offerings from five third-party insurers to a stand-alone offering under the proprietary PKO Moto brand.
	Since the launch of PKO Moto in March 2023, more than 80 thousand policies have been sold with a total premium of PLN 70 million.
Development of IT projects and other services	
PKO Pay Later	At the end of September, approximately 130 thousand customers were active users of the service, and the total amount of limits granted reached PLN 100 million. To date, customers have made more than 1 million transactions amounting to approximately PLN 148 million. 98% of transactions were executed with a BLIK code.
Digital Mortgage	Providing customers with a new calculator to calculate the estimated instalment and creditworthiness for the Własny Kąt mortgage loan.
	Making the Tenant Certificate service available on iPKO and the IKO mobile app. "Code for Simpl.rent services for landlords" is a solution for landlords to verify a tenant before signing a lease. The tenant certificate is the first service within the Digital Mortgage project ecosystem.
Voicebots	Launch of a new bot for high-value transfers.
	Completion of more than 3.5 million conversations across all bots.
	Conducting more than 1.5 million virtual assistant dialogues with customers in inbound traffic on the Helpline.
	Completion of more than 383 thousand Voicebot dialogues with customers in outbound traffic.
Automation and robotisation	Implementation of robotised processes to support the 2% loan sales service in the intermediary channel and post-sales processes.
	The number of tasks completed by robots exceeded 231 million at the end of September 2023.
Bank in the Metaverse	Conducting the first Virtual Job Fair in an innovative form in Poland, using the rapidly developing Metaverse technology. The fair attracted over 600 participants and over 30 recruitment processes were launched.
Poland ClimAccelerator	Implementation of 4 carbon footprint calculators. Tests are planned in the coming months. 100 clients will receive 2 calculators along with a one-year subscription, onboarding and full consultancy support.
Development of functionalities in electronic and mobile banking channels	
IKO mobile application	Implementation of new functionalities: • correspondence with the Bank after logging in via the Inbox, • mID support, • presentation of enforcement seizures in account details, • presentation of credit holiday suspension periods, • presentation of information on travel insurance to a credit card.

	Implementation of changes to existing functions: • redesigning the list of loans and advances, • redesigning the details of debit cards, credit cards and loans, • improvements in accordance with the Web Content Accessibility Guidelines (WCAG).
	Delivering more than 400 thousand calls via voice assistant in the third quarter of 2023. A total of nearly 4 million conversations with 1.3 million customers at the end of September.
Electronic banking service iPKO	Implementation of new functionalities: • multi-person access, whereby customers can, i.a., give their employees the authority to manage their e-banking account, manage the company's finances with their representatives and select the people who will order and accept transfers and other transactions, • a new claim handling website with a user-friendly and simplified interface, linked to an AI-based classification, • current account application, • adaptation of the iPKO website to support mID, • new version of the iPKO dealer online exchange service for businesses, Implementation of changes: • information about the costs associated with investing in investment funds, • more convenient handling of direct debits, • the new edition of the application for 300+ (Good Start), • optimisation of the phone number change process that reduces the need for the Bank's call centre consultants to confirm the change.
Electronic banking service iPKO biznes	Launch of new functionalities: • a new claim handling website with a user-friendly and simplified interface, linked to an AI-based classification, • direct access to the PKO Leasing Customer Portal without the need for an additional login (this measure resulted from the strategic objective Expansion of the product multiplatform), • cancelling/requesting a refund of a foreign transfer at any stage - including a completed transaction with the possibility to indicate the reason: payment cancelled by the payer or indication of an incorrect payee account, • quick issue of information or sales messages for a selected list of customers, • new version of the iPKO dealer online exchange service.
PKO Junior mobile application	Implementation of a new version of the PKO Junior mobile application, which enables convenient log-in using biometrics or a PIN number. The revamped design increases the convenience and satisfaction of using the app. Additional security features have been introduced.

Achievements of the PKO Leasing S.A. Group (PKO Leasing Group)

Leasing 2.0	The launch of three new products aimed at financing cars, heavy transport as well as machinery and equipment. The new products have been structured in such a way as to enable both the customer and adviser to have immediate, transparent information about the available transaction parameters, the required documents and the stage of the process.
Free registration	Organising another edition of the promotional Free Registration offering with insurance against the loss of value of the vehicle over time (GAP). The offering is aimed at all PKO Leasing and Bank customers and in the iPKO process supported by bank advisors.

Summer with leasing	Making a fuel card worth PLN 500 available to small and medium-sized enterprises from the banking channel (for agreements with a value of more than PLN 100 thousand).
PKO Leasing Online at Media Expert	Expansion of the cooperation with Media Expert with an online channel (www.mediaexpert.pl) enabling the customers of the retailer to benefit from a fast, fully automatic and remote leasing process available 24/7 without leaving the office.
Development of digital processes and remote channels	• preparation of the company's processes and systems for the acceptance of mID as an acceptable form of customer identity identification, • making the transition from IPKO Biznes to the PKO Leasing Customer Portal available to customers, • implementation of further stages in the development of digital process tools (PKO Leasing Online) for suppliers in the machinery and equipment segment, which make it possible to obtain leasing financing in off-line outlets and from online suppliers

Achievements of PKO Towarzystwo Funduszy Inwestycyjnych S.A.

Leading positions in the investment fund market	The net asset value of funds managed by the company reached PLN 37.3 billion at the end of September 2023, including the net asset value of retail funds at PLN 35.4 billion, which allowed the company to maintain, respectively, its 2nd place (with a share of 12.28%) in the total investment fund market and 1st place (with a share of 20.11%) in managed fund assets excluding selected investors.*
PPK market leader	Maintaining a leading position in the Employee Capital Plans (ECP) market with a market share of 31.2%* and with more than 60 different types of funds and schemes on offer. Assets of PLN 5.7 billion were accumulated in PPK accounts managed by the company at the end of September 2023.
Sustainable investment offering	The introduction of a new sub-fund that incorporates sustainability objectives into the offering. The PKO Obligacji Globalny sub-fund, separated within PKO Parasolowy - fio, invests a portion of its assets (at least 50%) in debt instruments used to finance sustainable development, such as green bonds. The sub-fund meets the requirements of Article 8 of the SFDR: investments promoting environmental and/or social aspects, not having sustainable investments as an objective but making such investments to some extent (light green plus). Information about the sub-fund resulting from Article 10 of the SFDR has been published on the PKO TFI S.A. website in the newly created tab Green Investments (ESG).

* Source: Analizy Online

PRO-ENVIRONMENTAL EFFORTS

The Bank has been improving the efficiency of the resources used and has continued the following measures: replacement of windows, replacement of lighting with energy-efficient lighting and installation of automatic light controls, installation of ventilation with recuperation, installation of time switches on electric water heaters, and insulating buildings.

In the third quarter of this year, the bank replaced 40 petrol-fuelled vehicles with hybrid cars and installed micro photovoltaic installations at two further locations.

The Bank has introduced ESG criteria to the assessment of suppliers. Bidders are required to make representations - the questions have been collected in the form of a questionnaire, and the number of positive answers (confirming that certain requirements are met) is converted into points to evaluate the bids.

ESG RATINGS

In the third quarter of 2023, the values of the ESG ratings did not change and stood at the following levels at the end of September 2023: 3.3 (FTSE Russell), A (MSCI), 23.5 (Sustainalytics) and 46 (V.E).

E. RISK MANAGEMENT

The risk management system is aimed at ensuring the profitability of business activities while ensuring control over the risk level and maintaining it within the system of limits and risk tolerance limits adopted by the Bank and the Bank's Group in the changing macroeconomic and legal environment. The priority is to ensure adequate management of all types of risk related to its business.

The Bank is in the process of gearing up the Bank's Group for the full implementation and reporting of the EU Taxonomy. The Green Asset Ratio (GAR) is a mandatory and key performance indicator, which measures the percentage of the Bank Group's total assets exposed to Taxonomy-compliant activities.

The Green Asset Ratio (GAR) refers to the Bank Group's main lending and investment activities, which include loans, advances and debt securities, as well as equity instruments, to reflect the extent to which the Bank's Group finances its Taxonomy-compliant activities. This requires an assessment of compliance of the Bank's loan portfolio to businesses subject to the EU Non-Financial Reporting Directive (NFRD), households and local authorities with the Taxonomy as at 31 December 2023.

The Bank's Group is continuously developing IT systems for collecting, aggregating and managing sustainability data.

The Bank obtains, on a continuous basis, information on building energy efficiency and carbon performance from the Central Register of Building Energy Performance, which allows for efficient reporting in accordance with the Taxonomy and ITS based on actual EP data.[2]

In terms of interest rate risk, the banking sector is challenged by the benchmark reform, including in particular the roadmap for replacing the WIBID/WIBOR indices with the WIRON index proposed by the National Working Group. The reform could have a significant impact on the valuation of financial instruments and the effectiveness of hedging relationships held as part of interest rate risk management. The reform will also have a significant impact on the products offered to customers and on the structure of revaluation of the Bank's assets, liabilities and off-balance sheet items, determining the level of interest rate risk to which the Group is exposed. At the same time, due to the cycle of interest rate cuts that has begun, with a significant and increasing proportion of mortgage loans with periodically fixed rates, an increase in prepayments of the above loans is possible.

The Group has maintained a safe level of liquidity, allowing for a quick and effective response to potential threats. In the third quarter of 2023, the Bank structured its sources of funding accordingly by adjusting its deposit offering (in particular deposit interest rates) to meet current needs. KREDOBANK S.A.'s liquidity position, despite the ongoing war in Ukraine, remained stable and secure. The company did not experience a decline in liquidity measures or deposit outflows.

For a detailed description of the Group's risk management policies, please refer to the Consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2022 and to the report entitled "Capital adequacy and other information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group subject to disclosure as at 31 December 2022".

In the third quarter of 2023, the main objectives, principles and organisation of the Group's risk management process did not change.

[2] EP – non-renewable primary energy demand indicator

II. FINANCIAL POSITION AFTER THE THIRD QUARTER OF 2023

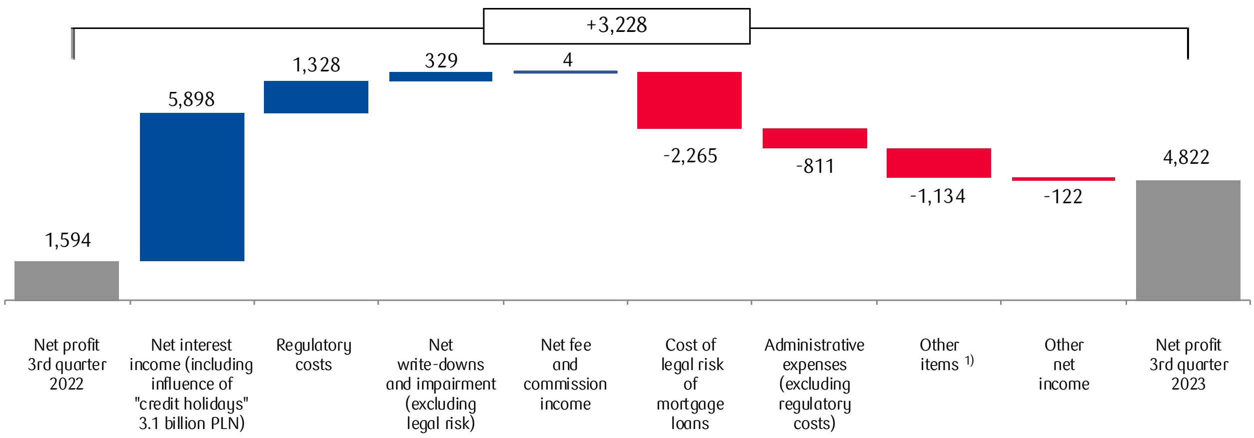
Financial data is presented on a management basis. The figures include the impact of the implementation of International Financial Reporting Standard 17 "Insurance contracts".

The PKO Bank Polski Group's consolidated net profit for the nine months of 2023 reached PLN 4,822 million, and was PLN 3,228 million higher than in the corresponding period of 2022.

The change in net profit was determined by:

1) an improvement in the result on business activities, which reached PLN 17,505 million (up by PLN 5,780 million year-on-year), mainly as a result of an increase in net interest income by PLN 5,898 million, with a decrease in other net income by PLN 122 million and stable net fee and commission income (up by PLN 4 million year-on-year),
2) deterioration in net write-downs and impairment[3] of PLN 1,936 million, mainly as a result of an increase in cost of legal risk of mortgage loans in convertible currencies, by PLN 2,265 million,
3) a decrease in administrative expenses by PLN 517 million, as a result of a decrease in regulatory costs by PLN 1,328 million, with an increase in employee benefit expenses by PLN 470 million, material costs by PLN 296 million and in depreciation and amortisation expenses by PLN 45 million.

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



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

Owing to its performance in the nine months of 2023, the PKO Bank Polski S.A. Group improved its key financial performance, risk and capital adequacy indicators:

- return on equity as measured by ROE stood at 16.9% on an annual basis (+9.1 p.p. y/y),
- net interest margin was 4.28% on an annual basis (excluding the impact of "credit holidays") (+0.84 p.p. y/y),
- operating efficiency, as measured by the C/I ratio, stood at 31.5% (-17.0 p.p. y/y),
- at the end of September 2023, the cost of credit risk stood at (-)0.47%, 0.11 p.p. lower year-on-year,
- the total capital ratio came in at 20.2%, up 3.0 p.p. compared to the end of September 2022, and the core T1 capital ratio was 19.3%, up 3.3 p.p.

[3]Net write-downs and impairment: net allowances for expected credit losses, net impairment losses on non-financial assets, net result on loans measured at fair value through profit or loss and cost of legal risk of mortgage loans in convertible currencies.

Events which had a significant impact on the net profit of the Bank's Group in the nine months of 2023 compared with the corresponding period of 2022:

RESULT ON BUSINESS ACTIVITIES

- an increase in net interest income driven by:
  - ✓ an increase in interest income related mainly to the higher level of market interest rates and an increase in the securities portfolio and loan portfolio, with a simultaneous increase in financing costs, mainly of customer deposits (as a result of adjusting the deposit offer to the market situation, conversion of funds to term accounts and an increase in the average volume of deposits) and higher interest expenses on derivative hedging instruments,
  - ✓ the recognition in the third quarter of 2022 of:
    - the effects of the Act on crowdfunding for business ventures and assistance for borrowers (so-called "credit holidays") of PLN 3,111 million.
    - the cost of a provision to reimburse customers for increased margins until the mortgage is recorded, amounting to PLN 48 million (compared to PLN 14 million added in 2023).
- a slight increase in net fee and commission income due to increased results from lending, leasing, card and account activities despite lower margins on foreign exchange transactions and a decrease in commissions from investment funds, pension funds, insurance and brokerage activities,
- a decrease in net other income, mainly as a result of a decrease in the result from financial transactions[4], the insurance result and the result from other operating activities, with an increase in net foreign exchange income.

ADMINISTRATIVE EXPENSES

- a decrease in regulatory costs by PLN 1,328 million, mainly as a result of the recognition, in the same period of the previous year, of costs relating to the initial contribution to the aid fund in System Ochrony Banków Komercyjnych S.A. in the amount of PLN 956 million and the contribution to the Borrowers' Support Fund in the amount of PLN 300 million, with a decrease in the cost of contributions to the Bank Guarantee Fund by PLN 127 million, with a simultaneous increase in other taxes and fees by PLN 54 million (mainly as a result of an increase in the cost of court fees from customer lawsuits against the Bank relating to loans in CHF),
- an increase in employee benefit expenses by PLN 470 million, mainly as a result of wage adjustments, and an increase in material costs by PLN 296 million, driven primarily by an increase in the cost of maintenance and rental of fixed assets (no inflation shield in 2023, which translated into an increase in electricity and heating costs), promotion and advertising costs, costs relating to the handling of loans in CHF (legal advice and court fees) and IT costs.

NET WRITE-DOWNS AND IMPAIRMENT

- an increase in the cost of legal risk of mortgage loans in convertible currencies by PLN 2,265 million as a result of updating the parameters of the legal risk assessment model, taking into account, e.g., the expected impact of the judgment of the Court of Justice of the European Union of 15 June 2023 in case C-520/21 on the future case-law of Polish courts and on a possible change in customer behaviour,
- an improvement in the net credit risk allowance by PLN 365 million, mainly as a result of the reversal of allowances on housing loans in foreign currency, as a result of a reduction in the gross carrying amount due to an increase in the legal risk adjustment and a more favourable result on corporate off-balance-sheet liabilities.

As a result of measures taken in 2023, there was an increase in the scale of operations both year-on-year and by the end of 2022:

- total assets reached approximately PLN 473 billion, which represents an increase by PLN 34 billion year-on-year and by PLN 42 billion compared to the end of 2022,
- customer deposits[5] stood at PLN 376 billion, i.e. an increase by PLN 37 billion compared to the end of September 2022 (as a result of an increase in retail and private banking deposits) and by PLN 38 billion compared to the end of December 2022,

[4]Result on financial transactions – result on financial transactions and gains or losses on derecognition of financial instruments less the result on loans measured at fair value through profit or loss.

[5]Customer deposits – amounts due to customers.

- financing granted to customers[6] stood at around PLN 256 billion and increased by more than PLN 7 billion year-on-year (mainly as a result of an increase in financing granted to businesses in the form of both loans as well as bond issues and leases, with a decrease in mortgage banking loans due to, among other factors, repayments, settlements concluded and an increase in provisions for legal risk, which reduced the gross carrying amount of these loans) and increased by nearly PLN 8 billion compared to the end of December 2022 (which was also driven by an increase in financing granted in the corporate segment with a decrease in retail and private banking loans),
- the banking portfolio of securities[7] amounted to approximately PLN 160 billion, up by PLN 43 billion relative to the end of September 2022 and by PLN 39 billion relative to the end of December 2022.

The structure of the Group's balance sheet, particularly relative to the corresponding period of the previous year, was also driven by the increase in fair value of the securities portfolio and a decrease in valuation of derivatives, which translated into a decrease in other assets and liabilities and an increase in equity.

In three quarters of 2023, the Bank's Group recorded a further increase in the scale of operations, in particular increasing the following figures since the beginning of the year:

- the number of customers by nearly 186 thousand to nearly 11.9 million, mainly in the retail customer segment,
- the number of current accounts serviced by 186 thousand to more than 9.2 million accounts,
- sales of housing loans, which amounted to more than PLN 10 billion, which constituted 30.7% of the market share of new sales,
- sales of consumer loans, which exceeded PLN 13 billion.

As of 30 September 2023, the Group held a high share of the loan and savings market (at 17.5% and 20.4% respectively) and held the leading position in the investment funds market for individuals with a market share of 20.1%.

III. FACTORS THAT DETERMINE FUTURE PERFORMANCE

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

In the global economy:

- the war in Ukraine and its economic consequences,
- the escalation of the conflict between Israel and Palestine, including primarily its impact on energy commodity prices and availability,
- the risk of escalation of other conflicts, including in the Middle East, between North and South Korea, around Taiwan or in Africa,
- the response of the global economy and financial system to the significant monetary tightening already implemented, including the condition of the global banking sector and the ability of countries and businesses to refinance their debt,
- a slowdown in global economic growth, particularly the recession in Germany,
- the effect of the economic slowdown and structural problems in China on the dynamics of global economic processes,
- a potential contraction in demand for debt financing should the Bank's need to issue arise, due to an increased supply of US government bonds, an increased supply of bonds issued by European banks to meet regulatory requirements for minimum own funds requirements and eligible liabilities, and higher government borrowing needs,
- changes in global supply chains, related to reshoring, i.e. moving production closer to markets (nearshoring) and moving production to countries within broad alliance blocs (friendshoring),
- changes in climate policy, including the accelerating energy transition and the increasing stringency and importance of environmental requirements.

[6] Financing granted to customers – loans and advances granted to customers (including finance lease receivables) and municipal and corporate bonds (excluding the bonds of international financial organizations) presented in securities, other than securities held for trading.

[7] Securities (banking portfolio) – securities less municipal and corporate bonds (excluding bonds held for trading) and bonds of international financial organizations.

In the Polish economy:

- the path of further changes in NBP interest rates and the level and interest rate of the reserve requirement,
- the intensity and persistence of external factors driving inflation and regulatory measures aimed at limiting the magnitude of price growth,
- the pace of disinflation and its impact on the recovery of consumer demand,
- the scale of the economic rebound in late 2023 and early 2024,
- the situation in the financial markets, which may reflect an increase in geopolitical risks due to a possible escalation of the armed conflict in Ukraine and Israel,
- migration flows, including their impact on labor supply and aggregate demand in the economy,
- the burden on the public finance sector due to the cost of protective measures in the face of the energy crisis and expenditure on defense and energy transformation, with uncertainty over the inflow of funds from the European Union under the National Recovery Program,
- the shape of economic policy after the parliamentary elections in 2023,
- the pace of recovery of consumer demand, the demand for credit in the face of interest rate cuts, as well as the ability to service already contracted liabilities in a context of continued relatively high interest rate levels,
- the impact of the government's Safe 2% Loan programme on the demand (and supply) in the housing loan market,
- the risk of incurring an additional fiscal burden if provisions are made for an additional levy on extraordinary profits that could be imposed on companies, including banks,
- existing and planned regulations resulting in the need to raise additional equity capital or long-term financing by banks, including:
  - ✓ the MREL requirement,
  - ✓ the long-term financing ratio,
- the risk that the Office for Competition and Consumer Protection (OCCP) will initiate proceedings against the Bank for violating the collective interests of consumers, including in the handling of complaints of the so-called unauthorized transactions, as well as the risk of imposing a penalty by the President of the OCCP in the ongoing proceedings concerning modification clauses in the contractual templates used by the Bank,
- the risk that the CJEU, as a result of questions referred to the Court for a preliminary ruling, will declare that it is not possible to charge interest on the so-called credited costs of consumer credit and consequently change the trend in the case law allowing borrowers to benefit from the sanction of free credit,
- claims relating to the occurrence of delays in the issuing of credit decisions (mortgages, including the Safe 2% Loan), exceeding the legal deadline of 21 days,
- the potential enactment of credit holidays 2.0 and the income criteria adopted.

IV. SUBSEQUENT EVENTS

On 31 October 2023, PKO Bank Polski S.A. decided to withdraw from the investment process regarding the possible acquisition by the Bank from Poczta Polska S.A. of block of shares of Bank Pocztowy S.A. owned by Poczta Polska S.A., i.e. 75%-10 shares of Bank Pocztowy S.A. („Transaction") and decided to complete all work related to the Transaction (Current Report No. 22/2023).

Condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the nine-month period ended 30 September 2023

TABLE OF CONTENTS

CONSOLIDATED INCOME STATEMENT

	Note	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Net interest income		**4 662**	**13 241**	**709**	**7 343**
Interest and similar income	12	8 016	23 170	3 457	12 519
of which calculated under the effective interest rate method		7 881	22 744	3 289	12 105
Interest expense	12	(3 354)	(9 929)	(2 748)	(5 176)
Net fee and commission income		**1 176**	**3 390**	**1 168**	**3 386**
Fee and commission income	13	1 625	4 646	1 587	4 526
Fee and commission expense	13	(449)	(1 256)	(419)	(1 140)
Other net income		**321**	**838**	**388**	**978**
Net income from insurance business, of which:	29	173	526	183	577
Insurance revenue (net of reinsurance)	29	320	902	289	861
Cost of insurance activities (net of reinsurance)	29	(106)	(275)	(87)	(234)
Dividend income		2	14	1	12
Gains/(losses) on financial transactions	14	58	86	183	350
Foreign exchange gains/ (losses)		26	38	(22)	(88)
Gains/(losses) on derecognition of financial instruments		12	39	(12)	(30)
of which measured at amortized cost		5	14	2	10
Net other operating income and expense	15	50	135	55	157
Result on business activities		**6 159**	**17 469**	**2 265**	**11 707**
Net allowances for expected credit losses	16	**(238)**	**(781)**	**(449)**	**(1 166)**
Net impairment losses on non-financial assets	18	(38)	(60)	(11)	(24)
Cost of legal risk of mortgage loans in convertible currencies	19	-	(3 441)	-	(1 176)
Administrative expenses,	20	**(1 790)**	**(5 521)**	**(1 870)**	**(6 038)**
of which net regulatory charges		(51)	(480)	(419)	(1 808)
Tax on certain financial institutions		(302)	(912)	(328)	(954)
Share in profits and losses of associates and joint ventures		46	82	33	61
Profit before tax		**3 837**	**6 836**	**(360)**	**2 410**
Income tax expense	21	(1 057)	(2 014)	106	(818)
Net profit (including non-controlling shareholders)		**2 780**	**4 822**	**(254)**	**1 592**
Profit (loss) attributable to non-controlling shareholders		(1)	-	(1)	(2)
Net profit attributable to equity holders of the parent company		**2 781**	**4 822**	**(253)**	**1 594**
Earnings per share					
– basic earnings per share for the period (PLN)		2.22	3.86	(0 20)	1.28
– diluted earnings per share for the period (PLN)*		2.22	3.86	(0 20)	1.28
Weighted average number of ordinary shares during the period (in million) *		1 250	1 250	1 250	1 250

*Both in the period of nine months ended 30 September 2023 and in the corresponding period of 2022, there were no dilutive instruments. Therefore, the amount of diluted earnings per share is the same as the amount of basic earnings per share.

**The income statement for the 9-month period ended 30 September 2022 was restated due to the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

(IN PLN MILLION)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Net profit (including non-controlling shareholders)		**2 780**	**4 822**	**(254)**	**1 592**
Other comprehensive income		1 502	4 878	977	(5 295)
Items which may be reclassified to profit or loss		1 502	4 878	977	(5 295)
Cash flow hedges (net)		**1 077**	**3 131**	**838**	**(2 918)**
Cash flow hedges (gross)	23	1 328	3 865	1 045	(3 584)
Deferred tax	21	(251)	(734)	(207)	666
Hedge of net investment in foreign operation		-	-	2	7
Fair value of financial assets measured at fair value through other comprehensive income (net)		**411**	**1 829**	**175**	**(2 305)**
Remeasurement of fair value, gross		510	2 275	205	(2 885)
Gains /losses transferred to the profit or loss (on disposal)		(7)	(25)	14	40
Deferred tax	21	(92)	(421)	(44)	540
Currency translation differences from foreign operations		37	(29)	(19)	(84)
Share in other comprehensive income of associates and joint ventures		(15)	(30)	(11)	(17)
Finance income and costs from insurance business, net		**(8)**	**(23)**	**(8)**	**22**
Finance income and costs from insurance business, gross	29	(11)	(29)	(10)	27
Deferred tax	21	3	6	2	(5)
Total net comprehensive income, of which attributable to:		4 282	9 700	723	(3 703)
equity holders of the parent		4 283	9 700	724	(3 701)
non-controlling interest		(1)	-	(1)	(2)

* The statement of comprehensive income for the 9-month period ended 30 September 2022 was restated due to the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

(IN PLN MILLION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30.09.2023	31.12.2022 (restated)*	31.12.2022 (published)
ASSETS		472 949	431 447	430 683
Cash and balances with Central Bank		16 469	15 917	15 917
Amounts due from banks	22	15 152	16 101	16 101
Hedging derivatives	23	1 362	1 042	1 042
Other derivative instruments	23	8 619	13 162	13 162
Securities	24	175 664	135 632	135 632
Reverse repo transactions		69	7	7
Loans and advances to customers	25	239 743	232 959	231 721
Assets in respect of insurance activities	29	93	115	555
Property, plant and equipment under operating lease		1 991	1 764	1 764
Property, plant and equipment		3 125	2 917	2 917
Non-current assets held for sale		13	10	10
Intangible assets		3 717	3 512	3 527
Investments in associates and joint ventures		283	285	285
Current income tax receivable		39	52	52
Deferred tax assets		4 153	5 187	5 187
Other assets		2 457	2 785	2 804

		30.09.2023	31.12.2022 (restated)*	31.12.2022 (published)
LIABILITIES AND EQUITY		472 949	431 447	430 683
Liabilities		427 542	395 740	395 248
Amounts due to Central bank		10	9	9
Amounts due to banks	26	3 572	3 011	3 011
Hedging derivatives	23	3 198	7 469	7 469
Other derivative instruments	23	8 266	12 978	12 978
Repo transactions		5	-	-
Amounts due to customers	27	376 498	338 868	339 582
Liabilities in respect of insurance activities	29	2 879	2 878	1 732
Loans and advances received	28	1 798	2 294	2 294
Securities in issue	28	17 437	15 510	15 510
Subordinated liabilities	28	2 719	2 781	2 781
Other liabilities		7 279	7 010	7 014
Current income tax liabilities		512	765	765
Deferred tax liabilities		671	77	13
Provisions	30	2 698	2 090	2 090
EQUITY		45 407	35 707	35 435
Share capital		1 250	1 250	1 250
Reserves and accumulated other comprehensive income		28 569	22 239	22 215
Retained earnings		10 780	8 920	8 651
Net profit or loss for the year		4 822	3 312	3 333
Capital and reserves attributable to equity holders of the parent company		**45 421**	**35 721**	**35 449**
Non-controlling interests		(14)	(14)	(14)

* The statement of financial position as at 31 December 2022 was restated due to the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

(IN PLN MILLION)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR 9 MONTHS ENDED 30 SEPTEMBER 2023	Share capital	Reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the period	Total capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Reserves			Accumulated other comprehensive income	Reserves and accumulated other comprehensive income					
		Supplementary capital	General banking risk fund	Other reserves							
As at the beginning of the period, after changes in accounting policies	1 250	23 085	1 070	7 091	(9 007)	22 239	8 920	3 312	35 721	(14)	35 707
Transfer from retained earnings	-	-	-	-	-	-	3 312	(3 312)	-	-	-
Distribution of profit to be used for dividend payments, including interim dividends	-	-	-	1 629	-	**1 629**	(1 629)	-	-	-	-
Comprehensive income	-	-	-	-	4 878	4 878	-	4 822	9 700	-	9 700
Offset of accumulated losses	-	(340)	-	-	-	**(340)**	340	-	-	-	-
Transfer from retained earnings to equity	-	115	-	48	-	**163**	(163)	-	-	-	-
As at the end of the period	1 250	22 860	1 070	8 768	(4 129)	28 569	10 780	4 822	45 421	(14)	45 407

FOR 9 MONTHS ENDED 30 SEPTEMBER 2023	Accumulated other comprehensive income							
	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Hedges of net investments in foreign operations	Finance income and costs from insurance business	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period, after changes in accounting policies	(35)	(3 461)	(5 218)	-	24	(21)	(296)	(9 007)
Comprehensive income	(30)	1 829	3 131	-	(23)	-	(29)	4 878
As at the end of the period	(65)	(1 632)	(2 087)	-	1	(21)	(325)	(4 129)

(IN PLN MILLION)

FOR 9 MONTHS ENDED 30 SEPTEMBER 2022	Share capital	Reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the period	Total capital and reserves attributable to equity holders of the parent company	Total non-controlling interests	Total equity
		Reserves			Accumulated other comprehensive income	Reserves and accumulated other comprehensive income					
		Supplementary capital	General banking risk fund	Other reserves							
As at the beginning of the period	1 250	23 003	1 070	6 968	(5 728)	25 313	6 270	4 874	37 707	(14)	37 693
Changes in accounting policies*	-	-	-	-	17	17	269	-	286	-	286
As at the beginning of the period, after policy changes	1 250	23 003	1 070	6 968	(5 711)	25 330	6 539	4 874	37 993	(14)	37 979
Transfer from retained earnings	-	-	-	-	-	-	4 874	(4 874)	-	-	-
Dividend	-	-	-	-	-	-	(2 288)	-	(2 288)	-	(2 288)
Comprehensive income	-	-	-	-	(5 295)	(5 295)	-	1 594	(3 701)	(2)	(3 703)
Transfer from retained earnings to equity	-	82	-	122	-	204	(204)	-	-	-	-
Other changes	-	-	-	2	-	2	-	-	2	-	2
As at the end of the period	1 250	23 085	1 070	7 092	(11 006)	20 241	8 921	1 594	32 006	(16)	31 990

*For details on the impact of the implementation of IFRS 17 on the Group's equity, see Note 8 „IFRS 17 Insurance contracts"

FOR 9 MONTHS ENDED 30 SEPTEMBER 2022	Accumulated other comprehensive income							
	Share in other comprehensive income of associates and joint ventures	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Hedges of net investments in foreign operations	Finance income and costs from insurance business	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period	(17)	(1 785)	(3 699)	(4)	-	(14)	(209)	(5 728)
Changes in accounting policies*	-	-	-	-	17	-	-	17
As at the beginning of the period, after policy changes	(17)	(1 785)	(3 699)	(4)	17	(14)	(209)	(5 711)
Comprehensive income	(17)	(2 305)	(2 918)	7	22	-	(84)	(5 295)
As at the end of the period	(34)	(4 090)	(6 617)	3	39	(14)	(293)	(11 006)

*For details on the impact of the implementation of IFRS 17 on the Group's equity, see Note 8 „IFRS 17 Insurance contracts"

(IN PLN MILLION)

