

Interim Condensed Separate Financial Statements of Bank Pekao S.A. for the first half of 2024



Warsaw, August 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. Condensed separate income statement

	NOTE	II QUARTER 2024 PERIOD FROM 01.04.2024 TO 30.06.2024	I HALF 2024 PERIOD FROM 01.01.2024 TO 30.06.2024	II QUARTER 2023 PERIOD FROM 01.04.2023 TO 30.06.2023 RESTATED	I HALF 2023 PERIOD FROM 01.01.2023 TO 30.06.2023 RESTATED
Interest income	5	4 164	8 456	4 346	8 365
Interest income calculated using the effective interest method		4 142	8 416	4 335	8 342
Income similar to interest		22	40	11	23
Interest expense	5	(1 326)	(2 624)	(1 445)	(2 778)
Net interest income		2 838	5 832	2 901	5 587
Fee and commission income	6	807	1 582	790	1 558
Fee and commission expense	6	(232)	(450)	(209)	(413)
Net fee and commission income		575	1 132	581	1 145
Dividend income		38	190	237	237
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	7	85	197	148	307
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	8	(6)	3	13	10
Net allowances for expected credit losses	9	(193)	(378)	(220)	(325)
Costs of legal risk of foreign currency mortgage loans		(178)	(213)	(13)	(24)
Other operating income	10	63	99	25	60
Other operating expenses	10	7	(35)	(14)	(42)
General administrative expenses and depreciation	11	(1 460)	(3 054)	(1 289)	(2 712)
PROFIT BEFORE INCOME TAX		1 769	3 773	2 370	4 243
Income tax expense	12	(365)	(787)	(441)	(884)
NET PROFIT		1 404	2 986	1 929	3 359
Earnings per share (in PLN per share)					
basic for the period	13	5.35	11.38	7.35	12.80
diluted for the period	13	5.35	11.38	7.35	12.80

Notes to the financial statements presented on pages 10 – 77 constitute an integral part of the interim condensed separate financial statements.

II. Condensed separate statement of comprehensive income

	II QUARTER 2024 PERIOD FROM 01.04.2024 TO 30.06.2024	I HALF 2024 PERIOD FROM 01.01.2024 TO 30.06.2024	II QUARTER 2023 PERIOD FROM 01.04.2023 TO 30.06.2023 RESTATED	I HALF 2023 PERIOD FROM 01.01.2023 TO 30.06.2023 RESTATED
Net profit	1 404	2 986	1 929	3 359
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):	32	74	131	460
Profit/loss on fair value measurement	36	84	137	469
Profit/loss reclassification to income statement after derecognition	(4)	(10)	(6)	(9)
Impact of revaluation of derivative instruments hedging cash flows (net):	44	(131)	428	989
Profit/loss from the fair value measurement of financial instruments hedging cash flows in the part constituting effective hedging	(106)	(426)	205	523
Profit/loss on financial instruments hedging cash flows reclassified to profit or loss	150	295	223	466
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)	(8)	(54)	(5)	38
Remeasurements of the defined benefit liabilities (net)	-	-	(22)	(22)
Other comprehensive income (net)	68	(111)	532	1 465
Total comprehensive income	1 472	2 875	2 461	4 824

Notes to the financial statements presented on pages 10 – 77 constitute an integral part of the interim condensed separate financial statements.

III. Condensed separate statement of financial position

	NOTE	30.06.2024	31.12.2023 RESTATED	01.01.2023 RESTATED
ASSETS				
Cash and cash equivalents	15	15 541	14 836	13 435
Loans and advances to banks	16	668	426	5 402
Derivative financial instruments (held for trading)	17	7 632	9 350	15 134
Hedging instruments		435	805	280
Loans and advances to customers	18	150 747	141 791	142 457
Securities	19	117 792	117 399	86 151
Assets pledged as security for liabilities	20	1 187	1 648	930
Assets held for sale		14	32	12
Investments in subsidiaries		1 922	1 922	1 742
Investments in associates		42	42	42
Intangible assets	21	1 565	1 546	1 408
Property, plant and equipment	22	1 830	1 798	1 501
Income tax assets		855	777	1 541
1. Current tax assets		-	-	267
2. Deferred tax assets	12	855	777	1 274
Other assets		2 322	2 180	1 695
TOTAL ASSETS		302 552	294 552	271 730
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to other banks	23	2 216	2 826	4 135
Financial liabilities held for trading	24	920	757	875
Derivative financial instruments (held for trading)	17	7 653	9 308	15 539
Amounts due to customers	25	247 630	234 541	210 989
Hedging instruments		1 175	1 429	3 176
Debt securities issued	26	4 627	4 078	5 894
Subordinated liabilities		2 782	2 781	2 789
Income tax liabilities		577	1 462	-
1. Current tax liabilities		577	1 462	-
2. Deferred tax liabilities	12	-	-	-
Provisions	27	1 973	1 854	1 408
Other liabilities		5 176	5 529	4 725
TOTAL LIABILITIES		274 729	264 565	249 530
Equity				
Share capital		262	262	262
Other capital and reserves		22 805	21 230	18 344
Retained earnings and net profit for the period		4 756	8 495	3 594
TOTAL EQUITY		27 823	29 987	22 200
TOTAL LIABILITIES AND EQUITY		302 552	294 552	271 730

Notes to the financial statements presented on pages 10 – 77 constitute an integral part of the interim condensed separate financial statements.

IV. Condensed separate statement of changes in equity

	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 (AFTER RESTATEMENT)	262	21 230	9 137	1 983	10 738	(861)	233	8 495	29 987	
Total comprehensive income	-	(111)	-	-	-	(111)	-	2 986	2 875	
Other comprehensive income (net)	-	(111)	-	-	-	(111)	-	-	(111)	
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)	-	74	-	-	-	74	-	-	74	
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	(54)	-	-	-	(54)	-	-	(54)	
Revaluation of cash flow hedging financial instruments (net of tax)	-	(131)	-	-	-	(131)	-	-	(131)	
Net profit for the period	-	-	-	-	-	-	-	2 986	2 986	
Appropriation of retained earnings	-	1 686	-	-	1 686	-	-	(6 725)	(5 039)	
Dividend paid	-	-	-	-	-	-	-	(5 039)	(5 039)	
Profit appropriation	-	1 686	-	-	1 686	-	-	(1 686)	-	
Equity as at 30.06.2024	262	22 805	9 137	1 983	12 424	(972)	233	4 756	27 823	

Notes to the financial statements presented on pages 10 – 77 constitute an integral part of the interim condensed separate financial statements.

	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 (BEFORE RESTATEMENT)	262	18 344	9 137	1 983	10 254	(3 263)	233	3 583	22 189	
The impact of changes in accounting principles regarding the recognition of the provision for legal risk of mortgage loans in CHF (Note 3)	-	-	-	-	-	-	-	11	11	
Equity as at 1.01.2023 (AFTER RESTATEMENT)	262	18 344	9 137	1 983	10 254	(3 263)	233	3 594	22 200	
Total comprehensive income	-	1 465	-	-	-	1 465	-	3 359	4 824	
Other comprehensive income (net)	-	1 465	-	-	-	1 465	-	-	1 465	
Remeasurements of the defined benefit liabilities (net of tax)	-	(22)	-	-	-	(22)	-	-	(22)	
Revaluation of debt securities and loans measured at fair value through other comprehensive income (net of tax)	-	460	-	-	-	460	-	-	460	
Revaluation of investments in equity instruments designated at fair value through other comprehensive income (net of tax)	-	38	-	-	-	38	-	-	38	
Revaluation of cash flow hedging financial instruments (net of tax)	-	989	-	-	-	989	-	-	989	
Net profit for the period	-	-	-	-	-	-	-	3 359	3 359	
Appropriation of retained earnings	-	476	-	-	476	-	-	(1 899)	(1 423)	
Dividend paid	-	-	-	-	-	-	-	(1 423)	(1 423)	
Profit appropriation	-	476	-	-	476	-	-	(476)	-	
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 30.06.2023 (AFTER RESTATEMENT)	262	20 285	9 137	1 983	10 731	(1 799)	233	5 054	25 601	

Notes to the financial statements presented on pages 10 – 77 constitute an integral part of the interim condensed separate financial statements.

V. Condensed separate cash flow statement

	NOTE	I HALF 2024 PERIOD FROM 01.01.2024 TO 30.06.2024	I HALF 2023 PERIOD FROM 01.01.2023 TO 30.06.2023 RESTATED
Cash flow from operating activities – indirect method			
Profit before income tax		3 773	4 243
Adjustments:			
Depreciation and amortization	11	310	291
(Gains) losses on investing activities		(74)	(19)
Net interest income	5	(5 832)	(5 587)
Dividend income		(190)	(237)
Change in:			
Loans and advances to banks		(200)	(85)
Derivative financial instruments (assets)		1 718	3 387
Loans and advances to customers		(8 898)	(3 162)
Securities (including assets pledged as security for liabilities)		3 953	223
Other assets		1 082	1 054
Amounts due to banks		(561)	(204)
Financial liabilities held for trading		163	(282)
Derivative financial instruments (liabilities)		(1 655)	(4 161)
Amounts due to customers		13 098	10 863
Debt securities issued		50	46
Subordinated liabilities		1	(3)
Payments for short-term leases and leases of low-value assets		-	-
Provisions		102	117
Other liabilities		(1 455)	(1 403)
Interest received		8 256	8 383
Interest paid		(2 635)	(2 551)
Income tax paid		(1 724)	(267)
Net cash flows from operating activities		9 282	10 646
Cash flow from investing activities			
Investing activity inflows		697 542	664 883
Sale of securities measured at amortized cost and at fair value through other comprehensive income		697 350	664 668
Sale of intangible assets and property, plant and equipment		31	5
Dividend received		161	210
Investing activity outflows		(701 507)	(672 112)
Acquisition of securities measured at amortized cost and at fair value through other comprehensive income		(701 220)	(671 672)
Acquisition of intangible assets and property, plant and equipment		(287)	(440)
Net cash flows from investing activities		(3 965)	(7 229)

	NOTE	I HALF 2024 PERIOD FROM 01.01.2024 TO 30.06.2024	I HALF 2023 PERIOD FROM 01.01.2023 TO 30.06.2023 RESTATED
Cash flows from financing activities			
Financing activity inflows		500	750
Issue of debt securities		500	750
Financing activity outflows		(5 112)	(5 558)
Repayment of loans and advances received from banks		(41)	(46)
Redemption of debt securities		-	(5 463)
Dividends and other payments to shareholders	14	(5 039)	-
Payments for the principal portion of the lease liabilities		(32)	(49)
Net cash flows from financing activities		(4 612)	(4 808)
Total net cash flows		705	(1 391)
including: effect of exchange rate fluctuations on cash and cash equivalents held		(7)	(289)
Net change in cash and cash equivalents		705	(1 391)
Cash and cash equivalents at the beginning of the period		14 836	18 211
Cash and cash equivalents at the end of the period	15	15 541	16 820

Notes to the financial statements presented on pages 10 – 77 constitute an integral part of the interim condensed separate financial statements.

VI. Notes to the Interim Condensed Separate 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 Bank provides stockbroking, leasing, factoring operations and offering other financial services. The Bank'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 Bank also prepares Consolidated Financial Statements of Bank Pekao S.A. Group.

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 half of 2024.

2. Statement of compliance

The Interim Condensed Separate Financial Statements of Bank Pekao S.A. for the first half of 2024 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union.

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

The separate financial statements of Bank Pekao S.A. 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 first half of 2024, i.e. current interim period.

These interim condensed separate financial statements were authorized for issue by the Management Board on 7 August 2024.

2.1. 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.
IAS 7 (amendment) 'Statement of cash flows' and IFRS 7 (amendment) 'Financial instruments: Disclosures'	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: <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: <ol 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. 	The standard's amendments did not have a material impact on the financial statements in the period of their first application.

2.2. 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.

2.3. 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 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 Bank claims that the standard's amendments will not have a material impact on the financial statements in the period of its first application.</p>
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 Bank is in the process of assessing the impact of the new standard on the financial statements during its first application.</p>
IFRS 19 'Subsidiaries without Public Accountability: Disclosures'	<p>IFRS 19 allows eligible subsidiaries to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards.</p> <p>This standard may be applied by subsidiaries that:</p> <ul style="list-style-type: none"> it does not have public accountability (i.e. its equity or debts instruments are not traded in a public market or it does not hold assets in a fiduciary capacity for a broad group of outsiders), it has an ultimate or intermediate parent entity that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. <p>Date of application: annual periods beginning on or after 1 January 2027.</p>	<p>The Bank claims that the new standard will not have an impact on the financial statements in the period of its first application.</p>

STANDARD/ INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
IFRS 9 (amendment) 'Financial instruments' and IFRS 7 (amendment) 'Financial instruments: disclosures')	<p>The amendments to IFRS 9 and IFRS 7:</p> <ul style="list-style-type: none"> • provide an optional exception relating to the derecognition of a financial liability at an earlier date than settlement date, as long as specific conditions are met. This choice applies only to financial liabilities settled via the electronic payment system. An entity that chooses the accounting policy introduced by the above change will be obliged to apply it to all settlements made via the same electronic payment system. • clarify the method of analysis of three areas that are assessed (when carrying out the test of the characteristics of contractual cash flows ('SPPI test') of financial assets, and thus affect the classification of financial assets, i.e.): <ul style="list-style-type: none"> ➢ additional guidelines have been introduced on the analysis of contractual terms that may change cash flows based on contingencies (for example interest rates linked to ESG goals), ➢ guidelines regarding 'non-recourse' financial assets have been clarified. A financial asset has 'non-recourse' characteristics if the lender has the right to receive the cash flows generated exclusively by the specified asset. In such a situation, the borrower is exposed to the operational risk of the assets and not the credit risk of the borrower, ➢ guidelines on contractually linked instruments have been clarified. In some transactions, the issuer may prioritize payments using multiple contractually linked instruments that result in a concentration of credit risk (so-called 'tranches'). The amendments clarify, among other things, that a key element that distinguishes contractually linked instruments from other 'non-recourse' financial assets is the cascading payment structure, which results in a disproportionate allocation of cash shortfalls (losses) between tranches, • introduce new disclosure requirements for: <ul style="list-style-type: none"> ➢ equity instruments designated for measurement at fair value through other comprehensive income, ➢ financial assets and liabilities measured at amortized cost, the contractual terms of which may change cash flows due to events not directly related to changes in basic credit risk (e.g. change in cash flows due to compliance with ESG standards or not). <p>Date of application: annual periods beginning on or after 1 January 2026.</p>	<p>The Bank is in the process of assessing the impact of the standards' amendments on the financial statements during its first application.</p>

2.4. 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, in 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.

In June 2024, a public consultation on the consultation document on the review and assessment of alternative interest rate indices was announced. The results of public consultations will be an element taken into account when deciding on the selection of an alternative index/reference indicator to WIBOR and the development of an updated Road Map for the reform of benchmarks in Poland, including the required actions for the further development of the domestic money market.

3. Material accounting policies

General information

The interim condensed separate 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 Bank will continue its business operations substantially unchanged in scope for a period of at least one year from the balance sheet date.

The accounting policies applied by the Bank in these interim condensed separate financial statements, apart from the changes described below in the scope of recognizing the provision for legal risk of mortgage loans in CHF and in the presentation of loans taken over from Idea Bank S.A., as well as changes in the method of presenting interest income and expenses related to cash turnover in the income statement, are the same as those applied in the Separate Financial Statements of Bank Pekao S.A. for the year ended on 31 December 2023.

In addition, in the interim condensed separate financial statements of Bank Pekao S.A. for the first half of 2024 the Bank has taken into account the principle of recognising income tax expense based on the best estimate of the weighted average annual income tax rate expected by the Bank for the full financial year.

Changes in published standards and interpretations, which became effective on or after 1 January 2024, had no material impact on the Bank's financial statements.

The financial statements do 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 2.2 and Note 2.3).

Comparability of financial data

In the interim condensed separate financial statements of the Bank Pekao S.A. for the first half of 2024 the Bank made the following described changes to accounting principles. Those accounting policies have been applied uniformly to all presented reporting periods and by all entities of the Bank.

