

Report of Bank Pekao S.A. Group for the first quarter of 2023



Warsaw, April 2023

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2023



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

Warsaw, April 2023

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1. Highlights of Bank Pekao S.A. Group

	1 QUARTER 2023	1 QUARTER 2022	2022	2021
INCOME STATEMENT – SELECTED ITEMS <i>(in PLN million)</i>				
Operating income	3,556	2 824	10,761	8,522
Operating costs	(1,130)	(978)	(4,083)	(3,739)
Profit before income tax	1,911	1 243	2,883	3,002
Net profit for the period attributable to equity holders of the Bank	1,446	907	1,718	2,175
PROFITABILITY RATIOS				
Return on average equity (ROE) - nominally	24.2%	15.3%	7.6%	8.7%
Return on assets (ROA)	2.0%	1.4%	0.6%	0.9%
Net interest margin	4.1%	3.4%	3.3%	2.4%
Cost / income (including to contributions to the BFG cost and fee paid for the Protection Schemes)	37.2%	44.1%	44.9%	47.3%
Costs of risk	0.24%	0.30%	1.12%	0.45%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS <i>(in PLN million)</i>				
Total assets	292,628	271,885	281,139	250,567
Customers' financing ^(*)	166,860	170,912	167,510	169,073
Amounts due to customers ^(**)	223,140	203,510	209,596	194,804
Debt securities issued and subordinated liabilities	10,651	9,419	13,127	8,117
Equity	25,157	23,495	22,775	23,863
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Customers' financing ^(*) / total assets	57.0%	62.9%	59.6%	67.5%
Securities / total assets	28.3%	19.9%	25.3%	22.9%
Deposits ^(***) / total assets	79.9%	78.3%	79.2%	81.0%
Customers' financing ^(*) / deposits ^(***)	71.4%	80.3%	75.2%	83.3%
Equity / total assets	8.6%	8.6%	8.1%	9.5%
Total capital ratio	17.5%	16.9%	17.4%	17.7%
EMPLOYEES AND NETWORK				
Total number of employees ^(****)	14,834	14,752	14,642	14,702
Number of outlets	587	648	597	650
Number of ATMs	1,314	1,439	1,328	1,475

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

(**) Excluding repo transactions and lease liabilities.

(***) Deposits include amounts due to customers, debt securities issued and subordinated liabilities.

Note: Income statement data included in the table above and other notes to the Report on activities were presented according to income statement in a presentation form, which differs from the long form of the income statement presented in the Financial statements of the Group. Reconciliation of income statement in the presentation form and the long form is in the point 8.6 of the Report on activities.

2. Highlights of Bank Pekao S.A.

	1 QUARTER 2023	1 QUARTER 2022	2022	2021
INCOME STATEMENT – SELECTED ITEMS <i>(in PLN million)</i>				
Operating income	3,374	2 656	10,417	8,084
Operating costs	(1,040)	(904)	(3,756)	(3,438)
Profit before income tax	1,818	1 142	3,012	2,995
Net profit	1,374	832	1,898	2,237
PROFITABILITY RATIOS				
Return on average equity (ROE) - nominally	23.6%	14.5%	8.7%	9.2%
Return on assets (ROA)	2.0%	1.3%	0.7%	0.9%
Net interest margin	4.2%	3.4%	3.3%	2.4%
Cost / income (including to contributions to the BFG cost and fee paid for the Protection Schemes)	36.4%	44.0%	43.2%	46.1%
Costs of risk	0.26%	0.34%	1.12%	0.41%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS <i>(in PLN million)</i>				
Total assets	282,988	262,816	271,705	241,275
Customers' financing ^(*)	155,368	159,614	155,477	157,783
Amounts due to customers ^(**)	223,495	203,752	209,802	195,064
Debt securities issued and subordinated liabilities	5,676	4,966	8,683	2,940
Equity	24,497	22,650	22,190	23,100
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Customers' financing ^(*) / total assets	54.9%	60.7%	57.2%	65.4%
Securities / total assets	29.6%	21.1%	26.8%	24.2%
Deposits ^(**) / total assets	81.0%	79.4%	80.4%	82.1%
Customers' financing ^(*) / deposits ^(**)	67.8%	76.5%	71.2%	79.7%
Equity / total assets	8.7%	8.6%	8.2%	9.6%
Total capital ratio	19.9%	18.8%	19.5%	19.6%
EMPLOYEES AND NETWORK				
Total number of employees ^(***)	12,553	12,667	12,435	12,661
Number of outlets	587	648	597	650
Number of ATMs	1,314	1,439	1,328	1,475

^(*) Including non-treasury debt securities and excluding reverse repo transactions.

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

^(***) Deposits include amounts due to customers, debt securities issued and subordinated liabilities.

3. Summary of Performance

Main P&L items

In the first quarter of 2023, we generated a net profit of the Bank Pekao S.A. Group, attributable to the Bank's shareholders in the amount of PLN 1,446.4 million. This result is higher by PLN 539.2 million than the result achieved in the first quarter of 2022, thanks to higher income, despite the inflationary increase in operating costs.

The ROE ratio was at the level of 24.2%.

The Group's operating income in the first quarter of 2023 amounted to PLN 3,556.2 million and was 25.9% higher than the income achieved in the first quarter of 2022, mainly due to net interest income.

- Net interest income in first quarter of 2023, amounted to PLN 2,774.3 million and was higher by PLN 705.2 million, i.e. 34.1% in comparison with first quarter of 2022.
- The Group's net fee and commission income in the first quarter of 2023 amounted to PLN 686.0 million and was lower by PLN 19.0 million, i.e. 2.7% compared to the result achieved in the first quarter of 2022, mainly due to high margin on FX transactions with customers last year as a result of increased customer activity on the FX market after the outbreak of the war.
- Trading result achieved in the first quarter of 2023 amounted to PLN 158.4 million and was higher by PLN 108.0 million compared to the first quarter of 2022, due to a higher valuation of derivatives, partly due to a change of their classification.
- Net other operating income and expenses achieved in the first quarter of 2023 amounted to (minus) PLN 62.9 million and were lower compared to the first quarter of 2022, mainly due to the revaluation of the provision for legal risk related to foreign currency mortgage loans in the amount of PLN 72.2 million.

Operating cost in the first quarter of 2023 amounted to PLN 1,129.9 million and were higher by PLN 151.6 million, i.e. 15.5% compared to the first quarter of 2022 and increased mainly due to salary indexation and higher property maintenance costs, due to the increase in energy cost and the minimum wage.

Net allowances for expected credit losses amounted to PLN 105.2 million in the first quarter of 2023 and was lower by PLN 29.2 million i.e. 21.7% as compared to the first quarter of 2022.

In the first quarter of 2023 the Contributions to the Bank Guarantee Fund amounted to PLN 191.7 million and were lower by PLN 75.5 million compared to the first quarter of 2022.

Tax on certain financial institutions in the first quarter of 2023 amounted to PLN 219.3 million and was higher by PLN 17.5 million i.e. 8.7% as compared to the first quarter of 2022, due to an increase in Group's assets.

Volumes

As at the end of March 2023, loans and advances at nominal value amounted to PLN 174,689.0 million an decrease of PLN 2,836.6 million, i.e. 1.6% in comparison to the end of March 2022. As at the end of March 2023, the volume of retail loans amounted to PLN 75,703.1 million an decrease of PLN 6,172.3 million, i.e. 7.5% in comparison to the end of March 2022. As at the end of March 2023 corporate loans and non-treasury debt securities amounted to PLN 98,985.9 million an increase of PLN 3,335.7 million, i.e. 3.5% in comparison to the end of March 2022.

As at the end of March 2023 amounts due to the Group's customers and debt securities issued amounted to PLN 233,790.2 million an increase of PLN 20,861.6 million, i.e. 9.8% in comparison to the end of March 2022.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 20,235.9 million as at the end of March 2023 an increase of PLN 1,762.7 million, i.e. 9.5% in comparison to the end of March 2022.

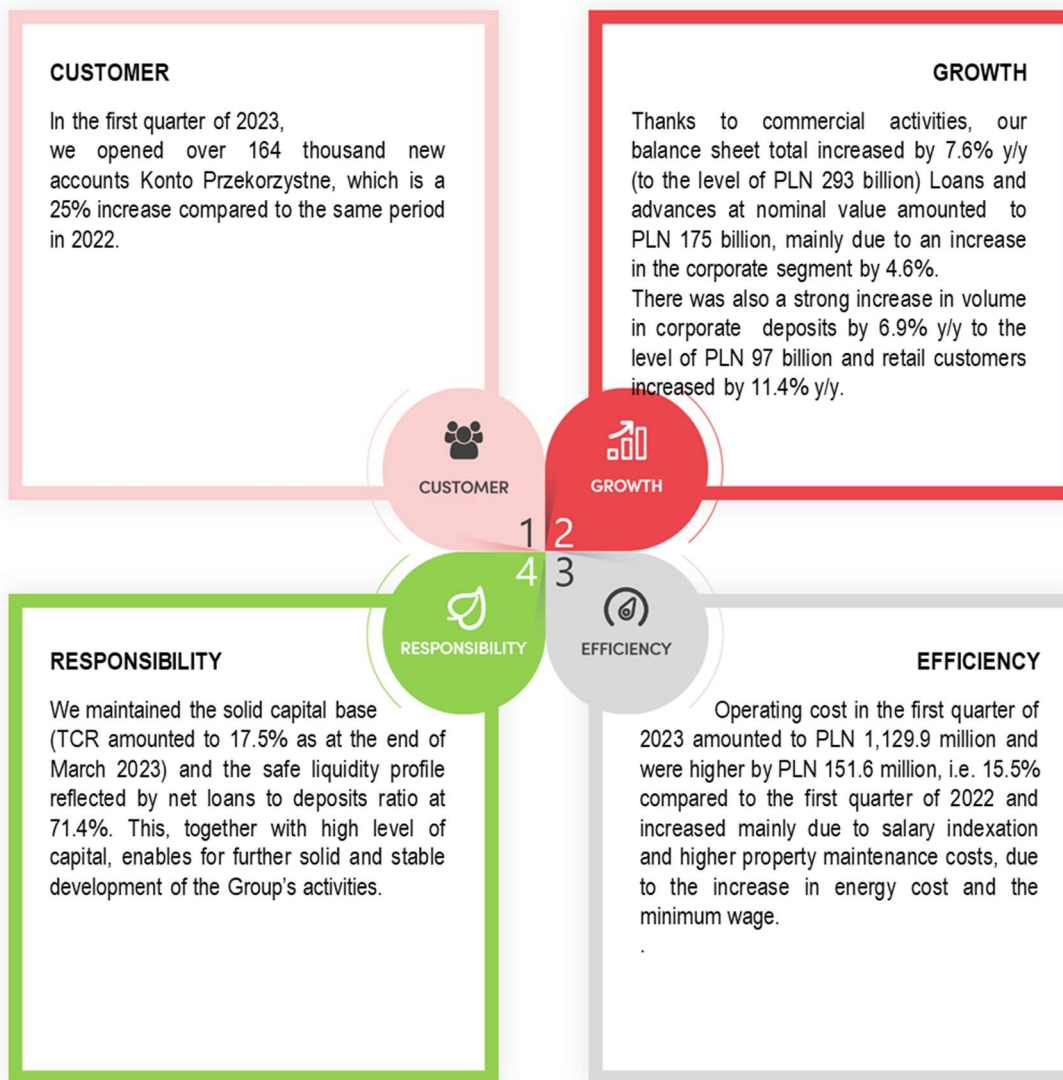
In the first quarter of 2023, we increased our commercial activity, actively supported clients in maintaining financial liquidity, continued the digitization and automation of processes and the implementation of advanced digital solutions.

We have opened over 164 thousand Kont Przekorzystntch, which is a 25% increase compared to the same period in 2022. The number of active mobile banking customers increased to 2.9 million and is 13% higher than a year ago.

We have made available to individual clients a wide range of deposits, e.g. interest rate of 8.0% per annum on savings accounts, a deposit with a fund at 7.5% per annum for a period of 12 months, deposits with "Żubr" in PeoPay with an interest rate of up to 6.0% per annum.

We have extended a special offer for individual and corporate customers from Ukraine.

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



Strategy and key financial indicators

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

According to the strategic plan, we:

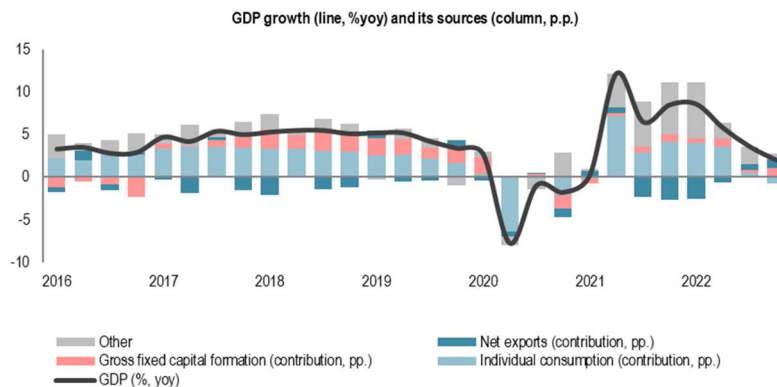
- we are a universal bank, we want to be the bank of first choice for our clients,
- we develop a remote distribution and customer service model,
- we focus on cost and process efficiency,
- we are growing in the most profitable market segments.

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

4. External Activity Conditions

Economic growth

The 2022 year was a successful one for the Polish economy, with real GDP growing by 4.9% yoy (following a 6.8% increase in 2021). However, the end of the year was already noticeably weaker in this respect than the first half of the year (growth rates of 3.6% and 2.0% in 3 quarter and 4 quarter 2022, respectively, versus 8.6 and 5.8% in 1 quarter and 2 quarter 2022). The economists of Pekao expect even greater GDP slowdown in 2023 as tightening of monetary policy, high cost pressures, general uncertainty and weak sentiment will burden the economy. Growth will be particularly low in the first 3 quarters of the year (according to our forecasts, 0.1%, 0.7% and 0.8% in 1 quarter, 2 quarter and 3 quarter 2023, respectively), and only in 4 quarter 2023 do we assume a more pronounced acceleration (to 1.9% yoy), thanks in large part to a lower base from last year's final quarter. The slowdown will be caused by both lower domestic demand and negative inventory change, while investment and net exports should have a positive impact this time around.

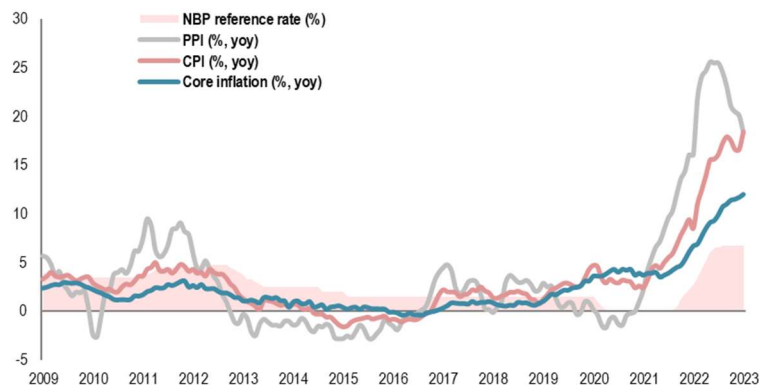


Inflation and monetary policy

In February, CPI inflation in Poland passed its peak in the current cycle (at 18.4% yoy). The disinflationary trend started in March, but price pressure remains more robust than expected. CPI inflation strongly decreased in March to 16.1% yoy. This strong drop in inflation on an annual basis is mainly a consequence of entering the high reference base period. It was created as a result of the war outbreak in Ukraine at the end of February last year and then very dynamic increase in the prices of food, energy and fuels. In March, this effect was the strongest, but in the next few months it will be an important factor pushing inflation down in annual terms, due to disinflation of non-basic factors.

However, the inflationary momentum remains high. Compared to last month, consumer prices rose by 1.1% in March. The disinflation process is slowed down by “sticky” core inflation which is sustained by energy shock still spreading throughout the economy. Domestic inflationary pressure is also fueled by a strong labour market. In March, core inflation excluding food and energy prices accelerated to about 12.3% yoy from 12% in February. In opinion of the Bank Pekao economists, potential of core inflation for further dynamic growth is limited due to the very high reference base and, more importantly, the simultaneous economic downturn and lower demand. Core inflation will peak at the turn of 1 quarter and 2 quarter 2023, but its subsequent decline over the course of the year will be slow.

Food prices also continued their upward trend in the first quarter. Much of this is due to fruit and vegetables shortages in the European market from the beginning of the year. On the other hand, global market prices of other agri-food commodities have mostly been falling for several months and this should also affect Poland's market with some delay.



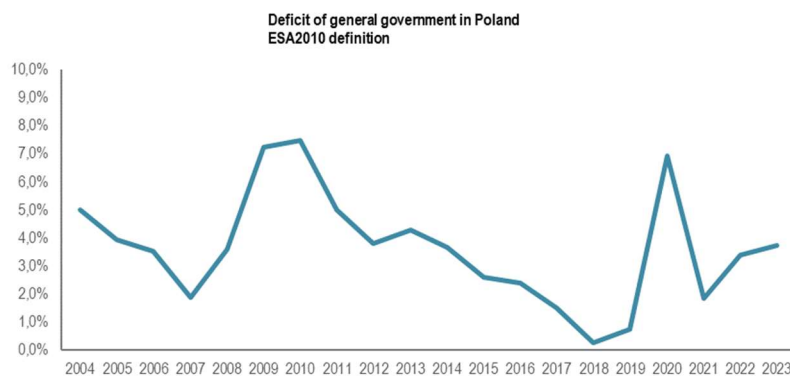
The Bank Pekao economists stick to the forecast that inflation will remain in double digits for most of 2023, but at the end of the year it will fall to close to 8% yoy.

The NBP March inflation projection and inflation readings from the beginning of the year did not change the MPC stance which kept the interest rates unchanged (the reference rate still 6.75%). The Council has not officially ended the cycle of interest rate hikes, but there is little chance for it to resume. The MPC will continue to operate in the "wait-and-see" mode, observing the effects of its actions so far. However, persistence of core inflation for a longer period of time and at a higher level throws more and more arguments for the first rate cuts at the end of this year out of hand. The Bank Pekao economists maintain their opinion that inflation will fall to single-digit levels at the end of the year and this fact will induce the MPC to timidly start interest rate cuts.

Fiscal policy

The public finance deficit in 2022 was 3.4% of GDP, significantly less than assumed by the Ministry of Finance in the budget bill (4.2% of GDP) and less than the consensus of forecasts (around 4% of GDP). While the deficit turned out to be larger than a year earlier (1.8% of GDP) its growth should be considered moderate given the circumstances (war in Ukraine, energy crisis). The government made a fairly significant reduction in indirect taxes (VAT and Excise) as part of the so-called anti-inflationary shield, which reduced budget revenues by about PLN 31 billion. Another PLN 7 billion costed the reform of the PIT, which raised the tax-free amount to PLN 30 thousand a year and the second tax threshold from PLN 85 thousand to 120 thousand a year. Moreover the basic tax rate was lowered from 18 to 12%. Public spending, on the other hand, was boosted by, among other things, energy subsidies for households totaling about PLN 20 billion.

Pekao economists expect the public finance deficit to reach 3.7% of GDP in 2023, remaining close to that of 2022. Fiscal consolidation will be prevented by stagnant economic growth and the still high costs of countering the energy crisis (freezing energy and gas prices for vulnerable consumers, supporting energy-intensive industries).



Exchange rate

The first quarter of 2023 was very dynamic – the market was switching between benign scenarios involving prompt termination of monetary tightening cycles in core markets and beginning of monetary easing this year already, and very hawkish one with hikes being delivered fast and in outsized steps (as well as distant rate cuts). This back-and-forth was due to macro releases (in particular, US labor market data and European inflation), unwavering stance of major central banks and the problems in US and European banking sectors uncovered in March. As a result, over these three months yields moved by 100 bps in both directions. Eventually the market settled on a more benign scenario, but underlying it is a persistent fear regarding the health of banking sectors and negative spillovers on the real economy (market participants are more willing to believe in a recession now). For FX markets the first quarter was not as groundbreaking as for the FI markets, but volatility was still substantial. EUR-USD moved in the 1.05-1.10 range, with the northern direction being the dominant one in the end (euro appreciation).

The PLN remained negatively correlated with EUR-USD: it rose against the euro when the euro was rising against the dollar and declined when the dollar was on the rise. At the same time, this period brought no breakthrough on the key PLN pair and the EUR-PLN was moving in a well-known range (4.67-4.80). In other pairs the moves were somewhat amplified: USD-PLN moved in a 4.25-50 range and CHF-PLN in the 4.66-4.85 range. Eventually, when comparing end of March and end of December levels, we do not see a significant change.

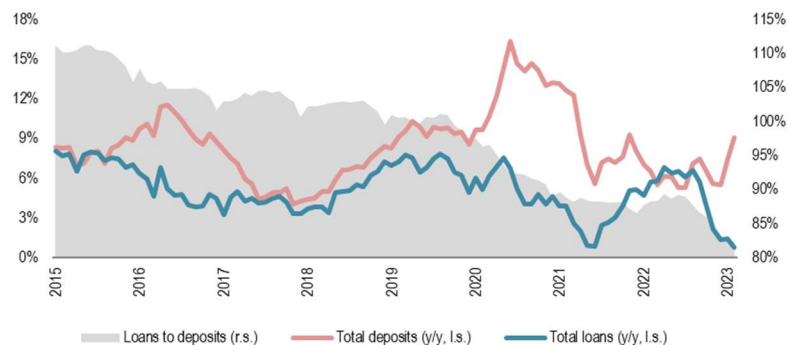
Banking sector

According to the Financial Supervision Authority (KNF) data, as of February 2023 the cumulative net profit of the banking sector amounted to PLN 6.2 billion, rising by 49% compared to the same period of 2022. Total net operating income of banks increased by 29% y/y, including above all rise of net interest income by 42% y/y (effect of a series of interest rate hikes) and net fees and commission income declined by 1.5% y/y. Banks' operating costs were 10% y/y higher, mainly because of higher personnel costs (+20% y/y). On the other hand, costs of risk doubled (rising by 102% y/y). However, one has to remember that first quarter costs of risk are typically miniscule compared to full-year outturns.

At the end of February 2023 total assets of the banking sector amounted to PLN 2.8 billion and increased by 6.5% compared to February 2022. Total receivables from the non-financial sector increased by 2.6% y/y, while total deposits from this sector by 4.5% year on year.

According to the National Bank of Poland (NBP), at the end of February 2023 the nominal volume of households' loans dropped by 4.8% compared to year before. In case of enterprises, growth of 7.9% y/y was recorded. The former is unprecedented – never before have household loans contracted so fast and PLN mortgage loans have never contracted before. This is the result of monetary tightening – new production of mortgage loans cratered in 2022 and repayments surged. Corporate loans have, on the other hand, normalized after the buoyant 2022 and growth rates in all major categories were very similar to each other. Deposit growth returned to historical average – for households this means 5.4% yoy growth in February 2023 and for corporates – an increase of 17.2% yoy over the same period.

Total loans and deposits



5. Important Events and Achievements

5.1 Description of the Group

The composition of Bank Pekao S.A. Group is presented in the Notes to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2023.

5.2 Changes in the Group's structure

In the first quarter of 2023, there were no changes in the Capital Group.

5.3 Changes in the Statutory Bodies of the Bank

Supervisory Board

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

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2023	31 MARCH, 2023	AS AT THE DATE OF SUBMITTING THE REPORT FOR 2022
Beata Kozłowska-Chyla Chairman of the Supervisory Board	Beata Kozłowska-Chyla Chairman of the Supervisory Board	Beata Kozłowska-Chyla Chairman of the Supervisory Board
Joanna Dynysiuk Deputy Chairman of the Supervisory Board	Joanna Dynysiuk Deputy Chairman of the Supervisory Board	Joanna Dynysiuk Deputy Chairman of the Supervisory Board
Małgorzata Sadurska Deputy Chairman of the Supervisory Board	Małgorzata Sadurska Deputy Chairman of the Supervisory Board	Małgorzata Sadurska Deputy Chairman of the Supervisory Board
Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board
Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board
Justyna Głębiowska-Michalak Member of the Supervisory Board	Justyna Głębiowska-Michalak Member of the Supervisory Board	Justyna Głębiowska-Michalak Member of the Supervisory Board
Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board
Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board
Marcin Izdebski Member of the Supervisory Board	Marcin Izdebski Member of the Supervisory Board	Marcin Izdebski Member of the Supervisory Board

Management Board of the Bank

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

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2023	31 MARCH, 2023	AS AT THE DATE OF SUBMITTING THE REPORT FOR 2022
Leszek Skiba President of the Management Board	Leszek Skiba President of the Management Board	Leszek Skiba President of the Management Board
Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board
Marcin Gadomski Vice President of the Management Board	Marcin Gadomski Vice President of the Management Board	Marcin Gadomski Vice President of the Management Board
Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board
Paweł Strączyński Vice President of the Management Board	Paweł Strączyński Vice President of the Management Board	Paweł Strączyński Vice President of the Management Board
Błażej Szczecki Vice President of the Management Board	Błażej Szczecki Vice President of the Management Board	Błażej Szczecki Vice President of the Management Board
Wojciech Werochowski Vice President of the Management Board	Wojciech Werochowski Vice President of the Management Board	Wojciech Werochowski Vice President of the Management Board
Piotr Zborowski Vice President Of The Management Board	Piotr Zborowski Vice President Of The Management Board	Piotr Zborowski Vice President Of The Management Board
Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board

Management Board of Bank Pekao S.A. at the date of submitting the report for the first quarter of 2023 consists of nine members.