CONSOLIDATED STATEMENT OF CASH FLOWS

	01.01-30.09.2023	01.01-30.09.2022 (restated)*
Cash flows from operating activities		
Profit before tax	**6 836**	**2 410**
Income tax paid	**(1 398)**	**(1 032)**
Total adjustments:	**21 919**	**15 523**
Depreciation and amortization	1 010	936
(Gains)/losses on investing activities	(64)	(3)
Interest and dividends received	(3 993)	(1 882)
Interest paid	639	448
Change in:		
amounts due from banks	(1 228)	(442)
hedging derivatives	(4 591)	3 787
other derivative instruments	(169)	(192)
securities	(5 312)	(3 657)
loans and advances to customers	(7 178)	(1 612)
reverse repo transactions	(62)	(23)
assets in respect of insurance activities	22	20
property, plant and equipment under operating lease	(227)	(301)
non-current assets held for sale	(3)	11
other assets	322	(149)
accumulated allowances for expected credit losses	265	1 148
accumulated allowances on non-financial assets and other provisions	764	150
amounts due to the Central Bank	1	2
amounts due to banks	561	979
amounts due to customers	37 630	18 413
repo transactions	5	-
liabilities in respect of insurance activities	1	(409)
loan and advances received	(13)	(39)
liabilities in respect of debt securities in issue	57	1 058
subordinated liabilities	(62)	(27)
other liabilities	470	1 147
Other adjustments	3 074	(3 840)
Net cash from/used in operating activities	**27 357**	**16 901**

* The statement of cash flows for the 9-month period ended 30 September 2022 was restated mainly due to the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

(IN PLN MILLION)

	01.01-30.09.2023	01.01-30.09.2022 (restated)*
Cash flows from investing activities		
Inflows from investing activities	**520 554**	**76 444**
Redemption of securities measured at fair value through other comprehensive income	512 578	67 815
Interest received on securities measured at fair value through other comprehensive income	2 831	999
Redemption of securities measured at amortized cost	3 809	6 664
Interest received on securities measured at amortized cost	1 148	833
Proceeds from disposal of intangible assets, property, plant and equipment and assets held for sale	96	83
Other inflows from investing activities including dividends	92	50
Outflows on investing activities	**(550 079)**	**(68 057)**
Purchase of securities measured at fair value through other comprehensive income	(534 478)	(65 888)
Purchase of securities measured at amortized cost	(14 459)	(944)
Purchase of intangible assets and property, plant and equipment	(1 142)	(522)
Other outflows on investing activities	-	(703)
Net cash from/used in investing activities	**(29 525)**	**8 387**

	01.01-30.09.2023	01.01-30.09.2022 (restated)*
Cash flows from financing activities		
Payment of dividends	-	(2 288)
Proceeds from debt securities in issue	10 136	6 242
Redemption of debt securities	(8 267)	(14 012)
Taking up loans and advances	-	637
Repayment of loans and advances	(482)	(614)
Payment of lease liabilities	(200)	(191)
Repayment of interest on long-term liabilities	(639)	(448)
Net cash from financing activities	**548**	**(10 674)**
Total net cash flows	**(1 620)**	**14 614**
of which foreign exchange differences on cash and cash equivalents	(116)	285
Cash and cash equivalents at the beginning of the period	31 995	20 775
Cash and cash equivalents at the end of the period	30 375	35 389

* The statement of cash flows for the 9-month period ended 30 September 2022 was restated mainly due to the implementation of IFRS 17 “Insurance Contracts” (see note 8 “IFRS 17 Insurance Contracts")

(IN PLN MILLION)

GENERAL INFORMATION ABOUT THE BANK'S GROUP

1. ACTIVITIES OF THE GROUP

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

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

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

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

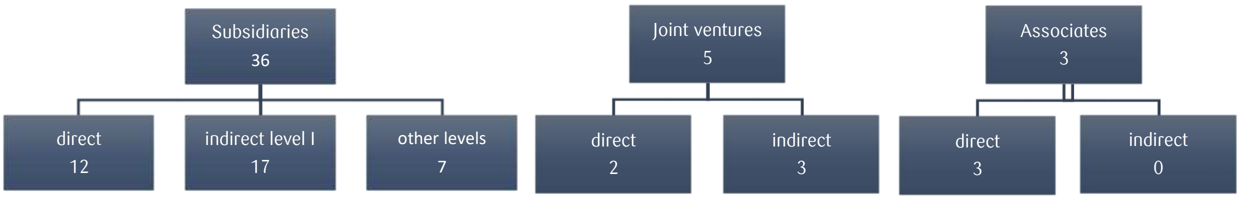
The Powszechna Kasa Oszczędnościowa Bank Polski Spółka Akcyjna Group (**"THE PKO BANK POLSKI S.A. GROUP", "THE BANK'S GROUP", "THE GROUP"**) conducts its operations within the territory of the Republic of Poland and through subsidiaries in Ukraine, Sweden and Ireland; it also has branches in the Federal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

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

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

(IN PLN MILLION)

PKO BANK POLSKI S.A. – the parent company



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

No.	ENTITY NAME	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%)	
	DIRECT SUBSIDIARIES			30.09.2023	31.12.2022
1	PKO Bank Hipoteczny S.A.	Warsaw	banking activities	100	100
2	PKO Towarzystwo Funduszy Inwestycyjnych S.A.	Warsaw	investment fund management	100	100
3	PKO Leasing S.A.	Łódź	leasing and lending	100	100
4	PKO BP BANKOWY PTE S.A.	Warsaw	pension fund management	100	100
5	PKO BP Finat sp. z o.o.	Warsaw	services, including transfer agent services and outsourcing of IT specialists	100	100
6	PKO Życie Towarzystwo Ubezpieczeń S.A.	Warsaw	life insurance	100	100
7	PKO Towarzystwo Ubezpieczeń S.A.	Warsaw	other personal insurance and property insurance	100	100
8	PKO Finance AB	Sollentuna, Sweden	financial services	100	100
9	KREDOBANK S.A.	Lviv, Ukraine	banking activities	100	100
10	Merkury - fiz an[1]	Warsaw	investing funds collected from fund participants	100	100
11	NEPTUN - fizan[1]	Warsaw		100	100
12	PKO VC - fizan[1]	Warsaw		100	100

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

(IN PLN MILLION)

No.	ENTITY NAME / INDIRECT SUBSIDIARIES	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%)* 30.09.2023	31.12.2022
	PKO Leasing S.A. GROUP				
1	PKO Agencja Ubezpieczeniowa sp. z o.o.	Warsaw	intermediation in concluding insurance agreements	100	100
	1.1 PKO Leasing Finanse sp. z o.o.	Warsaw	sale of post-lease assets	100	100
2	PKO Leasing Sverige AB	Stockholm, Sweden	leasing	100	100
3	Prime Car Management S.A.	Gdańsk	leasing, fleet management	100	100
	3.1 Futura Leasing S.A.	Gdańsk	leasing and sales of post-lease assets	100	100
	3.2 Masterlease sp. z o.o.	Gdańsk	leasing	100	100
	3.3 MasterRent24 sp. z o.o.	Gdańsk	short-term lease of cars	100	100
4	PKO Faktoring S.A.	Warsaw	factoring	100	100
5	Polish Lease Prime 1 DAC[1]	Dublin, Ireland	SPV established for securitization of lease receivables	-	-
	PKO Życie Towarzystwo Ubezpieczeń S.A. GROUP				
6	Ubezpieczeniowe Usługi Finansowe sp. z o.o.	Warsaw	services	100	100
	KREDOBANK S.A. GROUP				
7	"KREDOLEASING" sp. z o.o.	Lviv, Ukraine	leasing	100	100
	Merkury - fiz an				
8	"Zarząd Majątkiem Górczewska" sp. z o.o.	Warsaw	property management	100	100
9	Molina sp. z o.o.	Warsaw	general partner in partnerships limited by shares of a fund	100	100
10	Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	Warsaw	buying and selling real estate on own account, real estate management	100	100
11	Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A. w likwidacji (in liquidation)	Warsaw		100	100
12	Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A. w likwidacji (in liquidation)	Warsaw		100	100
13	Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A. w likwidacji (in liquidation)	Warsaw		100	100
	NEPTUN - fizan				
14	Qualia sp. z o.o.	Warsaw	after-sale services in respect of developer products	100	100
15	Sarnia Dolina sp. z o.o.	Warsaw	development activities	100	100
16	Bankowe Towarzystwo Kapitałowe S.A.	Warsaw	services	100	100
	16.1 „Inter-Risk Ukraina" spółka z dodatkową odpowiedzialnością[2]	Kiev, Ukraine	debt collection	99.90	99.90
	16.2 Finansowa Kompania "Prywatne Inwestycje" sp. z o.o.[3]	Kiev, Ukraine	financial services	95.4676	95.4676
	16.2.1 Finansowa Kompania "Idea Kapitał" sp. z o.o.	Lviv, Ukraine	services	100	100
17	"Sopot Zdrój" sp. z o.o.	Sopot	property management	72.9769	72.9769

* share of direct parent in the entity's equity

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

(IN PLN MILLION)

The Group has the following associates and joint ventures:

No.	ENTITY NAME	REGISTERED OFFICE	ACTIVITY	OWNERSHIP INTEREST (%)*	
				30.09.2023	31.12.2022
	Joint ventures of PKO Bank Polski S.A.				
1	Operator Chmury Krajowej sp. z o.o.	Warsaw	cloud computing services	50	50
2	Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	Warsaw	financial services support activities, including handling transactions concluded using payment instruments	34	34
	1 EVO Payments International s.r.o.	Prague, the Czech Republic	financial services support activities	100	100
	Joint venture NEPTUN - fizan				
	2 "Centrum Obsługi Biznesu" sp. z o.o.	Poznań	property management	41.45	41.45
	Joint venture PKO VC - fizan				
	3 BSafer sp. z o.o.	Stalowa Wola	managing marketing consents	35.06	35.06
	Associates of PKO Bank Polski S.A.				
1	Bank Pocztowy S.A.	Bydgoszcz	banking activities	25.0001	25.0001
2	Poznański Fundusz Poręczeń Kredytowych sp. z o.o.	Poznań	guarantees	33.33	33.33
3	System Ochrony Banków Komercyjnych S.A.	Warsaw	manager of the security system referred to in Article 130e of the Banking Law	21.11	21.11

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

2. CHANGES IN THE GROUP COMPANIES

In the nine-month period ended 30 September 2023, there were no significant changes to the Group's structure. In September 2023, the Bank's Management Board approved the merger of the investment funds NEPTUN - fiz an (the acquiring fund) and Merkury - fiz an (the acquired fund) by transferring the assets of the acquired fund to the existing acquiring fund and allocating investment certificates of the acquired fund to a participant of the acquiring fund in exchange for investment certificates of the acquired fund. Merkury - fiz an previously recognised in the Bank's financial statements as a subsidiary, was classified as an asset held for sale.

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

Composition of the Bank's Supervisory Board as at 30 September 2023:

- Robert Pietryszyn – Chair of the Supervisory Board
- Wojciech Jasiński – Deputy Chair of the Supervisory Board
- Dominik Kaczmarski – Secretary of the Supervisory Board
- Mariusz Andrzejewski – Member of the Supervisory Board
- Andrzej Kisielewicz – Member of the Supervisory Board
- Rafał Kos – Member of the Supervisory Board
- Tomasz Kuczur – Member of the Supervisory Board
- Maciej Łopiński – Member of the Supervisory Board
- Krzysztof Michalski – Member of the Supervisory Board
- Bogdan Szafrański – Member of the Supervisory Board
- Agnieszka Winnik-Kalemba – Member of the Supervisory Board

(IN PLN MILLION)

With effect from 24 March 2023, Mr Maciej Łopiński resigned as Chair of the Bank's Supervisory Board, while remaining a member of the Bank's Supervisory Board. The Minister of State Assets, acting as an Authorised Shareholder within the meaning of § 11(2) of the Bank's Articles of Association, in consideration of § 35(1) of the Bank's Articles of Association, in accordance with § 12(1) of the Bank's Articles of Association, appointed Mr Robert Pietryszyn as Chair of the Bank's Supervisory Board as of 24 March 2023.

Composition of the Bank's Management Board as at 30 September 2023:

- Dariusz Szwed – President of the Management Board
- Maciej Brzozowski – Vice-President of the Management Board
- Marcin Eckert – Vice-President of the Management Board
- Paweł Gruza – Vice-President of the Management Board
- Wojciech Iwanicki – Vice-President of the Management Board
- Andrzej Kopyrski – Vice-President of the Management Board
- Artur Kurcweil – Vice-President of the Management Board
- Piotr Mazur – Vice-President of the Management Board

On 6 April 2023, Mr Paweł Gruza resigned, effective at the end of 12 April 2023, from heading the Bank's Management Board and from applying for the position of President of the Bank's Management Board. At the same time, Mr Paweł Gruza did not resign from his membership of the Bank's Management Board or from his position as Vice-President of the Bank's Management Board.

With effect from 13 April 2023, Mr Mieczysław Król resigned as a member of the Bank's Management Board.

The Bank's Supervisory Board dismissed Mr Maks Kraczkowski from the Bank's Management Board with effect from 13 April 2023.

The Bank's Supervisory Board resolved to appoint Mr Dariusz Szwed as Vice-President of the Bank's Management Board, effective 14 April 2023, for the current joint term of office of the Bank's Management Board, which commenced on 3 July 2020, and at the same time appointed Mr Dariusz Szwed as President of the Bank's Management Board, subject to the approval of the Polish Financial Supervision Authority and as of the date of such approval. Until the approval by the Polish Financial Supervision Authority ("PFSA"), the Supervisory Board has entrusted Mr Dariusz Szwed with directing the work of the Management Board.

On 31 August 2023, the PFSA unanimously approved the appointment of Dariusz Szwed as President of the Management Board of PKO Bank Polski.

CHANGES IN THE OWNERSHIP STRUCTURE OF THE PKO BANK POLSKI S.A. SHARES AND THE RIGHTS ATTACHED TO THEM BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY STAFF

No	Name and surname	Number of shares as at the date of publication of the report	Number of shares as at 30.09.2023	Purchase	Disposal	Number of shares as at 31.12.2022
	Management Board of the Bank					
1	Dariusz Szwed, President of the Management Board	-	-	-	-	-
2	Maciej Brzozowski, Vice-President of the Management Board	-	-	-	-	-
3	Marcin Eckert, Vice-President of the Management Board	-	-	-	-	-
4	Paweł Gruza, Vice-President of the Management Board	-	-	-	-	-
5	Wojciech Iwanicki, Vice-President of the Management Board	-	-	-	-	-
6	Andrzej Kopyrski, Vice-President of the Management Board	496	496	-	-	-
7	Artur Kurcweil, Vice-President of the Management Board			-	-	-
8	Piotr Mazur, Vice-President of the Management Board	8 000	8 000	-	-	8 000

As at 30 September 2023 and as at the date of publication, the members of the Supervisory Board did not hold any shares in PKO Bank Polski S.A.

4. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group (the **FINANCIAL STATEMENTS**), reviewed by the Audit Committee of the Supervisory Board and reviewed by the Supervisory Board on 8 November 2023, were approved for publication by the Management Board on 8 November 2023.

5. REPRESENTATION BY THE MANAGEMENT BOARD

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

6. THE BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) as at 30 September 2023, and in the areas not regulated by these standards, in accordance with the requirements of the Accounting Act of 29 September 1994 and the respective secondary legislation issued on its basis, as well as the requirements relating to issuers of securities registered or applying for registration on an official listing market.

The Group has prepared its financial statements in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" as endorsed by the European Union.

These consolidated financial statements of the Group for the nine-month period ended 30 September 2023 do not comprise all the information and disclosures which may be required in annual consolidated financial statements and should be read jointly with the annual consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2022 that were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union.

The consolidated financial statements of the PKO Bank Polski S.A. Group cover the nine-month period ended 30 September 2023 and contains comparative figures:

- the nine-month period ended 30 September 2022 with regard to the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, and consolidated statement of cash flows
- as at 31 December 2022 with regard to the consolidated statement of financial position.

The financial data is presented in millions of Polish zlotys (PLN), unless otherwise indicated.

To prepare the financial statements, the Group applied the accounting policies and calculation methods consistent with those applicable in the financial year ended 31 December 2022, with the exception of changes described in note "IFRS 17 INSURANCE CONTRACTS" concerning the implementation of new IFRS 17 "Insurance Contracts" as of 1 January 2023 and note **"CHANGES IN THE ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2023 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS".** In addition, the Group has taken into account the principle of recognising income tax expense based on the best estimate of the weighted average annual income tax rate expected by the Group for the full financial year (see note "Income tax").

7. GOING CONCERN

The financial statements have been prepared on the basis of the assumption that the Bank's Group will continue as a going concern for a period of at least 12 months from the publication date, i.e. from 8 November 2023. As at the date of signing of these financial statements, the Management Board of the Bank did not identify any facts or circumstances which would indicate any threats to the Group's ability to continue in operation as a going concern for at least 12 months after the publication as a result of intended or forced discontinuing or significantly curtailing the existing operations of the Bank's Group.

The Bank's Management Board considered the impact of: current situation in Ukraine, legal risk of mortgage loans in convertible currencies and credit holidays introduced by the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers and assessed that these factors do not cause significant uncertainty regarding the Group's ability to continue as a going concern.

Disclosures concerning: the situation in Ukraine are presented in the note "Impact of the geopolitical situation in Ukraine on the PKO Bank Polski S.A. Group", the legal risk of mortgage loans in convertible currencies in the notes "The costs of legal risk of mortgage loans in convertible currencies" and credit holidays in the note "Loans and advances to customers".

8. IFRS 17 "INSURANCE CONTRACTS"

International Financial Reporting Standard 17 Insurance Contracts ('IFRS 17') was published by the International Accounting Standards Board in May 2017 and amended by it in June 2020 and in December 2021[1]. IFRS 17 was endorsed for use in European Union countries on 19 November 2021 by Regulation 2021/2036 of the European Union.

The aim of the new standard is to introduce new uniform rules for the measurement of insurance and reinsurance contracts, ensuring greater comparability of reporting between providers of insurance products, and to provide a number of new disclosures for the use of financial statement users.

This standard is mandatorily applicable from 1 January 2023. IFRS 17 replaced IFRS 4 "Insurance Contracts", which enabled entities to recognize insurance contracts according to the accounting principles based on the national standards.

IFRS 17 changed the recognition, measurement, presentation and disclosure of insurance contracts distributed by Group companies, both as products linked to, among others, mortgage loans, cash loans and leasing products, and as stand-alone products.

The Group has implemented the standard in the retrospective full and modified approach for the part of the portfolio.

The implementation of IFRS 17 as at 1 January 2022 resulted in an increase in the Group's assets by PLN 582 million, liabilities by PLN 296 million and equity by PLN 286 million. For a detailed description of the impact of adjustments due to the implementation of IFRS 17, see Section 8.2. IMPACT ASSESSMENT - CLASSIFICATION AND MEASUREMENT.

8.1. MEASUREMENT AND PRESENTATION OF INSURANCE PRODUCTS

The key differences in the measurement and presentation of insurance products that apply to the Group and that came into effect upon implementation of IFRS 17 are presented below.

8.1.1. IFRS 17 KEY ASSUMPTIONS

IFRS 17, as a new accounting standard, changed the recognition, measurement, presentation and disclosure of insurance contracts. The standard applies to insurance contracts, reinsurance contracts and investment contracts with discretionary profit-sharing.

The new standard defines an insurance contract as a contract in which one party accepts a significant insurance risk from the policyholder and undertakes to compensate the insured for an adverse effect arising from, an uncertain future event. This definition is in principle consistent with the definition in IFRS 4

[1] The amendment to the transition requirements in IFRS 17 allows companies to overcome one-time classification differences of comparative information of the previous reporting period upon initial application of IFRS 17 and IFRS 9 Financial Instruments.

The standard does not apply to, among others, investment contracts, product guarantees issued by the manufacturer, loan guarantees, catastrophe bonds and so-called weather derivatives (contracts that require a payment based on a climatic, geological or other physical variable that is not specific to a party to the contract).

The biggest impact on the occurrence of differences compared to the current IFRS 4 have:

- the valuation of liabilities and assets under insurance contracts, which:
  - is based on the value of the best estimate of future cash flows;
  - reflects the time value of money;
  - includes the risk adjustment for non-financial risk;
  - includes the expected value of future profits;
- recognition of expected profits for the group of insurance contracts over time, in proportion to the so-called coverage units, corresponding to the level of service provided by the insurance company in each reporting period;
- recognition of entire expected loss on insurance contracts at the point at which the entity assesses that the contract is onerous, which may be at the date of initial recognition of that contract or at subsequent measurement;
- separate (from direct business contracts) measurement of liabilities and assets for outward reinsurance.

For measurement purposes, insurance contracts are aggregated into groups of contracts. Groups of contracts are defined by first identifying portfolios comprising contracts subject to similar insurance risks and managed together. Each portfolio is then divided into quarterly cohorts (i.e. by policy recognition date) and each quarterly cohort into the following three groups:

- a group of contracts that are onerous at initial recognition;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- a group of the remaining contracts in the portfolio.

Cash flows within the boundary of an insurance contract are those that relate directly to the fulfilment of the contract, including cash flows for which the entity has discretion over the amount or timing.

The cash flows within the boundary include:

- premiums (including premium adjustments and instalment premiums) from a policyholder and any additional cash flows that result from those premiums;
- payments to (or on behalf of) a policyholder, including claims that have already been reported but have not yet been paid (i.e. reported claims), incurred claims for events that have occurred but for which claims have not been reported and all future claims for which the entity has a substantive obligation;
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- claim handling costs;
- costs the entity will incur in providing contractual benefits paid in kind;
- policy administration and maintenance costs;
- taxes on transactions.

Separate presentation of outward reinsurance contracts and insurance and reinsurance contracts is required under the new standard.

Within each of these two groups, separate presentation is required for assets and liabilities of portfolios depending on whether the sum of the balance sheet items making up the insurance portfolio measurement is a net asset or liability.

8.1.2. THE MODEL FOR THE MEASUREMENT AND RECOGNITION OF INSURANCE PRODUCTS, INCLUDING THOSE LINKED TO LOANS AND ADVANCES APPLIED UNTIL 31 DECEMBER 2022

Until the implementation of the new standard, the Group recognised net income on insurance activities under commission income – in the line “offering insurance products” which comprised premium income, costs of insurance activities, claims and change in technical reserves, and the impact of the reinsurer’s share in the aforementioned items.

Due to the fact that the Group offers insurance products along with loans and advances and lease products and it is impossible to purchase from the Group an insurance product that is identical as to the legal form, conditions and economic content without purchasing a loan, an advance or a lease product, the payments received by the Group for the insurance products sold were treated as an integral part of the remuneration for the financial instruments offered. All premium received by the Group split in accordance with Recommendation U on the basis of the relative fair value model into a portion relating to:

- the insurance product - measured using an actuarial model in accordance with the requirements of IFRS 4 (recognised in commission income, line "offering insurance products")
- the portion relating to the credit product – settled using the effective interest rate method and recognized in interest income and, in the part corresponding to the performance of the agency service, if the insurer is a Group company, accounted for using the straight line method during the term of the insurance product and is recognized as commission income (line: offering insurance products).

Costs directly attributable to selling insurance products were accounted for as a component of the amortized cost of a financial instrument or on a one-off basis. The provision for future refunds was allocated to the financial instrument and insurance service in accordance with the relative fair value model.

The Group presented its insurance activities under the following headings in the statement of financial position:

- **ASSETS FROM INSURANCE ACTIVITIES** – receivables on account of reinsurance and share of reinsurers in technical reserves.
- **LIABILITIES IN RESPECT OF INSURANCE ACTIVITIES** – technical reserves to cover current and future claims and costs which may arise from the insurance contracts concluded, i.e. unearned premium and unexpired risk reserves, outstanding claims and benefits reserve, reserve for bonuses and discounts for the insured, life insurance reserve, and other, as well as deferred reinsurance commission and reinsurance related liabilities.
- **AMOUNTS DUE TO CUSTOMERS – “LIABILITIES IN RESPECT OF INSURANCE PRODUCTS”:** liabilities from unit-linked products, safe capital product, structured products and insurance deposits.

8.1.3. MEASUREMENT AND RECOGNITION OF INSURANCE PRODUCTS OFFERED BY THE GROUP, INCLUDING THOSE LINKED TO LOANS AND ADVANCES IN ACCORDANCE WITH IFRS 17

In accordance with IFRS 17, all insurance products offered by the Group are recognized and measured under this standard as insurance products. At the consolidated Group level, the premium received by the Group is no longer split in accordance with Recommendation U on the basis of the relative fair value model (this model was maintained for the Bank's separate financial statements).

The components of the net insurance income, including the portion that formed part of the Group's interest income, commission income or administrative expenses and related directly to insurance contracts, is measured using an actuarial model and presented in the "Net income from insurance business” and, as appropriate, in the lines "Insurance revenue (net of reinsurance)" and "Cost of insurance activities (net of reinsurance)".

The implementation of IFRS 17 at the consolidated level also affected the carrying amount of loans and advances to customers. The premium element recognised under the relative fair value model, adjusting the gross carrying amount of loans at the Bank level, at the consolidated level is an element of the assets and liabilities arising from insurance activities, measured in accordance with the principles set out in IFRS 17.

Starting from 1 January 2023, products i.e. liabilities from unit-linked products, "safe capital", previously recognised under IFRS 9, are measured under IFRS 17 as part of liabilities from insurance activities (this applies to the item "Amounts due to customers" – "Liabilities in respect of insurance products"). On the other hand, structured products and insurance deposits, as investment products, continue to be recognised in accordance with IFRS 9 in the line "Amounts due to customers".

8.1.4. MEASUREMENT PRINCIPLES FOR INSURANCE CONTRACTS

Under IFRS 17, contracts may be measured according to the following methods:

1) **GMM – general measurement model** – the basic measurement model, wherein the total value of the insurance liability is calculated as the sum of:
    a) discounted value of the best estimate of future cash flows - expected (probability-weighted) cash flows from premiums, claims, benefits, acquisition expenses and costs;
    b) risk adjustment for non-financial risk, RA – an individual estimate of the financial value of the offset for uncertainty related to the amount and timing of future cash flows, and
    c) contractual service margin, CSM – representing an estimate of future profits recognized during the policy term. The CSM value is sensitive to changes in estimates of cash flows, resulting e.g. from changed non-economic assumptions. CSM cannot be a negative value – any losses on the contracts shall be recognized immediately in the income statement (an exception is made for outward reinsurance contracts, for which the CSM may be negative);
2) **PAA – premium allocation approach**

    The premium allocation approach (PAA), is a simplified approach where the measurement of liability for remaining coverage (LRC) is analogous to the provision for unearned premiums mechanism in IFRS 4 (without separate presentation of RA and CSM). The PAA method is applied for short-term contracts of up to 1 year and longer, as long as the relevant qualifying criteria for applying the simplification are satisfied, as specified in paragraphs 53 or 69 of IFRS 17. The measurement of liability for incurred claims (LIC) is carried out using the GMM model (without CSM calculations). At the time of implementation of IFRS 17, the PAA method is not used by the Group to measure insurance liabilities/assets;
3) **VFA – variable fee approach**

    The liability measurement method used for IFRS 17 reporting of insurance contracts with direct profit sharing, where the measurement of liabilities is performed similarly to the GMM approach with the difference that changes in the contract margin component of the CSM in subsequent periods also include the impact of changes in economic factors, not just insurance factors.

Due to the specific nature of the insurance and reinsurance contracts in non-life insurance offered within the Group (insurance of several years), the criteria for applying the simplified valuation method based on premium allocation - PAA - were not met at the date of transition. Accordingly, both life insurance contracts and non-life insurance and reinsurance contracts are measured using the general model - GMM. The exception to this is direct profit-sharing insurance contracts, for which the Group uses the VFA model.

8.1.5. IDENTIFICATION AND AGGREGATION OF INSURANCE CONTRACTS

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

For measurement purposes, insurance contracts should be aggregated into the so-called groups of insurance contracts described in Section 8.1.1 IFRS 17 MAIN ASSUMPTIONS. Grouping of contracts should be done taking into account the following three dimensions:

- portfolio dimension - contracts with similar risk characteristics and managed jointly;
- profitability dimension - contracts belonging to the same profitability group (one of the three defined by the standard);
- cohort dimension - contracts issued no more than one year apart.

The purpose of this aggregation is to ensure that profits are recognized over time in proportion to the insurance services provided, and losses are recognized immediately when the entity assesses that the concluded contract gives rise to a burden.

At the same time, the above aggregation makes it impossible to offset gains and losses between identified groups of insurance contracts, even within a single portfolio.

Grouping of insurance contracts occurs upon initial recognition, and the Group will not reassess the groups in subsequent periods unless there is a rationale for discontinuing contract recognition as specified in IFRS 17.

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

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

8.1.6. MAIN ELEMENTS OF MEASUREMENT ACCORDING TO IFRS 17

The most significant elements of the IFRS 17 measurement and the main methodological decisions made by the Group are presented below.

8.1.6.1. CONTRACT BOUNDARIES

For the purpose of measurement of liabilities, the value of financial flows within the contract boundaries is estimated. Contract boundaries cover the period during which the Group is obliged to provide the services covered by the insurance contract. This period may arise from premiums already paid or premiums in respect of which the insured may be liable to pay. Cash flows are treated as flows within the contract boundaries if they result from the insurance cover provided during the above period, even if the physical payment goes beyond the contract boundaries.

The service obligation defining the contract boundaries expires when there is a realistic possibility of a risk reassessment and tariff change. If there is no such practical possibility, the measurement of liabilities includes all future expected premiums.

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

8.1.6.2. DISCOUNTING AND ADJUSTMENT FOR NON-FINANCIAL RISK

The Group uses discount rate curves determined under the bottom-up approach (IFRS 17 paragraph B80), which assumes that discount curves are determined as liquid risk-free rate curves.

Base discount curves are set at risk-free discount rates published by EIOPA. As part of the simplification adopted, no illiquidity premium was applied.

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

For non-life insurance, the adjustment for future coverage is determined using the Value at Risk (VaR) method, using a modified Solvency Capital Requirement (SCR) calculation according to the Solvency II standard formula. Two approaches are used to determine the adjustment for the loss reserve: the VaR method analogous to the approach for future coverage and the bootstrap method.

For life insurance, for liabilities arising from the remaining insurance period, the adjustment is determined using the cost of capital (CoC) method, and for liabilities for payable claims using the bootstrap method. The risk adjustment for non-financial risks at the entity level is determined as a simple sum of adjustments determined at the level of individual groups of contracts or business lines, and diversification is taken into account when determining the level of materiality at the entity level (bottom-up approach). At the Group level, the adjustment for non-financial risk is determined as a simple sum of adjustments for individual entities, and diversification between entities is not taken into account.

8.1.6.3. CONTRACT MARGIN

The contract margin is part of the liabilities (or assets) under insurance and reinsurance contracts. The contract margin reflects the outstanding profit for a group of insurance contracts and is therefore released as income in the income statement. The amount of margin release in a reporting period is determined as the value of unrecognised expected future profit attributable to the period in accordance with a pattern of so-called coverage units, which determine the volume of insurance service provided in each period.

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

8.1.6.4. FINANCE INCOME AND COSTS FROM INSURANCE BUSINESS

Under IFRS 17, the Group has the option to split the finance income and costs of its insurance operations into the portions recognized in profit or loss and other comprehensive income. The Group took advantage of this opportunity for all IFRS 17 portfolios.

8.1.6.5. TRANSITION DATE

The Group applied IFRS 17 for the first time in the period beginning 1 January 2023. Due to the need to prepare comparative data, 1 January 2022 is assumed as the date of transition to the new standard.

(IN PLN MILLION)

The standard allows the use of 3 methods for the purpose of measuring financial items at the transition date:

- full retrospective approach (FRA) - a method in which an entity measures groups of insurance contracts as if the standard had been applied from the beginning for those contracts;
- modified retrospective approach (MRA) - a method that allows to apply simplifications to the FRA method if its full application is not feasible in practice;
- fair value approach - a method that is permitted, if the MRA method is not feasible in practice or if the entity has decided not to use the MRA method.

In accordance with the provisions of IFRS17 paragraph C3, unless it is impracticable to do so, the full retrospective approach is applied to the measurement of insurance contracts. In cases where the application of the full retrospective approach has been assessed as impracticable, the modified retrospective approach or the fair value approach is used, and the choice of approach is made individually for each group of contracts. Factors such as group characteristics, the availability of historical data, materiality and whether the group of contracts belongs to the portfolio offered for sale as of the transition date are taken into account in the selection.

The Group used the full retrospective approach for most groups of contracts and, in a few cases, the MRA method. However, the fair value approach was not used for the valuation.

8.2. IMPACT ASSESSMENT - CLASSIFICATION AND MEASUREMENT

The following tables present the cumulative effect of adjustments resulting from the implementation of IFRS 17 on:

- the Group's assets, liabilities and equity as at 1 January 2022, 30 September 2022 and 31 December 2022
- items of comprehensive income including the income statement for the nine-month period ended 30 September 2022.

