



Bank Polski

# REPORT OF THE PKO BANK POLSKI S.A. GROUP FOR THE THIRD QUARTER OF 2022

## SELECTED CONSOLIDATED FINANCIAL DATA

| SELECTED FINANCIAL DATA  | PLN million                                 |   |                     | EUR million                                 |   |                     |
|--|---|---|---------------------|---|---|---------------------|
|  | period from<br>01.01.2022-<br>to 30.09.2022 | period from<br>01.01.2021-<br>to 30.09.2021 | Change %<br>(A-B)/B | period from<br>01.01.2022-<br>to 30.09.2022 | period from<br>01.01.2021-<br>to 30.09.2021 | Change %<br>(D-E)/E |
|  | A   | B   | C                   | D   | E   | F                   |
| Net interest income/(expense)  | 7 655                                       | 7 213                                       | 6,1%                | 1 633                                       | 1 582                                       | 3,2%                |
| Net fee and commission income  | 3 710                                       | 3 196                                       | 16,1%               | 791   | 701   | 12,8%               |
| Net expected credit losses and Net impairment allowances on non-financial assets | (1 190)                                     | (827)                                       | 43,9%               | (254)                                       | (181)                                       | 40,3%               |
| Administrative expenses  | (6 096)                                     | (4 550)                                     | 34,0%               | (1 300)                                     | (998)                                       | 30,3%               |
| Profit before tax  | 2 411                                       | 4 934                                       | (51,1%)             | 514   | 1 082                                       | (52,5%)             |
| Net profit (including non-controlling shareholders)                              | 1 599                                       | 3 671                                       | (56,4%)             | 341   | 805   | (57,6%)             |
| Net profit attributable to the parent company                                    | 1 601                                       | 3 671                                       | (56,4%)             | 342   | 805   | (57,5%)             |
| Earnings per share for the period - basic (in PLN/EUR)                           | 1,28  | 2,94  | (56,5%)             | 0,27  | 0,64  | (57,8%)             |
| Earnings per share for the period - diluted (in PLN/EUR)                         | 1,28  | 2,94  | (56,5%)             | 0,27  | 0,64  | (57,8%)             |
| Total net comprehensive income   | (3 718)                                     | 1 624                                       | (328,9%)            | (793)                                       | 356   | (322,8%)            |
| Total net cash flows   | 14 614                                      | (629)                                       | (2423,4%)           | 3 117                                       | (138)                                       | (2358,7%)           |

| SELECTED FINANCIAL DATA                   | PLN million |            |                     | EUR million |            |                     |
|---|-------------|------------|---------------------|-------------|------------|---------------------|
|   | 30.09.2022  | 31.12.2021 | Change %<br>(A-B)/B | 30.09.2022  | 31.12.2021 | Change %<br>(D-E)/E |
|   | A           | B          | C                   | D           | E          | F                   |
| Total assets                              | 438 503     | 418 086    | 4,9%                | 90 045      | 90 900     | (0,9%)              |
| Total equity                              | 31 689      | 37 693     | (15,9%)             | 6 507       | 8 195      | (20,6%)             |
| Share capital                             | 1 250       | 1 250      | -                   | 257         | 272        | (5,5%)              |
| Number of shares (in million)             | 1 250       | 1 250      | -                   | 1 250       | 1 250      | -                   |
| Book value per share (in PLN/EUR)         | 25,35       | 30,15      | (15,9%)             | 5,21        | 6,56       | (20,6%)             |
| Diluted number of shares (in million)     | 1 250       | 1 250      | -                   | 1 250       | 1 250      | -                   |
| Diluted book value per share (in PLN/EUR) | 25,35       | 30,15      | (15,9%)             | 5,21        | 6,56       | (20,6%)             |
| Total capital adequacy ratio              | 17,15       | 18,73      | 8,4%                | 17,15       | 18,73      | 8,4%                |
| Tier 1                                    | 37 579      | 39 412     | (4,7%)              | 7 717       | 8 569      | (9,9%)              |
| Tier 2                                    | 2 669       | 2 700      | (1,2%)              | 548         | 587        | (6,6%)              |

## SELECTED SEPARATE FINANCIAL DATA

| STANDALONE SELECTED FINANCIAL DATA   | PLN million                           |                                       |                  | EUR million                           |                                       |                  |
|--|---------------------------------------|---------------------------------------|------------------|---------------------------------------|---------------------------------------|------------------|
|  | period from 01.01.2022- to 30.09.2022 | period from 01.01.2021- to 30.09.2021 | Change % (A-B)/B | period from 01.01.2022- to 30.09.2022 | period from 01.01.2021- to 30.09.2021 | Change % (D-E)/E |
|  | A                                     | B                                     | C                | D                                     | E                                     | F                |
| Net interest income/(expense)  | 7 399                                 | 6 344                                 | 16,6%            | 1 578                                 | 1 392                                 | 13,4%            |
| Net fee and commission income  | 2 888                                 | 2 571                                 | 12,3%            | 616                                   | 564                                   | 9,2%             |
| Net expected credit losses and Net impairment allowances on non-financial assets | (894)                                 | (708)                                 | 26,3%            | (191)                                 | (155)                                 | 23,2%            |
| Administrative expenses  | (5 417)                               | (3 915)                               | 38,4%            | (1 156)                               | (859)                                 | 34,6%            |
| Profit before tax  | 2 593                                 | 4 610                                 | (43,8%)          | 553                                   | 1 011                                 | (45,3%)          |
| Net profit   | 1 769                                 | 3 526                                 | (49,8%)          | 377                                   | 774                                   | (51,3%)          |
| Earnings per share for the period - basic (in PLN/EUR)                           | 1,42                                  | 2,82                                  | (49,7%)          | 0,30                                  | 0,62                                  | (51,6%)          |
| Earnings per share for the period - diluted (in PLN/EUR)                         | 1,42                                  | 2,82                                  | (49,7%)          | 0,30                                  | 0,62                                  | (51,6%)          |
| Total net comprehensive income   | (3 275)                               | 1 354                                 | (341,9%)         | (699)                                 | 297                                   | (335,4%)         |
| Total net cash flows   | 15 117                                | (1 346)                               | (1223,1%)        | 3 225                                 | (295)                                 | (1193,2%)        |

| STANDALONE SELECTED FINANCIAL DATA        | PLN million |            |                  | EUR million |            |                  |
|---|-------------|------------|------------------|-------------|------------|------------------|
|   | 30.09.2022  | 31.12.2021 | Change % (A-B)/B | 30.09.2022  | 31.12.2021 | Change % (D-E)/E |
|   | A           | B          | C                | D           | E          | F                |
| Total assets                              | 412 821     | 388 816    | 6,2%             | 84 772      | 84 536     | 0,3%             |
| Total equity                              | 30 510      | 36 073     | (15,4%)          | 6 265       | 7 843      | (20,1%)          |
| Share capital                             | 1 250       | 1 250      | -                | 257         | 272        | (5,5%)           |
| Number of shares (in million)             | 1 250       | 1 250      | -                | 1 250       | 1 250      | -                |
| Book value per share (in PLN/EUR)         | 24,41       | 28,86      | (15,4%)          | 5,01        | 6,27       | (20,1%)          |
| Diluted number of shares (in million)     | 1 250       | 1 250      | -                | 1 250       | 1 250      | -                |
| Diluted book value per share (in PLN/EUR) | 24,41       | 28,86      | (15,4%)          | 5,01        | 6,27       | (20,1%)          |
| Total capital adequacy ratio              | 18,20       | 20,23      | (10,0%)          | 18,20       | 20,23      | (10,0%)          |
| Tier 1                                    | 34 392      | 36 956     | (6,9%)           | 7 062       | 8 035      | (12,1%)          |
| Tier 2                                    | 2 669       | 2 700      | (1,2%)           | 548         | 587        | (6,6%)           |

| SELECTED FINANCIAL STATEMENT ITEMS HAVE BEEN TRANSLATED INTO EUR AT THE FOLLOWING RATES   | period from 01.01.2022 to 30.09.2022 | period from 01.01.2021 to 30.09.2021 |
|---|--------------------------------------|--------------------------------------|
| arithmetic mean of NBP exchange rates at the end of a month (income statement, statement of comprehensive income and cash flow statement items) | 4,6880                               | 4,5585                               |
|   | 30.09.2022                           | 31.12.2021                           |
| NBP mid exchange rates at the date indicated (statement of financial position items)  | 4,8698                               | 4,5994                               |



Bank Polski

Directors' Commentary  
to the results of the PKO Bank Polski S.A. Group  
for the nine-month period ended  
30 September 2022

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

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (PKO Bank Polski S.A. or the Bank), the Parent of the Group, is the largest commercial bank in Poland and a leading bank on the Polish market in terms of its scale of operations, equity, loans, deposits, number of Customers and the size of the distribution network.

## I. SUMMARY OF OPERATIONS IN THE THIRD QUARTER OF 2022

Below we present information on the Group's operations in the third quarter of 2022, taking into account important events until the date of approval of this quarterly report. A summary for the first half of 2022 was presented in the Directors' Report of the PKO Bank Polski S.A. Group for the first half of 2022 (<https://www.pkobp.pl/investor-relations/financial-results-presentations/>).

### A. THE MOST IMPORTANT EVENTS, INCLUDING OF AN ATYPICAL NATURE

#### 1. SUPPORT FOR BORROWERS

On 29 July 2022, the Act on crowdfunding for business ventures and assistance to borrowers (the Act) entered into force. The Act contains a package of support measures for borrowers, including the possibility of suspending the repayment of a mortgage loan (the so-called "loan repayment holidays"), and imposes on lenders an obligation to make additional payments to the Borrowers' Support Fund.

#### Loan repayment holidays

As part of the implementation of the Act, the PKO Bank Polski S.A. Group introduced the possibility of suspending the repayment of a housing loan for two months per quarter in the period from 1 August 2022 to 30 September 2022 and from 1 October 2022 to 31 December 2022 and for one month per quarter in the period from 1 January 2023 to 31 December 2023.

It applies to mortgage loans under loan agreements concluded before 1 July 2022 in the Polish currency and with the lending period ending after 31 December 2022 - one agreement per customer concluded with a view to acquiring a property intended to satisfy own housing needs.

Customers who entered into amicable settlement for loans in Swiss francs (CHF) and currently have a loan in Polish zlotys (PLN) may also take advantage of the loan repayment holidays.

The possibility of submitting an application was made available for all suspension periods in accordance with the statutory quarterly limits. Customers of PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A. may submit an application through the iPKO online service, in the Bank's branch offices or by mail.

The Group adjusted the carrying amount of mortgage loans by PLN 3.1 billion (and reduced interest income by the same amount). The adjustment amount was determined as the difference between the carrying amount of the estimated cash flows arising from loan agreements, taking into account the suspension of the repayment, and the gross carrying amount of the loan portfolio. Loss estimation was based on the assumption that approximately 63% of the customers having a mortgage loan granted in PLN would decide to take advantage of the loan repayment holidays (the customer participation ratio). The loss estimated based on the assumption of 100% mortgage loan customers using the loan repayment holidays would amount to PLN 4.8 billion.

By the end of September 2022, 265 thousand of the Group's customers submitted an application to suspend the repayment of their mortgage loans, and the total number of suspended loan instalments exceeded one million.

At the end of September, the actual level of utilization of the governmental programme of loan repayment holidays by the Group's customers was close to the one expected. In future, increase in the customer participation ratio, and consequently the level of the related costs, may be affected by factors such as the unemployment rate, customer behaviours and changes in market interest rates,

Since 11 October 2022, PKO Bank Polski S.A. has made it possible for customers who have mortgage cash advances (*pożyczki hipoteczne*) granted for own housing purposes to apply for tax repayment holidays.<sup>1</sup>

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<sup>1</sup> The possibility to suspend repayment continues to apply to only one agreement - for a mortgage loan (*kredyt*) or a mortgage cash advance (*pożyczka*).

### **Additional contributions to the Borrowers' Support Fund**

The Act imposed on lenders, including banks, an obligation to make additional contributions to the Borrowers' Support Fund by the end of 2022, totalling PLN 1.4 billion.

As part of the implementation of the Act, in the third quarter of 2022, the Group:

- transferred the first part of the contribution of PLN 85.8 million to the Borrowers' Support Fund;
- recognized a provision for the second part of its contribution to the Borrowers' Support Fund of PLN 214 million, the final amount of the second part of the contribution to be decided by the Board of the Borrowers' Support Fund.

## **2. COMMERCIAL BANKS PROTECTION SYSTEM**

System Ochrony Banków Komercyjnych S.A. (SOBK) – the company managing the commercial banks protection system referred to in Article 4(1)(9a) of the Banking Law was registered in the National Court Register on 1 August 2022. The Bank took up 21,113 shares in SOBK with a par value of PLN 211,130, representing 21.1% of the company's share capital, and the company was classified as the Bank's associated entity.

In the third quarter of 2022, in order to secure funds for the financing of the tasks of the Commercial Banks Protection System, the Bank made another contribution of PLN 84 million to the assistance fund managed by SOBK. In total, the Bank paid PLN 956 million to the assistance fund in 2022.

On 30 September 2022, the Bank Guarantee Fund (BGF) decided to initiate a mandatory resolution of Getin Noble Bank S.A. In accordance with an application received from the BGF, and in line with the basic tasks of the protection system (set out in Chapter 10a of the Banking Law), SOBK granted the total support needed to safely conduct the mandatory resolution of the said bank of PLN 3.47 billion, including in the form of a subsidy and taking up 49% of shares in a mezzanine institution (i.e. a bank created by the BGF, to which the operations of Getin Noble Bank S.A. were transferred on 3 October 2022). In accordance with the generally applicable laws, SOBK does not have voting rights in the governing bodies of the mezzanine institution and therefore has no impact on its management, but rather acts as a passive investor supporting the institution's stability.

## **3. WITHDRAWAL FROM INCREASING THE MARGIN UNTIL A MORTGAGE HAS BEEN ESTABLISHED**

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

In the third quarter of 2022, the Group set up a provision of PLN 48 million to reimburse customers charged for the 0.9 p.p. margin increase until the mortgage is registered, under contracts concluded since 22 July 2017. A reimbursement will be made without the customer having to submit a request.

## **4. THE BANK'S DEPOSIT OFFER<sup>2</sup>**

Operating in an environment of persistently high inflation and high interest rates, PKO Bank Polski S.A. has been improving the attractiveness of its deposit offer by introducing new products and increasing interest rates on existing products in the third quarter of 2022.

In the third quarter of 2022, in particular, the Bank:

- for retail customers (private individuals):
  - introduced new products to its offer:
    - ✓ a progressive deposit with the interest rate changing every 6 months from 3% to 6% and 9% in successive periods; the deposit is non-renewable and offered for a period of 18 months;
    - ✓ a tailored deposit for personal and private banking customers, allowing flexible investment of funds for a period from 1 to 365 days, with an interest rate of 3% to 5%, depending on the length of the agreement, as at the end of September;
  - increased interest rates and changed the terms of offering:
    - ✓ deposits for new funds – up to 7.5% for 3 months;
    - ✓ mobile deposits – 6% for 3 months;

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<sup>2</sup> The interest rate indicated is the annual rate. The changes described cover the period until the end of October 2022.

- ✓ term deposits for personal and private banking customers – the deposit is offered for 3 months, with an interest rate of 4.5% for personal banking customers and 5% for private banking customers;
- ✓ 60+ deposits offered to customer of over 60 years of age – 6% for 24 months;
- ✓ deposits under Specialized Investment Programme “Autolokacja III” – 7% for 6 months;
- for SMEs customers:
  - introduced to the offer a progressive deposit for new funds for a period of 12 months with the interest rate changing every 4 months from 2% to 4% and 6% in successive periods;
- for corporate customers:
  - increased the interest rate on dynamic accounts (i.e. a separate account dedicated for automatic overnight placement of funds) to 1.3%.

In October 2022, PKO Bank Polski S.A. increased interest rates on funds in the Plus Savings Account, ADM Savings Account and ADM Progress Savings Account to 2%, and introduced a promotion for new funds in the Plus Savings Account: 7.5% for 49 days and increased interest rate on the First Savings Account, for funds of up to PLN 10 thousand from 4% to 6% (with regular savings, customers may receive an interest rate of 8%).

The average interest rate on all term deposits placed with PKO Bank Polski S.A. was 4.3% in the third quarter of 2022 compared with 2.6% in the second quarter of 2022.

#### 5. ACQUISITION OF A BLOCK OF SHARES IN PKN ORLEN S.A.

On 29 September 2022, PKO Bank Polski S.A. concluded an agreement with the Ministry of State Assets based on which on 30 September 2022, in a block transaction, it acquired 14,161,080 bearer shares in PKN ORLEN S.A., which represented 2.26% of the share capital and carried the right to 2.26% votes at the GSM of that company as at the date of sale. The share acquisition price was the product of the number of shares and the price of one share according to the closing price of PKN ORLEN S.A.'s shares on the date of conclusion of the agreement, less a discount determined on an arm's length basis.

In order to hedge the economic risk of that transaction, on 30 September 2022 PKO Bank Polski S.A. concluded with PKN ORLEN S.A. a total return swap for a period of one month where 14,161,080 shares in PKN ORLEN S.A. previously acquired by the Bank from the State Treasury were the underlying instrument. As part of the collateral, if the Bank sells shares at a price lower than the acquisition price, PKN ORLEN S.A. will pay to the Bank the difference between the acquisition price and the selling price, and in the case of selling the shares at a price exceeding the acquisition price, the Bank will pay PKN ORLEN S.A. the difference between the selling price and the acquisition price. In the case of an early termination of the hedging transaction by the Bank, should the selling price be higher than the acquisition price, PKN ORLEN S.A. will pay to the Bank a break-free fee of two thirds of the difference between the selling price and the acquisition price.

To secure the receivable, PKN ORLEN S.A. placed a cash deposit for the benefit of the Bank, bearing an interest rate determined on an arm's length basis.

On 18 October 2022, PKO Bank Polski S.A. concluded agreements for the sale of all 14,161,080 shares in PKN ORLEN S.A. acquired from the State Treasury. The sale took place in the accelerated book-building (ABB) format.

#### 6. DIVIDEND

PKO Bank Polski S.A. paid dividend from the net profit earned in 2021.

In accordance with resolutions of the Ordinary Shareholders' Meeting of PKO Bank Polski S.A. of 12 May 2022:

- PLN 2,287,500,000 (i.e. 49.77% of the Bank's net profit) was set aside for the payment of dividend;
- the dividend amounted to PLN 1.83 (gross) per share;
- the dividend date (date of vesting rights to dividend) was 4 August 2022;
- the dividend payment date was 23 August 2022.

#### 7. AMENDMENT TO THE ARTICLES OF ASSOCIATION OF PKO BANK POLSKI S.A.

On 4 October 2022, the registration court entered an amendment to the Articles of Association of PKO Bank Polski S.A. in the National Court Register. The amendment consisted in replacing § 30(1) and § 34a as follows:

- § 30(1) now has the following wording: “1. Irrespective of the supplementary capital, a reserve capital shall be created for offsetting potential accounting losses or for other purposes, in particular for the payment of a dividend, an interim dividend or the purchase of the own shares by the Bank in accordance with § 7(4)”;

- in § 34a, the third sentence now has the following wording: “An advance towards a dividend may amount to no more than half of the Bank’s profit earned since the end of the previous financial year, as reported in the financial statements audited by a registered auditor, plus the reserve capital earmarked for the payment of an interim dividend and less unabsorbed losses and the own shares”.

## **B. CHANGES IN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF PKO BANK POLSKI S.A.**

### **CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD**

In the third quarter of 2022:

- Ms Iwona Duda submitted resignation from the position of the President of the Management Board of the Bank and from the member of the Management Board as of the end of 9 August 2022.
- On 9 August 2022, with effect from 10 August 2022, the Bank’s Supervisory Board appointed Mr Paweł Gruza a Vice-President of the Bank’s Management Board for the current joint term of office of the Management Board which started on 3 July 2020, and subject to the consent of the Polish Financial Supervision Authority (PFSA) and with effect from the date thereof, appointed Mr Paweł Gruza the President of the Management Board. Until the PFSA’s consent has been issued, the Supervisory Board entrusted the direction of the work of the Bank’s Management Board to Mr Paweł Gruza.

In connection with the changes referred to above, the Remuneration and Nomination Committee of the Bank’s Supervisory Board made an assessment which resulted in confirming the individual suitability of the new member of the Bank’s Management Board and collective suitability of the whole Management Board. The assessment of suitability was confirmed by the Bank’s Supervisory Board.

As at 30 September 2022, the composition of the Bank’s Management Board was as follows:

- 1) President of the Management Board Area – Paweł Gruza, Vice-President of the Management Board directing the work of the Management Board;
- 2) Analyzes, Business and Enterprise Banking, and Affluent Client Area – Maciej Brzozowski, Vice-President of the Management Board;
- 3) Accounting and Finance Area – Bartosz Drabikowski, Vice-President of the Management Board;
- 4) Corporate and Investment Banking Area – Marcin Eckert, Vice-President of the Management Board;
- 5) Administration Area – Wojciech Iwanicki, Vice-President of the Management Board;
- 6) Retail Market and International Banking Area – Maks Kraczkowski, Vice-President of the Management Board;
- 7) Operations Area – Mieczysław Król, Vice-President of the Management Board;
- 8) Technology Area – Artur Kurcweil, Vice-President of the Management Board;
- 9) Risk Management Area – Piotr Mazur, Vice-President of the Management Board.

Mr Paweł Gruza, as of the date of his appointment to the Bank’s Management Board, became a member of the Strategy Committee.

### **AMENDMENT TO THE POLICY ON THE SUITABILITY OF MEMBERS OF THE MANAGEMENT BOARD AND PERSONS PERFORMING CRITICAL ROLES IN THE BANK AND ON ASSESSMENTS OF SUITABILITY IN THE GROUP COMPANIES**

As a result of an annual review of the Policy concerning the suitability of members of the Management and top management of the Bank and assessing the suitability in the Group companies (the Policy), the Bank’s Supervisory Board adopted amendments to the Policy on 29 September 2022.

The amendments related to the issuing by the European Banking Authority and the European Securities and Markets Authority of the updated “Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders”.

In accordance with these guidelines, the key changes related to emphasizing:

- the need to have knowledge and skills in those aspects which enable members of the Bank’s Management Board to perform tasks relating to the management of the risks of money laundering and terrorism financing, the ESG (environmental, social and governance) risk, and the management of the impact of the ESG risks on the entity’s operations;
- the importance of on-going monitoring of the events which may potentially and materially affect the former assessment of individual suitability of a Management Board member or joint suitability of the Management Board;

- the need to precisely specify the expected minimum involvement of a member of the Bank's Management Board in performing the tasks entrusted, including the possibility to perform the duties to an increased extent, in periods requiring increased activity, including, among others, those resulting from restructuring, relocation of institutions, acquisitions, mergers, takeovers or emergencies.

#### CHANGES IN THE COMPOSITION OF THE BANK'S SUPERVISORY BOARD

In the third quarter of 2022, there were no changes in the composition of the Bank's Supervisory Board.

After the reporting period:

- On 17 October 2022, Mr Grzegorz Chłopek submitted his resignation (with effect at the end of the day on 17 October 2022) as a Member of the Bank's Supervisory Board;
- On 18 October 2022, the Extraordinary Shareholders' Meeting of the Bank appointed Mr Robert Pietryszyn a Member of the Bank's Supervisory for the current joint term of office which started on 26 August 2020.

At the same time, the Extraordinary Shareholders' Meeting of the Bank confirmed individual suitability of the new member of the Supervisory Board of the Bank in connection with his appointment and the suitability of the entire body (joint suitability), taking into account the changes to its composition.

The newly appointed member of the Supervisory Board of the Bank declared that he met the independence criteria set out in the "Best Practices for GPW Listed Companies 2021".

### C. WAR IN UKRAINE AND ITS IMPACT ON THE OPERATIONS OF THE GROUP

PKO Bank Polski S.A, together with its Polish Group companies continued to support Ukraine and its citizens, including in particular refugees. It raised funds and organized relief operations and offered a package of financial services. The Bank monitored changes in international sanctions imposed on Russia and Belarus on an ongoing basis and responded accordingly. Companies which are part of the PKO Bank Polski S.A. Group operate in Ukraine.

#### HUMANITARIAN AID AND ASSISTANCE TO EMPLOYEES OF THE UKRAINIAN GROUP COMPANIES

In the third quarter of 2022, the PKO Bank Polski Foundation (the Foundation) continued aid activities initiated in the first half of the year, by providing support from its own resources as well as from voluntary contributions from donors collected in a special Foundation bank account.

- Aid activities financed from the Foundation's budget were mainly addressed to KREDOBANK S.A. employees and their families, who were provided with accommodation, medical care, food and clothing. In addition, a donation was made to the recipients of the aid to support the empowerment of refugees in Poland. The total aid provided in the third quarter amounted to PLN 5 million (PLN 11.8 million for the three quarters of 2022).
- From the funds accumulated from voluntary contributions to the Foundation's account:
  - support was provided to 14 non-governmental organizations and units carrying out aid activities for refugees from Ukraine for a total of PLN 2.4 million (in total, 67 organizations and almost PLN 8 million for the three quarters of 2022).
  - costs of initiatives for Ukrainian refugees organized locally by PKO Bank Polski S.A. volunteers were covered; the Foundation spent PLN 1.1 million (PLN 2.9 million for three quarters of 2022 including purchased in-kind donations) to cover the costs of transporting women and children from Ukraine to Poland, accommodation, purchase of medicines and groceries.

Moreover, in the third quarter of 2022, the Foundation made in-kind donations of assets decommissioned from use and obtained from the Group companies totalling PLN 0.9 million (the total value of donations made for the three quarters of 2022 exceeded PLN 1.4 million).

As part of its humanitarian efforts, KREDOBANK S.A. donated UAH 2 million in cash in total in the third quarter of 2022, including as part of Kredo Foundation's activities (UAH 5 million in total in 2022). In cooperation with its foundation, the company continues to run a shelter in Lviv for refugees from regions afflicted by the war. In the third quarter, 223 refugees benefited from the shelter (in total by 30 September 2022: 738 refugees, including 235 children).

In addition, in the third quarter of 2022, KREDOBANK S.A. together with Kredo Foundation conducted a campaign "Brave to be together", as part of which a thousand children evacuated from war zones and occupied territories who went to school for the first time in western Ukraine were prepared for school.

The Company also helps its employees and their families, in particular in terms of evacuation and accommodation.

#### PRODUCT OFFER

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

- Natural persons may open a standard PKO Konto bez Granic (account without borders) account with a multi-currency card, with access to the account via Internet or phone, exempt from fees for 12 months, or Czasowe Konto bez Granic (temporary account without borders) for customer who not have a document confirming his/her identity. In the third quarter, the Bank opened 56.9 thousand checking accounts (ROR) for Ukrainian citizens, including 5.9 thousand of Czasowe Konto bez Granic accounts (in total, in the period from 24 February 2022 to 30 September 2022, the Bank opened 322.9 thousand checking accounts for Ukrainian citizens, including 47.7 thousand Czasowe Konto bez Granic accounts).
- At ATMs of PKO Bank Polski S.A., under the PKO Awizo service, it is possible to make withdrawals of benefits provided under the Act on Assistance to Citizens of Ukraine;
- The Bank has made available its mobile IKO application, iPKO electronic banking service, a section on the Bank's website, ATM services, Interactive Voice Responses (IVRs) and selected bank documents and materials in Ukrainian.
- The Bank does not charge fees for transfer orders abroad to banks in Ukraine;

Businesses are offered a promotional business account by the Bank. The offer is addressed to customers who open a PKO Konto Firmowe (company account) or PKO Konto Firmowe Premium (premium company account). Under a special offer, customers are exempt for 12 months from, among others, fees for the maintenance of accounts, for domestic transfers and transfers to banks in Ukraine and for deposits and withdrawals made at the Bank's branch offices.

Until 30 September 2022, non-profit institutions which are working to help Ukraine may request exemption from fees and commissions, among other things, for the maintenance of accounts earmarked for helping Ukraine, transfers and cash deposits.

#### EXCHANGE OF HRYVNIA

In September 2022, PKO Bank Polski S.A. ended the exchange of hryvnia (UAH) conducted, as the only bank in Poland, on behalf of the National Bank of Poland (NBP).

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

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

The decision to end the purchase of the hryvnia was taken by the NBP in consultation with the NBU – the programme met the objectives set for it, providing Ukrainian refugees with access to their own funds.

#### OPERATIONS OF THE UKRAINIAN COMPANIES FROM THE GROUP

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 2022, the Company's head office was in Lviv; there were 67 branches, 13 of which are located in regions most affected by warfare.

From February 2022, in connection with the military aggression of Russia, KREDOBANK S.A.'s priority is to ensure the safety of its employees and maintain uninterrupted operations servicing customers on an on-going basis. The Company services customers in regions where no active military actions are in progress. The management monitors the Company's operations on a daily basis and ensures quick reaction to incidents and changes in the situation.

The Company's Management Board estimates potential losses at a level which has no impact on KREDOBANK S.A.'s ability to continue its operations. As at the end of September 2022, according to an assessment based on the available official information, approximately 20% of the Company's loan portfolio is located directly in or close to regions where hostilities are taking place, including less than 4% in areas of temporary occupation or active combat operations.

The financial and organizational position of the other Ukrainian companies from the Group was stable as at the end of September 2022. The companies had no liquidity stresses and they maintain contacts with their former counterparties. Restrictions in the services provided and organization of the work are being adapted to war conditions on an ongoing basis.

## D. BUSINESS CONDITIONS

### MACROECONOMIC ENVIRONMENT

In the third quarter of 2022, activity in the national economy stabilized after a drop noted in the second quarter of 2022, when seasonally adjusted data showed a 2.1% decrease in GDP quarter-on-quarter. However, the annual economic growth likely continued decelerating to approximately 3% from 5.5% in the second quarter of 2022. Investment in the economy grew at a moderate pace, reflecting companies' efforts to reduce the negative effects of rising energy costs (productivity improvements, investment in alternative energy sources). The decline in real incomes and purchasing power caused a successive reduction in the growth rate of private consumption. However, consumption growth remains positive, largely due to the spending of refugees from Ukraine, whose influx after the outbreak of war increased Poland's population by around 4%. The labour market situation remained good. The growing concern about rising unemployment observed in consumer surveys has so far not been confirmed by hard data. At the end of September, the registered unemployment rate remained at a record low of 4.8%.

CPI inflation remained on an upward trend. It stood at 17.2% y/y in September, compared to 15.5% y/y in June, and was the highest in 25 years. The high level of inflation is mainly the result of external shocks to the energy and food markets. However, the price increase is very broad in nature and covers almost all categories of the inflation basket, reflecting the widespread adjustment of prices to higher activity costs (the so-called "second round effects"). Core inflation (CPI excluding food and energy prices) rose to a record 10.7% y/y in September. The rise in inflation was global in nature and was particularly pronounced in Europe, which is struggling with soaring energy prices due to Russia's aggression against Ukraine. Central and Eastern European countries are facing particularly high inflation.

In the third quarter of 2022, the Monetary Policy Council (MPC) continued its cycle of interest rate increases. The reference rate was raised by 50 bp in July and by 25 bp in September, to 6.75%. In September, the NBP began to signal that the cycle of monetary tightening was coming to an end, and in October the MPC declared a pause in that cycle which would last at least until November, when the NBP would publish a new GDP and inflation projection. During the year, from October 2021, NBP interest rates have been raised by a total of 665 bp, making the current cycle the fastest and largest ever.

#### NBP interest rates at the end of third quarter of 2022

|              |       |
|--------------|-------|
| • reference  | 6.75% |
| • discount   | 6.85% |
| • rediscount | 6.80% |
| • lombard    | 7.25% |
| • deposit    | 6.25% |

### SITUATION ON THE FINANCIAL MARKET

In the third quarter of 2022, the zloty weakened markedly against all major currencies, which was reflected in an increase in the EUR/PLN exchange rate to 4.85 and the USD/PLN exchange rate to 4.95 at the end of the period. The zloty depreciated along with other emerging market currencies as demand for the US dollar increased, driven by both risk aversion due to geopolitical reasons and aggressive tightening of the monetary policy by the Fed. The deterioration in the economic outlook in Europe due to energy shortages has put pressure on currencies in Central and Eastern Europe. Despite interest rate rises, the level of negative real interest rates deepened further as inflation kept rising.

The valuation of short-term debt securities rose marginally in the third quarter due to moderate statements by representatives of the Monetary Policy Council, who suggested a near end to the cycle of interest rate increases in Poland amid fears of a strong slowdown in the domestic economy. Yields on Polish 2-year Treasury securities fell by 15 bp to 7.44%. However, most bonds have succumbed to selling pressure due to hawkish rhetoric from major central banks announcing further interest rate rises to combat inflation and the volatile geopolitical situation resulting in capital outflows from emerging markets. The yield on 5-year Polish bonds rose by 45 bp to 7.39%, while the yield on 10-year Polish bonds rose by 64 bp to 7.17%.

The third quarter of 2022 proved to be very negative for equity markets. The WIG index fell by 14%, deepening the year-to-date loss to over 30%. The main reasons were rising interest rates, which, on the one hand, put a strain on companies' performance and, on the other, created an attractive investment alternative to equities in the form of higher interest rates on deposits and bonds. In addition, stock market sentiment has been negatively affected by a number of initiatives aimed at easing the burden on households (e.g. the so-called "loan repayment holidays",

limiting increases in electricity and gas prices), which have taken their toll on the profits of banks and energy companies. The geopolitical situation also favoured the placement of funds in safe financial instruments.

## E. THE DEVELOPMENT OF BUSINESS ACTIVITIES AND FINANCING

### DEVELOPMENT OF SERVICES, PRODUCTS AND TOOLS

The Group developed modern services and products, including those offered via remote channels.

Achievements of PKO Bank Polski S.A.

| <b>Development of functionalities in electronic and mobile banking channels, automation and robotization</b> |   |
|--|---|
| IKO mobile application   | Enabling the opening of the PKO Konto Dziecka with the PKO Junior debit card.   |
|  | Enabling users who do not have an account with PKO Bank Polski S.A. to obtain a cash loan.  |
|  | Allowing changes to identity document, mailing address and switching to electronic correspondence for credit and investment products.   |
|  | Introducing an early repayment instruction for consumer loans.  |
|  | Introducing a modification to the IKO activation process if the customer enters an incorrect code.  |
|  | The number of active IKO applications at the end of September 2022 exceeded 7 million, which is a record in the Polish banking market. Since its launch, in March 2013, users have logged in more than 5.7 billion times and made more than 1.5 billion transactions totalling PLN 417 billion. |
|  | By the end of September 2022, the number of transactions conducted using the contactless BLIK solution in the IKO application exceeded 17.4 million.  |
|  | The IKO voice assistant had more than 2 million calls with customers, of which nearly 450 thousand calls were made in the third quarter alone.  |
| Electronic banking service iPKO  | Introducing an additional security measure when changing password to the iPKO online service, which requires the use of an authorization tool.  |
|  | Implementing a change to domestic, own-account and tax transfers consisting in providing information on transfer fees and charges.  |
|  | Adding of option to permanently save the default language version of the online service.  |
|  | Introducing changes to the self-determination of how statements to accounts can be received: electronically by e-mail or via iPKO.  |
|  | Facilitating the downloading of transactions carried out on the account during a period of more than 90 days.   |
| IKO and iPKO   | Allowing the opening of term deposits with progressive interest rates.  |
|  | Introducing changes to PKO Inwestomat regarding the inclusion of a question on a customer's ESG preferences in the MiFID questionnaire and improvements to facilitate service.  |
| Electronic banking services iPKO biznes  | Launching the Housing Custody Accounts module for developers, which allows them to check the balance of their accounts, verify payments and disbursements separately for each purchaser, submit instructions, check schedules and download reports.   |
| Cloud technologies   | Launching the processing of the Bank's multi-format customer data on the Google Cloud Platform for advanced analytics.  |
|  | Implementing, based on the Machine Learning Ops platform, of models in the areas of CRM (e.g. propensity-to-purchase models) and market and credit risk for the retail segment (e.g. case queuing models in debt collection processes and credit process support).                              |
|  | Launching behavioural analytics directly in the Google cloud, i.e. identifying detailed information about customer behaviour in IKO mobile banking and iPKO e-banking solutions.  |
|  | Launching of more systems available to customers in the cloud, including the PKO Bank Polski S.A. news service and the first functionalities of the IKO mobile application.   |

DIRECTORS' COMMENTARY TO THE RESULTS  
OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD  
ENDED 30 SEPTEMBER 2022

|                                      |  |
|--------------------------------------|--|
| Contact Center                       | Migrating the Contact Centre platform (UCCE) to a new version that extends business capabilities, particularly in terms of streamlining communications.  |
|                                      | Launching a new automated program (bot) that confirms with the customer the execution of suspicious payment card transactions.   |
|                                      | Launching a new bot that examines, using the net recommendation score (NPS) method, the level of customer satisfaction after a conversation with a Contact Centre consultant.  |
|                                      | The number of calls made via all voicebots was close to 15 million, including more than 2.7 million calls in the third quarter alone.<br>Voicebot on the inbound call centre supporting the work of contact centre consultants has made more than 8 million customer calls.  |
| Automation                           | Implementing a digitization and automatic indexing process for documents relating to the Brokerage House products, death instructions, credit card, account.   |
|                                      | Using software robots in the process of handling statutory mortgage instalment suspensions. In the period August-September, robots carried out 427 thousand tasks to enable the execution of suspensions of loan instalments requested by customers of PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A.   |
|                                      | The number of tasks completed by the robots exceeded 157 million at the end of September 2022.   |
| The Bank in the Metaverse            | Launching the Warsaw PKO Rotunda in the metaverse.<br>Users of the Decentraland platform can visit the virtual PKO Rotunda, where an exhibition of Polish contemporary art has been made available. For PKO Bank Polski S.A., being present in the Metaverse is an opportunity to gain experience and test technological solutions that will serve to develop a new channel of communication with customers and its business use in the future.  |
| <b>Development of retail banking</b> |  |
| Mortgage banking                     | Expanding the Bank's offer to include a housing loan with family repayment granted under the terms of the "Housing without own contribution" programme, which provides for the financing with a mortgage loan of up to 100% of the expenses related to the acquisition or construction of a property. Individuals who are creditworthy but do not have sufficient savings for own contribution can apply for the loan. A part of the amount financed is guaranteed by Bank Gospodarstwa Krajowego (BGK). If another child is born to the family during the repayment of the loan, a part of the loan is repaid by the BGK. |
|                                      | Maintaining a high market share in sales of new residential mortgages in Poland, despite a clear decline in sales volumes.<br>In the third quarter of 2022, the Group's share in sales of the said loans was 22.9% and the value of loans sold was approximately PLN 1.6 billion (compared with 22.1% and PLN 5.0 billion in the corresponding period of 2021).  |
|                                      | Increasing the share of loans bearing a fixed interest rate.<br>In the third quarter of 2022, the share of loans with a fixed interest rate in new sales (granted by PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A.) reached 67%, and their share in the portfolio of PLN-denominated mortgage loans was 16.3% as at 30 September 2022. The number of signed annexes to mortgage loan agreements (the annexes relate to the conversion of the existing floating interest rate loans to fixed interest rate loans) reached over 37.8 thousand in the three quarters of 2022.   |
| New credit offer                     | Enabling customers in the SMEs segment to apply for a credit/loan with collateral in the form of a BGK de minimis guarantee to repay a credit/loan from another bank.  |
| New credit process                   | Implementing a new credit risk assessment mechanism for the SME segment customers, which allows to increase the amount of financing up to PLN 1 million and to offer financing from a predefined global limit (for all credit products of the Bank and the Group companies).   |
| Investment offer                     | Implementing a new "Mobile Advisor" functionality, which enables private banking advisers to handle investment funds in terms of receiving and transmitting customer orders outside the Bank's branch office (mobile authorization or SMS code).   |

DIRECTORS' COMMENTARY TO THE RESULTS  
OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD  
ENDED 30 SEPTEMBER 2022

|  |  |
|--|--|
| Google Pay                               | Launching a free Google Pay service for retail and SME customers. Google Pay is a solution that allows paying with Android devices in all places in Poland and around the world where there are contactless terminals, as well as online. So far, Google Pay has been available to corporate customers and local governments only.   |
| LikePOS                                  | Providing the LikePOS mobile application – a smartphone payment terminal for corporate customers to accept contactless payments on devices with the Android operating system and NFC communication. The solution is provided by Poland's largest clearing agent, Centrum Elektronicznych Usług Płatniczych eService sp. z o.o., which is co-owned by PKO Bank Polski S.A.  |
| <b>Development of corporate banking</b>  |  |
| Corporate banking                        | Concluding seven syndicated loan agreements for a total of PLN 880 million and EUR 1,934.5 million, in which the Bank's share was PLN 189 million and EUR 154.4 million respectively (without agreements concerning green and sustainable financing that were listed separately).  |
|  | Concluding, for another period, an agreement to open and maintain consolidated accounts for the Social Insurance Fund, the Bridging Pension Fund and the Social Insurance Institution and to make bulk payments.   |
|  | Concluding, for another period, agreements on the provision of banking services to the budgets of the following voivodeships: Kujawsko-Pomorskie, Lubelskie, Pomorskie and the City of Zielona Góra together with their organizational units.  |
|  | Concluding thirty municipal bond issue agreements totalling over PLN 798 million, including PLN 200 million for Lublin and PLN 189 million for Łódź.   |
|  | Concluding a guarantee agreement in a syndicated form for a total of PLN 150 million in which the Bank's share was PLN 75 million.   |
|  | Implementing an interest optimization service for the largest and most profitable customers and banking groups with several loro accounts.   |
| <b>Development of ESG activities</b>     |  |
| Sustainable and green financing          | Granting two syndicated loans with an ESG component: (1) for the financing of an extension of a container terminal totalling EUR 863.5 million. (the Bank's share: EUR 154 million); (2) for the development of new projects in the area of renewable energy in Poland (including the development, acquisition or construction of wind and solar projects) amounting to PLN 262 million (the Bank's share: PLN 66 million).  |
|  | Bilateral financing of a solar farm project with a capacity of 113 MWp from renewable energy sources amounting to PLN 434 million.   |
|  | Financing acquisition of firms in the recycling sector to enable full circulation of plastics in the economy using state-of-the-art chemical recycling technologies (the total amount of financing was EUR 131 million, of which the Bank's share was EUR 43.5 million).   |
| Poland ClimAccelerator                   | Launching the Poland ClimAccelerator project aimed at searching for start-ups, scaleups and innovative companies operating in the area of green technologies, which could be implemented in the Group companies. The categories of the solutions searched for include: GreenTech, carbon footprint reporting, fleet management, innovative materials, vertical farms, waste and recycling and air purification in office buildings. The programme was launched jointly with EIT Climate-KIC – the leader in European climate innovation and Accelpoint – a flagship accelerator for start-ups. |
| <b>Development of insurance services</b> |  |
| Home insurance PKO Dom                   | Launching the process of policy renewal using various channels for customer contact (texting, e-mail, remote channels).  |
|  | Launching a service for customers, which enables online self-settlement of claims for selected housing damages. Based on photos and information submitted in a loss notification, the system calculates the amount of compensation and, once approved by the customer, makes a payment to the account specified.   |

DIRECTORS' COMMENTARY TO THE RESULTS  
OF THE PKO BANK POLSKI S.A. GROUP FOR THE NINE-MONTH PERIOD  
ENDED 30 SEPTEMBER 2022

|   |  |
|---|--|
| Sales of motor insurance                          | Expanding the offer of motor insurance for leased cars to include the offer of PKO Towarzystwo Ubezpieczeń S.A. Customers of PKO Leasing S.A. can insure a leased car via the Bank as part of the PKO Auto package.<br><br>By 30 September 2022, more than 460 thousand policies were sold, including 45 thousand in the third quarter. At the end of September, there were approximately 168 thousand active motor insurance packages in the Bank's portfolio, an increase of 4 thousand in the last quarter. |
| <b>Support through the Operations Area</b>        |  |
| eKancelaria (e-Office)                            | Introducing an AI solution to handle correspondence addressed to the Bank using the iWorkflow application, with data readout in the iOCR technology, i.e. a technology for automating the readout and storage of the data from scanned documents in the Bank's systems.  |
| Cooperation with EuroClear                        | Starting cooperation with the EuroClear depository bank in handling an account where securities are placed by and on behalf of PKO Bank Polski S.A. under the Initial Margin collateral exchange which became mandatory since September.   |
| Settlement of transactions on the BondSpot market | Harmonizing the settlement of all transactions (i.e. purchases, sales and contingent transactions) in securities that are concluded through the BondSpot platform. Reduction of the counterparty insolvency risk by settlement on a net basis.   |

Achievements of PKO Bank Hipoteczny S.A.

|                                       |   |
|---------------------------------------|---|
| Issue of green mortgage covered bonds | Carrying out an issue of green mortgage covered bonds in EUR with a nominal value of EUR 500 million in July 2022.<br><br>This was the first foreign issue in Poland and Central and Eastern Europe of green mortgage covered bonds secured exclusively on high quality PLN-denominated housing loans. The company strengthened its position on the international financial market as a trusted issuer of mortgage covered bonds, as evidenced by a more than 40% reduction in subscriptions made during the bookbuilding process.<br><br>Mortgage covered bonds of the said issue were admitted to trading on a regulated market on the Luxembourg Stock Exchange ( <i>Bourse de Luxembourg</i> ). |
|---------------------------------------|---|

Achievements of PKO Towarzystwo Funduszy Inwestycyjnych S.A.

|   |   |
|---|---|
| Leading positions in the investment fund market | Maintaining leading positions in the investment fund market.<br><br>The net assets of the funds managed by the company amounted to PLN 30.1 billion at the end of September 2022, including the net asset of retail funds of PLN 28.2 billion, allowing the company to maintain its 2 <sup>nd</sup> place (with a share of over 11.6%) and 1 <sup>st</sup> place (with a share of 20.0%), respectively, in the market*. |
| ECP market leader                               | Maintaining its position as market leader in Employee Capital Plans (ECP) with a market share of 31.5%*. ECP accounts managed by the company had assets exceeding PLN 3.0 billion at the end of September 2022.   |

\*Source: Analizy Online

Achievements of the PKO Leasing S.A. Group

|                                 |   |
|---------------------------------|---|
| New 3x50% financing offer       | Launching a new financing offer for new and used cars and machinery and equipment. The offer consists in reducing the first three instalments - up to a maximum of 50% of the principal and interest. |
| Development of the online offer | Pilot launch of an online leasing process for passenger cars on the iPKO website. The pilot launch is addressed to customers of selected Bank branches.   |

#### INCREASING FUNDING IN THE HEATING SECTOR

The war in Ukraine and sanctions imposed on Russia have driven up energy commodity prices and resulted in a need to secure coal supplies from places other than Russia. Therefore, in pursuing the ESG dimension of social responsibility, the Bank decided to increase its financing in the heating sector and selectively finance energy security transactions (coal purchases) on a temporary basis. This primarily includes transactions with the existing, reliable customers of the Bank. The new financing is provided as part of the standard credit process and using available collateral (including, among others, guarantees from Bank Gospodarstwa Krajowego).