Change (1): Change in the recognition of the provision for legal risk of mortgage loans in CHF

Starting from 1 January 2024, the Bank changed its accounting policy with respect to recognizing the impact of legal risk arising from court proceedings related to mortgage loans in CHF, assuming that this risk is separate from credit risk.

Therefore, in relation to active loans (unpaid at the balance sheet date), the Bank presents the impact of this legal risk in accordance with the provisions of paragraph B.5.4.6 of IFRS 9 'Financial Instruments' as an adjustment to the gross carrying amount of the CHF mortgage loan portfolio (instead of the previous recognition of this legal risk as an element of expected credit losses, which resulted in the presentation of the legal reserve within 'Net income on expected credit losses' and 'Other operating expenses'). Furthermore, the Bank does not treat legal risk as an impairment trigger of loan exposure (as it was in the previous approach).

The update of the accounting policy for CHF mortgage loan agreements results primarily from the need to better reflect the dynamic changes taking place in the Bank's legal environment over recent months as a result of the materialization of the risk of inability to recover full scheduled cash flows for this portfolio (not due to the borrower's credit risk, but due to the invalidation of the agreement in its entirety). In light of the unfavorable line of judicature for banks, the Bank observes a growing number of court proceedings and a significant share of unfavorable judgments (in particular regarding the invalidation of the loan agreement), which translates into the Bank's inability to recover all contractual cash flows arising from CHF mortgage loan agreements.

The change in the approach to legal risk in the Bank's opinion better reflects the nature of the risk of this portfolio and results in the information presented in the financial statements concerning CHF mortgage loans better and more adequately reflecting the economic nature of the risk of this portfolio. Additionally, this change leads to greater comparability of the data presented by the Bank concerning the legal risk of CHF mortgage loans with the market practice in this area.

Due to the above change, the Bank recalculated and restated the financial data for the comparative periods, which resulted in a positive impact on equity ('Retained earnings') in the amount of PLN 92 million, as well as a decrease in the value of the portfolio of non-performing loans ('NPL portfolio') by PLN 2 billion, which is primarily the result of a change in the assessment of the level of credit risk for this portfolio, i.e. the Bank does not treat legal risk as a trigger for classifying loan exposure to Stage 3.

The impact of the above change on the statement of financial position, on the Bank's financial results and on the structure of the CHF mortgage loan portfolio, which changed significantly, is presented in tabular form below.

Change (2): Change in the presentation of loans taken over from Idea Bank S.A. ('IB')

Based on the analysis carried out in 2024, in order to adapt the presentation of loans taken over from IB to the specific nature of the transaction of taking over this loan portfolio together with the collateral in the form of an integral guarantee against credit risk, as of 1 January 2024 the Bank changed the method of presenting the received guarantee. In previous periods, the Bank presented the expected credit losses of the portfolio taken over from IB separately (without taking into account the guarantee received in their calculation) and at the same time recognized the receivable resulting from this guarantee separately in the item of loans and advances to customers. From 1 January 2024 the Bank presents expected credit losses on credit exposures taken over from IB net with settlements resulting from the guarantee held. In the Bank's opinion, this method of presentation better reflects the economic nature of the acquired loan portfolio together with the integral guarantee received in the process of taking over IB.

The Bank has restated comparative data accordingly, which resulted in a decrease in the gross carrying amount of loans and allowances for expected credit losses by PLN 0.9 billion as at 31 December 2023, in particular decreasing the NPL portfolio by PLN 0.7 billion, without affecting the statement of financial position and the financial result.

Change (3): Change in the method of presenting interest income in the income statement

The Bank has changed the method of presenting interest income in the income statement. The change consists in the presentation of interest income divided into methods of calculation. In previous periods, the Bank presented interest income based on categories of financial assets from which such income is made. The division in question based on the category of financial assets is included in the note 'Interest income and expense'. The name of the item for interest calculated differently than using the effective interest rate method was also changed, presenting it as income similar to interest. This change was introduced to better reflect the Bank's activities and ensure comparability with the banking sector.

Change (4): Change in the method of presenting expenses related to cash turnover in the income statement

Following the change introduced in the separate financial statements of Bank Pekao S.A. for the year ended on 31 December 2023, the Bank presented the expenses related to cash turnover (mainly the expenses related to cash processing outsourcing) in the item 'Fee and commission expense'. Before the change, such expenses were presented in the item 'General administrative expenses and depreciation'.

The introduced change results from adaptation to the observed market practice in this area and, in the Bank's opinion, better reflects the nature of these transactions by recognizing both the income and the expense related to cash turnover in net fee and commission income.

The changes 3 and 4 do not affect the level of the presented financial result.

The changes in accounting principles indicated above resulted in the restatement of comparative data.

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

SEPARATE INCOME STATEMENT	DATA FOR II QUARTER 2023 BEFORE RESTATEMENT	CHANGE (1)	CHANGE (3)	CHANGE (4)	DATA FOR II QUARTER 2023 AFTER RESTATEMENT
Interest income	4 353	(7)	-	-	4 346
Interest income calculated using the effective interest method	4 342	(7)	-	-	4 335
Financial assets measured at amortised cost	3 824	-	(3 824)	-	-
Financial assets measured at fair value through other comprehensive income	518	-	(518)	-	-
Other interest income related to financial assets measured at fair value through profit or loss	11	-	(11)	-	-
Income similar to interest	-	-	11	-	11
Interest expense	(1 445)	-	-	-	(1 445)
Net interest income	2 908	(7)	-	-	2 901
Fee and commission income	790	-	-	-	790
Fee and commission expense	(183)	-	-	(26)	(209)
Net fee and commission income	607	-	-	(26)	581
Dividend income	237	-	-	-	237
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	142	6	-	-	148
Result on fair value hedge accounting	1	-	-	-	1
Profit/loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss	13	-	-	-	13
Net allowances for expected credit losses	(255)	35	-	-	(220)
Including: Legal risk regarding foreign currency mortgage loans	(59)	59	-	-	-
Costs of legal risk of foreign currency mortgage loans	-	(13)	-	-	(13)
Other operating income	25	-	-	-	25
Other operating expenses	(63)	49	-	-	(14)
Including: Legal risk regarding foreign currency mortgage loans	(50)	50	-	-	-
General administrative expenses and depreciation	(1 315)	-	-	26	(1 289)
PROFIT BEFORE INCOME TAX	2 300	70	-	-	2 370
Income tax expense	(439)	(2)	-	-	(441)
NET PROFIT	1 861	68	-	-	1 929
Earnings per share (in PLN per share)	7.10	0.25	-	-	7.35

SEPARATE INCOME STATEMENT	DATA FOR I HALF 2023 BEFORE RESTATEMENT	CHANGE (1)	CHANGE (3)	CHANGE (4)	DATA FOR I HALF 2023 AFTER RESTATEMENT
Interest income	8 379	(14)	-	-	8 365
Interest income calculated using the effective interest method	8 356	(14)	-	-	8 342
Financial assets measured at amortised cost	7 338	-	(7 338)	-	-
Financial assets measured at fair value through other comprehensive income	1 018	-	(1 018)	-	-
Other interest income related to financial assets measured at fair value through profit or loss	23	-	(23)	-	-
Income similar to interest	-	-	23	-	23
Interest expense	(2 778)	-	-	-	(2 778)
Net interest income	5 601	(14)	-	-	5 587
Fee and commission income	1 558	-	-	-	1 558
Fee and commission expense	(364)	-	-	(49)	(413)
Net fee and commission income	1 194	-	-	(49)	1 145
Dividend income	237	-	-	-	237
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	301	6	-	-	307
Result on fair value hedge accounting	-	-	-	-	-
Profit/loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10	-	-	-	10
Net allowances for expected credit losses	(363)	38	-	-	(325)
Including: Legal risk regarding foreign currency mortgage loans	(35)	35	-	-	-
Costs of legal risk of foreign currency mortgage loans	-	(24)	-	-	(24)
Other operating income	60	-	-	-	60
Other operating expenses	(161)	119	-	-	(42)
Including: Legal risk regarding foreign currency mortgage loans	(119)	119	-	-	-
General administrative expenses and depreciation	(2 761)	-	-	49	(2 712)
PROFIT BEFORE INCOME TAX	4 118	125	-	-	4 243
Income tax expense	(883)	(1)	-	-	(884)
NET PROFIT	3 235	124	-	-	3 359
Earnings per share (in PLN per share)	12.33	0.47	-	-	12.80

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME	DATA FOR II QUARTER 2023 BEFORE RESTATEMENT	CHANGE (1)	DATA FOR II QUARTER 2023 AFTER RESTATEMENT
Net Profit	1 861	68	1 929
Total comprehensive income	2 393	68	2 461

SEPARATE STATEMENT OF COMPREHENSIVE INCOME	DATA FOR I HALF 2023 BEFORE RESTATEMENT	CHANGE (1)	DATA FOR I HALF 2023 AFTER RESTATEMENT
Net Profit	3 235	124	3 359
Total comprehensive income	4 700	124	4 824

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

SEPARATE STATEMENT OF FINANCIAL POSITION	DATA AS AT 31.12.2023 BEFORE RESTATEMENT	CHANGE (1)	DATA AS AT 31.12.2023 AFTER RESTATEMENT
Loans and advances to customers	141 707	84	141 791
Income tax assets	786	(9)	777
2.Deferred tax assets	786	(9)	777
TOTAL ASSETS	294 477	75	294 552
Provisions	1 871	(17)	1 854
TOTAL LIABILITIES	264 582	(17)	264 565
Retained earnings and net profit for the period	8 403	92	8 495
TOTAL EQUITY	29 895	92	29 987
TOTAL LIABILITIES AND EQUITY	294 477	75	294 552

SEPARATE STATEMENT OF FINANCIAL POSITION	DATA AS AT 01.01.2023 BEFORE RESTATEMENT	CHANGE (1)	DATA AS AT 01.01.2023 AFTER RESTATEMENT
Loans and advances to customers	142 426	31	142 457
Income tax assets	1 547	(6)	1 541
2.Deferred tax assets	1 280	(6)	1 274
TOTAL ASSETS	271 705	25	271 730
Provisions	1 394	14	1 408
TOTAL LIABILITIES	249 516	14	249 530
Retained earnings and net profit for the period	3 583	11	3 594
TOTAL EQUITY	22 189	11	22 200
TOTAL LIABILITIES AND EQUITY	271 705	25	271 730

The impact of changes on comparative data regarding the structure and quality of the CHF mortgage loan portfolio as at 31 December 2023 is presented in the tables below.

	31. 12 2023 (BEFORE RESTATEMENT)					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:	-	120	-	1 814	9	1 943
denominated in CHF	-	120	-	1 814	9	1 943
indexed to CHF	-	-	-	-	-	-
Allowances for expected credit losses, of which:	-	(49)	-	(1 515)	(7)	(1 571)
denominated in CHF	-	(49)	-	(1 515)	(7)	(1 571)
indexed to CHF	-	-	-	-	-	-
Carrying amount, of which:	-	71	-	299	2	372
denominated in CHF	-	71	-	299	2	372
indexed to CHF	-	-	-	-	-	-

	31. 12 2023 (AFTER RESTATEMENT)					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:	-	409	-	42	1	452
denominated in CHF	-	409	-	42	1	452
indexed to CHF	-	-	-	-	-	-
Allowances for expected credit losses, of which:	-	(16)	-	(28)	1	(43)
denominated in CHF	-	(16)	-	(28)	1	(43)
indexed to CHF	-	-	-	-	-	-
Carrying amount, of which:	-	393	-	14	2	409
denominated in CHF	-	393	-	14	2	409
indexed to CHF	-	-	-	-	-	-

The impact of changes on the comparative data of the separate cash flow statement is presented in the table below.

SEPARATE CASH FLOW STATEMENT	DATA FOR I HALF 2023 BEFORE RESTATEMENT	CHANGE (1)	DATA FOR I HALF 2023 AFTER RESTATEMENT
PROFIT BEFORE INCOME TAX	4 119	124	4 243
Adjustments:			
Net interest income	(5 601)	14	(5 587)
Change in:			
Loans and advances to customers	(3 057)	(105)	(3 162)
Other assets	1 036	18	1 054
Provisions	168	(51)	117

4. 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 Bank 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 related uncertainties relate primarily to expected credit losses and assessment of legal risk regarding foreign currency mortgage loans in CHF.

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

Impairment of loans and advances to customers, expected credit losses

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 Bank 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 Bank 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.

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

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

In order to determine the expected credit losses, the Bank distinguishes individually significant exposures, in particular: all financial assets towards the borrower for which the Bank's total exposure as at the balance sheet date is at least PLN 4 million.

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

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

Sensitivity analysis of expected credit losses is presented in Note 30.1.

Impairment of goodwill

At each balance sheet date, the Bank assesses whether there are any indications of impairment of goodwill.

As at 30 June 2024, the Bank did not identify any impairment triggers regarding goodwill.

Provisions for legal risk regarding foreign currency mortgage loans in CHF

At each balance sheet date, the Bank estimates the amount of possible loss resulting from the legal risk related to foreign currency mortgage loans in CHF, and in the case of loans outstanding as at the balance sheet date, the estimate of this loss is an element of the gross carrying amount of the loan determined by the Bank, and the possible excess of the estimated loss over the gross carrying amount is recognized as a provision in accordance with IAS 37.

Key elements of the estimate include:

- 1) a forecast of the total scale of disputes,
- 2) customers' willingness to conclude settlements with the Bank,
- 3) the probability of losing the court disputes,
- 4) the probability of possible scenarios of court decisions reflecting the current state of court judicature,
- 5) forecast of the duration of court cases and the costs of statutory interest that the Bank will have to cover in connection with them.

Details on the provisions for legal risk regarding foreign currency mortgage loans in CHF are presented in the Note 30.2.

Modification of expected cash flows related to mortgage loan agreements in PLN

In connection with the entry into force in May 2024, the amendment of the Act on social financing for business ventures and support to borrowers, enabling consumers with PLN mortgage loan agreements to suspend their repayments, the Bank estimates the costs related to the modification of these agreements in this respect, taking into account the expertly determined participation ratio. Details are presented in the Note 5.

5. Interest income and expense

Interest income

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Interbank placements	176	344	201	389
Loans and advances and other receivables from customers	2 536	5 262	2 896	5 629
measured at amortise cost	2 527	5 246	2 886	5 609
measured at fair value through other comprehensive income	3	5	5	11
measured at fair value through profit or loss	6	11	5	9
Debt securities	1 348	2 671	1 150	2 166
measured at amortise cost	871	1 698	631	1 146
measured at fair value through other comprehensive income	461	944	513	1 006
measured at fair value through profit or loss	16	29	6	14
Reverse repo transactions	104	179	99	181
Total (*)	4 164	8 456	4 346	8 365

(*) Including revenues from hedging derivative instruments in the amounts respectively, minus PLN 187 million for II quarter 2024 (minus PLN 276 million for II quarter 2023) and minus PLN 366 million for I Half 2024 (minus PLN 576 million for I Half 2023).

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Interest income calculated using the effective interest method on financial instruments valued:	4 142	8 416	4 335	8 342
measured at amortise cost	3 678	7 467	3 817	7 325
measured at fair value through other comprehensive income	464	949	518	1 017
Income similar to interest	22	40	11	23

Modification of expected cash flows related to mortgage loan agreements in PLN

In May 2024 an amendment to the Act of 7 July 2022 on social financing for business ventures and support to borrowers ('the Act') was introduced, which gives customers the right to benefit from the suspension of loan repayments in the period from June 1 to 31 December 2024 in a maximum of 4 installments while maintaining the following limits:

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

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

- applies to loans granted in PLN, excluding loans indexed or denominated in another currency,
- was granted before 1 July 2022,
- the value of the loan granted does not exceed PLN 1 200 000,
- arithmetic mean of the RdD index value within the meaning of Art. 2 section 1 point 7 of the Act of 9 October 2015 on support for borrowers who took out a housing 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 5 December 2014 on the Large Family Card.

Pursuant to the requirements of IFRS 9, the above-mentioned amendment to the Act required the adjustment of the gross carrying amount of the above-mentioned loans by determining and recognizing in the Bank's financial result the estimated cost resulting of the above entitlement determined as the difference between:

- 1) the present value of the expected cash flows from the loan portfolio that meets the criteria of the Act (gross carrying amount of this portfolio),
- 2) the present value of the expected cash flows from the loan portfolio, determined based on the modified cash flows taking into account the terms of the Act (i.e. the possibility of suspending the repayment of loan installments within the specified time frame with the simultaneous extension of the loan period) discounted with effective interest rate of the above-mentioned portfolio, taking into account the estimated level of participation of eligible customers who, in the Bank's opinion, will exercise this right and recognition in the financial results of the cost related to the modification of PLN mortgage loan due to the suspension of loan repayments by customers.

On the date of entry into force of the provisions in question (May 2024), the Bank estimated and included in the financial results the cost related to the modification of PLN mortgage loan agreements due to the suspension of loan repayments by customers in the amount of PLN 513 million gross, assuming the expertly estimated participation rate (use of the rights arising from the Act) at the level of 38% of the volume of such loans and assuming the maximum amount (i.e. 4 installments) of use by customers of the right in question.

As at 30 June 2024 the Bank updated the above-mentioned estimates for:

- current status as at the balance sheet date of the portfolio covered by the above-mentioned entitlements, i.e. the volume of loan agreements that meet the criteria for exercising the entitlements, and
- the expected level of participation rate (use of rights under the Act) for the following months of 2024, i.e. taking into account the existing participation rate (participation level in terms of loan volume 10.6% as at 30 June 2024) and the observed growth, the Bank estimated the participation rate at the level of 21.6%,
- the the expected average number of installments that customers will benefit from during the holidays in the current year (3.3 installments).

Taking into account the updates of individual parameters presented above, the adjustment balance related to credit holidays amounted to PLN 227 million.

Due to the fact that the above calculation is an estimate of the expected exercise by customers of the rights resulting from the Act, and the actual implementation will take place in the period specified in the Act, i.e. to the end of 2024 under the conditions specified in the Act, the final cost related to the above-mentioned modifications may change and will be charged to the Bank's current financial results.

The Bank does not identify an increase in credit risk if customers exercise the right to the loan repayment suspension. Moreover, during the repayment suspension period, the amount of delayed repayments (DPD) is maintained at the level from the date of suspension.

The table below presents the sensitivity of the estimated cost level related to the right to suspend repayment of loan installments in 2024 to the estimated participation rate.

PARAMETR	SCENARIO	IMPACT ON COST LEVEL
Change in participation rate	+10%	23 (cost increase)
	-10%	(23) (cost decrease)

Interest expense

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Deposits from customers	(1 131)	(2 229)	(1 212)	(2 330)
Interbank deposits	(9)	(27)	(21)	(43)
Repo transactions	(48)	(102)	(105)	(156)
Loans and advances received	(3)	(6)	(5)	(10)
Leasing	(10)	(18)	(5)	(9)
Debt securities	(125)	(242)	(97)	(230)
Total (*)	(1 326)	(2 624)	(1 445)	(2 778)

(*) Including the expenses from hedging derivative instruments in the amounts respectively, plus PLN 9 million on II quarter 2024 (plus PLN 6 million on II quarter 2023) and plus PLN 15 million for I Half 2024 (plus PLN 11 million for I Half 2023).

6. Fee and commission income and expense

Fee and commission income

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Accounts maintenance, payment orders and cash transactions	143	298	146	308
Payment cards	214	415	204	400
Loans and advances	101	194	115	210
Margin on foreign exchange transactions with clients	179	344	185	361
Service and sell investment and insurance products	49	93	40	79
Securities operations	45	94	39	77
Custody activity	21	39	17	34
Guarantees, letters of credit and similar transactions	26	52	22	44
Other	29	53	22	45
Total	807	1 582	790	1 558

Fee and commission expense

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Payment cards	(132)	(258)	(124)	(242)
Cash turnover	(26)	(49)	(25)	(49)
Money orders and transfers	(5)	(11)	(6)	(13)
Securities and derivatives operations	(13)	(26)	(14)	(31)
Acquisition services	(38)	(70)	(24)	(49)
Custody activity	(7)	(13)	(5)	(10)
Accounts maintenance	(2)	(3)	(2)	(3)
Other	(9)	(20)	(9)	(16)
Total	(232)	(450)	(209)	(413)

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

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Result on loans and advances to customers measured mandatorily at fair value through profit or loss	8	16	(3)	(2)
Result on securities measured mandatorily at fair value through profit or loss	(14)	1	8	24
Foreign exchange result	33	82	101	184
Result on derivatives	36	60	33	88
Result on securities held for trading	22	38	9	13
Total	85	197	148	307

8. Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss

Realized gains

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Financial assets measured at amortised cost	3	10	9	12
Financial assets measured at fair value through other comprehensive income	5	12	8	12
Financial liabilities measured at amortised cost	-	-	-	-
Total	8	22	17	24

Realized losses

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Financial assets measured at amortised cost	(14)	(19)	(4)	(14)
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-	-
Total	(14)	(19)	(4)	(14)

Net realized profit / loss	(6)	3	13	10
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9. Net allowances for expected credit losses

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Receivables from banks and cash and cash equivalents	5	1	1	-
Loans and other financial assets measured at amortised cost (*)	(131)	(336)	(138)	(270)
Debt securities measured at amortised cost	(6)	(7)	-	(7)
Loans measured at fair value through other comprehensive income	(5)	(5)	3	3
Debt securities measured at fair value through other comprehensive income	4	11	12	12
Off-balance sheet commitments	(60)	(42)	(98)	(63)
Total	(193)	(378)	(220)	(325)

(*) In 2024, the Bank sold a portfolio of loan receivables with a total gross carrying amount of PLN 218 million. The realized gross result on the transaction in the amount of PLN 12 million.

10. Other operating income and expenses

Other operating income

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Gains on disposal of property, plant and equipment	44	55	6	7
Premises rental income, terminals and IT equipment	8	17	9	18
Compensation, recoveries, penalty fees and fines received	3	6	2	4
Miscellaneous income	4	11	4	19
Recovery of debt collection costs	3	8	3	8
Other	1	2	1	4
Total	63	99	25	60

Other operating expenses

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Provision for liabilities disputable and other provisions (*)	42	40	10	10
Credit and factoring debt collection costs	(7)	(16)	(10)	(17)
Loss on disposal of property, plant and equipment and intangible assets	-	-	(1)	(1)
Card transactions monitoring costs	(6)	(11)	(4)	(10)
Sundry expenses	(1)	(3)	(1)	(2)
Costs of litigation and claims	(10)	(21)	(6)	(11)
Impairment allowance on fixed assets, litigations and other assets	-	(4)	-	-
Compensation, penalty fees and fines	(1)	(2)	(1)	(1)
Other	(10)	(18)	(1)	(10)
Total	7	(35)	(14)	(42)

(*) 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 27).

11. General administrative expenses and depreciation

Personnel expenses

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Wages and salaries	(658)	(1 183)	(536)	(984)
Insurance and other charges related to employees	(117)	(218)	(99)	(181)
Share-based payments expenses	(7)	(14)	(6)	(12)
Total	(782)	(1 415)	(641)	(1 177)

Other administrative expenses

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Overheads	(281)	(587)	(275)	(569)
Tax on certain financial institutions	(225)	(448)	(218)	(437)
Contributions to the Bank Guarantee Fund, including:	-	(237)	-	(188)
to the resolution fund	-	(237)	-	(188)
to the banks' guarantee fund	-	-	-	-
Fees to cover costs of supervision over banks (KNF)	-	(36)	-	(30)
Other taxes and fees	(8)	(21)	(9)	(20)
Total	(514)	(1 329)	(502)	(1 244)

Depreciation

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Property, plant and equipment	(83)	(155)	(77)	(154)
Intangible assets	(81)	(155)	(69)	(137)
Total	(164)	(310)	(146)	(291)

Total administrative expenses and depreciation	(1 460)	(3 054)	(1 289)	(2 712)
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12. Income tax

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
INCOME STATEMENT				
Current tax charge in the income statement	(364)	(843)	(480)	(978)
Adjustments related to the current tax from previous years	(2)	3	10	10
Other taxes (e.g. withholding tax)	(1)	(1)	(1)	(1)
Current tax	(367)	(841)	(471)	(969)
Occurrence and reversal of temporary differences	2	54	30	85
Deferred tax	2	54	30	85
Tax charge in the separate income statement	(365)	(787)	(441)	(884)
OTHER COMPREHENSIVE INCOME				
Current tax				
Income and costs disclosed in other comprehensive income:				
revaluation of financial instruments – cash flows hedges	(10)	31	(100)	(232)
fair value revaluation through other comprehensive income	(7)	(17)	(31)	(108)
Tax on items that are or may be reclassified subsequently to profit or loss	(17)	14	(131)	(340)
Fair value revaluation through other comprehensive income – equity securities	2	13	1	(9)
Remeasurements the defined benefit liabilities	-	-	5	5
Tax charge on items that will never be reclassified to profit or loss	2	13	6	(4)
Deferred tax	(15)	27	(125)	(344)
Total charge	(380)	(760)	(566)	(1 228)

13. Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of the ordinary shares outstanding during the period.

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Net profit	1 404	2 986	1 929	3 359
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Earnings per share (in PLN per share)	5.35	11.38	7.35	12.80

Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of the ordinary shares outstanding during the given period adjusted for all potential dilution of ordinary shares.

As at 30 June 2024 and 30 June 2023 there were no diluting instruments in the Bank.

	II QUARTER 2024	I HALF 2024	II QUARTER 2023	I HALF 2023
Net profit	1 404	2 986	1 929	3 359
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 470 034	262 470 034	262 470 034	262 470 034
Diluted earnings per share (in PLN per share)	5.35	11.38	7.35	12.80

14. 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.

15. Cash and cash equivalents

	30.06.2024	31.12.2023
Cash	3 830	3 990
Current account at Central Bank	9 158	8 459
Amounts due from banks with an original maturity of up to 3 months	2 562	2 399
Gross carrying amount	15 550	14 848
Allowances for expected credit losses	(9)	(12)
Net carrying amount	15 541	14 836

Restricted availability cash and cash equivalents as at 30 June 2024 amounted to PLN 8 729 million (PLN 6 097 million as at 30 June 2023).

16. Loans and advances to banks

Loans and advances to banks by product type

	30.06.2024	31.12.2023
Interbank placements	47	81
Loans and advances	629	351
Total gross amount	676	432
Allowances for expected credit losses	(8)	(6)
Total net amount	668	426

17. Derivative financial instruments (held for trading)

Fair value of trading derivatives

30.06.2024	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	6 891	6 791
Forward Rate Agreements (FRA)	108	92
Options	52	58
Other	-	-
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	18	153
Currency Forward Agreements	118	189
Currency Swaps (FX-Swap)	164	87
Options for currency and gold	7	19
Transactions based on equity securities and stock indexes		
Options	1	1
Transactions based on commodities and precious metals		
Options	2	2
Other	271	261
Total	7 632	7 653

31.12.2023	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	8 314	8 185
Forward Rate Agreements (FRA)	63	58
Options	48	50
Other	-	-
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	138	201
Currency Forward Agreements	154	322
Currency Swaps (FX-Swap)	358	205
Options for currency and gold	6	25
Transactions based on equity securities and stock indexes		
Options	3	3
Transactions based on commodities and precious metals		
Options	6	6
Other	260	253
Total	9 350	9 308

18. Loans and advances to customers

Loans and advances to customers by product type

	30.06.2024			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans (**)	76 777	50	6	76 833
Current accounts	15 988	-	-	15 988
Operating loans	13 854	115	4	13 973
Investment loans	26 643	125	5	26 773
Cash loans	14 331	-	-	14 331
Payment cards receivables	1 277	-	-	1 277
Factoring	1 910	-	-	1 910
Other loans and advances	2 767	-	286	3 053
Reverse repo transactions	3 054	-	-	3 054
Gross carrying amount	156 601	290	301	157 192
Allowances for expected credit losses (*)	(6 445)	-	-	(6 445)
Carrying amount	150 156	290	301	150 747

(*) The allowances for expected credit losses for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 6 million is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) In this the adjustment of the gross carrying amount regarding the legal risk of foreign currency mortgage loans in the amount of PLN 1 019 million described in the Note 30.2.

	31.12.2023			TOTAL
	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	
Mortgage loans (**)	73 558	51	7	73 616
Current accounts	13 625	-	-	13 625
Operating loans	12 925	-	8	12 933
Investment loans	26 362	82	8	26 452
Cash loans	13 505	-	-	13 505
Payment cards receivables	1 164	-	-	1 164
Factoring	2 130	-	-	2 130
Other loans and advances	3 010	-	226	3 236
Reverse repo transactions	1 703	-	-	1 703
Gross carrying amount	147 982	133	249	148 364
Allowances for expected credit losses (*)	(6 573)	-	-	(6 573)
Carrying amount	141 409	133	249	141 791

(*) The allowances for expected credit losses 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.

(**) In this the adjustment of the gross carrying amount regarding the legal risk of foreign currency mortgage loans in the amount of PLN 1 533 million described in the Note 30.2.

Loans and advances to customers by customer type

	30.06.2024					TOTAL
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	
	GROSS CARRYING AMOUNT	ALLOWANCES FOR EXPECTED CREDIT LOSSES	CARRYING AMOUNT			
Corporate	75 507	(4 278)	71 229	290	9	71 528
Individuals (**)	80 061	(2 160)	77 901	-	287	78 188
Budget entities	1 033	(7)	1 026	-	5	1 031
Loans and advances to customers	156 601	(6 445)	150 156	290	301	150 747

(*) The allowances for expected credit losses for loans and advances to customers measured at fair value through other comprehensive income in the amount of PLN 6 million is included in the 'Revaluation reserve' item and does not reduce the carrying amount of the loan.

(**) In this the adjustment of the gross carrying amount regarding the legal risk of foreign currency mortgage loans in the amount of PLN 1 019 million described in the Note 30.2.

	31.12.2023					TOTAL
	AMORTISED COST			FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	FAIR VALUE THROUGH PROFIT OR LOSS	
	GROSS CARRYING AMOUNT	ALLOWANCES FOR EXPECTED CREDIT LOSSES	CARRYING AMOUNT			
Corporate	70 521	(4 440)	66 081	133	13	66 227
Individuals (**)	76 607	(2 125)	74 482	-	227	74 709
Budget entities	854	(8)	846	-	9	855
Loans and advances to customers	147 982	(6 573)	141 409	133	249	141 791

(*) The allowances for expected credit losses 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.

(**) In this the adjustment of the gross carrying amount regarding the legal risk of foreign currency mortgage loans in the amount of PLN 1 533 million described in the Note 30.2.

Additional information on credit risk is presented in Note 30.1.

19. Securities

	30.06.2024	31.12.2023
Debt securities held for trading	1 439	2 667
Debt securities measured at amortised cost	98 544	92 593
Debt securities measured at fair value through other comprehensive income	17 261	21 536
Equity instruments held for trading	10	4
Equity instruments designated for measurement at fair value through other comprehensive income	322	389
Equity instruments mandatorily measured at fair value through profit or loss	216	210
Total	117 792	117 399

Debt securities held for trading

	30.06.2024	31.12.2023
Debt securities issued by central governments	1 178	1 082
T- bills	26	-
T- bonds	1 152	1 082
Debt securities issued by banks	153	375
Debt securities issued by business entities	108	1 208
Debt securities issued by local governments	-	2
Total	1 439	2 667

Debt securities measured at amortised cost

	30.06.2024	31.12.2023
Debt securities issued by State Treasury	47 937	42 645
T-bills	5 016	8 715
T-bonds	42 921	33 930
Debt securities issued by central banks	24 135	18 502
Debt securities issued by banks	15 789	15 873
Debt securities issued by business entities	6 464	11 144
Debt securities issued by local governments	4 219	4 429
Total	98 544	92 593
including impairment of assets	(179)	(156)

Debt securities measured at fair value through other comprehensive income

	30.06.2024	31.12.2023
Debt securities issued by central governments	6 850	6 980
T-bills	-	-
T-bonds	6 850	6 980
Other	-	-
Debt securities issued by central banks	999	999
Debt securities issued by banks	2 303	3 327
Debt securities issued by business entities	5 510	8 613
Debt securities issued by local governments	1 599	1 617
Total	17 261	21 536
including impairment of assets (*)	(54)	(66)

(*) 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

	30.06.2024	31.12.2023
Shares	10	4
Total	10	4

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

	30.06.2024	31.12.2023
Shares	322	389
Total	322	389

Equity instruments mandatorily measured at fair value through profit or loss

	30.06.2024	31.12.2023
Shares	216	210
Total	216	210

20. Assets pledged as security for liabilities

TYPE OF TRANSACTION AS AT 30.06.2024	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	Bonds held for trading (measured at fair value through profit or loss)	-	-	-
Repo transactions	Bonds measured at fair value through other comprehensive income	1 187	1 186	1 187
Total		1 187	1 186	1 187

TYPE OF TRANSACTION AS AT 31.12.2023	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	Bonds held for trading (measured at fair value through profit or loss)	-	-	-
Repo transactions	Bonds measured at fair value through other comprehensive income	1 648	1 657	1 649
Total		1 648	1 657	1 649

Apart from assets pledged as security for liabilities presented separately in the statement of financial position, the Bank identifies assets pledged as securities for liabilities which are not required to be presented separately in the statement of financial position.

TYPE OF TRANSACTION AS AT 30.06.2024	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	Bonds	735	710	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	Bonds	311	300	173
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	Bonds	616	650	369
Lombard and technical loan	Bonds	7 746	7 862	-
Other loans	Bonds	55	56	47
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	Cash deposits	43	43	-
Derivatives	Bonds	-	-	-
Uncommitted Collateralized Intraday Technical Overdraft Facility Agreement	Bonds	26	30	-
Repo transactions	Bonds purchased in reverse-repo and buy-sell back transactions	21	19	21

TYPE OF TRANSACTION AS AT 31.12.2023	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	Bonds	725	710	-
Coverage of payment commitments to the guarantee fund for the Bank Guarantee Fund	Bonds	308	300	173
Coverage of payment commitments to the resolution fund for the Bank Guarantee Fund	Bonds	621	650	369
Lombard and technical loan	Bonds	8 425	8 462	-
Other loans	Bonds	61	62	53
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	Cash deposits	53	53	-
Derivatives	Bonds	24	24	-
Uncommitted Collateralized Intraday Technical Overdraft Facility Agreement	Bonds	27	30	-

21. Intangible assets

	30.06.2024	31.12.2023
Intangible assets, including:	1 511	1 492
research and development expenditures	354	190
licenses and patents	696	686
other	2	2
assets under construction	459	614
Goodwill	54	54
Total	1 565	1 546

22. Property, plant and equipment

	30.06.2024	31.12.2023
Non-current assets, including:	1 713	1 630
land and buildings	1 158	1 089
machinery and equipment	347	353
transport vehicles	77	67
other	131	121
Non-current assets under construction and prepayments	117	168
Total	1 830	1 798

In the period from 1 January to 30 June 2024 the Bank acquired 'Property, plant and equipment' amounted PLN 170 million (in 2023 - PLN 619 million), while the net carrying amount of property, plant and equipment sold amounted to PLN 13 million (in 2023 - PLN 4 million).

In the period from 1 January to 30 June 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 30 June 2024 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 17 million (as at 31 December 2023 - PLN 20 million).

23. Amounts due to other banks

Amounts due to other banks by product type

	30.06.2024	31.12.2023
Current accounts	745	696
Interbank deposits and other liabilities	1 097	1 654
Loans and advances received	358	476
Repo transactions	16	-
Total	2 216	2 826

24. Financial liabilities held for trading

	30.06.2024	31.12.2023
Debt securities issued by central governments	920	757
t- bonds	920	757
Total	920	757

25. Amounts due to customers

Amounts due to customers by entity and product type

	30.06.2024	31.12.2023
Amounts due to corporate, including:	80 634	83 115
current accounts	58 772	62 317
term deposits and other liabilities	21 862	20 798
Amounts due to budget entities, including:	19 899	17 282
current accounts	15 995	15 528
term deposits and other liabilities	3 904	1 754
Amounts due to individuals, including:	145 223	131 910
current accounts	103 257	93 170
term deposits and other liabilities	41 966	38 740
Repo transactions	1 192	1 649
Lease liabilities	682	585
Total	247 630	234 541

26. Debt securities issued

Debt securities issued by type

	30.06.2024	31.12.2023
Liabilities from bonds	4 627	4 078
Total	4 627	4 078

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

27. Provisions

Changes in provisions in the reporting period

I HALF 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	833	6	287	552	176	1 854
Provision charges/revaluation	288	-	15	262	24	589
Provision utilization	(177)	(1)	(6)	-	(19)	(203)
Provision releases	(5)	-	-	(219)	(37)	(261)
Foreign currency exchange differences	-	-	-	(1)	-	(1)
Other changes	-	-	-	-	(5)	(5)
Closing balance	939	5	296	594	139	1 973
Short term	-	5	33	67	20	125
Long term	939	-	263	527	119	1 848

(*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 867 million (details of this provision are presented in Note 30.2) and a provision for early repayments of consumer loans in the amount of PLN 8 million as at 30 June 2024.

(**) Including provisions for refunds to customers of increased mortgage loan margins before establishing a mortgage in the amount of PLN 41 million as at 30 June 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	552	11	239	449	157	1 408
Provision charges/revaluation	389	-	32	466	55	942
Provision utilization	(89)	(5)	(12)	-	(37)	(143)
Provision releases	(19)	-	-	(352)	(11)	(382)
Foreign currency exchange differences	-	-	-	(11)	-	(11)
Other changes	-	-	28	-	12	40
Closing balance	833	6	287	552	176	1 854
Short term	-	6	23	141	27	197
Long term	833	-	264	411	149	1 657

(*) Including the provision for legal risk regarding foreign currency mortgage loans in CHF in the amount of PLN 755 million (details of this provision are presented in Note 30.2) 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.

28. Contingent commitments and contingent assets

Court cases

As of 30 June 2024 the following court cases for payment are pending with involvement of the Bank, that are important in view of the value of the object of litigation (against the Bank):

- 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 was referred to mediation proceedings, on 14 May 2024, the District Court in Warsaw issued a decision by which it approved the mediation settlement between the parties and discontinued the proceedings in the case, the decision is final. The settlement was preceded by concluding an agreement with the plaintiff on 22 April 2024, for which the Bank agreed to pay the amount not exceeding PLN 9 564 834.24. The case was finally concluded in the second quarter of 2024,
- 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 half of the year 2024 before the court, authority competent for arbitrary proceedings or a body of public administration posed a threat for financial liquidity of the Bank.

The Bank created provisions for litigations against the Bank 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 30 June 2024 is PLN 939 million (PLN 833 million as at 31 December 2023).

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. In May 2024, the Bank modified the content of the commitment. The Bank is waiting for the decision of the President of the Office of Competition and Consumer Protection in this matter. As at 30 June 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 analyzes the materials collected by the President of the Office of Competition and Consumer Protection in the initiated proceedings and prepares explanations and a position regarding the allegations of the President of the Office of Competition and Consumer Protection. At this stage, the Bank did not create a provision for these proceedings.

Financial commitments granted

Financial commitments granted by entity

	30.06.2024	31.12.2023
Financial commitments granted to:		
banks	1 883	1 676
customers	59 892	55 513
budget entities	1 146	699
Total	62 921	57 888

Guarantees issued

Guarantees issued by entity

	30.06.2024	31.12.2023
Issued to banks:	2 505	2 567
guarantees	2 005	2 141
securities' underwriting guarantees	-	-
sureties	457	406
confirmed export letters of credit	43	20
Issued customers entities	26 819	27 592
guarantees	13 531	13 427
securities' underwriting guarantees	1 973	1 639
sureties	11 315	12 526
Issued to budget entities:	944	568
guarantees	37	22
securities' underwriting guarantees	907	546
Total	30 268	30 727

Off-balance sheet commitments received

Off-balance sheet commitments received by entity

	30.06.2024	31.12.2023
Financial received from:	389	126
banks	130	126
customers	259	-
budget entities	-	-
Guarantees received from:	32 057	31 426
banks	14 907	15 383
customers	14 528	13 711
budget entities	2 622	2 332
Total	32 446	31 552

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

29. 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. These transactions were concluded on terms that did not differ from market terms.

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.

Transactions with related party other than the State Treasury and other than entities related to the State Treasury

Related party transactions as at 30 June 2024

NAME OF ENTITY	RECEIVABLES FROM LOANS, ADVANCES 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	558	-	-
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	17	-	1	5	486	1	-
Bank Pekao S.A. Group entities							
Subsidiaries							
Pekao Investment Banking S.A.	-	-	-	-	120	-	-
Pekao Leasing Sp. z o.o.	3 084	2 762	5	-	66	4	2
Pekao Faktoring Sp. z o.o.	1 910	478	-	-	93	-	1
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	-	-	-	-	57	-	-
Centrum Kart S.A.	-	-	-	-	8	-	12
Pekao Financial Services Sp. z o. o.	-	-	-	-	13	-	-
Pekao Bank Hipoteczny S.A.	479	1 258	1	-	3	-	-
Pekao Property S.A. (in liquidation)	-	-	-	6	27	-	-
Pekao Direct Sp. z o.o.	-	-	-	1	19	-	14
Pekao Investment Management S.A.	-	-	-	32	10	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	-	-	-	11	70	-	-
PEUF Sp. z o.o. (Pekao Leasing Sp. z o.o. subsidiary)	-	-	-	-	21	-	-
Associates							
Krajowy Integrator Płatności S.A.	-	-	-	-	39	-	-
Total of Bank Pekao S.A. Group entities	5 473	4 498	6	50	546	4	29
Key management personnel of the Bank Pekao S.A.	-	-	-	-	2	-	-
Total	5 490	4 498	7	58	1 592	5	29

Related party transactions as at 31 December 2023

NAME OF ENTITY	RECEIVABLES FROM LOANS, ADVANCES 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	-	-
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	11	-	-	7	399	7	1
Bank Pekao S.A. Group entities							
Subsidiaries							
Pekao Investment Banking S.A.	-	-	-	-	140	-	-
Pekao Leasing Sp. z o.o.	1 028	4 160	9	-	56	4	-
Pekao Faktoring Sp. z o.o.	1 672	3 308	-	-	10	-	-
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	-	-	-	-	56	-	-
Centrum Kart S.A.	-	-	-	1	29	-	5
Pekao Financial Services Sp. z o.o.	-	-	-	-	15	-	-
Pekao Bank Hipoteczny S.A.	490	1 281	24	-	18	10	-
Pekao Property S.A. (in liquidation)	-	-	-	6	26	-	-
Pekao Direct Sp. z o.o.	-	-	-	-	14	-	12
Pekao Investment Management S.A.	-	-	-	-	3	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	-	-	-	7	42	-	-
PEUF Sp. z o.o. (Pekao Leasing Sp. z o.o. subsidiary)	-	-	-	-	13	-	-
Associates							
Krajowy Integrator Płatności S.A.	-	-	-	-	39	-	-
Total of Bank Pekao S.A. Group entities	3 190	8 749	33	14	461	14	17
Key management personnel of the Bank Pekao S.A.	2	-	-	-	11	-	-
Total	3 203	8 749	33	24	1 160	21	18

Income and expenses from transactions with related parties for the period from 1 January 2024 to 30 June 2024

NAME OF ENTITY	INTEREST INCOME	INTEREST EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	INCOME FROM DERIVATIVES AND OTHER	EXPENSES FROM DERIVATIVES AND OTHER
PZU S.A. – the Bank's parent entity	(1)	(8)	20	-	1	(4)
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	-	(8)	17	-	1	(30)
Bank Pekao S.A. Group entities						
Subsidiaries						
Pekao Investment Banking S.A.	-	(3)	-	-	-	-
Pekao Leasing Sp. z o.o.	145	(2)	12	-	1	(6)
Pekao Faktoring Sp. z o.o.	86	(1)	6	-	-	-
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	-	(1)	-	-	-	-
Centrum Kart S.A.	-	-	1	-	4	(38)
Pekao Financial Services Sp. z o.o.	-	-	-	-	-	-
Pekao Bank Hipoteczny S.A.	55	-	1	-	2	-
Pekao Direct Sp. z o.o.	-	-	-	(38)	1	(43)
Pekao Property S.A. (in liquidation)	-	(1)	-	-	-	-
Pekao Investment Management S.A.	-	-	-	-	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	-	(1)	35	-	-	-
PEUF Sp. z o.o. (Pekao Leasing Sp. z o.o. subsidiary)	-	-	-	-	-	-
Associates						
Krajowy Integrator Płatności S.A.	-	-	1	-	-	-
Total of Bank Pekao S.A. Group entities	286	(9)	56	(38)	8	(87)
Key management personnel of the Bank Pekao S.A.	-	-	-	-	-	-
Total	285	(25)	93	(38)	10	(121)

Income and expenses from transactions with related parties for the period from 1 January 2023 to 30 June 2023

NAME OF ENTITY	INTEREST INCOME	INTEREST EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	INCOME FROM DERIVATIVES AND OTHER	EXPENSES FROM DERIVATIVES AND OTHER
PZU S.A. – the Bank's parent entity	(1)	(9)	13	-	1	(4)
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	-	(11)	13	-	-	(23)
Bank Pekao S.A. Group entities						
Subsidiaries						
Pekao Investment Banking S.A.	-	(4)	-	-	-	-
Pekao Leasing Sp. z o.o.	126	(2)	10	-	5	-
Pekao Faktoring Sp. z o.o.	92	-	5	-	-	-
Pekao Fundusz Kapitałowy Sp. z o.o. (in liquidation)	-	(1)	-	-	-	-
Centrum Kart S.A.	-	-	1	-	5	(31)
Pekao Financial Services Sp. z o.o.	-	-	-	-	-	-
Pekao Bank Hipoteczny S.A.	76	-	-	-	1	(3)
Pekao Direct Sp. z o.o.	-	-	-	(27)	1	(28)
Pekao Property S.A. (in liquidation)	-	(1)	-	-	-	-
Pekao Investment Management S.A.	-	-	-	-	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	-	(3)	30	-	-	-
PEUF Sp. z o.o. (Pekao Leasing Sp. z o.o. subsidiary)	-	-	-	-	-	-
Associates						
Krajowy Integrator Płatności S.A.	-	-	-	-	-	-
Total of Bank Pekao S.A. Group entities	294	(11)	46	(27)	12	(62)
Key management personnel of the Bank Pekao S.A.	-	-	-	-	-	-
Total	293	(31)	72	(27)	13	(89)

Off-balance sheet financial liabilities and guarantees as at 30 June 2024

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEES
PZU S.A. – the Bank's parent entity	3	15	-	-
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	18	10	-	-
Bank Pekao S.A. Group entities				
Subsidiaries				
Pekao Investment Banking S.A.	-	-	-	-
Pekao Leasing Sp. z o.o.	2 995	11 917	-	-
Pekao Faktoring Sp. z o.o.	4 078	5 213	-	-
Centrum Kart S.A.	-	3	-	-
Pekao Financial Services Sp. z o. o.	-	1	-	-
Pekao Bank Hipoteczny S.A.	1 267	1 300	-	-
Pekao Direct Sp. z o.o.	-	-	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	-	-	-	-
Associates				
Krajowy Integrator Płatności S.A.	-	2	-	-
Total of Bank Pekao S.A. Group entities	8 340	18 436	-	-
Key management personnel of the Bank Pekao S.A.	-	-	-	-
Total	8 361	18 461	-	-

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

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEES
PZU S.A. – the Bank's parent entity	3	15	-	-
Entities of PZU S.A. Group excluding the Bank Pekao S.A. Group entities	13	10	-	-
Bank Pekao S.A. Group entities				
Subsidiaries				
Pekao Investment Banking S.A.	-	-	-	-
Pekao Leasing Sp. z o.o.	4 402	12 527	-	-
Pekao Faktoring Sp. z o.o.	2 675	5 953	-	-
Centrum Kart S.A.	-	3	-	-
Pekao Financial Services Sp. z o. o.	-	1	-	-
Pekao Bank Hipoteczny S.A.	1 254	1 300	-	-
Pekao Direct Sp. z o.o.	-	-	-	-
Pekao TFI S.A. (PIM S.A. subsidiary)	-	-	-	-
Associates				
Krajowy Integrator Płatności S.A.	-	2	-	-
Total of Bank Pekao S.A. Group entities	8 331	19 786	-	-
Key management personnel of the Bank Pekao S.A.	-	-	-	-
Total	8 347	19 811	-	-

Transactions with the State Treasury and significant transactions with entities related to the State Treasury

The Bank's transactions with the State Treasury were mostly related to treasury securities and banking services. These transactions are concluded and settled on terms obtainable by customers who are not related parties. Significant transactions with the State Treasury and its related entities in accordance with the exception contained in IAS 24.25 are presented below.