	31.12.2021 (pursuant to IFRS 4)	Adjustment due to implementation of IFRS 17	01.01.2022 (pursuant to IFRS 17)
TOTAL ASSETS, of which:	418 086	582	418 668
Loans and advances to customers	234 300	1 395	235 695
Assets in respect of insurance activities	911	(783)	128
Intangible assets	3 463	(20)	3 443
Other assets	2 605	(10)	2 595

	31.12.2021 (pursuant to IFRS 4)	Adjustment due to implementation of IFRS 17	01.01.2022 (pursuant to IFRS 17)
TOTAL LIABILITIES AND EQUITY	418 086	582	418 668
TOTAL LIABILITIES, of which:	380 393	296	380 689
Amounts due to customers	322 296	(1 030)	321 266
Liabilities in respect of insurance activities	2 008	1 309	3 317
Other liabilities	5 366	(6)	5 360
Deferred tax liabilities	356	23	379
EQUITY, of which:	37 693	286	37 979
Reserves and accumulated other comprehensive income	25 313	17	25 330
Unappropriated profit (taking into account profit or loss for 2021)	11 144	269	11 413
Capital and reserves attributable to equity holders of the parent company	**37 707**	**286**	**37 993**

- The increase in equity by PLN 286 million, of which PLN 269 million in retained earnings, results from a retrospective change in the recognition of historically collected insurance premiums and a change in the measurement methodology for insurance liabilities. Until the implementation of IFRS 17, as described in Section 8.1.2 THE MODEL FOR THE MEASUREMENT AND RECOGNITION OF INSURANCE PRODUCTS, INCLUDING THOSE LINKED TO LOANS AND ADVANCES, APPLIED UNTIL 31 DECEMBER 2022 the entire premium received by the Group was split in accordance with Recommendation U on the basis of the relative fair value model into an insurance product portion - measured using an actuarial model in accordance with the requirements of IFRS 4 - and a credit product portion - accounted for using the effective interest rate method. With the implementation of IFRS 17, insurance premiums were recognised in full as insurance component measured using the GMM model. As a consequence, the rate of revenue recognition and therefore the historically recognised profit included in retained earnings has changed. The value of the insurance premium previously recognised as a component of the gross carrying amount of loans and advances to customers and accounted for over the life of the loan product, now representing part of the insurance business measured using the new methodology under IFRS 17 is recognised over the life of the insurance product, which has translated into a positive increase in equity.
- The increase in other capital by PLN 17 million related to the recognition of part of the finance income and costs from insurance business in other comprehensive income (a new element introduced by IFRS 17). Under IFRS 17, the Group used the option to split the finance income and costs of its insurance business into the portions recognized in profit or loss and other comprehensive income. By using this option, the Group can reduce the volatility of the income statement resulting from fluctuations in the interest rate structure. The change in CSM value is calculated using a fixed locked-in discount rate structure corresponding to the structure at the time the cohort was recognised. The difference between the calculation based on locked-in curves and the current curves at the time of calculation is presented in other comprehensive income. This approach also ensures consistent presentation of income statement items resulting from changes in liabilities and segregated assets.
- Loans and advances to customers increased by PLN 1 395 million, due to the discontinuation of the premium element accounted for using the effective interest rate method and adjusting the gross carrying amount of loans. The value of this premium previously recognised as a component of the gross carrying amount of loans and advances to customers is now part of the insurance business measured using the new methodology under IFRS 17, thereby translating into an increase in the balance of liabilities in respect of insurance activities.
- In accordance with IFRS 17, the liability from insurance operations as at 1 January 2022 increased by PLN 1 309 million to PLN 3 317 million, of which liability for remaining coverage (LRC) is PLN 3 143 million and liability for incurred claims (LIC) is PLN 174 million.
- There was also a decrease of PLN 783 million in the line of assets in respect of insurance activities, which is primarily due to the adoption of a different method of determining insurance assets and liabilities with the reinsurer's share. In accordance with IFRS 17, the value of assets in respect of insurance activities as at 1 January 2022 amounts to 128 million, of which liability for remaining coverage (LRC) amounts to PLN 107 million and liability for incurred claims (LIC) amounts to PLN 21 million.
- In intangible assets, the Group recognised future gains on insurance contracts (hereinafter Value in force, VIF) resulting from the settlement of the acquisition on 1 April 2014 of "Nordea Polska Towarzystwo Ubezpieczeń na Życie" SA (currently PKO Życie Towarzystwo Ubezpieczeń S.A.). Following the implementation of IFRS 17, VIF amounts to PLN 2 million as at 1 January 2022 (negative adjustment of PLN 20 million). The remeasurement is due to the fact that a significant part of the products for which VIF has been recognised are subject to the requirements of IFRS 17, so that VIF for this part of the portfolio is replaced by the contractual service margin (CSM). The amount of contractual service margin from the acquired portfolio subject to measurement in accordance with IFRS 17 is higher than the value of the recognised VIF, due to the prudential valuation that was applied for liability measurement purposes at the time of the transaction. The new VIF value has been limited to policies subject to measurement in accordance with IFRS 9 and has been calculated in line with the original recognition of the VIF (i.e. measurement of the VIF at the time of the transaction and adoption of an amortisation pattern based on the distribution of projected future profits).

(IN PLN MILLION)

- As a result of the implementation of IFRS 17, a significant part of the products, i.e. the liabilities from the majority of unit-linked products and the "safe capital" product, is measured in accordance with IFRS 17 as part of liabilities from insurance activities (this applies to the item “Amounts due to customers” – “Liabilities in respect of insurance products”). The remainder is measured in accordance with IFRS 9. The value of the adjustment to the item "Amounts due to customers" amounted to a negative PLN 1 030 million. The carrying amount of the liabilities in respect of insurance products presented under "Amounts due to customers" amounts to PLN 175 million after adjustments.

	30.09.2022 (published)	Adjustment due to implementation of IFRS 17	30.09.2022 (restated)
ASSETS, of which:	438 503	740	439 243
Loans and advances to customers	234 957	1 287	236 244
Assets in respect of insurance activities	624	(516)	108
Intangible assets	3 425	(17)	3 408
Other assets	2 732	(14)	2 718

	30.09.2022 (published)	Adjustment due to implementation of IFRS 17	30.09.2022 (restated)
LIABILITIES AND EQUITY	438 503	740	439 243
Liabilities, of which:	406 814	439	407 253
Amounts due to customers	340 402	(723)	339 679
Liabilities in respect of insurance activities	1 776	1 132	2 908
Other liabilities	6 319	(4)	6 315
Deferred tax liabilities	13	34	47
EQUITY, of which:	31 689	301	31 990
Reserves and accumulated other comprehensive income	20 202	39	20 241
Retained earnings	8 652	269	8 921
Net profit or loss for the year	1 601	(7)	1 594
Capital and reserves attributable to equity holders of the parent company	**31 705**	**301**	**32 006**

	31.12.2022 (published)	Adjustment due to implementation of IFRS 17	31.12.2022 (restated)
ASSETS, of which:	430 683	764	431 447
Loans and advances to customers	231 721	1 238	232 959
Assets in respect of insurance activities	555	(440)	115
Intangible assets	3 527	(15)	3 512
Other assets	2 804	(19)	2 785

(IN PLN MILLION)

	31.12.2022 (published)	Adjustment due to implementation of IFRS 17	31.12.2022 (restated)
LIABILITIES AND EQUITY	430 683	764	431 447
Liabilities, of which:	395 248	492	395 740
Amounts due to customers	339 582	(714)	338 868
Liabilities in respect of insurance activities	1 732	1 146	2 878
Other liabilities	7 014	(4)	7 010
Deferred tax liabilities	13	64	77
EQUITY, of which:	35 435	272	35 707
Reserves and accumulated other comprehensive income	22 215	24	22 239
Retained earnings	8 651	269	8 920
Net profit or loss for the year	3 333	(21)	3 312
Capital and reserves attributable to equity holders of the parent company	**35 449**	**272**	**35 721**

INCOME STATEMENT (selected items)	1.01-30.09.2022 (published)	Adjustment due to implementation of IFRS 17	01.01-30.09.2022 (restated)
Net interest income	**7 655**	**(312)**	**7 343**
Interest and similar income	12 831	(312)	12 519
of which calculated under the effective interest rate method	12 413	(308)	12 105
Net fee and commission income	**3 710**	**(324)**	**3 386**
Fee and commission income	4 852	(326)	4 526
Fee and commission expense	(1 142)	2	(1 140)
Other net income	**401**	**577**	**978**
Net income from insurance business, of which:	-	577	577
Insurance revenue (net of reinsurance)	-	861	861
Cost of insurance activities (net of reinsurance)	-	(234)	(234)
Result on business activities	**11 766**	**(59)**	**11 707**
Administrative expenses	(6 096)	58	(6 038)
of which net regulatory charges	(1 810)	2	(1 808)
Profit before tax	**2 411**	**(1)**	**2 410**
Income tax expense	(812)	(6)	(818)
Net profit (including non-controlling shareholders)	1 599	(7)	1 592
Net profit (including non-controlling shareholders)	(2)	-	(2)
Net profit attributable to equity holders of the parent company	1 601	(7)	1 594

(IN PLN MILLION)

STATEMENT OF COMPREHENSIVE INCOME (selected items)	1.01-30.09.2022 (published)	Adjustment due to implementation of IFRS 17	01.01-30.09.2022 (restated)
Net profit (including non-controlling shareholders)	1 599	(7)	1 592
Other comprehensive income	(5 317)	22	(5 295)
Items which may be reclassified to profit or loss	(5 317)	22	(5 295)
Finance income and costs from insurance business, gross	-	27	27
Deferred tax	-	(5)	(5)
Finance income and costs from insurance business, net	-	22	22
Total net comprehensive income	(3 718)	15	(3 703)
Total net comprehensive income, of which attributable to:	(3 718)	15	(3 703)
equity holders of the parent	(3 716)	15	(3 701)
non-controlling interest	(2)	-	(2)

The restatement of the consolidated statement of cash flows is presented in note **"CHANGES IN ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2023 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS".**

8.3. IMPACT OF IFRS 17 ON OWN FUNDS AND CAPITAL ADEQUACY MEASURES

According to CRR Regulation, prudential consolidation is used for capital adequacy purposes, which unlike consolidation in accordance with IFRS, covers only subsidiaries that meet the definition of an institution, financial institution or any ancillary services enterprise. Therefore, the following insurance companies of the Group are excluded from prudential consolidation: PKO Towarzystwo Ubezpieczeń S.A. and PKO Życie Towarzystwo Ubezpieczeń S.A. The insurance companies are measured using the equity method.

Thus, the implementation of IFRS 17 at the date of the opening balance sheet affects the value of equity investments recognised (own funds requirements for credit risk), as well as retained earnings and accumulated other comprehensive income from the remeasurement of insurance companies measured using the equity method.

The total impact of the adjustments on the total capital ratio is +0.01 b.p. as at 31 December 2022.

9. CHANGES IN ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2023 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

The Group implemented the new IFRS 17 "Insurance Contracts" with effect from 1 January 2023. The impact of implementation and an explanation of the differences between the previously published statements and these financial statements with regard to the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position are presented in the note "IFRS 17 Insurance Contracts". The explanation of the differences in the consolidated statement of cash flows is presented below.

In addition, starting with the financial statements for 2022, in order to better reflect its operations and ensure comparability with the banking sector, the Group made the following changes in its accounting policies with respect to:

- the item "interest and dividends" in the section on cash flows from operating activities has been split into "interest and dividends received" and "interest paid". In addition, redemptions of securities and interest received from securities are presented separately under investing activities (1).
- cash flows from property assets leased under operating leases were reclassified from investing activities to operating activities (2).

(IN PLN MILLION)

CASH FLOWS – SELECTED CONSOLIDATED DATA	01.01-30.09.2022 before restatement	IFRS 17	(1)	(2)	01.01-30.09.2022 restated
Profit before tax	2 411	(1)	-	-	2 410
Total adjustments	15 959	1	-	(437)	15 523
Depreciation and amortization	944	(8)	-	-	936
Gains/losses on investing activities	(61)	-	-	58	(3)
Interest and dividends (old item)	(1 434)	-	1 434	-	-
Interest and dividends received (new item)	-	-	(1 882)	-	(1 882)
Interest paid (new item)	-	-	448	-	448
Change in loans and advances to customers	(1 720)	108	-	-	(1 612)
Change in asset in respect of insurance activities	287	(267)	-	-	20
Property, plant and equipment under operating lease (new item)	-	-	-	(301)	(301)
Change in amounts due to customers	18 106	307	-	-	18 413
Change in liabilities in respect of insurance activities	(232)	(177)	-	-	(409)
Change in other liabilities	1 145	2	-	-	1 147
Other adjustments	(3 682)	36	-	(194)	(3 840)
Net cash from/used in operating activities	17 338	-	-	(437)	16 901
Inflows from investing activities	**76 679**	-	-	**(235)**	**76 444**
Redemption and interest from securities measured at fair value through other comprehensive income (old item)	68 814	-	(68 814)	-	-
Redemption and interest from securities measured at amortized cost (old item)	7 497	-	(7 497)	-	-
Redemption of securities measured at fair value through other comprehensive income (new item)	-	-	67 815	-	67 815
Redemption of securities measured at amortized cost (new item)	-	-	6 664	-	6 664
Interest received on securities measured at fair value through other comprehensive income (new item)	-	-	999	-	999
Interest received on securities measured at amortized cost (new item)	-	-	833	-	833
Proceeds from disposal of intangible assets, property, plant and equipment and assets held for sale	318	-	-	(235)	83
Outflows on investing activities	**(68 729)**	-	-	**672**	**(68 057)**
Purchase of intangible assets and property, plant and equipment	(1 194)	-	-	672	(522)
Net cash from/used in investing activities	7 950	-	-	437	8 387

(IN PLN MILLION)

CASH FLOWS – SELECTED SEPARATE DATA	01.01-30.09.2022 before restatement	(1)	01.01-30.09.2022 restated
Cash flows from operating activities	15 012	-	15 012
Interest and dividends (old item)	(1 990)	1 990	-
Interest and dividends received (new item)	-	(2 320)	(2 320)
Interest paid (new item)	-	330	330
Cash flows from investing activities	8 123	-	8 123
Redemption and interest from securities measured at fair value through other comprehensive income (old item)	57 881	(57 881)	-
Redemption and interest from securities measured at amortized cost (old item)	7 453	(7 453)	-
Redemption of securities measured at fair value through other comprehensive income (new item)	-	56 966	56 966
Redemption of securities measured at amortized cost (new item)	-	6 620	6 620
Interest received on securities measured at fair value through other comprehensive income (new item)	-	915	915
Interest received on securities measured at amortized cost (new item)	-	833	833

10. NEW STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS

- **STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS EFFECTIVE FROM 1 JANUARY 2023**

STANDARDS AND INTERPRETATIONS *	DESCRIPTION OF CHANGES AND IMPACT
IFRS 17 "INSURANCE CONTRACTS" (1.01.2023/ 19.11. 2021) AND AMENDMENTS TO IFRS 17 (1.01.2023/ 8.09.2022)	For details, see Note 8 "IFRS 17 Insurance contracts"
AMENDMENTS TO IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS" AND IAS 8 "ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS" (1.01.2023/2.03.2022))	Amendments to IAS 1 contain guidelines on the application of the term "material" in disclosures of the accounting policies. Instead of significant accounting policies, the amendments require disclosure of material information about accounting policies, with explanations and examples of how an entity can identify material information about accounting policies. The amendments to IAS 8 introduce a new definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The introduction of the definition of accounting estimates and other amendments to IAS 8 are intended to help entities distinguish between changes in accounting policies and changes in accounting estimates. These amendments will affect the scope of information presented in the Bank's and the Group's annual financial statements for 2023.
AMENDMENTS TO IAS 12 "INCOME TAXES" (1.01.2023/11.08.2022)	Amendments to IAS 12 require that the entities recognise in the financial statements deferred tax assets and liabilities resulting from transactions, other than business combinations, in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment is presentational in nature.

* The effective date in EU / date of endorsement by EU is provided in parentheses

- **NEW STANDARDS AND INTERPRETATIONS, AND AMENDMENTS THERETO, WHICH HAVE BEEN PUBLISHED BUT HAVE NOT BEEN ENDORSED BY THE EUROPEAN UNION**

STANDARDS AND INTERPRETATIONS *	DESCRIPTION OF CHANGES AND IMPACT
AMENDMENTS TO IAS 1 - CLASSIFICATION OF LIABILITIES (1.01.2024/ NO DATA)	The changes relate to the classification of liabilities in the statement of financial position as short-term or long-term. They clarify that the classification of liabilities as short-term or long-term should take into account, as at the classification date, the existence of a debt extension, regardless of the entity's intention to use it for a period longer than 12 months, and should take into account the fulfillment of the conditions of such extension as at the date of assessment, if it is conditional. The amendment will be presentational in nature.
AMENDMENT TO IFRS 16 "LEASES" (1.01.2024/ NO DATA)	The amendments clarify how a seller-lessee should measure sale and leaseback transactions that meet the requirements of IFRS 15 to recognise an asset as a sale. In particular, the measurement of the lease liability should not take into account gains and losses associated with the retained right of use. The seller-lessee may still recognise in profit or loss the gains and losses associated with the partial or total termination of a lease. A retrospective approach will apply to these amendments. The Group is currently evaluating the impact on the consolidated financial statements.
AMENDMENTS TO IAS 7 "STATEMENT OF CASH FLOWS" AND AMENDMENTS TO IFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURES" (1.01.2024/ NO DATA)	The amendments require additional disclosures for reverse factoring agreements. Entities will be required to disclose information in financial statements to enable users of financial statements: • an assessment of how the aforementioned agreements affect the entity's liabilities and cash flows; and • understanding the impact of the aforementioned agreements on the entity's exposure to liquidity risk and the impact when the agreements expire. In addition, the amendments complement the current IFRS requirements by adding additional disclosure requirements to IAS 7 on, among other things: • terms and conditions of reverse factoring agreements; • disclosures at the beginning and end of the reporting period of the carrying amount of the aforementioned liabilities, the value of liabilities paid, the timing of payments. The IASB has decided that, in most cases, entities can present aggregated information on the above matters. The amendment will be presentational in nature.
AMENDMENTS TO IAS 12 "INCOME TAXES" (1.01.2023/NO DATA)	The amendments apply to entities for which OECD Pillar 2 tax regulations apply, i.e. the introduction of global minimum taxation for the largest groups earning profits in different tax jurisdictions ("Pillar"). Among other things, the amendments introduce an exception to the requirements of IAS 12, whereby entities do not recognise and disclose deferred tax assets and liabilities related to the Pillar. The application of the exception must be disclosed by entities. In addition, the amendments also introduce, among other things, a requirement for separate disclosure of current tax expense related to the Pillar. The Group is currently evaluating the impact on the consolidated financial statements.

* the expected effective date in EU / date of endorsement by EU is provided in parentheses

(IN PLN MILLION)

SUPPLEMENTARY NOTES TO THE INCOME STATEMENT

11. SEGMENT REPORTING

The PKO Bank Polski S.A. Group conducts business activities within segments offering specific products and services addressed to specific groups of customers. The manner in which the business segments are divided ensures consistency with the sales management model and offers customers a comprehensive product mix comprising both traditional banking products and more complex investment products, as well as services provided by the Group entities. Information about the segments was described in the consolidated financial statements of the Group for 2022.

The figures for 2022 include the impact of the implementation of International Financial Reporting Standard 17 "Insurance contracts".

FINANCIAL INFORMATION

Income statement by segment	Continuing operations			
FOR 9 MONTHS ENDED 30 SEPTEMBER 2023	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group
Net interest income	**11 228**	**4 669**	**(2 656)**	**13 241**
Net fee and commission income	**2 610**	**818**	**(38)**	**3 390**
Other net income	**745**	**112**	**(19)**	**838**
Net income from insurance business	515	11	-	526
Dividend income	-	14	-	14
Gains/(losses) on financial transactions	26	51	9	86
Foreign exchange gains/ (losses)	83	(35)	(10)	38
Gains/(losses) on derecognition of financial instruments	16	18	5	39
Net other operating income and expense	89	69	(23)	135
Income/(expenses) relating to internal customers	16	(16)	-	-
Result on business activities	**14 583**	**5 599**	**(2 713)**	**17 469**
Net expected credit losses	(626)	(155)	-	(781)
Net impairment losses on non-financial assets	(4)	(15)	(41)	(60)
Cost of legal risk of mortgage loans in convertible currencies	(3 441)	-	-	(3 441)
Administrative expenses, of which:	(4 511)	(1 008)	(2)	(5 521)
depreciation and amortization	(690)	(110)	-	(800)
net regulatory charges	(311)	(167)	(2)	(480)
Tax on certain financial institutions	(560)	(326)	(26)	(912)
Share in profits and losses of associates and joint ventures	-	-	-	82
Segment profit/(loss)	**5 441**	**4 095**	**(2 782)**	**6 836**
Income tax expense (tax burden)				(2 014)
Net profit (including non-controlling shareholders)				4 822
Profit (loss) attributable to non-controlling shareholders				-
Net profit attributable to equity holders of the parent company				4 822

(IN PLN MILLION)

Income statement by segment	Continuing operations			
FOR 9 MONTHS ENDED 30 SEPTEMBER 2022	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group (restated)
Net interest income	**4 499**	**2 568**	**276**	**7 343**
Net fee and commission income	**2 590**	**801**	**(5)**	**3 386**
Other net income	**868**	**351**	**(241)**	**978**
Net income from insurance business	572	5	-	577
Dividend income	-	12	-	12
Gains/(losses) on financial transactions	157	191	2	350
Foreign exchange gains/ (losses)	50	116	(254)	(88)
Gains/(losses) on derecognition of financial instruments	(3)	(25)	(2)	(30)
Net other operating income and expense	72	72	13	157
Income/(expenses) relating to internal customers	20	(20)	-	-
Result on business activities	**7 957**	**3 720**	**30**	**11 707**
Net expected credit losses	(706)	(460)	-	(1 166)
Net impairment losses on non-financial assets	(13)	(1)	(10)	(24)
Cost of legal risk of mortgage loans in convertible currencies	(1 176)	-	-	(1 176)
Administrative expenses, of which:	(5 036)	(970)	(32)	(6 038)
depreciation and amortization	(657)	(98)	-	(755)
net regulatory charges	(1 406)	(370)	(32)	(1 808)
Tax on certain financial institutions	(556)	(286)	(112)	(954)
Share in profits and losses of associates and joint ventures	-	-	-	61
Segment profit/(loss)	**470**	**2 003**	**(124)**	**2 410**
Income tax expense (tax burden)				(818)
Net profit (including non-controlling shareholders)				1 592
Profit (loss) attributable to non-controlling shareholders				(2)
Net profit attributable to equity holders of the parent company				**1 594**

Assets and liabilities by segment				
30.09.2023	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group
Assets	176 305	187 922	104 247	468 474
Investments in associates and joint ventures	-	-	-	283
Unallocated assets	-	-	-	4 192
Total assets	**176 305**	**187 922**	**104 247**	**472 949**
Liabilities	324 476	77 360	24 523	426 359
Unallocated liabilities	-	-	-	1 183
Total liabilities	**324 477**	**77 360**	**24 523**	**427 542**

(IN PLN MILLION)

Assets and liabilities by segment 31.12.2022	Retail segment	Corporate and investment segment	Transfer center and other	Total operations of the Group
Assets	176 655	157 849	91 419	425 923
Investments in associates and joint ventures	-	-	-	285
Unallocated assets	-	-	-	5 239
Total assets	**176 655**	**157 849**	**91 419**	**431 447**
Liabilities	288 718	79 423	26 757	394 898
Unallocated liabilities	-	-	-	842
Total liabilities	**288 718**	**79 423**	**26 757**	**395 740**

INFORMATION ON GEOGRAPHICAL AREAS

The PKO Bank Polski S.A. Group also divides its operations into geographical segments. The Group conducts its operations in the Republic of Poland, as well as in Ukraine (through the KREDOBANK S.A. Group, "Inter-Risk Ukraina" company with additional liability, Finansowa Kompania "Prywatne Inwestycje" sp. z o.o. and Finansowa Kompania "Idea Kapitał" sp. z o.o.), in Sweden (through PKO Finance AB and PKO Leasing Sverige AB) and in Ireland (through Polish Lease Prime 1 DAC1). PKO Bank Polski S.A. also has foreign corporate branches in the Federal Republic of Germany, the Czech Republic and the Slovak Republic. In the first half of 2023, a branch in Romania was opened and began marketing and representation activities. The operational launch of the branch in Bucharest is planned for 2024.

For presentation purposes, the results of the companies operating in Sweden and Ireland and of the Bank's branches operating in Germany, the Czech Republic and Slovakia were recognized in the segment "Poland" due to their insignificant impact on the scale of the operations of the PKO Bank Polski S.A. Group.

The results of the companies recognized in the segment "Ukraine" include intercompany transactions with other companies of the PKO Bank Polski S.A. Group operating in Ukraine. Intercompany transactions with other companies of the PKO Bank Polski S.A. Group and consolidation adjustments are presented in the results of the segment "Poland".

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

FOR 9 MONTHS ENDED 30 SEPTEMBER 2023	Poland	Ukraine	Total
Net interest income	**12 966**	**275**	**13 241**
Net fee and commission income	**3 307**	**83**	**3 390**
Other net income	**836**	**2**	**838**
Net income from insurance business	526	-	526
Dividend income	14	-	14
Gains/(losses) on financial transactions	86	-	86
Foreign exchange gains/ (losses)	37	1	38
Gains/(losses) on derecognition of financial instruments	38	1	39
Net other operating income and expense	135	-	135
Income/(expenses) relating to internal customers	-	-	-
Result on business activities	**17 109**	**360**	**17 469**
Net expected credit losses	(785)	4	(781)
Net impairment losses on non-financial assets	(58)	(2)	(60)
Cost of legal risk of mortgage loans in convertible currencies	(3 441)	-	(3 441)
Administrative expenses, of which:	(5 379)	(142)	(5 521)
depreciation and amortization	(774)	(26)	(800)
net regulatory charges	(469)	(11)	(480)
Tax on certain financial institutions	(912)	-	(912)
Share in profits and losses of associates and joint ventures	82	-	82
Segment profit/(loss)	**6 616**	**220**	**6 836**
Income tax expense (tax burden)			(2 014)
Net profit (including non-controlling shareholders)			4 822
Profit (loss) attributable to non-controlling shareholders			-
Net profit attributable to equity holders of the parent company			**4 822**

30.09.2023	Poland	Ukraine	Total
Assets, of which:	462 758	5 716	468 474
Loans and advances to customers	238 268	1 475	239 743
Investments in associates and joint ventures	283	-	283
Current income tax receivable and deferred tax assets	4 162	30	4 192
Total assets	467 203	5 746	472 949
Liabilities, of which:	421 360	4 999	426 359
Amounts due to customers	371 617	4 881	376 498
Current income tax liabilities and deferred tax liabilities	1 144	39	1 183
Total liabilities	422 504	5 038	427 542

(IN PLN MILLION)

FOR 9 MONTHS ENDED 30 SEPTEMBER 2022	Poland	Ukraine	Total
Net interest income	**7 151**	**192**	**7 343**
Net fee and commission income	**3 284**	**102**	**3 386**
Other net income	**969**	**9**	**978**
Net income from insurance business	577	-	577
Dividend income	12	-	12
Gains/(losses) on financial transactions	350	-	350
Foreign exchange gains/ (losses)	(94)	6	(88)
Gains/(losses) on derecognition of financial instruments	(29)	(1)	(30)
Net other operating income and expense	153	4	157
Result on business activities	**11 404**	**303**	**11 707**
Net expected credit losses	(951)	(215)	(1 166)
Net impairment losses on non-financial assets	(24)	-	(24)
Cost of legal risk of mortgage loans in convertible currencies	(1 176)	-	(1 176)
Administrative expenses, of which:	(5 904)	(134)	(6 038)
depreciation and amortization	(724)	(31)	(755)
net regulatory charges	(1 799)	(9)	(1 808)
Tax on certain financial institutions	(954)	-	(954)
Share in profits and losses of associates and joint ventures	61	-	61
Segment profit/(loss)	**2 456**	**(46)**	**2 410**
Income tax expense (tax burden)			(818)
Net profit (including non-controlling shareholders)			1 592
Profit (loss) attributable to non-controlling shareholders			(2)
Net profit attributable to equity holders of the parent company			**1 594**

31.12.2022	Poland	Ukraine	Total
Assets, of which:	421 052	4 871	425 923
Loans and advances to customers	231 382	1 577	232 959
Investments in associates and joint ventures	285	-	285
Current income tax receivable and deferred tax assets	5 231	8	5 239
Total assets	426 568	4 879	431 447
Liabilities, of which:	390 533	4 365	394 898
Amounts due to customers	334 729	4 139	338 868
Current income tax liabilities and deferred tax liabilities	841	1	842
Total liabilities	391 374	4 366	395 740

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

12. INTEREST INCOME AND EXPENSE

INTEREST AND SIMILAR INCOME	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Loans and other amounts due from banks and the Central Bank[1]	**480**	**1 330**	**358**	**696**
Debt securities:	**1 796**	**4 948**	**1 150**	**2 608**
measured at amortized cost	576	1 561	418	1 046
measured at fair value through other comprehensive income	1 209	3 355	717	1 533
measured at fair value through profit or loss	11	32	15	29
Loans and advances to customers[2,3]	**5 336**	**15 704**	**1 578**	**8 287**
measured at amortized cost	5 212	15 310	1 425	7 902
measured at fair value through profit or loss	124	394	153	385
Finance lease receivables[2]	**404**	**1 188**	**365**	**903**
Amounts due to customers	-	-	**6**	**25**
Total	**8 016**	**23 170**	**3 457**	**12 519**
of which: interest income on impaired financial instruments	156	434	110	267
Interest income calculated using the effective interest rate method on financial instruments measured:	7 881	22 744	3 289	12 105
at amortized cost	6 672	19 389	2 572	10 572
at fair value through other comprehensive income	1 209	3 355	717	1 533
Income similar to interest income on instruments measured at fair value through profit or loss	135	426	168	414
Total	**8 016**	**23 170**	**3 457**	**12 519**

[1] Under this item, in the nine-month period ended 30 September 2023, the Group recognised interest income on funds in call accounts (central clearing through a clearing broker) of PLN 181 million (PLN 201 million in the corresponding period) and interest income on funds in the current account with the NBP of PLN 583 million (PLN 363 million in the corresponding period).

[2] The increase in interest income is mainly related to the higher level of market interest rates and the growth of the securities and loan portfolio. The item interest income from loans and advances granted to customers in the 9-month period ended September 30, 2022 included the effect of the Act on crowdfunding for business ventures and assistance to borrowers (so-called "credit holidays") in the amount of PLN 3,111 million.

[3] Interest income on loans advanced to customers and finance lease receivables for the period of nine months ended 30 September 2022 has been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts").

INTEREST EXPENSE	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Amounts due to banks	(26)	(72)	(51)	(111)
Hedging derivatives[1]	(926)	(3 159)	(1 218)	(2 342)
Interbank deposits	-	-	(1)	(6)
Loans and advances received	(27)	(78)	(18)	(58)
Leases	(9)	(25)	(4)	(11)
Amounts due to customers[2]	(2 117)	(5 870)	(1 210)	(2 071)
Issues of securities	(192)	(553)	(200)	(473)
Subordinated liabilities	(57)	(172)	(46)	(104)
Total	**(3 354)**	**(9 929)**	**(2 748)**	**(5 176)**

[1] The increase in interest expense related to hedging derivatives of PLN 817 million relates mainly to IRS transactions (payments made at a floating rate exceed those received at a fixed rate)

[2] The increase in expenses by PLN 3 799 million results from interest rate increases leading to an adjustment of the deposit offering to the market situation and the conversion of funds into term deposits, accompanied by an increase in the average volume of deposits by PLN 36 billion compared to the corresponding period of 2022

(IN PLN MILLION)

13. FEE AND COMMISSION INCOME AND EXPENSES

FEE AND COMMISSION INCOME	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Loans, insurance, operating leases and fleet management	**317**	**924**	**288**	**851**
lending	235	680	215	644
offering insurance products[1]	24	80	30	90
operating leases and fleet management	58	164	43	117
Investment funds, pension funds and brokerage activities	**185**	**540**	**194**	**616**
servicing investment funds and OFE (including management fees)	97	280	90	297
servicing and selling investment and insurance products[1]	1	3	-	-
brokerage activities	87	257	104	319
Cards	**592**	**1 598**	**559**	**1 467**
Margins on foreign exchange transactions	**185**	**557**	**211**	**605**
Bank accounts and other	**346**	**1 027**	**335**	**987**
servicing bank accounts	238	712	238	710
cash operations	29	74	22	62
servicing foreign mass transactions	33	93	27	74
customer orders	13	40	16	47
fiduciary services	2	7	2	7
other	31	101	30	87
Total, of which:	**1 625**	**4 646**	**1 587**	**4 526**
income from financial instruments not measured at fair value through profit or loss	1 509	4 310	1 485	4 186

[1] Fee and commission income from offering insurance products and servicing and selling investment and insurance products for the period of nine months ended 30 September 2022 has been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts").

