



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

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Interim condensed consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A.
for the third quarter of 2023

TRANSLATION

SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	Third quarter accruals	Third quarter accruals	Third quarter accruals	Third quarter accruals
	period from 01.01.23 to 30.09.23	period from 01.01.22 to 30.09.22	period from 01.01.23 to 30.09.23	period from 01.01.22 to 30.09.22
Data related to the interim condensed consolidated financial statements				
Interest income and similar income	3,362,319	2,183,547	734,564	465,774
Fee and commission income	502,766	518,509	109,839	110,603
Profit before tax	2,288,758	1,375,682	500,024	293,448
Net profit	1,806,910	1,066,181	394,755	227,428
Comprehensive income	2,235,172	593,921	488,317	126,690
Net cash flows	(51,208)	2,789,151	(11,187)	594,955
Total assets*	72,376,703	69,801,402	15,613,233	14,883,345
Amounts due to banks*	3,364,957	4,794,671	725,895	1,022,340
Amounts due to customers*	53,868,301	50,512,860	11,620,567	10,770,562
Equity*	9,019,480	7,960,245	1,945,699	1,697,317
Ordinary shares*	522,638	522,638	112,744	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)*	69.03	60.92	14.89	12.99
Total capital adequacy ratio (%)*	23.0	19.0	23.0	19.0
Earnings per share (PLN / EUR)	13.83	8.16	3.02	1.74
Diluted earnings per share (PLN / EUR)	13.83	8.16	3.02	1.74
Data related to the interim condensed standalone financial statements				
Interest income and similar	3,362,319	2,182,016	734,564	465,447
Fee and commission income	503,034	492,696	109,898	105,097
Profit before tax	2,287,931	1,399,352	499,843	298,497
Net profit	1,806,779	1,091,215	394,726	232,768
Comprehensive income	2,235,092	618,704	488,299	131,976
Net cash flows	(51,208)	2,789,165	(11,187)	594,958
Total assets*	72,468,142	69,892,966	15,632,958	14 902 869
Amounts due to banks*	3,364,957	4,794,671	725,895	1 022 340
Amounts due to customers*	54,022,095	50,667,780	11,653,744	10 803 595
Equity*	8,958,759	7,899,604	1,932,600	1 684 386
Ordinary shares*	522,638	522,638	112,744	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)*	68.57	60.46	14.79	12.89
Total capital adequacy ratio (%)*	22.7	18.6	22.7	18.6
Earnings per share (PLN/EUR)	13.83	8.35	3.02	1.78
Diluted earnings per share (PLN / EUR)	13.83	8.35	3.02	1.78
Paid dividends per share (PLN/EUR)**	9.00	5.47	1.97	1.17

*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 30 September 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 30 September 2023 – 4.6356 (as at 31 December 2022: PLN 4.6899; as at 30 September 2022 – PLN 4,8698); 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 III quarter of 2023 - PLN 4.5773 (in the III quarter of 2022: PLN 4.6880).

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Condensed consolidated income statement

	For the period	III quarter	III quarter	III quarter	III quarter
		period from 01.07.23 to 30.09.23	accruals period from 01.01.23 to 30.09.23	period from 01.07.22 to 30.09.22	accruals period from 01.01.22 to 30.09.22
<i>PLN '000</i>					
Interest income		1,086,450	3,267,602	885,356	2,084,351
Similar income		5,167	94,717	38,806	99,196
Interest expense and similar charges		(264,305)	(855,765)	(192,205)	(339,898)
Net interest income		827,312	2,506,554	731,957	1,843,649
Fee and commission income		167,916	502,766	165,946	518,509
Fee and commission expense		(25,240)	(77,376)	(29,859)	(79,730)
Net fee and commission income		142,676	425,390	136,087	438,779
Dividend income		1,303	11,076	1,480	10,931
Net gain/(loss) on trading financial instruments and revaluation		202,822	618,254	99,958	562,485
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		(28,289)	(32,212)	(199,713)	(235,475)
Net gain/(loss) on equity investments and other at fair value through income statement		1,667	17,141	4,335	7,869
Net gain/(loss) on hedge accounting		(2,821)	(7,844)	66	(1,656)
Other operating income		7,325	19,246	3,932	15,766
Other operating expenses		(16,318)	(29,526)	(17,665)	(33,908)
Net other operating income and expense		(8,993)	(10,280)	(13,733)	(18,142)
General administrative expenses		(305,182)	(1,006,044)	(281,316)	(943,834)
Depreciation and amortization		(27,716)	(81,822)	(25,707)	(77,939)
Profit on sale of other assets		41	(37)	(84)	2,944
Provisions for expected credit losses on financial assets and provisions for contingent liabilities		(3,747)	(9,897)	(34,963)	(55,970)
Operating profit		799,073	2,430,279	418,367	1,533,641
Tax on certain financial institutions		(49,937)	(141,521)	(53,495)	(157,959)
Profit before tax		749,136	2,288,758	364,872	1,375,682
Income tax expense		(157,516)	(481,848)	(81,024)	(309,501)
Net profit		591,620	1,806,910	283,848	1,066,181
Including:					
Net profit attributable to Bank's shareholders			1,806,910		1,066,181
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Earnings per share (in PLN)			13.83		8.16
Diluted net earnings per share (in PLN)			13.83		8.16

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

TRANSLATION

Condensed consolidated statement of comprehensive income

<i>PLN '000</i>	For a period	III quarter period from 01.07.23 to 30.09.23	III quarter accruals period from 01.01.23 to 30.09.23	III quarter period from 01.07.22 to 30.09.22	III quarter accruals period from 01.01.22 to 30.09.22
Net profit		591,620	1,806,910	283,848	1,066,181
Other comprehensive income, that is or might be subsequently reclassified to income statement:		72,317	432,492	123,742	(472,260)
Remeasurement of financial assets measured at fair value through other comprehensive income (net)		49,225	406,451	(38,199)	(663,246)
(Profit)/Loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)		22,914	26,092	161,768	190,735
Currency translation differences		178	(51)	173	251
Other comprehensive income, that cannot be subsequently reclassified to income statement		-	(4,230)	-	-
Net actuarial profits/(losses) on defined benefit program valuation		-	(4,230)	-	-
Other comprehensive income net of tax		72,317	428,262	123,742	(472,260)
Total comprehensive income		663,937	2,235,172	407,590	593,921
Including:					
Comprehensive income attributable to Bank's shareholders		663,937	2,235,172	407,590	593,921

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TRANSLATION

Condensed consolidated statement of financial position

	as at	30.09.2023	31.12.2022
<i>PLN '000</i>			
ASSETS			
Cash and balances with the Central Bank		543,637	595,969
Amounts due from banks		17,307,512	1,043,968
Financial assets held-for-trading, including:		5,229,232	7,029,163
<i>Assets pledged as collateral</i>		-	60,988
Hedging derivatives		8,119	623
Debt financial assets measured at fair value through other comprehensive income, including:		26,306,958	37,180,808
<i>Assets pledged as collateral</i>		705,347	697,698
Equity and other instruments measured at fair value through income statement		123,286	106,144
Amounts due from customers		20,527,184	21,620,507
Tangible fixed assets		493,330	455,418
Intangible assets		1,276,547	1,263,863
Current income tax receivables		15	-
Deferred tax asset		186,379	287,368
Other assets		365,238	217,571
Non-current assets held-for-sale		9,266	-
Total assets		72,376,703	69,801,402
LIABILITIES			
Amounts due to banks		3,364,957	4,794,671
Financial liabilities held-for-trading		4,084,701	4,896,099
Hedging derivatives		97,781	6,917
Amounts due to customers		53,868,301	50,512,860
Provisions		107,935	112,507
Current income tax liabilities		381,335	245,937
Deferred tax provision		189	165
Other liabilities		1,452,024	1,272,001
Total liabilities		63,357,223	61,841,157
EQUITY			
Ordinary shares		522,638	522,638
Share premium		3,001,260	3,001,259
Revaluation reserve		(140,985)	(573,528)
Other reserves		3,199,382	2,833,345
Retained earnings		2,437,185	2,176,531
Total equity		9,019,480	7,960,245
Total liabilities and equity		72,376,703	69,801,402

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

TRANSLATION

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:	-	-	432,543	(4,281)	1,806,910	2,235,172
Net profit	-	-	-	-	1,806,910	1,806,910
Other comprehensive income:	-	-	432,543	(4,281)	-	428,262
Currency translation differences from the foreign operations' conversion	-	-	-	(51)	-	(51)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	432,543	-	-	432,543
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	(4,230)	-	(4,230)
Dividends paid	-	-	-	-	(1,175,937)	(1,175,937)
Transfer to capital	-	1	-	370,318	(370,319)	-
Balance as at 30 September 2023	522,638	3,001,260	(140,985)	3,199,382	2,437,185	9,019,480

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:	-	-	(472,511)	251	1,066,181	593,921
Net profit	-	-	-	-	1,066,181	1,066,181
Other comprehensive income:	-	-	(472,511)	251	-	(472,260)
Currency translation differences from the foreign operations' conversion	-	-	-	251	-	251
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(472,511)	-	-	(472,511)
Dividends paid	-	-	-	-	(714,708)	(714,708)
Transfer to capital	-	(440)	-	11,927	(11,487)	-
Balance as at 30 September 2022	522,638	3,001,259	(784,529)	2,826,208	1,697,032	7,262,608

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:	-	-	(261,510)	7,388	-	(254,122)
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.

TRANSLATION

Condensed consolidated statement of cash flows

<i>PLN '000</i>	For a period	III quarter accruals period from 01.01.23 to 30.09.23	III quarter accruals period from 01.01.22 to 30.09.22
Cash at the beginning of the reporting period		658,777	6,566,557
Cash flows from operating activities		1,264,026	3,578,298
Cash flows from investing activities		(130,392)	(65,749)
Cash flows from financing activities		(1,184,842)	(723,398)
Cash at the end of the reporting period		607,569	9,355,708
Increase/(decrease) in net cash		(51,208)	2,789,151

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	
		30.09.2023	31.12.2022
Entities fully consolidated			
Handlowy Financial Services Sp. z o.o. (previously Dom Maklerski Banku Handlowego S.A.)	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

**In 2022 Bank concluded with Dom Maklerski Banku Handlowego S.A. ("DMBH") "Business transfer agreement" on the basis of which DBMH was transferred to the Bank on 1 August 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.*

In the third quarter of 2023 there was no change in the structure of Group's entities comparing to the end of 2022.

2 Declaration of conformity

The interim condensed consolidated financial statements of the Group have been prepared for the period from 1 July 2023 to 30 September 2023 and for the consolidated statement of financial position as at 30 September 2023. Comparative financial data are presented for the period from 1 July 2022 to 30 September 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* ("IAS 34"), 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) ("Decree") the Bank is obliged to publish its financial results for the 9-month period ended 30 September 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 third 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;
- IFRS 16 "Leases" amendment concerning lease liabilities in the case of sale and leaseback, issued on 22 September 2022, applicable from 1 January 2024;
- IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: disclosures" related to the disclosure of information on supplier financing arrangements, issued on May 25, 2023, applicable from January 1, 2024;
- IAS 12 "Income taxes" introducing international tax reform – model principles of Pillar II, defining the scope and key mechanisms of the system of global minimum tax rules of the second pillar, which includes the principle of income inclusion and the principle of payments below taxation collectively referred to as the "GloBE principles", issued on December 20, 2021, applicable from January 1, 2023;
- IAS 21 "Effects of changes in foreign exchange rates" concerning net investments in unit operating in a foreign country, issued August 15, 2023, applicable from January 1, 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.