Members of the Management Board are appointed by the Supervisory Board for a joint three-year term of office.

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

5.4 The Bank's share capital and share ownership structure

As at 31 March, 2023, the share capital of Bank Pekao S.A. amounted to PLN 262,470,034 and remained unchanged until the date of submitting the report. The Bank's share capital was divided into 262,470,034 shares in the following series:

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

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

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

SHAREHOLDER'S NAME	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2023		AS AT THE DATE OF SUBMITTING THE REPORT FOR 2022	
Powszechny Zakład Ubezpieczeń S.A.	52,494,007	20.00%	52,494,007	20.00%
Polski Fundusz Rozwoju S.A.	33,596,166	12.80%	33,596,166	12.80%
Funds managed by Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A.	16,800,000	6.40%	16,800,000	6.40%
Funds managed by Powszechnie Towarzystwo Emerytalne Allianz Polska S.A.	15,500,051	5.91%	15,500,051	5.91%
Subsidiaries managed by BlackRock, Inc	13,231,421	5.04%	13,231,421	5.04%
Other shareholders (below 5%)	130,848,389	49.85%	130,848,389	49.85%
Total	262,470,034	100.00%	262,470,034	100.00%

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

5.5 Financial credibility ratings

Bank Pekao S.A. financial credibility ratings

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

As of 31 March 2023, Bank Pekao S.A. had assigned following financial credibility ratings:

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

Pekao Bank Hipoteczny S.A. financial credibility ratings

Pekao Bank Hipoteczny S.A. cooperates with the international rating agency Fitch Ratings.

Fitch emphasizes that the rating of Pekao Bank Hipoteczny S.A. is related to the rating of Bank Pekao S.A., which holds 100% of the Bank's shares. According to Fitch, the rating of Pekao Bank Hipoteczny S.A. is affected by the level of integration with the parent company and the scale of operations as well as the Bank's capital.

At the end of March 2023, the long-term rating of Pekao Bank Hipoteczny S.A., assigned by the Fitch rating agency, was BBB with a "Stable" outlook. Mortgage bonds issued by Pekao Bank Hipoteczny S.A. had a "BBB+" rating. The high rating of the letters means that Pekao Bank Hipoteczny S.A. has the ability to issue securities with a high level of security and to obtain long-term funds for lending activities.

5.6 Awards and distinctions

The activities of Bank Pekao S.A. gained wide recognition by clients, industry specialists, the market and the media, as evidenced by numerous awards and distinctions granted by Polish and foreign institutions. Measures aimed at providing customers with the highest quality products and services, innovation of the proposed solutions have been appreciated.

The most important awards and distinctions received in the first quarter of 2023.

Vice President of the Management Board of Bank Pekao S.A. awarded for activities for the benefit of SMEs

Magdalena Zmitrowicz, Vice-President of the Management Board of Bank Pekao S.A., supervising the Corporate Banking Division, was awarded the Nicolaus Copernicus Medal from the Polish Bank Association for her merits in the development of banking financing of the SME sector. The Vice-President also received a statuette from Bank Gospodarstwa Krajowego for Bank Pekao S.A., summing up the 10-year partnership in the distribution of products with de minimis guarantees. The Nicolaus Copernicus medals were presented during the Banking Forum, an annual event organized by the Polish Bank Association. The award was given to representatives of banks and institutions who contributed to its development in Poland with their commitment, professionalism and active actions as well as openness to cooperation with the banking community.

Bank Pekao's investor relations are the best among banks in Poland according to the Institutional Investor Research Group

Investor relations of Bank Pekao S.A. were recognized as the best among banks in Poland in the survey of the quality of investor relations carried out by the Institutional Investor Research Group. Pekao was in the top 10 among the assessed domestic companies, according to the PL IR Society.

The Bank was among the top ten distinguished companies, with the best score among banks. 271 analysts and managers representing 183 financial institutions took part in the survey, which was the basis for the preparation of the ranking. They spontaneously indicated companies which, in their opinion, represented the highest level of investor relations.

Bank Pekao has been awarded many times in the Institution of the Year ranking

In this year's Institution of the Year ranking organized by Moje Bankowanie, Bank Pekao took the first place in two categories, and was in the lead in the next five. 25 bank outlets received individual distinctions for the quality of service.

The best online banking and the best mobile application turned out to be number one on the market. Bank Pekao received the highest ratio of available functionalities in both channels and the highest ratings from users of the mobile application.

We were ranked 3rd in the category of Best Service in a Facility. Throughout the year, banking outlets competed for individual awards. As many as 25 branches of Bank Pekao received individual awards and the title of the Best Banking Branch in Poland.

We have also received awards, including in the Best Remote Account Opening Process (2nd place), Best Personal Banking (2nd place), Best Private Banking (3rd place) and Best Business Bank (4th place).

Bank Pekao S.A. recognized as the best investment bank for the seventh time

For the seventh time, it won the title of the best investment bank in Poland "The Best Investment Bank in Poland for 2023" awarded by the renowned Global Finance magazine.

Bank Pekao awarded again by Global Finance

The Bank was again awarded by the prestigious Global Finance magazine in the Treasury and Cash Management Provider category.

In order to select the best providers of treasury and cash management services, the following criteria were taken into account: efficiency, market share, quality of customer service, competitive prices, product innovation and the extent to which service providers have effectively distinguished themselves from your competitors.

Bank Pekao - Bank of the Year 2023 on the commercial real estate market in Central and Eastern Europe

Bank Pekao SA was the winner of the CEE Retail Real Estate Award competition in the "Bank of the Year" category. The CEE Retail Real Estate Awards competition is organized every year by EuropaProperty to emphasize the importance of the commercial real estate market in the countries of Central and Eastern Europe. The awards are given for achievements in the commercial real estate sector.

Bank Pekao S.A. for the fifth time received the prestigious award "The Best Trade Finance Provider in Poland"

For the fifth time, the Bank received a distinction from the Global Finance magazine. Our knowledge of local economic conditions, customer needs and innovation in products and services were appreciated.

Euromoney magazine awards in the categories Market Leader in Poland and Best Services in Poland

For the second year in a row, the Bank was awarded twice for trade finance services in a competition organized by the renowned international magazine Euromoney. In this year's Best Trade Finance Survey ranking, Bank Pekao was recognized as the market leader in Poland, winning the title of Market Leader in Poland 2023 and ahead of the competition in the Best Services in Poland 2023 category.

Pekao TFI honored with the prestigious "Bulls and Bears" award in the "TFI of the Year" category awarded by the Stock Exchange and Investors Gazeta "Parkiet"

The main selection criterion for the best TFI were the high rates of return of funds managed by Pekao TFI, which were ranked at the top in individual categories.

Alfa Awards 2022 for the best mutual funds

Pekao TFI funds were among the best in two categories:

- the best fund of Polish long-term debt securities - Pekao Obligacji - Dynamiczna Aloka FIO,
- the best stable growth fund - Pekao Stable Growth.

Pearl of Polish Leasing

Pekao Leasing received a distinction in the Pearls of Polish Leasing 2023 plebiscite for an individual approach to customer needs and skilful use of the latest technologies that translate into effective service.

5.7 Bank Pekao S.A. on the Polish banking market

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

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

BUSINESS MODEL

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

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

Distribution channels

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

	31.03.2023	31.03.2022
Total number of outlets	587	648
own outlets	507	559
partner branches	80	89
Total number of own ATMs	1,314	1,439

The number of accounts

At the end of March 2023, the Bank maintained 7,590.2 thousand PLN denominated current accounts, 365.8 thousand mortgage loan accounts and 567.3 thousand "Pożyczka Ekspresowa" (Express Loan) accounts.

(in thousand)

	31.03.2023	31.03.2022
Total number of PLN current accounts (*)	7,590.2	7,026.6
of which packages	5,429.4	5,022.5
Number of mortgage loans accounts (**)	365.8	398.1
of which PLN mortgage loans accounts	341.2	371.9
Number of Pożyczka Ekspresowa loan accounts (***)	567.3	612.0

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

(**) Retail customers accounts.

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

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

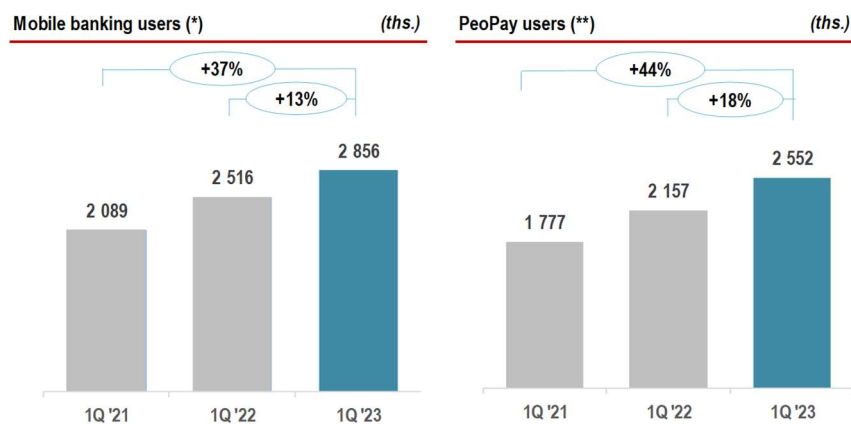
RETAIL BANKING AND PRIVATE BANKING
Strategy - The „Customer” pillar

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

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

Development of electronic and mobile banking

In the first quarter 2023, the number of active mobile banking customers increased by 99 thousand up to 2.9 million and was 13% higher than a year ago and 37% higher than two years ago. The number of active mobile customers using the PeoPay application increased by 112 thousand to 2.6 million and was 18% higher than a year ago and 44% higher than two years ago.



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

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

In the first quarter of 2023, the number of corporate customers using electronic banking increased by 1.5 thousand up to 219 thousand. The number of active corporate customers of mobile banking amounted to 87 thousand.

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

In the first quarter of 2023, we introduced new solutions and possibilities in electronic banking:

- personalizing PeoPay - adding an avatar,
- integration of Pekao24 with the Accounting with Żubr service,
- execution of the Sorbnet instant transfer,
- implementation of a split payment with a future date - open and hidden split payment,
- notifications for corporate clients,
- notifications about unexecuted direct debit / Pekao Order, automatic credit card repayment,
- registration and withdrawal of marketing objection,
- update of data: permanent residence card, expiry date and country of issue,
- information about blocking the account in Pekao24 and PeoPay,
- device counter allowing PeoPay to be installed on up to three devices,
- a new self-service process "I don't remember my Pin" on the PeoPay login screen, thanks to which the customer can regain access to the application himself in the event of
- the ability to remember the customer number in Pekao24 on trusted devices,

- new Peako24 authorization footer, using the PeoPay application, without having to pay SMS fees,
- adding PKO Bank Polski to open banking.

Strategy - The „Growth” pillar

We strive for business growth in the most profitable market segments product groups and areas of untapped potential, which will result in improved profitability. i.e. consumer finance and in the micro-enterprises segment. Over the next four years, Pekao wants to acquire over 400 thousand individual customers every year and increase its market share in cash loans. Moreover we will seek to rejuvenate the demographic structure of the retail customer base. The goal is to acquire over 600 thousand customers under 26 years of age by 2024.

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

Number of clients and accounts

In the first quarter of 2023, we opened over 164,000 accounts (+25% increase compared to the same period in 2022). This was influenced by the promotion of Konto Przedsiębiorczych combined with an attractive interest rate on Konto Oszczędnościowe at the level of 8% in the first 6 months and bonuses for active use of accounts opened with selfies.

In the first quarter of 2023, we opened almost 8,000 Świat Premium accounts dedicated to affluent clients, which is an increase of 170% compared to the first quarter of 2022. The Świat Premium Account is free of charge and the client receives direct support from a Premium Advisor.

In this year's edition of the Institution of the Year ranking organized by Moje Bankowanie, Premium Personal Banking with Konto Świat Premium took second place in the best premium banking category.

In March, in cooperation with the Żabka chain of stores and the Visa payment service provider, we launched the "Profitable with Visa card" promotion, under which customers for setting up and active use of the account receive a bonus of PLN 250, including a PLN 50 voucher for the Żabka chain of stores.

We continued to develop financial education for young people and we encourage people up to 26 to open accounts. The promotion of the PeoPay KIDS offer, the PeoPay application for teenagers, cards for players with a gaming image and accounts opened for selfies, resulted in the acquisition of +9% more accounts for young people compared to the first quarter of 2022.

The great interest in accounts for young people is also the result of our involvement in pro-family programs, including accepting applications for the 500+ child benefit and encouraging parents to set up accounts and give pocket money to their children.

We have extended a special offer for citizens of Ukraine, under which account maintenance, account card service and cash withdrawals from all ATMs in Poland and abroad (including Ukraine) are free of charge for a period of 24 months. In addition, outgoing transfers to banks in Ukraine and incoming from banks in Ukraine are free until the end of 2023.

We run promotions as part of the Mastercard Bezcenne Moments loyalty program, thanks to which customers gain additional bonus points that can be exchanged for prizes. Thanks to the implemented activities and attractive offer, the Bank occupies one of the leading positions on the market in terms of net account growth.

Payment cards

In the first quarter of 2023, we introduced a new, advantageous special offer for new holders of the Żubr Credit Card, thanks to which customers can gain as much as 64 thousand points in the Mastercard Priceless Moments Program worth PLN 800.

In the first quarter of 2023, we achieved the best credit card sales result. compared to previous years. The sale of Credit Cards with Żubr reached the level of 27 thousand pieces of new cards in the first quarter of 2023, which is almost 4 times more than in the first quarter of 2022.

Customers are increasingly willing to conclude credit card agreements in Pekao24 internet banking and PeoPay mobile banking - in March 2023, 50% of credit card agreements were concluded in the remote channel.

Lending products

In the first quarter of 2023, the sale of net cash loans increased by +17% y/y, reaching PLN 1.2 billion, while in March the sale of electronic cash loans increased by +43% compared to the first quarter of 2022. The share of loans granted electronically on Pekao24 services, in the PeoPay mobile application and via the Bank's hotline in the first quarter of 2023 was 82%.

In the area of loans on account, sales increased by +44% y/y.

We have made it possible for new customers to submit an online application for a cash loan on the www.pekao.com.pl website. As a result, customers quickly receive information about the initial assessment of creditworthiness. The agreement is signed at the Bank's branch of your choice, and ultimately the process will be available online.

In March, we launched a nationwide advertising campaign for a consolidation loan. We offer our clients the possibility of lowering the installments of loans and credits thanks to a consolidation loan granted on very attractive terms.

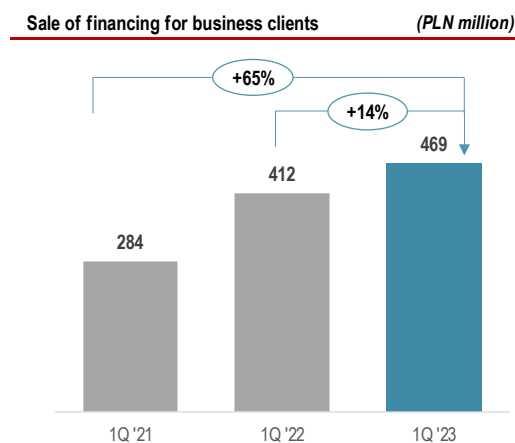
Mortgage loans

We adapted and updated the mortgage loan offer on an ongoing basis to the changing conditions and market needs. From March 2023, we introduced a housing loan with a BGK guarantee to the Family offer.

In the first quarter of 2023, the sale of housing loans increased by +57% q/q and amounted to PLN 679 million.

Business clients loans

In the first quarter of 2023, new sales of financing for business customers amounted to PLN 469 million, with a dynamics of +14% y/y. The dynamic growth of new sales of bank loans in the business segment by +37% y/y to PLN 231 million was supported by the implementation of a full risk assessment path last year, which allows for a quick calculation of the available limit and quick disbursement of a loan or revolving limit, as well as implemented campaigns supporting the development of relations with clients in the field of financing.



Development in the area of insurance products

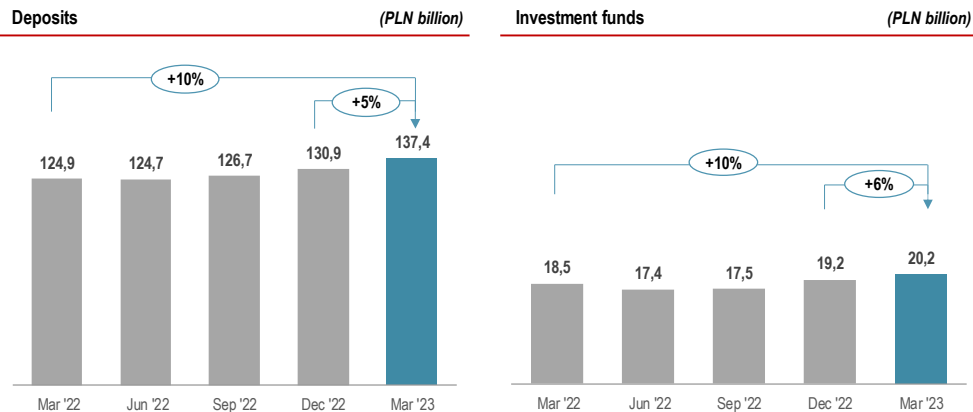
In the first quarter of 2023, another 25 PZU outlets expanded their offer with our Bank's product. The Bank's products can be purchased in 225 PZU branches.

In the first quarter of 2023, in the area of assurbanking in cooperation with PZU, the number of clients acquired was +25% higher than in the corresponding period of 2022.

In the first quarter of 2023, the share of cash loans sold with insurance reached 40.7% (+5.5 p.p. compared to the first quarter of 2022), which is the highest level since the implementation of this product with PZU. The share of mortgage loans sold with insurance remains at a stable, high level of 90.4%.

Motor insurance, life insurance for mortgage loans are available through remote channels.

Deposit, brokering activity and sale of investment products



At the end of March 2023, the total value of deposits and certificates of deposit held by individual clients (including Private Banking clients) and business clients amounted to PLN 137 billion, an increase of PLN +6.5 billion (+5%) compared to the end of December 2022 and PLN +12.5 billion (+10%) compared to March 2022.

In the first quarter of 2023, the 8% promotion on savings accounts for 6 months from their opening was very popular among new customers and customers of the Bank. We have achieved sales of almost 45 thousand new savings accounts, where customers invested over PLN 3.5 billion of new funds.

Deposits available in remote channels were also very popular, such as: subsequent editions of the Lokata z Żubrem offer available in the PeoPay application with an interest rate of up to 6.5% for 6 months or Deposits with a credit card with an interest rate of 8% for 6 months.

For customers interested in additional diversification of their savings and the possibility of achieving higher income in the future, the Bank offered a new product, "Investment Deposit", from which funds deposited are gradually transferred to investment funds selected by the customer. We also offered our clients deposits combined with Pekao TFI investment funds, with an interest rate of 8% for 12 months.

In the first quarter of 2023, net sales of investment products amounted to over PLN 2.5 billion.

Since the first quarter of 2023, the sale of Treasury Bonds has been available in all branches of the Bank and in the first three months the sale reached over PLN 1.2 billion.

In the first quarter of 2023, we introduced the following investment products to the offer for individual and private clients:

- Structured product with full capital protection on redemption date in PLN: Certificate with Capital Protection Linked to Shares of BMW AG and Volkswagen AG for 1 year and 6 months in PLN issued by Goldman, Sachs & Co. Wertpapier GmbH,
- Structured product with full capital protection on redemption date in PLN: Certificate with Capital Protection Linked to Shares of Walmart Inc. | Siemens AG for 1 year and 6 months in PLN, issued by Goldman, Sachs & Co. Wertpapier GmbH,
- Structured product with full capital protection on redemption date in EUR and USD: Two-Year 100% Worst Of Capital Protection Bond Linked to Carrefour SA and TotalEnergies SE Shares in EUR and USD, issued by SG Issuer.

The Bank applies preferential pricing terms to customers purchasing investment products via Internet applications and actively encourages customers to use remote channels.

ENTERPRISE BANKING

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

In the first quarter of 2023 we focused on the automation and digitization of the credit process and the development of electronic banking functionalities enabling customer self-service.

Strategy - The „Customer” pillar

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

Lending activities and customer financing

The first quarter of 2023 was another period in which we recorded an increase in the number of loan transactions.

In the first quarter of 2023, we recorded a high dynamics of the loan portfolio of +14.4% y/y - an increase in value by PLN +4.3 billion. The growth dynamics in the segments amounted to:

- small and medium enterprises: +19% y/y, increase by PLN +1.5 billion,
- medium-sized corporations: +13% y/y, PLN +2.8 billion.

The dynamic growth in value is visible in both bank loans and leasing.

In the first quarter of 2023, the value of SME loans sold reached PLN 1.6 billion of new loans (without renewals), maintaining the high level from previous quarters and achieving an increase of +15% y/y. Combined with new sales in the medium-sized companies segment, this translated into an increase in total sales to PLN 4.6 billion, i.e. +10% compared to the same period of the previous year.

Customer acquisition

We maintained a high level of acquisition of new clients, we acquired over 800 clients in the SME segment and over 150 new clients in the segment.

Transaction activity

In the first quarter of 2023, we introduced new solutions and possibilities in the PekaoBiznes24 electronic banking: we improved the message module facilitating the bank's ongoing communication with clients, we introduced the possibility of importing securities transaction settlement instructions and we provided an electronic application for microfactoring for SME clients, enabling clients to take advantage of the Pekao Faktoring offer.

CORPORATE AND INVESTMENT BANKING

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

CLIENTS

In the first quarter of 2023, we serviced 6.6 thousand clients. We cooperate with the largest companies, we provide support in the field of substantive, operational and financial development of our clients both in everyday business and large strategic projects.

Strategy

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

Plans and ambitions of Corporate Banking rest on 4 pillars:

Growth:

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

Effectiveness:

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

Clients:

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

Responsibility:

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

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

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

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

We are invariably building a customer-centric culture and we want to be the first choice bank for our clients. Therefore, we try to quickly and accurately recognize their needs. We provide advise based on our knowledge of client's profile, industry and segment. We try to increase the level of satisfaction of clients with their interaction with the Bank.

Supporting sustainable economic development, we actively support the government and EU programs for economic recovery and climate transformation. We support and finance the energy transformation of our clients and the evolution towards green solutions. An important area of our activity is also the cooperation with public sector entities, where, in addition to green investments, we are involved in financing socially responsible projects.

In addition, we manage our capital in a responsible way by selecting better clients, products and transactions. We rely on sector expertise, flexible and specialized product offer and competences in structured finance. Our capabilities are additionally strengthened by a high level of competence in performing operations on the Polish and foreign financial markets.

Cooperation with financial institutions and custody services

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

Under the corresponding banking, as at 31 March 2022, the Bank maintained 65 nostro accounts with 42 banks in 24 countries; it ran 210 loro accounts for 191 foreign clients (banks and other financial institutions) from 46 countries and 43 current accounts for 37 foreign financial institutions. The Bank also intermediated in the execution of transactions for clients of other domestic banks, running 37 loro accounts for 13 Polish banks and maintaining 5 nostro accounts with 1 Polish bank.

Transactional banking

In the first quarter of 2023:

- we recorded an increased volume of transactions processed under Pekao Collect service by 4%, as compared to the data for the first quarter of 2022 (we processed more than 44 mln transactions with a total volume of over PLN 86 billion),
- we processed more than 1,5 million direct debit transactions in the total amount of PLN 403 million (increase by 14%),
- we recorded an increased number of Elixir domestic transfers by 11% q/q and the number of ExpressElixir instant transfers sent from PekaoBiznes24 by 187% y/y (we maintain about 20% market share for domestic payments),
- we introduced new functionalities in the PekaoBiznes24 system that allow our clients to independently cancel foreign and domestic payments which could not be executed,
- we changed the method of calculating fees and commissions for the Pekao Cash service by introducing taxation at the rate of 23% VAT on remuneration due for the provision of services related to deposits/withdrawals made in a closed form. This change translates into optimization of product handling costs.

As part of our pro-environmental activities, we provided our clients with a multi-currency MasterCard Corporate Debit FX card made of 99% PVC recycled from post-industrial waste.

Trade finance

In the first quarter of 2023, the amount of the newly granted guarantees and sureties increased by 31% as compared to 2022. The Bank also recorded a two-digit growth dynamics in the area of documentary products - the amount of new transactions was higher by 10%.

The Bank financed invoices under the Open Financing Platform (OFP) in the total amount of nearly PLN 620 million, while the number of bought out invoices increased by 23%.

Cooperation with international clients

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

We signed an agreement with the National Chamber of Commerce which is aimed at facilitating the international economic expansion of Polish entrepreneurs and supporting the development of Polish exports. The agreement provides for a number of joint activities that will translate into access of entrepreneurs to the coordinated substantive care, expertise, as well as financial and non-financial solutions supporting the expansion into foreign markets.

Investment finance, structured finance and commercial real estate

We offer our clients the services in the field of investment banking, structured finance and financing of commercial real estate projects, including financing of the construction of warehouses.

The key projects financed by the Bank in the first quarter of 2023 include:

- increasing the amount of working capital financing up to PLN 1 billion for an entity from the automobile industry,
- increasing the amount of overdraft facility up to PLN 1 billion for one of the top companies from the energy sector,
- financing provided under a syndicated loan agreement for the total amount of PLN 2,5 billion, combined with sustainable development, for a company from the energy sector. The participation of Bank Pekao in financing was PLN 600 million,
- working capital financing in the amount of PLN 80 million granted to an entity from the biofuels sector.

Issuance of debt securities

In the first quarter of 2023, the Bank participated in issuance of non-treasury debt securities (of corporate entities, banks and municipal units) for the total amount of nearly PLN 11,48 billion, of which the following transactions deserve special attention

- the issue of 7-year sustainability-linked bonds for the amount of PLN 2,67 billion for the largest provider of integrated media and telecommunications services in Poland. The Bank acted as co-arranger of the issue and bookrunner. The bonds will finance the implementation of the issuer's group development strategy, including the construction of assets producing clean energy and green hydrogen, and they are based on the sustainable development goals,
- the issue of 4 series of bonds for a company from the Group operating in the leasing industry for the total amount of PLN 1,65 billion and the issue of 8 series of bonds denominated in PLN and EUR for a company from the Group operating in the factoring sector for the total amount being equivalent of about PLN 5,4 billion. The Bank performed the role of sole arranger and dealer in these transactions,
- the issue of Eurobonds for an international financial institution for the amount of PLN 600 million with maturity date in September 2025 in which the Bank was the sole arranger,
- the issue of Climate Awareness Bonds maturing in September 2025 for a multilateral financial institution for the amount of PLN 400 million in which the Bank acted as the sole arranger. The proceeds obtained from the issue are to be used for the issuer's lending activity which significantly contributes to limiting climate change in terms of eliminating or reducing greenhouse gas emissions,
- the issue of short-term bonds for a mortgage bank from the Group for the amount of PLN 200 million. The Bank was the sole arranger and dealer in this transaction,
- the issue of green bonds for a company belonging to an international development group for the amount of PLN 180 million and maturity date in September 2026 in which the Bank was the co-arranger and dealer. The proceeds from the issue will be used exclusively for environmentally friendly investments, including energy-neutral buildings or renewable energy sources, such as solar and wind farms implemented for the purposes of these projects,
- the issue of 6-year bonds for the top company from the Polish asset recovery sector for the total amount of PLN 120 million in which the Bank was the dealer of the consortium.

Comprehensive service of public sector finances

One of the elements of our strategy is to finance public sector and municipal projects. We provide services and we provide financing to self-government units, municipal companies, institutions of higher education as well as entities established as part of public-private partnership.

We cooperate with 11 out of 12 Polish metropolises (92% market share) and we provide ongoing budget support for five of them. We cooperate with every fourth municipality in Poland (25% market share). We maintain business relationships with 92% of towns with county rights and we provide ongoing services to every fifth of them (21%). We also cooperate with every third county (37%) and with almost all provinces (94%). We are a major bank for state universities – 60 of them use our services.

We are actively involved in activities related to building and developing Polish infrastructure, including the support for sustainable development of the economy and environmental protection.

In the first quarter of 2023, we joined an international consortium that will finance the construction of a tram line in Cracow in the public-private partnership formula. The European Investment Bank, the European Bank for Reconstruction and Development and the Polish Development Fund also participate in this financing. Our participation in financing exceeds PLN 0,5 billion and it is the largest project implemented in this formula in the area of public urban transport. The project is of strategic importance to the city of Cracow in terms of development of the fast and low-emission urban transport.

5.8 Factors which will affect the results of the Group

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

The year 2022 was a time of economic uncertainty, but at the same time the continuation of post-pandemic rebound. Polish GDP eventually grew by 4.9% yoy, reflecting the strong economic activity at the beginning of the year, but later in 2022, economic sentiment deteriorated due to rapidly rising prices and simultaneous tightening of monetary policy. For 2023, we forecast a clear decline in economic growth to 0.8% yoy due to the slowdown in the global economy and the consequences of cooling demand through the channel of monetary policy. The reasons for the slowdown should be sought in weaker private consumption (due to the declining, but still high price growth and the materialization of the effects of interest rate hikes), poor prospects for private investments and further uncertainty related to the geopolitical situation.

The outlook for future economic development will have an impact on demand for banking products and possible further changes in the cost of risk as a result of updated assumptions about the economic situation.

Monetary policy is an important factor influencing the results of banks. The economic situation and very high inflation prompted the Monetary Policy Council to continue the cycle of interest rate increases initiated in October 2021. Since then, the reference rate has been raised from 0.10% to 6.75% and, according to the Bank, it will remain at this level until Q4 2023. The environment of historically high interest rates is a favorable situation for banks, which will translate into an improvement in their net interest income, which is a major part of the sector's operating income. Nevertheless, the end of the year may bring the first interest rate cuts, which may negatively affect the results of the banking sector.

Independently from economic situation, tax and regulatory environment invariably plays major role for banks. In particular, this includes tax on certain financial institutions, high capital requirements, contributions to Bank Guarantee Fund (BFG), costs of further adjustment to a number of regulatory solutions (MIFID II, RODO/GDPR, PSD II, MREL, among others), as well as introduction in Poland of cap on asset management fees. In general the tax and regulatory environment of the sector remains very restrictive, which, combined with the unprecedented economic situation, may constrain certain banks' credit expansion and impact their financial results. Nevertheless, a factor having a positive impact on the banking sector's result will be the lack of BFG contribution in 2023 - banks will only be charged a contribution to the bank resolution fund, which is expected to be lower than in the previous year.

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

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

A relevant factor affecting the results of the banking sector in 2022 and 2023 will be the so-called credit holidays and a 2% credit loan. The burden in the form of the first of these solutions was observed in the third quarter of 2022, when credit holidays reduced the net result of 9 listed banks by almost PLN 13 billion. During the first 2.5 months of the credit holiday program, one million borrowers decided to take advantage of them. This factor will also be present in 2023 - borrowers will be entitled to one month of credit holidays for each quarter of this year. A 2% credit loan is a solution offered to people up to 45 years of age who do not have and have not had an apartment, house or a cooperative right to a flat or a house. The maximum value of such a loan is up to PLN 500 thousand for one person and 600 thousand in the case of a married couple or parents with a child. Over the 10 years of loan repayment, the government will pay extra to the loan installment, and the subsidy will cover the differences between the real and 2% interest rate. The programme, just as all interventions aimed at supporting the housing market, will be scrutinized closely.

6. Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 31 March, 2023 and 2022 respectively is presented in Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2023.

The Report on activities of Bank Pekao S.A. Group for the first quarter of 2023, includes statement of financial position in a short form and income statement in a presentation form as well as the key, selected items from these statements are discussed.

6.1 The consolidated income statement – presentation form

In the first quarter of 2023, we generated a net profit of the Bank Pekao S.A. Group, attributable to the Bank's shareholders in the amount of PLN 1,446.4 million. This result is higher by PLN 539.2 million than the result achieved in the first quarter of 2022, thanks to higher income, despite the inflationary increase in operating costs.

	(in PLN million)		
	1 QUARTER OF 2023	1 QUARTER OF 2022	CHANGE
Net interest income	2,774.3	2,069.1	34.1%
Net fee and commission income	686.0	705.0	(2.7%)
Dividend income	0.4	0.3	33.3%
Trading result	158.4	50.4	> 100%
Net other operating income and expenses	(62.9)	(0.9)	> 100%
Net non-interest income	781.9	754.8	3.6%
Operating income	3,556.2	2,823.9	25.9%
Operating costs	(1,129.9)	(978.3)	15.5%
Gross operating profit	2,426.3	1,845.6	31.5%
Net allowances for expected credit losses	(105.2)	(134.4)	(21.7%)
including: legal risk regarding foreign currency mortgage loans	27.0	(8.6)	x
Net operating profit	2,321.1	1,711.2	35.6%
Contributions to the Bank Guarantee Fund	(191.7)	(267.2)	(28.3%)
Fee paid for the Protection Schemes	-	-	x
Contributions to the Borrowers Support Fund	-	-	x
Tax on certain financial institutions	(219.3)	(201.8)	8.7%
Gains on associates and disposal of subsidiaries	1.0	1.1	(9.1%)
Profit before tax	1,911.1	1,243.3	53.7%
Income tax expense	(464.3)	(335.4)	38.4%
Net profit	1,446.8	907.9	59.4%
Attributable to equity holders of the Bank	1,446.4	907.2	59.4%
Attributable to non-controlling interest	0.4	0.7	(42.9%)

Operating income

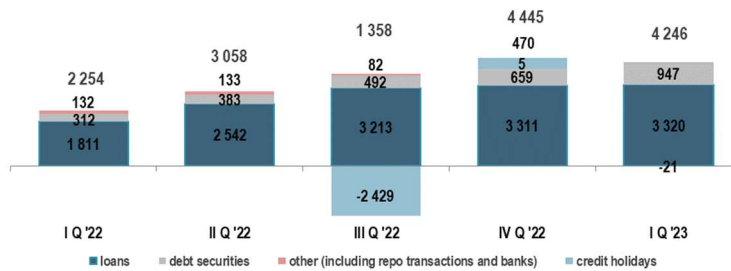
The Group's operating income in the first quarter of 2023 amounted to PLN 3,556.2 million and was 25.9% higher than the income achieved in the first quarter of 2022, mainly due to net interest income.

Total net interest income

	(in PLN million)		
	1 QUARTER OF 2023	1 QUARTER OF 2022	CHANGE
Interest income	4,246.0	2,254.1	88.4%
Interest expense	(1,471.7)	(185.0)	> 100%
Net interest income	2,774.3	2,069.1	34.1%

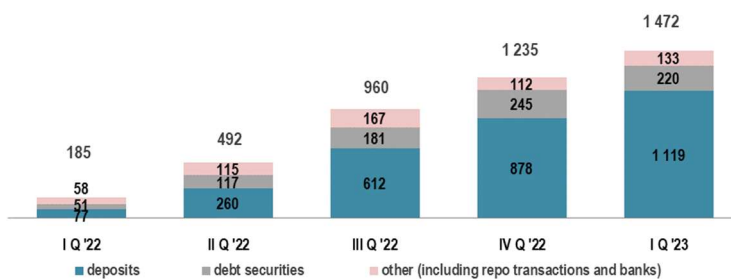
Net interest income in first quarter of 2023, amounted to PLN 2,774.3 million and was higher by PLN 705.2 million, i.e. 34.1% in comparison with first quarter of 2022.

Interest income



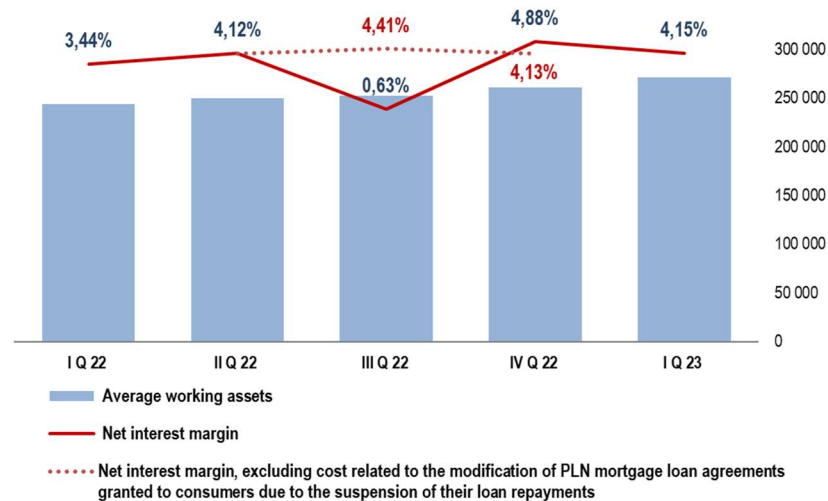
Interest income in the first quarter of 2023 amounted to PLN 4,246.0 million and was higher by PLN 1,991.9 million y/y, mainly due to the increase in market interest rates in 2022. In the fourth quarter of 2022, a one-off income was recognized in the amount of PLN 470.3 million, in connection with the revaluation of the provision related to the modification of PLN mortgage loan agreements granted to consumers due to their suspension of loan repayments (credit holidays).

Interest expense



In the first quarter of 2023, interest expense in the first quarter of 2023 amounted to PLN 1,471.7 million and was higher by PLN 1,286.7 million y/y, due to the adjustment of the Bank's product offer to market conditions and customer expectations

Interest margin



The interest margin achieved in the first quarter of 2023, was 4.15% and was higher by 0.71 p.p. than the margin achieved in comparison with first quarter of 2022.

Net non-interest income

(in PLN million)

	1 QUARTER OF 2023	1 QUARTER OF 2022	CHANGE
Fee and commission income	855.0	836.2	2.2%
Fee and commission expense	(169.0)	(131.2)	28.8%
Net fee and commission income	686.0	705.0	(2.7%)
Dividend income	0.4	0.3	33.3%
Trading result	158.4	50.4	>100%
Net other operating income and expense	(62.9)	(0.9)	>100%
Net non-interest income	781.9	754.8	3.6%

Net non-interest income achieved in the first quarter of 2023 amounted to PLN 781.9 and was higher by PLN 27.1 million, i.e. 3.6% compared to the result achieved last year, thanks to a higher trading result, despite higher provision for legal risk regarding foreign currency mortgage loans.

The Group's net fee and commission income in the first quarter of 2023 amounted to PLN 686.0 million and was lower by PLN 19.0 million, i.e. 2.7% compared to the result achieved in the first quarter of 2022, mainly due to high margin on FX transactions with customers last year as a result of increased customer activity on the FX market after the outbreak of the war.

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

(in PLN million)

	1 QUARTER OF 2023	1 QUARTER OF 2022	CHANGE
Net fee and commission income	686.0	705.0	(2.7%)
on loans	142.4	126.8	12.3%
on cards	78.1	70.7	10.5%
on mutual funds	82.1	77.1	6.5%
on brokerage activate	36.0	33.4	7.8%
on margins on foreign exchange transactions with clients	175.6	184.1	(4.6%)
other	171.8	212.9	(19.3%)

Operating costs

Operating cost in the first quarter of 2023 amounted to PLN 1,129.9 million and were higher by PLN 151.6 million, i.e. 15.5% compared to the first quarter of 2022 and increased mainly due to salary indexation and higher property maintenance costs, due to the increase in energy cost and the minimum wage.

(in PLN million)

	1 QUARTER OF 2023	1 QUARTER OF 2022	CHANGE
Personnel expenses	(613.9)	(558.1)	10.0%
General administrative expenses and depreciation	(516.0)	(420.2)	22.8%
Operating costs	(1,129.9)	(978.3)	15.5%

In the first quarter of 2023 cost / income ratio amounted to 31.8% and was lower by 0.29 p.p. y/y.

As of 31 March 2023 the Group employed 14,834 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 14,752 employees as at the end of March 2022.

Contributions to the Bank Guarantee Fund

In the first quarter of 2023 the Contributions to the Bank Guarantee Fund amounted to PLN 191.7 million and were lower by PLN 75.5 million compared to the first quarter of 2022.

Tax on certain financial institutions

Tax on certain financial institutions in the first quarter of 2023 amounted to PLN 219.3 million and was higher by PLN 17.5 million i.e. 8.7% as compared to the first quarter of 2022, due to an increase in Group's assets.

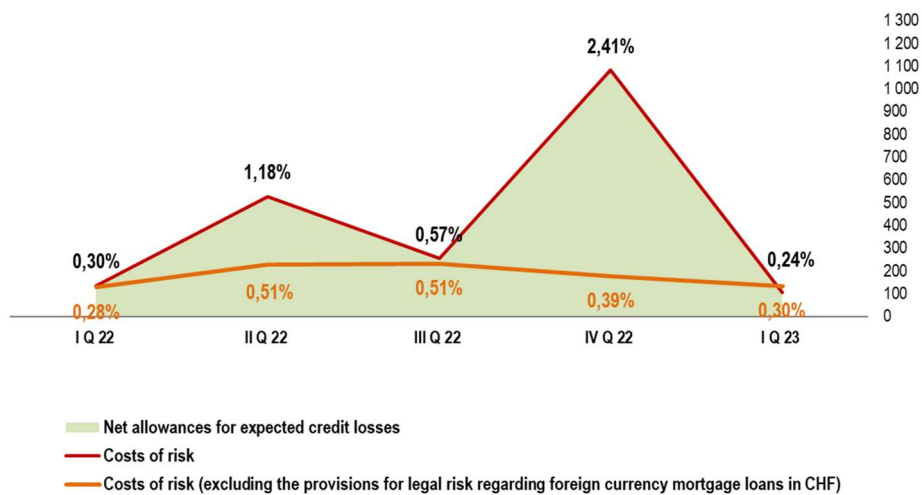
6.2 Net allowances for expected credit losses

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	1 QUARTER OF 2023	1 QUARTER OF 2022	1 QUARTER OF 2023	1 QUARTER OF 2022
financial assets measured at amortized cost excluding provisions for legal risk regarding foreign currency mortgage loans in CHF	(170.7)	(137.1)	(167.8)	(169.5)
financial assets measured at fair value through other comprehensive income	1.9	3.6	(0.5)	14.6
financial liabilities measured at amortized cost	36.6	7.7	35.0	1.8
Net allowances for expected credit losses excluding provisions for legal risk regarding foreign currency mortgage loans in CHF	(132.2)	(125.8)	(133.3)	(153.1)
financial assets measured at amortized cost - provisions for legal risk regarding foreign currency mortgage loans in CHF	27.0	(8.6)	24.7	(9.6)
Net allowances for expected credit losses	(105.2)	(134.4)	(108.6)	(143.5)

Net allowances for expected credit losses amounted to PLN 105.2 million in the first quarter of 2023 and was lower by PLN 29.2 million i.e. 21.7% as compared to the first quarter of 2022.

Costs of risk



The costs of risk excluding provisions for legal risk regarding foreign currency mortgage loans in CHF in the first quarter of 2023 amounted to 0.30%.

6.3 The structure of the net profit

(in PLN million)

	1 QUARTER OF 2023	1 QUARTER OF 2022	CHANGE
Net profit of Bank Pekao S.A.	1,373.7	831.9	65.1%
Entities consolidated under full method			
Pekao Leasing Sp. z o.o.	21.8	29.7	(26.6%)
Pekao Investment Management S.A.	21.1	14.5	45.5%
Pekao Faktoring Sp. z o.o.	12.7	13.3	(4.5%)
Centrum Kart S.A.	2.2	1.7	29.4%
Pekao Direct Sp. z o.o.	2.1	1.1	90.9%
Pekao Bank Hipoteczny S.A.	2.1	(4.1)	x
PEUF Sp. z o.o.	1.9	0.1	>100%
Pekao Financial Services Sp. z o.o.	1.4	2.2	(36.4%)
Pekao Fundusz Kapitałowy Sp. z o.o. w likwidacji	0.4	(0.1)	x
Pekao Investment Banking S.A.	0.2	3.3	>100%
Pekao Property S.A. w likwidacji	0.1	(0.1)	x
FPB "MEDIA" Sp. z o.o. w upadłości	-	-	x
Entities valued under the equity method			
Krajowy Integrator Płatności S.A.	1.0	1.1	(9.1%)
<i>Exclusions and consolidation adjustments ^(*)</i>	<i>5.7</i>	<i>12.6</i>	<i>(54.8%)</i>
Net profit of the Group attributable to equity holders of the Bank	1,446.4	907.2	59.4%

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

Results of the Bank's major related entities**Pekao Leasing Sp. z o.o. - Pekao Leasing**

In the first quarter of 2023, Pekao Leasing generated a net profit of **PLN 21.8 million**, compared to a profit of PLN 29.7 million in the first quarter of 2022. The result of Pekao Leasing in 2023 is burdened with a higher cost of financing and an increase in the level of operating costs, with higher cost of risk due to the revaluation of provisions for customers dependent on the increase in energy prices.

Pekao Investment Management S.A. - Pekao IM

Consolidated net profit of Pekao IM in the first quarter of 2023, amounted to **PLN 21.1 million**, compared to PLN 14.5 million in the first quarter of 2022. The result was influenced by the improving situation on the capital market, which translated into an increase in the value of Pekao TFI assets.

Pekao Faktoring Sp. z o.o. - Pekao Faktoring

In the first quarter of 2023, Pekao Faktoring generated a net profit of **PLN 12.7 million** compared to a profit of PLN 13.3 million in the first quarter of 2022. Lower result of Pekao Faktoring is a result of higher operating costs and credit risk, despite further business development (sales increase by 9.8% y/y and income increase by 8.5% y/y). Pekao Faktoring ranks first in turnover on the Polish factoring market.

Centrum Kart S.A. – Centrum Kart

In the first quarter of 2023, Centrum Kart generated a net profit of **PLN 2.2 million** compared to PLN 1.7 million generated last year.

Pekao Direct Sp. z o.o. - Pekao Direct

In the first quarter of 2023, Pekao Direct reported a net profit of **PLN 2.1 million**, compared to PLN 1.1 million profit generated in the first quarter of 2022.

Pekao Bank Hipoteczny S.A. - Pekao Bank Hipoteczny

In the first quarter of 2023, Pekao Bank Hipoteczny reported a net profit of PLN 2.1 million, compared to a loss of PLN 4.1 million in the first quarter of 2022. The result was positively affected by the increase in income y/y and strict control of operating and risk costs.

PeUF Sp. z o.o. – PEUF

In the first quarter of 2023, PeUF generated a net profit of **PLN 1.9 million**. The company started its business operations in the first quarter of 2022.

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

In the first quarter of 2023, PFS generated a net profit of PLN 1.4 million (including the Bank's share of **PLN 0.9 million**), compared to a profit of PLN 2.2 million in the first quarter of 2022. The net result was lower due to the growing operating costs, including those related to the start of servicing a new client, despite the increase in revenues.

Krajowy Integrator Płatności S.A.- KIP

In the first quarter of 2023, KIP generated a net profit of PLN 2.7 million (including the Bank's share of PLN 1.0 million), compared to a profit of PLN 2.0 million achieved in the first quarter of 2022. The results are the effect of the continuous development of KIP's activities in the area of online payment services, service websites, a wider range of services provided by KIP, including as part of cooperation with the Bank.

Pekao Investment Banking S.A. - Pekao IB

In the first quarter of 2023, Pekao IB generated a net profit of **PLN 0.2 million**, compared to PLN 3.3 million in the first quarter of 2022. The result was affected by a smaller number and value of finalized transactions in the area of advisory services on the private and public capital market compared to the previous year.

The results of Bank Pekao S.A.

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

(in PLN million)

	1 QUARTER OF 2023	1 QUARTER OF 2022	CHANGE
Net interest income	2,693.2	1,990.7	35.3%
Net non-interest income	680.9	664.7	2.4%
Operating income	3,374.0	2,655.5	27.1%
Operating costs	(1,039.5)	(903.8)	15.0%
Gross operating profit	2,334.5	1,751.6	33.3%
Net allowances for expected credit losses	(108.6)	(143.5)	(24.3%)
including: legal risk regarding foreign currency mortgage loans	24.7	(9.6)	x
Net operating profit	2,225.9	1,608.1	38.4%
Contributions to the Bank Guarantee Fund	(188.2)	(264.7)	(28.9%)
Fee paid for the Protection Schemes	-	-	x
Contributions to the Borrowers Support Fund	-	-	x
Tax on certain financial institutions	(219.3)	(201.8)	8.7%
Profit before tax	1,818.4	1,141.7	59.3%
Net profit	1,373.7	831.9	65.1%

Net profit of Bank Pekao S.A. in the first quarter of 2023, amounted to PLN 1,373.7 million and was higher by PLN 541.8 million, mainly due to higher net interest income.

The main Bank's financial information are as follows:

	31.03.2023	31.03.2022	CHANGE
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS			
(in PLN million)			
Loans and advances at nominal value ^(*)	162,795.2	165,882.7	(1.9%)
Amounts due to customers	223,494.7	203,752.0	9.7%
Structured Certificates of Deposit	699.0	432.6	61.6%
Certificates of Deposit	2,101.4	1,751.0	20.0%
Subordinated bonds	2,750.0	2,750.0	x
Repo transactions	3,810.3	1,096.3	>100%
Total assets	282,987.8	262,815.6	7.7%
Investment funds distributed through the Bank's network	16,826.1	16,756.0	0.4%
Total capital ratio in %	19.9%	18.8%	1.1 p.p.