FEE AND COMMISSION EXPENSE	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Loans and insurance	**(30)**	**(80)**	**(25)**	**(75)**
commission paid to external entities for product sales	(7)	(19)	(4)	(15)
cost of construction project supervision and property appraisal	(12)	(27)	(6)	(21)
fees to Biuro Informacji Kredytowej	(6)	(17)	(6)	(16)
loan handling	(5)	(17)	(9)	(23)
Investment funds, pension funds and brokerage activities	**(12)**	**(35)**	**(9)**	**(32)**
Cards	**(348)**	**(982)**	**(347)**	**(916)**
Bank accounts and other	**(59)**	**(159)**	**(38)**	**(117)**
clearing services	(15)	(46)	(14)	(41)
commissions for operating services provided by banks	(4)	(10)	(4)	(11)
sending short text messages (SMS)	(14)	(41)	(13)	(38)
selling banking products	(1)	(1)	(1)	(1)
servicing foreign mass transactions	(5)	(16)	(6)	(16)
other	(20)	(45)	-	(10)
			-	
Total	**(449)**	**(1 256)**	**(419)**	**(1 140)**

(IN PLN MILLION)

NET INCOME ON OPERATING LEASES AND FLEET MANAGEMENT	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Income on operating leases and fleet management	147	425	132	369
Costs of operating leases and fleet management	(18)	(51)	(24)	(71)
Depreciation of property, plant and equipment under operating leases	(71)	(210)	(65)	(181)
Net income on operating leases and fleet management	**58**	**164**	**43**	**117**

14. GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS

GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Financial instruments held for trading, of which:	**64**	**85**	**80**	**311**
Derivatives	60	70	104	318
Equity instruments	(2)	1	(5)	(8)
Debt securities	6	14	(19)	1
Financial instruments not held for trading, measured at fair value through profit or loss, of which:	**1**	**19**	**103**	**38**
Equity instruments	8	53	98	60
Debt securities	3	4	15	(4)
Loans and advances to customers	(10)	(38)	(10)	(18)
Hedge accounting	(7)	(18)	-	1
Total	**58**	**86**	**183**	**350**

15. GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL INSTRUMENTS

GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL INSTRUMENTS	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022	3 quarters period from 01.01.2022 to 30.09.2022
Measured at fair value through other comprehensive income	7	25	(14)	(40)
Measured at amortized cost	5	14	2	10
Total	**12**	**39**	**(12)**	**(30)**

(IN PLN MILLION)

16. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Net revenues from the sale of products and services	45	112	35	88
Gains on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	20	69	23	69
Damages, compensation and penalties received	15	38	11	35
Ancillary income	4	8	3	9
Recovery of receivables expired, forgiven or written off	1	3	-	1
Reversal of provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies	-	2	-	3
Income from sale of CO_2 emission allowances	-	12	-	14
Other	15	60	21	67
Total	**100**	**304**	**93**	**286**

OTHER OPERATING EXPENSES	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Losses on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale	(1)	(5)	(3)	(10)
Damages, compensation and penalties paid	-	(7)	-	-
Donations made	(1)	(2)	(1)	(16)
Sundry expenses	(4)	(13)	(3)	(11)
Recognition of provision for potential refunds of fees and commission to customers	-	-	-	(13)
Recognition of provision for future payments	-	(1)	(2)	(2)
Recognition of provision for legal claims excluding legal claims relating to repaid mortgage loans in convertible currencies	(4)	(10)	(3)	(6)
Costs from sale of CO_2 emission allowances	(3)	(29)	(1)	(8)
Other	(37)	(102)	(25)	(63)
Total	**(50)**	**(169)**	**(38)**	**(129)**

(IN PLN MILLION)

17. NET ALLOWANCES FOR EXPECTED CREDIT LOSSES

NET ALLOWANCES FOR EXPECTED CREDIT LOSSES	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Amounts due from banks	**(3)**	**(8)**	**(2)**	**(3)**
Debt securities measured:	**(14)**	**(23)**	**(19)**	**38**
at fair value through other comprehensive income	(11)	(23)	(13)	42
at amortized cost	(3)	-	(6)	(4)
Loans and advances to customers	**(215)**	**(869)**	**(363)**	**(1 085)**
measured at amortized cost	(215)	(869)	(363)	(1 085)
housing loans	(16)	(13)	(32)	(145)
business loans	(54)	(332)	(152)	(304)
consumer loans	(131)	(463)	(141)	(523)
factoring receivables	-	(5)	(2)	(3)
finance lease receivables	(14)	(56)	(36)	(110)
Other financial assets	**1**	**(2)**	**-**	**(13)**
Provisions for financial liabilities and guarantees granted	**(7)**	**121**	**(65)**	**(103)**
Total	**(238)**	**(781)**	**(449)**	**(1 166)**

CHANGE IN ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES	Opening balance	Net allowances for expected credit losses	Change in allowances due to write-offs and other adjustments	Closing balance
FOR 9 MONTHS ENDED 30 SEPTEMBER 2023				
Amounts due from banks	(2)	(8)	-	**(10)**
Debt securities	(68)	(23)	21	**(70)**
Loans and advances to customers	(9 748)	(869)	478	**(10 139)**
Other financial assets	(147)	(2)	17	**(132)**
Financial liabilities and guarantees granted	(833)	121	1	**(711)**
Total	**(10 798)**	**(781)**	**517**	**(11 062)**

(IN PLN MILLION)

CHANGE IN ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES	Opening balance	Net allowances for expected credit losses	Change in allowances due to write-offs and other adjustments	Closing balance
FOR 9 MONTHS ENDED 30 SEPTEMBER 2022				
Amounts due from banks	-	(3)	-	**(3)**
Debt securities	(108)	38	13	**(57)**
Loans and advances to customers	(8 688)	(1 085)	17	**(9 756)**
Other financial assets	(136)	(13)	(2)	**(151)**
Financial liabilities and guarantees granted	(675)	(103)	(6)	**(784)**
Total	**(9 607)**	**(1 166)**	**22**	**(10 751)**

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

scenario as at 30.09.2023	Baseline			optimistic			pessimistic		
probability	75%			5%			20%		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP growth y/y	0.6	3.2	3.4	3.4	8.7	8.3	(2,1)	(2,3)	(1,4)
Unemployment rate	3.0	3.2	3.0	2.8	2.8	2.5	3.3	4.9	5.4
Property price index	101.3	107.4	112.7	103.3	116.9	127.5	99.5	98.6	99.5
WIBOR 3M (%)	6.4	4.8	3.7	6.6	7.2	6.3	6.2	3.2	2.0
CHF/PLN	4.7	4.5	4.2	4.6	4.3	4.0	4.8	5.2	4.8

scenario as at 31.12.2022	Baseline			optimistic			pessimistic		
probability	75%			5%			20%		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP growth y/y	(0,3)	2.8	2.9	5.2	8.2	6.2	(5,8)	(2,5)	(0,4)
Unemployment rate	3.9	4.7	3.9	2.9	3.4	3.1	4.3	5.3	4.3
Property price index	97.0	96.1	98.2	103.9	110.8	114.9	90.6	83.1	83.6
WIBOR 3M (%)	6.8	5.8	4.6	7.3	6.1	4.7	6.2	4.6	3.8
CHF/PLN	4.6	4.2	4.1	4.4	4.1	4.0	5.1	5.3	4.9

(IN PLN MILLION)

18. IMPAIRMENT OF NON-FINANCIAL ASSETS

NET IMPAIRMENT OF NON-FINANCIAL ASSETS	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Property, plant and equipment	(4)	(4)	-	-
Non-current assets held for sale	(1)	(1)	-	-
Intangible assets	-	(1)	-	-
Investments in associates and joint ventures	(11)	(11)	-	-
Other non-financial assets, including inventories	(22)	(43)	(11)	(24)
Total	**(38)**	**(60)**	**(11)**	**(24)**

CHANGE IN ACCUMULATED IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS	Opening balance	Impairment of non-financial assets	Other	Closing balance
FOR 9 MONTHS ENDED 30 SEPTEMBER 2023				
Property, plant and equipment under operating lease	(4)	-	1	(3)
Property, plant and equipment	(102)	(4)	3	(103)
Non-current assets held for sale	(1)	(1)	1	(1)
Intangible assets	(382)	(1)	1	(382)
Investments in associates and joint ventures	(264)	(11)	-	(275)
Other non-financial assets	(337)	(43)	22	(358)
Total	**(1 090)**	**(60)**	**28**	**(1 122)**

CHANGE IN ACCUMULATED IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS	Opening balance	Impairment of non-financial assets	Other	Closing balance
FOR 9 MONTHS ENDED 30 SEPTEMBER 2022				
Property, plant and equipment under operating lease	(3)	-	-	(3)
Property, plant and equipment	(99)	-	1	(98)
Non-current assets held for sale	(1)	-	-	(1)
Intangible assets	(396)	-	11	(385)
Investments in associates and joint ventures	(264)	-	1	(263)
Other non-financial assets, including inventories	(354)	(24)	16	(362)
Total	**(1 117)**	**(24)**	**29**	**(1 112)**

19. COST OF LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

ACCOUNTING POLICIES AND ESTIMATES AND JUDGMENTS:

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

- probabilities of specific outcomes of legal disputes and the amount of loss in the event of various dispute outcome scenarios, taking into account the current and expected number of court cases throughout the period of the Group's exposure to such risk; and
- probability of the customer reaching a settlement and the amount of loss from the settlement.

In view of the judgment of the Court of Justice of the European Union (CJEU) in Case C-520/21 of 15 June 2023 concerning the possibility for consumers and banks to claim beyond the consideration provided under a loan agreement that has been declared invalid by the Court (for details see note "LEGAL CLAIMS") and the associated additional uncertainty regarding the choice of course of action by the bank's customers, the expected future number of disputes was statistically modelled with the introduction of expert elements reflecting the fact that the impact of the aforementioned non-recurring event will be observed only in subsequent periods.

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

The Group has also taken into account, as an impact on the probability of settlements, the tax preferences of customers falling within the scope of the Regulation of the Minister of Finance of 11 March 2022 on suspending the collection of income tax on certain types of income (revenue) related to a mortgage loan granted for residential purposes, as amended by the Regulation of 20 December 2022, which is in force until 31 December 2024.

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

In its judgment in Case C-520/21, the CJEU indicated, among other things, that the EU rules preclude a judicial construction of national law whereby a credit institution is entitled to demand compensation from a consumer that goes beyond the reimbursement of the principal paid for the performance of that agreement and beyond the payment of statutory default interest from the date of the call for payment. In this respect, the model's parameters have been adjusted in line with the judgment.

In the judgment referred to above, the CJEU also indicated that, as regards analogous claims by consumers against banks, the provisions of the Directive do not preclude consumers from bringing such claims against banks, provided that the objectives of Directive 93/13 and the principle of proportionality are respected. In the Group's opinion, on the grounds of national legislation and the principle of proportionality, the customers cannot make additional claims against the Group, primarily because they have not provided the Group with a financial service consisting in the provision of capital. Nor is it reasonable to conclude that the Group has enriched itself at the expense of the customer and the consumer has been impoverished. With the funds obtained, the customer met its housing needs and the Group bore the costs of raising the funds, making them available and servicing the loan over the years. The Group assesses that, at this stage, the likelihood of outcomes that are favourable to consumers, including a claim for additional compensation, generating a material adverse financial impact is difficult to estimate and, in addition, there are uncertainties as to how the level of such compensation to the customer should be calculated. This approach is supported by the fact that there have been no adverse court decisions for the Group relating to this issue.

In contrast, in this judgment, the CJEU did not explicitly and directly address the admissibility of banks' indexation claims. According to the Group, the CJEU judgment does not deprive the Group of the right to claim reimbursement from the borrower for the present equivalent of the loan amount disbursed. Such a claim is not a demand for additional compensation from the borrower, but is a demand for the return of that capital at its present value. Bearing in mind that the case law of the Polish courts in relation to this issue has not yet been formed, and given that the awarding of an indexation depends on the discretion of the court, which takes into account not only the facts at the adjudication stage, but also refers to the principles of social co-existence, the Group, despite its legal analyses of the issue, has assumed the absence of indexation of the principal disbursed with the time value of money in the model for the court scenario where the loan agreement is declared invalid.

The Group regularly, on a quarterly basis, monitors the model's adequacy by comparing the actual key model parameters with the calculated values. In addition, new empirical data (more accurate or resulting from a longer observation) gradually modify or replace previous assumptions. The model is being adapted to the current settlement offer and changes made in this respect. During the nine months ended 30 September 2023, the Group updated the probability of signing a settlement or filing a lawsuit based on empirical data.

In the period of nine months ended 30 September 2023, the Group recognised the cost of legal risk of PLN 3 441 million.

The level of legal risk costs will depend primarily on customer behaviour. The CJEU judgment may result in negative trends affecting the level of estimated risk due to an increased propensity of clients to file lawsuits and a reduced propensity to settle.

In the opinion of the Bank's Management Board, the information available to it as at 30 September 2023 does not indicate any risk of a breach of the legally required minimum levels of capital adequacy or a threat to the going concern assumption adopted in these financial statements.

FINANCIAL INFORMATION

Starting from 4 October 2021, following a decision of 23 April 2021 of the Extraordinary General Meeting of PKO Bank Polski S.A., the Bank has been concluding settlements with consumers who concluded loan agreements or cash advance agreements with the Bank secured by mortgages and indexed to foreign currencies or denominated in foreign currencies (hereinafter: settlements with consumers).

As at 30 September 2023, nearly 55 thousand applications for mediation were recorded (as at 31 December 2022 – more than 37.5 thousand applications). The total number of settlements concluded as at 30 September 2023 was 34 253, of which 32 897 were concluded in mediation proceedings and 1 356 in court proceedings. The total number of settlements concluded as at 31 December 2022 was 20 396, of which 19 786 were concluded in mediation proceedings and 610 in court proceedings. In third quarter of 2023, the Group continued to encourage customers to join the programme.

(IN PLN MILLION)

IMPACT OF LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES	Gross carrying amount of mortgage loans in convertible currencies net of the cost of legal risk of mortgage loans in convertible currencies	Accumulated cost of legal risk of mortgage loans in convertible currencies	Gross carrying amount of mortgage loans in convertible currencies including the cost of legal risk of mortgage loans in convertible currencies
as at 30.09.2023			
Loans and advances to customers – adjustment reducing the carrying amount of loans	16 174	8 456	7 718
- related to the portfolio of mortgage loans in CHF	14 123	8 456	5 667
Provisions (note 30)		1 614	
Adjustment to the gross carrying amount of other assets		-	
Total		**10 070**	
as at 31.12.2022			
Loans and advances to customers – adjustment reducing the carrying amount of loans	19 012	7 378	**11 637**
- related to the portfolio of mortgage loans in CHF	16 731	7 378	9 353
Provisions (note 30)		851	
Adjustment to the gross carrying amount of other assets		94	
Total		**8 323**	

Change in the accumulated cost of legal risk of mortgage loans in convertible currencies during the period	01.01-30.09.2023	01.01-30.09.2022
Carrying amount at the beginning of the period	**(8 323)**	**(7 023)**
revaluation of loss for the period	(108)	(1 596)
offset of settlements and judgments for the period against accumulated losses*	1 802	1 137
Increase in adjustment to gross carrying amount of loans and advances to customers and other assets, increase in provisions for legal risk	(3 441)	(1 176)
Carrying amount at the end of the period	**(10 070)**	**(8 658)**

* The item also includes the effects of final judgements invalidating loan agreements, which amount to PLN 548 million for the nine months ended 30 September 2022, including PLN 264 million in relation to the derecognition of receivables from cost of use of capital (in the period of nine months ended 30 September 2022: PLN 95 million)

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

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

20. ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES[1]	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Employee benefits	**(1 008)**	**(2 939)**	**(839)**	**(2 469)**
Overheads, of which:	**(451)**	**(1 302)**	**(355)**	**(1 006)**
rent	**(27)**	**(85)**	**(25)**	**(71)**
IT	(106)	(316)	(99)	(280)
Depreciation and amortization	(280)	(800)	(257)	(755)
property, plant and equipment, of which:	**(135)**	**(398)**	**(131)**	**(393)**
investment properties	-	-	(1)	(1)
IT	(32)	(93)	(29)	(87)
right-of-use assets	(62)	(181)	(56)	(171)
intangible assets, of which:	(145)	(402)	(126)	(362)
IT	(145)	(399)	(124)	(353)
Net regulatory charges	**(51)**	**(480)**	**(419)**	**(1 808)**
Total	**(1 790)**	**(5 521)**	**(1 870)**	**(6 038)**

[1] Administrative expenses for the period of nine months ended 30 September 2022 have been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

EMPLOYEE BENEFITS	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Wages and salaries, including:[1]	(842)	(2 435)	(702)	(2 054)
costs of contributions to the employee pension plan	(22)	(64)	(18)	(55)
Social security, of which:[1]	(139)	(421)	(116)	(352)
contributions for disability and retirement benefits	(119)	(366)	(98)	(310)
Other employee benefits	(27)	(83)	(21)	(63)
Total	**(1 008)**	**(2 939)**	**(839)**	**(2 469)**

[1] Employee benefit expense for the period of nine months ended 30 September 2022 has been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

NET REGULATORY CHARGES	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Contribution and payments to the Bank Guarantee Fund (BFG), of which:	-	**(280)**	-	**(407)**
to the Resolution Fund	-	(280)	-	(291)
to the Bank Guarantee Fund	-	-	-	(116)
Fees to the PFSA[1]	(2)	(54)	(1)	(48)
Fee for the assistance fund operated by System Ochrony Banków Komercyjnych S.A.	-	-	(84)	(956)
Borrower Support Fund	-	-	(300)	(300)
Flat rate income tax	-	-	(2)	(5)
Other taxes and fees	(49)	(146)	(32)	(92)
Total	**(51)**	**(480)**	**(419)**	**(1 808)**

[1] Fees to the PFSA for the period of nine months ended 30 September 2022 have been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

(IN PLN MILLION)

21. INCOME TAX

- TAX EXPENSE

	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Income tax expense recognized in the income statement	**(1 057)**	**(2 014)**	**106**	**(818)**
Current income tax expense	(457)	(1 533)	(545)	(1 414)
Deferred income tax on temporary differences	(600)	(481)	651	596
Income tax expense recognized in other comprehensive income in respect of temporary differences	**(340)**	**(1 149)**	**(249)**	**1 201**
Total	(1 397)	(3 163)	(143)	383

- RECONCILIATION OF THE EFFECTIVE TAX RATE

RECONCILIATION OF THE EFFECTIVE TAX RATE	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Profit or loss before tax	3 837	6 836	(360)	2 410
Tax at the statutory rate in force in Poland (19%)	(729)	(1 299)	68	(458)
Effect of different tax rates of foreign entities	1	2	-	-
Effect of permanent differences between profit before income tax and taxable income, including:	**(329)**	**(717)**	**36**	**(362)**
cost of legal risk of mortgage loans in convertible currencies	-	(680)	-	(307)
asset/liability on the average tax rate	(268)	233	60	264
tax on financial institutions	(57)	(173)	(62)	(181)
contributions and payments to the Bank Guarantee Fund	-	(53)	-	(77)
non-deductible allowances for expected credit losses on credit exposures and securities	(8)	(18)	19	(36)
payment to the Borrower Support Fund	-	-	(57)	(57)
reversal of assets from reclassification of temporary differences to permanent differences	-	(19)	14	(4)
interest on foreign exchange gains in Sweden	-	-	50	18
non-deductible impairment losses on investments in subordinates	-	-	-	(10)
dividend income	-	2	1	3
other permanent differences	4	(9)	11	25
Effect of other differences between profit before income tax and taxable income, including donations	-	-	**2**	**2**
Income tax expense recognized in the income statement	**(1 057)**	**(2 014)**	**106**	**(818)**
Effective tax rate (%)	27.55	29.46	29.56	33.94

Tax systems of countries in which the Bank and the PKO Bank Polski S.A. Group entities have their registered offices or branches are often subject to amendments to laws, including as a result of operations aimed at tightening the tax system, both at national and international level.

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

On 23 December 2021, PKO Finance AB (hereinafter “Company”) received from the Swedish tax authorities a negative decision concerning the long-standing dispute relating to doubts about taxation in Sweden of foreign exchange gains on loans granted to the Bank and liabilities in respect of the issue. Based on this decision, the Company must pay SEK 160 726 808 in additional income tax and interest for the fiscal year 2019. On 13 February 2023, the Company paid the tax for 2022 in the amount of SEK 446,665,741, following the interpretation of the Swedish tax authorities in order to avoid potential penalty interest of 3.75 p.a.

Despite having made the payments, the Company disagrees with the verdicts of the Swedish tax office and intends to use the appeal procedure to regain the amounts mentioned above.

As potential tax liabilities of PKO Finance AB for 2015-2016 have become time-barred, the Group has decided to reverse the deferred income tax liabilities for 2015-2016 in the amount of PLN 74 million in 2022.

(IN PLN MILLION)

SUPPLEMENTARY NOTES TO THE STATEMENT OF FINANCIAL POSITION – FINANCIAL INSTRUMENTS

22. Amounts due from banks

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

AMOUNTS DUE FROM BANKS	30.09.2023	31.12.2022
Measured at amortized cost	**15 162**	**16 103**
Deposits with banks	12 352	13 374
Current accounts	1 554	2 215
Loans and advances granted	1 255	513
Cash in transit	1	1
Gross carrying amount	15 162	16 103
Allowances for expected credit losses	(10)	(2)
Net carrying amount	15 152	16 101

23. Hedge accounting and other derivative instruments

Types of hedging strategies applied by the Group

As at 30 September 2023, the Group had had active relationships as part of:

- 7 strategies for hedging cash flow volatility;
- 5 strategies for hedging fair value volatility.

In the nine-month period ended 30 September 2023, the Group terminated the hedging relationships:

- as part of the hedging strategy "Hedging fair value volatility of fixed-interest-rate security measured at fair value through other comprehensive income in convertible currencies resulting from interest rate risk, using IRS transactions", due to failure to meet the prospective effectiveness test. The effect of discontinuing hedge accounting in the above relationships on profit or loss was PLN 5.9 million.

In the period of nine months ended 30 September 2023, the Group implemented a new hedging strategy – hedges against fluctuations in cash flows on variable interest PLN loans, resulting from interest rate risk, and hedging against fluctuations in cash flows on a fixed-rate financial liability in a convertible currency resulting from foreign currency risk, using a CIRS transaction.

In the period of nine months ended 30 September 2023, no other changes were made to other active hedging strategies.

In 2022, the Group introduced two new hedging strategies to hedge fair value volatility.

CARRYING AMOUNT OF HEDGING INSTRUMENTS	30.09.2023		31.12.2022	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	**687**	**3 108**	**888**	**7 336**
interest rate risk – IRS	142	2 518	31	6 507
foreign exchange risk and interest rate risk – CIRS	545	590	857	829
Fair value hedges	**675**	**90**	**154**	**133**
interest rate risk – IRS	675	90	154	133
Total	1 362	3 198	1 042	7 469

(IN PLN MILLION)

- **CASH FLOW HEDGES**

CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO CASH FLOW HEDGES AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022 (restated)**	3 quarters period from 01.01.2022 to 30.09.2022 (restated)**
Accumulated other comprehensive income at the beginning of the period, net	**(3 164)**	**(5 218)**	**(7 455)**	**(3 699)**
Impact on other comprehensive income during the period, gross	**1 328**	**3 865**	**1 045**	**(3 584)**
Gains/losses recognized in other comprehensive income during the period	735	427	(1 359)	(6 580)
Amounts transferred from other comprehensive income to the income statement, of which:	593	3 438	2 404	2 996
- net interest income	904	3 112	1 222	2 343
- net foreign exchange gains/ (losses)	(311)	326	1 182	653
Tax effect	**(251)**	**(734)**	**(207)**	**666**
Accumulated other comprehensive income at the end of the period, net	**(2 087)**	**(2 087)**	**(6 617)**	**(6 617)**
Ineffective portion of cash flow hedges recognized in the income statements:	**1**	**(3)**	**(3)**	**(2)**
Foreign exchange gains/ (losses)	1	(2)	(3)	(2)
Gains/(losses) on financial transactions	-	(1)	-	-

- **FAIR VALUE HEDGES**

INTEREST RATE AND FOREIGN EXCHANGE RISK HEDGES	30.09.2023	31.12.2022
Fair value measurement of the hedging derivative instrument – Interest rate risk hedge – fixed - float IRSs	**586**	**20**
Fair value adjustment of the hedged instrument attributable to the hedged risk – Interest rate risk hedge	**(381)**	**(51)**
Securities	(30)	(30)
Loans and advances to customers	(4)	(8)
Fair value adjustment recognized in OCI	(39)	(69)
Amounts due to customers	(308)	56

- **OTHER DERIVATIVE INSTRUMENTS**

OTHER DERIVATIVE INSTRUMENTS - BY TYPE	30.09.2023		31.12.2022	
	Assets	Liabilities	Assets	Liabilities
IRS	4 852	4 727	8 275	8 101
CIRS	56	79	408	350
FX Swap	1 354	1 372	1 245	1 039
Options	780	851	842	926
Commodity swap[1]	230	222	1 380	1 384
FRA	75	78	24	24
Forward	907	622	577	799
Commodity Forward[2]	360	315	404	355
Other	5	-	7	-
Total	**8 619**	**8 266**	**13 162**	**12 978**

[1] The item includes valuation of gas market participation contracts: assets of PLN 136 million (PLN 1 229 million as at 31 December 2022) – and liabilities of PLN 134 million (PLN 1 237 million as at 31 December 2022).
[2] The item includes valuation of contracts for CO_2 emission allowances.

(IN PLN MILLION)

NOMINAL AMOUNTS OF UNDERLYING INSTRUMENTS (BUY AND SELL TOGETHER) hedging instruments and other derivative instruments	30.09.2023	31.12.2022
IRS	**507 180**	**578 650**
hedging instruments	**147 316**	**177 294**
purchase	73 658	88 647
sale	73 658	88 647
other	359 864	**401 356**
purchase	179 932	200 678
sale	179 932	200 678
CIRS	**30 444**	**76 704**
hedging instruments	**21 232**	**26 522**
purchase	10 652	13 426
sale	10 580	13 096
other	9 212	50 182
purchase	4 600	24 906
sale	4 612	25 276
FX Swap	**107 059**	**132 805**
purchase of currencies	53 450	66 532
sale of currencies	53 609	66 273
Options	**115 080**	**162 159**
purchase	57 468	80 923
sale	57 612	81 236
FRA	**38 293**	**40 823**
purchase	19 819	20 948
sale	18 474	19 875
Forward	**61 430**	**69 996**
purchase of currencies	30 919	34 913
sale of currencies	30 511	35 083
Other, including commodity swap, commodity forward and futures	**12 053**	**10 390**
purchase	6 055	5 211
sale	5 998	5 179
Total	**871 539**	**1 071 527**

(IN PLN MILLION)

24. SECURITIES

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

SECURITIES 30.09.2023	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
Debt securities	**460**	**610**	**92 883**	**80 696**	**174 649**
NBP money bills	-	-	16 483	-	16 483
Treasury bonds (in PLN)	365	234	50 972	56 366	107 937
Treasury bonds (in foreign currencies)	2	308	4 540	1 044	5 894
corporate bonds (in PLN) secured with the State Treasury guarantees	5	-	10 054	12 083	22 142
municipal bonds (in PLN)	14	-	5 334	7 038	12 386
corporate bonds (in PLN)[1]	74	68	2 561	2 425	5 128
corporate bonds (in foreign currencies)[2]	-	-	2 939	1 740	4 679
Equity securities	**36**	**1 009**	**-**	**-**	**1 045**
shares in other entities - not listed	-	324	-	-	324
shares in other entities - listed	33	111	-	-	144
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	3	574	-	-	577
Total (excluding adjustment relating to fair value hedge accounting)	**496**	**1 619**	**92 883**	**80 696**	**175 694**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	-	-	(30)	(30)
Total	**496**	**1 619**	**92 883**	**80 666**	**175 664**

[1,2] The item includes bonds of international financial organizations of PLN 3 605 million and PLN 2 552 million.

(IN PLN MILLION)

SECURITIES 31.12.2022	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
Debt securities	**164**	**578**	**65 211**	**68 556**	**134 509**
NBP money bills	-	-	80	-	80
Treasury bonds (in PLN)	89	191	43 066	45 893	89 239
Treasury bonds (in foreign currencies)	2	321	4 397	713	5 433
corporate bonds (in PLN) secured with the State Treasury guarantees	3	-	9 373	12 100	21 476
municipal bonds (in PLN)	14	-	5 054	6 182	11 250
corporate bonds (in PLN)[1]	56	66	2 852	1 989	4 963
corporate bonds (in foreign currencies)	-	-	389	1 679	2 068
Equity securities	**29**	**1 124**	**-**	**-**	**1 153**
shares in other entities - not listed	-	358	-	-	358
shares in other entities - listed	27	115	-	-	142
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	651	-	-	653
Total (excluding adjustment relating to fair value hedge accounting)	**193**	**1 702**	**65 211**	**68 556**	**135 662**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	-	-	(30)	(30)
Total	**193**	**1 702**	**65 211**	**68 526**	**135 632**

[1] The item includes bonds of international financial organizations of PLN 3 550 million

Treasury bonds (in foreign currencies)	30.09.2023	31.12.2022
- Polish Treasury bonds	1 402	2 209
- Ukrainian Treasury bonds	908	420
- US Treasury bonds	3 359	2 804
- Treasury bonds of the Federal Republic of Germany	113	-
- French Treasury bonds	112	-
Total	**5 894**	**5 433**

25. LOANS AND ADVANCES TO CUSTOMERS

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

- legal risk related to potential litigation for the portfolio of mortgage loans in convertible currencies and existing legal claims related to loan exposures recognized as at the balance sheet date in the statement of financial position (see "Cost of legal risk of mortgage loans in convertible currencies");
- the so-called statutory credit holidays, recognized in the second half of 2022.

  THE STATUTORY CREDIT HOLIDAYS were introduced by the Act of 7 July 2022 on the crowdfunding of business ventures and on assistance for borrowers of 14 July 2022 (hereinafter: the "Act"), containing a package of assistance for mortgage borrowers. According to the Act, statutory credit holidays apply to mortgage loans granted in Polish zloty and provide the possibility to suspend loan repayment for up to 8 months between 2022 and 2023 – two months in each of Q3 and Q4 of 2022 and one month in each of the four quarters of 2023. The loan repayment suspension can be used by the customer if the agreement was concluded before 1 July 2022 and the loan period ends after 31 December 2022. Credit holidays can only be used for one loan. The repayment schedule of loan instalments is extended by the number of credit holiday months used.

  The Group believes that the entitlement of customers to benefit from the suspension of loan repayments is2 a statutory cash flow modification that occurs on the date the Act has been signed by the President, i.e. 14 July 2022.

  In the second half of 2022, the Group adjusted the gross carrying amount of mortgage loans by deducting interest income. The value of the adjustment was determined as the difference between the present value of the estimated cash flows resulting from the loan agreements, taking into account the suspension of instalment payments, and the present gross carrying amount of the loan portfolio. The loss calculation is based on the assumption that approximately 63% of customers holding a PLN-denominated mortgage loan will choose to benefit from credit holidays (customer participation rate).

  By the end of September 2023, 297.5 thousand of the Group's customers applied for a suspension of mortgage repayment, representing 54% of the total number of loans and 65% of the gross carrying amount of total loans eligible for credit holidays. The total number of suspensions applied for as at 30 September 2023 was 2 094 thousand (including suspensions in Q3-Q4 2023 amounting to 252.3 thousand), representing 48% of the maximum number of instalments to be suspended for all eligible customers.

  As at 30 September 2023, the Group has estimated the level of credit holiday loss in terms of value, using the following assumptions:

  1) the level of customer participation in credit holidays in 2023 will be similar to that in 2022 – this analysis is based on a breakdown of customers into 4 groups illustrating their level of activity to date, on the basis of which the potential level of activity for 2023 has been determined;
  2) for the group of customers who applied for credit holidays in 2022 and in the first half of 2023 but did not apply for suspensions of principal and interest instalments for the second half of 2023 at, an interest rate revaluation effect was taken into account;
  3) the loss on all principal and interest instalment suspensions effected in 2022 and up to the third quarter of 2023 and requested for the fourth quarter of 2023 was reduced by the effect of prepayments observed on the basis of customer behaviour from July 2022 and projected for the fourth quarter of 2023;
  4) on the basis of monthly data on the inflow of new applications to date, the trend of applications that may arrive by the end of the programme was established on the basis of which the potential loss was estimated.

  The total impact of credit holidays recognised in the Group's accounting records amounted to PLN 3 111 million, unchanged from the loss recognised in the second half of 2022.