#### PRO-ENVIRONMENTAL EFFORTS

The Bank has been improving the efficiency of the resources used and has taken the following actions:

- acquired 12 hybrid cars;
- verified the supply of contractual capacity for heat in selected properties;
- optimizes the consumption of heat, electricity, gas and heating oil at the Bank properties by verification of the operation time of air handling units, electric hot water heaters, gas and oil boilers and the use of work schedules for these devices and systems;
- continues windows and lighting replacement;
- installs bicycle racks;
- uses biodegradable cleaning products (soap, liquid) and recycled materials (paper towels and toilet paper);
- continues implementation of waste segregation across the organization and installation of solar energy systems.

#### GUARANTEES FOR ENTERPRISES FROM BGK'S CRISIS GUARANTEE FUND

Starting from 1 July 2022, customers of PKO Bank Polski S.A. and PKO Faktoring S.A. could use guarantees of Bank Gospodarstwa Krajowego (BGK) under new agreements relating to, respectively:

- a portfolio guarantee line to secure the repayment of a loan for the current financing of business activities or for financing of capital expenditure, in order to improve a borrower's financial liquidity;
- a portfolio guarantee line to secure a factoring limit for the current financing of an entrepreneur's business activities (in the form of recourse factoring or reverse factoring, not secured with an assignment of rights from an insurance policy) contributing to improving financial liquidity.

The programme is addressed to medium and large enterprises in the case of loans and to all enterprises in the case of factoring.<sup>3</sup>

Guarantees cover up to 80% of the loan/factoring limit granted, and the maximum amount, which can be secured with the guarantee is PLN 250 million. The guarantee is intended to help maintain the financial liquidity of entrepreneurs affected by the negative economic consequences of the Russian aggression against Ukraine, including the effects of sanctions imposed by the European Union and its trade partners and retaliatory measures introduced. The agreements make it possible to grant BGK crisis guarantees until 31 December 2022.

In the third quarter of 2022, 23 customers of the Bank and 6 customers of PKO Faktoring S.A. took advantage of this support, and the total amount of the guarantees granted amounted to PLN 206.5 million in the case of the Bank's customers and PLN 30.8 million in the case of PKO Faktoring S.A.'s customers.

#### FOREIGN CURRENCY MORTGAGE LOANS - AMICABLE SETTLEMENTS

In the third quarter of 2022, PKO Bank Polski S.A. continued offering amicable settlements to retail customers with active loans in Swiss francs (CHF), which were intended to meet their own housing needs. The amicable settlement consists in converting the CHF-denominated loans to PLN-denominated loans as if they had been PLN loans from the beginning, bearing the WIBOR reference rate plus a margin historically used for this type of loan. Since June, the scope of products covered by settlements also includes MIX mortgage loans granted in CHF for housing purposes (purchase of a property and the repayment of other liabilities).

Settlements are proposed in the course of mediation proceedings conducted by the Mediation Centre of the Arbitration Court at the Polish Financial Supervision Authority, court proceedings and proceedings triggered by a request for an attempt at settlement.

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<sup>3</sup> In both cases with the exception of financial institutions.

To mitigate the interest rate risk from the launch of the programme the Bank offers its borrowers the option of selecting a fixed interest rate for five years. If the period to maturity of the loan after the amicable settlement is shorter than five years, the fixed interest rate will be used until maturity. The fixed interest loans enjoy increasing popularity – in the amicable settlement process in the third quarter of 2022, 79% of the customers selected this option and continued to repay the loan after signing the amicable settlement (74% of the customers who continue to repay the loan in total since amicable settlements started to be offered).

In the third quarter of 2022, 3.2 thousand requests for mediation were registered, 1,951 mediations had a positive outcome, and 1,247 – a negative outcome. In total, by 30 September 2022, 30.8 thousand requests for mediation were registered, 17,944 mediations had a positive outcome, and 7,027 – a negative outcome.

The total number of settlements reached as at 30 September 2022 was 17,476, of which 17,057 were concluded in mediation proceedings and 419 in court proceedings.

#### NEW EMTN PROGRAMME

In August 2022, the Management Board of PKO Bank Polski S.A. granted consent to the Bank establishing, as the issuer, a eurobond issue programme (the Euro Medium Term Notes – EMTN).

The main terms and conditions of the programme are set out below:

- Value up to EUR 4 billion.
- The format of the programme is determined by Regulation S.
- As part of the programme, it will be possible to issue unsecured eurobonds in any currency, including such that the resulting liabilities may be classified as eligible liabilities or as the Bank's own funds.
- PKO Bank Polski S.A. may seek admission of individual eurobond series to trading on a regulated market operated by the Securities Exchange in Luxembourg, the Warsaw Stock Exchange or on another market, other than the USA, selected by the Bank.
- Bonds will be registered in the international securities registration system (ICSD) operated by Euroclear Bank S.A./NV or Clearstream Banking société anonyme.
- The Bank will apply to Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg for approval of the programme's information memorandum
- The Bank will apply to Moody's rating agency for assigning a rating to the programme.

The Bank also decided to close the EMTN program introduced in 2017.

#### ESG RATINGS

The Bank's ESG ratings as at the end of the third quarter were as follows: 3.7 (FTSE Russell), A (MSCI), 20.7 (Sustainalytics), and 46 (V.E). In October, Sustainalytics slightly lowered the Bank's ESG rating to 21 as a result of a deterioration in the manner of taking ESG factors into account in portfolio management and investment decision-making.

## F. 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 Group in the changing macroeconomic and legal environment. The primary objective is to ensure adequate management of all types of risk related to its business.

The Bank monitors the customers' condition on an ongoing basis and appropriately adapts the lending policy in consideration of securing the loan portfolio and maintaining its good quality. As part of the measurement of credit risk exposure the Bank takes into account, in particular, the war in Ukraine, by analysing, among other things, the scope of sanctions and information on the customers' business relationships with the counterparties from Ukraine, Belarus and Russia. In addition, the Bank analyses the situation of customers in sectors particularly sensitive to high energy prices and, if necessary, reduces their valuation (reclassifies them to Stage 2).

Since the end of July 2022, customers of PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A. who are repaying a mortgage loan in PLN may use the so-called "loan repayment holidays".

The Bank is continuing the work aimed at expanding its IT systems to allow gathering of ESG data, in particular relating to environmental risk, and preparation to systematic disclosure of such data for the purposes of reporting for 2022 and subsequent years.

The scope of these tasks covers, among other things, implementing two regulations:

- Taxonomy – Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, including delegated regulations on the classification of customers' business activities to two environmental goals.
- Implementing ITS Technical Standards (still final draft) covering ESG 3-pillar disclosure reports – disclosures relate to quantitative information on the Bank's exposures that may be exposed to transformation risk (transition risk) and to physical risk, i.e. "chronic and acute climate risks", including but not limited to the energy efficiency of the properties which constitute the Bank's collateral.

The Group maintains a safe level of liquidity which enables quick and efficient reaction to potential threats. In the third quarter of 2022, despite the on-going conflict in Ukraine, the liquidity position of KREDOBANK S.A. was maintained at a stable and safe level; the company did not note any decrease in liquidity measures or an outflow of deposits.

In the third quarter of 2022, the higher than anticipated increases in interest rates continued to pose a challenge to the banking sector. The series of increases in interest rates, which began in the fourth quarter of 2021 caused an increase in the reference rate to 6.75% as at the end of the third quarter of 2022, which translated into a negative measurement of debt instruments and derivatives which hedge the volatility of interest income. At the same time, customers continued to be interested in mortgage loans bearing a temporary fixed interest rate, which had an impact both on the measures of sensitivity of interest income and on the Bank's economic value.

In connection with the warfare in Ukraine, a Support Group under the leadership of the Chief of the Crisis Staff operates within PKO Bank Polski S.A. Its objectives are not to allow disturbances in the critical processes of PKO Bank Polski S.A., exchange of information within the Group and coordinate the support offered. The Bank takes measures on an ongoing basis to mitigate the risks associated with the war in Ukraine, in particular in terms of cybersecurity and ensuring the availability of the Bank's systems.

A detailed description of risk management principles within the Group is included in the Consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2021 and in the Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Subject to Disclosure as at 31 December 2021.

In the third quarter of 2022 the Group's main goals, principles and risk management organization process did not change.

## II. FINANCIAL POSITION AFTER THE THREE QUARTERS OF 2022

*The financial data is presented on a management reporting basis. Definitions of the main items (of the income statements and the statement of financial position) are presented in the footnotes.*

The consolidated net profit of the PKO Bank Polski S.A. Group earned in the nine months of 2022 amounted to PLN 1,601 million and was PLN 2,070 million lower than in the corresponding period of 2021.

The change in net profit was driven by:

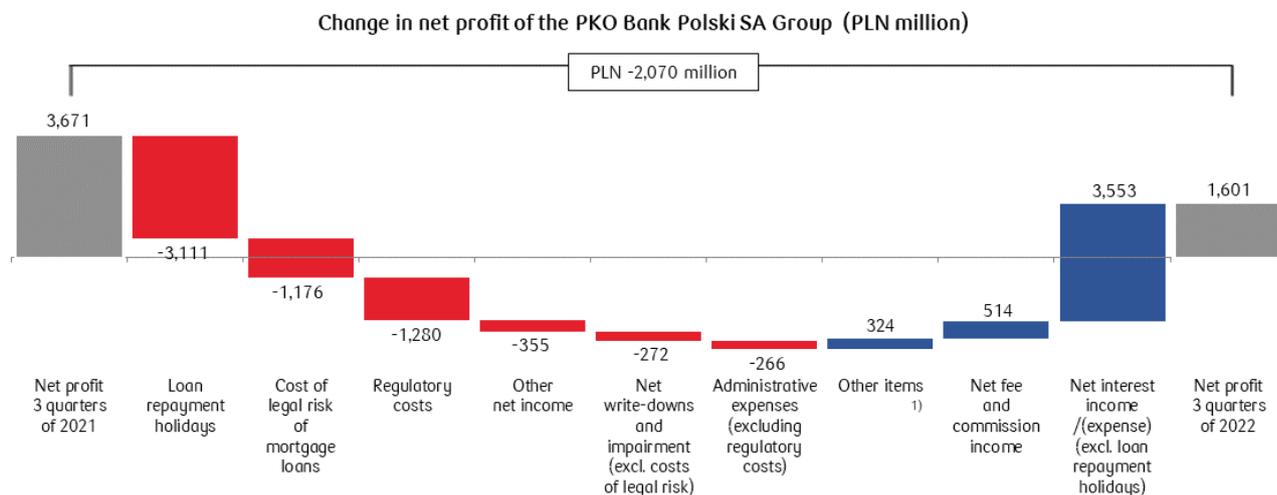
- 1) an improvement in the result on business activity<sup>4</sup>, which reached PLN 11,784 million (a PLN 600 million increase y/y), mainly in effect of an increase in net interest income of PLN 442 million y/y (despite recognition of the effects of the Act on crowdfunding for business ventures and assistance to borrowers, the so-called "loan repayment holidays", of PLN 3,111 million) and in net fee and commission income of PLN 514 million, with a drop in the other result of PLN 355 million;
- 2) a decrease in net allowances and impairment<sup>5</sup> of PLN 1,448 million, including the recognition in 2022 of the costs of the legal risk associated with mortgage loans denominated in convertible currencies of PLN 1,176 million;

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<sup>4</sup> The result on business activities does not account for the result on financial transactions with respect to loans measured at fair value through profit or loss.

<sup>5</sup> The net allowances and impairment: net result on allowances for expected credit losses, net result on impairment of non-financial assets and net result on loans measured at fair value through profit or loss and the cost of the legal risk of mortgage loans in convertible currencies.

- 3) an increase of PLN 1,546 million in administrative expenses, including an increase in regulatory costs of PLN 1,280 million y/y (as a result of, among other things, recognition of the cost of a contribution to the aid fund of System Ochrony Banków Komercyjnych S.A. of PLN 956 million and the cost of contributions to the Borrowers' Support Fund of PLN 300 million) and costs of employee benefits of PLN 142 million y/y and in material costs of PLN 106 million y/y.



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

Events that had a significant impact on the net profit of the Group in the nine months of 2022 compared with the corresponding period of 2021:

#### Result on business activities

- recognition of the effects of the Act on crowdfunding for business ventures and assistance to borrowers (the so-called "loan repayment holidays") of PLN 3,111 million;
- recognition of the cost of a provision for reimbursement to customers the costs of an increased margin charged until mortgage registration of PLN 48 million;
- an increase in net interest income driven by an increase in interest income associated mainly with increases in market interest rates and the loan portfolio growth, with a simultaneous increase in financing costs;
- an improvement in net fee and commission income achieved thanks to higher profits on lending, insurance, leasing, card, brokerage and foreign exchange activities;
- a decrease in net foreign exchange gains/losses of PLN 512 million, mainly in effect of recognizing a net foreign exchange position of approximately PLN 328 million in 2021 as a result of the decision of the Bank's Extraordinary General Shareholders' Meeting of 23 April 2021 on offering amicable settlements to customers and a deterioration in net foreign exchange gains/losses due to an increase in interest rates in PLN in 2022;
- improvement in the result on financial transactions<sup>6</sup> of PLN 81 million, as a result of, among other things, an increase in gains/losses on derivatives combined with a decrease in gains/losses on derecognition of financial instruments not measured at fair value through profit or loss.

#### Administrative expenses

- an increase in regulatory costs of PLN 1,280 million, mainly as a result of recognizing costs relating to the contribution to the aid fund of System Ochrony Banków Komercyjnych S.A. of PLN 956 million, costs of contributions to the Borrowers' Support Fund of PLN 300 million (including PLN 86 million of the first payment made and PLN 214 million of the provision created) and a PLN 38 million higher contribution to the Resolution Fund of the Bank Guarantee Fund, combined with a PLN 55 million lower contribution to the bank guarantee fund.

<sup>6</sup> Gains/(losses) on financial transactions: gains/(losses) on financial transactions and gains/(losses) on derecognition of financial instruments less net result on loans measured at fair value through profit or loss.

### Net allowances and impairment

- recognition of the costs of the legal risk associated with mortgage loans denominated in convertible currencies in the amount of PLN 1,176 million as a result of a material change in the market environment which affected the estimated number of legal claims and amicable settlements;
- deterioration in the result on net credit risk allowances of PLN 283 million, mainly as a result of accounting for the risk related to the war in Ukraine of PLN 324 million in the results for 2022.

In effect of the actions taken in the three quarters of 2022 the scale of operations increased, both with respect to the corresponding period of the prior year and to the end of 2021:

- total assets reached approximately PLN 439 billion, which is an increase of PLN 35 billion compared with the corresponding period of the previous year and of PLN 20 billion compared with the end of 2021;
- customer deposits<sup>7</sup> were PLN 340 billion, i.e. they increased by PLN 42 billion compared with the balance as at the end of September 2021 (mainly in effect of an increase in corporate deposits and retail and private banking deposits) and by PLN 18 billion with respect to the balance as at the end of December 2021;
- the financing granted to customers<sup>8</sup> was approximately PLN 247 billion and increased by PLN 4 billion compared with the end of September 2021 (mainly as a result of increased financing granted to businesses in the form of both loans and leases) and remained at a similar level compared with the end of December 2021 (which was due to a decrease in the segment of retail and private banking loans as a result of, among other things, setting up a provision for the legal risk and recognizing the effects of the so-called "loan repayment holidays", combined with an increase in financing granted in the business loans segments);
- the banking portfolio of securities<sup>9</sup> was approximately PLN 117 billion, i.e. it dropped by PLN 9 billion compared with the end of September 2021 and by PLN 5 billion compared with the end of December 2021, combined with a simultaneous increase in amounts due from banks of PLN 17 billion and PLN 13 billion, respectively.

The structure of the Group's balance sheet, especially in relation to the corresponding period of the prior year, was also affected by changes in the fair value of the securities portfolio and in derivative instruments which translated to an increase in other assets and liabilities and a decrease in equity of approximately PLN 10 billion.

As at 30 September 2022 the Group:

- had a high share in the loans and savings market at a level of 17.0% and 20.0% respectively;
- had a leading position on the investment fund market for individuals, with a market share of 20.0%;
- was the leader in terms of the number of current accounts maintained on behalf of individual customers (almost 9.0 million).

## III. DRIVERS OF THE FUTURE RESULTS

PKO Bank Polski S.A. perceives a growing risk resulting from macroeconomic and regulatory changes.

External factors which may have an impact on the operations and future results of the Group are presented below.

In the global economy:

- the war in Ukraine, economic sanctions imposed on Russia and their business consequences, including mainly reduced availability of energy resources, which may force rationing of energy supplies;
- reaction of the global economy to the ever more widespread process of tightening the monetary policy, including strong interest rate rises in the US and the euro area;
- deceleration of global economic growth, including in particular a recession in Germany due to the energy crisis and a serious deceleration of growth in China;

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<sup>7</sup> Customer deposits – amounts due to customers.

<sup>8</sup> Financing granted to customers – loans and advances to customers (including finance leases receivables) and municipal and corporate bonds (excluding bonds from international financial organizations) presented in securities, with the exception of those held for trading.

<sup>9</sup> Securities (banking portfolio) – securities less municipal and corporate bonds (excluding bonds held for trading) and bonds of international financial organizations.

- possible next waves of the pandemic whose economic results will be felt mainly due to the zero-Covid policy in China;
- the ability to access investors from the European market in connection with the issuance of debt in the context of regulatory requirements for minimum own funds and eligible liabilities.

In the Polish economy:

- the scale and path of further changes in the NBP interest rates and in the level of the mandatory reserve;
- the intensity and duration of external factors which increase inflation and regulatory measures aimed at reducing the scale of inflation growth;
- economic slowdown due to the weakening of global demand, high inflation and the ongoing tightening of monetary policy;
- situation on the financial market which may reflect an increase in the geopolitical risk in connection with a potential escalation of the armed conflict in Ukraine;
- the reaction of the household sector to the increased level of NBP interest rates, including the development of the consumer demand, loan demand, and the ability to service the liabilities already incurred;
- a further drop in the creditworthiness of households after the implementation of the position of the Office of the Polish Financial Supervision Authority of 7 March 2022 on actions relating to the mitigation of credit risk;
- further tax changes to the provisions of the Polish Deal, including, among other things, changes to the WHT (i.e. withholding tax), repeal of the so-called "hidden dividend" provisions, changes to the provisions on: CFC (i.e. tax on the income of a foreign controlled entity), taxation of profit shifting, documentation obligations in respect of the so-called "tax haven transactions", as well as amending and deferring the entry into force of minimum tax;
- the extension of the anti-inflation shield until 31 December 2022, i.e. preferential VAT rates on: electricity, natural gas, heat energy, fertilizers and other selected inputs used in agricultural production, motor fuels and selected foodstuffs, as well as a periodic reduction in excise duty rates on motor fuels and electricity, an exemption from excise duty on electricity for households and an exemption from tax on retail sales of the motor fuels listed in the Act;
- a change in the design of the capital gains tax and its impact on the volume and structure of demand for savings and investment products;
- reducing the limits for non-interest expense of consumer loans (fees and commissions) and higher equity requirements for lending institutions under the planned anti-usury regulations;
- the risk of initiation by the Office of Competition and Consumer Protection (UOKiK) of proceedings against the Bank for infringement of collective consumer interests, including, among other things, in relation to the handling of complaints of so-called "unauthorized transactions", proportional reimbursement of costs of a loan upon early repayment of a mortgage loan and the process of handling the so-called "loan repayment holidays", as well as the risk of imposition of a penalty by the President of the UOKiK in proceedings concerning modification clauses in contractual templates used by the Bank;
- the risk of incurring an additional fiscal burden if provisions are introduced for an additional windfall profits levy that could be imposed on businesses, including banks;
- possible further court rulings with respect to mortgage loans in foreign currencies, which may also have an impact on the level of interest in the amicable settlements programme.

#### REFERENCE INDICES REFORM IN POLAND

The future results of the PKO Bank Polski S.A. Group from 2023 onwards will be affected by the planned reform of benchmark indices in Poland.

The work is being carried out by the National Working Group on Benchmark Reform (NGR), set up by the Office of the Polish Financial Supervision Authority at the request of financial market participants.

On 1 September 2022, the NGR Steering Committee selected WIRON (*Warsaw Interest Rate Overnight*) as the recommended interest rate benchmark to replace the existing WIBOR benchmark.

- WIRON is calculated on the basis of actual ON (*overnight*) transactions concluded with large companies and financial institutions.
- WSE Benchmark, which is registered with the European Securities and Markets Authority (ESMA), is the administrator of WIRON within the meaning of the BMR Regulation.<sup>10</sup>
- WIRON is supposed to become a key interest rate benchmark within the meaning of the BMR Regulation to be used in contracts and financial instruments, as well as by investment funds.

On 27 September 2022, the NGR Steering Committee adopted the Roadmap, i.e. a timetable of actions to replace the WIBOR benchmark with the WIRON benchmark in accordance with the BMR. The Roadmap indicates that the reform of the benchmarks will be implemented by the end of 2024, with the simultaneous implementation of a new range of financial products based on WIRON in 2023-2024 and full readiness to stop developing and publishing the WIBOR and WIBID benchmarks from the beginning of 2025.

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<sup>10</sup> 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.



Bank Polski

**Condensed interim consolidated  
financial statements of the PKO Bank  
Polski S.A. Group for the nine-month  
period ended 30 September 2022**



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## CONSOLIDATED INCOME STATEMENT

| INCOME STATEMENT  | Note               | third quarter<br>period<br>from 01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from 01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|---|--------------------|---|--|---|--|
| <b>Net interest income/(expense)</b>  |                    | <b>816</b>  | <b>7 655</b>   | <b>2 496</b>  | <b>7 213</b>   |
| Interest income   | <a href="#">11</a> | 3 564   | 12 831   | 2 654   | 7 697  |
| calculated under the effective<br>interest rate method                        |                    | 3 395   | 12 413   | 2 444   | 7 074  |
| Interest expenses   | <a href="#">11</a> | (2 748)   | (5 176)  | (158)   | (484)  |
| <b>Net fee and commission income</b>  |                    | <b>1 282</b>  | <b>3 710</b>   | <b>1 122</b>  | <b>3 196</b>   |
| Fee and commission income   | <a href="#">12</a> | 1 699   | 4 852  | 1 469   | 4 081  |
| Fee and commission expense  | <a href="#">12</a> | (417)   | (1 142)  | (347)   | (885)  |
| <b>Other net income</b>   |                    | <b>205</b>  | <b>401</b>   | <b>164</b>  | <b>666</b>   |
| Dividend income   |                    | 1   | 12   | 1   | 12   |
| Gains/(losses) on financial transactions                                      | <a href="#">13</a> | 183   | 350  | (12)  | (27)   |
| Foreign exchange gains/ (losses)  |                    | (22)  | (88)   | 54  | 424  |
| Gains/(losses) on derecognition of<br>financial instruments of which:         | <a href="#">14</a> | (12)  | (30)   | 81  | 176  |
| measured at amortized cost  |                    | 2   | 10   | 1   | 3  |
| Net other operating income and<br>expense                                     | <a href="#">15</a> | 55  | 157  | 40  | 81   |
| <b>Result on business activities</b>  |                    | <b>2 303</b>  | <b>11 766</b>  | <b>3 782</b>  | <b>11 075</b>  |
| <b>Net expected credit losses</b>   | <a href="#">16</a> | <b>(449)</b>  | <b>(1 166)</b>   | <b>(362)</b>  | <b>(792)</b>   |
| Net impairment allowances on non-<br>financial assets                         | <a href="#">17</a> | (11)  | (24)   | 8   | (35)   |
| Cost of the legal risk of mortgage loans in<br>convertible currencies         | <a href="#">6</a>  | -   | (1 176)  | -   | -  |
| <b>Administrative expenses of which:</b>                                      | <a href="#">18</a> | <b>(1 891)</b>  | <b>(6 096)</b>   | <b>(1 477)</b>  | <b>(4 550)</b>   |
| net regulatory charges  |                    | (420)   | (1 810)  | (78)  | (530)  |
| Tax on certain financial institutions   |                    | (328)   | (954)  | (267)   | (785)  |
| Share in profits and losses of associates<br>and joint ventures               |                    | 33  | 61   | 13  | 21   |
| <b>Profit before tax</b>  |                    | <b>(343)</b>  | <b>2 411</b>   | <b>1 697</b>  | <b>4 934</b>   |
| Income tax expense  | <a href="#">19</a> | 105   | (812)  | (438)   | (1 263)  |
| <b>Net profit (including non-controlling<br/>shareholders)</b>                |                    | <b>(238)</b>  | <b>1 599</b>   | <b>1 259</b>  | <b>3 671</b>   |
| Profit (loss) attributable to non-controlling<br>shareholders                 |                    | (1)   | (2)  | 1   | -  |
| <b>Net profit attributable to equity holders<br/>of the parent company</b>    |                    | <b>(237)</b>  | <b>1 601</b>   | <b>1 258</b>  | <b>3 671</b>   |
| <b>Earnings per share</b>   |                    |   |  |   |  |
| - basic earnings per share for the period<br>(PLN)                            |                    | (0,19)  | 1,28   | 1,01  | 2,94   |
| - diluted earnings per share for the period<br>(PLN)*                         |                    | (0,19)  | 1,28   | 1,01  | 2,94   |
| Weighted average number of ordinary<br>shares during the period (in million)* |                    | 1 250   | 1 250  | 1 250   | 1 250  |

\* Both in the nine-month period ended 30 September 2022 and in the same period of 2021, there were no dilutive instruments. Therefore, the amount of diluted earnings per share is the same as the amount of basic earnings per share.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| STATEMENT OF COMPREHENSIVE INCOME  | Note | third quarter period from 01.07.2022 to 30.09.2022 | 3 quarters cumulative period from 01.01.2022 to 30.09.2022 | third quarter period from 01.07.2021 to 30.09.2021 | 3 quarters cumulative period from 01.01.2021 to 30.09.2021 |
|--|------|--|--|--|--|
| Net profit / (loss) (including non-controlling shareholders)                                   |      | (238)  | 1 599  | 1 259  | 3 671  |
| Other comprehensive income   |      | 985  | (5 317)  | (785)  | (2 047)  |
| Items which may be reclassified to profit or loss  |      | 985  | (5 317)  | (785)  | (2 047)  |
| Cash flow hedges (net)   |      | 838  | (2 918)  | (532)  | (1 229)  |
| Cash flow hedges (gross)   | 21   | 1 045  | (3 584)  | (655)  | (1 517)  |
| Deferred income tax  | 19   | (207)  | 666  | 123  | 288  |
| Hedge of net investment in foreign operation   |      | 2  | 7  | (4)  | (5)  |
| Share in other comprehensive income of associates and joint ventures                           |      | (11)   | (17)   | (13)   | (13)   |
| Fair value of financial assets measured at fair value through other comprehensive income (net) |      | 175  | (2 305)  | (272)  | (855)  |
| Remeasurement of fair value, gross   |      | 205  | (2 885)  | (256)  | (885)  |
| Gains /losses transferred to the profit or loss (on disposal)                                  |      | 14   | 40   | (80)   | (173)  |
| Deferred income tax  | 14   | (44)   | 540  | 64   | 203  |
| Foreign exchange differences on translation of foreign units                                   | 19   | (19)   | (84)   | 36   | 55   |
| <b>Total net comprehensive income, of which attributable to:</b>                               |      | <b>747</b>   | <b>(3 718)</b>   | <b>474</b>   | <b>1 624</b>   |
| equity holders of the parent   |      | 748  | (3 716)  | 473  | 1 624  |
| non-controlling interest   |      | (1)  | (2)  | 1  | -  |



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | Nota               | 30.09.2022     | 31.12.2021     |
|---|--------------------|----------------|----------------|
| <b>ASSETS</b>                                       |                    | <b>438 503</b> | <b>418 086</b> |
| Cash and balances with Central Bank                 |                    | 13 691         | 11 587         |
| Amounts due from banks                              | <a href="#">20</a> | 21 952         | 9 010          |
| Hedging derivatives                                 | <a href="#">21</a> | 1 556          | 933            |
| Other derivative instruments                        | <a href="#">22</a> | 19 718         | 10 903         |
| Securities  | <a href="#">23</a> | 129 356        | 135 440        |
| Repo transactions                                   |                    | 23             | -              |
| Loans and advances to customers                     | <a href="#">24</a> | 234 957        | 234 300        |
| Liabilities in respect of insurance activities      |                    | 624            | 911            |
| Property, plant and equipment under operating lease |                    | 1 702          | 1 371          |
| Property, plant and equipment                       |                    | 2 886          | 3 108          |
| Non-current assets held for sale                    |                    | 7              | 18             |
| Intangible assets                                   |                    | 3 425          | 3 463          |
| Investments in associates and joint ventures        |                    | 289            | 285            |
| Current income tax receivable                       |                    | 2              | 36             |
| Deferred income tax assets                          |                    | 5 583          | 4 116          |
| Other assets  |                    | 2 732          | 2 605          |

|  |                    | 30.09.2022     | 31.12.2021     |
|--|--------------------|----------------|----------------|
| <b>LIABILITIES AND EQUITY</b>  |                    | <b>438 503</b> | <b>418 086</b> |
| <b>LIABILITIES</b>   |                    | <b>406 814</b> | <b>380 393</b> |
| Amounts due to Central Bank  |                    | 10             | 8              |
| Amounts due to banks   |                    | 4 800          | 3 821          |
| Hedging derivatives  | <a href="#">21</a> | 9 216          | 4 806          |
| Other derivative instruments   | <a href="#">22</a> | 19 631         | 11 008         |
| Amounts due to customers   |                    | 340 402        | 322 296        |
| Liabilities in respect of insurance activities                                   | <a href="#">26</a> | 1 776          | 2 008          |
| Loans and advances received  | <a href="#">26</a> | 2 446          | 2 461          |
| Debt securities in issue   | <a href="#">26</a> | 17 160         | 23 872         |
| Subordinated liabilities   |                    | 2 689          | 2 716          |
| Other liabilities  |                    | 6 319          | 5 366          |
| Current income tax liabilities   |                    | 432            | 18             |
| Deferred income tax provision  |                    | 13             | 356            |
| Provisions   | <a href="#">27</a> | 1 920          | 1 657          |
| <b>EQUITY</b>  |                    | <b>31 689</b>  | <b>37 693</b>  |
| Share capital  |                    | 1 250          | 1 250          |
| Total reserves and other comprehensive income                                    |                    | 20 202         | 25 313         |
| Retained earnings  |                    | 8 652          | 6 270          |
| Net profit or loss for the year  |                    | 1 601          | 4 874          |
| <b>Capital and reserves attributable to equity holders of the parent company</b> |                    | <b>31 705</b>  | <b>37 707</b>  |
| Non-controlling interests  |                    | (16)           | (14)           |



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| FOR 9 MONTHS ENDED<br>30 SEPTEMBER 2022   | Share capital | Total reserves and accumulated other comprehensive income |                           |                |  |   | Retained earnings | Net profit or loss for the year | Capital and reserves attributable to equity holders of the parent company | Total non-controlling interests | Total equity  |
|---|---------------|---|---------------------------|----------------|--|---|-------------------|---------------------------------|---|---------------------------------|---------------|
|   |               | Reserves  |                           |                | Accumulated other comprehensive income | Total 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        |
| Transfer from retained earnings           | -             | -   | -                         | -              | -                                      | -   | 4 874             | (4 874)                         | -   | -                               | -             |
| Dividend                                  | -             | -   | -                         | -              | -                                      | -   | (2 288)           | -                               | (2 288)   | -                               | (2 288)       |
| Comprehensive income                      | -             | -   | -                         | -              | (5 317)                                | (5 317)   | -                 | 1 601                           | (3 716)   | (2)                             | (3 718)       |
| Transfer from retained earnings to equity | -             | 82  | -                         | 122            | -                                      | 204   | (204)             | -                               | -   | -                               | -             |
| Other reserves                            | -             | -   | -                         | 2              | -                                      | 2   | -                 | -                               | 2   | -                               | 2             |
| <b>As at the end of the period</b>        | <b>1 250</b>  | <b>23 085</b>   | <b>1 070</b>              | <b>7 092</b>   | <b>(11 045)</b>                        | <b>20 202</b>   | <b>8 652</b>      | <b>1 601</b>                    | <b>31 705</b>   | <b>(16)</b>                     | <b>31 689</b> |

| FOR 9 MONTHS ENDED<br>30 SEPTEMBER 2021   | Share capital | Total reserves and accumulated other comprehensive income |                           |                |  |   | Retained earnings | Net profit or loss for the year | Capital and reserves attributable to equity holders of the parent company | Total non-controlling interests | Total equity  |
|---|---------------|---|---------------------------|----------------|--|---|-------------------|---------------------------------|---|---------------------------------|---------------|
|   |               | Reserves  |                           |                | Accumulated other comprehensive income | Total reserves and accumulated other comprehensive income |                   |                                 |   |                                 |               |
|   |               | Supplementary capital                                     | General banking risk fund | Other reserves |  |   |                   |                                 |   |                                 |               |
| As at the beginning of the period   | 1 250         | 29 519  | 1 070                     | 3 137          | 1 363                                  | 35 089  | 6 142             | (2 557)                         | 39 924  | (13)                            | 39 911        |
| Transfer from retained earnings   | -             | -   | -                         | -              | -                                      | -   | (2 557)           | 2 557                           | -   | -                               | -             |
| Comprehensive income  | -             | -   | -                         | -              | (2 047)                                | (2 047)   | -                 | 3 671                           | 1 624   | -                               | 1 624         |
| Special fund set up for the purpose of covering individual balance sheet losses | -             | (6 700)   | -                         | 6 700          | -                                      | -   | -                 | -                               | -   | -                               | -             |
| Offset of accumulated losses  | -             | -   | -                         | (2 944)        | -                                      | (2 944)   | 2 944             | -                               | -   | -                               | -             |
| Transfer from retained earnings to equity                                       | -             | 184   | -                         | 75             | -                                      | 259   | (259)             | -                               | -   | -                               | -             |
| <b>As at the end of the period</b>  | <b>1 250</b>  | <b>23 003</b>   | <b>1 070</b>              | <b>6 968</b>   | <b>(684)</b>                           | <b>30 357</b>   | <b>6 270</b>      | <b>3 671</b>                    | <b>41 548</b>   | <b>(13)</b>                     | <b>41 535</b> |



| Accumulated other comprehensive income  |   |  |                 |   |                               |  |                 |
|---|---|--|-----------------|---|-------------------------------|--|-----------------|
| FOR 9 MONTHS ENDED<br>30 SEPTEMBER 2022 | Share in other<br>comprehensive<br>income of associates<br>and joint ventures | Fair value of financial<br>assets measured at<br>fair value through<br>other comprehensive<br>income | Cash flow hedge | Hedge of net<br>investment in<br>foreign<br>operation | Actuarial gains and<br>losses | Foreign exchange<br>differences on<br>translation of foreign<br>branches | Total           |
| As at the beginning of the<br>period    | (17)  | (1 785)  | (3 699)         | (4)   | (14)                          | (209)  | (5 728)         |
| Comprehensive income                    | (17)  | (2 305)  | (2 918)         | 7   | -                             | (84)   | (5 317)         |
| <b>As at the end of the period</b>      | <b>(34)</b>   | <b>(4 090)</b>   | <b>(6 617)</b>  | <b>3</b>  | <b>(14)</b>                   | <b>(293)</b>   | <b>(11 045)</b> |

| Accumulated other comprehensive income  |   |  |                 |   |                               |  |              |
|---|---|--|-----------------|---|-------------------------------|--|--------------|
| FOR 9 MONTHS ENDED<br>30 SEPTEMBER 2021 | Share in other<br>comprehensive<br>income of associates<br>and joint ventures | Fair value of financial<br>assets measured at<br>fair value through<br>other comprehensive<br>income | Cash flow hedge | Hedge of net<br>investment in<br>foreign<br>operation | Actuarial gains and<br>losses | Foreign exchange<br>differences on<br>translation of foreign<br>branches | Total        |
| As at the beginning of the<br>period    | (4)   | 1 292  | 355             | -   | (21)                          | (259)  | 1 363        |
| Comprehensive income                    | (13)  | (855)  | (1 229)         | (5)   | -                             | 55   | (2 047)      |
| <b>As at the end of the period</b>      | <b>(17)</b>   | <b>437</b>   | <b>(874)</b>    | <b>(5)</b>  | <b>(21)</b>                   | <b>(204)</b>   | <b>(684)</b> |



## CONSOLIDATED STATEMENT OF CASH FLOWS

|   | 01.01.2022-<br>30.09.2022 | 01.01.2021-<br>30.09.2021 |
|---|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>                         |                           |                           |
| Profit / (loss) before tax  | 2 411                     | 4 934                     |
| Income tax paid   | (1 032)                   | (1 246)                   |
| <b>Total adjustments:</b>   | <b>15 959</b>             | <b>13 435</b>             |
| Amortization  | 944                       | 902                       |
| (Gains)/losses on investing activities                              | (61)                      | (48)                      |
| Interest and dividends  | (1 434)                   | (1 306)                   |
| Change in:  |                           |                           |
| amounts due from banks  | (442)                     | 769                       |
| hedging derivatives   | 3 787                     | 1 161                     |
| other derivative instruments  | (192)                     | (679)                     |
| securities  | (3 657)                   | (969)                     |
| loans and advances to customers                                     | (1 720)                   | (8 181)                   |
| repo transactions   | (23)                      | -                         |
| receivables in respect of insurance activities                      | 287                       | (113)                     |
| non-current assets held for sale                                    | 11                        | 107                       |
| other assets  | (149)                     | (219)                     |
| accumulated allowances for expected credit losses                   | 1 148                     | 441                       |
| accumulated allowances on non-financial assets and other provisions | 150                       | 135                       |
| amounts due to Central bank   | 2                         | 8                         |
| amounts due to banks  | 979                       | 4 362                     |
| amounts due to customers  | 18 106                    | 16 304                    |
| reverse repo transactions   | -                         | 762                       |
| liabilities in respect of insurance activities                      | (232)                     | 228                       |
| loan and advances received  | (39)                      | (16)                      |
| liabilities in respect of debt securities in issue                  | 1 058                     | 203                       |
| subordinated liabilities  | (27)                      | (12)                      |
| other liabilities   | 1 145                     | 1 268                     |
| Other adjustments   | (3 682)                   | (1 672)                   |
| <b>Net cash from/used in operating activities</b>                   | <b>17 338</b>             | <b>17 123</b>             |



|  | 01.01.2022-<br>30.09.2022 | 01.01.2021-<br>30.09.2021 |
|--|---------------------------|---------------------------|
| <b>Cash flows from investing activities</b>  |                           |                           |
| <b>Inflows from investing activities</b>   | <b>76 679</b>             | <b>48 420</b>             |
| Proceeds from sale of and interest on securities measured at fair value through other comprehensive income                           | 68 814                    | 46 038                    |
| Proceeds from sale of and interest on securities measured at amortized cost  | 7 497                     | 1 842                     |
| Proceeds from sale of intangible assets, property, plant and equipment, under operating lease and assets held for sale               | 318                       | 360                       |
| Other inflows from investing activities including dividends  | 50                        | 180                       |
| <b>Outflows from investing activities</b>  | <b>(68 729)</b>           | <b>(62 342)</b>           |
| Capital increase of associates and joint ventures  | -                         | (18)                      |
| Purchase of securities measured at fair value through other comprehensive income   | (65 888)                  | (37 257)                  |
| Purchase of securities measured at amortized cost  | (944)                     | (24 081)                  |
| Acquisition of intangible assets and property, plant and equipment, including under operating lease including under operating leases | (1 194)                   | (986)                     |
| Other outflows from investing activities   | (703)                     | -                         |
| <b>Net cash from/used in investing activities</b>  | <b>7 950</b>              | <b>(13 922)</b>           |

|  | 01.01.2022-<br>30.09.2022 | 01.01.2021-<br>30.09.2021 |
|--|---------------------------|---------------------------|
| <b>Cash flows from financing activities</b>                        |                           |                           |
| Payment of dividends   | (2 288)                   | -                         |
| Proceeds from debt securities in issue                             | 6 242                     | 8 343                     |
| Redemption of debt securities                                      | (14 012)                  | (11 606)                  |
| Taking up loans and advances                                       | 637                       | 486                       |
| Repayment of loans and advances                                    | (614)                     | (495)                     |
| Payment of lease liabilities                                       | (191)                     | (185)                     |
| Repayment of interest on long-term liabilities                     | (448)                     | (373)                     |
| <b>Net cash from financing activities</b>                          | <b>(10 674)</b>           | <b>(3 830)</b>            |
| <b>Total net cash flows</b>  | <b>14 614</b>             | <b>(629)</b>              |
| of which foreign exchange differences on cash and cash equivalents | 285                       | 30                        |
| Cash equivalents at the beginning of the period                    | 20 775                    | 9 701                     |
| Cash equivalents at the end of the period                          | 35 389                    | 9 072                     |



## GENERAL INFORMATION ABOUT THE GROUP

### 1. ACTIVITIES OF THE GROUP

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (“**PKO BANK POLSKI S.A.**” or “**THE BANK**”) was established by virtue of a decree signed on 7 February 1919 by the Head of State Józef Piłsudski, Prime Minister Ignacy Paderewski and Hubert Linde, first president of Poczta 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, the 13th Business Department of the National Court Register. The Bank was registered under the number KRS 0000026438, the statistical number REGON 016298263 and tax identification number NIP 525-000-77-38.

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

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

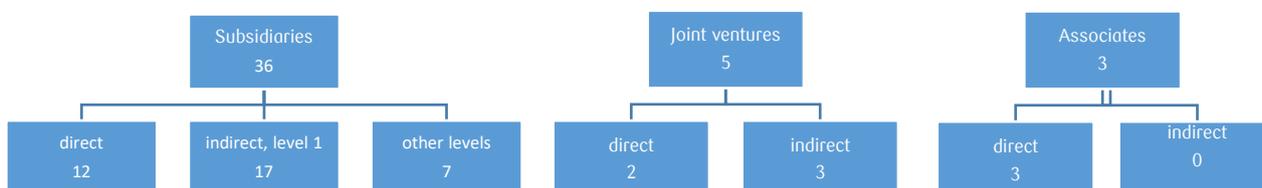
The Powszechna Kasa Oszczędnościowa Bank Polski Spółka Akcyjna Group (“**THE PKO BANK POLSKI S.A. GROUP**”, “**THE GROUP**”) conducts its operations within the territory of the Republic of Poland and through subsidiaries in Ukraine, Sweden and Ireland; it also has branches in the Federal Republic of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



PKO BANK POLSKI S.A. – the parent company



The PKO Bank Polski SA Group consists of the following subsidiaries:

| No.                        | ENTITY NAME                                  | REGISTERED OFFICE  | ACTIVITY  | % SHARE IN CAPITAL |            |
|----------------------------|--|--------------------|---|--------------------|------------|
|                            |  |                    |   | 30.09.2022         | 31.12.2021 |
| <b>DIRECT SUBSIDIARIES</b> |  |                    |   |                    |            |
| 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 loans   | 100                | 100        |
| 4                          | PKO BP BANKOWY PTE S.A.                      | Warsaw             | pension fund management   | 100                | 100        |
| 5                          | PKO BP Finat sp. z o.o.                      | Warsaw             | services, including transfer agent services and IT specialist outsourcing | 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                               | Sztokholm, Szwecja | financial services  | 100                | 100        |
| 9                          | KREDOBANK S.A.                               | Lwów, Ukraina      | banking activities  | 100                | 100        |
| 10                         | Merkury - fiz an <sup>1</sup>                | Warsaw             | investing funds collected from fund participants                          | 100                | 100        |
| 11                         | NEPTUN - fizan <sup>1</sup>                  | Warsaw             |   | 100                | 100        |
| 12                         | PKO VC - fizan <sup>1</sup>                  | Warsaw             |   | 100                | 100        |

<sup>1)</sup> PKO Bank Polski S.A. has investment certificates of the Fund; the percentage of the Fund's investment certificates held is presented in the item "Share in equity".

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI SA  
GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022  
(IN PLN MILLION)



Bank Polski

| No.   | ENTITY NAME<br>INDIRECT SUBSIDIARIES   | REGISTERED<br>OFFICE | ACTIVITY   | % SHARE IN CAPITAL* |            |
|---|--|----------------------|--|---------------------|------------|
|   |  |                      |  | 30.09.2022          | 31.12.2021 |
| <b>PKO Leasing S.A. GROUP</b>                       |  |                      |  |                     |            |
| 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    | lease activities   | 100                 | 100        |
| 3   | Prime Car Management S.A.  | Gdańsk               | lease activities and fleet management services                         | 100                 | 100        |
|   | 3.1 Futura Leasing S.A.  | Gdańsk               | lease activities and sale of post-lease assets                         | 100                 | 100        |
|   | 3.2 Masterlease sp. z o.o.   | Gdańsk               | lease activities   | 100                 | 100        |
|   | 3.3 MasterRent24 sp. z o.o.  | Gdańsk               | short-term car rental  | 100                 | 100        |
| 4   | PKO Faktoring S.A.   | Warsaw               | factoring activities   | 100                 | 100        |
|   | ROOF Poland Leasing 2014 DAC <sup>1</sup>  | Dublin, Ireland      | SPV established for the purpose of securitization of lease receivables | -                   | -          |
| 5   | Polish Lease Prime 1 DAC <sup>2</sup>  | Dublin, Ireland      | SPV established for the purpose of securitization of lease receivables | -                   | -          |
| <b>PKO Życie Towarzystwo Ubezpieczeń S.A. GROUP</b> |  |                      |  |                     |            |
| 6   | Ubezpieczeniowe Usługi Finansowe sp. z o.o.  | Warsaw               | service activities   | 100                 | 100        |
| <b>KREDOBANK S.A. GROUP</b>                         |  |                      |  |                     |            |
| 7   | BSafer sp. z o.o.  | Lviv, Ukraine        | in organization  | 100                 | 100        |
| <b>Merkury - fiz an</b>                             |  |                      |  |                     |            |
| 8   | "Zarząd Majątkiem Górczewska" sp. z o.o.   | Warsaw               | real estate 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 of own real estate, real estate management          | 100                 | 100        |
| 11  | Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.                              | Warsaw               |  | 100                 | 100        |
| 12  | Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.                              | Warsaw               | buying and selling of own real estate, real estate management          | 100                 | 100        |
|   | Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A. in liquidation. <sup>3</sup> | Warsaw               |  | -                   | 100        |
| 13  | Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A. in liquidation               | Warsaw               |  | 100                 | 100        |
| <b>NEPTUN – FIZ AN</b>                              |  |                      |  |                     |            |
| 14  | Qualia sp. z o.o.  | Warsaw               | aftersale services in respect of developer products                    | 100                 | 100        |
| 15  | Sarnia Dolina sp. z o.o.   | Warsaw               | property development   | 100                 | 100        |
| 16  | Bankowe Towarzystwo Kapitałowe S.A.  | Warsaw               | service activities   | 100                 | 100        |
|   | 16.1 "Inter-Risk Ukraina" spółka z dodatkową odpowiedzialnością <sup>4</sup>         | Kiev, Ukraine        | debt collection  | 99,90               | 99,90      |
|   | 16.2 Finansowa Kompania "Prywatne Inwestycje" sp. z o.o. <sup>5</sup>                | Kiev, Ukraine        | financial services   | 95,4676             | 95,4676    |
|   | 16.2.1 Finansowa Kompania "Idea Kapitał" sp. z o.o.                                  | Lviv, Ukraine        | service activities   | 100                 | 100        |
| 17  | "Sopot Zdrój" sp. z o.o.   | Sopot                | real estate management   | 72,9769             | 72,9769    |

\* share of the direct parent in equity

- 1) In June 2022 the company was deleted from the Irish register of companies, and, as a result, it ceased to be a member of the PKO Bank Polski S.A. Group. In accordance with IFRS 10, as at 31 December 2021 PKO Leasing S.A. exercised control over the company, although it did not to have an equity interest in it.
- 2) In accordance with IFRS 10, PKO Leasing S.A. exercises control over the company, although it does not have an equity interest in it.
- 3) The company's liquidation was completed in July 2022 and the company was deleted from the National Court Register.
- 4) The second shareholder of the company is Finansowa Kompania "Prywatne Inwestycje" sp. z o.o.
- 5) The second shareholder of the company is "Inter-Risk Ukraina" Additional Liability Company.



The PKO Bank Polski S.A. Group holds the following associates and joint ventures.

| No.   | ENTITY NAME   | REGISTERED OFFICE          | ACTIVITY   | % SHARE IN CAPITAL* |            |
|---|---|----------------------------|--|---------------------|------------|
|   |   |                            |  | 30.09.2022          | 31.12.2021 |
| <b>Joint ventures of PKO Banku Polskiego S.A.</b> |   |                            |  |                     |            |
| 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        |
| <b>Joint venture of NEPTUN – fizan</b>            |   |                            |  |                     |            |
| 2   | „Centrum Obsługi Biznesu” sp. z o.o.                          | Poznań                     | property management  | 41,45               | 41,45      |
| <b>Joint venture PKO VC – fizan</b>               |   |                            |  |                     |            |
| 3   | BSafer sp. z o.o.   | Stalowa Wola               | managing marketing consents  | 35,06               | 35,06      |
| <b>Associates of PKO Banku Polskiego S.A.</b>     |   |                            |  |                     |            |
| 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                     | The unit managing the security system referred to in art.130e of the banking law                           | 21,11               | -          |

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

## 2. CHANGES TO COMPANIES COMPRISING THE GROUP

The liquidation of the companies ROOF Poland Leasing 2014 (an entity from the PKO Leasing S.A. Portfolio) and Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A. in liquidation (an entity from the Merkury fizan portfolio) was completed in the nine-month period ended 30 September 2022. The companies ceased to be members of the Group.

In addition, the company System Ochrony Banków Komercyjnych S.A. was entered in the National Court Register on 1 August 2022. The company manages the protection system referred to in Article 4 (1) (9a) of the Banking Law, which was established by 8 commercial banks, including PKO Bank Polski S.A. The Bank acquired 21 113 shares of the company with a total nominal value of PLN 211 130, representing 21.11% of the share capital and carrying 21.1% of the votes at the company's General Meeting. The company was classified as an associated entity of the Bank.

## 3. INFORMATION ON MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

As at 30 June 2022, the Bank's Supervisory Board consisted of:

- Maciej Łopiński – 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
- Grzegorz Chłopek – 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
- Krzysztof Michalski – Member of the Supervisory Board
- Bogdan Szafranski – Member of the Supervisory Board
- Agnieszka Winnik-Kalemba – Member of the Supervisory Board



The Bank's Annual General Meeting, in accordance with the Policy on the Assessment of Suitability of Candidates for Members and Members of the Supervisory Board of Powszechna Kasa Oszczędności Banku Polskiego S.A., conducted a periodic assessment of the suitability of the Supervisory Board, confirming the individual suitability of the Bank's Supervisory Board members and the collective suitability of the entire body.

On 17 October 2022, Mr Grzegorz Chłopek resigned as a member of the Bank's Supervisory Board with effect as of 17 October 2022 COB.

On 18 October 2022, the Extraordinary General Meeting of the Bank appointed Mr Robert Pietryszyn to the Bank's Supervisory Board.

As at 30 September 2022, the Bank's Management Board consisted of:

- Paweł Gruza - Vice-President of the Management Board, managing the work of the Management Board
- Maciej Brzozowski - Vice-President of the Management Board
- Bartosz Drabikowski - Vice-President of the Management Board
- Marcin Eckert - Vice-President of the Management Board
- Wojciech Iwanicki - Vice-President of the Management Board
- Maks Kraczkowski - Vice-President of the Management Board
- Mieczysław Król - Vice-President of the Management Board
- Artur Kurcweil - Vice-President of the Management Board
- Piotr Mazur - Vice-President of the Management Board

On 26 January 2022, the Polish Financial Supervision Authority unanimously approved the appointment of Ms Iwona Duda as President of the Management Board of PKO Bank Polski S.A. and therefore on 26 January 2022, Ms Iwona Duda started performing the function of President of the Bank's Management Board.

On 24 March 2022, the Bank's Supervisory Board appointed Mr Maciej Brzozowski a Member of the Bank's Management Board for a joint term of office which started on 3 July 2020, and entrusted him with the position of Vice-President of the Bank's Management Board as of 25 March 2022.

On 9 August 2022, Ms Iwona Duda resigned as Chairman of the Bank's Management Board as well as from the Bank's Management Board itself as of the end of 9 August 2022. At the same time, the Bank's Supervisory Board appointed Mr Paweł Gruza as Vice-President of the Bank's Management Board as of 10 August 2022 for the current joint term of office of the Bank's Management Board, which commenced on 3 July 2020, and subject to the approval of the Polish Financial Supervision Authority and as of the date of such approval, appointed Mr Paweł Gruza as President of the Bank's Management Board. Until the approval by the Polish Financial Supervision Authority, the Supervisory Board has entrusted Mr Paweł Gruza with directing the work of the Management Board.

#### 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 30.09.2022 | Purchase | Disposal | Number of shares as at 31.12.2021 |
|------------------------------------|---|-----------------------------------|----------|----------|-----------------------------------|
| <b>The Bank's Management Board</b> |   |                                   |          |          |                                   |
| 1                                  | Paweł Gruza, Vice-President of the Management Board, managing the work of the Management Board, managing the work of the Management Board | -                                 | -        | -        | -                                 |
| 2                                  | Maciej Brzozowski, Vice-President of the Management Board   | -                                 | -        | -        | -                                 |
| 3                                  | Bartosz Drabikowski, Vice-President of the Management Board   | -                                 | -        | -        | -                                 |
| 4                                  | Marcin Eckert, Vice-President of the Management Board   | -                                 | -        | -        | -                                 |
| 5                                  | Wojciech Iwanicki, Vice-President of the Management Board   | -                                 | -        | -        | -                                 |
| 6                                  | Maks Kraczkowski, Vice-President of the Management Board  | -                                 | -        | -        | -                                 |
| 7                                  | Mieczysław Król, Vice-President of the Management Board   | 6 000                             | -        | -        | 6 000                             |
| 8                                  | Artur Kurcweil, Vice-President of the Management Board  | -                                 | -        | -        | -                                 |
| 9                                  | Piotr Mazur, Wiceprezes Zarządu   | 8 000                             | -        | -        | 8 000                             |

The number of shares held by members of the Management Board did not change as at the publication date.

The Supervisory Board members did not hold any shares of PKO Bank Polski S.A. as at 30 September 2022 and as at the publication date.



#### 4. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements of the Group (THE FINANCIAL STATEMENTS), subject to review by the Audit Committee of the Supervisory Board and by the Supervisory Board on 9 November 2022, were approved for publication by the Management Board on 9 November 2022.

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

##### • UKRAINIAN COMPANIES IN THE PKO BANK POLSKI S.A. GROUP

The PKO Bank Polski S.A. Group operates in the territory of Ukraine through the KREDOBANK S.A. Group, "Inter-Risk Ukraina" additional liability company, Finansowa Kompania "Prywatne Inwestycje" sp. z o.o. and Finansowa Kompania "Idea Kapital" sp. z o.o. (hereinafter: "the Ukrainian companies").

As at 30 September 2022, the Ukrainian companies continued their operating activities. As at 30 September 2022, the Group continued to control the Ukrainian companies and recognized them in the financial statements under the acquisition accounting method.

##### • TRANSLATION OF THE FINANCIAL STATEMENTS OF THE UKRAINIAN COMPANIES PREPARED IN THEIR FUNCTIONAL CURRENCY

The functional currency of the entities operating in Ukraine is the Ukrainian hryvnia (UAH). For the purposes of its recognition in the consolidated financial statements of the Group, the companies' financial data is translated into the presentation currency, i.e. the Polish zloty, in accordance with the following procedures:

- assets and liabilities are translated at the closing rate as at the date of preparation of the statement of financial position;
- income and costs recognized in each statement of profit or loss and other comprehensive income are translated at the exchange rates as at the transaction dates or at the relevant mid exchange rate; and
- all foreign exchange gains/losses are recognized in other comprehensive income.

Under IAS 21 "The Effects of Changes in Foreign Exchange Rates", para 8, the closing rate is defined as the spot exchange rate at the end of a reporting period, i.e. the closing rate should be the rate at which the Group would pay or be paid for currency on the market.

Until 9 September 2022, i.e. until the last day of the period in which the Bank purchased UAH in its branches,<sup>1</sup> the closing rate was the exchange rate determined by the National Bank of Ukraine, at which the Group exchanged UAH into PLN. As of 30 September 2022, the Group returned to applying the mid UAH exchange rate announced by the National Bank of Poland as the closing rate.

##### • THE EFFECT OF WAR ON THE OPERATIONS AND FINANCIAL RESULTS OF THE UKRAINIAN COMPANIES

The military aggression of the Russian Federation and the war between Russia and Ukraine have serious and growing negative consequences for the Ukrainian financial system and banking sector. Many companies operating in the area affected by the war had to suspend their activities. Transport and logistics connections between the regions have been broken, the infrastructure has been damaged considerably, and many Ukrainian citizens have been affected by the military operations. All this will have long-term consequences for the Ukrainian economy and the banking sector.

The hostilities had the following adverse effects on the Ukrainian banking sector:

- disruptions of the operations of the Ukrainian bank branches and ATMs, severely damaged or destroyed banking infrastructure in the areas affected by the war;
- outflow of the customers' (legal persons') funds from the banks and, in the case of retail banking, an increase in the share of current deposits in relation to term deposits;
- a decrease in the loan portfolio due to the fact that the Ukrainian banks ceased to grant new loans (other than loans granted by state-owned banks to the sectors and enterprises which are essential for the war);
- a decrease in the banks' commission income due to a lower demand for services among the customers, which has an adverse effect on the banks' results of operations;

<sup>1</sup> In March 2022, PKO Bank Polski S.A. signed an agreement with the National Bank of Poland (NBP) on the purchase of hryvnias in the Bank's branches and their resale to the NBP at the rate determined by the National Bank of Ukraine. PKO Bank Polski S.A. commenced the performance of this agreement on 25 March 2022. The agreement with the NBP remained in force until 9 September 2022.



- inability of some borrowers to service their loans, a lower rate of loan repayment due to the closing of many enterprises, a loss of the sources of income by individuals, and forced relocation of millions of Ukrainian citizens, resulting in an increase in the allowances for expected credit losses;
- restrictions on the currency market, including foreign currency transactions;
- a decrease in the capital of banks due to a loss of income, material losses and impairment of a part of their loan portfolio.

The National Bank of Ukraine (hereinafter: "NBU") has simplified the requirements regarding the current operations of the banks and it does not introduce any new regulatory requirements. The regular assessment of the bank's financial stability has been discontinued and the application of capital requirements has been suspended. In addition, NBU made a number of amendments to the legal acts regulating the credit risk issues. These amendments are aimed at ensuring timely and adequate credit risk assessment by banks and preventing them from losing liquidity.

From 25 February 2022, during the state of war and 30 days after its termination or revocation, the Ukrainian banks did not apply the requirements concerning late repayment in the calculation of credit risk requirements and, consequently did not charge default interest or similar fees (until 29 June 2022). However, from the second quarter of 2022, as the Ukrainian economy began recovering from the shock of the first days of the war, the Ukrainian regulatory authorities began to reinstate the previous regulations concerning credit risk assessment. The aim of this approach was to allow the banks and the NBU to estimate the amount of the losses incurred and plan the actions to be taken by the banks to renew their capital (the calculation of the number of days by which a debt repayment was overdue was re-introduced, with the reservation that the period from 25 February up to (and including) 29 June would not be taken into account in the calculation). Requirements with respect to analysing all the available information on the condition of the security located in the territories affected by the war were introduced. If it is found out that a security has been lost or damaged, the bank is obliged to take this fact into account in the credit risk assessment. In addition, security located in regions under occupation or where military operations are taking place is not taken into account. Some of the credit risk assessment requirements were relaxed in order to support the solvency of borrowers by encouraging banks to restructure loans. The NBU also relaxed the requirements relating to the credit risk process, e.g. the Ukrainian banks may perform a group assessment of loans with a value of up to UAH 20 million (the previous limit was UAH 5 million). Moreover, the NBU decreased the risk weights (RWA) with respect to unsecured consumer loans from 150% to 100% in order to allow the banks to use the capital raised for partial offset of losses caused by the Russian military aggression.

In order to support the banks' liquidity, the NBU lifted the restrictions concerning foreign exchange transactions between a bank and its related entities (swap transactions).

Due to the unpredictability of future scenarios of the military operations it is impossible to estimate precisely what proportion of customers will be able to return to regular loan servicing and over what time horizon. However, the losses of Ukrainian banks are estimated to be significant even under the optimistic scenario.

The Group monitors the operations of the Ukrainian companies on an ongoing basis and guarantees fast response to the changes in their situation.

As a result of the assessment of the possible scenarios and location of the Ukrainian companies' assets, the Group estimated that their potential losses were lower than the industry average and did not affect the Ukrainian companies' going concern status.



The following table presents the share of the Ukrainian companies in the results, assets and liabilities of the Group for the nine-month period ended 30 September 2022 and as at 30 September 2022 (along with the comparative data), which is presented below as part of the "Ukraine" area.

| FOR 9 MONTHS ENDED 30 SEPTEMBER 2022                                   | Poland        | Ukraine     | Total         |
|--|---------------|-------------|---------------|
| <b>Net interest income</b>   | 7 462         | 193         | 7 655         |
| <b>Net fee and commission income</b>                                   | 3 608         | 102         | 3 710         |
| <b>Other net income</b>  | 392           | 9           | 401           |
| 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           |
| <b>Result on business activities</b>                                   | <b>11 462</b> | <b>304</b>  | <b>11 766</b> |
| Net expected credit losses   | (951)         | (215)       | (1 166)       |
| Cost of the legal risk of mortgage loans in convertible currencies     | (24)          | -           | (24)          |
| Net impairment allowances of non-financial assets                      | (1 176)       | -           | (1 176)       |
| Administrative expenses, of which:                                     | (5 962)       | (134)       | (6 096)       |
| amortization   | (732)         | (31)        | (763)         |
| net regulatory charges   | (1 801)       | (9)         | (1 810)       |
| Tax on certain financial institutions                                  | (954)         | -           | (954)         |
| Share in profits and losses of associates and joint ventures           | 61            | -           | 61            |
| <b>Profit/(loss) by geographical areas</b>                             | <b>2 456</b>  | <b>(45)</b> | <b>2 411</b>  |
| Income tax expense (tax burden)  |               |             | (812)         |
| Net profit (loss) (including non-controlling interest)                 |               |             | 1 599         |
| Profit (loss) attributable to non-controlling shareholders             |               |             | (2)           |
| <b>Net profit attributable to equity holders of the parent company</b> |               |             | <b>1 601</b>  |

| FOR 9 MONTHS ENDED 30 SEPTEMBER 2021                                   | Poland        | Ukraine    | Total         |
|--|---------------|------------|---------------|
| Net interest income  | 7 008         | 205        | 7 213         |
| Net fee and commission income  | 3 140         | 56         | 3 196         |
| Other net income   | 653           | 13         | 666           |
| Dividend income  | 12            | -          | 12            |
| Gains/(losses) on financial transactions                               | (27)          | -          | (27)          |
| Foreign exchange gains/ (losses)                                       | 416           | 8          | 424           |
| Gains/(losses) on derecognition of financial instruments               | 174           | 2          | 176           |
| Net other operating income and expense                                 | 78            | 3          | 81            |
| <b>Result on business activities</b>                                   | <b>10 801</b> | <b>274</b> | <b>11 075</b> |
| Net expected credit losses   | (778)         | (14)       | (792)         |
| Net impairment allowances of non-financial assets                      | (35)          | -          | (35)          |
| Administrative expenses, of which:                                     | (4 398)       | (152)      | (4 550)       |
| amortization   | (711)         | (34)       | (745)         |
| net regulatory charges   | (522)         | (8)        | (530)         |
| Tax on certain financial institutions                                  | (785)         | -          | (785)         |
| Share in profits and losses of associates and joint ventures           | 21            | -          | 21            |
| <b>Profit/(loss) by geographical areas</b>                             | <b>4 826</b>  | <b>108</b> | <b>4 934</b>  |
| Income tax expense (tax burden)  |               |            | (1 263)       |
| Net profit (loss) (including non-controlling interest)                 |               |            | 3 671         |
| Profit (loss) attributable to non-controlling shareholders             |               |            | -             |
| <b>Net profit attributable to equity holders of the parent company</b> |               |            | <b>3 671</b>  |



| 30.09.2022                                   | Poland         | Ukraine      | Total          |
|--|----------------|--------------|----------------|
| Assets, of which:                            | 433 862        | 4 352        | 438 214        |
| Loans and advances to customers              | 233 168        | 1 789        | 234 957        |
| Investments in associates and joint ventures | 289            | -            | 289            |
| <b>Total assets</b>                          | <b>434 151</b> | <b>4 352</b> | <b>438 503</b> |
| Liabilities, of which:                       | 402 914        | 3 900        | 406 814        |
| Amounts due to customers                     | 336 679        | 3 723        | 340 402        |
| <b>Total liabilities</b>                     | <b>402 914</b> | <b>3 900</b> | <b>406 814</b> |

| 31.12.2021                                   | Poland         | Ukraine      | Total          |
|--|----------------|--------------|----------------|
| Assets, of which:                            | 412 872        | 4 929        | 417 801        |
| Loans and advances to customers              | 231 795        | 2 505        | 234 300        |
| Investments in associates and joint ventures | 285            | -            | 285            |
| <b>Total assets</b>                          | <b>413 157</b> | <b>4 929</b> | <b>418 086</b> |
| Liabilities, of which:                       | 376 063        | 4 330        | 380 393        |
| Amounts due to customers                     | 318 670        | 3 626        | 322 296        |
| <b>Total liabilities</b>                     | <b>376 063</b> | <b>4 330</b> | <b>380 393</b> |

The Group did not recognize an impairment allowance for non-financial assets of the Ukrainian companies as at 30 September 2022.

#### • RISK MANAGEMENT IN CONNECTION WITH THE SITUATION IN UKRAINE

The Group performed an assessment of the potential losses of the Ukrainian companies' loan portfolio; however, a detailed assessment may be difficult due to the rapidly changing situation in Ukraine. If a customer was found to be unable to conduct operations, its operations were restricted significantly or assets were damaged, the customer was considered in default and reclassified to Stage 3. The customers conducting operations close to the areas affected by the military operations were reclassified to Stage 2. Based on the assessment of various scenarios of development of the situation in Ukraine and the conflict, the Bank's Group recognized allowances for expected credit losses of PLN 215 million as at 30 September 2022.

The Group performed an analysis of the business loans portfolio from the perspective of the customers' exposure to the adverse effects of the military conflict in Ukraine. If we adopt a threshold of at least 5% of the turnover generated from transactions with business partners from Russia, Belarus or Ukraine, the risk-exposed portfolio amounts to approx. PLN 3.2 billion. For the purpose of the valuation of credit exposures, the Group considered the information on the scale of the Polish customers' business relations with partners from Ukraine, Belarus and Russia, and performed an assessment of various scenarios of development of the macroeconomic situation. The exposures of customers having relations with business partners from Ukraine, Belarus and Russia were classified to Stage 2 and were subject to the valuation of expected credit losses throughout their lifetime. If the probability of a customer repaying its loan liabilities was assessed as low, the exposures were reclassified to Stage 3. At the beginning of the war, the portfolio of retail loans granted by PKO Bank Polski S.A. to Russian, Belarussian or Ukrainian citizens amounted to PLN 224 million.

The Group implemented guidelines for the financing of and providing banking services to:

- customers conducting business activities, whose business model is based on gains derived from active operation on the markets of Russia and Belarus or through significant relations with such markets (e.g. business, personal);
- customers who are or may be affected by sanctions or restrictions introduced in connection with Russian aggression on Ukraine.

The Group maintains a safe liquidity level, allowing fast and effective response to potential threats.



In the nine-month period ended 30 September 2022:

- PKO Bank Polski S.A. monitored the cash volumes in the Bank's branches and ATMs on an ongoing basis due to a temporarily increased interest in cash withdrawals (in response to the outbreak of the war in Ukraine) and used its best efforts to allow the customers to withdraw cash;
- despite the ongoing conflict in Ukraine, KREDOBANK S.A. maintained its liquidity at a stable, safe level; the company did not experience a decrease in liquidity measures or a significant outflow of deposits; moreover, KREDOBANK S.A. was classified by the National Bank of Ukraine as one of the systemic banks of Ukraine.

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 PKO Bank Polski S.A., exchange of information within the Bank's Group, and coordination of the aid provided. The Bank takes actions to mitigate the threats associated with the war in Ukraine on an ongoing basis, in particular with respect to ensuring access to the Bank's systems, cyber security and the continuity of cash services and other processes.

## 6. MORTGAGE LOANS

### 6.1. MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

Following a decision of the Extraordinary General Shareholders' Meeting of PKO Bank Polski S.A. of 23 April 2021, as of 4 October 2021 the Group concludes settlement agreements with consumers who had signed mortgage loan agreements with the Bank, which are indexed to foreign currencies or denominated in foreign currencies (hereinafter: settlements with consumers). For this purpose, the Group set up a special fund of PLN 6 700 million to cover the balance sheet losses that will arise as a result of recognizing the financial effects of the settlements with consumers (the fund is a component of the Group's supplementary capital).

As at 30 September 2022, nearly 30.8 thousand of applications for mediation were registered (as at 31 December 2021 – more than 19 thousand). In total, 17 476 settlement agreements were concluded as at 30 September 2022, of which 17 057 were concluded during mediation proceedings and 419 were concluded in court. The total number of settlement agreements concluded as at 31 December 2021 was 5 806, of which 5 673 were concluded during mediation proceedings and 133 were concluded in court. As of 20 June 2022, the Bank allowed concluding settlement agreements relating to MIX mortgage loans granted in CHF for housing purposes.

- **MANAGEMENT OF THE RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES GRANTED TO INDIVIDUALS**

The Group performs special analyses of its portfolio of foreign currency mortgage loans to individuals. The Group monitors the quality of the portfolio on an ongoing basis and reviews the risk of deterioration in the portfolio quality. Currently, the quality of the portfolio is at an acceptable level. The Group takes this risk into account in the management of capital adequacy and equity.

According to the reports on the Financial Stability Committee meetings published on 28 March 2022 and 29 September 2022, the legal risk of housing loans in foreign currencies remains the most significant source of risk to the stability of the financial system identified by the FSC. The reasons for this include the fact that the number of court cases concerning such loans continues to grow and a significant part of such cases results in the invalidation of loan agreements. In the opinion of the FSC, the decisions invalidating the agreements or, even more importantly, questioning the economic logic of the settlements between the parties after such invalidation, are not proportional to the effects of the most frequently questioned contractual provisions, disrupt the operation of the fundamental market mechanisms and generate a very significant burden on the banking sector. This may ultimately lead to a significant deterioration of the system's resilience, which would have an adverse effect on the depositors and the banks' ability to continue the financing the development of the Polish economy. The FSC would like to draw attention to the publicly available opinions presented by the NBP and the PFSA in connection with the proceedings pending before the Supreme Court. The legal system should not disregard the principles of economy and social justice and unreasonably favour foreign currency borrowers over those who in the same period decided to take loans in PLN e.g. to avoid currency risk. The abusive nature of the contractual provisions raised by the borrowers should not be used instrumentally to avoid the adverse effects of an agreement signed relating to the materialization of currency risk. In accordance with the principles of market economy, including the principles of payment for and equivalence of performance, if capital has been made available, the user of such capital should be obliged to repay it and pay remuneration for using it at least in the amount corresponding to the costs incurred. In the opinion of the FSC, amicable solutions (settlement agreements with customers) remain an alternative to court dispute resolution.



| HOUSING LOANS AND ADVANCES<br>TO INDIVIDUALS (RETAIL AND<br>PRIVATE BANKING) BY CURRENCY | 30.09.2022     |                         |                | 31.12.2021     |                         |                |
|--|----------------|-------------------------|----------------|----------------|-------------------------|----------------|
|  | gross          | impairment<br>allowance | net            | gross          | impairment<br>allowance | net            |
| <b>in local currency</b>   | <b>93 728</b>  | <b>(1 372)</b>          | <b>92 356</b>  | <b>99 887</b>  | <b>(1 212)</b>          | <b>98 675</b>  |
| PLN  | 93 374         | (1 337)                 | 92 037         | 99 435         | (1 191)                 | 98 244         |
| UAH  | 354            | (35)                    | 319            | 452            | (21)                    | 431            |
| <b>in foreign currency</b>   | <b>13 284</b>  | <b>(881)</b>            | <b>12 403</b>  | <b>15 610</b>  | <b>(749)</b>            | <b>14 861</b>  |
| CHF  | 10 841         | (792)                   | 10 049         | 13 100         | (679)                   | 12 421         |
| EUR  | 2 400          | (84)                    | 2 316          | 2 469          | (67)                    | 2 402          |
| USD  | 36             | (5)                     | 31             | 33             | (3)                     | 30             |
| OTHER  | 7              | -                       | 7              | 8              | -                       | 8              |
| <b>Total</b>   | <b>107 012</b> | <b>(2 253)</b>          | <b>104 759</b> | <b>115 497</b> | <b>(1 961)</b>          | <b>113 536</b> |

| FOREIGN CURRENCY HOUSING LOANS<br>AND ADVANCES TO INDIVIDUALS BY<br>THE GRANTING DATE |                                     | Indexed      | Denominated   | Total         | Indexed      | Denominated   | Total          |
|---|-------------------------------------|--------------|---------------|---------------|--------------|---------------|----------------|
|   |                                     | 30.09.2022   |               |               | 31.12.2021   |               |                |
| up to 2002  | Gross amount                        | -            | 33            | 33            | -            | 42            | 42             |
|   | Allowances for credit losses        | -            | (1)           | (1)           | -            | (1)           | (1)            |
|   | Net amount                          | -            | 32            | 32            | -            | 41            | 41             |
|   | Number of loans granted             | -            | 2 906         | 2 906         | -            | 3 930         | 3 930          |
| from 2003<br>to 2006  | Gross amount                        | -            | 2 304         | 2 304         | -            | 2 939         | 2 939          |
|   | Allowances for credit losses        | -            | (122)         | (122)         | -            | (108)         | (108)          |
|   | Net amount                          | -            | 2 182         | 2 182         | -            | 2 831         | 2 831          |
|   | Number of loans granted             | -            | 32 256        | 32 256        | -            | 37 734        | 37 734         |
| from 2007<br>to 2009  | Gross amount                        | -            | 5 845         | 5 845         | -            | 7 240         | 7 240          |
|   | Allowances for credit losses        | -            | (583)         | (583)         | -            | (515)         | (515)          |
|   | Net amount                          | -            | 5 262         | 5 262         | -            | 6 725         | 6 725          |
|   | Number of loans granted             | -            | 37 831        | 37 831        | -            | 45 782        | 45 782         |
| from 2010<br>to 2012  | Gross amount                        | 2 652        | 2 436         | 5 088         | 2 807        | 2 567         | 5 374          |
|   | Allowances for credit losses        | (82)         | (91)          | (173)         | (55)         | (68)          | (123)          |
|   | Net amount                          | 2 570        | 2 345         | 4 915         | 2 752        | 2 499         | 5 251          |
|   | Number of loans granted             | 8 922        | 10 515        | 19 437        | 9 739        | 11 208        | 20 947         |
| from 2013<br>to 2016  | Gross amount                        | 4            | 10            | 14            | 4            | 11            | 15             |
|   | Allowances for credit losses        | -            | (2)           | (2)           | -            | (2)           | (2)            |
|   | Net amount                          | 4            | 8             | 12            | 4            | 9             | 13             |
|   | Number of loans granted             | 18           | 34            | 52            | 18           | 37            | 55             |
| <b>Total</b>  | <b>Gross amount</b>                 | <b>2 656</b> | <b>10 628</b> | <b>13 284</b> | <b>2 811</b> | <b>12 799</b> | <b>15 610</b>  |
|   | <b>Allowances for credit losses</b> | <b>(82)</b>  | <b>(799)</b>  | <b>(881)</b>  | <b>(55)</b>  | <b>(694)</b>  | <b>(749)</b>   |
|   | <b>Net amount</b>                   | <b>2 574</b> | <b>9 829</b>  | <b>12 403</b> | <b>2 756</b> | <b>12 105</b> | <b>14 861</b>  |
|   | <b>Number of loans granted</b>      | <b>8 940</b> | <b>83 542</b> | <b>92 482</b> | <b>9 757</b> | <b>98 691</b> | <b>108 448</b> |



• COST OF THE LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

| IMPACT OF THE LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES               | Gross carrying amount of mortgage loans in convertible currencies before recognition of mortgage loans in convertible currencies legal risk cost | Accumulated cost of the legal risk of mortgage loans in convertible currencies | Gross carrying amount of mortgage loans in convertible currencies after recognition of mortgage loans in convertible currencies legal risk cost |
|--|--|--|---|
| <b>As at 30.09.2022</b>  |  |  |   |
| Loans and advances to customers - adjustment reducing the carrying amount of loans | 21 119   | 7 835  | 13 284  |
| - concerning the CHF mortgage portfolio  | 18 676   | 7 835  | 10 841  |
| Provisions (note 27) and other assets' adjustment                                  |  | 823  |   |
| <b>Total</b>   |  | <b>8 658</b>   |   |
| <b>As at 31.12.2021</b>  |  |  |   |
| Loans and advances to customers - adjustment reducing the carrying amount of loans | 22 038   | 6 428  | 15 610  |
| - concerning the CHF mortgage portfolio  | 19 528   | 6 428  | 13 100  |
| Provisions (note 27)   |  | 595  |   |
| <b>Total</b>   |  | <b>7 023</b>   |   |

| CHANGE OVER THE PERIOD OF THE CUMULATIVE COST OF LEGAL RISK RELATED TO MORTGAGE LOANS DENOMINATED IN CONVERTIBLE CURRENCIES                  | 01.01-30.09.2022 | 01.01-30.09.2021 |
|--|------------------|------------------|
| <b>Carrying amount at the beginning of the period</b>  | <b>(7 023)</b>   | <b>(7 043)</b>   |
| • Revaluation of loss for the period   | (1 596)          | (6)              |
| • Using the loss to settle settlements and judgments for the period*   | 1 137            | 15               |
| • Increasing the write-off of the gross book value of loans and advances to customers and other assets, increasing provisions for legal risk | (1 176)          | -                |
| • Other changes  | -                | (12)             |
| <b>Carrying amount at the end of the period</b>  | <b>(8 658)</b>   | <b>(7 046)</b>   |

\* the item also includes the effects of the implementation of final and binding judgments invalidating loan agreements, which for the six-month period ended September 30, 2022 amount to 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 an adjustment to the gross amount of loans.

Based on the customer behaviour observed in 2022, resulting from changes in the market environment (including an increase in the market interest rates on PLN loans and depreciation of PLN to other currencies), and an increase in the number of claims against the Bank, the Group updated the forecast rate of growth of the number of voluntary settlement agreements signed by the customers and the forecast number of claims. The Group also updated the estimated probabilities of various scenarios of court dispute outcomes in line with the current judicial decisions.

Taking into account the information referred to above, in the nine-month period ended on 30 September 2022 the Group recognized the cost of legal risk of mortgage loans in convertible currencies of PLN 1 176 million.



In addition, in the nine month period ended 30 September 2022, the Group recognized the effects of final verdicts invalidating loan agreements in convertible currencies. In view of such verdicts, the Group ceased to recognize the receivables in respect of active loan agreements in the Group's assets (under "Loans and advances to customers"). At the same time, the Group recognized the receivables in respect of capital provided to the customers and the Bank's claims for reimbursement of the costs of non-contractual use of capital under "Other assets". The liabilities in respect of reimbursement of the principal-and-interest instalments paid by the customers were recognized under "Other liabilities".

Additional information on the portfolio of mortgage loans in convertible currencies is presented in the note: "[Legal claims](#)".

## 6.2. THE IMPACT OF THE ACT ON CROWDFUNDING FOR BUSINESS VENTURES AND ASSISTANCE TO BORROWERS

On 14 July 2022, the President signed the Act on crowdfunding for business ventures and assistance to borrowers (hereinafter: "the Act"), which contains a support package for mortgage borrowers, including loan repayment suspension ("loan holiday"), subsidies from the Borrowers Support Fund and a declaration of introducing a replacement for the WIBOR index.

- **LOAN HOLIDAYS**

Under the provisions of the Act:

- loan holidays apply to mortgage loans granted in Polish zloty;
- statutory loan holidays provide the possibility to suspend loan repayment for up to 8 months in the years 2022 – 2023 – two months in each of Q3 and Q4 of 2022 and one month in each of the four quarters of 2023;
- a customer can suspend loan repayment if the agreement was concluded before 1 July 2022 and the loan period ends after 31 December 2022;
- loan holidays will only be available for one loan;
- the repayment schedule of loan instalments is extended by the number of loan holiday months used.

The Group believes that the customers' right to benefit from the suspension of loan repayments constitutes a statutory cash flow modification that occurred on the date the Act was signed by the President, i.e. on 14 July 2022.

The Group adjusted the gross carrying amount of mortgage loans by PLN 3.1 billion in correspondence with a reduction in interest income. The adjustment amount was determined as the difference between the present value of the estimated cash flows arising from the loan agreements, taking into account the suspension of instalment payments and the present gross carrying amount of the loan portfolio. The loss estimate is based on the assumption that approximately 63% of customers with mortgage loans in PLN will decide to take advantage of the loan holidays (customer participation rate). Assuming that 100% of the customers took a loan holiday, the loss would amount to PLN 4.8 billion.

By the end of September 2022, 265 thousand customers of the Group applied for suspension of mortgage loan repayment, and the total number of suspended loan instalments exceeded one million.

The actual participation of the Group customers in the government loan holiday programme as at the end of September was close to the expected level. The future customer participation rate and, consequently, the related costs, may potentially be affected by such factors as the unemployment rate, customer behaviour and changes in the market interest rates.

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

|  | increase in the customer participation rate by 10 pp | decrease in the customer participation rate by 10 pp |
|--|--|--|
| impact on the loan holiday loss ("+" increase; "-" decrease) | 482  | (482)  |



#### • SUBSIDIES FOR LOANS FROM THE BORROWER SUPPORT FUND

The Act also introduced changes in the operation of the Borrower Support Fund, which will offer support to borrowers of up to PLN 2,000 per month, payable over a period of up to 36 months. The Fund will receive additional funds of PLN 1.4 billion for this purpose by the end of 2022. Repayment of the support will begin after two years in 144 equal and interest-free instalments. The customers who have repaid the first 100 instalments in time may be relieved from the obligation to repay a part of the support received. A customer can benefit from the support when one of the following conditions is met:

- at least one of the borrowers is unemployed;
- the monthly housing loan servicing costs exceed 50 per cent of the customer's monthly income;
- monthly income after deduction of the loan costs does not exceed PLN 1 552 per person in a one-person household or PLN 1 200 per person in a multi-person household in 2022.

In the third quarter of 2022, the Group recognized the cost of additional payments to the Borrowers Support Fund of PLN 300 million in "Operating expenses" under "Net regulatory charges".

#### • ANNOUNCEMENT OF A REPLACEMENT FOR THE WIBOR INDEX

The Act also provides for the replacement of the WIBOR index with another index. The process of establishing a replacement for WIBOR will be regulated by law. The procedure for designating the replacement, upon the occurrence of a triggering event, as defined in the EU BMR, will be initiated by the Polish Financial Supervision Authority, and the FSC will be involved in the process. The Minister of Finance will be able to establish the replacement in a regulation. If the index is not established as described above, there will be an option to establish it based on the POLONIA rate.

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<sup>®</sup> index as an alternative interest rate benchmark, calculated based on the actual overnight (ON) transactions concluded with large enterprises and financial institutions. The selection of the benchmark and the parameters to be taken into account in its development was preceded by public consultations with financial and non-financial market entities. The administrator of WIRON<sup>®</sup>, within the meaning of BMR, is GPW Benchmark, which is entered in the register maintained by the European Securities and Markets Authority (ESMA). WIRON<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> will be implemented in 2023-2024 and the full readiness to discontinue the development and publication of the WIBOR and WIBID<sup>®</sup> benchmarks will be reached at the beginning of 2025.

## 7. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements cover the nine-month period ended 30 September 2022 and contain comparative data:

- for the nine-month period ended 30 September 2021 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 2021 with regard to the consolidated statement of financial position.

The financial data is presented in millions of Polish zlotys (PLN), unless otherwise indicated. Therefore, there might be differences resulting from rounding the amounts to full millions.

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



In the preparation of the financial statements, the Group applied the accounting policies and calculation methods consistent with those applicable in the financial year ended 31 December 2021, with the exception of changes described in the note [CHANGES IN THE ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2022 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS](#). Moreover, the Group applied the principle of recognizing income tax expense in the interim financial statements based on the best possible estimate of the weighted average annual income tax rate expected in the full financial year.

The presented financial statements for the nine-month period ended 30 September 2022 do not contain all the information and disclosures that are required in the annual financial statements and they should be read together with the annual consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended 31 December 2021 prepared in accordance with the International Financial Reporting Standards approved by the European Union.

- **GOING CONCERN**

The financial statements have been prepared based on the assumption that the Group will continue as a going concern for a period of at least 12 months from the date on which the Management Board approved the financial statements for publication, i.e. from 9 November 2022. As at the date of signing 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 as a going concern for at least 12 months after the publication resulting from the intended or forced discontinuation or significant curtailment of the existing operations of the Bank's Group.

The Bank's Management Board considered the impact of the current situation in Ukraine and the loan holidays introduced by the Act on crowdfunding for business ventures and assistance to borrowers and determined that it does not create significant uncertainty as to the Group's ability to continue as a going concern.

- **MANAGEMENT REPRESENTATION**

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.

## 8. NEW STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS

- **STANDARDS AND INTERPRETATIONS AND THEIR AMENDMENTS EFFECTIVE FROM 2022**

| STANDARD A INTERPRETATIONS   | DESCRIPTION OF CHANGES AND IMPACT  |
|--|--|
| AMENDMENTS TO IFRS 3 "BUSINESS COMBINATIONS"<br>(1.01.2022/28.06.2021)                                   | Amendments to IFRS 3 update the references to the Conceptual Framework issued in 2018. In order to ensure that this update will not impact assets and liabilities which qualify for recognition at business combination, the amendment introduces new exceptions from the recognition and measurement principles of IFRS 3.<br><br>The Group will apply these changes prospectively.                       |
| AMENDMENTS TO IAS 16 "PROPERTY, PLANT AND EQUIPMENT"<br>(1.01.2022/28.06.2021)                           | The amendment specifies that, among other things, proceeds from selling items produced while bringing an asset to the desired location and condition cannot be deducted from the cost associated with that asset. Instead, such proceeds should be recognized in profit or loss together with the costs of producing such items.<br><br>They have no material impact on consolidated financial statements. |
| AMENDMENT TO IAS 37 "PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS"<br>(1.01.2022/28.06.2021) | The amendments clarify that, when assessing whether or not a contract is onerous, the cost of fulfilling a contract comprises all costs that relate directly to the contract.<br><br>They have no material impact on consolidated financial statements.  |



|   |   |
|---|---|
| <p>ANNUAL IMPROVEMENTS TO IFRS 2018-2020<br/>(1.01.2022/28.06.2021)</p> | <ul style="list-style-type: none"> <li>The amendment to IFRS 1 relates to situations in which a subsidiary adopts IFRS for the first time at a later date than its parent; in such case, the subsidiary may decide to measure cumulative translation differences for all foreign operations using the amounts reported by its parent in its consolidated financial statements, based on the parent's date of transition to IFRS.</li> <li>The amendment to IAS 41 aligns fair value measurement requirements set out in IAS 41 with the assumptions of IFRS 13.</li> </ul> <p>Not applicable to the Group.</p> <ul style="list-style-type: none"> <li>The amendment to IFRS 9 clarifies which fees should be included for the purposes of the "0 per cent" test in the case of derecognition of financial liabilities.</li> <li>Amendments to illustrative examples in IFRS 16 relating to the identification of lease incentives.</li> </ul> <p>They have no material impact on consolidated financial statements.</p> |
|---|---|

\* the effective date in the EU / date of endorsement by the EU is given in parenthesis

- NEW STANDARDS AND INTERPRETATIONS AND AMENDMENTS THERETO THAT HAVE BEEN PUBLISHED AND ENDORSED BY THE EUROPEAN UNION, BUT HAVE NOT YET COME INTO FORCE AND ARE NOT APPLIED BY THE GROUP**

| STANDARDS AND INTERPRETATIONS*   | DESCRIPTION OF CHANGES AND IMPACT  |
|--|--|
| <p>IFRS 17 "INSURANCE CONTRACTS"<br/>(1.01.2023/ 19.11.2021) AND<br/>AMENDMENTS TO IFRS 17<br/>(1.01.2023/ 19.11.2021)</p> | <ul style="list-style-type: none"> <li><b>ESTIMATED IMPACT OF IFRS 17 IMPLEMENTATION</b></li> </ul> <p>On 1 January 2023, IFRS 17 will replace the current International Financial Reporting Standard 4 "Insurance Contracts", which allows recognizing insurance contracts in accordance with the accounting policies set out in the national standards. IFRS 17 will change the method of recognition, measurement and disclosure of insurance contracts distributed by the Group companies, both as products linked to e.g. mortgage loans, cash loans and lease products (bancassurance products) and as stand-alone products.</p> <p>The Group is going to implement the standard on a fully retrospective basis, which means, among other things, that the 2022 data will be adjusted to achieve comparability.</p> <p>Therefore, the Group estimated the impact of the new standard as at 1 January 2022, i.e. at the earliest date that will be disclosed in the financial statements and/or financial reports published for the different periods of 2023. At present, the Group estimates that the impact of the implementation of IFRS 17 on the Group's equity as at 1 January 2022 will be lower than 1% of the equity balance as at that date.</p> <p>Due to the fact that the work on the standard and the analyses relating to its implementation are still pending, these estimates are tentative. The actual impact of the IFRS 17 implementation may change in particular due to the following facts:</p> <ul style="list-style-type: none"> <li>The Group is currently developing new accounting policies, an approach to assumptions and judgments, which may change before the first financial statements covering the date of the initial application of the standard are finalized;</li> <li>The Group is currently implementing new systems for the purposes of the calculations associated with the IFRS 17 requirements;</li> </ul> |



- The Group is currently developing new processes in the area of accounting and internal controls required for the implementation.

Key differences in the measurement and presentation of insurance products, which are applicable to the Group and will become effective after the IFRS 17 implementation are presented below.

- **MEASUREMENT**

Under the model currently applied by the Group, bancassurance products are considered closely related to loan products, as a result of which e.g. a part of the premium is treated as an equivalent of interest income. The total premium received by the Group is divided in accordance with Recommendation U based on the relative fair value model into a portion relating to the insurance product (measured under the actuarial model in accordance with IFRS 4) and a portion relating to the loan product (recognized as part of the amortized cost of the loan product measured under the effective interest rate method) and commission income (partly recognized on a one-off basis and partly deferred). The part of the premium relating to the insurance product is recognized in the consolidated financial statements as an element of the commission income, item "offering of insurance products". The part of the premium relating to the loan product is deferred over the term of the loan agreement linked to the insurance contract.

In accordance with IFRS 17, all insurance products offered by the Group will be recognized and measured in accordance with this standard as the components of the insurance result, including the part which is currently recognized in interest income, commission income or operating expenses of the Bank, but is directly related to insurance contracts.

On the consolidated level, the implementation of IFRS 17 will also affect the carrying amount of loans and advances granted to customers and amounts due to customers.

Insurance contracts and investment contracts with discretionary participation features (including contracts with insurance capital funds) are aggregated into groups for measurement purposes. Groups of contracts are defined by identifying, in the first place, the portfolios of contracts which are subject to similar risks and are jointly managed. Subsequently, each portfolio is divided into quarterly cohorts (according to the date of policy recognition), and each quarterly cohort is divided into the following three groups:

- a group of contracts which are onerous upon initial recognition;
- a group of contracts, which upon initial recognition are not likely to become onerous in the future; and
- a group of other contracts that belong to the quarterly cohort.



|  |   |
|--|---|
|  | <p>Insurance contracts shall be measured on the basis of the following three basic components:</p> <ul style="list-style-type: none"> <li>discounted probability-weighted cash flows;</li> <li>risk adjustment – (a) adjustment reflecting the time value of money and the financial risk of future cash flows to the extent that the financial risk is not taken into account in the estimations of future cash flows (b) non-financial risk adjustment;</li> <li>contractual service margin, representing unrealized profit from the contract, which is deferred in time pro rata to the insurance cover.</li> </ul> <p>The standard still treats profits and losses differently (profits are generally deferred over the term of the policy, and losses are recognized immediately), and IFRS 17 changes the method of recognizing future profits significantly.</p> <ul style="list-style-type: none"> <li><b>PRESENTATION AND DISCLOSURE</b></li> </ul> <p>IFRS 17 will significantly change the presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features in the consolidated financial statements of the Group. Under IFRS 17, all rights and obligations resulting from a portfolio of contracts will be presented on a net basis; therefore, such balances as receivables and liabilities in respect of insurance activities will not be presented separately. In its quarterly reports and financial statements for the respective periods of 2023, the Group will identify the insurance result and present it separately. The insurance result will comprise all income and costs relating to the Group’s insurance activities.</p> <p>IFRS also requires the preparation of extensive disclosures concerning the amounts recognized in the annual financial statements, including detailed provisions of the insurance contracts signed, the impact of newly recognized insurance contracts and information on the contractual margin which is expected to arise, as well as disclosures concerning material estimates made as part of the application of IFRS 17. The disclosures concerning the nature and scope of the risk resulting from insurance contracts, reinsurance contracts and investment contracts with discretionary participation features will also be extended. Disclosures will be more detailed and adapted to the materiality of the information.</p> |
| <p>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))</p> | <p>Amendments to IAS 1 contain guidelines on the application of the concept of materiality to disclosures of the accounting policies.</p> <p>Amendments to IAS 8 explain how companies should distinguish changes in accounting policies from changes in accounting estimates.</p> <p>The Group does not expect these amendments to have a material effect on the consolidated financial statements.</p>  |
| <p>AMENDMENTS TO IAS 12 “INCOME TAXES” (1.01.2023/11.08.2022)</p>  | <p>The amendments to IAS 12 clarify uncertainty as to deferred tax on the transactions for which companies recognize both assets and liabilities, which may cause both taxable and deductible timing differences to arise simultaneously. This applies to transactions such as leases or liabilities relating to decommissioning.</p> <p>The amendments clarify that companies are obliged to recognize deferred tax on such transactions.</p> <p>The Group does not expect these amendments to have a material effect on the consolidated financial statements.</p>  |



|  |  |
|--|--|
| AMENDMENT TO IFRS 17 “INSURANCE CONTRACTS”: FIRST APPLICATION OF IFRS 17 AND IFRS 9 – COMPARATIVE INFORMATION<br>(1.01.2023/8.09.2022) | The amendment allows an entity which simultaneously applies IFRS 17 and IFRS 9 for the first time to present the comparative data on a financial asset in such a way as if the requirements of IFRS 9 concerning classification and measurement were previously applied to this financial asset. |
|--|--|

\* The expected effective date in the EU / date of endorsement by the EU is given in parenthesis

- **NEW STANDARDS AND INTERPRETATIONS, AS WELL AS THEIR AMENDMENTS, WHICH WERE PUBLISHED AND HAVE NOT YET BEEN ENDORSED BY THE EUROPEAN UNION**

| STANDARDS AND INTERPRETATIONS*   | DESCRIPTION OF CHANGES AND IMPACT  |
|--|--|
| AMENDMENTS TO IAS 1 “PRESENTATION OF FINANCIAL STATEMENTS - CLASSIFICATION OF LIABILITIES (1.01.2023/ NO DATA) | The amendments relate to the presentation of liabilities in the statement of financial position. In particular, the amendment clarifies that classification of liabilities as current or non-current should be based on the regulations in place at the reporting date. The amendments will be applied retrospectively.<br>The Group is currently evaluating the impact on the consolidated financial statements.  |
| AMENDMENTS TO IAS 16 “LEASES” (1.01.2024/ NO DATA)   | The amendments explain how a seller-lessee should measure sale and leaseback transactions that meet the requirements of IFRS 15 concerning the recognition of assets as sales. In particular, the measurement of a lease liability should not include profits or losses relating to a retained right of use. A seller-lessor may continue to recognize profits and losses relating to partial or total termination of a lease in the profit or loss. The amendments will be applied retrospectively.<br>The Group is currently evaluating the impact on the consolidated financial statements. |

\* The expected effective date in the EU / date of endorsement by the EU is given in parenthesis

## 9. CHANGES IN THE ACCOUNTING POLICIES APPLICABLE FROM 1 JANUARY 2022 AND EXPLANATION OF THE DIFFERENCES BETWEEN PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS AND THESE FINANCIAL STATEMENTS

- **RECLASSIFICATION OF CARD-RELATED COSTS (1)**

Starting from the first quarter of 2022, the Group has presented card-related costs in net fee and commission income under card-related costs. Previously, they have been presented in administrative expenses as material costs.

- **RECLASSIFICATION OF THE COSTS OF TRANSPORT OF CASH TO THE GROUP’S CUSTOMERS (2)**

Starting from the first quarter of 2022, the Group has presented the costs of transport of cash in net fee and commission income under the costs of bank accounts relating to clearing services. Previously, they have been presented in administrative expenses as material costs of IT services.

- **RECLASSIFICATION OF THE COSTS OF VOLUNTARY MEMBERSHIP FEES (3)**

Starting from the first quarter of 2022, the Group has presented the costs of voluntary membership fees as a component of other operating expenses. Previously, these costs were presented as administrative expenses.



| CONSOLIDATED INCOME STATEMENT – selected items                         | 01.01-<br>30.09.2021<br>before<br>restatement | (1)  | (2) | (3) | 01.01-<br>30.09.2021<br>restated |
|--|---|------|-----|-----|----------------------------------|
| Net fee and commission income  | 3 236   | (37) | (3) | -   | 3 196                            |
| Fee and commission expense   | (845)   | (37) | (3) | -   | (885)                            |
| Other net income   | 668   | -    | -   | (2) | 666                              |
| Net other operating income and expenses                                | 83  | -    | -   | (2) | 81                               |
| Result on business activities  | 11 117  | (37) | (3) | (2) | 11 075                           |
| Administrative expenses  | (4 592)                                       | 37   | 3   | 2   | (4 550)                          |
| of with net regulatory charges   | (532)   | -    | -   | 2   | (530)                            |
| <b>Net profit attributable to equity holders of the parent company</b> | <b>3 671</b>                                  | -    | -   | -   | <b>3 671</b>                     |

| CONSOLIDATED INCOME STATEMENT – selected items                         | 01.07-<br>30.09.2021<br>before<br>restatement | (1)  | (2) | (3) | 01.07-<br>30.09.2021<br>restated |
|--|---|------|-----|-----|----------------------------------|
| Net fee and commission income  | 1 137   | (14) | (1) | -   | 1 122                            |
| Fee and commission expense   | (332)   | (14) | (1) | -   | (347)                            |
| Other net income   | 165   | -    | -   | (1) | 164                              |
| Net other operating income and expenses                                | 41  | -    | -   | (1) | 40                               |
| Result on business activities  | 3 798   | (14) | (1) | (1) | 3 782                            |
| Administrative expenses  | (1 493)                                       | 14   | 1   | 1   | (1 477)                          |
| of with net regulatory charges   | (79)  | -    | -   | 1   | (78)                             |
| <b>Net profit attributable to equity holders of the parent company</b> | <b>1 258</b>                                  | -    | -   | -   | <b>1 258</b>                     |

| STANDALONE INCOME STATEMENT – selected items | 01.01-<br>30.09.2021<br>before<br>restatement | (1)  | (2) | (3) | 01.01-<br>30.09.2021<br>restated |
|--|---|------|-----|-----|----------------------------------|
| Net fee and commission income                | 2 608   | (34) | (3) | -   | 2 571                            |
| Fee and commission expense                   | (798)   | (34) | (3) | -   | (835)                            |
| Other net income                             | 1 035   | -    | -   | (2) | 1 033                            |
| Net other operating income and expenses      | (25)  | -    | -   | (2) | (27)                             |
| Result on business activities                | 9 987   | (34) | (3) | (2) | 9 948                            |
| Administrative expenses                      | (3 954)                                       | 34   | 3   | 2   | (3 915)                          |
| of with net regulatory charges               | (488)   | -    | -   | 2   | (486)                            |
| <b>Net profit</b>                            | <b>3 526</b>                                  | -    | -   | -   | <b>3 526</b>                     |

| STANDALONE INCOME STATEMENT – selected items | 01.07-<br>30.09.2021<br>before<br>restatement | (1)  | (2) | (3) | 01.07-<br>30.09.2021<br>restated |
|--|---|------|-----|-----|----------------------------------|
| Net fee and commission income                | 915   | (12) | (1) | -   | 902                              |
| Fee and commission expense                   | (315)   | (12) | (1) | -   | (328)                            |
| Other net income                             | 136   | -    | -   | (1) | 135                              |
| Net other operating income and expenses      | 2   | -    | -   | (1) | 1                                |
| Result on business activities                | 3 250   | (12) | (1) | (1) | 3 236                            |
| Administrative expenses                      | (1 288)                                       | 12   | 1   | 1   | (1 274)                          |
| of with net regulatory charges               | (74)  | -    | -   | 1   | (73)                             |
| <b>Net profit</b>                            | <b>1 040</b>                                  | -    | -   | -   | <b>1 040</b>                     |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. 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. The information on the segments is provided in the consolidated financial statements of the Group for 2021.

| Income statement by segments   | Continuing operations |                                  |                           |                             |
|--|-----------------------|----------------------------------|---------------------------|-----------------------------|
|  | Retail segment        | Corporate and investment segment | Transfer centre and other | Total activity of the Group |
| <b>FOR 9 MONTHS ENDED 30 SEPTEMBER 2022</b>                            |                       |                                  |                           |                             |
| Net interest income  | 4 808                 | 2 571                            | 276                       | 7 655                       |
| Net fee and commission income  | 2 767                 | 948                              | (5)                       | 3 710                       |
| Other net income   | 295                   | 346                              | (240)                     | 401                         |
| Dividend income  | -                     | 12                               | -                         | 12                          |
| Gains/(losses) on financial transactions                               | 157                   | 191                              | 2                         | 350                         |
| Foreign exchange gains/ (losses)                                       | 49                    | 116                              | (253)                     | (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)                             | -                         | -                           |
| <b>Result on business activities</b>                                   | <b>7 870</b>          | <b>3 865</b>                     | <b>31</b>                 | <b>11 766</b>               |
| Net expected credit losses   | (706)                 | (460)                            | -                         | (1 166)                     |
| Net impairment allowances of non-financial assets                      | (13)                  | (1)                              | (10)                      | (24)                        |
| Cost of the legal risk of mortgage loans in convertible currencies     | (1 176)               | -                                | -                         | (1 176)                     |
| Administrative expenses, of which:                                     | (5 046)               | (1 018)                          | (32)                      | (6 096)                     |
| depreciation and amortization  | (665)                 | (98)                             | -                         | (763)                       |
| net regulatory charges   | (1 409)               | (370)                            | (31)                      | (1 810)                     |
| Tax on certain financial institutions                                  | (556)                 | (286)                            | (112)                     | (954)                       |
| Share in profits and losses of associates and joint ventures           | -                     | -                                | -                         | 61                          |
| <b>Segment profit/(loss)</b>   | <b>373</b>            | <b>2 100</b>                     | <b>(123)</b>              | <b>2 411</b>                |
| Income tax expense (tax burden)  |                       |                                  |                           | (812)                       |
| Net profit (loss) (including non-controlling interest)                 |                       |                                  |                           | 1 599                       |
| Profit (loss) attributable to non-controlling shareholders             |                       |                                  |                           | (2)                         |
| <b>Net profit attributable to equity holders of the parent company</b> |                       |                                  |                           | <b>1 601</b>                |

| Assets and liabilities by segments           | Retail segment | Corporate and investment segment | Transfer centre and other | Total activity of the Group |
|--|----------------|----------------------------------|---------------------------|-----------------------------|
| <b>30.09.2022</b>                            |                |                                  |                           |                             |
| Assets                                       | 178 068        | 163 113                          | 91 449                    | 432 630                     |
| Investments in associates and joint ventures | -              | 289                              | -                         | 289                         |
| Unallocated assets                           | -              | -                                | -                         | 5 584                       |
| <b>Total assets</b>                          | <b>178 068</b> | <b>163 402</b>                   | <b>91 449</b>             | <b>438 503</b>              |
| Liabilities                                  | 271 514        | 104 932                          | 29 923                    | 406 369                     |
| Unallocated liabilities                      | -              | -                                | -                         | 445                         |
| <b>Total liabilities</b>                     | <b>271 514</b> | <b>104 932</b>                   | <b>29 923</b>             | <b>406 814</b>              |



| Income statement by segments   | Continuing operations |                                  |                           |                             |
|--|-----------------------|----------------------------------|---------------------------|-----------------------------|
|  | Retail segment        | Corporate and investment segment | Transfer centre and other | Total activity of the Group |
| <b>FOR 9 MONTHS ENDED 30 SEPTEMBER 2021</b>                            |                       |                                  |                           |                             |
| Net interest income  | 5 111                 | 1 256                            | 846                       | 7 213                       |
| Net fee and commission income  | 2 402                 | 805                              | (11)                      | 3 196                       |
| Other net income   | (72)                  | 252                              | 486                       | 666                         |
| Dividend income  | -                     | 12                               | -                         | 12                          |
| Gains/(losses) on financial transactions                               | (96)                  | 69                               | -                         | (27)                        |
| Foreign exchange gains/ (losses)                                       | (9)                   | 62                               | 371                       | 424                         |
| Gains/(losses) on derecognition of financial instruments               | 1                     | 82                               | 93                        | 176                         |
| Net other operating income and expense                                 | 12                    | 47                               | 22                        | 81                          |
| Income/(expenses) relating to internal customers                       | 20                    | (20)                             | -                         | -                           |
| <b>Result on business activities</b>                                   | <b>7 441</b>          | <b>2 313</b>                     | <b>1 321</b>              | <b>11 075</b>               |
| Net expected credit losses   | (699)                 | (94)                             | 1                         | (792)                       |
| Net impairment allowances of non-financial assets                      | (19)                  | 14                               | (30)                      | (35)                        |
| Administrative expenses, of which:                                     | (3 727)               | (796)                            | (27)                      | (4 550)                     |
| depreciation and amortization  | (637)                 | (108)                            | -                         | (745)                       |
| net regulatory charges   | (382)                 | (121)                            | (27)                      | (530)                       |
| Tax on certain financial institutions                                  | (582)                 | (245)                            | 42                        | (785)                       |
| Share in profits and losses of associates and joint ventures           | -                     | -                                | -                         | 21                          |
| <b>Segment profit/(loss)</b>   | <b>2 414</b>          | <b>1 192</b>                     | <b>1 307</b>              | <b>4 934</b>                |
| Income tax expense (tax burden)  |                       |                                  |                           | (1 263)                     |
| Net profit (loss) (including non-controlling interest)                 |                       |                                  |                           | 3 671                       |
| Profit (loss) attributable to non-controlling shareholders             |                       |                                  |                           | -                           |
| <b>Net profit attributable to equity holders of the parent company</b> |                       |                                  |                           | <b>3 671</b>                |

| Assets and liabilities by segments           | Retail segment | Corporate and investment segment | Transfer centre and other | Total activity of the Group |
|--|----------------|----------------------------------|---------------------------|-----------------------------|
| <b>31.12.2021</b>                            |                |                                  |                           |                             |
| Assets                                       | 186 401        | 130 908                          | 96 341                    | 413 650                     |
| Investments in associates and joint ventures | -              | 285                              | -                         | 285                         |
| Unallocated assets                           | -              | -                                | -                         | 4 151                       |
| <b>Total assets</b>                          | <b>186 401</b> | <b>131 193</b>                   | <b>96 341</b>             | <b>418 086</b>              |
| Liabilities                                  | 267 713        | 79 132                           | 33 175                    | 380 020                     |
| Unallocated liabilities                      | -              | -                                | -                         | 373                         |
| <b>Total liabilities</b>                     | <b>267 713</b> | <b>79 132</b>                    | <b>33 175</b>             | <b>380 393</b>              |



## 11. INTEREST INCOME AND EXPENSE

| INTEREST INCOME   | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|---|--|--|--|--|
| Loans to and other receivables from banks <sup>1</sup>  | 358  | 695  | 3  | 10   |
| Hedging derivatives   | -  | -  | 119  | 317  |
| Debt securities   | 1 150  | 2 607  | 450  | 1 339  |
| measured at amortized cost  | 418  | 1 045  | 233  | 628  |
| measured at fair value through other comprehensive income   | 717  | 1 533  | 215  | 703  |
| measured at fair value through profit or loss   | 15   | 29   | 2  | 8  |
| Loans and advances to customers (excluding finance lease receivables)                                     | 1 678  | 8 580  | 1 920  | 5 554  |
| measured at amortized cost  | 1 524  | 8 191  | 1 831  | 5 256  |
| measured at fair value through profit or loss   | 154  | 389  | 89   | 298  |
| Finance lease receivables   | 372  | 924  | 158  | 465  |
| Amounts due to customers (excluding loans and advances received)  | 6  | 25   | 4  | 12   |
| <b>Total</b>  | <b>3 564</b>   | <b>12 831</b>  | <b>2 654</b>   | <b>7 697</b>   |
| of which: interest income on impaired financial instruments   | 110  | 267  | 71   | 185  |
| Interest income calculated under the effective interest rate method on financial instruments measured at: | 3 395  | 12 413   | 2 444  | 7 074  |
| amortized cost  | 2 678  | 10 880   | 2 229  | 6 371  |
| at fair value through other comprehensive income  | 717  | 1 533  | 215  | 703  |
| Income similar to interest income on instruments measured at fair value through profit or loss            | 169  | 418  | 210  | 623  |
| <b>Total</b>  | <b>3 564</b>   | <b>12 831</b>  | <b>2 654</b>   | <b>7 697</b>   |

In the item loans and other receivables from banks, the Capital Group in the nine-month period ended September 30, 2022 recognized income from interest on funds on the current account with the National Bank of Poland in the amount of PLN 363 million (in the corresponding period of 2021, PLN 1 million).

| INTEREST EXPENSE ON         | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|-----------------------------|--|--|--|--|
| Amounts due to banks        | (51)   | (111)  | (4)  | (10)   |
| Hedge accounting            | (1 218)  | (2 342)  | -  | -  |
| Interbank deposits          | (1)  | (6)  | (2)  | (5)  |
| Loans and advances received | (18)   | (58)   | (12)   | (29)   |
| Leases                      | (4)  | (11)   | (2)  | (8)  |
| Amounts due to customers    | (1 210)  | (2 071)  | (41)   | (137)  |
| Debt securities in issue    | (200)  | (473)  | (85)   | (259)  |
| Subordinated liabilities    | (46)   | (104)  | (12)   | (36)   |
| <b>Total</b>                | <b>(2 748)</b>   | <b>(5 176)</b>   | <b>(158)</b>   | <b>(484)</b>   |



The Group applies hedge accounting, including interest rate risk hedging. The risk management strategies and accounting policies relating to hedge accounting were presented in detail in the consolidated financial statements of the Group for 2021.

In the case of cash flow hedges, the amounts transferred directly to other comprehensive income are transferred to the income statement in the same period or periods in which the planned hedged transaction affects the income statement. Interest on hedging instruments is reported in the income statement under "Net interest income".

In the case of fair value hedges, both the interest component of the hedging instrument and interest on the hedged item are presented in the income statement in "Net interest income."

The Group hedges both interest-generating assets (floating- and fixed-interest loans and fixed-interest securities) and interest-bearing liabilities (negotiated deposits, floating-interest rate regular savings products), using IRS or CIRS transactions.

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

## 12. FEE AND COMMISSION INCOME AND EXPENSES

| FEE AND COMMISSION INCOME                                       | third quarter period from 01.07.2022 to 30.09.2022 | 3 quarters cumulative period from 01.01.2022 to 30.09.2022 | third quarter period from 01.07.2021 to 30.09.2021 | 3 quarters cumulative period from 01.01.2021 to 30.09.2021 |
|---|--|--|--|--|
| <b>Loans, insurance, operating leases and fleet management</b>  | <b>394</b>   | <b>1 158</b>   | <b>341</b>   | <b>987</b>   |
| lending   | 208  | 627  | 202  | 576  |
| offering insurance products                                     | 143  | 414  | 119  | 336  |
| operating leases and fleet management                           | 43   | 117  | 20   | 75   |
| <b>Investment funds, pension funds and brokerage activities</b> | <b>200</b>   | <b>635</b>   | <b>210</b>   | <b>604</b>   |
| servicing investment funds and OFE (including management fees)  | 90   | 297  | 127  | 342  |
| servicing and selling investment and insurance products         | 6  | 19   | 9  | 24   |
| brokerage activities  | 104  | 319  | 74   | 238  |
| <b>Cards</b>  | <b>559</b>   | <b>1 467</b>   | <b>435</b>   | <b>1 098</b>   |
| <b>Margins on foreign exchange transactions</b>                 | <b>211</b>   | <b>605</b>   | <b>152</b>   | <b>426</b>   |
| <b>Bank accounts and other</b>                                  | <b>335</b>   | <b>987</b>   | <b>331</b>   | <b>966</b>   |
| servicing bank accounts   | 238  | 710  | 245  | 729  |
| cash operations   | 22   | 62   | 19   | 52   |
| servicing foreign mass transactions                             | 27   | 74   | 22   | 63   |
| customer orders   | 16   | 47   | 14   | 41   |
| fiduciary services  | 2  | 7  | 3  | 7  |
| other   | 30   | 87   | 28   | 74   |
| <b>Total</b>  | <b>1 699</b>                                       | <b>4 852</b>   | <b>1 469</b>                                       | <b>4 081</b>   |



| FEE AND COMMISSION EXPENSE   | third quarter period from 01.07.2022 to 30.09.2022 | 3 quarters cumulative period from 01.01.2022 to 30.09.2022 | third quarter period from 01.07.2021 to 30.09.2021 | 3 quarters cumulative period from 01.01.2021 to 30.09.2021 |
|--|--|--|--|--|
| <b>Loans and insurance</b>   | (22)   | (75)   | (37)   | (90)   |
| commission paid to external entities for product sales               | (1)  | (15)   | (8)  | (19)   |
| cost of construction investment supervision and property valuation   | (6)  | (21)   | (13)   | (33)   |
| fees to Biuro Informacji Kredytowej                                  | (6)  | (16)   | (4)  | (13)   |
| loan handling  | (9)  | (23)   | (12)   | (25)   |
| <b>Investment funds, pension funds and brokerage activities</b>      | (10)   | (34)   | (15)   | (44)   |
| <b>Cards</b>   | (347)  | (916)  | (258)  | (649)  |
| <b>Bank accounts and other</b>                                       | (38)   | (117)  | (37)   | (102)  |
| clearing services  | (14)   | (41)   | (12)   | (31)   |
| commissions for operating services provided by banks                 | (4)  | (11)   | (3)  | (10)   |
| sending short text messages (SMS)                                    | (13)   | (38)   | (14)   | (40)   |
| selling banking products   | (1)  | (1)  | (1)  | (2)  |
| servicing foreign mass transactions                                  | (6)  | (16)   | (4)  | (11)   |
| other  | -  | (10)   | (3)  | (8)  |
| <b>Total</b>   | <b>(417)</b>                                       | <b>(1 142)</b>   | <b>(347)</b>                                       | <b>(885)</b>   |
| NET INCOME ON OPERATING LEASES AND FLEET MANAGEMENT                  | third quarter period from 01.07.2022 to 30.09.2022 | 3 quarters cumulative period from 01.01.2022 to 30.09.2022 | third quarter period from 01.07.2021 to 30.09.2021 | 3 quarters cumulative period from 01.01.2021 to 30.09.2021 |
| Income on operating leases and fleet management                      | 132  | 369  | 95   | 288  |
| Cost net income on operating leases and fleet management             | (24)   | (71)   | (20)   | (56)   |
| Depreciation of property, plant and equipment under operating leases | (65)   | (181)  | (55)   | (157)  |
| <b>Net income on operating leases and fleet management</b>           | <b>43</b>  | <b>117</b>   | <b>20</b>  | <b>75</b>  |

### 13. GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS

| GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS  | third quarter period from 01.07.2022 to 30.09.2022 | 3 quarters cumulative period from 01.01.2022 to 30.09.2022 | third quarter period from 01.07.2021 to 30.09.2021 | 3 quarters cumulative period from 01.01.2021 to 30.09.2021 |
|---|--|--|--|--|
| <b>Financial instruments held for trading, of which:</b>  | <b>80</b>  | <b>311</b>   | <b>28</b>  | <b>76</b>  |
| Derivative instruments  | 104  | 318  | 27   | 70   |
| Equity instruments  | (5)  | (8)  | 5  | 5  |
| Debt securities   | (19)   | 1  | (4)  | 1  |
| <b>Financial instruments not held for trading, measured at fair value through profit or loss, of which:</b> | <b>103</b>   | <b>38</b>  | <b>(38)</b>  | <b>(98)</b>  |
| Equity instruments  | 98   | 60   | (2)  | 18   |
| Debt securities   | 15   | (4)  | (9)  | (7)  |
| Loans and advances to customers   | (10)   | (18)   | (27)   | (109)  |
| <b>Hedge accounting</b>   | <b>-</b>   | <b>1</b>   | <b>(2)</b>   | <b>(5)</b>   |
| <b>Total</b>  | <b>183</b>   | <b>350</b>   | <b>(12)</b>  | <b>(27)</b>  |



#### 14. GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL INSTRUMENTS

| GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL INSTRUMENTS  | third quarter period from 01.07.2022 to 30.09.2022 | 3 quarters cumulative period from 01.01.2022 to 30.09.2022 | third quarter period from 01.07.2021 to 30.09.2021 | 3 quarters cumulative period from 01.01.2021 to 30.09.2021 |
|---|--|--|--|--|
| Measured at fair value through other comprehensive income | (14)   | (40)   | 80   | 173  |
| Measured at amortized cost                                | 2  | 10   | 1  | 3  |
| <b>Total</b>  | <b>(12)</b>  | <b>(30)</b>  | <b>81</b>  | <b>176</b>   |

#### 15. OTHER OPERATING INCOME AND EXPENSES

| OTHER OPERATING INCOME   | third quarter period from 01.07.2022 to 30.09.2022 | 3 quarters cumulative period from 01.01.2022 to 30.09.2022 | third quarter period from 01.07.2021 to 30.09.2021 | 3 quarters cumulative period from 01.01.2021 to 30.09.2021 |
|--|--|--|--|--|
| Net revenues from the sale of products and services  | 35   | 88   | 34   | 72   |
| Gains on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale                      | 23   | 69   | 35   | 73   |
| Damages, compensation and penalties received   | 11   | 35   | 9  | 35   |
| Ancillary income   | 3  | 9  | 2  | 9  |
| Recovered debts that are time-barred, remitted, uncollectible  | -  | 1  | 1  | 4  |
| Release of the provision for future payments   | -  | -  | 1  | 2  |
| Release of provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies | -  | 3  | 1  | 2  |
| Income from the sale of CO <sub>2</sub> emission allowances  | -  | 14   | -  | 2  |
| Other  | 21   | 67   | 13   | 46   |
| <b>Total</b>   | <b>93</b>  | <b>286</b>   | <b>96</b>  | <b>245</b>   |

| OTHER OPERATING EXPENSE   | third quarter period from 01.07.2022 to 30.09.2022 | 3 quarters cumulative period from 01.01.2022 to 30.09.2022 | third quarter period from 01.07.2021 to 30.09.2021 | 3 quarters cumulative period from 01.01.2021 to 30.09.2021 |
|---|--|--|--|--|
| Costs of products and services sold   | -  | -  | -  | (2)  |
| Losses on sale or scrapping of property, plant and equipment, intangible assets and assets held for sale          | (3)  | (10)   | (8)  | (25)   |
| Donations made  | (1)  | (16)   | (9)  | (23)   |
| Sundry expenses   | (3)  | (11)   | (4)  | (12)   |
| Provision recognized for potential refunds of fees and commission to customers                                    | -  | (13)   | (1)  | (27)   |
| Provision for future payments   | (2)  | (2)  | -  | (2)  |
| Provision recognized for legal claims excluding legal claims relating to mortgage loans in convertible currencies | (3)  | (6)  | (3)  | (8)  |
| Cost of selling CO <sub>2</sub> emission allowances   | (1)  | (8)  | -  | (1)  |
| Other   | (25)   | (63)   | (31)   | (64)   |
| <b>Total</b>  | <b>(38)</b>  | <b>(129)</b>   | <b>(56)</b>  | <b>(164)</b>   |



## 16. NET ALLOWANCES FOR EXPECTED CREDIT LOSSES

| ALLOWANCES FOR EXPECTED CREDIT LOSSES                       | third quarter period from 01.07.2022 to 30.09.2022 | 3 quarters cumulative period from 01.01.2022 to 30.09.2022 | third quarter period from 01.07.2021 to 30.09.2021 | 3 quarters cumulative period from 01.01.2021 to 30.09.2021 |
|---|--|--|--|--|
| Amounts due from banks                                      | (2)  | (3)  | -  | -  |
| Debt securities   | (19)   | 38   | (43)   | (41)   |
| - measured at fair value through OCI                        | (13)   | 42   | (28)   | (26)   |
| - measured at amortized cost                                | (6)  | (4)  | (15)   | (15)   |
| Loans and advances to customers                             | (363)  | (1 085)  | (306)  | (787)  |
| - measured at amortized cost                                | (363)  | (1 085)  | (306)  | (787)  |
| Other financial assets                                      | -  | (13)   | -  | 2  |
| Provisions for financial liabilities and guarantees granted | (65)   | (103)  | (13)   | 34   |
| <b>Total</b>  | <b>(449)</b>                                       | <b>(1 166)</b>   | <b>(362)</b>                                       | <b>(792)</b>   |

| CHANGES IN ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES | As at the beginning of the period | Net allowances for expected credit losses | Change in allowances due to write-off and other adjustments | State at the end of the period |
|--|-----------------------------------|---|---|--------------------------------|
| <b>Period from 01.01 to 30.09.2022</b>                       |                                   |   |   |                                |
| 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)                          |
| Provisions for financial liabilities and guarantees granted  | (675)                             | (103)                                     | (6)   | (784)                          |
| <b>Total</b>   | <b>(9 607)</b>                    | <b>(1 166)</b>                            | <b>22</b>   | <b>(10 751)</b>                |

| CHANGES IN ACCUMULATED ALLOWANCES FOR EXPECTED CREDIT LOSSES | As at the beginning of the period | Net allowances for expected credit losses | Change in allowances due to write-off and other adjustments | State at the end of the period |
|--|-----------------------------------|---|---|--------------------------------|
| <b>Period from 01.01 to 30.09.2021</b>                       |                                   |   |   |                                |
| Debt securities  | (50)                              | (41)                                      | 6   | (85)                           |
| Loans and advances to customers                              | (8 824)                           | (787)                                     | 348   | (9 263)                        |
| Other financial assets                                       | (138)                             | 2   | 1   | (135)                          |
| Provisions for financial liabilities and guarantees granted  | (629)                             | 34  | (1)   | (596)                          |
| <b>Total</b>   | <b>(9 641)</b>                    | <b>(792)</b>                              | <b>354</b>  | <b>(10 079)</b>                |



## 17. NET IMPAIRMENT ALLOWANCES OF NON-FINANCIAL ASSETS

| NET IMPAIRMENT OF NON-FINANCIAL ASSETS              | third quarter period from 01.07.2022 to 30.09.2022 | 3 quarters cumulative period from 01.01.2022 to 30.09.2022 | third quarter period from 01.07.2021 to 30.09.2021 | 3 quarters cumulative period from 01.01.2021 to 30.09.2021 |
|---|--|--|--|--|
| Property, plant and equipment under operating lease | -  | -  | (1)  | (2)  |
| Property, plant and equipment                       | -  | -  | (1)  | (1)  |
| Non-current assets held for sale                    | -  | -  | -  | (2)  |
| Investments in associates and joint ventures        | -  | -  | 12   | 12   |
| Other financial assets, including inventories       | (11)   | (24)   | (2)  | (42)   |
| <b>Total</b>  | <b>(11)</b>  | <b>(24)</b>  | <b>8</b>   | <b>(35)</b>  |

| CHANGES IN ACCUMULATED IMPAIRMENT ALLOWANCES ON NON-FINANCIAL ASSETS | As at the beginning of the period | Net impairment allowances on non-financial assets | Others    | State at the end of the period |
|--|-----------------------------------|---|-----------|--------------------------------|
| <b>Period from 01.01 to 30.09.2022</b>                               |                                   |   |           |                                |
| 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 financial assets, including inventories                        | (354)                             | (24)  | 16        | (362)                          |
| <b>Total</b>   | <b>(1 117)</b>                    | <b>(24)</b>                                       | <b>29</b> | <b>(1 112)</b>                 |

| CHANGES IN ACCUMULATED IMPAIRMENT ALLOWANCES ON NON-FINANCIAL ASSETS | As at the beginning of the period | Net impairment allowances on non-financial assets | Others      | State at the end of the period |
|--|-----------------------------------|---|-------------|--------------------------------|
| <b>Period from 01.01 to 30.09.2021</b>                               |                                   |   |             |                                |
| Property, plant and equipment under operating lease                  | (1)                               | (2)   | -           | (3)                            |
| Property, plant and equipment  | (102)                             | (1)   | 3           | (100)                          |
| Non-current assets held for sale                                     | (3)                               | (2)   | 4           | (1)                            |
| Intangible assets  | (415)                             | -   | (1)         | (416)                          |
| Investments in associates and joint ventures                         | (276)                             | 12  | 1           | (263)                          |
| Other financial assets, including inventories                        | (292)                             | (42)  | (68)        | (402)                          |
| <b>Total</b>   | <b>(1 089)</b>                    | <b>(35)</b>                                       | <b>(61)</b> | <b>(1 185)</b>                 |



## 18. ADMINISTRATIVE EXPENSES

| ADMINISTRATIVE EXPENSES                  | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|--|--|--|--|--|
| Employee benefits                        | (851)  | (2 504)  | (840)  | (2 362)  |
| Overheads, of which:                     | (360)  | (1 019)  | (306)  | (913)  |
| rent                                     | (25)   | (72)   | (24)   | (72)   |
| IT                                       | (100)  | (282)  | (90)   | (269)  |
| Depreciation and amortization            | (260)  | (763)  | (253)  | (745)  |
| property, plant and equipment, of which: | (132)  | (395)  | (134)  | (401)  |
| investment estates                       | (1)  | (1)  | -  | (1)  |
| IT                                       | (29)   | (87)   | (26)   | (74)   |
| right of use assets                      | (56)   | (171)  | (59)   | (177)  |
| intangible assets, of which:             | (128)  | (368)  | (119)  | (344)  |
| IT                                       | (125)  | (355)  | (113)  | (326)  |
| Net regulatory charges                   | (420)  | (1 810)  | (78)   | (530)  |
| <b>Total</b>                             | <b>(1 891)</b>   | <b>(6 096)</b>   | <b>(1 477)</b>   | <b>(4 550)</b>   |

| EMPLOYEE BENEFITS                                    | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|--|--|--|--|--|
| Wages and salaries, including:                       | (713)  | (2 084)  | (707)  | (1 976)  |
| costs of contributions to the employee pension plan  | (19)   | (56)   | (18)   | (52)   |
| Social insurance, of which:                          | (117)  | (357)  | (116)  | (334)  |
| contributions for disability and retirement benefits | (100)  | (315)  | (92)   | (282)  |
| Other employee benefits                              | (21)   | (63)   | (17)   | (52)   |
| <b>Total</b>   | <b>(851)</b>   | <b>(2 504)</b>   | <b>(840)</b>   | <b>(2 362)</b>   |

| NET REGULATORY CHARGES  | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|---|--|--|--|--|
| Contribution and payments to the Bank Guarantee Fund (BGF), including:        | -  | (407)  | (57)   | (424)  |
| to the Resolution Fund  | -  | (291)  | -  | (253)  |
| to the Banks' Guarantee Fund  | -  | (116)  | (57)   | (171)  |
| Fees to PFSA  | (1)  | (49)   | (1)  | (47)   |
| Borrowers Support Fund <sup>1</sup>   | (300)  | (300)  | -  | -  |
| Fee for the assistance fund run by the Commercial Bank Protection System S.A. | (84)   | (956)  | -  | -  |
| Flat-rate income tax  | (2)  | (5)  | (1)  | (5)  |
| Other taxes and fees  | (33)   | (93)   | (19)   | (54)   |
| <b>Total</b>  | <b>(420)</b>   | <b>(1 810)</b>   | <b>(78)</b>  | <b>(530)</b>   |

<sup>1</sup> Information on the Borrowers Support Fund is described in the note [The impact of the Act on crowdfunding for business ventures and assistance to borrowers](#)



On 14 June 2022, PKO Bank Polski S.A. and 7 other commercial banks, i.e. Alior Bank S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Millennium Bank S.A., Bank Polska Kasa Opieki S.A. and Santander Bank Polska S.A. (the Participating Banks) formed a system for the protection of commercial banks, which is referred to in Article 130c of the Banking Law. The system is supervised by the PFSA. The aim of the protection system is to ensure the liquidity and solvency of the Participating Banks on the terms and conditions and to the extent specified in the protection system agreement, as well as to support the resolution regime carried out by the Bank Guarantee Fund (BGF). The Participating Banks formed the company System Ochrony Banków Komercyjnych S.A. (as at 30 June 2022, System Ochrony Banków Komercyjnych S.A. in organization) as the system's Management Entity with a share capital of PLN 1 million. The Bank acquired 21 113 shares of the company with a total nominal value of PLN 211 130, representing 21.1% of its share capital.

Each Participating Bank shall be obliged to pay an amount equal to 0.40% of the guaranteed funds as at the end of the first quarter of 2022. The Bank's contribution to the aid fund of PLN 872 million was paid on 2 August 2022. In order to provide funds for the financing of the protection system's tasks, the Bank made another payment to the aid fund managed by SOBK S.A. of PLN 84 million in the third quarter of 2022. In total, the Bank paid PLN 956 million to the aid fund in 2022.

On 30 September 2022, the Bank Guarantee Fund (BGF) decided to initiate the resolution procedure with respect to Getin Noble Bank S.A. In accordance with the application received from the BGF and the basic tasks of the protection system (as defined in chapter 10a of the Banking Law), SOBK granted support for the safe application of the special resolution regime with respect to the aforementioned bank totalling PLN 3.47 billion, including a subsidy and acquisition of a block of 49% of the shares in a bridge institution formed by the BGF, to which the operations of Getin Noble Bank S.A. were transferred on 3 October 2022). Under the generally applicable laws, SOBK has no voting rights in the authorities of the bridge institution and, consequently, no influence on its management – it plays the role of a passive investor supporting the institution's stability.

## 19. INCOME TAX EXPENSE

- INCOME TAX EXPENSE

|  | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|--|--|--|--|--|
| <b>Income tax expense recognized in the income statement</b>                                 | 105  | (812)  | (438)  | (1 263)  |
| Current income tax expense   | (545)  | (1 414)  | (390)  | (1 237)  |
| Deferred income tax on temporary differences   | 650  | 602  | (48)   | (26)   |
| <b>Income tax reported in other comprehensive income in respect of temporary differences</b> | (251)  | 1 206  | 187  | 491  |
| <b>Total</b>   | <b>(146)</b>   | <b>394</b>   | <b>(251)</b>   | <b>(772)</b>   |



• RECONCILIATION OF THE EFFECTIVE TAX RATE

| RECONCILIATION OF THE EFFECTIVE TAX RATE  | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|---|--|--|--|--|
| Profit or loss before tax   | (343)  | 2 411  | 1 697  | 4 934  |
| Tax calculated using the enacted rate in force in Poland (19%)                                    | 65   | (458)  | (322)  | (937)  |
| Effect of different tax rates of foreign entities   | -  | -  | 1  | 1  |
| <b>Effect of permanent timing differences, of which:</b>  | <b>39</b>  | <b>(356)</b>   | <b>(121)</b>   | <b>(331)</b>   |
| non-deductible impairment allowance on investments in subordinated entities                       | -  | (10)   | -  | -  |
| non-deductible allowances for expected credit losses on credit exposures and securities           | 19   | (36)   | (7)  | (33)   |
| contributions and payments to the Bank Guarantee Fund tax on certain financial institutions       | -  | (77)   | (10)   | (80)   |
| wpłata na Fundusz Wsparcia Kredytobiorców   | (62)   | (181)  | (51)   | (149)  |
| cost of the legal risk of mortgage loans in convertible currencies                                | (57)   | (57)   | -  | -  |
| tax on foreign exchange gains in Sweden   | -  | (307)  | (25)   | (25)   |
| asset from the average tax rate   | 50   | 18   | (10)   | (9)  |
| dissolution of assets due to reclassification of temporary differences to non-current differences | 60   | 264  | (8)  | (17)   |
| 3% flat-rate income tax on interest for non-residents   | 14   | (4)  | -  | -  |
| dividend income   | 1  | -  | -  | -  |
| other permanent differences   | 1  | 3  | 8  | 10   |
| <b>Impact of other differences between taxable profit and income tax, including B+R relief</b>    | <b>13</b>  | <b>31</b>  | <b>(18)</b>  | <b>(28)</b>  |
| Income tax expense recognized in the income statement   | <b>1</b>   | <b>2</b>   | <b>4</b>   | <b>4</b>   |
|   | 105  | (812)  | (438)  | (1 263)  |
| <b>Effective tax rate (in %)</b>  | <b>30,61</b>   | <b>33,68</b>   | <b>25,81</b>   | <b>25,60</b>   |

The 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, among other things, 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 national or European courts. Therefore, interpretations of the tax law by the tax authorities differing from the practices implemented by the Bank or the Group entities cannot be eliminated and may have a significant adverse effect 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 received from the Swedish tax authorities a negative decision concerning a long dispute relating to doubts about taxation in Sweden of foreign exchange gains on loans granted to the Bank and liabilities in respect of an issue. Based on this decision, the company had to pay additional income tax and interest of SEK 160 726 808 for the tax year 2019.

The company did not have funds for the payment of this tax liability, which was due by 26 January 2022. Pursuant to the guarantee agreement concluded on 15 May 2020 between the Bank and PKO Finance AB, the Company asked the Bank to pay SEK 160 726 808 to its current account with the Swedish tax office. Despite having made the payment, the Company disagrees with the verdict of the Swedish tax office and intends to use the appeal procedure to regain the amount mentioned above. A tax consultancy operating in Sweden was engaged for this purpose.



Due to the expiry of the potential tax liabilities of PKO Finance AB for the years 2015-2016, in the third quarter of 2022 the Group decided to reverse a deferred income tax provision for 2015-2016 of PLN 74 million. At the same time, due to the materialization of foreign currency differences on loans granted to the Bank and liabilities in respect of issues in the 3rd quarter of 2022, the Company recognized a corporate income tax liability for 2022 of PLN 200 million (as at 31 December 2021, the deferred income tax provision amounted to PLN 288 million).

## 20. AMOUNTS DUE FROM BANKS

| AMOUNTS DUE FROM BANKS                | 30.09.2022    | 31.12.2021   |
|---------------------------------------|---------------|--------------|
| <b>Measured at amortized cost</b>     | <b>21 955</b> | <b>9 010</b> |
| Deposits with banks                   | 20 198        | 7 218        |
| Current accounts                      | 1 341         | 1 243        |
| Loans and advances granted            | 414           | 546          |
| Cash in transit                       | 2             | 3            |
| <b>Gross amount</b>                   | <b>21 955</b> | <b>9 010</b> |
| Allowances for expected credit losses | (3)           | -            |
| <b>Net amount</b>                     | <b>21 952</b> | <b>9 010</b> |

As at 30 September 2022 and 31 December 2021, all amounts due from banks were classified as Phase 1.

## 21. HEDGE ACCOUNTING

### TYPES OF HEDGING STRATEGIES APPLIED BY THE GROUP

As at 30 September 2022 the Group had active relationships relating to:

- 6 strategies for hedging cash flow volatility;
- 5 strategies for hedging fair value of volatility;
- one strategy for hedging investments in the net assets of foreign operations.

In the first 9 months of 2022, the Group terminated hedging relationships:

- as part of the hedging strategy “Cash flow hedge of floating interest rate loans in PLN, resulting from the risk of fluctuations in interest rates, using IRS transactions” as a result of ceasing to apply hedge accounting. The effect of discontinuing hedge accounting as part of the said relationships on the profit or loss amounted to PLN -17.8 million.
- as part of the hedging strategy “Cash flow hedge of floating interest rate loans in convertible currencies, resulting from the risk of fluctuations in interest rates, using IRS transactions” as a result of failing the test for prospective hedge effectiveness. The effect of discontinuing hedge accounting as part of the said relationships on the profit or loss amounted to PLN 1.1 million.

In the first 9 months of 2022, the Group implemented new hedging relationships:

- a fair value hedge of the portfolio of financial liabilities in PLN stated at amortized cost against the risk of fluctuations in interest rates, using IRS transactions;
- a fair value hedge of the portfolio of financial liabilities in convertible currencies stated at amortized cost against the risk of fluctuations in interest rates, using IRS transactions.

No other changes were introduced in the other active strategies in the first 9 months of 2022.

In 2021, the Group introduced one hedging strategy in respect of interest in the net assets of a foreign entity and three cash flow hedging strategies.



| CARRYING AMOUNT OF HEDGING INSTRUMENTS  | 30.09.2022   |              | 31.12.2021 |              |
|---|--------------|--------------|------------|--------------|
|   | Assets       | Liabilities  | Assets     | Liabilities  |
| Cash flow hedges  | 1 453        | 9 144        | 924        | 4 794        |
| interest rate risk IRS  | 3            | 8 141        | 65         | 4 363        |
| foreign exchange risk and interest rate risk - CIRS                               | 1 450        | 1 003        | 859        | 431          |
| Fair value hedges - interest rate risk IRS  | 101          | 72           | 8          | 9            |
| Hedges of net investments in foreign operations - foreign exchange risk - Forward | 2            | -            | 1          | 3            |
| <b>Total</b>  | <b>1 556</b> | <b>9 216</b> | <b>933</b> | <b>4 806</b> |

| CHANGE IN OTHER COMPREHENSIVE INCOME RELATING TO CASH FLOW HEDGES AND AN INEFFECTIVE PORTION OF CASH FLOW HEDGES | third quarter period from 01.07.2022 to 30.09.2022 | 3 quarters cumulative period from 01.01.2022 to 30.09.2022 | third quarter period from 01.07.2021 to 30.09.2021 | 3 quarters cumulative period from 01.01.2021 to 30.09.2021 |
|--|--|--|--|--|
| Accumulated other comprehensive income at the beginning of the period, net                                       | (7 455)  | (3 699)  | (342)  | 355  |
| Impact on other comprehensive income during the period, gross  | 1 045  | (3 584)  | (655)  | (1 517)  |
| Gains/losses recognized in other comprehensive income during the period  | (1 359)  | (6 580)  | (181)  | (894)  |
| Amounts transferred from other comprehensive income to the income statement:                                     | 2 404  | 2 996  | (474)  | (623)  |
| - net interest income  | 1 222  | 2 343  | (122)  | (328)  |
| - net foreign exchange gains/(losses)  | 1 182  | 653  | (352)  | (295)  |
| Tax effect   | (207)  | 666  | 123  | 288  |
| <b>Accumulated other comprehensive income at the end of the period, net</b>                                      | <b>(6 617)</b>                                     | <b>(6 617)</b>   | <b>(874)</b>                                       | <b>(874)</b>   |
| Ineffective portion of cash flow hedges recognized in the income statements, including in:                       | (3)  | (2)  | 3  | 3  |
| Foreign exchange gains/ (losses)   | (3)  | (2)  | 5  | 7  |
| Gain/(loss) on financial instruments measured at fair value  | -  | -  | (2)  | (4)  |

| HEDGE OF INTEREST RATE AND FOREIGN EXCHANGE RISK                      | 30.09.2022 | 31.12.2021 |
|---|------------|------------|
| Fair value measurement of the hedging derivative instrument           | 30         | (3)        |
| hedge of the interest rate risk - IRS fixed - float                   | 28         | (1)        |
| hedge of currency risk - forward                                      | 2          | (2)        |
| Adjustment to the fair value of the instrument due to the hedged risk | (49)       | (25)       |
| hedge of interest rate  | (49)       | (25)       |
| Securities  | (31)       | (2)        |
| Loans and advances to customers                                       | (12)       | (1)        |
| Fair value adjustment recognized in other comprehensive income        | (78)       | (22)       |
| Portfolio of financial liabilities to customers                       | 72         | -          |
| Hedging of currency risk - share in net assets of a foreign entity    | 2          | (4)        |

## 22. OTHER DERIVATIVE INSTRUMENTS

| OTHER DERIVATIVE INSTRUMENTS - BY TYPE | 30.09.2022    |               | 31.12.2021    |               |
|--|---------------|---------------|---------------|---------------|
|  | Assets        | Liabilities   | Assets        | Liabilities   |
| IRS                                    | 9 759         | 9 548         | 4 640         | 4 791         |
| CIRS                                   | 710           | 685           | 694           | 602           |
| FX Swap                                | 2 364         | 1 847         | 586           | 312           |
| Options                                | 1 113         | 1 162         | 520           | 665           |
| Commodity swap <sup>1</sup>            | 4 071         | 4 070         | 2 812         | 2 807         |
| FRA                                    | 24            | 17            | 44            | 44            |
| Forward                                | 704           | 1 302         | 321           | 497           |
| Commodity Forward <sup>2</sup>         | 973           | 942           | 1 286         | 1 276         |
| Other                                  | -             | 58            | -             | 14            |
| <b>Total</b>                           | <b>19 718</b> | <b>19 631</b> | <b>10 903</b> | <b>11 008</b> |

<sup>1</sup> The item includes the valuation of contracts for the share in the gaseous fuels market: assets in the amount of PLN 3 953 million (as at December 31, 2021, PLN 2 574 million) and liabilities in the amount of PLN 3 956 million (as at December 31, 2021, PLN 2 574 million).

<sup>2</sup> The item includes the valuation of contracts for CO<sub>2</sub> emission allowances.



| NOMINAL AMOUNTS OF UNDERLYING INSTRUMENTS (BUY AND SELL TOGETHER) hedging instruments and other derivative instruments | 30.09.2022       | 31.12.2021       |
|--|------------------|------------------|
| <b>IRS</b>   | <b>601 656</b>   | <b>628 790</b>   |
| <b>hedging instruments</b>   | <b>185 740</b>   | <b>195 398</b>   |
| Purchase   | 92 870           | 97 699           |
| Sale   | 92 870           | 97 699           |
| <b>other derivative instruments</b>  | <b>415 916</b>   | <b>433 392</b>   |
| Purchase   | 207 958          | 216 696          |
| Sale   | 207 958          | 216 696          |
| <b>CIRS</b>  | <b>80 764</b>    | <b>95 222</b>    |
| <b>hedging instruments</b>   | <b>29 258</b>    | <b>42 057</b>    |
| Purchase   | 14 972           | 21 208           |
| Sale   | 14 286           | 20 849           |
| <b>other derivative instruments</b>  | <b>51 506</b>    | <b>53 165</b>    |
| Purchase   | 25 544           | 26 384           |
| Sale   | 25 962           | 26 781           |
| <b>FX Swap</b>   | <b>136 970</b>   | <b>105 129</b>   |
| Purchase of currencies   | 68 756           | 52 620           |
| Sale of currencies   | 68 214           | 52 509           |
| <b>Options</b>   | <b>164 477</b>   | <b>143 877</b>   |
| Purchase   | 82 015           | 71 867           |
| Sale   | 82 462           | 72 010           |
| <b>FRA</b>   | <b>30 197</b>    | <b>13 457</b>    |
| Purchase   | 15 046           | 6 126            |
| Sale   | 15 151           | 7 331            |
| <b>Forward</b>   | <b>73 765</b>    | <b>64 205</b>    |
| <b>hedging instruments</b>   | <b>21</b>        | <b>155</b>       |
| Purchase of currencies   | 11               | 74               |
| Sale of currencies   | 10               | 81               |
| <b>other derivative instruments</b>  | <b>73 744</b>    | <b>64 050</b>    |
| Purchase of currencies   | 36 639           | 31 948           |
| Sale of currencies   | 37 105           | 32 102           |
| <b>Other, including Commodity swap and Futures (including on stock exchange indices)</b>                               | <b>12 830</b>    | <b>9 944</b>     |
| Purchase   | 6 430            | 4 974            |
| Sale   | 6 400            | 4 970            |
| <b>Total</b>   | <b>1 100 659</b> | <b>1 060 624</b> |



## 23. SECURITIES

| SECURITIES   | 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          |
|--|------------------|---|---|----------------------------|----------------|
| <b>30.09.2022</b>  |                  |   |   |                            |                |
| <b>Debt securities</b>   | <b>213</b>       | <b>632</b>  | <b>58 876</b>   | <b>67 854</b>              | <b>127 575</b> |
| Treasury bonds (in PLN)  | 125              | 242   | 39 933  | 46 297                     | 86 597         |
| Treasury bonds (in foreign currencies)   | 2                | 328   | 2 431   | 570                        | 3 331          |
| corporate bonds (in PLN) secured by guarantees from the State Treasury                                 | 3                | -   | 9 131   | 12 069                     | 21 203         |
| municipal bonds (in PLN)   | 17               | -   | 4 164   | 5 149                      | 9 330          |
| corporate bonds (in PLN)   | 66               | 62  | 2 781   | 1 950                      | 4 859          |
| corporate bonds (in foreign currencies)  | -                | -   | 436   | 1 819                      | 2 255          |
| <b>Equity securities</b>   | <b>26</b>        | <b>1 786</b>  | <b>-</b>  | <b>-</b>                   | <b>1 812</b>   |
| shares in other entities - not listed  | -                | 386   | -   | -                          | 386            |
| shares in other entities - listed  | 25               | 850   | -   | -                          | 875            |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1                | 550   | -   | -                          | 551            |
| <b>Total (excluding adjustment relating to fair value hedge accounting)</b>                            | <b>239</b>       | <b>2 418</b>  | <b>58 876</b>   | <b>67 854</b>              | <b>129 387</b> |
| Adjustment relating to fair value hedge accounting   | -                | -   | -   | (31)                       | (31)           |
| <b>Total</b>   | <b>239</b>       | <b>2 418</b>  | <b>58 876</b>   | <b>67 823</b>              | <b>129 356</b> |

<sup>1</sup> The item comprises bonds from international financial institutions of PLN 3 476 million.



| SECURITIES   | 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          |
|--|------------------|---|---|----------------------------|----------------|
| <b>31.12.2021</b>  |                  |   |   |                            |                |
| <b>Debt securities</b>   | <b>216</b>       | <b>785</b>  | <b>61 863</b>   | <b>71 282</b>              | <b>134 146</b> |
| NBP money market bills   | -                | -   | 810   | -                          | 810            |
| Treasury bonds (in PLN)  | 69               | 261   | 39 613  | 50 816                     | 90 759         |
| Treasury bonds (in foreign currencies)   | 2                | 350   | 3 169   | -                          | 3 521          |
| corporate bonds (in PLN) secured with the State Treasury guarantees                                    | 4                | -   | 9 894   | 12 092                     | 21 990         |
| municipal bonds (in PLN)   | 16               | -   | 4 135   | 5 022                      | 9 173          |
| corporate bonds (in PLN) <sup>1</sup>  | 125              | 174   | 3 810   | 1 937                      | 6 046          |
| corporate bonds (in foreign currencies)  | -                | -   | 432   | 1 415                      | 1 847          |
| <b>Equity securities</b>   | <b>32</b>        | <b>1 264</b>  | <b>-</b>  | <b>-</b>                   | <b>1 296</b>   |
| shares in other entities – not listed  | -                | 326   | -   | -                          | 326            |
| shares in other entities – listed  | 31               | 144   | -   | -                          | 175            |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1                | 794   | -   | -                          | 795            |
| <b>Total (excluding adjustment relating to fair value hedge accounting)</b>                            | <b>248</b>       | <b>2 049</b>  | <b>61 863</b>   | <b>71 282</b>              | <b>135 442</b> |
| Adjustment relating to fair value hedge accounting   | -                | -   | -   | (2)                        | (2)            |
| <b>Total</b>   | <b>248</b>       | <b>2 049</b>  | <b>61 863</b>   | <b>71 280</b>              | <b>135 440</b> |

<sup>1</sup> The item comprises bonds from international financial institutions of PLN 3 652 million.

The item “Treasury bonds in PLN and in foreign currencies” comprises Polish Treasury bonds. As at 30 September 2022 and 31 December 2021, the item “Treasury bonds in foreign currencies” comprised Ukrainian Treasury bonds amounting to PLN 513 million (as at 31 December 2021: PLN 1 162 million) and US Treasury bonds amounting to PLN 503 million (as at 31 December 2021: none).



| SECURITIES (excluding adjustments relating to fair value hedge accounting)<br>30.09.2022 | stage 1        | stage 2     | stage 3    | Total          | including POCI |
|--|----------------|-------------|------------|----------------|----------------|
| <b>measured at fair value through OCI</b>  |                |             |            |                |                |
| <b>Gross amount</b>  | <b>58 505</b>  | <b>2</b>    | <b>367</b> | <b>58 874</b>  | <b>351</b>     |
| Treasury bonds (in PLN)  | 39 933         | -           | -          | 39 933         | -              |
| Treasury bonds (in foreign currencies)   | 2 431          | -           | -          | 2 431          | -              |
| corporate bonds (in PLN) secured with the State Treasury guarantees                      | 9 131          | -           | -          | 9 131          | -              |
| municipal bonds (in PLN)   | 4 162          | 2           | -          | 4 164          | -              |
| corporate bonds (in PLN)   | 2 412          | -           | 367        | 2 779          | 351            |
| corporate bonds (in foreign currencies)  | 436            | -           | -          | 436            | -              |
| <b>Allowances for expected credit losses</b>   | <b>-</b>       | <b>-</b>    | <b>2</b>   | <b>2</b>       | <b>2</b>       |
| corporate bonds (in PLN)   | -              | -           | 2          | 2              | 2              |
| <b>Net amount</b>  | <b>58 505</b>  | <b>2</b>    | <b>369</b> | <b>58 876</b>  | <b>353</b>     |
| Treasury bonds (in PLN)  | 39 933         | -           | -          | 39 933         | -              |
| Treasury bonds (in foreign currencies)   | 2 431          | -           | -          | 2 431          | -              |
| corporate bonds (in PLN) secured with the State Treasury guarantees                      | 9 131          | -           | -          | 9 131          | -              |
| municipal bonds (in PLN)   | 4 162          | 2           | -          | 4 164          | -              |
| corporate bonds (in PLN)   | 2 412          | -           | 369        | 2 781          | 353            |
| corporate bonds (in foreign currencies)  | 436            | -           | -          | 436            | -              |
| <b>Measured at amortized cost</b>  |                |             |            |                |                |
| <b>Gross amount</b>  | <b>67 568</b>  | <b>345</b>  | <b>-</b>   | <b>67 913</b>  | <b>-</b>       |
| Treasury bonds (in PLN)  | 46 302         | -           | -          | 46 302         | -              |
| Treasury bonds (in foreign currencies)   | 570            | -           | -          | 570            | -              |
| corporate bonds (in PLN) secured with the State Treasury guarantees                      | 12 073         | -           | -          | 12 073         | -              |
| municipal bonds (in PLN)   | 5 166          | -           | -          | 5 166          | -              |
| corporate bonds (in PLN)   | 1 777          | 195         | -          | 1 972          | -              |
| corporate bonds (in foreign currencies)  | 1 680          | 150         | -          | 1 830          | -              |
| <b>Allowances for expected credit losses</b>   | <b>(33)</b>    | <b>(26)</b> | <b>-</b>   | <b>(59)</b>    | <b>-</b>       |
| Treasury bonds (in PLN)  | (5)            | -           | -          | (5)            | -              |
| corporate bonds (in PLN) secured with the State Treasury guarantees                      | (4)            | -           | -          | (4)            | -              |
| municipal bonds (in PLN)   | (17)           | -           | -          | (17)           | -              |
| corporate bonds (in PLN)   | (3)            | (19)        | -          | (22)           | -              |
| corporate bonds (in foreign currencies)  | (4)            | (7)         | -          | (11)           | -              |
| <b>Net amount</b>  | <b>67 535</b>  | <b>319</b>  | <b>-</b>   | <b>67 854</b>  | <b>-</b>       |
| Treasury bonds (in PLN)  | 46 297         | -           | -          | 46 297         | -              |
| Treasury bonds (in foreign currencies)   | 570            | -           | -          | 570            | -              |
| corporate bonds (in PLN) secured with the State Treasury guarantees                      | 12 069         | -           | -          | 12 069         | -              |
| municipal bonds (in PLN)   | 5 149          | -           | -          | 5 149          | -              |
| corporate bonds (in PLN)   | 1 774          | 176         | -          | 1 950          | -              |
| corporate bonds (in foreign currencies)  | 1 676          | 143         | -          | 1 819          | -              |
| <b>Total securities</b>  |                |             |            |                |                |
| <b>Gross amount</b>  | <b>126 073</b> | <b>347</b>  | <b>367</b> | <b>126 787</b> | <b>351</b>     |
| <b>Allowances for expected credit losses</b>   | <b>(33)</b>    | <b>(26)</b> | <b>2</b>   | <b>(57)</b>    | <b>2</b>       |
| <b>Net amount</b>  | <b>126 040</b> | <b>321</b>  | <b>369</b> | <b>126 730</b> | <b>353</b>     |



| SECURITIES (excluding adjustment relating to fair value hedge accounting)<br>31.12.2021 | Stage 1        | Stage 2     | Stage 3     | Total          | of which POCI |
|---|----------------|-------------|-------------|----------------|---------------|
| <b>Measured at: fair value through OCI</b>  |                |             |             |                |               |
| <b>Gross amount</b>   | <b>61 474</b>  | <b>44</b>   | <b>397</b>  | <b>61 915</b>  | <b>380</b>    |
| NBP money market bills  | 810            | -           | -           | 810            | -             |
| Treasury bonds (in PLN)   | 39 613         | -           | -           | 39 613         | -             |
| Treasury bonds (in foreign currencies)  | 3 169          | -           | -           | 3 169          | -             |
| corporate bonds (in PLN) secured with the State Treasury guarantees                     | 9 894          | -           | -           | 9 894          | -             |
| municipal bonds (in PLN)  | 4 091          | 44          | -           | 4 135          | -             |
| corporate bonds (in PLN)  | 3 465          | -           | 397         | 3 862          | 380           |
| corporate bonds (in foreign currencies)   | 432            | -           | -           | 432            | -             |
| <b>Allowances for expected credit losses</b>  | <b>-</b>       | <b>-</b>    | <b>(52)</b> | <b>(52)</b>    | <b>(52)</b>   |
| corporate bonds (in PLN)  | -              | -           | (52)        | (52)           | (52)          |
| <b>Net amount</b>   | <b>61 474</b>  | <b>44</b>   | <b>345</b>  | <b>61 863</b>  | <b>328</b>    |
| NBP money market bills  | 810            | -           | -           | 810            | -             |
| Treasury bonds (in PLN)   | 39 613         | -           | -           | 39 613         | -             |
| Treasury bonds (in foreign currencies)  | 3 169          | -           | -           | 3 169          | -             |
| corporate bonds (in PLN) secured with the State Treasury guarantees                     | 9 894          | -           | -           | 9 894          | -             |
| municipal bonds (in PLN)  | 4 091          | 44          | -           | 4 135          | -             |
| corporate bonds (in PLN)  | 3 465          | -           | 345         | 3 810          | 328           |
| corporate bonds (in foreign currencies)   | 432            | -           | -           | 432            | -             |
| <b>Measured at: amortized cost</b>  |                |             |             |                |               |
| <b>Gross amount</b>   | <b>70 936</b>  | <b>402</b>  | <b>-</b>    | <b>71 338</b>  | <b>-</b>      |
| Treasury bonds (in PLN)   | 50 816         | -           | -           | 50 816         | -             |
| corporate bonds (in PLN) secured with the State Treasury guarantees                     | 12 097         | -           | -           | 12 097         | -             |
| municipal bonds (in PLN)  | 4 982          | 57          | -           | 5 039          | -             |
| corporate bonds (in PLN)  | 1 750          | 207         | -           | 1 957          | -             |
| corporate bonds (in foreign currencies)   | 1 291          | 138         | -           | 1 429          | -             |
| <b>Allowances for expected credit losses</b>  | <b>(30)</b>    | <b>(26)</b> | <b>-</b>    | <b>(56)</b>    | <b>-</b>      |
| corporate bonds (in PLN) secured with the State Treasury guarantees                     | (5)            | -           | -           | (5)            | -             |
| municipal bonds (in PLN)  | (16)           | (1)         | -           | (17)           | -             |
| corporate bonds (in PLN)  | (3)            | (17)        | -           | (20)           | -             |
| corporate bonds (in foreign currencies)   | (6)            | (8)         | -           | (14)           | -             |
| <b>Net amount</b>   | <b>70 906</b>  | <b>376</b>  | <b>-</b>    | <b>71 282</b>  | <b>-</b>      |
| Treasury bonds (in PLN)   | 50 816         | -           | -           | 50 816         | -             |
| corporate bonds (in PLN) secured with the State Treasury guarantees                     | 12 092         | -           | -           | 12 092         | -             |
| municipal bonds (in PLN)  | 4 966          | 56          | -           | 5 022          | -             |
| corporate bonds (in PLN)  | 1 747          | 190         | -           | 1 937          | -             |
| corporate bonds (in foreign currencies)   | 1 285          | 130         | -           | 1 415          | -             |
| <b>Total securities</b>   |                |             |             |                |               |
| <b>Gross amount</b>   | <b>132 410</b> | <b>446</b>  | <b>397</b>  | <b>133 253</b> | <b>380</b>    |
| <b>Allowances for expected credit losses</b>  | <b>(30)</b>    | <b>(26)</b> | <b>(52)</b> | <b>(108)</b>   | <b>(52)</b>   |
| <b>Net amount</b>   | <b>132 380</b> | <b>420</b>  | <b>345</b>  | <b>133 145</b> | <b>328</b>    |



## 24. LOANS AND ADVANCES TO CUSTOMERS

| LOANS AND ADVANCES TO CUSTOMERS<br>30.09.2022   | not held for trading,<br>measured at fair value through<br>profit or loss | measured at fair value through other<br>comprehensive income | measured at<br>amortized cost | Total          |
|---|---|--|-------------------------------|----------------|
| <b>retail and private banking</b>   | <b>3 688</b>  | <b>1</b>   | <b>131 422</b>                | <b>135 111</b> |
| housing   | 2   | -  | 104 757                       | 104 759        |
| consumer  | 3 686   | 1  | 26 569                        | 30 256         |
| finance lease receivables   | -   | -  | 96                            | 96             |
| <b>SME</b>  | <b>48</b>   | <b>-</b>   | <b>32 161</b>                 | <b>32 209</b>  |
| housing   | -   | -  | 5 404                         | 5 404          |
| corporate   | 48  | -  | 14 054                        | 14 102         |
| factoring receivables   | -   | -  | 255                           | 255            |
| finance lease receivables   | -   | -  | 12 448                        | 12 448         |
| <b>corporate</b>  | <b>41</b>   | <b>-</b>   | <b>67 608</b>                 | <b>67 649</b>  |
| housing   | -   | -  | 73                            | 73             |
| corporate   | 41  | -  | 58 810                        | 58 851         |
| factoring receivables   | -   | -  | 3 307                         | 3 307          |
| finance lease receivables   | -   | -  | 5 418                         | 5 418          |
| <b>Loans and advances to customers (excluding<br/>adjustments relating to fair value hedge)</b> | <b>3 777</b>  | <b>1</b>   | <b>231 191</b>                | <b>234 969</b> |
| Adjustment relating to fair value hedge   | -   | -  | (12)                          | (12)           |
| <b>Total</b>  | <b>3 777</b>  | <b>1</b>   | <b>231 179</b>                | <b>234 957</b> |

| LOANS AND ADVANCES TO CUSTOMERS<br>31.12.2021   | not held for trading,<br>measured at fair value through<br>profit or loss | measured at fair value through other<br>comprehensive income | measured at<br>amortized cost | Total          |
|---|---|--|-------------------------------|----------------|
| <b>retail and private banking</b>   | <b>4 462</b>  | <b>2</b>   | <b>139 716</b>                | <b>144 180</b> |
| housing   | 4   | -  | 113 532                       | 113 536        |
| consumer  | 4 458   | 2  | 26 077                        | 30 537         |
| finance lease receivables   | -   | -  | 107                           | 107            |
| <b>SME</b>  | <b>43</b>   | <b>-</b>   | <b>31 443</b>                 | <b>31 486</b>  |
| housing   | -   | -  | 5 532                         | 5 532          |
| corporate   | 43  | -  | 13 579                        | 13 622         |
| factoring receivables   | -   | -  | 150                           | 150            |
| finance lease receivables   | -   | -  | 12 182                        | 12 182         |
| <b>corporate</b>  | <b>54</b>   | <b>-</b>   | <b>58 581</b>                 | <b>58 635</b>  |
| housing   | -   | -  | 75                            | 75             |
| corporate   | 54  | -  | 50 471                        | 50 525         |
| factoring receivables   | -   | -  | 2 773                         | 2 773          |
| finance lease receivables   | -   | -  | 5 262                         | 5 262          |
| <b>Loans and advances to customers (excluding<br/>adjustments relating to fair value hedge)</b> | <b>4 559</b>  | <b>2</b>   | <b>229 740</b>                | <b>234 301</b> |
| Adjustment relating to fair value hedge   | -   | -  | (1)                           | (1)            |
| <b>Total</b>  | <b>4 559</b>  | <b>2</b>   | <b>229 739</b>                | <b>234 300</b> |



| LOANS AND ADVANCES TO CUSTOMERS<br>(excluding adjustments relating to fair value<br>hedge accounting)<br>30.09.2022 | Stage 1        | Stage 2        | Stage 3        | Total          | including<br>POCI |
|---|----------------|----------------|----------------|----------------|-------------------|
| <b>Measured at: fair value through OCI</b>  |                |                |                |                |                   |
| <b>Gross amount</b>   | -              | -              | 2              | 2              | 2                 |
| consumer loans  | -              | -              | 2              | 2              | 2                 |
| <b>Allowances for expected credit losses</b>  | -              | -              | (1)            | (1)            | (1)               |
| consumer loans  | -              | -              | (1)            | (1)            | (1)               |
| <b>Net amount</b>   | -              | -              | 1              | 1              | 1                 |
| consumer loans  | -              | -              | 1              | 1              | 1                 |
| <b>Measured at: amortized cost</b>  |                |                |                |                |                   |
| <b>Gross amount</b>   | <b>188 082</b> | <b>43 592</b>  | <b>9 272</b>   | <b>240 946</b> | <b>204</b>        |
| housing loans   | 92 677         | 17 989         | 1 946          | 112 612        | 91                |
| corporate loans   | 55 949         | 16 968         | 4 380          | 77 297         | 53                |
| consumer loans  | 23 786         | 3 084          | 1 841          | 28 711         | 57                |
| factoring receivables   | 3 532          | 22             | 33             | 3 587          | -                 |
| finance lease receivables   | 12 138         | 5 529          | 1 072          | 18 739         | 3                 |
| <b>Allowances for expected credit losses</b>  | <b>(824)</b>   | <b>(3 187)</b> | <b>(5 744)</b> | <b>(9 755)</b> | <b>(5)</b>        |
| housing loans   | (92)           | (898)          | (1 388)        | (2 378)        | (20)              |
| corporate loans   | (344)          | (1 437)        | (2 652)        | (4 433)        | (12)              |
| consumer loans  | (308)          | (655)          | (1 179)        | (2 142)        | 28                |
| factoring receivables   | (5)            | -              | (20)           | (25)           | -                 |
| finance lease receivables   | (75)           | (197)          | (505)          | (777)          | (1)               |
| <b>Net amount</b>   | <b>187 258</b> | <b>40 405</b>  | <b>3 528</b>   | <b>231 191</b> | <b>199</b>        |
| housing loans   | 92 585         | 17 091         | 558            | 110 234        | 71                |
| corporate loans   | 55 605         | 15 531         | 1 728          | 72 864         | 41                |
| consumer loans  | 23 478         | 2 429          | 662            | 26 569         | 85                |
| factoring receivables   | 3 527          | 22             | 13             | 3 562          | -                 |
| finance lease receivables   | 12 063         | 5 332          | 567            | 17 962         | 2                 |
| <b>Loans and advances to customers, total</b>   |                |                |                |                |                   |
| <b>Gross amount</b>   | <b>188 082</b> | <b>43 592</b>  | <b>9 274</b>   | <b>240 948</b> | <b>206</b>        |
| <b>Allowances for expected credit losses</b>  | <b>(824)</b>   | <b>(3 187)</b> | <b>(5 745)</b> | <b>(9 756)</b> | <b>(6)</b>        |
| <b>Net amount</b>   | <b>187 258</b> | <b>40 405</b>  | <b>3 529</b>   | <b>231 192</b> | <b>200</b>        |



| LOANS AND ADVANCES TO CUSTOMERS<br>(excluding adjustments relating to fair value<br>hedge accounting)<br>31.12.2021 | Stage 1 | Stage 2 | Stage 3 | Total   | including<br>POCI |
|---|---------|---------|---------|---------|-------------------|
| <b>Measured at: fair value through OCI</b>  |         |         |         |         |                   |
| <b>Gross amount</b>   | -       | -       | 3       | 3       | 3                 |
| consumer loans  | -       | -       | 3       | 3       | 3                 |
| <b>Allowances for expected credit losses</b>  | -       | -       | (1)     | (1)     | (1)               |
| consumer loans  | -       | -       | (1)     | (1)     | (1)               |
| <b>Net amount</b>   | -       | -       | 2       | 2       | 2                 |
| consumer loans  | -       | -       | 2       | 2       | 2                 |
| <b>Measured at: amortized cost</b>  |         |         |         |         |                   |
| <b>Gross amount</b>   | 192 555 | 36 543  | 9 329   | 238 427 | 235               |
| housing loans   | 104 386 | 14 830  | 2 005   | 121 221 | 81                |
| corporate loans   | 49 182  | 14 471  | 4 537   | 68 190  | 50                |
| consumer loans  | 23 064  | 3 152   | 1 643   | 27 859  | 47                |
| factoring receivables   | 2 900   | 18      | 28      | 2 946   | -                 |
| finance lease receivables   | 13 023  | 4 072   | 1 116   | 18 211  | 57                |
| <b>Allowances for expected credit losses</b>  | (708)   | (2 263) | (5 716) | (8 687) | (6)               |
| housing loans   | (68)    | (671)   | (1 343) | (2 082) | (19)              |
| corporate loans   | (337)   | (933)   | (2 870) | (4 140) | (14)              |
| consumer loans  | (233)   | (525)   | (1 024) | (1 782) | 28                |
| factoring receivables   | (5)     | -       | (18)    | (23)    | -                 |
| finance lease receivables   | (65)    | (134)   | (461)   | (660)   | (1)               |
| <b>Net amount</b>   | 191 847 | 34 280  | 3 613   | 229 740 | 229               |
| housing loans   | 104 318 | 14 159  | 662     | 119 139 | 62                |
| corporate loans   | 48 845  | 13 538  | 1 667   | 64 050  | 36                |
| consumer loans  | 22 831  | 2 627   | 619     | 26 077  | 75                |
| factoring receivables   | 2 895   | 18      | 10      | 2 923   | -                 |
| finance lease receivables   | 12 958  | 3 938   | 655     | 17 551  | 56                |
| <b>Loans and advances to customers, total</b>   |         |         |         |         |                   |
| <b>Gross amount</b>   | 192 555 | 36 543  | 9 332   | 238 430 | 238               |
| <b>Allowances for expected credit losses</b>  | (708)   | (2 263) | (5 717) | (8 688) | (7)               |
| <b>Net amount</b>   | 191 847 | 34 280  | 3 615   | 229 742 | 231               |



## 25. AMOUNTS DUE TO CUSTOMERS

| AMOUNTS DUE TO CUSTOMERS   | Amounts due to households | Amounts due to corporate entities | Amounts due to public entities | Total          |
|--|---------------------------|-----------------------------------|--------------------------------|----------------|
| 30.09.2022   |                           |                                   |                                |                |
| <b>Measured at fair value through profit or loss</b>                               | <b>756</b>                | <b>15</b>                         | <b>1</b>                       | <b>772</b>     |
| Liabilities for a short position in securities                                     | -                         | 15                                | 1                              | 16             |
| Liabilities in respect of insurance products                                       | 756                       | -                                 | -                              | 756            |
| <b>Measured at amortized cost</b>  | <b>248 535</b>            | <b>73 101</b>                     | <b>18 066</b>                  | <b>339 702</b> |
| Cash on current accounts and overnight deposits of which:                          | 184 307                   | 40 303                            | 13 172                         | 237 782        |
| -savings accounts and other interest-bearing assets                                | 43 666                    | 14 086                            | 6 645                          | 64 397         |
| Term deposits  | 63 477                    | 31 229                            | 4 855                          | 99 561         |
| Other liabilities  | 636                       | 1 569                             | 39                             | 2 244          |
| Liabilities in respect of insurance products                                       | 115                       | -                                 | -                              | 115            |
| <b>Amounts due to customers (excluding fair value hedge accounting adjustment)</b> | <b>249 291</b>            | <b>73 116</b>                     | <b>18 067</b>                  | <b>340 474</b> |
| Fair value hedge accounting adjustment   | (72)                      | -                                 | -                              | (72)           |
| <b>Total</b>   | <b>249 219</b>            | <b>73 116</b>                     | <b>18 067</b>                  | <b>340 402</b> |

| AMOUNTS DUE TO CUSTOMERS                                  | Amounts due to households | Amounts due to corporate entities | Amounts due to public entities | Total          |
|---|---------------------------|-----------------------------------|--------------------------------|----------------|
| 31.12.2021  |                           |                                   |                                |                |
| <b>Measured at fair value through profit or loss</b>      | <b>1 067</b>              | -                                 | -                              | <b>1 067</b>   |
| Liabilities in respect of insurance products              | 1 067                     | -                                 | -                              | 1 067          |
| <b>Measured at amortized cost</b>                         | <b>244 545</b>            | <b>56 854</b>                     | <b>19 830</b>                  | <b>321 229</b> |
| Cash on current accounts and overnight deposits of which: | 204 465                   | 45 991                            | 19 731                         | 270 187        |
| -savings accounts and other interest-bearing assets       | 57 213                    | 16 585                            | 13 301                         | 87 099         |
| Term deposits   | 39 201                    | 10 125                            | 76                             | 49 402         |
| Other liabilities   | 735                       | 738                               | 23                             | 1 496          |
| Liabilities in respect of insurance products              | 144                       | -                                 | -                              | 144            |
| <b>Total</b>  | <b>245 612</b>            | <b>56 854</b>                     | <b>19 830</b>                  | <b>322 296</b> |

| AMOUNTS DUE TO CUSTOMERS BY SEGMENT  | 30.09.2022     | 31.12.2021     |
|--|----------------|----------------|
| <b>Amounts due to customers (without fair value hedge accounting adjustment)</b> |                |                |
| retail and private banking   | 220 263        | 215 028        |
| corporate  | 72 943         | 58 389         |
| SME  | 46 385         | 47 657         |
| other liabilities (including liabilities in respect of insurance products)       | 883            | 1 222          |
| Fair value hedge accounting adjustment   | (72)           | -              |
| <b>Total</b>   | <b>340 402</b> | <b>322 296</b> |



## 26. FINANCING RECEIVED

| FINANCING RECEIVED  | 30.09.2022    | 31.12.2021    |
|---|---------------|---------------|
| <b>Loans and advances received from:</b>                  | <b>2 446</b>  | <b>2 461</b>  |
| banks   | 373           | 740           |
| international financial institutions                      | 2 060         | 1 706         |
| other financial institutions                              | 13            | 15            |
| <b>Debt securities in issue:</b>                          | <b>17 160</b> | <b>23 872</b> |
| mortgage covered bonds issued by PKO Bank Hipoteczny S.A. | 12 658        | 13 143        |
| bonds issued by PKO Bank Hipoteczny S.A.                  | 1 881         | 3 474         |
| bonds issued by PKO Finance AB                            | -             | 3 541         |
| bonds issued by the PKO Leasing S.A. Group                | 2 560         | 3 642         |
| bonds issued by KREDOBANK S.A.                            | 61            | 72            |
| <b>Subordinated liabilities</b>                           | <b>2 689</b>  | <b>2 716</b>  |
| <b>Total</b>  | <b>22 295</b> | <b>29 049</b> |

- FINANCING RECEIVED FROM BANKS**

In the nine-month period ended 30 September 2022, the Group took out a bank loan of PLN 150 million and repaid bank loans of PLN 483 million.

- FINANCING RECEIVED FROM INTERNATIONAL FINANCIAL INSTITUTIONS AND OTHER FINANCIAL INSTITUTIONS**

In the nine-month period ended 30 September 2022, the Group took out a loan from an international financial institution of PLN 487 million and repaid loans from international financial institutions and other financial institutions of PLN 131 million (EUR 65 million and USD 1 000 million).

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

In the nine-month period ended 30 September 2022, the company issued new bonds amounting to PLN 3 703 million and redeemed bonds amounting to PLN 6 448 million.

- BONDS ISSUED BY PKO FINANCE AB**

In the nine-month period ended 30 September 2022, the company did not carry out any new bond issues and redeemed bonds amounting to PLN 3 958 million.

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

In the nine-month period ended 30 September 2022, the company issued new bonds amounting to PLN 2 539 million and redeemed bonds amounting to PLN 3 606 million.

- BONDS ISSUED BY KREDOBANK S.A.**

In the nine-month period ended 30 September 2022, the company did not carry out any new bond issues and there were no redemption dates for the bonds issued by the company in this period.

- SUBORDINATED LIABILITIES OF PKO BP**

Due to the unfavourable market situation, on 1 August 2022 the Bank decided to abandon the early redemption of the OP0827 series subordinated bonds issued by the Bank on 28 August 2017. On the same day, the Management Board of PKO Bank Polski S.A. decided not to continue the efforts leading to the issue by the Bank of subordinated bonds with a ten-year maturity (the Bank's Management Board passed a resolution approving the issue of such bonds on 26 April 2022).



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## 27. PROVISIONS

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

| FOR 9 MONTHS ENDED<br>30 SEPTEMBER 2021                  | Provisions for<br>financial<br>liabilities and<br>guarantees<br>granted | Provisions for<br>legal claims,<br>excluding legal<br>claims relating<br>to repaid mortgage<br>loans in<br>convertible<br>currencies | Provisions for<br>legal claims<br>against the bank<br>relating to<br>mortgage loans<br>in convertible<br>currencies | Provisions for<br>reimbursement<br>of costs to<br>customers on<br>early repayment<br>of consumer and<br>mortgage loans | Provisions for<br>pensions and<br>other defined<br>post-<br>employment<br>benefits | Restructuring | Provision for<br>holiday pay | Other provisions,<br>including<br>provisions for<br>employee<br>disputed claims | Total        |
|--|---|--|---|--|--|---------------|------------------------------|---|--------------|
| As at the beginning of the period                        | 630   | 102  | 426   | 24   | 64   | 38            | 95                           | 123   | 1 502        |
| Increases, including increases of<br>existing provisions | 2   | 8  | 115   | 27   | 2  | -             | 38                           | 20  | 212          |
| Utilized amounts   | -   | (2)  | (3)   | (29)   | (3)  | (7)           | (13)                         | (4)   | (61)         |
| Unused provisions reversed during<br>the period          | (36)  | (2)  | -   | -  | (1)  | -             | (2)                          | (7)   | (48)         |
| Other changes and reclassifications                      | -   | -  | -   | -  | -  | -             | -                            | (99)  | (99)         |
| <b>As at the end of the period</b>                       | <b>596</b>  | <b>106</b>   | <b>538</b>  | <b>22</b>  | <b>62</b>  | <b>31</b>     | <b>118</b>                   | <b>33</b>   | <b>1 506</b> |
| Short-term provisions                                    | 510   | 7  | -   | 21   | 6  | 31            | 118                          | 8   | 701          |
| Long-term provisions                                     | 86  | 99   | 538   | 1  | 56   | -             | -                            | 25  | 805          |



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## 28. EQUITY AND SHAREHOLDING STRUCTURE OF THE BANK

According to PKO Bank Polski S.A.'s information, as at the date of this report three shareholders held directly or indirectly significant blocks of shares (at least 5%): the State Treasury, Nationale-Nederlanden Otwarty Fundusz Emerytalny and Aviva Otwarty Fundusz Emerytalny.

According to the information available as at 30 September 2022 and 31 December 2021 the Bank's shareholding structure is as follows:

| NAME OF SHAREHOLDER                                  | number of shares     | % of shares | Nominal value of 1 share | Interest in the share capital (%) |
|--|----------------------|-------------|--------------------------|-----------------------------------|
| <b>As at 30 September 2022</b>                       |                      |             |                          |                                   |
| State Treasury                                       | 367 918 980          | 29,43%      | 1 PLN                    | 29,43%                            |
| Nationale Nederlanden Open Pension Fund <sup>1</sup> | 101 860 000          | 8,15%       | 1 PLN                    | 8,15%                             |
| Aviva Open Pension Fund <sup>1</sup>                 | 90 711 483           | 7,26%       | 1 PLN                    | 7,26%                             |
| Other shareholders <sup>2</sup>                      | 689 509 537          | 55,16%      | 1 PLN                    | 55,16%                            |
| <b>Total</b>   | <b>1 250 000 000</b> | <b>100%</b> | <b>---</b>               | <b>100%</b>                       |
| <b>As at 31 December 2021</b>                        |                      |             |                          |                                   |
| State Treasury                                       | 367 918 980          | 29,43%      | 1 PLN                    | 29,43%                            |
| Nationale Nederlanden Open Pension Fund <sup>1</sup> | 103 500 000          | 8,28%       | 1 PLN                    | 8,28%                             |
| Aviva Open Pension Fund <sup>1</sup>                 | 90 810 319           | 7,27%       | 1 PLN                    | 7,27%                             |
| Other shareholders <sup>2</sup>                      | 687 770 701          | 55,02%      | 1 PLN                    | 55,02%                            |
| <b>Total</b>   | <b>1 250 000 000</b> | <b>100%</b> | <b>---</b>               | <b>100%</b>                       |

<sup>1</sup> Calculations according to the number of shares held at the end of a given period published by PTE in semi-annual or annual information on the structure of the fund's assets and the price from the WSE Statistical Bulletin.

<sup>2</sup> including Bank Gospodarstwa Krajowego, which as at September 30, 2022 and as at December 31, 2021 held 24 487 297 shares, which constitutes 1.96% of the number of votes at the General Meeting.

### STRUCTURE OF PKO BANK POLSKI SA'S SHARE CAPITAL:

| Serie        | Type of shares             | Number of shares     | Nominal value of 1 share | Nominal value of the series |
|--------------|----------------------------|----------------------|--------------------------|-----------------------------|
| Serie A      | ordinary registered shares | 312 500 000          | 1 PLN                    | 312 500 000                 |
| Serie A      | ordinary bearer shares     | 197 500 000          | 1 PLN                    | 197 500 000                 |
| Serie B      | ordinary bearer shares     | 105 000 000          | 1 PLN                    | 105 000 000                 |
| Serie C      | ordinary bearer shares     | 385 000 000          | 1 PLN                    | 385 000 000                 |
| Serie D      | ordinary bearer shares     | 250 000 000          | 1 PLN                    | 250 000 000                 |
| <b>Total</b> | <b>---</b>                 | <b>1 250 000 000</b> | <b>---</b>               | <b>1 250 000 000</b>        |

In the period ended 30 September 2022 and in 2021, there were no changes in the amount of share capital of PKO Bank Polski SA. Issued shares of PKO Bank Polski SA are not preference shares and are fully paid up.



## 29. DIVIDENDS AND PROFIT SHARING

Pursuant to the Dividend Policy adopted in 2021, the Bank's intention is to ensure stable dividend distributions in the long term, taking into account the principle of prudent management of the Bank and the Bank's Group, in compliance with the law and the PFSA position on the dividend policy assumptions of commercial banks.

In March 2021, the Supervisory Board of the Bank adopted the "Dividend Policy of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group" (hereinafter: "the Dividend Policy"). The intention of the Dividend Policy is to ensure that the Bank pays out dividends in the long term, taking into account the principle of prudent management of the Bank and the Bank's Group, in compliance with the generally applicable laws and the PFSA position on the dividend policy assumptions of commercial banks. The objective of the Dividend Policy is to ensure the optimum shape of the Bank's and the Group's capital structure, taking into account the return on capital employed and its cost, the capital requirements related to development, as well as the need to ensure an appropriate level of the capital adequacy ratios. In accordance with the Dividend Policy, buy-out and redemption of treasury shares is an additional capital redistribution tool; however, share buy-out is possible on the condition that the carrying value of the shares exceeds their present market value, after obtaining required PFSA approval.

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

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

The dividend amounts to PLN 1.83 (gross) per share. The AGM set the dividend (vesting) date at 4 August 2022, and the dividend payment date at 23 August 2022. Dividend is payable on all 1 250 million shares.

At the same time, the AGM of the Bank passed a resolution on retaining the retained earnings of PKO Bank Polski S.A. from previous years of PLN 5 500 000 000.

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

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

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

### 30. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET LIABILITIES RECEIVED AND GRANTED

- FINANCIAL AND GUARANTEE COMMITMENTS GRANTED

| FINANCIAL AND GUARANTEE<br>COMMITMENTS GRANTED<br>30.09.2022 | STAGE 1       |              | STAGE 2       |              | STAGE 3       |              | Total nominal<br>value | Provisions per<br>IFRS 9 | Net amount    |
|--|---------------|--------------|---------------|--------------|---------------|--------------|------------------------|--------------------------|---------------|
|  | Nominal value | Provision    | Nominal value | Provision    | Nominal value | Provision    |                        |                          |               |
| <b>credit lines and limits</b>                               | <b>59 156</b> | <b>(135)</b> | <b>6 419</b>  | <b>(364)</b> | <b>109</b>    | <b>(36)</b>  | <b>65 684</b>          | <b>(535)</b>             | <b>65 149</b> |
| housing  | 3 808         | (11)         | 145           | (5)          | 3             | (2)          | 3 956                  | (18)                     | 3 938         |
| corporate  | 43 669        | (100)        | 4 457         | (231)        | 81            | (27)         | 48 207                 | (358)                    | 47 849        |
| consumer   | 8 784         | (24)         | 1 814         | (128)        | 25            | (7)          | 10 623                 | (159)                    | 10 464        |
| factoring  | 2 399         | -            | 3             | -            | -             | -            | 2 402                  | -                        | 2 402         |
| finance lease  | 496           | -            | -             | -            | -             | -            | 496                    | -                        | 496           |
| <b>Other</b>   | <b>2 599</b>  | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>2 599</b>           | <b>-</b>                 | <b>2 599</b>  |
| <b>Total financial commitments granted,<br/>including:</b>   | <b>61 755</b> | <b>(135)</b> | <b>6 419</b>  | <b>(364)</b> | <b>109</b>    | <b>(36)</b>  | <b>68 283</b>          | <b>(535)</b>             | <b>67 748</b> |
| irrevocable commitments granted                              | 25 794        | (55)         | 2 941         | (170)        | 46            | (15)         | 28 781                 | (240)                    | 28 541        |
| POCI   | -             | -            | -             | -            | 2             | -            | 2                      | -                        | 2             |
| <b>guarantees in domestic and foreign trading</b>            | <b>8 453</b>  | <b>(6)</b>   | <b>1 251</b>  | <b>(70)</b>  | <b>696</b>    | <b>(165)</b> | <b>10 400</b>          | <b>(241)</b>             | <b>10 159</b> |
| to financial entities  | 2 209         | -            | -             | -            | -             | -            | 2 209                  | -                        | 2 209         |
| to non-financial entities                                    | 6 175         | (6)          | 1 251         | (70)         | 696           | (165)        | 8 122                  | (241)                    | 7 881         |
| to budget entities   | 69            | -            | -             | -            | -             | -            | 69                     | -                        | 69            |
| <b>domestic municipal bonds (budgetary<br/>entities)</b>     | <b>1 324</b>  | <b>(2)</b>   | <b>-</b>      | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>1 324</b>           | <b>(2)</b>               | <b>1 322</b>  |
| <b>letters of credit</b>                                     | <b>1 813</b>  | <b>(5)</b>   | <b>12</b>     | <b>(1)</b>   | <b>-</b>      | <b>-</b>     | <b>1 825</b>           | <b>(6)</b>               | <b>1 819</b>  |
| to non-financial entities                                    | 1 813         | (5)          | 12            | (1)          | -             | -            | 1 825                  | (6)                      | 1 819         |
| <b>payment guarantee for financial entities</b>              | <b>63</b>     | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>63</b>              | <b>-</b>                 | <b>63</b>     |
| <b>Total guarantees and pledges granted,<br/>including:</b>  | <b>11 653</b> | <b>(13)</b>  | <b>1 263</b>  | <b>(71)</b>  | <b>696</b>    | <b>(165)</b> | <b>13 612</b>          | <b>(249)</b>             | <b>13 363</b> |
| irrevocable commitments granted                              | 3 314         | (6)          | 1 247         | (69)         | 664           | (164)        | 5 225                  | (239)                    | 4 986         |
| performance guarantee  | 2 318         | (2)          | 743           | (43)         | 290           | (149)        | 3 351                  | (194)                    | 3 157         |
| POCI   | -             | -            | -             | -            | 291           | (5)          | 291                    | (5)                      | 286           |
| <b>Total financial and guarantee commitments<br/>granted</b> | <b>73 408</b> | <b>(148)</b> | <b>7 682</b>  | <b>(435)</b> | <b>805</b>    | <b>(201)</b> | <b>81 895</b>          | <b>(784)</b>             | <b>81 111</b> |



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| FINANCIAL AND GUARANTEE<br>COMMITMENTS GRANTED<br>31.12.2021 | STAGE 1       |              | STAGE 2       |              | STAGE 3       |              | Total nominal<br>value | Provisions<br>per IFRS 9 | Net amount    |
|--|---------------|--------------|---------------|--------------|---------------|--------------|------------------------|--------------------------|---------------|
|  | Nominal value | Provision    | Nominal value | Provision    | Nominal value | Provision    |                        |                          |               |
| <b>credit lines and limits</b>                               | 57 054        | (125)        | 8 580         | (262)        | 98            | (28)         | 65 732                 | (415)                    | 65 317        |
| housing  | 5 130         | (12)         | 131           | (5)          | 4             | (2)          | 5 265                  | (19)                     | 5 246         |
| corporate  | 39 921        | (96)         | 6 949         | (187)        | 71            | (20)         | 46 941                 | (303)                    | 46 638        |
| consumer   | 9 179         | (17)         | 1 496         | (70)         | 23            | (6)          | 10 698                 | (93)                     | 10 605        |
| factoring  | 2 112         | -            | 4             | -            | -             | -            | 2 116                  | -                        | 2 116         |
| finance lease  | 712           | -            | -             | -            | -             | -            | 712                    | -                        | 712           |
| Other  | 2 670         | -            | -             | -            | -             | -            | 2 670                  | -                        | 2 670         |
| <b>Total financial commitments granted,<br/>including:</b>   | <b>59 724</b> | <b>(125)</b> | <b>8 580</b>  | <b>(262)</b> | <b>98</b>     | <b>(28)</b>  | <b>68 402</b>          | <b>(415)</b>             | <b>67 987</b> |
| irrevocable commitments granted                              | 17 917        | (47)         | 4 401         | (129)        | 56            | (14)         | 22 374                 | (190)                    | 22 184        |
| POCI   | -             | -            | -             | -            | 14            | (1)          | 14                     | (1)                      | 13            |
| <b>guarantees in domestic and foreign trading</b>            | <b>7 777</b>  | <b>(9)</b>   | <b>1 842</b>  | <b>(56)</b>  | <b>469</b>    | <b>(191)</b> | <b>10 088</b>          | <b>(256)</b>             | <b>9 832</b>  |
| to financial entities  | 2 288         | -            | -             | -            | -             | -            | 2 288                  | -                        | 2 288         |
| to non-financial entities                                    | 5 463         | (9)          | 1 842         | (56)         | 469           | (191)        | 7 774                  | (256)                    | 7 518         |
| to budget entities   | 26            | -            | -             | -            | -             | -            | 26                     | -                        | 26            |
| <b>domestic municipal bonds (budgetary<br/>entities)</b>     | <b>408</b>    | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>408</b>             | <b>-</b>                 | <b>408</b>    |
| <b>letters of credit (to non-financial entities)</b>         | <b>1 172</b>  | <b>-</b>     | <b>65</b>     | <b>(4)</b>   | <b>1</b>      | <b>-</b>     | <b>1 238</b>           | <b>(4)</b>               | <b>1 234</b>  |
| <b>payment guarantee for financial entities</b>              | <b>65</b>     | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>65</b>              | <b>-</b>                 | <b>65</b>     |
| <b>Total guarantees and pledges granted,<br/>including:</b>  | <b>9 422</b>  | <b>(9)</b>   | <b>1 907</b>  | <b>(60)</b>  | <b>470</b>    | <b>(191)</b> | <b>11 799</b>          | <b>(260)</b>             | <b>11 539</b> |
| irrevocable commitments granted                              | 2 794         | (8)          | 1 837         | (56)         | 469           | (191)        | 5 100                  | (255)                    | 4 845         |
| performance guarantee  | 1 200         | (2)          | 1 948         | (38)         | 241           | (163)        | 3 389                  | (203)                    | 3 186         |
| POCI   | -             | -            | -             | -            | 45            | (2)          | 45                     | (2)                      | 43            |
| <b>Total financial and guarantee commitments<br/>granted</b> | <b>69 146</b> | <b>(134)</b> | <b>10 487</b> | <b>(322)</b> | <b>568</b>    | <b>(219)</b> | <b>80 201</b>          | <b>(675)</b>             | <b>79 526</b> |



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- **OFF-BALANCE SHEET LIABILITIES RECEIVED**

| OFF-BALANCE SHEET LIABILITIES RECEIVED BY NOMINAL VALUE | 30.09.2022   | 31.12.2021   |
|---|--------------|--------------|
| Financial   | 166          | 258          |
| Guarantees  | 8 938        | 7 331        |
| <b>Total</b>  | <b>9 104</b> | <b>7 589</b> |

- **SECURITY PROGRAMMES COVERED WITH UNDERWRITING AGREEMENTS**

As at 30 September 2022 and as at 31 December 2021 there were no underwriting agreements concluded.

- **CONTRACTUAL COMMITMENTS**

| VALUE OF CONTRACTUAL COMMITMENTS CONCERNING | 30.09.2022 | 31.12.2021 |
|---|------------|------------|
| intangible assets                           | 44         | 19         |
| property, plant and equipmen                | 264        | 115        |
| <b>Total</b>                                | <b>308</b> | <b>134</b> |

### 31. LEGAL CLAIMS

As at 30 September 2022, the total value of the subject matter of litigation in court proceedings (disputes) pending in which the PKO Bank Polski S.A. Group companies were defendants, amounted to PLN 6 807 million (as at 31 December 2021: PLN 4 350 million), and the total value of the subject matter of litigation in court proceedings (disputes) pending in which the PKO Bank Polski S.A. Group companies were claimants as at 30 September 2022 was PLN 2 576 million (as at 31 December 2021: PLN 2 792 million).

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

As at 30 September 2022, 17 645 court proceedings concerning mortgage loans granted in previous years in foreign currencies were pending against the Bank (as at 31 December 2021: 12 349), including one class action concerning 72 loan agreements. Their combined value was PLN 6 328 million (as at 31 December 2021: PLN 3 855 million). The Bank's customers most frequently bring claims for declaring an agreement or a part thereof invalid or for reimbursement of an allegedly undue payment in connection with the abusive nature of foreign currency clauses. None of the clauses used by the Bank in the agreements has been entered in the register of abusive 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 – the conducting of cases against banks.

The Group monitors on an ongoing basis the court rulings on loans indexed to or denominated in foreign currencies to be aware of the general trend and possible changes to the rulings.

Until 30 September 2022, 672 final rulings have been issued by the courts in cases against the Bank (including 631 rulings after 3 October 2019). 93 of these rulings (including 54 rulings issued after 3 October 2019) are favourable for the Bank. The Bank files cassation complaints to the Supreme Court against final rulings which are unfavourable to 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. In the event that it is impossible to establish a foreign currency exchange rate binding on the parties in a loan agreement denominated in a foreign currency, can the remainder of the agreement still be binding for the parties?

Notwithstanding 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 the performance of that agreement, can that party also claim a fee for the use of its funds by the other party?

A session of the full panel of the Civil Chamber for the examination of the aforementioned motion took place 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.

Two resolutions of the Supreme Court and one ruling of the Court of Justice of the European Union issued in 2021 were 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 the case III CZP 6/21:

- 1) A prohibited contractual clause (Article 385<sup>1</sup> § 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 when the loan agreement became permanently ineffective.

The resolution has the force of a legal rule, which means that the ordinary panel of the Supreme Court may not withdraw from the interpretation presented in an earlier resolution having 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 of 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 an informed consent not to be bound by the abusive clauses. The Supreme Court decided that since a consumer has a 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 their 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 based on 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 2018, for repayment of the principal paid out and the cost of using the capital.

A motion for a preliminary ruling was filed with the CJEU in a matter concerning the Bank, i.e. whether the competent authorities may file extraordinary appeals with the Supreme Court in cases which ended with a valid ruling issued in favour of the Bank. The case was registered at the CJEU under file reference C-720/21. The Bank submitted its written representation concerning the case and is waiting for the CJEU to act.

The information on the portfolio of mortgage loans in convertible currencies is presented in the note [“MORTGAGE LOANS IN CONVERTIBLE CURRENCIES”](#).



- **LITIGATION AGAINST THE BANK RELATING TO VARIABLE INTEREST RATE MORTGAGE LOANS**

The Bank was served two summons in which the customers challenged the fact that their mortgage loan agreements were based on a variable interest rate structure and the principles for determining the WIBOR reference rate. The Bank questions the justifiability of claims brought in this respect.

- **PROCEEDINGS CONDUCTED 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 ex officio concerning using practices which violate the collective interests of consumers. 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 UOKiK President asked the Bank 16 detailed questions in order to establish the circumstances that are necessary to resolve the case. The Bank gave the answers in a 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. In a letter of 3 January 2022, the Bank motioned for the proceedings to be discontinued. As at 30 September 2022, the Bank had not set up a provision for the proceedings.
- Proceedings initiated ex officio on 12 March 2019 for 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 commissions. In the opinion of the President of UOKiK the modification clauses applied by the Bank provide the Bank with a unilateral, unlimited and arbitrary ability to modify the performance 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 in 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. In a decision of 7 June 2022, the UOKiK President extended the deadline for concluding the proceedings until 30 December 2022. At the same time, the President of UOKiK summoned the Bank to submit information concerning the disputed clauses, the Bank's turnover and the revenue generated from changes in fees and commission based on the disputed clauses. The Bank complied with the major part of the UOKiK's summons on 11 July 2022, and the response to the question concerning the revenue generated in connection with the change in tariffs was given on 30 September 2022. As at 30 September 2022, the Bank did not set up a provision for the proceedings.

- **PROCEEDINGS BEFORE THE COURT OF COMPETITION AND CONSUMER PROTECTION REGARDING SPREAD CLAUSES**

The proceedings were initiated by the Bank's appeal (submitted on 13 November 2020) against the decision of the President of UOKiK of 16 October 2020. In the said decision, the President of UOKiK declared that 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.'" were inadmissible and prohibited their use. In addition, the President of UOKiK ordered that all consumers being parties to the assessed annexes be informed about the decision to declare them inadmissible and its consequences not later than within nine months from the effective date of the decision and ordered that a declaration, the text of which was indicated in the decision on the Bank's website, be published no later than 1 month from the effective date of the decision and kept there for 4 months. Furthermore, the President of UOKiK imposed on the Bank a fine 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 admitting 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. The Bank is currently awaiting that a date be set for the hearing.



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

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

The claims under these proceedings relate to the use of practices restricting competition on the market of 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 restricting access to this market for external entities. On 29 December 2006, UOKiK decided that the practices consisting of joint determination of “interchange” fees did limit market competition and ordered that any such practices should be discontinued, and imposed a fine of PLN 16.6 million on a number of entities including the Bank. The Bank appealed against the said decision of the President of UOKiK to the Court for the Competition and Consumer Protection (*Sąd Ochrony Konkurencji i Konsumentów - SOKiK*). In its judgment of 21 November 2013, SOKiK reduced the penalty imposed on the Bank to PLN 10.4 million. The parties to the proceedings filed appeals. The Court of Appeal in Warsaw in its ruling dated 6 October 2015 reinstated the original 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 S.A. 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 judgment of 25 October 2017 annulled the contested judgment 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 of 21 November 2013 and submitted it for re-examination. As at 30 September 2022, the Bank recognized a provision for this litigation of PLN 21 million.

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

The Bank was served eight summons to participate, as an outside intervener on the defendant’s side, in cases relating to the interchange fees. The defendants are other banks and, in some of the cases, also card organizations. The claims against the sued banks total PLN 903 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, among others, PKO Bank Polski S.A. As at 30 September 2022, the Bank joined seven proceedings as an outside intervener. Three of these proceedings resulted in rulings in favour of the banks - two dismissing the claims in their entirety and one partial ruling dismissing a major part of the claim. One of the rulings dismissing the claim in its entirety has become final.

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

As at the date of these financial statements, the following proceedings are pending:

- two proceedings involving reprivatization claims. In one proceeding, the Bank filed a cassation appeal against an unfavourable final ruling dismissing the Bank’s claims. The other proceeding, the subject of which is 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 filed a cassation appeal.
- three proceedings, two of which have been suspended, in respect of real properties of other companies of the Bank’s Group, related to declaring the invalidity of administrative decisions or returning the properties.

The Management Board of PKO Bank Polski S.A. believes that the probability of serious claims arising against the Group as a result of the aforesaid proceedings is low.



## 32. TRANSACTIONS WITH THE STATE TREASURY AND RELATED PARTIES

### • TRANSACTIONS WITH THE STATE TREASURY

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

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

| TRANSACTIONS WITH THE STATE TREASURY   | 01.01.2022 -<br>30.09.2022 | 01.01.2021 -<br>30.09.2021 |
|--|----------------------------|----------------------------|
| Income recognized on an accruals basis   | 64                         | 64                         |
| Income recognized on a cash basis  | 9                          | 7                          |
| Income from temporary redemption by the State Treasury of interest on housing loans in the "old portfolio" | 55                         | 57                         |

As of 1 January 2018, pursuant to 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 to the banks, the borrowers acquired the right to be forgiven the remaining debt by the State Treasury, which will result in the gradual (until 2026) full settlement of the housing loan indebtedness from the so-called "old" portfolio. The Group conducts settlements in respect of the purchase of interest on housing loans by the State budget and in the nine-month period ended 30 September 2022 and the corresponding period of 2021 it received a commission in this respect of less than PLN 1 million.

Since 1 January 1996, the Group has been the general distributor of value marks. In the nine-month period ended 30 September 2022 and in the corresponding period of 2021, the Group received a commission of less than PLN 1 million in this respect.

The Group, acting through the Brokerage House of PKO BP (Biuro Maklerskie PKO BP), plays the role of an agent for the issue of retail Treasury bonds under the agreement signed with the Minister of Finance on 11 February 2003. Under this agreement, the Group receives a fee for providing the services of an issue agent - in the nine-month period ended 30 September 2022 in the amount of PLN 219 million, and in the nine-month period ended 30 September 2021 - in the amount of PLN 113 million.

### • RELATED-PARTY TRANSACTIONS - CAPITAL LINKS

Transactions between the Bank as the parent company with associates and joint ventures are presented in the table below. All transactions presented below were concluded on terms and conditions which did not differ significantly from an arm's length basis.

| 30.09.2022 Company name                                       | Receivables | of which loans | Liabilities | Off-balance sheet liabilities granted |
|---|-------------|----------------|-------------|---------------------------------------|
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 116         | 11             | 151         | 53                                    |
| „Centrum Obsługi Biznesu" sp. z o.o.                          | 8           | 8              | 1           | -                                     |
| Bank Pocztowy S.A.  | -           | -              | -           | 1                                     |
| Operator Chmury Krajowej sp. z o.o.                           | -           | -              | 17          | 1 025                                 |
| <b>Total joint ventures and associates</b>                    | <b>124</b>  | <b>19</b>      | <b>169</b>  | <b>1 079</b>                          |



| FOR 9 MONTHS ENDED<br>30 SEPTEMBER 2022<br>Company name       | Total income | of which interest<br>and commission<br>expense | Total expenses | of which interest<br>and commission<br>expense |
|---|--------------|--|----------------|--|
| 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            | -  |
| <b>Total joint ventures and associates</b>                    | <b>623</b>   | <b>529</b>                                     | <b>1 126</b>   | <b>150</b>                                     |

| 31.12.2021<br>Company name                                    | Receivables | of which loans | Liabilities | Off-balance sheet<br>liabilities granted |
|---|-------------|----------------|-------------|--|
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 83          | 28             | 133         | 33                                       |
| „Centrum Obsługi Biznesu” sp. z o.o.                          | 17          | 17             | 5           | -  |
| Bank Pocztowy S.A.  | -           | -              | -           | 1  |
| „Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.           | -           | -              | 1           | -  |
| Operator Chmury Krajowej sp. z o.o.                           | -           | -              | 12          | 852                                      |
| <b>Total joint ventures and associates</b>                    | <b>100</b>  | <b>45</b>      | <b>151</b>  | <b>886</b>                               |

| FOR 9 MONTHS ENDED<br>30 SEPTEMBER 2021<br>Company name       | Total income | of which interest<br>and commission<br>expense | Total expenses | of which interest<br>and commission<br>expense |
|---|--------------|--|----------------|--|
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 513          | 386  | 74             | 74   |
| Operator Chmury Krajowej sp. z o.o.                           | -            | -  | 16             | -  |
| <b>Total joint ventures and associates</b>                    | <b>513</b>   | <b>386</b>                                     | <b>90</b>      | <b>74</b>                                      |

### 33. FAIR VALUE HIERARCHY

The classification of financial instruments and the methods of determining the fair value are described in the consolidated financial statements of the Group for 2021.

| ASSETS MEASURED AT FAIR VALUE 30.09.2022   | 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  | 1 556           | -                               | 1 556  | -                          |
| Other derivative instruments   | 19 718          | 1                               | 19 717   | -                          |
| <b>Securities</b>  | <b>61 533</b>   | <b>48 385</b>                   | <b>12 029</b>  | <b>1 119</b>               |
| <b>held for trading</b>  | <b>239</b>      | <b>189</b>                      | <b>-</b>   | <b>50</b>                  |
| debt securities  | 213             | 163                             | -  | 50                         |
| shares in other entities - listed  | 25              | 25                              | -  | -                          |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1               | 1                               | -  | -                          |
| <b>not held for trading, measured at fair value through profit or loss</b>                             | <b>2 418</b>    | <b>1 964</b>                    | <b>22</b>  | <b>432</b>                 |
| debt securities  | 632             | 570                             | 15   | 47                         |
| shares in other entities - listed  | 850             | 850                             | -  | -                          |
| shares in other entities - not listed  | 386             | -                               | 1  | 385                        |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 550             | 544                             | 6  | -                          |
| <b>measured at fair value through other comprehensive income - debt securities</b>                     | <b>58 876</b>   | <b>46 232</b>                   | <b>12 007</b>  | <b>637</b>                 |
| <b>Loans and advances to customers</b>   | <b>3 778</b>    | <b>-</b>                        | <b>-</b>   | <b>3 778</b>               |
| <b>not held for trading, measured at fair value through profit or loss</b>                             | <b>3 777</b>    | <b>-</b>                        | <b>-</b>   | <b>3 777</b>               |
| housing loans  | 2               | -                               | -  | 2                          |
| corporate loans  | 89              | -                               | -  | 89                         |
| consumer loans   | 3 686           | -                               | -  | 3 686                      |
| <b>measured at fair value through other comprehensive income - consumer loans</b>                      | <b>1</b>        | <b>-</b>                        | <b>-</b>   | <b>1</b>                   |
| <b>Total financial assets measured at fair value</b>   | <b>86 585</b>   | <b>48 386</b>                   | <b>33 302</b>  | <b>4 897</b>               |

In 2022, the Group changed the presentation of the fair value of Ukrainian government bonds measured at fair value through other comprehensive income from Level 1 to Level 2.

| LIABILITIES MEASURED AT FAIR VALUE 30.09.2022             | 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                                       | 9 216           | -                               | 9 216  | -                          |
| Other derivative instruments                              | 19 631          | 1                               | 19 630   | -                          |
| Liabilities for a short position in securities            | 16              | 16                              | -  | -                          |
| Liabilities in respect of insurance products              | 756             | -                               | 756  | -                          |
| <b>Total financial liabilities measured at fair value</b> | <b>29 619</b>   | <b>17</b>                       | <b>29 602</b>  | <b>-</b>                   |



| ASSETS MEASURED AT FAIR VALUE 31.12.2021   | 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  | 933             | -                               | 933  | -                          |
| Other derivative instruments   | 10 903          | -                               | 10 903   | -                          |
| <b>Securities</b>  | <b>64 160</b>   | <b>49 262</b>                   | <b>13 748</b>  | <b>1 150</b>               |
| <b>held for trading</b>  | <b>248</b>      | <b>191</b>                      | <b>-</b>   | <b>57</b>                  |
| debt securities  | 216             | 159                             | -  | 57                         |
| shares in other entities - listed  | 31              | 31                              | -  | -                          |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1               | 1                               | -  | -                          |
| <b>not held for trading, measured at fair value through profit or loss</b>                             | <b>2 049</b>    | <b>1 546</b>                    | <b>26</b>  | <b>477</b>                 |
| debt securities  | 785             | 614                             | 19   | 152                        |
| shares in other entities - listed  | 144             | 144                             | -  | -                          |
| shares in other entities - not listed  | 326             | -                               | 1  | 325                        |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 794             | 788                             | 6  | -                          |
| <b>measured at fair value through other comprehensive income</b>                                       | <b>61 863</b>   | <b>47 525</b>                   | <b>13 722</b>  | <b>616</b>                 |
| debt securities  | 61 863          | 47 525                          | 13 722   | 616                        |
| <b>Loans and advances to customers</b>   | <b>4 561</b>    | <b>-</b>                        | <b>-</b>   | <b>4 561</b>               |
| <b>not held for trading, measured at fair value through profit or loss</b>                             | <b>4 559</b>    | <b>-</b>                        | <b>-</b>   | <b>4 559</b>               |
| housing loans  | 4               | -                               | -  | 4                          |
| corporate loans  | 97              | -                               | -  | 97                         |
| consumer loans   | 4 458           | -                               | -  | 4 458                      |
| <b>measured at fair value through other comprehensive income - consumer loans</b>                      | <b>2</b>        | <b>-</b>                        | <b>-</b>   | <b>2</b>                   |
| <b>Total financial assets measured at fair value</b>   | <b>80 557</b>   | <b>49 262</b>                   | <b>25 584</b>  | <b>5 711</b>               |

| LIABILITIES MEASURED AT FAIR VALUE                        | Carrying amount | Level 1                         | Level 2  | Level 3                    |
|---|-----------------|---------------------------------|--|----------------------------|
| 31.12.2021  |                 | Prices quoted on active markets | Valuation techniques based on observable market data | Other valuation techniques |
| Hedging derivatives                                       | 4 806           | -                               | 4 806  | -                          |
| Other derivative instruments                              | 11 008          | -                               | 11 008   | -                          |
| Liabilities in respect of insurance products              | 1 067           | -                               | 1 067  | -                          |
| <b>Total financial liabilities measured at fair value</b> | <b>16 881</b>   | <b>-</b>                        | <b>16 881</b>  | <b>-</b>                   |

In the nine-month period ended 30 September 2021, there were no changes in the measurement techniques or input data for the respective fair value hierarchy levels and there were no transfers between the levels.



| IMPACT OF ESTIMATES ON FAIR VALUE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS | 30.09.2022        |                   | 31.12.2021        |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Fair value under  |                   | Fair value under  |                   |
|  | positive scenario | negative scenario | positive scenario | negative scenario |
| Shares in Visa Inc. <sup>1</sup>   | 140               | 128               | 128               | 113               |
| Other equity investments <sup>2</sup>  | 188               | 170               | 191               | 173               |
| Corporate bonds <sup>3</sup>   | 728               | 726               | 762               | 760               |
| Loans and advances to customers <sup>4</sup>                                   | 3 778             | 3 778             | 4 561             | 4 561             |

<sup>1</sup> a 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

<sup>2</sup> a scenario assuming a change in the company's value of +/-5%

<sup>3</sup> a scenario assuming a change in credit spread of +/- 10%

<sup>4</sup> a scenario assuming a change in the discount rate of +/- 0.5 p.p.

The reconciliation of changes to fair value of the financial instruments at Level 3 is presented in the table below.

| RECONCILIATION OF CHANGES DURING THE REPORTING PERIOD TO FAIR VALUE AT LEVEL 3                        | 01.01.2022 - 30.09.2022 | 01.01.2021 - 30.09.2021 |
|---|-------------------------|-------------------------|
| Opening balance at the beginning of the period  | 5 711                   | 7 343                   |
| Increase/ decrease in exposure to equity instruments  | (5)                     | (123)                   |
| Increase/ decrease in exposure to corporate bond  | (12)                    | (6)                     |
| Increase/ decrease in exposure to loans and advances to customers                                     | (662)                   | (853)                   |
| Reclassification from measured at "amortized cost" to "measured at fair value through profit or loss" | -                       | 15                      |
| Net gain/(loss) on financial instruments measured at fair value through profit or loss                | (11)                    | (24)                    |
| Change in the valuation recognized in OCI   | 25                      | (61)                    |
| Foreign exchange differences  | 27                      | 9                       |
| Other   | (176)                   | (214)                   |
| <b>As at the end of the period</b>  | <b>4 897</b>            | <b>6 086</b>            |



### 34. FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT PRESENTED AT FAIR VALUE IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Methods for determining fair value are described in the Group's consolidated financial statements for 2021.

| 30.09.2022   | Carrying amount | Level 1       | Level 2      | Level 3        |
|--|-----------------|---------------|--------------|----------------|
| Cash and balances with Central Bank  | 13 691          | 13 691        | -            | -              |
| Amounts due from banks   | 21 952          | -             | 21 951       | -              |
| <b>Securities (excluding adjustments relating to fair value hedge accounting)</b>                      | <b>67 854</b>   | <b>49 214</b> | <b>6 907</b> | <b>1 599</b>   |
| treasury bonds (in PLN)  | 46 297          | 38 578        | -            | -              |
| treasury bonds (in foreign currencies)   | 570             | 563           | -            | -              |
| corporate bonds (in PLN) secured with State Treasury guarantees  | 12 069          | 10 073        | -            | -              |
| municipal bonds (in PLN)   | 5 149           | -             | 5 326        | -              |
| corporate bonds (in PLN)   | 1 950           | -             | -            | 1 599          |
| corporate bonds (in foreign currencies)  | 1 819           | -             | 1 581        | -              |
| Reverse repo transactions  | 23              | -             | 23           | -              |
| <b>Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)</b> | <b>231 191</b>  | <b>-</b>      | <b>-</b>     | <b>233 193</b> |
| housing loans  | 110 234         | -             | -            | 109 503        |
| corporate loans  | 72 864          | -             | -            | 75 006         |
| consumer loans   | 26 569          | -             | -            | 27 166         |
| factoring receivables  | 3 562           | -             | -            | 3 562          |
| finance lease receivables  | 17 962          | -             | -            | 17 956         |
| Other financial assets   | 1 853           | -             | -            | 1 853          |
| Amounts due to Central bank  | 10              | -             | 10           | -              |
| Amounts due to banks   | 4 800           | -             | 4 800        | -              |
| <b>Amounts due to customers (excluding adjustments relating to fair value hedge accounting)</b>        | <b>339 702</b>  | <b>-</b>      | <b>-</b>     | <b>338 847</b> |
| amounts due to households  | 248 535         | -             | -            | 247 685        |
| amounts due to business entities   | 73 101          | -             | -            | 73 096         |
| amounts due to public sector   | 18 066          | -             | -            | 18 066         |
| Loans and advances received  | 2 446           | -             | -            | 2 377          |
| Securities in issue  | 17 160          | 12 491        | 1 880        | 2 561          |
| Subordinated liabilities   | 2 689           | -             | 2 609        | -              |
| Other financial liabilities  | 3 886           | -             | -            | 3 886          |



| 31.12.2021   | Carrying amount | Level 1       | Level 2      | Level 3        |
|--|-----------------|---------------|--------------|----------------|
| Cash and balances with Central Bank  | 11 587          | 11 587        | -            | -              |
| Amounts due from banks   | 9 010           | -             | 9 009        | -              |
| <b>Securities (excluding adjustments relating to fair value hedge accounting)</b>                      | <b>71 282</b>   | <b>57 930</b> | <b>6 507</b> | <b>1 780</b>   |
| treasury bonds (in PLN)  | 50 816          | 46 867        | -            | -              |
| corporate bonds (in PLN) secured with State Treasury guarantees  | 12 092          | 11 063        | -            | -              |
| municipal bonds (in PLN)   | 5 022           | -             | 5 075        | -              |
| corporate bonds (in PLN)   | 1 937           | -             | -            | 1 780          |
| corporate bonds (in foreign currencies)  | 1 415           | -             | 1 432        | -              |
| <b>Loans and advances to customers (excluding adjustments relating to fair value hedge accounting)</b> | <b>229 740</b>  | <b>-</b>      | <b>-</b>     | <b>231 385</b> |
| housing loans  | 119 139         | -             | -            | 118 351        |
| corporate loans  | 64 050          | -             | -            | 65 907         |
| consumer loans   | 26 077          | -             | -            | 26 636         |
| factoring receivables  | 2 923           | -             | -            | 2 923          |
| finance lease receivables  | 17 551          | -             | -            | 17 568         |
| Other financial assets   | 1 895           | -             | -            | 1 895          |
| Amounts due to Central bank  | 8               | -             | 8            | -              |
| Amounts due to banks   | 3 821           | -             | 3 821        | -              |
| <b>Amounts due to customers</b>  | <b>321 229</b>  | <b>-</b>      | <b>-</b>     | <b>321 213</b> |
| amounts due to households  | 244 545         | -             | -            | 244 529        |
| amounts due to business entities   | 56 854          | -             | -            | 56 854         |
| amounts due to public sector   | 19 830          | -             | -            | 19 830         |
| Loans and advances received  | 2 461           | -             | -            | 2 461          |
| Securities in issue  | 23 872          | 16 989        | 3 475        | 3 642          |
| Subordinated liabilities   | 2 716           | -             | 2 719        | -              |
| Other financial liabilities  | 3 335           | -             | -            | 3 335          |

## 35. OTHER INFORMATION

### SEASONAL OR CYCLICAL NATURE OF ACTIVITIES IN THE REPORTING PERIOD

The Bank's and the other PKO Bank Polski S.A. Group companies' activities do not show any significant cyclical or seasonal changes.

### THE POSITION OF THE MANAGEMENT BOARD OF PKO BANK POLSKI S.A. ON THE ABILITY TO ACHIEVE THE PREVIOUSLY PUBLISHED FORECASTS OF THE RESULTS FOR THE YEAR

PKO Bank Polski S.A. did not publish forecasts of financial results for 2022.

On 15 July 2022 the Bank published current report no. 16/2022, containing information on significant events affecting the results of the Group for the 2nd quarter and 2nd half of 2022. In the report the Bank presented the estimated cost of adjustment of PLN mortgage loans to the carrying amount (resulting from "loan holidays") and the additional payments to the Borrowers Support Fund, as well as the value of the increase in the cost of legal risk associated with mortgage loans denominated in and indexed to CHF and the amount of payment to the protection system aid fund.

### 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.

On 29 September 2022, PKO Bank Polski S.A. signed an agreement with the Ministry of State Assets, on the basis of which on 30 September 2022 the Bank purchased, in a block transaction, 14 161 080 bearer shares of PKN ORLEN S.A., representing as at the date of the sale 2.26% of the share capital and 2.26% of the votes at the



company's General Meeting. The purchase price of the shares was calculated as the product of the number of the shares and the price per share at the closing rate on the date of signing the agreement, less an arm's length discount.

To hedge the economic risk of the transaction, on 30 September 2022 PKO Bank Polski S.A. signed with PKN ORLEN S.A. a total return swap for one month, where 14 161 080 PKN ORLEN S.A. shares previously purchased by the Bank from the State Treasury were the underlying instrument. Under the hedge, if the Bank sells the shares at a price lower than the purchase price, PKN ORLEN S.A. pays the Bank the difference between the purchase price and the sale price, and if the Bank sells the shares at a price higher than the purchase price, the Bank pays PKN ORLEN S.A. the difference between the sale price and the purchase price. In the event of early termination of the hedging relationship by the Bank, if the sale price exceeds the purchase price, PKN ORLEN S.A. pays the Bank a break fee of 2/3 of the difference between the sale price and the purchase price.

To secure the amount due, PKN ORLEN S.A. placed a cash deposit with the Bank. The deposit bears interest on arm's length terms.

On 18 October 2022, PKO Bank Polski S.A. signed sale agreements for all 14 161 080 shares of PKN ORLEN S.A. previously purchased from the State Treasury. The sale was conducted under the accelerated book-build formula (ABB).

In March 2022, PKO Bank Polski S.A. signed with the National Bank of Poland (NBP) an agreement on the purchase of hryvnias in the Bank's branches and their resale to the NBP at a rate determined by the National Bank of Ukraine. Based on this agreement, refugees from Ukraine could exchange hryvnias to Polish zlotys in selected PKO Bank Polski S.A. Branches in the period from 25 March to 9 September 2022.

In the third quarter of 2022, PKO Bank Polski S.A. worked on a potential acquisition of a block of shares (75% less 10 shares) of Bank Pocztowy S.A. from Poczta Polska S.A. These efforts are still in the early stages, and the ultimate structure of the contemplated transaction, as well as its commercial and legal terms, will depend on the negotiations between the parties.

The subsidiaries of PKO Bank Polski S.A. did not conclude any significant agreements or material agreements with the Central Bank or with the supervisory authorities in the nine-month period ended 30 September 2022.

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

In the nine-month period ended 30 September 2022 neither PKO Bank Polski S.A. nor its subsidiaries drew 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 IN RESPECT OF WHICH NO REMEDIAL ACTIONS WERE TAKEN UNTIL THE END OF THE REPORTING PERIOD**

The Group did not identify 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 2022.

- **INFORMATION ON RELATED-PARTY TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY ON NON-ARM'S LENGTH TERMS**

In the nine-month period ended 30 September 2022, the PKO Group did not identify any transactions with subordinated entities which would deviate significantly from the arm's length terms.

- **INFORMATION ON SIGNIFICANT AGREEMENTS ON WARRANTING LOANS OR ADVANCES OR GRANTING GUARANTEES BY THE ISSUER OR ITS SUBSIDIARY**

In 2022, the Bank granted another guarantee of loan repayment by its subsidiary PKO Leasing S.A. The total original value of the loans received by the PKO Leasing S.A. Group, which had been covered by the Bank's guarantee in full and were active as at 30 September 2022, was PLN 500 million and EUR 395.5 million. The guarantees were granted for a maximum period until the end of 2029.



- **INFORMATION ON MATERIAL PROCEEDINGS PENDING IN COURT, BEFORE AN ARBITRATION INSTITUTION OR A PUBLIC ADMINISTRATION AUTHORITY**

Taking into account the value and growing number of proceedings, the Bank considered the court proceedings relating to mortgage loans in convertible currencies to be material. As at 30 September 2022, 17 645 court proceedings concerning mortgage loans granted in previous years in foreign currencies were pending against the Bank (as at 31 December 2021: 12 349), including one class action. Their combined value was PLN 6 328 million (as at 31 December 2021: PLN 3 855 million). The Bank's customers most frequently bring claims for declaring an agreement or a part thereof invalid or for reimbursement of an allegedly undue payment in connection with the abusive nature of foreign currency clauses. None of the clauses used by the Bank in the agreements has been entered in the register of abusive clauses.

The major disputes, including those concerning mortgage loans in convertible currencies, are described in the notes [“Legal claims”](#) and [“Corporate income tax”](#).

- **OTHER INFORMATION THAT IS MATERIAL TO THE ASSESSMENT OF THE HUMAN RESOURCES, ASSETS, FINANCIAL POSITION AND RESULTS OF THE ISSUER, AND THE RESPECTIVE CHANGES**

In the nine-month period ended 30 September 2022, no other material events which are relevant to the assessment of the human resources, assets, financial position and results of operations occurred in PKO Bank Polski S.A. or its subsidiaries.

## RISK MANAGEMENT

### 36. RISK MANAGEMENT WITHIN THE GROUP

Risk management is one of the key internal processes, both at the Bank and in the other entities of the Group.

Risk management is aimed at ensuring the profitability of the business activities (in the evolving environment) while monitoring the risk level, keeping the risks within the risk tolerance and limits adopted by the Bank and the Group in a changing macroeconomic environment. The level of risk is an important part of the planning process.

The Group identifies risks in its activities and analyses the impact of the particular types of risk on its business operations. 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 mortgage loans in foreign currencies for households, foreign exchange risk, interest rate risk, liquidity risk (including financing risk), operational risk, business risk, risk of macroeconomic changes and model risk. The Group assesses the materiality of all the identified risks on a regular basis, at least annually.

A detailed description of the risk management policies applied by the Group is provided in the Consolidated financial statements of the PKO Bank Polski S.A. Group for the year 2021 and in the report *“Capital adequacy and other disclosures of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group as at 31 December 2021.”*

In the nine-month period ended 30 September 2022:

- The Group adjusted its internal regulations to the requirements of the PFSA's Recommendation R with respect to the quarterly monitoring of the legal security which is taken into account in estimating expected credit losses in order to ensure that the market conditions/events which may affect or affect the legal effectiveness or value of such security are identified.
- In order to mitigate the level of credit risk resulting from interest rate increases and inflation, changes were made to the parameters used in the assessment of the creditworthiness of individual borrowers applying for housing loans (in accordance with the PFSA's Recommendation S). As part of these changes, the minimum value of the interest rate buffer was increased to 5 p.p., the minimum subsistence costs were increased, and the maximum acceptable DSTI (debt service to income) values were changed.



- The Group performs tasks aimed at extending the computer systems to allow collection of ESG data, including in particular the environmental risk data, and preparing for systemic disclosure of such data for reporting purposes for 2022 and the following years, in accordance with the requirements of European authorities. The key disclosure requirements primarily include Taxonomy and the CRR1 (Article 449a), as well as the final version of implementing technical standards (ITS) on pillar III disclosures in the area of ESG.
- As far as the interest rate risk is concerned, higher-than-expected interest rate increases were a challenge to the banking sector in the third quarter of 2022. In a series of interest rate increases commenced in the fourth quarter of 2021, the reference rate was increased to 6.75% as at the end of the third quarter of 2022, resulting in persistent negative valuation of the portfolio of debt instruments and derivative instruments hedging interest income. At the same time, the customers' interest in mortgage loans temporarily based on fixed interest rates continues, affecting both the interest income sensitivity measures and the sensitivity measures of the economic value of the Group.

The specific risk management actions taken by the Group in connection with the situation in Ukraine are presented in the note "The effect of the geopolitical situation in Ukraine on the PKO Bank Polski S.A. Group", in the section "[RISK MANAGEMENT IN CONNECTION WITH THE SITUATION IN UKRAINE](#)".

The financial data concerning amounts due from banks, the portfolio of securities, loans and advances granted to customers, other financial assets and off-balance sheet liabilities by stage, as well as the information on the expected credit loss allowances, is presented in the relevant sections of the "[NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS](#)".

- **INTEREST RATE RISK MANAGEMENT**

| SENSITIVITY OF THE INTEREST INCOME IN THE CAPITAL GROUP'S BANKING PORTFOLIO TO THE 100 P.B. DOWN ON A HORIZON OF ONE YEAR IN ALL CURRENCIES | 30.09.2022 | 31.12.2021 |
|---|------------|------------|
| Sensitivity of interest income (PLN million)  | (731)      | (864)      |

| SENSITIVITY OF THE ECONOMIC VALUE (STRESS-TEST) OF THE GROUP'S BANKING PORTFOLIO IN ALL CURRENCIES | 30.09.2022 | 31.12.2021 |
|--|------------|------------|
| Sensitivity of economic value (PLN million)  | (933)      | (1 319)    |

| IR VAR AT RISK IN THE TRADING PORTFOLIO OF THE BANK                            | 30.09.2022 | 31.12.2021 |
|--|------------|------------|
| IR VaR for a 10-day time horizon at the confidence level of 99% (PLN million): |            |            |
| Average value  | 35         | 17         |
| Maximum value  | 86         | 34         |
| Value at the end of the period   | 71         | 31         |

• CURRENCY RISKMANAGEMENT

| BANK FX VAR, TOTAL FOR ALL CURRENCIES  | 30.09.2022 | 31.12.2021 |
|--|------------|------------|
| VaR for a 10-day time horizon at a confidence level of 99% (in PLN million) <sup>1</sup> | 10         | 3          |

<sup>1</sup> Taking into account the nature of the activities of other companies of the Capital Group generating significant currency risk and the specificity of the market on which they operate, the parent company does not set a consolidated measure of VaR sensitivity. These companies use their own risk measures to manage currency risk. The 10-day VaR is used by KREDOBANK S.A., its value as at September 30, 2022 was approximately PLN 1.2 million, and as at December 31, 2021, approximately PLN 0.1 million.

| FOREIGN CURRENCY POSITION <sup>1</sup> | 30.09.2022 | 31.12.2021 |
|--|------------|------------|
| EUR                                    | 120        | 106        |
| CHF                                    | (12)       | (44)       |
| Other (Global. Net)                    | 43         | (84)       |

<sup>1</sup> The items do not include the structural items in UAH (PLN 350 million), for which the Bank obtained the approval of the Polish Financial Supervision Authority for the exclusion from the determination of currency positions, which did not affect the Bank's result.

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 affected 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 350 million), for which the Group obtained approval from the PFSA to exclude them from the calculation of foreign currency positions.

• LIQUIDITY RISK MANAGEMENT

| Liquidity gap                    | on demand | 0 - 1 month | 1 - 3 months | 3 - 6 months | 6 - 12 months | 12 - 24 months | 24 - 60 months | over 60 months |
|----------------------------------|-----------|-------------|--------------|--------------|---------------|----------------|----------------|----------------|
| <b>30.09.2022</b>                |           |             |              |              |               |                |                |                |
| Adjusted periodic gap            | 9 011     | 74 975      | (5 864)      | (9 076)      | 753           | 17 043         | 25 943         | (112 785)      |
| Adjusted cumulative periodic gap | 9 011     | 83 986      | 78 122       | 69 046       | 69 799        | 86 842         | 112 785        |                |
| <b>31.12.2021</b>                |           |             |              |              |               |                |                |                |
| Adjusted periodic gap            | 10 053    | 88 341      | (7 419)      | (6 794)      | (826)         | 15 397         | 32 251         | (131 003)      |
| Adjusted cumulative periodic gap | 10 053    | 98 394      | 90 975       | 84 181       | 83 355        | 98 752         | 131 003        | -              |

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 S.A., PKO Leasing S.A., KREDOBANK S.A. and PKO Życie Towarzystwo Ubezpieczeń S.A. and the contractual liquidity gaps of the other Group companies, was positive as at 30 September 2022 and as at 31 December 2021, i.e. the maturing assets exceeded the liabilities due.

| SUPERVISORY LIQUIDITY MEASURES  | 30.09.2022 | 31.12.2021 |
|---------------------------------|------------|------------|
| NSFR - net stable funding ratio | 128,5%     | 129,0%     |
| LCR - liquidity coverage ratio  | 154,8%     | 193,3%     |

In the period ended 30 September 2022 and 31 December 2021, liquidity measures remained above their respective supervisory limits.



### 37. CAPITAL ADEQUACY

- OWN FUNDS FOR THE PURPOSES OF CAPITAL ADEQUACY

In the nine-month period ended 30 September 2022 and in the period of twelve months ended 31 December 2021, the Group's capital adequacy remained at a safe level, well above the supervisory limits. The minimum capital requirements were satisfied over the entire period.

|   | 30.09.2022     | 31.12.2021<br>before<br>restatement | 31.12.2021<br>restated |
|---|----------------|-------------------------------------|------------------------|
| <b>Equity</b>   | <b>31 689</b>  | <b>37 693</b>                       | <b>37 693</b>          |
| capital: share capital. supplementary capital. other reserves and general risk reserve  | 32 497         | 32 291                              | 32 291                 |
| retained earnings   | 8 652          | 6 270                               | 6 270                  |
| net profit or loss for the year   | 1 601          | 4 874                               | 4 874                  |
| other comprehensive income and non-controlling interests  | (11 061)       | (5 742)                             | (5 742)                |
| <b>Exclusions from equity:</b>  | <b>(5 287)</b> | <b>895</b>                          | <b>895</b>             |
| deconsolidation – adjustments due to prudential consolidation   | (253)          | (268)                               | (268)                  |
| net profit or loss for the year   | 1 583          | 4 862                               | 4 862                  |
| retained earnings for the previous year   | -              | -                                   | -                      |
| cash flow hedges  | (6 617)        | (3 699)                             | (3 699)                |
| <b>Other fund reductions:</b>   | <b>3 556</b>   | <b>2 962</b>                        | <b>2 966</b>           |
| goodwill  | 961            | 961                                 | 961                    |
| other intangible assets   | 1 397          | 1 461                               | 1 461                  |
| securitization items  | 24             | 54                                  | 54                     |
| additional asset adjustments (AVA, DVA, NPE, exceeding the thresholds from Article 48 of the CRR)   | 1 174          | 486                                 | 490                    |
| <b>Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI according to Art. 468 of the CRR</b> | <b>1 562</b>   | <b>1 238</b>                        | <b>1 235</b>           |
| <b>Temporary reversal of IFRS 9 impact</b>  | <b>1 651</b>   | <b>1 763</b>                        | <b>1 482</b>           |
| <b>Profit/(loss) for the current year</b>   | <b>946</b>     | <b>2 575</b>                        | <b>1 975</b>           |
| <b>Tier 1 capital</b>   | <b>37 579</b>  | <b>39 412</b>                       | <b>38 524</b>          |
| <b>Tier 2 capital (subordinated debt)</b>   | <b>2 669</b>   | <b>2 700</b>                        | <b>2 700</b>           |
| <b>Own funds</b>  | <b>40 248</b>  | <b>42 112</b>                       | <b>41 224</b>          |
| <b>Capital requirements for own funds</b>   | <b>18 772</b>  | <b>17 990</b>                       | <b>18 093</b>          |
| Credit risk   | 16 428         | 15 973                              | 16 076                 |
| Operational risk  | 2 196          | 1 793                               | 1 793                  |
| Market risk   | 107            | 183                                 | 183                    |
| Credit valuation adjustment risk  | 41             | 41                                  | 41                     |
| <b>Total capital ratio</b>  | <b>17,15%</b>  | <b>18,73%</b>                       | <b>18,23%</b>          |
| <b>Tier 1 capital ratio</b>   | <b>16,01%</b>  | <b>17,53%</b>                       | <b>17,03%</b>          |



The minimum level of the Group's capital ratios including the combined buffer requirement and the capital add-on for foreign currency loans was 11.62% for the total capital ratio and 9.59% for the Tier 1 capital ratio, respectively, both as at 30 September 2022 and 31 December 2021.

Under Article 26(2) of the CRR, institutions may include interim or year-end profits in Common Equity Tier 1 capital after the institution has taken a formal decision confirming the final profit or loss of the institution for the year or, before taking the said decision, only with the prior permission of the competent authority. In accordance with the guidelines of the European Banking Authority (EBA) contained in the Single Rulebook Q&A, which present the EBA position on the moment of recognition of annual and interim profits in the capital adequacy data (Q&A 2018\_3822, Q&A 2018\_4085 and Q&A 2013\_208), from the moment of meeting the formal requirements that allow the institution to include the profit for a given period in Tier 1 capital it is assumed that such profit should be recognized retrospectively (as at the date of earning the profit rather than as at the date of meeting the criterion) and own funds should be adjusted as at the date of earning the profit.

Furthermore, if the event allowing profit or loss recognition occurred before the publication of the financial statements for a given period, the profit or loss should be recognized in those financial statements. Due to the fact that the Annual General Meeting of the Bank approved distribution of the Bank's profit on 12 May 2022 and the formal distribution of the profits of the other entities of the Bank's Group, which are subject to prudential consolidation, was completed by the end of June 2022, the aforementioned guidelines apply to the Group's own funds as at 31 December 2021.

On 29 September 2022, the Polish Financial Supervision Authority allowed the Bank and the Group to include their profits for the period from 1 January 2022 to 30 June 2022, less any foreseeable charges and dividends, verified by the Bank's auditor, in Tier 1 capital in accordance with the prudential consolidation principles. The said consent of PFSA will contribute to an increase in the value of own funds calculated for the purposes of capital adequacy of PLN 946 million in the case of the Group and PLN 895 million in the case of the Bank.

The Polish Financial Supervision Authority is conducting the proceedings concerning imposing on PKO Bank Polski S.A. another systemically important institution buffer equal to 2.00% of the total risk exposure calculated in accordance with Article 92(3) of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. The Financial Stability Committee expressed a positive opinion in this matter on 23 September 2022. At present, the Bank is obliged to maintain the said buffer at 1%.

Pursuant to the CRR, prudential consolidation is used for capital adequacy purposes, which, unlike consolidation in compliance with the IFRS, covers only the subsidiaries which meet the definition of an institution, a financial institution or an ancillary services undertaking. In addition, pursuant to Article 19 (1) of the CRR, prudential consolidation may exclude entities whose total value of assets and off-balance sheet items is less than EUR 10 million. Other subsidiaries which are not consolidated under the acquisition accounting method, are measured using the equity method for the purposes of prudential consolidation. For the purposes of prudential consolidation, the Group consists of following entities: PKO Bank Polski S.A., the PKO Leasing S.A. Group, PKO BP BANKOWY PTE S.A., PKO Towarzystwo Funduszy Inwestycyjnych S.A., the KREDOBANK S.A. Group, PKO Finance AB, PKO BP Finat sp. z o.o., PKO Bank Hipoteczny S.A., the Bankowe Towarzystwo Kapitałowe S.A. Group. Non-financial and insurance entities are not subject to prudential consolidation.



### 38. LEVERAGE RATIO

The Group calculates the leverage ratio as one of its capital adequacy measures.

The objective of managing the risk of excessive leverage is to ensure an appropriate relationship between the amount of the Tier 1 capital and the sum of balance sheet assets and off-balance sheet liabilities granted by the Group.

For the purpose of measuring the risk of excessive financial leverage, a leverage ratio is calculated by the Group as a measure of Tier I capital divided by the measure of total exposure and is expressed as a percentage. The leverage ratio as at 30 September 2022 and 31 December 2021 was above the internal and external limits and above the minimum levels recommended by the PFSA.

To maintain the leverage ratio at an acceptable level, the Group set up a strategic tolerance limit and a threshold for the ratio, which are regularly monitored and periodically verified.

|   | Leverage ratio exposures specified in CRR |                                     |                        |
|---|---|-------------------------------------|------------------------|
|   | 30.09.2022                                | 31.12.2021<br>before<br>restatement | 31.12.2021<br>restated |
| <b>Total capital and exposure measure</b>             |   |                                     |                        |
| Tier 1 capital  | 37 579                                    | 39 412                              | 38 524                 |
| Total exposure measure for leverage ratio calculation | 461 082                                   | 436 860                             | 439 933                |
| <b>Leverage ratio</b>                                 |   |                                     |                        |
| Leverage ratio  | 8,15                                      | 9,02                                | 8,76                   |

## STANDALONE INCOME STATEMENT

| INCOME STATEMENT  | Note | third quarter<br>period<br>from 01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from 01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|---|------|---|--|---|--|
| <b>Net interest income/(expense)</b>  |      | <b>1 192</b>  | <b>7 399</b>   | <b>2 199</b>  | <b>6 344</b>   |
| Interest income   | 39   | 3 634   | 11 886   | 2 300   | 6 667  |
| calculated under the effective interest<br>rate method                        |      | 3 470   | 11 475   | 2 086   | 6 032  |
| Interest expenses   | 39   | (2 442)   | (4 487)  | (101)   | (323)  |
| <b>Net fee and commission income</b>  |      | <b>1 000</b>  | <b>2 888</b>   | <b>902</b>  | <b>2 571</b>   |
| Fee and commission income   | 40   | 1 409   | 3 987  | 1 230   | 3 406  |
| Fee and commission expense  | 40   | (409)   | (1 099)  | (328)   | (835)  |
| <b>Other net income</b>   |      | <b>210</b>  | <b>688</b>   | <b>135</b>  | <b>1 033</b>   |
| Dividend income   |      | 9   | 474  | 50  | 513  |
| Gains/(losses) on financial transactions                                      |      | 148   | 333  | (17)  | (44)   |
| Foreign exchange gains/ (losses)  |      | (14)  | (141)  | 31  | 419  |
| Gains/(losses) on derecognition of<br>financial instruments of which:         |      | 2   | (15)   | 80  | 172  |
| measured at amortized cost  |      | 2   | 9  | -   | 1  |
| Net other operating income and expense  |      | 65  | 37   | (9)   | (27)   |
| <b>Result on business activities</b>  |      | <b>2 402</b>  | <b>10 975</b>  | <b>3 236</b>  | <b>9 948</b>   |
| <b>Net expected credit losses</b>   |      | <b>(415)</b>  | <b>(819)</b>   | <b>(319)</b>  | <b>(659)</b>   |
| Net impairment allowances on non-<br>financial assets                         |      | (10)  | (75)   | (6)   | (49)   |
| Cost of the legal risk of mortgage loans in<br>convertible currencies         |      | -   | (1 176)  | -   | -  |
| <b>Administrative expenses of which:</b>                                      |      | <b>(1 668)</b>  | <b>(5 417)</b>   | <b>(1 274)</b>  | <b>(3 915)</b>   |
| net regulatory charges  |      | (408)   | (1 753)  | (73)  | (486)  |
| Tax on certain financial institutions   |      | (310)   | (895)  | (244)   | (715)  |
| <b>Profit before tax</b>  |      | <b>(1)</b>  | <b>2 593</b>   | <b>1 393</b>  | <b>4 610</b>   |
| Income tax expense  |      | (12)  | (824)  | (353)   | (1 084)  |
| <b>Net profit</b>   |      | <b>(13)</b>   | <b>1 769</b>   | <b>1 040</b>  | <b>3 526</b>   |
| Earnings per share  |      |   |  |   |  |
| - basic earnings per share for the period<br>(PLN)                            |      | (0,01)  | 1,42   | 0,83  | 2,82   |
| - diluted earnings per share for the period<br>(PLN)*                         |      | (0,01)  | 1,42   | 0,83  | 2,82   |
| Weighted average number of ordinary<br>shares during the period (in million)* |      | 1 250   | 1 250  | 1 250   | 1 250  |

\* Both in the nine-month period ended 30 September 2022 and in the same period of 2021, there were no dilutive instruments. Therefore, the amount of diluted earnings per share is the same as the amount of basic earnings per share.



## STANDALONE STATEMENT OF COMPREHENSIVE INCOME

| STATEMENT OF COMPREHENSIVE INCOME  | Note | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|--|------|--|--|--|--|
| Net profit   |      | (13)   | 1 769  | 1 040  | 3 526  |
| Other comprehensive income   |      | 1 160  | (5 044)  | (758)  | (2 172)  |
| Items which may be reclassified to profit or loss  |      | 1 160  | (5 044)  | (758)  | (2 172)  |
| Cash flow hedges (net)   |      | 848  | (2 812)  | (514)  | (1 181)  |
| Cash flow hedges (gross)   |      | 1 047  | (3 472)  | (635)  | (1 458)  |
| Deferred income tax  |      | (199)  | 660  | 121  | 277  |
| Fair value of financial assets measured at fair value through other comprehensive income (net) |      | 311  | (2 233)  | (244)  | (991)  |
| Remeasurement of fair value, gross   |      | 384  | (2 782)  | (223)  | (1 054)  |
| Gains /losses transferred to the profit or loss (on disposal)                                  |      | -  | 24   | (80)   | (171)  |
| Deferred income tax  |      | (73)   | 525  | 59   | 234  |
| Foreign exchange differences on translation of foreign branches                                |      | 1  | 1  | -  | -  |
| <b>Total net comprehensive income</b>  |      | <b>1 147</b>   | <b>(3 275)</b>   | <b>282</b>   | <b>1 354</b>   |



## STANDALONE STATEMENT OF FINANCIAL POSITION

|  | Nota | 30.09.2022     | 31.12.2021     |
|--|------|----------------|----------------|
| <b>ASSETS</b>                                    |      | <b>412 821</b> | <b>388 816</b> |
| Cash and balances with Central Bank              |      | 13 523         | 11 421         |
| Amounts due from banks                           |      | 25 956         | 14 296         |
| Hedging derivatives                              |      | 144            | 327            |
| Other derivative instruments                     |      | 20 739         | 11 143         |
| Securities                                       | 41   | 124 987        | 130 838        |
| Repo transactions                                |      | 23             | -              |
| Loans and advances to customers                  | 42   | 211 184        | 205 677        |
| Property, plant and equipment                    |      | 2 487          | 2 639          |
| Non-current assets held for sale                 |      | 7              | 18             |
| Intangible assets                                |      | 2 834          | 2 896          |
| Investments in subsidiaries                      | 44   | 3 558          | 3 617          |
| Investments in associates and joint ventures     | 44   | 275            | 275            |
| Current income tax receivable                    |      | -              | 33             |
| - the Bank                                       |      | -              | 11             |
| - subsidiaries included in the Tax Capital Group |      | -              | 22             |
| Deferred income tax assets                       |      | 5 022          | 3 599          |
| Other assets                                     |      | 2 082          | 2 037          |

|   |    | 30.09.2022     | 31.12.2021     |
|---|----|----------------|----------------|
| <b>LIABILITIES AND EQUITY</b>                             |    | <b>412 821</b> | <b>388 816</b> |
| <b>LIABILITIES</b>  |    | <b>382 311</b> | <b>352 743</b> |
| Amounts due to Central Bank                               |    | 10             | 8              |
| Amounts due to banks                                      |    | 5 055          | 3 762          |
| Hedging derivatives                                       |    | 8 398          | 4 624          |
| Other derivative instruments                              |    | 21 109         | 11 704         |
| Transactions for the purpose of repurchase                |    | 34             | 49             |
| Amounts due to customers                                  | 43 | 336 165        | 318 032        |
| Loans and advances received                               |    | 760            | 5 142          |
| Subordinated liabilities                                  |    | 2 721          | 2 716          |
| Other liabilities   |    | 5 996          | 5 090          |
| Current income tax receivable                             |    | 182            | -              |
| - the Bank  |    | 103            | -              |
| - subsidiaries included in the Tax Capital Group          |    | 79             | -              |
| Provisions  |    | 1 881          | 1 616          |
| <b>EQUITY</b>   |    | <b>30 510</b>  | <b>36 073</b>  |
| Share capital   |    | 1 250          | 1 250          |
| Total reserves and accumulated other comprehensive income |    | 19 683         | 24 727         |
| Retained earnings   |    | 7 808          | 5 500          |
| Net profit or loss for the year                           |    | 1 769          | 4 596          |

## STANDALONE STATEMENT OF CHANGES IN EQUITY

| FOR 9 MONTHS ENDED<br>30 SEPTEMBER 2022 | Share capital | Total reserves and accumulated other comprehensive income |                           |                |  |   | Retained earnings | Net profit or loss for the year | Total capital attributed to shareholders of the parent company | Total equity  |
|---|---------------|---|---------------------------|----------------|--|---|-------------------|---------------------------------|--|---------------|
|   |               | Reserves  |                           |                | Accumulated other comprehensive income | Total 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   | 36 073        |
| Transfer from retained earnings         | -             | -   | -                         | -              | -                                      | -   | 4 596             | (4 596)                         | -  | -             |
| Dividend                                | -             | -   | -                         | -              | -                                      | -   | (2 288)           | -                               | (2 288)  | (2 288)       |
| Comprehensive income                    | -             | -   | -                         | -              | (5 044)                                | (5 044)   | -                 | 1 769                           | (3 275)  | (3 275)       |
| <b>As at the end of the period</b>      | <b>1 250</b>  | <b>22 468</b>   | <b>1 070</b>              | <b>6 746</b>   | <b>(10 601)</b>                        | <b>19 683</b>   | <b>7 808</b>      | <b>1 769</b>                    | <b>30 510</b>  | <b>30 510</b> |

| FOR 9 MONTHS ENDED<br>30 SEPTEMBER 2021   | Share capital | Total reserves and accumulated other comprehensive income |                           |                |  |   | Retained earnings | Net profit or loss for the year | Total capital attributed to shareholders of the parent company | Total equity  |
|---|---------------|---|---------------------------|----------------|--|---|-------------------|---------------------------------|--|---------------|
|   |               | Reserves  |                           |                | Accumulated other comprehensive income | Total reserves and accumulated other comprehensive income |                   |                                 |  |               |
|   |               | Supplementary capital                                     | General banking risk fund | Other reserves |  |   |                   |                                 |  |               |
| As at the beginning of the period   | 1 250         | 29 168  | 1 070                     | 2 944          | 2 944                                  | 34 771  | 5 500             | (2 944)                         | 38 577   | 38 577        |
| Transfer from retained earnings   | -             | -   | -                         | 3 526          | 3 526                                  | -   | (2 944)           | 2 944                           | -  | -             |
| Comprehensive income  | -             | -   | -                         | -              | -                                      | (2 172)   | -                 | 3 526                           | 1 354  | 1 354         |
| Special fund set up for the purpose of covering individual balance sheet losses | -             | (6 700)   | -                         | 6 700          | -                                      | -   | -                 | -                               | -  | -             |
| Offset of accumulated losses  | -             | -   | -                         | (2 944)        | -                                      | (2 944)   | 2 944             | -                               | -  | -             |
| <b>As at the end of the period</b>  | <b>1 250</b>  | <b>22 468</b>   | <b>1 070</b>              | <b>3 526</b>   | <b>3 526</b>                           | <b>29 655</b>   | <b>5 500</b>      | <b>3 526</b>                    | <b>39 931</b>  | <b>39 931</b> |



Bank Polski

| FOR 9 MONTHS ENDED<br>30 SEPTEMBER 2022 | Accumulated other comprehensive income   |                 |                            |   |                 |
|---|--|-----------------|----------------------------|---|-----------------|
|   | Fair value of financial assets measured at fair value through other comprehensive income | Cash flow hedge | Actuarial gains and losses | Exchange differences from translating foreign units | Total           |
| As at the beginning of the period       | (1 842)  | (3 702)         | (13)                       | -   | (5 557)         |
| Comprehensive income                    | (2 233)  | (2 812)         | -                          | 1   | (5 044)         |
| <b>As at the end of the period</b>      | <b>(4 075)</b>   | <b>(6 514)</b>  | <b>(13)</b>                | <b>1</b>  | <b>(10 601)</b> |

| FOR 9 MONTHS ENDED<br>30 SEPTEMBER 2021 | Accumulated other comprehensive income   |                 |                            |              |
|---|--|-----------------|----------------------------|--------------|
|   | Fair value of financial assets measured at fair value through other comprehensive income | Cash flow hedge | Actuarial gains and losses | Total        |
| As at the beginning of the period       | 1 244  | 319             | (20)                       | 1 543        |
| Comprehensive income                    | (991)  | (1 181)         | -                          | (2 172)      |
| <b>As at the end of the period</b>      | <b>253</b>   | <b>(862)</b>    | <b>(20)</b>                | <b>(629)</b> |



## STANDALONE CASH FLOW STATEMENT

|   | 01.01.2022-<br>30.09.2022 | 01.01.2021-<br>30.09.2021 |
|---|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>                         |                           |                           |
| Profit / (loss) before tax  | 2 593                     | 4 610                     |
| Income tax paid   | (948)                     | (1 196)                   |
| <b>Total adjustments:</b>   | <b>13 367</b>             | <b>11 317</b>             |
| Amortization  | 672                       | 648                       |
| (Gains)/losses on investing activities                              | (3)                       | (7)                       |
| Interest and dividends  | (1 990)                   | (1 759)                   |
| Change in:  |                           |                           |
| amounts due from banks  | 1 350                     | (264)                     |
| hedging derivatives   | 3 957                     | 1 156                     |
| other derivative instruments  | (190)                     | (657)                     |
| securities  | (3 066)                   | (1 195)                   |
| loans and advances to customers                                     | (6 240)                   | (7 829)                   |
| repo transactions   | (23)                      | -                         |
| non-current assets held for sale                                    | 12                        | 104                       |
| other assets  | (66)                      | (206)                     |
| accumulated allowances for expected credit losses                   | 812                       | 359                       |
| accumulated allowances on non-financial assets and other provisions | 214                       | 151                       |
| amounts due to Central bank   | 2                         | 8                         |
| amounts due to banks  | 1 292                     | 4 325                     |
| amounts due to customers  | 18 133                    | 15 921                    |
| reverse repo transactions   | (15)                      | 763                       |
| loan and advances received  | 838                       | 192                       |
| liabilities in respect of debt securities in issue                  | -                         | (14)                      |
| subordinated liabilities  | 5                         | (12)                      |
| other liabilities   | 1 086                     | 1 256                     |
| Other adjustments   | (3 413)                   | (1 623)                   |
| <b>Net cash from/used in operating activities</b>                   | <b>15 012</b>             | <b>14 731</b>             |



|  | 01.01.2022-<br>30.09.2022 | 01.01.2021-<br>30.09.2021 |
|--|---------------------------|---------------------------|
| <b>Cash flows from investing activities</b>  |                           |                           |
| <b>Inflows from investing activities</b>   | <b>65 921</b>             | <b>44 323</b>             |
| Proceeds from sale of and interest on securities measured at fair value through other comprehensive income | 57 881                    | 41 848                    |
| Proceeds from sale of and interest on securities measured at amortized cost                                | 7 453                     | 1 801                     |
| Proceeds from sale of intangible assets, property, plant and equipment and assets held for sale            | 15                        | 47                        |
| Other inflows from investing activities including dividends  | 572                       | 627                       |
| <b>Outflows from investing activities</b>  | <b>(57 798)</b>           | <b>(57 621)</b>           |
| Capital increase in joint ventures   | -                         | (18)                      |
| Purchase of securities measured at fair value through other comprehensive income                           | (56 266)                  | (33 167)                  |
| Purchase of securities measured at amortized cost  | (407)                     | (24 077)                  |
| Acquisition of intangible assets and property, plant and equipment, including under operating leases       | (422)                     | (359)                     |
| Other outflows from investing activities   | (703)                     | -                         |
| <b>Net cash from/used in investing activities</b>  | <b>8 123</b>              | <b>(13 298)</b>           |

|  | 01.01.2022-<br>30.09.2022 | 01.01.2021-<br>30.09.2021 |
|--|---------------------------|---------------------------|
| <b>Cash flows from financing activities</b>                        |                           |                           |
| Payment of dividends   | (2 288)                   | -                         |
| Redemption of debt securities                                      | -                         | (2 293)                   |
| Repayment of loans and advances                                    | (5 219)                   | (69)                      |
| Payment of lease liabilities                                       | (181)                     | (157)                     |
| Repayment of interest on long-term liabilities                     | (330)                     | (260)                     |
| <b>Net cash from financing activities</b>                          | <b>(8 018)</b>            | <b>(2 779)</b>            |
| <b>Total net cash flows</b>  | <b>15 117</b>             | <b>(1 346)</b>            |
| of which foreign exchange differences on cash and cash equivalents | 290                       | 30                        |
| Cash equivalents at the beginning of the period                    | 19 129                    | 9 126                     |
| Cash equivalents at the end of the period                          | 34 246                    | 7 780                     |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

### 39. INTEREST INCOME AND EXPENSE

| INTEREST INCOME   | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|---|--|--|--|--|
| Loans to and other receivables from banks <sup>1</sup>  | 440  | 889  | 13   | 32   |
| Pooling   | -  | -  | -  | 1  |
| Hedging derivatives   | -  | -  | 123  | 330  |
| Debt securities   | 1 108  | 2 508  | 438  | 1 301  |
| measured at amortized cost  | 424  | 1 062  | 238  | 643  |
| measured at fair value through other comprehensive income   | 674  | 1 424  | 198  | 651  |
| measured at fair value through profit or loss   | 10   | 22   | 2  | 7  |
| Loans and advances to customers (excluding finance lease receivables)                                     | 2 080  | 8 464  | 1 722  | 4 991  |
| measured at amortized cost  | 1 669  | 7 461  | 1 549  | 4 442  |
| measured at fair value through other comprehensive income   | 257  | 614  | 84   | 251  |
| measured at fair value through profit or loss   | 154  | 389  | 89   | 298  |
| Amounts due to customers  | 6  | 25   | 4  | 12   |
| <b>Total</b>  | <b>3 634</b>   | <b>11 886</b>  | <b>2 300</b>   | <b>6 667</b>   |
| of which: interest income on impaired financial instruments   | 93   | 217  | 58   | 147  |
| Interest income calculated under the effective interest rate method on financial instruments measured at: |  |  |  |  |
| amortized cost  | 3 470  | 11 475   | 2 086  | 6 032  |
| at fair value through other comprehensive income  | 2 539  | 9 437  | 1 804  | 5 130  |
| at fair value through profit or loss  | 931  | 2 038  | 282  | 902  |
| Income similar to interest income on instruments measured at fair value through profit or loss            | 164  | 411  | 214  | 635  |
| <b>Total</b>  | <b>3 634</b>   | <b>11 886</b>  | <b>2 300</b>   | <b>6 667</b>   |

<sup>1</sup> In the item loans and other receivables from banks, the Capital Group in the nine-month period ended September 30, 2022 recognized income from interest on funds on the current account with the National Bank of Poland in the amount of PLN 363 million (in the corresponding period of 2021, PLN 1 million).

| INTEREST EXPENSE ON         | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|-----------------------------|--|--|--|--|
| Amounts due to banks        | (51)   | (111)  | (3)  | (9)  |
| Hedge accounting            | (1 081)  | (2 050)  | -  | -  |
| Interbank deposits          | (1)  | (6)  | (2)  | (5)  |
| Loans and advances received | (68)   | (185)  | (51)   | (146)  |
| Leases                      | (4)  | (10)   | (2)  | (6)  |
| Amounts due to customers    | (1 191)  | (2 021)  | (28)   | (106)  |
| Debt securities in issue    | -  | -  | (3)  | (15)   |
| Subordinated liabilities    | (46)   | (104)  | (12)   | (36)   |
| <b>Total</b>                | <b>(2 442)</b>   | <b>(4 487)</b>   | <b>(101)</b>   | <b>(323)</b>   |



#### 40. FEE AND COMMISSION INCOME AND EXPENSES

| FEE AND COMMISSION INCOME                                       | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|---|--|--|--|--|
| <b>Loans, insurance</b>   | <b>241</b>   | <b>722</b>   | <b>249</b>   | <b>701</b>   |
| lending   | 190  | 565  | 186  | 533  |
| offering insurance products                                     | 51   | 157  | 63   | 168  |
| <b>Investment funds, pension funds and brokerage activities</b> | <b>110</b>   | <b>339</b>   | <b>92</b>  | <b>289</b>   |
| servicing investment funds and OFE (including management fees)  | 3  | 13   | 14   | 39   |
| servicing and selling investment and insurance products         | 3  | 5  | 3  | 7  |
| brokerage activities  | 104  | 321  | 75   | 243  |
| <b>Cards</b>  | <b>552</b>   | <b>1 444</b>   | <b>426</b>   | <b>1 075</b>   |
| <b>Margins on foreign exchange transactions</b>                 | <b>190</b>   | <b>547</b>   | <b>152</b>   | <b>426</b>   |
| <b>Bank accounts and other</b>                                  | <b>316</b>   | <b>935</b>   | <b>311</b>   | <b>915</b>   |
| servicing bank accounts   | 231  | 690  | 236  | 705  |
| cash operations   | 20   | 57   | 16   | 45   |
| servicing foreign mass transactions                             | 27   | 74   | 22   | 63   |
| customer orders   | 16   | 47   | 14   | 41   |
| fiduciary services  | 2  | 7  | 3  | 7  |
| other   | 20   | 60   | 20   | 54   |
| <b>Total</b>  | <b>1 409</b>   | <b>3 987</b>   | <b>1 230</b>   | <b>3 406</b>   |

| FEE AND COMMISSION EXPENSE   | third quarter<br>period<br>from<br>01.07.2022<br>to 30.09.2022 | 3 quarters<br>cumulative<br>period from<br>01.01.2022<br>to 30.09.2022 | third quarter<br>period<br>from<br>01.07.2021<br>to 30.09.2021 | 3 quarters<br>cumulative<br>period from<br>01.01.2021<br>to 30.09.2021 |
|--|--|--|--|--|
| <b>Loans and insurance</b>   | <b>(21)</b>  | <b>(70)</b>  | <b>(33)</b>  | <b>(86)</b>  |
| commission paid to external entities for product sales             | (5)  | (17)   | (6)  | (18)   |
| cost of construction investment supervision and property valuation | (6)  | (21)   | (12)   | (32)   |
| fees to Biuro Informacji Kredytowej                                | (5)  | (15)   | (4)  | (13)   |
| loan handling  | (5)  | (17)   | (11)   | (23)   |
| <b>Investment funds, pension funds and brokerage activities</b>    | <b>(7)</b>   | <b>(22)</b>  | <b>(7)</b>   | <b>(23)</b>  |
| <b>Cards</b>   | <b>(344)</b>   | <b>(901)</b>   | <b>(254)</b>   | <b>(634)</b>   |
| <b>Bank accounts and other</b>                                     | <b>(37)</b>  | <b>(106)</b>   | <b>(34)</b>  | <b>(92)</b>  |
| clearing services  | (13)   | (39)   | (11)   | (29)   |
| commissions for operating services provided by banks               | (4)  | (9)  | (3)  | (8)  |
| sending short text messages (SMS)                                  | (13)   | (38)   | (14)   | (40)   |
| selling banking products   | (1)  | (1)  | (1)  | (2)  |
| servicing foreign mass transactions                                | (6)  | (16)   | (4)  | (11)   |
| other  | -  | (3)  | (1)  | (2)  |
| <b>Total</b>   | <b>(409)</b>   | <b>(1 099)</b>   | <b>(328)</b>   | <b>(835)</b>   |



## 41. SECURITIES

| SECURITIES   | 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          |
|--|------------------|---|---|----------------------------|----------------|
| <b>30.09.2022</b>  |                  |   |   |                            |                |
| <b>Debt securities</b>   | <b>271</b>       | <b>376</b>  | <b>55 992</b>   | <b>67 260</b>              | <b>123 899</b> |
| Treasury bonds (in PLN)  | 125              | -   | 37 570  | 46 273                     | 83 968         |
| Treasury bonds (in foreign currencies)   | 2                | 328   | 1 918   | -                          | 2 248          |
| corporate bonds (in PLN) secured by guarantees from the State Treasury                                 | 3                | -   | 9 131   | 12 069                     | 21 203         |
| municipal bonds (in PLN)   | 17               | -   | 4 156   | 5 149                      | 9 322          |
| corporate bonds (in PLN) <sup>1</sup>  | 116              | 48  | 2 781   | 1 950                      | 4 895          |
| corporate bonds (in foreign currencies)  | -                | -   | 436   | 1 819                      | 2 255          |
| mortgage covered bonds   | 8                | -   | -   | -                          | 8              |
| <b>Equity securities</b>   | <b>26</b>        | <b>1 093</b>  | <b>-</b>  | <b>-</b>                   | <b>1 119</b>   |
| shares in other entities - not listed  | -                | 318   | -   | -                          | 318            |
| shares in other entities - listed  | 25               | 775   | -   | -                          | 800            |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1                | -   | -   | -                          | 1              |
| <b>Total (excluding adjustment relating to fair value hedge accounting)</b>                            | <b>297</b>       | <b>1 469</b>  | <b>55 992</b>   | <b>67 260</b>              | <b>125 018</b> |
| Adjustment relating to fair value hedge accounting   | -                | -   | -   | (31)                       | (31)           |
| <b>Total</b>   | <b>297</b>       | <b>1 469</b>  | <b>55 992</b>   | <b>67 229</b>              | <b>124 987</b> |

<sup>1</sup> The item comprises bonds from international financial institutions of PLN 3 476 million.



| SECURITIES   | 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          |
|--|------------------|---|---|----------------------------|----------------|
| <b>31.12.2021</b>  |                  |   |   |                            |                |
| <b>Debt securities</b>   | <b>279</b>       | <b>503</b>  | <b>57 641</b>   | <b>72 055</b>              | <b>130 478</b> |
| Treasury bonds (in PLN)  | 69               | -   | 37 371  | 50 787                     | 88 227         |
| Treasury bonds (in foreign currencies)   | 2                | 350   | 2 007   | -                          | 2 359          |
| corporate bonds (in PLN) secured with the State Treasury guarantees                                    | 4                | -   | 9 894   | 12 092                     | 21 990         |
| municipal bonds (in PLN)   | 15               | -   | 4 127   | 5 022                      | 9 164          |
| corporate bonds (in PLN) <sup>1</sup>  | 182              | 153   | 3 810   | 1 927                      | 6 072          |
| corporate bonds (in foreign currencies)  | -                | -   | 432   | 2 227                      | 2 659          |
| mortgage covered bonds   | 7                | -   | -   | -                          | 7              |
| <b>Equity securities</b>   | <b>32</b>        | <b>330</b>  | <b>-</b>  | <b>-</b>                   | <b>362</b>     |
| shares in other entities – not listed  | -                | 308   | -   | -                          | 308            |
| shares in other entities – listed  | 31               | 22  | -   | -                          | 53             |
| participation units in investment funds, investment certificates, rights to shares, pre-emptive rights | 1                | -   | -   | -                          | 1              |
| <b>Total (excluding adjustment relating to fair value hedge accounting)</b>                            | <b>311</b>       | <b>833</b>  | <b>57 641</b>   | <b>72 055</b>              | <b>130 840</b> |
| Adjustment relating to fair value hedge accounting   | -                | -   | -   | (2)                        | (2)            |
| <b>Total</b>   | <b>311</b>       | <b>833</b>  | <b>57 641</b>   | <b>72 053</b>              | <b>130 838</b> |

<sup>1</sup> The item comprises bonds from international financial institutions of PLN 3 652million.

## 42. LOANS AND ADVANCES TO CUSTOMERS

| LOANS AND ADVANCES TO CUSTOMERS<br>30.09.2022   | 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          |
|---|---|---|----------------------------|----------------|
| <b>retail and private banking</b>   | <b>3 688</b>  | <b>12 077</b>   | <b>99 219</b>              | <b>114 984</b> |
| housing   | 2   | 12 077  | 73 052                     | 85 131         |
| consumer  | 3 686   | -   | 26 167                     | 29 853         |
| <b>SME</b>  | <b>48</b>   | <b>-</b>  | <b>17 486</b>              | <b>17 534</b>  |
| housing   | -   | -   | 5 403                      | 5 403          |
| corporate   | 48  | -   | 12 083                     | 12 131         |
| <b>corporate</b>  | <b>41</b>   | <b>-</b>  | <b>78 637</b>              | <b>78 678</b>  |
| housing   | -   | -   | 73                         | 73             |
| corporate   | 41  | -   | 78 564                     | 78 605         |
| <b>Loans and advances to customers (excluding adjustments relating to fair value hedge)</b> | <b>3 777</b>  | <b>12 077</b>   | <b>195 342</b>             | <b>211 196</b> |
| Adjustment relating to fair value hedge   | -   | -   | (12)                       | (12)           |
| <b>Total</b>  | <b>3 777</b>  | <b>12 077</b>   | <b>195 330</b>             | <b>211 184</b> |



| LOANS AND ADVANCES TO CUSTOMERS<br>31.12.2021   | not held for<br>trading,<br>measured at fair<br>value through<br>profit or loss | measured at<br>fair value<br>through other<br>comprehensive<br>income | measured at<br>amortized cost | Total          |
|---|---|---|-------------------------------|----------------|
| <b>retail and private banking</b>   | 4 462   | 13 531  | 102 189                       | 120 182        |
| housing   | 4   | 13 531  | 76 849                        | 90 384         |
| consumer  | 4 458   | -   | 25 340                        | 29 798         |
| <b>SME</b>  | 43  | -   | 17 343                        | 17 386         |
| housing   | -   | -   | 5 533                         | 5 533          |
| corporate   | 43  | -   | 11 810                        | 11 853         |
| <b>corporate</b>  | 54  | -   | 68 056                        | 68 110         |
| housing   | -   | -   | 75                            | 75             |
| corporate   | 54  | -   | 67 981                        | 68 035         |
| <b>Loans and advances to customers (excluding<br/>adjustments relating to fair value hedge)</b> | 4 559   | 13 531  | 187 588                       | 205 678        |
| Adjustment relating to fair value hedge   | -   | -   | (1)                           | (1)            |
| <b>Total</b>  | <b>4 559</b>  | <b>13 531</b>   | <b>187 587</b>                | <b>205 677</b> |

#### 43. AMOUNTS DUE TO CUSTOMERS

| AMOUNTS DUE TO CUSTOMERS  | Amounts due<br>to households | Amounts due<br>to corporate<br>entities | Amounts due<br>to public<br>entities | Total          |
|---|------------------------------|---|--------------------------------------|----------------|
| 30.09.2022  |                              |   |                                      |                |
| Measured at fair value through profit or loss - Liabilities<br>for a short position in securities | -                            | 14                                      | 1                                    | 15             |
| <b>Measured at amortized cost</b>   | 246 339                      | 71 817                                  | 18 066                               | 336 222        |
| Cash on current accounts and overnight deposits of which:   | 182 758                      | 39 316                                  | 13 172                               | 235 246        |
| -savings accounts and other interest-bearing assets   | 43 592                       | 13 706                                  | 6 645                                | 63 943         |
| Term deposits   | 62 961                       | 30 933                                  | 4 855                                | 98 749         |
| Other liabilities   | 620                          | 1 568                                   | 39                                   | 2 227          |
| <b>Amounts due to customers (excluding fair value hedge<br/>accounting adjustment)</b>            | 246 339                      | 71 831                                  | 18 067                               | 336 237        |
| Fair value hedge accounting adjustment  | (72)                         | -                                       | -                                    | (72)           |
| <b>Total</b>  | <b>246 267</b>               | <b>71 831</b>                           | <b>18 067</b>                        | <b>336 165</b> |



| AMOUNTS DUE TO CUSTOMERS                                  | Amounts due to households | Amounts due to corporate entities | Amounts due to public entities | Total          |
|---|---------------------------|-----------------------------------|--------------------------------|----------------|
| <b>31.12.2021</b>   |                           |                                   |                                |                |
| <b>Measured at amortized cost</b>                         | <b>242 522</b>            | <b>55 680</b>                     | <b>19 830</b>                  | <b>318 032</b> |
| Cash on current accounts and overnight deposits of which: | 203 299                   | 45 442                            | 19 731                         | 268 472        |
| -savings accounts and other interest-bearing assets       | 57 147                    | 16 055                            | 13 301                         | 86 503         |
| Term deposits   | 38 506                    | 9 529                             | 76                             | 48 111         |
| Other liabilities   | 717                       | 709                               | 23                             | 1 449          |
| <b>Total</b>  | <b>242 522</b>            | <b>55 680</b>                     | <b>19 830</b>                  | <b>318 032</b> |

#### 44. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

| 30.09.2022  | Gross amount | Impairment     | Net amount   |
|---|--------------|----------------|--------------|
| <b>SUBSIDIARIES</b>   |              |                |              |
| 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  | 200          | -              | 200          |
| PKO BP BANKOWY PTE S.A.                                       | 151          | (37)           | 114          |
| NEPTUN - fizan  | 132          | -              | 132          |
| Merkury - fiz an  | 120          | -              | 120          |
| PKO Towarzystwo Ubezpieczeń SA                                | 110          | -              | 110          |
| PKO Finance AB  | 24           | -              | 24           |
| PKO BP Finat sp. z o.o.                                       | 21           | -              | 21           |
| <b>JOINT VENTURES</b>   |              |                |              |
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 197          | -              | 197          |
| Operator Chmury Krajowej sp. z o.o.                           | 78           | -              | 78           |
| <b>ASSOCIATES</b>   |              |                |              |
| Bank Pocztowy S.A.  | 184          | (184)          | -            |
| „Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.           | 2            | (2)            | -            |
| Adjustment relating to fair value hedge accounting            | (2)          | -              | (2)          |
| <b>Total</b>  | <b>4 901</b> | <b>(1 068)</b> | <b>3 833</b> |

The impairment tests of KREDOBANK S.A., performed quarterly using the discounted dividends method, in recent years showed an excess of value in use over the net carrying amount; however, for prudential reasons the provisions for exposure to Kredobank had been maintained at the same level since 2015. The test performed as 31 March 2022, taking into account the effect of the war in Ukraine (including an updated forecast of the future results of KREDOBANK S.A.) and an additional discount of 25% associated with uncertainty as to the further developments in this regard, revealed a need to increase the impairment allowance by PLN 52 million and reduce the net carrying amount of the interest in KREDOBANK S.A. to PLN 227 million. The tests performed in the following reporting periods did not show a need to change the allowance, thus confirming the correctness of the previously adopted main assumptions of the valuation model.



| 31.12.2021  | Gross amount | Impairment     | Net amount   |
|---|--------------|----------------|--------------|
| <b>SUBSIDIARIES</b>   |              |                |              |
| PKO Bank Hipoteczny S.A.                                      | 1 650        | -              | 1 650        |
| KREDOBANK S.A.  | 1 072        | (793)          | 279          |
| 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 <sup>1</sup>                                   | 200          | -              | 200          |
| PKO BP BANKOWY PTE S.A.                                       | 151          | (37)           | 114          |
| NEPTUN – fizan <sup>1</sup>                                   | 132          | -              | 132          |
| Merkury - fiz an <sup>1</sup>                                 | 120          | -              | 120          |
| PKO Towarzystwo Ubezpieczeń SA                                | 110          | -              | 110          |
| PKO Finance AB  | 24           | -              | 24           |
| PKO BP Finat sp. z o.o.                                       | 21           | -              | 21           |
| <b>JOINT VENTURES</b>   |              |                |              |
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 197          | -              | 197          |
| Operator Chmury Krajowej sp. z o.o. <sup>1</sup>              | 78           | -              | 78           |
| <b>ASSOCIATES</b>   |              |                |              |
| Bank Pocztowy S.A.  | 184          | (184)          | -            |
| „Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.           | 2            | (2)            | -            |
| Adjustment relating to fair value hedge accounting            | 5            | -              | 5            |
| <b>Total</b>  | <b>4 908</b> | <b>(1 016)</b> | <b>3 892</b> |

#### 45. RELATED PARTY TRANSACTIONS – CAPITAL LINKS, SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Transactions between the Bank as the parent company with its subsidiaries, associates and joint ventures are presented in the table below. All transactions presented below were concluded on terms and conditions which did not differ significantly from an arm’s length basis.

| 30.09.2022 Company name                                 | Receivables   | of which loans | Liabilities  | Off-balance sheet liabilities granted |
|---|---------------|----------------|--------------|---------------------------------------|
| KREDOBANK SA and its subsidiary                         | -             | -              | 313          | 389                                   |
| Merkury - fiz an and its subsidiaries                   | -             | -              | 20           | -                                     |
| NEPTUN - fizan and its subsidiaries                     | 157           | 157            | 35           | -                                     |
| PKO Bank Hipoteczny SA                                  | 5 232         | 5 143          | 987          | 8 073                                 |
| PKO BP BANKOWY PTE SA                                   | -             | -              | 27           | -                                     |
| PKO BP Finat sp. z o.o.                                 | -             | -              | 22           | 15                                    |
| PKO Finance AB  | -             | -              | 201          | -                                     |
| PKO Leasing SA and its subsidiaries                     | 21 192        | 21 192         | 24           | 4 108                                 |
| PKO Towarzystwo Funduszy Inwestycyjnych SA              | -             | -              | 174          | -                                     |
| PKO Towarzystwo Ubezpieczeń SA                          | -             | -              | 43           | 1                                     |
| PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary | -             | -              | 243          | -                                     |
| <b>Total</b>  | <b>26 581</b> | <b>26 492</b>  | <b>2 089</b> | <b>12 586</b>                         |



| FOR 9 MONTHS ENDED 30 SEPTEMBER 2022<br>Company name    | Total income | of which<br>interest and<br>commission<br>expense | Total expenses | of which<br>interest and<br>commission<br>expense |
|---|--------------|---|----------------|---|
| KREDOBANK SA and its subsidiary                         | 2            | 2   | -              | -   |
| NEPTUN - fizan and its subsidiaries                     | 1            | 1   | -              | -   |
| PKO Bank Hipoteczny SA                                  | 557          | 544   | -              | -   |
| PKO BP BANKOWY PTE SA                                   | 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 SA              | 145          | 2   | 4              | 4   |
| PKO Towarzystwo Ubezpieczeń SA                          | 30           | 30  | -              | -   |
| PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary | 60           | 29  | 3              | 3   |
| <b>Total</b>  | <b>1 208</b> | <b>1 016</b>                                      | <b>172</b>     | <b>166</b>  |

| 31.12.2021 Company name                                 | Receivables   | of which loans | Liabilities  | Off-balance<br>sheet liabilities<br>granted |
|---|---------------|----------------|--------------|---|
| KREDOBANK SA and its subsidiary                         | 19            | -              | 29           | 325   |
| NEPTUN - fizan and its subsidiaries                     | 130           | 130            | 31           | -   |
| PKO Bank Hipoteczny SA                                  | 6 597         | 6 545          | 842          | 4 665                                       |
| PKO BP BANKOWY PTE SA                                   | -             | -              | 10           | -   |
| PKO BP Finat sp. z o.o.                                 | -             | -              | 36           | 10  |
| PKO Finance AB  | 802           | -              | 4 637        | -   |
| PKO Leasing SA and its subsidiaries                     | 19 018        | 19 018         | 212          | 4 940                                       |
| PKO Towarzystwo Funduszy Inwestycyjnych SA              | -             | -              | 194          | -   |
| PKO Towarzystwo Ubezpieczeń SA                          | -             | -              | 40           | -   |
| PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary | -             | -              | 342          | -   |
| <b>Razem</b>  | <b>26 566</b> | <b>25 693</b>  | <b>6 373</b> | <b>9 940</b>                                |

| FOR 9 MONTHS ENDED 30 SEPTEMBER 2021<br>Company name    | Total income | of which<br>interest and<br>commission<br>expense | Total expenses | of which<br>interest and<br>commission<br>expense |
|---|--------------|---|----------------|---|
| KREDOBANK SA and its subsidiary                         | 2            | 2   | -              | -   |
| NEPTUN - fizan and its subsidiaries                     | 2            | 2   | -              | -   |
| PKO Bank Hipoteczny SA                                  | 77           | 61  | 5              | 5   |
| PKO BP BANKOWY PTE SA                                   | 1            | 1   | -              | -   |
| PKO BP Finat sp. z o.o.                                 | 14           | -   | 9              | 4   |
| PKO Finance AB  | 26           | 26  | 140            | 140   |
| PKO Leasing SA and its subsidiaries                     | 354          | 124   | -              | -   |
| PKO Towarzystwo Funduszy Inwestycyjnych SA              | 127          | 4   | -              | -   |
| PKO Towarzystwo Ubezpieczeń SA                          | 56           | 56  | -              | -   |
| PKO Życie Towarzystwo Ubezpieczeń SA and its subsidiary | 86           | 33  | 7              | 7   |
| <b>Razem</b>  | <b>745</b>   | <b>309</b>  | <b>161</b>     | <b>156</b>  |



| 30.09.2022 roku<br>Company name                               | Receivables | of which loans | Liabilities | Off-balance<br>sheet liabilities<br>granted |
|---|-------------|----------------|-------------|---|
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 116         | 11             | 151         | 53  |
| „Centrum Obsługi Biznesu” sp. z o.o.                          | 8           | 8              | 1           | -   |
| Bank Pocztowy S.A.  | -           | -              | -           | 1   |
| „Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.           | -           | -              | -           | -   |
| Operator Chmury Krajowej sp. z o.o.                           | -           | -              | 17          | 1 025                                       |
| <b>Total joint ventures and associates</b>                    | <b>124</b>  | <b>19</b>      | <b>169</b>  | <b>1 079</b>                                |

| FOR 9 MONTHS ENDED 30 SEPTEMBER 2022<br>Company name          | Total income | of which<br>interest and<br>commission<br>expense | Total expenses | of which<br>interest and<br>commission<br>expense |
|---|--------------|---|----------------|---|
| 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            | -   |
| <b>Total joint ventures and associates</b>                    | <b>623</b>   | <b>529</b>  | <b>1 126</b>   | <b>150</b>  |

| 31.12.2021<br>Company name                                    | Receivables | of which loans | Liabilities | Off-balance<br>sheet liabilities<br>granted |
|---|-------------|----------------|-------------|---|
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 83          | 28             | 133         | 33  |
| „Centrum Obsługi Biznesu” sp. z o.o.                          | 17          | 17             | 5           | -   |
| Bank Pocztowy S.A.  | -           | -              | -           | 1   |
| „Poznański Fundusz Poręczeń Kredytowych” sp. z o.o.           | -           | -              | 1           | -   |
| Operator Chmury Krajowej sp. z o.o.                           | -           | -              | 12          | 852   |
| <b>Total joint ventures and associates</b>                    | <b>100</b>  | <b>45</b>      | <b>151</b>  | <b>886</b>                                  |

| FOR 9 MONTHS ENDED 30 SEPTEMBER 2021<br>Company name          | Total income | of which<br>interest and<br>commission<br>expense | Total expenses | of which<br>interest and<br>commission<br>expense |
|---|--------------|---|----------------|---|
| Centrum Elektronicznych Usług Płatniczych eService sp. z o.o. | 513          | 386   | 74             | 74  |
| Operator Chmury Krajowej sp. z o.o.                           | -            | -   | 16             | -   |
| <b>Total joint ventures and associates</b>                    | <b>513</b>   | <b>386</b>  | <b>90</b>      | <b>74</b>   |

## 46. CAPITAL ADEQUACY

|   | 30.09.2022     | 31.12.2021<br>restated | 31.12.2021<br>data<br>published |
|---|----------------|------------------------|---------------------------------|
| <b>Equity</b>   | <b>30 510</b>  | <b>36 073</b>          | <b>36 073</b>                   |
| capital: share capital, supplementary capital, other reserves, and general risk reserve   | 31 534         | 31 534                 | 31 534                          |
| retained earnings   | 7 808          | 5 500                  | 5 500                           |
| net profit or loss for the year   | 1 769          | 4 596                  | 4 596                           |
| other comprehensive income and non-controlling interests  | (10 601)       | (5 557)                | (5 557)                         |
|   |                |                        |                                 |
| <b>Exclusions from equity:</b>  | <b>(4 745)</b> | <b>894</b>             | <b>894</b>                      |
| net profit or loss for the year   | 1 769          | 4 596                  | 4 596                           |
| cash flow hedges  | (6 514)        | (3 702)                | (3 702)                         |
|   |                |                        |                                 |
| <b>Other fund reductions:</b>   | <b>4 713</b>   | <b>3 336</b>           | <b>3 417</b>                    |
| goodwill  | 755            | 755                    | 755                             |
| other intangible assets   | 1 261          | 1 333                  | 1 333                           |
| additional asset adjustments (AVA, DVA, NPE) exceeding the thresholds from Article 48 of the CRR)   | 2 697          | 1 248                  | 1 329                           |
|   |                |                        |                                 |
| <b>Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI according to Art. 468 of the CRR</b> | <b>1 562</b>   | <b>1 249</b>           | <b>1 249</b>                    |
| <b>Temporary reversal of IFRS 9 impact</b>  | <b>1 393</b>   | <b>1 555</b>           | <b>1 361</b>                    |
| <b>Profit/(loss) for the current year</b>   | <b>895</b>     | <b>2 309</b>           | <b>2 073</b>                    |
|   |                |                        |                                 |
| <b>Tier 1 capital</b>   | <b>34 392</b>  | <b>36 956</b>          | <b>36 445</b>                   |
| <b>Tier 2 capital (subordinated debt)</b>   | <b>2 669</b>   | <b>2 700</b>           | <b>2 700</b>                    |
|   |                |                        |                                 |
| <b>Own funds</b>  | <b>37 061</b>  | <b>39 656</b>          | <b>39 145</b>                   |
|   |                |                        |                                 |
| <b>Capital requirements for own funds</b>   | <b>16 293</b>  | <b>15 685</b>          | <b>15 787</b>                   |
| Credit risk   | 14 255         | 13 967                 | 14 069                          |
| Operational risk  | 1 881          | 1 490                  | 1 490                           |
| Market risk   | 107            | 183                    | 183                             |
| Credit valuation adjustment risk  | 50             | 45                     | 45                              |
|   |                |                        |                                 |
| <b>Total capital ratio</b>  | <b>18,20%</b>  | <b>20,23%</b>          | <b>19,84%</b>                   |
| <b>Tier 1 capital ratio</b>   | <b>16,89%</b>  | <b>18,85%</b>          | <b>18,47%</b>                   |

The minimum level of the Bank's capital ratios, including the combined buffer requirement and the capital add-on for foreign currency loans, was 11.63% for the total capital ratio and 9.6% for the Tier 1 capital ratio, respectively, both as at 30 September 2022 and 31 December 2021.

## 47. EVENTS THAT TOOK PLACE AFTER THE BALANCE SHEET DATE

On 17 October 2022, Mr Grzegorz Chłopek resigned as a member of the Bank's Supervisory Board with effect as at 17 October 2022.

On 18 October 2022, the Extraordinary General Meeting of the Bank appointed Mr Robert Pietryszyn to the Bank's Supervisory Board.



On 7 November 2022, the Bank received a decision from the Polish Financial Supervision Authority on the expiry of the decision on the recommendation to the Bank to comply with the additional requirement on own funds, in excess of the value resulting from the requirements calculated in accordance with the relevant provisions of law. Until the above decision was received, in accordance with the recommendation of the Polish Financial Supervision Authority, the Bank was obliged to maintain own funds to cover the additional capital requirement, in order to secure the risk resulting from foreign currency mortgage loans for households at the level of 0.12 pp, which consisted of at least 75 % from Tier 1 capital (which corresponds to 0.09 pp), as reported by the Bank in the current report No. 41/2021.

SIGNATURES OF ALL MEMBERS OF THE BANK'S MANAGEMENT BOARD

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THE MANAGEMENT BOARD  
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VICE-PRESIDENT OF THE MANAGEMENT BOARD  
Piotr Mazur

SIGNATURE OF THE PERSON RESPONSIBLE FOR MAINTAINING  
THE BOOKS OF ACCOUNT

[#{danuta.szymanska@pkobp.pl}](mailto:#{danuta.szymanska@pkobp.pl}) 09.11.2022  
DANUTA SZYMAŃSKA

DIRECTOR OF THE ACCOUNTING DIVISION