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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		30 September 2023	31 December 2022	30 September 2022
1	USD	4.3697	4.4018	4.9533
1	CHF	4.8030	4.7679	5.0714
1	EUR	4.6356	4.6899	4.8698

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

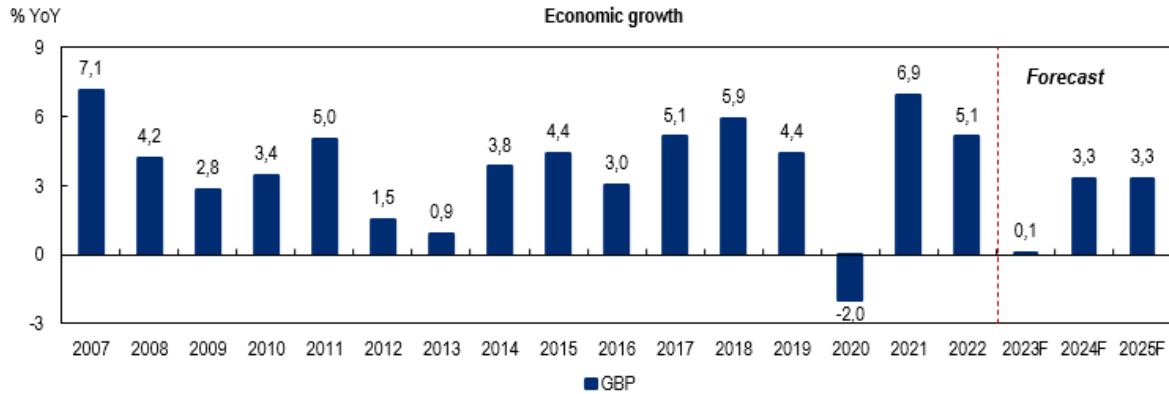
1. Macroeconomic conditions and the situation in money and foreign exchange markets

The latest economic data indicate that GDP growth in the third quarter of 2023 improved slightly compared to the second quarter of 2023, but arguably still registered a decline relative to the same quarter last year. Consumer demand remained weak, however, real income growth and monetary easing at the end of the third quarter of 2023 could positively affect consumption in future months. Economic activity data for the third quarter of 2023 point to an imminent economic recovery. The Group expects growth to rebound in the coming quarters, with a notable boost next year.

Industrial production fell again in the third quarter of 2023 by 2.4% YoY, compared to a 3.3% YoY fall in the second quarter of 2023, mainly due to further production decreases in the most energy-intensive sectors. Year-on-year production growth could be seen in industries related to automotive or apparel manufacturing. Imports decreased by 12.3% YoY in August 2023, compared to a 7.3% YoY decrease in July, with a smaller decline in export dynamics (from 0.2% YoY to -2.2% YoY). The cumulated 12-month current account balance in the balance of payments was positive at 0.3% GDP in August, as compared to about -0.1% GDP as at the end of the second quarter of 2023. Following a temporary deterioration in the second quarter 2023, the third quarter saw an improvement in construction and assembly production, which rose by 5.4% YoY, compared to an increase of 0.7% YoY as at the end of the second quarter of 2023.

Average wage growth in enterprise sector declined in the third quarter of 2023 to 10.9% YoY from 12.1% YoY in the second quarter of 2023, however, in real terms wages increased for the first time since the first quarter of 2022, mainly due to declining inflation. Retail sales performance improved, with sales growth in the third quarter of 2023 rising to -2.3% YoY from -6.3% YoY in the second quarter of 2023. An improvement in consumer sentiment was also noticeable in the third quarter of 2023. Condition of the labor market remains good. The unemployment rate has remained unchanged since the end of the second quarter of 2023 and stood at 5% at the end of August, remaining at record lows.

TRANSLATION



Source: Chief Statistical Office, Citi Handlowy forecast

Prices of consumer goods and services in the third quarter of 2023 rose, on average, by 9.7% YoY as compared to 13.1% in the second quarter of 2023. The inflation rate was influenced by significant falls in fuel and transportation prices, and there was also a decrease in the growth rate of food and energy prices. The net inflation decreased in the third quarter of 2023 to 9.7% YoY, from 11.6% YoY in the second quarter of 2023. In the coming months, the Group expects disinflation to slow down, which will be mainly driven by increases in fuel and electricity prices. Price growth in the coming year is likely to remain well above the NBP's inflation target of 2.5%.

In September 2023, the Monetary Policy Council cut the benchmark rate by 75 bps to 6%, initiating a cycle of interest rate cuts.

Third quarter of 2023 saw a PLN depreciation versus the main currencies. In the third quarter of 2023, PLN declined 7.6% to USD, 4.3% to EUR and 5.3% to CHF. The PLN deterioration was mainly due to the Monetary Policy Council's September decision to cut interest rates.

Yields on Polish 2-year bonds fell 78 bps to 5.02% as at the end of September 2023 compared to the end of June 2023 as a result of the Monetary Policy Council lowering the benchmark interest rate. In contrast, 10-year bond yields rose 14 bps to 5.91% on the back of large government bond issues planned in next year's budget. The WIBOR 3M rate decreased as at the end of September 2023 to 5.77% as compared to 6.90% at the end of June 2023.

2. Capital market situation

Third quarter of 2023 saw a minor decline in global equity markets. Among the main factors shaping investor sentiment were deteriorating consumer and industrial demand with continued strong readings from the labor market and falling inflation. The Polish stock market also experienced a similar correction. The main reasons were similar to global ones, but the market environment was additionally affected by concerns over the MPC's decision to cut interest rates and uncertainty about the upcoming elections.

In the third quarter of 2023, almost all the main indices were going down. The primary WIG index decreased 2.8% QoQ. WIG20 (index of the biggest companies on the WSE) decreased 7.0% QoQ, while mWIG40 (index of mid-cap companies) performed well, appreciating 1.7% QoQ. Meanwhile, sWIG80 (small-cap stocks) went down 4.7% QoQ.

Among the sector sub-indices, the greatest drops were recorded by WIG-Games, WIG-Media and WIG-Clothing, which depreciated by 6.3%, 5.3% and 4.7% QoQ, respectively. On the other hand, the highest increases were recorded by WIG-Construction, WIG-Developers and WIG-Energy, which grew by 11.6%, 8.7% and 7.5% QoQ, respectively.

In the third quarter of 2023, the IPO market was quite idle. There were no IPOs on the WSE's main floor, including no transfers from the New Connect market. At the same time, three companies were delisted. As at the end of September 2023, a total of 412 companies were listed on the WSE, 43 of which were foreign entities. The total capitalization of the companies listed on the WSE was PLN 1,319 billion (with local companies accounting for 48% of that amount).

Equity market indices

Index	30.09.2023	30.06.2022	Change (%) QoQ	30.09.2022	Change (%) YoY
WIG	65,397.43	67,283.22	(2.8%)	45,970.64	42.3%
WIG-PL	67,811.46	69,234.30	(2.1%)	46,992.65	44.3%
WIG-div	1,384.70	1,332.21	3.9%	972.12	42.4%
WIG20	1,915.60	2,060.38	(7.0%)	1,377.91	39.0%
WIG20TR	3,815.03	3,988.76	(4.4%)	2,664.72	43.2%
WIG30	2,372.68	2,534.38	(6.4%)	1,689.15	40.5%
mWIG40	4,936.38	4,852.03	1.7%	3,552.54	39.0%

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Index	30.09.2023	30.06.2022	Change (%) QoQ	30.09.2022	Change (%) YoY
sWIG80	20,674.08	21,701.30	(4.7%)	15,895.18	30.1%
WIG-Banks	7,656.52	7,961.79	(3.8%)	4,570.65	67.5%
WIG-Construction	5,867.43	5,257.04	11.6%	3,485.10	68.4%
WIG-Chemicals	10,350.67	10,777.16	(4.0%)	8,874.73	16.6%
WIG- Energy	2,503.18	2,328.51	7.5%	2,026.13	23.5%
WIG-Games*	18,494.69	19,730.02	(6.3%)	14,294.69	29.4%
WIG- Mining	4,020.71	3,976.05	1.1%	3,097.61	29.8%
WIG-IT	4,473.00	4,573.17	(2.2%)	3,882.32	15.2%
WIG-Medicines	2,869.20	2,920.65	(1.8%)	2,854.10	0.5%
WIG-Media	7,053.80	7,451.67	(5.3%)	5,487.19	28.6%
WIG-Motorisation	8,637.72	8,304.87	4.0%	5,103.70	69.2%
WIG- Developers	3,761.45	3,461.44	8.7%	2,358.33	59.5%
WIG-Clothing	7,103.76	7,454.96	(4.7%)	4,495.73	58.0%
WIG- Fuel	6,018.72	6,075.77	(0.9%)	5,145.24	17.0%
WIG -Food	2,106.60	2,152.65	(2.1%)	1,989.94	5.9%

Source: WSE, Brokerage Department of Bank Handlowy.

Equity and bond trading value and derivatives trading volumes on WSE

	Q3 2023	Q2 2023	Change (%) QoQ. ²⁾	Q3 2022	Change (%) YoY. ²⁾
Shares (PLN million) ¹⁾	124,417	135,026	(7.9%)	126,687	(1.8%)
Bonds (PLN million)	1,517	2,721	(44.2%)	2,726	(44.4%)
Futures (in thousand contracts)	6,072	7,147	(15.0%)	7,720	(21.3%)
Options (in thousand contracts)	99	162	(38.9%)	133	(25.6%)

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 September 2023, the volume of loans granted to non-financial companies declined by 2.9% YoY (PLN 12.3 billion) to nearly PLN 407 billion. Despite the strong appreciation of the PLN against major foreign currencies, this is where the banking sector recorded positive loan volume growth rate (+1.8% YoY, PLN 2 billion), while in the case of loans in domestic currency the growth rate stood at -5.1% YoY, PLN 15 billion. In terms of maturity, the situation looks relatively best for receivables with the longest maturity (over 5 years), where the volume dropped by only -1.5% YoY, PLN 3 billion, while in the case of medium-term receivables (from 1 to 5 years) it was -5.3% YoY, PLN 6 billion, and in the case of receivables with a maturity of up to one year the drop was as high as -9.9% YoY, PLN 11 billion.

The structure by type shows the same trends as the maturity structure. The volume of current loans recorded the largest fall (-8.5% YoY, PLN 15 billion). The volume of real estate loans also decreased compared to the end of September last year (-2.0% YoY, PLN 1 billion). A positive trend was observed in investment loans (+3.0% YoY, PLN 4 billion), while the volume of investment loans increased only in foreign currencies (+13.1% YoY) accounting for only 1/3 of the portfolio, while the volume of investment loans in PLN fell by 1.7% YoY.

Total net receivables from households fell to PLN 778 billion as at the end of the third quarter of 2023, which, despite the already visible quarterly rebound, means a year-over-year decrease by 3.9%, i.e. over PLN 31 billion. Stagnation in the retail lending market is primarily due to residential loans, which are also already seeing a rebound associated with both the reversal of the interest rate cycle and the introduction of the government's assistance program ("Bezpieczny Kredyt 2%") ["2% safe loan"], nevertheless the decline of 5.5% YoY, PLN 28 billion is still evident in the annual pace. Despite the continued negative growth rate of PLN loans, it should be noted that foreign currency loans are the main contributor to the negative trend (-20.1% YoY, PLN 22 billion). Other loan categories saw positive volume growth. The volume of consumer loans increased by 1.4% YoY, PLN 3 billion, and the volume of current loans to sole proprietors and individual farmers – by 0.9% YoY, PLN 0.5 billion.

In the breakdown by maturity, an increase was recorded only in the category of receivables with maturity from 1 to 5 years (+6.3% YoY). The volume of short-term receivables (up to one year) remained essentially unchanged (-0.2% YoY), while negative trends prevailed in the other ranges.

TRANSLATION

Data on the quality of the banking sector's loan portfolio as of the end of August 2023 show a slight deterioration in current loan servicing. The share of non-performing loans (basket 3) granted to clients from the non-financial sector was 5.4%, which means an increase by 0.1 p.p. YoY. Traditionally, the scale of repayment delays has increased most sharply in the area of foreign-currency mortgages due to pending litigations. On the other hand, the quality of the PLN mortgage portfolio improved by 0.2 p.p. YoY. Consumer loans saw an even greater improvement (0.6 p.p. YoY). An improvement of a similar magnitude was recorded in the SME loan portfolio (also by 0.6 p.p. YoY). In contrast, the non-performing loan ratio in the large enterprise loan category increased by 0.1 p.p. YoY, while remaining close to historical lows. At the same time, a decrease in the share of stage 2 in consumer loans and an increase in the share of stage 2 in corporate banking are evident, which may translate into the growth rate of stage 3 in the coming months.

The banking sector in Poland recorded an increase in volumes of deposits and other liabilities to non-financial companies by 11.1% YoY, PLN 50 billion, to over PLN 499 billion at the end of September 2023. Growth was recorded in both deposit categories, nevertheless the double growth of time deposits (+16.5% YoY, PLN 24 billion) over current deposits (+8.5% YoY, PLN 26 billion) can still be observed.

In the household segment, the balance of deposits and other liabilities reached PLN 1,189 billion, up +12.2% compared to the September 2022 (PLN 130 billion). The volume growth rate of term deposits (+36.6% YoY, PLN 101 billion) also significantly exceeded that of current deposits (+3.6% YoY, PLN 29 billion). However, in the case of both corporate and household liabilities, there is a rapid leveling off of the growth rate of current and time deposits.

In the January–August 2023 period, banks operating in Poland generated a record high net profit of PLN 18.7 billion (+126% YoY, PLN 10.4 billion). This result was achieved primarily due to historically high total revenues (PLN 75.4 billion, +21.8% YoY, PLN 13.5 billion) driven further by interest income accounting for more than 85% of total revenues, that is, PLN 64.2 billion (+34.2% YoY, PLN 16.4 billion). Meanwhile, commission income remains at a level similar to that for the same period last year (PLN 12.4 billion, -0.8% YoY, PLN 94 million), and a loss of PLN -1.3 billion was recorded from other revenues and expenses. Despite high inflation and high wage pressures, strong cost discipline allowed for a slight decline in administrative costs (PLN 26.6 billion, -1.2% YoY). On the other hand, depreciation expenses increased by 4.5% YoY, PLN 140 million to PLN 3.2 billion for the first eight months of 2023. Banks also decided to create large provisions for the potential costs of proceedings and settlements related to CHF mortgages, resulting in a total impact of writedowns, modifications and provisions on pre-tax profit of PLN 14.4 billion, double that of the same period last year. The change in the balance sheet structure (decrease in the share of loans) resulted in a lower bank tax (-8% YoY, PLN 0.3 billion to nearly PLN 3.5 billion) and this despite an increase in total assets. Meanwhile, the amount of income tax paid more than doubled to PLN 9.8 billion.

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 Bank's Management Board monitors the situation of the outbreak of war in Ukraine and its direct impact on lending activities and operational risk (mainly threats in cyberspace). In the case of lending activities, the Bank does not operate in Ukraine, Russia or Belarus, and the Bank's credit exposure to companies significantly involved in these countries is insignificant.

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 third quarter of 2023 **total assets** stood at PLN 72.4 billion, up by PLN 2.6 billion (or 3.7%) compared to the end of 2022.

In terms of assets, the biggest nominal changes in the balance sheet took place in two lines: **debt investment financial assets** and **amounts due from banks**. The balance of **amounts due from banks** increased by PLN 16.3 billion (i.e. more than sixteen times) compared to the end of 2022, mainly due to the increase in the volume of receivables due to Reverse Repo transactions. In turn, the balance of **debt investment financial assets** declined by PLN 10.9 billion (i.e. 29.2%) compared to the end of 2022, due to the lower volume of NBP money bills. At the same time, debt investment financial assets had the largest share in the structure of the Group's assets at the end of September 2023. Their share in total assets was 36.3%.

In turn, the second largest share in the structure of the Group's assets at the end of September 2023 was amounts due from customers, their share in total assets was 28.4%. The value of amounts due from customers at the end of September 2023 amounted to PLN 20.5 billion and was lower by PLN 1.1 billion (i.e. 5.1%) compared to the end of 2022 as a result of decline in loan volumes, mainly in the Institutional Banking segment due to lower demand for short-term financing reported by customers and the repayment of individual loans.

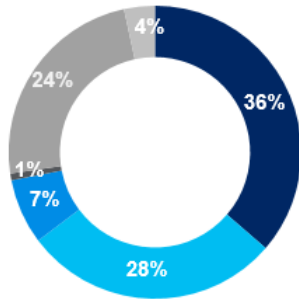
The value of net loans in the Institutional Banking segment, representing the sum of amounts due from both financial sector and non-financial sector entities – corporate clients, amounted to PLN 14.6 billion, down by PLN 872.6 million (i.e. 5.6%) compared to the end of 2022. In segment view a decrease in receivables concerned primarily Corporate Clients and Commercial Banking clients. A detailed breakdown of assets by individual segments in the management view is

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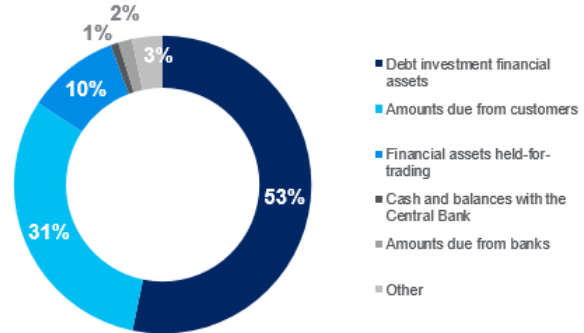
provided in Note 9.

The volume of net loans made to individual customers decreased by PLN 220.7 million (i.e. 3.6%) 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 191.1 million), mainly due to the lower cash loan balance, as well as a decrease in mortgage volumes (a decrease by PLN 29.6 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 30.09.2023



Group's asset structure as at 31.12.2022



Amounts due from customers

PLN '000	30.09.2023	31.12.2022	Change	
			PLN '000	%
Amounts due from financial sector entities, including:	4,501,203	3,810,512	690,691	18.1%
Loans	4,253,022	3,810,512	442,510	11.6%
Receivables related to reverse repo transactions	248,181	-	248,181	-
Amounts due from non-financial sector entities, including:	16,025,981	17,809,995	(1,784,014)	(10.0%)
Institutional clients*	10,131,812	11,695,148	(1,563,336)	(13.4%)
Individual clients, including:	5,894,169	6,114,847	(220,678)	(3.6%)
unsecured receivables	3,749,369	3,940,483	(191,114)	(4.9%)
credit cards	2,228,313	2,385,671	(157,358)	(6.6%)
cash loans to private individuals	1,484,034	1,504,606	(20,572)	(1.4%)
mortgage loans	2,144,800	2,174,364	(29,564)	(1.4%)
Total receivables from customers	20,527,184	21,620,507	(1,093,323)	(5.1%)

*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	30.09.2023	31.12.2022	Change	
			PLN '000	%
Receivables not impaired (Stage 1), including	17,795,700	19,027,051	(1,231,351)	(6.5%)
financial institutions	4,504,047	3,813,160	690,887	18.1%
non-financial sector entities	13,291,653	15,213,891	(1,922,238)	(12.6%)
institutional clients*	8,541,147	10,162,452	(1,621,305)	(16.0%)
individual customers	4,750,506	5,051,439	(300,933)	(6.0%)
Receivables not impaired (Stage 2), including	2,666,951	2,558,056	108,895	4.3%
financial institutions	40	869	(829)	(95.4%)
non-financial sector entities	2,666,911	2,557,187	109,724	4.3%
institutional clients*	1,532,188	1,484,776	47,412	3.2%
individual customers	1,134,723	1,072,411	62,312	5.8%
Receivables impaired (Stage 3), including:	831,255	874,631	(43,376)	(5.0%)
non-financial sector entities	831,255	874,631	(43,376)	(5.0%)
institutional clients*	432,131	455,104	(22,973)	(5.0%)
individual customers	399,124	419,527	(20,403)	(4.9%)

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PLN '000	30.09.2023	31.12.2022	Change	
			PLN '000	%
Purchased or originated credit-impaired loans:	28,731	16,948	11,783	69.5%
non-financial sector entities	28,731	16,948	11,783	69.5%
institutional clients*	12,032	7,007	5,025	71.7%
individual customers	16,699	9,941	6,758	68.0%
Total gross loans to customers, including:	21,322,637	22,476,686	(1,154,049)	(5.1%)
financial institutions	4,504,087	3,814,029	690,058	18.1%
non-financial sector entities	16,818,550	18,662,657	(1,844,107)	(9.9%)
institutional clients*	10,517,498	12,109,339	(1,591,841)	(13.1%)
individual customers	6,301,052	6,553,318	(252,266)	(3.8%)
Provisions for expected credit losses	(795,453)	(856,179)	60,726	(7.1%)
Total net amounts due from customers	20,527,184	21,620,507	(1,093,323)	(5.1%)
Provisions coverage ratio	74.1%	74.8%		
institutional clients*	74.8%	72.1%		
individual customers	73.4%	77.6%		
Non-performing loans ratio (NPL)**	4.0%	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.

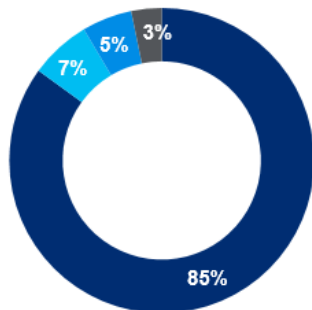
As of the end of the third quarter of 2023 **total liabilities** amounted to PLN 63.4 billion, up by PLN 1.5 billion (i.e. 2.5%) compared to the end of 2022.

In the third quarter of 2023 **amounts due to customers** were the dominant source of financing of the Group's activity (they accounted for 74.4% of the Group's liabilities and equity) and as at September 30, 2023 they reached PLN 53.9 billion, which means an increase of PLN 3.4 billion (i.e. 6.6%) 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 62% (decrease by 9 pp compared to the end of 2022) as a result of the continuation of deposit balance growth trend (up by PLN 5.3 billion, i.e. 40.2%) among both institutional and individual clients due to the attractive interest rates on these deposits. The deposit balance growth was partially offset by a decrease in funds on current accounts by PLN 2.3 billion, i.e. 6.5% compared to the end of 2022.

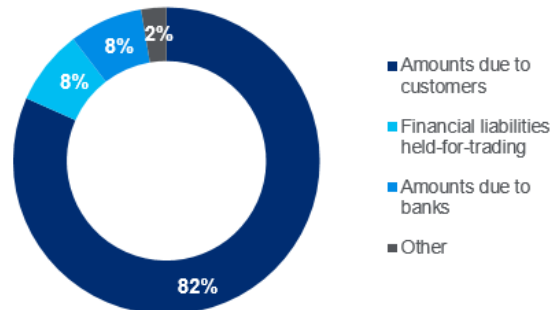
The deposit volumes in the Institutional Banking segment as of the end of the third quarter of 2023 amounted to PLN 32.3 billion, up by PLN 1.3 billion (i.e. 4.2%) compared to the end of 2022. The growth mentioned above concerned mainly term deposits. A detailed breakdown of liabilities by segments in the management view is provided in Note 9.

The deposit volumes in the Consumer Banking segment amounted to PLN 19.4 billion and increased by PLN 1.6 billion (i.e. 9.2%) compared to the end of December 2022 as a result of a higher balance of term deposits due to the attractive interest rates on these deposits.

Group's liabilities structure as at 30.09.2023



Group's liabilities structure as at 31.12.2022



Loan-to-deposit ratio amounted to 40% as at the end of September 2023 comparing to 44% as at December 31, 2022 and comparing to 45% as at September 30, 2022.

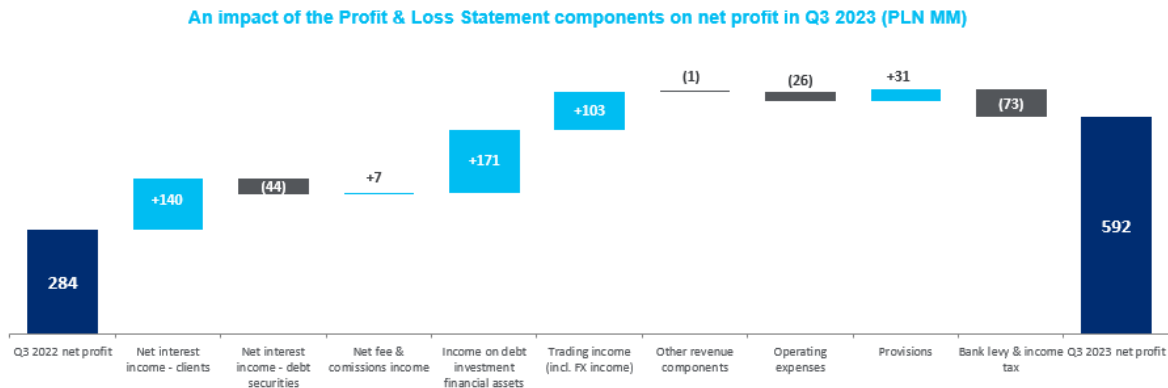
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Amounts due to customers

PLN '000	30.09.2023	31.12.2022	Change	
			PLN '000	%
Current accounts, including:	33,344,645	35,663,793	(2,319,148)	(6.5%)
financial sector entities	976,810	1,166,947	(190,137)	(16.3%)
non-financial sector entities, including:	32,367,835	34,496,846	(2,129,011)	(6.2%)
institutional clients*	21,042,731	22,368,700	(1,325,969)	(5.9%)
individual clients	11,325,104	12,128,146	(803,042)	(6.6%)
Term deposits, including:	18,404,771	13,131,695	5,273,076	40.2%
financial sector entities	2,602,551	2,468,204	134,347	5.4%
non-financial sector entities, including:	15,802,220	10,663,491	5,138,729	48.2%
institutional clients*	7,690,118	4,992,903	2,697,215	54.0%
individual customers	8,112,102	5,670,588	2,441,514	43.1%
Total customers deposits	51,749,416	48,795,488	2,953,928	6.1%
Other amounts due to customers	2,118,885	1,717,372	401,513	23.4%
Total amounts due to customers	53,868,301	50,512,860	3,355,441	6.6%

*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 third quarter of 2023 the Group delivered a **consolidated net profit** of PLN 591.6 million, which means an increase by PLN 307.8 million (i.e. 108.4%) compared to the third quarter of 2022 mainly due to higher interest income, realized mainly in the area of treasury activity as a result of persistent in the third quarter of 2023, high interest rates.

Net interest income

- **Net interest income** amounted to PLN 827.3 million and was higher by PLN 95.4 million (i.e. 13.0%) compared to the third quarter of 2022 due to persistent high interest rate environment in 2023, despite the reduction made in September 2023 by 75 basis points, which started the cycle of monetary policy easing by the Monetary Policy Council.
- **Interest income** in the third quarter of 2023 was higher by PLN 167.5 million (i.e. 18.1%) compared to the corresponding period of 2022 and amounted to nearly PLN 1,1 billion.

The largest nominal increase by PLN 128.1 million (i.e. 216.6%) as compared to the third quarter of 2022 was recorded by interest income on amounts due from banks due to the increased volume of reverse repo transactions).

Another significant factor in the increase in interest income was higher interest income on amounts due from customers, which amounted to PLN 463.4 million at the end of the third quarter of 2023 and were higher by PLN 91.3 million (i.e. 24.6%) comparing to the third quarter of 2022. The loan margin increased from 7.84% in the third quarter of 2022 to 9.15% in the third quarter of 2023.

- **Interest expenses** of the Group in the third quarter of 2023 significantly increased by PLN 72.1 million (i.e. 37.5%)

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comparing to the corresponding period of 2022 and amounted to PLN 264.3 million – this increase concerned primarily clients deposits (an increase by PLN 113.3 million) due to higher interest rates and an increase in the volume of time deposits both from institutional clients and individual clients in the total deposit structure.

PLN '000	01.07 –	01.07 –	Change	
	30.09.2023	30.09.2022	PLN '000	%
Interest income	1,086,450	885,356	201,094	22.7%
Financial assets measured at amortized cost	688,652	477,407	211,245	44.2%
Balances with the Central Bank	38,020	46,204	(8,184)	(17.7%)
Amounts due from banks	187,221	59,139	128,082	216.6%
Amounts due from customers, in respect of:	463,411	372,064	91,347	24.6%
financial sector	87,850	49,637	38,213	77.0%
non-financial sector, including:	375,561	322,427	53,134	16.5%
credit cards	86,967	105,688	(18,721)	(17.7%)
Financial assets measured at fair value through comprehensive income	397,798	407,949	(10,151)	(2.5%)
Debt investment financial assets measured at fair value through comprehensive income	397,798	407,949	(10,151)	(2.5%)
Similar income	5,167	38,806	(33,639)	(86.7%)
Debt securities held-for-trading	(1,698)	32,695	(34,393)	(105.2%)
Liabilities with negative interest rate	30	4,926	(4,896)	(99.4%)
Derivative instruments in hedge accounting	6,835	1,185	5,650	476.8%
	1,091,617	924,162	167,455	18.1%
Interest expense and similar charges for				
Financial liabilities measured at amortized cost	(264,305)	(190,835)	(73,470)	38.5%
Transactions with the Central Bank	(2)	(1)	(1)	100.0%
Amounts due to banks	(1,858)	(41,752)	39,894	(95.5%)
Amounts due to customers	(261,438)	(148,098)	(113,340)	76.5%
Amounts due to financial sector entities	(37,958)	(48,554)	10,596	(21.8%)
Amounts due to non-financial sector entities	(223,480)	(99,544)	(123,936)	124.5%
Amounts due to leasing	(1,007)	(984)	(23)	2.3%
Assets with negative interest rate	-	(1,370)	1,370	(100.0%)
	(264,305)	(192,205)	(72,100)	37.5%
Net interest income	827,312	731,957	95,355	13.0%

Net fee and commission income

- **Net fee and commission income** in the amount of PLN 142.7 million compared to PLN 136.1 million in the corresponding period of 2022 - an increase by PLN 6.6 million, i.e. 4.8% YoY due to the improvement in investor sentiment towards the capital market, as a result of which a higher net commission income was recorded on custody activities (up by PLN 2.2 million, i.e. 8.3% YoY) and higher revenues from insurance and investment products distribution (up by PLN 1.4 million (i.e. 15.0% YoY)). The Bank also recorded an increase in revenues from the payment services by PLN 2.0 million (i.e. 7.9% YoY) due to the increased activity of institutional clients in the area of transactional banking.

On the other hand, the Bank observed a decrease in revenues from brokerage operations – down by PLN 2.2 million YoY (i.e. 17.1%) due to the suspension of planned transactions on the capital market as a consequence of the prevailing uncertainty related to the geopolitical situation and the upcoming October parliamentary elections in Poland. The revenues from payment and credit cards also decreased by PLN 1.3 million (i.e. 3.7% YoY) and revenues from servicing bank accounts by PLN 1.1 million (i.e. 3.7% YoY).

Fee and commission expenses in the third quarter of 2023 amounted to PLN 25.2 million, down by PLN 4.6 million YoY (i.e. 15.5%). This decrease mainly concerned the area of payment and credit cards and was related to one-off settlements with the Bank's partners.

TRANSLATION

PLN '000	01.07 – 30.09.2023	01.07 – 30.09.2022	Change	
			PLN '000	%
Fee and commission income				
Credit activities (other than income covered by the calculation of the effective interest rate process)	13,543	13,549	(6)	0.0%
Servicing bank accounts	28,505	29,585	(1,080)	(3.7%)
Insurance and investment products distribution	10,935	9,505	1,430	15.0%
Payment and credit cards	33,367	34,638	(1,271)	(3.7%)
Payment services	28,018	25,976	2,042	7.9%
Custody services	29,104	26,874	2,230	8.3%
Brokerage operations	10,470	12,632	(2,162)	(17.1%)
Clients' cash on account management services	4,764	4,663	101	2.2%
Financial liabilities granted	7,145	6,840	305	4.5%
Other	2,065	1,684	381	22.6%
	167,916	165,946	1,970	1.2%
Fee and commission expense				
Payment and credit cards	(7,379)	(11,619)	4,240	(36.5%)
Brokerage activity	(3,453)	(4,221)	768	(18.2%)
Fees paid to the National Depository for Securities (KDPW)	(8,136)	(7,036)	(1,100)	15.6%
Brokerage fees	(1,523)	(998)	(525)	52.6%
Other	(4,749)	(5,985)	1,236	(20.7%)
	(25,240)	(29,859)	4,619	(15.5%)
Net fee and commission income	142,676	136,087	6,589	4.8%

- **Other operating income** (i.e. non-interest and non-commission income) amounted to PLN 165.7 million as compared to PLN -107.7 million in the third quarter of 2022 – due to the continuation of the repositioning of the balance sheet in the area of treasury activities initiated by the Bank in the third quarter of 2022. At the same time, in line other operating costs, provisions for individual court cases related to loans indexed to CHF were recorded.

General administrative expenses and depreciation expenses

- **General administrative and depreciation expenses** of PLN 332.9 million compared to PLN 307.0 million in the third quarter of 2022 – up by PLN 25.9 million (i.e. 8.4%) mainly due to increase in staff expenses (remuneration costs increased by PLN 17.4 million, i.e. 16.3% YoY) and an increase in real estates maintenance and rent costs (up by PLN 5.3 million, i.e. 37.4% YoY), which was partially offset by a decrease in telecommunication fees and hardware purchase costs (down by PLN 6.3 million, i.e. 9.8% YoY) and a decrease in the regulatory cost (in the third quarter of 2022, a provision for the contribution to the Bank Guarantee Fund was created in the amount of over PLN 6.1 million).

In the reporting period the headcount in the Group increased by 69 FTEs YoY.

PLN '000	01.07 – 30.09.2023	01.07 – 30.09.2022	Change	
			PLN '000	%
Staff expenses				
Remuneration costs	(164,712)	(136,489)	(28,223)	20.7%
Bonuses and rewards	(21,204)	(13,838)	(7,366)	53.2%
Social security costs	(19,339)	(15,894)	(3,445)	21.7%
Administrative expenses	(140,470)	(144,827)	4,357	(3.0%)
Telecommunication fees and hardware purchase costs	(58,076)	(64,381)	6,305	(9.8%)
Costs of external services, including advisory, audit, consulting services	(13,979)	(13,173)	(806)	6.1%
Real estates maintenance and rent costs	(19,609)	(14,268)	(5,341)	37.4%
Advertising and marketing costs	(10,921)	(8,849)	(2,072)	23.4%
Costs of cash management services, costs of clearing services and other transaction costs	(9,445)	(9,576)	131	(1.4%)
Costs of external services related to distribution of banking products	(13,001)	(11,456)	(1,545)	13.5%
Postal services, office supplies and printmaking costs	(1,424)	(1,634)	210	(12.9%)
Banking and capital supervision costs	(141)	(377)	236	(62.6%)
Bank Guarantee Funds costs	-	(6,116)	6,116	(100.0%)
Other expenses	(13,874)	(14,997)	1,123	(7.5%)

TRANSLATION

PLN '000	01.07 – 30.09.2023	01.07 – 30.09.2022	Change	
			PLN '000	%
Depreciation	(27,716)	(25,707)	(2,009)	7.8%
General administrative expenses and depreciation expenses, total	(332,898)	(307,023)	(25,875)	8.4%

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 -3.7 million (negative impact) at the end of the third quarter of 2023 compared to PLN -35,0 million (negative impact) in the third quarter of 2022. The decrease in the amount of provisions concerned both the Institutional Banking segment (improvement by PLN 20.9 million YoY) and the Consumer Banking segment (improvement by PLN 10.3 million YoY) as a result of improved prospects for the macroeconomic situation. The costs of risk in the third quarter of 2023 amounted to 27 base points in line with the strategic assumptions.

PLN '000	01.07 – 30.09.2023	01.07 – 30.09.2022	Change	
			PLN '000	%
Provision for expected credit losses on amounts due from banks				
Provision creation	(939)	(2,542)	1,603	(63.1%)
Provision release	2,355	2,052	303	14.8%
	1,416	(490)	1,906	(389.0%)
Provision for expected credit losses on amounts due from customers				
Provision creation and reversals	(5,199)	(28,037)	22,838	(81.5%)
Provision creation	(59,125)	(82,492)	23,367	(28.3%)
Provision release	57,182	56,798	384	0.7%
Other	(3,256)	(2,343)	(913)	39.0%
Recoveries from debt sold	9	3	6	200.0%
	(5,190)	(28,034)	22,844	(81.5%)
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Provision creation	(1,030)	(56)	(974)	1739.3%
Provision release	1,077	737	340	46.1%
	47	681	(634)	(93.1%)
Provision for expected credit losses on financial assets	(3,727)	(27,843)	24,116	(86.6%)
Created provisions	(6,333)	(20,423)	14,090	(69.0%)
Release of provisions	6,313	13,303	(6,990)	(52.5%)
Provision for expected credit losses for contingent liabilities	(20)	(7,120)	7,100	(99.7%)
Provision for expected credit losses on financial assets and provisions for contingent liabilities	(3,747)	(34,963)	31,216	(89.3%)

3. Financial Ratio

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

Total financial ratios	Q3 2023	Q3 2022
ROE*	30.7%	18.8%
ROA**	3.2%	1.8%
Cost/Income	29%	40%
Loans/Deposits	40%	45%
Loans/Total assets	28%	30%
Net interest income/Revenue	73%	n/a
Net fee and commission income/Revenue	13%	n/a

*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).

TRANSLATION

****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 –	01.01 –	Change	
	30.09.2023	30.09.2022	FTEs	%
Average employment in the third quarter	3,002	2,920	82	2.8%
Average employment in the period	2,965	2,908	57	2.0%
Employment at the end of quarter	2,962	2,893	69	2.4%

*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	30.09.2023	31.12.2022*
I Common Equity Tier 1 Capital	6,824,753	5,634,175
Common Equity Tier 1 Capital	6,824,753	5,634,175
II Total capital requirements, including:	2,373,360	2,376,854
credit risk capital requirements	1,680,522	1,728,066
counterparty risk capital requirements	146,875	149,289
credit valuation correction capital requirements	6,290	4,036
excess concentration and large exposures risks capital requirements	-	-
total market risk capital requirements	141,707	97,497
operational risk capital requirements	397,966	397,966
Common Equity Tier 1 Capital ratio (%)	23.0%	19.0%
Total Capital ratio (%)	23.0%	19.0%

*Data for 31 December 2022 have been recalculated taking into account the retrospective recognition of a part of the profit for 2022 as own funds in connection with the resolution of the Ordinary General Meeting of the Bank described in Note 31 Dividends paid (or declared), in accordance with the position of EBA expressed in Q&A 2018_4085.

As informed in current report no 14/2023 of May 26, 2023, the Bank is a resolution entity that is part of a global systemically important institution in accordance with the definition contained in CRR and according to Art. 92a CRR must satisfy the following requirements for own funds and eligible liabilities:

- a) a risk-based ratio of 18%, representing the own funds and eligible liabilities of the institution expressed as a percentage of the total risk exposure amount (TREA);
- b) a non-risk-based ratio of 6,75%, representing the own funds and eligible liabilities of the institution expressed as a percentage of the total exposure measure (TEM).

The Bank meets the TLAC TREA requirement after increasing the combined buffer requirement as of September 30, 2023 as a result of obtaining the consent of the Polish Financial Supervision Authority on September 29, 2023 to include an appropriate part of the profits from the current period, in the amount of PLN 800 million, into Common Equity Tier 1 capital. on the basis of the Bank's reviewed results for the first half of 2023.

In accordance with the CRR regulations, the amount of the required TLAC TREA plus the combined buffer requirement for the Bank as of 30 September 2023 is 20.8%, while the total capital ratio of the Bank on a consolidated level was 23.0%.

TRANSLATION

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 – 30.09.2023			01.01 – 30.09.2022		
	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
PLN '000						
Net interest income	1,689,224	817,330	2,506,554	1,285,737	557,912	1,843,649

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For the period	01.01 – 30.09.2023			01.01 – 30.09.2022		
	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
<i>PLN '000</i>						
Internal interest income, including:	(417,392)	417,392	-	(93,654)	93,654	-
Internal income	-	417,392	417,392	-	93,654	93,654
Internal expenses	(417,392)	-	(417,392)	(93,654)	-	(93,654)
Net fee and commission income	300,093	125,297	425,390	302,076	136,703	438,779
Dividend income	2,994	8,082	11,076	3,194	7,737	10,931
Net gain/(loss) on trading financial instruments and revaluation	590,967	27,287	618,254	526,942	35,543	562,485
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	(32,212)	-	(32,212)	(235,475)	-	(235,475)
Net gain/(loss) on equity investments and other measured at fair value through income statement	3,366	13,775	17,141	4,388	3,481	7,869
Net gain/(loss) on hedge accounting	(7,844)	-	(7,844)	(1,656)	-	(1,656)
Net other operating income	7,353	(17,633)	(10,280)	(600)	(17,542)	(18,142)
General administrative expenses	(497,033)	(509,011)	(1,006,044)	(488,293)	(455,541)	(943,834)
Depreciation and amortization	(18,479)	(63,343)	(81,822)	(17,931)	(60,008)	(77,939)
Profit on sale of other assets	(11)	(26)	(37)	3,172	(228)	2,944
Provisions for expected credit losses on financial assets and provisions for off-balance sheet commitments	26,217	(36,114)	(9,897)	(34,309)	(21,661)	(55,970)
Operating income	2,064,635	365,644	2,430,279	1,347,245	186,396	1,533,641
Tax on certain financial institutions	(99,097)	(42,424)	(141,521)	(134,801)	(23,158)	(157,959)
Profit before tax	1,965,538	323,220	2,288,758	1,212,444	163,238	1,375,682
Income tax expense			(481,848)			(309,501)
Net profit			1,806,910			1,066,181

State as at	30.09.2023			31.12.2022		
<i>PLN '000</i>	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets	65,621,245	6,755,458	72,376,703	62,743,837	7,057,565	69,801,402
Total liabilities and equity, including:	49,809,473	22,567,230	72,376,703	49,092,954	20,708,448	69,801,402
Liabilities	42,425,433	20,931,790	63,357,223	42,560,775	19,280,382	61,841,157

9 Activities of the Group

1 Institutional Banking

1.1. Summary of segment results

<i>PLN '000</i>	Q3 2023	Q3 2022	Change	
			PLN '000	%
Net interest income	548,663	562,155	(13,492)	(2.4%)
Net fee and commission income	98,918	94,256	4,662	4.9%
Net income on dividends	1,303	1,480	(177)	(12.0%)
Net gain/(loss) on trading financial instruments and revaluation	193,199	88,834	104,365	117.5%
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	(28,289)	(199,713)	171,424	(85.8%)
Net gain/(loss) on equity investments and other measured at fair value through income statement	1,119	5,317	(4,198)	(79.0%)
Net gain/(loss) on hedge accounting	(2,821)	66	(2,887)	(4374.2%)
Net other operating income	(634)	(7,765)	7,131	(91.8%)
Total income	811,458	544,630	266,828	49.0%

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PLN '000	Q3 2023	Q3 2022	Change	
			PLN '000	%
General administrative expenses and depreciation	(147,073)	(140,685)	(6,388)	4.5%
Profit on sale of other assets	41	(43)	84	(195.3%)
Provisions for expected credit losses on financial assets and provisions for off-balance sheet commitments	5,448	(15,459)	20,907	(135.2%)
Tax on certain financial institutions	(33,829)	(45,017)	11,188	(24.9%)
Profit before tax	636,045	343,426	292,619	85.2%
Cost/Income	18%	26%		

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

- a slight decline in **net interest income** mainly due to rising interest expenses along with the increase in the deposit base by 8% YoY;
- increase in **net fee and commission income** due to higher income from custody activity and transactional banking (mainly in the area of payment services);
- increase in **other operating income** (i.e. non-interest and non-commission income) due to the loss recorded in the third quarter of 2022 (continuation of the balance sheet repositioning initiated by the Bank in the area of treasury activities);
- increase in **operating costs** as a result of higher staff expenses caused by an increase in average wage and number of employees.

1.2. Institutional Bank and the Capital Markets

Institutional Bank

As at the end of the third 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 third quarter of 2022.

In terms of client's acquisition in the Commercial Bank segment the Bank attracted 67 new clients in the third quarter of 2023, including 10 Large Company, 23 Small and Medium-Sized Companies, 30 International Clients of Commercial Banking Segment, 3 Digital and 1 Public Sector Entity. 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	30.09.2023	31.12.2022	30.09.2022	Change*		Change*	
				(1)/(2)		(1)/(3)	
				(1)	(2)	(3)	PLN million
Enterprises, including:	4,004	4,685	5,007	(681)	(15%)	(1,003)	(20%)
SMEs	1,796	1,789	2,064	7	0%	(268)	(13%)
MMEs	2,208	2,895	2,942	(688)	(24%)	(735)	(25%)
Public Sector	196	1	155	194	-	41	27%
Global Clients	5,198	4,713	4,805	485	10%	393	8%
Corporate Clients	3,242	4,240	3,854	(998)	(24%)	(612)	(16%)
Other	47	48	48	(1)	(3%)	(2)	(3%)
Total Institutional Banking	12,686	13,687	13,869	(1,001)	(7%)	(1,183)	(9%)

* differences may arise from rounding

Liabilities

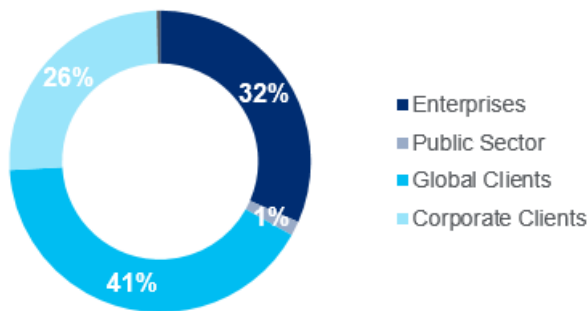
PLN million	30.09.2023	31.12.2022	30.09.2022	Change*		Change*	
				(1)/(2)		(1)/(3)	
				(1)	(2)	(3)	PLN million
Enterprises, including:	8,196	6,692	6,095	1,505	22%	2,102	34%

TRANSLATION

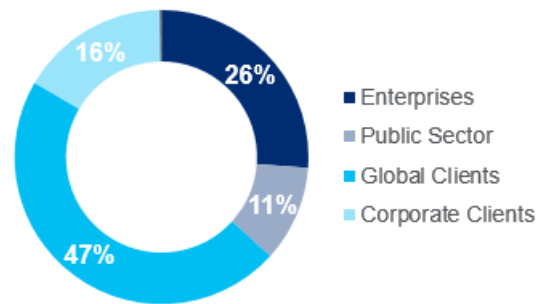
PLN million	30.09.2023	31.12.2022	30.09.2022	Change*		Change*	
				(1)/(2)		(1)/(3)	
				(1)	(2)	(3)	PLN million
SMEs	5,503	4,432	4,019	1,071	24%	1,484	37%
MMEs	2,693	2,260	2,076	434	19%	617	30%
Public Sector	3,316	2,703	3,193	613	23%	122	4%
Global Clients	14,613	14,897	14,349	(284)	(2%)	264	2%
Corporate Clients	5,133	5,075	4,175	58	1%	958	23%
Other	59	55	61	4	7%	(2)	(4%)
Total Institutional Banking	31,316	29,421	27,872	1,895	6%	3,444	12%

* differences may arise from rounding



Structure of the Institutional Bank assets as of 30.09.2023



Structure of the Institutional Bank liabilities as of 30.09.2023



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

<p>Credit activity</p> 	<p><u>Granting new financing or increasing/extending existing ones in the amount of PLN 1.7 billion</u></p> <ul style="list-style-type: none"> • PLN 768 million for Commercial Bank clients; including a leading European manufacturer of a wide range of surfactants for the cosmetics industry, a manufacturer of equipment for the power industry and a leader in the fish market, offering comprehensive services in the field of fish production, processing and transport; • PLN 663 million for Global clients including one of the world's leading car manufacturers and a client from the automotive industry dealing in car leasing and rental; • PLN 220 million for Corporate Clients including one of the largest operators of terrestrial radio and television infrastructure in Poland.
<p>Transactional Banking</p> 	<p><u>Increasing shares in banking services and transaction banking</u></p> <ul style="list-style-type: none"> • 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 118 million.

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

In the third 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;

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- 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:

- Issue of bonds for the European Investment Bank (EIB) in amount of PLN 400 million, for general purposes related to the activities of the EIB,
- Issue of Eurobonds for BGK in amount of EUR 270 million contributing to the National Road Fund.



In the third 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

In the third quarter of 2023, the Bank continued to improve the user experience of its banking services and promote solutions that support digitization and automation of customer-side processes. The Bank has organized numerous training sessions to popularize banking platforms, with a particular emphasis on promoting tools that facilitate self-administration of a bank account.

<p>Banking account</p> 	<p>In the area of bank accounts, the ongoing digital transformation of processes is reflected in the number of documents signed using electronic qualified signature, which increased by 10% YoY in the third quarter of 2023. In the third quarter of 2023, 42% of all documents were signed using an electronic qualified signature (compared to 36% in the third quarter of 2022).</p>
<p>Electronic Banking</p> 	<p>In the area of e-banking, the Bank continued to work to improve the client experience and to promote solutions that facilitate the automation of processes on the client side, based on API functionality, among other things.</p> <p>The Bank continued the widespread commercialization of the modern version of its CitiDirect 3.0 electronic banking system, which offers clients greater transparency, efficiency and control. Following the third quarter of 2023, the new release of the system has already been made available to most current users. With their comfort in mind, the Bank conducted regular training sessions for migrated users and collected their feedback.</p> <p>At the same time, the Bank actively encouraged clients to self-manage CitiDirect user privileges on their end by designated system administrators. Self-administration of the system, without the need to fill out and send forms, significantly increases client security.</p> <p>In the third quarter of 2023, the Bank processed over 8.7 million transactions via electronic channels, which represents an increase by 8% vs. the prior year period.</p>
<p>Payments and receivables</p> 	<p>Third 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 nearly 13% as compared to the previous quarter, and by as much as 25 times 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 <i>Banking as a Service</i> (BaaS) model.</p> <p>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 third quarter of 2023 was 17% higher than in the prior year period.</p> <p>Moreover, in the third 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 60% against the prior year period.</p> <p>In the third quarter of 2023 the Bank maintained a high share in the Direct Debit market at 36,2% (data as at the end of September 2023).</p>
<p>Corporate cards</p>	<p>In the thid quarter of 2023, there was an increase in the number and total of cashless transactions for business cards compared to the third quarter of 2022.</p>

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	<p>These values increased by 6% YoY and 12% YoY, respectively. There was also an increase in the average number of activated cards – up 8% YoY in the period under review.</p> <p>Intensive promotion of the CitiManager platform continued, as it allows card programs at Citi Handlowy to be handled completely remotely in a “self-service” model – thus safer and faster. In order to promote the platform, customer training sessions continued and an information campaign was underway.</p>
<p>Trade finance products</p> 	<p>The value of guarantees issued by the Bank since the beginning of 2023 rose 15% as compared to the same period in 2022. This is in line with the trend observed by the Bank which is related to the increasing demand for collateral for commercial transactions carried out by customers, including foreign markets. Customers appreciated the possibility of issuing guarantees electronically, which was reflected in the share of e-guaranties in the total guaranties issued, maintained at more than 70%.</p> <p>In the third quarter of 2023, the average value of transactions concluded under trade finance products, such as reverse factoring, trade loan and supplier financing, rose 10% as compared to the prior year period. The growths have been driven by the macroeconomic situation and, consequently, a higher demand for various forms of financing ongoing activities.</p>

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 played leading role 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 30 September 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: 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., Skarbiec TFI S.A. and mTFI 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 third quarter of 2023, the Bank was the market maker for 67 companies listed on the Warsaw Stock Exchange (of which 20 from the WIG20 index), i.e. 16.3% of the shares listed in its main equity market.

After the third quarter of 2023, the Bank was the intermediary in in-session transactions accounting for 3.8% 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 14.8 billion. After the third 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 13.2 thousand as at the end of the third quarter of 2023, and increased by 12.5% as compared to the same period in 2022. The increase in the number of accounts in the reporting period follows a halt in the termination of brokerage contracts as a result of the commencement of brokerage services by the Departament Maklerski Banku Handlowego [*Brokerage Department of Bank Handlowy*] on 1 August 2022 and the resumption of the acquisition of new clients by DMBH.

In the third quarter of 2023, the geopolitical risks (war in Ukraine) and political risks (the upcoming October elections) contributed to the suspension of investors' decisions to carry out transactions on the primary market.

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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	Q3 2023	Q3 2022	Change	
			PLN '000	%
Net interest income	278,649	169,802	108,847	64.1%
Net fee and commission income	43,758	41,831	1,927	4.6%
Net gain/(loss) on trading financial instruments and revaluation	9,623	11,124	(1,501)	(13.5%)
Net gain/(loss) on equity and other instruments measured at fair value through income statement	548	(982)	1,530	(155.8%)
Net other operating income	(8,359)	(5,968)	(2,391)	40.1%
Total income	324,219	215,807	108,412	50.2%
General administrative expenses and depreciation	(185,825)	(166,338)	(19,487)	11.7%
Profit on sale of other assets	-	(41)	41	(100.0%)
Provisions for expected credit losses on financial assets and provisions for off-balance sheet commitments	(9,195)	(19,504)	10,309	(52.9%)
Tax on certain financial institutions	(16,108)	(8,478)	(7,630)	90.0%
Profit before tax	113,091	21,446	91,645	427.3%
Cost/Income	57%	77%		

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

- **Increase in net interest income** resulting from the creation of a provision for credit holidays in the third quarter of 2022, which reduced the interest income in that period. The interest rate cut in September did not have a significant impact on the Consumer Banking income on a YoY basis. The positive variance in interest income covered the decline in the net interest income as a consequence of the of the loan portfolio reduction (by 7% YoY) and the increase in interest expenses as a consequence of the increase in the deposit balance (7% YoY);
- **Increase in net fee and commission income** driven among others by an increase in the investment products asset balance (by 18% YoY) and lower expenses of payment and credit cards;
- **Increase in operating expenses** resulting indirectly from high inflation, mainly in the area of wages.
- **Improvement of result on expected credit losses on financial assets** caused by lower realization of expected losses compared to the corresponding period of the previous year due to the stabilization of the portfolio quality after the period of interest rate increases and inflation.

2.2. Selected business data

PLN '000	Q3 2023	Q2 2023	Q3 2022	Change QoQ	Change YoY
Number of individual customers	567.6	567.4	584.8	0.2	(17.2)
Number of current accounts	512.7	505.0	484.1	7.7	28.6
Number of saving accounts	118.1	118.3	117.1	(0.2)	1.0
Number of credit cards	469.0	471.0	500.1	(2.0)	(31.1)
Number of debit cards	262.8	259.2	248.3	3.6	14.5




Net amounts due from individual clients – management view

PLN '000	30.09.2023	31.12.2022	30.09.2022	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	PLN '000	%	PLN '000	%
Unsecured receivables, including:	3,749,369	3,940,483	4,083,814	(191,114)	(4.9%)	(334,445)	(8.2%)
Credit cards	2,114,642	2,209,679	2,240,279	(95,037)	(4.3%)	(125,637)	(5.6%)
Cash loans	1,597,705	1,680,598	1,798,873	(82,893)	(4.9%)	(201,168)	(11.2%)



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PLN '000	30.09.2023	31.12.2022	30.09.2022	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	PLN '000	%	PLN '000	%
Other unsecured receivables	37,022	50,206	44,662	(13,184)	(26.3%)	(7,640)	(17.1%)
Mortgage loans	2,144,800	2,174,364	2,169,423	(29,564)	(1.4%)	(24,623)	(1.1%)
Net client receivables	5,894,169	6,114,847	6,253,237	(220,678)	(3.6%)	(359,068)	(5.7%)

2.3. Key Business Highlights

<p>Bank accounts</p> 	<p>Current accounts</p> <p>The total balance on the current accounts was PLN 9.0 billion at the end of the third quarter of 2023 i.e. decreased by 13% as compared to the end of the third quarter of 2022. The change in the balance on current accounts was the result of maintaining attractive interest rates on the Bank's savings products and the transfer of funds accumulated by customers from current accounts to savings products.</p> <p>The number of personal accounts at the end of September 2023 was 513,000 (increase by 6% YoY), including 277,000 accounts kept in PLN, and 236,000 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. Additionally, the Bank celebrated the 30th anniversary of Private Banking by offering attractive special offers for current and potential customers.</p> <p>Savings accounts</p> <p>The number of savings accounts at the end of the third quarter of 2023 amounted to 118,000, the total balance of funds accumulated on those accounts amounted to almost PLN 2.1 billion compared to 117,000 savings accounts with a total balance of PLN 2.3 billion in the same period of the previous year. The decline in the balance, despite the increase in the number of accounts, is due to the great interest in term deposits, which offered higher interest rates than savings accounts.</p> <p>Changes in the offer</p> <p>In the third quarter of 2023, the Bank continued the special offer "Twoja Lokata" with an 7.1% p.a. rate for a period of 3 months up to PLN 20,000. Additionally, in response to the Monetary Policy Council's decision to reduce interest rates which was announced in September, the Bank adjusted its offer of savings products in PLN to the new market rates.</p>
<p>Credit cards</p> 	<p>At the end of the third quarter of 2023, the number of credit cards was 469.0 thousand.</p> <p>The total debt on the credit cards amounted to PLN 2.2 billion as at the end of the third 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 17.3% according to data as at the end of September 2023.</p> <p>A high level of activation and transactions was maintained for newly-acquired clients. In the third quarter of 2023, the acquisition structure of credit cards was dominated by the Citi Simplicity card, with a 63% share in acquisition.</p>
<p>Cash loans and cash loans associated with credit card accounts</p> 	<p>In the third quarter of 2023, the bank observed an increase in customer interest in cash loans. As a result, at the end of the third quarter of 2023, the sales volume of unsecured loans (cash loans and loans on credit card) amounted to PLN 203 million and was higher by 50% YoY and higher by 18% QoQ. In this period the sales volume of cash loan increased by 51% YoY and 18% QoQ.</p> <p>At the end of the third quarter of 2023, the balance of the unsecured loan portfolio amounted to slightly PLN 1.7 billion, which, compared to the third quarter of 2022, means a decrease by 12%. The balance of the cash loan which is a dominant product of unsecured loans amounted to almost PLN 1.6 billion at the end of the third quarter of 2023, i.e. decrease by 7% YoY. The decrease in the balance mentioned above is the result of lower acquisitions in previous years and increased repayments during the period of high interest rates. At the same time, at the end of the third quarter of 2023, the balance of unsecured loans stabilized.</p>

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<p>Mortgage products</p> 	<p>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.</p> <p>The mortgage products sold in the third quarter of 2023 reached PLN 111.3 million, i.e. increased by 21% comparing to the third quarter of 2022 and increased by 75% comparing to the second quarter of 2023. The increase in sales is the result of the huge involvement of the sales network and the use of changing trends in the mortgage loan market.</p> <p>As at the end of that period, the mortgage portfolio amounted to PLN 2.1 billion as compared to PLN 2.2 billion in the corresponding period of 2022, i.e. decreased by 4% YoY.</p>
<p>Insurance and investment products</p> 	<p>As at the end of the third 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 3% higher than as at the second quarter of 2023. This increase resulted from an increase in the value of assets within investment funds.</p> <p>Compared to the corresponding period of the previous year, i.e. the end of the third quarter of 2022, the total value of funds managed in investment products was higher by 11%, which was mainly due to an increase in the value and increase in the valuation of assets under investment funds and products available as part of brokerage services on the Polish market.</p>

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 **353,000** as at the end of the third quarter of 2023. The share of active Citibank Online users in the entire client portfolio of the Bank was **64%** as at the end of the third quarter of 2023, i.e. maintaining the level from the same period of 2022.

At the same time, **digital users** accounted for **88% of all transactionally active clients** at the end of the third quarter of 2023, which means increase by 4 p.p. as compared to the third 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. In June 2023, the Citi Mobile application introduced the ability to change contact details, including telephone number and email address.

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** made by the Bank's clients in the third quarter of 2023 **increased by 46%** as compared to the same period in 2022 and increased by 2% as compared to the second quarter of 2023. The **number of BLIK Phone Transfers increased by 77% YoY** and by 2% QoQ.

As at the end of the third 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 **255,000**, which means a decrease by 11% compared to the third quarter of 2022.

The share of active users of mobile banking in the retail client portfolio of Citi Handlowy was **47%**, i.e. decreased by 4 p.p. as compared to the same period in 2022.

At the same time, at the end of the third quarter of 2023, **mobile users accounted for 64.0% of all transactional active**

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customers, which means an decrease by 3 p.p. as compared to the third quarter of 2022.

Social Media

The third 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 ESG activities. The Social Media are also a channel for acquiring new customers.

In the third quarter of 2023, the Bank's communications on Facebook and Instagram reached over **3.4 million unique users** (from paid activities), representing **an increase by almost 0.3 million QoQ and an decrease by 78 thousand YoY**. The unique reach on Facebook alone in the third quarter of 2023 was about 3.2 million users. Facebook and Instagram users had an average of 3.5 contacts with the Bank's marketing material, compared to 3.6 in the second quarter of 2023 and 3.9 in the third quarter of 2022. In the third quarter of 2023, 65 posts were published on Facebook.

In the third quarter of 2023, **Bank responded to 1,200 customer inquiries** regarding Bank products and services via the Messenger, compared to 1,100 in the second quarter of 2023 and 1,300 in the third quarter of 2022.

Indirect and Direct Customer Acquisition

Citigold and Smart outlets

In the third quarter of 2023, the number of the Bank's branches did not change and at the end of the period comprised of 18 branches. The geographically unchanged network includes 9 Hub Gold branches, 8 Smart branches and 1 Corporate branch. The current structure of the retail network is optimal and it meets an operational and acquisition needs and the current business strategy of the Bank.

At the same time, the Bank remains the operator of its own ATM network. ATMs, currently 36 devices, are located primarily in Smart branches, in Hub Gold branch locations and in the Bank's office buildings.

In the third quarter of 2023, the Bank continued modernization works in Smart branches, focusing on the renovation of branch space, improving the ergonomics of workstations and work comfort, 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

	30.09.2023 (1)	31.12.2022 (2)	30.09.2022 (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 third quarter of 2023, the Bank had full ratings awarded by Fitch Ratings ("Fitch").

On 5 September 2023, after the annual rating review, Fitch affirmed Bank's Long-Term Issuer Default Rating (IDR) at 'A-' with a Stable Outlook and Viability Rating (VR) at 'bbb+' and maintained VR on Rating Watch Negative (RWN). Simultaneously, Fitch affirmed the other ratings of the Bank as follows:

Long-term entity ranking	A-
Long-term rating outlook	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

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support.

In the rationale, the rating agency explained that Handlowy's VR is the highest among Polish banks'. It balances a low-risk business model, solid capital and liquidity buffers by regional standards and consistent risk appetite reflected in small credit losses.

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:

<https://www.fitchratings.com/research/banks/fitch-affirms-bank-handlowy-idr-at-a-maintains-vr-on-rwn-05-09-2023>

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	30.09.2023		31.12.2022	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Amounts due from banks	17,307,512	17,307,687	1,043,968	1,043,991
Amounts due from customers	20,527,184	20,560,920	21,620,507	21,643,547
Amounts due from institutional customers	14,633,015	14,736,846	15,505,659	15,566,995
Amounts due from individual customers	5,894,169	5,824,074	6,114,848	6,076,552
Financial liabilities				
Amounts due to banks	3,364,957	3,364,798	4,794,671	4,793,332
Amounts due to customers	53,868,301	53,830,172	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;

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- 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 30 September 2023

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	811,547	4,417,685	-	5,229,232
derivatives	28,935	4,417,685	-	4,446,620
debt securities	767,265	-	-	767,265
equity instruments	15,347	-	-	15,347
Hedging derivatives	-	8,119	-	8,119
Debt investment financial assets measured at fair value through other comprehensive income	22,411,602	3,895,356	-	26,306,958
Equity investments and other measured at fair value through income statement	19,442	-	103,844	123,286
Financial liabilities				
Financial liabilities held-for-trading	436,052	3,648,649	-	4,084,701
short sale of securities	410,794	-	-	410,794
derivatives	25,258	3,648,649	-	3,673,907
Hedging derivatives	-	97,781	-	97,781

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 September 30, 2023, the amount of financial assets classified to level III includes the value of the share in Visa Inc. in the amount of PLN 15,496 thousand (privileged series C) and also the value of other minority shareholding in the amount of PLN 88,348 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-

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market based are presented below:

PLN '000	Equity and other investments measured at fair value through income statement	
	01.01.-30.09.2023	01.01.-31.12.2022
As at 1 January	88,484	96,156
Conversion of shares - transfer to Level I	-	(10,466)
Sale	-	(184)
Revaluation	15,360	2,978
As at the end of period	103,844	88,484

In the nine-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	40	(40)	-	-
Transfer to Stage 3	-	-	-	-
(Creation)/Releases in the period through the income statement	253	47	-	300
Foreign exchange and other movements	29	98	-	127
Provision for expected credit losses as at 30 September 2023	(281)	(852)	-	(1,133)

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	(13,786)	12,715	823	249	1
Transfer to Stage 2	8,930	(11,253)	2,323	-	-
Transfer to Stage 3	1,882	24,624	(26,505)	-	1
Transfer to purchased or originated credit-impaired assets	-	-	15,904	(15,904)	-
(Creation)/Releases in the period through the income statement	27,514	(19,743)	(47,399)	3,609	(36,019)
Decrease in provisions due to write-offs	-	-	9,052	-	9,052
Decrease in provisions in connection with the sale of receivables	-	-	98,579	417	98,996
Changes in accrued interest in Stage 3 other than written off and sale of receivables	-	(18)	(32,113)	(2,097)	(34,228)
Decreasing in write-downs due to derecognition as a result of material change	-	-	-	16,656	16,656
Foreign exchange and other movements	240	234	5,270	523	6,267
Provision for expected credit losses as at 30 September 2023	(56,455)	(101,826)	(638,867)	1,695	(795,453)

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				

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PLN '000	Stage 1	Stage 2	Stage 3	Total
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 33,196 thousand as at 30 September 2023 (31 December 2022: PLN 44,969 thousand, 30 September 2022: PLN 41,837 thousand).

In the period from 1 July to 30 September 2023, the Group did not create write-offs for impairment of tangible fixed assets, intangible assets and reversals of write-offs of that title.

13 Deferred tax asset and provision

PLN '000	30.09.2023	31.12.2022
Deferred tax asset	1,166,310	1,771,333
Deferred tax provision	(983,212)	(1,487,814)
Net asset due to deferred income tax of a parent company	183,098	283,519

Deferred income tax asset and liabilities are presented in the statement of financial position on net basis.

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 3,092 PLN thousand as at 30 September 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 July to 30 September 2023 the value of purchased by the Group components of "tangible fixed assets" equaled PLN 81,633 thousand (in 2022: PLN 59,107 thousand) and the value of disposals of "tangible fixed assets" amounted to PLN 577 thousand (in 2022: PLN 13,827 thousand).

As at 30 September 2022 the Group has no significant commitments to purchase of tangible fixed assets.

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 July and 30 September 2023 in the Group has been no occurrence of default or breach due to received credit

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

18 Paid (or declared) dividends

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 30 September 2023 and changes in comparison with the end of 2022 are as follows:

PLN '000	State as at		Change	
	30.09.2023	31.12.2022	PLN '000	%
Contingent liabilities granted				
Financial	14,566,407	13,945,291	621,116	4.5%
Import letters of credit issued	113,963	262,110	(148,147)	(56.5%)
Credit lines granted	14,236,086	13,683,181	552,905	4.0%
Other	216,358	-	216,358	-
Guarantees	2,937,062	2,375,216	561,846	23.7%
Guarantees granted	2,917,732	2,352,867	564,865	24.0%
Other	19,330	22,349	(3,019)	(13.5%)
	17,503,469	16,320,507	1,182,962	7.2%
Contingent liabilities received				
Financial	20,000	-	20,000	-
Guarantees (guarantees received)	23,503,516	28,600,496	(5,096,980)	(17.8%)
	23,523,516	28,600,496	(5,076,980)	(17.8%)
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	6,525,686	2,080,710	4,444,976	213.6%
Forward**	306,121,384	290,461,171	15,660,213	5.4%
	312,647,070	292,541,881	20,105,189	6.9%

*Foreign exchange and securities transactions with current value date.

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

20 Changes in Group's structure

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

In 2022 Bank concluded with Dom Maklerski Banku Handlowego S.A "Business transfer agreement" on the basis of which DBMH was transferred to the Bank on 1 August 2022. On April 7, 2023, the District Court entered the transformation of

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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

In the period from the publication of the 2022 annual report to the date of publication of this report for the third quarter of 2023, the ownership structure of significant blocks of the Bank's shares changed.

As a result of the acquisition of the Bank's shares in transactions on the Warsaw Stock Exchange, concluded on 31 May 2023, Nationale – Nederlanden Powszechnie Towarzystwo Emerytalne S.A. increased the total ownership of the Bank's shares above 5% of votes at the General Meeting of Shareholders of the Bank.

As a result of the acquisition of the Bank's shares in transactions on the Warsaw Stock Exchange concluded on 11 August 2023, Nationale-Nederlanden Otwarty Fundusz Emerytalny increased its shareholding above 5% in the share capital and in the total number of votes.

As at the date of publication of this report for the third quarter of 2023, in accordance with the information held by the Bank on shareholders holding, 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, the following entities were:

	Number of shares	% Shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	97,994,700	75,0	97,994,700	75,0
Pension funds manager by Nationale-Nederlanden PTE S.A, including:	6,876,766	5,26	6,876,766	5,26
Nationale Nederlanden OFE	6,539,514	5,01	6,539,514	5,01
Other shareholders	25,788,134	19,74	25,788,134	19,74
	130,659,600	100	130,659,600	100

**Based on current report no.16/2023 from August 16, 2023*

Citigroup Inc. with its registered office in Wilmington - United States, through Citibank Europe plc. with its registered office in Dublin - Ireland ("CEP") plans to acquire the Bank's shares in a number exceeding 50% of the total number of votes at the General Meeting and a share in the share capital of the Bank. The transaction is to be carried out within the Citi Group in order to fulfil the obligations of domestic banks belonging to the third country group, i.e. from outside the European Union (in this case the United States), to hold an intermediate EU parent undertaking ("IPU"). As part of this transaction, the Bank's shares are to be transferred to CEP as the Bank's IPU.

The transaction results from the obligations arising from Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC Text with EEA relevance and the Act of 29 August 1997 Banking Law.

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 third 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 third quarter of 2023 in court, public administration authorities or an arbitration authority is of significant value. In Group's opinion no proceedings conducted in court, public administration authority or an arbitration authority, pose a threat to the Group's financial liquidity, individually or in total.

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 30 September 2023 is PLN 42.8 million, of which the provisions for cases related to derivative products is PLN 15.7 million and provisions for individual cases relating to the judgments of the CJEU is PLN 23.9 million (PLN 22.7 million for cases related to CHF-indexed loans and PLN 1.2 million for cases related to the return of a part of the commission for granting consumer loan). As at December 31, 2022:

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PLN 34.1 million, of which the provisions for cases related to derivative products 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 third 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, as well as by the judgement expressed in the proceedings with reference number C-64/21 pending before the Court of Justice of the European Union in connection with preliminary ruling from the Supreme Court of October 13, 2022.

- As at June 30, 2023, the Bank was, among others, a party to 15 court proceedings associated with derivative transactions. Among these, 9 proceedings have not been terminated with a legally binding conclusion, and 6 have been terminated with a legally binding conclusion, all of these proceedings are pending in the Supreme Court cassation proceeding, and in the case of one it will be decided in the near future whether a cassation appeal will be lodged. In 9 proceedings the Bank acted as a defendant and in 6 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 as at the day of these financial statements, 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. 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.

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On 15 June 2023, the Court of Justice of the European Union (CJEU) in case C 520/21 essentially duplicated the opinion of the Advocate General from February 16, 2023 and ruled that only the consumer may demand additional benefits resulting from the cancellation of the Swiss franc loan agreement. The Bank may only demand the return of the loan capital together with statutory interest for delay without the possibility of demanding remuneration from the customer (consumer) for non-contractual use of capital. It has been held that Directive 93/13 does not directly govern the consequences of the invalidity of a contract concluded between a seller or supplier and a consumer after the unfair terms have been removed. It is for the Member States to determine the consequences of such a finding and the measures which they adopt in that regard must comply with EU law and, in particular, with the objectives of that directive. It will be for the national courts to assess, in the light of all the circumstances of the dispute, whether the acceptance of such consumer claims is compatible with the principle of proportionality.

When estimating the risk resulting from court litigations regarding indexation clauses in mortgage loan agreements, Bank Handlowy w Warszawie S.A. continuously 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 and CJEU's opinion.

As at September 30, 2023, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 39.6 million. The Bank maintains a collective provision in the amount of PLN 10.5 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 condensed consolidated statement of financial position under item: Provisions.

As at September 30, 2023, the Bank was sued in 67 cases relating to a CHF-indexed loan for a total amount of approximately PLN 28.8 million. 25 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 term of the consumer loan act.

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 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 manner in which the Bank reimburses a proportional part of the commission in the case where customer takes out another loan with 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 September 30, 2023, the Bank was sued in 938 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 4.2 million.

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

In the third 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 third 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 the balance sheet date, there were no other material events that should be additionally included in these financial statements.

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

The ongoing war between Russia and Ukraine remains the most serious risk factor in the coming quarters. An expansion of the armed conflict or its escalation could depreciate PLN and other emerging market currencies. Intensified warfare could result in a renewed increase in commodity prices, especially for oil and gas, which could have a negative impact on customer activity in energy-intensive industries.

From the global economy's perspective, the escalation of armed conflict in the Middle East is also a significant threat. It could contribute to an increase in oil prices, especially when it would result in a disruption of crude supplies or affect crude production levels. Higher oil prices would contribute to a resurgence of inflationary pressures and push back the prospect of achieving the targets set by individual central banks. In such an environment, the prospect of interest rate cuts would recede.

Uncertainty regarding the timing and scale of the inflow of funds from the EU Reconstruction Fund remains a risk factor for economic activity in the country. A prolonged lack of access to NRP ("National Reconstruction Plan") funds could lead to an exacerbation of the recession in the construction industry and a decline in local government investment. In addition, the lack of NRP disbursements could worsen 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. Such a situation could result in another interest rate hike by the Monetary Policy Council. Continued high inflation would undermine real household wage growth, leading to a renewed weakening of private consumption.

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

Condensed income statement

PLN '000	For the period	III quarter	III quarter	III quarter	III quarter
		period from 01.07.23 to 30.09.23	accruals period from 01.01.23 to 30.09.23	period from 01.07.22 to 30.09.22	accruals period from 01.01.22 to 30.09.22
Interest income		1,086,450	3,267,602	884,320	2,082,820
Similar income		5,167	94,717	38,806	99,196
Interest expense and similar charges		(266,141)	(861,830)	(192,773)	(340,217)
Net interest income		825,476	2,500,489	730,353	1,841,799
Fee and commission income		167,963	503,034	162,522	492,696
Fee and commission expense		(25,239)	(77,373)	(28,051)	(71,464)
Net fee and commission income		142,724	425,661	134,471	421,232
Dividend income		1,303	14,692	785	36,816
Net gain/(loss) on trading financial instruments and revaluation		202,935	618,214	99,943	559,232
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		(28,289)	(32,212)	(199,713)	(235,475)
Net gain/(loss) on equity investments and other measured at fair value through income statement		1,667	17,141	4,351	7,912
Net gain/(loss) on hedge accounting		(2,821)	(7,844)	66	(1,656)
Other operating income		7,361	19,350	4,195	17,309
Other operating expenses		(16,304)	(29,484)	(17,278)	(33,186)
Net other operating income		(8,943)	(10,134)	(13,083)	(15,877)
General administrative expenses		(304,827)	(1,004,726)	(277,696)	(925,949)
Depreciation and amortization		(27,716)	(81,822)	(25,648)	(77,480)
Profit on sale of other assets		41	(37)	(119)	2,847
Provisions for expected credit losses on financial assets and provisions for contingent liabilities		(3,726)	(9,970)	(34,949)	(56,090)
Tax on certain financial institutions		(49,937)	(141,521)	(53,495)	(157,959)
Profit before tax		747,887	2,287,931	365,266	1,399,352
Income tax expense		(157,281)	(481,152)	(80,431)	(308,137)
Net profit		590,606	1,806,779	284,835	1,091,215
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Earnings per share (in PLN)			13.83		8.35
Diluted net earnings per share (in PLN)			13.83		8.35

Condensed statement of comprehensive income

PLN '000	For a period	III quarter	III quarter	III quarter	III quarter
		period from 01.07.23 to 30.09.23	accruals period from 01.01.23 to 30.09.23	period from 01.07.22 to 30.09.22	accruals period from 01.01.22 to 30.09.22
Net profit		590,606	1,806,779	284,835	1,091,215
Other comprehensive income, that is or might be subsequently reclassified to income statement:		72,139	432,543	123,569	(472,511)
Remeasurement of financial assets measured at fair value through other comprehensive income (net)			406,451	(38,199)	(663,246)
(Profit)/Loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)		22,914	26,092	161,768	190,735
Other comprehensive income, that cannot be subsequently reclassified to profit or loss		-	(4,230)	-	-
Net actuarial profits on specific services program valuation		-	(4,230)	-	-
Total comprehensive income		662,745	2,235,092	408,404	618,704

Condensed statement of financial position

	as at	30.09.2023	31.12.2022
<i>PLN '000</i>			
ASSETS			
Cash and balances with the Central Bank		543,637	595,969
Amounts due from banks		17,307,512	1,043,968
Financial assets held-for-trading, including:		5,229,232	7,029,163
<i>Assets pledged as collateral</i>		-	60,988
Hedging derivatives		8,119	623
Debt investment financial assets measured at fair value through other comprehensive income, including:		26,306,958	37,180,808
<i>Assets pledged as collateral</i>		705,347	697,698
Shares in subsidiaries		91,690	91,775
Equity investments and other measured at fair value through income statement		123,286	106,144
Amounts due from customers		20,527,184	21,620,507
Tangible fixed assets		493,330	455,418
Intangible assets		1,276,547	1,263,863
Deferred tax asset		186,379	287,368
Other assets		365,002	217,360
Non-current assets held-for-sale		9,266	-
Total assets		72,468,142	69,892,966
LIABILITIES			
Amounts due to banks		3,364,957	4,794,671
Financial liabilities held-for-trading		4,084,701	4,896,099
Hedging derivatives		97,781	6,917
Amounts due to customers		54,022,095	50,667,780
Provisions		107,271	111,885
Current income tax liabilities		381,335	245,173
Other liabilities		1,451,243	1,270,837
Total liabilities		63,509,383	61,993,362
EQUITY			
Ordinary shares		522,638	522,638
Share premium		2,944,585	2,944,585
Revaluation reserve		(140,985)	(573,528)
Other reserves		3,200,487	2,811,344
Retained earnings		2,432,034	2,194,565
Total equity		8,958,759	7,899,604
Total liabilities and equity		72,468,142	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:	-	-	432,543	(4,230)	1,806,779	2,235,092
Net profit	-	-	-	-	1,806,779	1,806,779
Other comprehensive income	-	-	432,543	(4,230)	-	428,313
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	432,543	-	-	432,543
Net actuarial gains on defined benefit plan	-	-	-	(4,230)	-	(4,230)
Dividends paid	-	-	-	-	(1,175,937)	(1,175,937)
Transfer to capital	-	-	-	393,373	(393,373)	-
Balance as at 30 September 2023	522,638	2,944,585	(140,985)	3,200,487	2,432,034	8,958,759

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:	-	-	(472,511)	-	1,091,215	618,704
Net profit	-	-	-	-	1,091,215	1,091,215
Other comprehensive income	-	-	(472,511)	-	-	(472,511)
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	(472,511)	-	-	(472,511)
Dividends paid	-	-	-	-	(714,708)	(714,708)
Effect of intragroup transformations	-	-	-	-	(16,827)	(16,827)
Transfer to capital	-	-	-	1,264	(1,264)	-
Balance as at 30 September 2022	522,638	2,944,585	(784,529)	2,804,045	1,716,470	7,203,209

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	III quarter accruals	III quarter accruals
		period from 01.01.23 to 30.09.23	period from 01.01.22 to 30.09.22
Cash at the beginning of the reporting period		658,777	6,566,543
Cash flows from operating activities		1,260,693	3,555,045
Cash flows from investing activities		(127,059)	(42,482)
Cash flows from financing activities		(1,184,842)	(723,398)
Cash at the end of the reporting period		607,569	9,355,708
Increase/(decrease) in net cash		(51,208)	2,789,165

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* ("IAS 34"), 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 third 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) ("Decree") the Bank is obliged to publish its financial results for the 9-month period ended 30 September 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 third 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 third 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 third quarter of 2023.

Other information and explanations presented in interim condensed consolidated financial statements for the third 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 third quarter of 2023 is presented below.

Bank's financial results

In the third quarter of 2023, the Bank generated a profit before tax of PLN 747.9 million, compared to PLN 365,3 million in the corresponding period of 2022 (i.e. increase by PLN 382.6 million YoY, 104,8%).

Net profit earned in the period from July to September 2023 amounted to PLN 590.6 million compared to PLN 284.8 million of net profit in the corresponding period of 2022.

The net profit of the Bank in the third quarter of 2023 was driven mainly by higher interest income, realized mainly in the area of treasury activity as a result of persistent high interest rates in the third quarter of 2023,

The interim condensed consolidated financial statements for the third 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

09.11.2023

(signed in Polish version)

Natalia Bożek
Vice-President of
Management Board

09.11.2023

(signed in Polish version)