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

The sensitivity of the loss amount to a +/- 10 pp change in the customer participation rate is presented in the table below:

IMPACT ON CREDIT HOLIDAY LOSS	increase in customer participation rate	decrease in customer participation rate
"+" increase; "()" decrease by 10 p.p.	482	(482)
"+" increase; "()" decrease by 5 p.p.	241	(241)
"+" increase; "()" decrease by 3 p.p.	147	(147)

In addition, the Group adjusts the gross carrying amount of residential and consumer loans measured at amortised cost by recognising the impact of potential commission reimbursements to customers for the expected early repayment of active consumer and mortgage loans in the future.

FINANCIAL INFORMATION

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

LOANS AND ADVANCES TO CUSTOMERS 30.09.2023	not held for trading, measured at fair value through profit or loss	measured at amortized cost	Total
retail and private banking	**2 895**	**131 158**	**134 053**
real estate	2	102 015	102 017
consumer	2 893	29 052	31 945
finance lease receivables	-	91	91
companies and enterprises	**53**	**31 610**	**31 663**
real estate	-	5 144	5 144
business	53	14 064	14 117
factoring receivables	-	60	60
finance lease receivables	-	12 342	12 342
corporate	**27**	**74 004**	**74 031**
real estate	-	146	146
business	27	63 426	63 453
factoring receivables	-	3 816	3 816
finance lease receivables	-	6 616	6 616
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**2 975**	**236 772**	**239 747**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	(4)	(4)
Total	**2 975**	**236 768**	**239 743**

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

LOANS AND ADVANCES TO CUSTOMERS 31.12.2022	not held for trading, measured at fair value through profit or loss	measured at amortized cost	Total
retail and private banking	**3 505**	**131 112**	**134 617**
real estate[1]	4	103 637	103 641
konsumpcyjne1	3 501	27 382	30 883
finance lease receivables[1]	-	93	93
companies and enterprises	**44**	**31 316**	**31 360**
real estate	-	5 382	5 382
business	44	13 496	13 540
factoring receivables	-	243	243
finance lease receivables[1]	-	12 195	12 195
corporate	**41**	**66 949**	**66 990**
real estate	-	118	118
business	41	57 607	57 648
factoring receivables	-	3 348	3 348
finance lease receivables[1]	-	5 876	5 876
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**3 590**	**229 377**	**232 967**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	-	(8)	(8)
Total	3 590	229 369	232 959

[1] Loans and advances to customers as at 31 December 2022 have been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

26. AMOUNTS DUE TO BANKS

AMOUNTS DUE TO BANKS	30.09.2023	31.12.2022
Measured at fair value through profit or loss:	**1**	**2**
Liabilities in respect of a short position in securities	1	2
Measured at amortized cost	**3 571**	**3 009**
Deposits from banks	1 569	1 936
Current accounts	1 983	1 057
Other monetary market deposits	19	16
Total	3 572	3 011

(IN PLN MILLION)

27. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS 30.09.2023	Amounts due to households	Amounts due to business entities	Amounts due to state budget entities	Total
Measured at fair value through profit or loss	**158**	**50**	**13**	**221**
Liabilities in respect of a short position in securities	-	50	13	63
Liabilities in respect of insurance products	158	-	-	158
Measured at amortized cost	**297 564**	**64 289**	**14 116**	**375 969**
Cash on current accounts and overnight deposits of which	192 591	43 297	11 893	247 781
savings accounts and other interest-bearing assets	45 534	16 496	5 810	67 840
Term deposits	104 363	20 312	2 163	126 838
Other liabilities	592	680	60	1 332
Liabilities in respect of insurance products	18	-	-	18
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**297 722**	**64 339**	**14 129**	**376 190**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	308	-	-	308
Total	298 030	64 339	14 129	376 498

AMOUNTS DUE TO CUSTOMERS 31.12.2022	Amounts due to households	Amounts due to business entities	Amounts due to state budget entities	Total
Measured at fair value through profit or loss	**149**	**5**	**-**	**154**
Liabilities in respect of a short position in securities	-	5	-	5
Liabilities in respect of insurance products[1]	149	-	-	149
Measured at amortized cost	**262 948**	**58 634**	**17 188**	**338 770**
Cash on current accounts and overnight deposits of which	180 298	40 290	16 224	236 812
savings accounts and other interest-bearing assets	41 953	12 933	11 615	66 501
Term deposits	82 127	17 748	913	100 788
Other liabilities	505	596	51	1 152
Liabilities in respect of insurance products	18	-	-	18
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**263 097**	**58 639**	**17 188**	**338 924**
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	(56)	-	-	(56)
Total	263 041	58 639	17 188	338 868

[1]Liabilities in respect of insurance products as at 31 December 2022 have been adjusted for the implementation of IFRS 17 "Insurance Contracts" (see note 8 "IFRS 17 Insurance Contracts")

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

AMOUNTS DUE TO CUSTOMERS BY SEGMENT	30.09.2023	31.12.2022
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	376 190	338 924
retail and private banking	268 513	234 382
corporate	58 238	55 812
companies and enterprises	49 262	48 562
other liabilities (including liabilities in respect of insurance products)	177	168
Adjustment relating to fair value hedge accounting (note "Hedge accounting and other derivative instruments")	308	(56)
Total	376 498	338 868

28. Financing received

FINANCING RECEIVED	30.09.2023	31.12.2022
Loans and advances received from:	**1 798**	**2 294**
banks	64	309
international financial organisations	1 722	1 972
other financial institutions	12	13
Liabilities in respect of debt securities in issue:	**17 437**	**15 510**
mortgage covered bonds issued by PKO Bank Hipoteczny S.A.	10 105	12 057
bonds issued by PKO Bank Hipoteczny S.A.	1 825	1 265
bonds issued by PKO Bank Polski S.A.	3 595	-
bonds issued by the PKO Leasing S.A. Group	1 912	2 188
Subordinated liabilities	**2 719**	**2 781**
Total	21 954	20 585

- ### Loans and advances received

In the nine-month period ended 30 September 2023, the Group did not contract any new loans. At the same time, the Group repaid loans amounting to EUR 33 million and PLN 330 million.

- ### Covered bonds and bonds issued by PKO Bank Hipoteczny S.A.

In the nine-month period ended 30 September 2023, the company issued new covered bonds in the amount of PLN 999 million and redeemed covered bonds in the amount of PLN 2 859 million, as well as issued new bonds in the amount of PLN 2 050 million and redeemed bonds in the amount of PLN 1 567 million.

- ### Bonds issued by PKO Bank Polski S.A.

On 8 August 2022, the Management Board of the Bank approved the establishment of a programme for the issue of Eurobonds by the Bank as the issuer (the Euro Medium Term Notes Programme – the "EMTN Programme") of up to EUR 4 billion. Under the EMTN Programme, it will be possible to issue unsecured Eurobonds in any currency, including those in respect of which obligations may be classified as eligible liabilities or as the Bank's own funds.

Bonds issued under the EMTN Programme will be registered with the international central securities depository (ICSD) operated by Euroclear Bank SA/NV or Clearstream Banking société anonyme. The Bank may apply for admission of individual series of Eurobonds to trading on a regulated market operated by the Luxembourg Stock Exchange, the Warsaw Stock Exchange.

(IN PLN MILLION)

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

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

On 1 February 2023, the Bank, as part of its inaugural EMTN issue allowing it to cover the senior portion of the requirement (being the difference between the MREL requirements denominated on a consolidated basis and the MREL on a stand-alone basis), issued 3-year Senior Preferred Notes with a total value of EUR 750 million, with the possibility of early redemption two years after the issue. The coupon of the issue is fixed, at 5.625%, payable annually until the early redemption date, and variable thereafter, with quarterly payments. Moody's Investors Service has assigned a rating of A3 to the issue. The bonds were admitted to trading on a regulated market on the Luxembourg Stock Exchange and the Warsaw Stock Exchange.

- **BONDS ISSUED BY THE PKO LEASING S.A. GROUP**

In the nine-month period ended 30 September 2023, the company issued new bonds amounting to PLN 3 556 million and redeemed bonds amounting to PLN 3 841 million.

- **SUBORDINATED LIABILITIES OF PKO BANK POLSKI S.A. (SUBORDINATED BONDS)**

Notional amount	Currency	Interest rate	Period	Carrying amount	
				30.09.2023	31.12.2022
1,000	PLN	6M WIBOR +0.0150	05.03.2018 - 06.03.2028	1 006	1 029
1,700	PLN	6M WIBOR +0.0155	28.08.2017 - 28.08.2027	1 713	1 752
TOTAL				2 719	2 781

(IN PLN MILLION)

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

29. ASSETS AND LIABILITIES IN RESPECT OF INSURANCE ACTIVITIES AND NET INCOME FROM INSURANCE BUSINESS

NET INCOME FROM INSURANCE BUSINESS	2023-01-01 - 2023-09-30				2022-01-01 - 2022-09-30			
	Property – protection insurance	Life – protection insurance	Other	Total	Property – protection insurance	Life – protection insurance	Other	Total
Insurance revenue (net of reinsurance)	571	323	8	**902**	518	330	13	**861**
Costs of insurance activities (net of reinsurance)	(184)	(92)	1	**(275)**	(142)	(92)	-	**(234)**
Investment components excluded from insurance revenue and insurance service expenses (net of reinsurance)	(34)	(30)	(51)	**(115)**	(13)	(10)	136	**113**
Net income from reinsurance business	(28)	(8)	-	**(36)**	(20)	(5)	-	**(25)**
Change in fair value of underlying assets for contracts with direct profit sharing	-	-	50	**50**	-	-	(138)	**(138)**
Net income from insurance business in the income statement	**325**	**193**	**8**	**526**	**343**	**223**	**11**	**577**
Finance income and costs from insurance business (net of reinsurance) in other comprehensive income	(15)	(16)	-	**(31)**	12	17	-	**29**
Finance income and costs from reinsurance business in other comprehensive income	2	-	-	**2**	(2)	-	-	**(2)**
Changes in the period recognised in the income statement and in other comprehensive income	**312**	**177**	**8**	**495**	**353**	**240**	**11**	**604**

INSURANCE (NET OF REINSURANCE)	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)	Total
	Excluding the loss component	Loss component		
31 December 2022	2 690	19	169	**2 878**
30 September 2023	2 678	18	183	**2 879**

REINSURANCE	Assets on account of reinsurance (for remaining coverage, LRC)		Assets for losses incurred (LIC)	Total
	Excluding the loss component	Loss component		
31 December 2022	88	-	27	**115**
30 September 2023	61	-	32	**93**

INSURANCE (NET OF REINSURANCE)	Estimates of present value of future cash flows	Non-financial risk adjustment	Contractual service margin	Total
31 December 2022	1 466	73	1 339	2 878
30 September 2023	1 594	78	1 207	2 879

REINSURANCE	Estimates of present value of future cash flows	Non-financial risk adjustment	Contractual service margin	Total
31 December 2022	62	9	44	115
30 September 2023	48	9	36	93

(IN PLN MILLION)

30. PROVISIONS

FOR 9 MONTHS ENDED 30 SEPTEMBER 2023	Provisions for financial liabilities and guarantees granted[1]	Provisions for legal claims, excluding legal claims relating to repaid mortgage loans in convertible currencies	Provisions for legal claims against the bank relating to mortgage loans in convertible currencies[2]	Provisions for refunds of costs to customers on early repayment of consumer and mortgage loans	Provisions for pensions and other defined post-employment benefits	Restructuring	Provision for accrued holiday entitlements	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	**833**	**103**	**851**	**18**	**66**	**35**	**119**	**65**	**2 090**
Increases, including increases of existing provisions	7	10	937	-	2	-	29	3	988
Utilized amounts	-	(2)	(174)	(7)	(4)	(4)	(11)	(39)	(241)
Unused provisions reversed during the period	(128)	(2)	-	-	(2)	-	(3)	(1)	(136)
Other changes and reclassifications	(1)	(1)	-	-	-	-	(1)	-	(3)
As at the end of the period	711	108	1 614	11	62	31	133	28	2 698
Short-term provisions	559	6	-	10	7	31	132	8	753
Long-term provisions	152	102	1 614	1	55	-	1	20	1 945

[1] See note “Credit risk – financial information”.

[2] See note “Cost of legal risk of mortgage loans in convertible currencies”.

(IN PLN MILLION)

FOR 9 MONTHS ENDED 30 SEPTEMBER 2022	Provisions for financial liabilities and guarantees granted[1]	Provisions for legal claims, excluding legal claims relating to repaid mortgage loans in convertible currencies	Provisions for legal claims against the bank relating to mortgage loans in convertible currencies[2]	Provisions for refunds of costs to customers on early repayment of consumer and mortgage loans	Provisions for pensions and other defined post-employment benefits	Restructuring	Provision for accrued holiday entitlements	Other provisions, including provisions for employee disputed claims	Total
As at the beginning of the period	**675**	**106**	**595**	**17**	**57**	**47**	**111**	**49**	**1 657**
Increases, including increases of existing provisions	105	6	258	13	1	-	33	15	431
Utilized amounts	-	(6)	(96)	(10)	(4)	(7)	(12)	(29)	(164)
Unused provisions reversed during the period	(2)	(3)	-	-	(1)	-	(2)	(2)	(10)
Other changes and reclassifications	6	-	-	-	-	-	-	-	6
As at the end of the period	784	103	757	20	53	40	130	33	1 920
Short-term provisions	654	6	-	19	5	40	130	7	861
Long-term provisions	130	97	757	1	48	-	-	26	1 059

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

[2] See note "Cost of legal risk of mortgage loans in convertible currencies".

(IN PLN MILLION)

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

- **Contractual commitments**

VALUE OF CONTRACTUAL COMMITMENTS CONCERNING	30.09.2023	31.12.2022
intangible assets	91	81
property, plant and equipment	135	141
Total	226	222

- **Financial and guarantee commitments granted**

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 30.09.2023	Total	Provisions per IFRS 9	Net carrying amount
Credit lines and limits	**77 581**	**(613)**	**76 968**
real estate	4 174	(16)	4 158
business	56 918	(448)	56 470
consumer	10 840	(149)	10 691
in respect of factoring	5 083	-	5 083
in respect of finance leases	566	-	566
Other	4 277	-	4 277
Total financial commitments granted, including:	81 858	(613)	81 245
irrevocable commitments granted	32 422	(319)	32 103
Guarantees and sureties granted			
guarantees in domestic and foreign trading	10 250	(92)	10 158
to financial entities	2 684	-	2 684
to non-financial entities	7 463	(92)	7 371
to state budget entities	103	-	103
domestic corporate bonds to non-financial entities	175	-	175
domestic municipal bonds (state budget entities)	1 137	(3)	1 134
letters of credit to non-financial entities	1 400	(3)	1 397
payment guarantees to financial entities	71	-	71
Total guarantees and sureties granted, including:	13 033	(98)	12 935
irrevocable commitments granted	4 591	(83)	4 508
performance guarantee	3 305	(60)	3 245
Total financial and guarantee commitments granted	94 891	(711)	94 180

(IN PLN MILLION)

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2022	Total	Provisions per IFRS 9	Net carrying amount
Credit lines and limits	**70 380**	**(590)**	**69 790**
real estate	3 683	(21)	3 662
business	52 455	(414)	52 041
consumer	10 650	(155)	10 495
in respect of factoring	2 749	-	2 749
in respect of finance leases	843	-	843
Other	2 825	-	2 825
Total financial commitments granted, including:	73 205	(590)	72 615
irrevocable commitments granted	30 579	(301)	30 278
Guarantees and sureties granted			
guarantees in domestic and foreign trading	10 578	(236)	10 342
to financial entities	2 735	-	2 735
to non-financial entities	7 772	(236)	7 536
to public entities	71	-	71
domestic municipal bonds (state budget entities)	315	-	315
letters of credit to non-financial entities	1 514	(7)	1 507
payment guarantees to financial entities	71	-	71
Total guarantees and sureties granted, including:	12 478	(243)	12 235
irrevocable commitments granted	4 812	(234)	4 578
performance guarantee	3 640	(203)	3 437
Total financial and guarantee commitments granted	85 683	(833)	84 850

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

- OFF-BALANCE SHEET LIABILITIES RECEIVED

OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE	30.09.2023	31.12.2022
Financial	162	110
Guarantees	19 861	9 516
Total	20 023	9 626

The increase in off-balance sheet guarantee liabilities received is due, among other things, to the guarantee agreement entered into by the Group on 27 February 2023, providing unfunded credit protection in respect of a portfolio of selected corporate credit receivables of the Bank, in accordance with the CRR. The total value of the Bank's debt portfolio covered by this guarantee is over PLN 12 292 million, and the portfolio consists of the bond portfolio of PLN 1 515 million ("Portfolio A") and the portfolio of other receivables of PLN 10 777 million ("Portfolio B"). The coverage ratio is 100% for Portfolio A and 80% for Portfolio B, therefore the total Guarantee amount is PLN 10 137 million. The maximum time of coverage under the Guarantee is 60 months, however the Group is entitled to terminate the Guarantee prior to the expiry of this period.

32. LEGAL CLAIMS

As at 30 September 2023, the total value of the subject matter of litigation in court proceedings (trials) pending in which the companies belonging to the PKO Bank Polski S.A. Group were defendants amounted to PLN 11 750 million (as at 31 December 2022: PLN 8 254 million), and the total value of the subject matter of litigation in court proceedings (trials) pending in which the companies belonging to the PKO Bank Polski S.A. Group were claimants as at 30 September 2023 was PLN 2 859 million (as at 31 December 2022: PLN 2 808 million).

- **LITIGATION AGAINST THE BANK RELATING TO MORTGAGE LOANS IN CONVERTIBLE CURRENCIES**

As at 30 September 2023, 27 773 on court proceedings were pending against the Bank (as at 31 December 2022: 19 522) relating to mortgage loans granted in previous years in foreign currency with a total value in dispute of PLN 10 656 million (as at 31 December 2022: PLN 7 725 million), including one group proceeding with 72 loan agreements. The subject matter of the Bank's clients' actions is mainly claims for declaration of invalidity of an agreement or for payment of amounts paid by the client to the Bank in performance of an invalid agreement. Customers allege abusive provisions or that the agreements are contrary to the law. None of the clauses used by the Bank in the agreements was entered in the register of prohibited contractual clauses. The number of lawsuits filed by customers against the Bank is significantly influenced by the intensive advertising campaign of law firms, which encourages borrowers to commission to them – for a fee – conducting cases against banks.

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

As at 30 September 2023, 2 125 final rulings have been issued by the courts in cases against the Bank (including 2 082 rulings after 3 October 2019). 128 of these rulings (including in 87 rulings issued after 3 October 2019) are favourable for the Bank.

On 29 January 2021, in connection with the discrepancies in the interpretation of legal provisions in the jurisprudence of the Supreme Court and common courts and in order to ensure the uniformity of jurisprudence, the First President of the Supreme Court submitted a request for the full panel of the Civil Chamber of the Supreme Court to resolve the following legal issues concerning the subject of loans denominated and indexed in foreign currencies (legal basis: Article 83 § 1 of the Act of 8 December 2017 on the Supreme Court):

1. If a provision of an indexed or denominated loan agreement relating to the method of determining the foreign currency exchange rate is found to constitute an illicit contractual provision and is not binding on the consumer – is it then possible to assume that another method of determining the foreign currency exchange rate resulting from law or custom takes its place?

If the above question is answered in the negative:

2. In the event that it is impossible to establish a foreign currency exchange rate binding on the parties in a loan agreement indexed to such a currency, can the remainder of the agreement still be binding for the parties?
3. If it is not possible to establish a binding rate for a foreign currency in a loan agreement denominated in a foreign currency, can the remainder of the agreement still be binding for the parties?

Notwithstanding the content of the answers to questions 1 to 3:

4. In the event of the invalidity or ineffectiveness of a loan agreement, in the performance of which the bank disbursed to the borrower all or part of the amount of the loan and the borrower made repayments of the loan, do separate claims for wrongful performance arise for each of the parties, or does only a single claim arise, equal to the difference in performance, for the party whose total performance was higher?
5. Where a loan agreement is invalid or ineffective as a result of the unlawful nature of certain of its terms, does the limitation period for the bank's claim for repayment of the sums paid under the loan begin to run from the time at which those sums were paid?
6. If, in the case of the invalidity or ineffectiveness of a loan agreement, either party has a claim for repayment of a performance made in performance of that agreement, may that party also claim a fee for the use of its funds by the other party?

A session of the full composition of the Civil Chamber for the examination of the aforementioned application was held on 11 May 2021. Before passing its resolution, the Supreme Court decided to consult five public institutions. Their opinions were prepared and sent to the Supreme Court. On 2 September 2021, the Supreme Court decided to apply to the CJEU for preliminary rulings on questions relating to the judicial system, which do not directly concern the issue of foreign currency loans.

In 2021, two resolutions of the Supreme Court and one ruling of the Court of Justice of the European Union were issued, which are significant from the perspective of the claims of Swiss franc borrowers. On 7 May 2021, the Supreme Court, represented by 7 judges of the Civil Chamber, passed the following resolution in case III CZP 6/21:

1) A prohibited contractual clause (Article 385^1 § 1 of the Civil Code) is, from the beginning, by operation of law, ineffective in favour of the consumer, who may however subsequently grant an informed and voluntary consent for such a clause and thus make it effective retrospectively.
2) If a loan agreement cannot be binding without the ineffective clause, the consumer and the lender are entitled to bring separate claims for repayment of the benefits provided in the performance of the agreement (Article 410 § 1 in conjunction with Article 405 of the Civil Code). The lender may claim repayment of the benefit from the moment the loan agreement became permanently ineffective.

The resolution has the force of a legal rule, which means that an ordinary panel of the Supreme Court may not withdraw from the interpretation presented in an earlier resolution that has the force of a legal rule. If any panel of the Supreme Court intends to withdraw from a legal rule, it must present the legal issue for resolution to the full panel of the Chamber. In its justification for the said resolution, the Supreme Court referred to an earlier opinion (resolution III CZP 11/20 dated 16 February 2021) that the period of limitation of claims resulting from a loan agreement which is invalid due to the elimination of abusive clauses commences after the consumer has expressed informed consent not to be bound by the abusive clauses. The Supreme Court decided that since a consumer has the right to remedy an abusive contractual clause and express his/her willingness to be bound by it, the lender cannot be certain whether the agreement is effective until the consumer makes such a decision, and the agreement is ineffective (suspended) until such time. The lender's claims may not arise before such ineffectiveness (suspension) ceases to exist (which generally occurs as a result of the borrower's statement), and therefore the period of limitation commences at that moment.

Taking into account the content of the Supreme Court's resolution III CZP 6/21 and the non-uniform decisions of the common courts made against it, the Bank has filed lawsuits against customers whose agreements have been validly annulled, or whose lawsuits were served on the Bank before 31 December 2019, for reimbursement of amounts disbursed in connection with the conclusion of an agreement whose validity has been questioned.

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

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

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

As at 30 September 2023, 61 court proceedings were pending against the Bank, in which customers challenge that the mortgage agreement was based on a floating interest rate structure and the rules for setting the WIBOR benchmark rate. The Bank disputes the validity of the claims raised in these cases.

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

As at 30 September 2023, there were 866 court proceedings pending against the Bank relating to the free credit sanction, with a total value in dispute of PLN 15.4 million. These proceedings are initiated by customers or entities that have acquired receivables from them and relate to the provisions of cash loan agreements. The Bank disputes the validity of the claims raised in these cases. The case law to date is largely in favour of the Bank.

- **ACTIVITIES OF THE GROUP UNDERTAKEN IN CONNECTION WITH A PROPOSAL OF THE CHAIR OF THE POLISH FINANCIAL SUPERVISION AUTHORITY AND THE EXPECTED MEETING OF THE SUPREME COURT REGARDING LOANS GRANTED IN FOREIGN CURRENCIES.**

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

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

On 23 April 2021, the Extraordinary General Shareholders' Meeting approved the possibility of offering settlement agreements to the customers. Subsequently, by a resolution dated 27 May 2021, the Supervisory Board approved the terms and conditions for offering settlement agreements proposed by the PFSA Chair. The process of amicable resolution of disputes concerning the validity of housing loan agreements was launched on 4 October 2021. The settlements are offered during mediation proceedings conducted by the Mediation Centre of the PFSA Court of Arbitration, during court proceedings and during proceedings initiated by a motion for settlement (see note: COST OF LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES).

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

Two proceedings have been brought before the President of UOKiK ex officio and are currently in progress:

- Proceedings initiated on 26 July 2017 concerning using practices which violate the collective interests of customers. The Bank is charged with collecting higher instalments on loans and advances denominated in foreign currencies than those arising from the information on foreign exchange risk presented to the consumers before concluding agreements and transferring potential foreign exchange risk to the consumers. The Bank responded to the charges in its letter of 23 September 2017. In a letter dated 14 March 2019, the President of UOKiK asked the Bank 16 detailed questions in order to establish the circumstances that are necessary to resolve the case to which the Bank replied by letter dated 10 May 2019. In a letter of 9 June 2021, the President of UOKiK extended the deadline for concluding the proceedings until 30 September 2021. By the decision of 18 November 2021, the President of UOKiK called on the Bank to provide further information, extending the deadline for concluding the proceedings to 31 December 2021. The Bank fulfilled the UOKiK President's request on 6 December 2021. As at 30 September 2023, the Group had not set up a provision for these proceedings.

- Proceedings initiated on 12 March 2019 on the acknowledgement that the provisions of the template agreement are inadmissible. The proceedings are related to modification clauses which specify the circumstances in which the Bank is entitled to amend the terms and conditions of the agreement, including the amount of fees and commission. In the opinion of the President of UOKiK the modification clauses applied by the Bank give the Bank unilateral unlimited and arbitrary possibilities of modifying the execution of the agreement. Consequently, the President of UOKiK is of the opinion that the clauses applied by the Bank shape the rights and obligations of the consumers in a way that is contrary to good practice and are a gross violation of their interests, which justifies the conclusion that they are abusive. In a letter of 31 May 2019, the Bank commented on the allegations of the President of UOKiK, indicating that they are unfounded. The Bank pointed out, among other things, that the contested clauses are specific and they precisely define the circumstances entitling the Bank to change the template. By order of 7 June 2022, UOKiK summoned the Bank to provide a range of information regarding the disputed clauses, the Bank's turnover and the revenue generated from changes in fees and commissions based on the disputed clauses. The UOKiK summons was implemented on 11 July and 30 September 2022. By subsequent orders, the President of UOKiK extended the deadline for the completion of the proceedings. The current deadline indicated by the President of UOKiK is 29 December 2023. As at 30 September 2023, the Group had not set up a provision for these proceedings.

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

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

- **PROCEEDINGS ON SPREAD CLAUSES**

The proceedings were initiated by the Bank's appeal (submitted on 13 November 2020) against the decision of the President of UOKiK dated 16 October 2020. In the said decision, the President of UOKiK declared the provisions of the template agreement "Annex to the housing loan/mortgage loan agreement" in the section "Appendix to the annex 'Rules for determining foreign exchange spreads at PKO BP S.A.'" as inadmissible provisions and prohibited their use. In addition, the President of UOKiK ordered that all consumers being parties to the assessed annexes about the decision to declare them inadmissible and its consequences be informed no later than within nine months from the effective date of the decision and ordered that a declaration be published whose text was indicated in the decision on the Bank's website not later than 1 month from the effective date of the decision and to keep it there for 4 months. Furthermore, the President of UOKiK imposed a fine on the Bank of PLN 41 million, payable to the Financial Education Fund.

In its appeal against that decision, the Bank requested that the decision be amended by finding that there had been no breach of the ban on the use of prohibited contractual clauses, or by discontinuing the proceedings. It was also requested that the decision be annulled or amended by waiving or substantially reducing the fine. The appeal raised a number of substantive and procedural grounds of appeal. The Bank's main arguments consist in pointing out that the decision of the President of UOKiK is a manifestation of unlawful and groundless interference with the Bank's pricing policy, pointing out that there are no substantive grounds for the intervention of the President of UOKiK, i.e. there are no grounds for concluding that the Bank applied prohibited contractual provisions, and pointing out that the penalty imposed on the Bank is abnormally high. In response to the appeal, the President of UOKiK sustained the position expressed in the decision appealed against. In a judgment of 10 October 2023, the Court of Competition and Consumer Protection overturned the decision of the President of UOKiK in its entirety. The judgment is not final. As at 30 September 2023 the Group recorded a provision for this litigation of PLN 41 million.

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

The Bank is a party to proceedings initiated by the President of UOKiK on the basis of a decision dated 23 April 2001 upon the request of the Polish Trade and Distribution Organization – Employers Association (Polska Organizacja Handlu i Dystrybucji – Związek Pracodawców) against operators of the Visa and Europay payment systems and banks issuing Visa and Europay/ Eurocard/ Mastercard banking cards.

The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed "interchange" fees for transactions made using the Visa and Europay/Eurocard/Mastercard cards as well as limiting access to this market for external entities. On 29 December 2006, the UOKiK recognised practices involving the joint determination of interchange fees as restrictive of competition and ordered them to be abandoned, at the same time imposing, inter alia, a fine of PLN 16.6 million on the Bank. The Bank appealed against the decision of the President of UOKiK to the Court for Competition and Consumer Protection (Sąd Ochrony Konkurencji i Konsumentów - SOKiK). In its ruling dated 21 November 2013, SOKiK reduced the penalty imposed on the Bank to PLN 10.4 million.

The parties to the proceedings appealed against the ruling. The Court of Appeal in Warsaw in its ruling dated 6 October 2015 reinstated the initial amount of the imposed fines set in the decision of the UOKiK, i.e. the fine of PLN 16.6 million (the fine imposed on PKO Bank Polski S.A.) and the fine of PLN 4.8 million (the fine imposed on Nordea Bank Polska S.A., and PKO Bank Polski S.A. is a legal successor of Nordea Bank Polska SA through a merger under Article 492 § 1(1) of the Commercial Companies Code). The Bank paid the fine in October 2015. As a result of a cassation appeal brought by the Bank, the Supreme Court in a ruling dated 25 October 2017 annulled the contested ruling of the Court of Appeal in Warsaw and submitted the case for re-examination. The fine paid by the Bank was reimbursed to the Bank on 21 March 2018. On 23 November 2020, the Court of Appeal in Warsaw issued a ruling in which it revoked the ruling of the District Court in Warsaw dated 21 November 2013 and submitted it for re-examination. The case is currently proceeding at first instance before the Warsaw District Court. As at 30 September 2023 the Group recorded a provision for this litigation of PLN 21 million.

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

- Administrative proceedings initiated ex officio by the Polish Financial Supervision Authority (PFSA) are pending against the Bank. According to the PFSA's letters, irregularities have been identified which indicate that the Bank (as an insurance agent) has breached the legislation on the organisation and supervision of agency activities at the insurance agent's premises, to the extent related to the fulfilment of the obligation of professional development by individuals performing agency activities on behalf of the Bank. In the course of the proceedings, the Bank took steps to rectify the irregularities in the area of supervision of the performance of agency activities by individuals acting on behalf of the Bank, including with regard to compliance with the fulfilment of continuing professional development obligations by such individuals in subsequent years. The proceedings have been extended several times, most recently by an order of 1 September 2023 for an additional period of three months. Formally, the PFSA has not formulated the specific allegations underlying the proceedings.
- The PFSA is conducting proceedings to impose an administrative penalty on the Bank, which conducts brokerage activities through an organisationally separate unit - the Brokerage Office - in connection with a suspected failure to comply with its obligations in the area of anti-money laundering and terrorist financing (hereinafter: "AML"). The Bank responded to the PFSA's request for written explanations regarding the scale of benefits achieved or losses avoided by the Bank in connection with violations of the AML Act, losses incurred by third parties in connection with violations of the AML Act, possible administrative penalties imposed under the provisions of the AML Act. In addition, the PFSA forwarded to the Bank's attention a letter addressed to the General Inspectorate of Financial Information (GIIF) requesting information on the Bank's violations of the AML Act to date. On 24 August 2023, the PFSA communicated a notice that, due to the need for an in-depth analysis of the evidence collected, the administrative proceedings are scheduled to be completed by 30 October 2023.

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

The Bank was served eight summons to participate, as an outside intervener on the defendant's side, in cases relating to the interchange fees. Other banks are defendants in the case and, in some cases, also card organisations. At present, the claims vis-à-vis the sued banks total PLN 898 million and are pursued as damages for differences in interchange fees resulting from applying practices that restrict competition. Since these proceedings are not pending against the Bank, their value was not included in the total value of the cases against the Bank.

If the courts find the claims justified, the defendants may claim recourse in separate court proceedings from other banks, including from PKO Bank Polski S.A. As at 30 September 2023, the Bank joined eight proceedings as an outside intervener. Two of these proceedings resulted in final judgments in favour of the defendants dismissing the plaintiffs' claims, another two in non-final judgments dismissing the claim in its entirety and one in a non-final judgment dismissing the claim to a significant extent. The claims were dismissed as the statute of limitations was upheld.

(IN PLN MILLION)

- **RE-PRIVATIZATION CLAIMS RELATING TO PROPERTIES HELD BY THE GROUP**

As at the date of the consolidated financial statements, there are:

- two proceedings to which the Bank is a party. In one proceeding, the Bank filed a cassation appeal against an unfavourable final judgment dismissing the Bank's claims. The second proceeding, concerning the annulment of the decision refusing to grant the applicant temporary ownership of the Bank's property, is pending before the Supreme Administrative Court, as the other party has filed a cassation appeal.
- three proceedings, two of which are suspended, to which the other Bank Group companies are parties. Two proceedings are at the administrative stage, one at the judicial and administrative stage.

The probability of serious claims arising against the Group as a result of the aforesaid proceedings is low.

33. SHAREHOLDING STRUCTURE OF THE BANK

According to information held by PKO Bank Polski S.A, as at the date of the report, there are three shareholders holding directly or indirectly significant blocks of shares (at least 5%): The State Treasury, Nationale Nederlanden Open Pension Fund and the Allianz Open Pension Fund group.

According to the information available as at 30 September 2023, the Bank's shareholding structure is as follows:

ENTITY NAME	number of shares	% of votes	Nominal value of 1 share	Ownership interest (%)
As at 30 September 2023				
State Treasury	367 918 980	29.43%	PLN 1	29.43%
Nationale Nederlanden Open Pension Fund[1]	113 978 220	9.12%	PLN 1	9.12%
Allianz Open Pension Fund Group[1]	104 137 594	8.33%	PLN 1	8.33%
Other shareholders[3]	663 965 206	53.12%	PLN 1	53.12%
Total	**1 250 000 000**	**100.00%**	**---**	**100.00%**
As at 31 December 2022				
State Treasury	367 918 980	29.43%	PLN 1	29.43%
Nationale Nederlanden Open Pension Fund[1]	108 266 112	8.66%	PLN 1	8.66%
Allianz fund group[1,2]	106 567 559	8.53%	PLN 1	8.53%
Other shareholders[3]	667 247 349	53.38%	PLN 1	53.38%
Total	**1 250 000 000**	**100.00%**	**---**	**100.00%**

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

[2] The group includes: Allianz Polska Open Pensions Fund, Allianz Polska Voluntary Pension Fund, Drugi Allianz Polska Open Pension Fund.

[3] Including Bank Gospodarstwa Krajowego, which as at 30 September 2023 and 31 December 2022 held 24 487 297 shares carrying 1.96% of the votes at the GSM.

(IN PLN MILLION)

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

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

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

In the nine-month period ended 30 September 2023 and in 2022, there were no changes in the amount of the share capital of PKO Bank Polski S.A. Shares of PKO Bank Polski S.A. issued are not preference shares and are fully paid up.

FAIR VALUE OF FINANCIAL INSTRUMENTS

34. FAIR VALUE HIERARCHY

ASSETS MEASURED AT FAIR VALUE 30.09.2023	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Hedging derivatives	1 362	-	1 362	-
Other derivative instruments	8 619	2	8 617	-
Securities	94 998	85 257	9 085	656
held for trading	**496**	**487**	**-**	**9**
debt securities	460	451	-	9
shares in other entities - listed	33	33	-	-
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	3	3	-	-
not held for trading, measured at fair value through profit or loss	**1 619**	**1 123**	**126**	**370**
debt securities	610	542	21	47
shares in other entities - listed	111	111	-	-
shares in other entities - not listed	324	-	1	323
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	574	470	104	-
measured at fair value through other comprehensive income (debt securities)	**92 883**	**83 647**	**8 959**	**277**
Loans and advances to customers	2 975	-	-	2 975
not held for trading, measured at fair value through profit or loss	**2 975**	**-**	**-**	**2 975**
housing loans	2	-	-	2
business loans	80	-	-	80
consumer loans	2 893	-	-	2 893
Total financial assets measured at fair value	107 954	85 259	19 064	3 631

(IN PLN MILLION)

LIABILITIES MEASURED AT FAIR VALUE 30.09.2023	Carrying amount	Level 1 Prices quoted on active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
Hedging derivatives	3 198	-	3 198	-
Other derivative instruments	8 266	1	8 265	-
Liabilities in respect of a short position in securities	64	64	-	-
Liabilities in respect of insurance products	158	-	158	-
Total financial liabilities measured at fair value	11 686	65	11 621	-

ASSETS MEASURED AT FAIR VALUE 31.12.2022	Carrying amount	Level 1 Prices quoted on active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
Hedging derivatives	1 042	-	1 042	-
Other derivative instruments	13 162	1	13 161	-
Securities	67 106	52 864	13 198	1 044
held for trading	**193**	**193**	**-**	**-**
debt securities	164	164	-	-
shares in other entities - listed	27	27	-	-
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	2	2	-	-
not held for trading, measured at fair value through profit or loss	**1 702**	**1 180**	**120**	**402**
debt securities	578	511	22	45
shares in other entities - listed	115	115	-	-
shares in other entities - not listed	358	-	1	357
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	651	554	97	-
measured at fair value through other comprehensive income (debt securities)	**65 211**	**51 491**	**13 078**	**642**
Loans and advances to customers	3 590	-	-	3 590
not held for trading, measured at fair value through profit or loss	**3 590**	**-**	**-**	**3 590**
housing loans	4	-	-	4
business loans	85	-	-	85
consumer loans	3 501	-	-	3 501
Total financial assets measured at fair value	84 900	52 865	27 401	4 634

(IN PLN MILLION)

LIABILITIES MEASURED AT FAIR VALUE 31.12.2022	Carrying amount	Level 1 Prices quoted on active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
Hedging derivatives	7 469	-	7 469	-
Other derivative instruments	12 978	-	12 978	-
Liabilities in respect of a short position in securities	7	7	-	-
Liabilities in respect of insurance products	149	-	149	-
Total financial liabilities measured at fair value	20 603	7	20 596	-

IMPACT OF ESTIMATES ON FAIR VALUE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS	30.09.2023		31.12.2022	
	Fair value in		Fair value in	
	positive scenario	negative scenario	positive scenario	negative scenario
Shares in Visa Inc.[1]	82	74	145	133
Other equity investments[2]	218	197	189	171
Corporate bonds[3]	326	325	681	679
Loans and advances to customers[4]	3 124	2 826	3 770	3 410

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

RECONCILIATION OF CHANGES DURING THE REPORTING PERIOD TO FAIR VALUE AT LEVEL 3	01.01-30.09.2023	01.01-30.09.2022
Opening balance at the beginning of the period	**4 634**	**5 711**
Increase in exposure to equity instruments	42	82
Decrease in exposure to equity instruments	(79)	(87)
Increase in exposure to corporate bonds	9	59
Decrease in exposure to corporate bonds	(364)	(71)
Increase in exposure to loans and advances to customers	638	713
Decrease in exposure to loans and advances to customers	(1 062)	(1 375)
Reclassification from "measured at fair value through profit or loss" to "measured at amortised cost"	(140)	-
Net gain/(loss) on financial instruments measured at fair value through profit or loss	(17)	(11)
Change in the valuation recognized in OCI	-	25
Other, including exchange difference	(30)	(149)
Closing balance	3 631	4 897

(IN PLN MILLION)

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

30.09.2023	carrying amount	fair value		
		Level 1	Level 2	Level 3
Cash and balances with Central Bank	16 469	4 524	11 945	-
Amounts due from banks	15 152	-	15 147	-
Securities (excluding adjustments relating to fair value hedge accounting)	**80 696**	**64 789**	**8 855**	**2 262**
Treasury bonds (in PLN)	56 366	52 591	-	-
Treasury bonds (in foreign currencies)	1 044	1 043	-	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12 083	11 155	-	-
municipal bonds (in PLN)	7 038	-	7 326	-
corporate bonds (in PLN)	2 425	-	-	2 262
corporate bonds (in foreign currencies)	1 740	-	1 529	-
Reverse repo transactions	69	-	69	-
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**236 772**	-	-	**239 094**
housing loans	107 305	-	-	106 919
business loans	77 490	-	-	79 582
consumer loans	29 052	-	-	29 709
factoring receivables	3 876	-	-	3 876
finance lease receivables	19 049	-	-	19 008
Other financial assets	1 530	-	-	1 530
Amounts due to Central bank	10	-	10	-
Amounts due to banks	3 572	-	3 572	-
Repo transactions	5	-	5	-
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**375 969**	-	-	**375 526**
amounts due to households	297 564	-	-	297 058
amounts due to business entities	64 289	-	-	64 352
amounts due to public sector	14 116	-	-	14 116
Loans and advances received	1 798	-	-	1 799
Securities in issue	17 437	9 927	5 406	1 973
Subordinated liabilities	2 719	-	2 755	-
Other financial liabilities	4 620	-	-	4 620

(IN PLN MILLION)

31.12.2022	carrying amount	fair value		
		Level 1	Level 2	Level 3
Cash and balances with Central Bank	15 917	4 215	11 702	-
Amounts due from banks	16 101	-	16 098	-
Securities (excluding adjustments relating to fair value hedge accounting)	**68 556**	**49 891**	**7 779**	**1 733**
Treasury bonds (in PLN)	45 893	38 773	-	23
Treasury bonds (in foreign currencies)	713	708	-	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12 100	10 410	-	-
municipal bonds (in PLN)	6 182	-	6 332	-
corporate bonds (in PLN)	1 989	-	-	1 710
corporate bonds (in foreign currencies)	1 679	-	1 447	-
Reverse repo transactions	7	-	7	-
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**229 377**	**-**	**-**	**230 438**
housing loans	109 137	-	-	108 642
business loans	71 103	-	-	72 955
consumer loans	27 382	-	-	27 152
factoring receivables	3 591	-	-	3 592
finance lease receivables	18 164	-	-	18 097
Other financial assets	1 850	-	-	1 850
Amounts due to Central bank	9	-	9	-
Amounts due to banks	3 011	-	3 009	-
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**338 770**	**-**	**-**	**337 983**
amounts due to households	262 948	-	-	262 128
amounts due to business entities	58 634	-	-	58 667
amounts due to public sector	17 188	-	-	17 188
Loans and advances received	2 294	-	-	2 283
Securities in issue	15 510	11 798	1 265	2 187
Subordinated liabilities	2 781	-	2 603	-
Other financial liabilities	4 385	-	-	4 385

RISK MANAGEMENT WITHIN THE GROUP

36. RISK MANAGEMENT WITHIN THE GROUP

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

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

The Group identifies risks in its operations and analyses the impact of each type of risk on its business. All the risks are managed; some of them have a material effect on the profitability and capital needed to cover them. The following risks are considered material for the Group: credit risk, risk of foreign currency mortgage loans for households, currency risk, interest rate risk, liquidity risk (including financing risk), operating risk, business risk, risk of macroeconomic changes and model risk. The materiality of all the identified risks is assessed by the Group on a regular basis, at least annually.

A detailed description of the management policies for material risks is presented in the consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2022 and in the report "REPORT ON CAPITAL ADEQUACY AND OTHER INFORMATION SUBJECT TO PUBLICATION BY THE PKO BANK POLSKI S.A. GROUP".

In the nine-month period ended 30 September 2023:

- The Group monitored the situation of its customers and adjusted its lending policy with a view to securing a good quality loan portfolio. As part of the measurement of credit exposures, the Group specifically took into account information on customers' economic ties with counterparties in Ukraine, Belarus and Russia. For specific actions taken by the Group in the area of risk management in relation to the situation in Ukraine, see note "IMPACT OF THE GEOPOLITICAL SITUATION IN UKRAINE ON PKO BANK POLSKI SA GROUP".
- In terms of interest rate risk, the banking sector is challenged by the benchmark reform, including in particular the roadmap for replacing the WIBID/WIBOR indices with the WIRON index proposed by the National Working Group. The reform may have a significant impact on the valuation of financial instruments and the effectiveness of interest rate hedging transactions held. The reform will also have a significant impact on the products offered to customers and on the structure of revaluation of the Group's assets, liabilities and off-balance sheet items, determining the level of interest rate risk to which the Group is exposed (for details, see note: "Interest rate benchmarks reform").
- The Group maintained its liquidity ratios at a high, safe level, well above the supervisory limit, and a level of liquidity that enabled it to respond quickly and effectively to potential risks. The Group structured its sources of funding accordingly by adjusting its deposit offering (in particular deposit interest rates) to meet current needs and by repaying maturing funds raised from the financial market through issuance (for details, see note: "Management of interest rate risk, currency risk and liquidity risk").
- The tasks aimed at expanding the IT systems that enable the collection of ESG data, in particular on environmental risks, and preparing for the systemic disclosure of this data were carried out.

(IN PLN MILLION)

37. Credit risk – financial information

- **Amounts due from banks**

As at 30 September 2023 and 31 December 2022 all amounts due from banks were classified as Stage 1.

- **Securities**

SECURITIES (excluding adjustments relating to fair value hedge accounting) 30.09.2023 Measurement method: measured at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	**92 284**	**585**	**14**	**92 883**	**-**
NBP money bills	16 483	-	-	16 483	-
Treasury bonds (in PLN)	50 972	-	-	50 972	-
Treasury bonds (in foreign currencies)	4 253	287	-	4 540	-
corporate bonds (in PLN) secured with the State Treasury guarantees	10 054	-	-	10 054	-
municipal bonds (in PLN)	5 067	267	-	5 334	-
corporate bonds (in PLN)	2 516	31	14	2 561	-
corporate bonds (in foreign currencies)	2 939	-	-	2 939	-
Allowances for expected credit losses	-	-	-	-	-
Net carrying amount	**92 284**	**585**	**14**	**92 883**	**-**
NBP money bills	16 483	-	-	16 483	-
Treasury bonds (in PLN)	50 972	-	-	50 972	-
Treasury bonds (in foreign currencies)	4 253	287	-	4 540	-
corporate bonds (in PLN) secured with the State Treasury guarantees	10 054	-	-	10 054	-
municipal bonds (in PLN)	5 067	267	-	5 334	-
corporate bonds (in PLN)	2 516	31	14	2 561	-
corporate bonds (in foreign currencies)	2 939	-	-	2 939	-

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

SECURITIES (excluding adjustments relating to fair value hedge accounting) 30.09.2023 Measurement method: at amortized cost	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	**80 347**	**419**	-	**80 766**	-
Treasury bonds (in PLN)	56 373	-	-	56 373	-
Treasury bonds (in foreign currencies)	1 044	-	-	1 044	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12 086	-	-	12 086	-
municipal bonds (in PLN)	6 904	164	-	7 068	-
corporate bonds (in PLN)	2 328	112	-	2 440	-
corporate bonds (in foreign currencies)	1 612	143	-	1 755	-
Allowances for expected credit losses	**(51)**	**(19)**	-	**(70)**	-
Treasury bonds (in PLN)	(7)	-	-	(7)	-
corporate bonds (in PLN) secured with the State Treasury guarantees	(3)	-	-	(3)	-
municipal bonds (in PLN)	(28)	(2)	-	(30)	-
corporate bonds (in PLN)	(4)	(11)	-	(15)	-
corporate bonds (in foreign currencies)	(9)	(6)	-	(15)	-
Net carrying amount	**80 296**	**400**	-	**80 696**	-
Treasury bonds (in PLN)	56 366	-	-	56 366	-
Treasury bonds (in foreign currencies)	1 044	-	-	1 044	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12 083	-	-	12 083	-
municipal bonds (in PLN)	6 876	162	-	7 038	-
corporate bonds (in PLN)	2 324	101	-	2 425	-
corporate bonds (in foreign currencies)	1 603	137	-	1 740	-

SECURITIES (excluding adjustments relating to fair value hedge accounting) 30.09.2023	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	172 631	1 004	14	173 649	-
Allowances for expected credit losses	(51)	(19)	-	(70)	-
Net carrying amount	172 580	985	14	173 579	-

(IN PLN MILLION)

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2022 Measurement method: measured at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	**64 413**	**422**	**374**	**65 209**	**359**
NBP money bills	80	-	-	80	-
Treasury bonds (in PLN)	43 066	-	-	43 066	-
Treasury bonds (in foreign currencies)	3 977	420	-	4 397	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9 373	-	-	9 373	-
municipal bonds (in PLN)	5 052	2	-	5 054	-
corporate bonds (in PLN)	2 476	-	374	2 850	359
corporate bonds (in foreign currencies)	389	-	-	389	-
Allowances for expected credit losses	**-**	**-**	**2**	**2**	**2**
corporate bonds (in PLN)	-	-	2	2	2
Net carrying amount	**64 413**	**422**	**376**	**65 211**	**361**
NBP money bills	80	-	-	80	-
Treasury bonds (in PLN)	43 066	-	-	43 066	-
Treasury bonds (in foreign currencies)	3 977	420	-	4 397	-
corporate bonds (in PLN) secured with the State Treasury guarantees	9 373	-	-	9 373	-
municipal bonds (in PLN)	5 052	2	-	5 054	-
corporate bonds (in PLN)	2 476	-	376	2 852	361
corporate bonds (in foreign currencies)	389	-	-	389	-

(IN PLN MILLION)

SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2022 Measurement method: at amortized cost	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	**68 290**	**336**	**-**	**68 626**	**-**
Treasury bonds (in PLN)	45 898	-	-	45 898	-
Treasury bonds (in foreign currencies)	713	-	-	713	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12 108	-	-	12 108	-
municipal bonds (in PLN)	6 206	-	-	6 206	-
corporate bonds (in PLN)	1 817	195	-	2 012	-
corporate bonds (in foreign currencies)	1 548	141	-	1 689	-
Allowances for expected credit losses	**(45)**	**(25)**	**-**	**(70)**	**-**
Treasury bonds (in PLN)	(5)	-	-	(5)	-
corporate bonds (in PLN) secured with the State Treasury guarantees	(8)	-	-	(8)	-
municipal bonds (in PLN)	(24)	-	-	(24)	-
corporate bonds (in PLN)	(4)	(19)	-	(23)	-
corporate bonds (in foreign currencies)	(4)	(6)	-	(10)	-
Net carrying amount	**68 245**	**311**	**-**	**68 556**	**-**
Treasury bonds (in PLN)	45 893	-	-	45 893	-
Treasury bonds (in foreign currencies)	713	-	-	713	-
corporate bonds (in PLN) secured with the State Treasury guarantees	12 100	-	-	12 100	-
municipal bonds (in PLN)	6 182	-	-	6 182	-
corporate bonds (in PLN)	1 813	176	-	1 989	-
corporate bonds (in foreign currencies)	1 544	135	-	1 679	-

TOTAL SECURITIES (excluding adjustments relating to fair value hedge accounting) 31.12.2022	Stage 1	Stage 2	Stage 3	Total	of which POCI
Gross carrying amount	132 703	758	374	133 835	359
Allowances for expected credit losses	(45)	(25)	2	(68)	2
Net carrying amount	132 658	733	376	133 767	361

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

- **LOANS AND ADVANCES TO CUSTOMERS**

LOANS AND ADVANCES TO CUSTOMERS (excluding adjustment relating to fair value hedge accounting) 30.09.2023	Stage 1	Stage 2	Stage 3	Total	of which POCI
Measurement method: at amortized cost					
Gross carrying amount	**198 968**	**38 888**	**9 054**	**246 910**	**319**
housing loans	95 531	12 325	1 686	109 542	89
business loans	60 892	17 220	3 852	81 964	154
consumer loans	25 859	3 342	2 392	31 593	72
factoring receivables	3 825	23	61	3 909	-
finance lease receivables	12 861	5 978	1 063	19 902	4
Allowances for expected credit losses	**(1 048)**	**(3 640)**	**(5 450)**	**(10 138)**	**30**
housing loans	(103)	(942)	(1 192)	(2 237)	(9)
business loans	(445)	(1 762)	(2 267)	(4 474)	(7)
consumer loans	(406)	(701)	(1 434)	(2 541)	47
factoring receivables	(6)	-	(27)	(33)	-
finance lease receivables	(88)	(235)	(530)	(853)	(1)
Net carrying amount	**197 920**	**35 248**	**3 604**	**236 772**	**349**
housing loans	95 428	11 383	494	107 305	80
business loans	60 447	15 458	1 585	77 490	147
consumer loans	25 453	2 641	958	29 052	119
factoring receivables	3 819	23	34	3 876	-
finance lease receivables	12 773	5 743	533	19 049	3

LOANS AND ADVANCES TO CUSTOMERS (excluding adjustment relating to fair value hedge accounting) 31.12.2022	Stage 1	Stage 2	Stage 3	Total	of which POCI
Measurement method: at amortized cost					
Gross carrying amount	**196 241**	**33 964**	**8 919**	**239 124**	**213**
housing loans	98 541	11 033	1 860	111 434	94
business loans	57 136	14 283	4 118	75 537	58
consumer loans	24 447	3 231	1 895	29 573	57
factoring receivables	3 562	19	38	3 619	-
finance lease receivables	12 555	5 398	1 008	18 961	4
Allowances for expected credit losses	**(959)**	**(3 287)**	**(5 501)**	**(9 747)**	**16**
housing loans	(118)	(837)	(1 342)	(2 297)	(14)
business loans	(398)	(1 586)	(2 450)	(4 434)	(3)
consumer loans	(356)	(654)	(1 181)	(2 191)	34
factoring receivables	(6)	-	(22)	(28)	-
finance lease receivables	(81)	(210)	(506)	(797)	(1)
Net carrying amount	**195 282**	**30 677**	**3 418**	**229 377**	**229**
housing loans	98 423	10 196	518	109 137	80
business loans	56 738	12 697	1 668	71 103	55
consumer loans	24 091	2 577	714	27 382	91
factoring receivables	3 556	19	16	3 591	-
finance lease receivables	12 474	5 188	502	18 164	3

(IN PLN MILLION)

- **FINANCIAL AND GUARANTEE COMMITMENTS GRANTED**

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 30.09.2023	STAGE 1		STAGE 2		STAGE 3		Total	Provisions per IFRS 9	Net carrying amount
	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision			
Credit lines and limits	**69 365**	**(147)**	**8 119**	**(438)**	**97**	**(28)**	**77 581**	**(613)**	**76 968**
real estate	4 007	(9)	163	(5)	4	(2)	4 174	(16)	4 158
Business	50 554	(111)	6 299	(317)	65	(20)	56 918	(448)	56 470
Consumer	9 169	(27)	1 653	(116)	18	(6)	10 840	(149)	10 691
in respect of factoring	5 069	-	4	-	10	-	5 083	-	5 083
in respect of finance leases	566	-	-	-	-	-	566	-	566
Other	**4 277**	-	-	-	-	-	**4 277**	-	**4 277**
Total financial commitments granted, including:	73 642	(147)	8 119	(438)	97	(28)	81 858	(613)	81 245
irrevocable commitments granted	28 071	(78)	4 317	(231)	34	(10)	32 422	(319)	32 103
POCI	-	-	1	-	1	-	2	-	2
Guarantees and sureties granted									
guarantees in domestic and foreign trading	8 174	(14)	1 546	(59)	530	(19)	10 250	(92)	10 158
to financial entities	2 684	-	-	-	-	-	2 684	-	2 684
to non-financial entities	5 387	(14)	1 546	(59)	530	(19)	7 463	(92)	7 371
to state budget entities	103	-	-	-	-	-	103	-	103
domestic corporate bonds to non-financial entities	175	-	-	-	-	-	175	-	175
domestic municipal bonds (state budget entities)	1 137	(3)	-	-	-	-	1 137	(3)	1 134
letters of credit to non-financial entities	1 368	(2)	32	(1)	-	-	1 400	(3)	1 397
payment guarantees to financial entities	71	-	-	-	-	-	71	-	71
Total guarantees and sureties granted, including:	10 925	(19)	1 578	(60)	530	(19)	13 033	(98)	12 935
irrevocable commitments granted	2 763	(7)	1 336	(58)	492	(18)	4 591	(83)	4 508
performance guarantee	2 388	(3)	757	(44)	160	(13)	3 305	(60)	3 245
POCI	-	-	-	-	224	(1)	224	(1)	223
Total financial and guarantee commitments granted	84 567	(166)	9 697	(498)	627	(47)	94 891	(711)	94 180

(IN PLN MILLION)

FINANCIAL AND GUARANTEE COMMITMENTS GRANTED 31.12.2022	STAGE 1		STAGE 2		STAGE 3		Total	Provisions per IFRS 9	Net carrying amount
	Notional amount	Provision	Notional amount	Provision	Notional amount	Provision			
Credit lines and limits	**62 990**	**(137)**	**7 250**	**(406)**	**140**	**(47)**	**70 380**	**(590)**	**69 790**
real estate	3 568	(13)	107	(5)	8	(3)	3 683	(21)	3 662
Business	47 016	(97)	5 332	(281)	107	(36)	52 455	(414)	52 041
Consumer	8 818	(27)	1 807	(120)	25	(8)	10 650	(155)	10 495
in respect of factoring	2 745	-	4	-	-	-	2 749	-	2 749
in respect of finance leases	843	-	-	-	-	-	843	-	843
Other	2 824	-	-	-	1	-	2 825	-	2 825
Total financial commitments granted, including:	65 814	(137)	7 250	(406)	141	(47)	73 205	(590)	72 615
irrevocable commitments granted	27 050	(60)	3 429	(211)	100	(30)	30 579	(301)	30 278
POCI	-	-	1	-	4	(1)	5	(1)	4
Guarantees and sureties granted									
guarantees in domestic and foreign trading	8 539	(5)	1 360	(72)	679	(159)	10 578	(236)	10 342
to financial entities	2 735	-	-	-	-	-	2 735	-	2 735
to non-financial entities	5 733	(5)	1 360	(72)	679	(159)	7 772	(236)	7 536
to public entities	71	-	-	-	-	-	71	-	71
domestic municipal bonds (state budget entities)	315	-	-	-	-	-	315	-	315
letters of credit to non-financial entities	1 343	(1)	171	(6)	-	-	1 514	(7)	1 507
payment guarantees to financial entities	71	-	-	-	-	-	71	-	71
Total guarantees and sureties granted, including:	10 268	(6)	1 531	(78)	679	(159)	12 478	(243)	12 235
irrevocable commitments granted	2 903	(5)	1 262	(71)	647	(158)	4 812	(234)	4 578
performance guarantee	2 499	(2)	860	(54)	281	(147)	3 640	(203)	3 437
POCI	-	-	-	-	284	(5)	284	(5)	279
Total financial and guarantee commitments granted	76 082	(143)	8 781	(484)	820	(206)	85 683	(833)	84 850

(IN PLN MILLION)

38. MANAGEMENT OF CURRENCY RISK ASSOCIATED WITH MORTGAGE LOANS FOR INDIVIDUALS

The Group analyses its portfolio of convertible currency mortgage loans to individuals in a specific manner. The Group monitors the quality of the portfolio on an on-going basis and reviews the risk of deterioration of the portfolio quality. Currently, the quality of the portfolio is at an acceptable level. The Group takes the risk into consideration in the capital adequacy and equity management.

HOUSING LOANS AND ADVANCES TO INDIVIDUALS (RETAIL AND PRIVATE BANKING) BY CURRENCY	30.09.2023			31.12.2022		
	Gross carrying amount	Allowance for expected credit losses	Net carrying amount	Gross carrying amount	Allowance for expected credit losses	Net carrying amount
in local currency	**96 430**	**(1 451)**	**94 979**	**94 169**	**(1 400)**	**92 769**
PLN	96 177	(1 398)	94 779	93 836	(1 353)	92 483
UAH	253	(53)	200	333	(47)	286
in foreign currency	**7 718**	**(680)**	**7 038**	**11 637**	**(765)**	**10 872**
CHF	5 667	(568)	5 099	9 353	(677)	8 676
EUR	2 015	(106)	1 909	2 244	(83)	2 161
USD	31	(6)	25	34	(5)	29
Other	5	-	5	6	-	6
Total	104 148	(2 131)	102 017	105 806	(2 165)	103 641

(IN PLN MILLION)

Convertible currency housing loans and advances to individuals by the granting date		Indexed	Denominated	Total	Indexed	Denominated	Total
		30.09.2023			31.12.2022		
up to 2002	Gross amount	-	16	**16**	-	28	**28**
	Allowances for credit losses	-	-	**-**	-	(1)	**(1)**
	Net carrying amount	-	**16**	**16**	-	**27**	**27**
	Number of loans granted	-	2 181	**2 181**	-	2 737	**2 737**
from 2003 to 2006	Gross amount	-	998	**998**	-	1 976	**1 976**
	Allowances for credit losses	-	(84)	**(84)**	-	(111)	**(111)**
	Net carrying amount	-	**914**	**914**	-	**1 865**	**1 865**
	Number of loans granted	-	23 957	**23 957**	-	30 771	**30 771**
from 2007 to 2009	Gross amount	-	2 882	**2 882**	-	4 911	**4 911**
	Allowances for credit losses	-	(391)	**(391)**	-	(490)	**(490)**
	Net carrying amount	-	**2 491**	**2 491**	-	**4 421**	**4 421**
	Number of loans granted	-	27 920	**27 920**	-	35 811	**35 811**
from 2010 to 2012	Gross amount	1 876	1 936	**3 812**	2 439	2 268	**4 707**
	Allowances for credit losses	(97)	(106)	**(203)**	(76)	(85)	**(161)**
	Net carrying amount	**1 779**	**1 830**	**3 609**	**2 363**	**2 183**	**4 546**
	Number of loans granted	7 782	9 782	**17 564**	8 741	10 344	**19 085**
from 2013 to 2016	Gross amount	3	7	**10**	4	11	**15**
	Allowances for credit losses	-	(2)	**(2)**	-	(2)	**(2)**
	Net carrying amount	**3**	**5**	**8**	**4**	**9**	**13**
	Number of loans granted	13	29	**42**	18	34	**52**
Total	**Gross amount***	**1 879**	**5 839**	**7 718**	**2 443**	**9 194**	**11 637**
	Allowances for credit losses	**(97)**	**(583)**	**(680)**	**(76)**	**(689)**	**(765)**
	Net carrying amount	**1 782**	**5 256**	**7 038**	**2 367**	**8 505**	**10 872**
	Number of loans granted	**7 795**	**63 869**	**71 664**	**8 759**	**79 697**	**88 456**

* The gross carrying amount of the above loan portfolio includes an adjustment for legal risk related to potential litigation for the portfolio of mortgage loans in convertible currencies and existing legal claims related to loan exposures recognized as at the balance sheet date in the statement of financial position (see notes “Cost of legal risk of mortgage loans in convertible currencies”, “Loans and advances to customers”)

39. MANAGEMENT OF INTEREST RATE RISK, CURRENCY RISK AND LIQUIDITY RISK

• INTEREST RATE RISK MANAGEMENT

Sensitivity of interest income in the banking book of the Group to the abrupt shift in the yield curve of 100 bp down in a one-year horizon in all currencies	30.09.2023	31.12.2022
Sensitivity of interest income (PLN million)	(1 018)	(769)

The economic value sensitivity measure (stress-test) of the banking book of the Group in all currencies	30.09.2023	31.12.2022
Sensitivity of economic value (PLN million)	(1 207)	(891)

IR VaR in the trading book	30.09.2023	31.12.2022
IR VaR for a 10-day time horizon at a confidence level of 99% (PLN million):		
Average value	65	37
Maximum value	133	86
Value at the end of the period	73	56

• CURRENCY RISK MANAGEMENT

The Bank's FX VaR, in aggregate for all currencies	30.09.2023	31.12.2022
VaR for a 10-day time horizon at a confidence level of 99% (in PLN million)[1]	1	128

[1] Taking into account the nature of the operation of the other Group companies which generate material currency risk and the specific characteristics of the market in which they operate, the Parent Company does not determine the consolidated VaR sensitivity measure. Such companies use their own risk measures to manage their interest rate risk. KREDOBANK SA applies the 10-day VaR which amounted to PLN 0.02 million as at 30 September 2023 and to PLN 0.1 million as at 31 December 2022.

The Group's foreign currency positions are presented in the table below:

FOREIGN CURRENCY POSITION	30.09.2023	31.12.2022
EUR	(179)	(206)
CHF	(25)	(1 625)
Other (Global, Net)	20	3

Currency positions (in addition to volatility of foreign exchange rates) are a key factor determining the level of currency risk to which the Group is exposed. The foreign currency positions are determined by all foreign currency transactions concluded, both in the statement of financial position and off-balance sheet transactions, with the exception of structural positions in UAH (PLN 678.4 million), for which the Bank obtained approval from the PFSA to exclude them from the calculation of the currency positions.

(IN PLN MILLION)

- **LIQUIDITY RISK MANAGEMENT**

	on demand	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	more than 60 months
30.09.2023								
Adjusted periodic gap	9 564	117 878	(15 111)	(2 817)	4 589	12 308	25 320	(151 731)
Adjusted cumulative periodic gap	9 564	127 442	112 331	109 514	114 103	126 411	151 731	
31.12.2022								
Adjusted periodic gap	9 400	69 449	(8 423)	(576)	(316)	20 757	25 046	(115 337)
Adjusted cumulative periodic gap	9 400	78 849	70 426	69 850	69 534	90 291	115 337	

In all time horizons, the adjusted cumulative liquidity gap of the Group, determined as the sum of the adjusted liquidity gaps of the Bank, PKO Bank Hipoteczny SA, PKO Leasing SA, KREDOBANK SA and PKO Życie Towarzystwo Ubezpieczeń SA and the contractual liquidity gaps of the other Group companies, was positive both as at 30 September 2023 and 31 December 2022. This means that the Group has a surplus of the assets receivable over the liabilities payable.

SUPERVISORY LIQUIDITY MEASURES	30.09.2023	31.12.2022
NSFR - net stable funding ratio	149.3%	131.5%
LCR - liquidity coverage ratio	233.9%	169.1%

In the period ended 30 September 2023 and 31 December 2022, liquidity measures remained above their respective supervisory limits.

(IN PLN MILLION)

CAPITAL MANAGEMENT AT THE GROUP

40. CAPITAL ADEQUACY

Minimum levels of the capital ratios maintained by the Group in accordance with Article 92 of the CRR are as follows:	
• total capital ratio (TCR)	8.0%
• Tier 1 capital ratio (T1)	6.0%
• Tier 1 core capital ratio (CET1)	4.5%

Obligation to maintain a combined buffer above the minimum amounts specified in Art. 92 of the CRR, representing the sum of the applicable buffers	**30.09.2023**	**31.12.2022**
Total:	**4.53%**	**4.52%**
• conservation buffer	2.5%	2.5%
• countercyclical buffer	0.03%	0.02%
• systemic risk buffer[1]	0%	0%
• due to identifying the Bank as another systemically important institution ("O-SII")	2%	2%

[1] On 19 March 2020, in connection with the COVID-19, the Regulation of the Minister of Finance cancelling the systemic risk buffer came into effect. Nevertheless, the previously applicable buffer of 3% is taken into account in the calculation of the required level of ratios to meet dividend payment conditions.

(IN PLN MILLION)

Capital adequacy	30.09.2023	31.12.2022 (restated)*	31.12.2022 (published)
Equity	**45 407**	**35 707**	**35 435**
capital: share capital, supplementary capital, other reserves, and general risk reserve	33 948	32 496	32 496
retained earnings	10 780	8 920	8 651
net profit or loss for the year	4 822	3 312	3 333
other comprehensive income and non-controlling interests	(4 143)	(9 021)	(9 045)
Exclusions from equity:	**2 626**	**(1 987)**	**(2 154)**
deconsolidation - adjustments due to prudential consolidation	(76)	(107)	(224)
net profit or loss for the year	4 791	3 340	3 290
cash flow hedges	(2 089)	(5 220)	(5 220)
Other fund reductions:	**2 983**	**3 209**	**3 404**
goodwill	961	961	961
other intangible assets	1 443	1 508	1 508
securitization items	1	12	12
additional asset adjustments (AVA, DVA, NPE, exceedance of the thresholds set out in Article 48 CRR)[1]	578	728	923
Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI according to Art. 468 of the CRR	-	**1 357**	**1 357**
Temporary reversal of IFRS 9 impact	**1 373**	**2 075**	**1 651**
Current period profit/loss, included by permission from the PFSA/after approval of profit distribution by AGM	**1 697**	**3 258**	**946**
Tier 1	**42 868**	**41 175**	**38 139**
Tier 2 capital (subordinated debt)	**2 216**	**2 584**	**2 584**
Own funds	**45 084**	**43 759**	**40 723**
Requirements for own funds	**17 815**	**18 359**	**18 328**
Credit risk	15 641	15 625	15 594
Operational risk[2]	2 017	2 358	2 358
Market risk[3]	116	339	339
Credit valuation adjustment risk	41	37	37
Settlement/delivery risk	-		
Total capital ratio	**20.25**	**19.07**	**17.78**
Tier 1 capital ratio	**19.25**	**17.94**	**16.65**

[1] AVA – additional valuation adjustment, DVA – debt valuation adjustment, NPE – non-performing exposures adjustment.

[2] In the period of nine months ended 30 September 2023, there was a decrease in the own funds requirement for operational risk by PLN 341 million mainly due to the implementation of individual scaling of the legal risk costs of mortgage loans in CHF in the AMA approach in accordance with the PFSA decision obtained on 22 February 2023. The purpose of the change is to ensure that the historically incurred costs of the portfolio of mortgage loans in CHF are taken into account in the AMA model at an appropriate scale in relation to the risks that the Group may potentially still incur as a result.

[3] The decrease in the value of the market risk-related requirement as at the end of September 2022 relative to 31 December 2023 was mainly due to a decrease in the currency risk-related requirement, which did not occur as at the end of September 2023 compared to PLN 135 million as at the end of December 2022.

* Figures as at 31 December 2022 have been restated due to the implementation of IFRS 17 "Insurance Contracts" (see Note 8 "IFRS 17 Insurance Contracts") and in connection with the retroactive accounting of profit for 2022. Pursuant to Art. 26 (2) of CRR, an institution may include interim or year-end profits in CET1 after a formal decision was taken confirming the final profit or loss of the institution for the year, or before it has taken the formal decision, only with the competent authority's prior permission. In line with the European Banking Authority's (EBA) guidance in the single rulebook Q&A setting out the EBA's position on when to recognise annual and interim profits in capital adequacy data (Q&A 2018_3822, Q&A 2018_4085 and Q&A 2013_208), from the point at which the institution formally meets the criteria to include the profit for the period in Tier 1 capital, it is considered that the profit should be included on a retrospective date (the date of the profit rather than the date the criterion is met) and an adjustment to own funds should be made to the date to which the profit relates.

(IN PLN MILLION)

If the transitional arrangements for the partial reversal of the impact of IFRS 9 under Article 473a of the CRR had not been applied, the Group's Tier 1 capital would have amounted to PLN 41 494 million, the total capital would have amounted to PLN 43 710 million, the Tier 1 capital ratio would have been 18.75%, the total capital ratio would have been 19.75% and the leverage ratio 8.26%.

The provisions for the provisional treatment of unrealized gains and losses measured at fair value through OCI according to Art. 468 of the CRR were in force until 31 December 2022.

CONSOLIDATED INCOME STATEMENT IN ACCORDANCE WITH THE CRR (PRUDENTIAL CONSOLIDATION)

CONSOLIDATED INCOME STATEMENT in accordance with the CCR	01.01-30.09.2023	01.01-30.09.2022
Net interest income	**13 343**	**7 596**
Interest income	23 293	12 782
Interest expense	(9 950)	(5 186)
Net fee and commission income	**3 571**	**3 523**
Fee and commission income	4 827	4 667
Fee and commission expense	(1 256)	(1 144)
Other net income	**238**	**352**
Dividend income	14	12
Gains/(losses) on financial transactions	77	326
Foreign exchange gains/ (losses)	36	(76)
Gains/(losses) on derecognition of financial instruments	36	(15)
Net other operating income and expense	75	105
Result on business activities	**17 152**	**11 471**
Net expected credit losses	(778)	(1 143)
Net impairment losses on non-financial assets	(60)	(24)
Cost of legal risk of mortgage loans in convertible currencies	(3 441)	(1 176)
Administrative expenses	(5 439)	(5 973)
Tax on certain financial institutions	(907)	(949)
Share in profits and losses of subsidiaries, associates and joint ventures	265	181
Profit/(loss) before tax	6 792	2 387
Income tax expense	(2 001)	(804)
Net profit/(loss) (including non-controlling interest)	4 791	1 583
Profit (loss) attributable to non-controlling shareholders	-	-
Net profit attributable to equity holders of the parent company	4 791	1 583

41. LEVERAGE RATIO

Leverage ratio exposures specified in CRR related to capital requirements			
	30.09.2023	31.12.2022 (restated)	31.12.2022 (published)
Total capital and exposure measure			
Tier 1 capital	42 868	41 175	38 139
Total exposure measure for leverage ratio calculation	503 541	454 588	454 490
Leverage ratio			
Leverage ratio	8.51	9.06	8.39

42. DIVIDENDS AND PROFIT APPROPRIATION

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

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

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

The above resolutions are consistent with the individual recommendation of the Polish Financial Supervision Authority ("PFSA") received on 17 March 2023, in which the PFSA confirmed that the Bank fulfils the requirements for the payment of dividends at a level of up to 50% of the net profit for 2022 but, at the same time, recommended that the Bank mitigate the risks present in its operations by:

- limiting the amount of dividend that can be paid from the profit earned in the period from 1 January to 31 December 2022 to 50% of such profit,
- not paying by the Bank a dividend from the profit earned in the period from 1 January to 31 December 2022 until The Court of Justice of the European Union (CJEU) issues a judgment on the return of additional funds over and above those paid out while executing an agreement canceled on the basis of unfair terms of contract (abusive clauses) of the CHF loan agreement (in connection with the question of the District Court for Warsaw-Śródmieście in Warsaw – case C-520/21),
- not paying by the Bank a dividend from the profit earned in the period from 1 January to 31 December 2022 after issuing the judgment of the Court of Justice of the European Union, referred to above, without prior consultation with the PFSA,
- not conducting any other activities, in particular those beyond the scope of current business and operating activities, which may result in a reduction of own funds, including possible dividend payments from undistributed profits from previous years and buybacks or buyouts of own shares, without prior consultation with the supervisory authority.

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

As a result of consultations initiated by the Bank with the Office of the Polish Financial Supervision Authority ("PFSA") relating to the possibility for the Bank to pay out part of its profit from reserve capital, on 21 July 2023 the Bank received a negative opinion from the PFSA in this regard. Taking into account numerous risks, including among others the continuing high uncertainty related to the potential costs of legal risk related to mortgage loans in CHF, possible deterioration of the credit quality of the portfolio driven by increased inflation, possible limitation of economic growth, as well as high costs of debt servicing by borrowers as well as aiming at ensuring the stability of the Bank's operations in subsequent periods, and its further development, the PFSA Office maintains a cautious approach towards the dividend policy and actions that may result in a reduction of the capital base and does not consider the possibility of accepting actions resulting in a reduction in the Bank's capital base at the level of PLN 1.6 billion or less.

(IN PLN MILLION)

OTHER NOTES

43. TRANSACTIONS WITH THE STATE TREASURY AND RELATED PARTIES

The State Treasury holds a 29.43% interest in the Bank's share capital.

Pursuant to the Act of 30 November 1995 on the state support in repayment of certain housing loans, reimbursement of guarantee bonuses paid, and amendments to certain Acts, PKO Bank Polski S.A. receives payments from the State budget as the repurchase of interest receivable on housing loans.

TRANSACTIONS WITH THE STATE TREASURY	01.01.-30.09.2023	01.01-30.09.2022
Income recognized on an accruals basis	65	64
Income recognized on a cash basis	4	9
Income from temporary redemption by the State Treasury of interest on housing loans in the "old portfolio"	61	55

As of 1 January 2018 based on the provisions of the Act of 30 November 1995 on state support in the repayment of certain housing loans, granting guarantee bonuses and reimbursement of guarantee bonuses paid, the borrowers acquired the right to be forgiven the remaining debt by the State Treasury, which will result in gradual (until 2026) full settlement of the housing loan indebtedness from the so-called "old" portfolio. The Bank conducts settlements in respect of repurchase of interest on housing loans by the State Budget and on this account the Bank received commission in the nine-month period ended 30 September 2023 and in the corresponding period of 2022 amounting to under PLN 1 million.

As of 1 January 1996, the Bank became the general distributor of value marks. The Bank receives commissions in this respect from the State Treasury – in the nine-month period ended 30 September 2023 and in the corresponding period of 2022, the Bank received commission on this account of under PLN 1 million.

Biuro Maklerskie PKO BP plays the role of an agent for the issue of retail Treasury bonds under the agreement signed with the Ministry of Finance on 11 February 2003. Under this agreement, Biuro Maklerskie PKO BP receives a fee for providing the services of an agent for the issue of bonds – in the period of nine months ended 30 September 2023 in the amount of PLN 162 million, and in the period of nine months ended 30 September 2022 in the amount of PLN 219 million.

- ### RELATED-PARTY TRANSACTIONS – CAPITAL LINKS (ASSOCIATES AND JOINT VENTURES)

Transactions of the Bank as the parent company with associates and joint ventures are presented in the table below. All transactions presented below were arm's length transactions.

30.09.2023 Company Name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	159	48	158	35
"Centrum Obsługi Biznesu" sp. z o.o.	11	9	3	-
Bank Pocztowy S.A.	-	-	-	1
"Poznański Fundusz Poręczeń Kredytowych" sp. z o.o.	-	-	1	-
Operator Chmury Krajowej sp. z o.o.	-	-	9	469
Total associates and joint ventures	170	57	171	505

(IN PLN MILLION)

FOR 9 MONTHS ENDED 30 SEPTEMBER 2023 Company Name	Total income	of which interest and commission income	Total expense	of which interest and commission income
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	622	577	147	145
"Centrum Obsługi Biznesu" sp. z o.o.	1	1	-	-
Operator Chmury Krajowej sp. z o.o.	-	-	31	-
Total associates and joint ventures	**623**	**578**	**178**	**145**

31.12.2022 Company Name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	64	-	206	63
"Centrum Obsługi Biznesu" sp. z o.o.	11	10	2	-
Bank Pocztowy S.A.	-	-	-	1
Operator Chmury Krajowej sp. z o.o.	-	-	31	917
Total associates and joint ventures	**75**	**10**	**239**	**981**

FOR 9 MONTHS ENDED 30 SEPTEMBER 2022 Company Name	Total income	of which interest and commission income	Total expense	of which interest and commission income
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	623	529	150	150
Operator Chmury Krajowej sp. z o.o.	-	-	20	-
System Ochrony Banków Komercyjnych	-	-	956	-
Total associates and joint ventures	**623**	**529**	**1 126**	**150**

44. IMPACT OF THE GEOPOLITICAL SITUATION IN UKRAINE ON THE PKO BANK POLSKI S.A. GROUP

Armed aggression of the Russian Federation on Ukraine have serious negative consequences for the financial system and the banking sector of Ukraine. In 2022, Ukraine's GDP declined by 29% y/y and inflation reached 26.6%. A recovery in economic activity led to a deceleration of the GDP decline in the first quarter of 2023 to -10.5% y/y. In September 2023, inflation decelerated to 7.1% y/y from 12.8% y/y in June due to weak consumer demand and a fixed exchange rate.

Many companies operating in the war zone have had to suspend their operations or move production to other parts of the country or abroad. Transport and logistics between regions is hampered, infrastructure has been significantly damaged and many Ukrainian citizens have been affected by the hostilities and have left the country. All this will have long-term negative consequences for Ukraine's economy, including its banking sector.

The warfare has adversely affected the Ukrainian banking sector through:

- disruptions to the operations of Ukrainian branches and ATMs, significant damage to or destruction of the banking infrastructure in war zones;
- a reduction in the loan portfolio due to a significant reduction in new lending (with the exception of lending under the state's “5-7-9” programme and loans granted by state-owned banks to strategic sectors and companies). In 2022, the sector's loan portfolio has decreased by 3% even including the revaluation of the foreign currency portfolio with the official UAH/USD exchange rate falling by 34% since the beginning of the year. In the nine month period ended 30 September 2023, the loan portfolio continued to decline, down 3% year-to-date;
- inability of some borrowers to service their loans, deterioration of loan repayments due to the closure of many businesses, loss of sources of income for individuals, forced relocation of millions of Ukrainian citizens, which translates into an increase in the allowance for expected loan losses;
- restrictions on the foreign exchange market, including foreign exchange trading.

Nevertheless, after an outflow of funds from banks at the beginning of the war, liquidity in the banking system is increasing. In 2022, retail deposits increased by 28% (mainly in UAH) and corporate deposits by 18% (mainly in FX). In the period of nine months ended 30 September 2023, retail deposits increased by 8% and corporate deposits by 23%.

The regulations of the National Bank of Ukraine (hereinafter: "NBU") introducing simplified requirements for the day-to-day operations of banks continue to apply; however, the NBU is introducing new amendments tightening the previously introduced changes, such as the additional default prerequisites, which will apply starting from November 2023. These amendments are aimed at ensuring the timely and adequate assessment of credit risk by banks and preventing banks from losing liquidity. A bank stability assessment is underway, which will provide insight into the genuine condition of the sector after it has gone through the most acute phase of the current war-related economic crisis. Through the stability assessment, in particular the projection of banks' activity ratios according to a baseline scenario, the NBU plans to assess the viability of banks' business models and determine the real capital needs of the largest banks.

The NBU has also reinstated the requirement for up-to-date verification and valuation of the assets pledged as collateral for credit exposures. From 31 August 2023 onwards, banks are required to take into account existing information on the status of collateral located in territories subject to warfare. If information is obtained on the loss or damage of collateral, the bank is required to take this into account in its credit risk assessment. In addition, collateral from regions under occupation or where military operations are taking place, are not taken into account in the process of calculating the allowance for expected credit losses, unless the collateral has been verified and, in the bank's assessment, meets the criteria set by the NBU.

The NBU has also reduced the risk weights (RWA) on unsecured consumer loans from 150% to 100%, in order to allow banks to use accumulated capital to partially cover their losses, and postponed the introduction of ICCAP regulation and higher operational capital requirements at the end of 2023. The regulatory capital adequacy ratio at the end of the third quarter of 2023 is 32.6% (with a floor of no less than 10%), the core capital adequacy ratio is 22.9% (with a floor of no less than 7%).

Continued high inflationary pressures in 2022 have prompted the NBU to tighten monetary policy and thus increase the discount rate from the 10% level prevailing since the beginning of martial law to 25% from June 2022 onwards. The significant deceleration in inflation in the first two quarters of 2023 provided the rationale for the start of a cycle of discount rate reductions, with the NBU cutting the discount rate to 22% in July 2023 and to 20% per annum in September 2023.

Following the outbreak of the armed aggression of the Russian Federation against Ukraine, restrictions were imposed on the lending policy of Ukrainian companies of the Group (Kredobank S.A). Granting of new financing was focused mainly on existing customers and is implemented through the analysis of each individual transaction by the bank's analysts, incorporating additional criteria into the analysis process, such as:

- location of the place of business, ability to continue business during martial law and current restrictions; potential threat of hostile takeover, where the customer is registered and doing business
- taking into account, for credit operations, tangible and/or intangible collateral (e.g. pledge of shares, pledge of real estate, pledge of vehicles, machinery and equipment, sureties and guarantees) and risk-sharing instruments.

The Group monitors sanction regulations on an ongoing basis and implements them to the extent appropriate to its specific business.

The entire Group has introduced guidelines for the financing of and providing banking services to:

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

In 2023, the Group maintained a safe level of liquidity, allowing for a quick and effective response to potential threats. Analyses of the Group's liquidity position confirm that it has a safe level of liquid assets, while maintaining a stable, dispersed deposit base, mainly from retail customers, which is characterised by moderate concentration of entities and is largely covered by guarantees from the BGF. Consequently, the Group maintains both supervisory and internal measures of liquidity risk at safe levels. KREDOBANK S.A.'s liquidity situation, despite the ongoing conflict in Ukraine, remained stable and secure. The company did not experience a decline in liquidity measures or significant deposit outflows (LCR in foreign currencies of around 300%, LCR in all currencies of around 240%, NSFR of nearly 220%).

At the same time, in connection with the war in Ukraine, the Group formed a Support Group led by the Head of the Crisis Staff, whose tasks include preventing disruption to the critical processes of the PKO Bank Polski S.A. Group, exchange of information within the Group and coordination of the aid provided.

The Group takes actions to mitigate the threats associated with the war in Ukraine on an ongoing basis, in particular with respect to ensuring access to the Group's systems, cyber security and the continuity of cash services and other processes.

45. INTEREST RATE BENCHMARKS REFORM

A new standard has been developed in the European Union for designing, providing and applying interest rate benchmarks. The legal basis for the said standard is the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (hereinafter: "BMR"). The BMR:

- sets the rules for development and application of transparent, reliable and fair benchmarks;
- provides extensive controls over the set-up of benchmarks;
- expects the benchmarks to be determined, generally, on the basis of the actual transactions executed on a given market.

In October 2020, ISDA, an international organization setting standards for trading in derivative instruments, published the ISDA Protocol describing the procedure for replacing IBORs used in the current and new derivative transactions with new risk-free benchmarks. The Bank joined the Protocol in November 2020.

On 10 February 2021, the European Union published an amendment to the BMR, granting the European Commission and the Member States competences to designate replacements for benchmarks in cessation, if such cessation could threaten the stability of the EU market or a Member State market.

The Financial Conduct Authority (FCA) has announced that 1M, 3M and 6M LIBOR USD rates will be published in synthetic form until the end of September 2024, 1M and 6M LIBOR GBP rates will be published in synthetic form until the end of March 2023 and 3M LIBOR GBP rates until the end of March 2024.

The European Commission, in Implementing Regulation (EU) 2021/1847 of 14 October 2021 on the designation of a statutory replacement for certain settings of CHF LIBOR, which is in force by operation of law and directly applicable in all Member States of the European Union as of 1 January 2022, has determined substitutes for the CHF LIBOR rates. These substitutes are the 1-month or 3-month SARON compound rate with an indicated value of the adjustment spread, respectively. The SARON rate replaced the CHF LIBOR rate in every contract and financial instrument within the European Union, so this also applied to Polish borrowers.

The WIBOR reform and its adjustment to the BMR requirements were completed in 2020. It involved the same change in the benchmark calculation methodology as in the case of EURIBOR. On 16 December 2020, the PFSA granted GPW Benchmark S.A. permission to perform the function of administrator of the key benchmarks WIBID and WIBOR.

- ### ANNOUNCEMENT ON THE USE OF A REPLACEMENT FOR WIBOR

The Act of 7 July 2022 on the crowdfunding of business ventures and on assistance for borrowers initiated the reform of the WIBOR index. The WIBOR index will be discontinued and replaced by a replacement. The law contains a legal delegation to promulgate it by means of a regulation. The process of determining a replacement for WIBOR will be regulated by law. According to the regulation of the Minister of Finance, the replacement of the WIBOR rate will apply to contracts and financial instruments that meet the requirements of the BMR Regulation. The regulation of the Minister of Finance will also specify the corrective margin and the date from which the conversion will be effective.

In July 2022, the National Working Group on Benchmark Reform (NWG) has been established to ensure the credibility, transparency and reliability of the development and application of the new benchmark interest rate.

The National Working Group comprises representatives of the Ministry of Finance, the National Bank of Poland, the Office of the Financial Supervision Authority, the Bank Guarantee Fund, the Polish Development Fund, the Warsaw Stock Exchange, the National Depository for Securities, Bank Gospodarstwa Krajowego, the WSE Benchmark, as well as representatives of banks, investment fund companies, insurance companies, factoring and leasing companies, entities that are issuers of bonds, including corporate and municipal bonds, and clearing houses.

The work of the National Working Group shall be coordinated and supervised by the Steering Committee, composed of representatives of key institutions: the Polish Financial Supervision Authority, the National Bank of Poland, the Ministry of Finance, the Bank Guarantee Fund, the Polish Development Fund, as well as the WSE Benchmark – the administrator of benchmark rates – and the Association of Polish Banks.

NGR's activities are carried out in a project formula in which project streams have been identified and in which representatives of PKO Bank Polski S.A. actively participate.

On 1 September 2022, the Steering Committee of the National Working Group appointed in connection with the planned benchmark reform (NWG SC) decided to choose the WIRON® index as an alternative interest rate benchmark, calculated based on the actual overnight (ON) transactions concluded with large enterprises and financial institutions. WIRON® is intended to become a critical interest rate benchmark within the meaning of BMR, which will be applied in financial agreements and instruments.

On 27 September 2022, the NWG SC adopted a Road Map specifying a schedule of actions aimed at replacing WIBOR with WIRON® in accordance with the BMR. The Road Map indicates that the benchmark reform will be implemented by the end of 2024. At the same time, a new offer of financial products based on WIRON® will be implemented in 2023-2024 and the full readiness to discontinue the development and publication of the WIBOR and WIBID® benchmarks will be reached at the beginning of 2025.

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

Interest-rate derivative contracts, including OISs, may be used by banks to hedge interest rate risk of their own and clients' positions.

The transaction is part of the "Implementation Phase" of the benchmark reform as described in the Roadmap which involves the accumulation of liquidity in the market of financial instruments being derivative contracts that meet the criteria of an OIS for which WIRON is to be the interest rate benchmark.

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

To date, the Steering Committee of the National Working Group on benchmark reform endorsed the following recommendations:

- on the standard OIS transaction based on WIRON,
- on the application of the WIRON index in issues of floating-rate debt securities,
- on the rules and methods of applying the WIRON benchmark (or benchmarks from the WIRON Compound Indices Family) when entering into new contracts for benchmark-based products in PLN offered by financial market entities,
- on the rules and methods of applying the WIRON interest rate index (or indices from the WIRON Compound Indices Family) when entering into new contracts in PLN for factoring products (excluding discounting products) for benchmark-based products in PLN offered by financial market entities,

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

This marks the completion of work on the recommendations on new banking, leasing and factoring products as well as the previously published recommendations on bonds and derivatives. This also represents the achievement of the absolutely crucial milestone of the Reform Roadmap that allows financial institutions to use the NWG's expertise to prepare and implement a series of new arrangements using WIRON index, including mortgage loans, being of key importance to households.

The NGR is working intensively on a recommendation on the principles and methods for replacing the WIBOR/WIBID benchmarks with the WIRON benchmark (or a benchmark from the WIRON Compound Index Family) for the existing portfolio of PLN products with regard to financial market entities.

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

- **ADAPTATION OF THE CAPITAL GROUP AND THE BANK**

Evolution of the legal environment and benchmark market migration in accordance with BMR affect the Group's operations through the agreements signed with the customers and business partners, changes in the valuation of financial instruments and the need to adjust IT processes and systems.

Since the third quarter of 2020, the Group has conducted an interdisciplinary project aimed at its adaptation to the requirements of the BMR, including the WIBOR reform, as well as the PFSA interpretations and guidelines, in particular in the area of:

- development of a contingency plan and its implementation in the Bank's contracts and rules and regulations;
- adjustment of the offer of products and services;
- adjustment of the Bank's transactional, accounting, analytical, risk and reporting systems;
- adjustment of the use of hedge accounting;
- annexing the contracts and implementing the standards adopted by the markets;
- cooperation with the banking sector aimed at developing a uniform interpretation of the regulations and standards of their implementation.

Representatives of many organisational units of the Bank, including in particular those responsible for product areas, as well as issues related to risk and financial management, participate in the project's works. On the part of the companies, representatives of PKO Bank Hipoteczny, PKO Leasing S.A and PKO Faktoring S.A participate. The structure of the project takes into account the division into streams covering products and processes where there is an element of applying the WIBOR reference index and the cyclical reporting of statuses with regard to individual streams. In the current phase of the project, intensive work is underway at the Bank to adapt the technological infrastructure, as well as involving the preparation of internal processes and documentation (including rules and regulations).

Since 1 January 2022, the Group continued servicing the loan portfolios and new loan agreements using WIBOR and EURIBOR without any changes.

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

The Group is working on analysing the risks and monitoring them on an ongoing basis; however, due to the early stage of the reform, more detailed information on the transition process will be provided as the WIBOR reform work progresses. Moreover, due to the lack of formal information on the potential regulatory event referred to in Article 23c(1) of the BMR, the lack of the Regulation of the Minister of Finance referred to in Article 61c of the Act of 5 August 2015 on macro-prudential oversight of the financial system and crisis management in the financial system concerning the replacement, or even for the draft of such a regulation, lack of information on the amount of adjustment spread or the method of calculating this spread as well as the lack of the market for hedging instruments and taking into account the current stage of work of the National Working Group and implementation of the roadmap, currently, it is not possible to estimate the financial impact of the WIBOR rate reform.

The following tables present the Bank's exposure to significant types of interest rates affected by the interest rate benchmark reform, which had not been replaced as at 30 September 2023 and 31 December 2022.

Financial assets	
30.09.2023	WIBOR PLN
Amounts due from banks	3 796
Securities	15 647
Reverse repo transactions	69
Loans and advances to customers	179 660
Total assets	**199 172**

Financial liabilities and off-balance sheet liabilities	
30.09.2023	WIBOR PLN
Repo transactions	5
Amounts due to customers	147
Subordinated liabilities	2 719
Securities in issue	3 732
Provisions for financial liabilities and guarantees granted	297
Total liabilities	**6 900**
Financial liabilities and guarantees granted	35 147

Financial assets	
31.12.2022	WIBOR PLN
Amounts due from banks	3 748
Securities	14 368
Loans and advances to customers	174 878
Total assets	**192 994**

Financial liabilities and off-balance sheet liabilities	
31.12.2022	WIBOR PLN
Amounts due to customers	6 979
Subordinated liabilities	2 781
Securities in issue	4 873
Provisions for financial liabilities and guarantees granted	412
Total liabilities	**15 135**
Financial liabilities and guarantees granted	32 051

For new variable interest loans granted to corporate customers in foreign currencies, new benchmarks (referred to as risk-free rates) are used, such as SARON for CHF, SOFR for USD, SONIA for GBP. Depending on the nature of the product, interest is calculated daily or using compound interest rates – either "in advance" (based on historical rates) or "in arrears" (at the end of an interest period). As far as the financial market transactions are concerned, the Bank (as mentioned above) has joined the ISDA Protocol and executes and settles transactions in accordance with that standard, i.e. using compound risk-free rates.

- HEDGE ACCOUNTING

The amendments to IFRS allow for the assumption that future cash flows – although subject to changes in the future as a result of the transition to alternative benchmark rates – are still highly probable and thus the existing hedging relationships can be maintained.

46. OTHER INFORMATION

- SEASONALITY OR CYCLICALITY OF ACTIVITIES IN THE REPORTING PERIOD

The Bank's and the other PKO Bank Polski SA Group companies' activities do not show material cyclical or seasonal changes.

- THE POSITION OF THE MANAGEMENT BOARD OF PKO BANK POLSKI S.A. ON THE POSSIBILITY OF THE ACHIEVEMENT OF PREVIOUSLY PUBLISHED FORECASTS OF THE RESULTS FOR THE YEAR

PKO Bank Polski SA did not publish forecasts of financial results for 2023. In current reports, the Bank communicated information on significant events that affected the Bank's and the Bank Group's results.

- SIGNIFICANT AGREEMENTS AND MATERIAL AGREEMENTS WITH THE CENTRAL BANK OR SUPERVISORY AUTHORITIES

PKO Bank Polski S.A. is obliged to inform in the current reports about all agreements meeting the definition of confidential information provided in Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse.

In the nine-month period ended 30 September 2023, PKO Bank Polski S.A. concluded a guarantee agreement providing unfunded credit protection in respect of a portfolio of selected corporate credit receivables of the Bank, in accordance with the CRR. For details, see the Condensed Interim Consolidated Financial Statements of the PKO Bank Polski S.A. Group for the nine months ended 30 September 2023 in Note 31 "Contingent liabilities and off- balance sheet liabilities received and granted".

In March 2023, PKO Bank Polski S.A signed an agreement with the National Bank of Poland for the Bank's participation in the Target-NBP system for euro-denominated payments.

PKO Bank Polski S.A's subsidiaries did not enter into any significant agreements or material agreements with the central bank or supervisory authorities in the nine-month period ended 30 September 2023.

- LOANS DRAWN AND AGREEMENTS REGARDING ADVANCES, GUARANTEES AND PLEDGES WHICH ARE NOT RELATED TO OPERATING ACTIVITIES

In the nine-month period ended 30 September 2023, neither PKO Bank Polski S.A nor PKO Bank Polski S.A's subsidiaries took out any loans or advances or received any guarantees or pledges which were not related to their operating activities.

- INFORMATION ON NON-PAYMENT OF A LOAN OR ADVANCE OR BREACHING MATERIAL PROVISIONS OF A LOAN OR ADVANCE AGREEMENT WITH RESPECT OF WHICH NO REMEDIAL ACTION WAS PERFORMED UNTIL THE END OF THE REPORTING PERIOD

The Group has not identified any unpaid loans or advances or any breach of material provisions of a loan or advance agreement where the Group acts as a borrower with regard to which no remedial action had been taken until 30 September 2023.

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

The Bank's Group does not identify transactions with subordinates that deviate materially from arm's length conditions. Subsidiaries of PKO Bank Polski S.A. did not conclude any transactions with related parties which differ significantly from arm's length basis.

- **INFORMATION ON SIGNIFICANT AGREEMENTS CONCERNING THE ISSUER OR ITS SUBSIDIARY GRANTING SURETIES FOR LOANS OR ADVANCES OR GRANTING GUARANTEES**

In the nine-month period ended 30 September 2023, neither PKO Bank Polski S.A nor PKO Bank Polski S.A's subsidiaries have entered into significant agreements to guarantee the repayment of a loan or advance and to grant guarantees for the repayment of a loan or advance.

- **INFORMATION ON MATERIAL PROCEEDINGS AT COURT, BEFORE A COMPETENT ARBITRATION TRIBUNAL OR A PUBLIC ADMINISTRATION BODY**

Taking into consideration the value of and an increase in the number of court proceedings, PKO Bank Polski S.A. considered as material the court proceedings relating to mortgage loans in convertible currencies. A description of the main disputes, including those relating to mortgage loans in convertible currencies, is presented in note “Legal claims”.

