

Report of Bank Pekao S.A. Group for the first quarter of 2024



Warsaw, April 2024

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

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2024



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1. Highlights of Bank Pekao S.A. Group

	1 QUARTER 2024	1 QUARTER 2023	2023	2022
INCOME STATEMENT – SELECTED ITEMS (in PLN million)				
Operating income	3,762	3,531	14,733	10,664
Operating costs	(1,238)	(1,106)	(4,631)	(3,987)
Profit before income tax	1,956	1,910	8,480	2,882
Net profit attributable to equity holders of the Bank	1,514	1,446	6,578	1,717
PROFITABILITY RATIOS				
Return on average equity (ROE) – nominally	19.6%	24.2%	24.7%	7.6%
Return on assets (ROA)	1.9%	2.0%	2.2%	0.6%
Net interest margin	4.2%	4.1%	4.2%	3.3%
Cost / income (including to contributions to the BFG cost and fee paid for the Protection Schemes)	39.3%	36.7%	32.7%	44.4%
Costs of risk	0.24%	0.24%	0.31%	1.12%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS (in PLN million)				
Total assets	317,369	292,628	305,723	281,139
Customers' financing ^(*)	173,652	166,860	171,057	167,510
Amounts due to customers ^(**)	242,139	223,140	232,078	209,596
Debt securities issued and subordinated liabilities	14,732	10,651	12,739	13,127
Equity	31,683	25,157	30,341	22,775
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Customers' financing ^(*) / total assets	54.7%	57.0%	56.0%	59.6%
Securities / total assets	33.9%	28.3%	32.7%	25.3%
Deposits ^(***) / total assets	80.9%	79.9%	80.1%	79.2%
Customers' financing ^(*) / deposits ^(***)	67.6%	71.4%	69.9%	75.2%
Equity / total assets	10.0%	8.6%	9.9%	8.1%
Total capital ratio ^(****)	16.9%	17.6%	17.5%	17.8%
EMPLOYEES AND NETWORK				
Total number of employees ^(****)	15,200	14,834	15,129	14,642
Number of outlets	572	587	574	597
Number of ATMs	1,300	1,314	1,306	1,328

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

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

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

^(****) Data for all reporting dates have been recalculated taking into account the retrospective recognition of part of the profit for respectively 2023 and 2022, in accordance with the EBA position expressed in Q&A 2018_3822 and Q&A 2018_4085.

Note: Income statement data included in the table above and other notes to the Report on activities were presented according to income statement in a presentation form, which differs from the long form of the income statement presented in the Financial statements of the Group. Reconciliation of income statement in the presentation form and the long form is in the point 6.8 of the Report on activities.

2. Highlights of Bank Pekao S.A.

	1 QUARTER 2024	1 QUARTER 2023	2023	2022
INCOME STATEMENT – SELECTED ITEMS (in PLN million)				
Operating income	3,709	3,350	14,283	10,320
Operating costs	(1,134)	(1,016)	(4,230)	(3,658)
Profit before income tax	2,000	1,819	8,559	3,012
Net profit	1,579	1,374	6,718	1,898
PROFITABILITY RATIOS				
Return on average equity (ROE) - nominally	20.7%	23.6%	25.8%	8.7%
Return on assets (ROA)	2.1%	2.0%	2.3%	0.7%
Net interest margin	4.2%	4.2%	4.3%	3.3%
Cost / income (including to contributions to the BFG cost and fee paid for the Protection Schemes)	37.0%	35.9%	30.9%	42.7%
Costs of risk	0.28%	0.26%	0.26%	1.12%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS (in PLN million)				
Total assets	304,474	282,988	294,477	271,705
Customers' financing ^(*)	158,642	155,368	157,322	155,477
Amounts due to customers ^(**)	242,355	223,495	232,307	209,802
Debt securities issued and subordinated liabilities	6,907	5,676	6,859	8,683
Equity	31,295	24,497	29,896	22,190
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Customers' financing ^(*) / total assets	52.1%	54.9%	53.4%	57.2%
Securities / total assets	35.7%	29.6%	34.5%	26.8%
Deposits ^(**) / total assets	81.9%	81.0%	81.2%	80.4%
Customers' financing ^(*) / deposits ^(**)	63.6%	67.8%	65.8%	71.2%
Equity / total assets	10.3%	8.7%	10.2%	8.2%
Total capital ratio ^(****)	19.3%	19.9%	19.5%	19.9%
EMPLOYEES AND NETWORK				
Total number of employees ^(****)	12,721	12,553	12,689	12,435
Number of outlets	572	587	574	597
Number of ATMs	1,300	1,314	1,306	1,328

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

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

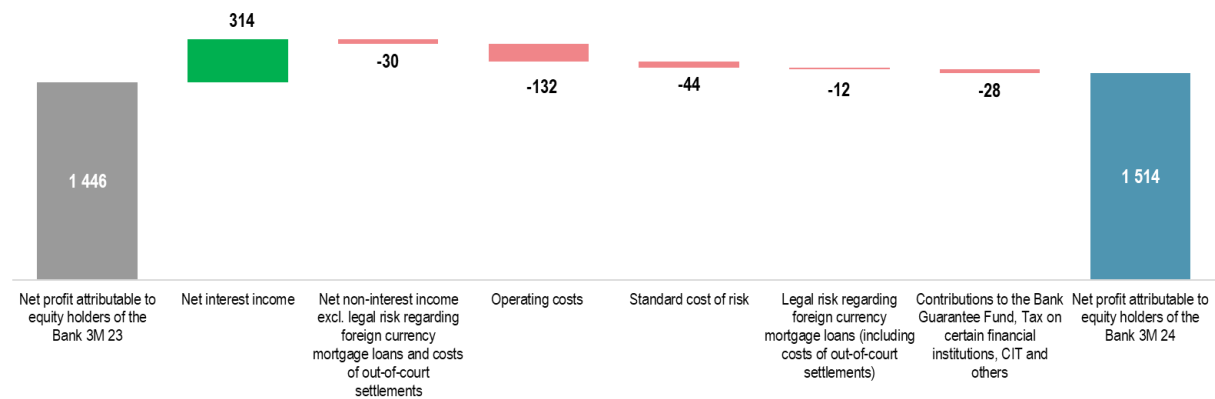
^(***) Deposits include amounts due to customers, debt securities issued and subordinated liabilities.

^(****) Data for all reporting dates have been recalculated taking into account the retrospective recognition of part of the profit for respectively 2023 and 2022, in accordance with the EBA position expressed in Q&A 2018_3822 and Q&A 2018_4085.

3. Summary of Performance

Main P&L items

In the first quarter of 2024, we generated net profit of the Bank Pekao S.A. Group, attributable to the Bank's shareholders in the amount of PLN 1,514 million. This result is higher by PLN 68 million than the result achieved in the first quarter of 2023, mainly due to higher operating income, in particular higher interest income, despite the inflationary increase in operating costs.



The ROE ratio was at the level of 19.6%.

The Group's operating income in the first quarter of 2024 amounted to PLN 3,762 million and was 6.5% higher than the income achieved in the first quarter of 2023, mainly due to interest income.

- The Group net interest income achieved in the first quarter of 2024 amounted to PLN 3,088 million and was higher by PLN 314 million, i.e. 11.3% compared to the result achieved in the first quarter of 2023, mainly due to higher volumes and a stable interest margin.
- The Net fee and commissions achieved in the first quarter of 2024 amounted to PLN 668 million and was higher by PLN 6 million, i.e. 0.9% compared to the result achieved in the first quarter of 2023, mainly due to higher commissions from investment funds and brokerage activities, as a result of improved sentiment on capital markets.
- The trading result achieved in the first quarter of 2024 amounted to PLN 122 million and was lower by PLN 36 million compared to the result achieved in the first quarter of 2023 due to the lower valuation of derivative instruments.
- Net other operating income and expenses in the first quarter of 2024 amounted to (minus) PLN 117 million and were lower by PLN 54 million compared to the first quarter of 2023 due to higher costs related to legal risk related to foreign currency mortgage loans, compensated by the reversal of impairment losses due to allowances for expected credit losses.

Operating costs in the first quarter of 2024 amounted to PLN 1,238 million and were higher by PLN 132 million, i.e. 11.9% compared to the first quarter of 2023, mainly due to the inflation indexation of wages.

The result on allowances for expected credit losses in the first quarter of 2024 amounted to PLN 108 million and was higher by PLN 3 million, i.e. 2.9% than in the first quarter of 2023, despite the positive impact of the reduction in provisions for legal risk regarding foreign currency mortgage loans in CHF.

Contributions to the Bank Guarantee Fund in the first quarter of 2024 amounted to PLN 239 million and were lower by PLN 47 million i.e. 24.5% than in the first quarter of 2023.

The tax on certain financial institutions in the first quarter of 2024 amounted to PLN 223 million and was higher by PLN 4 million, i.e. 1.8% than in the first quarter of 2023 due to the increase in the Bank's assets.

Volumes

As at the end of March 2024, loans and advances at nominal value amounted to PLN 180,795 million and were higher by PLN 6,106 million, i.e. 3.5% than at the end of March 2023. As at the end of March 2024 the volume of retail loans amounted to PLN 81,986 million and were higher by PLN 6,283 million, i.e. 8.3% than at the end of March 2023. Corporate loans including non-treasury debt securities at the end of March 2024 amounted to PLN 98,809 million and were lower by PLN 177 million, i.e. 0.2% compared to the end of March 2023.

As at the end of March 2024 amounts due to the Group's Customers and Debt securities issued amounted to PLN 256,871 million and were higher by PLN 23,081 million, i.e. 9.9% than at the end of March 2023.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 26,184 million and was higher by PLN 5,949 million, i.e. 29.4% compared to the end of March 2023.

In the first quarter of 2024, we increased commercial activities, actively supported customers in maintaining financial liquidity, continued the digitization and automation of processes and the implementation of advanced digital solutions.

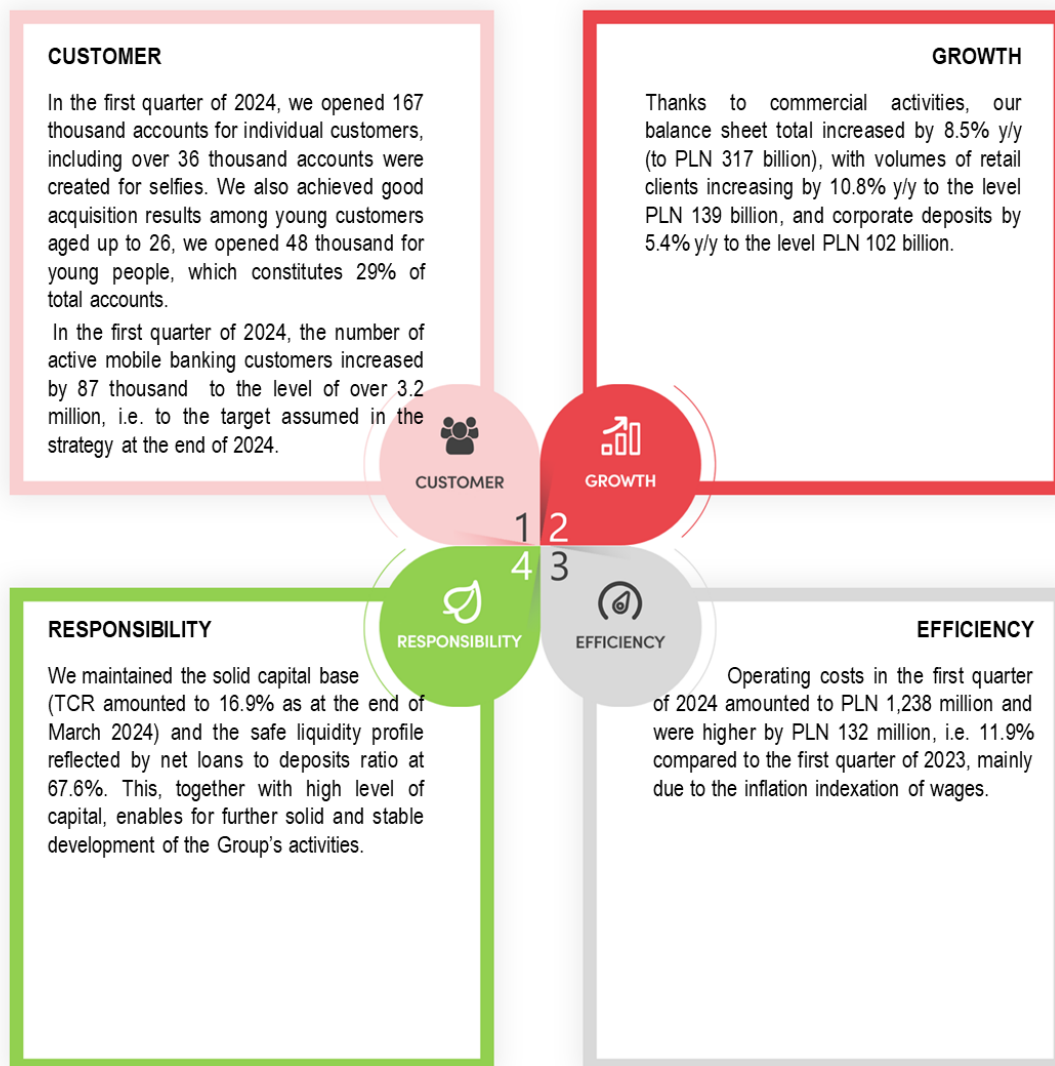
In the first quarter of 2024, we opened 167 thousand accounts for individual customers, including over 36 thousand accounts were created for selfies. We also achieved good acquisition results among young customers aged up to 26, we opened 48 thousand for young people, which constitutes 29% of total accounts.

In the first quarter of 2024, the number of active mobile banking customers increased by 87 thousand to the level of over 3.2 million, i.e. to the target assumed in the strategy at the end of 2024 and was +13% higher than a year ago and +28% higher than two years ago.

We offer a wide range of deposit offers to individual clients, including: interest rate of 7.0% per annum on savings accounts, deposit with the fund at 7.5% per annum for a period of 6 months.

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

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



Strategy and key financial indicators

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

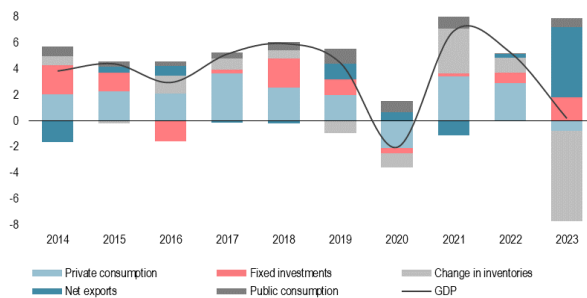
According to the strategic plan:

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

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

4. External Activity Conditions

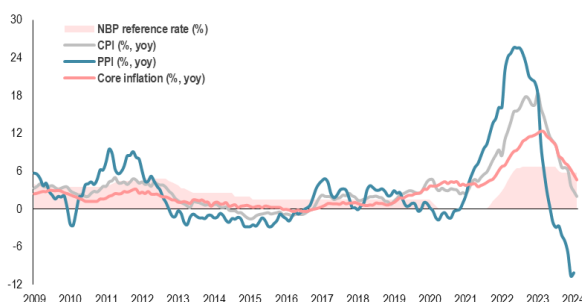
Economic growth



Last year was the weakest one for the Polish economy since the pandemic crisis - GDP increased by 0.2% compared to 5.3% a year earlier. However, the last quarter of the year brought clear signals of a rebound in economic activity, and GDP increased by 1% yoy compared to 0.5% in the previous quarter. The growth structure indicated continued negative consumption growth (-0.1% yoy). In turn, the solid investment result (+8.7% yoy) and the contribution of net exports (+3.2 p.p.) contributed to GDP growth. The increase in activity in fourth quarter will continue throughout this year.

Macroeconomic data from recent months suggest that the economy grew by 1.5% yoy in the first quarter. In our opinion, the recovery will gain momentum in the coming quarters, and its main source will be a rebound in consumption due to the unprecedented increase in real households income and improved sentiment due to lower inflation. Factors weakening the growth rate in 2024 will be net exports as a result of the poor sentiment in the main trading partners and the growing domestic demand. As a result, we expect GDP to grow by approximately 3% in 2024.

Inflation and monetary policy



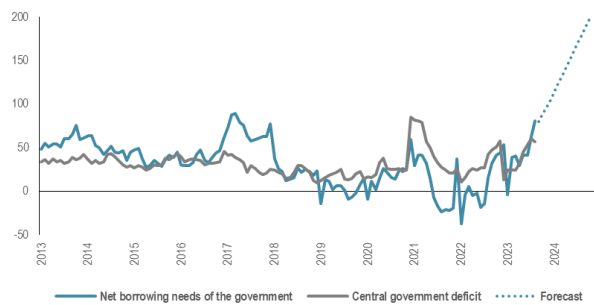
Consumer inflation (CPI) in Poland continued its disinflationary trend in the first quarter of 2024, decreasing to levels consistent with the NBP inflation target. In March, inflation dropped to 2% yoy - this is the minimum this year and the lowest reading in 5 years. However, the stay around the inflation target will be temporary (it will last at least until June). From the beginning of the second half of the year, the shape of the inflation path will strongly depend on regulated factors regarding energy tariffs. At the end of 2024, inflation will rebound to approximately 4-4.5% yoy, but this rebound will be based mainly on non-core factors.

Low pressure from food prices plays a major role in the stronger-than-expected pace of disinflation. For a long time, prices of agricultural goods, fertilizers, feed and energy have been falling on global markets, which have a significant impact on the costs of agricultural production and, ultimately, on food for the final consumer. Also important is the current price war between discount stores in Poland which by lowering their margins are trying to take over part of the market with lower prices. This is also important in the context of the return to the higher VAT rate on basic food products from the beginning of April. More and more large retailers declare that they will not increase prices for consumers, "taking on" some of the VAT hike. Assuming that retail chains will fully pass on the VAT increase to consumers, we estimated its impact on inflation at +0.8 p.p. However, because of the price war, this impact will be smaller and spread over time.

Core inflation also continued its disinflationary trend in the first quarter of 2024, decreasing in March to 4.6% yoy. We still benefit from the high reference base (at least until April). However, core inflation momentum is going down as well, because the external shocks that influenced it in recent years - such as the energy or supply shock - have faded away. Price processes will eventually be dominated by factors related to the domestic economy. We assume that core inflation will continue to decline asymptotically throughout 2024. However, with the beginning of economic recovery and continued good situation in the labour market (high wage growth, low labour supply), inflationary pressure will gradually rise and in 2025 yoy core inflation will go up.

The Monetary Policy Council remains hawkish amid uncertainty related to the increase in regulated prices, as well as the scale of the expected economic recovery and the resulting rebound in inflation in the second half of the year. The NBP forecasts published in March also indicate a significant risk of not achieving the inflation target in the medium term. We further assume that interest rates will remain unchanged until the end of 2024 or even 2025. Financial markets have finally become convinced that a longer-term stabilization of interest rates in Poland is possible (FRA contracts indicate no cuts this year). The risk of cuts only due to possible excessive appreciation of the zloty.

Fiscal policy



The state of public finance was deteriorating in late 2023 and early 2024. In December 2023, the Ministry of Finance showed record borrowing needs of PLN 150.9 billion, and while this was undoubtedly an outlier observation, the borrowing needs are to remain on an upward trajectory heading towards the PLN 252 billion figure enshrined in the Budget Act, looking ahead to the end of the year. The budget deficit is also on the rise - the result for March (PLN -98 billion – a 12M rolling sum) exceeds the record deficits of the COVID-19 pandemic era (PLN -81.8 billion of January 2021). The budget deficit is widening despite a marked acceleration on the revenue side - in March 2024, total budget revenue growth was 16.9% y/y, including an increase in the annual rolling sum of VAT revenue of 2.7% y/y, which is associated with an improvement in Poland's consumer economy, and should also correspond to changes in the VAT tariff in subsequent months. Nonetheless, the increase in budget revenue was not able to offset rising expenditure, which recorded a 30.0% y/y growth in March. The increase in budget expenditure is prima facie linked to the cost of increased military spending following the outbreak of war in Ukraine, as well as the implementation of public policies announced during the parliamentary elections (wage increases for the public sector, the valorisation of child benefit, the 'Active Parent' programme).

In 2024 a deficit of around 5% of GDP is expected. Elevated levels of public spending related to both defense needs and energy grid/powerplants modernisation will continue this year and beyond. There are no plans for these expenditures to be balanced by a commensurate increase in the tax burden. The abolition of 0% VAT on food will bring less than PLN 10 billion a year to the budget, the shape of the partial unfreezing of energy prices remains unknown, and in addition, the ongoing work on reforming the capital gains tax and the health contribution may further deplete state revenues. This will result in an increase in the budget's borrowing needs, which will put upward pressure on Treasury bond yields (despite the liquidity surplus observed in the financial sector, which has had a mitigating effect on potential yield increases).

Exchange rate



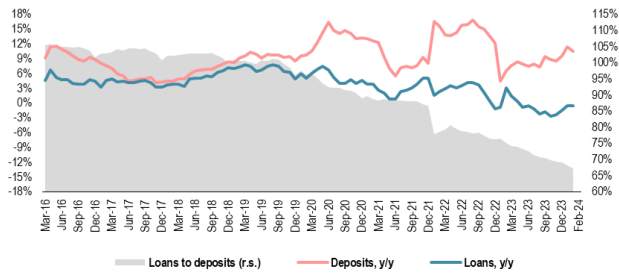
By the end of 2023, markets were expecting that the major central banks would relatively quickly move to interest rate cuts (futures contracts priced in March 2024), but in the first quarter of 2024, these expectations faded under the influence of data suggesting more persistent inflation, especially in the US. As a result, treasury bonds lost ground during this period. The yield on the US 10-year note increased by 50bps and the German by 25 bps. Changes at the short end of the curve were of a similar scale. The beginning of the second quarter of 2024 brought a continuation of these trends.

In the first quarter of 2024, the Polish zloty significantly strengthened due to improved sentiment towards the Polish currency following the unlocking of funds from the National Recovery Plan (NRP) for Poland (a total of 23 billion EUR in grants and 34 billion EUR in loans) and the hawkish stance of the Monetary Policy Council regarding the resumption of interest rate cuts. EUR/PLN decreased from 4.35 in January to 4.29 at the end of March 2024. Polish currency benefitted also from the relatively low global risk aversion during this period. Polish government bonds, however, depreciated following the base markets and due to the upward revision of the market's projected interest rate path in Poland. The yields of 10-year POLGBs in the first quarter of 2024 increased by 20 bps to 5.5%.

Banking sector

At the end of February 2024, net profit in the banking sector stood at PLN 7.4 billion, up by PLN 1.2 billion yoy (+19.0% yoy) and PLN 3.6 billion higher than in January. On the revenue side, the main driver of profit growth was interest income, which rose by PLN 965.9 million yoy despite lower interest rates than a year ago. Profit growth was constrained by rising costs and depreciation (PLN 820.0 million yoy); one needs to keep increased tax charges in mind as well (PLN 302.4 million).

The balance sheet total of the banking sector amounted to PLN 3,075.6 billion in February, an increase of +9.8% yoy. The growth in the assets of monetary financial institutions was driven primarily by debt instruments, the value of which increased by PLN 108.6 billion yoy and, as a proportion of total assets, by 2.1 p.p. (to 18.5%). It is worth noting that the dynamic growth of debt instruments held by banks was accompanied by a stagnation of loans in assets (-0.96% yoy and -4.5 p.p. as a proportion of total assets).



According to the central bank data, the gap between loans and deposits is widening. The high positive dynamics of deposits (10.4% yoy in February) and negative dynamics of loans (-0.6% yoy) bolster the downward trend of the loan-to-deposit ratio, which is now at a historically low level of 67.2%. The rapid growth of nominal deposits is linked to the structural process of replenishment of household savings - retail deposits have been growing at a double-digit rate for months (10.8% yoy in February).

Corporate deposit dynamics also remain positive, but are clearly decelerating (from 17.2% yoy in February 2023 to 2.4% yoy in February 2024). With the negative dynamics of corporate credit, this may indicate an increased scale of current operations (and partly also investment) funding from companies' own funds. Meanwhile, retail credit volume dynamics are improving, although still negative (-0.6% yoy in February 2024). A large role in this process is played by the positive dynamics of consumer credit (2.9% yoy), the appetite for housing loans also seems to be growing (-1.2% yoy in February against -1.9% yoy in January and -4.7% yoy in February last year).

5. Important Events and Achievements

5.1 Description of the Group

The composition of Bank Pekao S.A. Group is presented in the Notes to the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2024.

5.2 Changes in the Group's structure

In the first quarter of 2024, there were no changes in the Bank Pekao S.A. Group.