In relation to significant transactions with entities related to the State Treasury, the following presents the exposure, liabilities and off-balance sheet liabilities, as well as the impact on the income statement for clients who appear in at least one of the groups: 20 largest clients on the assets side, 20 largest clients on the liabilities side and the 20 largest clients with off-balance sheet financial and guarantee commitments granted.

Significant balance sheet transactions with the State Treasury and its related entities as at 30 June 2024

NAME OF ENTITY	RECEIVABLES FROM LOANS, ADVANCES AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES
State Treasury	-	50 101	-	115	-
Entities related to the State Treasury	3 916	14 460	5 240	14 122	5 322
Total	3 916	64 561	5 240	14 237	5 322

Significant balance sheet transactions with the State Treasury and its related entities as at 31 December 2023

NAME OF ENTITY	RECEIVABLES FROM LOANS, ADVANCES AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES
State Treasury	-	42 460	17	99	-
Entities related to the State Treasury	3 852	18 839	232	17 307	272
Total	3 852	61 299	249	17 406	272

Income and expenses from significant transactions with the State Treasury and its related entities for the period from 1 January to 30 June 2024

NAME OF ENTITY	INTEREST INCOME	INTEREST EXPENSE	FEE AND COMMISSION INCOME	INCOME FROM DERIVATIVES	EXPENSES FROM DERIVATIVES
State Treasury	894	(6)	36	-	(1)
Entities related to the State Treasury	142	(313)	22	5 092	(4 754)
Total	1 036	(319)	58	5 092	(4 755)

Income and expenses from significant transactions with the State Treasury and its related entities for the period from 1 January to 30 June 2023

NAME OF ENTITY	INTEREST INCOME	INTEREST EXPENSE	FEE AND COMMISSION INCOME	INCOME FROM DERIVATIVES	EXPENSES FROM DERIVATIVES
State Treasury	478	(8)	23	4	(12)
Entities related to the State Treasury	360	(556)	47	504	(492)
Total	838	(564)	70	508	(504)

Remuneration expenses of the Bank's Management Board and Supervisory Board Members

	VALUE OF BENEFITS	
	I HALF 2024	I HALF 2023
Management Board of the Bank		
Short-term employee benefits (*)	6	6
Post-employment benefits	1	-
Long-term benefits (**)	2	3
Paid termination benefits	2	-
Share-based payments (***)	3	2
Total	14	11
Supervisory Board of the Bank		
Short-term employee benefits (*)	1	1
Total	1	1

(*) Short-term employee benefits include: base salary, bonuses and other benefits due in next 12 months from the date of the balance sheet.

(**) The item 'Other long-term benefit' includes: provisions for deferred bonus payments.

(***) The value of share-based payments is a part of Personnel Expenses, recognized according to IFRS 2 during the reporting period in the income statement, representing the settlement of fair value of share options and shares, including phantom shares, granted to the Members of the Bank's Management Board.

The Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associates in the period from 1 January to 30 June 2024 and in the period from 1 January to 30 June 2023.

30. Risk management and fair value

30.1. Credit risk

The general framework for the risk management, credit risk mitigation methods and rating models did not change substantially compared to those described in the in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2023.

Due to the risk:

- related to the ongoing armed conflict in Eastern Europe and its potential consequences for the situation of enterprises and consumer moods,
- greater than expected increase in interest rates, which may translate into a high increase in the burden on certain customer groups,
- greater than expected economic slowdown due to growing cost pressure on entrepreneurs.

The Bank identifies increased credit risk, which was included in the estimation of impairment losses on credit exposures according to the principles described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2023.

Armed conflict in Ukraine

In connection with Russia's armed attack on Ukraine, which has been ongoing since 2022, the Bank identifies the following threats in the area of credit risk:

- credit loss risk for exposures to entities from Russia, Belarus and Ukraine, with the Bank's exposure in this regard mostly covered by KUKA policies,
- the risk that the conflict will translate into deterioration of the economic and credit conditions for the rest of the portfolio (through the raw material price growth channel, disruption of economic relations, deterioration of consumer sentiment, etc.).

As at 30 June 2024, the Bank's balance sheet net exposure to countries involved in the conflict amounted to PLN 112 million (which represents 0.07% of the Bank's total exposure), and as at 31 December 2023 amounted to PLN 129 million (which represents 0.09% of the Bank's total exposure).

The tables below present the Bank's exposures to countries involved in the armed conflict in Ukraine as at 30 June 2024 and 31 December 2023.

30.06.2024	UKRAINE	RUSSIA	BELARUS	TOTAL
Balance sheet exposures				
Loans and advances to banks	-	-	54	54
Loans and advances to customers (including receivables from finance leases)	31	-	29	60
Gross carrying amount	31	-	83	114
Allowances for expected credit losses	(1)	-	(1)	(2)
Net carrying amount	30	-	82	112
Off- balance sheet exposures				
Financial commitments granted	1	-	-	1
Guarantees issued	-	-	-	-
Total nominal value	1	-	-	1
Provisions for undrawn credit facilities and guarantees issued	-	-	-	-

31.12.2023	UKRAINE	RUSSIA	BELARUS	TOTAL
Balance sheet exposures				
Loans and advances to banks	-	-	60	60
Loans and advances to customers (including receivables from finance leases)	32	-	39	71
Gross carrying amount	32	-	99	131
Allowances for expected credit losses	(1)	-	(1)	(2)
Net carrying amount	31	-	98	129
Off- balance sheet exposures				
Financial commitments granted	-	-	-	-
Guarantees issued	-	-	-	-
Total nominal value	-	-	-	-
Provisions for undrawn credit facilities and guarantees issued	-	-	-	-

In the Bank's opinion, as at the date of approval of these financial statements for publication, the situation does not threaten the assumption that the Bank will continue as a going concern for a period not shorter than one year from the balance sheet date. However, depending on the further development of the situation, it may have a negative impact on the future financial results of the Bank.

Changes in the methodology of calculation an expected credit losses

In the first half of 2024, the Bank did not change its approach to identifying a significant deterioration in credit risk being the basis for qualifying exposures to stage 2 and the approach regarding classification to stage 3.

Compared to the assumptions used in 2023, in the first half of 2024 the Bank introduced changes in the area of applied scenario materialization probabilities. In 2023, the Bank assigned a probability of 45% to the baseline scenario, 5% to the upward scenario, and 50% to the downward scenario, and in the first half of 2024, the Bank changed the applied scenario distribution to 60% probability of the baseline scenario, 5% to the upward scenario and 35% to the upward scenario. The increase in the probability of the base scenario reflects the stabilization of the economic situation and positive macroeconomic forecasts (e.g. GDP growth of 3% is expected in 2024). The change in the applied probability distribution resulted in a decrease in expected credit losses by approximately PLN 80 million. Additionally, as part of the development of methods for calculating expected credit losses, a retrospective recalculation of the time series of the definition of default was recalculated in accordance with the Guidelines EBA/GL/2016/07 for historical periods. Instead of the simplifications used in the data before 2018, a more accurate approximation was applied (in particular in terms of increasing the frequency of delay observations). This allowed the use of a more consistent time series to model credit risk parameters used to calculate expected credit losses. Additionally, in connection with the improvement of data, the method of including direct costs in the calculation of expected losses using statistical methods was improved. The risk parameters used in the calculation of expected credit losses were updated based on the new time series and were used to estimate provisions as at 30 June 2024. In other areas, no changes were made to the principles for calculating impairment losses.

Keeping the solution worked out in 2022, the Bank selected customers operating in higher-risk industries and increased PD on them by 100%, resulting in a PLN 253 million increase in expected credit losses in the working capital portfolio. This impact was taken into account for loans with a total gross carrying amount of PLN 7 595 million. The analysis of industries took into account the indirect impact of the armed conflict in Ukraine, the marked deceleration in domestic demand and investment, the burden of interest costs resulting from loans and advances (due to the high level of NBP interest rates) and the demand of individual branches of industrial processing. Adjusted industries with the largest share in the Bank's loan portfolio are, by PKD division, as follows: 49 Land transport and pipeline transport, 23 Manufacture of other non-metallic mineral products, 16 Manufacture of wood, cork and straw products (excluding furniture), 41 Construction work related to building construction, 27 Manufacture of electrical equipment.

Sensitivity analysis concerning the forecast of the macroeconomic situation

The Bank estimates probability weighted expected credit losses taking into account 3 macro-economic scenarios: baseline (occurring with a probability of 60%), upward (assuming positive change of the quality of the portfolio in the next years compared to the baseline, occurring with a probability of 5%) and downward (assuming worsening of the quality of the portfolio in the next years compared to the baseline that could occur with a probability of 35%).

The changes in expected credit losses presented in the table below for exposures without impairment were designated as the difference between the expected credit losses calculated for a specific macroeconomic scenario and expected credit losses calculated taking into account all scenarios macroeconomic factors weighted with the probability of their realization (in accordance with IFRS 9).

30.06.2024	BASELINE SCENARIO	UPWARD SCENARIO	DOWNWARD SCENARIO
Changes in expected credit losses for exposures without impairment (Stages 1 and 2) assuming 100% implementation of the scenario	(188)	(814)	463

31.12.2023	BASELINE SCENARIO	UPWARD SCENARIO	DOWNWARD SCENARIO
Changes in expected credit losses for exposures without impairment (Stages 1 and 2) assuming 100% implementation of the scenario	(233)	(891)	310

The table below presents the results of the ECL sensitivity analysis for the assumed changes in PD and RR/LGD parameters carried out separately for exposures subject to individual and group analysis. For the exposures included in the Bank analysis, the PD and recovery rate (1-RR=LGD) increase and decrease by 1% and 5% scenario were presented compared to the values used to calculate the expected credit loss as of date 30 June 2024 and 31 December 2023. For the exposures analyzed individually, the estimated impact is presented as a reduction of recoveries from collaterals included in the debt collection scenario by 10%.

Changes in allowances for expected credit losses in different scenarios of changing the influencing parameters for the calculation of write-offs.

30.06.2024 DELTA PARAMETER	SCENARIO		
	STATISTICAL ANALYSIS		INDIVIDUAL ANALYSIS
	PD CHANGE	RECOVERY RATE CHANGE (1-LGD)	DEBT COLLECTION CHANGE
-10.0%	N/A	N/A	37.5
-5.0%	(87.4)	202.8	N/A
-1.0%	(17.9)	40.6	N/A
1.0%	18.0	(40.6)	N/A
5.0%	89.9	(202.7)	N/A

31.12.2023 DELTA PARAMETER	SCENARIO		
	STATISTICAL ANALYSIS		INDIVIDUAL ANALYSIS
	PD CHANGE	RECOVERY RATE CHANGE (1-LGD)	DEBT COLLECTION CHANGE
-10.0%	N/A	N/A	38.0
-5.0%	(86.2)	256.1	N/A
-1.0%	(17.3)	51.2	N/A
1.0%	16.8	(51.2)	N/A
5.0%	83.8	(256.0)	N/A

The tables below present the level of allowances for expected credit losses gross carrying amount of financial assets not measured at fair value through profit or loss by class of financial assets and the level of provisions for undrawn credit facilities and guarantees issued and the nominal value of off-balance sheet commitments granted.

30.06.2024	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)						
Gross carrying amount	12 341	2	53	-	-	12 396
Allowances for expected credit losses	(17)	-	-	-	-	(17)
Carrying amount	12 324	2	53	-	-	12 379
LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
Gross carrying amount	132 845	16 717	2 008	3 592	1 439	156 601
Allowances for expected credit losses	(819)	(1 046)	(1 379)	(2 555)	(646)	(6 445)
Carrying amount	132 026	15 671	629	1 037	793	150 156
LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE (**)						
Gross carrying amount	194	96	-	-	-	290
Allowances for expected credit losses	(4)	(2)	-	-	-	(6)
DEBT SECURITIES MEASURED AT AMORTISED COST						
Gross carrying amount	98 545	67	-	-	111	98 723
Allowances for expected credit losses	(91)	(2)	-	-	(86)	(179)
Carrying amount	98 454	65	-	-	25	98 544
DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (**)						
Gross carrying amount	18 425	23	-	-	-	18 448
Allowances for expected credit losses	(53)	(1)	-	-	-	(54)
OFF-BALANCE SHEET COMMITMENTS						
Nominal amount	89 548	3 175	418	31	17	93 189
Provisions for undrawn credit facilities and guarantees issued	(226)	(158)	(191)	(15)	(4)	(594)

(*) Applies to loans and advances to banks and the Central Bank presented in the statement of financial position in the items 'Cash and cash equivalents' and 'Loans and advances to banks'.

(**) Allowances for expected credit losses related to loans and advances to customers measured at fair value through other comprehensive income and debt securities measured at fair value through other comprehensive income is included in the item 'Revaluation reserves' and does not reduce their carrying amount.

31.12.2023	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)						
Gross carrying amount	11 217	13	60	-	-	11 290
Allowances for expected credit losses	(18)	-	-	-	-	(18)
Carrying amount	11 199	13	60	-	-	11 272
LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
Gross carrying amount	124 178	16 311	2 848	3 400	1 245	147 982
Allowances for expected credit losses	(773)	(856)	(1 975)	(2 235)	(734)	(6 573)
Carrying amount	123 405	15 455	873	1 165	511	141 409
LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE (**)						
Gross carrying amount	133	-	-	-	-	133
Allowances for expected credit losses	(1)	-	-	-	-	(1)
DEBT SECURITIES MEASURED AT AMORTISED COST						
Gross carrying amount	92 570	83	-	-	96	92 749
Allowances for expected credit losses	(82)	(3)	-	-	(71)	(156)
Carrying amount	92 488	80	-	-	25	92 593
DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (**)						
Gross carrying amount	23 146	38	-	-	-	23 184
Allowances for expected credit losses	(66)	(1)	-	-	-	(67)
OFF-BALANCE SHEET COMMITMENTS						
Nominal amount	84 129	3 957	464	47	18	88 615
Provisions for undrawn credit facilities and guarantees issued	(223)	(90)	(211)	(24)	(4)	(552)

(*) Applies to loans and advances to banks and the Central Bank presented in the statement of financial position in the items 'Cash and cash equivalents' and 'Loans and advances to banks'.

(**) Allowances for expected credit losses related to loans and advances to customers measured at fair value through other comprehensive income and debt securities measured at fair value through other comprehensive income is included in the item 'Revaluation reserves' and does not reduce their carrying amount.

The tables below present the changes in allowances for expected credit losses and gross carrying amount of financial assets not measured at fair value through profit or loss by classes of financial assets.

	LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)					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						
GROSS CARRYING AMOUNT AS AT 1.01.2024	11 217	13	60	-	-	11 290
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	(2)	2	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	3 643	-	-	-	-	3 643
Financial assets derecognised, other than write-offs (repayments)	(2 547)	(13)	(6)	-	-	(2 566)
Financial assets written off (**)	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	30	-	(1)	-	-	29
GROSS CARRYING AMOUNT AS AT 30.06.2024	12 341	2	53	-	-	12 396
ALLOWANCES FOR EXPECTED CREDIT LOSSES						
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2024	18	-	-	-	-	18
Changes in balances included in the income statement (table in the Note 9), of which:	(3)	-	-	-	-	(3)
New / purchased / granted financial assets	5	-	-	-	-	5
Financial assets derecognised, other than write-offs (repayments)	(5)	-	-	-	-	(5)
Changes in level of credit risk (excluding the transfers between the Stages)	(3)	-	-	-	-	(3)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Financial assets written off (**)	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	2	-	-	-	-	2
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 30.06.2024	17	-	-	-	-	17

(*) Receivables from the Central Bank include a current account and deposits.

(**) Including the value of contractual interest subject to partial write-off in the amount of PLN 0 million.

LOANS AND ADVANCES TO BANKS AND CENTRAL BANKS MEASURED AT AMORTISED COST (*)						
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	INDIVIDUAL ASSESSMENT	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED) GROUP ASSESSMENT	PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 1.01.2023	14 421	-	128	-	-	14 549
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	(13)	13	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
New / purchased / granted financial assets	2 059	-	-	-	-	2 059
Financial assets derecognised, other than write-offs (repayments)	(5 111)	-	(61)	-	-	(5 172)
Financial assets written off (**)	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	(139)	-	(7)	-	-	(146)
GROSS CARRYING AMOUNT AS AT 31.12.2023	11 217	13	60	-	-	11 290
ALLOWANCES FOR EXPECTED CREDIT LOSSES						
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2023	27	-	2	-	-	29
Changes in balances included in the income statement, of which:	(9)	-	(1)	-	-	(10)
New / purchased / granted financial assets	5	-	-	-	-	5
Financial assets derecognised, other than write-offs (repayments)	(4)	-	-	-	-	(4)
Changes in level of credit risk (excluding the transfers between the Stages)	(10)	-	(1)	-	-	(11)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Financial assets written off (**)	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	-	-	(1)	-	-	(1)
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31.12.2023	18	-	-	-	-	18

(*) Receivables from the Central Bank include a current account and deposits.

(**) Including the value of contractual interest subject to partial write-off in the amount of PLN 0 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 1.01.2024	124 178	16 311	2 848	3 400	1 245	147 982	133	-	133
Transfer to Stage 1	3 015	(2 985)	-	(30)	-	-	-	-	-
Transfer to Stage 2	(5 367)	5 484	(12)	(105)	-	-	(96)	96	-
Transfer to Stage 3	(257)	(407)	160	504	-	-	-	-	-
New / purchased / granted financial assets	36 210	-	-	-	365	36 575	167	-	167
Financial assets derecognised, other than write-offs (repayments)	(24 591)	(1 940)	(855)	(434)	(141)	(27 961)	-	-	-
Financial assets written off (*)	-	-	(89)	(241)	(18)	(348)	-	-	-
Modifications not resulting in derecognition	(1)	-	-	-	-	(1)	-	-	-
Adjustment related to credit holidays (***)	(177)	(22)	-	(1)	-	(200)	-	-	-
Legal risk costs for mortgage loans in CHF	-	294	-	28	(1)	321	-	-	-
Other, in this changes resulting from exchange rates	(165)	(18)	(44)	471	(11)	233	(10)	-	(10)
GROSS CARRYING AMOUNT AS AT 30.06.2024	132 845	16 717	2 008	3 592	1 439	156 601	194	96	290
ALLOWANCES FOR EXPECTED CREDIT LOSSES (**)									
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2024	773	856	1 975	2 235	734	6 573	1	-	1
Changes in balances included in the income statement (table in the Note 9), of which:	(130)	306	(46)	232	(26)	336	5	-	5
New / purchased / granted financial assets	196	-	-	-	3	199	5	-	5
Financial assets derecognised, other than write-offs (repayments)	(41)	(15)	(50)	(34)	(3)	(143)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	(285)	321	4	266	(26)	280	-	-	-
Transfer to Stage 1	168	(163)	-	(5)	-	-	-	-	-
Transfer to Stage 2	(83)	131	-	(48)	-	-	(2)	2	-
Transfer to Stage 3	(5)	(75)	(2)	82	-	-	-	-	-
Financial assets written off (*)	-	-	(89)	(241)	(18)	(348)	-	-	-
Other, in this changes resulting from exchange rates	96	(9)	(459)	300	(44)	(116)	-	-	-
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 30.06.2024	819	1 046	1 379	2 555	646	6 445	4	2	6

(*) Including the value of contractual interest subject to partial write-off in the amount of PLN 290 million.

(**) The allowances for expected credit losses 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.

(***) Settlement of part of the result related to the modification of PLN mortgage loan agreements granted to consumers due to their suspension of their loan repayments in the first half of 2024 (details in Note 5)

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 30 June 2024 amounted to PLN 439 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	122 717	18 381	3 927	3 050	1 054	149 129	303	-	303
Transfer to Stage 1	4 473	(4 332)	(15)	(126)	-	-	-	-	-
Transfer to Stage 2	(8 351)	8 588	(51)	(186)	-	-	-	-	-
Transfer to Stage 3	(999)	(1 200)	471	1 728	-	-	-	-	-
New / purchased / granted financial assets	43 630	-	-	-	90	43 720	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(36 795)	(5 073)	(875)	(845)	(228)	(43 816)	(170)	-	(170)
Financial assets written off (*)	-	-	(791)	(430)	(37)	(1 258)	-	-	-
Modifications not resulting in derecognition	(2)	-	-	-	-	(2)	-	-	-
Adjustment related to credit holidays	911	91	-	5	-	1 007	-	-	-
Legal risk costs for mortgage loans in CHF	-	243	-	19	(1)	261	-	-	-
Other, in this changes resulting from exchange rates	(1 406)	(387)	182	185	367	(1 059)	-	-	-
GROSS CARRYING AMOUNT AS AT 31.12.2023	124 178	16 311	2 848	3 400	1 245	147 982	133	-	133
ALLOWANCES FOR EXPECTED CREDIT LOSSES									
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2023	827	922	3 175	1 804	431	7 159	4	-	4
Changes in balances included in the income statement, of which:	(149)	479	123	18	(50)	421	(4)	-	(4)
New / purchased / granted financial assets	369	-	-	-	4	373	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(133)	(94)	(14)	(54)	(14)	(309)	(2)	-	(2)
Changes in level of credit risk (excluding the transfers between the Stages)	(385)	573	137	72	(40)	357	(2)	-	(2)
Transfer to Stage 1	281	(262)	-	(19)	-	-	-	-	-
Transfer to Stage 2	(120)	194	(3)	(71)	-	-	-	-	-
Transfer to Stage 3	(28)	(165)	(242)	435	-	-	-	-	-
Financial assets written off (*)	-	-	(791)	(430)	(37)	(1 258)	-	-	-
Other, in this changes resulting from exchange rates	(38)	(312)	(287)	498	390	251	1	-	1
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31.12.2023	773	856	1 975	2 235	734	6 573	1	-	1

(*) Including the value of contractual interest subject to partial write-off in the amount of PLN 615 million.

(**) The allowances for expected credit losses 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.

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.

CORPORATE	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	57 681	7 553	2 826	1 322	1 139	70 521	133	-	133
Transfer to Stage 1	1 670	(1 650)	-	(20)	-	-	-	-	-
Transfer to Stage 2	(3 097)	3 124	(12)	(15)	-	-	(96)	96	-
Transfer to Stage 3	(183)	(139)	161	161	-	-	-	-	-
New / purchased / granted financial assets	25 488	-	-	-	308	25 796	167	-	167
Financial assets derecognised, other than write-offs (repayments)	(18 712)	(1 017)	(855)	(219)	(123)	(20 926)	-	-	-
Financial assets written off	-	-	(87)	(107)	(18)	(212)	-	-	-
Modifications not resulting in derecognition	(1)	-	-	-	-	(1)	-	-	-
Other, in this changes resulting from exchange rates	32	9	(46)	367	(33)	329	(10)	-	(10)
GROSS CARRYING AMOUNT AS AT 30.06.2024	62 878	7 880	1 987	1 489	1 273	75 507	194	96	290
ALLOWANCES FOR EXPECTED CREDIT LOSSES (*)									
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2024	583	285	1 951	888	733	4 440	1	-	1
Changes in balances included in the income statement (table in the Note 9), of which:	48	201	(46)	7	(7)	203	5	-	5
New / purchased / granted financial assets	133	-	-	-	2	135	5	-	5
Financial assets derecognised, other than write-offs (repayments)	(29)	-	(50)	(7)	(1)	(87)	-	-	-
Changes in level of credit risk (excluding the transfers between the Stages)	(56)	201	4	14	(8)	155	-	-	-
Transfer to Stage 1	53	(52)	-	(1)	-	-	-	-	-
Transfer to Stage 2	(64)	68	-	(4)	-	-	(2)	2	-
Transfer to Stage 3	(3)	(8)	(2)	13	-	-	-	-	-
Financial assets written off	-	-	(87)	(107)	(18)	(212)	-	-	-
Other, in this changes resulting from exchange rates	8	(26)	(458)	386	(63)	(153)	-	-	-
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 30.06.2024	625	468	1 358	1 182	645	4 278	4	2	6

(*) The allowances for expected credit losses 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.

CORPORATE	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	58 738	10 068	3 747	1 198	984	74 735	303	-	303
Transfer to Stage 1	3 258	(3 197)	(15)	(46)	-	-	-	-	-
Transfer to Stage 2	(5 110)	5 187	(50)	(27)	-	-	-	-	-
Transfer to Stage 3	(725)	(528)	509	744	-	-	-	-	-
New / purchased / granted financial assets	29 679	-	-	-	54	29 733	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(26 824)	(3 695)	(754)	(342)	(204)	(31 819)	(170)	-	(170)
Financial assets written off	-	-	(779)	(177)	(36)	(992)	-	-	-
Modifications not resulting in derecognition	(1)	-	-	-	-	(1)	-	-	-
Other, in this changes resulting from exchange rates	(1 334)	(282)	168	(28)	341	(1 135)	-	-	-
GROSS CARRYING AMOUNT AS AT 31.12.2023	57 681	7 553	2 826	1 322	1 139	70 521	133	-	133
ALLOWANCES FOR EXPECTED CREDIT LOSSES (*)									
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2023	638	347	3 002	647	418	5 052	4	-	4
Changes in balances included in the income statement (table in the Note 9), of which:	(17)	25	119	(90)	(23)	14	(4)	-	(4)
New / purchased / granted financial assets	237	-	-	-	-	237	-	-	-
Financial assets derecognised, other than write-offs (repayments)	(112)	(58)	(13)	(11)	(13)	(207)	(2)	-	(2)
Changes in level of credit risk (excluding the transfers between the Stages)	(142)	83	132	(79)	(10)	(16)	(2)	-	(2)
Transfer to Stage 1	107	(104)	-	(3)	-	-	-	-	-
Transfer to Stage 2	(94)	104	(2)	(8)	-	-	-	-	-
Transfer to Stage 3	(9)	(50)	(209)	268	-	-	-	-	-
Financial assets written off	-	-	(779)	(177)	(36)	(992)	-	-	-
Other, in this changes resulting from exchange rates	(42)	(37)	(180)	251	374	366	1	-	1
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31.12.2023	583	285	1 951	888	733	4 440	1	-	1

(*) The allowances for expected credit losses 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.

MORTGAGE LOANS TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					TOTAL
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POC)	
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 1.01.2024	55 294	6 924	3	893	60	63 174
Transfer to Stage 1	914	(911)	-	(3)	-	-
Transfer to Stage 2	(1 740)	1 796	-	(56)	-	-
Transfer to Stage 3	(19)	(140)	-	159	-	-
New / purchased / granted financial assets	6 777	-	-	-	49	6 826
Financial assets derecognised, other than write-offs (repayments)	(3 278)	(628)	(1)	(105)	(6)	(4 018)
Financial assets written off	-	-	-	(48)	-	(48)
Modifications not resulting in derecognition	-	-	-	-	(1)	(1)
Adjustment related to credit holidays	(177)	(22)	-	(1)	-	(200)
Legal risk costs for mortgage loans in CHF	-	294	-	26	(1)	319
Other, in this changes resulting from exchange rates	(155)	(41)	-	29	9	(158)
GROSS CARRYING AMOUNT AS AT 30.06.2024	57 616	7 272	2	894	110	65 894
ALLOWANCES FOR EXPECTED CREDIT LOSSES						
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2024	59	311	3	503	4	880
Changes in balances included in the income statement (table in the Note 9), of which:	(123)	70	-	185	(14)	118
New / purchased / granted financial assets	12	-	-	-	-	12
Financial assets derecognised, other than write-offs (repayments)	(2)	(5)	-	(17)	(1)	(25)
Changes in level of credit risk (excluding the transfers between the Stages)	(133)	75	-	202	(13)	131
Transfer to Stage 1	49	(48)	-	(1)	-	-
Transfer to Stage 2	(3)	30	-	(27)	-	-
Transfer to Stage 3	-	(21)	-	21	-	-
Financial assets written off	-	-	-	(48)	-	(48)
Other, in this changes resulting from exchange rates	79	20	-	(135)	10	(26)
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 30.06.2024	61	362	3	498	-	924

MORTGAGE LOANS TO INDIVIDUAL CLIENTS	LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST					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						
GROSS CARRYING AMOUNT AS AT 1.01.2023	53 497	6 062	41	697	39	60 336
Transfer to Stage 1	750	(701)	-	(49)	-	-
Transfer to Stage 2	(2 413)	2 510	(2)	(95)	-	-
Transfer to Stage 3	(100)	(468)	(28)	596	-	-
New / purchased / granted financial assets	8 719	-	-	-	23	8 742
Financial assets derecognised, other than write-offs (repayments)	(6 068)	(680)	(10)	(273)	(8)	(7 039)
Financial assets written off	-	-	(7)	(90)	-	(97)
Modifications not resulting in derecognition	(1)	-	-	-	(1)	(2)
Adjustment related to credit holidays	911	91	-	5	(1)	1 006
Legal risk costs for mortgage loans in CHF	-	243	-	19	(1)	261
Other, in this changes resulting from exchange rates	(1)	(133)	9	83	9	(33)
GROSS CARRYING AMOUNT AS AT 31.12.2023	55 294	6 924	3	893	60	63 174
ALLOWANCES FOR EXPECTED CREDIT LOSSES						
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2023	58	253	34	365	10	720
Changes in balances included in the income statement (table in the Note 9), of which:	(83)	406	3	5	(11)	320
New / purchased / granted financial assets	14	-	-	-	1	15
Financial assets derecognised, other than write-offs (repayments)	(2)	(8)	(1)	(21)	-	(32)
Changes in level of credit risk (excluding the transfers between the Stages)	(95)	414	4	26	(12)	337
Transfer to Stage 1	89	(80)	-	(9)	-	-
Transfer to Stage 2	(3)	40	(1)	(36)	-	-
Transfer to Stage 3	(1)	(39)	(25)	65	-	-
Financial assets written off	-	-	(7)	(90)	-	(97)
Other, in this changes resulting from exchange rates	(1)	(269)	(1)	203	5	(63)
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31.12.2023	59	311	3	503	4	880

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
OTHER LOANS AND ADVANCE TO INDIVIDUAL CLIENTS	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 1.01.2024	10 465	1 726	19	1 180	43	13 433
Transfer to Stage 1	432	(424)	-	(8)	-	-
Transfer to Stage 2	(529)	562	-	(33)	-	-
Transfer to Stage 3	(56)	(127)	-	183	-	-
New / purchased / granted financial assets	3 548	-	-	-	8	3 556
Financial assets derecognised, other than write-offs (repayments)	(2 410)	(294)	(1)	(112)	(12)	(2 829)
Financial assets written off	-	-	(1)	(86)	-	(87)
Modifications not resulting in derecognition	-	-	-	-	1	1
Other, in this changes resulting from exchange rates	(9)	13	1	75	13	93
GROSS CARRYING AMOUNT AS AT 30.06.2024	11 441	1 456	18	1 199	53	14 167
ALLOWANCES FOR EXPECTED CREDIT LOSSES						
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2024	128	255	19	846	(3)	1 245
Changes in balances included in the income statement (table in the Note 9), of which:	(55)	36	-	40	(4)	17
New / purchased / granted financial assets	51	-	-	-	1	52
Financial assets derecognised, other than write-offs (repayments)	(11)	(10)	-	(10)	-	(31)
Changes in level of credit risk (excluding the transfers between the Stages)	(95)	46	-	50	(5)	(4)
Transfer to Stage 1	66	(63)	-	(3)	-	-
Transfer to Stage 2	(16)	33	-	(17)	-	-
Transfer to Stage 3	(2)	(47)	-	49	-	-
Financial assets written off	-	-	(1)	(86)	-	(87)
Other, in this changes resulting from exchange rates	8	(4)	3	45	9	61
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 30.06.2024	129	210	21	874	2	1 236

LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST						
OTHER LOANS AND ADVANCE TO INDIVIDUAL CLIENTS	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED)		PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
			INDIVIDUAL ASSESSMENT	GROUP ASSESSMENT		
GROSS CARRYING AMOUNT						
GROSS CARRYING AMOUNT AS AT 1.01.2023	9 405	2 135	27	1 154	30	12 751
Transfer to Stage 1	442	(412)	-	(30)	-	-
Transfer to Stage 2	(772)	835	-	(63)	-	-
Transfer to Stage 3	(177)	(203)	(8)	388	-	-
New / purchased / granted financial assets	5 141	-	-	-	13	5 154
Financial assets derecognised, other than write-offs (repayments)	(3 587)	(657)	(1)	(232)	(16)	(4 493)
Financial assets written off	-	-	(5)	(163)	-	(168)
Modifications not resulting in derecognition	-	-	-	-	1	1
Other, in this changes resulting from exchange rates	13	28	6	126	15	188
GROSS CARRYING AMOUNT AS AT 31.12.2023	10 465	1 726	19	1 180	43	13 433
ALLOWANCES FOR EXPECTED CREDIT LOSSES						
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2023	131	315	27	791	2	1 266
Changes in balances included in the income statement (table in the Note 9), of which:	(44)	47	-	103	(17)	89
New / purchased / granted financial assets	118	-	-	-	3	121
Financial assets derecognised, other than write-offs (repayments)	(19)	(29)	-	(22)	(2)	(72)
Changes in level of credit risk (excluding the transfers between the Stages)	(143)	76	-	125	(18)	40
Transfer to Stage 1	81	(74)	-	(7)	-	-
Transfer to Stage 2	(20)	46	-	(26)	-	-
Transfer to Stage 3	(19)	(76)	(7)	102	-	-
Financial assets written off	-	-	(5)	(163)	-	(168)
Other, in this changes resulting from exchange rates	(1)	(3)	4	46	12	58
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31.12.2023	128	255	19	846	(3)	1 245

	DEBT SECURITIES MEASURED AT AMORTISED COST (*)				DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (**)			
	STAGE 1 (12M DELA)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED) INDIVIDUAL ASSESSMENT	PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
GROSS CARRYING AMOUNT								
GROSS CARRYING AMOUNT AS AT 1.01.2024	92 570	83	-	96	92 749	23 146	38	23 184
Transfer to Stage 1	13	(13)	-	-	-	31	(31)	-
Transfer to Stage 2	(4)	4	-	-	-	(17)	17	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	178 278	-	-	-	178 278	522 958	-	522 958
Financial assets derecognised, other than write-offs (repayments)	(173 347)	(7)	-	-	(173 354)	(528 203)	(1)	(528 204)
Financial assets written off	-	-	-	-	-	-	-	-
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	1 035	-	-	15	1 050	510	-	510
GROSS CARRYING AMOUNT AS AT 30.06.2024	98 545	67	-	111	98 723	18 425	23	18 448
ALLOWANCES FOR EXPECTED CREDIT LOSSES (**)								
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2024	82	3	-	71	156	66	1	67
Changes in balances included in the income statement (table in the Note 9), of which:	8	(1)	-	-	7	(10)	(1)	(11)
New / purchased / granted financial assets	14	-	-	-	14	13	-	13
Financial assets derecognised, other than write-offs (repayments)	(4)	-	-	-	(4)	(10)	-	(10)
Changes in level of credit risk (excluding the transfers between the Stages)	(2)	(1)	-	-	(3)	(13)	(1)	(14)
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	(1)	1	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Financial assets written off	-	-	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	1	-	-	15	16	(2)	-	(2)
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 30.06.2024	91	2	-	86	179	53	1	54

(*) Debt securities presented in the statement of financial position under 'Securities' and 'Assets pledged as security for liabilities'.

(**) The allowances for expected credit losses 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 of the securities.

	DEBT SECURITIES MEASURED AT AMORTISED COST (*)					DEBT SECURITIES 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) INDIVIDUAL ASSESSMENT	PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	TOTAL
GROSS CARRYING AMOUNT								
GROSS CARRYING AMOUNT AS AT 1.01.2023	62 526	-	24	63	62 613	22 201	64	22 265
Transfer to Stage 1	-	-	-	-	-	48	(48)	-
Transfer to Stage 2	(83)	83	-	-	-	(46)	46	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New / purchased / granted financial assets	299 219	-	-	-	299 219	1 062 683	-	1 062 683
Financial assets derecognised, other than write-offs (repayments)	(269 687)	-	-	-	(269 687)	(1 063 012)	(25)	(1 063 037)
Financial assets written off	-	-	(24)	-	(24)	-	-	-
Modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Other, in this changes resulting from exchange rates	595	-	-	33	628	1 272	1	1 273
GROSS CARRYING AMOUNT AS AT 31.12.2023	92 570	83	-	96	92 749	23 146	38	23 184
ALLOWANCES FOR EXPECTED CREDIT LOSSES (**)								
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 1.01.2023	78	-	23	53	154	67	2	69
Changes in balances included in the income statement (table in the Note 9), of which:	7	-	-	-	7	-	(3)	(3)
New / purchased / granted financial assets	19	-	-	-	19	26	-	26
Financial assets derecognised, other than write-offs (repayments)	(8)	-	-	-	(8)	(11)	(1)	(12)
Changes in level of credit risk (excluding the transfers between the Stages)	(4)	-	-	-	(4)	(15)	(2)	(17)
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(3)	3	-	-	-	(1)	1	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Financial assets written off	-	-	(24)	-	(24)	-	-	-
Other, in this changes resulting from exchange rates	-	-	1	18	19	-	1	1
ALLOWANCES FOR EXPECTED CREDIT LOSSES AS AT 31.12.2023	82	3	-	71	156	66	1	67

(*) Debt securities presented in the statement of financial position under 'Securities' and 'Assets pledged as security for liabilities'.

(**) The allowances for expected credit losses 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 of the securities.

The tables below present changes in provisions for undrawn credit facilities and guarantees issued and nominal value of off-balance sheet commitments granted.

	OFF-BALANCE SHEET COMMITMENTS GRANTED					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		
NOMINAL VALUE						
NOMINAL VALUE AT 1.01.2024	84 129	3 957	464	47	18	88 615
Transfer to Stage 1	1 603	(1 589)	-	(14)	-	-
Transfer to Stage 2	(1 584)	1 592	(3)	(5)	-	-
Transfer to Stage 3	(65)	(2)	58	9	-	-
New / acquired off-balance sheet commitments	28 793	-	-	-	1	28 794
Extinguished off-balance sheet commitments	(18 764)	(541)	(67)	(5)	(1)	(19 378)
Changes in the level of available off-balance sheet commitments	(4 450)	(243)	(34)	(1)	(1)	(4 729)
Other, in this changes resulting from exchange rates	(114)	1	-	-	-	(113)
NOMINAL VALUE AT 30.06.2024	89 548	3 175	418	31	17	93 189
PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED						
PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED AS AT 1.01.2024	223	90	211	24	4	552
Changes in balances included in the income statement (table in the Note 9), of which:	22	64	(45)	-	-	41
New / acquired off-balance sheet commitments	92	-	-	-	-	92
Extinguished off-balance sheet commitments	(14)	(6)	(39)	(2)	-	(61)
Changes in level of credit risk (excluding the transfers between the Stages)	(56)	70	(6)	2	-	10
Transfer to Stage 1	19	(11)	-	(8)	-	-
Transfer to Stage 2	(14)	16	(1)	(1)	-	-
Transfer to Stage 3	(26)	(1)	26	1	-	-
Other, in this changes resulting from exchange rates	2	-	-	(1)	-	1
PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED AS AT 30.06.2024	226	158	191	15	4	594

OFF-BALANCE SHEET COMMITMENTS GRANTED						
	STAGE 1 (12M ECL)	STAGE 2 (LIFETIME ECL - NOT CREDIT- IMPAIRED)	INDIVIDUAL ASSESSMENT	STAGE 3 (LIFETIME ECL - CREDIT-IMPAIRED) GROUP ASSESSMENT	PURCHASED OR ORIGINATED CREDIT- IMPAIRED (POCI)	TOTAL
NOMINAL VALUE						
NOMINAL VALUE AT 1.01.2023	84 042	3 553	286	45	16	87 942
Transfer to Stage 1	1 483	(1 472)	(3)	(8)	-	-
Transfer to Stage 2	(2 901)	2 935	(31)	(3)	-	-
Transfer to Stage 3	(169)	(205)	352	22	-	-
New / acquired off-balance sheet commitments	36 443	-	-	-	1	36 444
Extinguished off-balance sheet commitments	(30 928)	(937)	(158)	(7)	-	(32 030)
Changes in the level of available off-balance sheet commitments	(3 132)	106	19	(2)	1	(3 008)
Other, in this changes resulting from exchange rates	(709)	(23)	(1)	-	-	(733)
NOMINAL VALUE AT 31.12.2023	84 129	3 957	464	47	18	88 615
PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED						
PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED AS AT 1.01.2023	244	121	58	22	4	449
Changes in balances included in the income statement (table in the Note 9), of which:	64	(11)	60	1	(1)	113
New / acquired off-balance sheet commitments	196	-	-	-	-	196
Extinguished off-balance sheet commitments	(60)	(33)	(30)	(2)	-	(125)
Changes in level of credit risk (excluding the transfers between the Stages)	(72)	22	90	3	(1)	42
Transfer to Stage 1	21	(19)	-	(2)	-	-
Transfer to Stage 2	(18)	22	(3)	(1)	-	-
Transfer to Stage 3	(86)	(20)	104	2	-	-
Other, in this changes resulting from exchange rates	(2)	(3)	(8)	2	1	(10)
PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED AS AT 31.12.2023	223	90	211	24	4	552

30.2. Legal risk regarding foreign currency mortgage loans in CHF

Adopted accounting principles

As indicated in Note 3, as of 1 January 2024 the Bank changed its accounting policy with respect to recognizing the impact of legal risk arising from court proceedings related to mortgage loans in CHF and in relation to active loans (unpaid as at the balance sheet date) presents the impact of this legal risk in accordance with the provisions paragraph B.5.4.6 of IFRS 9 'Financial Instruments' as an adjustment to the gross carrying amount of the mortgage loan portfolio in CHF.

The allocation of the impact of legal risk resulting from court proceedings regarding mortgage loans in CHF between active and repaid loans is made on the basis of observations of received court claims. In the case of loans active at the balance sheet date, this approach results in the recognition of the estimated impact of legal risk as an adjustment to the gross carrying amount of these loans. However, in a situation where the estimated loss due to legal risk is higher than the gross carrying amount of the loan, the amount of the surplus is presented similarly to the provision determined for repaid loans, i.e. in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'.

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).

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.

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.

On 25 April 2024, the Supreme Court adopted a resolution (ref. no. III CZP 25/22) in which it confirmed its current position regarding the validity of the two-condition theory and the impossibility of filling the gap in the contract resulting from the removal of abusive clauses with legal provisions. Moreover, the Supreme Court stated that the limitation period for the Bank's claim for reimbursement of amounts paid under the loan starts from the day following the day on which the borrower questioned the validity of the loan agreement and if the agreement is deemed invalid, there is no legal basis for any of the parties to demand interest or other remuneration for the use of its funds in the period from the fulfillment of the undue benefit until the delay in the

return of this benefit. On 19 June 2024, the Supreme Court adopted a resolution in the case with reference number III CZP 31/23, in which it ruled that the right of retention is not available to a party that can set off its receivable against the other party's receivable. The resolution of the Supreme Court eliminates the possibility of applying the right of detention.

Until 30 June 2024, 7.2 thousand individual court cases were pending against the Bank 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 2 299 million (as at 31 December 2023, the number of cases was 5.4 thousand, and the corresponding value of the dispute is PLN 1 694 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 Bank'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 first half 2024, the Bank received 1 056 unfavorable court judgments in cases brought by borrowers, including 155 final judgments and 6 favorable court judgments, including 0 final judgments (in 2023: 1 218 unfavorable court judgments, including 181 final judgments stating the invalidity of the loan agreement and 33 favorable court judgments, including 2 final judgments).

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 30 June 2024, almost 13 thousand of the borrowers responded to the settlement offer received, of which approximately 50% 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

The calculation of the provision performed by the Bank as at 30 June 2024 was based on estimating the expected loss of the Bank resulting from the possible materialization of the legal risk of mortgage loans in CHF. The estimate carried out by the Bank includes the following key elements, for which possible changes in the assumptions and methodology of calculating provisions in relation to what was presented in the separate financial statements of Bank Pekao S.A. for the year ended 31 December 2023 were indicated:

1) forecast of disputes

The Bank did not introduce any significant changes in this area in the first half of 2024. In particular, the entire forecast of future lawsuits concerns loans denominated, active or fully repaid within the last 10 years. The Bank estimates that in total, i.e. counting the lawsuits that have been and will be brought by borrowers against the Bank, 41% (no changes compared to the values presented at the end of 2023) of the total amount of such loans granted, amounting to CHF 1.6 billion, may be covered by dispute (including approximately 70% for active agreements and approximately 15% for repaid agreements), and the phenomenon of the inflow of lawsuits may remain significant until the end of 2028.

2) the likelihood of losing a court case

According to the opinion of an external law firm, for the denominated loans acquired by the Bank as a result of the acquisition (demerger) of Bank BPH, the Bank estimates the probability that the contractual provisions will be considered abusive at a minimum of 99% (against 95% at the end of 2023).

3) financial implications of court disputes

The Bank assumes that if the court finds the contractual provisions abusive, the resolution of the court dispute will be the invalidation of the loan agreement. In relation to the approach at the end of 2023, this means abandoning the consideration of other possible consequences ('de-franking' the contract, replacing the Bank's exchange rate table with the average NBP exchange rate and dismissing the lawsuit).

Moreover, additional costs related to the possible loss of a court dispute are recognized and are calculated for the entire portfolio covered by the reserve calculation: interest for delay and costs of legal representation.

4) inclusion of a settlement program

For the population of agreements covered by the program, the Bank assumes that the borrower will accept the settlement offer with a probability of about 40%, resulting from empirical observations. If a settlement is reached, the Bank no longer expects a lawsuit under a given contract. Otherwise, the probability and distribution of resolutions of the court dispute are the same as described in point 1)-3).

The Bank 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 Bank 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 amount to 100%.

The level of the provision set by the Bank requires each time the Bank 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 Bank 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 30 June 2024, the level of the provision for the aforementioned legal risk related to CHF-denominated mortgage loans estimated by the Bank amounted to PLN 1 886 million and decreased by PLN 402 million in comparison to the level of such provisions as at 31 December 2023.

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.

30.06.2024	GROSS CARRYING AMOUNT OF MORTGAGE LOANS IN CHF NET OF THE COST OF LEGAL RISK	ACCUMULATED COSTS OF LEGAL RISK REGARDING MORTGAGE LOANS IN CHF	GROSS CARRYING AMOUNT OF MORTGAGE LOANS IN CHF INCLUDING THE COST OF LEGAL RISK
Loans and advances to customers (adjustment reducing the carrying amount of mortgage loans in CHF)	1 359	1 019	340
Provisions		867	
Total		1 886	

31.12.2023	GROSS CARRYING AMOUNT OF MORTGAGE LOANS IN CHF NET OF THE COST OF LEGAL RISK	ACCUMULATED COSTS OF LEGAL RISK REGARDING MORTGAGE LOANS IN CHF	GROSS CARRYING AMOUNT OF MORTGAGE LOANS IN CHF INCLUDING THE COST OF LEGAL RISK
Loans and advances to customers (adjustment reducing the carrying amount of mortgage loans in CHF)	1 985	1 533	452
Provisions		755	
Total		2 288	

Changes in the accumulated costs of legal risk regarding mortgage loans in CHF during the period present the table below.

I HALF 2024	LOANS AND ADVANCES TO CUSTOMERS (ADJUSTMENT REDUCING THE CARRYING AMOUNT OF MORTGAGE LOANS IN CHF)	PROVISIONS	TOTAL
Opening balance	1 533	755	2 288
Revaluation	(73)	286	213
Utilization	(371)	(174)	(545)
Foreign currency exchange differences	(70)	-	(70)
Closing balance	1 019	867	1 886

2023	LOANS AND ADVANCES TO CUSTOMERS (ADJUSTMENT REDUCING THE CARRYING AMOUNT OF MORTGAGE LOANS IN CHF)	PROVISIONS	TOTAL
Opening balance	1 794	439	2 233
Revaluation	(179)	372	193
Utilization	(58)	(56)	(114)
Foreign currency exchange differences	(24)	-	(24)
Closing balance	1 533	755	2 288

Sensitive analysis

The Bank performed a sensitivity analysis in relation to the significant assumptions of the provision calculation, where a change in the level of individual parameters would have the following impact on the amount of the provision for the legal risk of foreign currency mortgage loans in CHF.

Impact on the provision level in the event of changes to the assumptions (with other elements of the calculation unchanged):

PARAMETR	SCENARIO	IMPACT ON THE PROVISION LEVEL AS AT 30.06.2024	IMPACT ON THE PROVISION LEVEL AS AT 31.12.2023
Forecast of the volume of lawsuits on the active portfolio	+1 p.p.	10	9
Forecast of the volume of lawsuits on the repaid portfolio	+1 p.p.	16	16

30.3. Market risk

Market risk of the trading book

The model of market risk measurement has not changed in relation to the one described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2023.

The tables below present the market risk exposure of the trading portfolio of the Bank measured by Value at Risk.

	30.06.2024	I HALF 2024		
		MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign exchange risk	-	-	-	1
interest rate risk	4	2	3	5
Trading portfolio	5	3	4	7

	31.12.2023	2023		
		MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign exchange risk	-	-	-	1
interest rate risk	5	2	4	7
Trading portfolio	5	2	4	8

Interest rate risk of the banking book

The banking book interest rate risk management process has not changed significantly in relation to the one described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2023.

The table below presents the sensitivity of net interest income (NII) to the interest rate change by 100 b.p. and sensitivity of economic value of the Bank's equity (EVE) to the interest rate change by 200 b.p. (standard regulatory shock excluding the risk profile of own funds) as at 30 June 2024 and as at 31 December 2023.

SENSITIVITY IN % (*)	30.06.2024	31.12.2023
NII	(1.12)	(1.44)
EVE	(6.61)	(6.49)

(*) The Bank takes into account the risk profile of own funds in the estimates of the sensitivity of the economic value of the Bank's equity in internal analyses.

Currency risk

The foreign currency exchange risk management process has not changed significantly in relation to the one described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2023.

The tables below present the Bank's foreign currency risk profile measured by Value at Risk and currency position.

Value at Risk

CURRENCY	30.06.2024	31.12.2023
Currencies total (*)	-	1

(*) VaR presented under 'Currencies total' is the Bank's total exposure to FX risk. The value of VaR is estimated using the same method as for market risk in the trading book, i.e. using the historical simulation method based on a 2-year history of market risk factors' daily changes, with a 99% confidence level, which reflects the level of one-day loss that may be exceeded with a probability of no more than 1%. The historical simulation method takes into account correlations between currencies by default.

Currency position

30.06.2024	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	36 748	31 353	13 056	18 572	(121)
USD	8 209	12 724	8 881	4 400	(34)
CHF	1 214	1 556	982	504	136
GBP	655	1 177	1 541	1 018	1
NOK	269	82	1	187	1
SEK	124	71	14	67	-
CAD	60	77	20	3	-
CZK	209	231	120	99	(1)
RON	54	38	87	104	(1)
CNY	10	9	3	3	1
HUF	3	15	21	8	1
Other currencies	68	79	81	70	-
TOTAL	47 623	47 412	24 807	25 035	(17)

31.12.2023	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	40 288	31 739	13 911	22 314	146
USD	7 946	12 084	9 716	5 559	19
CHF	417	793	1 545	1 214	(45)
GBP	399	1 218	884	67	(2)
NOK	285	84	1	202	-
SEK	98	169	172	101	-
CAD	27	204	327	150	-
CZK	42	139	376	278	1
RON	42	36	128	134	-
CNY	17	16	20	21	-
HUF	5	29	62	39	(1)
Other currencies	76	112	69	33	-
TOTAL	49 642	46 623	27 211	30 112	118

30.4. Liquidity risk

The liquidity risk management process has not changed significantly in relation to that described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2023. The liquidity situation of the Bank remains fully safe and stable with liquidity ratios remain at a high and safe level.

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

SUPERVISORY LIQUIDTY NORMS		LIMIT	30.06.2024	31.12.2023
LCR	Liquidity coverage ratio	100%	238%	235%
NSFR	Net stable funding ratio	100%	173%	168%

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

The tables below present adjusted liquidity gap:

30.06.2024	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Balance sheet assets	99 452	6 810	32 720	89 994	73 576	302 552
Balance sheet liabilities	25 903	14 265	36 924	53 521	171 939	302 552
Off-balance sheet assets/liabilities (net)	(4 822)	(5 783)	2 061	4 439	4 017	(88)
Periodic gap	68 727	(13 238)	(2 143)	40 912	(94 346)	(88)
Cumulated gap	-	55 489	53 346	94 258	(88)	-

31.12.2023	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Balance sheet assets	95 381	5 076	37 771	88 281	68 043	294 552
Balance sheet liabilities	23 060	11 872	32 897	53 299	173 424	294 552
Off-balance sheet assets/liabilities (net)	(5 779)	(4 596)	2 287	4 487	3 734	133
Periodic gap	66 542	(11 392)	7 161	39 469	(101 647)	133
Cumulated gap	-	55 150	62 311	101 780	133	-

30.5. Operational risk

There have been no significant changes in the operational risk management process in relation to the one described in the Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2023.

30.6. Fair value of financial assets and liabilities

Financial instruments that are measured at fair value in the separate statement of financial position of the Bank

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

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

30.06.2024	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	8 629	12 204	8 260	29 093
Financial assets held for trading	1 185	203	61	1 449
Derivative financial instruments, including:	-	7 632	-	7 632
Banks	-	1 490	-	1 490
Customers	-	6 142	-	6 142
Hedging instruments, including:	-	435	-	435
Banks	-	114	-	114
Customers	-	321	-	321
Securities measured at fair value through other comprehensive income	6 257	3 934	7 392	17 583
Securities measured at fair value through profit or loss	-	-	216	216
Assets pledged as security for liabilities	1 187	-	-	1 187
Loans and advances to customers measured at fair value through other comprehensive income	-	-	290	290
Loans and advances to customers measured at fair value through profit or loss	-	-	301	301
Liabilities:	920	8 828	-	9 748
Financial liabilities held for trading	920	-	-	920
Derivative financial instruments, including:	-	7 653	-	7 653
Banks	-	1 577	-	1 577
Customers	-	6 076	-	6 076
Hedging instruments, including:	-	1 175	-	1 175
Banks	-	19	-	19
Customers	-	1 156	-	1 156
31.12.2023	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	8 684	17 833	10 474	36 991
Financial assets held for trading	1 063	676	932	2 671
Derivative financial instruments, including:	-	9 347	3	9 350
Banks	-	2 142	-	2 142
Customers	-	7 205	3	7 208
Hedging instruments, including:	-	805	-	805
Banks	-	309	-	309
Customers	-	496	-	496
Securities measured at fair value through other comprehensive income	5 973	7 005	8 947	21 925
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	-	-	133	133
Loans and advances to customers measured at fair value through profit or loss	-	-	249	249
Liabilities:	757	10 737	-	11 494
Financial liabilities held for trading	757	-	-	757
Derivative financial instruments, including:	-	9 308	-	9 308
Banks	-	1 957	-	1 957
Customers	-	7 351	-	7 351
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 Bank

I HALF 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	932	3	133	249	210	8 947	-
Increases, including:	528	-	173	73	6	4 512	-
Reclassification from other levels	-	-	-	-	-	985	-
Transactions made in 2024	-	-	167	56	-	-	-
Granting	-	-	-	-	-	2 903	-
Purchase	527	-	-	-	-	366	-
Gains on financial instruments	1	-	6	17	6	258	-
recognized in the income statement	1	-	-	17	6	135	-
recognized in revaluation reserves	-	-	6	-	-	123	-
Decreases, including:	(1 399)	(3)	(16)	(21)	-	(6 067)	-
Reclassification to other level	(30)	-	-	-	-	(1 515)	-
Settlement/Redemption	(211)	(3)	(16)	(21)	-	(166)	-
Sale	(1 158)	-	-	-	-	(4 319)	-
Losses on financial instruments	-	-	-	-	-	(67)	-
recognized in the income statement	-	-	-	-	-	(1)	-
recognized in revaluation reserves	-	-	-	-	-	(66)	-
Closing balance	61	-	290	301	216	7 392	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	-	-	3	17	-	86	-
Income statement:	-	-	(3)	17	-	44	-
net interest income	-	-	2	1	-	46	-
net allowances for expected credit losses	-	-	(5)	-	-	(2)	-
result on financial assets and liabilities held for trading	-	-	-	16	-	-	-
Other comprehensive income	-	-	6	-	-	42	-

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

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	-	303	184	187	7 464	-
Increases, including:	2 179	3	29	102	25	6 809	-
Reclassification from other levels	54	3	-	-	-	1 436	-
Transactions made in 2023	-	-	-	-	-	-	-
Granting	1 293	-	-	90	-	4 629	-
Purchase	823	-	-	-	-	1	-
Gains on financial instruments	9	-	29	12	25	743	-
recognized in the income statement	9	-	20	12	25	374	-
recognized in revaluation reserves	-	-	9	-	-	369	-
Decreases, including:	(1 344)	-	(199)	(37)	(2)	(5 326)	-
Reclassification to other level	-	-	-	-	-	(1 328)	-
Settlement/Redemption	-	-	(199)	(37)	-	(1 368)	-
Sale	(1 344)	-	-	-	-	(2 586)	-
Losses on financial instruments	-	-	-	-	(2)	(44)	-
recognized in the income statement	-	-	-	-	(2)	(44)	-
recognized in revaluation reserves	-	-	-	-	-	-	-
Closing balance	932	3	133	249	210	8 947	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	-	3	8	12	-	384	-
Income statement:	-	3	3	12	-	58	-
net interest income	-	-	1	3	-	69	-
net allowances for expected credit losses	-	-	2	-	-	(11)	-
result on financial assets and liabilities held for trading	-	3	-	9	-	-	-
Other comprehensive income	-	-	5	-	-	326	-

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 30 June 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, treasury bonds and foreign exchange derivative instruments 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 credit parameters was material.

Sensitivity analysis

The impact of estimated parameters on measurement of financial instruments for which the Bank applies fair value valuation according to Level 3 as at 30 June 2024 and as at 31 December 2023 is as follows:

FINANCIAL ASSET	FAIR VALUE AS AT 30.06.2024	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	SCENARIO	IMPACT ON FAIR VALUE AS AT 30.06.2024	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Corporate and municipal debt securities	7 138	Discounted cash flow	Credit spread	+50 p.b. / -50 p.b.	81	(91)
Loans and advances measured at fair value through profit or loss	301	Discounted cash flow	Credit spread	+50 p.b. / -50 p.b.	18	(16)
Loans and advances measured at fair value through other comprehensive income	290	Discounted cash flow	Credit spread	+50 p.b. / -50 p.b.	1	(1)

EQUITY FINANCIAL ASSET	FAIR VALUE AS AT 30.06.2024	PARAMETER	SCENARIO	IMPACT ON FAIR VALUE AS AT 30.06.2024	
				POSITIVE SCENARIO	NEGATIVE SCENARIO
Equity instruments mandatorily measured at fair value through profit or loss	216	Conversion discount	+10% / -10%	6	(23)
Equity instrument in entity providing credit information designated for measurement at fair value through other comprehensive income	259	Discount rate	+1% / -1%	34	(27)

FINANCIAL ASSET	FAIR VALUE AS AT 31.12.2023	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	SCENARIO	IMPACT ON FAIR VALUE AS AT 31.12.2023	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Corporate and municipal debt securities	9 489	Discounted cash flow	Credit spread	+50 p.b. / -50 p.b.	93	(100)
Treasury securities	10	Discounted cash flow	Spread to the reference bond	+40 p.b. / -40 p.b.	-	-
Currency market derivatives	3	Discounted cash flow	Probability of default	+20% / -20%	-	(2)
Loans and advances measured at fair value through profit or loss	249	Discounted cash flow	Credit spread	+50 p.b. / -50 p.b.	10	(9)
Loans and advances measured at fair value through other comprehensive income	133	Discounted cash flow	Credit spread	+50 p.b. / -50 p.b.	1	(1)

EQUITY FINANCIAL ASSET	FAIR VALUE AS AT 31.12.2023	PARAMETER	SCENARIO	IMPACT ON FAIR VALUE AS AT 31.12.2023	
				POSITIVE SCENARIO	NEGATIVE SCENARIO
Equity instruments mandatorily measured at fair value through profit or loss	210	Conversion discount	+10% / -10%	6	(22)
Equity instrument in entity providing credit information designated for measurement at fair value through other comprehensive income	321	Discount rate	+1% / -1%	52	(39)

Financial instruments that are not measured at fair value in the separate statement of financial position of the Bank

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 Separate Financial Statements of the Bank Pekao S.A. for the year ended on 31 December 2023.

The fair value of mortgage loans in PLN as at 30 June 2024 estimated by the Bank takes into account that there will be modifications in expected cash flows resulting from the suspension of loan repayments in the group of approximately 21% of eligible borrowers, in connection with 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

30.06.2024	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and cash equivalents	15 541	15 464	3 830	10 851	783
Loans and advance to banks	668	665	-	47	618
Loans and advances to customers measured at amortised cost	150 156	151 036	-	3 052	147 984
Debt securities measured at amortised cost	98 544	97 020	47 361	44 009	5 650
Assets pledged as security for liabilities	-	-	-	-	-
Other assets	2 322	2 322	-	-	2 322
Total Assets	267 231	266 507	51 191	57 959	157 357
Liabilities					
Amounts due to other banks	2 216	2 221	-	630	1 591
Amounts due to customers	247 630	247 484	-	-	247 484
Debt securities issued	4 627	4 632	-	4 632	-
Subordinated liabilities	2 782	2 780	-	2 780	-
Other liabilities	5 175	5 175	-	-	5 175
Total Liabilities	262 430	262 292	-	8 042	254 250

31.12.2023	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and cash equivalents	14 836	14 748	3 990	9 606	1 152
Loans and advance to banks	426	425	-	81	344
Loans and advances to customers measured at amortised cost	141 409	142 715	-	1 702	141 013
Debt securities measured at amortised cost	92 593	91 009	42 015	42 963	6 031
Assets pledged as security for liabilities	-	-	-	-	-
Other assets	2 180	2 180	-	-	2 180
Total Assets	251 444	251 077	46 005	54 352	150 720
Liabilities					
Amounts due to other banks	2 826	2 879	-	585	2 294
Amounts due to customers	234 541	234 525	-	-	234 525
Debt securities issued	4 078	4 122	-	4 122	-
Subordinated liabilities	2 781	2 778	-	2 778	-
Other liabilities	5 529	5 529	-	-	5 529
Total Liabilities	249 755	249 833	-	7 485	242 348

31. Subsequent events

Issuance of series SP2 SP bonds

On 30 July 2024, the Bank issued 2.5-year senior preferred bonds ('SP bonds') with a total nominal value of PLN 0.6 billion. The SP bonds have an option giving the Bank the right to early redemption after 1.5 or 2 years from the date of issue, subject to the approval of the Bank Guarantee Fund. The SP bonds, in accordance with Article 97a section 1 point 2 of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee system and compulsory restructuring, will constitute eligible liabilities of the Bank. The bonds will be introduced to trading on the ASO Catalyst market.

07.08.2024	Robert Sochacki	Vice President of the Bank's Management Board, managing the work of the Bank's Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
07.08.2024	Marcin Gadomski	Vice President of the Bank's Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
07.08.2024	Błażej Szczecki	Vice President of the Bank's Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
07.08.2024	Anna Wawrzyńczak - Palyniczak	Member of the Supervisory Board delegated to perform temporarily the duties of Vice President of the Bank's Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
07.08.2024	Dagmara Wojnar	Vice President of the Bank's Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature
07.08.2024	Magdalena Zmitrowicz	Vice President of the Bank's Management Board	The original Polish document is signed with a qualified electronic signature
Date	Name/Surname	Position/Function	Signature