- **OTHER INFORMATION RELEVANT TO THE ASSESSMENT OF THE ISSUER'S PERSONNEL, ASSETS, FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CHANGES THEREIN**

In the nine-month period ended 30 September 2023, PKO Bank Polski S.A and PKO Bank Polski S.A's subsidiaries did not experience any other significant events relevant to the assessment of their personnel, assets, financial position and financial performance.

SEPARATE FINANCIAL DATA

SEPARATE INCOME STATEMENT

	Note	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022	3 quarters period from 01.01.2022 to 30.09.2022
Net interest income		**4 399**	**12 442**	**1 192**	**7 399**
Interest and similar income	47	7 430	21 446	3 634	11 886
of which calculated under the effective interest rate method		7 296	21 021	3 470	11 475
Interest expense	47	(3 031)	(9 004)	(2 442)	(4 487)
Net fee and commission income		**1 010**	**2 889**	**1 000**	**2 888**
Fee and commission income	48	1 442	4 098	1 409	3 987
Fee and commission expense	48	(432)	(1 209)	(409)	(1 099)
Other net income		**77**	**752**	**210**	**688**
Dividend income		8	639	9	474
Gains/(losses) on financial transactions		43	49	148	333
Foreign exchange gains/ (losses)		22	46	(14)	(141)
Gains/(losses) on derecognition of financial instruments		12	35	2	(15)
of which measured at amortized cost		5	13	2	9
Net other operating income and expense		(8)	(17)	65	37
Result on business activities		**5 486**	**16 083**	**2 402**	**10 975**
Net allowances for expected credit losses		**(207)**	**(687)**	**(415)**	**(819)**
Net impairment losses on non-financial assets		(27)	(52)	(10)	(75)
Cost of legal risk of mortgage loans in convertible currencies		-	(3 441)	-	(1 176)
Administrative expenses		**(1 553)**	**(4 812)**	**(1 668)**	**(5 417)**
of which net regulatory charges		(42)	(436)	(408)	(1 753)
Tax on certain financial institutions		(286)	(863)	(310)	(895)
Profit before tax		**3 413**	**6 228**	**(1)**	**2 593**
Income tax expense		(917)	(1 784)	(12)	(824)
Net profit		**2 496**	**4 444**	**(13)**	**1 769**
Earnings per share					
– basic earnings per share for the period (PLN)		2.00	3.56	(0,01)	1.42
– diluted earnings per share for the period (PLN)*		2.00	3.56	(0,01)	1.42
Weighted average number of ordinary shares during the period (in million)*		1 250	1 250	1 250	1 250

* Both in the period of nine months ended 30 September 2023 and in the corresponding period of 2022, there were no dilutive instruments. Therefore, the amount of diluted earnings per share is the same as the amount of basic earnings per share.

(IN PLN MILLION)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	2nd quarter period from 01.07.2023 to 30.09.2023	2 quarters period from 01.01.2023 to 30.09.2023	2nd quarter period from 01.07.2022 to 30.09.2022	2 quarters period from 01.01.2022 to 30.09.2022
Net profit		**2 496**	**4 444**	**(13)**	**1 769**
Other comprehensive income		**1 492**	**4 681**	**1 160**	**(5 044)**
Items which may be reclassified to profit or loss		**1 492**	**4 681**	**1 160**	**(5 044)**
Cash flow hedges (net)		**1 048**	**3 130**	**848**	**(2 812)**
Cash flow hedges (gross)		1 293	3 863	1 047	(3 472)
Deferred tax		(245)	(733)	(199)	660
Fair value of financial assets measured at fair value through other comprehensive income (net)		**443**	**1 551**	**311**	**(2 233)**
Remeasurement of fair value, gross		554	1 937	384	(2 782)
Gains /losses transferred to the profit or loss (on disposal)		(7)	(22)	-	24
Deferred tax		(104)	(364)	(73)	525
Currency translation differences from foreign operations		1	-	1	1
Net comprehensive income		**3 988**	**9 125**	**1 147**	**(3 275)**

(IN PLN MILLION)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	30.09.2023	31.12.2022
ASSETS		446 939	405 168
Cash and balances with Central Bank		16 302	15 719
Amounts due from banks		18 592	19 442
Hedging derivatives		939	217
Other derivative instruments		9 169	13 745
Securities	49	170 058	130 986
Reverse repo transactions		69	7
Loans and advances to customers	50	217 048	208 918
Property, plant and equipment		2 670	2 505
Non-current assets held for sale		133	10
Intangible assets		3 117	2 933
Investments in subsidiaries	52	3 440	3 560
Investments in associates and joint ventures	53	275	275
Current income tax receivable		12	47
- of the Bank		2	-
- of the subsidiaries belonging to the Tax Group		10	47
Deferred tax assets		3 234	4 694
Other assets		1 881	2 110

		30.09.2023	31.12.2022
LIABILITIES AND EQUITY		446 939	405 168
Liabilities		**403 730**	**371 084**
Amounts due to Central bank		10	9
Amounts due to banks		3 535	2 928
Hedging derivatives		2 706	6 727
Other derivative instruments		9 078	14 002
Repo transactions		5	-
Amounts due to customers	51	371 810	334 856
Loans and advances received		567	726
Securities in issue		3 595	-
Subordinated liabilities		2 719	2 781
Other liabilities		6 588	6 480
Current income tax liabilities		457	527
- of the Bank		457	379
- of the subsidiaries belonging to the Tax Group		-	148
Deferred tax liabilities		3	
Provisions		2 657	2 048
EQUITY		43 209	34 084
Share capital		1 250	1 250
Reserves and accumulated other comprehensive income		28 078	21 768
Retained earnings		9 437	7 808
Net profit or loss for the year		4 444	3 258

(IN PLN MILLION)

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR 9 MONTHS ENDED 30 SEPTEMBER 2023	Share capital	Reserves and accumulated other comprehensive income						Retained earnings	Net profit or loss for the period	Total equity
		Reserves			Accumulated other comprehensive income	Reserves and accumulated other comprehensive income				
		Supplementary capital	General banking risk fund	Other reserves						
As at the beginning of the period	1 250	22 468	1 070	6 746	(8 516)	21 768		7 808	3 258	34 084
Transfer from retained earnings	-	-	-	-	-	-		3 258	(3 258)	-
Distribution of profit to be used for dividend payments, including interim dividends	-	-	-	1 629	-	1 629		(1 629)	-	-
Comprehensive income	-	-	-	-	4 681	4 681		-	4 444	9 125
As at the end of the period	1 250	22 468	1 070	8 375	(3 835)	28 078		9 437	4 444	43 209

FOR 9 MONTHS ENDED 30 SEPTEMBER 2023	Accumulated other comprehensive income				
	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period	(3 469)	(5 028)	(19)	-	(8 516)
Comprehensive income	1 551	3 130	-	-	4 681
As at the end of the period	(1 918)	(1 898)	(19)	-	(3 835)

(IN PLN MILLION)

FOR 9 MONTHS ENDED 30 SEPTEMBER 2022	Share capital	Reserves and accumulated other comprehensive income					Retained earnings	Net profit or loss for the period	Total equity
		Reserves			Accumulated other comprehensive income	Reserves and accumulated other comprehensive income			
		Supplementary capital	General banking risk fund	Other reserves					
As at the beginning of the period	1 250	22 468	1 070	6 746	(5 557)	24 727	5 500	4 596	36 073
Transfer from retained earnings	-	-	-	-	-	-	4 596	(4 596)	-
Distribution of profit to be used for dividend payments, including interim dividends	-	-	-	-	-	-	(2 288)	-	(2 288)
Comprehensive income	-	-	-	-	(5 044)	(5 044)	-	1 769	(3 275)
As at the end of the period	1 250	22 468	1 070	6 746	(10 601)	19 683	7 808	1 769	30 510

FOR 9 MONTHS ENDED 30 SEPTEMBER 2022	Accumulated other comprehensive income				
	Fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Actuarial gains and losses	Currency translation differences on foreign operations	Total
As at the beginning of the period	(1 842)	(3 702)	(13)	-	(5 557)
Comprehensive income	(2 233)	(2 812)	-	1	(5 044)
As at the end of the period	(4 075)	(6 514)	(13)	1	(10 601)

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

SEPARATE STATEMENT OF CASH FLOWS

	01.01-30.09.2023	01.01-30.09.2022
Cash flows from operating activities		
Profit before tax	**6 228**	**2 593**
Income tax paid	**(1 340)**	**(948)**
Total adjustments:	**20 084**	**13 367**
Depreciation and amortization	720	672
(Gains)/losses on investing activities	(9)	(3)
Interest and dividends received	(4 442)	(2 320)
Interest paid	273	330
Change in:		
amounts due from banks	(138)	1 350
hedging derivatives	(4 743)	3 957
other derivative instruments	(348)	(190)
securities	(5 449)	(3 066)
loans and advances to customers	(8 445)	(6 240)
reverse repo transactions	(62)	(23)
non-current assets held for sale	(123)	12
other assets	230	(66)
accumulated allowances for expected credit losses	191	812
accumulated allowances on non-financial assets and other provisions	742	214
amounts due to the Central Bank	1	2
amounts due to banks	607	1 292
amounts due to customers	36 954	18 133
repo transactions	5	(15)
loan and advances received	(4)	838
liabilities in respect of debt securities in issue	64	-
subordinated liabilities	(62)	5
other liabilities	302	1 086
Other adjustments	3 820	(3 413)
Net cash from/used in operating activities	**24 972**	**15 012**

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

	01.01-30.09.2023	01.01-30.09.2022
Cash flows from investing activities		
Inflows from investing activities	**518 642**	**65 921**
Redemption of securities measured at fair value through other comprehensive income	511 200	56 966
Interest received on securities measured at fair value through other comprehensive income	2 662	915
Redemption of securities measured at amortized cost	2 895	6 620
Interest received on securities measured at amortized cost	1 140	833
Proceeds from disposal of intangible assets, property, plant and equipment and assets held for sale	28	15
Other inflows from investing activities including dividends	717	572
Outflows on investing activities	**(546 924)**	**(57 798)**
Purchase of securities measured at fair value through other comprehensive income	(532 693)	(56 266)
Purchase of securities measured at amortized cost	(13 190)	(407)
Purchase of intangible assets and property, plant and equipment	(1 041)	(422)
Other outflows on investing activities	-	(703)
Net cash from/used in investing activities	**(28 282)**	**8 123**

	01.01-30.09.2023	01.01-30.09.2022
Cash flows from financing activities		
Payment of dividends	-	(2 288)
Proceeds from debt securities in issue	3 531	-
Repayment of loans and advances	(155)	(5 219)
Payment of lease liabilities	(190)	(181)
Repayment of interest on long-term liabilities	(273)	(330)
Net cash from financing activities	**2 913**	**(8 018)**
Total net cash flows	**(397)**	**15 117**
of which foreign exchange differences on cash and cash equivalents	(104)	290
Cash and cash equivalents at the beginning of the period	29 611	19 129
Cash and cash equivalents at the end of the period	29 214	34 246

(IN PLN MILLION)

SELECTED NOTES TO THE SEPARATE FINANCIAL STATEMENTS

47. INTEREST INCOME AND EXPENSE

INTEREST AND SIMILAR INCOME	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022	3 quarters period from 01.01.2022 to 30.09.2022
Loans and other amounts due from banks and the Central Bank[1]	**513**	**1 471**	**440**	**889**
Debt securities:	**1 716**	**4 736**	**1 108**	**2 508**
measured at amortized cost	566	1 535	424	1 062
measured at fair value through other comprehensive income	1 140	3 172	674	1 424
measured at fair value through profit or loss	10	29	10	22
Loans and advances to customers	**5 201**	**15 239**	**2 080**	**8 464**
measured at amortized cost	4 836	14 102	1 669	7 461
measured at fair value through other comprehensive income	241	741	257	614
measured at fair value through profit or loss	124	396	154	389
Amounts due to customers	-	-	**6**	**25**
Total	7 430	21 446	3 634	11 886
of which: interest income on impaired financial instruments	138	377	93	217
Interest income calculated using the effective interest rate method on financial instruments measured:	7 296	21 021	3 470	11 475
at amortized cost	5 915	17 108	2 539	9 437
at fair value through other comprehensive income	1 381	3 913	931	2 038
Income similar to interest income on instruments measured at fair value through profit or loss	134	425	164	411
Total	7 430	21 446	3 634	11 886

[1] Under this item, in the nine-month period ended 30 September 2023, the Bank recognised interest income on funds in call accounts (central clearing through a clearing broker) of PLN 181 million (PLN 201 million in the corresponding period) and interest income on funds in the current account with the NBP of PLN 583 million (PLN 363 million in the corresponding period).

INTEREST EXPENSE	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022	3 quarters period from 01.01.2022 to 30.09.2022
Amounts due to banks	(26)	(72)	(51)	(111)
Hedging derivatives[1]	(824)	(2 841)	(1 081)	(2 050)
Interbank deposits	-	-	(1)	(6)
Loans and advances received	(10)	(36)	(68)	(185)
Leases	(8)	(21)	(4)	(10)
Amounts due to customers[2]	(2 056)	(5 731)	(1 191)	(2 021)
Issues of securities	(50)	(131)	-	-
Subordinated liabilities	(57)	(172)	(46)	(104)
Total	(3 031)	(9 004)	(2 442)	(4 487)

[1] The increase in interest expense related to hedging derivatives of PLN 791 million relates mainly to IRS transactions (payments made at a floating rate exceed those received at a fixed rate)

[2] The increase in expenses by PLN 3 710 million results from interest rate increases leading to an adjustment of the deposit offering to the market situation and the conversion of funds into term deposits, accompanied by an increase in the average volume of deposits by PLN 36 billion compared to the corresponding period of 2022

(IN PLN MILLION)

48. FEE AND COMMISSION INCOME AND EXPENSES

FEE AND COMMISSION INCOME	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022	3 quarters period from 01.01.2022 to 30.09.2022
Loans, insurance	**262**	**759**	**241**	**722**
lending	204	596	190	565
offering insurance products	58	163	51	157
Investment funds, pension funds and brokerage activities	**91**	**270**	**110**	**339**
servicing investment funds and OFE (including management fees)	2	7	3	13
servicing and selling investment and insurance products	1	4	3	5
brokerage activities	88	259	104	321
Cards	**588**	**1 582**	**552**	**1 444**
Margins on foreign exchange transactions	**173**	**517**	**190**	**547**
Bank accounts and other	**328**	**970**	**316**	**935**
servicing bank accounts	230	690	231	690
cash operations	27	68	20	57
servicing foreign mass transactions	33	93	27	74
customer orders	13	40	16	47
fiduciary services	2	7	2	7
Other	23	72	20	60
Total, of which:	**1 442**	**4 098**	**1 409**	**3 987**
income from financial instruments not measured at fair value through profit or loss	1 413	4 023	1 388	3 901

FEE AND COMMISSION EXPENSE	3rd quarter period from 01.07.2023 to 30.09.2023	3 quarters period from 01.01.2023 to 30.09.2023	3rd quarter period from 01.07.2022 to 30.09.2022	3 quarters period from 01.01.2022 to 30.09.2022
Loans and insurance	**(29)**	**(77)**	**(21)**	**(70)**
commission paid to external entities for product sales	(8)	(24)	(5)	(17)
cost of construction project supervision and property appraisal	(13)	(27)	(6)	(21)
fees to Biuro Informacji Kredytowej	(6)	(17)	(5)	(15)
loan handling	(2)	(9)	(5)	(17)
Investment funds, pension funds and brokerage activities	**(7)**	**(22)**	**(7)**	**(22)**
Cards	**(343)**	**(963)**	**(344)**	**(901)**
Bank accounts and other	**(53)**	**(147)**	**(37)**	**(106)**
clearing services	(15)	(44)	(13)	(39)
commissions for operating services provided by banks	(2)	(8)	(4)	(9)
sending short text messages (SMS)	(14)	(41)	(13)	(38)
selling banking products	(1)	(1)	(1)	(1)
servicing foreign mass transactions	(5)	(16)	(6)	(16)
other	(16)	(37)	-	(3)
Total	**(432)**	**(1 209)**	**(409)**	**(1 099)**

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

49. SECURITIES

SECURITIES 30.09.2023	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
Debt securities	**476**	**355**	**89 280**	**79 632**	**169 743**
NBP money bills	-	-	16 483	-	16 483
Treasury bonds (in PLN)	365	-	48 285	56 346	104 996
Treasury bonds (in foreign currencies)	2	308	3 632	-	3 942
corporate bonds (in PLN) secured with the State Treasury guarantees	5	-	10 054	12 083	22 142
municipal bonds (in PLN)	14	-	5 326	7 038	12 378
corporate bonds (in PLN)[1]	82	47	2 561	2 425	5 115
corporate bonds (in foreign currencies)[2]	-	-	2 939	1 740	4 679
mortgage covered bonds	8	-	-	-	8
Equity securities	**36**	**309**	**-**	**-**	**345**
shares in other entities - not listed	-	289	-	-	289
shares in other entities - listed	33	20	-	-	53
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	3	-	-	-	3
Total (excluding adjustment relating to fair value hedge accounting)	**512**	**664**	**89 280**	**79 632**	**170 088**
Adjustment relating to fair value hedge accounting	-	-	-	(30)	(30)
Total	**512**	**664**	**89 280**	**79 602**	**170 058**

[1,2] The item includes bonds of international financial organizations of PLN 3 605 million and PLN 2 552 million.

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

SECURITIES 31.12.2022	held for trading	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
Debt securities	**171**	**366**	**62 286**	**67 821**	**130 644**
Treasury bonds (in PLN)	89	-	40 649	45 870	86 608
Treasury bonds (in foreign currencies)	2	321	3 977	-	4 300
corporate bonds (in PLN) secured with the State Treasury guarantees	3	-	9 373	12 100	21 476
municipal bonds (in PLN)	14	-	5 046	6 182	11 242
corporate bonds (in PLN)[1]	56	45	2 852	1 990	4 943
corporate bonds (in foreign currencies)	-	-	389	1 679	2 068
mortgage covered bonds	7	-	-	-	7
Equity securities	**28**	**344**	**-**	**-**	**372**
shares in other entities - not listed	-	324	-	-	324
shares in other entities - listed	27	20	-	-	47
participation units in investment funds, investment certificates, rights to shares, pre-emptive rights	1	-	-	-	1
Total (excluding adjustment relating to fair value hedge accounting)	**199**	**710**	**62 286**	**67 821**	**131 016**
Adjustment relating to fair value hedge accounting	-	-	-	(30)	(30)
Total	199	710	62 286	67 791	130 986

[1] The item includes bonds of international financial organizations of PLN 3 550 million.

As at 30 September 2023, the item “Treasury bonds in PLN and in foreign currencies” comprises Polish Treasury bonds. As at 30 September 2023 and 31 December 2022, the item "Treasury bonds in foreign currencies” also comprises US Treasury bonds in the amount of PLN 2 587 million and PLN 2 164 million respectively.

50. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS 30.09.2023	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
retail and private banking	2 879	10 740	100 531	114 150
real estate	2	10 740	72 448	83 190
consumer	2 877	-	28 083	30 960
companies and enterprises	53	-	17 056	17 109
real estate	-	-	5 145	5 145
business	53	-	11 911	11 964
corporate	27	-	85 766	85 793
real estate	-	-	146	146
business	27	-	85 620	85 647
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**2 959**	**10 740**	**203 353**	**217 052**
Adjustment relating to fair value hedge accounting	-	-	(4)	(4)
Total	2 959	10 740	203 349	217 048

(IN PLN MILLION)

LOANS AND ADVANCES TO CUSTOMERS 31.12.2022	not held for trading, measured at fair value through profit or loss	measured at fair value through other comprehensive income	measured at amortized cost	Total
retail and private banking	**3 480**	**11 895**	**98 475**	**113 850**
real estate	4	11 895	72 274	84 173
consumer	3 476	-	26 201	29 677
companies and enterprises	**44**	-	**17 011**	**17 055**
real estate	-	-	5 381	5 381
business	44	-	11 630	11 674
corporate	**41**	-	**77 980**	**78 021**
real estate	-	-	118	118
business	41	-	77 862	77 903
Loans and advances to customers (excluding adjustment relating to fair value hedge accounting)	**3 565**	**11 895**	**193 466**	**208 926**
Adjustment relating to fair value hedge accounting	-	-	(8)	(8)
Total	3 565	11 895	193 458	208 918

51. AMOUNTS DUE TO CUSTOMERS

AMOUNTS DUE TO CUSTOMERS 30.09.2023	Amounts due to households	Amounts due to business entities	Amounts due to state budget entities	Total
Measured at fair value through profit or loss – liabilities in respect of a short position in securities	-	**50**	**13**	**63**
Measured at amortized cost	**295 127**	**62 196**	**14 116**	**371 439**
Cash on current accounts and overnight deposits of which	190 907	41 815	11 893	244 615
savings accounts and other interest-bearing assets	45 346	15 695	5 810	66 851
Term deposits	103 633	19 701	2 163	125 497
Other liabilities	587	680	60	1 327
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**295 127**	**62 246**	**14 129**	**371 502**
Adjustment relating to fair value hedge accounting	308	-	-	308
Total	295 435	62 246	14 129	371 810

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

AMOUNTS DUE TO CUSTOMERS 31.12.2022	Amounts due to households	Amounts due to business entities	Amounts due to state budget entities	Total
Measured at fair value through profit or loss – liabilities in respect of a short position in securities	-	5	-	5
Measured at amortized cost	**260 729**	**56 990**	**17 188**	**334 907**
Cash on current accounts and overnight deposits of which	178 629	38 931	16 224	233 784
savings accounts and other interest-bearing assets	41 877	12 452	11 615	65 944
Term deposits	81 600	17 481	913	99 994
Other liabilities	500	578	51	1 129
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	**260 729**	**56 995**	**17 188**	**334 912**
Adjustment relating to fair value hedge accounting	(56)	-	-	(56)
Total	260 673	56 995	17 188	334 856

AMOUNTS DUE TO CUSTOMERS BY SEGMENT	30.09.2023	31.12.2022
Amounts due to customers (excluding adjustment relating to fair value hedge accounting)	371 502	334 912
retail and private banking	266 782	232 858
corporate	57 190	55 115
companies and enterprises	47 530	46 939
Adjustment relating to fair value hedge accounting	308	(56)
Total	371 810	334 856

52. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

30.09.2023	Gross carrying amount	Impairment	Net carrying amount
SUBSIDIARIES			
PKO Bank Hipoteczny S.A.	1 650	-	1 650
KREDOBANK S.A.	1 072	(845)	227
PKO Leasing S.A.	496	-	496
PKO Życie Towarzystwo Ubezpieczeń S.A.	241	-	241
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	225	-	225
PKO VC - fizan[1]	200	-	200
PKO BP BANKOWY PTE S.A.	151	(37)	114
NEPTUN - fizan[1]	132	-	132
PKO Towarzystwo Ubezpieczeń S.A.	110	-	110
PKO Finance AB	24	-	24
PKO BP Finat sp. z o.o.	21	-	21
JOINT VENTURES			
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	197	-	197
Operator Chmury Krajowej sp. z o.o.	78	-	78
ASSOCIATES			
Bank Pocztowy S.A.	184	(184)	-
“Poznański Fundusz Poręczeń Kredytowych" sp. z o.o.	2	(2)	-
Total	4 783	(1 068)	3 715

[1] The Bank holds investment certificates of the Fund which allow it to control the Fund in accordance with IFRS.

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

On 30 September 2023, Merkury - fiz an was reclassified from subsidiaries to non-current assets held for sale.

31.12.2022	Gross carrying amount	Impairment	Net carrying amount
SUBSIDIARIES			
PKO Bank Hipoteczny S.A.	1 650	-	1 650
KREDOBANK S.A.	1 072	(845)	227
PKO Leasing S.A.	496	-	496
PKO Życie Towarzystwo Ubezpieczeń S.A.	241	-	241
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	225	-	225
PKO VC - fizan[1]	200	-	200
PKO BP BANKOWY PTE S.A.	151	(37)	114
NEPTUN - fizan[1]	132	-	132
Merkury - fiz an[1]	120	-	120
PKO Towarzystwo Ubezpieczeń S.A.	110	-	110
PKO Finance AB	24	-	24
PKO BP Finat sp. z o.o.	21	-	21
JOINT VENTURES			
Centrum Elektronicznych Usług Płatniczych eService sp. z o.o.	197	-	197
Operator Chmury Krajowej sp. z o.o.	78	-	78
ASSOCIATES			
Bank Pocztowy S.A.	184	(184)	-
"Poznański Fundusz Poręczeń Kredytowych" sp. z o.o.	2	(2)	-
Total	4 903	(1 068)	3 835

[1] The Bank holds investment certificates of the Fund which allow it to control the Fund in accordance with IFRS.

53. Related-party transactions – capital links – subsidiaries

Transactions between the Bank as the parent and its subsidiaries, associates and joint ventures are presented in the table below. All transactions presented below were arm's length transactions.

On 30 September 2023, Merkury - fiz an was reclassified from subsidiaries to non-current assets held for sale.

30.09.2023 Company Name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
KREDOBANK SA and its subsidiary	5	-	4	343
NEPTUN - fizan and its subsidiaries	160	160	50	-
PKO Bank Hipoteczny S.A.	5 679	5 600	308	5 914
PKO BP BANKOWY PTE S.A.	-	-	24	-
PKO BP Finat sp. z o.o.	-	-	25	20
PKO Leasing SA and its subsidiaries	24 316	24 249	30	7 445
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	-	-	182	-
PKO Towarzystwo Ubezpieczeń S.A.	-	-	46	1
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	-	-	107	1
Total subsidiaries	30 160	30 009	776	13 724

(IN PLN MILLION)

FOR 9 MONTHS ENDED 30 SEPTEMBER 2023 Company Name	Total income	of which interest and commission income	Total expense	of which interest and commission income
KREDOBANK SA and its subsidiary	1	-	-	-
NEPTUN - fizan and its subsidiaries	6	6	1	1
PKO Bank Hipoteczny S.A.	454	441	3	-
PKO BP BANKOWY PTE S.A.	1	-	-	-
PKO BP Finat sp. z o.o.	3	-	6	1
PKO Leasing SA and its subsidiaries	1 147	1 143	32	32
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	2	-	8	8
PKO Towarzystwo Ubezpieczeń S.A.	57	57	2	2
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	78	-	4	4
Total subsidiaries	1 749	1 647	56	48

31.12.2022 Company Name	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
KREDOBANK SA and its subsidiary	-	-	39	345
Merkury - fiz an and its subsidiaries	-	-	21	-
NEPTUN - fizan and its subsidiaries	151	151	30	-
PKO Bank Hipoteczny S.A.	5 506	5 470	509	7 735
PKO BP BANKOWY PTE S.A.	-	-	15	-
PKO BP Finat sp. z o.o.	-	-	38	15
PKO Finance AB	-	-	190	-
PKO Leasing SA and its subsidiaries	21 805	21 778	27	5 305
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	-	-	223	-
PKO Towarzystwo Ubezpieczeń S.A.	-	-	16	1
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	-	-	129	-
Total subsidiaries	27 462	27 399	1 237	13 401

FOR 9 MONTHS ENDED 30 SEPTEMBER 2022 Company Name	Total income	of which interest and commission income	Costs Total	of which interest and commission expense
KREDOBANK SA and its subsidiary	2	2	-	-
NEPTUN - fizan and its subsidiaries	1	1	-	-
PKO Bank Hipoteczny S.A.	557	544	-	-
PKO BP BANKOWY PTE S.A.	1	1	-	-
PKO BP Finat sp. z o.o.	3	-	6	-
PKO Finance AB	29	29	159	159
PKO Leasing SA and its subsidiaries	380	378	-	-
PKO Towarzystwo Funduszy Inwestycyjnych S.A.	145	2	4	4
PKO Towarzystwo Ubezpieczeń S.A.	30	30	-	-
PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary	60	29	3	3
Total subsidiaries	1 208	1 016	172	166

CONDENSED INTERIM CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (IN PLN MILLION)

54. CAPITAL ADEQUACY

Capital adequacy	30.09.2023	31.12.2022 (restated)*
Equity	**43 209**	**34 085**
capital: share capital, supplementary capital, other reserves, and general risk reserve	33 163	31 536
retained earnings	9 437	7 809
net profit or loss for the year	4 444	3 258
other comprehensive income	(3 835)	(8 518)
Exclusions from equity:	**2 546**	**(1 770)**
net profit or loss for the year	4 444	3 258
cash flow hedges	(1 898)	(5 028)
Other fund reductions:	**2 871**	**4 203**
goodwill	755	755
other intangible assets	1 315	1 390
additional asset adjustments (AVA, DVA, NPE, capital exposures and DTA above the thresholds specified in Art. 48 of the CRR)[1]	801	2 058
Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI according to Art. 468 of the CRR	-	1 360
Temporary reversal of IFRS 9 impact	**1 232**	**1 836**
Current period profit/loss, included by permission from the PFSA/after approval of profit distribution by AGM	**1 624**	**3 258**
Tier 1	**40 648**	**38 105**
Tier 2 capital (subordinated debt)	**2 216**	**2 584**
Own funds	**42 864**	**40 689**
Requirements for own funds	**15 225**	**15 884**
Credit risk	13 381	13 449
Operational risk[2]	1 694	2 043
Market risk[3]	115	342
Credit valuation adjustment risk	35	50
Total capital ratio	**22.52**	**20.49**
Tier 1 capital ratio	**21.36**	**19.19**

[1] AVA – additional valuation adjustment, DVA – debt valuation adjustment, NPE – non-performing exposures, DTA – deferred tax assets

[2] In the period of nine months ended 30 September 2023, there was a decrease in the own funds requirement for operational risk by PLN 349 million mainly due to the implementation of individual scaling of the legal risk costs of mortgage loans in CHF in the AMA approach in accordance with the PFSA decision obtained on 22 February 2023. The purpose of the change is to ensure that the historically incurred costs of the portfolio of mortgage loans in CHF are taken into account in the AMA model at an appropriate scale in relation to the risks that the Bank may potentially still incur as a result.

[3] The decrease in the value of the market risk-related requirement as at the end of September 2022 relative to 31 December 2023 was mainly due to a decrease in the currency risk-related requirement, which did not occur as at the end of September 2023 compared to PLN 138 million as at the end of December 2022.

* Figures as at 31 December 2022 have been restated in connection with the retroactive accounting of profit for 2022. Pursuant to Art. 26 (2) of CRR, an institution may include interim or year-end profits in CET1 after a formal decision was taken confirming the final profit or loss of the institution for the year, or before it has taken the formal decision, only with the competent authority's prior permission. In line with the European Banking Authority's (EBA) guidance in the single rulebook Q&A setting out the EBA's position on when to recognise annual and interim profits in capital adequacy data (Q&A 2018_3822, Q&A 2018_4085 and Q&A 2013_208), from the point at which the institution formally meets the criteria to include the profit for the period in Tier 1 capital, it is considered that the profit should be included on a retrospective date (the date of the profit rather than the date the criterion is met) and an adjustment to own funds should be made to the date to which the profit relates.

If the transitional arrangements for the partial reversal of the impact of IFRS 9 under Article 473a of the CRR had not been applied, the Bank's Tier 1 capital would have amounted to PLN 39 197 million, the total capital would have amounted to PLN 41 413 million, the Tier 1 capital ratio would have been 20.79%, the total capital ratio would have been 21.97% and the leverage ratio 8.88%.

The provisions for the provisional treatment of unrealized gains and losses measured at fair value through OCI according to Art. 468 of the CRR were in force until 31 December 2022.

55. Subsequent events

- On 25 October 2023, the NWG SC on benchmark reform decided to revise the deadlines for the Road Map for the process of replacing the WIBOR and WIBID benchmarks indicating a final conversion date of the end of 2027. The NWG SC announced that neither the directions of the benchmark reform in Poland nor the scopes of measures planned to date in the Roadmap are changing.
- On 31 October 2023, PKO Bank Polski S.A. decided to withdraw from the investment process regarding the possible acquisition by the Bank from Poczta Polska S.A. block of shares of Bank Pocztowy S.A. owned by Poczta Polska S.A., i.e. 75%-10 shares of Bank Pocztowy S.A. ("Transaction") and decided to complete all work related to the Transaction (Current Report No. 22/2023).
- On 2 November 2023, PKO Bank Hipoteczny S.A. (a subsidiary of PKO Bank Polski S.A.) issued, within the framework of the International Mortgage Covered Bond Issue Programme, mortgage bonds with a total nominal value of PLN 750 000 000, maturing on 2 November 2026.

SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

Dariusz Szwed	President of the Management Board
Maciej Brzozowski	Vice-President of the Management Board
Marcin Eckert	Vice-President of the Management Board
Paweł Gruza	Vice-President of the Management Board
Wojciech Iwanicki	Vice-President of the Management Board
Andrzej Kopyrski	Vice-President of the Management Board
Artur Kurcweil	Vice-President of the Management Board
Piotr Mazur	Vice-President of the Management Board

SIGNATURE OF A PERSON WHO IS RESPONSIBLE FOR MAINTAINING THE ACCOUNTING RECORDS

Danuta Szymańska	Director of the accounting division

The original Polish document is signed with a qualified electronic signatures