5.3 Changes in the Statutory Bodies of the Bank

Supervisory Board

On 17 April 2024 the Ordinary General Meeting of the Bank on 17 April 2024, taking into account the assessment of compliance with suitability requirements, appointed the members of the Supervisory Board of the Bank for a new joint term of three years, beginning on 18 April 2024.

The following persons were appointed to the Supervisory Board of the Bank:

Mr. Krzysztof Czeszejko-Sochacki – member of the Supervisory Board

Mr. Bartosz Grześkowiak – member of the Supervisory Board

Mr. Radosław Niedzielski – member of the Supervisory Board

Mr. Jacek Nieścior – member of the Supervisory Board

Mr. Artur Nowak-Far – member of the Supervisory Board

Mr. Artur Olech – member of the Supervisory Board

Mr. Robert Sochacki – member of the Supervisory Board

Mrs. Anna Wawrzyńczak-Palynyczak – member of the Supervisory Board

According to the submitted statements none of the members of the Supervisory Board of the Bank conduct any business competitive to that of the Bank and none of the members is involved in a competitive business as a shareholder or partner in a civil law company, a partnership or a corporation or a member of a corporate body of a legal person. According to the submitted statements none of the members of the Supervisory Board of the Bank is registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS (National Court Register) Act of 20 August 1997.

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

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2024	31 MARCH, 2024	AS AT THE DATE OF SUBMITTING THE REPORT FOR 2023
Artur Olech Chairman of the Supervisory Board	Beata Kozłowska-Chyla Chairwoman of the Supervisory Board	Beata Kozłowska-Chyla Chairwoman of the Supervisory Board
Bartosz Grześkowiak Deputy Chairman of the Supervisory Board	Małgorzata Sadurska Deputy Chairwoman of the Supervisory Board	Małgorzata Sadurska Deputy Chairwoman of the Supervisory Board
Artur Nowak-Far Deputy Chairman of the Supervisory Board	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board
Anna Wawrzyńczak-Palynyczak Secretary of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board
Krzysztof Czeszejko-Sochacki Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board
Radosław Niedzielski Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board
Jacek Nieścior Member of the Supervisory Board	Marcin Izdebski Member of the Supervisory Board	Marcin Izdebski Member of the Supervisory Board
Robert Sochacki Member of the Supervisory Board		

Management Board of the Bank

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

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2024	31 MARCH, 2024	AS AT THE DATE OF SUBMITTING THE REPORT FOR 2023
Leszek Skiba President of the Management Board	Leszek Skiba President of the Management Board	Leszek Skiba President of the Management Board
Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board
Marcin Gadomski Vice President of the Management Board	Marcin Gadomski Vice President of the Management Board	Marcin Gadomski Vice President of the Management Board
Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board
Paweł Strączyński Vice President of the Management Board	Paweł Strączyński Vice President of the Management Board	Paweł Strączyński Vice President of the Management Board
Błażej Szczecki Vice President of the Management Board	Błażej Szczecki Vice President of the Management Board	Błażej Szczecki Vice President of the Management Board
Wojciech Werochowski Vice President of the Management Board	Wojciech Werochowski Vice President of the Management Board	Wojciech Werochowski Vice President of the Management Board
Piotr Zborowski Vice President of The Management Board	Piotr Zborowski Vice President of The Management Board	Piotr Zborowski Vice President of The Management Board
Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board

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

5.4 The Bank's share capital and share ownership structure

As at 31 March, 2024, the share capital of Bank Pekao S.A. amounted to PLN 262,470,034 and remained unchanged until the date of submitting the report. The Bank's share capital was divided into 262,470,034 shares in the following series:

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

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

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

SHAREHOLDER'S NAME	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2024		AS AT THE DATE OF SUBMITTING THE REPORT FOR 2023	
Powszechny Zakład Ubezpieczeń S.A.	52,494,007	20.00%	52,494,007	20.00%
Polski Fundusz Rozwoju S.A.	33,596,166	12.80%	33,596,166	12.80%
Funds managed by Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A.	18,893,000	7.20%	16,800,000	6.40%
Funds managed by Powszechnie Towarzystwo Emerytalne Allianz Polska S.A.	14,175,051	5.40%	15,500,051	5.91%
Other shareholders (below 5%)	143,311,810	54.60%	144,079,810	54.89%
Total	262,470,034	100.00%	262,470,034	100.00%

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

5.5 Financial credibility ratings

Bank Pekao S.A. financial credibility ratings

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

As of 31 March 2024, Bank Pekao S.A. had assigned following financial credibility ratings:

FITCH RATINGS	BANK PEKAO S.A.	POLAND
Long-Term Default rating (IDR)	BBB	A-
Short-Term Default Rating	F2	F1
Viability Rating	bbb	-
Government Support Rating	No support	-
Outlook	Stable	Stable
National Long-Term Rating	AA-(pol) (stable outlook)	-
National Short-Term Rating	F1+(pol)	-
S&P GLOBAL RATINGS	BANK PEKAO S.A.	POLAND
Long-term rating in foreign currencies	BBB+	A-
Long-term rating in domestic currency	BBB+	A
Short-term rating in foreign currencies	A-2	A-2
Short-term rating in domestic currency	A-2	A-1
Stand-alone credit profile	bbb+	-
Outlook	Positive	Stable
Rating of Senior Preferred series SP1 bonds	BBB+	-
Rating of Senior Non-Preferred series ESN1 bonds	BBB	-
Rating of Senior Non-Preferred series SN3 bonds	BBB	-
S&P GLOBAL RATINGS (RESOLUTION COUNTERPARTY RATING)	BANK PEKAO S.A.	POLAND
Long - term RCR in foreign currencies	A-	-
Short - term RCR in foreign currencies	A-2	-
Long - term RCR in domestic currency	A-	-
Short - term RCR in domestic currency	A-2	-
MOODY'S INVESTORS SERVICE (UNSOLICITED RATING)	BANK PEKAO S.A.	POLAND
Long-term foreign-currency deposit rating	A2	A2
Short-term deposit rating	Prime-1	Prime-1
Baseline Credit Assessment	baa2	-
Long-term counterparty risk assessment	A2(cr)	-
Short-term counterparty risk assessment	Prime-1(cr)	-
Outlook	Stable	Stable
Long-term Counterparty Risk Rating (CRR)	A2	-
Short-term Counterparty Risk Rating (CRR)	Prime-1	-

On 4 April 2024 S&P informed the bank about assigning long-term rating of BBB for the issue of Senior Non-Preferred series SN3 bonds.

On 10 April 2024 Moody's informed the bank about maintaining the ratings of the bank at the current level with the stable outlook.

According to Moody's the affirmation of Bank Pekao's baa2 BCA reflects the bank's improved profitability, which Moody's Ratings expects will soften in 2024 but to remain at strong levels, and robust capitalization with a substantial buffer over regulatory requirements. The affirmation of Bank Pekao's BCA also incorporates its stable funding profile, predominantly with domestic deposits and large liquidity buffers.

Pekao Bank Hipoteczny S.A. financial credibility ratings

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

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

At the end of March 2024, the long-term rating of Pekao Bank Hipoteczny S.A., assigned by the Fitch rating agency, was at the BBB level with a "Stable" outlook. Covered bonds issued by Pekao Bank Hipoteczny S.A. had a "BBB+" rating.

The high rating of the letters means that Pekao Bank Hipoteczny S.A. has the ability to issue securities with a high level of security and obtain long-term funds for lending activities.

5.6 Awards and distinctions

The activities of Bank Pekao S.A. gained wide recognition by clients, industry specialists, the market and the media, as evidenced by numerous awards and distinctions granted by Polish and foreign institutions.

The most important awards and distinctions received in the first quarter of 2024:

SME Banking Awards 2024

Vice-President of the Management Board of Bank Pekao S.A. - Magdalena Zmitrowicz, supervising the Corporate Banking Division, was the winner in the SME Banker of the Year category in the competition of the international organization Qorus. The vice president was recognized for her exceptional contribution to the development of SME banking, long-term support for companies and above-average results in the sector.

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

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

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

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

Bank Pekao S.A. For the sixth time, it received the prestigious distinction "The Best Trade Finance Provider in Poland"

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

The Best Bank in Poland and the Central and Eastern European region in terms of Sustainable Financing

We were recognized as the best bank in Poland and the Central and Eastern European region in terms of sustainable financing and received the awards "The Best Bank for Sustainable Finance in Poland for 2024" and "The Best Bank for Sustainable Finance in Central and Eastern Europe for 2024", which were awarded by the renowned Global Finance magazine.

In addition, we received additional awards "The Best Bank for Green Bonds in Central and Eastern Europe for 2024" and "The Best Bank for Transition/Sustainability Linked Bonds in Central and Eastern Europe for 2024".

Our activities in financing initiatives and bond issue programs aimed at the country's energy transformation, mitigating the negative effects of climate change, supporting local communities and the development of sustainable infrastructure projects were appreciated.

"Institution of the Year",

In the 9th edition of the ranking, we were distinguished in seven categories. We took first places in two categories related to remote and mobile service, and in the next five the Bank was among the leaders. The bank was also awarded in the following categories:

- the best service in the facility for positive experiences and understanding of customers during direct contacts. The titles of the Best Bank Branches in Poland were awarded to as many as 30 branches of the Bank,
- the best Private Banking - the high competences of advisors, the ability to present a wide range of solutions and the partnership approach during meetings were appreciated,
- the best bank for companies - the outstanding quality of customer service for customers interested in learning about the account offer and additional services for companies was appreciated,
- the best process of opening an account at a branch,
- the best remote account opening process - the efficient and friendly account opening process was appreciated both in the branch and in the selfie process.

After summarizing all 10 ranking categories, we were recognized as the second best bank in Poland.

Pekao Leasing awarded by the Home&Market

The company received a distinction for the offer of a non-standard product - real estate leasing, and thanks to the volume of contracts concluded every year, we are among the leading companies on the leasing market.

Five Alfa awards for Pekao TFI

Pekao TFI won the Alfa 2023 main prize in the "Investment Fund Company" category and in the "Best PPK funds" category. Alfa 2023 awards also went to the following subfunds: Pekao Stabilnego Wzrostu, Pekao Obligacji – Dynamiczna Alokacja 2, Pekao Dłużny Active. In addition, Pekao TFI subfunds won Alfa 2023 awards: Pekao Dynamicznych Spółek, Pekao Obligacji – Dynamiczna Alokacja FIO, Pekao Obligacji Plus.

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

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

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

BUSINESS MODEL

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

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

Distribution channels

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

	31.03.2024	31.03.2023
Total number of outlets	572	587
own outlets	487	507
partner branches	85	80
Total number of own ATMs	1,300	1,314

The number of accounts

At the end of March 2024, the Bank maintained 8,183.6 thousand PLN denominated current accounts, 365.0 thousand mortgage loan accounts and 577.9 thousand "Pożyczka Ekspresowa" (Express Loan) accounts.

(in thousand)

	31.03.2024	31.03.2023
Total number of PLN current accounts (*)	8,183.6	7,590.4
of which packages	5,776.1	5,429.6
Number of mortgage loans accounts (**)	365.0	365.8
of which PLN mortgage loans accounts	345.8	341.2
Number of Pożyczka Ekspresowa loan accounts (***)	577.9	578.9

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

(**) Retail customers accounts.

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

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

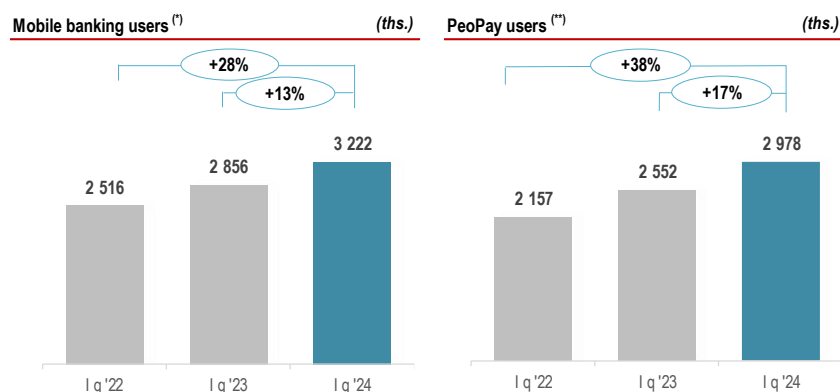
RETAIL BANKING AND PRIVATE BANKING
Strategy - The „Customer” pillar

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

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

Development of electronic and mobile banking

In the first quarter of 2024, the number of active mobile banking customers increased by 87 thousand to the level of over 3.2 million, i.e. to the target assumed in the strategy at the end of 2024 and was +13% higher than a year ago and +28% higher than two years ago. The number of active mobile customers using the PeoPay application increased by 104 thousand to 3.0 million and was +17% higher than a year ago and +38% higher than two years ago.



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

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

In the first quarter of 2024, the number of business customers actively using electronic banking increased by 4.4 thousand to the level of 248 thousand. The number of active business mobile banking customers increased by 3.8 thousand to the level of 148 thousand.

In the first quarter of 2024, we introduced the following in PeoPay and Pekao24 electronic banking:

- registration in the Miles & More program,
- Skarbonka account, which supports saving for a selected purpose,
- request for a BLIK transfer in PeoPay,
- information about the client's insurance,
- ability to personalize the application for Private Banking,
- new and more functional chat with hotline employees and presentation of customer advisor data,
- new seasons of educational games in the PeoPay KIDS application,
- two level login to the Pekao24 website using the PeoPay application,
- ability to submit applications for support services for people with disabilities,
- possibility of ordering a duplicate credit card.

Strategy - The „Growth” pillar

We strive for business growth in the most profitable market segments product groups and areas of untapped potential, which will result in improved profitability. i.e. consumer finance and in the micro-enterprises segment.

Over the next four years, Pekao wants to acquire over 400 thousand individual customers every year and increase its market share in cash loans. Moreover we will seek to rejuvenate the demographic structure of the retail customer base. The goal is to acquire over 600 thousand customers under 26 years of age by 2024.

We also focus on digital growth in investment products. We are also strengthening business synergies with the PZU Group, which will result in an **increase in sales of insurance products** and a twofold increase in the gross written premium by 2024.

Number of clients and accounts

In the first quarter of 2024, we opened 167 thousand accounts for individual customers, including over 36 thousand accounts opened for selfies. We also achieved good acquisition results among young customers aged up to 26, we opened 48 thousand for young people, which constitutes 29% of total accounts. As a result, the number of personal accounts for individual clients increased by +104 thousand in the quarter and by +322 thousand compared to the end of the first quarter of 2023.

Record sales of accounts in the first quarter of 2024 were supported by the marketing campaign of Konto Przekorzystne with the high-interest Savings Account conducted on television and on the Internet, as well as activities encouraging parents to open the first account for their child at the Bank during submitting applications for the 800+ parental benefit.

We launched subsequent editions of promotions for opening online accounts, under which customers could receive a bonus of up to PLN 200 for opening an account and actively using a debit card, we continued to provide offers with attractive interest rates on funds on the Mój Skarb savings account and promotions for opening an account addressed to parents.

Number of new account Świat Premium, offered to customers who deposit funds above PLN 200 thousand in the Bank's savings products reached the level of over 10 thousand i.e. sales increase by +20% more than in the same period a year earlier.

We have released another function in the PeoPay application - a BLIK transfer request. Transfers to a BLIK phone number are a convenient way of making settlements between friends and eagerly used by bank customers. The money reaches the recipient in real time, even if is an account in another bank. Requesting a BLIK transfer helps you efficiently manage group finances in various situations, e.g. when several people have to pay a joint bill or are collecting money for a specific purpose.

In the PeoPay application and on the Pekao24, we have made available a new product - Skarbonka, which allows you to flexibly save money for a purpose chosen by the customer. The Bank's customers can set up the Skarbonka themselves in their application, define the name, set the savings goal, the amount of regular payments if they want to save systematically and the end date of the Skarbonka.

On the platform "If not now, when..." we present young people with safe, modern and comprehensive financial solutions that will make it easier to realize their passions, goals and dreams.

For regular customers, we have introduced further editions of promotions as part of the Mastercard Bezcenne Chwile loyalty program. Customers gain additional bonus points that they can exchange for attractive prizes.

Until the end of 2025, we have extended a special offer for Ukrainian citizens, under which maintaining a Konto Przekorzystne, handling a card to the account and cash withdrawals from all ATMs in Poland, as well as outgoing and incoming transfers from Ukrainian banks are free of charge. In the first quarter of 2024, we opened nearly 9 thousand accounts for Ukrainian citizens.

Payment cards

We are consistently developing our credit card offer for individual customers. Our Credit Card with Żubr is very popular among customers. According to data from the Credit Information Bureau, every fifth credit card in Poland is issued by Bank Pekao. At the end of the first quarter of 2024, nearly 150 thousand customers used the Żubr Credit Card.

At the beginning of the year, thanks to the strategic cooperation of Bank Pekao with LOT Polish Airlines and Miles & More, we were the only Bank in Poland to enable the accumulation of miles under the European loyalty program - Miles & More. The program is addressed to both new and existing holders of the Żubr Credit Card. Customers can exchange the collected miles for: airline tickets, changing the air travel class, hotel reservations, car rentals and others. To join the program, simply attach your Miles & More credit card in the PeoPay mobile application or Pekao24 online banking.

Additionally, holders of the Żubr Credit Card combined with Miles & More in the Gold and Platinum Package can benefit from free Business Check-in at Warsaw Chopin Airport when traveling with LOT Polish Airlines.

Lending products

In the first quarter of 2024, we achieved very good sales results of cash loans. The value of cash loans granted increased by +22% y/y to PLN 1.38 billion in net volume and PLN 1.51 billion in gross volume. In March, monthly sales increased to PLN 516 million net and PLN 570 million gross.

In the first quarter of 2024, 83% of cash loan agreements with a volume of nearly PLN 1 billion were concluded in electronic channels, which is an increase of +24% y/y, in March, sales in electronic channels reached the highest monthly level of PLN 366 million, thanks to a consistent approach to increase the availability of remote credit processes for current and new customers.

In March, we launched the advertising campaign “Weź wygodną pożyczkę gdzie chcesz i na co chcesz” on TV, VOD, the Internet, social media and the Bank's electronic channels, which supports the sale of cash loans by promoting a quick and easy process and a very attractive price offer.

We are the only bank in Poland that launched another edition of preferential loans to finance tuition fees for paid medical studies in the summer semester of the 2023/2024 academic year. Students can benefit from interest subsidies, loan guarantees, and full or partial loan forgiveness. Over 3 thousand customer took advantage of the loan for a total amount of over PLN 620 million, of which we have already disbursed over PLN 181 million of semester loan tranches.

In the first quarter of 2024, we concluded an agreement with the Terg S.A. Capital Group. (owner of the Media Expert chain of stores) in the field of intermediation in offering installment loans in stationary and online stores.

Mortgage loans

In the first quarter of 2024, we continued to maintain very good sales results of housing loans. The value of loans granted increased more than 6 times (+526%) y/y to PLN 4.26 billion. In the first quarter of 2024, we achieved a very high market position in terms of mortgage loan sales volumes.

The sales result in the first quarter of 2024 was also influenced by the signing of contracts under the government's Bezpieczny Kredyt 2% program, concluded on the basis of applications submitted in 2023. In the second half of 2023, customers submitted over 51 thousand applications, which constitutes nearly 50% of all applications obtained in the entire banking sector. The total volume of contracts under the Bezpieczny Kredyt 2% program over the entire period amounted to over PLN 10.3 billion.

In the first quarter of 2024, we also granted +60%, i.e. PLN 1.08 billion, more housing loans outside the Bezpieczny Kredyt 2% program.

We have adapted and updated our mortgage loan offer on an ongoing basis to changing market conditions and needs. From February 2024, we have also expanded the offer with additional preferences for loans above PLN 500 thousand.

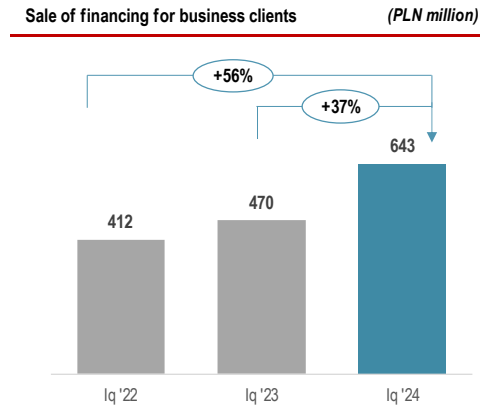
The settlement offer introduced for borrowers with active housing loans denominated in CHF, which are included in the Bank's portfolio almost entirely through the merger of a separated part of Bank BPH SA in 2007, met with great interest and acceptance from customers.

We have consistently improved loan granting processes by: expanding the availability of remote instructions (eDyspozycja), after-sales service of loans, and taking into account the benefit under the Family 800+ Program in the assessment of creditworthiness.

In March 2024, we transferred another part of mortgage loan receivables to Pekao Bank Hipoteczny. The total number of loans transferred so far is over 10.9 thousand worth PLN 2.1 billion.

Business clients loans

In the first quarter of 2024, new sales of financing to business customers in total (loans, leasing and factoring) amounted to PLN 643 million and were higher by almost +37% y/y. The increase in new sales of bank loans in the business segment in the first quarter of 2024 by nearly +36% y/y to PLN 315 million was supported, among others, by attractive terms of the offer related to the possibility of repaying liabilities from another bank.



Development in the area of insurance products

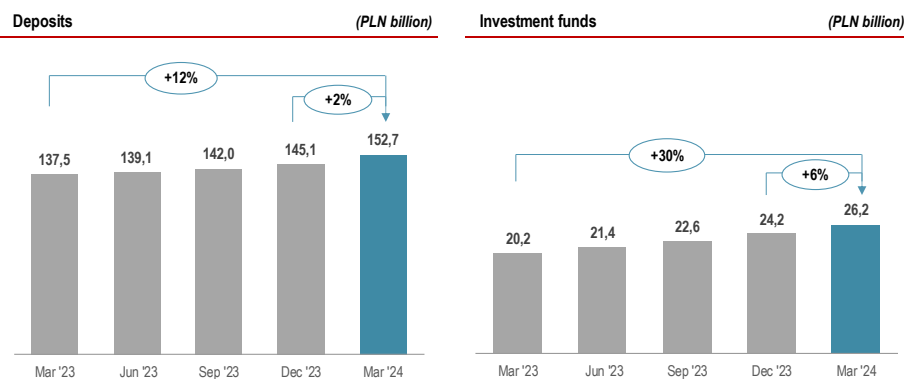
In the first quarter of 2024, intensive promotional and sales support activities were carried out in the insurance area, which resulted in high sales volumes and exceeding budget plans in this area.

In the first quarter of 2024, the collected premium from protection insurance was higher by +59% y/y, after taking into account investment products, the dynamics reached +4% y/y.

The high increase in sales concerned products unrelated to banking products, including: real estate insurance (+30% of the collected premium y/y), travel insurance (over 2.5 times increase in the number of policies y/y) and motor insurance - in the first quarter of 2024, 10 times more motor policies were sold than in the same period of 2023.

The share of number mortgage loans sold with insurance (for which insurance could be offered) remained at a stable high level of 86%, and in the case of number cash loans it amounted to 41%.

Deposit, brokering activity and sale of investment products



At the end of the first quarter of 2024, the total value of deposits held by individual clients (including Private Banking clients) and business clients amounted to PLN 152.7 billion, with an increase of +PLN 7.6 billion (2%) compared to the end of December 2023 and +PLN 15.2 billion (+12%) compared to March 2023.

Promotions on savings accounts and Mój Skarb accounts were invariably the most popular among new individual customers. During the promotion period, we opened a record number of over 70 thousand savings accounts on savings accounts from mid-January to the end of March 2024 such accounts. In turn, for customers who accept the possibility of investing part of their savings in investment products, we continued attractive offers of the "Lokata z Funduszem" and the "Lokata Inwestująca", which automatically transfers funds from a term deposit to an investment fund selected by the customer. Savings products combining deposits with a wide range of investment funds were very popular, which resulted in an increase in assets by 30% y/y and 6% q/q.

In the first quarter of 2024, we recorded inflows to investment products of PLN 4.8 billion (+86% y/y). Treasury Bonds were the most popular, with clients investing PLN 2.6 billion since the beginning of the year.

At the end of March 2024, the Bank operated over 2.6 thousand account "Kono Mieszkanie", where customers have deposited over PLN 24 million and this amount systematically increases every month along with subsequent customer payments. Customers who decided to save for their first apartment in 2023 obtained competitive interest rates offered by the Bank on the Konto Mieszkanie - up to 5.5% per annum for the first 6 months, but also a high bonus calculated in accordance with the Act, which is equal to 15% for 2023.