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

Loans and advances at nominal value at the end of March 2023 amounted to PLN 162,795.2 million and were lower by PLN 3,087.5 million, i.e. 1.9% than at the end of March 2022. At the end of March 2023, retail loans amounted to PLN 73,365.9 million, and corporate loans - PLN 77,216.2 million.

Amounts due to customers, Structured Certificates of Deposit, Certificates of Deposit and Subordinated Bonds at the end of March 2023 amounted to PLN 229,045.1 million and were higher by PLN 22,543.1 million, i.e. 10.9% compared to the end of March 2022.

Net assets of investment funds managed by Pekao TFI S.A. distributed by the Bank's network at the end of March 2023 amounted to PLN 16,826.1 million and was higher by PLN 70.1 million, i.e. 0.4% compared to the end of March 2022.

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

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of March 2023, the total assets of Bank Pekao S.A. constitutes 96.7% of the total assets of the whole Group.

ASSETS	31.03.2023		31.03.2022		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	14,826.9	5.1%	18,828.2	6.9%	(21.3%)
Loans and advances to banks ^(*)	5,454.4	1.9%	6,364.6	2.3%	(14.3%)
Loans and advances to customers ^(**)	166,860.0	57.0%	170,912.2	62.9%	(2.4%)
Reverse repo transactions	2,165.0	0.7%	1,563.8	0.6%	38.4%
Securities ^(***)	82,884.8	28.3%	54,195.8	19.9%	52.9%
Investments in associates	49.5	0.0%	45.1	0.0%	9.8%
Property, plant and equipment and intangible assets	3,768.8	1.3%	4,046.5	1.5%	(6.9%)
Other assets	16,619.0	5.7%	15,928.8	5.9%	4.3%
Total assets	292,628.4	100.0%	271,885.0	100.0%	7.6%

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

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

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

EQUITY AND LIABILITIES	31.03.2023		31.03.2022		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	-	-	-	-	x
Amounts due to other banks	7,735.1	2.6%	13,284.0	4.9%	(41.8%)
Amounts due to customers	223,139.6	76.3%	203,509.7	74.9%	9.6%
Debt securities issued	7,799.6	2.7%	6,637.7	2.4%	17.5%
Subordinated liabilities	2,850.9	1.0%	2,781.2	1.0%	2.5%
Repo transactions	3,810.3	1.3%	1,096.3	0.4%	>100%
Lease liabilities	262.8	0.1%	361.2	0.1%	(27.2%)
Other liabilities	21,873.2	7.5%	20,719.5	7.6%	5.6%
Total equity including non-controlling interests	25,156.9	8.6%	23,495.4	8.6%	7.1%
Total equity and liabilities	292,628.4	100.0%	271,885.0	100.0%	7.6%

Customer structure of loans and advances

(in PLN million)

	31.03.2023	31.03.2022	CHANGE
Loans and advances at nominal value ^(*)	174,689.0	177,525.6	(1.6%)
Loans and investments in financial leases	164,638.7	166,875.8	(1.3%)
Retail	75,703.1	81,875.4	(7.5%)
Corporate	88,935.6	85,000.4	4.6%
Non-treasury debt securities	10,050.3	10,649.8	(5.6%)
Other ^(**)	2,135.7	1,491.2	43.2%
Impairment allowances	(9,964.7)	(8,104.6)	23.0%
Total net receivables	166,860.0	170,912.2	(2.4%)
Reverse repo transactions	2,165.0	1,563.2	38.5%
Total Customers' financing ^(***)	176,854.0	179,088.8	(1.2%)

(*) Excluding reverse repo transactions.

(**) Including interest and receivables in transit.

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

As at the end of March 2023, loans and advances at nominal value amounted to PLN 174,689.0 million an decrease of PLN 2,836.6 million, i.e. 1.6% in comparison to the end of March 2022.

As at the end of March 2023, the volume of retail loans amounted to PLN 75,703.1 million an decrease of PLN 6,172.3 million, i.e. 7.5% in comparison to the end of March 2022.

As at the end of March 2023 corporate loans and non-treasury debt securities amounted to PLN 98,985.9 million an increase of PLN 3,335.7 million, i.e. 3.5% in comparison to the end of March 2022.

Receivables and impairment losses ^(*)

	(in PLN million)		
	31.03.2023	31.03.2022	CHANGE
Gross receivables	176,824.7	179,016.8	(1.2%)
Stage 1	147,673.2	143,446.9	2.9%
Stage 2	17,812.7	25,900.1	(31.2%)
Stage 3	11,338.8	9,669.8	17.3%
Impairment allowances	(9,964.7)	(8,104.6)	23.0%
Stage 1	(859.8)	(644.7)	33.4%
Stage 2	(1,269.9)	(1,114.6)	13.9%
Stage 3	(7,835.0)	(6,345.3)	23.5%
Total net receivables	166,860.0	170,912.2	(2.4%)

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

As at the end of March 2023 the ratio of impaired receivables (stage 3) to the gross receivables amounted to 6.4%.

Loans and advances to customers by currency ^(*)

	31.03.2023		31.03.2022		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	140,329.8	79.4%	146,751.4	82.0%	(4.4%)
Denominated in foreign currencies ^(**)	36,494.9	20.6%	32,265.4	18.0%	13.1%
Total	176,824.7	100.0%	179,016.8	100.0%	(1.2%)
Impairment allowances	(9,964.7)	x	(8,104.6)	x	23.0%
Total net	166,860.0	x	170,912.2	x	(2.4%)

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

^(**) Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish zloty, as at the end of March 2023 their share was 79.4%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (87.3%), CHF (6.7%) and USD (4.7%).

Loans and advances to customers by contractual maturities ^(*)

	31.03.2023		31.03.2022		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	23,565.8	13.3%	20,817.2	11.6%	13.2%
1 to 3 months	7,739.5	4.4%	7,288.0	4.1%	6.2%
3 months to 1 year	17,347.2	9.8%	19,008.8	10.6%	(8.7%)
1 to 5 years	55,924.7	31.6%	58,338.1	32.6%	(4.1%)
Over 5 years	65,392.5	37.0%	67,317.7	37.6%	(2.9%)
Past due	4,719.3	2.7%	4,755.8	2.7%	(0.8%)
Other	2,135.7	1.2%	1,491.2	0.8%	43.2%
Total	176,824.7	100.0%	179,016.8	100.0%	(1.2%)
Impairment allowances	(9,964.7)	x	(8,104.6)	x	23.0%
Total net	166,860.0	x	170,912.2	x	(2.4%)

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

As at the end of March 2023 loans and advances with maturity over 5 years represents 37.0% of total loans and advances (mainly attributed to mortgage loans, investment loans and non-treasury debt securities).

Information on loan concentration is included in the Note to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2023.

External sources of financing

(in PLN million)

	31.03.2023	31.03.2022	CHANGE
Amounts due to Central Bank	-	-	x
Amounts due to other banks	7,735.2	13,284.0	(41.8%)
Amounts due to customers	223,139.6	203,509.7	9.6%
Debt securities issued	7,799.6	6,637.7	17.5%
Subordinated liabilities	2,850.9	2,781.2	2.5%
Repo transactions	3,810.3	1,096.3	>100%
Total external sources of financing	245,335.6	227,308.9	7.9%

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

Amounts due to customers and debt securities issued

(in PLN million)

	31.03.2023	31.03.2022	CHANGE
Corporate deposits	96,646.0	90,384.0	6.9%
Non-financial entities	77,220.5	63,319.1	22.0%
Non-banking financial entities	5,481.3	5,798.5	(5.5%)
Budget entities	13,944.2	21,266.4	(34.4%)
Retail deposits	125,553.5	112,753.9	11.4%
Other (*)	940.1	371.8	> 100%
Amounts due to customers(**)	223,139.6	203,509.7	9.6%
Debt securities issued. of which	10,650.5	9,418.9	13.1%
Structured Certificates of Deposit (SCD)	699.0	432.6	61.6%
Certificates of Deposit	2,101.4	1,751.0	20.0%
Subordinated bonds	2,750.0	2,750.0	0.0%
Pekao Bank Hipoteczny S.A. covered bonds	874.2	947.1	(7.7%)
Pekao Bank Hipoteczny S.A. bonds	-	156.5	x
Pekao Leasing Sp. z o.o. bonds	1,456.7	1,014.5	43.6%
Pekao Faktoring Sp. z o.o. bonds	2,613.2	2,322.0	12.5%
Interest	156.0	45.2	> 100%
Amounts due to customers and debt securities issued (**)	233,790.2	212,928.6	9.8%
Lease liabilities	262.8	361.2	(27.2%)
Repo transactions	3,810.3	1,096.3	> 100%
Amounts due to customers and debt securities issued total (***)	237,863.3	214,386.1	11.0%
Investment funds of Pekao TFI S.A. (ex. Pioneer Pekao TFI)	20,235.9	18,473.2	9.5%
Bond and money market funds	13,822.0	13,057.6	5.9%
Balanced funds	3,754.7	2,775.5	35.3%
Equity funds	1,945.5	2,240.5	(13.2%)
PPK	713.6	399.6	78.6%
including distributed through the Group's network	17,522.0	17,499.7	0.1%

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

(**) Excluding repo transactions and lease liabilities.

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

As at the end of March 2023 amounts due to the Group's customers and debt securities issued amounted to PLN 233,790.2 million an increase of PLN 20,861.6 million, i.e. 9.8% in comparison to the end of March 2022.

The total volume of retail deposits, Structured Certificates of Deposit and other amounted to PLN 127,080.3 million as at the end of March 2023 an increase of PLN 13,552.2 million, i.e. 11.9% in comparison to the end of March 2022.

The total volume of corporate deposits, Certificates of Deposit, Subordinated bonds, Pekao Bank Hipoteczny S.A. covered bonds and bonds Pekao Leasing Sp. z o.o. bonds Pekao Faktoring Sp. z o.o. bonds interest and other amounted to PLN 106,709.8 million as at the end of March 2023, an increase of PLN 7,309.3 million, i.e. 7.4% as compared to the end of March 2022.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 20,235.9 million as at the end of March 2023 an increase of PLN 1 762,7 million, i.e. 9.5% in comparison to the end of March 2022.

Amounts due to customers by currency ^(*)

	31.03.2023		31.03.2022		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	184,318.3	82.6%	168,839.9	83.0%	9.2%
Denominated in foreign currencies	38,821.2	17.4%	34,669.8	17.0%	12.0%
Total	223,139.6	100.0%	203,509.7	100.0%	9.6%

^(*) Including interest and amounts due in transit and excluding repo transactions and lease liabilities.

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of March 2023 amounted to 82.6%. The majority of amounts due to customers denominated in foreign currencies were in EUR (62.6%) and USD (31.2%).

Amounts due to customers by contractual maturities ^(*)

	31.03.2023		31.03.2022		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	162,838.4	73.3%	177,942.5	87.6%	(8.5%)
Term deposits	59,361.1	26.7%	25,195.3	12.4%	>100%
Total deposits	222,199.5	100.0%	203,137.8	100.0%	9.4%
Interest accrued	608.5	x	11.6	x	>100%
Funds in transit	331.6	x	360.3	x	(8.0%)
Total	223,139.6	x	203,509.7	x	9.6%

^(*) Excluding repo transactions and lease liabilities.

6.5 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	1 QUARTER OF 2023	1 QUARTER OF 2022	1 QUARTER OF 2023	1 QUARTER OF 2022
Total provisions	1,423.3	876.4	1,414.5	933.6
provisions for off-balance sheet commitments	360.1	354.3	414.2	441.1
provisions for liabilities to employees	318.1	304.1	309.2	295.0
other provisions	745.1	218.0	691.1	197.5
Deferred tax liabilities	22.1	24.3	-	-
Deferred tax assets	1,407.4	1,629.9	1,116.1	1,355.9

6.6 Off-balance sheet items

Bank Pekao S.A. Group - Statement of Off-balance sheet items

(in PLN million)

	31.03.2023	31.03.2022	CHANGE
Contingent liabilities granted and received	113,945.7	85,943.8	32.6%
Liabilities granted:	70,421.2	57,752.1	21.9%
financial	59,006.2	44,606.4	32.3%
guarantees	11,415.0	13,145.7	(13.2%)
Liabilities received:	43,524.5	28,191.7	54.4%
financial	2,408.1	3,019.3	(20.2%)
guarantees	41,116.4	25,172.4	63.3%
Derivative financial instruments	512,799.0	489,754.2	4.7%
interest rate transactions	395,212.3	310,856.0	27.1%
transactions in foreign currency and in gold	112,116.4	171,937.5	(34.8%)
transactions based on commodities and equity securities	5,470.4	6,960.7	(21.4%)
Total off-balance sheet items	626,744.7	575,698.0	8.9%

Information on loan concentration is included in the Notes to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2023.

6.7 Capital adequacy

Bank Pekao S.A. Group and Bank Pekao S.A.

Capital ratios are the basic measure applied for the measurement of capital adequacy according to Regulation of the European Parliament and of the Council (EU) No 575/2013 of June 26, 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012, which entered into force since January 1, 2014 together with further amendments, as well as Commission Implementing Regulations or Delegated Regulations (EU) (CRR Regulation).

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

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

Minimal value of capital ratios on Pillar I level are:

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

Combined buffer requirement as at 31 March 2023 consists of:

- Capital conservation buffer in amount of 2.50%,
- Countercyclical capital buffer in amount of 0.02%¹,
- Other systemically important institution buffer in amount of 1.00%,
- Systemic risk buffer in amount of 0.00%².

On Pillar II, Bank Pekao S.A. and Bank Pekao S.A. Group have no additional capital requirement (P2R).

Together, Bank Pekao S.A. Group and Bank Pekao S.A. are obliged to maintain:

- Total capital ratio (TCR) in amount of 11.52%,
- Capital ratio Tier I (T1) in amount of 9.52%,
- Common Equity Tier (CET 1) in amount of 8.02%.

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

¹ Countercyclical capital buffer was calculated as of March 31, 2023 at the level 0,018% for Bank Pekao S.A. and 0,0162% for Bank Pekao S.A. Group.

² According to the Regulation of the Minister of Finance, the systemic risk buffer was abolished on March 19, 2020. The buffer value applicable until that date was 3% of the total risk exposure amount for all exposures located only in the territory of the Republic of Poland.

Bank Pekao S.A. Group

As of March 31, 2023 Bank Pekao S.A. Group total capital ratio amounted to 17.5% and common equity Tier I ratio amounted to 15.7%.

The table below presents the basic information concerning Bank Pekao S.A. Group capital adequacy as of 31 March, 2023 and 31 March, 2022.

(in PLN thousand)

CAPITAL REQUIREMENT	31.03.2023	31.03.2022
Credit Risk	9,960,269	10,744,684
Market Risk	112,230	110,804
Counterparty credit risk including CVA	204,131	289,753
Operational risk	1,339,983	883,302
Total capital requirement	11,616,613	12,028,543
OWN FUNDS		
Common Equity Tier I Capital	22,740,565	22,661,746
Tier II Capital	2,645,263	2,750,000
Own funds for total capital ratio	25,385,828	25,411,746
Common Equity Tier I Capital ratio (%)	15.7%	15.1%
Total capital ratio TCR (%)	17.5%	16.9%

(¹) Data for December 31, 2021 have been recalculated taking into account the retrospective recognition of part of the profit for 2021 (confirmation of the financial results by the General Shareholders Meeting), in accordance with the EBA position expressed in Q&A 2018_3822 and Q&A 2018_4085.

Total Capital Ratio of Bank Pekao S.A. Group as at the end of March 2023 was higher by 0.6 p.p. compared to the end of March 2022, mainly due to decrease of total capital requirement by 3.4%. Common equity Tier I Capital Ratio of Pekao S.A. Group as at the end of March 2023 was higher by 0.6 p.p. compared to the end of March 2022.

Decrease of Tier II Capital at the end of March 2023 compared to the end of March 2022 results from amortization of subordinated bonds A series (during final 5 years of maturity of the instrument).

6.8 Reconciliation of income statement – presentation form and long form

Consolidated income statement for the first quarter of 2023

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTER OF 2023
Net interest income	Net interest income	<u>2,774,324</u>
Net fee and commission income	Net fee and commission income	<u>685,928</u>
Dividend income	Dividend income	<u>434</u>
Trading result	-	<u>158,402</u>
	Net result on other financial instruments at fair value through profit and loss	162,050
	Result on fair value hedge accounting	(716)
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2,932)
Net other operating income and expenses	Net other operating income and expenses	<u>(62,911)</u>
	Operating income	<u>37,981</u>
	Operating expenses	<u>(100,892)</u>
Net non-interest income	-	<u>781,853</u>
Operating income	-	<u>3,556,177</u>
Operating costs	-	<u>(1,129,901)</u>
	General administrative expenses depreciation	(1,540,939)
	less - Contributions to the Bank Guarantee Fund	191,715
	less - Fee paid for the Protection Schemes	-
	less - Contributions to the Borrowers Support Fund	-
	less – Tax on certain financial institutions	219,323
Gross operating profit	-	<u>2,426,276</u>
Net allowances for expected credit losses	Net allowances for expected credit losses	<u>(105,198)</u>
Net operating profit	-	<u>2,321,078</u>
Contributions to the Bank Guarantee Fund	Contributions to the Bank Guarantee Fund	(191,715)
Fee paid for the Protection Schemes	Fee paid for the Protection Schemes	-
Contributions to the Borrowers Support Fund	Contributions to the Borrowers Support Fund	-
Tax on certain financial institutions	Tax on certain financial institutions	(219,323)
Gains (losses) on associates	Gains (losses) on associates	1,041
Profit before income tax	Profit before income tax	<u>1,911,081</u>
Income tax expense	Income tax expense	<u>(464,301)</u>
Net profit for the period	Net profit for the period	<u>1,446,780</u>
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	<u>1,446,350</u>
Attributable to non-controlling interest	Attributable to non-controlling interest	430

Consolidated income statement for the first quarter of 2022

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTER OF 2022
Net interest income	Net interest income	<u>2,069,086</u>
Net fee and commission income	Net fee and commission income	<u>704,994</u>
Dividend income	Dividend income	276
Trading result	-	50,385
	Net result on other financial instruments at fair value through profit and loss	53,425
	Result on fair value hedge accounting	1,170
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(4,210)
Net other operating income and expenses	Net other operating income and expenses	(809)
	Operating income	<u>28,610</u>
	Operating expenses	<u>(29,419)</u>
Net non-interest income	-	<u>754,846</u>
Operating income	-	<u>2,823,932</u>
Operating costs	-	<u>(978,275)</u>
	General administrative expenses depreciation	(1,447,252)
	less - Contributions to the Bank Guarantee Fund	267,219
	less – Tax on certain financial institutions	201,758
Gross operating profit	-	<u>1,845,657</u>
Net allowances for expected credit losses	Net allowances for expected credit losses	<u>(134,444)</u>
Net operating profit	-	<u>1,711,213</u>
Contributions to the Bank Guarantee Fund	Contributions to the Bank Guarantee Fund	(267,219)
Tax on certain financial institutions	Tax on certain financial institutions	(201,758)
Gains (losses) on associates	Gains (losses) on associates	1,092
Profit before income tax	Profit before income tax	<u>1,243,328</u>
Income tax expense	Income tax expense	<u>(335,440)</u>
Net profit for the period	Net profit for the period	<u>907,888</u>
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	<u>907,165</u>
Attributable to non-controlling interest	Attributable to non-controlling interest	723

7. Quarterly Income Statement

7.1 Consolidated income statement

Consolidated income statement for 2023 and 2022

(in PLN thousand)

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Interest income	4,246,033	4,445,116	1,357,913	3,058,208	2,254,139
Interest income calculated using the effective interest method	4,534,122	4,711,451	1,512,453	3,090,641	2,183,403
Financial assets measured at amortised cost	4,096,665	4,413,148	1,352,082	2,967,493	2,073,383
Financial assets measured at fair value through other comprehensive income	437,457	298,303	160,371	123,148	110,020
Other interest income related to financial assets measured at fair value through profit or loss	(288,089)	(266,335)	(154,540)	(32,433)	70,736
Interest expense	(1,471,709)	(1,234,765)	(960,022)	(491,699)	(185,053)
Net interest income	2,774,324	3,210,351	397,891	2,566,509	2,069,086
Fee and commission income	854,967	863,087	872,750	866,981	836,184
Fee and commission expense	(169,039)	(191,085)	(158,431)	(151,121)	(131,190)
Net fee and commission income	685,928	672,002	714,319	715,860	704,994
Dividend income	434	1,084	440	26,074	276
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	162,050	153,057	20,509	(39,778)	53,425
Result on fair value hedge accounting	(716)	1,434	(404)	1,197	1,170
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2,932)	6,382	1,357	(7,095)	(4,210)
Net allowances for expected credit losses	(105,198)	(1,091,035)	(259,850)	(530,575)	(134,444)
including: legal risk regarding foreign currency mortgage loans	26,975	(912,861)	(24,757)	(300,061)	(8,636)
Operating income	37,981	48,126	36,384	23,884	28,610
Operating expenses	(100,892)	(271,971)	(141,176)	(199,060)	(29,419)
General administrative expenses and depreciation	(1,540,939)	(1,268,697)	(1,354,898)	(1,797,035)	(1,447,252)
Gains (losses) on associates	1,041	1,894	1,465	565	1,092
Profit / loss before income tax	1,911,081	1,462,627	(583,963)	760,546	1,243,328
Income tax expense	(464,301)	(576,653)	40,859	(291,813)	(335,440)
Net profit / loss	1,446,780	885,974	(543,104)	468,733	907,888
Attributable to equity holders of the Bank	1,446,350	886,063	(543,583)	467,925	907,165
Attributable to non-controlling interests	430	(89)	479	808	723

7.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for 2023 and 2022

(in PLN thousand)

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Net profit / loss	1,446,780	885,974	(543,104)	468,733	907,888
Other comprehensive income					
Item that are or may be reclassified subsequently to profit or loss:					
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	330,891	174,838	(61,235)	(297,356)	(454,162)
Profit or loss on fair value measurement	334,181	184,673	(57,938)	(295,037)	(449,834)
Profit or loss reclassification to income statement after derecognition	(3,290)	(9,835)	(3,297)	(2,319)	(4,328)
Impact of revaluation of derivative instruments hedging cash flows (net)	561,425	762,134	42,254	(987,309)	(800,343)
Items that will never be reclassified to profit or loss:					
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	42,807	25,253	(5,833)	(45,946)	(21,309)
Remeasurements of the defined benefit liabilities (net)	-	(22,402)	-	14,251	-
Other comprehensive income (net of tax)	935,123	939,823	(24,814)	(1,316,360)	(1,275,814)
Total comprehensive income	2,381,903	1,825,797	(567,918)	(847,627)	(367,926)
Attributable to equity holders of the Bank	2,381,473	1,825,874	(568,397)	(848,435)	(368,649)
Attributable to non-controlling interests	430	(77)	479	808	723

7.3 Consolidated income statement – presentation form

Consolidated income statement for 2023 and 2022

(in PLN thousand)

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Net interest income	2,774,324	3,210,351	397,891	2,566,509	2,069,086
Net fee and commission income	685,928	672,002	714,319	715,860	704,994
Dividend income	434	1,084	440	26,074	276
Trading result	158,402	160,873	21,462	(45,676)	50,385
Net other operating income and expenses	(62,911)	(223,845)	(104,792)	(175,176)	(809)
Net non-interest income	781,853	610,114	631,429	521,082	754,846
Operating income	3,556,177	3,820,465	1,029,320	3,087,591	2,823,932
Operating costs	(1,129,901)	(1,037,472)	(981,886)	(1,085,318)	(978,275)
Gross operating profit	2,426,276	2,782,993	47,434	2,002,273	1,845,657
Net allowances for expected credit losses	(105,198)	(1,091,035)	(259,850)	(530,575)	(134,444)
including: legal risk regarding foreign currency mortgage loans	26,975	(912,861)	(24,757)	(300,061)	(8,636)
Net operating profit	2,321,078	1,691,958	(212,416)	1,471,698	1,711,213
Contributions to the Bank Guarantee Fund	(191,715)	-	57,040	(57,040)	(267,219)
Fee paid for the Protection Schemes	-	-	(41,838)	(440,302)	-
Contributions to the Borrowers Support Fund	-	(3,547)	(165,835)	-	-
Tax on certain financial institutions	(219,323)	(227,678)	(222,379)	(214,375)	(201,758)
Gains (losses) on associates	1,041	1,894	1,465	565	1,092
Profit / loss before income tax	1,911,081	1,462,627	(583,963)	760,546	1,243,328
Income tax expense	(464,301)	(576,653)	40,859	(291,813)	(335,440)
Net profit / loss	1,446,780	885,974	(543,104)	468,733	907,888
Attributable to equity holders of the Bank	1,446,350	886,063	(543,583)	467,925	907,165
Attributable to non-controlling interest	430	(89)	479	808	723

8. Other Information

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

The Bank has not published the forecast of the financial results for 2023.

8.2 Seasonality or cyclical nature of the Bank's activity

The demand for the financial services offered by the Bank is stable with no material impact of seasonal changes. Due to the nature of the Bank's activity, it is not subject to seasonal or cyclical changes. Activities of other companies of the Bank Pekao S.A. Capital Group also does not show significant seasonal or cyclical characteristics.

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

According to information available to the Bank as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the first quarter of 2023 and as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the 2022 the Members of the Bank's management and supervisory bodies did not held shares of Bank Pekao S.A.

8.4 Information on dividend and appropriation of profit achieved

The Management Board of the Bank decided to submit to the Ordinary General Meeting of the Bank the motion regarding the distribution of net profit for the year 2022 in the amount of PLN 1 898 320 125,62, assuming the allocation of the amount of PLN 958 015 624,10 for dividend and the amount of PLN 940 304 501,52 for reserve capital. Proposed dividend per one share is PLN 3,65. The Management Board of the Bank recommended to set the dividend record date for 4 July 2023 and the date of dividend payment for 18 July 2023.

The final decision on the distribution of the net profit for 2022 will be made by the Ordinary General Meeting of the Bank.

8.5 Pending litigations

Information on significant legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of liabilities and receivables of the Bank and its subsidiaries is included in Note 25 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2023.

8.6 Related party transactions

In the first quarter of 2023, the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm's length.

In the first quarter of 2023, the Bank and its subsidiaries did not provide any sureties in respect of loans or advances or did not provide any guarantees to an entity or a subsidiary of such entity, which the total value would be significant.

Detailed information on related party transactions is included in 27 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2023.

8.7 Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in Note 5 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2023.

8.8 Issuance, redemption and repayment of debt securities

Structured Certificates of Deposit

Structured Certificates of Deposit are investment products for the Bank's clients that form an alternative to traditional banks' deposits. The total value of the Bank's liabilities relating to these products amounted to PLN 699.0 (principal value) as at the end of March 2023. There are 8 issuance of Structured Certificates of Deposit open in PLN with the maximum maturity date on 20 December 2023.

Certificates of Deposit

Certificates of Deposit are investment products denominated in PLN that guarantee 100% protection of invested funds also in case of termination before redemption date. The total value of the Bank's liabilities under these products amounted to PLN 2,101.4 million (principal value) as at the end of March 2023. There are 3 issuances of Certificates of Deposit, with the maximum maturity date on 15 June 2023.

Subordinated bonds

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

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

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

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

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

Pekao Bank Hipoteczny S.A. covered bonds

The total value of the company's liabilities due to covered bonds amounted to PLN 874.2 million (principal value) as at the end of March 2023. Liabilities from covered bonds with maturity up to 3 months account for 5.9%, up to 1 year account for 12.9%, up to 2 years account for 15.2%, up to 5 years account for 66.0% of the total nominal value.

Pekao Leasing Sp. z o.o. bonds

The total value of the company's liabilities under bonds amounted to PLN 1,456.7 million (principal value) as at the end of March 2023 with maturity date up to 6 months account for 53.6%, up to 1 year account for 30.9%, and up to 2 years account for 15.5% of the total nominal value.

Pekao Faktoring Sp. z o.o. bonds

The total value of the company's liabilities under bonds with maturity date to 3 months amounted to PLN 2,613.2 million (principal value) as at the end of March 2023.

Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2023



Warsaw, April 2023

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

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I. Consolidated income statement

	NOTE	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022
Interest income	8	4 246 033	2 254 139
Interest income calculated using the effective interest method		4 534 122	2 183 403
Financial assets measured at amortised cost		4 096 665	2 073 383
Financial assets measured at fair value through other comprehensive income		437 457	110 020
Other interest income related to financial assets measured at fair value through profit or loss		(288 089)	70 736
Interest expense	8	(1 471 709)	(185 053)
Net interest income		2 774 324	2 069 086
Fee and commission income	9	854 967	836 184
Fee and commission expense	9	(169 039)	(131 190)
Net fee and commission income		685 928	704 994
Dividend income		434	276
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	10	162 050	53 425
Result on fair value hedge accounting		(716)	1 170
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss		(2 932)	(4 210)
Net allowances for expected credit losses	11	(105 198)	(134 444)
including: legal risk regarding foreign currency mortgage loans		26 975	(8 636)
Operating income	12	37 981	28 610
Operating expenses	12	(100 892)	(29 419)
General administrative expenses and depreciation	13	(1 540 939)	(1 447 252)
Gains on associates and disposal of subsidiaries		1 041	1 092
PROFIT BEFORE INCOME TAX		1 911 081	1 243 328
Income tax expense	14	(464 301)	(335 440)
NET PROFIT		1 446 780	907 888
1. Attributable to equity holders of the Bank		1 446 350	907 165
2. Attributable to non-controlling interests		430	723
Earnings per share (in PLN per share)			
basic for the period		5.51	3.46
diluted for the period		5.51	3.46

Notes to the financial statements presented on pages 19 – 54 constitute an integral part of the condensed interim consolidated financial statements.

II. Consolidated statement of comprehensive income

	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022
Net profit	1 446 780	907 888
Other comprehensive income		
Item that are or may be reclassified subsequently to profit or loss:		
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):		
Profit or loss on fair value measurement	330 891	(454 162)
Profit or loss reclassification to income statement after derecognition	(3 290)	(4 328)
Impact of revaluation of derivative instruments hedging cash flows (net)	561 425	(800 343)
Items that will never be reclassified to profit or loss:		
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	42 807	(21 309)
Remeasurements of the defined benefit liabilities (net)	-	-
Other comprehensive income (net of tax)	935 123	(1 275 814)
Total comprehensive income	2 381 903	(367 926)
1. Attributable to equity holders of the Bank	2 381 473	(368 649)
2. Attributable to non-controlling interests	430	723

Notes to the financial statements presented on pages 19 – 54 constitute an integral part of the condensed interim consolidated financial statements.

III. Consolidated statement of financial position

	NOTE	31.03.2023	31.12.2022
ASSETS			
Cash and due from Central Bank	16	14 826 927	13 436 334
Loans and advances to banks	17	5 454 363	4 678 613
Derivative financial instruments (held for trading)	18	13 200 658	15 088 916
Hedging instruments		377 241	279 589
Loans and advances to customers (including receivables from finance leases)	19	158 867 350	158 720 990
Securities	20	89 043 283	80 317 445
Assets pledged as security for liabilities		3 999 151	929 526
Assets held for sale		12 755	12 382
Investments in associates		49 516	48 476
Intangible assets		2 235 988	2 253 287
Property, plant and equipment		1 532 826	1 572 093
Income tax assets		1 423 749	1 849 574
1. Current tax assets		16 302	271 047
2. Deferred tax assets	14	1 407 447	1 578 527
Other assets		1 604 614	1 951 807
TOTAL ASSETS		292 628 421	281 139 032
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to Central Bank		-	-
Amounts due to other banks	21	7 735 144	8 594 396
Financial liabilities held for trading		369 747	874 591
Derivative financial instruments (held for trading)	18	13 137 911	15 521 489
Amounts due to customers	22	227 212 654	210 747 090
Hedging instruments		2 541 578	3 176 413
Debt securities issued	23	7 799 629	10 337 485
Subordinated liabilities		2 850 935	2 789 132
Income tax liabilities		114 792	26 826
1. Current tax liabilities		92 717	4 001
2. Deferred tax liabilities	14	22 075	22 825
Provisions	24	1 423 331	1 402 154
Other liabilities		4 285 785	4 894 444
TOTAL LIABILITIES		267 471 506	258 364 020
Equity			
Share capital		262 470	262 470
Other capital and reserves		19 913 345	18 978 222
Retained earnings and net profit for the period		4 968 541	3 522 191
Total equity attributable to equity holders of the Bank		25 144 356	22 762 883
Non-controlling interests		12 559	12 129
TOTAL EQUITY		25 156 915	22 775 012
TOTAL LIABILITIES AND EQUITY		292 628 421	281 139 032

Notes to the financial statements presented on pages 19 – 54 constitute an integral part of the condensed interim consolidated financial statements.

IV. Consolidated statement of changes in equity

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										TOTAL EQUITY
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTERESTS	
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER				
Equity as at 1.01.2023	262 470	18 978 222	9 137 221	1 982 459	10 800 588	(3 295 657)	353 611	3 522 191	22 762 883	12 129	22 775 012
Comprehensive income	-	935 123	-	-	-	935 123	-	1 446 350	2 381 473	430	2 381 903
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	330 891	-	-	-	330 891	-	-	330 891	-	330 891
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	42 807	-	-	-	42 807	-	-	42 807	-	42 807
Revaluation of cash flow hedging financial instruments (net of tax)	-	561 425	-	-	-	561 425	-	-	561 425	-	561 425
Other comprehensive income (net of tax)	-	935 123	-	-	-	935 123	-	-	935 123	-	935 123
Net profit for the period	-	-	-	-	-	-	-	1 446 350	1 446 350	430	1 446 780
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Profit appropriation to other reserves	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	419	(419)	-	-	-	-	-
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	419	(419)	-	-	-	-	-
Equity as at 31.03.2023	262 470	19 913 345	9 137 221	1 982 459	10 801 007	(2 360 953)	353 611	4 968 541	25 144 356	12 559	25 156 915

Notes to the financial statements presented on pages 19 – 54 constitute an integral part of the condensed interim consolidated financial statements.

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER				
Equity as at 1.01.2022	262 470	19 554 958	9 137 221	1 982 459	9 684 220	(1 618 480)	369 538	4 034 001	23 851 429	11 857	23 863 286
Comprehensive income	-	(1 677 177)	-	-	-	(1 677 177)	-	1 717 570	40 393	1 933	42 326
Remeasurements of the defined benefit liabilities (net of tax)	-	(8 163)	-	-	-	(8 163)	-	-	(8 163)	12	(8 151)
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(637 915)	-	-	-	(637 915)	-	-	(637 915)	-	(637 915)
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(47 835)	-	-	-	(47 835)	-	-	(47 835)	-	(47 835)
Revaluation of cash flow hedging financial instruments (net of tax)	-	(983 264)	-	-	-	(983 264)	-	-	(983 264)	-	(983 264)
Other comprehensive income (net of tax)	-	(1 677 177)	-	-	-	(1 677 177)	-	-	(1 677 177)	12	(1 677 165)
Net profit for the period	-	-	-	-	-	-	-	1 717 570	1 717 570	1 921	1 719 491
Appropriation of retained earnings	-	1 100 409	-	-	1 116 336	-	(15 927)	(2 229 030)	(1 128 621)	(1 560)	(1 130 181)
Dividend paid	-	-	-	-	-	-	-	(1 128 621)	(1 128 621)	(1 560)	(1 130 181)
Profit appropriation to other reserves	-	1 100 409	-	-	1 116 336	-	(15 927)	(1 100 409)	-	-	-
Other	-	32	-	-	32	-	-	(350)	(318)	(101)	(419)
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Other	-	32	-	-	32	-	-	(350)	(318)	(101)	(419)
Equity as at 31.12.2022	262 470	18 978 222	9 137 221	1 982 459	10 800 588	(3 295 657)	353 611	3 522 191	22 762 883	12 129	22 775 012

Notes to the financial statements presented on pages 19 – 54 constitute an integral part of the condensed interim consolidated financial statements.

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER				
Equity as at 1.01.2022	262 470	19 554 958	9 137 221	1 982 459	9 684 220	(1 618 480)	369 538	4 034 001	23 851 429	11 857	23 863 286
Comprehensive income	-	(1 275 814)	-	-	-	(1 275 814)	-	907 165	(368 649)	723	(367 926)
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(454 162)	-	-	-	(454 162)	-	-	(454 162)	-	(454 162)
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(21 309)	-	-	-	(21 309)	-	-	(21 309)	-	(21 309)
Revaluation of cash flow hedging financial instruments (net of tax)	-	(800 343)	-	-	-	(800 343)	-	-	(800 343)	-	(800 343)
Other comprehensive income (net of tax)	-	(1 275 814)	-	-	-	(1 275 814)	-	-	(1 275 814)	-	(1 275 814)
Net profit for the period	-	-	-	-	-	-	-	907 165	907 165	723	907 888
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Profit appropriation to other reserves	-	-	-	-	-	-	-	-	-	-	-
Equity as at 31.03.2022	262 470	18 279 144	9 137 221	1 982 459	9 684 220	(2 894 294)	369 538	4 941 166	23 482 780	12 580	23 495 360

Notes to the financial statements presented on pages 19 – 54 constitute an integral part of the condensed interim consolidated financial statements.

V. Consolidated cash flow statement

	NOTE	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022
Cash flow from operating activities – indirect method			
Profit before income tax		1 911 081	1 243 328
Adjustments for:		13 910 511	11 092 153
Depreciation and amortization	13	155 960	176 987
Share in gains (losses) from associates		(1 041)	(1 092)
(Gains) losses on investing activities		(4 941)	(8 025)
Net interest income	8	(2 774 324)	(2 069 086)
Dividend income		(434)	(276)
Interest received		4 059 068	1 953 749
Interest paid		(1 302 675)	(162 683)
Income tax paid		(169 489)	(242 812)
Change in loans and advances to banks		208 024	(7 744)
Change in derivative financial instruments (assets)		1 888 258	(4 716 150)
Change in loans and advances to customers (in this receivables from financial leases)		(133 217)	(2 492 647)
Change in securities (including assets pledged as security for liabilities)		(611 867)	310 201
Change in other assets		974 448	(1 411 370)
Change in amounts due to banks		(673 810)	4 362 372
Change in financial liabilities held for trading		(504 844)	(364 066)
Change in derivative financial instruments (liabilities)		(2 383 578)	4 617 099
Change in amounts due to customers		16 271 597	9 831 431
Change in debt securities issued		(320 166)	(152 132)
Change in subordinated liabilities		61 803	19 682
Payments for short-term leases and leases of low-value assets		(461)	(609)
Change in provisions		21 177	(6 695)
Change in other liabilities		(848 977)	1 456 019
Net cash flows from operating activities		15 821 592	12 335 481
Cash flow from investing activities			
Investing activity inflows		304 297 443	16 046 383
Sale of securities measured at amortized cost and at fair value through other comprehensive income		304 295 567	16 012 744
Sale of intangible assets and property, plant and equipment	32	1 442	33 363
Dividend received		434	276
Investing activity outflows		(315 324 118)	(12 955 139)
Acquisition of securities measured at amortized cost and at fair value through other comprehensive income		(315 251 514)	(12 896 367)
Acquisition of intangible assets and property, plant and equipment	32	(72 604)	(58 772)
Net cash flows from investing activities		(11 026 675)	3 091 244

Notes to the financial statements presented on pages 19 – 54 constitute an integral part of the condensed interim consolidated financial statements.

	NOTE	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022
Cash flows from financing activities			
Financing activity inflows		196 252	5 513 609
Due to loans and advances received from banks		200 002	632 640
Issue of debt securities		(3 750)	4 880 969
Financing activity outflows		(2 619 084)	(3 780 957)
Repayment of loans and advances received from banks		(382 308)	(299 770)
Redemption of debt securities		(2 208 045)	(3 452 651)
Payments for the principal portion of the lease liabilities		(28 731)	(28 536)
Net cash flows from financing activities		(2 422 832)	1 732 652
Total net cash flows		2 372 085	17 159 377
including effect of exchange rate fluctuations on cash and cash equivalents held		(30 334)	52 487
Net change in cash and cash equivalents		2 372 085	17 159 377
Cash and cash equivalents at the beginning of the period		17 693 385	7 735 625
Cash and cash equivalents at the end of the period	26	20 065 470	24 895 002

Notes to the financial statements presented on pages 19 – 54 constitute an integral part of the condensed interim consolidated financial statements.

VI. Income statement of Bank Pekao S.A.

	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022
Interest income	4 030 988	2 133 985
Interest income calculated using the effective interest method	4 314 045	2 062 081
Financial assets measured at amortised cost	3 817 729	1 925 359
Financial assets measured at fair value through other comprehensive income	496 316	136 722
Other interest income related to financial assets measured at fair value through profit or loss	(283 057)	71 904
Interest expense	(1 337 779)	(143 245)
Net interest income	2 693 209	1 990 740
Fee and commission income	767 556	755 801
Fee and commission expense	(180 051)	(135 846)
Net fee and commission income	587 505	619 955
Dividend income	434	276
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	158 350	48 215
Result on fair value hedge accounting	(716)	1 170
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2 932)	(4 210)
Net allowances for expected credit losses	(108 575)	(143 511)
including: legal risk regarding foreign currency mortgage loans	24 690	(9 590)
Operating income	35 197	27 396
Operating expenses	(97 063)	(28 092)
General administrative expenses and depreciation	(1 447 002)	(1 370 253)
PROFIT BEFORE INCOME TAX	1 818 407	1 141 686
Income tax expense	(444 741)	(309 832)
NET PROFIT	1 373 666	831 854
Earnings per share (in PLN per share)		
basic for the period	5.23	3.17
diluted for the period	5.23	3.17

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

	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022
Net profit	1 373 666	831 854
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):		
profit or loss on fair value measurement	329 078	(460 411)
profit or loss reclassification to income statement after derecognition	(3 290)	(4 328)
Impact of revaluation of derivative instruments hedging cash flows (net)	561 425	(800 343)
Items that will never be reclassified to profit or loss:		
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	42 807	(21 309)
Other comprehensive income (net of tax)	933 310	(1 282 063)
Total comprehensive income	2 306 976	(450 209)

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

	31.03.2023	31.12.2022
ASSETS		
Cash and due from Central Bank	14 826 543	13 434 904
Loans and advances to banks	6 094 731	5 401 659
Derivative financial instruments (held for trading)	13 230 946	15 134 095
Hedging instruments	377 241	279 589
Loans and advances to customers	145 203 592	142 425 702
Securities	92 161 601	86 151 126
Assets pledged as security for liabilities	3 999 151	929 526
Assets held for sale	12 755	12 382
Investments in subsidiaries	1 742 425	1 742 425
Investments in associates	42 194	42 194
Intangible assets	1 394 608	1 407 781
Property, plant and equipment	1 469 167	1 501 069
Income tax assets	1 116 131	1 547 469
1. Current tax assets	-	267 289
2. Deferred tax assets	1 116 131	1 280 180
Other assets	1 316 785	1 694 590
TOTAL ASSETS	282 987 870	271 704 511
EQUITY AND LIABILITIES		
Liabilities		
Amounts due to Central Bank	-	-
Amounts due to other banks	3 552 742	4 134 618
Financial liabilities held for trading	369 747	874 591
Derivative financial instruments (held for trading)	13 150 361	15 538 551
Amounts due to customers	227 606 879	210 988 577
Hedging instruments	2 541 578	3 176 413
Debt securities issued	2 825 481	5 893 923
Subordinated liabilities	2 850 935	2 789 132
Income tax liabilities	89 539	-
1. Current tax liabilities	89 539	-
2. Deferred tax liabilities	-	-
Provisions	1 414 492	1 394 068
Other liabilities	4 089 603	4 725 101
TOTAL LIABILITIES	258 491 357	249 514 974
Equity		
Share capital	262 470	262 470
Other capital and reserves	19 276 999	18 343 689
Retained earnings and net profit for the period	4 957 044	3 583 378
TOTAL EQUITY	24 496 513	22 189 537
TOTAL LIABILITIES AND EQUITY	282 987 870	271 704 511

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

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER		
Equity as at 1.01.2023	262 470	18 343 689	9 137 221	1 982 459	10 254 551	(3 263 669)	233 127	3 583 378	22 189 537
Comprehensive income	-	933 310	-	-	-	933 310	-	1 373 666	2 306 976
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	329 078	-	-	-	329 078	-	-	329 078
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	42 807	-	-	-	42 807	-	-	42 807
Revaluation of cash flow hedging financial instruments (net of tax)	-	561 425	-	-	-	561 425	-	-	561 425
Other components of comprehensive income (net)	-	933 310	-	-	-	933 310	-	-	933 310
Net profit for the period	-	-	-	-	-	-	-	1 373 666	1 373 666
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-
Profit appropriation	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	419	(419)	-	-	-
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	419	(419)	-	-	-
Equity as at 31.03.2023	262 470	19 276 999	9 137 221	1 982 459	10 254 970	(2 330 778)	233 127	4 957 044	24 496 513

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES			
Equity as at 1.01.2022	262 470	18 915 464	9 137 221	1 982 459	9 146 343	(1 583 686)	233 127	3 921 887	23 099 821
Comprehensive income	-	(1 679 983)	-	-	-	(1 679 983)	-	1 898 320	218 337
Remeasurements of the defined benefit liabilities (net of tax)	-	(8 536)	-	-	-	(8 536)	-	-	(8 536)
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(640 348)	-	-	-	(640 348)	-	-	(640 348)
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(47 835)	-	-	-	(47 835)	-	-	(47 835)
Revaluation of cash flow hedging financial instruments (net of tax)	-	(983 264)	-	-	-	(983 264)	-	-	(983 264)
Other components of comprehensive income (net)	-	(1 679 983)	-	-	-	(1 679 983)	-	-	(1 679 983)
Net profit for the period	-	-	-	-	-	-	-	1 898 320	1 898 320
Appropriation of retained earnings	-	1 108 208	-	-	1 108 208	-	-	(2 236 829)	(1 128 621)
Dividend paid	-	-	-	-	-	-	-	(1 128 621)	(1 128 621)
Profit appropriation	-	1 108 208	-	-	1 108 208	-	-	(1 108 208)	-
Equity as at 31.12.2022	262 470	18 343 689	9 137 221	1 982 459	10 254 551	(3 263 669)	233 127	3 583 378	22 189 537

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
Equity as at 1.01.2022	262 470	18 915 464	9 137 221	1 982 459	9 146 343	(1 583 686)	233 127	3 921 887	23 099 821	
Comprehensive income	-	(1 282 063)	-	-	-	(1 282 063)	-	831 854	(450 209)	
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	(460 411)	-	-	-	(460 411)	-	-	(460 411)	
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(21 309)	-	-	-	(21 309)	-	-	(21 309)	
Revaluation of cash flow hedging financial instruments (net of tax)	-	(800 343)	-	-	-	(800 343)	-	-	(800 343)	
Other comprehensive income (net of tax)	-	(1 282 063)	-	-	-	(1 282 063)	-	-	(1 282 063)	
Net profit for the period	-	-	-	-	-	-	-	831 854	831 854	
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	
Dividend paid	-	-	-	-	-	-	-	-	-	
Profit appropriation	-	-	-	-	-	-	-	-	-	
Equity as at 31.03.2022	262 470	17 633 401	9 137 221	1 982 459	9 146 343	(2 865 749)	233 127	4 753 741	22 649 612	

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

	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022
Cash flow from operating activities – indirect method		
Profit before income tax	1 818 407	1 141 686
Adjustments for:	12 646 451	9 520 666
Depreciation and amortization	144 681	166 070
(Gains) losses on investing activities	(4 852)	(7 992)
Net interest income	(2 693 209)	(1 990 740)
Dividend income	(434)	(276)
Interest received	3 853 439	1 857 491
Interest paid	(1 158 972)	(109 445)
Income tax paid	(142 417)	(224 329)
Change in loans and advances to banks	(113 167)	(407 270)
Change in derivative financial instruments (assets)	1 903 149	(4 707 533)
Change in loans and advances to customers	(2 767 501)	(3 735 694)
Change in securities (including assets pledged as security for liabilities)	216 989	246 143
Change in other assets	969 093	(1 411 438)
Change in amounts due to banks	(270 295)	4 360 680
Change in financial liabilities held for trading	(504 844)	(364 066)
Change in derivative financial instruments (liabilities)	(2 388 190)	4 621 798
Change in amounts due to customers	16 420 724	9 811 131
Change in debt securities issued	(6 316)	(19 595)
Change in subordinated liabilities	61 803	19 682
Payments for short-term leases and leases of low-value assets	(164)	(301)
Change in provisions	20 424	(2 437)
Change in other liabilities	(893 490)	1 418 787
Net cash flows from operating activities	14 464 858	10 662 352
Cash flow from investing activities		
Investing activity inflows	309 702 343	17 461 394
Sale of securities measured at amortized cost and at fair value through other comprehensive income	309 700 528	17 455 279
Sale of intangible assets and property, plant and equipment	1 382	5 839
Dividend received	433	276
Investing activity outflows	(318 798 149)	(13 088 965)
Acquisition of securities measured at amortized cost and at fair value through other comprehensive income	(318 730 888)	(13 038 546)
Acquisition of intangible assets and property, plant and equipment	(67 261)	(50 419)
Net cash flows from investing activities	(9 095 806)	4 372 429

	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023	I QUARTER 2022 PERIOD FROM 01.01.2022 TO 31.03.2022
Cash flows from financing activities		
Financing activity inflows	-	2 009 555
Issue of debt securities	-	2 009 555
Financing activity outflows	(3 399 867)	(98 714)
Repayment of loans and advances received from banks	(308 987)	(69 201)
Redemption of debt securities	(3 063 299)	(1 045)
Payments for the principal portion of the lease liabilities	(27 581)	(28 468)
Net cash flows from financing activities	(3 399 867)	1 910 841
Total net cash flows	1 969 185	16 945 622
including effect of exchange rate fluctuations on cash and cash equivalents held	(39 401)	53 860
Net change in cash and cash equivalents	1 969 185	16 945 622
Cash and cash equivalents at the beginning of the period	18 211 386	8 273 507
Cash and cash equivalents at the end of the period	20 180 571	25 219 129

XI. Notes to the Condensed Interim Consolidated Financial Statements

1. General information

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

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

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

Bank Pekao S.A. is a universal commercial bank, offering a broad range of banking services on domestic financial markets, provided to retail and corporate clients, in compliance with the scope of services, set forth in the Bank's Articles of Association. The Bank runs both PLN and forex operations, and it actively participates in both domestic and foreign financial markets. Moreover, acting through its subsidiaries, the Group provides stockbroking, leasing, factoring operations and offering other financial services. The Bank Pekao S.A. Group's activities do not show any significant cyclical or seasonal changes.

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

The Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2023 contain financial information of the Bank and its subsidiaries (together referred to as the 'Group'), and the associates accounted for using equity method.

The share ownership structure of the Bank is presented in the Note 5.4 of the Report on the activities of Bank Pekao S.A. Group for the first quarter of 2023.

2. Group structure

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			31.03.2023	31.12.2022
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Pekao Leasing Sp. z o.o.	Warsaw	Leasing services	100.00	100.00
PeUF Sp. z o.o.	Warsaw	Financial support	100.00	100.00
Pekao Investment Banking S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Transferable agent	66.50	66.50
Pekao Direct Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Pekao Property S.A. (in liquidation)	Warsaw	Real estate development	100.00	100.00
FPB - Media Sp. z o.o. (in bankruptcy)	Warsaw	Real estate development	100.00	100.00
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	Warsaw	Business consulting	100.00	100.00
Pekao Investment Management S.A.	Warsaw	Holding	100.00	100.00
Pekao TFI S.A.	Warsaw	Asset management	100.00	100.00

As at 31 March 2023 and 31 December 2022 all subsidiaries of the Bank have been consolidated.

As at 31 March 2023 and 31 December 2022 the Group held no shares in entities under joint control.

Investments in associates

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			31.03.2023	31.12.2022
Krajowy Integrator Płatności S.A.	Poznań	Monetary brokerage	38.33	38.33

3. Business combinations

In first quarter of 2023 and in 2022, there were no business combinations.

4. Statement of compliance

The Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the period of three months ended 31 March of 2023 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union and other applicable regulations.

These financial statements do not include all information and disclosures required for annual financial statements, and shall be read in conjunction with the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2022.

The consolidated financial statements of Bank Pekao S.A. Group as at and for the year ended 31 December 2022 are available at the Bank's website www.pekao.com.pl.

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State, the Bank is required to publish the financial report for the three months period ended 31 March 2023, i.e. current interim period.

These condensed interim consolidated financial statements were authorized for issue by the Management Board on 26 April 2023.

4.1. New standards, interpretations and amendments to published standards that have been approved and published by the European Union and are effective on or after 1 January 2023

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
IFRS 17 'Insurance contracts'	The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' and related interpretations while applied.	The Group analyzed the products offered, whether they meet the definition of insurance contracts in the light of IFRS 17. The results of the analysis show that the products offered by the Group do not carry significant insurance risk and are not insurance contracts. Thus, the new standard did not have a material impact on the financial statements in the period of their first application.
IAS 1 (amendment) 'Presentation of financial statement'	The amendments to IAS 1 include: <ul style="list-style-type: none"> an entity is required to disclose its material accounting policy information instead of its significant accounting policies, clarification that accounting policy information may be material because of its nature, even if the related amounts are immaterial, clarification that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and clarification that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. 	The standard's amendments did not have a material impact on the financial statements in the period of their first application.
IAS 8 (amendment) 'Accounting policies, changes in accounting estimates and errors'	The amendments to IAS 8 include: <ul style="list-style-type: none"> the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty, 	The standard's amendments did not have a material impact on the financial statements in the period of their first application.

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
	<ul style="list-style-type: none"> clarification that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors, clarification that a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods. 	
IAS 12 (amendment) 'Income taxes'	The amendments introduce the requirement to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will mainly apply to transactions such as leases for the lessee and decommissioning obligations.	The standard's amendments did not have a material impact on the financial statements in the period of their first application.
MSSF 17 (amendment) 'Insurance contracts' and IFRS 9 (amendment) 'Financial instruments'	The main amendment regards entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. There are no changes to the transition requirements in IFRS 9.	The standard's amendments did not have a material impact on the financial statements in the period of their first application.

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

There were no new standards, interpretations and amendments to published standards that have been issued by IASB and have been approved by the European Union but are not yet effective.

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

STANDARD/ INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
IAS 1 (amendment) 'Presentation of financial statements'	The amendments affect requirements in IAS 1 for the presentation of liabilities. In particular, these amendments clarify that the classification of liabilities as current or non-current is only affected by covenants with which an entity is required to comply on or before the reporting date. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. Date of application: annual periods beginning on or after 1 January 2024.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.
IFRS 16 (amendment) 'Leases'	The amendments to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retain. A sale and leaseback transaction involves the transfer of an asset by an entity (the seller-lessee) to another entity (the buyer-lessor) and the leaseback of the same asset by the seller-lessee. Date of application: annual periods beginning on or after 1 January 2024.	The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.

4.4. Other expected regulatory changes

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

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

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

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

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

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

5. Significant accounting policies

General information

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

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

In the period of first quarter of 2023 the Group did not amend its accounting policies in respect to valuation of assets and liabilities and profit measurement.

The accounting policies applied by the Group in these condensed interim consolidated financial statements are the same as those applied in the Consolidated Financial Statements of Bank Pekao S.A. Group for the year ended on 31 December 2022. Those accounting policies have been applied uniformly to all presented reporting periods and by all entities of the Group.

These consolidated financial statements include the requirements of all the International Financial Reporting Standards and International Accounting Standards approved by the European Union and related interpretations. Changes in published standards and interpretations, which became effective on or after 1 January 2023, had no material impact on the Group's financial statements.

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

6. Accounting estimates

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

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

Estimates and related assumptions are subject to ongoing verification. Changes in accounting estimates are recognized prospectively from the period in which the estimate was changed.

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

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

Impairment of loans and advances to customers, expected credit losses

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

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

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

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

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

Impairment of non-current assets (including goodwill)

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

Where such indications exist, the Group makes a formal estimation of the recoverable value (of a given assets or – in the case of goodwill - all cash-generating units to which the goodwill relates).

If the carrying amount of a given asset is in excess of its recoverable value, impairment is defined and a write-down is recorded to adjust the carrying amount to the level of its recoverable value. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

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

As at 31 March 2023, there was no need to make impairment allowances for non-current assets, including goodwill.

Provisions for legal risk regarding foreign currency mortgage loans in CHF

As at 31 March 2023 the Group assessed the probability of the impact of legal risk regarding foreign currency mortgage loans in CHF on future expected cash flows from loan exposures and the probability of cash outflows.

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

Details on the main assumptions used to estimate the provisions for legal risk regarding foreign currency mortgage loans in CHF are presented in the Note 28.

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

As at 31 March 2023 the Group assessed the legal risk arising from the judgment of the Court of Justice of the European Union (hereinafter the 'CJEU') on consumer loans and estimated the possible amount of cash outflow as a refund of commission to the customer in relation to early repayment of consumer loans (for loans prepaid before the judgment of the CJEU, i.e. before 11 September 2019).

The Group also estimated the possible amount of cash outflow for the return of the commission to the client in connection with early repayment of mortgage loans.

In addition, with regard to balance sheet exposures as at 31 March 2023, the Group estimated the possible prepayments of these exposures in the future.

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

Details on the estimated provision for earlier repayments of consumer loans are presented in the Note 24.

Fair value measurement

The principles of estimating fair value of derivative instruments and unquoted debt securities measured at fair value did not change in relation to 31 December 2022.

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

In connection with the entry into force in 2022 of the Act on social financing for business ventures and support to borrowers, enabling consumers with PLN mortgage loan agreements to suspend their repayments, the Group estimates the costs associated with a possible modification of these agreements in this respect, taking into account the expertly determined participation ratio. Details are presented in the Note 8.

7. Operating segments

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

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

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

Operating segments

The operating segments of the Group are as follows:

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

Operating segments reporting for the period from 1 January to 31 March 2023

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ENTERPRISE BANKING	ASSETS & LIABILITIES MANAGEMENT AND OTHER	TOTAL
External interest income	1 897 694	2 550	1 245 533	468 406	631 850	4 246 033
External interest expenses	(499 957)	(109 142)	(640 048)	(72 460)	(150 102)	(1 471 709)
Net external interest income	1 397 737	(106 592)	605 485	395 946	481 748	2 774 324
Internal interest income	1 826 613	198 602	1 128 841	414 163	(3 568 219)	-
Internal interest expenses	(1 456 084)	(2 320)	(1 180 823)	(373 019)	3 012 246	-
Net internal interest income	370 529	196 282	(51 982)	41 144	(555 973)	-
Total net interest income	1 768 266	89 690	553 503	437 090	(74 225)	2 774 324
Fee and commission income and expense	283 183	36 261	177 470	172 147	16 867	685 928
Other non-interest income	(73 185)	(281)	69 109	12 661	87 621	95 925
Operating income	1 978 264	125 670	800 082	621 898	30 263	3 556 177
Personnel expenses	(254 837)	(23 552)	(68 721)	(59 803)	(207 028)	(613 941)
General administrative expenses and depreciation (including allocation of operating costs)	(473 413)	(16 548)	(83 605)	(91 380)	148 986	(515 960)
Operating costs	(728 250)	(40 100)	(152 326)	(151 183)	(58 042)	(1 129 901)
Gross operating profit	1 250 014	85 570	647 756	470 715	(27 779)	2 426 276
Net allowances for expected credit losses	(87 625)	298	(5 489)	11 618	(24 000)	(105 198)
including: legal risk regarding foreign currency mortgage loans	26 975	-	-	-	-	26 975
Net operating profit	1 162 389	85 868	642 267	482 333	(51 779)	2 321 078
Contributions to the Bank Guarantee Fund	(35 751)	(66)	(23 553)	(10 855)	(121 490)	(191 715)
Tax on certain financial institutions	(82 865)	(298)	(63 821)	(28 069)	(44 270)	(219 323)
Gains on associates	-	-	-	-	1 041	1 041
Profit before tax	1 043 773	85 504	554 893	443 409	(216 498)	1 911 081
Income tax expense						(464 301)
Net profit						1 446 780
Attributable to equity holders of the Bank						1 446 350
Attributable to non-controlling interests						430
Allocated assets	73 045 454	425 108	74 731 397	25 684 727	93 795 942	267 682 628
Unallocated assets						24 945 793
Total Assets						292 628 421
Allocated liabilities	125 466 237	14 222 829	68 033 837	31 899 882	6 367 891	245 990 676
Unallocated liabilities						21 480 830
Total Liabilities						267 471 506

Operating segments reporting for the period from 1 January to 31 March 2022

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ENTERPRISE BANKING	ASSETS & LIABILITIES MANAGEMENT AND OTHER	TOTAL
External interest income	1 104 282	1 586	579 481	223 142	345 648	2 254 139
External interest expenses	(15 835)	(6 114)	(121 441)	(4 788)	(36 875)	(185 053)
Net external interest income	1 088 447	(4 528)	458 040	218 354	308 773	2 069 086
Internal interest income	1 308 997	151 206	303 934	121 308	(1 885 445)	-
Internal interest expenses	(595 481)	(1 109)	(398 149)	(142 368)	1 137 107	-
Net internal interest income	713 516	150 097	(94 215)	(21 060)	(748 338)	-
Total net interest income	1 801 963	145 569	363 825	197 294	(439 565)	2 069 086
Fee and commission income and expense	275 806	41 675	172 650	174 276	40 587	704 994
Other non-interest income	(2 851)	(355)	40 366	22 953	(10 261)	49 852
Operating income	2 074 918	186 889	576 841	394 523	(409 239)	2 823 932
Personnel expenses	(224 994)	(19 535)	(59 834)	(52 410)	(201 366)	(558 139)
General administrative expenses and depreciation (including allocation of operating costs)	(386 419)	(13 189)	(62 816)	(78 699)	120 987	(420 136)
Operating costs	(611 413)	(32 724)	(122 650)	(131 109)	(80 379)	(978 275)
Gross operating profit	1 463 505	154 165	454 191	263 414	(489 618)	1 845 657
Net allowances for expected credit losses	(70 699)	344	(5 820)	(31 847)	(26 422)	(134 444)
including: legal risk regarding foreign currency mortgage loans	(8 636)	-	-	-	-	(8 636)
Net operating profit	1 392 806	154 509	448 371	231 567	(516 040)	1 711 213
Contributions to the Bank Guarantee Fund	(37 436)	(82)	(22 075)	(9 562)	(198 064)	(267 219)
Tax on certain financial institutions	(90 662)	(344)	(60 510)	(24 731)	(25 511)	(201 758)
Gains on associates	-	-	-	-	1 092	1 092
Profit before tax	1 264 708	154 083	365 786	197 274	(738 523)	1 243 328
Income tax expense						(335 440)
Net profit						907 888
Attributable to equity holders of the Bank						907 165
Attributable to non-controlling interests						723
Allocated assets	80 438 090	454 161	71 492 449	22 691 615	71 249 384	246 325 699
Unallocated assets						25 559 465
Total Assets						271 885 164
Allocated liabilities	112 068 548	14 741 631	66 396 254	28 169 982	6 738 580	228 114 995
Unallocated liabilities						20 274 809
Total Liabilities						248 389 804

Reconciliations of operating income for reportable segments

	I QUARTER 2023	I QUARTER 2022
Net interest income	2 774 324	2 069 086
Net fee and commission income	685 928	704 994
Dividend income	434	276
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	162 050	53 425
Result on fair value hedge accounting	(716)	1 170
Profit (loss) from derecognition of financial assets and financial liabilities not at fair value through profit or loss	(2 932)	(4 210)
Operating income	3 619 088	2 824 741
Other operating income	37 981	28 610
Other operating expenses	(100 892)	(29 419)
Total operating income for reportable segments	3 556 177	2 823 932

8. Interest income and expense

Interest income

	I QUARTER 2023			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	4 096 665	437 457	-	4 534 122
Loans and advances (in this receivables from financial leases)	3 310 289	5 280	-	3 315 569
Interbank placements	189 460	-	-	189 460
Reverse repo transactions	81 658	-	-	81 658
Debt securities	515 258	432 177	-	947 435
Other interest income related to financial assets measured at fair value through profit or loss	-	-	(288 089)	(288 089)
Loans and other receivables from customers	-	-	4 349	4 349
Hedging derivatives	-	-	(294 885)	(294 885)
Debt securities held for trading	-	-	2 447	2 447
Total	4 096 665	437 457	(288 089)	4 246 033

In 2022, the Act on social financing for business ventures and support to borrowers entered into force, enabling consumers with mortgage loan agreements in PLN to suspend their repayment as a result of which the Group recognized PLN 1 958 423 thousand in 2022 costs related to the possible modification of PLN mortgage loan agreements granted to consumers due to their suspension of loan repayments, assuming expert assumptions, which primarily concerned the expected level of participation (i.e. 76% expected for 2023).

Further details are described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2022.

Interest income

	I QUARTER 2022			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	2 073 383	110 020	-	2 183 403
Loans and advances (in this receivables from financial leases)	1 807 355	2 015	-	1 809 370
Interbank placements	38 224	-	-	38 224
Reverse repo transactions	24 233	-	-	24 233
Debt securities	203 571	108 005	-	311 576
Other interest income related to financial assets measured at fair value through profit or loss	-	-	70 736	70 736
Loans and other receivables from customers	-	-	1 404	1 404
Hedging derivatives	-	-	68 010	68 010
Debt securities held for trading	-	-	1 322	1 322
Total	2 073 383	110 020	70 736	2 254 139

Interest expense

	I QUARTER 2023	I QUARTER 2022
Deposits from customers	(1 118 777)	(76 684)
Interbank deposits	(21 884)	(9 525)
Repo transactions	(50 592)	(30 167)
Loans and advances received	(57 586)	(15 306)
Leasing	(3 229)	(2 578)
Debt securities	(219 641)	(50 793)
Total	(1 471 709)	(185 053)

9. Fee and commission income and expense

Fee and commission income

	I QUARTER 2023	I QUARTER 2022
Accounts maintenance, payment orders and cash transactions	161 521	193 917
Payment cards	195 907	164 719
Loans and advances	116 602	97 716
Margin on foreign exchange transactions with clients	175 552	184 136
Service and sell investment and insurance products	104 068	90 878
Securities operations	37 211	40 318
Custody activity	16 751	18 747
Guarantees, letters of credit and similar transactions	20 817	19 954
Other	26 538	25 799
Total	854 967	836 184

Fee and commission expense

	I QUARTER 2023	I QUARTER 2022
Payment cards	(117 777)	(92 242)
Money orders and transfers	(7 100)	(5 975)
Securities and derivatives operations	(17 124)	(13 730)
Acquisition services	(11 615)	(3 798)
Custody activity	(5 081)	(6 590)
Accounts maintenance	(1 201)	(1 076)
Investment funds management	(523)	(720)
Other	(8 618)	(7 059)
Total	(169 039)	(131 190)

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

	I QUARTER 2023	I QUARTER 2022
Gains (losses) on loans and advances to customers measured mandatorily at fair value through profit or loss	1 046	(860)
Gains (losses) on securities measured mandatorily at fair value through profit or loss	15 481	3 970
Foreign exchange result	82 318	52 277
Gains (losses) on derivatives	59 082	(2 523)
Gains (losses) on securities held for trading	4 123	561
Total	162 050	53 425

11. Net allowances for expected credit losses

	I QUARTER 2023	I QUARTER 2022
Receivables from banks and the central bank	(3 331)	(2 522)
Loans and other financial assets measured at amortized cost (*) (**)	(132 860)	(143 786)
including: legal risk regarding foreign currency mortgage loans	26 975	(8 636)
Debt securities measured at amortized cost	(7 522)	564
Loans measured at fair value through other comprehensive income	(5)	534
Debt securities measured at fair value through other comprehensive income	1 919	3 020
Off-balance sheet commitments	36 601	7 746
Total	(105 198)	(134 444)

(*) The item includes impairment losses on receivables from financial leases.

(**) In 2023, the Group sold a portfolio of loan receivables with a total debt of PLN 264 458 thousand. The realized gross result on the transaction in the amount of PLN 8 550 thousand.

12. Other operating income and expenses

Other operating income

	I QUARTER 2023	I QUARTER 2022
Gains on disposal of property, plant and equipment	1 073	2 313
Premises rental income, terminals and IT equipment	5 741	4 122
Operating leasing net income (*)	1 117	335
Compensation, recoveries, penalty fees and fines received	2 969	4 545
Miscellaneous income	15 710	5 998
Recovery of debt collection costs	5 049	5 595
Net revenues from sale of products, goods and services	1 716	1 353
Other	4 606	4 349
Total	37 981	28 610

(*) Operating leasing net income

	I QUARTER 2023	I QUARTER 2022
Income from operating leases	2 396	2 203
Costs of depreciation of fixed assets provided under operating leases	(1 279)	(1 868)
Total	1 117	335

Other operating expenses

	I QUARTER 2023	I QUARTER 2022
Provision for liabilities disputable and other provisions (*)	16	(2 616)
Provision for legal risk regarding foreign currency mortgage loans	(72 172)	(6 306)
Credit and factoring debt collection costs	(6 511)	(7 284)
Loss on disposal of property, plant and equipment and intangible assets	(137)	(72)
Card transactions monitoring costs	(4 886)	(4 150)
Sundry expenses	(1 616)	(2 010)
Costs of litigation and claims	(5 307)	(1 947)
Impairment allowance on fixed assets, litigations and other assets	7	966
Compensation, penalty fees and fines	(471)	(1 579)
Other	(9 815)	(4 421)
Total	(100 892)	(29 419)

(*) The item also includes the provision for commission reimbursements in case of previously repaid consumer loans repaid before the CJEU judgment. (Note 24).

13. General administrative expenses and depreciation

Personnel expenses

	I QUARTER 2023	I QUARTER 2022
Wages and salaries	(513 500)	(471 387)
Insurance and other charges related to employees	(94 669)	(81 626)
Share-based payments expenses	(5 772)	(5 126)
Total	(613 941)	(558 139)

Other administrative expenses

	I QUARTER 2023	I QUARTER 2022
Overheads	(316 920)	(206 328)
Tax on certain financial institutions	(219 323)	(201 758)
Contribution and payments to the Bank Guarantee Fund, including:	(191 715)	(267 219)
to the resolution fund	(191 715)	(210 179)
to the banks' guarantee fund	-	(57 040)
Fees to cover costs of supervision over banks (KNF)	(30 059)	(26 797)
Other taxes and fees	(13 021)	(10 024)
Total	(771 038)	(712 126)

Depreciation

	I QUARTER 2023	I QUARTER 2022
Property, plant and equipment	(81 718)	(81 989)
Intangible assets	(74 242)	(94 998)
Total	(155 960)	(176 987)

Total administrative expenses and depreciation

(1 540 939) (1 447 252)

14. Income tax

	I QUARTER 2023	I QUARTER 2022
INCOME STATEMENT		
Current tax	(513 223)	(17 901)
Current tax charge in the income statement	(512 986)	(15 858)
Adjustments related to the current tax from previous years	36	(1 746)
Other taxes (e.g. withholding tax)	(273)	(297)
Deferred tax	48 922	(317 539)
Occurrence and reversal of temporary differences	48 922	(317 539)
Tax charge in the consolidated income statement	(464 301)	(335 440)
EQUITY		
Current tax	-	-
Deferred tax	(219 348)	299 267
Income and costs disclosed in other comprehensive income:		
revaluation of financial instruments - cash flows hedges	(131 692)	187 735
fair value revaluation through other comprehensive income	(77 615)	106 533
Tax on items that are or may be reclassified subsequently to profit or loss	(209 307)	294 268
Tax charge on items that will never be reclassified to profit or loss	(10 041)	4 999
fair value revaluation through other comprehensive income – equity securities	(10 041)	4 999
remeasurements the defined benefit liabilities	-	-
Total charge	(683 649)	(36 173)

15. Dividends

The Management Board of the Bank decided to submit to the Ordinary General Meeting of the Bank the motion regarding the distribution of net profit for the year 2022 in the amount of PLN 1 898 320 125.62, assuming the allocation of the amount of PLN 958 015 624.10 for dividend and the amount of PLN 940 304 501.52 for reserve capital. Proposed dividend per one share is PLN 3.65. The Management Board of the Bank recommended to set the dividend record date for 4 July 2023 and the date of dividend payment for 18 July 2023.

The final decision on the distribution of the net profit for 2022 will be made by the Ordinary General Meeting of the Bank.

16. Cash and balances with Central Bank

CASH AND DUE FROM CENTRAL BANK	31.03.2023	31.12.2022
Cash	3 873 036	4 316 728
Current account at Central Bank	10 964 289	7 935 484
Placements	364	1 191 833
Other	131	110
Gross carrying amount	14 837 820	13 444 155
Impairment allowances	(10 893)	(7 821)
Net carrying amount	14 826 927	13 436 334

17. Loans and advances to banks

Loans and advances to banks by product type

	31.03.2023	31.12.2022
Current accounts	425 272	436 980
Interbank placements	3 217 400	668 335
Loans and advances	158 257	159 135
Cash collaterals	1 422 899	2 150 015
Reverse repo transactions	94 060	755 684
Cash in transit	139 464	511 305
Total gross amount	5 457 352	4 681 454
Impairment allowances	(2 989)	(2 841)
Total net amount	5 454 363	4 678 613

18. Derivative financial instruments (held for trading)

Fair value of trading derivatives

31.03.2023	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	11 840 270	11 700 497
Forward Rate Agreements (FRA)	37 622	39 953
Options	88 964	97 936
Other	1 448	368
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	85 427	248 856
Currency Forward Agreements	382 745	241 304
Currency Swaps (FX-Swap)	403 230	474 518
Options for currency and gold	22 780	22 076
Transactions based on equity securities and stock indexes		
Options	1 903	1 896
Other	-	-
Transactions based on commodities and precious metals		
Options	-	-
Other	336 269	310 507
Total	13 200 658	13 137 911

Fair value of trading derivatives

31.12.2022	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	13 484 234	13 339 355
Forward Rate Agreements (FRA)	40 125	36 501
Options	98 847	109 757
Other	4 541	183
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	149 206	780 597
Currency Forward Agreements	467 115	316 622
Currency Swaps (FX-Swap)	353 402	469 236
Options for currency and gold	49 910	38 713
Transactions based on equity securities and stock indexes		
Options	1 810	1 804
Other	-	-
Transactions based on commodities and precious metals		
Options	-	-
Other	439 726	428 721
Total	15 088 916	15 521 489

19. Loans and advances to customers

Loans and advances to customers by product type

	31.03.2023			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	74 031 300	259	8 574	74 040 133
Current accounts	15 289 596	-	-	15 289 596
Operating loans	11 871 524	-	7 926	11 879 450
Investment loans	26 643 073	255 784	9 943	26 908 800
Cash loans	12 782 260	-	-	12 782 260
Payment cards receivables	1 086 707	-	-	1 086 707
Financial leasing	10 151 731	-	-	10 151 731
Factoring	8 244 618	-	-	8 244 618
Other loans and advances	5 723 298	-	178 608	5 901 906
Reverse repo transactions	2 165 035	-	-	2 165 035
Cash in transit	255 913	-	-	255 913
Gross carrying amount	168 245 055	256 043	205 051	168 706 149
Impairment allowances (*) (**)	(9 838 799)	-	-	(9 838 799)
Carrying amount	158 406 256	256 043	205 051	158 867 350

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 437 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 670 351 thousand.

	31.12.2022			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	75 136 487	257	9 262	75 146 006
Current accounts	14 439 605	-	-	14 439 605
Operating loans	12 575 920	-	11 647	12 587 567
Investment loans	26 768 715	253 440	11 396	27 033 551
Cash loans	12 767 146	-	-	12 767 146
Payment cards receivables	1 090 998	-	-	1 090 998
Financial leasing	9 900 109	-	-	9 900 109
Factoring	7 896 200	-	-	7 896 200
Other loans and advances	6 374 851	-	151 615	6 526 466
Reverse repo transactions	1 337 846	-	-	1 337 846
Cash in transit	37 490	-	-	37 490
Gross carrying amount	168 325 367	253 697	183 920	168 762 984
Impairment allowances (*) (**)	(10 041 994)	-	-	(10 041 994)
Carrying amount	158 283 373	253 697	183 920	158 720 990

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 431 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 724 895 thousand.

Loans and advances to customers by customer type

	31.03.2023					
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	CARRYING AMOUNT			
Corporate	90 308 884	(5 830 999)	84 477 885	256 043	16 856	84 750 784
Individuals	76 311 873	(3 999 002)	72 312 871	-	178 608	72 491 479
Budget entities	1 624 298	(8 798)	1 615 500	-	9 587	1 625 087
Loans and advances to customers	168 245 055	(9 838 799)	158 406 256	256 043	205 051	158 867 350

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 437 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 670 351 thousand.

	31.12.2022					
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	CARRYING AMOUNT			
Corporate	89 346 720	(5 944 032)	83 402 688	253 697	18 218	83 674 603
Individuals	77 272 224	(3 976 483)	73 295 741	-	151 615	73 447 356
Budget entities	1 706 423	(121 479)	1 584 944	-	14 087	1 599 031
Loans and advances to customers	168 325 367	(10 041 994)	158 283 373	253 697	183 920	158 720 990

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 3 431 thousand is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 724 895 thousand.

The tables below present the changes in impairment allowances and gross carrying amount of loans and advances to customers.

TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	INDIVIDUAL ASSESSMENT	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED) GROUP ASSESSMENT	PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	TOTAL
GROSS CARRYING AMOUNT									
GROSS CARRYING AMOUNT AS AT 1.01.2023	137 554 326	19 412 535	4 556 264	5 440 539	1 361 703	168 325 367	253 697	-	253 697
Transfer to Stage 1	3 350 607	(3 154 885)	(58 500)	(137 222)	-	-	-	-	-
Transfer to Stage 2	(3 558 654)	3 666 885	(18 880)	(89 351)	-	-	-	-	-
Transfer to Stage 3	(614 915)	(450 264)	528 063	537 116	-	-	-	-	-
New / purchased / granted financial assets	21 096 269	-	-	-	14 809	21 111 078	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(18 712 825)	(1 743 712)	(650 672)	(230 117)	(42 283)	(21 379 609)	-	-	-
Financial assets written off (*)	-	-	(80 141)	(120 449)	(218)	(200 808)	-	-	-
Modifications not resulting in derecognition	(1 036)	(160)	-	(42)	46	(1 192)	-	-	-
Adjustment related to credit holidays	219 867	21 488	32	1 326	90	242 803	-	-	-
Other, in this changes resulting from exchange rates	(74 475)	(38 367)	53 455	71 094	135 709	147 416	2 346	-	2 346
GROSS CARRYING AMOUNT AS AT 31.03.2023	139 259 164	17 713 520	4 329 621	5 472 894	1 469 856	168 245 055	256 043	-	256 043
IMPAIRMENT ALLOWANCE (**)									
IMPAIRMENT ALLOWANCE AS AT 1.01.2023	842 019	1 304 247	3 399 720	3 716 461	779 547	10 041 994	3 431	-	3 431
Changes in balances included in the income statement (table in the Note 11), of which:	(102 957)	107 993	(3 812)	134 647	(3 011)	132 860	5	-	5
New / purchased / granted financial assets	89 544	-	-	-	1 309	90 853	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(22 446)	(12 203)	(5 268)	(1 619)	(667)	(42 203)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(170 055)	120 196	1 456	136 266	(3 653)	84 210	5	-	5
Transfer to Stage 1	132 368	(122 355)	(1 202)	(8 811)	-	-	-	-	-
Transfer to Stage 2	(64 484)	86 028	(1 116)	(20 428)	-	-	-	-	-
Transfer to Stage 3	(4 700)	(50 158)	7 598	47 260	-	-	-	-	-
Financial assets written off (*)	-	-	(80 141)	(120 449)	(218)	(200 808)	-	-	-
Other, in this changes resulting from exchange rates	16 246	(38 168)	(360 602)	85 222	162 055	(135 247)	1	-	1
IMPAIRMENT ALLOWANCE AS AT 31.03.2023	818 492	1 287 587	2 960 445	3 833 902	938 373	9 838 799	3 437	-	3 437

(*) Including the value of contractual interest subject to partial write-off in the amount of PLN 211 883 thousand.

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

(***) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 670 351 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 March 2023 amounted to PLN 13 872 thousand.

TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT-IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
GROSS CARRYING AMOUNT									
GROSS CARRYING AMOUNT AS AT 1.01.2022	132 465 053	25 032 106	4 501 279	3 541 375	983 888	166 523 701	115 140	130 689	245 829
Transfer to Stage 1	10 383 110	(10 151 133)	(128 531)	(103 446)	-	-	-	-	-
Transfer to Stage 2	(10 306 954)	10 597 882	(80 547)	(210 381)	-	-	-	-	-
Transfer to Stage 3	(1 424 079)	(2 241 611)	709 758	2 955 932	-	-	-	-	-
New / purchased / granted financial assets	41 673 707	-	-	-	127 971	41 801 678	150 000	-	150 000
Financial assets derecognised, other than write-offs (repayments)	(34 522 928)	(4 012 596)	(419 755)	(498 391)	(76 513)	(39 530 183)	(7 865)	(131 930)	(139 795)
Financial assets written off (*)	-	-	(310 996)	(345 474)	(5 113)	(661 583)	-	-	-
Modifications not resulting in derecognition	(4 470)	(511)	-	(144)	-	(5 125)	-	-	-
Adjustment related to credit holidays	(946 413)	(93 044)	(59)	(5 551)	(120)	(1 045 187)	-	-	-
Other, in this changes resulting from exchange rates	237 300	281 442	285 115	106 619	331 590	1 242 066	(3 578)	1 241	(2 337)
GROSS CARRYING AMOUNT AS AT 31.12.2022	137 554 326	19 412 535	4 556 264	5 440 539	1 361 703	168 325 367	253 697	-	253 697
IMPAIRMENT ALLOWANCE (**)									
IMPAIRMENT ALLOWANCE AS AT 1.01.2022	586 640	1 101 304	3 412 466	2 357 048	243 695	7 701 153	1 954	1 923	3 877
Changes in balances included in the income statement (table in the Note 11), of which:	(57 950)	313 774	75 396	1 641 794	7 300	1 980 314	1 478	(1 923)	(445)
New / purchased / granted financial assets	298 241	-	-	-	11 289	309 530	1 778	-	1 778
Financial assets derecognised, other than write-offs (repayments)	(99 536)	(70 843)	(14 271)	(50 328)	(4 123)	(239 101)	-	(1 923)	(1 923)
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(256 655)	384 617	89 667	1 692 122	134	1 909 885	(300)	-	(300)
Transfer to Stage 1	452 007	(384 658)	(39 988)	(27 361)	-	-	-	-	-
Transfer to Stage 2	(77 154)	168 996	(16 400)	(75 442)	-	-	-	-	-
Transfer to Stage 3	(198 592)	(216 935)	34 255	381 272	-	-	-	-	-
Financial assets written off (*)	-	-	(310 996)	(345 474)	(5 113)	(661 583)	-	-	-
Other, in this changes resulting from exchange rates	137 068	321 766	244 987	(215 376)	533 665	1 022 110	(1)	-	(1)
IMPAIRMENT ALLOWANCE AS AT 31.12.2022	842 019	1 304 247	3 399 720	3 716 461	779 547	10 041 994	3 431	-	3 431

(*) Including the value of contractual interest subject to partial write-off in the amount of PLN 403 733 thousand.

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

(***) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 724 895 thousand.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 December 2022 amounted to PLN 56 263 thousand.

20. Securities

	31.03.2023	31.12.2022
Debt securities held for trading	1 159 992	878 534
Debt securities measured at amortised cost	73 249 803	62 655 238
Debt securities measured at fair value through other comprehensive income	14 016 607	16 234 557
Equity instruments held for trading	8 919	2 268
Equity instruments designated for measurement at fair value through other comprehensive income	409 828	359 659
Equity instruments mandatorily measured at fair value through profit or loss	198 134	187 189
Total	89 043 283	80 317 445

Debt securities held for trading

	31.03.2023	31.12.2022
Debt securities issued by central governments	889 820	673 701
T- bills	-	-
T- bonds	889 820	673 701
Debt securities issued by banks	34 537	19 595
Debt securities issued by business entities	235 390	184 809
Debt securities issued by local governments	245	429
Total	1 159 992	878 534

Debt securities measured at amortised cost

	31.03.2023	31.12.2022
Debt securities issued by State Treasury	26 825 723	27 891 583
T-bills	3 665 723	3 033 902
T-bonds	23 160 000	24 857 681
Debt securities issued by central banks	20 027 467	12 245 549
Debt securities issued by banks	12 457 122	9 859 598
Debt securities issued by business entities	10 199 680	8 941 791
Debt securities issued by local governments	3 739 811	3 716 717
Total	73 249 803	62 655 238
including impairment of assets	(166 880)	(154 471)

Debt securities measured at fair value through other comprehensive income

	31.03.2023	31.12.2022
Debt securities issued by State Treasury	6 965 358	8 005 145
T-bills	-	-
T-bonds	6 716 440	7 756 577
Other	248 918	248 568
Debt securities issued by central banks	-	998 900
Debt securities issued by banks	2 882 021	3 114 123
Debt securities issued by business entities	2 567 711	2 526 227
Debt securities issued by local governments	1 601 517	1 590 162
Total	14 016 607	16 234 557
including impairment of assets (*)	(33 954)	(35 772)

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

Equity securities held for trading

	31.03.2023	31.12.2022
Shares	8 919	2 268
Total	8 919	2 268

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

	31.03.2023	31.12.2022
Shares	409 828	359 659
Total	409 828	359 659

Equity instruments mandatorily measured at fair value through profit or loss

	31.03.2023	31.12.2022
Shares	198 134	187 189
Total	198 134	187 189

21. Amounts due to other banks

Amounts due to other banks by product type

	31.03.2023	31.12.2022
Current accounts	854 105	827 482
Interbank deposits and other liabilities	1 785 394	2 468 248
Loans and advances received	4 965 430	5 156 566
Repo transactions	-	50 942
Cash in transit	129 884	90 789
Lease liabilities	331	369
Total	7 735 144	8 594 396

22. Amounts due to customers

Amounts due to customers by entity and product type

	31.03.2023	31.12.2022
Amounts due to corporate, including:	82 801 681	76 823 387
current accounts	60 701 019	57 966 167
term deposits and other liabilities	22 100 662	18 857 220
Amounts due to budget entities, including:	13 953 571	13 758 619
current accounts	11 018 298	12 158 968
term deposits and other liabilities	2 935 273	1 599 651
Amounts due to individuals, including:	126 052 737	118 671 856
current accounts	91 119 620	87 558 793
term deposits and other liabilities	34 933 117	31 113 063
Repo transactions	3 810 303	879 014
Cash in transit	331 564	341 984
Lease liabilities	262 798	272 230
Total	227 212 654	210 747 090

23. Debt securities issued

Debt securities issued by type

	31.03.2023	31.12.2022
Liabilities from bonds	4 093 021	3 487 601
Certificates of deposit	2 825 481	5 893 923
Mortgage bonds	881 127	955 961
Total	7 799 629	10 337 485

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

24. Provisions

Changes in provisions in the reporting period

I QUARTER 2023	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	586 884	10 864	244 130	396 861	163 415	1 402 154
Provision charges/revaluation	73 721	-	7 370	95 241	5 772	182 104
Provision utilization	(15 134)	(1 430)	(3 535)	-	(6 541)	(26 640)
Provision releases	(1 565)	-	-	(131 842)	-	(133 407)
Foreign currency exchange differences	(699)	-	-	(181)	-	(880)
Other changes	-	-	-	-	-	-
Closing balance	643 207	9 434	247 965	360 079	162 646	1 423 331
Short term	4 277	9 434	22 021	95 169	466	131 367
Long term	638 930	-	225 944	264 910	162 180	1 291 964

(*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 541 454 thousand and a provision for early repayments of consumer loans in the amount of PLN 23 772 thousand as at 31 March 2023.

2022	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	211 909	17 330	240 368	360 133	53 368	883 108
Provision charges/revaluation	553 461	-	24 410	317 895	134 705	1 030 471
Provision utilization	(24 452)	(6 466)	(30 566)	-	(24 658)	(86 142)
Provision releases	(155 634)	-	(144)	(288 057)	-	(443 835)
Foreign currency exchange differences	1 600	-	-	6 890	-	8 490
Other changes	-	-	10 062	-	-	10 062
Closing balance	586 884	10 864	244 130	396 861	163 415	1 402 154
Short term	4 239	10 864	6 866	109 563	539	132 071
Long term	582 645	-	237 264	287 298	162 876	1 270 083

(*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 473 517 thousand and a provision for early repayments of consumer loans in the amount of PLN 35 323 thousand as at 31 December 2022.

Detailed information on individual provisions is presented in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2022.

25. Contingent commitments

Court cases

As of 31 March 2023 the following court cases for payment are pending with involvement of the Group, that are important in view of the value of the object of litigation:

- 1) in the group of liabilities (against the Group):
 - brought by the association – a claim for payment of damages against the Bank and 3 other legal person for damages incurred in connection with irregularities committed by the defendants, according to the association, when offering the purchase of premises and financing the construction of a condohotel; value of the object of litigation PLN 86 703 762, litigation initiation date – 14 November 2022, in the present factual and legal circumstances the Bank assesses the funds outflow risk as possible,
 - brought by the receiver for a joint stock company in liquidation bankruptcy – lawsuit for payment of compensation for a damage incurred as a result of the Bank's demanding immediate payment of the amounts due in virtue of payment of the price from the credit receivables transfer agreement and conducting debt enforcement collection of the portion of the price remaining for payment by a court enforcement officer, value of the object of litigation PLN 57 450 130, litigation initiation date – 30 April 2015, in the present factual and legal circumstances the Bank assesses the funds outflow risk as possible,
 - brought by a natural person – lawsuit for payment by the Bank of an amount charged by virtue of settlement of financial future or forward transactions, value of the object of litigation PLN 38 916 555.18, litigation initiation date – 2 October 2016, on 6 May 2019 the Regional Court in Warsaw issued a sentence ordering the Bank to pay the amount of PLN 3 392 349.18 and as to the remainder the Court dismissed the suit, the sentence is not legally valid, the Bank and the plaintiff appealed against the judgment. On the 16 December 2020 the Court of Appeal in Warsaw quashed the sentence of the Regional Court in its entirety and remitted the case to that Court. The Bank maintains it is current assessment of the risk of outflow of found and, in terms of the amount awarded by the Regional Court, the Bank assesses the funds outflow risk as probable and in the remaining scope as possible,
 - brought by a legal person – lawsuit for payment of compensation for the loss of value of the leased assets; value of the object of litigation PLN 21 001 551, litigation initiation date – 10 March 2011, in the present factual and legal circumstances the Bank assesses the funds outflow risk as minor,
 - brought by a legal person – lawsuit for payment of damages for a tort and improper performance of a bank account agreement in connection with the execution of payment instructions from the plaintiff's bank accounts, value of the object of litigation PLN 14 579 152.50, litigation initiation date – 17 August 2015, in the present factual and legal circumstances, the Bank assesses the funds outflow risk as possible.
- 2) in the group of receivables (brought by the Group):
 - Bank's lawsuit for payment against the guarantors for surety securing the repayment of the loan granted, value of the object of litigation PLN 136 495 075, litigation initiation date – 18 July 2022,
 - Bank's lawsuit for payment against limited debtor by virtue of mortgage collateralizing repayment of the granted credit, value of the object of litigation PLN 132 877 901, litigation initiation date – 21 January 2016,
 - Bank's lawsuit for payment against limited debtor by virtue of mortgage collateralizing repayment of the Bank's receivables resulting from banking activities, value of the object of litigation PLN 46 695 088, litigation initiation date – 15 September 2010, invalid sentence of the Regional Court in Warsaw of 13 January 2015 awarding for the benefit of the Bank the amount of PLN 40 425 047,
 - proceedings on the Bank's appeal against the decision of the President of the Office of Competition and Consumer Protection of 16 October 2020, pursuant to which the provisions on the rules for determining exchange rates in the exchange rate table, used by the Bank in annexes to currency-denominated mortgage loan agreements, value of the object of litigation PLN 21 088 807, litigation initiation date – 16 November 2020, on 14 July 2022 the Regional Court in Warsaw issued a sentence revoking the contested decision, the sentence is not final, the President of the Office of Competition and Consumer Protection and the Prosecutor of the District Prosecutor's Office in Warsaw appealed against the sentence; the Court of Appeal in Warsaw issued the sentence: 1) partially changed the sentence of the District Court in Warsaw by dismissing the Bank's appeal with regard to point 1 of the Decision of the President of the Office of Competition and Consumer Protection (pursuant to which the provisions concerning the rules for determining exchange rates in table of exchange rates, used by the Bank in annexes to mortgage loan agreements denominated in a currency); 2) annulled the sentence of the Regional Court in Warsaw in the remaining scope and remanded the case for re-examination by the Regional Court in Warsaw (with regard to the imposed penalty and costs); in the scope of point 1), the sentence of the Court of Appeal in Warsaw is final, the Bank is entitled to a cassation complaint;
 - Bank's lawsuit for payment against a legal person for improper performance of the agreement on the term and procedure of assigning receivables from leasing transactions and their redemption, value of the object litigation PLN 20 485 377.32, litigation initiation date – 12 June 2002.

None of the litigations pending in the first quarter of 2023 before the court, authority competent for arbitrary proceedings or a body of public administration posed a threat for financial liquidity of the Group.

The Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the provisions as at 31 March 2023 is PLN 643 207 thousand (PLN 586 884 thousand as at 31 December 2022).

In addition, as at 31 March 2023 the Group assessed the legal risk of foreign currency mortgage loans in CHF and created a provision related to this risk. Details are presented in the Note 28.

Financial commitments granted

Financial commitments granted by entity

	31.03.2023	31.12.2022
Financial commitments granted to:		
banks	582 388	472 910
customers	57 335 265	56 009 200
budget entities	1 088 422	726 549
Total	59 006 075	57 208 659

Guarantees issued

Guarantees issued by entity

	31.03.2023	31.12.2022
Issued to banks:		
guarantees	1 611 662	1 752 546
securities' underwriting guarantees	-	-
confirmed export letters of credit	30 679	25 620
Issued to customers	8 920 027	9 369 160
guarantees	6 546 983	6 858 820
securities' underwriting guarantees	2 098 378	2 222 671
sureties	274 666	287 669
Issued to budget entities:	883 313	958 663
guarantees	23 106	23 106
securities' underwriting guarantees	860 207	935 557
Total	11 415 002	12 080 369

Off-balance sheet commitments received

Off-balance sheet commitments received by entity

	31.03.2023	31.12.2022
Financial received from:		
banks	2 408 102	2 088 893
customers	793 844	921 691
budget entities	123 348	1 167 202
Guarantees received from:		
banks	1 490 910	-
customers	41 116 432	40 119 313
budget entities	14 434 340	13 767 719
customers	13 210 925	13 698 895
budget entities	13 471 167	12 652 699
Total	43 524 534	42 208 206

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

26. Additional information to the consolidated cash flow statement

Cash and cash equivalents

	31.03.2023	31.03.2022
Cash and amounts due from Central Bank	14 826 927	18 828 240
Loans and receivables from banks with maturity up to 3 months	5 238 543	6 115 818
Cash and Cash equivalents presented in the cash flow statement	20 065 470	24 944 058

Restricted availability cash and cash equivalents as at 31 March 2023 amounted to PLN 10 953 349 thousand (PLN 9 362 843 thousand as at 31 March 2022).

27. Related party transactions

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

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

According to the Banking Act, credit transactions with Members of the Bank's Management Board and Supervisory Board, persons holding managerial positions at the Bank, with the entities related financially or organizationally therewith, shall be effected according to Regulation adopted by the Supervisory Board of the Bank.

The Regulation provides detailed decision-making procedures, applicable to transactions with such persons and entities, also defining the decision-making levels authorized to take decisions. In particular, the transactions with the Members of the Bank's Management Board or Supervisory Board or with an entity related therewith financially or organizationally, are subject to decisions taken by the Bank's Management Board and Supervisory Board.

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

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

In case of entities related to the Bank, the standard credit procedures are applied, with transaction-related decisions taken exclusively at level of the Bank's Head Office.

Related party transactions

Related party transactions as at 31 March 2023

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank's parent entity	33	-	3 210	3 076	167 843	-	6 597
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	3 383	-	35	12 870	300 614	1 439	785
Subsidiaries of Bank Pekao S.A Group entities							
Krajowy Integrator Platności S.A.	-	-	-	20	36 552	-	-
Key management personnel of the Bank Pekao S.A.	1 010	-	-	-	8 125	-	-
Total	4 426	-	3 245	15 966	513 134	1 439	7 382

Related party transactions as at 31 December 2022

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank's parent entity	8	-	3 991	4 389	185 051	-	5 247
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	4 884	-	2 532	5 464	235 161	2 185	1 620
Subsidiaries of Bank Pekao S.A Group entities							
Krajowy Integrator Platności S.A.	-	-	-	11	36 624	-	34
Key management personnel of the Bank Pekao S.A.	1 065	-	-	-	8 566	-	-
Total	5 957	-	6 523	9 864	465 402	2 185	6 901

Income and expenses from transactions with related parties for the period from 1 January 2023 to 31 March 2023

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	(467)	(4 601)	11 421	(121)	370	(2 206)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	78	(6 290)	14 966	(96)	40	(9 231)
Subsidiaries of Bank Pekao S.A Group entities						
Krajowy Integrator Płatności S.A.	-	(159)	76	(12)	-	-
Key management personnel of the Bank Pekao S.A.	18	(100)	-	-	-	-
Total	(371)	(11 150)	26 463	(229)	410	(11 437)

Income and expenses from transactions with related parties for the period from 1 January 2022 to 31 March 2022

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	(458)	(422)	11 278	(102)	85	(449)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	4	(234)	13 244	(86)	667	(5 834)
Subsidiaries of Bank Pekao S.A Group entities						
Krajowy Integrator Płatności S.A.	-	-	93	-	-	-
Key management personnel of the Bank Pekao S.A.	9	(3)	-	-	-	-
Total	(445)	(659)	24 615	(188)	752	(6 283)

Off-balance sheet financial liabilities and guarantees as at 31 March 2023

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	3 034	15 000	-	-
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	10 636	10 046	-	-
Subsidiaries of Bank Pekao S.A Group entities				
Krajowy Integrator Platności S.A.	-	1 500	-	-
Key management personnel of the Bank Pekao S.A.	1 394	-	-	-
Total	15 064	26 546	-	-

Off-balance sheet financial liabilities and guarantees as at 31 December 2022

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	3 028	15 000	-	-
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	9 566	10 046	-	-
Subsidiaries of Bank Pekao S.A Group entities				
Krajowy Integrator Platności S.A.	-	1 500	-	-
Key management personnel of the Bank Pekao S.A.	1 382	-	-	-
Total	13 976	26 546	-	-

28. Legal risk regarding foreign currency mortgage loans in CHF

Adopted accounting principles

The Group recognizes that the legal risk related to the outstanding portfolio of foreign currency mortgage loans in CHF as at 31 March 2023 affects the expected cash flows from this portfolio and the level of expected credit loss within the meaning of IFRS 9 that can be incurred by the Group.

In connection with the above, the credit risk of the portfolio of foreign currency mortgage loans in CHF is assessed by the Group, taking into account the legal risk associated with this portfolio. Due to unfavorable judgments, resulting in a higher expected number of lawsuits in the portfolio and a significant probability of losing the case, as at 31 March 2023, the Group assumed that loans for which the probability of litigation with the customer is higher than 60% are classified as Stage 3. Other loans (not meeting the above criterion) were classified to Stage 2.

However, with regard to the repaid portfolio of foreign currency mortgage loans in CHF, the Group applies IAS 37 and recognizes provisions allocated to this part of the portfolio under 'Provisions' and 'Other operating expenses', which were presented in the Note 28 and Note 11, respectively.

Portfolio characteristics

Bank Pekao S.A. has not granted loans in CHF to the public since 2003. Almost the entire current portfolio of loans in CHF for individuals was taken over by Bank Pekao S.A. in the process of partial division of Bank BPH S.A. (loans granted before August 2006).

As at 31 March 2023, the Group had a portfolio of foreign currency mortgage loans in CHF with a total gross carrying amount of PLN 2 458 million (i.e. CHF 524.6 million) compared to PLN 2 566 million (i.e. CHF 538.2 million) as at 31 December 2022.

The tables below present the structure and quality of the CHF loan portfolio for individuals:

31.03.2023							
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	INDIVIDUAL ASSESSMENT	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)	GROUP ASSESSMENT	PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
Gross carrying amount, of which:	565	762 099	80 246	1 591 349	7 863		2 442 122
denominated in CHF	565	761 541	80 246	1 591 086	7 863		2 441 301
indexed to CHF	-	558	-	263	-		821
Impairment allowances, of which (*):	(150)	(369 475)	(68 136)	(1 497 985)	(6 051)		(1 941 797)
denominated in CHF	(150)	(369 464)	(68 136)	(1 497 812)	(6 051)		(1 941 613)
indexed to CHF	-	(11)	-	(173)	-		(184)
Carrying amount, of which:	415	392 624	12 110	93 364	1 812		500 325
denominated in CHF	415	392 077	12 110	93 274	1 812		499 688
indexed to CHF	-	547	-	90	-		637

(*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 670 351 thousand (including Stage 1 in the amount of PLN 144 thousand, Stage 2 in the amount of PLN 360 479 thousand, Stage 3 in the amount of PLN 1 309 728 thousand).

31. 12.2022							
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	INDIVIDUAL ASSESSMENT	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)	GROUP ASSESSMENT	PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
Gross carrying amount, of which:	837	832 023	83 617	1 641 962	7 610		2 566 049
denominated in CHF	837	831 372	83 617	1 641 656	7 610		2 565 092
indexed to CHF	-	651	-	306	-		957
Impairment allowances, of which (*):	(233)	(387 488)	(71 172)	(1 470 376)	(5 501)		(1 934 770)
denominated in CHF	(233)	(387 484)	(71 172)	(1 470 208)	(5 501)		(1 934 598)
indexed to CHF	-	(4)	-	(168)	-		(172)
Carrying amount, of which:	604	444 535	12 445	171 586	2 109		631 279
denominated in CHF	604	443 888	12 445	171 448	2 109		630 494
indexed to CHF	-	647	-	138	-		785

(*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 724 895 thousand (including Stage 1 in the amount of PLN 224 thousand, Stage 2 in the amount of PLN 377 445 thousand, Stage 3 in the amount of PLN 1 347 226 thousand).

As of 31 March 2023 the average LTV for CHF loans to individuals granted by the Group amounted to 30.8% (33.3% as at 31 December 2022), with an average LTV for the whole portfolio of mortgage loans of 47.6% (48.3% as at 31 December 2022).

1) Court proceedings related to foreign currency mortgage loans in CHF

In 2019, the Court of Justice of the European Union (hereinafter the 'CJEU') issued a ruling on a CHF-indexed loan granted by another bank, in which it interpreted the provisions of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer loans based on the CHF indexed loan agreement. The CJEU indicated the consequences of recognizing the possible abusiveness of conversion clauses by the domestic court, without examining the possible abusiveness of contractual provisions at all. The CJEU did not prejudge that in the event that a domestic court finds possible abusiveness, the court should automatically declare the entire contract invalid. The assessment in this respect remains to be decided by the national court, but the CJEU has not ruled out the possibility of filling the gap resulting from the abusive nature of conversion clauses by means of domestic regulations.

The ruling of the CJEU constitutes general guidelines for Polish courts. Final decisions made by Polish courts are made on the basis of EU regulations interpreted in accordance with the CJEU judgment, taking into account the provisions of domestic law and the analysis of the individual circumstances of each case. At the same time, it is difficult to talk about that the jurisprudence developed in an unfavorable way, which results in the issuance of judgments by the courts declaring the invalidity of loan agreements and ordering borrowers to return the benefits they have provided.

To date, no resolution has been adopted by the full composition of the Civil Chamber of the Supreme Court regarding the issues covered by the request of the First President of the Supreme Court, namely the answers to the following questions:

- 1) whether the abusive provisions relating to the method of determining the currency rate in an indexed or denominated loan agreement can be replaced by provisions of civil or customary law,
- 2) if it is impossible to establish a binding exchange rate for a foreign currency in a denominated loan agreement, the agreement may bind the parties in the remaining scope,
- 3) if it is impossible to establish a binding exchange rate for a foreign currency in the loan agreement, the agreement may bind the parties in the remaining scope,
- 4) whether the balance theory or the theory of two conditions will apply in the event of cancellation of the loan agreement,
- 5) which is the moment to start the limitation period in the event that the bank makes a claim against the borrower for the repayment of the loan,
- 6) whether it is possible for banks and borrowers to receive remuneration for using the funds.

In the Group's opinion, the Supreme Court's ruling may be significant as regards the questions re. 4)-6), as the remaining issues have already been resolved in preliminary rulings issued by the CJEU. In addition, it should be noted that it is not certain whether and when the Civil Chamber will adopt a resolution on the above-mentioned legal questions.

On 7 May 2021, a resolution was adopted by the Supreme Court composed of seven judges, after the resolution of the legal issue in the case III CZP 6/21 in the Civil Chamber, indicating that:

- a prohibited contractual provision (Art.385 (1) § 1 of the Civil Code) is from the outset, by operation of law, ineffective in favor of the consumer, who may subsequently give informed and free consent to this provision and thus restore its effectiveness retroactively;
- if the loan agreement cannot be binding without an ineffective provision, the consumer and the lender are entitled to separate claims for the reimbursement of cash benefits provided in the performance of the agreement (Art. 410 § 1 in conjunction with Art. 405 of the Civil Code). The lender may request the return of the benefit from the moment the loan agreement becomes permanently ineffective.

The resolution in question was given the force of a legal principle, therefore in the scope of resolved issues, it is binding in other cases examined by common courts as well as by the Supreme Court.

Currently, a line of jurisprudence unfavorable for the Group has been developed, consisting in invalidating agreements and adjudicating repayment of installments repaid by borrowers.

In addition, there is a trend on the market related to the referral by common courts of inquiries regarding various types of doubts arising to the Supreme Court, as well as to the CJEU, which may also affect the future directions of judicial decisions. An example of such an important ruling is the judgment of the CJEU of 8 September 2022 issued in joined cases C-80/21 to C-82/21, in which the CJEU replied to the questions referred for a preliminary ruling by the District Court for Warszawa Srodmiescie in Warsaw in the CHF case. The CJEU stated:

- 1) The national court may not find that the entire contract term is unfair, but only its element which renders it unfair, if such removal would amount to changing the content of the term which would affect its essence. This means that, in principle, the national court is confined to finding that a whole contract term is unfair.
- 2) If a national court finds that a contract term is unfair, with the result that the entire contract may continue in force despite the exclusion of the unfair terms, the national court cannot replace these terms with a national provision of an optional nature. This means that in such a case the national court may not apply the provisions of the Civil Code concerning the conversion of installments with the average exchange rate of the National Bank of Poland.

- 3) The national court, after finding that a contract term is unfair, is not entitled to amend the content of that term in order to maintain the validity of the contract, which cannot remain in force after removal of the term, if the relevant consumer has been informed of the consequences of nullity of the contract and has agreed to the consequences of this nullity. This means that if the consumer has agreed to the consequences of the nullity of the contract (being informed of them), the national court may not, by ruling, change the content of such a condition, but must declare nullity.
- 4) The run of the 10-year limitation period for the consumer's claim for reimbursement of the paid installments may not start from the moment of performance of each service in the performance of the contract (repayment of each installment), even if the consumer was not able to independently assess the unfairness of a contract term or did not become aware of unfair nature of this condition and without taking into account that the loan agreement provided for a much longer (30-year) repayment period. This means that the 10-year limitation period for the consumer's claim for repayment of installments does not start from the date of repayment of each installment. In practice, it should be assumed that no consumer claims for reimbursement of installments paid have expired.

On the other hand, the CJEU has still not commented on the preliminary ruling concerning the limitation of the bank's claim against the consumer (for the return of the capital paid out or, possibly, the remuneration for using the capital), as well as the bank's entitlement to remuneration for the use of the capital. The CJEU will most likely rule on these issues in the middle of 2023 at the earliest.

On 16 February 2023, the Advocate General of the CJEU issued an opinion on the basis of Article 252 of the Treaty on the Functioning of the European Union in case C-520/21 in the proceedings in which the District Court for Warsaw - Srodmiescie in Warsaw, 1st Civil Division requested the CJEU to issuance of a preliminary ruling in which the CJEU will take a position on whether, in the event that a loan agreement concluded between a bank and a consumer is invalid from the beginning due to the inclusion of unfair contractual terms, the parties, in addition to refunding the money paid in performance of this agreement (bank - the loan capital, the consumer - installments, fees, commissions and insurance premiums) and statutory interest for delay from the time of request for payment, may also demand any other benefits.

In the above opinion, the Advocate General of the CJEU came to the conclusion that Art. 6 sec. 1 and art. 7 sec. 1 of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts should be interpreted as follows:

- the above provisions do not preclude a judicial interpretation of national law according to which, where a loan agreement concluded between a consumer and a bank is held to be invalid from the outset because of the inclusion of unfair contractual terms, the consumer, in addition to reimbursement of the money paid under that agreement and payment statutory interest for delay from the time of request for payment, may, as a result of such recognition, also demand additional benefits from the bank. It is for the national court to determine, in the light of national law, whether consumers are entitled to pursue such claims and, if so, to decide on their merits,
- the above provisions preclude a judicial interpretation of national law according to which, if a loan agreement concluded between a consumer and a bank is held to be invalid from the outset on account of the inclusion of unfair contractual terms, the bank, in addition to refunding the money paid under that contract and paying interest for delay from the time of the request for payment, may, as a result of such acknowledgment, also demand additional benefits from the consumer.

Until 31 March 2023, 3 489 individual court cases have been filed against the Group regarding foreign currency mortgage loans in CHF, which were granted in previous years, with the total value of the claim in the amount of PLN 1 106.8 million (as at 31 December 2022, the number of cases was 2 922, and the corresponding value of the dispute is PLN 916 million). The main cause of the dispute, as indicated by the plaintiffs, concerns the questioning of the provisions of the loan agreement with regard to the Group's application of conversion rates and results in claims regarding the partial or complete invalidity of the loan agreements. In first quarter of 2023, the Group received 279 unfavorable court judgments in cases brought by borrowers, including 37 final judgments and 9 favorable court judgments, including 1 final judgments (in 2022: 578 unfavorable court judgments, including 95 final judgments stating the invalidity of the loan agreement and 24 favorable court judgments, including 5 final judgments dismissing the claim for declaring the invalidity of the loan agreement and a claim for payment in connection with the invalidity of the loan agreement).

Provision related to foreign currency mortgage loans in CHF - assumptions and calculation methodology

The calculation of the provision performed by the Group as at 31 March 2023 was based on the assumptions and methodology analogous to what was presented in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2022.

The level of the provision set by the Group requires each time the Group adopts many expert assumptions based on professional judgement.

Subsequent rulings and possible sectoral solutions that will appear on the Polish market with regard to foreign currency mortgage loans in CHF may affect the amount of the provision determined by the Group and cause the necessity to change individual assumptions adopted in the calculations. In connection with the above-mentioned uncertainty, it is possible that the amount of the provision will change in the future.

Provision related to foreign currency mortgage loans in CHF – results and allocation

As at 31 March 2023, the level of the provision for the aforementioned legal risk related to CHF-denominated mortgage contracts estimated by the Group amounted to PLN 2 211.8 million and increased by PLN 13.4 million relative to the level of such provisions as at 31 December 2022.

The above amount includes a provision for individual existing litigation to which the Group is a party and a portfolio provision for the remaining CHF foreign currency mortgage loan contracts that are subject to the legal risk of the recognition of abusive conversion clauses. In addition, the Group has allocated the total amount of the provision to the allowance for loan losses element (in correspondence with the item 'Result from allowance for expected credit losses') and the litigation provision element (in correspondence with the item 'Other operating expenses').

A summary of the recognition of the provision for legal risk related to foreign currency mortgage loans in CHF in the statement of financial position and income statement is presented in the tables below.

STATEMENT OF FINANCIAL POSITION	31.03.2023	31.12.2022
Impairment allowances for loan exposures, in this:	1 670 351	1 724 895
Individual provisions	407 396	378 242
Portfolio provisions	1 262 955	1 346 653
Provisions for litigation and claims, in this:	541 454	473 517
Individual provisions	218 073	176 257
Portfolio provisions	323 381	297 260
Total	2 211 805	2 198 412

INCOME STATEMENT	I QUARTER 2023	I QUARTER 2022
Net allowances for expected credit losses	26 975	(8 636)
Other operating expenses	(72 172)	(6 306)
Foreign exchange result (foreign currency exchange differences)	26 036	-
Total	(19 161)	(14 942)

29. Basic measures of liquidity

Regulatory liquidity long-term norms and LCR and NSFR (*)

SUPERVISORY LIQUIDTY NORMS	LIMIT	31.03.2023	31.12.2022
LCR Liquidity coverage ratio	100%	222%	222%
NSFR Net stable funding ratio	100%	162%	154%

(*) The values of regulatory liquidity ratios have been determined in accordance with the principles set out by the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation No. 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions.

30. Fair value of financial assets and liabilities

Financial instruments that are measured at fair value in the consolidated statement of financial position of the Group

The process of measuring financial instruments at fair value has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2022.

Assets and liabilities measured at fair value in breakdown by fair value hierarchy levels

31.03.2023	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	7 412 542	17 199 216	6 029 689	30 641 447
Financial assets held for trading	895 136	247 399	26 376	1 168 911
Derivative financial instruments, including:	-	13 200 658	-	13 200 658
Banks	-	2 695 445	-	2 695 445
Customers	-	10 505 213	-	10 505 213
Hedging instruments, including:	-	377 241	-	377 241
Banks	-	99 325	-	99 325
Customers	-	277 916	-	277 916
Securities measured at fair value through other comprehensive income	6 517 406	3 373 918	5 344 085	15 235 409
Securities measured at fair value through profit or loss	-	-	198 134	198 134
Loans and advances to customers measured at fair value through other comprehensive income	-	-	256 043	256 043
Loans and advances to customers measured at fair value through profit or loss	-	-	205 051	205 051
Liabilities:	369 747	15 679 489	-	16 049 236
Financial liabilities held for trading	369 747	-	-	369 747
Derivative financial instruments, including:	-	13 137 911	-	13 137 911
Banks	-	2 801 173	-	2 801 173
Customers	-	10 336 738	-	10 336 738
Hedging instruments, including:	-	2 541 578	-	2 541 578
Banks	-	128 689	-	128 689
Customers	-	2 412 889	-	2 412 889

31.12.2022	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	7 465 923	21 519 315	5 410 349	34 395 587
Financial assets held for trading	722 442	110 276	96 739	929 457
Derivative financial instruments, including:	-	15 088 624	292	15 088 916
Banks	-	2 889 685	292	2 889 977
Customers	-	12 198 939	-	12 198 939
Hedging instruments, including:	-	279 589	-	279 589
Banks	-	118 577	-	118 577
Customers	-	161 012	-	161 012
Securities measured at fair value through other comprehensive income	6 743 481	6 040 826	4 688 512	17 472 819
Securities measured at fair value through profit or loss	-	-	187 189	187 189
Loans and advances to customers measured at fair value through other comprehensive income	-	-	253 697	253 697
Loans and advances to customers measured at fair value through profit or loss	-	-	183 920	183 920
Liabilities:	874 591	18 697 902	-	19 572 493
Financial liabilities held for trading	874 591	-	-	874 591
Derivative financial instruments, including:	-	15 521 489	-	15 521 489
Banks	-	3 703 464	-	3 703 464
Customers	-	11 818 025	-	11 818 025
Hedging instruments, including:	-	3 176 413	-	3 176 413
Banks	-	125 949	-	125 949
Customers	-	3 050 464	-	3 050 464

Change in fair value of financial assets measured at fair value according to Level 3 by the Group

31.03.2023	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	96 739	292	253 697	183 920	187 189	4 688 512	-
Increases, including:	446 525	-	5 289	34 111	10 945	1 451 687	-
Reclassification from other levels	20 730	-	-	-	-	1 093 191	-
Transactions made in 2023	-	-	-	32 177	-	-	-
Acquisition/Granting	425 372	-	-	-	-	114 430	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments	423	-	5 289	1 693	10 945	244 066	-
recognized in the income statement	423	-	5 289	1 693	10 945	64 118	-
recognized in revaluation reserves	-	-	-	-	-	179 948	-
Decreases, including:	(516 888)	(292)	(2 943)	(12 739)	-	(796 114)	-
Reclassification to other level	(86 845)	(292)	-	-	-	(737 775)	-
Settlement/Redemption	-	-	(1 890)	(12 739)	-	(105 220)	-
Sale/Repayment	(430 032)	-	-	-	-	47 078	-
Losses on financial instruments	(11)	-	(1 053)	-	-	(197)	-
recognized in the income statement	(11)	-	-	-	-	(57)	-
recognized in revaluation reserves	-	-	(1 053)	-	-	(140)	-
Closing balance	26 376	-	256 043	205 051	198 134	5 344 085	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	264	-	3 598	1 673	-	196 418	-
Income statement:	264	-	4 651	1 673	-	34 045	-
net interest income	80	-	4 642	672	-	34 884	-
net allowances for expected credit losses	-	-	9	-	-	(839)	-
result on financial assets and liabilities held for trading	184	-	-	1 001	-	-	-
Other comprehensive income	-	-	(1 053)	-	-	162 373	-

Change in fair value of financial assets measured at fair value according to Level 3 by the Group

31.12.2022	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	94 433	5 860	245 829	160 379	171 496	5 181 843	-
Increases, including:	1 110 681	849	165 052	56 009	-	1 536 071	-
Reclassification from other levels	13 962	849	-	-	-	1 117 713	-
Transactions made in 2022	-	-	-	52 772	-	-	-
Acquisition/Granting	1 093 759	-	151 248	-	-	233 859	-
Settlement/Redemption	-	-	-	-	-	-	-
Gains on financial instruments	2 960	-	13 804	3 237	15 693	184 499	-
recognized in the income statement	2 960	-	13 804	3 237	15 693	181 521	-
recognized in revaluation reserves	-	-	-	-	-	2 978	-
Decreases, including:	(1 108 375)	(6 417)	(157 184)	(32 468)	-	(2 029 402)	-
Reclassification to other level	(64 970)	(1 455)	-	-	-	(940 106)	-
Settlement/Redemption	(13 000)	(3 044)	(150 974)	-	-	(471 874)	-
Sale/Repayment	(1 030 348)	-	-	-	-	(301 526)	-
Losses on financial instruments	(57)	(1 918)	(6 210)	(32 468)	-	(315 896)	-
recognized in the income statement	(57)	(1 918)	-	(32 468)	-	(65 036)	-
recognized in revaluation reserves	-	-	(6 210)	-	-	(250 860)	-
Closing balance	96 739	292	253 697	183 920	187 189	4 688 512	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	(371)	(557)	(7 128)	3 101	-	(269 081)	-
Income statement:	(371)	(557)	817	3 101	-	26 144	-
net interest income	13	-	2 295	2 439	-	19 142	-
net allowances for expected credit losses	-	-	(1 478)	-	-	7 002	-
result on financial assets and liabilities held for trading	(384)	(557)	-	662	-	-	-
Other comprehensive income	-	-	(7 945)	-	-	(295 225)	-

Transfers of instruments between fair value hierarchy levels are based on changes in availability of active market quotations at the end of the reporting periods.

In the period from 1 January to 31 March 2023 the following transfers of financial instruments between the levels of the fair value hierarchy were made:

- from Level 3 to Level 2: corporate bonds which were valued based on information on the prices of comparable financial instruments, corporate and municipal bonds with immaterial impact of the estimated credit parameters on the valuation, and equity derivative instruments for which impact of the estimated volatility on the valuation was immaterial,
- from Level 2 to Level 3: corporate bonds, for which impact of estimated credit parameters was material.

Financial instruments that are not measured at fair value in the consolidated statement of financial position of the Group

The process of valuation of financial instruments that are not presented at fair value in the financial statements has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2022.

Assets and liabilities not measured at fair value in the financial statement in breakdown by fair value hierarchy levels

31.03.2023	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	14 826 927	14 762 399	3 873 036	10 889 234	129
Loans and advance to banks	5 454 363	5 452 927	-	3 734 670	1 718 257
Loans and advances to customers measured at amortised cost	158 406 256	160 248 862	-	2 164 636	158 084 226
Debt securities measured at amortised cost	76 439 980	72 737 403	28 458 287	39 503 360	4 775 756
Other assets	1 604 614	1 604 614	-	-	1 604 614
Total Assets	256 732 140	254 806 205	32 331 323	56 291 900	166 182 982
Liabilities					
Amounts due to Central Bank	-	-	-	-	-
Amounts due to other banks	7 735 144	7 728 390	-	725 873	7 002 517
Amounts due to customers	227 212 654	227 183 360	-	-	227 183 360
Debt securities issued	7 799 629	7 823 832	-	7 823 832	-
Subordinated liabilities	2 850 935	2 849 250	-	2 849 250	-
Other liabilities	4 285 785	4 285 785	-	-	4 285 785
Total Liabilities	249 884 147	249 870 617	-	11 398 955	238 471 662

Assets and liabilities not measured at fair value in the financial statement in breakdown by fair value hierarchy levels

31.12.2022	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	13 436 334	13 388 622	4 316 728	9 071 786	108
Loans and advance to banks	4 678 613	4 677 978	-	1 860 129	2 817 849
Loans and advances to customers measured at amortised cost	158 283 373	159 314 361	-	1 337 427	157 976 934
Debt securities measured at amortised cost	62 655 238	57 691 500	25 676 904	29 210 619	2 803 977
Other assets	1 951 807	1 951 807	-	-	1 951 807
Total Assets	241 005 365	237 024 268	29 993 632	41 479 961	165 550 675
Liabilities					
Amounts due to Central Bank	-	-	-	-	-
Amounts due to other banks	8 594 396	8 627 193	-	1 417 321	7 209 872
Amounts due to customers	210 747 090	210 551 859	-	-	210 551 859
Debt securities issued	10 337 485	10 315 091	-	10 315 091	-
Subordinated liabilities	2 789 132	2 788 412	-	2 788 412	-
Other liabilities	4 894 444	4 894 444	-	-	4 894 444
Total Liabilities	237 362 547	237 176 999	-	14 520 824	222 656 175

31. Impairment allowances on financial assets, property, plant and equipment, intangible assets or other assets and reversal of such impairment allowances

Details are presented in Notes 11, 12 and 19.

32. Acquisition and sale of property, plant and equipment and commitments for the acquisition of property, plant and equipment

In the period from 1 January to 31 March 2023 the Group acquired 'Property, plant and equipment' amounted PLN 33 776 thousand (in 2022 - PLN 169 969 thousand), while the value of property, plant and equipment sold amounted to PLN 6 303 thousand (in 2022 - PLN 39 313 thousand).

In the period from 1 January to 31 March 2023 and in 2022 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 31 March 2023 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 3 918 thousand, (as at 31 December 2022 - PLN 11 815 thousand).

33. Subsequent events

Information on the proposed distribution of net profit of the Bank for 2022

Information on the proposed distribution of net profit of the Bank for 2022 was presented in the Note 15.

Information on the amount of the Bank's contribution to the bank resolution fund for 2023

On 24 April 2023, the Bank received information from the Bank Guarantee Fund about the Bank's contribution to the bank resolution fund for 2023 in the amount of PLN 188 215 thousand.

The above amount was included in the Group's expenses for the first quarter of 2023 (Note 13 'General administrative expenses and depreciation').

26.04.2023 Date	Leszek Skiba Name/Surname	President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
26.04.2023 Date	Jarosław Fuchs Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
26.04.2023 Date	Marcin Gadomski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
26.04.2023 Date	Jerzy Kwieciński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
26.04.2023 Date	Paweł Strączyński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
26.04.2023 Date	Błażej Szczecki Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
26.04.2023 Date	Wojciech Werochowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
26.04.2023 Date	Piotr Zborowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
26.04.2023 Date	Magdalena Zmitrowicz Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature