Interim Condensed Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the first quarter of 2023

This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	First quarter accruals period from 01.01.23 to 31.03.23	First quarter accruals period from 01.01.22 to 31.03.22	First quarter accruals period from 01.01.23 to 31.03.23	First quarter accruals period from 01.01.22 to 31.03.22
Data related to the interim condensed consolidated financial statements				
Interest income and similar	1,115,086	474,908	237,227	102,192
Fee and commission income	167,972	175,830	35,735	37,836
Profit before tax	768,422	367,714	163,477	79,126
Net profit	603,762	281,992	128,446	60,680
Comprehensive income	827,628	(3,947)	176,072	(849)
Net cash flows	1,136,792	(3,404,679)	241,845	(732,630)
Total assets*	71,179,602	69,801,402	15,223,955	14,883,345
Amounts due to banks*	4,661,333	4,794,671	996,970	1,022,340
Amounts due to customers*	52,488,857	50,512,860	11,226,362	10,770,562
Equity*	8,787,873	7,960,245	1,879,558	1,697,317
Ordinary shares*	522,638	522,638	111,782	111,439
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)*	67.26	60.92	14.39	12.99
Total capital adequacy ratio (%)*	17.9	17.6	17.9	17.6
Earnings per share (PLN / EUR)	4.62	2.16	0.98	0.46
Diluted earnings per share (PLN / EUR)	4.62	2.16	0.98	0.46
Data related to the interim condensed standalone financial statements				
Interest income and similar	1,115,086	474,943	237,227	102,200
Fee and commission income	168,082	162,649	35,758	34,999
Profit before tax	766,837	363,539	163,139	78,228
Net profit	602,427	278,689	128,162	59,969
Comprehensive income	826,306	(7,302)	175,791	(1,571)
Net cash flows	1,136,792	(3,404,676)	241,845	(732,630)
Total assets*	71,271,056	69,892,966	15,243,515	14,902,869
Amounts due to banks*	4,661,333	4,794,671	996,970	1,022,340
Amounts due to customers*	52,644,129	50,667,780	11,259,572	10,803,595
Equity*	8,725,910	7,899,604	1,866,305	1,684,386
Ordinary shares*	522,638	522,638	111,782	111,439
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)*	66.78	60.46	14.28	12.89
Total capital adequacy ratio (%)*	17.6	17.3	17.6	17.3
Earnings per share (PLN/EUR)	4.61	2.13	0.98	0.46
Diluted earnings per share (PLN / EUR)	4.61	2.13	0.98	0.46
Declared or paid dividends per share (PLN/EUR)**	9.00	5.47	1.91	1.18

**Comparative data according as at 31 December 2022. Additional information on TCR calculation has been described in the note no. 7 and "Information on capital adequacy of Bank Handlowy w Warszawie S.A. as at 31 March 2023" subject to publication on the Bank's website.*

***The Ordinary General Meeting of Shareholders of the Bank Handlowy w Warszawie S.A. adopted a resolution on distribution of the net profit for 2022.. Additional information concerning dividend payout was presented in note 18.*

****The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 31 March 2023 – 4.6755 (as at 31 December 2022: PLN 4.6899; as at 31 March 2022 – PLN 4.6525); for the income statement, a statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the I quarter of 2023 - PLN 4,7005 (in the I quarter of 2022: PLN 4.6472).*

Contents

Condensed consolidated income statement

PLN '000 For the period	I quarter accruals period from 01.01.23 to 31.03.23	I quarter accruals period from 01.01.22 to 31.03.22
Interest income	1,071,450	442,389
Similar income	43,636	32,519
Interest expense and similar charges	(267,782)	(30,049)
Net interest income	**847,304**	**444,859**
Fee and commission income	**167,972**	175,830
Fee and commission expense	(27,304)	(24,566)
Net fee and commission income	**140,668**	**151,264**
Dividend income	**4**	**56**
Net gain/(loss) on trading financial instruments and revaluation	**231,843**	**274,223**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	**24,256**	**(35,762)**
Net gain/(loss) on equity investments and other at fair value through income statement	**1,308**	**4,638**
Net gain/(loss) on hedge accounting	**(2,602)**	**(1,722)**
Other operating income	**6,057**	5,805
Other operating expenses	(6,460)	(7,628)
Net other operating income and expense	**(403)**	**(1,823)**
General administrative expenses	**(388,735)**	**(387,627)**
Depreciation and amortization	**(26,306)**	**(26,378)**
Profit on sale of other assets	**(21)**	**3,509**
Provisions for expected credit losses on financial assets and provisions for contingent liabilities	**(11,850)**	**(11,554)**
Operating income	**815,466**	**413,683**
Tax on certain financial institutions	**(47,044)**	**(45,969)**
Profit before tax	**768,422**	**367,714**
Income tax expense	**(164,660)**	**(85,722)**
Net profit	**603,762**	**281,992**
Including:		
Net profit attributable to Bank's shareholders	603,762	281,992
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Earnings per share (in PLN)	4.62	2.16
Diluted net earnings per share (in PLN)	4.62	2.16

Explanatory notes are an integral part of the interim condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

PLN '000	For a period	I quarter accruals period from 01.01.23 to 31.03.23	I quarter accruals period from 01.01.22 to 31.03.22
Net profit		**603,762**	**281,992**
Other comprehensive income, that is or might be subsequently reclassified to income statement:		223,866	(285,939)
Remeasurement of financial assets measured at fair value through other comprehensive income (net)		243,526	(314,958)
(Profit)/Loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)		(19,647)	28,967
Currency translation differences		(13)	52
Other comprehensive income net of tax		**223,866**	**(285,939)**
Total comprehensive income		**827,628**	**(3,947)**
Including:			
Comprehensive income attributable to Bank's shareholders		827,628	(3,947)

Explanatory notes are an integral part of the interim condensed consolidated financial statements.

Condensed consolidated statement of financial position

as at	31.03.2023	31.12.2022
PLN '000		
ASSETS		
Cash and balances with the Central Bank	1,772,206	595,969
Amounts due from banks	3,949,780	1,043,968
Financial assets held-for-trading, including:	4,467,194	7,029,163
Assets pledged as collateral	-	*60,988*
Hedging derivatives	-	623
Debt financial assets measured at fair value through other comprehensive income, including:	36,157,308	37,180,808
Assets pledged as collateral	*1,533,008*	*697,698*
Equity and other instruments measured at fair value through income statement	107,453	106,144
Amounts due from customers	22,511,789	21,620,507
Tangible fixed assets	461,162	455,418
Intangible assets	1,259,268	1,263,863
Current income tax receivables	54	-
Deferred tax asset	191,255	287,368
Other assets	302,133	217,571
Total assets	**71,179,602**	**69,801,402**
LIABILITIES		
Amounts due to banks	4,661,333	4,794,671
Financial liabilities held-for-trading	3,552,197	4,896,099
Hedging derivatives	28,505	6,917
Amounts due to customers	52,488,857	50,512,860
Provisions	108,479	112,507
Current income tax liabilities	93,869	245,937
Deferred tax provision	159	165
Other liabilities	1,458,330	1,272,001
Total liabilities	**62,391,729**	**61,841,157**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	3,001,259	3,001,259
Revaluation reserve	(349,649)	(573,528)
Other reserves	2,833,332	2,833,345
Retained earnings	2,780,293	2,176,531
Total equity	**8,787,873**	**7,960,245**
Total liabilities and equity	**71,179,602**	**69,801,402**

Explanatory notes are an integral part of the interim condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2023	**522,638**	**3,001,259**	**(573,528)**	**2,833,345**	**2,176,531**	**7,960,245**
Total comprehensive income, including:	**-**	**-**	**223,879**	**(13)**	**603,762**	**827,628**
Net profit	-	-	-	-	603,762	603,762
Other comprehensive income	-	-	223,879	(13)	-	223,866
Currency translation differences from the foreign operations' conversion	-	-	-	(13)	-	(13)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	223,879	-	-	223,879
Balance as at 31 March 2023	**522,638**	**3,001,259**	**(349,649)**	**2,833,332**	**2,780,293**	**8,787,873**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2022	**522,638**	**3,001,699**	**(312,018)**	**2,814,030**	**1,357,046**	**7,383,395**
Total comprehensive income, including:	**-**	**-**	**(285,991)**	**52**	**281,992**	**(3,947)**
Net profit	-	-	-	-	281,992	281,992
Other comprehensive income	-	-	-	52	-	52
Currency translation differences from the foreign operations' conversion	-	-	-	52	-	52
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(285,991)	-	-	(285,991)
Balance as at 31 March 2022	**522,638**	**3,001,699**	**(598,009)**	**2,814,082**	**1,639,038**	**7,379,448**

PLN'000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2022	**522,638**	**3,001,699**	**(312,018)**	**2,814,030**	**1,357,046**	**7,383,395**
Total comprehensive income, including:	**-**	**-**	**(261,510)**	**7,388**	**1,545,680**	**1,291,558**
Net profit	-	-	-	-	1,545,680	1,545,680
Other comprehensive income						
Currency translation differences from the foreign operations' conversion	-	-	-	89	-	89
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(261,510)	-	-	(261,510)
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	7,299	-	7,299
Dividends paid	**-**	**-**	**-**	**-**	**(714,708)**	**(714,708)**
Transfer to capital	**-**	**(440)**	**-**	**11,927**	**(11,487)**	**-**
Balance as at 31 December 2022	**522,638**	**3,001,259**	**(573,528)**	**2,833,345**	**2,176,531**	**7,960,245**

Explanatory notes are an integral part of the interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows

PLN '000 For a period	I quarter accruals period from 01.01.23 to 31.03.23	I quarter accruals period from 01.01.22 to 31.03.22
Cash at the beginning of the reporting period	**658,777**	**6,566,557**
Cash flows from operating activities	1,162,990	(3,389,475)
Cash flows from investing activities	(23,054)	(12,269)
Cash flows from financing activities	(3,144)	**(2,935)**
Cash at the end of the reporting period	**1,795,569**	**3,161,878**
Increase/(decrease) in net cash	**1,136,792**	**(3,404,679)**

Explanatory notes are an integral part of the interim condensed consolidated financial statements.

Supplementary notes to the interim condensed consolidated financial statements

1 General information about the Bank and the Capital Group

Bank Handlowy w Warszawie S.A. ("parent company", "the Bank", "Citi Handlowy") Head Office is located in Poland at Senatorska 16, 00-923 Warszawa. The Bank was established on the basis of Deed of foundation of 13 April 1870 and was registered and entered into the Register of Companies by the District Court for the capital city of Warsaw, XII Economic Department of the National Court Register. The Bank was registered under entry No. KRS 0000001538. Bank operates as a joint-stock company. During the reporting period the name of entity has not changed.

Parent undertaking was granted a statistical REGON No. 000013037 and tax identification No. (NIP) 526-030-02-91.

The Bank and its subsidiaries are expected to continue the business activity for an unspecified period of time.

Share equity of the Bank equals PLN 522,638,400 and is divided into 130,659,600 common shares, with nominal value of PLN 4.00 per share. The Bank is a listed company on the Warsaw Stock Exchange.

The Group is a member of Citigroup Inc. The Bank is a subsidiary of Citibank Overseas Investments Corporation with headquarters in New Castle, USA. Citibank Overseas Investment Corporation is a subsidiary of Citibank N.A. with headquarters in New York, USA, whereas the ultimate parent is Citigroup Inc.

Bank Handlowy w Warszawie S.A. is a universal bank that offers a wide range of banking services for individuals and corporate customers on the domestic and foreign markets, while via the Brokerage Department provides brokerage services for individual and institutional clients.

This interim condensed consolidated financial statements present financial data of the Capital Group of Bank Handlowy w Warszawie S.A. ('the Group"), that is composed of Bank Handlowy w Warszawie S.A. ('the Bank") as the parent company and its subsidiaries entities.

The Group consists of the following subsidiaries:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		31.03.2023	31.12.2022
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A. („DMBH")	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o. *(apart from indirect shareholding via Handlowy-Inwestycje Sp. z o.o. where the share in equity equals 2.53%).)*	Warsaw	97.47	97.47
Handlowy Investments S.A.	Luxembourg	100.00	100.00
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	100.00

**on April 7, 2023, the Registry Court entered the transformation of the company Dom Maklerski Banku Handlowego S.A. into the National Court Register. After the transformation, the company is named HANDLOWY FINANCIAL SERVICES Spółka z ograniczoną odpowiedzialnością*

2 Declaration of conformity

The interim condensed consolidated financial statements of the Group have been prepared for the period from 1 January 2023 to 31 March 2023 and for the consolidated statement of financial position as at 31 March 2023. Comparative financial data are presented for the period from 1 January 2022 to 31 March 2022 and for the consolidated statement of financial position as at 31 December 2022.

The interim condensed consolidated financial statements are presented in PLN (currency of presentation), rounded to the nearest thousand.

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* adopted by European Union and with other applicable regulations.

The financial statements does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the financial year ended 31 December 2022.

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, No. 757, as amended) the Bank is obliged to publish its financial results for the 3-month period ended 31 March 2023 which is deemed to be the current interim financial reporting period.

3 Significant accounting policies

The interim condensed consolidated financial statements of the Group for the first quarter of 2023 has been prepared in accordance with accounting principles adopted and described in the annual consolidated financial statements of the Group for the financial year ended 31 December 2022, except for the burden of income tax that was calculated according to the rules of IAS 34.

The preparation of interim condensed consolidated financial statements of the Group with accordance to International Financial Reporting Standards requires that the Management should make certain estimates and adopt related assumptions that affect the amounts reported in the financial statements. This financial statements are based on the same estimation rules which were used in the annual consolidated financial statements of the Group for the financial year ended 31 December 2022.

The estimations and respective assumptions are made based on historical data available and multiple other factors which under given conditions are considered proper and which form the basis for estimation regarding balance sheet values of assets and liabilities whose value cannot be determined clearly based on other sources. Real values may differ from estimation values.

The estimations and respective assumptions are subject recurring to reviews. Changes of estimations are recognized in the period in which the estimation was modified if the adjustment concerns only this period or in the period of the change and future periods if the adjustment concerns both this period and the future periods.

The key estimates were presented in the annual Consolidated Financial Statements of the Group for 2022.

Additionally, with respect to interim financial statements, the Group applies the principle of recognizing the financial result income tax charges based on the estimate of the annual effective income tax rate expected by the Group in the full financial year.

Standards and interpretations awaiting European Union's approval:

- IAS 1 "Presentation of financial statements" amendment – in the area of classification of liabilities as current or non-current, clarifying criteria for classification a liability as long-term, and non-current liabilities with covenants, clarifying that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current, applicable from 1 January 2024;
- IAS 16 "Leasing" amendment concerning lease liabilities in the case of sale and leaseback, issued on 22 September 2022, effective date from 1 January,2022, applicable from 1 January 2024;

will not have significant impact on the financial statements.

Standards and interpretations applicable from 1 January 2023:

- Amendment to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements" with regard to the disclosure of accounting policies. According to new requirements, an entity discloses its material accounting policies, instead of previous requirement to disclose significant accounting policies, issued on 12 February 2021;
- Amendment to IAS 8 "Accounting policies, changes in accounting estimates and errors" introducing the definition of accounting estimates including changes in accounting estimates, instead of the previous definition of changes in accounting estimates, issued on 12 February 2021;
- IFRS 17 "Insurance" replacing IFRS 4 „Insurance contracts" and introducing comprehensive regulations for accounting of insurance contracts, in particular the measurement of relevant liabilities, issued on 25 June 2020;
- Amendments to IFRS 17 "Insurance contracts" - initial application of IFRS 17 and IFRS 9 - comparative information on enabling simplification for entities implementing IFRS 9 and IFRS 17 (arising from the difficult clarification of the requirements to present comparative information from both standard together) in comparative disclosures by recognizing that IFRS 9 was applied to financial assets, issued on 9 December 2021;
- Amendment to IAS 12 "Income taxes" narrowing the scope of deferred tax initial recognition exemption so that it does not apply to transactions in which both deductible and taxable temporary differences arise in equal amounts, issued on 7 May 2021

do not impact the financial statements significantly.

Income tax in interim financial statements

Income tax in interim financial statements is accrued in accordance with IAS 34. Interim period tax expense is accrued using the tax rate that would be applicable to expected total annual result, that is, the estimated average annual effective income tax rate applied to the pre-tax result of the interim period. The calculation of the average annual effective income tax rate requires the use of a pre-tax income forecast for the entire fiscal year and permanent differences between the carrying amounts of assets and liabilities and their tax base.

Foreign currency

The statement of financial position and contingent liabilities received and granted denominated in foreign currencies are converted to PLN equivalents using the average exchange rate of the currency determined by the Governor of the National Bank of Poland ("NBP") prevailing at the date of preparation of the statement of financial position.

Foreign currency transactions are converted at initial recognition to the functional currency (PLN) using the exchange rates prevailing at the date of transactions.

Foreign exchange profits and losses resulting from revaluation of the statement of financial position items denominated in foreign currencies and settlement of transactions in foreign currencies are included in net profit on foreign exchange, within the trade financial instruments and revaluation income.

The exchange rates of the major currencies applied in the preparation of these financial statements are:

PLN		31 March 2023	31 December 2022	31 March 2022
1	USD	4.2934	4.4018	4.1801
1	CHF	4.6856	4.7679	4.5207
1	EUR	4.6755	4.6899	4.6525

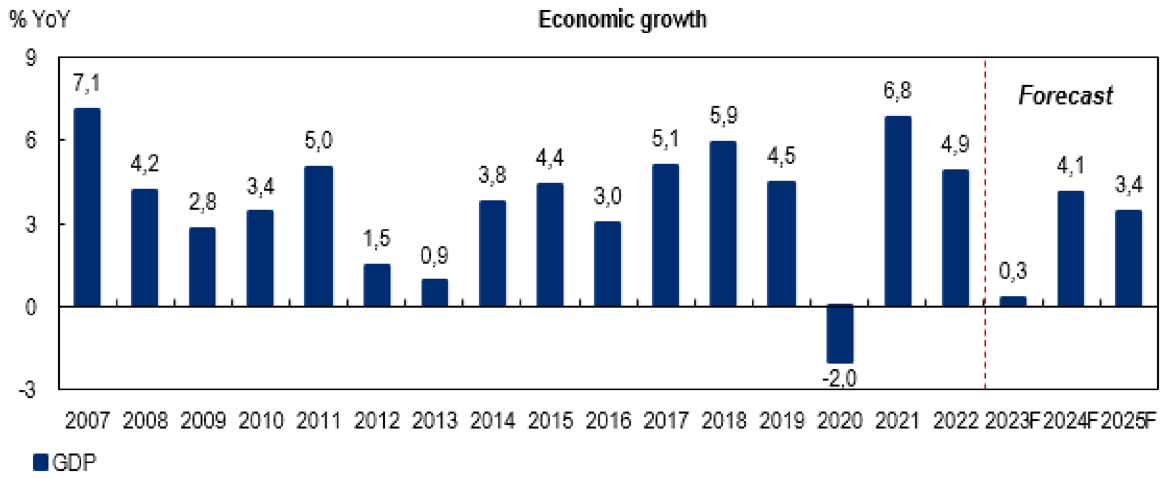
4 Macroeconomic conditions and the situation in money, foreign exchange and capital markets

1. Macroeconomic conditions and the situation in money and foreign exchange markets

The latest economic data suggest that GDP growth was again lower in the first quarter of 2023 than at the end of 2022. Monetary tightening, coupled with a significant decline in real income, has taken its toll, translating into visibly weaker consumer demand. Economic activity data for the first quarter of 2023 indicate that economic slowdown has continued as before, though, starting from the second half of 2023, the Group expects growth to rebound noticeably quarter-over-quarter, given, for example, better-than-forecast economic data in Germany and the prospective increase in real income.

Industry output fell in the first quarter 2023 by 0.8% YoY, as compared with a 4% increase YoY in the fourth quarter of 2022, in consequence of lower output in the most energy-intensive sectors. On the other hand, export-oriented industries (such as automotive companies and manufacturers of electric devices) were doing better. Lower activity in the industry was also reflected in a decrease of volumes in foreign trade. Imports fell by 5.4% YoY in February (as compared to an increase by 5.1% YoY in January), accompanied by a negligible drop in exports (to 10% YoY, from 13.1% YoY), which was an important factor in improving the current account balance. Despite the persistent economic slowdown, construction and assembly production continued to perform well – with its dynamics amounting to 2.3% YoY in the first quarter of 2023 comparing to the growth on a similar scale at the end of the fourth quarter of 2022.

The economic slowdown in the first quarter of 2023 was particularly visible in consumer activity. While the growth dynamics of average remuneration went up slightly (from 12.4% YoY in the fourth quarter 2022 to 13.3% YoY in the first quarter of 2023), in real terms remuneration decreased for another quarter in a row. Lower purchasing power of consumers greatly affected retail sales results, with their dynamics declining in the first quarter of 2023 to -4.1% YoY (from 0.8% YoY in the fourth quarter of 2022). However, it should be noted that toward the end of the first quarter of 2023 retail sales readings were strongly burdened by the base effect, related to the influx of refugees from Ukraine that started in February 2022. Despite the worsening consumer sentiment, the condition of the labor market has remained good. The unemployment rate was 5.4% at the end of February, as compared with 5.2% at the end of the fourth quarter of 2022.



Source: Chief Statistical Office, Citi Handlowy forecast

Prices of consumer goods and services in the first quarter of 2023 rose, on average, by 17.1% YoY as compared to 17.3% in the fourth quarter of 2022. Inflation rate was influenced by significant increases in food and energy carriers' prices, as well as higher prices in underlying categories. Most probably net inflation accelerated in the first quarter of 2023 to 12% YoY, from 11.3% YoY in the fourth quarter of 2022. In the following months the Group expects the annual inflation dynamics to decrease considerably, mainly as a result of the high base effect from the previous year. However, price increases will probably continue to stay well above the inflation target of the NBP (2.5%) and the risk of core inflation remaining close to double-digit levels at the end of 2023 remains high.

After a series of interest rate increases in the period from October 2021 to September 2022, the Monetary Policy Council decided to suspend the monetary tightening cycle, leaving the reference rate at 6.75%. The base-case scenario of the Group assumes that interest rates will be maintained at their current level until the end of this year.

As regards the FX market, the zloty was stable for a better part of the first quarter of 2023 and resistant to turmoil in global financial markets driven by concerns about the stability of the global banking sector. In the first quarter of 2023, the zloty strengthened by 1.5% to USD, 0.3% to EUR and 0.2% to CHF. The improvement came mainly as a result of lower expectations concerning interest rate increases by the main central banks, which translated into better sentiment in emerging markets.

T-bond yields dipped in the first quarter of 2023, mainly in the wake of global events. Two-year bond yields fell by 68 bps at the end of March to 6.05% since the end of 2022, and ten-year bond yields fell by 81 bps to 6.06%. The WIBOR 3M rate decreased as at the end of March 2023 to 6.89% as compared to 7.02% at the end of 2022.

2. Capital market situation

The first quarter of 2023 saw a sharp increase in global equity markets. The key factors behind the investors' sentiment were, among others, rising hopes for a safe landing and a drop in inflation owing to relatively strong readings of the main macroeconomic factors, such as employment. The Polish stock exchange also recorded increases, though they were weaker than elsewhere due to, among others, strong growths in the previous quarter and growing concerns about inflation.

In the first quarter of 2023, almost all the main indices went up. The primary WIG index increased 2.0% QoQ. WIG20 (index of the biggest companies on the WSE) decreased 1.9% QoQ, while mWIG40 (index of mid-cap companies) appreciated 8.4% QoQ. Meanwhile, sWIG80 (small-cap stocks) went up 15.7% QoQ.

Among the sector sub-indices, the greatest drops were recorded by WIG-Fuels, WIG-Clothing and WIG-Mining, which depreciated by 8.7%, 8.3% and 6.3% QoQ, respectively. On the other hand, the highest increases were recorded by WIG-Automotive, WIG-Real Estate and WIG-Construction, which grew by 24.9%, 14.1 and 12.7% QoQ, respectively.

In the first quarter of 2023, the IPO market was quite idle. Four stocks entered the main WSE floor, and all those were transfers from the New Connect market. While no stocks were delisted in that period, 19 stocks were suspended. As at the end of March 2023, a total of 415 companies were listed on the WSE, 43 of which were foreign entities. The total capitalization of the companies listed on the WSE was PLN 1,205 billion (with local companies accounting for 46% of that amount).

Equity market indices

Index	31.03.2023	31.12.2022	Change (%) QoQ	31.03.2022	Change (%) YoY
WIG	58,608.76	57,462.68	2.0%	64,900,36	(9.7%)
WIG-PL	59,826.45	58,864.46	1.6%	66,587,43	(10.2%)
WIG-div	1,202.55	1,088.23	10.5%	1,167,48	3.0%
WIG20	1,758.56	1,792.01	(1.9%)	2,133,05	(17.6%)
WIG20TR	3,400.85	3,465.54	(1.9%)	3,993,38	(14.8%)
WIG30	2,169.49	2,187.63	(0.8%)	2,589,93	(16.2%)
mWIG40	4,504.04	4,154.32	8.4%	4,778,07	(5.7%)
sWIG80	20,248.12	17,496.16	15.7%	19,714,05	2.7%
WIG-Banks	6,268.86	6,251.97	0.3%	7,643,54	(18.0%)
WIG-Construction	4,599.55	4,081.96	12.7%	3,672,44	25.2%
WIG-Chemicals	12,183.43	10,887.39	11.9%	11,332,19	7.5%
WIG- Energy	2,040.59	2,108.92	(3.2%)	2,647,54	(22.9%)
WIG-Games*	16,938.45	16,816.67	0.7%	18,499,26	(8.4%)
WIG- Mining	4,324.16	4,612.64	(6.3%)	6,052,12	(28.6%)
WIG-IT	4,378.19	3,974.54	10.2%	4,410,16	(0.7%)
WIG-Medicines	2,885.63	2,923.20	(1.3%)	3,732,57	(22.7%)
WIG-Media	6,767.44	6,032.39	12.2%	7,400,91	(8.6%)
WIG-Motorisation	8,101.66	6,485.02	24.9%	6,439,24	25.8%
WIG- Developers	2,995.23	2,624.35	14.1%	2,708,99	10.6%
WIG-Clothing	5,399.38	5,889.48	(8.3%)	6,353,77	(15.0%)
WIG- Fuel	5,484.85	6,010.43	(8.7%)	6,552,21	(16.3%)
WIG -Food	2,210.75	2,016.48	9.6%	2,954,92	(25.2%)

Source: WSE, Brokerage Department of Bank Handlowy.

Equity and bond trading value and derivatives trading volumes on WSE

	Q1 2023	Q4 2022	Change (%) QoQ.[2]	Q1 2022	Change (%) YoY.[2]
Shares (PLN million) [1]	143,296	127,857	12.1%	200,801	(28.6%)
Bonds (PLN million)	1,620	1,797	(9.8%)	3,267	(50.4%)
Futures (in thousand contracts)	7,584	8,219	(7.7%)	7,758	(2.2%)
Options (in thousand contracts)	150	137	9.5%	184	(18.7%)

1) excluding calls
2) differences may result from rounding
Source: WSE, Brokerage Department of Bank Handlowy.

5 Banking sector

According to data published by the National Bank of Poland, at the end of March 2023, the volume of loans granted to non-financial companies increased by 7.3% YoY (PLN 28.2 billion) to nearly PLN 413 billion. The strongest growth was recorded in FX loans (+19.5% YoY, PLN 21.6 billion), whereas the growth rate of PLN loans volume was much lower (+2.4% YoY, PLN 6.7 billion). As regards the ageing structure, loans with up to 1 year to maturity (including overdrafts) contributed most to this growth (+17.4% YoY, PLN 16.5 billion). Loans with maturity of 1-5 years were characterized by a significantly lower growth rate (+5.0% YoY, PLN 5.1 billion), while the lowest increase was recorded in the volume of long-term loans (+2.8% YoY, PLN 5.3 billion), and even that was only thanks to FX loans, as the volume of PLN loans decreased by 3.4% YoY.

The structure by type confirms the same trends as the maturity structure does. The banking sector recorded the highest growth dynamics in current loans volume (+10.6% YoY), while investment loans increased only by half of that (+5.1% YoY). The weakest growth was recorded in the volume of mortgage loans (+3.2% YoY). In each of the above categories, the growth dynamics of PLN loans are considerably lower than of FX loans, influenced by the weakening of the zloty, especially against the US dollar. The above data shows that in the light of the uncertainty related to further development of macroeconomic situation the majority of companies still keep their investments on hold and are not eager to take long-term liabilities.

Total net receivables from households decreased to PLN 774 billion (-5.1% YoY, PLN 41.9 billion) as at the end of the first quarter of 2023, which is the lowest level since August 2020. By type, a decline in loan volume is visible in all categories of loans. The banking sector recorded the highest decrease in absolute values in mortgage loans (-5.2% YoY, PLN 26.6 billion), with the decrease distributed evenly between loans in PLN and in foreign currencies. In terms of dynamics, on the other hand, the highest drop was demonstrated in investment loans (-16.4% YoY, PLN 3.4 billion) and in current loans for businesses and farmers (-7.5% YoY, PLN 3.7 billion). The volume of consumer loans also followed a downward trend (-2.4% YoY, PLN 4.8 billion).

On an annual basis, the quality of the loan portfolio in the banking sector remained mostly unchanged – the share of non-performing loans (stage 3) of non-financial sector clients was 5.3% as at the end of February 2023, having improved by 0.1 p.p. YoY. The greatest improvement was recorded in the portfolio of loans for large enterprises (-0.7 p.p. YoY, to 3.1%), and for SMEs (-0.4 p.p. YoY, to 9.8%). In terms of quality, PLN mortgage loans to households are still the top performers of all loan types (1.5%, -0,2 p.p. YoY) and the mortgage loans in other currencies are the category with continued deterioration as some borrowers stop paying instalments on their loans that are in court litigation (6.0%, +1.4 p.p. YoY). For consumer loans, the timeliness of payments significantly improved, by 0.6 p.p. YoY, to 9.0%.

The banking sector in Poland recorded a growth of deposits volume of non-financial companies by as much as 12.4% YoY, to PLN 51.6 billion, thus exceeding PLN 468 billion recorded as at the end of March 2023. This was caused by the volume of term deposits, which almost doubled (+95.6% YoY, PLN 77.4 billion), with the simultaneous drop in the volume of current deposits (-7.7% YoY, PLN 25.8 billion).

The volume of banks' liabilities toward households was also growing at a high rate, up to the record-high PLN 1,131.6 billion (+9.5% YoY, PLN 98.3 billion). Just like in the case of enterprises, here the volume of term deposits also doubled (+105.0% YoY, PLN 180.4 billion), while current deposits recorded a drop by 9.5% YoY, PLN 82.1 billion.

There is a good chance that the banking sector will achieve a record-high net profit (for the first quarter) in 2023. In the first two months of 2023, banks operating in Poland generated a profit of almost PLN 6.2 billion – almost 1.5 times as much as in the prior year period and higher than ever before in the period of January and February. This was possible mainly thanks to the further dynamic growth in the interest income (PLN 15.5 billion, +42.3% YoY), which was still adjusting to the environment of high interest rates. It should also be noted that the dynamics of interest expenses turned out to be over four times higher than that of interest income. Meanwhile, the fees and commissions income for January and February of 2023 declined slightly to PLN 3.0 billion (-1.5% YoY). A drop was also recorded in other income, by 18.0% YoY, down to just below PLN 800 million. In general, total revenues of banks exceeded PLN 19 billion (+29.4% YoY), generated over the first two months of 2023 alone. However, the record-high revenues were followed by a comparable increase in operating costs. Administrative costs amounted to around PLN 7.6 billion, i.e. 11.1% more than in the prior year period, despite a lower contribution to the mandatory resolution fund and a zero contribution to the deposit guarantee fund. The amount of both contributions for 2023 fell by a total of 34% as compared with the previous year (after accounting for the adjustment of contributions for 2022). The depreciation costs also increased, by 4.2% YoY, up to PLN 820 million. However, the most negative event was the high growth in impairment write-offs on financial assets and provisions, which pulled down the gross result of the banking sector by PLN 1.8 billion, i.e. by 126.4% more than in January and February of 2022. However, it should be borne in mind that the subsequent provisions set up by banks for court litigations and settlements related to FX mortgage loans will be recorded in the first quarter. In the first two months of 2023, the banking sector paid about PLN 0.9 billion in bank levy. Income tax, on the other hand, amounted to PLN 2.3 billion, i.e. rose by 45.8% YoY.

In the current macroeconomic environment, the present interest rates are highly likely to be maintained throughout 2023. At the same time, given the uncertainty of predictions regarding the further economic development, the demand for loans is unlikely to improve any time soon, especially among corporate clients. On the other hand, the banking sector will continue to record record-high revenues driven by the interest income on the asset portfolio held. However, this year especially there is a high risk that a better part of these revenues will be consumed by the provisions for litigations related to, above all, FX mortgage loans.

6 The impact of the war in Ukraine

On February 24, 2022, an unprecedented event took place – the invasion of the independent state of Ukraine by Russian troops. The outbreak of war in a country neighboring Poland has a significant impact on the economic and operational environment in which the Bank operates.

The operating activity of the Bank

The Management Board of the Bank monitors the outbreak of the war in Ukraine and its direct impact on operating activities of the Bank, including for lending activities and operations related to operational risk (mainly threats in cyberspace).

In case of lending, the Bank is not active in Ukraine, Russia or Belarus, and the Bank's credit exposure to companies significantly involved in these countries is less than 0.5% of the Bank's exposure to credit risk.

Supporting the Bank's customers and corporate social responsibility

The Bank undertook a number of initiatives to support institutional and individual clients, such as:

- Cancel the fees for individual and corporate transfers to Ukraine
- Launch of special www site with important information for clients from Ukraine
- Fast track to open a personal account in Poland for Ukrainian citizens
- Cash disbursement ability for corporate clients to support their staff (mainly refugees)
- Opening of banking accounts for 8 international NGOs within few days

Moreover, the Citi Handlowy Leopold Kronenberg Foundation continued its efforts in helping refugees. In Q1 2023, as part of an active cooperation with its partner, "Mamo Pracuj" Foundation, the two entities implemented a project #Welcome, with Citi mentors providing mentoring to Ukrainian women in Poland. At the moment, there are around 30 mentor-mentee couples working together, and almost half of them are Polish-Ukrainian couples.

7 Financial analysis of the results of the Capital Group of the Bank

1. Consolidated statement of financial position

As at the end of the first quarter of 2023 **total assets** stood at PLN 71.2 billion, up by PLN 1.4 billion (or 2.0%) compared to the end of 2022.

In terms of assets, the biggest nominal changes in the balance sheet took place in **amounts due from banks**, whose balance increased by PLN 2.9 billion (i.e. 278.3%) compared to the end of 2022, mainly due to the increase in the volume of receivables due to Reverse Repo transactions. In turn, **financial assets held for trading** recorded the largest nominal decrease by PLN 2.6 billion (i.e. 36.4%) compared to the end of 2022, mainly due to the decrease in the volume of debt securities.

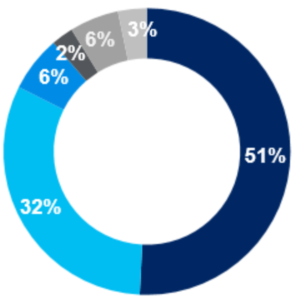
Debt investment financial assets had the largest share in the Group's assets at the end of March 2023. Their share in total of assets was 51% compared to 53% at the end of 2022. The balance of debt investment financial assets fell by PLN 1.0 billion, i.e. 2.8% YoY compared to the end of 2022 mainly due to the decrease in the volume of treasury bonds.

In turn, the second largest share in the structure of the Group's assets as at the end of March 2023 was occupied by **net amounts due from customers**, they accounted for 32% of total assets. The value of net amounts due from customers as at the end of March 2023 amounted to PLN 22.5 billion, up by PLN 891 million (i.e. 4.1%) compared to the end of 2022, due to higher loan volumes in the Institutional Banking segment.

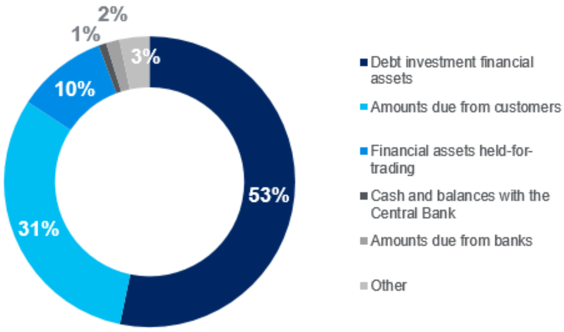
The value of net loans in the Institutional Banking segment, representing the sum of amounts due from both financial sector and non-financial sector entities – corporate clients, amounted to PLN 16.6 billion, up by PLN 1.1 billion (i.e. 7.3%) compared to the end of 2022. The increase in loan volumes as recorded mainly in short-term working capital loans. In segment view an increase in receivables concerned primarily Global Clients. A detailed breakdown of assets by individual segments in the management view is provided in Note 9.

The volume of net loans made to individual customers decreased by PLN 238.0 million (i.e. 3.9%) compared to the end of 2022 and amounted to less than PLN 5.9 billion. The above decrease relates both to unsecured receivables (decrease by PLN 171.2 million), mainly due to the lower cash loan balance, as well as a decrease in mortgage volumes (a decrease by PLN 66.8 million), which was driven, inter alia, by the lower sales of these loans and partial overpayments of mortgage loans.

Group's asset structure as at 31.03.2023



Group's asset structure as at 31.12.2022



Amounts due from customers

PLN '000	31.03.2023	31.12.2022	Change PLN '000	Change %
Amounts due from financial sector entities, including:	**3,988,499**	**3,810,512**	**177,987**	**4.7%**
Loans	3,600,394	3,810,512	(210,118)	(5.5%)
Receivables related to reverse repo transactions	388,105	-	388,105	-
Amounts due from non-financial sector entities, including:	**18,523,290**	**17,809,995**	**713,295**	**4.0%**
Institutional clients*	12,646,438	11,695,148	951,290	8.1%
Individual clients, including:	5,876,852	6,114,847	(237,995)	(3.9%)
unsecured receivables	3,769,326	3,940,483	(171,157)	(4.3%)
credit cards	2,262,480	2,385,671	(123,191)	(5.2%)
cash loans to private individuals	1,464,381	1,504,606	(40,225)	(2.7%)
mortgage loans	2,107,526	2,174,364	(66,838)	(3.1%)
Total receivables from customers	**22,511,789**	**21,620,507**	**891,282**	**4.1%**

**Institutional clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.*

Amounts due from customers as per credit risk classification

PLN '000	31.03.2023	31.12.2022	Change PLN '000	Change %
Receivables not impaired (Stage 1), including	**19,015,359**	**19,027,051**	**(11,692)**	**(0.1%)**
financial institutions	3,983,832	3,813,160	170,672	4.5%
non-financial sector entities	15,031,527	15,213,891	(182,364)	(1.2%)
institutional clients*	10,284,315	10,162,452	121,863	1.2%
individual customers	4,747,212	5,051,439	(304,227)	(6.0%)
Receivables not impaired (Stage 2), including	**3,447,723**	**2,558,056**	**889,667**	**34.8%**
financial institutions	7,618	869	6,749	776.6%
non-financial sector entities	3,440,105	2,557,187	882,918	34.5%
institutional clients*	2,310,527	1,484,776	825,751	55.6%
individual customers	1,129,578	1,072,411	57,167	5.3%
Receivables impaired (Stage 3), including:	**888,870**	**874,631**	**14,239**	**1.6%**
non-financial sector entities	888,870	874,631	14,239	1.6%
institutional clients*	444,575	455,104	(10,529)	(2.3%)
individual customers	444,295	419,527	24,768	5.9%
Purchased or originated credit-impaired loans:	**20,877**	**16,948**	**3,929**	**23.2%**
non-financial sector entities	20,877	16,948	3,929	23.2%

PLN '000	31.03.2023	31.12.2022	Change	
			PLN '000	%
institutional clients*	7,931	7,007	924	13.2%
individual customers	12,946	9,941	3,005	30.2%
Total gross loans to customers, including:	**23,372,829**	**22,476,686**	**896,143**	**4.0%**
financial institutions	3,991,450	3,814,029	177,421	4.7%
non-financial sector entities	19,381,379	18,662,657	718,722	3.9%
institutional clients*	13,047,348	12,109,339	938,009	7.7%
individual customers	6,334,031	6,553,318	(219,287)	(3.3%)
Provisions for expected credit losses	**(861,040)**	**(856,179)**	**(4,861)**	**0.6%**
Total net amounts due from customers	**22,511,789**	**21,620,507**	**891,282**	**4.1%**
Provisions coverage ratio	**74.4%**	**74.8%**		
institutional clients*	71.6%	72.1%		
individual customers	77.2%	77.6%		
Non-performing loans ratio (NPL)**	**3.9%**	**4.0%**		

**Institutional clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.*
***The ratio of non-performing loans is defined as the ratio of Receivables impaired to total gross loans to customers.*

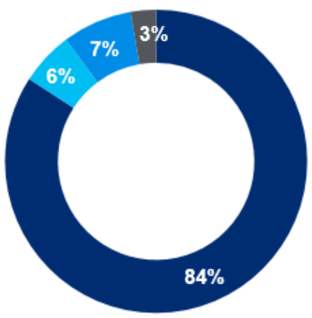
As of the end of the first quarter of 2023 **total liabilities** amounted to PLN 62.4 billion, up by PLN 551 million (i.e. 0.9%) compared to the end of 2022.

In the first quarter of 2023 **amounts due to customers** were the dominant source of financing of the Group's activity (they accounted for 74% of the Group's liabilities and equity) and as at March 31, 2023 they reached PLN 52.5 million, which means an increase of PLN 2.0 billion (i.e. 3.9%) compared to the end of 2022. At the same time, funds in current accounts were the dominant item in amounts due to customers, they accounted for 66% (decrease by 5 pp compared to the end of 2022) as a result of the continuation of deposit balance growth trend among both institutional and individual clients due to it's attractiveness thanks to higher interest rates.

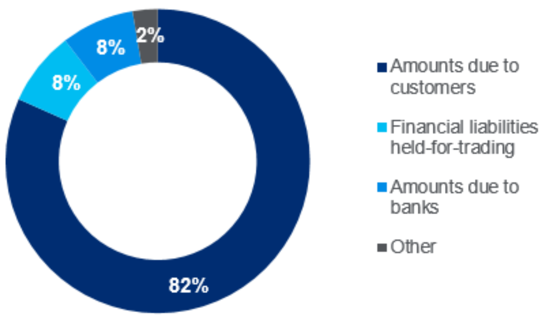
The deposit volumes in the Institutional Banking segment as of the end of the first quarter of 2023 amounted to PLN 32.2 billion, up by PLN 1.2 billion (i.e. 3.8%) compared to the end of 2022. The growth mentioned above concerned mainly term deposits. A detailed breakdown of liabilities by segments in the management view is provided in Note 9.

The deposit volumes in the Consumer Banking segment amounted to PLN 18.4 billion and increased by PLN 607 million (i.e. 3.4%) compared to the end of December 2022 as a result of a higher balance of term deposits for the strategic group of clients - Citigold and Citi Private Client.

Group's liabilities structure as at 31.03.2023



Group's liabilities structure as at 31.12.2022



Loan-to-deposit ratio amounted to 43% as at the end of March 2023 – the same as at December 31, 2022 and comparing to 51% as at March 31, 2022.

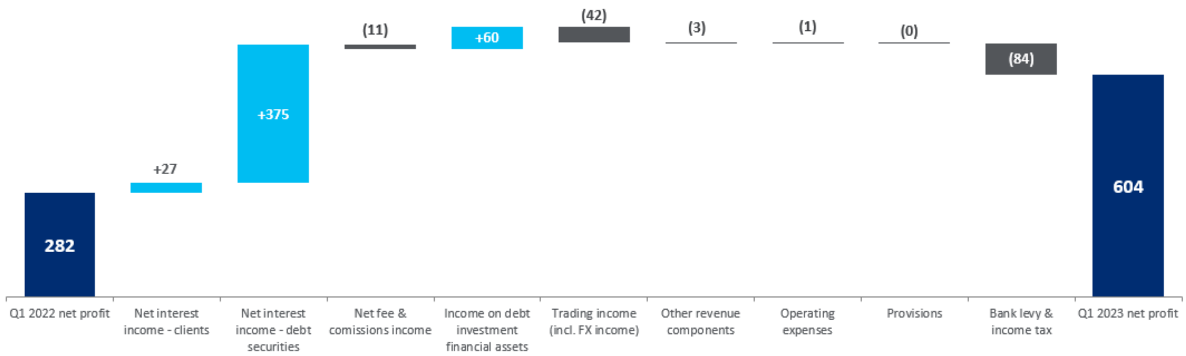
Amounts due to customers

PLN '000	31.03.2023	31.12.2022	Change	
			PLN '000	%
Current accounts, including:	**34,615,288**	**35,663,793**	**(1,048,505)**	**(2.9%)**
financial sector entities	1,031,696	1,166,947	(135,251)	(11.6%)
non-financial sector entities, including:	33,583,592	34,496,846	(913,254)	(2.6%)
institutional clients*	21,777,244	22,368,700	(591,456)	(2.6%)

PLN '000	**31.03.2023**	**31.12.2022**	**Change**	
			PLN '000	**%**
individual clients	11,806,348	12,128,146	(321,798)	(2.7%)
Term deposits, including:	**15,966,015**	**13,131,695**	**2,834,320**	**21.6%**
financial sector entities	2,346,238	2,468,204	(121,966)	(4.9%)
non-financial sector entities, including:	13,619,777	10,663,491	2,956,286	27.7%
institutional clients*	7,020,260	4,992,903	2,027,357	40.6%
individual customers	6,599,517	5,670,588	928,929	16.4%
Total customers deposits	**50,581,303**	**48,795,488**	**1,785,815**	**3.7%**
Other amounts due to customers	**1,907,554**	**1,717,372**	**190,182**	**11.1%**
Total amounts due to customers	**52,488,857**	**50,512,860**	**1,975,997**	**3.9%**

**Institutional clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.*

2. Consolidated income statement



In the first quarter of 2023 the Group delivered a **consolidated net profit** of PLN 603.8 million, which means an increase by PLN 321.8 million (i.e. 114.1%) compared to the first quarter of 2022 mainly due to higher interest income, realized mainly in the area of treasury activity as a result of persistent in the first quarter of 2023, higher interest rates compared to the same period of the last year and the activity of clients from the institutional banking segment (increase in loan volumes by 7.3% YoY).

Net interest income

- **Net interest income** amounted to PLN 847.3 million and was significantly higher by PLN 402.4 million (i.e. 90.5%) compared to the first quarter of 2022 due to the ongoing monetary policy tightening cycle in Poland by the National Bank of Poland (NBP), initiated in October 2021 and, as a result of increase in interest rates from 1.75% at the beginning of 2022 to the level of 6.75% at the end of the first quarter of 2023.

- **Interest income** in the first quarter of 2023 was higher by PLN 640.2 million (i.e. 134.8%) compared to the corresponding period of 2022 and amounted to PLN 1,115.1 million.

  The largest nominal increase by PLN 357.7 million (i.e. 233.4%) as compared to the first quarter of 2022 was recorded by interest income on debt investment financial assets which amounted to PLN 511.0 million. It was influenced by the increase in the volume of this portfolio together with the increase in its yields due to the higher NBP reference rate. In turn, interest income from amounts due from customers amounted to PLN 462.7 million at the end of the first quarter of 2023 and were higher by PLN 202.4 million (i.e. 77.7%) comparing to the first quarter of 2022.

- **Interest expenses** of the Group in the first quarter of 2023 significantly increased by PLN 237.7 million (i.e. 791.2%) comparing to the corresponding period of 2022 and amounted to PLN 267.8 million – this increase concerned primarily clients deposits (an increase by PLN 196.2 million) due to higher interest rates and an increase in the volume of time deposits both from institutional clients (120% YoY) and individual clients (262% YoY).

PLN '000	01.01 – 31.03.2023	01.01 – 31.03.2022	Change	
			PLN '000	%
Interest income	**1,071,450**	**442,389**	**629,061**	**142.2%**
Financial assets measured at amortized cost	**560,417**	**289,101**	**271,316**	**93.8%**
Balances with the Central Bank	38,259	19,114	19,145	100.2%
Amounts due from banks	59,452	9,637	49,815	516.9%
Amounts due from customers, in respect of:	462,706	260,350	202,356	77.7%
financial sector	60,378	21,390	38,988	182.3%
non-financial sector, including:	402,328	238,960	163,368	68.4%
credit cards	93,476	73,292	20,184	27.5%
Financial assets measured at fair value through comprehensive income	**511,033**	**153,288**	**357,745**	**233.4%**
Debt investment financial assets measured at fair value through comprehensive income	511,033	153,288	357,745	233.4%
Similar income	**43,636**	**32,519**	**11,117**	**34.2%**
Debt securities held-for-trading	41,304	23,854	17,450	73.2%
Liabilities with negative interest rate	176	8,479	(8,303)	(97.9%)
Derivative instruments in hedge accounting	2,156	186	1,970	1059.1%
	1,115,086	**474,908**	**640,178**	**134.8%**
Interest expense and similar charges for				
Financial liabilities measured at amortized cost	**(267,782)**	**(29,374)**	**(238,408)**	**811.6%**
Transactions with the Central Bank	(1)	-	(1)	-
Amounts due to banks	(51,804)	(9,683)	(42,121)	435.0%
Amounts due to customers	(214,966)	(18,719)	(196,247)	-
Amounts due to financial sector entities	(47,614)	(10,353)	(37,261)	359.9%
Amounts due to non-financial sector entities	(167,352)	(8,366)	(158,986)	-
Amounts due to leasing	(1,011)	(972)	(39)	4.0%
Assets with negative interest rate	**-**	**(559)**	**559**	**(100.0%)**
Derivatives in hedge accounting	**-**	**(116)**	**116**	**(100.0%)**
	(267,782)	**(30,049)**	**(237,733)**	**791.2%**
Net interest income	**847,304**	**444,859**	**402,445**	**90.5%**

Net fee and commission income

- **Net fee and commission income** in the amount of PLN 140.7 million compared to PLN 151.3 million in the corresponding period of 2022 - a decrease by PLN 10.6 million, i.e. 7.0% year over year due to the weaker sentiment of investors on the capital market, as a result of which the weaker net commission income was recorded on custody and brokerage activities. The Bank also recorded a decrease in revenues from insurance and investment products distribution by PLN 3.2 million (i.e. 23.3%) due to lower sales of this products.

  On the other hand, the Bank observed an increase in revenues from the payment services - an increase of PLN 2.6 million YoY (i.e. 10.7%) due to the increased activity of institutional clients in the area of transactional banking. The revenues from payment and credit cards also increased by PLN 1.7 million (i.e. 5.8% YoY) - an increase in the value of cashless transactions compared to the first quarter of 2022.

  Fee and commission expenses in the first quarter of 2023 amounted to PLN 27.3 million, up by PLN 2.7 million YoY (i.e. 11.1%). This increase mainly concerned the area of payment and credit cards.

PLN '000	01.01 – 31.03.2023	01.01 – 31.03.2022	Change	
			PLN '000	%
Fee and commission income				
Credit activities (other than income covered by the calculation of the effective interest rate process)	13,268	15,229	(1,961)	(12.9%)
Servicing bank accounts	30,832	32,491	(1,659)	(5.1%)
Insurance and investment products distribution	10,360	13,511	(3,151)	(23.3%)
Payment and credit cards	31,879	30,141	1,738	5.8%
Payment services	26,935	24,323	2,612	10.7%
Custody services	27,546	31,086	(3,540)	(11.4%)

PLN '000	01.01 – 31.03.2023	01.01 – 31.03.2022	Change	
			PLN '000	%
Brokerage operations	11,224	13,237	(2,013)	(15.2%)
Clients' cash on account management services	6,723	6,650	73	1.1%
Financial liabilities granted	6,993	6,690	303	4.5%
Other	2,212	2,472	(260)	(10.5%)
	167,972	**175,830**	**(7,858)**	**(4.5%)**
Fee and commission expense				
Payment and credit cards	(9,862)	(6,829)	(3,033)	44.4%
Brokerage activity	(3,464)	(3,084)	(380)	12.3%
Fees paid to the National Depository for Securities (KDPW)	(7,472)	(7,391)	(81)	1.1%
Brokerage fees	(1,310)	(747)	(563)	75.4%
Other	(5,196)	(6,515)	1,319	(20.2%)
	(27,304)	**(24,566)**	**(2,738)**	**11.1%**
Net fee and commission income	**140,668**	**151,264**	**(10,596)**	**(7.0%)**

- **Other operating income** (i.e. non-interest and non-commission income) amounted to PLN 254.4 million as compared to PLN 239.6 million in the first quarter of 2022 – up by PLN 14.8 MM due to the realization of a higher result on debt investment financial assets. At the same time, the growth was recorded on FX income due to higher currency exchange volumes, both in the of Institutional Banking and Consumer Banking.

General administrative expenses and depreciation expenses

- **General administrative and depreciation expenses** of PLN 415.0 million compared to PLN 414.0 million in the first quarter of 2022 – up by PLN 1.0 million (i.e. 0.3%) due to increase in staff expenses (remuneration costs increased by PLN 17.3 million, i.e. 15.4% YoY) and an increase in telecommunication fees and hardware purchase costs (increase by PLN 8.3 million, i.e. 16.2% YoY) offset by a decrease in the regulatory cost (lower contribution to the banking restructuring fund under the Bank Guarantee Fund of PLN 73.8 million in the first quarter of 2023 compared to PLN 104.7 million in the previous year).

In the reporting period the headcount in the Group increased by 40 FTEs YoY.

PLN '000	01.01 – 31.03.2023	01.01 – 31.03.2022	Change	
			PLN '000	%
Staff expenses	**(179,061)**	**(154,603)**	**(24,458)**	**15.8%**
Remuneration costs	(130,088)	(112,768)	(17,320)	15.4%
Bonuses and rewards	(24,208)	(19,754)	(4,454)	22.5%
Social security costs	(24,765)	(22,081)	(2,684)	12.2%
Administrative expenses	**(209,674)**	**(233,024)**	**23,350**	**(10.0%)**
Telecommunication fees and hardware purchase costs	(59,511)	(51,220)	(8,291)	16.2%
Costs of external services, including advisory, audit, consulting services	(13,799)	(10,736)	(3,063)	28.5%
Real estates maintenance and rent costs	(15,267)	(12,931)	(2,336)	18.1%
Advertising and marketing costs	(8,907)	(8,299)	(608)	7.3%
Costs of cash management services, costs of clearing services and other transaction costs	(8,505)	(8,526)	21	(0.2%)
Costs of external services related to distribution of banking products	(11,136)	(10,552)	(584)	5.5%
Postal services, office supplies and printmaking costs	(1,738)	(1,584)	(154)	9.7%
Training and education costs	(582)	(177)	(405)	228.8%
Banking and capital supervision costs	(7,522)	(7,200)	(322)	4.5%
Bank Guarantee Funds costs	(73,791)	(110,781)	36,990	(33.4%)
Other expenses	(8,916)	(11,018)	2,102	(19.1%)
Depreciation	**(26,306)**	**(26,378)**	**72**	**(0.3%)**
General administrative expenses and depreciation expenses, total	**(415,041)**	**(414,005)**	**(1,036)**	**0.3%**

Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments

- **Provision for expected credit losses** on financial assets and provisions for off-balance sheet commitments amounted to PLN -11.9 million (negative impact) at the end of the first quarter of 2023. This result was at a stable level comparing to the first quarter of 2022. The costs of risk in the first quarter of 2023 amounted to 20 base points in line with the strategic assumptions.

PLN '000	01.01 – 31.03.2023	01.01 – 31.03.2022	Change	
			PLN '000	%
Provision for expected credit losses on amounts due from banks				
Provision creation	(768)	(1,366)	598	(43.8%)
Provision release	1,277	1,575	(298)	(18.9%)
	509	**209**	**300**	**143.5%**
Provision for expected credit losses on amounts due from customers				
Provision creation and reversals	**(16,624)**	**(12,636)**	**(3,988)**	**31.6%**
Provision creation	(67,998)	(80,093)	12,095	(15.1%)
Provision release	54,271	68,889	(14,618)	(21.2%)
Other	(2,897)	(1,432)	(1,465)	102.3%
Recoveries from debt sold	**7**	**(10)**	**17**	**(170.0%)**
	(16,617)	**(12,646)**	**(3,971)**	**31.4%**
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Provision creation	(340)	(1,387)	1,047	(75.5%)
Provision release	608	42	566	1347.6%
	268	**(1,345)**	**1,613**	**(119.9%)**
Provision for expected credit losses on financial assets	**(15,840)**	**(13,782)**	**(2,058)**	**14.9%**
Created provisions	(10,435)	(11,397)	962	(8.4%)
Release of provisions	14,425	13,625	800	5.9%
Provision for expected credit losses for contingent liabilities	**3,990**	**2,228**	**1,762**	**79.1%**
Provision for expected credit losses on financial assets and provisions for contingent liabilities	**(11,850)**	**(11,554)**	**(296)**	**2.6%**

3. Financial Ratio

In the first quarter of 2023, the key efficiency ratios were as follows:

Total financial ratios	**Q1 2023**	**Q1 2022**
ROE*	27.8%	8.7%
ROA**	2.6%	1.0%
Cost/Income	33%	50%
Loans/Deposits	43%	51%
Loans/Total assets	32%	33%
Net interest income/Revenue	68%	53%
Net fee and commission income/Revenue	11%	18%

**Sum of net profit for the last four quarters to the average equity for the last four quarters (excluding 100% of net profit for the current year).*
***Sum of net profit for the last four quarters to the average assets for the last four quarters.*
Cost is the sum of the following items from the condensed consolidated income statement: General administrative expenses and Depreciation and amortization.
Income is the sum of the following items from the condensed consolidated income statement: Net interest income, Net fee and commission income, Dividend income, Net gain/(loss) on trading financial instruments and revaluation, Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income, Net gain/(loss) on equity investments and other at fair value through income statement, Net gain/(loss) on hedge accounting, Net other operating income and expense.
Loans are items of Amounts due from customers from the condensed consolidated statement of financial position.
Deposits are items of Amounts due to customers from the condensed consolidated statement of financial position.

Group employment*

In full time job equivalents (FTE)	01.01 – 31.03.2023	01.01 – 31.03.2022	Change	
			FTEs	%
Average employment in the first quarter	2,935	2,908	27	0.9%
Employment at the end of quarter	2,943	2,903	40	1.4%

**does not include employees on parental and unpaid leave*

Capital adequacy

Total Capital Ratio was calculated according to the rules stated in the Regulation no 575/2013 of the European Parliament and of the Council (EU) of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) no 648/2012 with amendments ("CRR").

The table below presents the financial data used to calculate the Group's capital adequacy ratio.

PLN'000	31.03.2023	31.12.2022
Common Equity Tier 1 Capital	**5,433,171**	**5,240,801**
Total capital requirements, including:	**2,423,329**	**2,376,854**
credit risk capital requirements	1,775,811	1,728,066
counterparty risk capital requirements	138,385	149,289
credit valuation correction capital requirements	3,211	4,036
excess concentration and large exposures risks capital requirements	-	-
total market risk capital requirements	107,956	97,497
operational risk capital requirements	397,966	397,966
Common Equity Tier 1 Capital ratio	**17.9%**	**17.6%**

In the first quarter of 2023 the Group fulfilled the capital adequacy requirements. Total capital ratio is calculated according to respective regulations.

Total capital ratio of the Group taking into account the retrospective recognition in own funds of part of the profit in connection with the resolution of the Ordinary General Meeting of Shareholders of the Bank described in the note 18 *Paid (or declared) dividends*, in accordance with the EBA position expressed Q&A 2018_4085, is 19,2% on March 31, 2023 and 19,0% on December 31, 2022.

8 Segment reporting

Operating segment is a separable component of the Group engaged in business activity, generating income and incurring expenses (including those on intragroup transactions between segments), whose operating results are regularly reviewed by the Management Board of dominant unit the chief operating decision maker of the Group, in order to allocate resources and assess its performance.

The Group is managed at the level of two operating segments – Institutional Banking and Consumer Banking. The valuation of segment's assets and liabilities as well as calculation of its results is based on Group's accounting policies, including intragroup transactions between segments.

The allocation of Group's assets, liabilities, income and expenses to operating segments was made on the basis of internal information prepared for management purposes. Transfer of funds between Group's segments is based on prices derived from market rates. The transfer prices are calculated using the same rules for both segments and any difference results solely from maturity and currency structure of assets and liabilities. The basis for assessment of the segment performance is gross profit or loss.

The Group conducts its operations solely on the territory of Poland.

Institutional Banking

Within the Institutional Banking segment, the Group provides comprehensive financial services to the largest Polish companies and strategic companies with a large potential of growth, and also to the largest financial institutions and to companies from the public sector. The offer in the Institutional Banking segment includes among others:

- Banking services covering credit and deposit activities,
- Cash management,
- Trade finance,

- Brokerage services,
- Leasing,
- Custody services,
- Treasury products on financial and commodity markets,
- Investment banking services on the local and international capital markets, including advisory services as well as obtaining and underwriting financing through public and non-public offerings.

The activities also comprise proprietary transactions in the equity, debt and derivative instruments' markets.

A shared characteristic of the institutional banking clients is that they need advanced financing products and advice relating to financial services. In this area, the Group ensures a coordinated offer of investment banking, treasury and cash management products and prepares loan proposals that cover differentiated forms of financing. The innovativeness and competitiveness of offered modern financing structures is achieved by combining the knowledge and experience of the Group and thanks to cooperation within the global structure of Citigroup.

Consumer Banking

Within the Consumer Banking segment, the Group provides products and financial services to individual clients, micro enterprises and individual entrepreneurs. The whole range of banking products in Consumer Banking segment includes:

- Bank accounts and providing extensive credit and deposit products,
- Cash loans,
- Mortgage loans,
- Credit cards,
- Asset management services,
- Acting as an agent in investment and insurance products sale.

Consolidated income statement of the Group by business segment

For the period	01.01 – 31.03.2023			01.01 – 31.03.2022		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	582,689	264,615	847,304	276,136	168,723	444,859
Internal interest income, including:	(117,488)	117,488	-	(9,987)	9,987	-
Internal income	-	117,488	117,488	-	9,987	9,987
Internal expenses	(117,488)	-	(117,488)	(9,987)	-	(9,987)
Net fee and commission income	101,606	39,062	140,668	104,590	46,674	151,264
Dividend income	4	-	4	18	38	56
Net gain/(loss) on trading financial instruments and revaluation	223,609	8,234	231,843	260,314	13,909	274,223
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	24,256	-	24,256	(35,762)	-	(35,762)
Net gain/(loss) on equity investments and other measured at fair value through income statement	(163)	1,471	1,308	641	3,997	4,638
Net gain/(loss) on hedge accounting	(2,602)	-	(2,602)	(1,722)	-	(1,722)
Net other operating income	4,641	(5,044)	(403)	3,970	(5,793)	(1,823)
General administrative expenses	(213,728)	(175,007)	(388,735)	(224,657)	(162,970)	(387,627)
Depreciation and amortization	(6,102)	(20,204)	(26,306)	(5,789)	(20,589)	(26,378)
Profit on sale of other assets	(14)	(7)	(21)	3,516	(7)	3,509
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	8,944	(20,794)	(11,850)	9,435	(20,989)	(11,554)
Operating income	**723,140**	**92,326**	**815,466**	**390,690**	**22,993**	**413,683**
Tax on certain financial institutions	**(33,877)**	**(13,167)**	**(47,044)**	(38,826)	(7,143)	(45,969)

For the period	01.01 – 31.03.2023			01.01 – 31.03.2022		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Profit before tax	**689,263**	**79,159**	**768,422**	**351,864**	**15,850**	**367,714**
Income tax expense			(164,660)			(85,722)
Net profit			**603,762**			**281,992**

State as at	31.03.2023			31.12.2022		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets	**64,369,796**	**6,809,806**	**71,179,602**	**62,743,837**	**7,057,565**	**69,801,402**
Total liabilities and equity, including:	**44,609,617**	**26,569,985**	**71,179,602**	**49,092,954**	**20,708,448**	**69,801,402**
Liabilities	42,607,359	19,784,370	62,391,729	42,560,775	19,280,382	61,841,157

9 Activities of the Group

1 Institutional Banking

1.1. Summary of segment results

PLN '000	Q1 2023	Q1 2022	Change	
			PLN '000	%
Net interest income	582,689	276,136	306,553	111.0%
Net fee and commission income	101,606	104,590	(2,984)	(2.9%)
Net income on dividends	4	18	(14)	(77.8%)
Net gain/(loss) on trading financial instruments and revaluation	223,609	260,314	(36,705)	(14.1%)
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	24,256	(35,762)	60,018	(167.8%)
Net gain/(loss) on equity investments and other measured at fair value through income statement	(163)	641	(804)	(125.4%)
Net gain/(loss) on hedge accounting	(2,602)	(1,722)	(880)	51.1%
Net other operating income	4,641	3,970	671	16.9%
Total income	**934,040**	**608,185**	**325,855**	**53.6%**
General administrative expenses and depreciation	(219,830)	(230,446)	10,616	(4.6%)
Profit on sale of other assets	(14)	3,516	(3,530)	(100.4%)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	8,944	9,435	(491)	(5.2%)
Tax on certain financial institutions	(33,877)	(38,826)	4,949	(12.7%)
Profit before tax	**689,263**	**351,864**	**337,399**	**95.9%**
Cost/Income	**24%**	**38%**		

The key highlights that impacted the gross profit of the Institutional Banking Segment in the first quarter of 2023 compared to the corresponding period of the previous year were as follows:

- increase in **net interest income** realized mainly in the area of treasury activity as a result of persistent in the first quarter of 2023, higher interest rates compared to the same period of the last year and the activity of clients from the institutional banking segment;
- decrease in **net fee and commission income** due to lower income from custody activity and brokerage activity as a result of the weaker sentiment of investors to the capital market;
- increase in **other operating income** (i.e. non-interest and non-commission income) amounting to PLN 249.7 million at the end of the first quarter of 2023 compared to PLN 227.5 million in the first quarter of 2022 as a consequence of the realization of a higher result on debt investment financial assets and recorded higher FX income thanks to higher volumes of currency exchange;
- increase in **operating costs** as a result of higher staff expenses and higher telecommunication fees and hardware purchase costs offset by a decrease in the regulatory cost (lower contribution to the banking restructuring fund under the Bank Guarantee Fund.

1.2. Institutional Bank and the Capital Markets

Institutional Bank

As at the end of the first quarter of 2023, the number of institutional clients (which include strategic clients, global clients and commercial bank clients) amounted to almost 5,500 i.e. increased by 1% as compared to the end of the first quarter of 2022.

In terms of client's acquisition in the Commercial Bank segment the Bank attracted 165 new clients in the first quarter of 2023, including 3 Large Company, 17 Small and Medium-Sized Companies, 42 International Clients of Commercial Banking Segment, 3 Digital and 100 Public Sector Entities. In the strategic and global client segments, the Bank established 15 new client relationships.

The table below presents the balances of assets and liabilities in individual segments according to the management reporting.

Assets

PLN million	31.03.2023	31.12.2022	31.03.2022	Change* (1)/(2)		Change* (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	4,751	4,685	4,411	66	1%	340	8%
SMEs	1,829	1,789	1,769	40	2%	60	3%
MMEs	2,922	2,895	2,642	26	1%	280	11%
Public Sector	245	1	3	244	-	242	-
Global Clients	5,343	4,713	4,613	630	13%	731	16%
Corporate Clients	4,173	4,240	5,256	(67)	(2%)	(1,083)	(21%)
Other	48	48	48	-	-	-	-
Total Institutional Banking	**14,560**	**13,687**	**14,330**	**873**	**6%**	**230**	**2%**

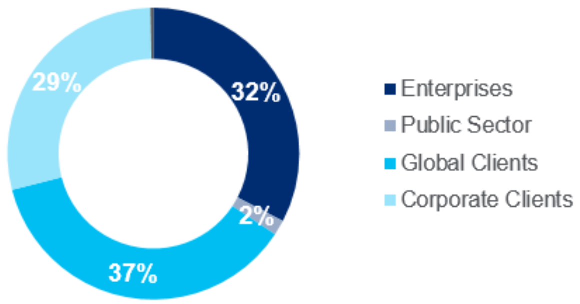
** differences may arise from rounding*

Liabilities

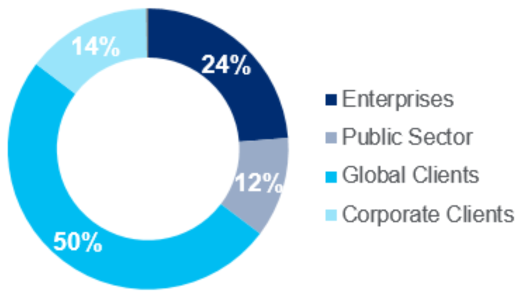
PLN million	31.03.2023	31.12.2022	31.03.2022	Change* (1)/(2)		Change* (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	7,305	6,692	5,764	614	9%	1,542	27%
SMEs	5,124	4,432	3,397	692	16%	1,727	51%
MMEs	2,181	2,260	2,366	(78)	(3%)	(185)	(8%)
Public Sector	3,553	2,703	2,588	850	31%	965	37%
Global Clients	15,379	14,897	12,296	481	3%	3,082	25%
Corporate Clients	4,454	5,075	4,707	(621)	(12%)	(253)	(5%)
Other	61	55	62	5	10%	(2)	(2%)
Total Institutional Banking	**30,751**	**29,421**	**25,417**	**1,330**	**5%**	**5,334**	**21%**

** differences may arise from rounding*

Structure of the Institutional Bank assets as of 31.03.2023



Structure of the Institutional Bank liabilities as of 31.03.2023



Key transactions and achievements in Institutional Banking in the first quarter of 2023:

Credit activity

Granting new financing or increasing/extending existing ones in the amount of PLN 1.2 billion

- PLN 523 million for Commercial Bank clients;
- PLN 255 million for Global clients including for a client from the automotive industry, for a client from the food industry and for one of the world's largest steel producers;
- PLN 415 million for Corporate Clients including a leading company in the retail trade in Poland.

Transactional Banking

Increasing shares in banking services and transaction banking

- Winning 7 mandates for comprehensive banking services or extending the Bank's cooperation with its clients;
- Signing credit commitments, letters of credit and bank guarantees for a total amount of PLN 290 million.

Activity and business achievements of the Financial Markets and Corporate Banking Sector (treasury activity)

In the first quarter of 2023, the Financial Markets and Corporate Banking Sector continued its strategy in the corporate segment, aimed at providing the best solutions and expertise in the period of increased market uncertainty.

To support the companies working with the Bank, the Sales Division engaged in particular in:

- ensuring constant access to the market data, economic forecasts and analyses for the clients. The most relevant information was delivered to clients via a mobile app or in webinars with lead experts and economists;
- developing tools facilitating electronic and automatic FX exchange in order to reduce the operating involvement of the clients in FX risks mitigation processes;
- cooperating in building a policy of managing the clients' foreign currency exposures.

The Financial Markets and Corporate Banking Sector, the Investor Services Department and the Structured Finance Department were also active in the primary market of debt securities by arranging the following transactions:

- Four bonds issues for the European Investment Bank (EIB) totaling PLN 1,290 million, including bonds issued for the purposes of furthering the sustainable development goals and the first issue of 20-year bonds
- Two issues of Eurobonds for BGK totaling EUR 400 million to be injected in the Anti-Covid-19 Fund and Ukraine Assistance Fund.

In the first quarter of 2023, the Bank remains among the top banks in terms of spot trading, being one of the leaders in the Treasury BondSpot.

Transactional banking

The consistent implementation of the Bank’s strategy in TTS bore fruit in the first quarter of 2023, allowing the Bank to continue the upward trend in the volumes of transactions, deposits and trade finance assets.

Banking account

The progressing digital transformation of processes in bank accounts is reflected in the number of documents signed with a qualified electronic signature, which increased in the first quarter of 2023 by 70% from the first quarter of 2022. In the first quarter of 2023, already 46% of documents were signed with a qualified electronic signature (as compared with 28% in the first quarter of 2022).

The Bank also saw an increase in audit certificates issued via confirmation.com – in the first quarter of 2023 this platform was used to issue 757 audit certificates, which accounts for 35% of all certificates, 4 p.p. more than in the prior year period.

Electronic Banking

As regards electronic banking, the Bank continued its efforts aimed at offering its clients new functionalities and promoting the already implemented solutions:

- **API functionality** – the CitiConnect API, implemented in 2020, was subject to commercialization. The solution allows clients to order transfers directly in the ERP system of the supplier, without the need to use bank interfaces. In the first quarter of 2023, the Bank completed the integration process with another ERP provider, SONETA.
- **CitiDirect BE** – the Bank focused on solutions helping clients manage their finance quickly and unassisted. The Bank promoted Mobile Token which, together with biometric authentication (fingerprints or face recognition), is a convenient login method in the system, as well as mechanisms facilitating the management of CitiDirect users' entitlements by authorized system administrators. The Bank also continued to work on an advanced version of the system, **CitiDirect 3.0**, which is planned to be commercialized further in 2023.

In the first quarter of 2023, the **Bank processed over 8.5 million transactions via electronic channels**, which represents an increase by 1% vs. the prior year period.

Payments and receivables

The first quarter of 2023 was a period of continued dynamic **growth in the volume of Express Elixir transactions**. The volumes of outgoing Express Elixir transactions increased by 204% as compared to the previous quarter, and by as much as 2,715% as compared to the prior year period. This demonstrates that clients increasingly appreciate the instantness of settlements and longer availability hours of the service, which are especially important for entities that use the Bank's services under the *Banking as a Service* (BaaS) model.

The upward trends can also be seen in total payment volumes (i.e. incoming and outgoing) in the group of **"new economy" clients**. The volume of payment transactions in this group executed in the first quarter of 2023 was 27% higher than in the prior year period.

Moreover, in the first quarter of 2023 the Bank saw a continued dynamic growth in volumes processed by the Bank under **correspondent banking** ("loro" transfers). The volumes of domestic transfers of other banks for which the Bank is a supplier providing access to domestic payment services in Poland increased by 38% against the prior year period.

In continuation of the Bank's strategy to offer solutions that add new functionalities to the Bank's offer (such as *Citi Payment Insights* or *Citi Payment Outlier Detection*), the Bank also provided its clients with new possibilities as regards **bulk debit**, thus allowing them to customize access entitlements of individual users concerning confidential information included, for example, in payroll transfers. The service is currently available also to clients using the CitiConnect system.

In the first quarter of 2023 the Bank maintained a high share in the **Direct Debit market** at 35.4% (data as at the end of March 2023).

Corporate cards

In corporate cards, in the first quarter of 2023 the Bank recorded **growths in cashless transactions by 59% and 82%** per annum for credit and debit cards, respectively. **This was accompanied by higher amounts of cashless transactions as well** – by **87%** p.a. for credit cards and by **31%** p.a. for debit cards. The recorded results were possible owing to the newly implemented card programs and also given the reduced economic activity of entities in the first quarter of 2023, resulting from the ongoing lockdown being part of the COVID-19 restrictions.

Furthermore, the Bank continued its efforts aimed at improving the servicing of corporate cards and reducing formalities, by promoting self-service tools that allow clients to manage corporate card programs unassisted on the CitiManager platform. One of the most important novelties was another system module that allows the Bank's clients to submit card applications in bulk.

Trade finance products

In the first quarter of 2023, the value of guarantees issued by the Bank **rose by 85%** as compared to the same period in 2022. The values of issued guarantees have been rising recently quarter by quarter, which results from the growing demand for securing commercial transactions in the domestic as well as the international market.

In the first quarter of 2023, the value of transactions concluded under trade finance products, such as reverse factoring, trade loan and supplier financing, **rose almost by 14%** as compared to the same period of 2022.

The growths have been driven by the macroeconomic situation and, consequently, a

	higher demand for various forms of financing ongoing activities.

Custody services

The Bank provides custody services for domestic and foreign institutional investors and services of a custodian bank for domestic pension and investment funds. For many years, Citi Handlowy has been a leader in the Polish market of depository banks.

As part of its statutory activities, under a license issued by the Polish Securities and Exchange Commission (at present, the Polish Financial Supervisory Authority (KNF)), the Bank maintains securities accounts, settles securities transactions, processes dividend and interest payments, provides valuations of asset portfolios, delivers individual reports and arranges representation at general meetings of shareholders of listed companies. The Bank keeps collective accounts for authorized foreign entities. In addition, the Bank provides services consisting in maintenance of registers of foreign securities, under which it acts as intermediary in settlements of transactions executed by domestic clients in foreign markets.

As at 31 March 2023, the Bank maintained over 16,000 securities accounts and collective accounts.

In the reporting period the Bank was the custodian for open-end pension funds: Drugi Allianz Polska OFE, Nationale - Nederlanden OFE (Open Pension Funds); voluntary pension funds: Nationale - Nederlanden DFE, Generali DFE, and the employee pension fund PFE Orange Polska.

The Bank was also the depository of investment funds managed by the following investment fund companies: Santander TFI S.A., PKO TFI S.A., ESALIENS TFI S.A., TFI ALLIANZ Polska S.A., Templeton Asset Management (Poland) TFI S.A. and Skarbiec TFI S.A.

Moreover, the Bank was servicing an investment funds and pension funds operating under the Employee Capital Plans programme: PKO Emerytura SFIO, Santander PPK SFIO, Allianz SFIO PPK, Esaliens PPK SFIO, Nationale - Nederlanden DFE Nasze Jutro.

Brokerage activities

The Group runs brokerage activities in the capital market via a separate organizational unit which is a brokerage house – the Brokerage Department of Bank Handlowy.

As at the end of the first quarter of 2023, the Bank was the market maker for 68 companies listed on the Warsaw Stock Exchange (of which 20 from the WIG20 index), i.e. 16.4% of the shares listed in its main equity market.

After the first quarter of 2023, the Bank was the intermediary in in-session transactions accounting for 3.7% of equity turnover in the secondary market. The value of the in-session transactions concluded via Bank in the equity market on the WSE was PLN 5.2 billion. After the first quarter of 2023, the Bank was ranked 10th in terms of session turnovers on the WSE main market and 4th as a local WSE member.

The number of investment accounts maintained by the Brokerage Department of Bank Handlowy was 12.4 thousand as at the end of the first quarter of 2023, and decreased by 13.4% as compared to the same period in 2022. The number of accounts decreased in the reporting period following the termination of agreements for brokerage services after DMBH ceased to provide brokerage services as of July 31, 2022 and clients failed to consent to the further provision of brokerage services, starting from August 1, 2022, by a new entity, Brokerage Department of Bank Handlowy, established within the Bank's structures.

In the first quarter of 2023, the geopolitical risks (war in Ukraine) resulted in investors' weakened sentiment in the equity market for shares and to the suspension of planned transactions.

Leasing activities

Leasing products continue to be offered by the Bank's Group and are made available as part of the "open architecture", i.e. the Bank's partnership with organizations from outside its Group.

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q1 2023	Q1 2022	Change	
			PLN '000	%
Net interest income	264,615	168,723	95,892	56.8%
Net fee and commission income	39,062	46,674	(7,612)	(16.3%)
Dividend income	-	38	(38)	(100.0%)
Net gain/(loss) on trading financial instruments and revaluation	8,234	13,909	(5,675)	(40.8%)

PLN '000	Q1 2023	Q1 2022	Change	
			PLN '000	%
Net gain/(loss) on equity and other instruments measured at fair value through income statement	1,471	3,997	(2,526)	(63.2%)
Net other operating income	(5,044)	(5,793)	749	(12.9%)
Total income	**308,338**	**227,548**	**80,790**	**35.5%**
General administrative expenses and depreciation	(195,211)	(183,559)	(11,652)	6.3%
Profit on sale of other assets	(7)	(7)	-	-
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(20,794)	(20,989)	195	(0.9%)
Tax on certain financial institutions	(13,167)	(7,143)	(6,024)	84.3%
Profit before tax	**79,159**	**15,850**	**63,309**	**399.4%**
Cost/Income	**63%**	**81%**		

The following factors influenced the profit before tax in the Consumer Banking Segment in the first quarter of 2023:

- **Increase in net interest income** driven by an increase in interest rates, which has an impact on higher interest income. The positive variance in this line covered the decline in the net interest income a result of the decline in the loan portfolio (-13% YoY) and also a decline caused by the cost of credit holidays on mortgage products. Bank also recorded an increase in interest expenses as a consequence of significant increases in interest rates for the zloty with a simultaneous increase in the balance of deposits (5% YoY);
- **Net fee and commission income decline** driven among others by lower fees on loan products as a result of higher interest income;
- **Decrease of net result on trading financial instruments and revaluation** resulting mainly from the decreases in revenues from FX (from conversion transactions) which in 1Q'22 reached the highest level due to the events behind the eastern border;
- **Result on equity and other instruments measured at fair value through income statement** – change of shares' valuation
- **Increase in operating expenses** mainly as a result of higher remuneration costs.

2.2. Selected business data

PLN '000	Q1 2023	Q4 2022	Q1 2022	Change QoQ	Change YoY
Number of individual customers	568.0	571.1	582.5	(3.1)	(14.5)
Number of current accounts	498.5	492.2	465.8	6.3	32.7
Number of saving accounts	117.9	116.8	116.7	1.1	1.2
Number of credit cards	473.2	479.2	507.4	(6.0)	(34.2)
Number of debit cards	256.4	252.4	239.2	4.0	17.2

Net amounts due from individual clients – management view

PLN '000	31.03.2023 (1)	31.12.2022 (2)	31.03.2022 (3)	Change (1)/(2)		Change (1)/(3)	
				PLN '000	%	PLN '000	%
Unsecured receivables, including:	3,769,326	3,940,483	4,383,888	(171,157)	(4.3%)	(614,562)	(14.0%)
Credit cards	2,112,997	2,209,679	2,270,253	(96,682)	(4.4%)	(157,256)	(6.9%)
Cash loans	1,613,864	1,680,598	2,050,429	(66,734)	(4.0%)	(436,565)	(21.3%)
Other unsecured receivables	42,465	50,206	63,206	(7,741)	(15.4%)	(20,741)	(32.8%)
Mortgage loans	2,107,526	2,174,364	2,368,859	(66,838)	(3.1%)	(261,333)	(11.0%)
Net client receivables	**5,876,852**	**6,114,847**	**6,752,747**	**(237,995)**	**(3.9%)**	**(875,895)**	**(13.0%)**

2.3. Key Business Highlights

Bank accounts

Current accounts

The total balance on the current accounts was PLN **9.4 billion** at the end of the first quarter of 2023 i.e. decreased by 22% as compared to the end of the first quarter of 2022. The decrease in the balance is a consequence of the interest rates increases on the bank's savings products and transfer of funds accumulated on current accounts to the savings products.

The number of personal accounts at the end of March 2023 was **498,000 (increase by 7% YoY)**, including 271,000 accounts kept in PLN, and 227,000 accounts kept in foreign currencies. The bank not only continued promotional activities related to the Citikonto online offer launched in 2020, but also widely promoted the offer of Citigold and Citigold Private Client account, all these offers enjoyed great popularity among customers.

Savings accounts

The number of savings accounts at the end of the first quarter of 2023 amounted to **118,000**, the total balance of funds accumulated on those accounts amounted to PLN **2.2 billion** compared to 117,000 savings accounts with a total balance of PLN 3.1 billion in the same period of the previous year.

Changes in the offer

In response to increase in market rates, at the beginning of the year the bank introduced deposits in the EUR currency and offered all customers a special offer "Twoja Lokata" with an 8% p.a. rate for a period of 3 months up to 20,000. PLN

Credit cards

At the end of the first quarter of 2023, the number of credit cards was 473.2 thousand.

The total debt on the credit cards amounted to **PLN 2.2 billion** as at the end of the first quarter of 2023, which means that the Bank maintained the position of one of the leaders in the credit card market, in terms of the credits granted on the credit cards, with a market share of 18.1% according to data as at the end of March 2023.

A high level of activation and transactions was maintained for newly-acquired clients. In the first quarter of 2023, the acquisition structure of credit cards was dominated by the Citi Simplicity card, with a 61% share in acquisition.

In the first quarter of 2023, the Bank increased the acquisition of cards issued in cooperation with OBI in the scope of purchases under the “Komfort” Instalment Payment Plan on a credit card by 7% vs. first quarter of 2022. The partner’s clients can apply online, in an entirely self-service mode, for a credit card with an option of instalments on the card.

Cash loans and cash loans associated with credit card accounts

In the first quarter of 2023, the bank observed a decrease in the dynamics of decline in the balance of unsecured loans (cash loans and loans on credit card). At the end of the first quarter of 2023, the balance of the unsecured loan portfolio amounted to **PLN 1.7 billion**, which, compared to the first quarter of 2022, gives a decrease by 21%, and compared to the fourth quarter of 2022 - a decrease by 4%.

At the same time, in the first quarter of 2023, the sale of the above -mentioned products amounted to **PLN 150 million** and it was **higher by 17%** comparing to the fourth quarter of 2022 and by 8% lower than in the first quarter of 2022.

Mortgage products

The mortgage loans offer was constantly dedicated to selected client segments, i.e. Citigold Private Client, CitiGold and Citi Priority - all the newly originated mortgage and home equity loans were granted in those client segments.

The mortgage products sold in the first quarter of 2023 reached **PLN 47.5 million**, i.e. decreased by over 60% comparing to the first quarter of 2022. As at the end of that period, the mortgage portfolio amounted to **PLN 2.1 billion** as compared to PLN 2.3 billion in the corresponding period of 2022, i.e. decreased by 10% YoY**.**

Insurance and investment products

As at the end of the first quarter of 2023, the funds under management as part of investment products (including insurance products, without dual currency investments) acquired by retail clients via the Bank were **5% higher** than as at the fourth quarter of

2022. This increase resulted from a increase in the value of assets within investment funds.

However, compared to the corresponding period of the previous year, i.e. the end of the first quarter of 2022, the total value of funds managed in investment products was lower by 8%, which was mainly due to the maturity date of structured bonds, a decrease in the value of assets under investment funds and available products as part of brokerage services on the Polish market.

2.4 Development of distribution channels

Online Banking and Mobile Banking

The online platform for retail clients is built in a responsive technology, i.e. it can adapt itself to the device used by a client. Modern design was inspired by clients' expectations and extended functionality makes other channels of communication unnecessary. One of the improvements is for credit card holders, which can manage their card limit, convert transactions into installments or buy insurance products by themselves. The clients can construct and update their investment profile coherent with the MiFID II regulation. Electronic banking also includes a transaction module for investment funds and a Citi Kantor currency exchange module, which allows, among others, to place a conditional order and set a currency alert.

The number of active users of Citibank Online, i.e. those who logged in to the online or mobile banking service via a browser or the Citi Mobile application at least once in every 90-day period, was **341,100** as at the end of the first quarter of 2023. The share of active Citibank Online users in the entire client portfolio of the Bank was **65.2%** as at the end of the first quarter of 2023, i.e. **increase by 0.5 p.p.** compared to the same period of 2022.

At the same time, **digital users** accounted for **84.2% of all transactionally active clients** at the end of the first quarter of 2023, which means maintaining the level from the first quarter of 2022.

Responsive technology gives the client access to all functionalities in Citibank Online on any device they may use. In addition, clients have access to the mobile application which features such functions as free Push notifications, which keep the client updated of changes on the account or card, and login activation with the use of a fingerprint or face image, which makes access to the application even easier. The clients have had access to, among other functionalities, simplified and intuitive navigation, a new layout and a mobile authorization service - Citi Mobile Token. The application also offers a currency exchange module, Citi Kantor, and a multi-currency service, Citibank Global Wallet, which permits automatic currency account alignment with the transaction currency without manually reassigning the card. The application was enriched with a new module which presents offers of products and services tailored to customer needs and a section that permits recommending of products to friends directly from the application.

The BLIK payment method is also available in the mobile application, which allows payments at online, traditional and service outlets and ATM withdrawals, as well as instant BLIK Phone Transfers between the clients of different banks. The number of BLIK payments by the Bank's clients in the first quarter of 2023 **increased by 9.1%** per month on average and the number of BLIK Phone Transfers **increased by 24.3%** per month on average.

As at the end of the first quarter of 2023, the **number of active users of mobile banking**, i.e. those who used mobile banking at least once in every 90-day period via the application or Citibank Online in responsive technology, amounted to **265,500,** which means a decrease by 4.1% compared to the first quarter of 2022.

The share of active users of mobile banking in the retail client portfolio of Citi Handlowy was **48.3%**, i.e. decreased by 0.8 p.p. as compared to the same period in 2022.

At the same time, at the end of the first quarter of 2023, **mobile users accounted for 63.0% of all transactional active customers**, which means an decrease by 1.9 pp. as compared to the first quarter of 2022.

Social Media

The first quarter of 2023 was a continuation of the Bank's active operations in the Social Media channels. The Bank is present on Facebook, Twitter, LinkedIn, Instagram, YouTube. Communications in Social Media are based on areas that build awareness of new products, activate client portfolios, and inform clients about the Bank's CSR activities. The Social Media are also a channel for acquiring new customers.

In the first quarter of 2023, the Bank's communications on Facebook and Instagram reached over **3.7 million unique users** (from paid activities), representing **an increase by almost 0.2 million QoQ and an increase by 0.4 million YoY.** The unique reach on Facebook alone in the first quarter of 2023 was about 3.2 million users. Facebook and Instagram users had an average of 3.8 contacts with the Bank's marketing material, compared to 3.8 in the fourth quarter of 2022 and 3.2 in the first quarter of 2022. In the first quarter of 2023, 38 posts were published on Facebook (feed).

In the first quarter of 2023, **Bank responded to 1,400 customer inquiries** regarding Bank products and services via the Messenger, compared to 1,200 in the fourth quarter of 2022 and 1,400 in the first quarter of 2022.

Indirect and Direct Customer Acquisition

Citigold and Smart outlets

At the end of the first quarter of 2023, the Bank's network comprised of 18 branches, that is 9 Hub Gold branches, 8 Smart branches and 1 corporate branch. Compared to the previous quarter and compared to the last 12 months, the number of branches or their physical locations have not changed. The current structure of the retail network is optimal and it meets the operational and acquisition needs.

In the first quarter of 2023, the Bank began modernization work in Smart branches, focusing on improving ergonomics at work positions, and - as a result - affecting the improvement of the branches work effectiveness.

Changes to the network of outlets

Number of branches and other Points of Sale /touch points

	31.03.2023 (1)	31.12.2022 (2)	31.03.2022 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	**18**	**18**	**18**	**-**	**-**
Hub Gold	9	9	9	-	-
Smart branch	8	8	8	-	-
Corporate branch	1	1	1	-	-

**Branches classified according to a type of provided services into: Hub Gold (branches with separate Citigold customer service zones) and modern Smart branches.*

10 Rating

As of end of the first quarter of 2023, the Bank had full ratings awarded by Fitch Ratings ("Fitch").

On 14 September 2022, after the annul rating review, Fitch downgraded the viability rating ("VR") of the Bank from a- to BBB+ and kept this rating on the rating watch negative. Simultaneously, Fitch affirmed the other ratings of the Bank as follows:

Long-term entity ranking *Long-term rating outlook*	A- *stable*
Short-term entity ranking	F1
Viability rating*	bbb+ Rating Watch Negative
Support rating	a-
National long-term rating	AA+ (pol) stable
National short-term rating	F1+ (pol)

** Viability rating is the view of the intrinsic creditworthiness of an institution, independent of external factors.*

The Bank's Ratings (IDRs) are driven by its intrinsic strength (as reflected in Viability rating ("VR") and potential parental support.

In the rationale, the rating agency explained that the decision to downgrade the Bank's VR was a result of the score cut-down for the operating environment of the Polish banking sector from *bbb+* to *bbb* in the wake of the implementation of "credit holidays" and concerns about further government interventions in the banking sector and the possibility that the banks will have to incur additional costs of such interventions while macroeconomic outlooks show a downgrade tendency. Therefore, Fitch believes that the risk affecting both quality of assets and capitalization of the Bank has increased, even if the financial ratios are now solid and profitability has improved. Despite that VR downgrade to BBB+, it is still the highest score among all the Polish banks, which reflects the low risk appetite, diversified business model, high capitalization and high liquidity of the Bank. All these factors make the Bank more resilient to the risks existing in the Polish operating environment. The balance sheet of the Bank mainly includes low-risk assets and the quality of its loan portfolio is solid, thanks to the Bank's strategy to focus on top quality corporate and retail borrowers. However, the Bank cannot be isolated from the discussed threats occurring in the operating environment.

And the decision to keep the VR on the rating watch negative is connected with Citigroup's strategy to exit retail banking activities, and, precisely, the lack of information on the details of that process (scope, timeframe), and it reflects the uncertainty how this divestment will affect the risk and financial situation of the Bank. The Bank's VR can be removed from the rating watch negative if, after the divestment is complete, Fitch concludes that that the risk profile and financial profile of the Bank still justifies a BBB+ score or if the transaction is cancelled.
For the full announcement published by Fitch please visit:
Fitch Downgrades Bank Handlowy's VR to 'bbb+'/RWN; Affirms IDR at 'A-' (fitchratings.com)

11 Financial instruments disclosure

Fair value of financial assets and liabilities

The table below presents the fair value of financial assets and liabilities valued at amortized cost in consolidated statement of financial position.

PLN '000	31.03.2023		31.12.2022	
	Balance sheet value	**Fair value**	**Balance sheet value**	**Fair value**
Financial assets				
Amounts due from banks	3,949,780	3,949,803	1,043,968	1,043,991
Amounts due from customers	22,511,789	22,600,232	21,620,507	21,643,547
Amounts due from institutional customers	16,634,937	16,650,451	15,505,659	15,566,995
Amounts due from individual customers	5,876,852	5,949,781	6,114,848	6,076,552
Financial liabilities				
Amounts due to banks	4,661,333	4,660,027	4,794,671	4,793,332
Amounts due to customers	52,488,857	52,469,370	50,512,860	50,492,881

Valuation methods and assumptions used for the purposes of fair value

Fair value of assets and financial liabilities are calculated as follows:

- The fair value of financial instruments not quoted in active markets is determined using valuation techniques which are periodically assessed and verified. All the models are tested and approved before application. As far as possible, only observable data are used in the models, although in some areas, the Bank's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair value of financial instruments disclosed.
  The Group applies the following methods of measurement of particular types of derivative instruments:
  - FX forwards – discounted cash flows model;
  - options – option market-based valuation model;
  - interest rate transactions – discounted cash flow model;
  - futures – current quotations.
- For valuation of securities' transactions current quotations are used. In case of lack of quotations, adequate models based on discount and forward curves, including decrease of credit spread, if needed, are used for valuation.
- The fair value of other assets and financial liabilities (excluding described above) are estimated in accordance to commonly accepted models of valuation based on discounted cash flow analysis, taking into account fluctuations in market interest rates and changes in margins during the financial period.

Fair value included in consolidated statement of financial position

Depending on the method of determining fair value, individual financial assets or liabilities are classified into the following categories:

- Level I: financial assets/liabilities valued directly on the basis of prices from an active market where the regular quotations and turnover are available.

  The active market includes stock and brokerage quotes and quotes in pricing services type systems, such as Reuters and Bloomberg, which represent the actual market transactions concluded on the market conditions. Level I mainly include securities held-for-trading or at fair value through OCI;
- Level II: financial assets/liabilities valued on the basis of models based on input data from the active market presented in Reuters and Bloomberg systems. Depending on financial instruments, the following specific valuation techniques are used:
  - listed market prices for a given instrument or listed market prices for an alternative instrument,
  - fair value of interest rate swaps and forward foreign exchange contracts is calculated as the current value of future cash flows based on the market yield curves and current NBP fixing exchange rate in case of foreign currency instruments,
  - other techniques, such as yield curves based on alternative prices for a given financial instrument;
- Level III: financial assets/liabilities valued on the basis of valuation techniques using relevant non-market parameters.

The tables below present values of financial instruments in the consolidated statement of financial position in accordance with a fair value classified by above levels.

As at 31 March 2023

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	806,259	3,660,935	-	4,467,194
derivatives	26,849	3,660,935	-	3,687,784
debt securities	740,422	-	-	740,422
equity instruments	38,988	-	-	38,988
Debt investment financial assets measured at fair value through other comprehensive income	21,783,763	14,373,545	-	36,157,308
Equity investments and other measured at fair value through income statement	18,373	-	89,080	107,453
Financial liabilities				
Financial liabilities held-for-trading	267,315	3,284,882	-	3,552,197
short sale of securities	253,282	-	-	253,282
derivatives	14,033	3,284,882	-	3,298,915
Hedging derivatives	-	28,505	-	28,505

As at 31 December 2022

PLN'000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	2,318,895	4,710,268	-	7,029,163
derivatives	20,484	4,710,268	-	4,730,752
debt securities	2,272,515	-	-	2,272,515
equity instruments	25,896	-	-	25,896
Hedging derivatives	-	623	-	623
Debt investment financial assets measured at fair value through other comprehensive income	23,229,370	13,951,438	-	37,180,808
Equity investments and other measured at fair value through income statement	17,660	-	88,484	106,144
Financial liabilities				
Financial liabilities held-for-trading	286,719	4,609,380	-	4,896,099
short sale of securities	234,203	-	-	234,203
derivatives	52,516	4,609,380	-	4,661,896
Hedging derivatives	-	6,917	-	6,917

As at March 31, 2023, the amount of financial assets classified to level III includes the value of the share in Visa Inc. in the amount of PLN 14,635 thousand (privileged series C) and also the value of other minority shareholding in the amount of PLN 74,445 thousand (as at December 31, 2022 PLN 14,039 thousand and PLN 74,445 thousand, respectively).

The method of estimating the fair value of series C Visa Inc preference shares takes into account the value of Visa Inc. shares and corrections resulting from disputes (current or potential) to which Visa or the Bank would be a party. Minority shareholding in structured companies are measured at fair value taking into account, inter alia, the expected discounted dividends using an assumed cost of capital and the history of profit distribution in the particular companies. Changes in the valuation are taken to the Income statement and presented in the Net gain/(loss) on equity and other instruments measured at fair value through income statement.

Changes in financial assets and liabilities measured at a fair value that was defined by using relevant parameters not-market based are presented below:

	Equity and other investments measured at fair value through income statement	
PLN '000	01.01.-31.03.2023	01.01.-31.12.2022
As at 1 January	**88,484**	**96,156**
Sale	-	(10,466)
Conversion of shares - transfer to Level I	-	(184)
Revaluation	596	2,978
As at the end of period	**89,080**	**88,484**

In the three-month period of 2023 the Group has not made any changes in classification criteria of financial instruments (presented in the consolidated statement of financial position at fair value) to each category reflecting the fair value (level

I, level II, level III).

In the same period the Group has not made any changes in financial assets classification that could result from asset's purpose or usage change.

12 Provision for expected credit losses on financial assets and provisions for off–balance sheet commitments

Changes in the provision for expected credit losses on financial assets are presented in the table below:

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 1 January 2023	**(475)**	**(1,085)**	**-**	**(1,560)**
Transfer to Stage 1	(128)	128	-	-
Transfer to Stage 2	1	(1)	-	-
Transfer to Stage 3	-	-	-	-
(Creation)/Releases in the period though the income statement	220	289	-	509
Foreign exchange and other movements	2	6	-	8
Provision for expected credit losses as at 31 March 2023	**(380)**	**(663)**	**-**	**(1,043)**

PLN '000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Provision for expected credit losses - amounts due from customers					
Provision for expected credit losses as at 1 January 2023	**(81,235)**	**(108,385)**	**(664,801)**	**(1,758)**	**(856,179)**
Transfer to Stage 1	(9,252)	8,981	271	-	-
Transfer to Stage 2	5,461	(6,232)	771	-	-
Transfer to Stage 3	338	16,272	(16,610)	-	-
Transfer to purchased or originated credit-impaired assets	-	-	6,777	(6,777)	-
(Creation)/Releases in the period though the income statement	7,344	(17,247)	(6,980)	259	(16,624)
Decrease in provisions due to write-offs	-	-	1,979	-	1,979
Decrease in provisions in connection with the sale of receivables	-	-	40,025	-	40,025
Changes in accrued interest in Stage 3 other than written off and sale of receivables	(4)	6	(38,797)	(839)	(39,634)
Decreasing in write-downs due to derecognition as a result of material change	-	-	-	6,777	6,777
Foreign exchange and other movements	74	90	2,297	155	2,616
Provision for expected credit losses as at 31 March 2023	**(77,274)**	**(106,515)**	**(675,068)**	**(2,183)**	**(861,040)**

In the period from 1 January to 31 March 2023, the Group did not create write-offs for impairment of tangible fixed assets, intangible assets and reversals of write-offs of that title.

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 1 January 2022	**(1,561)**	**-**	**-**	**(1,561)**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	248	(248)	-	-
Transfer to Stage 3	-	-	-	-
(Creation)/Releases in the period though the income statement	864	(890)	-	(26)
Foreign exchange and other movements	(26)	53	-	27
Provision for expected credit losses as at 31 December 2022	**(475)**	**(1,085)**	**-**	**(1,560)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from customers				
Provision for expected credit losses as at 1 January 2022	**(19,239)**	**16,226**	**3,013**	**-**
Transfer to Stage 1	7,196	(11,352)	4,156	-
Transfer to Stage 2	2,290	23,663	(25,953)	-
Transfer to Stage 3	-	-	17,273	-
(Creation)/Releases in the period though the income statement	(10,159)	(16,455)	(79,463)	(105,134)
Net changes due to update of estimating method*	2,509	(1,967)	(790)	(248)
Decrease in provisions due to write-offs	-	-	12,282	12,282
Decrease in provisions in connection with the sale of receivables	-	-	127,488	127,488
Changes in accrued interest in Stage 3 other than written off and sale of receivables	(1)	(11)	(21,644)	(22,794)
Decreasing in write-downs due to derecognition as a result of material change	-	-	-	15,600
Foreign exchange and other movements	(357)	(342)	5,899	5,310
Provision for expected credit losses as at 31 December 2022	**(81,235)**	**(108,385)**	**(664,801)**	**(856,179)**

**concerns changes resulting from the implementation of the R Recommendation*

The value of provisions for expected credit losses for off–balance sheet commitments amounted to PLN 40,893 thousand as at 31 March 2023 (31 December 2022: PLN 44,969 thousand, 31 March 2022: PLN 31,763 thousand).

13 Deferred tax asset and provision

PLN '000	31.03.2023	31.12.2022
Deferred tax asset	1,433,817	1,771,333
Deferred tax provision	(1,246,208)	(1,487,814)
Net asset due to deferred income tax of a parent company	**187,609**	**283,519**

Deferred tax asset and provision are presented in the consolidated statement of financial position after compensation at the level of the legal entity within the Group.

Deferred tax on acquisition of the organized part of the enterprise, which was described in the annual financial statements of the Bank, in the value of 3,684 PLN thousand as at 31 March 2023, will be settled with the liability to the Tax Office until August 2027.

14 Acquisitions and disposals of tangible fixed assets

In the period from 1 January to 31 March 2023 the value of purchased by the Group components of "tangible fixed assets" equaled PLN 12,722 thousand (in 2022: PLN 8,486 thousand) and the value of disposals of "tangible fixed assets" amounted to PLN 259 thousand (in 2022: PLN 13,827 thousand).

As at 31 March 2023, the value of material contractual obligations for future purchases of property, plant and equipment amounted to PLN 36 million) under the contract with the main contractor of the upgrade of the Bank's building situated in Warsaw at 16 Senatorska Street.

15 Default or breach of credit agreement in respect of which there were no corrective action until the end of the reporting period

Between 1 January and 31 March 2023 in the Group has been no occurrence of default or breach due to received credit agreement.

16 Seasonality or periodicity of business activity

The business activity of the Group is not significantly influenced by seasonal or cyclical factors.

17 Issue, redemption and repayment of debt and equity securities

In the three-month period of 2023 no issue, pay back or repurchase of debt or equity securities had place.

18 Paid (or declared) dividends

On March 17, 2023, the Bank's Management Board adopted a resolution on the proposed distribution of 2022 profit and this proposal was accepted by the Supervisory Board on March 24, 2023.

On April 26, 2023, the Annual General Meeting of the Bank adopted a resolution on distribution of net profit for 2022. Pursuant to the resolution the net profit for 2022 in the amount of PLN 1,569,309,967.45 was distributed as follows:

- Dividend: PLN 1,175,936,400.00, i.e. PLN 9.00/per share,
- Reserve capital: PLN 393,373,567.45

Dividend day was set for May 8, 2022, and the dividend payment date for May 15, 2023. The number of shares covered by dividend was 130 659 600.

The dividend accounted for 75% of the net profit for 2022, and the payment of funds in this amount was in line with the individual recommendation of the Polish Financial Supervision Authority regarding fulfilling by the Bank of requirements for dividend payment from net profit generated in 2022.

19 Changes in granted financial and guarantee commitments and other off-balance-sheet commitments

The detailed specification of granted financial and guarantee commitments as at 31 March 2023 and changes in comparison with the end of 2022 are as follows:

PLN '000	State as at		Change	
	31.03.2023	**31.12.2022**	**PLN '000**	**%**
Contingent liabilities granted				
Financial	**13,343,072**	**13,945,291**	**(602,219)**	**(4.3%)**
Import letters of credit issued	175,565	262,110	(86,545)	(33.0%)
Credit lines granted	13,076,507	13,683,181	(606,674)	(4.4%)
Other	91,000	-	91,000	-
Guarantees	**2,684,891**	**2,375,216**	**309,675**	**13.0%**
Guarantees granted	2,661,715	2,352,867	308,848	13.1%
Other	23,176	22,349	827	3.7%
	16,027,963	**16,320,507**	**(292,544)**	**(1.8%)**
Contingent liabilities received				
Guarantees (guarantees received)	28,261,391	28,600,496	(339,105)	(1.2%)
	28,261,391	**28,600,496**	**(339,105)**	**(1.2%)**
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	2,368,036	2,080,710	287,326	13.8%
Forward**	276,115,073	290,461,171	(14,346,098)	(4.9%)
	278,483,109	**292,541,881**	**(14,058,772)**	(4.8%)

**Foreign exchange and securities transactions with current value date.*

***Derivatives: FX, interest rate transactions and options.*

20 Changes in Group's structure

In the first quarter of 2023 the structure of the Bank's Capital Group has not changed compared to the end of 2022.

On April 7, 2023, the District Court entered the transformation of Dom Maklerski Banku Handlowego S.A. in the National Court Register. Upon transformation, the company adopted the name "HANDLOWY FINANCIAL SERVICES" Spółka z ograniczoną odpowiedzialnością.

21 Fulfilment of 2023 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2023.

22 Information about shareholders

As at the day of publishing the Interim Statement for the first quarter of 2023 the list of shareholders who held directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital is as follows:

	Value of shares (PLN '000)	Number of shares	% shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	391,979	97,994,700	75	97,994,700	75
Other Shareholders	130,659	32,664,900	25	32,664,900	25
	522,638	**130,659,600**	**100**	**130,659,600**	**100**

In the period between publishing the annual consolidated financial report for the year 2022 and publishing this report for the first quarter of 2023 the structure of major shareholdings has not undergone any changes.

23 Ownership of issuer's shares by members of the Management Board and Supervisory Board

According to the best knowledge of the Bank – the dominant entity, at the end of the first quarter of 2023, as well as at the date of submission of the previous periodic report for the 2022, members of the Management Board and Supervisory Board did not hold Bank's shares.

Managing and supervising officers have not declared any options for Bank's shares.

24 Information on pending court proceedings

No proceedings regarding receivables or liabilities of the Group conducted in the first quarter of 2023 in court, public administration authorities or an arbitration authority is of significant value. In Group's opinion it doesn't pose a threat to the Group's financial liquidity.

In accordance with applicable regulations, the Group recognizes provisions for receivables subject to legal proceedings.

In the case of legal proceedings involving the risk of cash outflow as a result of meeting the Group's commitments, the appropriate provisions are created. The value of provisions for disputes as at 31 March 2023 is PLN 35.3 million, of which the provisions for option cases on derivative instruments is PLN 13.2 million and provisions for individual cases relating to the judgments of the CJEU is PLN 19.5 million, including PLN 17.9 million for cases related to CHF-indexed loans and PLN 1.6 million for cases related to the return of a part of the commission for granting consumer loan. As at December 31, 2022: PLN 34.1 million, of which the provisions for option cases on derivative instruments is PLN 12.9 million and provisions for individual cases relating to the judgments of the CJEU is PLN 19.0 million, including PLN 17.1 million for cases related to CHF-indexed loans and PLN 1.9 million for cases related to the return of a part of the commission for granting consumer loan.

This value does not include portfolio provisions created in connection with the judgments of the CJEU.

No significant settlements occurred in the first quarter of 2023 due to court cases concluded with a final judgment.

- On 27 May 2019 the Bank received a statement of claim submitted by Rigall Arteria Management spółka z ograniczoną odpowiedzialnością sp. k. for the payment of PLN 386,139,180.89 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 50,017,463.89 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014.The Court has referred the matter to mediation proceedings, which have not resulted in a mutual agreement, so the case is pending before the court of first instance.

  On 10 February 2020 the Bank received a statement of claim submitted by Rotsa Sales Direct sp. z o.o. for the payment of PLN 419,712.468.48 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 33,047,245.20 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014. The court referred the matter to mediation proceedings, so the case is pending before the court of first instance.

  In the Bank's opinion, the amount of claims filed by the companies is not justified. The Bank's position is confirmed by legally binding resolutions of legal actions taken by the companies against the Bank, which are beneficial for the Bank and confirmed by rulings of the Supreme Court, as well as by the ruling of the Court of Justice of the European

Union in the proceedings with reference number C-64/21issued on 13 October 2022 in connection with preliminary questions from the Supreme Court.

- As at March 31, 2023, the Bank was among others a party to 18 court proceedings associated with derivative transactions. Among these, 11 proceedings have not been terminated with a legally binding conclusion, and 7 have been terminated with a legally binding conclusion, whereby as to 6 proceedings are pending in the Supreme Court cassation proceeding, and in the case of one the deadline for lodging a cassation appeal has not expired. In 11 proceedings the Bank acted as a defendant and in 7 as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those derivative transactions, as well as potential claims regarding potential invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank.

- The Bank was a party to proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa and Europay payment system operators and banks - issuers of Visa cards and Europay/Eurocard/Mastercard cards. The Bank was one of the addressees of the President of UOKiK's decision in the case. The proceedings have concerned alleged practices limiting competition on the payment cards market in Poland consisting in the fixing of interchange fees for transactions made with Visa and Europay/Eurocard/Mastercard cards, as well as limiting access to the market for operators who do not belong to the unions of card issuers, against whom the proceedings were initiated. The President of UOKiK's decision was the subject of legal analyses in appeal proceedings. On April 22, 2010, the Appeal Court overturned the verdict of the Court of Competition and Consumer Protection (SOKiK) and referred the case back to the court of first instance. On 21 November 2013 SOKiK gave a judgment, under which a penalty imposed on the Bank was modified and set in the amount of PLN 1,775,720. On October 6, 2015 the Appeal Court modified the verdict of the Competition and Consumer Protection Court and denied all appeals from the decision of the President of the Competition and Consumer Protection Office, including the changes of amounts of the fines that were imposed upon banks. As a result, the fine in the amount of 10,228,470 PLN that was originally imposed upon the Bank has been reinstated. As the Bank submitted extraordinary appeal on the 25 October 2017 the Supreme Court has overturned the Appeal Court's verdict and the case has been returned to the Appeal Court for a second review. The appeals proceedings has begun again. In the first quarter of 2018, the Bank received the reimbursed. By the judgment of November 23, 2020, the Appeal Court set aside the judgment of November 21, 2013 and remitted the case to the court of first instance for reconsideration.

- The Bank is carefully following the changes of the legal environment arising out of the courts' case law regarding mortgage loans indexed to foreign currencies, including the judgment of the Court of Justice of the European Union (CJEU), case no. C 260/18, of 3 October 2019. The Bank has identified a number of doubts as regards interpretation of the above-mentioned judgment. Despite the still unresolved issues (e.g., the possibility for banks to demand remuneration for use of capital), as at the day of these report on activities, most courts have ruled against banks on indexed loan cases. The expected resolution of the Civil Law Division of the Supreme Court to rule again on issues on which courts are still inconsistent has been postponed to an indefinite date. The Supreme Court formulated the question of the CJEU as to whether the current composition of the Civil Law Division of the Supreme Court is competent to pass a resolution, taking into account doubts as to the correctness of appointment of some of its judges. In February 2022, the Regional Court in Łódź dismissed the claims of 1,700 CHF-denominated loan customers (filing a lawsuit against one of the Polish banks), who wanted their loan agreements declared invalid. The Regional Court held that the first provision of the bank loan contract providing for conversion of the disbursed amount of the loan from PLN into CHF was not abusive. However, it also found that the provision according to which the bank converts CHF loan installments into PLN according to its own table is abusive. At the same time, according to the court, CHF borrowers involved in this case can repay their loans in CHF after all.

  It should be noted, however, that apart from the doubts in court cases, the measures of the Polish Financial Supervision Authority set out the direction of possible settlements between banks and the Swiss franc borrowers.

  In an opinion of February 16, 2022 issued in case C-520/21, interpreting the provisions of the Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts, the Advocate General of the Court of Justice of the European Union concluded that after the annulment of a mortgage loan agreement due to unfair terms, consumers may assert claims against banks that go beyond reimbursement of monetary consideration. It is a matter for national courts to determine, by reference to national law, whether consumers have the right to assert such claims and, if so, to rule on their merits. As for the possibility of the bank asserting claims of a similar nature against consumers, Advocate General takes the opposite view. He advises the Court that a bank is not entitled to assert against a consumer claims that go beyond reimbursement of the loan capital transferred and payment of default interest at the statutory rate from the date of the request for reimbursement. The Advocate General's Opinion is not binding on the Court of Justice, which can either agree with the presented opinion or rule differently based on a different interpretation of Directive 93/13.

  When estimating the risk resulting from court litigations regarding indexation clauses in mortgage loan agreements, Bank Handlowy w Warszawie S.A. did not factor in receivables under its claims against borrowers for the payment of amounts equivalent to a fee for using the loan capital, therefore, the Bank does not have to revise its assumptions following the Advocate General's opinion.

As at March 31, 2023, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 41.0 million. The Bank maintains a collective provision in the amount of PLN 10.6 million. Estimation of the provision assumed the expected level of customer complaints based on the trend observed by the Bank, which is different for active loans and for loans repaid before the balance sheet date, as well as the probability of a settlement or court solution and the Bank's loss estimate in the event of a dispute in court. This value, as well as provisions for individual disputes, are included in the Bank's consolidated statement of financial position under item: Provisions.

As at March 31, 2023, the Bank was sued in 73 cases relating to a CHF-indexed loan for a total amount of approximately PLN 25.2 million. Twelve cases were legally lost, and the Bank decided to file two cassation appeals (one appeal was rejected on formal grounds). Most of the cases are in the first instance.

- On September 11, 2019, CJEU passed a ruling in the case C 383/18, indicating the following interpretation of Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers (Directive): "the right of the consumer to a reduction in the total cost of the credit in the event of early repayment of the credit includes all the costs imposed on the consumer." Hence, according to the provisions of the Directive, the above-mentioned right of the consumer includes costs both related and not related to the duration of the contract.

  Starting from 28 September 2020, the Bank has been reimbursing fees using the "straight-line method" to all the consumers who repaid their consumer loans before the contractual deadline, after 11 September 2019, provided that the fee was charged during the period in which the Consumer Loan Act was in force.

  On 13 November 2020, the Bank received a decision initiating proceedings by the UOKiK (Office for Competition and Consumer Protection) regarding the practice of non-lowering the total loan cost by the prorated costs (calculated by the straight-line method) attributable to the period by which the term of the consumer loan agreement is reduced in the event of total or partial loan prepayment.

  Proceeding has been closed by means of a UOKiK's binding decision from 6 May 2021 after Bank made commitments satisfactory to the regulator to change that practice. In accordance with the decision, consumers who repaid their cash or card loans before contractual maturity date in the period between 18 December 2011 and 10 September 2019 may apply for recalculating the commission indicating the product, agreement and bank account number for which repayment is due. The Bank is obligated to close all the legal proceedings regarding the recalculation of the commission in which consumers are a party, and to inform about the decision as described, in particular through e-mail communication and publication of a statement on the website. Decision is implemented in accordance with its terms.

  After the decision was issued, the President of the UOKiK asked the Bank to provide explanations regarding the method of reimbursement by the Bank of a proportional part of the commission in the event that the consumer takes another loan at the Bank in such a way that it replaces the original agreement ("Increase Agreement"). The Bank decided to align its practice with the position of the UOKiK President and decided to settle the proportionate part of the commission in relation to clients who entered into the Increased agreement after 11 September 2019.

  The Group constantly monitors and estimates provisions for legal risk resulting from the ruling of the CJEU regarding the reimbursement of commissions for prepaid consumer loans and updates the possible amount of cash outflow as reimbursement of consumer loan commissions.

  As of March 31, 2023, the Bank was sued in 923 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 4,1 million.

25 Information about significant transactions with related entities on non-market terms

In the first quarter of 2023, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

26 Information about significant guarantee agreements

In the first quarter of 2023 Bank and its subsidiaries did not grant guarantee – jointly to one entity or a subsidiary of that entity, which total value would be significant.

27 Significant events after the balance sheet date not included in the financial statements

After 31 March 2023 there were no major events undisclosed in these financial statements other than those presented in *Note 18 Paid (or declared) dividends* which in particular impacted capital ratio as described in capital adequacy section of note 7.

28 Factors and events which could affect future financial performance of the Bank's Capital Group

The most significant risk driver in the following quarters is still the war between Russia and Ukraine. A potential escalation of the military conflict or its further expansion could cause the zloty and other currencies of emerging markets to depreciate. An intensification of military action could also trigger renewed increases in commodity prices, including gas and oil in particular, which could have a negative impact on customer activity in energy-intensive industries.

From the point of view of the world economy, the uncertainty related to the turmoil in financial markets and the banking sector in the United States and in Europe poses a serious threat. These developments, combined with a potential further monetary tightening by the Fed and the ECB, could contribute to reducing lending activity in the largest economies in the world.

Uncertainty about the timing and scale of the inflow of funds from the EU Recovery Fund remains a national risk factor for economic activity. The protracting inaccessibility of NRP funding could cause a decline in local government investment and exacerbate the downturn in the construction industry. In addition, the lack of NRP disbursements could have the effect of worsening the prospects for financing the current account deficit.

Similarly to previous quarters, one of the risks is also the possibility of inflation becoming entrenched at high levels and strengthening the upward pressure on wages in the Polish economy. This could ultimately lead to a prolonged period of higher interest rates and a deeper economic downturn affecting the Bank's customers.

Interim condensed standalone financial statements of the Bank for the first quarter of 2023

Condensed income statement

PLN '000	For the period	I quarter accruals period from 01.01.23 to 31.03.23	I quarter accruals period from 01.01.22 to 31.03.22
Interest income		1,071,450	442,424
Similar income		43,636	32,519
Interest expense and similar charges		(269,944)	(29,994)
Net interest income		**845,142**	**444,949**
Fee and commission income		168,082	162,649
Fee and commission expense		(27,302)	(21,482)
Net fee and commission income		**140,780**	**141,167**
Dividend income		**4**	**53**
Net gain/(loss) on trading financial instruments and revaluation		**231,843**	**272,431**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**24,256**	**(35,762)**
Net gain/(loss) on equity investments and other measured at fair value through income statement		**1,308**	**4,642**
Net gain/(loss) on hedge accounting		**(2,602)**	**(1,722)**
Other operating income		6,088	6,401
Other operating expenses		(6,446)	(7,584)
Net other operating income		**(358)**	**(1,183)**
General administrative expenses		**(388,266)**	**(380,708)**
Depreciation and amortization		**(26,306)**	**(26,186)**
Profit on sale of other assets		**(21)**	**3,447**
Provisions for expected credit losses on financial assets and provisions for contingent liabilities		**(11,899)**	**(11,620)**
Tax on certain financial institutions		**(47,044)**	**(45,969)**
Profit before tax		**766,837**	**363,539**
Income tax expense		**(164,410)**	**(84,850)**
Net profit		**602,427**	**278,689**
Weighted average number of ordinary shares (in pcs)		130,659,600	130,659,600
Earnings per share (in PLN)		4.61	2.13
Diluted net earnings per share (in PLN)		4.61	2.13

Condensed statement of comprehensive income

PLN '000 For a period	I quarter accruals period from 01.01.23 to 31.03.23	I quarter accruals period from 01.01.22 to 31.03.22
Net profit	**602,427**	**278,689**
Other comprehensive income, that is or might be subsequently reclassified to income statement:	**223,879**	**(285,991)**
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	243,526	(314,958)
(Profit)/Loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	(19,647)	28,967
Total comprehensive income	**826,306**	**(7,302)**

Condensed statement of financial position

PLN '000 as at	31.03.2023	31.12.2022
ASSETS		
Cash and balances with the Central Bank	1,772,206	595,969
Amounts due from banks	3,949,780	1,043,968
Financial assets held-for-trading, including:	4,467,194	7,029,163
Assets pledged as collateral	-	*60,988*
Hedging derivatives	-	623
Debt investment financial assets measured at fair value through other comprehensive income, including:	36,157,308	37,180,808
Assets pledged as collateral	*1,533,008*	*697,698*
Shares in subsidiaries	91,726	91,775
Equity investments and other measured at fair value through income statement	107,453	106,144
Amounts due from customers	22,511,789	21,620,507
Tangible fixed assets	461,162	455,418
Intangible assets	1,259,268	1,263,863
Deferred tax asset	191,255	287,368
Other assets	301,915	217,360
Total assets	**71,271,056**	**69,892,966**
LIABILITIES		
Amounts due to banks	4,661,333	4,794,671
Financial liabilities held-for-trading	3,552,197	4,896,099
Hedging derivatives	28,505	6,917
Amounts due to customers	52,644,129	50,667,780
Provisions	107,843	111,885
Current income tax liabilities	93,869	245,173
Other liabilities	1,457,270	1,270,837
Total liabilities	**62,545,146**	**61,993,362**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(349,649)	(573,528)
Other reserves	2,811,344	2,811,344
Retained earnings	2,796,992	2,194,565
Total equity	**8,725,910**	**7,899,604**
Total liabilities and equity	**71,271,056**	**69,892,966**

Condensed statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2023	**522,638**	**2,944,585**	**(573,528)**	**2,811,344**	**2,194,565**	**7,899,604**
Total comprehensive income, including:	**-**	**-**	**223,879**	**-**	**602,427**	**826,306**
Net profit	-	-	-	-	602,427	602,427
Other comprehensive income	-	-	223,879	-	-	223,879
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	223,879	-	-	223,879
Balance as at 31 March 2023	**522,638**	**2,944,585**	**(349,649)**	**2,811,344**	**2,796,992**	**8,725,910**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2022	**522,638**	**2,944,585**	**(312,018)**	**2,802,781**	**1,358,054**	**7,316,040**
Total comprehensive income, including:	**-**	**-**	**(285,991)**	**-**	**278,689**	**(7,302)**
Net profit	-	-	-	-	278,689	278,689
Other comprehensive income	-	-	(285,991)	-	-	(285,991)
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	(285,991)	-	-	(285,991)
Balance as at 31 March 2022	**522,638**	**2,944,585**	**(598,009)**	**2,802,781**	**1,636,743**	**7,308,738**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2022	**522,638**	**2,944,585**	**(312,018)**	**2,802,781**	**1,358,054**	**7,316,040**
Total comprehensive income, including:	-	-	(261,510)	7,299	1,569,310	1,315,099
Net profit	-	-	-	-	1,569,310	1,569,310
Other comprehensive income	-	-	(261,510)	7,299	-	(254,211)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(261,510)	-	-	(261,510)
Net actuarial profits/(losses) on specific services program valuation	-	-	-	7,299	-	7,299
Dividends paid	**-**	**-**	**-**	**-**	**(714,708)**	**(714,708)**
Effect of intragroup transformations	**-**	**-**	**-**	**-**	**(16,827)**	**(16,827)**
Transfer to capital	**-**	**-**	**-**	**1,264**	**(1,264)**	**-**
Balance as at December 2022	**522,638**	**2,944,585**	**(573,528)**	**2,811,344**	**2,194,565**	**7,899,604**

Condensed summary statement of cash flows

PLN '000 For a period	I quarter accruals period from 01.01.23 to 31.03.23	I quarter accruals period from 01.01.22 to 31.03.22
Cash at the beginning of the reporting period	**658,777**	**6,566,543**
Cash flows from operating activities	1,162,990	(3,389,340)
Cash flows from investing activities	(23,054)	(12,401)
Cash flows from financing activities	(3,144)	(2,935)
Cash at the end of the reporting period	**1,795,569**	**3,161,867**
Increase/(decrease) in net cash	**1,136,792**	**(3,404,676)**

Condensed additional information

1. Declaration of conformity

These interim condensed standalone financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*, adopted by European Union and with other applicable regulations.

These interim condensed standalone financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the standalone financial statements of the Bank for the financial year ended 31 December 2022 and interim condensed consolidated financial statements of the Group for the first quarter of 2023.

In accordance with Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, item 757, as amended) the Bank is obliged to publish its financial results for the 3-month period ended 31 March 2023 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

Interim condensed standalone financial statements of the Bank for the first quarter of 2023 have been prepared in accordance with the Decree by virtue of which the issuer, being a parent entity, is not obliged to provide interim separate financial statements, on condition that it includes in the interim consolidated financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and condensed supplementary notes, comprising of information and data significant for the assessment of the issuer's financial standing and its profit or loss, but not presented in the interim consolidated financial statement. In addition, it's required to prepare the interim condensed financial statements in accordance with accounting principles adopted in the preparation process of the annual financial statements including changes described in condensed consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie SA for the first quarter of 2023.

Principles adopted in the preparation process of these interim condensed standalone financial statements are consistent with the principles, described in the annual standalone financial statements of the Bank for the financial year ended 31 December 2022 taking into account the changes described in the interim condensed consolidated financial statements of the Group for the first quarter of 2023.

Other information and explanations presented in interim condensed consolidated financial statements for the first quarter of 2023 contain also all information and explanatory data essential for these interim condensed standalone financial statements.

The summary of Bank's financial results for the first quarter of 2023 is presented below.

Bank's financial results

In the first quarter of 2023, the Bank generated a profit before tax of PLN 766.8 million, compared to PLN 363.5 million in the corresponding period of 2022 (i.e. increase by PLN 403.3 million YoY).

Net profit earned in the period from January to March 2023 amounted to PLN 602.4 million compared to PLN 278.7 million of net profit in the corresponding period of 2022.

The net profit of the Bank in the first quarter of 2023 was driven mainly by higher interest income, realized mainly in the area of treasury activity as a result of persistent in the first quarter of 2023, higher interest rates (at 6.75% in the period from January to March 2023) compared to the same period of the last year and the activity of clients from the institutional banking segment.

The interim condensed consolidated financial statements for the first quarter of 2023 will be available on the website of Bank Handlowy w Warszawie SA. **www.citihandlowy.pl.**

Urszula Lewińska Director of Financial Reporting, Control and Tax Department	Natalia Bożek Vice-President of Management Board
10.05.2023	10.05.2023
(signed in Polish version)	*(signed in Polish version)*