In the first quarter of 2024, the Bank introduced the following investment products to its offer for individual clients:

- Structured product with full capital protection at maturity in PLN: 2-year Certificate with Capital Protection at Maturity Linked to Meta Platforms, Inc. Shares. and Netflix, Inc., in PLN, issued by Goldman Sachs International,
- Structured product with full capital protection at maturity in USD: 2-year Certificate with Capital Protection at Maturity Linked to Meta Platforms, Inc. Shares. and Netflix, Inc., in USD, issued by Goldman Sachs International,
- Structured product with full capital protection at maturity in EUR: 2-year Certificate with Capital Protection at Maturity Linked to Meta Platforms, Inc. Shares. and Netflix, Inc., in EUR, issued by Goldman Sachs International,
- Structured product with full capital protection at maturity in PLN: Two-Year Certificate with 100% Capital Protection Only at Worst Of Maturity Linked to Shares of Sony Group Corporation and Advanced Micro Devices, Inc. (AMD),

The bank applies preferential pricing conditions for customers purchasing investment products via online applications and actively encourages customers to use remote channels.

ENTERPRISE BANKING

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

In the the first quarter of 2024 we focused on the automation and digitization of the credit process and the development of electronic banking functionalities enabling customer self-service.

Strategy - The „Customer” pillar

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

Lending activities and customer financing

In the first quarter of 2024, the dynamics of the loan portfolio volume was +4,1% y/y, which translated into an increase of +PLN 1.4 billion. The increase in the value of the financing portfolio volume was visible in both bank loans and leasing. In the first quarter of 2024, the value of new loans sold (without renewals) in the SME segment reached PLN 1.6 billion and this value was 2% higher than in the same period of the previous year. In the MID segment, the value of new loans sold amounted to PLN 3.6 billion, achieving an 11% y/y dynamics.

As part of cooperation with the Agency for Restructuring and Modernization of Agriculture, we have introduced an investment loan with an Ekomax guarantee and loans with a Biznesmax Plus guarantee to our offer. These are products that enable companies from the SME sector and companies with small and medium capitalization to access financing on preferential terms. Ekomax, with a view to promoting sustainable development, focuses on projects increasing energy efficiency, from thermal modernization of buildings to installations of renewable energy sources. A loan can be used to finance the purchase of fixed assets, payment for construction works and materials, as well as investments in intangible assets, such as patents and licenses. Biznesmax Plus is a financial solution designed to help small, medium and large companies implement their investment projects and support working capital needs at every stage of business. The subject of the Biznesmax Plus guarantee may be an investment loan granted to finance investments under three types of projects: implementation of innovative, eco-innovative investments, as well as investments aimed at the digital transformation of enterprises, and working capital loans. This free loan repayment guarantee for entrepreneurs secures up to 80% value of an investment or working capital loan. Its maximum amount is the equivalent of EUR 2.5 million in PLN, and its duration is no longer than 20 years. The guarantee covers the unpaid principal amount of the loan without interest and costs related to the financing granted and covers a period not longer than the loan period extended by a maximum of three months.

Customer acquisition

In the first quarter of 2024, we maintained a high level of new customer acquisition in the SME segment - we acquired 872 new customers and in the MID segment - 281 new customers. In total, acquisition was higher by 14% y/y.

Transactional and product activity

In the first quarter of 2024, we discovered the development of the self-service zone at PekaoBiznes24. We have improved card management processes, opening a sub-account and introduced a new process for applying for and purchasing closed-end monetary services.

We have made possible for corporate clients to download electronic year-end confirmations.

In PekaoBiznes24, we have also introduced information about the account blocking at the request of the enforcement authority.

We have simplified the loan process for company. It is now fully digital. We do not require any documents from our clients. It is offered for companies that the Bank had previously introduced a limit that is visible after logging in to the account, which can be used in the form of, among others: turnover carrier, leasing, factoring. A provision form company is not required because Pekao uses a guarantee from Bank Gospodarstwa Krajowego. Regular customers can receive their money in as little as half an hour. The new online lending process can also be used by companies that previously had no relationship with Pekao. We have made the application available to such clients on the website. Then, the loan funds are paid the next day after completing the application. A novelty on a national scale is the use of modern identity verification methods. Using the mObywatel application or open banking for this purpose. The process has gained recognition of the SME Banking Club Association, which awarded the Pekao service second place in the Digital Lending SME category in Central and Eastern Europe in this year's edition of its ranking.

We conducted a series of ESG training workshops for employees of the Corporate Banking Division, updating their knowledge of the new regulatory requirements of the CSRD Directive.

CORPORATE AND INVESTMENT BANKING

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

CLIENTS

At the end of the first quarter of 2024, we serviced 6.8 thousand clients. We cooperate with the largest companies, we provide support in the field of substantive, operational and financial development of our clients both in everyday business and large strategic projects.

Strategy

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

Plans and ambitions of Corporate Banking rest on 4 pillars:

Growth:

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

Effectiveness:

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

Clients:

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

Responsibility:

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

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

Our approach to growth is focused on the continuous development of modern digital tools that support the activities of analysts, relationship managers and clients. In business areas, we engage in projects related to a responsible approach to the way in which business activity is conducted. We are also developing international banking and supporting the foreign expansion of our clients.

While strengthening our effectiveness we focus on increasing the level of robotization and automation of internal processes as well as solutions available to clients. We are also continuously expanding the scope of self-service operations in digital channels and we are implementing more products available to corporate clients for online purchase.

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

Supporting sustainable economic development, we engage in private as well as in government and EU programs for economic recovery and climate transformation. An important area of our activity is also the cooperation with public sector entities, where, in addition to green investments and infrastructural projects, we are involved in financing socially responsible projects which have a positive impact upon the living standard of Poles.

The fundamental of our business is responsible capital management. We do this relying on sector expertise, a flexible and specialized product offer, unique competences in structuring financing and extensive opportunities to operate on Polish and foreign financial markets. Such knowledge allows us to rationally and maturely select customers and the most appropriate products and transactions.

Cooperation with financial institutions and custody services

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

We are engaged in an extensive cooperation with banks from all over the world. With more than 1.3 thousand exchanged swift keys, direct or indirect access to major clearing systems, nostro accounts and maintaining loro accounts for a very large group of foreign banks – the Bank has the infrastructure to ensure efficient foreign settlements in 19 major currencies.

Transactional banking

In the first quarter of 2024:

- we recorded an increased number of domestic transfers by over +12% y/y (we maintain about 20% market share for domestic payments),
- we recorded an increased number of outgoing foreign transfers by + 8% and an increased number of incoming transfers by + 13%.

In the self-service zone in PekaoBiznes24:

- we introduced a new functionality that allows our clients to submit cash applications on their own, which gives them an opportunity to solicit pricing offers from outsourcing companies and then select an offer and conclude – fully electronically - the agreement for handling cash deposits/withdrawals in a closed form,
- we enabled our clients to block cards in real time,
- we introduced the possibility to receive confirmation of balances at the end of the year.

We also introduced a new type of fee machine for industries with a high cash turnover.

Cooperation with international clients

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

In the first quarter of 2024, we concluded an agreement with the South Korea's largest bank: KB Kookmin Bank. The initiative involves cooperation in corporate finance transactions, development of trade finance transactions, including letters of credit and bank guarantees, and the acquisition of new corporate clients. A Korea Desk, dedicated to Korean clients, will be established at the Bank, specialized in servicing Korean companies operating in Poland and the ones intending to enter our market.

Investment finance, structured finance and commercial real estate

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

The key projects financed by the Bank in the first quarter of 2024 include:

- a syndicated loan in the amount of PLN 2,5 billion granted to a leading company from the pharmaceutical industry; the Bank was the loan arranger,
- an ESG investment loan for a renewable energy sources granted to a leading company from the energy sector. The financing amounted to PLN 1 billion. The Bank was the loan agent,
- a syndicated loan for development of an enterprise from the paper industry. The syndicated loan amounted to EUR 270 million,

- a loan in the amount of PLN 295 million granted to a client from the real estate industry for the construction of flats for long-term rent. This is another investment through which the Bank supports the development of the country's rental housing market.

Issuance of debt securities

In the first quarter of 2024, the Bank participated in issuance of non-treasury debt securities (of corporate entities, banks and municipal units) for the total amount of more than PLN 15,7 billion, of which the following transactions deserve special attention:

- the issue of two series of Eurobonds (8- and 15-year) for the Polish Development Bank for the total amount of EUR 2 billion; the Bank acted as the co-arranger,
- the issue of 1-year bonds for a multilateral financial institution for the amount of PLN 500 million, where the Bank acted as an additional dealer,
- the issue of 3-year bonds for a developer company for the amount of PLN 230 million in which the Bank was the co-arranger and dealer,
- the issue of 4 series of bonds denominated in PLN for a leasing company from the Bank Pekao Capital Group for the total amount of over PLN 2 billion and the issue of 7 series of bonds denominated in PLN and EUR for a factoring company from the Bank's Capital Group for the total amount of almost PLN 3,9 billion. The Bank acted as sole arranger and dealer in both transactions,
- the issue of 4,5-year covered bonds for the amount of PLN 180 million and the 5-year public covered bonds for the amount of PLN 100 million for a mortgage bank from the Group in which the Bank acted as the sole arranger and the dealer,
- the issue of short-term bonds of a mortgage bank from the Group for the amount of PLN 200 million in which the Bank acted as the sole arranger and dealer,
- the issue of 8 series of bonds of 2 local government units (JST) for the total amount of more than PLN 33 million.

Comprehensive service of public sector finances

One of the elements of our strategy is to finance public sector and municipal projects. We render our services and we provide financing to self-government units, municipal companies, institutions of higher education as well as entities established as part of public-private partnership. We are actively involved in activities related to building and developing Polish infrastructure, including the support for sustainable development of the economy and environmental protection.

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

5.8 Factors which will affect the results of the Group

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

Our macroeconomic scenario assumes a gradual acceleration of economic growth from 2.0% year-on-year in the first quarter of 2024, to 3.3% in the fourth quarter of 2024 and 4.8% in the fourth quarter of 2025. Growth will initially be driven by private consumption, stimulated by the increase in household incomes (real wages and social transfers). However, we do not expect a consumer boom. This will be prevented by high interest rates (temporarily even 3% in real terms), meaning low demand for credit and an increasing propensity to save. A weaker economic situation in the eurozone will also weigh on Polish exports. In 2025, an additional factor of growth will be the acceleration of investments financed from the National Recovery Plan (NRP) and cohesion funds from the new EU budget (for the years 2021-2026).

In March, inflation fell to 2% and met the National Bank of Poland's target, but from April it will be driven up by the return of 5% VAT on food, and from June by the unfreezing of energy prices. Strong consumer demand will also start to put pressure on prices. In our opinion, core inflation will stabilize around 3.5% year-on-year, and CPI inflation will reach about 5% yoy at the end of the year, which is lower than at the end of 2023. Our scenario for economic growth creates a risk of no further decline in core inflation in 2025, but this is a horizon where forecasts are already subject to a large margin of error.

The key macroeconomic factor affecting the financial performance of the banking sector is monetary policy. The hiking cycle initiated by the Monetary Policy Council (MPC) in October 2021, which raised the reference rate to a historic level of 6.75%, had a positive impact on the financial performance of the sector, increasing net interest income. We expect that after a significant cut in the second half of 2023 (-100 basis points), the MPC will not decide on any interest rate adjustments in 2024 or 2025, which means that the next two years will be marked by an environment of high nominal and positive real interest rates.

Sales of housing loans in 2024 will increase by slightly above 5% yoy. The mortgage volume growth remains negative but is improving month by month and increased from -5.6% yoy in October 2023 to -1.2% yoy in February 2024. The growth of real wages will boost consumption and consequently increase demand for consumer loans (2.9% yoy in February). In turn, the process of rebuilding real savings will be accompanied by an increased inflow of deposits from individual customers - our forecast for 2024 indicates a growth of 9.4% yoy versus February's reading of 10.2% yoy.

A relevant factor affecting the profit of the Bank Pekao Group will be government programmes to support borrowers, including the so-called #FlatForAStart program. The Regulatory Impact Assessment indicates that the implementation of the program will cost the State Treasury PLN 350 million in 2024 and PLN 1.7 billion in 2025. The program will operate through subsidies to loans financing the purchase of the first property by households, which means it will not constitute a cost for The Group - on the contrary, by stimulating demand for credit it may have a positive impact on the Group's financial situation.

Financial results of the Pekao Group may also be susceptible to risks associated with the investment cycle. The inflow of European funds from the National Recovery Plan (NRP) will provide a significant boost to the economy, positively affecting the dynamics of investment and demand for corporate credit. However, before this occurs, the Polish economy will feel the effects of the depletion of EU funds from the 2014-2020 budget (the 2021-2027 budget will not have gained momentum), which, according to our forecasts, will result in a fall of expenditures on fixed assets in 2024 (-0.9% yoy). The rebound in investment under the influence of the NRP will only be visible in 2025 (+6.4% yoy).

6. Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 31 March, 2024 and 2023 respectively is presented in Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2024.

The Report on activities of Bank Pekao S.A. Group for the first quarter of 2024, includes statement of financial position in a short form and income statement in a presentation form as well as the key, selected items from these statements are discussed.

6.1 The consolidated income statement – presentation form

In the first quarter of 2024, we generated net profit of the Bank Pekao S.A. Group, attributable to the Bank's shareholders in the amount of PLN 1,514 million. This result is higher by PLN 68 million than the result achieved in the first quarter of 2023, mainly due to higher operating income, in particular higher interest income, despite the inflationary increase in operating costs.

	(in PLN million)		
	1 QUARTER OF 2024	1 QUARTER OF 2023	CHANGE
Net interest income	3,088	2,774	11.3%
Net fee and commission income	668	662	0.9%
Dividend, income	1	-	x
Trading result	122	158	(22.8%)
Net other operating income and expenses	(117)	(63)	85.7%
including: legal risk regarding foreign currency mortgage loans	(111)	(72)	54.2%
Net non-interest income	674	757	(11.0%)
Operating income	3,762	3,531	6.5%
Operating costs	(1,238)	(1,106)	11.9%
Gross operating profit	2,524	2,425	4.1%
Net allowances for expected credit losses	(108)	(105)	2.9%
including: legal risk regarding foreign currency mortgage loans	68	27	>100%
Net operating profit	2,416	2,320	4.1%
Contributions to the Bank Guarantee Fund	(239)	(192)	24.5%
Fee paid for the Protection Schemes	-	-	x
Contributions to the Borrowers Support Fund	-	-	x
Tax on certain financial institutions	(223)	(219)	1.8%
Gains on associates and disposal of subsidiaries	2	1	100%
Profit before tax	1,956	1,910	2.4%
Income tax expense	(441)	(464)	(5.0%)
Net profit	1,515	1,446	4.8%
Attributable to equity holders of the Bank	1,514	1,446	4.7%
Attributable to non-controlling interest	1	-	x

Operating income

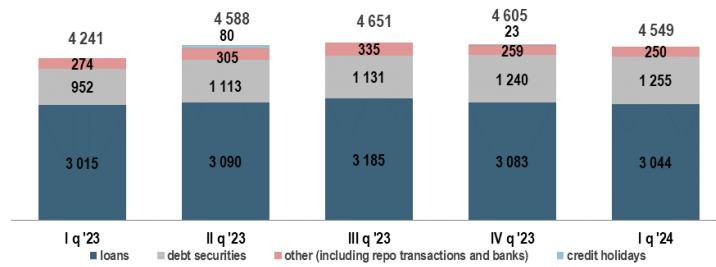
The Group's operating income in the first quarter of 2024 amounted to PLN 3,762 million and was 6.5% higher than the income achieved in the first quarter of 2023, mainly due to interest income.

Total net interest income

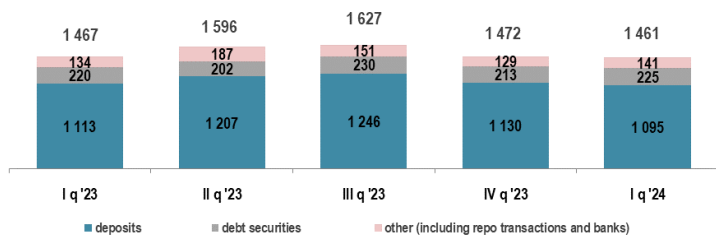
(in PLN million)

	1 QUARTER OF 2024	1 QUARTER OF 2023	CHANGE
Interest income	4,549	4,241	7.3%
Interest expense	(1,461)	(1,467)	(0.4%)
Net interest income	3,088	2,774	11.3%

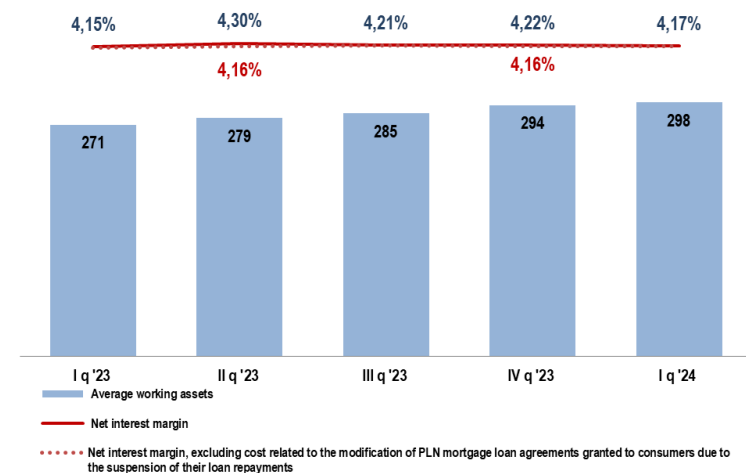
The Group net interest income achieved in the first quarter of 2024 amounted to PLN 3,088 million and was higher by PLN 314 million, i.e. 11.3% compared to the result achieved in the first quarter of 2023, mainly due to higher volumes and a stable interest margin.

Interest income


Interest income in the first quarter of 2024 amounted to PLN 4,549 million and was higher by PLN 308 million y/y, thanks to higher volumes, despite lower interest rates.

Interest expense


Interest costs in the first quarter of 2024 amounted to PLN 1,461 million and were lower by PLN 6 million y/y, despite higher volumes

Interest margin


The interest margin achieved in the first quarter of 2024 amounted to 4.17% and was higher by 0.02 p.p than the margin achieved in the first quarter of 2023.

Net non-interest income

(in PLN million)

	1 QUARTER OF 2024	1 QUARTER OF 2023	CHANGE
Fee and commission income	870	855	1.8%
Fee and commission expense	(202)	(193)	4.7%
Net fee and commission income	668	662	0.9%
Dividend income	1	-	x
Trading result	122	158	(22.8%)
Net other operating income and expense	(117)	(63)	85.7%
including: legal risk regarding foreign currency mortgage loans	(111)	(72)	54.2%
Net non-interest income	674	757	(11.0%)

The non-interest result achieved in the first quarter of 2024 amounted to PLN 674 million and was lower by PLN 83 million, i.e. 11.0% compared to the result achieved last year, due to higher costs related to legal risk related to foreign currency mortgage loans, compensated reversal of impairment losses and lower valuation of derivatives.

The Net fee and commissions achieved in the first quarter of 2024 amounted to PLN 668 million and was higher by PLN 6 million, i.e. 0.9% compared to the result achieved in the first quarter of 2023, mainly due to higher commissions from investment funds and brokerage activities, as a result of improved sentiment on capital markets.

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

(in PLN million)

	1 QUARTER OF 2024	1 QUARTER OF 2023	CHANGE
Net fee and commission income	668	662	0.9%
on loans	142	142	(0.6%)
on cards	75	78	(4.0%)
on mutual funds	98	82	19.9%
on brokerage activate	41	36	13.8%
on margins on foreign exchange transactions with clients	165	176	(5.9%)
other	147	148	(0.4%)

Operating costs

Operating costs in the first quarter of 2024 amounted to PLN 1,238 million and were higher by PLN 132 million, i.e. 11.9% compared to the first quarter of 2023, mainly due to the inflation indexation of wages.

(in PLN million)

	1 QUARTER OF 2024	1 QUARTER OF 2023	CHANGE
Personnel expenses	(733)	(614)	19.4%
General administrative expenses and depreciation	(505)	(492)	2.6%
Operating costs	(1,238)	(1,106)	11.9%

In the first quarter of 2024 cost / income ratio amounted to 32.9% and was lower by 1.6 p.p. /y.

As of 31 March 2024 the Group employed 15,200 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 14,834 employees as at the end of March 2023.

Contributions to the Bank Guarantee Fund

Contributions to the Bank Guarantee Fund in the first quarter of 2024 amounted to PLN 239 million and were lower by PLN 47 million i.e. 24.5% than in the first quarter of 2023.

Tax on certain financial institutions

The tax on certain financial institutions in the first quarter of 2024 amounted to PLN 223 million and was higher by PLN 4 million, i.e. 1.8% than in the first quarter of 2023 due to the increase in the Bank's assets.

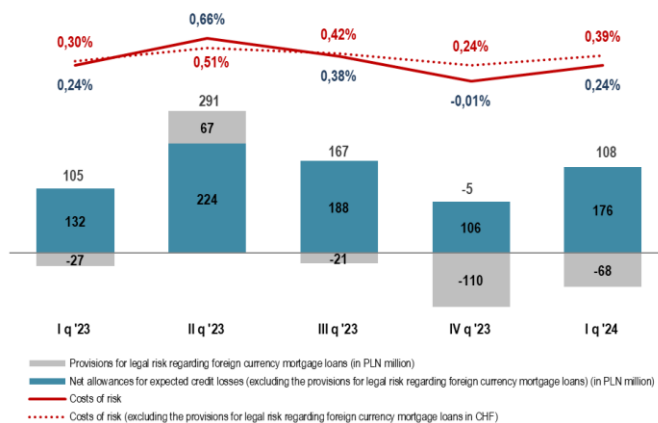
6.2 Net allowances for expected credit losses

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	1 QUARTER OF 2024	1 QUARTER OF 2023	1 QUARTER OF 2024	1 QUARTER OF 2023
financial assets measured at amortized cost excluding provisions for legal risk regarding foreign currency mortgage loans in CHF	(207)	(171)	(206)	(168)
financial assets measured at fair value through other comprehensive income	3	2	7	(1)
financial liabilities measured at amortized cost	28	37	18	35
Net allowances for expected credit losses excluding provisions for legal risk regarding foreign currency mortgage loans in CHF	(176)	(132)	(181)	(133)
financial assets measured at amortized cost - provisions for legal risk regarding foreign currency mortgage loans in CHF	68	27	66	25
Net allowances for expected credit losses	(108)	(105)	(115)	(109)

The result on allowances for expected credit losses in the first quarter of 2024 amounted to PLN 108 million and was higher by PLN 3 million, i.e. 2.9% than in the first quarter of 2023, despite the positive impact of the reduction in provisions for legal risk regarding foreign currency mortgage loans in CHF.

Costs of risk



The Group's risk costs, excluding the provision for legal risk related to foreign currency mortgage loans, in the first quarter of 2024 amounted to 0.39% and were higher by 0.09 p.p. from the previous year's level.

6.3 The structure of the net profit

(in PLN million)

	1 QUARTER OF 2024	1 QUARTER OF 2023	CHANGE
Net profit of Bank Pekao S.A.	1,579	1,374	14.9%
Entities consolidated under full method			
Pekao Investment Management S.A.	26	21	23.8%
Pekao Leasing Sp. z o.o.	23	22	4.5%
Pekao Faktoring Sp. z o.o.	7	13	(46.2%)
Pekao Bank Hipoteczny S.A.	4	2	100.0%
Centrum Kart S.A.	3	2	50.0%
Pekao Financial Services Sp. z o.o.	3	1	> 100%
PEUF Sp. z o.o.	3	2	50.0%
Pekao Direct Sp. z o.o.	2	2	0.0%
Pekao Fundusz Kapitałowy Sp. z o.o. w likwidacji	0	0	0.0%
Pekao Property S.A. w likwidacji	0	0	0.0%
FPB "MEDIA" Sp. z o.o. w upadłości	-	-	x
Pekao Investment Banking S.A.	(2)	0	x
Entities valued under the equity method			
Krajowy Integrator Płatności S.A.	2	1	100%
Exclusions and consolidation adjustments ⁽¹⁾	(136)	6	x
Net profit of the Group attributable to equity holders of the Bank	1,514	1,446	4.7%

⁽¹⁾ Includes among others transactions within the Group (including dividends from subsidiaries for the previous years) and net profit attributable to non-controlling interest.

Results of the Bank's major related entities

Pekao Investment Management S.A. – Pekao IM

The consolidated net profit of Pekao IM in the first quarter of 2024 amounted to **PLN 26 million**, compared to PLN 21 million achieved in the first quarter of 2023. The result was influenced by the improving situation on the capital market, encouraging clients to invest in investment funds, which translated into an increase in the value of assets managed by Pekao TFI.

Pekao Leasing Sp. z o.o. – Pekao Leasing

In the first quarter of 2024, Pekao Leasing generated a net profit of **PLN 23 million**, compared to a profit of PLN 22 million in the first quarter of 2023, thanks to the increase in assets leased by 6.7% y/y, despite the inflationary increase in operating costs.

Pekao Faktoring Sp. z o.o. – Pekao Faktoring

In the first quarter of 2024, Pekao Faktoring generated a net profit of **PLN 7 million**, compared to PLN 13 million in the first quarter of 2023. The lower result was influenced by higher levels of credit risk costs, inflationary increases in operating costs and lower income from financed receivables. Pekao Faktoring ranks second in turnover on the Polish factoring market.

Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny

In the first quarter of 2024, Pekao Bank Hipoteczny reported a net profit of **PLN 4 million**, compared to a profit of PLN 2 million in the first quarter of 2023, thanks to higher interest income and lower contributions and fees to the Bank Guarantee Fund.

Centrum Kart S.A. – Centrum Kart

In the first quarter of 2024, the Centrum Kart achieved a net profit of **PLN 3 million** compared to PLN 2 million generated in the first quarter of last year. The result was influenced by the increase in income from services provided to Bank Pekao.

PeUF Sp. z o.o. – PeUF

In the first quarter of 2024, PeUF generated a net profit of **PLN 3 million**, compared to PLN 2 million achieved in the first quarter of 2023. The net result was higher due to a 43.6% increase in the value of commission on policies sold compared to the first quarter of 2023.

Pekao Direct Sp. z o. o. – Pekao Direct

In the first quarter of 2024, Pekao Direct reported a net profit of **PLN 2 million** and was close to the profit achieved in the first quarter of 2023.

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

In the first quarter of 2024, PFS generated a net profit of PLN 3 million (including the Bank's share of **PLN 2 million**), compared to the profit of PLN 1 million achieved in the first quarter of 2023. The net result was higher due to an increase in revenues, among others, from the provision of services under Employee Capital Plans and optimization of the level of operating costs.

Krajowy Integrator Płatności S.A. – KIP

In the first quarter of 2024, KIP generated a net profit of PLN 5 million (of which **PLN 2 million** was included in the Group's result), compared to PLN 3 million achieved in the first quarter of 2023. The result is the result of the continued development of KIP's activities in the area of online payments, service websites, and a wider range of services provided by KIP, including cooperation with the Bank.

Pekao Investment Banking S.A. – Pekao IB

In the first quarter of 2024, Pekao IB reported a net loss of **PLN 2 million** due to the lower number and value of finalized transactions in the area of capital market consulting compared to the first quarter of 2023, with inflationary operating costs.

The results of Bank Pekao S.A.

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

(in PLN million)

	1 QUARTER OF 2024	1 QUARTER OF 2023	CHANGE
Net interest income	2,998	2,693	11.3%
Net fee and commission income	557	564	(1.2%)
Dividend, income	152	-	x
Trading result	115	155	(25.8%)
Net other operating income and expenses	(113)	(62)	82.3%
including: legal risk regarding foreign currency mortgage loans	(106)	(69)	53.6%
Net non-interest income	711	657	8.2%
Operating income	3,709	3,350	10.7%
Operating costs	(1,134)	(1,016)	11.6%
Gross operating profit	2,575	2,334	10.3%
Net allowances for expected credit losses	(115)	(108)	6.5%
including: legal risk regarding foreign currency mortgage loans	66	25	> 100%
Net operating profit	2,460	2,226	10.5%
Contributions to the Bank Guarantee Fund	(237)	(188)	26.1%
Fee paid for the Protection Schemes	-	-	x
Contributions to the Borrowers Support Fund	-	-	x
Tax on certain financial institutions	(223)	(219)	1.8%
Profit before tax	2,000	1,819	10.0%
Income tax expense	(421)	(445)	(5.4%)
Net profit	1,579	1,374	14.9%

Net profit of Bank Pekao S.A. in the first quarter of 2024 amounted to PLN 1,579 million. This result is higher by PLN 205 million than the result achieved in the first quarter of 2023, mainly due to higher operating income, in particular higher interest income and lower write-offs for legal risk related to foreign currency mortgage loans, despite the inflationary increase in operating costs.

The main Bank's financial information are as follows:

	31.03.2024	31.03.2023	CHANGE
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS			
<i>(in PLN million)</i>			
Loans and advances at nominal value (*)	165,302	162,795	1.5%
Amounts due to customers	242,355	223,495	8.4%
Structured Certificates of Deposit	-	699	x
Certificates of Deposit	-	2,101	x
Senior bonds	3,992	-	x
Subordinated bonds	2,750	2,750	x
Repo transactions	1,459	3,810	(61.7%)
Total assets	304,474	282,988	7.6%
Investment funds distributed through the Bank's network	21,940	16,826	30.4%
Total capital ratio in % (**)	19.3%	19.9%	(0.6 p.p)

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

(**) Data for 31 March, 2024 and 31 March, 2023 have been recalculated taking into account the retrospective recognition of part of the profit for respectively 2023 and 2022, in accordance with the EBA position expressed in Q&A 2018_3822 and Q&A 2018_4085.

Loans and advances at nominal value at the end of March 2024 amounted to PLN 165,302 million and were lower by PLN 2,507 million, i.e. 1.5% than at the end of March 2023. At the end of March 2024, retail loans amounted to PLN 79,640 million, and corporate amounted to PLN 72,092 million.

Amounts due to customers, Structured Certificates of Deposit, Certificates of Deposit, Senior Bonds and Subordinated Bonds amounted to PLN 249,096 million at the end of March 2024 and were higher by PLN 20,051 million, i.e. 8.8% compared to the end of March 2023.

Net assets of investment funds managed by Pekao TFI S.A. distributed by the Bank's network at the end of March 2024 amounted to PLN 21,940 million and was higher by PLN 5,114 million, i.e. 30.4% compared to the end of March 2023.

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

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of March 2024, the total assets of Bank Pekao S.A. constitutes 95.9% of the total assets of the whole Group.

ASSETS	31.03.2024		31.03.2023		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and cash equivalents ⁽¹⁾	16 916	5,3%	20 066	5,1%	(15,7%)
Loans and advances to banks ⁽²⁾	157	0,0%	215	1,9%	(27,1%)
Loans and advances to customers ⁽³⁾	173 652	54,7%	166 860	57,0%	4,1%
Reverse repo transactions	1 906	0,6%	2 165	0,7%	(12,0%)
Securities ⁽⁴⁾	107 485	33,9%	82 885	28,3%	29,7%
Investments in associates	56	0,0%	50	0,0%	13,1%
Property, plant and equipment and intangible assets	4 367	1,4%	3 769	1,3%	15,9%
Other assets	12 830	4,0%	16 619	5,7%	(22,8%)
Total assets	317 369	100,0%	292 628	100,0%	8,5%

⁽¹⁾ Cash and cash equivalents include cash in hand, amounts due from the National Bank of Poland, as well as amounts due from banks with a maturity of up to 3 months.

⁽²⁾ Including net investments in financial leases to banks.

⁽³⁾ Including net investments in financial leases to customers and non-treasury debt securities.

⁽⁴⁾ Including financial assets held for trading, other financial instruments at fair value through profit and loss and excluding non-treasury debt securities

EQUITY AND LIABILITIES	31.03.2024		31.03.2023		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to other banks	6 854	2,2%	7 735	2,6%	(11,4%)
Amounts due to customers	242 139	76,3%	223 140	76,3%	8,5%
Debt securities issued	11 902	3,8%	7 800	2,7%	52,6%
Subordinated liabilities	2 830	0,9%	2 851	1,0%	(0,7%)
Repo transactions	1 459	0,5%	3 810	1,3%	(61,7%)
Lease liabilities	654	0,2%	263	0,1%	> 100%
Other liabilities	19 848	6,3%	21 873	7,5%	(9,3%)
Total equity including	31 683	10,0%	25 157	8,6%	25,9%
non-controlling interests	13	0,0%	13	0,0%	0,0%
Total equity and liabilities	317 369	100,0%	292 628	100,0%	8,5%

Customers' Financing
Customer structure of loans and advances

(in PLN million)

	31.03.2024	31.03.2023	CHANGE
Loans and advances at nominal value ^(*)	180 795	174 689	3,5%
Loans and investments in financial leases	169 761	164 639	3,1%
Retail	81 986	75 703	8,3%
Corporate	87 775	88 936	(1,3%)
Non-treasury debt securities	11 034	10 050	9,8%
Other ^(**)	2 121	2 136	(0,7%)
Impairment allowances	(9 264)	(9 965)	(7,0%)
Total net receivables	173 652	166 860	4,1%
Reverse repo transactions	1 905	2 165	(12,0%)
Total Customers' financing ^(***)	182 700	176 854	3,3%

(*) Excluding reverse repo transactions.

(**) Including interest and receivables in transit.

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

As at the end of March 2024, loans and advances at nominal value amounted to PLN 180,795 million and were higher by PLN 6,106 million, i.e. 3.5% than at the end of March 2023.

As at the end of March 2024 the volume of retail loans amounted to PLN 81,986 million and were higher by PLN 6,283 million, i.e. 8.3% than at the end of March 2023.

Corporate loans including non-treasury debt securities at the end of March 2024 amounted to PLN 98,809 million and were lower by PLN 177 million, i.e. 0,2% compared to the end of March 2023.

Receivables and impairment losses ^(*)

(in PLN million)

	31.03.2024	31.03.2023	CHANGE
Gross receivables	182 916	176 825	3,4%
Stage 1	154 064	147 673	4,3%
Stage 2	17 880	17 813	0,4%
Stage 3	10 972	11 339	(3,2%)
Impairment allowances	(9 264)	(9 965)	(7,0%)
Stage 1	(818)	(860)	(4,9%)
Stage 2	(978)	(1 270)	(23,0%)
Stage 3	(7 468)	(7 835)	(4,7%)
Total net receivables	173 652	166 860	4,1%

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

As at the end of March 2024 the ratio of impaired receivables (stage 3) to the gross receivables amounted to 6.0%.

Loans and advances to customers by currency ^(*)

	31.03.2024		31.03.2023		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	147 212	80,5%	140 330	79,4%	4,9%
Denominated in foreign currencies ^(**)	35 704	19,5%	36 495	20,6%	(2,2%)
Total	182 916	100,0%	176 825	100,0%	3,4%
Impairment allowances	(9 264)	x	(9 965)	x	(7,0%)
Total net	173 652	x	166 860	x	4,1%

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

(**) Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish zloty, as at the end of March 2024 their share was 80.5%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (88.1%), CHF (4.9%) or USD (5.7%).

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

	31.03.2024		31.03.2023		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	23 025	12,6%	23 566	13,3%	(2,3%)
1 to 3 months	7 250	4,0%	7 740	4,4%	(6,3%)
3 months to 1 year	16 963	9,3%	17 347	9,8%	(2,2%)
1 to 5 years	59 439	32,5%	55 925	31,6%	6,3%
Over 5 years	69 549	38,0%	65 393	37,0%	6,4%
Past due	4 569	2,5%	4 719	2,7%	(3,2%)
Other	2 121	1,2%	2 136	1,2%	(0,7%)
Total	182 916	100,0%	176 825	100,0%	3,4%
Impairment allowances	(9 264)	x	(9 965)	x	(7,0%)
Total net	173 652	x	166 860	x	4,1%

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

As at the end of March 2024 loans and advances with maturity over 5 years represents 38.0% of total loans and advances (mainly attributed to mortgage loans, investment loans and non-treasury debt securities).

Information on loan concentration is included in the Notes to the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2024

External sources of financing

(in PLN million)

	31.03.2024	31.03.2023	CHANGE
Amounts due to other banks	6 854	7 735	(11,4%)
Amounts due to customers	242 139	223 140	8,5%
Debt securities issued	11 902	7 800	52,6%
Subordinated liabilities	2 830	2 851	(0,7%)
Repo transactions	1 459	3 810	(61,7%)
Total external sources of financing	265 184	245 336	8,1%

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

Amounts due to customers and debt securities issued

(in PLN million)

	31.03.2024	31.03.2023	CHANGE
Corporate deposits	101 833	96 646	5,4%
Non-financial entities	73 102	77 221	(5,3%)
Non-banking financial entities	6 806	5 481	24,2%
Budget entities	21 925	13 944	57,2%
Retail deposits	139 159	125 554	10,8%
Other (*)	1 147	940	22,0%
Amounts due to customers(**)	242 139	223 140	8,5%
Debt securities issued of which	14 732	10 651	38,3%
Structured Certificates of Deposit (SCD)	-	699	x
Certificates of Deposit	-	2 101	x
Senior bonds	3 992	-	x
Subordinated bonds	2 750	2 750	0,0%
Pekao Bank Hipoteczny S.A. covered bonds	1 028	874	17,6%
Pekao Bank Hipoteczny S.A. bonds	384	-	x
Pekao Leasing Sp. z o.o. bonds	3 037	1 457	> 100%
Pekao Faktoring Sp. z o.o. bonds	3 339	2 613	27,8%
Interest	202	156	29,5%
Amounts due to customers and debt securities issued (**)	256 871	233 790	9,9%
Lease liabilities	654	263	> 100%
Repo transactions	1 459	3 810	(61,7%)
Amounts due to customers and debt securities issued total (***)	258 984	237 863	8,9%
Investment funds of Pekao TFI S.A. (ex. Pioneer Pekao TFI)	26 184	20 236	29,4%
Bond and money market funds	18 295	13 822	32,4%
Balanced funds	4 418	3 755	17,7%
Equity funds	2 190	1 946	12,5%
PPK	1 282	714	79,7%
including distributed through the Group's network	22 746	17 522	29,8%

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

(**) Excluding repo transactions and lease liabilities.

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

As at the end of March 2024 amounts due to the Group's Customers and Debt securities issued amounted to PLN 256,871 million and were higher by PLN 23,081 million, i.e. 9.9% than at the end of March 2023.

The total volume of Retail deposits, Structured Certificates of Deposit and other amounted to PLN 140,173 million at the end of March 2024 an increase by PLN 13,093 million, i.e. 10.3% compared to the end of March 2023.

The total volume of Corporate deposits, Certificates of Deposit, Senior bonds, Subordinated bonds, Pekao Bank Hipoteczny S.A. covered bonds and bonds Pekao Leasing Sp. z o.o. bonds Pekao Faktoring Sp. z o.o. bonds interest and other amounted to PLN 116,699 million and were higher by PLN 9,989 million, i.e. 9.4% compared to the end of March 2023.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 26,184 million and was higher by PLN 5,949 million, i.e. 29.4% compared to the end of March 2023.

Amounts due to customers by currency (*)

	31.03.2024		31.03.2023		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	198 578	82,0%	184 318	82,6%	7,7%
Denominated in foreign currencies	43 561	18,0%	38 821	17,4%	12,2%
Total	242 139	100,0%	223 140	100,0%	8,5%

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

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of March 2024 amounted to 82.0%. The majority of amounts due to customers denominated in foreign currencies were in EUR (65.2%) and USD (29.0%).

Amounts due to customers by contractual maturities ^(*)

	31.03.2024		31.03.2023		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	172,925	71.8%	162,838	73.3%	6.2%
Term deposits	68,067	28.2%	59,361	26.7%	14.7%
Total deposits	240,992	100.0%	222,200	100.0%	8.5%
Interest accrued	625	x	609	x	2.7%
Funds in transit	520	x	332	x	56.8%
Total	242,139	x	223,140	x	8.5%

(*) Excluding repo transactions and lease liabilities.

6.5 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
Total provisions	1,963	1,423	1,872	1,415
provisions for off-balance sheet commitments	475	360	533	414
provisions for liabilities to employees	411	318	400	309
other provisions	1,078	745	939	691
Deferred tax liabilities	20	22	-	-
Deferred tax assets	1,217	1,407	878	1,116

6.6 Off-balance sheet items

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

(in PLN million)

	31.03.2024	31.03.2023	CHANGE
Contingent liabilities granted and received	101,448	113,946	(11.0%)
Liabilities granted:	69,194	70,421	(1.7%)
financial	58,379	59,006	(1.1%)
guarantees	10,815	11,415	(5.3%)
Liabilities received:	32,254	43,525	(25.9%)
financial	763	2,408	(68.3%)
guarantees	31,491	41,116	(23.4%)
Derivative financial instruments	533,725	512,799	4.1%
interest rate transactions	432,662	395,212	9.5%
transactions in foreign currency and in gold	97,267	112,116	(13.2%)
transactions based on commodities and equity securities	3,796	5,470	(30.6%)
Total off-balance sheet items	635,173	626,745	1.3%

Information on off-balance-sheet items is included in the Notes to the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2024.

6.7 Capital adequacy

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

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

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

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

Minimal value of capital ratios on Pillar I level are:

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

Combined buffer requirement as at 31 March 2024 consists of:

- Capital conservation buffer in amount of 2.50%,
- Countercyclical capital buffer in amount of 0.03% for Bank Pekao S.A. Group and 0.02%¹ for Bank Pekao S.A.,
- Other systemically important institution buffer in amount of 1.00%,
- Systemic risk buffer in amount of 0.00%².

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

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

- Total capital ratio (TCR) in amount of 11.53%,
- Capital ratio Tier I (T1) in amount of 9.53%,
- Common Equity Tier (CET 1) in amount of 8.03%.

Together, Bank Pekao S.A. is obliged to maintain:

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

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

¹ Countercyclical capital buffer was calculated as of March 31, 2024 at the level 0.0242% for Bank Pekao S.A. and 0.0265% for Bank Pekao S.A. Group.

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

Bank Pekao S.A. Group

As of March 31, 2024³ Bank Pekao S.A. Group total capital ratio amounted to 16.9% and common equity Tier I ratio amounted to 15.4%.

The table below presents the basic information concerning Bank Pekao S.A. Group capital adequacy as of 31 March, 2024 and 31 March, 2023.

(in PLN million)

CAPITAL REQUIREMENT (mln PLN)	31.03.2024 ^(*)	31.03.2023 ^(*)
Credit Risk	10,611	9,961
Market Risk	118	112
Counterparty credit risk including CVA	154	204
Operational risk	1,680	1,340
Total capital requirement	12,563	11,617
OWN FUNDS (mln PLN)		
Common Equity Tier I Capital	24,163	22,922
Tier II Capital	2,344	2,645
Own funds for total capital ratio	26,507	25,567
Common Equity Tier I Capital ratio (%)	15.4%	15.8%
Total capital ratio TCR (%)	16.9%	17.6%

^(*) Data for 31 March, 2024 and 31 March, 2023 have been recalculated taking into account the retrospective recognition of part of the profit for respectively 2023 and 2022, in accordance with the EBA position expressed in Q&A 2018_3822 and Q&A 2018_4085.

Common equity Tier I Capital Ratio of Pekao S.A. Group as at the end of March 2024 was lower by 0.4 p.p. compared to the end of March 2023 mainly due to increase of total capital requirement by 8.1% despite higher Common Equity Tier I Capital by 5.4%. Total Capital Ratio of Bank Pekao S.A. Group as at the end of March 2024 was lower by 0.7 p.p. compared to the end of March 2023,

Decrease of Tier II Capital at the end of March 2024 compared to the end of March 2023 results from amortization of subordinated bonds A series and B series (during final 5 years of maturity of the instrument).

³ Data for March 31, 2024 have been recalculated taking into account the retrospective recognition of part of the profit for 2023, in accordance with the EBA position expressed in Q&A 2018_3822 and Q&A 2018_4085.

6.8 Reconciliation of income statement – presentation form and long form

Consolidated income statement for the 1 quarter of 2024

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTER OF 2024
Net interest income	Net interest income	<u>3,088</u>
Net fee and commission income	Net fee and commission income	<u>668</u>
Dividend income	Dividend income	<u>1</u>
Trading result	-	<u>122</u>
	Net result on other financial instruments at fair value through profit and loss	113
	Result on fair value hedge accounting	-
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	9
Net other operating income and expenses	Net other operating income and expenses	<u>(117)</u>
	Operating income	<u>37</u>
	Operating expenses	<u>(154)</u>
Net non-interest income	-	<u>674</u>
Operating income	-	<u>3,762</u>
Operating costs	-	<u>(1,238)</u>
	General administrative expenses depreciation	(1,700)
	less - Contributions to the Bank Guarantee Fund	239
	less - Fee paid for the Protection Schemes	-
	less - Contributions to the Borrowers Support Fund	-
	less – Tax on certain financial institutions	223
Gross operating profit	-	<u>2,524</u>
Net allowances for expected credit losses	Net allowances for expected credit losses	<u>(108)</u>
Net operating profit	-	<u>2,416</u>
Contributions to the Bank Guarantee Fund	Contributions to the Bank Guarantee Fund	(239)
Fee paid for the Protection Schemes	Fee paid for the Protection Schemes	-
Contributions to the Borrowers Support Fund	Contributions to the Borrowers Support Fund	-
Tax on certain financial institutions	Tax on certain financial institutions	<u>(223)</u>
Gains (losses) on associates	Gains (losses) on associates	<u>2</u>
Profit before income tax	Profit before income tax	<u>1,956</u>
Income tax expense	Income tax expense	<u>(441)</u>
Net profit for the period	Net profit for the period	<u>1,515</u>
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	<u>1,514</u>
Attributable to non-controlling interest	Attributable to non-controlling interest	<u>1</u>

Consolidated income statement for the 1 quarter of 2023

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTER OF 2023
Net interest income	Net interest income	2,774
Net fee and commission income	Net fee and commission income	662
Dividend income	Dividend income	-
Trading result	-	158
	Net result on other financial instruments at fair value through profit and loss	162
	Result on fair value hedge accounting	(1)
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(3)
Net other operating income and expenses	Net other operating income and expenses	(63)
	Operating income	38
	Operating expenses	(101)
Net non-interest income	-	757
Operating income	-	3,531
Operating costs	-	(1,106)
	General administrative expenses depreciation	(1,517)
	less - Contributions to the Bank Guarantee Fund	192
	less - Fee paid for the Protection Schemes	-
	less - Contributions to the Borrowers Support Fund	-
	less – Tax on certain financial institutions	219
Gross operating profit	-	2,425
Net allowances for expected credit losses	Net allowances for expected credit losses	(105)
Net operating profit	-	2,320
Contributions to the Bank Guarantee Fund	Contributions to the Bank Guarantee Fund	(192)
Fee paid for the Protection Schemes	Fee paid for the Protection Schemes	-
Contributions to the Borrowers Support Fund	Contributions to the Borrowers Support Fund	-
Tax on certain financial institutions	Tax on certain financial institutions	(219)
Gains (losses) on associates	Gains (losses) on associates	1
Profit before income tax	Profit before income tax	1,910
Income tax expense	Income tax expense	(464)
Net profit for the period	Net profit for the period	1,446
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	1,446
Attributable to non-controlling interest	Attributable to non-controlling interest	-

7. Other Information

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

The Bank has not published the forecast of the financial results for 2024.

7.2 Seasonality or cyclical nature of the Bank's activity

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

7.3 Information on dividend and appropriation of profit achieved

On 17 April 2024 the Ordinary General Meeting of the Bank adopted the resolution on the distribution of profit of the Bank (the "Resolution").

According to the Resolution:

1. The undistributed part of the net profit of Bank for the year 2019 in the amount of PLN 1,685,057,618.28 is allocated to dividend.
2. The profit of Bank for 2023 in the amount of PLN 6,718,134,911.22 is divided as follows:
 - 1) the amount of PLN 1,686,584,359.44 is allocated to reserve capital,
 - 2) the amount of PLN 3,354,367,034.52 is allocated to dividend,
 - 3) the remaining part of the profit in the amount of PLN 1,677,183,517.26 is left undistributed.
3. The amount of dividend per share is PLN 19.20.
4. The dividend date is 24 April 2024.
5. The dividend payment date is 10 May 2024.

Total number of Bank's shares entitled to dividend amounts to 262,470,034.

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

According to information available to the Bank as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the first quarter of 2024 and as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the 2023 the Members of the Bank's management and supervisory bodies did not held shares of Bank Pekao S.A.

7.5 Pending litigations

Information on significant legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of liabilities and receivables of the Bank and its subsidiaries is included in Note 25 to the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2024.

7.6 Related party transactions

In the first quarter of 2024, the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm's length.

In the first quarter of 2024, the Bank and its subsidiaries did not provide any sureties in respect of loans or advances or did not provide any guarantees to an entity or a subsidiary of such entity, which the total value would be significant.

Detailed information on related party transactions is included in Note 26 to the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2024.

7.7 Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in Note 5 to the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2024.

7.8 Issuance, redemption and repayment of debt securities

Senior bonds

On April 3, 2023, the Bank issued senior non-preferred bonds ("SNP bonds") with a maturity of 3 years and the total nominal value amounted to PLN 0.75 billion. The SNP bonds have an option giving the Bank the right to early redemption of the bonds within 2 years from the date of issue, subject to the approval of the Bank Guarantee Fund. The SNP bonds will constitute eligible liabilities of the Bank within the meaning of Article 97a (1) pt. 2) of the Act on the Bank Guarantee Fund, Deposit Guarantee System and Forced Restructuring of 10 June 2016. The bonds will be traded on the alternative trading system Catalyst operated by the Warsaw Stock Exchange S.A.

On July 28, 2023, the Bank issued both senior non-preferred bonds with a maturity of 4 years and the total nominal value amounted to PLN 0.35 billion and senior preferred bonds ("SP bonds") with a maturity of 2 years and the total nominal value amounted to PLN 0.75 billion. The SNP bonds have an option giving the Bank the right to early redemption of the bonds within 2 years from the date of issue whereas the SP bonds have an option giving the Bank the right to early redemption of the bonds within 1 year from the date of issue, subject to the approval of the Bank Guarantee Fund. The SNP bonds and the SP bonds will constitute eligible liabilities of the Bank within the meaning of Article 97a (1) pt. 2) of the Act on the Bank Guarantee Fund, Deposit Guarantee System and Forced Restructuring of 10 June 2016. The bonds will be traded on the alternative trading system Catalyst operated by the Warsaw Stock Exchange S.A.

On November 23, 2023, the Bank issued senior non-preferred eurobonds ("SNP eurobonds") with a maturity of 4 years and the total nominal value amounted to EUR 0.5 billion. The SNP bonds have an option giving the Bank the right to early redemption of the bonds within 4 years from the date of issue, subject to the approval of the Bank Guarantee Fund. The SNP eurobonds will constitute eligible liabilities of the Bank within the meaning of Article 97a (1) pt. 2) of the Act on the Bank Guarantee Fund, Deposit Guarantee System and Forced Restructuring of 10 June 2016. The SNP eurobonds were issued under the Euro Medium Term Note Programme ("EMTN Programme") and were admitted to trading on the regulated market of the Luxembourg Stock Exchange.

Subordinated bonds

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

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

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

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

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

On 3 August 2022 the Management Board of the Bank adopted a resolution not to use the option of early redemption of subordinated bond issued by Bank on 30 October 2017 with a total nominal value of PLN 1.25 billion.

On 29 August 2023 the Management Board of the Bank adopted a resolution not to use the option of early redemption of subordinated bond issued by Bank on 15 October 2018 with a total nominal value of PLN 0.55 billion.

Pekao Bank Hipoteczny S.A. covered bonds

The total value of the company's liabilities due to covered bonds amounted to PLN 1,028 million (principal value) as at the end of March 2024. Liabilities from covered bonds with maturity, up to 3 months account for 1%, up to 1 year account for 13%, up to 2 years account for 14%, up to 5 years account for 67%, up to 10 years account for 5%.

Pekao Bank Hipoteczny S.A. bonds

The total value of the company's liabilities under bonds amounted to PLN 384 million (principal value) as at the end of March 2024 with maturity date up to 6 months.

Pekao Leasing Sp. z o.o. bonds

The total value of the company's liabilities under bonds amounted to PLN 3,037 million (principal value) as at the end of March 2024 with maturity date up to 3 months account for 28%, up to 1 year for 42%, and up to 2 years account for 30%.

Pekao Faktoring Sp. z o.o. bonds

The total value of the company's liabilities under bonds with maturity date to 3 months amounted to PLN 3,339 million (principal value) as at the end of March 2024.

7.9 Subsequent events

Planned support for consumer borrowers

On April 12, 2024, the Lower House of Parliament adopted the amended Act amending the Act on supporting consumer borrowers who took out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers ("Act"). Then, on April 18, the Act was adopted by the Senate and submitted for the President's signature.

The purpose of the proposed Act is to enable borrowers with mortgage loans in PLN to use the instrument of suspension of loan repayment in the period from June 1 to December 31, 2024 for a maximum of 4 installments while maintaining the following limits, i.e.:

- from June 1 to August 31, 2024 - for a maximum of two months,
- from September 1 to December 31, 2024 - for a maximum of two months.

The client may suspend loan repayment only in one agreement concluded to meet his or her own housing needs, which meets the following conditions:

- applies to loans granted in PLN, excluding loans indexed or denominated in another currency,
- was concluded before July 1, 2022,
- the value of the loan granted does not exceed PLN 1,200,000,
- arithmetic mean of the RdD index (loan repayment to income ratio) within the meaning of Art. 2 section 1 point 7 of the Act of October 9, 2015 on support for borrowers who took out a mortgage loan and are in a difficult financial situation for the period of the last three months preceding the month of submitting the application for suspension of loan repayment exceeds 30%, or
- as of the date of submitting the application for suspension of loan repayment, the client has at least three children to support, as referred to in Art. 4 section 2 point 3 of the Act of December 5, 2014 on the Large Family Card.

After approval by the President of the Republic of Poland, the Act will have an impact on the Group's financial results in 2024, i.e. as a result of its implementation, the Group will adjust the gross carrying amount of the above-mentioned loans by determining and recognizing in the Group's financial results the estimated cost determined as the difference between:

1) the present value of expected cash flows from the loan portfolio meeting the criteria of the Act (gross carrying value of this portfolio),

2) the present value of the expected cash flows of the portfolio in question, determined on the basis of modified cash flows taking into account the provisions of the Act (i.e. the possibility of suspending the repayment of loan installments within the designated time frames while extending the loan period), discounted with the current effective interest rate of the above-mentioned portfolio,

taking into account the estimated level of participation of eligible customers who, in the Group's opinion, will benefit from this right.

Bank's Management Board resolution on issuance of series SN3 SNP bonds

On April 26, 2024, the Bank issued senior non-preferred bonds ("SNP bonds") with a maturity of 5 years and the total nominal value amounted to PLN 0.5 billion. The SNP bonds have an option giving the Bank the right to early redemption of the bonds after 4 years or 4,5 year from the date of issue or in other cases indicated in the terms and conditions of the bond issue (regulatory change of bond classification, change of bond taxation), subject to the approval of the Bank Guarantee Fund, if such approval is required. The SNP bonds will constitute eligible liabilities of the Bank within the meaning of Article 97a (1) pt. 2) of the Act on the Bank Guarantee Fund, Deposit Guarantee System and Forced Restructuring of 10 June 2016. The bonds will be traded on the alternative trading system Catalyst operated by the Warsaw Stock Exchange S.A.

Resolution of the Ordinary General Meeting of Bank Polska Kasa Opieki Spółka Akcyjna on the distribution of profit of the Bank

In current report 12/2024 of 17 April 2024 the Ordinary General Meeting of the Bank adopted the resolution on the distribution of profit of the Bank (the "Resolution").

Explanations regarding dividends and profit distribution are presented in section 7.3.

Appointment of members of the Supervisory Board of Bank Polska Kasa Opieki Spółka Akcyjna for a new joint term of office

In current report 13/2024 of April 17, 2024, the Bank announced that the Ordinary General Meeting of the Bank on April 17, 2024, taking into account the assessment of compliance with suitability requirements, appointed members of the Supervisory Board of the Bank for a new joint three-year term of office, starting on April 18, 2024.

Explanations regarding dividends and profit distribution are presented in section 5.3.

Announcement of a break in session of the Ordinary General Meeting of Bank Polska Kasa Opieki Spółka Akcyjna and the content of the resolutions adopted until the break

In current report 13/2024 of April 18, 2024, the Bank announced that the Ordinary General Meeting of the Bank convened on April 17, 2024 (Ordinary General Meeting) adopted a resolution to announce a break in the proceedings of the Ordinary General Meeting, which will be resumed on May 16, 2024 at time 10:30 in the same place.

During the Ordinary General Meeting, no objections were recorded in the minutes. At the same time, the Bank informed that the Ordinary General Meeting did not refrain from considering any of the items on the planned agenda.

Information regarding the amount of the accrued annual contribution to resolution fund of banks for 2024 set for the Bank by the Bank Guarantee Fund

In the current report 15/2024, the Bank informed that received an information from Bank Guarantee regarding the amount of the accrued annual contribution to resolution fund of banks for 2024 including the adjusted amounts for 2019, 2020, 2021, 2022 and 2023.

The accrued annual contribution to resolution fund of banks for 2024 set for the Bank by the BGF amounts to PLN 236,905,908.66.

Abovementioned amount will be recognised in costs of the Bank in first quarter of 2024.

Judgment of the Supreme Court of 25 April 2024

Details are presented in Note 27 "Legal risk regarding foreign currency mortgage loans in CHF" of the Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2024.

Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2024



Warsaw, April 2024

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

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I. Consolidated income statement

	NOTE	I QUARTER 2024 PERIOD FROM 01.01.2024 TO 31.03.2024	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023 RESTATED
Interest income	8	4 549	4 241
Interest income calculated using the effective interest method		4 538	4 234
Financial assets measured at amortised cost		4 118	3 794
Financial assets measured at fair value through other comprehensive income		420	440
Other interest income related to financial assets measured at fair value through profit or loss		11	7
Interest expense	8	(1 461)	(1 467)
Net interest income		3 088	2 774
Fee and commission income	9	870	855
Fee and commission expense	9	(202)	(193)
Net fee and commission income		668	662
Dividend income		1	-
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	10	113	162
Result on fair value hedge accounting		-	(1)
Profit/loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss		9	(3)
Net allowances for expected credit losses	11	(108)	(105)
including: legal risk regarding foreign currency mortgage loans		68	27
Other operating income	12	37	38
Other operating expenses	12	(154)	(101)
including: legal risk regarding foreign currency mortgage loans		(111)	(72)
General administrative expenses and depreciation	13	(1 700)	(1 517)
Gains on associates		2	1
PROFIT BEFORE INCOME TAX		1 956	1 910
Income tax expense	14	(441)	(464)
NET PROFIT		1 515	1 446
1. Attributable to equity holders of the Bank		1 514	1 446
2. Attributable to non-controlling interests		1	-
Earnings per share (in PLN per share)			
basic for the period		5.77	5.51
diluted for the period		5.77	5.51

Notes to the financial statements presented on pages 19 – 56 constitute an integral part of the interim condensed consolidated financial statements.

II. Consolidated statement of comprehensive income

	I QUARTER 2024 PERIOD FROM 01.01.2024 TO 31.03.2024	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023
Net profit	1 515	1 446
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	48	331
Profit/loss on fair value measurement	64	334
Profit/loss reclassification to income statement after derecognition	(16)	(3)
Impact of revaluation of derivative instruments hedging cash flows (net)	(175)	561
Items that will never be reclassified to profit or loss:		
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	(46)	43
Remeasurements of the defined benefit liabilities (net)	-	-
Other comprehensive income (net of tax)	(173)	935
Total comprehensive income	1 342	2 381
1. Attributable to equity holders of the Bank	1 341	2 381
2. Attributable to non-controlling interests	1	-

Notes to the financial statements presented on pages 19 – 56 constitute an integral part of the interim condensed consolidated financial statements.

III. Consolidated statement of financial position

	NOTE	31.03.2024	31.12.2023
ASSETS			
Cash and cash equivalents	16	16 916	14 715
Loans and advances to banks	17	157	173
Derivative financial instruments (held for trading)	18	8 742	9 317
Hedging instruments		552	805
Loans and advances to customers (including receivables from finance leases)	19	164 384	161 411
Securities	20	117 299	109 662
Assets pledged as security for liabilities		1 360	1 648
Assets held for sale		28	32
Investments in associates		56	53
Intangible assets		2 392	2 396
Property, plant and equipment		1 976	1 946
Income tax assets		1 221	1 120
1. Current tax assets		4	1
2. Deferred tax assets	14	1 217	1 119
Other assets		2 286	2 445
TOTAL ASSETS		317 369	305 723
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to other banks	21	6 854	7 597
Financial liabilities held for trading		708	757
Derivative financial instruments (held for trading)	18	8 767	9 295
Amounts due to customers	22	244 252	234 306
Hedging instruments		1 294	1 429
Debt securities issued	23	11 902	9 958
Subordinated liabilities		2 830	2 781
Income tax liabilities		1 818	1 513
1. Current tax liabilities		1 798	1 492
2. Deferred tax liabilities	14	20	21
Provisions	24	1 963	1 977
Other liabilities		5 298	5 769
TOTAL LIABILITIES		285 686	275 382
Equity			
Share capital		262	262
Other capital and reserves		21 719	21 872
Retained earnings and net profit for the period		9 689	8 195
Total equity attributable to equity holders of the Bank		31 670	30 329
Non-controlling interests		13	12
TOTAL EQUITY		31 683	30 341
TOTAL LIABILITIES AND EQUITY		317 369	305 723

Notes to the financial statements presented on pages 19 – 56 constitute an integral part of the interim condensed consolidated financial statements.

IV. Consolidated statement of changes in equity

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Equity as at 1.01.2024	262	21 872	9 137	1 983	11 290	(893)	355	8 195	30 329	12	30 341
Comprehensive income	-	(173)	-	-	-	(173)	-	1 514	1 341	1	1 342
Other components of comprehensive income (net)	-	(173)	-	-	-	(173)	-	-	(173)	-	(173)
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	48	-	-	-	48	-	-	48	-	48
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(46)	-	-	-	(46)	-	-	(46)	-	(46)
Revaluation of cash flow hedging financial instruments (net of tax)	-	(175)	-	-	-	(175)	-	-	(175)	-	(175)
Net profit for the period	-	-	-	-	-	-	-	1 514	1 514	1	1 515
Appropriation of retained earnings	-	20	-	-	19	-	1	(20)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Profit appropriation to other reserves	-	20	-	-	19	-	1	(20)	-	-	-
Equity as at 31.03.2024	262	21 719	9 137	1 983	11 309	(1 066)	356	9 689	31 670	13	31 683

Notes to the financial statements presented on pages 19 – 56 constitute an integral part of the interim condensed consolidated financial statements.

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										TOTAL EQUITY
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	OTHER CAPITAL AND RESERVES					RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTERESTS	
			SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER				
Equity as at 1.01.2023	262	18 979	9 137	1 983	10 800	(3 295)	354	3 522	22 763	12	22 775
Comprehensive income	-	2 410	-	-	-	2 410	-	6 578	8 988	2	8 990
Other components of comprehensive income (net)	-	2 410	-	-	-	2 410	-	-	2 410	-	2 410
Remeasurements of the defined benefit liabilities (net of tax)	-	(24)	-	-	-	(24)	-	-	(24)	-	(24)
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	753	-	-	-	753	-	-	753	-	753
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	64	-	-	-	64	-	-	64	-	64
Revaluation of cash flow hedging financial instruments (net of tax)	-	1 617	-	-	-	1 617	-	-	1 617	-	1 617
Net profit for the period	-	-	-	-	-	-	-	6 578	6 578	2	6 580
Appropriation of retained earnings	-	483	-	-	482	-	1	(1 905)	(1 422)	(2)	(1 424)
Dividend paid	-	-	-	-	-	-	-	(1 422)	(1 422)	(2)	(1 424)
Profit appropriation to other reserves	-	483	-	-	482	-	1	(483)	-	-	-
Other	-	-	-	-	8	(8)	-	-	-	-	-
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	8	(8)	-	-	-	-	-
Equity as at 31.12.2023	262	21 872	9 137	1 983	11 290	(893)	355	8 195	30 329	12	30 341

Notes to the financial statements presented on pages 19 – 56 constitute an integral part of the interim condensed consolidated financial statements.

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										TOTAL EQUITY
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	OTHER CAPITAL AND RESERVES					RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	
			SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	OTHER				
Equity as at 1.01.2023	262	18 979	9 137	1 983	10 800	(3 295)	354	3 522	22 763	12	22 775
Comprehensive income	-	935	-	-	-	935	-	1 446	2 381	1	2 382
Other components of comprehensive income (net)	-	935	-	-	-	935	-	-	935	-	935
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	331	-	-	-	331	-	-	331	-	331
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	43	-	-	-	43	-	-	43	-	43
Revaluation of cash flow hedging financial instruments (net of tax)	-	561	-	-	-	561	-	-	561	-	561
Net profit for the period	-	-	-	-	-	-	-	1 446	1 446	1	1 447
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Profit appropriation to other reserves	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	1	(1)	-	-	-	-	-
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	1	(1)	-	-	-	-	-
Equity as at 31.03.2023	262	19 914	9 137	1 983	10 801	(2 361)	354	4 968	25 144	13	25 157

Notes to the financial statements presented on pages 19 – 56 constitute an integral part of the interim condensed consolidated financial statements.

V. Consolidated cash flow statement

	NOTE	I QUARTER 2024 PERIOD FROM 01.01.2024 TO 31.03.2024	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023
Cash flow from operating activities – indirect method			
Profit before income tax		1 956	1 910
Adjustments for:		5 097	13 913
Depreciation and amortization	13	160	156
Share in gains (losses) from associates		(2)	(1)
(Gains) losses on investing activities		(23)	(5)
Net interest income	8	(3 088)	(2 774)
Dividend income		(1)	-
Interest received		4 085	4 059
Interest paid		(1 509)	(1 303)
Income tax paid		(195)	(169)
Change in loans and advances to banks		54	208
Change in derivative financial instruments (assets)		576	1 888
Change in loans and advances to customers (in this receivables from financial leases)		(2 945)	(133)
Change in securities (including assets pledged as security for liabilities)		(332)	(612)
Change in other assets		(84)	976
Change in amounts due to banks		(585)	(674)
Change in financial liabilities held for trading		(49)	(505)
Change in derivative financial instruments (liabilities)		(528)	(2 384)
Change in amounts due to customers		9 977	16 272
Change in debt securities issued		(192)	(320)
Change in subordinated liabilities		50	62
Payments for short-term leases and leases of low-value assets		-	-
Change in provisions		(13)	21
Change in other liabilities		(259)	(849)
Net cash flows from operating activities		7 053	15 823
Cash flow from investing activities			
Investing activity inflows		341 226	304 297
Sale and redemption of securities measured at amortised cost and at fair value through other comprehensive income		341 213	304 296
Sale of intangible assets and property, plant and equipment	31	12	1
Dividend received		1	-
Investing activity outflows		(348 077)	(315 325)
Acquisition of securities measured at amortised cost and at fair value through other comprehensive income		(347 921)	(315 252)
Acquisition of intangible assets and property, plant and equipment	31	(156)	(73)
Net cash flows from investing activities		(6 851)	(11 028)

	NOTE	I QUARTER 2024 PERIOD FROM 01.01.2024 TO 31.03.2024	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023
Cash flows from financing activities			
Financing activity inflows		165	196
Due to loans and advances received from banks		106	200
Issue of debt securities		59	(4)
Financing activity outflows		1 834	(2 619)
Repayment of loans and advances received from banks		(234)	(382)
Redemption of debt securities		2 083	(2 208)
Payments for the principal portion of the lease liabilities		(15)	(29)
Net cash flows from financing activities		1 999	(2 423)
Total net cash flows		2 201	2 372
including effect of exchange rate fluctuations on cash and cash equivalents held		(25)	(30)
Net change in cash and cash equivalents		2 201	2 372
Cash and cash equivalents at the beginning of the period		14 715	17 693
Cash and cash equivalents at the end of the period	16	16 916	20 065

Notes to the financial statements presented on pages 19 – 56 constitute an integral part of the interim condensed consolidated financial statements.

VI. Income statement of Bank Pekao S.A.

	I QUARTER 2024 PERIOD FROM 01.01.2024 TO 31.03.2024	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023 RESTATED
Interest income	4 296	4 026
Interest income calculated using the effective interest method	4 278	4 014
Financial assets measured at amortised cost	3 792	3 515
Financial assets measured at fair value through other comprehensive income	486	499
Other interest income related to financial assets measured at fair value through profit or loss	18	12
Interest expense	(1 298)	(1 333)
Net interest income	2 998	2 693
Fee and commission income	775	768
Fee and commission expense	(218)	(204)
Net fee and commission income	557	564
Dividend income	152	-
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	106	159
Result on fair value hedge accounting	-	(1)
Profit/loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss	9	(3)
Net allowances for expected credit losses	(115)	(108)
including: legal risk regarding foreign currency mortgage loans	66	25
Other operating income	36	35
Other operating expenses	(149)	(97)
including: legal risk regarding foreign currency mortgage loans	(106)	(69)
General administrative expenses and depreciation	(1 594)	(1 423)
PROFIT BEFORE INCOME TAX	2 000	1 819
Income tax expense	(421)	(445)
NET PROFIT	1 579	1 374
Earnings per share (in PLN per share)		
basic for the period	6.02	5.23
diluted for the period	6.02	5.23

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

	I QUARTER 2024 PERIOD FROM 01.01.2024 TO 31.03.2024	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023
Net profit	1 579	1 374
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	42	329
profit/loss on fair value measurement	48	332
profit/loss reclassification to income statement after derecognition	(6)	(3)
Impact of revaluation of derivative instruments hedging cash flows (net)	(175)	561
Items that will never be reclassified to profit or loss:		
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	(46)	43
Remeasurements of the defined benefit liabilities (net)	-	-
Other comprehensive income (net of tax)	(179)	933
Total comprehensive income	1 400	2 307

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

	31.03.2024	31.12.2023
ASSETS		
Cash and cash equivalents	16 922	14 836
Loans and advances to banks	628	426
Derivative financial instruments (held for trading)	8 748	9 350
Hedging instruments	552	805
Loans and advances to customers	146 842	141 707
Securities	121 065	117 399
Assets pledged as security for liabilities	1 360	1 648
Assets held for sale	28	32
Investments in subsidiaries	1 922	1 922
Investments in associates	42	42
Intangible assets	1 542	1 546
Property, plant and equipment	1 822	1 798
Income tax assets	878	786
1. Current tax assets	-	-
2. Deferred tax assets	878	786
Other assets	2 123	2 180
TOTAL ASSETS	304 474	294 477
EQUITY AND LIABILITIES		
Liabilities		
Amounts due to other banks	2 310	2 826
Financial liabilities held for trading	708	757
Derivative financial instruments (held for trading)	8 772	9 308
Amounts due to customers	244 457	234 541
Hedging instruments	1 294	1 429
Debt securities issued	4 077	4 078
Subordinated liabilities	2 830	2 781
Income tax liabilities	1 790	1 462
1. Current tax liabilities	1 790	1 462
2. Deferred tax liabilities	-	-
Provisions	1 872	1 871
Other liabilities	5 069	5 529
TOTAL LIABILITIES	273 179	264 582
Equity		
Share capital	262	262
Other capital and reserves	21 051	21 230
Retained earnings and net profit for the period	9 982	8 403
TOTAL EQUITY	31 295	29 895
TOTAL LIABILITIES AND EQUITY	304 474	294 477

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

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
Equity as at 1.01.2024	262	21 230	9 137	1 983	10 738	(861)	233	8 403	29 895	
Comprehensive income	-	(179)	-	-	-	(179)	-	1 579	1 400	
Other components of comprehensive income (net)	-	(179)	-	-	-	(179)	-	-	(179)	
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	42	-	-	-	42	-	-	42	
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(46)	-	-	-	(46)	-	-	(46)	
Revaluation of cash flow hedging financial instruments (net of tax)	-	(175)	-	-	-	(175)	-	-	(175)	
Net profit for the period	-	-	-	-	-	-	-	1 579	1 579	
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	
Dividend paid	-	-	-	-	-	-	-	-	-	
Profit appropriation	-	-	-	-	-	-	-	-	-	
Equity as at 31.03.2024	262	21 051	9 137	1 983	10 738	(1 040)	233	9 982	31 295	

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES					REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
Equity as at 1.01.2023	262	18 344	9 137	1 983	10 254	(3 263)	233	3 583	22 189	
Comprehensive income	-	2 410	-	-	-	2 410	-	6 718	9 128	
Other components of comprehensive income (net)	-	2 410	-	-	-	2 410	-	-	2 410	
Remeasurements of the defined benefit liabilities (net of tax)	-	(23)	-	-	-	(23)	-	-	(23)	
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	752	-	-	-	752	-	-	752	
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	64	-	-	-	64	-	-	64	
Revaluation of cash flow hedging financial instruments (net of tax)	-	1 617	-	-	-	1 617	-	-	1 617	
Net profit for the period	-	-	-	-	-	-	-	6 718	6 718	
Appropriation of retained earnings	-	476	-	-	476	-	-	(1 898)	(1 422)	
Dividend paid	-	-	-	-	-	-	-	(1 422)	(1 422)	
Profit appropriation	-	476	-	-	476	-	-	(476)	-	
Other	-	-	-	-	8	(8)	-	-	-	
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	8	(8)	-	-	-	
Equity as at 31.12.2023	262	21 230	9 137	1 983	10 738	(861)	233	8 403	29 895	

	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	OTHER CAPITAL AND RESERVES				REVALUATION RESERVES	OTHER	RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY
			SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL					
Equity as at 1.01.2023	262	18 344	9 137	1 983	10 254	(3 263)	233	3 583	22 189	
Comprehensive income	-	933	-	-	-	933	-	1 374	2 307	
Other components of comprehensive income (net)	-	933	-	-	-	933	-	-	933	
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	329	-	-	-	329	-	-	329	
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	43	-	-	-	43	-	-	43	
Revaluation of cash flow hedging financial instruments (net of tax)	-	561	-	-	-	561	-	-	561	
Net profit for the period	-	-	-	-	-	-	-	1 374	1 374	
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	
Dividend paid	-	-	-	-	-	-	-	-	-	
Profit appropriation	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	1	(1)	-	-	-	
Result on sales of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	-	-	-	1	(1)	-	-	-	
Equity as at 31.03.2023	262	19 277	9 137	1 983	10 255	(2 331)	233	4 957	24 496	

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

	I QUARTER 2024 PERIOD FROM 01.01.2024 TO 31.03.2024	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023
Cash flow from operating activities – indirect method		
Profit before income tax	2 000	1 819
Adjustments for:	3 364	12 647
Depreciation and amortization	146	145
(Gains) losses on investing activities	(23)	(5)
Net interest income	(2 998)	(2 693)
Dividend income	(152)	-
Interest received	4 667	3 853
Interest paid	(1 332)	(1 159)
Income tax paid	(142)	(142)
Change in loans and advances to banks	(163)	(113)
Change in derivative financial instruments (assets)	602	1 903
Change in loans and advances to customers	(5 103)	(2 768)
Change in securities (including assets pledged as security for liabilities)	(604)	217
Change in other assets	(240)	968
Change in amounts due to banks	(462)	(270)
Change in financial liabilities held for trading	(49)	(505)
Change in derivative financial instruments (liabilities)	(537)	(2 388)
Change in amounts due to customers	9 947	16 421
Change in debt securities issued	(7)	(6)
Change in subordinated liabilities	50	62
Payments for short-term leases and leases of low-value assets	-	-
Change in provisions	1	20
Change in other liabilities	(237)	(893)
Net cash flows from operating activities	5 364	14 466
Cash flow from investing activities		
Investing activity inflows	346 371	309 702
Sale of securities measured at amortized cost and at fair value through other comprehensive income	346 206	309 701
Sale of intangible assets and property, plant and equipment	13	1
Dividend received	152	-
Investing activity outflows	(349 609)	(318 798)
Acquisition of subsidiaries and associates	-	-
Acquisition of securities measured at amortized cost and at fair value through other comprehensive income	(349 478)	(318 731)
Acquisition of intangible assets and property, plant and equipment	(131)	(67)
Net cash flows from investing activities	(3 238)	(9 096)

	I QUARTER 2024 PERIOD FROM 01.01.2024 TO 31.03.2024	I QUARTER 2023 PERIOD FROM 01.01.2023 TO 31.03.2023
Cash flows from financing activities		
Financing activity inflows	-	-
Issue of debt securities	-	-
Financing activity outflows	(40)	(3 400)
Repayment of loans and advances received from banks	(24)	(309)
Redemption of debt securities	-	(3 063)
Payments for the principal portion of the lease liabilities	(16)	(28)
Net cash flows from financing activities	(40)	(3 400)
Total net cash flows	2 086	1 970
including: effect of exchange rate fluctuations on cash and cash equivalents held	(25)	(39)
Net change in cash and cash equivalents	2 086	1 970
Cash and cash equivalents at the beginning of the period	14 836	18 211
Cash and cash equivalents at the end of the period	16 922	20 181

XI. Notes to the Interim Condensed Consolidated Financial Statements

1. General information

Bank Polska Kasa Opieki Spółka Akcyjna (hereafter 'Bank Pekao S.A.' or 'the Bank'), with its headquarters in Poland 01-066, Żubra Street 1 Warsaw, was incorporated on 29 October 1929 in the Commercial Register of the District Court in Warsaw and has been continuously operating since its incorporation.

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

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

Bank Pekao S.A. is a universal commercial bank, offering a broad range of banking services on domestic financial markets, provided to retail and corporate clients, in compliance with the scope of services, set forth in the Bank's Articles of Association.

The Bank runs both PLN and forex operations, and it actively participates in both domestic and foreign financial markets. Moreover, acting through its subsidiaries, the Group provides stockbroking, leasing, factoring operations and offering other financial services. The Bank Pekao S.A. Group's activities do not show any significant cyclical or seasonal changes.

According to IFRS 10 'Consolidated financial statements', the parent entity of Bank Pekao S.A. is Powszechny Zakład Ubezpieczeń S.A. (hereinafter 'PZU S.A.') with its registered office in Warsaw at Rondo Daszyńskiego 4, which is 34.2% owned by the State Treasury.

The Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of 3 months ended on 31 March 2024 contain financial information of the Bank and its subsidiaries (together referred to as the 'Group'), and the associates accounted for using equity method.

The share ownership structure of the Bank is presented in the Note 5.4 of the Report on the activities of Bank Pekao S.A. Group for the first quarter of 2024.

2. Group structure

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			31.03.2024	31.12.2023
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Pekao Leasing Sp. z o.o.	Warsaw	Leasing services	100.00	100.00
PeUF Sp. z o.o.	Warsaw	Financial support	100.00	100.00
Pekao Investment Banking S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Transferable agent	66.50	66.50
Pekao Direct Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Pekao Property S.A. (in liquidation)	Warsaw	Real estate development	100.00	100.00
FPB - Media Sp. z o.o. (in bankruptcy)	Warsaw	Real estate development	100.00	100.00
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	Warsaw	Business consulting	100.00	100.00
Pekao Investment Management S.A.	Warsaw	Holding	100.00	100.00
Pekao TFI S.A.	Warsaw	Asset management	100.00	100.00

As at 31 March 2024 and 31 December 2023 all subsidiaries of the Bank have been consolidated.

As at 31 March 2024 and 31 December 2023 the Group held no shares in entities under joint control.

Investments in associates

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/VOTING	
			31.03.2024	31.12.2023
Krajowy Integrator Płatności S.A.	Poznań	Monetary brokerage	38.33	38.33

3. Business combinations

In first quarter of 2024 and in 2023, there were no business combinations.

4. Statement of compliance

The Interim Condensed Consolidated Financial Statements of Bank Pekao S.A. Group for the period of three months ended 31 March of 2024 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union and other applicable regulations.

These financial statements do not include all information and disclosures required for annual financial statements, and shall be read in conjunction with the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2023.

The consolidated financial statements of Bank Pekao S.A. Group as at and for the year ended 31 December 2023 are available at the Bank's website www.pekao.com.pl.

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State, the Bank is required to publish the financial report for the three months period ended 31 March 2024, i.e. current interim period.

These interim condensed consolidated financial statements were authorized for issue by the Management Board on 29 April 2024.

4.1. New standards, interpretations and amendments to published standards that have been approved and published by the European Union and are effective on or after 1 January 2024

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

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

There are no new standards, interpretations or amendments to published standards that have been issued by the International Accounting Standards Board (IASB) and approved by the European Union, but have not yet entered into force.

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

STANDARD/ INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
IAS 7 (amendment) 'Statement of cash flows' and IFRS 7 (amendment) 'Financial instruments: Disclosures'	<p>The amendments to IAS 7 and IFRS 7 'Supplier Financing Arrangements' set out disclosure requirements to help users of financial statements understand the impact of supplier financing arrangements (in particular reverse factoring) on an entity's liabilities, cash flows and exposure to liquidity risk, including if these agreements cease to be valid. In particular:</p> <ul style="list-style-type: none"> • the amendments do not define supplier finance arrangements. Instead, the amendments describe the characteristics of an arrangement for which an entity is required to provide the information. The amendments note that arrangements that are solely credit enhancements for the entity or instruments used by the entity to settle directly with a supplier the amounts owed are not supplier finance arrangements. • adding to IAS 7 additional disclosure requirements about: <ul style="list-style-type: none"> ➢ the terms and conditions of the supplier finance arrangements, ➢ for the arrangements, as at the beginning and end of the reporting period: <ul style="list-style-type: none"> a) the carrying amounts of financial liabilities that are part of the arrangement and the associated line item presented, b) the carrying amount of financial liabilities disclosed under a) for which suppliers have already received payment from the finance providers, c) the range of payment due dates of financial liabilities disclosed under a) and comparable trade payables that are not part of a supplier finance arrangement; and ➢ the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of the arrangement, • add supplier finance arrangements as an example within the liquidity risk disclosure requirements in IFRS 7. <p>Date of application: annual periods beginning on or after 1 January 2024.</p>	<p>The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.</p>
IAS 21 (amendment) 'The Effects of Changes in Foreign Exchange Rates'	<p>The amendment to IAS 21:</p> <ul style="list-style-type: none"> • specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency, • specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing, • require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows. <p>Date of application: annual periods beginning on or after 1 January 2025.</p>	<p>The Group claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.</p>

STANDARD/ INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
IFRS 18 'Presentation and Disclosure in Financial Statements'	<p>IFRS 18 replaces IAS 1 'Presentation of financial statements' and introduces:</p> <ul style="list-style-type: none"> new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations. The first three categories are new. These categories are complemented by the requirement to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'. the concept of management-defined performance measure ('MPM') and defines it as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate management view's of an aspect of the financial performance of the entity as a whole to users. IFRS 18 requires entities to disclose information about all its MPMs, including: how the measure is calculated, how it provides useful information and a reconciliation to the most comparable subtotal specified by IFRS 18 or another standard. new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. <p>Date of application: annual periods beginning on or after 1 January 2027.</p>	<p>The Group is in the process of assessing the impact of the new standard on the financial statements during its first application.</p>

4.4. Other expected regulatory changes

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

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

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

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

Due to the very many interrelated elements involved in the reform of benchmarks, it was agreed that this process will be staggered over time and the reform of benchmarks in Poland will be fully implemented by the end of 2027.

Moreover, on 29 March 2024 NGR decided to start the process of reviewing and analyzing alternative indices to WIBOR type (RFR), including WIRON and other possible indices or indicators based on a wider range of market information in the dynamically changing macroeconomic environment of the Polish economy.

After the review, possible decisions will be made regarding changes to the milestones of the current Road Map, but with maintaining the above-mentioned deadline for completing the benchmark reform, i.e. 2027.

5. Significant accounting policies

General information

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

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

In the period of first quarter of 2024 the Group did not amend its accounting policies in respect to valuation of assets and liabilities and profit measurement.

The accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied in the Consolidated Financial Statements of Bank Pekao S.A. Group for the year ended on 31 December 2023. Those accounting policies have been applied uniformly to all presented reporting periods and by all entities of the Group. Changes in published standards and interpretations, which became effective on or after 1 January 2024, had no material impact on the Group's financial statements.

The financial statements does not take into consideration interpretations and amendments to standards, pending approval by the European Union or approved by the European Union but came into force or shall come into force after the balance sheet date (Note 4.2 and Note 4.3).

Comparability of financial data

In the consolidated financial statements of Bank Pekao S.A. Group for the year ended on 31 December 2023 and in the separate financial statements of Bank Pekao S.A. for the year ended on 31 December 2023 the Group and the Bank made changes to the accounting principles in the method of presentation of interest income and expenses on hedging derivatives and costs related to cash turnover in the income statement, i.e.

- 1) the Group recognized income and expenses from interest on hedging derivatives together with interest on hedged items. The introduced change results from adapting the presentation to the provisions of IFRS 9 'Financial Instruments'.
- 2) costs related to cash turnover were presented in the item 'Fee and commission expense'. Before the change, they were presented in the item 'General administrative expenses and depreciation'. The introduced change results from adaptation to the observed market practice in this respect and, in the Group's opinion, better reflects the nature of these transactions by recognizing both the income and the cost related to cash turnover in net fee and commission income.

The changes in the accounting principles indicated above made it necessary to restate the comparative data for the period of 3 months ended 31 March 2023, but they did not affect the level of the presented financial result.

The impact of the changes on the comparative data of the consolidated income statement is presented in the tables below.

CONSOLIDATED INCOME STATEMENT	DATA FOR I QUARTER 2023 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I QUARTER 2023 AFTER RESTATEMENT
Changes in the presentation of interest income and expense on hedging derivatives:			
Interest income	4 246	(5)	4 241
Interest income calculated using the effective interest method	4 534	(300)	4 234
Financial assets measured at amortised cost	4 097	(303)	3 794
Financial assets measured at fair value through other comprehensive income	437	3	440
Other interest income related to financial assets measured at fair value through profit or loss	(288)	295	7
Interest expense	(1 472)	5	(1 467)
Change in the method of presentation of costs related to cash turnover:			
Fee and commission expense	(169)	(24)	(193)
General administrative expenses and depreciation	(1 541)	24	(1 517)

The impact of changes on the comparative data of the separate income statement is presented in the tables below.

SEPARATE INCOME STATEMENT	DATA FOR I QUARTER 2023 BEFORE RESTATEMENT	RESTATEMENT	DATA FOR I QUARTER 2023 AFTER RESTATEMENT
Changes in the presentation of interest income and expense on hedging derivatives:			
Interest income	4 031	(5)	4 026
Interest income calculated using the effective interest method	4 314	(300)	4 014
Financial assets measured at amortised cost	3 818	(303)	3 515
Financial assets measured at fair value through other comprehensive income	496	3	499
Other interest income related to financial assets measured at fair value through profit or loss	(283)	295	12
Interest expense	(1 338)	5	(1 333)
Change in the method of presentation of costs related to cash turnover:			
Fee and commission expense	(180)	(24)	(204)
General administrative expenses and depreciation	(1 447)	24	(1 423)

6. Accounting estimates

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

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

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

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

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

Impairment of financial instruments, expected credit losses

With regard to all financial assets that are measured at amortised cost or at fair value through other comprehensive income and off-balance sheet liabilities, i.e. financial guarantees or loan commitments, the Group creates the allowance according to IFRS 9 based on the expected credit losses and taking into account forecasts and expected future economic conditions in the context of credit risk.

The process of estimating expected credit losses requires the use of significant estimates, in particular in the area of:

- 1) assumptions regarding macroeconomic forecasts and possible scenarios how these forecasts will develop in the future,
- 2) possible expert adjustments in relations to industries where the Group identifies an increased risk, and the models used do not fully reflect the risks of these industries,
- 3) rules (thresholds) for identifying a significant increase in credit risk.

Impairment of non-current assets (including goodwill)

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

Where such indications exist, the Group makes a formal estimation of the recoverable value (of a given assets or – in the case of goodwill - all cash-generating units to which the goodwill relates). If the carrying amount of a given asset is in excess of its recoverable value, impairment is defined and a write-down is recorded to adjust the carrying amount to the level of its recoverable value. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

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

As at 31 March 2024, there was no need to make impairment allowances for non-current assets, including goodwill.

Provisions for legal risk regarding foreign currency mortgage loans in CHF

As at 31 March 2024 the Group assessed the probability of the impact of legal risk regarding foreign currency mortgage loans in CHF on the expected cash outflows resulting from this risk.

Key elements of the estimate include:

- 1) a forecast of the number of disputes,
- 2) expected decisions/rulings of the courts,
- 3) customers' willingness to conclude settlements with the Bank.

Details on the provisions for legal risk regarding foreign currency mortgage loans in CHF are presented in the Note 27.

The Group did not implement any significant changes in the assumptions and methodology of calculating provisions compared to what was presented in the consolidated financial statements of Bank Pekao S.A. Group for the year ended on 31 December 2023.

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

As at 31 March 2024 the Group assessed the legal risk arising from the judgment of the Court of Justice of the European Union (hereinafter the 'CJEU') on consumer loans and estimated the possible amount of cash outflow as a refund of commission to the customer in relation to early repayment of consumer loans (for loans prepaid before the judgment of the CJEU, i.e. before 11 September 2019).

In addition, with regard to balance sheet exposures as at 31 March 2024, the Group estimated the possible prepayments of these exposures in the future.

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

Details on the estimated provision for early repayment of consumer loans are presented in Note 24.

Measurement of derivatives, unquoted debt securities measured at fair value through other comprehensive income and loans and advances to customers measured at fair value through other comprehensive income and measured at fair value through profit or loss

The principles of fair value measurement of derivatives, unquoted debt securities measured at fair value through other comprehensive income and loans and advances to customers measured at fair value through other comprehensive income and measured at fair value through profit or loss have not changed compared to 31 December 2023.

7. Operating segments

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

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

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

Operating segments

The operating segments of the Group are as follows:

- Retail banking – all banking activities related to retail customers (excluding private banking customers) and micro companies with annual turnover not exceeding PLN 5 million, as well as results of the subsidiaries, and shares in net profit of associates accounted for using the equity method, that are assigned to the retail banking activity,
- Private banking – all banking activities related to the most affluent individual customers,
- Corporate and Investment banking – all banking activities related to large companies and results of the subsidiaries that are assigned to the Corporate and Investment banking activity,
- Enterprise banking - all banking activities related to the companies with annual turnover from PLN 5 million to PLN 500 million and below 5 million in the case of companies conducting full accounting,
- Assets and Liabilities management and other – supervision and monitoring of fund transfers, interbank market, debt securities and other instruments, other activities centrally managed as well as the results of subsidiaries and share in net profit of associates accounted for using the equity method that are not assigned to other reported segments.

Operating segments reporting for the period from 1 January to 31 March 2024

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ENTERPRISE BANKING	ASSETS & LIABILITIES MANAGEMENT AND OTHER	TOTAL
External interest income	1 765	2	1 243	463	1 076	4 549
External interest expenses	(521)	(120)	(572)	(110)	(138)	(1 461)
Net external interest income	1 244	(118)	671	353	938	3 088
Internal interest income	1 728	192	988	454	(3 362)	-
Internal interest expenses	(1 286)	(2)	(1 171)	(367)	2 826	-
Net internal interest income	442	190	(183)	87	(536)	-
Total net interest income	1 686	72	488	440	402	3 088
Fee and commission income and expense	293	41	159	166	9	668
Other non-interest income	(126)	-	65	20	47	6
including: legal risk regarding foreign currency mortgage loans	(111)	-	-	-	-	(111)
Operating income of reportable segments	1 853	113	712	626	458	3 762
Personnel expenses	(299)	(27)	(82)	(72)	(253)	(733)
General administrative expenses and depreciation (including allocation of operating costs)	(510)	(21)	(97)	(112)	235	(505)
Operating costs	(809)	(48)	(179)	(184)	(18)	(1 238)
Gross operating profit	1 044	65	533	442	440	2 524
Net allowances for expected credit losses	(46)	-	(37)	(5)	(20)	(108)
including: legal risk regarding foreign currency mortgage loans	68	-	-	-	-	68
Net operating profit	998	65	496	437	420	2 416
Contributions to the Bank Guarantee Fund	(36)	-	(23)	(11)	(169)	(239)
Tax on certain financial institutions	(88)	-	(62)	(28)	(45)	(223)
Gains on associates	-	-	-	-	2	2
Profit before tax	874	65	411	398	208	1 956
Income tax expense						(441)
Net profit						1 515
Attributable to equity holders of the Bank						1 514
Attributable to non-controlling interests						1
Allocated assets	79 347	259	76 951	26 033	113 011	295 601
Unallocated assets						21 768
Total Assets						317 369
Allocated liabilities	140 313	14 690	63 965	37 278	9 712	265 958
Unallocated liabilities						19 728
Total Liabilities						285 686

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

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ENTERPRISE BANKING	ASSETS & LIABILITIES MANAGEMENT AND OTHER	TOTAL
External interest income	1 878	3	1 247	462	651	4 241
External interest expenses	(497)	(112)	(641)	(72)	(145)	(1 467)
Net external interest income	1 381	(109)	606	390	506	2 774
Internal interest income	1 695	195	1 108	387	(3 385)	-
Internal interest expenses	(1 453)	(2)	(1 195)	(370)	3 020	-
Net internal interest income	242	193	(87)	17	(365)	-
Total net interest income	1 623	84	519	407	141	2 774
Fee and commission income and expense	272	35	168	171	16	662
Other non-interest income	(73)	-	64	15	89	95
including: legal risk regarding foreign currency mortgage loans	(72)	-	-	-	-	(72)
Operating income of reportable segments	1 822	119	751	593	246	3 531
Personnel expenses	(255)	(24)	(69)	(60)	(206)	(614)
General administrative expenses and depreciation (including allocation of operating costs)	(473)	(17)	(84)	(91)	173	(492)
Operating costs	(728)	(41)	(153)	(151)	(33)	(1 106)
Gross operating profit	1 094	78	598	442	213	2 425
Net allowances for expected credit losses	(88)	1	(5)	12	(25)	(105)
including: legal risk regarding foreign currency mortgage loans	27	-	-	-	-	27
Net operating profit	1 006	79	593	454	188	2 320
Contributions to the Bank Guarantee Fund	(36)	-	(24)	(11)	(121)	(192)
Tax on certain financial institutions	(82)	-	(64)	(28)	(45)	(219)
Gains on associates	-	-	-	-	1	1
Profit before tax	888	79	505	415	23	1 910
Income tax expense						(464)
Net profit						1 446
Attributable to equity holders of the Bank						1 446
Attributable to non-controlling interests						-
Allocated assets	72 954	231	74 618	25 460	94 420	267 683
Unallocated assets						24 946
Total Assets						292 628
Allocated liabilities	125 278	14 490	68 298	31 516	6 409	245 991
Unallocated liabilities						21 481
Total Liabilities						267 472

Reconciliations of operating income for reportable segments

	I QUARTER 2024	I QUARTER 2023
Net interest income	3 088	2 774
Net fee and commission income	668	662
Dividend income	1	-
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	113	162
Result on fair value hedge accounting	-	(1)
Profit / loss from derecognition of financial assets and financial liabilities not at fair value through profit or loss	9	(3)
Other operating income	37	38
Other operating expenses	(154)	(101)
Total operating income for reportable segments	3 762	3 531

8. Interest income and expense

Interest income

	I QUARTER 2024			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	4 118	420	-	4 538
Loans and advances (in this receivables from financial leases)	3 037	2	-	3 039
Interbank placements	169	-	-	169
Reverse repo transactions	75	-	-	75
Debt securities	837	418	-	1 255
Other interest income related to financial assets measured at fair value through profit or loss	-	-	11	11
Loans and other receivables from customers	-	-	5	5
Debt securities held for trading	-	-	6	6
Total (*)	4 118	420	11	4 549

(*) Including the income from hedging derivative instruments in the amounts of minus PLN 179 million.

	I QUARTER 2023			TOTAL
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Interest income calculated using the effective interest method	3 794	440	-	4 234
Loans and advances (in this receivables from financial leases)	3 005	5	-	3 010
Interbank placements	190	-	-	190
Reverse repo transactions	82	-	-	82
Debt securities	517	435	-	952
Other interest income related to financial assets measured at fair value through profit or loss	-	-	7	7
Loans and other receivables from customers	-	-	5	5
Debt securities held for trading	-	-	2	2
Total (*)	3 794	440	7	4 241

(*) Including the income from hedging derivative instruments in the amounts of minus PLN 300 million.

Interest expense

	I QUARTER 2024	I QUARTER 2023
Deposits from customers	(1 095)	(1 113)
Interbank deposits	(18)	(22)
Repo transactions	(54)	(51)
Loans and advances received	(61)	(58)
Leasing	(8)	(3)
Debt securities	(225)	(220)
Total (*)	(1 461)	(1 467)

(*) including costs of derivative hedging instruments in the amount for the I quarter of 2024 plus PLN 6 million and for the I quarter of 2023 plus PLN 5 million.

9. Fee and commission income and expense

Fee and commission income

	I QUARTER 2024	I QUARTER 2023
Accounts maintenance, payment orders and cash transactions	154	161
Payment cards	201	196
Loans and advances	109	117
Margin on foreign exchange transactions with clients	165	176
Service and sell investment and insurance products	123	104
Securities operations	48	37
Custody activity	18	17
Guarantees, letters of credit and similar transactions	24	21
Other	28	26
Total	870	855

Fee and commission expense

	I QUARTER 2024	I QUARTER 2023
Payment cards	(126)	(118)
Cash turnover	(23)	(24)
Money orders and transfers	(6)	(7)
Securities and derivatives operations	(13)	(17)
Acquisition services	(14)	(12)
Custody activity	(6)	(5)
Accounts maintenance	(1)	(1)
Investment funds management	(1)	(1)
Other	(12)	(8)
Total	(202)	(193)

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

	I QUARTER 2024	I QUARTER 2023
Result on loans and advances to customers measured mandatorily at fair value through profit or loss	8	1
Result on securities measured mandatorily at fair value through profit or loss	15	15
Foreign exchange result	43	82
Result on derivatives	31	60
Result on securities held for trading	16	4
Total	113	162

11. Net allowances for expected credit losses

	I QUARTER 2024	I QUARTER 2023
Receivables from banks and Cash and cash equivalents	(1)	(3)
Loans and other financial assets measured at amortised cost (*) (**)	(136)	(134)
including: legal risk regarding foreign currency mortgage loans	68	27
Debt securities measured at amortised cost	(2)	(7)
Loans measured at fair value through other comprehensive income	-	-
Debt securities measured at fair value through other comprehensive income	3	2
Off-balance sheet commitments	28	37
Total	(108)	(105)

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

(**) In 2024, the Group sold a portfolio of loan receivables with a total gross carrying amount of PLN 166 million. The realized gross result on the transaction in the amount of PLN 3 million.

12. Other operating income and expenses

Other operating income

	I QUARTER 2024	I QUARTER 2023
Gains on disposal of property, plant and equipment	11	1
Premises rental income, terminals and IT equipment	6	6
Operating leasing net income (*)	-	1
Compensation, recoveries, penalty fees and fines received	4	3
Miscellaneous income	7	16
Recovery of debt collection costs	5	5
Net revenues from sale of products, goods and services	2	2
Other	2	4
Total	37	38

(*) Operating leasing net income

	I QUARTER 2024	I QUARTER 2023
Income from operating leases	1	2
Costs of depreciation of fixed assets provided under operating leases	(1)	(1)
Total	-	1

Other operating expenses

	I QUARTER 2024	I QUARTER 2023
Provision for liabilities disputable and other provisions (*)	(1)	-
Provision for legal risk regarding foreign currency mortgage loans	(111)	(72)
Credit and factoring debt collection costs	(8)	(7)
Card transactions monitoring costs	(5)	(5)
Sundry expenses	(3)	(2)
Costs of litigation and claims	(11)	(5)
Impairment allowance on fixed assets, litigations and other assets	(3)	-
Compensation, penalty fees and fines	(1)	-
Other	(11)	(10)
Total	(154)	(101)

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

13. General administrative expenses and depreciation

Personnel expenses

	I QUARTER 2024	I QUARTER 2023
Wages and salaries	(608)	(513)
Insurance and other charges related to employees	(118)	(95)
Share-based payments expenses	(7)	(6)
Total	(733)	(614)

Other administrative expenses

	I QUARTER 2024	I QUARTER 2023
Overheads	(295)	(293)
Tax on certain financial institutions	(223)	(219)
Contributions to the Bank Guarantee Fund, including:	(239)	(192)
to the resolution fund	(239)	(192)
to the banks' guarantee fund	-	-
Fees to cover costs of supervision over banks (KNF)	(36)	(30)
Other taxes and fees	(14)	(13)
Total	(807)	(747)

Depreciation

	I QUARTER 2024	I QUARTER 2023
Property, plant and equipment	(80)	(82)
Intangible assets	(80)	(74)
Total	(160)	(156)

Total administrative expenses and depreciation	(1 700)	(1 517)
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14. Income tax

	I QUARTER 2024	I QUARTER 2023
INCOME STATEMENT		
Current tax charge in the income statement	(504)	(513)
Adjustments related to the current tax from previous years	5	-
Other taxes (e.g. withholding tax)	-	-
Current tax	(499)	(513)
Occurrence and reversal of temporary differences	58	49
Deferred tax	58	49
Tax charge in the consolidated income statement	(441)	(464)
EQUITY		
Current tax	-	-
Income and costs disclosed in other comprehensive income:		
revaluation of financial instruments – cash flows hedges	41	(132)
fair value revaluation through other comprehensive income	(11)	(78)
Tax on items that are or may be reclassified subsequently to profit or loss	30	(209)
Fair value revaluation through other comprehensive income – equity securities	11	(10)
Remeasurements the defined benefit liabilities	-	-
Tax charge on items that will never be reclassified to profit or loss	11	(10)
Deferred tax	41	(219)
Total charge	(400)	(683)

15. Dividends

On 17 April 2024, the Ordinary General Meeting of Bank Pekao S.A. adopted a resolution on the allocation of the undivided part of the Bank's net profit for 2019 in the amount of PLN 1 685 million to dividends and on the distribution of the Bank's net profit for 2023 in the amount of PLN 6 718 million. An amount of PLN 3 354 million was transferred for dividend to shareholders, and the amount of PLN 1 687 million for reserve capital. The remaining part of the profit in the amount of PLN 1 677 million was left undistributed. The dividend amount per share was PLN 19.20. The dividend record date was 24 April 2024, and the dividend payment date was 10 May 2024.

16. Cash and cash equivalents

	31.03.2024	31.12.2023
Cash	3 782	3 990
Current account and deposits at Central Bank	9 976	8 460
Amounts due from banks with a maturity of up to 3 months	3 167	2 273
Gross carrying amount	16 925	14 723
Impairment allowances	(9)	(8)
Net carrying amount	16 916	14 715

Restricted availability cash and cash equivalents as at 31 March 2024 amounted to PLN 9 245 million (PLN 10 953 million as at 31 March 2023).

17. Loans and advances to banks

Loans and advances to banks by product type

	31.03.2024	31.12.2023
Interbank placements	46	81
Loans and advances	112	93
Total gross amount	158	174
Impairment allowances	(1)	(1)
Total net amount	157	173

18. Derivative financial instruments (held for trading)

Fair value of trading derivatives

31.03.2024	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	7 957	7 849
Forward Rate Agreements (FRA)	114	96
Options	53	57
Other	1	1
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	42	156
Currency Forward Agreements	120	257
Currency Swaps (FX-Swap)	205	87
Options for currency and gold	5	24
Transactions based on equity securities and stock indexes		
Options	2	2
Other	-	-
Transactions based on commodities and precious metals		
Options	-	-
Other	243	238
Total	8 742	8 767

31.12.2023	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	8 305	8 183
Forward Rate Agreements (FRA)	63	58
Options	48	50
Other	-	-
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	114	194
Currency Forward Agreements	154	322
Currency Swaps (FX-Swap)	358	201
Options for currency and gold	6	25
Transactions based on equity securities and stock indexes		
Options	3	3
Other	-	-
Transactions based on commodities and precious metals		
Options	6	6
Other	260	253
Total	9 317	9 295

19. Loans and advances to customers

Loans and advances to customers by product type

	31.03.2024			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	79 581	-	6	79 587
Current accounts	14 780	-	-	14 780
Operating loans	10 672	-	4	10 676
Investment loans	26 620	82	7	26 709
Cash loans	13 770	-	-	13 770
Payment cards receivables	1 201	-	-	1 201
Financial leasing	11 406	-	-	11 406
Factoring	8 477	-	-	8 477
Other loans and advances	4 733	-	279	5 012
Reverse repo transactions	1 906	-	-	1 906
Gross carrying amount	173 146	82	296	173 524
Impairment allowances (*) (**)	(9 140)	-	-	(9 140)
Carrying amount	164 006	82	296	164 384

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 1 million is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 178 million.

	31.12.2023			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans	77 861	-	7	77 868
Current accounts	12 931	-	-	12 931
Operating loans	11 443	-	8	11 451
Investment loans	26 495	82	8	26 585
Cash loans	13 505	-	-	13 505
Payment cards receivables	1 189	-	-	1 189
Financial leasing	11 183	-	-	11 183
Factoring	9 524	-	-	9 524
Other loans and advances	4 925	-	226	5 151
Reverse repo transactions	1 703	-	-	1 703
Gross carrying amount	170 759	82	249	171 090
Impairment allowances (*) (**)	(9 679)	-	-	(9 679)
Carrying amount	161 080	82	249	161 411

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 1 million is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 536 million.

Loans and advances to customers by customer type

	31.03.2024					
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	CARRYING AMOUNT			
Corporate	89 831	(5 524)	84 307	82	11	84 400
Individuals	82 313	(3 608)	78 705	-	280	78 985
Budget entities	1 002	(8)	994	-	5	999
Loans and advances to customers	173 146	(9 140)	164 006	82	296	164 384

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 1 million is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 178 million.

	31.12.2023					
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
	GROSS CARRYING AMOUNT	IMPAIRMENT ALLOWANCES (**)	CARRYING AMOUNT			
Corporate	89 172	(5 750)	83 422	82	13	83 517
Individuals	80 427	(3 920)	76 507	-	227	76 734
Budget entities	1 160	(9)	1 151	-	9	1 160
Loans and advances to customers	170 759	(9 679)	161 080	82	249	161 411

(*) The impairment allowance for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 1 million is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 536 million.

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

TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
GROSS CARRYING AMOUNT									
GROSS CARRYING AMOUNT AS AT 1.01.2024	142 095	17 114	3 806	6 093	1 651	170 759	82	-	82
Transfer to Stage 1	2 318	(2 240)	(30)	(48)	-	-	-	-	-
Transfer to Stage 2	(4 060)	4 183	(24)	(99)	-	-	-	-	-
Transfer to Stage 3	(277)	(424)	214	487	-	-	-	-	-
New / purchased / granted financial assets	23 270	-	-	-	252	23 522	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(18 617)	(910)	(744)	(360)	(113)	(20 744)	-	-	-
Financial assets written off (*)	-	-	(46)	(359)	(11)	(416)	-	-	-
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-	-
Adjustment related to credit holidays	-	-	-	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(251)	-	7	132	137	25	-	-	-
GROSS CARRYING AMOUNT AS AT 31.03.2024	144 478	17 723	3 183	5 846	1 916	173 146	82	-	82
IMPAIRMENT ALLOWANCE (**)									
IMPAIRMENT ALLOWANCE AS AT 1.01.2024	796	945	2 443	4 347	1 148	9 679	1	-	1
Changes in balances included in the income statement (table in the Note 11), of which:	(74)	206	(1)	6	(1)	136	-	-	-
New / purchased / granted financial assets	97	1	7	8	8	121	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(27)	(14)	(5)	(25)	(1)	(72)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(144)	219	(3)	23	(8)	87	-	-	-
Transfer to Stage 1	111	(105)	-	(6)	-	-	-	-	-
Transfer to Stage 2	(56)	85	(1)	(28)	-	-	-	-	-
Transfer to Stage 3	(3)	(51)	4	50	-	-	-	-	-
Financial assets written off (*)	-	-	(46)	(359)	(11)	(416)	-	-	-
Other, in this changes resulting from exchange rates	-	(56)	(348)	32	113	(259)	-	-	-
IMPAIRMENT ALLOWANCE AS AT 31.03.2024	774	1 024	2 051	4 042	1 249	9 140	1	-	1

(*) Including the value of contractual interest subject to partial write-off in the amount of PLN 207 million.

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

(***) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 178 million.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 March 2024 amounted to PLN 267 million.

TOTAL	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT					
GROSS CARRYING AMOUNT									
GROSS CARRYING AMOUNT AS AT 1.01.2023	137 555	19 412	4 555	5 442	1 361	168 325	254	-	254
Transfer to Stage 1	4 908	(4 651)	(103)	(154)	-	-	-	-	-
Transfer to Stage 2	(9 189)	9 434	(57)	(188)	-	-	-	-	-
Transfer to Stage 3	(1 521)	(1 683)	1 015	2 189	-	-	-	-	-
New / purchased / granted financial assets	50 992	-	-	-	91	51 083	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(40 304)	(5 197)	(1 080)	(939)	(229)	(47 749)	(175)	-	(175)
Financial assets written off (*)	-	-	(811)	(516)	(37)	(1 364)	-	-	-
Modifications not resulting in derecognition	(2)	-	-	-	-	(2)	-	-	-
Adjustment related to credit holidays	946	93	-	6	-	1 045	-	-	-
Other, in this changes resulting from exchange rates	(1 290)	(294)	287	253	465	(579)	3	-	3
GROSS CARRYING AMOUNT AS AT 31.12.2023	142 095	17 114	3 806	6 093	1 651	170 759	82	-	82
IMPAIRMENT ALLOWANCE (**)									
IMPAIRMENT ALLOWANCE AS AT 1.01.2023	842	1 304	3 400	3 717	779	10 042	3	-	3
Changes in balances included in the income statement (table in the Note 11), of which:	(150)	196	203	249	(51)	447	(3)	-	(3)
New / purchased / granted financial assets	388	-	-	-	3	391	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(132)	(96)	(5)	(59)	(14)	(306)	(2)	-	(2)
Changes in level of credit risk (excluding the transfers between the Stages) (***)	(406)	292	208	308	(40)	362	(1)	-	(1)
Transfer to Stage 1	299	(275)	(3)	(21)	-	-	-	-	-
Transfer to Stage 2	(122)	198	(3)	(73)	-	-	-	-	-
Transfer to Stage 3	(31)	(215)	(231)	477	-	-	-	-	-
Financial assets written off (*)	-	-	(811)	(516)	(37)	(1 364)	-	-	-
Other, in this changes resulting from exchange rates	(42)	(263)	(112)	514	457	554	1	-	1
IMPAIRMENT ALLOWANCE AS AT 31.12.2023	796	945	2 443	4 347	1 148	9 679	1	-	1

(*) Including the value of contractual interest subject to partial write-off in the amount of PLN 668 million.

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

(***) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 536 million.

The total value of undiscounted expected credit losses at the time of initial recognition of financial assets purchased or originated credit impaired in the period ended 31 December 2023 amounted to PLN 219 million.

20. Securities

	31.03.2024	31.12.2023
Debt securities held for trading	1 706	1 458
Debt securities measured at amortised cost	100 594	93 160
Debt securities measured at fair value through other comprehensive income	14 424	14 441
Equity instruments held for trading	16	4
Equity instruments designated for measurement at fair value through other comprehensive income	332	389
Equity instruments mandatorily measured at fair value through profit or loss	227	210
Total	117 299	109 662

Debt securities held for trading

	31.03.2024	31.12.2023
Debt securities issued by central governments	1 550	1 082
T- bills	53	-
T- bonds	1 497	1 082
Debt securities issued by banks	86	246
Debt securities issued by business entities	70	128
Debt securities issued by local governments	-	2
Total	1 706	1 458

Debt securities measured at amortised cost

	31.03.2024	31.12.2023
Debt securities issued by State Treasury	47 991	42 744
T-bills	7 033	8 715
T-bonds	40 958	34 029
Debt securities issued by central banks	25 492	18 502
Debt securities issued by banks	16 075	15 914
Debt securities issued by business entities	6 078	11 153
Debt securities issued by local governments	4 958	4 847
Total	100 594	93 160
including impairment of assets	(166)	(157)

Debt securities measured at fair value through other comprehensive income

	31.03.2024	31.12.2023
Debt securities issued by State Treasury	7 660	7 424
T-bills	-	-
T-bonds	7 657	7 424
Other	3	-
Debt securities issued by central banks	999	999
Debt securities issued by banks	1 996	2 175
Debt securities issued by business entities	2 092	2 226
Debt securities issued by local governments	1 677	1 617
Total	14 424	14 441
including impairment of assets (*)	(23)	(26)

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

Equity securities held for trading

	31.03.2024	31.12.2023
Shares	16	4
Total	16	4

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

	31.03.2024	31.12.2023
Shares	332	389
Total	332	389

Equity instruments mandatorily measured at fair value through profit or loss

	31.03.2024	31.12.2023
Shares	227	210
Total	227	210

21. Amounts due to other banks

Amounts due to other banks by product type

	31.03.2024	31.12.2023
Current accounts	642	692
Interbank deposits and other liabilities	1 172	1 640
Loans and advances received	5 040	5 265
Repo transactions	-	-
Lease liabilities	-	-
Total	6 854	7 597

22. Amounts due to customers

Amounts due to customers by entity and product type

	31.03.2024	31.12.2023
Amounts due to corporate, including:	80 031	82 885
current accounts	55 091	62 286
term deposits and other liabilities	24 940	20 599
Amounts due to budget entities, including:	21 935	17 282
current accounts	18 922	15 528
term deposits and other liabilities	3 013	1 754
Amounts due to individuals, including:	140 173	131 911
current accounts	98 919	93 170
term deposits and other liabilities	41 254	38 741
Repo transactions	1 459	1 649
Lease liabilities	654	579
Total	244 252	234 306

23. Debt securities issued

Debt securities issued by type

	31.03.2024	31.12.2023
Liabilities from bonds	10 866	8 903
Certificates of deposit	-	-
Mortgage bonds	1 036	1 055
Total	11 902	9 958

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

24. Provisions

Changes in provisions in the reporting period

I QUARTER 2024	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS (**)	TOTAL
Opening balance	991	6	293	504	183	1 977
Provision charges/revaluation	117	-	8	138	12	275
Provision utilization	(105)	-	(5)	-	(3)	(113)
Provision releases	(4)	-	-	(167)	-	(171)
Foreign currency exchange differences	(4)	-	-	(1)	-	(5)
Other changes	-	-	-	-	-	-
Closing balance	995	6	296	474	192	1 963
Short term	3	6	34	50	33	126
Long term	992	-	262	424	159	1 837

(*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 917 million and a provision for early repayments of consumer loans in the amount of PLN 9 million as at 31 March 2024.

(**) Including provisions for refunds to customers of increased mortgage loan margins before establishing a mortgage in the amount of PLN 82 million as at 31 March 2024.

2023	PROVISIONS FOR LITIGATION AND CLAIMS (*)	RESTRUCTURING PROVISION	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS (**)	TOTAL
Opening balance	587	11	244	397	163	1 402
Provision charges/revaluation	630	-	33	435	57	1 155
Provision utilization	(91)	(5)	(13)	-	(38)	(147)
Provision releases	(136)	-	-	(318)	(12)	(466)
Foreign currency exchange differences	(1)	-	-	(10)	-	(11)
Other changes	2	-	29	-	13	44
Closing balance	991	6	293	504	183	1 977
Short term	-	6	24	133	28	191
Long term	991	-	269	371	155	1 786

(*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 912 million and a provision for early repayments of consumer loans in the amount of PLN 11 million as at 31 December 2023.

(**) Including provisions for refunds to customers of increased mortgage loan margins before establishing a mortgage in the amount of PLN 84 million as at 31 December 2023.

Detailed information on individual provisions is presented in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2023.

25. Contingent commitments

Court cases

As of 31 March 2024 the following court cases for payment are pending with involvement of the Group, that are important in view of the value of the object of litigation:

- brought by the association – a claim for payment of damages against the Bank and 3 other legal person for damages incurred in connection with irregularities committed by the defendants, according to the association, when offering the purchase of premises and financing the construction of a condohotel; value of the object of litigation PLN 86 703 762, litigation initiation date – 14 November 2022, in the present factual and legal circumstances the Bank assesses the funds outflow risk as possible,
- brought by the receiver for a joint stock company in liquidation bankruptcy – lawsuit for payment of compensation for a damage incurred as a result of the Bank's demanding immediate payment of the amounts due in virtue of payment of the price from the credit receivables transfer agreement and conducting debt enforcement collection of the portion of the price remaining for payment by a court enforcement officer, value of the object of litigation PLN 57 450 130, litigation initiation date – 30 April 2015, in the present factual and legal circumstances the Bank assesses the funds outflow risk as possible,
- brought by a legal person – lawsuit for payment against the Bank in connection with non-performance of an IT contract, value of the object of litigation PLN 44 238 623, litigation initiation date 26 January 2024, the case is in the mediation phase, in the present factual and legal circumstances the Bank assesses the funds outflow risk in the amount of PLN 40 432 181.39 as possible,
- brought by a natural person – lawsuit for payment by the Bank of an amount charged by virtue of settlement of financial future or forward transactions, value of the object of litigation PLN 38 916 555.18, litigation initiation date 2 October 2016, on 6 May 2019 the Regional Court in Warsaw issued a sentence ordering the Bank to pay the amount of PLN 3 392 349.18 and as to the remainder the Court dismissed the suit, the sentence is not legally valid, the Bank and the plaintiff appealed against the judgment. On the 16 December 2020 the Court of Appeal in Warsaw quashed the sentence of the Regional Court in its entirety and remitted the case to that Court. In the present factual and legal circumstances the Bank assesses the funds outflow risk in the amount of PLN 35 524 206.00 as possible,
- brought by a natural person – lawsuit for invalidation of the loan agreement and legal collateral agreements and payment of undue benefit, damages and compensation; value of the object of litigation PLN 30 469 753.05, litigation initiation date – 22 June 2023, in the present factual and legal circumstances, the Bank assesses the funds outflow risk as possible.

None of the litigations pending in the first quarter 2024 before the court, authority competent for arbitrary proceedings or a body of public administration posed a threat for financial liquidity of the Group.

The Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the provisions as at 31 March 2024 is PLN 995 million (PLN 991 million as at 31 December 2023).

In addition, as at 31 March 2024 the Group assessed the legal risk of foreign currency mortgage loans in CHF and created a provision related to this risk. Details are presented in the Note 27.

Proceedings of the Office of the Polish Financial Supervision Authority

On 22 November 2023, the Polish Financial Supervision Authority ('KNF') started administrative proceedings against the Bank that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.

Proceedings of the Office of Competition and Consumer Protection

Proceedings of the President of the Office of Competition and Consumer Protection regarding irregularities in the area of complaints

In a letter of 10 November 2023, the President of the Office of Competition and Consumer Protection ('UOKiK') initiated proceedings against the Bank regarding the Bank's use of practices violating the collective interests of consumers, consisting of:

- failure to respond to consumer complaints without undue delay, no later than within 30 days, and in particularly complicated cases - within 60 days,
- failure to indicate in the information provided to the customer filing a complaint the reason for the delay that makes it impossible to consider the complaint and provide a response without undue delay, no later than within 30 days, and the circumstances that must be established in order to consider the case.

In December 2023, the Bank submitted an application to the President of the Office of Competition and Consumer Protection with a request for a commitment decision. The Bank is waiting for the decision of the President of the Office of Competition and Consumer Protection in this matter. As at 31 March 2024, the Bank created a provision in the amount of PLN 12 million regarding the implementation of the commitment proposal presented to the President of the Office of Competition and Consumer Protection.

Proceedings of the President of the Office of Competition and Consumer Protection regarding unauthorized transactions

On 8 February 2024, the President of the Office of Competition and Consumer Protection initiated proceedings regarding practices violating the collective interests of consumers regarding unauthorized payment transactions. The charges brought are:

- failure to refund the amount of an unauthorized payment transaction to the customer within the D+1 deadline despite the lack of premises for such refusal,
- misleading consumers as to the Bank's obligations and the distribution of the burden of proving the authorization of a payment transaction.

The proceedings are the result of the explanatory proceedings of the President of the Office of Competition and Consumer Protection initiated in June 2021 and the collection of evidence in the case. The bank is at the stage of analyzing the material collected by the President of the Office of Competition and Consumer Protection in this case. At this stage, the Bank did not create a provision for these proceedings.

Financial commitments granted

Financial commitments granted by entity

	31.03.2024	31.12.2023
Financial commitments granted to:		
banks	753	422
customers	56 391	54 015
budget entities	1 235	699
Total	58 379	55 136

Guarantees issued

Guarantees issued by entity

	31.03.2024	31.12.2023
Issued to banks:	1 162	1 267
guarantees	1 117	1 247
securities' underwriting guarantees	-	-
confirmed export letters of credit	46	20
Issued to customers	9 033	8 883
guarantees	7 477	7 232
securities' underwriting guarantees	1 544	1 639
sureties	12	12
Issued to budget entities:	620	568
guarantees	38	22
securities' underwriting guarantees	582	546
Total	10 815	10 718

Off-balance sheet commitments received

Off-balance sheet commitments received by entity

	31.03.2024	31.12.2023
Financial received from:	763	452
banks	450	452
customers	313	-
budget entities	-	-
Guarantees received from:	31 491	31 426
banks	14 906	15 383
customers	14 235	13 711
budget entities	2 350	2 332
Total	32 254	31 878

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

26. Related party transactions

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

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

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

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

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

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

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

Related party transactions

Related party transactions as at 31 March 2024

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank's parent entity	-	-	-	6	267	-	32
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	6	-	-	17	443	1	1
Associates of Bank Pekao S.A Group entities							
Krajowy Integrator Płatności S.A.	-	-	-	-	43	-	-
Key management personnel of the Bank Pekao S.A.	1	-	-	-	9	-	-
Total	7	-	-	23	762	1	33

Related party transactions as at 31 December 2023

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
PZU S.A. – the Bank's parent entity	-	-	-	3	289	-	25
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	12	-	-	12	399	7	1
Associates of Bank Pekao S.A Group entities							
Krajowy Integrator Płatności S.A.	-	-	-	-	39	-	-
Key management personnel of the Bank Pekao S.A.	2	-	-	-	11	-	-
Total	14	-	-	15	738	7	26

Income and expenses from transactions with related parties for the period from 1 January 2024 to 31 March 2024

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	-	(5)	15	-	-	(2)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	(5)	16	-	-	(9)
Associates of Bank Pekao S.A Group entities						
Krajowy Integrator Płatności S.A.	-	-	-	-	-	-
Key management personnel of the Bank Pekao S.A.	-	-	-	-	-	-
Total	-	(10)	31	-	-	(11)

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

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
PZU S.A. – the Bank 's parent entity	-	(5)	11	-	-	(2)
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	-	(6)	15	-	-	(9)
Associates of Bank Pekao S.A Group entities						
Krajowy Integrator Płatności S.A.	-	-	-	-	-	-
Key management personnel of the Bank Pekao S.A.	-	-	-	-	-	-
Total	-	(11)	26	-	-	(11)

Off-balance sheet financial liabilities and guarantees as at 31 March 2024

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	3	15	-	-
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	15	10	-	-
Associates of Bank Pekao S.A Group entities				
Krajowy Integrator Płatności S.A.	-	2	-	-
Key management personnel of the Bank Pekao S.A.	-	-	-	-
Total	18	27	-	-

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

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEE
PZU S.A. – the Bank's parent entity	3	15	-	-
Entities of PZU S.A. Group excluding of Bank Pekao S.A. Group entities	13	10	-	-
Associates of Bank Pekao S.A Group entities				
Krajowy Integrator Płatności S.A.	-	2	-	-
Key management personnel of the Bank Pekao S.A.	-	-	-	-
Total	16	27	-	-

27. Legal risk regarding foreign currency mortgage loans in CHF

Adopted accounting principles

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

In connection with the above, the credit risk of the portfolio of foreign currency mortgage loans in CHF is assessed by the Bank, taking into account the legal risk associated with this portfolio, which materializes in the form of court disputes and out-of-court settlements concluded with borrowers.

Due to unfavorable judgments, resulting in a significant probability of losing the case, as at 31 December 2023 the Bank assumed that loans subject to legal dispute and loans for which the probability that the client will file a lawsuit or reach a settlement with the Bank is estimated at higher level than 60% are classified as Stage 3. Other loans (not meeting the above criterion) were classified to Stage 2.

As a result of the above, in the case of the part of the provision relating to (allocated to) an active loan agreement, it is recognized first as an element of the impairment allowance on the loan exposure. However, any surplus of this provision over the net value of the loan exposure is presented as an element of provisions in the 'Provisions' line in accordance with IAS 37.

With regard to the repaid portfolio of foreign currency mortgage loans in CHF, the Group applies IAS 37 and recognizes provisions allocated to this part of the portfolio under 'Provisions' and 'Other operating expenses', which were presented in Note 24 and Note 12, respectively.

At the same time, part of the provision concerns additional costs related to the possible loss of a court dispute (i.e. interest for delay and costs of legal representation) due to the fact that they do not result from the loan agreement are recognized in accordance with IAS 37 as an element of the 'Provisions' (regardless of whether this estimate concerns an active loan agreement or a repaid loan).

Portfolio characteristics

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

As at 31 March 2024, the Group had a portfolio of foreign currency mortgage loans in CHF with a total gross carrying amount of PLN 1 738 million (i.e. CHF 393 million) compared to PLN 2 141 million (i.e. CHF 457 million) as at 31 December 2023.

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

	31.03.2024					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
Gross carrying amount, of which:	-	57	70	1 599	12	1 738
denominated in CHF	-	57	70	1 599	12	1 738
indexed to CHF	-	-	-	-	-	-
Impairment allowances, of which (*):	-	(19)	(63)	(1 295)	(9)	(1 386)
denominated in CHF	-	(19)	(63)	(1 295)	(9)	(1 386)
indexed to CHF	-	-	-	-	-	-
Carrying amount, of which:	-	38	7	304	3	352
denominated in CHF	-	38	7	304	3	352
indexed to CHF	-	-	-	-	-	-

(*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 153 million (including Stage 1 in the amount of PLN 0 million, Stage 2 in the amount of PLN 18 million, Stage 3 in the amount of PLN 1 135 million).

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

	31. 12.2023					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
Gross carrying amount, of which:	-	123	75	1 931	12	2 141
denominated in CHF	-	123	75	1 931	12	2 141
indexed to CHF	-	-	-	-	-	-
Impairment allowances, of which (*):	-	(51)	(68)	(1 623)	(9)	(1 751)
denominated in CHF	-	(51)	(68)	(1 623)	(9)	(1 751)
indexed to CHF	-	-	-	-	-	-
Carrying amount, of which:	-	72	7	308	3	390
denominated in CHF	-	72	7	308	3	390
indexed to CHF	-	-	-	-	-	-

(*) Including the provision for legal risk regarding foreign currency mortgage loans in the amount of PLN 1 507 million (including Stage 1 in the amount of PLN 0 million, Stage 2 in the amount of PLN 50 million, Stage 3 in the amount of PLN 1 457 million).

As of 31 March 2024 the average LTV for CHF loans to individuals granted by the Group amounted to 29.6% (28.7% as at 31 December 2023), with an average LTV for the whole portfolio of mortgage loans of 47.3% (47.8% as at 31 December 2023).

Court proceedings related to foreign currency mortgage loans in CHF

In 2019, the Court of Justice of the European Union (hereinafter the 'CJEU') issued a ruling on a CHF-indexed loan granted by another bank, in which it interpreted the provisions of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer loans based on the CHF indexed loan agreement. The CJEU indicated the consequences of recognizing the possible abusiveness of conversion clauses by the domestic court, without examining the possible abusiveness of contractual provisions at all. The CJEU did not prejudge that in the event that a domestic court finds possible abusiveness, the court should automatically declare the entire contract invalid. The assessment in this respect remains to be decided by the national court, but the CJEU has not ruled out the possibility of filling the gap resulting from the abusive nature of conversion clauses by means of domestic regulations. However, subsequent rulings of the CJEU exclude the admissibility of filling the gap after eliminating the prohibited provision under national law, as a result of which the courts of the countries recognize loan agreements as unenforceable after the removal of the abusive provision (conversion clause) and consider that the agreement cannot be enforced, as a result of which the courts declare the loan agreement invalid.

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

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

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

In addition, there is a trend on the market related to the referral by common courts of inquiries regarding various types of doubts arising to the Supreme Court, as well as to the CJEU, which may also affect the future directions of judicial decisions.

An example of such an important ruling is the judgment of the CJEU of 8 September 2022 issued in joined cases C-80/21 to C-82/21, in which the CJEU replied to the questions referred for a preliminary ruling by the District Court for Warszawa Śródmieście in Warsaw in the CHF case. The CJEU stated:

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

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

On 15 June 2023, the CJEU introduced a judgment in case C-520/21, in which it settled the question referred for a preliminary ruling by the District Court for Warsaw - Srodmiescie in Warsaw, stated that in the context of recognizing a mortgage loan agreement as invalid in its entirety due to the fact that it cannot continue to apply after removing the unfair terms from it, Art. 6 sec. 1 and art. 7 sec. 1 of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts should be interpreted as follows:

- they do not preclude a judicial interpretation of national law according to which the consumer is entitled to claim compensation from the credit institution beyond the reimbursement of the monthly installments and costs paid for the performance of that contract and the payment of statutory interest for late payment from the date of the request for payment, provided respect the objectives of Directive 93/13 and the principle of proportionality, and
- they preclude a judicial interpretation of national law according to which a credit institution is entitled to demand compensation from the consumer beyond the reimbursement of the capital paid for the performance of that contract and the payment of statutory interest for late payment from the date of the demand for payment.

The judgment in question closed the way for the banks to pursue the so-called remuneration for the use of capital, while as regards consumer claims against banks, the CJEU referred to national law and emphasized that it is for the referring court to assess, in the light of all the circumstances of the dispute, whether the inclusion of such consumer claims complies with the principle of proportionality. As of today, we are not aware of such claims by borrowers, and thus their legal basis, scope or nature. At the same time, this judgment does not literally refer to the admissibility of the bank's claim for judicial indexation of the amount corresponding to the amount of the loan capital granted.

On 7 December 2023, the CJEU issued a judgment in case C-140/22, which states that the possibility of exercising rights by a consumer cannot be made conditional on the consumer's submission to the court of consent to the maintenance of an unfair contract term, consent to invalidity contract and a statement that the consumer is aware of the consequences of the invalidity of the contract and that when settling the invalidity of the contract, banks cannot retain capital interest accrued in the course of performing the contract, thus stating that banks cannot demand compensation from the consumer that goes beyond the return of the paid capital.

On 11 December 2023, the CJEU issued a decision in case C-756/22, in which it ruled that Art. 6 section 1 and art. 7 section 1 of Directive 93/13 must be interpreted as meaning that in the context of declaring a mortgage loan agreement concluded with a consumer by a banking institution to be invalid in its entirety because that agreement contains unfair terms without which it cannot continue to be in force, precludes a judicial interpretation of the law of a Member State according to which that institution is entitled to demand from that consumer the repayment of sums other than the capital paid for the performance of that contract and statutory interest for delay from the time of the request for payment. The above ruling may in the future result in banks being able to claim from Swiss franc borrowers only the return of the loan capital along with statutory interest for delay from the moment of payment demand, without remuneration for the use of capital or capital indexation.

On 14 December 2023, the CJEU issued a judgment stating that Art. 6 section 1 and art. 7 section 1 of Directive 93/13, in connection with the principle of effectiveness, must be interpreted as precluding a judicial interpretation of national law according to which the limitation period for an entrepreneur's claims arising from the invalidity of a mortgage loan contract begins to run only from the date on which the contract becomes permanently ineffective and that they preclude a judicial interpretation of national law according to which the submission of an objection by the entrepreneur to the retention will from that moment result in the consumer losing the possibility of claiming interest for the delay. Moreover, the CJEU ruled that a credit institution is not obliged to examine whether a consumer who is a party to a loan agreement is aware of the consequences of the invalidity of the agreement.

Summarizing a number of December judgments, regarding the compensation banks are entitled to in excess of the capital paid, the CJEU confirmed its position presented in the judgment of 15 June 2023. The judgments of the CJEU regarding the commencement of the limitation period for banks' restitution claims do not cause any changes in the Group's approach to this type of cases, due to the unclear jurisprudence of national courts, the Bank assumes the earliest possible date for the commencement of the limitation period, which is the submission by the borrower of a declaration containing a demand related to the allegation that the contract was invalid.

The above December rulings may change the approach of courts to awarding interest from banks for delays with a date earlier than the date of submission of the consumer's declaration of consent to the invalidity of the contract and the effects of this invalidity, and may also unify the approach to the issue of whether filing an allegation of retention by a credit institution causes interruption and charging of interest to the customer, which, if such a practice is established before common courts, may be unfavorable for banks.

On 12 January 2024, the CJEU in case C-488/23 ruled that the provisions of the Directive should be interpreted in such a way that they preclude the judicial interpretation of the law of a Member State, according to which a credit institution has the right to demand from the consumer - in addition to the reimbursement amounts of capital paid for the performance of this contract and statutory interest for delay from the date of request for payment - compensation consisting in judicial indexation of the benefit paid. In its decision, the CJEU assumed that the institution of indexation is part of the concept of compensation.

Until 31 March 2024, 6.7 thousand individual court cases were pending against the Group regarding foreign currency mortgage loans in CHF, which were granted in previous years, with the total value of the claim in the amount of PLN 2 295 million (as at 31 December 2023, the number of cases was 5.8 thousand, and the corresponding value of the dispute is PLN 1 938 million). The main cause of the dispute, as indicated by the plaintiffs, concerns the questioning of the provisions of the loan agreement with regard to the Group's application of conversion rates based on the Bank's exchange rate Table and results in claims regarding the partial or complete invalidity of the loan agreements. During the 3-month period ended on 31 March 2024, the Group received 476 unfavorable court judgments in cases brought by borrowers, including 77 final judgments and 8 favorable court judgments, including 0 final judgments (in 2023: 1 303 unfavorable court judgments, including 197 final judgments stating the invalidity of the loan agreement and 40 favorable court judgments, including 3 final judgments dismissing the claim for declaring the invalidity of the loan agreement and a claim for payment in connection with the invalidity of the loan agreement).

Court settlement program

On 2 October 2023, the Bank started offering out-of-court settlements under the name '2% safe settlement'. The program applies to borrowers who as of 31 March 2023 had an active mortgage loan agreement denominated in CHF, including those in legal dispute with the Bank.

As part of the settlement, a new debt balance is determined, expressed in PLN and calculated as the loan amount paid by the Bank, increased by contractual interest calculated at a fixed interest rate of 2% per annum and reduced by all repayments made by the borrower until the settlement is concluded. The amount of debt remaining after the settlement bears interest at a fixed interest rate of 2% per annum for the first 60 months, and thereafter in accordance with the Bank's current offer. If the new debt balance turns out to be negative (i.e. there is an overpayment), the Bank refunds the overpaid amount to the borrower.

The Bank successively sends settlement offers to subsequent groups of borrowers covered by the program, starting with the oldest loans granted. As of 31 March 2024, above 8 thousand of the borrowers responded to the settlement offer received, of which approximately 60% accepted the Bank's proposal. The program is scheduled to be completed by the end of 2024.

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

In the period of 3 months ended 31 March 2024, the Group did not introduce any significant changes to its assumptions and methodology for calculating provisions in relation to what was presented in the consolidated financial statements of the Bank Pekao S.A. Group. for the year ended 31 December 2023.

The Group does not expect a significant impact of the Supreme Court's ruling of 25 April 2024 on the level of provisions for legal risk. In particular, the provisions calculation methodology already takes into account separate claims from the Group and the borrower and does not assume any additional remuneration or indexation other than statutory interest to be awarded to any of the parties to the dispute, and the probability of invalidation of the contract if the court finds its provisions abusive is close to 100%.

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

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

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

As at 31 March 2024, the level of the provision for the aforementioned legal risk related to CHF denominated mortgage contracts estimated by the Group amounted to PLN 2 095 million and decreased by PLN 353 million relative to the level of such provisions as at 31 December 2023. The change in the level of the provision results mainly from the use of the provision to cover costs related to settlements concluded and court judgments issued.

The above amount includes a provision for individual existing litigation to which the Group is a party and a portfolio provision for the remaining CHF foreign currency mortgage loan contracts that are subject to the legal risk of the recognition of abusive conversion clauses.

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

STATEMENT OF FINANCIAL POSITION	31.03.2024	31.12.2023
Impairment allowances for loan exposures, in this:	1 178	1 536
Individual provisions	686	654
Portfolio provisions	492	882
Provisions for litigation and claims, in this:	917	912
Individual provisions	648	568
Portfolio provisions	269	344
Total	2 095	2 448

I QUARTER 2024	IMPAIRMENT ALLOWANCES FOR LOAN EXPOSURES	PROVISIONS FOR LITIGATION AND CLAIMS	TOTAL
Opening balance	1 536	912	2 448
Provision charges/revaluation	(68)	111	43
Provision utilization	(203)	(102)	(305)
Foreign currency exchange differences	(87)	(4)	(91)
Closing balance	1 178	917	2 095

2023	IMPAIRMENT ALLOWANCES FOR LOAN EXPOSURES	PROVISIONS FOR LITIGATION AND CLAIMS	TOTAL
Opening balance	1 725	473	2 198
Provision charges/revaluation	(91)	497	406
Provision utilization	(71)	(58)	(129)
Foreign currency exchange differences	(27)	-	(27)
Closing balance	1 536	912	2 448

INCOME STATEMENT	I QUARTER 2024	I QUARTER 2023
Net allowances for expected credit losses	68	27
Other operating expenses	(111)	(72)
Foreign exchange result (foreign currency exchange differences)	91	26
Total	48	(19)

28. Basic measures of liquidity

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

SUPERVISORY LIQUIDTY NORMS		LIMIT	31.03.2024	31.12.2023
LCR	Liquidity coverage ratio	100%	259%	254%
NSFR	Net stable funding ratio	100%	170%	167%

(*) The values of regulatory liquidity ratios have been determined in accordance with the principles set out by the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 (as amended) to supplement Regulation No. 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions of 26 June 2013 (as amended).

29. Fair value of financial assets and liabilities

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

The process of measuring financial instruments at fair value has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2023.

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

31.03.2024	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	9 889	12 104	5 652	27 645
Financial assets held for trading	1 553	98	71	1 722
Derivative financial instruments, including:	-	8 742	-	8 742
Banks	-	1 667	-	1 667
Customers	-	7 075	-	7 075
Hedging instruments, including:	-	552	-	552
Banks	-	197	-	197
Customers	-	355	-	355
Securities measured at fair value through other comprehensive income	7 068	2 712	4 976	14 756
Securities measured at fair value through profit or loss	-	-	227	227
Assets pledged as security for liabilities	1 268	-	-	1 268
Loans and advances to customers measured at fair value through other comprehensive income	-	-	82	82
Loans and advances to customers measured at fair value through profit or loss	-	-	296	296
Liabilities:	708	10 061	-	10 769
Financial liabilities held for trading	708	-	-	708
Derivative financial instruments, including:	-	8 767	-	8 767
Banks	-	1 742	-	1 742
Customers	-	7 025	-	7 025
Hedging instruments, including:	-	1 294	-	1 294
Banks	-	20	-	20
Customers	-	1 274	-	1 274

31.12.2023	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	9 128	13 844	5 631	28 603
Financial assets held for trading	1 063	289	110	1 462
Derivative financial instruments, including:	-	9 314	3	9 317
Banks	-	2 119	-	2 119
Customers	-	7 195	3	7 198
Hedging instruments, including:	-	805	-	805
Banks	-	309	-	309
Customers	-	496	-	496
Securities measured at fair value through other comprehensive income	6 417	3 436	4 977	14 830
Securities measured at fair value through profit or loss	-	-	210	210
Assets pledged as security for liabilities	1 648	-	-	1 648
Loans and advances to customers measured at fair value through other comprehensive income	-	-	82	82
Loans and advances to customers measured at fair value through profit or loss	-	-	249	249
Liabilities:	757	10 724	-	11 481
Financial liabilities held for trading	757	-	-	757
Derivative financial instruments, including:	-	9 295	-	9 295
Banks	-	1 948	-	1 948
Customers	-	7 347	-	7 347
Hedging instruments, including:	-	1 429	-	1 429
Banks	-	73	-	73
Customers	-	1 356	-	1 356

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

31.03.2024	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	110	3	82	249	210	4 977	-
Increases, including:	110	-	1	69	17	617	-
Reclassification from other levels	-	-	-	-	-	531	-
Transactions made in 2024	-	-	-	60	-	-	-
Granting	-	-	-	-	-	-	-
Purchase	109	-	-	-	-	20	-
Gains on financial instruments	1	-	1	9	17	66	-
recognized in the income statement	1	-	1	9	17	38	-
recognized in revaluation reserves	-	-	-	-	-	28	-
Decreases, including:	(149)	(3)	(1)	(22)	-	(618)	-
Reclassification to other level	(34)	-	-	-	-	(485)	-
Settlement/Redemption	-	(3)	-	-	-	(11)	-
Sale	(115)	-	-	-	-	(65)	-
Losses on financial instruments	-	-	(1)	(22)	-	(57)	-
recognized in the income statement	-	-	-	-	-	-	-
recognized in revaluation reserves	-	-	(1)	-	-	(57)	-
Closing balance	71	-	82	296	227	4 976	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	-	-	-	9	-	65	-
Income statement:	-	-	1	9	-	36	-
net interest income	-	-	1	1	-	35	-
net allowances for expected credit losses	-	-	-	-	-	1	-
result on financial assets and liabilities held for trading	-	-	-	8	-	-	-
Other comprehensive income	-	-	(1)	-	-	29	-

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

31.12.2023	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	97	-	254	184	187	4 689	-
Increases, including:	809	3	24	102	25	2 409	-
Reclassification from other levels	54	3	-	-	-	1 123	-
Transactions made in 2023	-	-	-	-	-	-	-
Granting	-	-	-	90	-	749	-
Purchase	751	-	-	-	-	1	-
Gains on financial instruments	4	-	24	12	25	536	-
recognized in the income statement	4	-	17	12	25	254	-
recognized in revaluation reserves	-	-	7	-	-	282	-
Decreases, including:	(796)	-	(196)	(37)	(2)	(2 121)	-
Reclassification to other level	-	-	-	-	-	(725)	-
Settlement/Redemption	-	-	(196)	(37)	-	(659)	-
Sale	(796)	-	-	-	-	(734)	-
Losses on financial instruments	-	-	-	-	(2)	(3)	-
recognized in the income statement	-	-	-	-	(2)	(3)	-
recognized in revaluation reserves	-	-	-	-	-	-	-
Closing balance	110	3	82	249	210	4 977	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	-	3	6	12	-	365	-
Income statement:	-	3	2	12	-	57	-
net interest income	-	-	1	3	-	56	-
net allowances for expected credit losses	-	-	1	-	-	1	-
result on financial assets and liabilities held for trading	-	3	-	9	-	-	-
Other comprehensive income	-	-	4	-	-	308	-

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

In the period from 1 January to 31 March 2024 the following transfers of financial instruments between the levels of the fair value hierarchy were made:

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

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

The process of valuation of financial instruments that are not presented at fair value in the financial statements has not changed significantly in relation to the one described in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on 31 December 2023.

The fair value of mortgage loans in PLN as at 31 March 2024 estimated by the Group takes into account that there will be modifications in expected cash flows resulting from the suspension of loan repayments in the group of approximately 85% of eligible borrowers, in the event of the entry into force of the Act amending the Act on support for borrowers.

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

31.03.2024	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and cash equivalents	16 916	16 823	3 782	12 048	993
Loans and advance to banks	157	155	-	46	109
Loans and advances to customers measured at amortised cost	164 006	164 405	-	1 905	162 500
Debt securities measured at amortised cost	100 594	98 975	47 512	45 247	6 216
Assets pledged as security for liabilities	92	83	83	-	-
Other assets	2 286	2 286	-	-	2 286
Total Assets	284 051	282 727	51 377	59 246	172 104
Liabilities					
Amounts due to other banks	6 854	6 865	-	542	6 323
Amounts due to customers	244 252	244 270	-	-	244 270
Debt securities issued	11 902	11 936	-	11 936	-
Subordinated liabilities	2 830	2 828	-	2 828	-
Other liabilities	5 298	5 298	-	-	5 298
Total Liabilities	271 136	271 197	-	15 306	255 891

31.12.2023	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and cash equivalents	14 715	14 627	3 990	9 575	1 062
Loans and advance to banks	173	173	-	81	92
Loans and advances to customers measured at amortised cost	161 080	162 372	-	1 702	160 670
Debt securities measured at amortised cost	93 160	91 574	42 113	43 393	6 068
Assets pledged as security for liabilities	-	-	-	-	-
Other assets	2 445	2 445	-	-	2 445
Total Assets	271 573	271 191	46 103	54 751	170 377
Liabilities					
Amounts due to other banks	7 597	7 594	-	585	7 009
Amounts due to customers	234 306	234 233	-	-	234 233
Debt securities issued	9 958	10 004	-	10 004	-
Subordinated liabilities	2 781	2 778	-	2 778	-
Other liabilities	5 769	5 769	-	-	5 769
Total Liabilities	260 411	260 378	-	13 367	247 011

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

Details are presented in Notes 11, 12 and 19.

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

In the period from 1 January to 31 March 2024 the Group acquired 'Property, plant and equipment' amounted PLN 104 million (in 2023 - PLN 706 million), while the value of property, plant and equipment sold amounted to PLN 12 million (in 2023 - PLN 17 million).

In the period from 1 January to 31 March 2024 and in 2023 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 31 March 2024 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 5 million (as at 31 December 2023 - PLN 20 million).

32. Subsequent events

Significant events after the balance sheet date are presented in Note 7.9 'Events after the balance sheet date' of the Report on the activities of Bank Pekao S.A. Group for the first quarter of 2024.

29.04.2024 Date	Leszek Skiba Name/Surname	President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
29.04.2024 Date	Jarosław Fuchs Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
29.04.2024 Date	Marcin Gadomski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
29.04.2024 Date	Jerzy Kwieciński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
29.04.2024 Date	Paweł Strączyński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
29.04.2024 Date	Błażej Szczecki Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
29.04.2024 Date	Wojciech Werochowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
29.04.2024 Date	Piotr Zborowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
29.04.2024 Date	Magdalena Zmitrowicz Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature