Interim Condensed Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the first quarter of 2024

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

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	First quarter accruals period from 01.01.24 to 31.03.24	First quarter accruals period from 01.01.23 to 31.03.23	First quarter accruals period from 01.01.24 to 31.03.24	First quarter accruals period from 01.01.23 to 31.03.23
Data related to the interim condensed consolidated financial statements				
Interest income and similar income	1,105,639	1,115,086	255,870	237,227
Fee and commission income	172,225	167,972	39,857	35,735
Profit before tax	577,411	768,422	133,626	163,477
Net profit	454,027	603,762	105,072	128,446
Comprehensive income	568,757	827,628	131,623	176,072
Net cash flows	(196,089)	1,918,776	(45,379)	408,207
Total assets	75,203,943	73,392,520	17,485,629	16,879,604
Amounts due to banks	5,304,143	3,375,687	1,233,264	776,377
Amounts due to customers	54,519,690	55,008,001	12,676,344	12,651,334
Equity	10,344,051	9,729,491	2,405,090	2,237,693
Ordinary shares	522,638	522,638	121,518	120,202
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	79.17	74.46	18.41	17.13
Total capital adequacy ratio (%)	23.7	23.6	23.7	23.6
Earnings per share (PLN / EUR)	3.47	4.62	0.80	0.98
Diluted earnings per share (PLN / EUR)	3.47	4.62	0.80	0.98
Data related to the interim condensed standalone financial statements				
Interest income and similar	1,105,639	1,115,086	255,870	237,227
Fee and commission income	172,229	168,082	39,858	35,758
Profit before tax	576,291	766,837	133,367	163,139
Net profit	453,080	602,427	104,853	128,162
Comprehensive income	567,856	826,306	131,415	175,791
Net cash flows	(196,089)	1,918,776	(45,379)	408,207
Total assets	75,295,225	73,483,969	17,506,853	14 902 869
Amounts due to banks	5,304,143	3,375,687	1,233,264	1 022 340
Amounts due to customers	54,674,978	55,162,586	12,712,450	10 803 595
Equity	10,281,679	9,668,020	2,390,588	1 684 386
Ordinary shares	522,638	522,638	121,518	111 439
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130 659 600
Book value per share (PLN / EUR)	78.69	73.99	18.30	17.02
Total capital adequacy ratio (%)	23.4	23.2	23.4	23.2
Earnings per share (PLN/EUR)	3.47	4.61	0.80	0.98
Diluted earnings per share (PLN / EUR)	3.47	4.61	0.80	0.98
Declared or paid dividends per share (PLN/EUR)	-	9.00	-	1.91

Explanations to the table:

1) Comparative data regarding balance sheet items were presented as at 31 December 2023.

2) Additional information on TCR calculation has been described in the note no. 7 and "Information on capital adequacy of Bank Handlowy w Warszawie S.A. as at 31 March 2024" subject to publication on the Bank's website.

3) With reference to current report no. 27/2023 regarding obtaining the permission from the Polish Financial Supervision Authority to buy-back own shares and the commencement of the buy-back process by the Bank, the final amount for dividend payment, and thus for the reserve capital, will depend on the number of own shares held by the Bank on the dividend date.

4) The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 31 March 2024 – 4.3009 (as at 31 December 2023: PLN 4.3480; as at 31 March 2023 – PLN 4.6755); for the income statement, a statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the I quarter of 2024 - PLN 4.3211 (in the I quarter of 2023: PLN 4.7005).

Contents

Condensed consolidated income statement

PLN '000	For the period	I quarter accruals period from 01.01.24 to 31.03.24	I quarter accruals period from 01.01.23 to 31.03.23
Interest income		1,035,533	1,071,450
Similar income		70,106	43,636
Interest expense and similar charges		(307,724)	(267,782)
Net interest income		**797,915**	**847,304**
Fee and commission income		**172,225**	**167,972**
Fee and commission expense		(27,927)	(27,304)
Net fee and commission income		**144,298**	**140,668**
Dividend income		**93**	**4**
Net gain/(loss) on trading financial instruments and revaluation		**135,458**	**231,843**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**(6,123)**	**24,256**
Net gain/(loss) on equity investments and other at fair value through income statement		**2,961**	**1,308**
Net gain/(loss) on hedge accounting		**7,753**	**(2,602)**
Other operating income		6,251	6,057
Other operating expenses		(7,991)	(6,460)
Net other operating income and expense		**(1,740)**	**(403)**
General administrative expenses		**(440,745)**	**(388,735)**
Depreciation and amortization		**(29,527)**	**(26,306)**
Profit on sale of other assets		**1,847**	**(21)**
Provisions for expected credit losses on financial assets and provisions for contingent liabilities		**10,438**	**(11,850)**
Operating profit		**622,628**	**815,466**
Tax on certain financial institutions		**(45,217)**	**(47,044)**
Profit before tax		**577,411**	**768,422**
Income tax expense		**(123,384)**	**(164,660)**
Net profit		**454,027**	**603,762**
Including:			
Net profit attributable to Bank's shareholders		454,027	603,762
Weighted average number of ordinary shares (in pcs)		130,659,600	130,659,600
Earnings per share (in PLN)		3.47	4.62
Diluted net earnings per share (in PLN)		3.47	4.62

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

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Condensed consolidated statement of comprehensive income

PLN '000 For a period	I quarter accruals period from 01.01.24 to 31.03.24	I quarter accruals period from 01.01.23 to 31.03.23
Net profit	**454,027**	**603,762**
Other comprehensive income, that is or might be subsequently reclassified to income statement:	**114,730**	**223,866**
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	109,816	243,526
(Profit)/Loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	4,960	(19,647)
Currency translation differences	(46)	(13)
Other comprehensive income net of tax	**114,730**	**223,866**
Total comprehensive income	**568,757**	**827,628**
Including:		
Comprehensive income attributable to Bank's shareholders	568,757	827,628

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

Condensed consolidated statement of financial position

as at *PLN '000*	31.03.2024	31.12.2023
ASSETS		
Cash and cash equivalents	1,045,744	1,241,724
Amounts due from banks	8,583,382	15,371,552
Financial assets held-for-trading, including:	5,462,744	4,880,332
Assets pledged as collateral	*25,247*	-
Hedging derivatives	54,151	6,731
Debt financial assets measured at fair value through other comprehensive income, including:	37,186,305	29,560,292
Assets pledged as collateral	*201,345*	*697,771*
Equity and other instruments measured at fair value through income statement	144,456	141,495
Amounts due from customers	20,466,180	20,054,454
Tangible fixed assets	531,614	508,403
Intangible assets	1,273,594	1,285,314
Current income tax receivables	125	9
Deferred tax asset	81,097	115,413
Other assets	374,551	217,535
Non-current assets held-for-sale	-	9,266
Total assets	**75,203,943**	**73,392,520**
LIABILITIES		
Amounts due to banks	5,304,143	3,375,687
Financial liabilities held-for-trading	2,886,273	3,522,203
Hedging derivatives	78,287	92,869
Amounts due to customers	54,519,690	55,008,001
Provisions	105,682	111,689
Current income tax liabilities	493,936	457,871
Deferred tax provision	44	94
Other liabilities	1,471,837	1,094,615
Total liabilities	**64,859,892**	**63,663,029**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	3,001,260	3,001,260
Own shares	(3,591)	-
Revaluation reserve	243,182	128,406
Other reserves	3,240,007	3,190,659
Retained earnings	3,340,555	2,886,528
Total equity	**10,344,051**	**9,729,491**
Total liabilities and equity	**75,203,943**	**73,392,520**

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

Condensed consolidated statement of changes in equity

PLN '000	Ordinary shares	Share premium	Own shares	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2024	**522,638**	**3,001,260**	**-**	**128,406**	**3,190,659**	**2,886,528**	**9,729,491**
Total comprehensive income, including:	**-**	**-**	**-**	**114,776**	**(46)**	**454,027**	**568,757**
Net profit	-	-	-	-	-	454,027	454,027
Other comprehensive income:	-	-	-	114,776	(46)	-	114,730
Currency translation differences from the foreign operations' conversion	-	-	-	-	(46)	-	(46)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	-	114,776	-	-	114,776
Equity awards program	**-**	**-**	**(3,591)**	**-**	**49,394**	**-**	**45,803**
Balance as at 31 March 2024	**522,638**	**3,001,260**	**(3,591)**	**243,182**	**3,240,007**	**3,340,555**	**10,344,051**

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

PLN'000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2023	**522,638**	**3,001,259**	**(573,528)**	**2,833,345**	**2,176,531**	**7,960,245**
Total comprehensive income, including:	**-**	**-**	**701,934**	**(13,004)**	**2,256,348**	**2,945,278**
Net profit	-	-	-	-	2,256,348	2,256,348
Other comprehensive income:	-	-	701,934	(13,004)	-	688,930
Currency translation differences from the foreign operations' conversion	-	-	-	(327)	-	(327)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	701,934	-	-	701,934
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	(12,677)	-	(12,677)
Dividends paid	**-**	**-**	**-**	**-**	**(1,175,937)**	**(1,175,937)**
Transfer to capital	**-**	**1**	**-**	**370,318**	**(370,414)**	**(95)**
Balance as at 31 December 2023	**522,638**	**3,001,260**	**128,406**	**3,190,659**	**2,886,528**	**9,729,491**

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

Condensed consolidated statement of cash flows

PLN '000 For a period	I quarter accruals period from 01.01.24 to 31.03.24	I quarter accruals period from 01.01.23 to 31.03.23
Cash at the beginning of the reporting period	**1,241,874**	**671,336**
Cash flows from operating activities	(167,359)	1,944,974
Cash flows from investing activities	(21,699)	(23,054)
Cash flows from financing activities	(7,031)	**(3,144)**
Cash at the end of the reporting period	**1,045,785**	**2,590,112**
Increase/(decrease) in net cash	**(196,089)**	**1,918,776**

Comparative data for the first quarter of 2023 have been restated due to the Group's adjustment of the presentation of cash and cash equivalents to the position of the IFRS Interpretation Committee and the requirements of IAS 7 "Statement of Cash Flows", additional information can be found in the Annual Consolidated Financial Statements of the Bank's Capital Group Handlowy w Warszawie S.A. for the financial year ending December 31, 2023.

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

Supplementary notes to the interim condensed consolidated financial statements

1 General information about the Bank and the Capital Group

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

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

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

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

The majority and strategic shareholder of the Bank is Citibank Europe Plc based in Dublin, Ireland – a company in the Citi group that brings together foreign investments (parent company of the Bank). The ultimate parent is Citigroup Inc.

In addition, the total share of funds managed by Nationale Nederlanden PTE S.A. is above the threshold of 5% of shares in the capital and votes at the Bank's General Meeting.

Citi is a leading global provider of a wide range of financial services and products for corporations, institutional investors, public administration and individual clients, operating in more than 160 countries and jurisdictions. Citi provides services to business entities with international ambitions and is also a global leader in the field of wealth management services. Also, Citi offers banking services for individual clients in the United States. For more information, please visit website: **https://www.citigroup.com/global/about-us**

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

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

The Group consists of the following subsidiaries:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		31.03.2024	31.12.2023
Entities fully consolidated			
Handlowy Financial Services Sp. z o. o.	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o. *(apart from indirect shareholding via Handlowy-Inwestycje Sp. z o.o. where the share in equity equals 2.53%).)*	Warsaw	97.47	97.47
Handlowy Investments S.A.	Luxembourg	100.00	100.00
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	100.00

In the first quarter of 2024 there was no change in the structure of Group's entities comparing to the end of 2023.

2 Declaration of conformity

The interim condensed consolidated financial statements of the Group have been prepared for the period from 1 January 2024 to 31 March 2024 and for the consolidated statement of financial position as at 31 March 2024. Comparative financial data are presented for the period from 1 January 2023 to 31 March 2023 and for the consolidated statement of financial position as at 31 December 2023.

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

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

The financial statements does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the financial year ended 31 December 2023.

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, No. 757, as amended) ("Decree") the Bank is obliged to publish its financial results for the 3-month period ended 31 March 2024 which is deemed to be the current interim financial reporting period.

3 Significant accounting policies

The interim condensed consolidated financial statements of the Group for the first quarter of 2024 has been prepared in accordance with accounting principles adopted and described in the annual consolidated financial statements of the Group for the financial year ended 31 December 2023, except for the burden of income tax that was calculated according to the rules of IAS 34.

Due to implementation of the incentive programs referred to in the resolutions adopted by the Extraordinary General Meeting of the Bank on December 16, 2022, in the first quarter of 2024, the Group converted a specific part of the awards settled in cash into awards settled in equity instruments of Bank Handlowy S.A., which resulted in a change of method of recognizing certain equity awards in accordance with IFRS 2 "Share-based payments". The conversion of awards involved the transfer of part of liabilities to employees previously included in the statement of financial position in the item Other liabilities to the equity item Other reserves. Awards are recognized as costs in the period of acquiring rights by the awarded employees in correspondence with equity. The value of the award is determined according to the fair value of the shares determined on the date of granting and is not subject to revaluation thereafter. As described in Note 24 Information on own shares' buy back process, in order to implement the program, the Bank started purchasing its own shares, which until they are issued as rewards are presented in the statement of financial position in the item Own shares and in the statement of cash flows in cash flows from financial activities.

The preparation of interim condensed consolidated financial statements of the Group with accordance to International Financial Reporting Standards requires that the Management should make certain estimates and adopt related assumptions that affect the amounts reported in the financial statements. These financial statements are based on the same estimation rules which were used in the annual consolidated financial statements of the Group for the financial year ended 31 December 2023.

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

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

The key estimates were presented in the annual Consolidated Financial Statements of the Group for 2023. Additionally, with respect to interim financial statements, the Group applies the principle of recognizing the financial result income tax charges based on the estimate of the annual effective income tax rate expected by the Group in the full financial year.

Standards and interpretations applicable from 1 January 2024 and are not yet effective:

- IAS 1 "Presentation of financial statements", issued on October 31, 2022, an amendment concerns the presentation of financial liabilities as short or long-term and clarifies that when contractual covenants are fulfilled after the balance sheet date, it does not affect the classification of the liabilities as at the balance sheet date;
- IFRS 16 "Leases", issued on September 22, 2022, amendment concerns the accounting treatment of a transaction, where an entity sold an asset and at the same time the asset was a subject of lease agreement concluded with a new owner (leaseback);

do not impact the financial statements significantly.

Standards and interpretations awaiting European Union's approval:

- IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: disclosures" issued on May 25, 2023, introduce the requirement for additional disclosures aiming the improvement of transparency of the presentation of supplier financing arrangements, their impact on the entity's liabilities, cash flows and exposure to liquidity risk;
- IAS 21 "Effects of changes in foreign exchange rates", issued August 15, 2023, the amendment of a standard clarifies when a currency is convertible into other currencies, how an entity determines the exchange rate when a currency is non-convertible, and specifies the scope of disclosures that will help the financial statements' users to understand the impact of the lack of convertibility of currency on entity's financial position, financial performance and cash flows;

will not have significant impact on the financial statements.

On 9 April 2024, the IASB issued IFRS 18 “Presentation and Disclosure in Financial Statements”. The standard will be effective for annual reporting periods beginning on January 1, 2027. The new standard is intended to replace IAS 1 – “Presentation of Financial Statements” and will help to achieve comparability of the financial performance of similar entities. The new standard:

- introduces a defined structure for the statement of profit or loss. Items in the statement of profit or loss will be classified into one of five categories: operating, investing, financing, income taxes and discontinued operations. The standard requires also to present totals and subtotals, including mandatory inclusion of “Operating profit or loss”;
- introduces an additional note presenting management-defined performance measures which are subtotals of income and expenses an entity uses in public communications outside financial statements, an entity uses to communicate to users of financial statements management’s view of an aspect of the financial performance of the entity as a whole. The disclosure will have to contain a description of the aspect of financial performance that in management’s view, is communicated by the management-defined performance measures, how the management-defined performance measure is calculated and reconciliation between the management-defined performance measure and the position form financial statement measured in accordance with other standards;
- clarifies the guidelines for data aggregation and disaggregation which focus on grouping items based on their shared characteristics enabling entities to decide which items are presented in the primary financial statements and what information is disclosed in the notes.

The new IFRS 18 standard will also result in certain changes to the statement of cash flows and the statement of financial position, as well as changes to other standards harmonizing disclosure requirements.

The Group will analyze the impact of the standard on the financial statements.

Income tax in interim financial statements

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

Foreign currency

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

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

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

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

PLN		31 March 2024	31 December 2023	31 March 2023
1	USD	3.9886	3.9350	4.2934
1	CHF	4.4250	4.6828	4.6856
1	EUR	4.3009	4.3480	4.6755

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

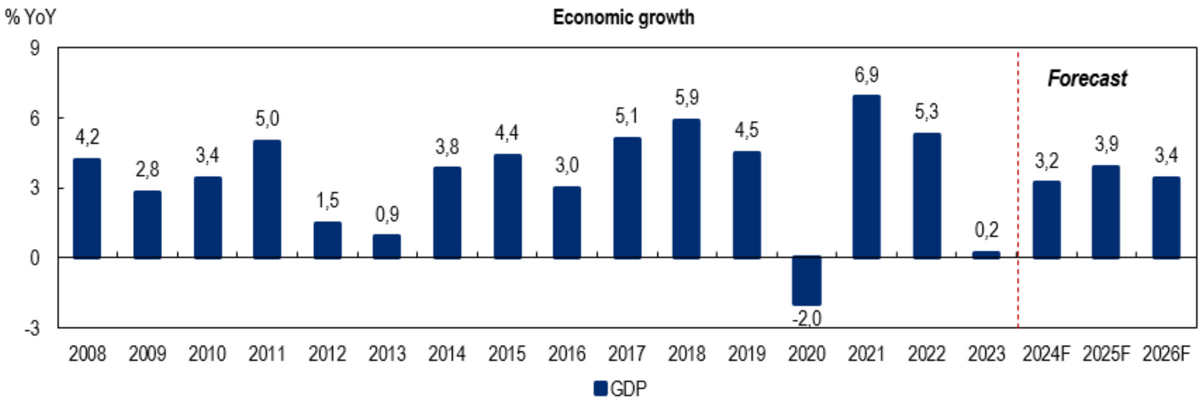
1. Macroeconomic conditions and the situation in money and foreign exchange markets

The latest economic data indicate that GDP growth in the first quarter of 2024 improved compared to the fourth quarter of 2023 and increased relative to the same quarter last year. Improved consumer demand and further growth in real incomes in the first quarter of 2024 should have a positive impact on consumption in the coming months. Economic activity data for the first quarter of 2024 point to an imminent economic recovery. The Group expects growth to rebound in the coming quarters, with a notable boost toward the end of 2024.

After a 0.6% YoY decline in the fourth quarter of 2023, industrial output improved only slightly in the first quarter of

2024, recording a decrease by 0.2% YoY. Polish industry continues to be influenced by the slowdown in the eurozone and the low volume of orders. Imports grew 1.7% YoY in February 2024 after a 3.8% YoY decline in January. Meanwhile, exports increased by 0.4% YoY in February after recording a 4.5% YoY decrease in January 2024. The cumulated 12-month current account balance in the balance of payments was positive at 1.4% GDP in February, as compared to about 1.6% GDP as at the end of the fourth quarter of 2023. After considerable growths in construction and assembly production in the fourth quarter of 2023, resulting from the necessity to utilize the remaining EU funds by the end of the year, the production recorded a decline in the first quarter of 2024. Construction and assembly production fell by 8.7% YoY in the first quarter of 2024, as compared to an increase by 9.5% YoY in the fourth quarter of 2023.

The growth rate of average wages in the companies' sector accelerated to 12.6% YoY in the first quarter of 2024, from 11.4% YoY in the fourth quarter of 2023. In the wake of low inflation with the concurrent strong growth in nominal remunerations, growth in wages approximated a two-digit level in real terms in the first quarter of 2024, leveling at 9.2% YoY. Improvement was seen in retail sales performance, with its growth rising in the first quarter of 2024 to 5% YoY from 0.1% YoY in the fourth quarter of 2023. A further improvement in consumer sentiment was also noticeable in the first quarter of 2024. Condition of the labor market remains good. Registered unemployment rate increased from the end of 2023 and leveled at 5.3% in March 2024 (vs. 5.1% in December 2023).



Source: Chief Statistical Office, Citi Handlowy forecast

Prices of consumer goods and services in the first quarter of 2024 rose, on average, by 2.8% YoY as compared to 6.5% in the fourth quarter of 2023. As compared to the prior year period, inflation rate was affected by considerable price decreases of fuel, energy and transport. The growth rate in food prices also declined. The net inflation decreased in the first quarter of 2024 to 5.4% YoY, from 7.4% YoY in the fourth quarter of 2023. In the following months, the Group expects inflation to pick up again in consequence of the withdrawal of government protection programs guaranteeing lower prices of basic foodstuffs and energy. Price increases in the near future will probably exceed the inflation target of the National Bank of Poland at 2.5%.

In October 2023, the Monetary Policy Council cut the benchmark rate to 5.75%. Interest rates have been maintained unchanged since then.

First quarter of 2024 saw a PLN appreciation versus a majority of the main currencies. In the first quarter of 2024, PLN appreciated 1.1% to EUR and 5.6% to CHF, and depreciated 0.9% to USD. The improved PLN valuations result primarily from the release and inflow of funds from the EU Reconstruction Fund.

Yields on Polish 2-year bonds increased as at the end of March 2024 by 10 bps (up to 5.16%) against the end of December 2023. Yields on 5-year bonds increased as at the end of March 2024 by 28 bps (up to 5.34%) against the end of December 2023. Meanwhile, yields on 10-year bonds increased by 20 bps, to 5.44%. WIBOR 3M did not change from the end of December 2023 and stood at 5.88% as at the end of March 2024.

2. Capital market situation

First quarter of 2024 saw increases in global equity markets. Among the main factors shaping investor sentiment were improving consumer and industrial demand in some countries with continued strong readings from the labor market and falling inflation. The Polish stock market also experienced a similar growth. The main reasons for that were similar to those on the global market.

In the first quarter of 2024, all the main indices went up. The primary WIG index increased 5.5% QoQ. WIG20 (index of the biggest companies on the WSE) increased 4.0% QoQ, while mWIG40 (index of mid-cap companies) appreciated 9.4% QoQ. Meanwhile, sWIG80 (small-cap stocks) went up 5.9% QoQ.

Among the sector sub-indices, the greatest growths were recorded by WIG-Banks, WIG-Real Estate and WIG-Construction, which appreciated by 22.3%, 19.3% and 11.4% QoQ, respectively. On the other hand, the highest decreases were recorded by WIG-Energy, WIG-Chemistry and WIG-Automotive, which dropped by 13.8%, 5.9% and 4.4% QoQ, respectively.

In the first quarter of 2024, the IPO market was quite idle. While there were no IPOs on the WSE's main floor, there were 3 transfers from the New Connect market. At the same time, six companies were delisted. As at the end of March 2024, a total of 410 companies were listed on the WSE, 42 of which were foreign entities. The total capitalization of the companies listed on the WSE was PLN 1,583 billion (with local companies accounting for PLN 809 billion of that amount).

Equity market indices

Index	31.03.2024	31.12.2023	Change (%) QoQ	31.03.2023	Change (%) YoY
WIG	82,745.58	78,459.91	5.5%	58,608.76	41.2%
WIG-PL	86,331.50	81,539.59	5.9%	59,826.45	44.3%
WIG-div	1,656.85	1,545.59	7.2%	1,202.55	37.8%
WIG20	2,436.05	2,342.99	4.0%	1,758.56	38.5%
WIG20TR	4,883.89	4,678.55	4.4%	3,400.85	43.6%
WIG30	3,022.06	2,907.55	3.9%	2,169.49	39.3%
mWIG40	6,326.51	5,785.21	9.4%	4,504.04	40.5%
sWIG80	24,256.95	22,904.49	5.9%	20,248.12	19.8%
Sector sub-indexes					
WIG-Banks	13,524.76	11,062.01	22.3%	6,268.86	115.7%
WIG-Construction	8,498.15	7,628.56	11.4%	4,599.55	84.8%
WIG-Chemicals	9,816.89	10,434.67	(5.9%)	12,183.43	(19.4%)
WIG- Energy	2,419.55	2,806.75	(13.8%)	2,040.59	18.6%
WIG-Games*	15,592.59	15,669.10	(0.5%)	16,938.45	(7.9%)
WIG- Mining	4,000.49	4,315.32	7.3%)	4,324.16	(7.5%)
WIG-IT	4,835.69	4,616.29	4.8%	4,378.19	10.4%
WIG-Medicines	2,736.58	2,768.40	(1.1%)	2,885.63	(5.2%)
WIG-Media	8,764.00	8,328.80	5.2%	6,767.44	29.5%
WIG-Motorisation	8,844.70	9,254.33	(4.4%)	8,101.66	9.2%
WIG- Developers	4,230.23	3,545.06	19.3%	2,995.23	41.2%
WIG-Clothing	8,746.28	8,962.90	(2.4%)	5,399.38	62.0%
WIG- Fuel	6,659.93	6,697.89	(0.6%)	5,484.85	21.4%
WIG -Food	2,185.81	2,202.63	(0.8%)	2,210.75	(1.1%)

Source: WSE, Brokerage Department of Bank Handlowy.

Equity and bond trading value and derivatives trading volumes on WSE

	Q1 2024	Q4 2023	Change (%) QoQ.[2)]	Q1 2023	Change (%) YoY.[2)]
Shares (PLN million)[1)]	169,431	160,913	5.3%	143,296	18.2%
Bonds (PLN million)	2,426	2,213	9.6%	1,620	49.7%
Futures (in thousand contracts)	7,231	8,032	(10%)	7,584	(4.7%)
Options (in thousand contracts)	88	109	(19.6%)	150	(41.2%)

1) *excluding calls*
2) *differences may result from rounding*

Source: WSE, Brokerage Department of Bank Handlowy.

5 Banking sector

According to data published by the National Bank of Poland, at the end of March 2024, the volume of loans granted to non-financial companies declined by 0.7% YoY (PLN 3 billion) to nearly PLN 410 billion. The strongest growth was recorded in investment loans (+3.9% YoY, PLN 5.8 billion) driven mainly by FX loans (+9.4% YoY as compared to +1.3% YoY for PLN loans). The volume of mortgage loans, on the other hand, dropped by 4.1% YoY (PLN 2.6 billion). Meanwhile, the strongest decline in the absolute value was recorded in current loans (-2.9% YoY, PLN 4.8 billion). Taken as a whole, the volume of PLN loans recorded a much better growth (+1.4% YoY) as compared to FX loans (-3.3% YoY), the performance of the latter category resulting mainly from a strong appreciation of the Polish zloty to the main foreign currencies.

The term structure confirms the trends described above. The volume of loans with a maturity of up to 1 year recorded a strong drop (-7.8% YoY, PLN 8.7 billion), drops were also recorded in the portfolio of long-term loans (with maturity above 5 years), the volume of which fell by 0.9% YoY (PLN 1.7 billion). An increase was only recorded for loans with a maturity of 1-5 years (+1.1% YoY, PLN 1.1 billion). The above data indicate that the current macroeconomic situation is still preventing companies from taking out new liabilities.

Total net receivables from households adjusted slightly to PLN 771 billion (-0.4% YoY, PLN 2.8 billion) as at the end of the first quarter of 2024. An even greater discrepancy than in corporate loans was noticeable in the dynamics of PLN loans (+4.1% YoY) and FX loans (-29.9% YoY). This trend became apparent especially in the category of mortgage loans, as new loans in foreign currencies are rarely granted any more, and the existing portfolio is being converted or paid back on a regular basis (-28% YoY, PLN 27.0 billion), meanwhile, the demand for PLN loans picked up significantly in the second half of 2023 (+5.8% YoY, PLN 23.3 billion). In total, the volume of mortgage loans dropped by 0.7% YoY, to PLN 3.7 billion. Much worse dynamics were recorded for the portfolio of investment loans (-16.6 YoY, PLN 3.3 billion). The volume of consumer loans, on the other hand, showed an increase by 4.0% YoY, to PLN 7.7 billion. An even higher growth was recorded in current loans to sole proprietors and private farmers (+6.5% YoY, PLN 2.9 billion).

In terms of the term structure, the volume of loans to households saw similar trends to those described for the corporate segment. Positive dynamics were only recorded for loans with a maturity of 1-5 years (+12.1% YoY), whereas both short-term loans (for up to 1 year) and long-term loans (with maturity above 5 years) showed a decrease in volume.

Year over year, the quality of the loan portfolio in the banking sector improved considerably with the share of non-performing loans (stage 3) granted to clients from the non-financial sector (together with the public sector) at 5.1% as of the end of February 2024, which means an improvement by 0.2 p.p. as compared to prior year. The strongest improvement was achieved for the portfolio of loans for small and medium-sized companies (-1.9 p.p. YoY, to 7,8%), and for consumer loans (-0.8 p.p. YoY to 8.2%). In terms of quality, PLN mortgage loans to households are still the top performers of all loan types (-0,1 p.p. YoY, to 1.5%) and the mortgage loans in other currencies are the category with continued deterioration as some borrowers stop paying installments on their loans that are in court litigation (8.6%, +2.6 p.p. YoY). Timeliness of repayment of loans to large companies also deteriorated significantly (+0.9 p.p. YoY, to 3.9%).

The banking sector in Poland experienced a considerable slowdown of the growth rate in volumes of deposits of non-financial companies by +1.9% YoY, PLN 8.8 billion, exceeding PLN 477 billion at the end of March 2024. The volume of term deposits continued to grow faster (+4.0% YoY, PLN 6.3 billion) than the volume of current deposits (+0.8% YoY, PLN 2.5 billion); however, the disproportion between these two categories reduced greatly.

The volume of liabilities of banks to households maintained a faster growth than of those to non-financial companies, reaching a record-high level of nearly PLN 1,247 billion (+10.2% YoY, PLN up 114.9 billion). The volume growth rate of current deposits (+10.4% YoY, PLN 80.8 billion) significantly exceeded that of term deposits (+9.7% YoY, PLN 34.1 billion).

The banking sector started the year 2024 on a high note. In the first two months alone, banks managed to generate a net profit of almost PLN 7.4 billion, which is PLN 1.2 billion more (+19% YoY) than in the already record-breaking January and February 2023. Revenues continue to record high dynamics. Despite an interest rate cut, the interest income increased by PLN 1.8 billion (+11% YoY). The fees and commissions income was also higher (+9% YoY, PLN 284 million). Other revenues also rose by PLN 102 million (+13% YoY). The revenues of the banking sector totaled PLN 21 billion, i.e. PLN 2.1 billion more than in the same period of the previous year (+11% YoY). The sector also recorded a substantial costs increase (+10% YoY, i.e. by PLN 773 million, to PLN 8.4 billion), and a moderate growth in depreciation & amortization (+4% YoY, i.e. by PLN 31 million, to PLN 851 million); however, their dynamics were lower than those of revenues, thus allowing banks to improve their cost/income ratio by 1 pp (from 44% to 43%). The positive news for the sector was certainly the maintaining of a zero contribution to the Bank Guarantee Fund. The contribution to the Compulsory Restructuring Fund, on the other hand, increased by 7%. The main reason behind higher costs has continuously been, above all, the strong dynamics of personnel costs. In the first two months of 2024, banks also incurred relatively low costs from the creation of provisions and credit losses totaling PLN 1.3 billion (-23% YoY, or PLN 411 million). The provisions will most likely go up in March 2024, as suggested by banks' communiques on setting up new provisions for costs related to pending court proceedings regarding mortgages in foreign currencies. The bank levy paid is also expected to rise slightly. The income tax cost banks PLB 2.6 billion, which is PLN 302 million more (+13%) year over year.

In the current situation, the sector is expected to maintain high revenues provided that the Monetary Policy Council leaves interest rates unchanged. The coverage of CHF mortgage loans at most banks holding such assets has approached 100%, which means write-downs and provisions can be expected to be lower this year. Demand for loans, especially corporate loans, is a great unknown.

6 The impact of the war in Ukraine

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

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

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

1. Consolidated statement of financial position

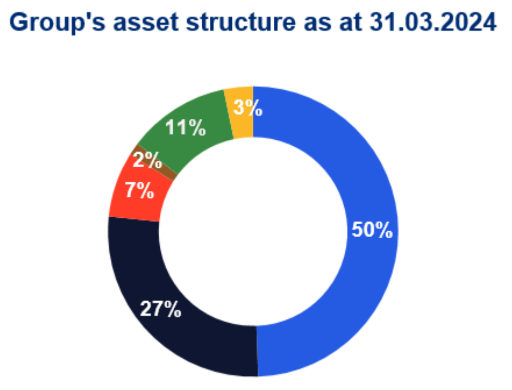
As at the end of the first quarter of 2024 **total assets** stood at PLN 75.2 billion, up by PLN 1.8 billion (or 2.5%) compared to the end of 2023.

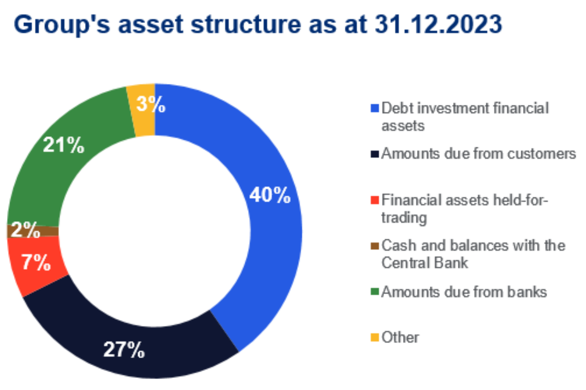
In terms of assets, the biggest nominal changes in the balance sheet took place in two lines: **debt investment financial assets** and **amounts due from banks**. The balance of debt investment financial assets increased by PLN 7.6 billion (i.e. 25,8%) compared to the end of 2023, mainly due to the higher volume of NBP money bills. At the same time, debt investment financial assets had the largest share in the structure of the Group's assets at the end of March 2024. Their share in total assets was 49.4%. An increase mentioned above was partially compensated by a decrease in amounts due from banks by PLN 6.8 billion (i.e. 44.2%) compared to the end of 2023, mainly due to lower volume of receivables from debt securities purchased with repurchase agreement (Reverse Repo transactions).

In turn, the second largest share in the structure of the Group's assets at the end of March 2024 was amounts due from customers, their share in total assets was 27.2%. The value of amounts due from customers at the end of March 2024 amounted to PLN 20.5 billion and was higher by PLN 0.4 billion (i.e. 2.1%) compared to the end of 2023 as a result of increase in loan volumes, mainly in the Institutional Banking segment.

The value of net loans in the Institutional Banking segment, representing the sum of amounts due from both financial sector and non-financial sector entities – corporate clients, amounted to PLN 14.5 billion, up by PLN 395.4 million (i.e. 2.8%) compared to the end of 2023. In segment view an increase in receivables concerned primarily financial institutions clients due to higher loan volumes and Reverse Repo transactions. On the other hand, non-financial sector clients - corporate clients - showed lower demand for loans, the value of newly granted loans and the increase or extension of the existing one decreased by 13% QoQ. A detailed breakdown of assets by individual segments in the management view is provided in Note 9.

The volume of net loans granted to individual customers remained almost unchanged compared to the end of December 2023 (up by PLN 16.3 million, i.e. 0.3% compared to the end of 2023) and amounted to slightly above PLN 5.9 billion. The increase mentioned above relates both to unsecured loans (increase by PLN 51.1 million), thanks to the return to higher consumption observed among individual customers, as well as an increase in mortgage volumes (an increase by PLN 60.5 million), which was driven, inter alia, by the higher sales of these loans.





Amounts due from customers

PLN '000	31.03.2024	31.12.2023	Change PLN '000	Change %
Amounts due from financial sector entities, including:	**5,097,538**	**4,175,333**	**922,205**	**22.1%**
Loans	4,420,902	3,993,717	427,185	10.7%
Receivables related to reverse repo transactions	676,636	181,616	495,020	272.6%
Amounts due from non-financial sector entities, including:	**15,368,642**	**15,879,121**	**(510,479)**	**(3.2%)**
Institutional clients*	9,424,366	9,951,131	(526,765)	(5.3%)
Individual clients, including:	5,944,276	5,927,990	16,286	0.3%
unsecured receivables	3,671,624	3,715,799	(44,175)	(1.2%)
mortgage loans	2,272,652	2,212,191	60,461	2.7%
Total receivables from customers	**20,466,180**	**20,054,454**	**411,726**	**2.1%**

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

Amounts due from customers as per credit risk classification

PLN '000	31.03.2024	31.12.2023	Change	
			PLN '000	%
Receivables not impaired (Stage 1), including	**18,209,334**	**17,683,703**	**525,631**	**3.0%**
financial institutions	5,100,211	4,178,181	922,030	22.1%
non-financial sector entities	13,109,123	13,505,522	(396,399)	(2.9%)
institutional clients*	8,276,420	8,795,125	(518,705)	(5.9%)
individual customers	4,832,703	4,710,397	122,306	2.6%
Receivables not impaired (Stage 2), including	**2,178,548**	**2,286,856**	**(108,308)**	**(4.7%)**
financial institutions	133	25	108	432.0%
non-financial sector entities	2,178,415	2,286,831	(108,416)	(4.7%)
institutional clients*	1,092,768	1,075,188	17,580	1.6%
individual customers	1,085,647	1,211,643	(125,996)	(10.4%)
Receivables impaired (Stage 3), including:	**713,376**	**793,882**	**(80,506)**	**(10.1%)**
non-financial sector entities	713,376	793,882	(80,506)	(10.1%)
institutional clients*	296,769	379,303	(82,534)	(21.8%)
individual customers	416,607	414,579	2,028	0.5%
Purchased or originated credit-impaired loans:	**21,524**	**27,205**	**(5,681)**	**(20.9%)**
non-financial sector entities	21,524	27,205	(5,681)	(20.9%)
institutional clients*	1,733	8,936	(7,203)	(80.6%)
individual customers	19,791	18,269	1,522	8.3%
Total gross loans to customers, including:	**21,122,782**	**20,791,646**	**331,136**	**1.6%**
financial institutions	5,100,344	4,178,206	922,138	22.1%
non-financial sector entities	16,022,438	16,613,440	(591,002)	(3.6%)
institutional clients*	9,667,690	10,258,552	(590,862)	(5.8%)
individual customers	6,354,748	6,354,888	(140)	0.0%)
Provisions for expected credit losses	**(656,602)**	**(737,192)**	**80,590**	**(10.9%)**
Total net amounts due from customers	**20,466,180**	**20,054,454**	**411,726**	**2.1%**
Provisions coverage ratio	**70.0%**	**71.3%**		
institutional clients*	66.3%	68.9%		
individual customers	74.1%	75.1%		
Non-performing loans ratio (NPL)**	**3.5%**	**4.0%**		

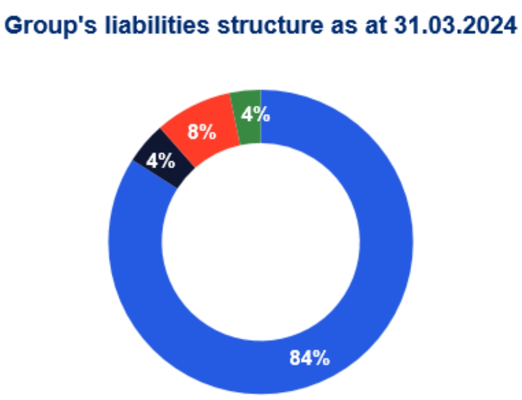
**Institutional clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.*
***The ratio of non-performing loans is defined as the ratio of Receivables impaired to total gross loans to customers. As a standard tool of non-performing loans management performs write-offs in accordance with accounting policy disclosed in Annual Consolidated Financial Statements of the Bank's Capital Group Handlowy w Warszawie S.A. for the financial year ending December 31, 2023 which pertained to the decrease of NPL ratio in first quarter of 2024.*

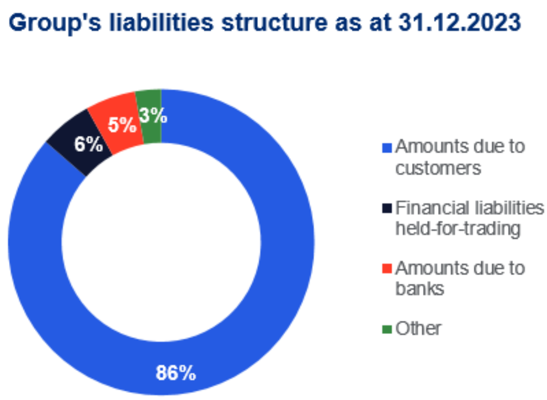
As of the end of the first quarter of 2024 **total liabilities** amounted to PLN 64.9 billion, up by PLN 1.2 billion (i.e. 1.9%) compared to the end of 2023. The largest nominal increase in volumes was recorded in amounts due to banks (up by PLN 1.9 billion(i.e. 57.1%) compared to the end of 2023 mainly due to higher balance of interbank deposits.

In the first quarter of 2024 **amounts due to customers – deposits** were the dominant source of financing of the Group's activity (they accounted for 72.5% of the Group's liabilities and equity) and as at March 31, 2024 they reached PLN 54.5 billion, which means a slight decrease of PLN 0.5 billion (i.e. 0.9%) compared to the end of 2023. A growing upward trend is observed in the balance of term deposits (up by PLN 2.8 billion, i.e. 16.3% compared to the end of 2023) among both institutional and individual clients – the above increase concerned mainly the public sector and individual customers – continued customer interest in tern deposits.

The deposit volumes in the Institutional Banking segment as of the end of the first quarter of 2024 amounted to PLN 33.5 billion, down by PLN 0.5 billion (i.e. 1.5%) compared to the end of 2023. The decline mentioned above concerned mainly current accounts due to the seasonal increase in deposit volume at the end of the year. A detailed breakdown of liabilities by segments in the management view is provided in Note 9.

The deposit volumes in the Consumer Banking segment amounted to PLN 19.5 billion and increased by PLN 0.3 billion (i.e. 1.5%) compared to the end of December 2023 as a consequence of a higher balance of term deposits.





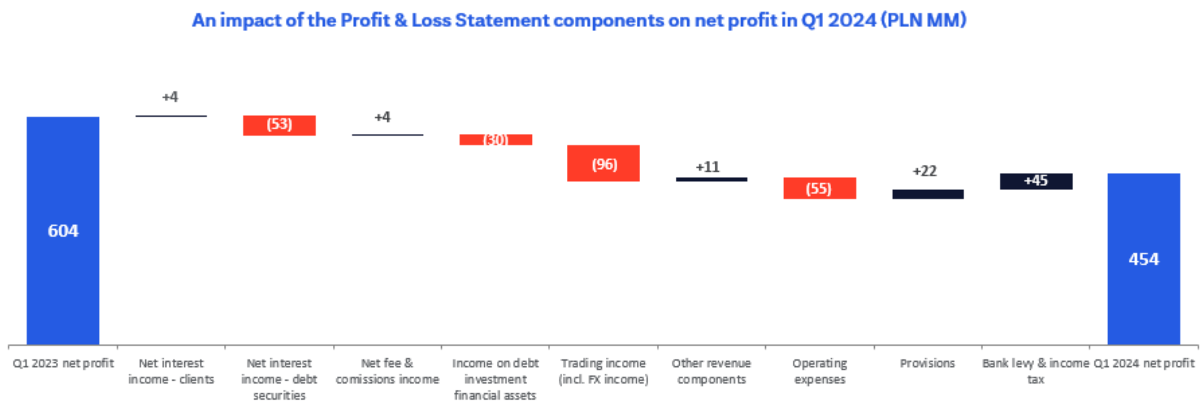
Loan-to-deposit ratio amounted to 39% as at the end of March 2024 comparing to 38% as at December 31, 2023 and comparing to 45% as at March 31, 2023.

Amounts due to customers

PLN '000	31.03.2024	31.12.2023	Change PLN '000	%
Current accounts, including:	**33,170,921**	**36,187,031**	**(3,016,110)**	**(8.3%)**
financial sector entities	1,382,046	939,624	442,422	47.1%
non-financial sector entities, including:	31,788,875	35,247,407	(3,458,532)	(9.8%)
institutional clients*	20,560,277	23,804,849	(3,244,572)	(13.6%)
individual clients	11,228,598	11,442,558	(213,960)	(1.9%)
Term deposits, including:	**19,781,470**	**17,005,728**	**2,775,742**	**16.3%**
financial sector entities	2,602,930	2,848,319	(245,389)	(8.6%)
non-financial sector entities, including:	17,178,540	14,157,409	3,021,131	21.3%
institutional clients*	8,955,676	6,429,998	2,525,678	39.3%
individual customers	8,222,864	7,727,411	495,453	6.4%
Total customers deposits	**52,952,391**	**53,192,759**	**(240,368)**	**(0.5%)**
Other amounts due to customers	**1,567,299**	**1,815,242**	**(247,943)**	**(13.7%)**
Total amounts due to customers	**54,519,690**	**55,008,001**	**(488,311)**	**(0.9%)**

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

2. Consolidated income statement



In the first quarter of 2024 the Group delivered a **consolidated net profit** of PLN 454.0 million, which means a decrease by PLN 149.7 million (i.e. 24.8%) compared to the first quarter of 2023 mainly as a result of lower results generated in the area of trading activities due to lower result on exchange rate differences resulting from the revaluation of currency positions, a decline in interest income and higher operating costs related due to increase in regulatory expenses.

Net interest income

- **Net interest income** amounted to PLN 797.9 million and was lower by PLN 49.4 million (i.e. 5.8%) compared to the first quarter of 2023 due to the beginning of the monetary policy easing cycle by the Monetary Policy Council at the turn of the third and fourth quarter of 2023 and - as a result - a drop in interest rates from 6.75% at the beginning of 2023 to 5.75% at the end of the first quarter of 2024. The decline in interest rates was partially offset by higher volumes of working assets by 6% YoY.

- **Interest income** in the first quarter of 2024 was lower by PLN 9.4 million (i.e. 0.8%) compared to the corresponding period of 2023 and amounted to slightly above PLN 1,1 billion.

  The largest nominal increase by PLN 54.3 million (i.e. 91.3%) as compared to the first quarter of 2023 was recorded by interest income on amounts due from banks due to the increased volume of reverse repo transactions. An increase mentioned above was compensated by the decline in interest income on debt investment financial assets portfolio.

  In turn, an interest income on amounts due from customers, which amounted to PLN 387.4 million at the end of the first quarter of 2024 recorded a decrease by PLN 75.3 million (i.e. 16.3%) as compared to the first quarter of 2023 mainly due to a decline in loan volume by 9% YoY.

- **Interest expenses** of the Group in the first quarter of 2024 were higher by PLN 39.9 million (i.e. 14.9%) as compared to the corresponding period of 2023 and amounted to PLN 307.7 million. The largest share in interest expenses are amounts due to customers, which increased by PLN 12.1 million (i.e. 5.6% YoY) due to the increase in interest rates caused by the higher share of term deposits in the total deposit structure.

PLN '000	01.01–31.03.2024	01.01–31.03.2023	Change PLN '000	Change %
Interest income	**1,035,533**	**1,071,450**	**(35,917)**	**(3.4%)**
Financial assets measured at amortized cost	**551,900**	**560,417**	**(8,517)**	**(1.5%)**
Balances with the Central Bank	50,729	38,259	12,470	32.6%
Amounts due from banks	113,749	59,452	54,297	91.3%
Amounts due from customers, in respect of:	387,422	462,706	(75,284)	(16.3%)
financial sector	61,429	60,378	1,051	1.7%
non-financial sector, including:	325,993	402,328	(76,335)	(19.0%)
credit cards	74,878	93,476	(18,598)	(19.9%)
Financial assets measured at fair value through comprehensive income	**483,633**	**511,033**	**(27,400)**	**(5.4%)**
Debt investment financial assets measured at fair value through comprehensive income	483,633	511,033	(27,400)	(5.4%)
Similar income	**70,106**	**43,636**	**26,470**	**60.7%**
Debt securities held-for-trading	15,755	41,304	(25,549)	(61.9%)
Liabilities with negative interest rate	10	176	(166)	(94.3%)
Derivative instruments in hedge accounting	54,341	2,156	52,185	2420.5%
	1,105,639	**1,115,086**	**(9,447)**	**(0.8%)**
Interest expense and similar charges for				
Financial liabilities measured at amortized cost	**(262,797)**	**(267,782)**	**4,985**	**(1.9%)**
Transactions with the Central Bank	(1)	(1)	-	-
Amounts due to banks	(34,657)	(51,804)	17,147	(33.1%)
Amounts due to customers	(227,102)	(214,966)	(12,136)	5.6%
Amounts due to financial sector entities	(34,466)	(47,614)	13,148	(27.6%)
Amounts due to non-financial sector entities	(192,636)	(167,352)	(25,284)	15.1%
Amounts due to leasing	(1,037)	(1,011)	(26)	2.6%
Assets with negative interest rate	**(44,927)**	**-**	**(44,927)**	**-**
	(307,724)	**(267,782)**	**(39,942)**	**14.9%**
Net interest income	**797,915**	**847,304**	**(49,389)**	**(5.8%)**

Net fee and commission income

- **Net fee and commission income** in the amount of PLN 144.3 million compared to PLN 140.7 million in the corresponding period of 2023 - an increase by PLN 3.6 million, i.e. 2.6% YoY due to the improvement in investor sentiment towards the capital market and higher stock exchange trading volumes, as a result of which a higher net fee and commission income was recorded on custody activities (up by PLN 2.4 million, i.e. 8.9% YoY) as well as result on insurance and investment products distribution (up by PLN 1.8 million, i.e. 17.6% YoY). The Bank also recorded an increase in revenues from brokerage operations – up by PLN 1.6 million, i.e. 13.9% YoY) and increase in revenues from the payment services (by PLN 1.1 million, i.e. 4.2% YoY) due to the increased activity of institutional clients in the area of transactional banking.

  On the other hand, the Bank observed a decrease in revenues from payment and credit cards (by PLN 2.9 million, i.e. 9.0% YoY) due to higher costs of cards acquisition and decline in revenues from servicing bank accounts (by PLN 1.6 million (i.e. 5.3% YoY) and credit activities (by PLN 1.0 million, i.e. 7.8% YoY) due to lower loan sales.

  Fee and commission expenses in the first quarter of 2024 amounted to PLN 27.9 million, up by PLN 3.6 million YoY (i.e. 2.6%). This increase concerned mainly National Depository for Securities (KDPW) fees and the area of brokerage activities.

PLN '000	01.01 – 31.03.2024	01.01– 31.03.2023	Change	
			PLN '000	%
Fee and commission income				
Credit activities (other than income covered by the calculation of the effective interest rate process)	12,231	13,268	(1,037)	(7.8%)
Servicing bank accounts	29,211	30,832	(1,621)	(5.3%)
Insurance and investment products distribution	12,186	10,360	1,826	17.6%
Payment and credit cards	29,025	31,879	(2,854)	(9.0%)
Payment services	28,067	26,935	1,132	4.2%
Custody services	29,992	27,546	2,446	8.9%
Brokerage operations	12,789	11,224	1,565	13.9%
Clients' cash on account management services	7,577	6,723	854	12.7%
Financial liabilities granted	8,204	6,993	1,211	17.3%
Other	2,943	2,212	731	33.0%
	172,225	**167,972**	**4,253**	**2.5%**
Fee and commission expense				
Payment and credit cards	(9,550)	(9,862)	312	(3.2%)
Brokerage activity	(4,154)	(3,464)	(690)	19.9%
Fees paid to the National Depository for Securities (KDPW)	(8,310)	(7,472)	(838)	11.2%
Brokerage fees	(1,202)	(1,310)	108	(8.2%)
Other	(4,711)	(5,196)	485	(9.3%)
	(27,927)	**(27,304)**	**(623)**	**2.3%**
Net fee and commission income	**144,298**	**140,668**	**3,630**	**2.6%**

- **Other operating income** (i.e. non-interest and non-commission income) amounted to PLN 138.4 million as compared to PLN 254.4 million in the first quarter of 2023 and recorded a decrease by PLN 116.0 million, i.e. 45.6% YoY) mainly due to lower result on exchange rate differences resulting from the revaluation of currency positions.

General administrative expenses and depreciation expenses

- **General administrative and depreciation expenses** of PLN 470.3 million compared to PLN 415.0 million in the first quarter of 2023 – up by PLN 55.2 million (i.e. 13.3%) due to both, increase in staff expenses (remuneration costs increased by PLN 11.6 million, i.e. 8.9% YoY) as well as higher real estates maintenance and rent costs due to costs of renovation of the Bank's headquarters (up by PLN 7.2 million, i.e. 47.4% YoY), and also higher regulatory cost (contribution to the banking restructuring fund under the Bank Guarantee Fund was higher by PLN 16 million, i.e. 21.8% YoY).

PLN '000	01.01 – 31.03.2024	01.01 – 31.03.2023	Change PLN '000	%
Staff expenses	**(193,927)**	**(179,061)**	**(14,866)**	**8.3%**
Remuneration costs	(141,730)	(130,088)	(11,642)	8.9%
Bonuses and rewards	(24,489)	(24,208)	(281)	1.2%
Social security costs	(27,708)	(24,765)	(2,943)	11.9%
Administrative expenses	**(246,818)**	**(209,674)**	**(37,144)**	**17.7%**
Telecommunication fees and hardware purchase costs	(60,150)	(59,511)	(639)	1.1%
Costs of external services, including advisory, audit, consulting services	(16,577)	(13,799)	(2,778)	20.1%
Real estates maintenance and rent costs	(22,500)	(15,267)	(7,233)	47.4%
Advertising and marketing costs	(10,594)	(8,907)	(1,687)	18.9%
Costs of cash management services, costs of clearing services and other transaction costs	(9,372)	(8,505)	(867)	10.2%
Costs of external services related to distribution of banking products	(13,161)	(11,136)	(2,025)	18.2%
Postal services, office supplies and printmaking costs	(1,456)	(1,738)	282	(16.2%)
Banking and capital supervision costs	(9,105)	(7,522)	(1,583)	21.0%
Bank Guarantee Funds costs	(89,850)	(73,791)	(16,059)	21.8%
Other expenses	(14,053)	(9,498)	(4,555)	48.0%
Depreciation	**(29,527)**	**(26,306)**	**(3,221)**	**12.2%**
General administrative expenses and depreciation expenses, total	**(470,272)**	**(415,041)**	**(55,231)**	**13.3%**

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

- **Provision for expected credit losses** on financial assets and provisions for off-balance sheet commitments amounted to PLN 10.4 million (positive impact) at the end of the first quarter of 2024 compared to PLN -11.9 million (negative impact) in the first quarter of 2023. The decrease in the amount of provisions concerned the Consumer Banking segment (improvement by PLN 34.3 million YoY) due to the refreshing of model parameters, in particular the LGD parameter due to higher recoveries on the impaired portfolio. The costs of risk in the first quarter of 2024 amounted to 10 base points (cumulative risk costs from the last four quarters).

PLN '000	01.01 – 31.03.2024	01.01 – 31.03.2023	Change PLN '000	%
Provision for expected credit losses on amounts due from banks and cash equivalents				
Provision creation	(390)	(768)	378	(49.2%)
Provision release	1,234	1,277	(43)	(3.4%)
	844	**509**	**335**	**65.8%**
Provision for expected credit losses on amounts due from customers				
Provision creation and reversals	**6,895**	**(16,624)**	**23,519**	**(141.5%)**
Provision creation	(55,700)	(67,998)	12,298	(18.1%)
Provision release	66,148	54,271	11,877	21.9%
Other	(3,553)	(2,897)	(656)	22.6%
Recoveries from debt sold	**11**	**7**	**4**	**57.1%**
	6,906	**(16,617)**	**23,523**	**(141.6%)**
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Provision creation	(3,456)	(340)	(3,116)	916.5%
Provision release	571	608	(37)	(6.1%)
	(2,885)	**268**	**(3,153)**	**(1176.5%)**
Provision for expected credit losses on financial assets	**4,865**	**(15,840)**	**20,705**	**(130.7%)**

PLN '000	01.01 – 31.03.2024	01.01 – 31.03.2023	Change PLN '000	%
Created provisions	(4,730)	(10,435)	5,705	(54.7%)
Release of provisions	10,303	14,425	(4,122)	(28.6%)
Provision for expected credit losses for contingent liabilities	**5,573**	**3,990**	**1,583**	**39.7%**
Provision for expected credit losses on financial assets and provisions for contingent liabilities	**10,438**	**(11,850)**	**22,288**	**(188.1%)**

3. Financial Ratio

In the first quarter of 2024, the key efficiency ratios were as follows:

Total financial ratios	Q1 2024	Q1 2023
ROE*	26.4%	29.0%
ROA**	2.9%	2.6%
Cost/Income	44%	33%
Loans/Deposits	39%	43%
Loans/Total assets	27%	32%
Net interest income/Revenue	74%	68%
Net fee and commission income/Revenue	13%	11%

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

Group employment*

In full time job equivalents (FTE)	01.01 – 31.03.2024	01.01 – 31.03.2023	Change FTEs	%
Average employment in the third quarter	2,983	2,935	48	1.6
Employment at the end of quarter	2,974	2,943	31	1.1

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

Capital adequacy

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

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

PLN'000	31.03.2024	31.12.2023
I Common Equity Tier 1 Capital	**7,197,364**	**7,083,074**
Common Equity Tier 1 Capital	7,197,364	7,083,074

PLN'000	31.03.2024	31.12.2023
II Total capital requirements, including:	**2,427,697**	**2,401,607**
credit risk capital requirements	1,598,707	1,624,282
counterparty risk capital requirements	107,019	102,614
credit valuation correction capital requirements	8,558	5,533
total market risk capital requirements	149,284	105,048
operational risk capital requirements	564,130	564,130
Common Equity Tier 1 Capital ratio (%)	**23.7%**	**23.6%**
Total Capital ratio (%)	**23.7%**	**23.6%**

On 13 December 2023 the Polish Financial Supervision Authority recommended mitigating the risk of the Bank's operations by maintaining at both stand alone and consolidated level, own funds to cover a capital add-on in order to absorb potential losses that may arise from stress conditions; the add-on should be maintained at 0.28 p.p. above the value of each own funds.

According to the recommendation, under Pillar 2 (P2G) the additional add-on should be kept above the value of the total capital ratio plus the combined buffer requirement. The additional add-on should be made up of the core capital Tier 1 only.

The Group's capital ratios remain above the minimum requirements under the CRR, the Act on Macroprudential Supervision and the recommendation of the supervisory authority.

The Bank as a resolution entity that is part of a global systemically important institution in accordance with the definition contained in CRR and according to Art. 92a CRR must satisfy the following requirements for own funds and eligible liabilities:

a) a risk-based ratio of 18%, representing the own funds and eligible liabilities of the institution expressed as a percentage of the total risk exposure amount (TLAC TREA);

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

In accordance with the CRR regulations, the amount of the required TLAC TREA plus the combined buffer requirement for the Bank as of 31 March 2024 is 20,83%, while TLAC TREA of the Bank on a consolidated level was 23,72%.

The Bank meets the TLAC TREA requirement after increasing the combined buffer requirement as of March 31, 2024 as a result of obtaining the consent of the Polish Financial Supervision Authority on September 29, 2023 to include an appropriate part of the profits from the current period, in the amount of PLN 800 million, into Common Equity Tier 1 capital. on the basis of the Bank's reviewed results for the first half of 2023.

8 Segment reporting

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

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

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

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

Institutional Banking

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

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

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

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

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

Consumer Banking

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

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

Consolidated income statement of the Group by business segment

For the period	01.01 – 31.03.2024			01.01 – 31.03.2023		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	520,777	277,138	797,915	582,689	264,615	847,304
Internal interest income, including:	(169,083)	169,083	-	(117,488)	117,488	-
Internal income	-	169,083	169,083	-	117,488	117,488
Internal expenses	(169,083)	-	(169,083)	(117,488)	-	(117,488)
Net fee and commission income	106,487	37,811	144,298	101,606	39,062	140,668
Dividend income	35	58	93	4	-	4
Net gain/(loss) on trading financial instruments and revaluation	127,367	8,091	135,458	223,609	8,234	231,843
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	(6,123)	-	(6,123)	24,256	-	24,256
Net gain/(loss) on equity investments and other measured at fair value through income statement	1,994	967	2,961	(163)	1,471	1,308
Net gain/(loss) on hedge accounting	7,753	-	7,753	(2,602)	-	(2,602)
Net other operating income	2,069	(3,809)	(1,740)	4,641	(5,044)	(403)
General administrative expenses	(244,019)	(196,726)	(440,745)	(213,728)	(175,007)	(388,735)
Depreciation and amortization	(6,384)	(23,143)	(29,527)	(6,102)	(20,204)	(26,306)
Profit on sale of other assets	1,920	(73)	1,847	(14)	(7)	(21)
Provisions for expected credit losses on financial assets and provisions for	(3,021)	13,459	10,438	8,944	(20,794)	(11,850)

For the period	01.01 – 31.03.2024			01.01 – 31.03.2023		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
off–balance sheet commitments						
Operating income	**508,855**	**113,773**	**622,628**	**723,140**	**92,326**	**815,466**
Tax on certain financial institutions	(29,965)	(15,252)	(45,217)	(33,877)	(13,167)	(47,044)
Profit before tax	**478,890**	**98,521**	**577,411**	**689,263**	**79,159**	**768,422**
Income tax expense			(123,384)			(164,660)
Net profit			454,027			603,762

State as at	31.03.2024			31.12.2023		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets	**68,403,778**	**6,800,165**	**75,203,943**	**66,582,596**	**6,809,924**	**73,392,520**
Total liabilities and equity, including:	**52,381,314**	**22,822,629**	**75,203,943**	**50,960,855**	**22,431,665**	**73,392,520**
Liabilities	43,896,497	20,963,395	64,859,892	42,895,722	20,767,307	63,663,029

9 Activities of the Group

1 Institutional Banking

1.1. Summary of segment results

PLN '000	01.01 – 31.03.2024	01.01 – 31.03.2023	Change PLN '000	%
Net interest income	520,777	582,689	(61,912)	(10.6%)
Net fee and commission income	106,487	101,606	4,881	4.8%
Net income on dividends	35	4	31	775.0%
Net gain/(loss) on trading financial instruments and revaluation	127,367	223,609	(96,242)	(43.0%)
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	(6,123)	24,256	(30,379)	(125.2%)
Net gain/(loss) on equity investments and other measured at fair value through income statement	1,994	(163)	2,157	(1323.3%)
Net gain/(loss) on hedge accounting	7,753	(2,602)	10,355	(398.0%)
Net other operating income	2,069	4,641	(2,572)	(55.4%)
Total income	**760,359**	**934,040**	**(173,681)**	**(18.6%)**
General administrative expenses and depreciation	(250,403)	(219,830)	(30,573)	13.9%
Profit on sale of other assets	1,920	(14)	1,934	(13814.3%)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(3,021)	8,944	(11,965)	(133.8%)
Tax on certain financial institutions	(29,965)	(33,877)	3,912	(11.5%)
Profit before tax	**478,890**	**689,263**	**(210,373)**	**(30.5%)**
Cost/Income	**33%**	**24%**		

The key highlights that impacted the gross profit of the Institutional Banking Segment in the first quarter of 2024 compared to the corresponding period of the previous year were as follows:

- **a decline in net interest income** mainly due to falling interest rates and rising interest expenses, partially offset by higher volume of working assets;
- **an increase in net fee and commission income** due to higher income from custody activity, brokerage operations and transactional banking (mainly in the area of payment services);
- **a decrease in other operating income** (i.e. non-interest and non-commission income) due to lower result on

exchange rate differences resulting from the revaluation of currency positions;

- **an increase in operating costs** as a result of higher staff expenses and higher regulatory cost (higher contribution to the banking restructuring fund under the Bank Guarantee Fund).

1.2. Institutional Bank and the Capital Markets

Institutional Bank

As at the end of the first quarter of 2024, the number of institutional clients (which include strategic clients, global clients and commercial bank clients) amounted slightly below 5,500 i.e. maintaining the level from the end of the first quarter of 2023.

In terms of client's acquisition in the Commercial Bank segment the Bank attracted 80 new clients in the first quarter of 2024, including 8 Large Company, 32 Small and Medium-Sized Companies, 28 International Clients of Commercial Banking Segment, 7 Digital and 5 Public Sector Entities. In the strategic and global client segments, the Bank established 5 new client relationships.

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

Assets

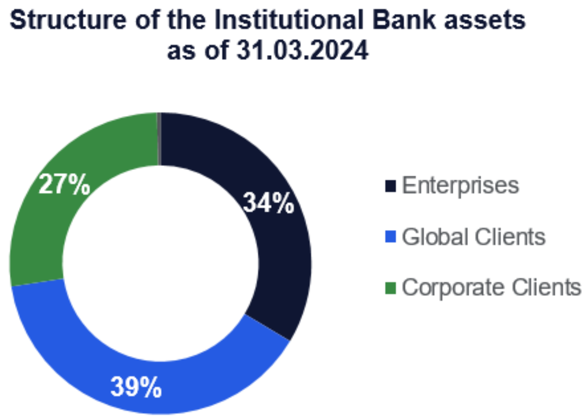
PLN million	31.03.2024	31.12.2023	31.03.2023	Change* (1)/(2)		Change* (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	4,049	3,984	4,751	65	2%	(702)	(15%)
SMEs	1,663	1,749	1,829	(86)	(5%)	(166)	(9%)
MMEs	2,386	2,235	2,922	151	7%	(536)	(18%)
Public Sector	1	1	245	-	(9%)	(244)	(100%)
Global Clients	4,697	5,180	5,343	(483)	(9%)	(647)	(12%)
Corporate Clients	3,261	3,193	4,173	67	2%	(912)	(22%)
Other	47	47	48	-	0%	(1)	(3%)
Total Institutional Banking	**12,054**	**12,405**	**14,560**	**(351)**	**(3%)**	**(2,506)**	**(17%)**

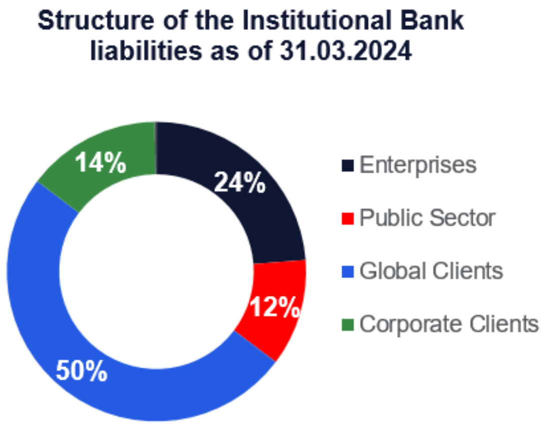
** differences may arise from rounding*

Liabilities

PLN million	31.03.2024	31.12.2023	31.03.2023	Change* (1)/(2)		Change* (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	6,787	8,815	7,305	(2,028)	(23%)	(519)	(7%)
SMEs	4,760	5,693	5,124	(933)	(16%)	(364)	(7%)
MMEs	2,027	3,122	2,181	(1,096)	(35%)	(155)	(7%)
Public Sector	3,301	2,765	3,553	535	19%	(252)	(7%)
Global Clients	14,287	16,226	15,379	(1,939)	(12%)	(1,092)	(7%)
Corporate Clients	4,138	5,035	4,454	(897)	(18%)	(316)	(7%)
Other	56	46	61	10	22%	(4)	(7%)
Total Institutional Banking	**28,568**	**32,887**	**30,751**	**(4,320)**	**(13%)**	**(2,183)**	**(7%)**

** differences may arise from rounding*





Key transactions and achievements in Institutional Banking in the first quarter of 2024:

Credit activity	<u>**Granting new financing or increasing/extending existing ones in the amount of PLN 748 million**</u> • PLN 500 million for Corporate Clients; including a client from the fuel and energy industry and two companies from an international capital group operating in the pharmaceutical industry; • PLN 226 million for Commercial Bank clients including for one of the biggest industrial construction groups in Poland, for a network of interventional cardiology, cardiac surgery and vascular surgery departments, for a client being a manufacturer of cocoa, chocolate and confectionery, and also for an energy company which is the first electricity provider in Poland to offer its customers a 100% green energy mix from renewable energy sources such as the sun, wind, water and biogas; • PLN 22 million for Global clients including a leading company from construction industry.
Transactional Banking	<u>**Increasing shares in banking services and transaction banking**</u> • Winning 8 mandates for comprehensive banking services or extending the Bank's cooperation with its clients; • Signing new agreements or increasing amounts of existing agreements on letters of credit, factoring or bank guarantees for a total amount of PLN 221 million.

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

In times of increased geopolitical uncertainty, foreign exchange fluctuations and in commodity prices, the Bank's clients particularly appreciated the commitment of the Sales Division's experts.

The following activities are worth mentioning:

- Supporting Polish enterprises in their green energy transition;
- Providing market data, economic forecasts and analyses prepared by a team of experts and economists;
- Supporting clients in the process of developing a foreign exchange exposure management policy;
- Offering a top-notch platform for electronic foreign exchange transactions.

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

- Bond issues for the international financial institution for the amount of PLN 2.1 billion, for general purposes related to its activity;
- Issue of Eurobonds for BGK for the amount of EUR 400 million to be injected in the Ukraine Assistance Fund.

First quarter of 2024 was yet another quarter when the Bank remained among the top banks in terms of spot trading, being one of the leaders in the Treasury BondSpot.

Transactional banking

In the first quarter of 2024, the Bank promoted, among its clients, its solutions and new capabilities of its platforms, which improve users' comfort of using the services (client experience).

Using the global knowledge and geographical reach of Citi, the Bank shared its expertise with its clients regarding market mechanisms and possible scenarios in case of geopolitical turmoil, showing them effective tools to not only maintain stability, but also exploit new opportunities for growing their businesses.

Banking account

In the area of bank accounts, the digital transformation continues, including the digitization of document workflows. **The share of documents signed by clients using a qualified electronic signature in the first quarter of 2024 amounted to 52%** (the Bank received 5,124 such documents), which constitutes an increase by 6 pp against the first quarter of 2023 and the entire 2023, when documents signed in this way accounted for **46%** of all delivered documents.

The Bank also continued digitization of audit certificates. In the first quarter of 2024 as much as **96%** of certificates were issued using a qualified electronic signature or via the platform confirmation.com, which is a significant **increase by 36 pp** as compared to the first quarter of 2023.

Electronic Banking

In the area of electronic banking, the Bank continued the development of its platforms to provide its clients with greater transparency, efficiency and control.

The Bank continued commercialization of the modern version of its **CitiDirect 3.0** electronic banking system, developed the system and introduced new solutions, making the use of the main features of CitiDirect easier and more intuitive. With users' comfort in mind, the Bank conducted regular training sessions for them and collected feedback.

Caring about the client's security and comfort, the Bank promoted features allowing clients to self-manage CitiDirect user privileges by designated **system administrators.**

In a monthly newsletter, the Bank reminded its clients of the threats related to communication via electronic mail, shared its knowledge and practical advice on cybersecurity.

In the first quarter of 2024, the **Bank processed over 8.8 million transactions via electronic channels**, which represents **an increase by 3%** vs. the prior year period.

Payments and receivables

Payment volumes continued to increase in the first quarter of 2024. In the area of domestic transactions, the Bank recorded **a 50% increase in Express Elixir instant payment volumes** compared to the prior year period. The growing popularity of Express Elixir among the clients corroborates the Bank's strategic assumption to focus its support on the need to automate processes and settlements in real time, in particular from the perspective of entities using the Bank's services in the *Banking as a Service* (BaaS) model and entities making urgent payments to their consumers.

In the first quarter of 2024, the Bank further strengthened its suite of payment solutions prepared for clients in the *Digital Natives* segment, as reflected in the **14 percent increase in domestic payment volumes of "new economy" clients** compared to the prior year period. Clients from the "new economy" category use the full range of the Bank's payment solutions, however their demand for domestic payments seems to be greater than for foreign payments when juxtaposed against the Bank's total number of clients, showing that the Bank plays an important role as a local partner in the context of Citi's global knowledge and geographical footprint.

Continuing its strategy of providing flexible and intelligent transaction banking solutions, the Bank promoted **Citi Payment Insights**, which, among others, makes it possible to track the status of payments or generate confirmations on request from the beneficiary, and **Citi Payment Outlier Detection**, which, thanks to advanced analytics and algorithms, makes it possible to monitor and control the company's payments in real time, as well as identify transactions that differ significantly from previous trends.

In the first quarter of 2024 the Bank **maintained a high share in the Direct Debit market at 35.8%** (data from March 2024).

In the first quarter of 2024, the Bank also continued its commitment to improving *client experience* – the Bank introduced changes in the Citi Payment Insights module

	as expected by its clients.
Corporate cards	In the first quarter of 2024 **the value of cashless transactions for business cards recorded growth by 5%** against the first quarter of 2023. Meanwhile, the number of transactions fell slightly (by 2% YoY). There was also an **increase in the average number of activated cards – up 7% YoY** in the period under review. The Bank focused on supporting selected clients in their transition to fully digitized card processes based on CitiManager (regards application for business cards and managing the card program), which were deemed standard and default processes as at the end of 2023.
Trade finance products	The Bank remains a highly valued financial institution in the area of trade finance, as confirmed by clients' opinions verified annually, which keep us on a high position – in 2023 the Bank's NPS survey result was 54.8% as compared to 56.8% in 2022. At the end of the first quarter of 2024, **the value of transactions granted under trade finance products was 23% higher** compared to the prior year period. Clients were more likely to use trade finance products such as reverse factoring, trade credit and supplier finance. **The number of guarantees issued by the Bank since the beginning of 2024 rose 12%** as compared to the same period in 2023 and **the number of open export letters of credit rose 18% YoY**. The Bank's clients ever more often use collateral for settling commercial transactions, even for small amounts. This is in line with the trend observed by the Bank which is related to the increasing demand for collateral for commercial transactions carried out by customers, including foreign markets. Clients appreciated the possibility of issuing guarantees electronically, which was reflected in the share of e-guarantees in the total guarantees issued, **maintained at more than 60%**. In order to facilitate costs planning and monitoring for its clients, in the first quarter of 2024 the Bank made a calculator available on its website, which can be used to quickly calculate the commission on a guarantee issued.

Custody services

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

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

As at 31 March 2024, the Bank maintained over 16,000 securities accounts and collective accounts.

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

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

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

Brokerage activities

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

As at the end of the first quarter of 2024, the Bank was the market maker for 66 companies listed on the Warsaw Stock Exchange (of which 20 from the WIG20 index), i.e. 16.1% of the shares listed in its main equity market.

After the first quarter of 2024, the Bank was the intermediary in in-session transactions accounting for 4.1% of equity turnover in the secondary market. The value of the in-session transactions concluded via Bank in the equity market on the WSE was PLN 6.7 billion. After the first quarter of 2024, the Bank was ranked 10th in terms of session turnovers on the WSE main market and 4th as a local WSE member.

The number of investment accounts maintained by the Brokerage Department of Bank Handlowy was 14.0 thousand as at the end of the first quarter of 2024 and increased by 13.1% as compared to the same period in 2023. Higher number of accounts in the reporting period is a result of two factors: acquisition process of new clients and opening of accounts for former clients of the Brokerage House of Bank Handlowy S.A., who had their brokerage agreements terminated before 01/08/2022, which is the day that the Brokerage Department of Bank Handlowy started providing brokerage services.

In the first quarter of 2024, the geopolitical risks (war in Ukraine) contributed to the suspension of investors' decisions to carry out transactions on the primary market.

Leasing activities

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

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q1 2024	Q1 2023	Change	
			PLN '000	%
Net interest income	277,138	264,615	12,523	4.7%
Net fee and commission income	37,811	39,062	(1,251)	(3.2%)
Dividend income	58	-	58	-
Net gain/(loss) on trading financial instruments and revaluation	8,091	8,234	(143)	(1.7%)
Net gain/(loss) on equity and other instruments measured at fair value through income statement	967	1,471	(504)	(34.3%)
Net other operating income	(3,809)	(5,044)	1,235	(24.5%)
Total income	**320,256**	**308,338**	**11,918**	**3.9%**
General administrative expenses and depreciation	(219,869)	(195,211)	(24,658)	12.6%
Profit on sale of other assets	(73)	(7)	(66)	942.9%
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	13,459	(20,794)	34,253	(164.7%)
Tax on certain financial institutions	(15,252)	(13,167)	(2,085)	15.8%
Profit before tax	**98,521**	**79,159**	**19,362**	**24.5%**
Cost/Income	**69%**	**63%**		

The following factors influenced the profit before tax in the Consumer Banking Segment in the first quarter of 2024:

- **Increase in net interest income** by 5% YoY mainly due to the increase in the Bank's internal revenues, which fully covers the decline in interest income caused by the reduction in interest rates;
- **Slight decrease in net fee and commission income** mainly due to higher (amortized) credit card acquisition costs, mainly as a result of higher credit card acquisition in the last year;
- **Higher result on other operating income** driven mainly by lower costs of provisions for court proceedings;

- **Increase in operating expenses** due to higher employee expenses (as a consequence of increase in average wages and number of employees), an increase in banking tax on higher balances and an increase in acquisition costs as a result of increasing acquisition;
- **Increase in depreciation and amortization on tangible fixed assets and intangible assets** results mainly from the seasonality of project costs settlements (application development),
- **Improvement of result on expected credit losses on financial assets** caused mainly by refreshing the model parameters, which was influenced by higher recoveries on the impaired portfolio.

2.2. Selected business data

PLN '000	Q1 2024	Q4 2023	Q1 2024	Change QoQ	Change YoY
Number of individual customers	566.8	565.3	568.0	1.5	(1.2)
Number of current accounts	521.6	516.0	498.5	5.6	23.1
Number of saving accounts	118.0	117.5	117.9	0.5	0.1
Number of credit cards	465.5	466.4	473.2	(0.9)	(7.7)
Number of debit cards	267.4	264.0	256.4	3.4	11.0

Net amounts due from individual clients – management view

PLN '000	31.03.2024 (1)	31.12.2023 (2)	31.03.2023 (3)	Change (1)/(2)		Change (1)/(3)	
				PLN '000	%	PLN '000	%
Unsecured receivables, including:	3,671,624	3,715,799	3,769,326	(44,175)	(1.2%)	(97,702)	(2.6%)
Credit cards	2,015,735	2,090,838	2,112,997	(75,103)	(3.6%)	(97,262)	(4.6%)
Cash loans	1,623,722	1,584,926	1,613,864	38,796	2.4%	9,858	0.6%
Other unsecured receivables	32,167	40,035	42,465	(7,868)	(19.7%)	(10,298)	(24.3%)
Mortgage loans	2,272,652	2,212,191	2,107,526	60,461	2.7%	165,126	7.8%
Net client receivables	**5,944,276**	**5,927,990**	**5,876,852**	**16,286**	**0.3%**	**67,424**	**1.1%**

2.3. Key Business Highlights

Bank accounts

Current accounts

The total balance on the current accounts was PLN **8.8 billion** at the end of the first quarter of 2024 i.e. decreased by 6% as compared to the end of the first quarter of 2023. The change in the balance on current accounts was the result of the transfer of funds accumulated by customers from current accounts to savings products and also a decline in the balance on current currency accounts.

The number of personal accounts at the end of March 2024 was **522,000 (increase by 5% YoY)**, including 282,000 accounts kept in PLN, and 240,000 accounts kept in foreign currencies. The bank not only continued promotional activities related to the Citikonto online offer launched in 2020, but also widely promoted the offer of Citigold and Citigold Private Client account, all these offers enjoyed great popularity among customers.

Savings accounts

The number of savings accounts at the end of the first quarter of 2024 remained similar to that in the first quarter of 2023 and amounted to **118,000**, the total balance of funds accumulated on those accounts amounted to almost PLN **2.1 billion** compared to PLN 2.2 billion in the same period of the previous year. The slight decline in the balance is due to the great interest in term deposits, which offered higher interest rates than savings accounts.

	Changes in the offer In the first quarter of 2024, the Bank continued the special offer "Twoja Lokata" with an 6% p.a. rate for a period of 3 months up to PLN 20,000.
Credit cards	At the end of the first quarter of 2024, the number of credit cards was 465.5 thousand. The total debt on the credit cards amounted to **PLN 2.0 billion** as at the end of the first quarter of 2024, which means that the Bank maintained the position of one of the leaders in the credit card market, in terms of the credits granted on the credit cards, with a market share of 16.6% according to data as at the end of March 2024. A high level of activation and transactions was maintained for newly acquired clients. In the first quarter of 2024, the acquisition structure of credit cards was dominated by the Citi Simplicity card, with a 59% share in acquisition.
Cash loans and cash loans associated with credit card accounts	In the first quarter of 2024 the sales volume of unsecured loans (cash loans and loans on credit card) amounted to **PLN 234 million** and was **higher by 56% YoY** and **higher by 24% QoQ.** At the end of the first quarter of 2024, the balance of the unsecured loan portfolio amounted to slightly above **PLN 1.6 billion**, which means maintaining the level from the first quarter of 2023 and an increase of 2% QoQ.
Mortgage products	The mortgage loans offer was constantly dedicated to selected client segments, i.e. Citigold Private Client, CitiGold and Citi Priority - all the newly originated mortgage and home equity loans were granted in those client segments. The mortgage products sold in the first quarter of 2024 reached **PLN 151 million**, i.e. **increased by 216% as compared to the first quarter of 2023** and increased by 5% comparing to the fourth quarter of 2023. In the first quarter of 2024, customers most often chose the offer with periodically fixed interest, this offer accounted for 61% of acquisitions. As at the end of that period, the mortgage portfolio amounted to **PLN 2.3 billion** as compared to PLN 2.1 billion in the corresponding period of 2023, i.e. increased by 8% YoY**.**
Insurance and investment products	As at the end of the first quarter of 2024, the funds under management as part of investment products (including insurance products, without dual currency investments) acquired by retail clients via the Bank were **3% higher** than as at the fourth quarter of 2023. This increase resulted from an increase in the value of assets within investment funds. Compared to the corresponding period of the previous year, i.e. the end of the first quarter of 2023, the total value of funds managed in investment products was **higher by 13%,** which was mainly due to an increase in the value and increase in the valuation of assets under investment funds and products available as part of brokerage services on the Polish market.

2.4. Development of distribution channels

Online Banking

The online platform for retail clients is built in a responsive technology, i.e. it can adapt itself to the device used by a client. Design was inspired by clients' expectations and extended functionality means that customers increasingly choose to manage products themselves via the Internet. One of the improvements is for credit card holders, which can manage their card limit, define transaction limits or convert transactions into installments. The clients can construct and update their investment profile coherent with the MiFID II regulation.

Electronic banking also includes: a transaction module for investment funds and a Citi Kantor currency exchange module, which allows, among others, to place a conditional order and set a currency alert.

The number of active users of Citibank Online, i.e. those who logged in to the online or mobile banking service via a browser or the Citi Mobile application at least once in every 90-day period, was **351,000** as at the end of the first quarter of 2024, i.e. increase by 3% YoY. The share of active Citibank Online users in the entire client portfolio of the Bank was **64%** as at the end of the first quarter of 2024, i.e. declined by 1 p.p. as compared to the first quarter of 2023.

At the same time, **digital users** accounted for **84% of all transactionally active clients** at the end of the first quarter of 2024, i.e. maintaining the level from the first quarter of 2023.

Mobile Banking

Responsive technology gives the client access to all functionalities in Citibank Online on any device they may use. The Citi Mobile application features such functions as free Push notifications, which keep the client updated of changes on the account or card, and login activation with the use of a fingerprint or face image, which makes access to the application even easier. The clients have had access to, among other functionalities, simplified and intuitive navigation, a modern layout and a mobile authorization service - Citi Mobile Token. The application also offers a currency exchange module, Citi Kantor, and a multi-currency service, Citibank Global Wallet, which permits automatic currency account alignment with the transaction currency without manually reassigning the card. The application presents offers of products and services tailored to customer needs and permits recommending of Bank's products to friends. It also enables to update contact details, including telephone number and email address.

As at the end of the first quarter of 2024, the **number of active users of mobile banking**, i.e. those who used mobile banking at least once in every 90-day period via the Citi Mobile application or Citibank Online in responsive technology, amounted to **254,000,** which means a decrease by 4% compared to the first quarter of 2023.

The share of active users of mobile banking in the retail client portfolio of Citi Handlowy was **46%**, i.e. decreased by 2 p.p. as compared to the same period in 2023.

At the same time, at the end of the first quarter of 2024, **mobile users accounted for 64% of all transactional active customers**, which means an increase by 1 p.p. as compared to the first quarter of 2023.

One of the more and more frequently chosen payment methods is BLIK. The BLIK payment method allows payments at online, traditional and service outlets and ATM withdrawals, as well as instant BLIK Phone Transfers between the clients of different banks. The **number of transactions using the BLIK code** made by the Bank's clients in the first quarter of 2024 amounted to **660,000**, i.e. **increased by 38%** as compared to the first quarter of 2023. The number of BLIK phone transfers amounted to **329,000**, which is an **increase of 56%** as compared to the first quarter of 2023.

Other payment methods have also enjoyed undiminished popularity, among others: **Apple Pay and Google Pay**. These are virtual wallets in clients' phones that give them independence and possibility to make payments anywhere in the world. In the first quarter of 2024 clients made a total of over **5.2 million transactions** using these payment methods, which represents a **growth by 22%** as compared to the same period of 2023 (including an **increase by 24% YoY for Apple Pay and an increase by 18% YoY for Google Pay**).

Social Media

The first quarter of 2024 was a continuation of the Bank's active operations in the Social Media channels. The Bank is present on Facebook, Twitter, LinkedIn, Instagram, YouTube. Communications in Social Media are based on areas that build awareness of new products, activate client portfolios, and inform clients about the Bank's ESG activities. The Social Media are also a channel for acquiring new customers.

In the first quarter of 2024, the Bank's communications on Facebook and Instagram reached over **3.5 million unique users** (from paid activities), representing **an increase by almost 400,000 QoQ and a decrease by 200,000 YoY.** The unique reach on Facebook alone in the first quarter of 2024 was about 3.0 million users. Facebook and Instagram users had an average of 3.8 contacts with the Bank's marketing material, compared to 3.1 in the fourth quarter of 2023 and 3.8 in the first quarter of 2023. In the first quarter of 2024, 40 posts were published on Facebook.

In the first quarter of 2024, **Bank responded to 1,200 customer inquiries** regarding Bank products and services via the Messenger, compared to 1,100 in the fourth quarter of 2023 and 1,400 in the first quarter of 2023.

Indirect and Direct Customer Acquisition

Citigold and Smart outlets

In the first quarter of 2024, the Retail Branches Network comprised 18 branches, 9 of which were Hub Gold branches, 8 were Smart units and 1 was a Corporate Branch. The network maintains a stable structure and unchanged number of branches.

The structure of the Retail Branches Network is optimal for implementation of the strategy adopted at the Bank, it ensures the possibility to implement sales plans and maintain the expected standards when processing ongoing operational activities.

Changes to the network of outlets

Number of branches and other Points of Sale /touch points

	31.03.2024 (1)	31.12.2023 (2)	31.03.2023 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	**18**	**18**	**18**	**-**	**-**
Hub Gold	9	9	9	-	-
Smart branch	8	8	8	-	-
Corporate branch	1	1	1	-	-

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

10 Rating

As of end of the first quarter of 2024, the Bank had full ratings awarded by Fitch Ratings ("Fitch").

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

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

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

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

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

The decision to keep the VR on the rating watch negative is connected with Citigroup's strategy to exit retail banking activities, and, precisely, the lack of information on the details of that process (scope, timeframe), and it reflects the uncertainty how this divestment will affect the risk and financial situation of the Bank. The Bank's VR can be removed from the rating watch negative if, after the divestment is complete, Fitch concludes that that the risk profile and financial profile of the Bank still justifies a BBB+ score or if the transaction is cancelled.

For the full announcement published by Fitch please visit:
https://www.fitchratings.com/research/banks/fitch-affirms-bank-handlowy-idr-at-a-maintains-vr-on-rwn-05-09-2023

11 Financial instruments disclosure

Fair value of financial assets and liabilities

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

PLN '000	31.03.2024		31.12.2023	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Amounts due from banks	8,583,382	8,583,414	15,371,552	15,371,619
Amounts due from customers	20,466,180	20,726,879	20,054,454	19,848,322
Amounts due from institutional customers	14,521,904	14,724,605	14,126,464	13,982,239
Amounts due from individual customers	5,944,276	6,002,274	5,927,990	5,866,083
Financial liabilities				
Amounts due to banks	5,304,143	5,304,294	3,375,687	3,375,960
Amounts due to customers	54,519,690	54,495,679	55,008,001	54,980,883

Valuation methods and assumptions used for the purposes of fair value

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

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

Fair value included in consolidated statement of financial position

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

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

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

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

As at 31 March 2024

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	2,013,567	3,449,177	-	5,462,744
derivatives	16,615	3,449,177	-	3,465,792
debt securities	1,987,595	-	-	1,987,595
equity instruments	9,357	-	-	9,357
Hedging derivatives	-	54,151	-	54,151
Debt investment financial assets measured at fair value through other comprehensive income	21,532,711	15,653,594	-	37,186,305
Equity investments and other measured at fair value through income statement	21,347	-	123,109	144,456
Financial liabilities				
Financial liabilities held-for-trading	154,071	2,732,202	-	2,886,273
short sale of securities	129,448	-	-	129,448
derivatives	24,623	2,732,202	-	2,756,825
Hedging derivatives	-	78,287	-	78,287

As at 31 December 2023

PLN'000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	844,480	4,035,852	-	4,880,332
derivatives	45,970	4,035,852	-	4,081,822
debt securities	791,112		-	791,112
equity instruments	7,398		-	7,398
Hedging derivatives	-	6,731	-	6,731
Debt investment financial assets measured at fair value through other comprehensive income	24,564,280	4,996,012	-	29,560,292
Equity investments and other measured at fair value through income statement	19,739	-	121,756	141,495
Financial liabilities				
Financial liabilities held-for-trading	140,524	3,381,679	-	3,522,203
short sale of securities	133,495		-	133,495
derivatives	7,029	3,381,679	-	3,388,708
Hedging derivatives	-	92,869	-	92,869

As at March 31, 2024, the amount of financial assets classified to level III includes the value of the share in Visa Inc. in the amount of PLN 17,022 thousand (privileged series C) and also the value of other minority shareholding in the amount of PLN 106,087 thousand (as at December 31, 2023 PLN 15,669 thousand and PLN 106,087 thousand, respectively).

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

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

	Equity and other investments measured at fair value through income statement	
PLN '000	01.01.-31.03.2024	01.01.-31.12.2023
As at 1 January	**121,756**	**88,484**
Revaluation	1,353	33,272

As at the end of period	**123,109**	**121,756**

In the three-month period of 2024 the Group has not made any changes in classification criteria of financial instruments (presented in the consolidated statement of financial position at fair value) to each category reflecting the fair value (level I, level II, level III).

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

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

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

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses – amounts due from banks				
Provision for expected credit losses as at 1 January 2024	**(364)**	**(541)**	**-**	**(905)**
Transfer to Stage 1	(176)	176	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
(Creation)/Releases in the period though the income statement	379	359	-	738
Foreign exchange and other movements	4	-	-	4
Provision for expected credit losses as at 31 March 2024	**(157)**	**(6)**	**-**	**(163)**

PLN '000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Provision for expected credit losses – amounts due from customers					
Provision for expected credit losses as at 1 January 2024	**(52,475)**	**(99,751)**	**(585,436)**	**470**	**(737,192)**
Transfer to Stage 1	(15,141)	15,010	131	-	-
Transfer to Stage 2	3,193	(4,185)	992	-	-
Transfer to Stage 3	137	11,565	(11,386)	(316)	-
Transfer to purchased or originated credit-impaired assets	-	-	5,249	(5,249)	-
(Creation)/Releases in the period though the income statement	14,994	(15,672)	6,095	1,478	6,895
Decrease in provisions due to write-offs	-	-	76,027	-	76,027
Changes in accrued interest in Stage 3 other than written off and sale of receivables	10	(1)	(8,889)	(1,045)	(9,925)
Decreasing in write-downs due to derecognition as a result of material change	-	-	-	5,249	5,249
Foreign exchange and other movements	76	106	2,009	153	2,344
Provision for expected credit losses as at 31 March 2024	**(49,206)**	**(92,928)**	**(515,208)**	**740**	**(656,602)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses – amounts due from banks				
Provision for expected credit losses as at 1 January	**(376)**	**(1,037)**	**-**	**(1,413)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
2023				
Transfer to Stage 1	(127)	127	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
(Creation)/Releases in the period though the income statement	47	311	-	358
Foreign exchange and other movements	92	58	-	150
Provision for expected credit losses as at 31 December 2023	**(364)**	**(541)**	**-**	**(905)**

PLN '000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Provision for expected credit losses - amounts due from customers					
Provision for expected credit losses as at 1 January 2023	**(40,985)**	**(43,613)**	**(331,769)**	**(1,354)**	**(417,721)**
Transfer to Stage 1	(913)	913	-	-	-
Transfer to Stage 2	1,902	(1,902)	-	-	-
Transfer to Stage 3	89	959	(1,048)	-	-
(Creation)/Releases in the period though the income statement	-	-	795	(795)	-
Decrease in provisions due to write-offs	-	-	67,505	-	67,505
Decrease in provisions in connection with the sale of receivables	-	-	18,338	-	18,338
Changes in accrued interest in Stage 3 other than written off and sale of receivables	(10)	1	(8,678)	-	(8,687)
Decreasing in write-downs due to derecognition as a result of material change	-	-	-	1,428	1,428
Foreign exchange and other movements	(897)	5,892	6,747	1,138	12,880
Provision for expected credit losses as at 31 December 2023	**(20,582)**	**(29,898)**	**(260,474)**	**646**	**(310,308)**

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

The value of provisions for expected credit losses for off–balance sheet commitments amounted to PLN 29,359 thousand as at 31 March 2024 (31 December 2023: PLN 34,960 thousand, 31 March 2023: PLN 33,196 thousand).

In the period from 1 January to 31 March 2024, the Group did not create write-offs for impairment of tangible fixed assets, intangible assets and reversals of write-offs of that title.

13 Deferred tax asset and provision

PLN '000	31.03.2024	31.12.2023
Deferred tax asset	1,006,805	1,058,275
Deferred tax provision	(928,450)	(945,850)
Net asset due to deferred income tax of a parent company	**78,355**	**112,425**

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

Deferred tax on acquisition of the organized part of the enterprise in the value of PLN 2,697 thousand as at 31 March 2024, will be settled with the liability to the Tax Office until August 2027.

14 Acquisitions and disposals of tangible fixed assets

In the period from 1 January to 31 March 2024 the value of purchased by the Group components of "tangible fixed assets" equaled PLN 27,736 thousand (in 2023: PLN 121,129 thousand) and the value of disposals of "tangible fixed assets" amounted to PLN 1,103 thousand (in 2023: PLN 651 thousand).

As at 31 March 2024 the Group has no significant commitments to purchase of tangible fixed assets.

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

Between 1 January and 31 March 2024 in the Group has been no occurrence of default or breach due to received credit agreement.

16 Seasonality or periodicity of business activity

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

17 Issue, redemption and repayment of debt and equity securities

In the three-month period of 2024 no issue, pay back or repurchase of debt or equity securities had place.

18 Paid (or declared) dividends

With regard to the individual dividend recommendation of the Polish Financial Supervision Authority received by the Bank on February 23, 2024, the Bank's Management Board adopted a resolution on the acceptance the Polish Financial Supervision Authority recommendations, i.e.:

- not paying by Bank a dividend from its net profit earned in the period from January 1, 2023 to December 31, 2023 in an amount greater than 75%, however, the maximum amount of the payment cannot exceed the amount of the annual net profit less the profit earned in 2023 already included in own funds;
- not taking, without prior consultation with the Supervisory Authority, other actions, in particular those outside the scope of the Bank’s current business and operational activities, which could result in a reduction of the Bank’s own funds, including possible dividend payments from undistributed profit from previous years as well as repurchases or buybacks of own shares.

On May 7, 2024, the Management Board of Bank Handlowy w Warszawie S.A. adopted a resolution on the proposed distribution of net profit for the year 2023. The Management Board of the Bank recommended to the Annual General Meeting in 2024 to distribute the profit for 2023 in the amount of PLN 2,255,190,345.46 as follows:

- dividend: PLN 1,450,321,560.00,
- reserve capital: PLN 804,868,785.46.

The dividend date proposed by the Management Board is June 27, 2024, and the dividend payment date is July 4, 2024.

The above proposal of dividend payment, representing 64% of the net profit for 2023, is in line with the individual recommendation of the Polish Financial Supervision Authority regarding the Bank's compliance with the requirements for the payment of 75% of the dividend from net profit generated in 2023.

With reference to current report no. 27/2023 regarding obtaining the permission from the Polish Financial Supervision Authority to buy-back own shares and the commencement of the buy-back process by the Bank, the final amount for dividend payment, and thus for the reserve capital, will depend on the number of own shares held by the Bank on the dividend date.

In line with current reports No. 17/2023 and 20/2023, the part of net profit of 2023 in the amount of PLN 800 million was recognized in the Bank’s Tier 1 capital.

The recommendation of the Management Board will be submitted to the Supervisory Board for an opinion. The final decision on the distribution of the net profit for 2023 and retained earnings from previous years will be made by the Bank's General Meeting.

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

The detailed specification of granted financial and guarantee commitments as at 31 March 2024 and changes in comparison with the end of 2023 are as follows:

PLN '000	State as at		Change	
	31.03.2024	31.12.2023	PLN '000	%
Contingent liabilities granted				
Financial	**15,185,715**	**14,323,305**	**862,410**	**6.0%**
Import letters of credit issued	187,372	157,836	29,536	18.7%
Credit lines granted	14,371,056	14,165,469	205,587	1.5%
Other	627,287	-	627,287	-
Guarantees	**2,933,883**	**3,018,997**	**(85,114)**	**(2.8%)**
Guarantees granted	2,913,168	2,999,009	(85,841)	(2.9%)
Other	20,715	19,988	727	3.6%
	18,119,598	**17,342,302**	**777,296**	**4.5%**
Contingent liabilities received				
Guarantees (guarantees received)	9,296,057	9,442,297	(146,240)	(1.5%)
	9,296,057	**9,442,297**	**(146,240)**	**(1.5%)**
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	6,947,053	1,868,836	5,078,217	271.7%
Forward**	326,665,822	296,461,168	30,204,654	10.2%
	333,612,875	**298,330,004**	**35,282,871**	11.8%

**Foreign exchange and securities transactions with current value date.*
***Derivatives: FX, interest rate transactions and options.*

20 Changes in Group's structure

In the first quarter of 2024 the structure of the Bank's Capital Group has not changed compared to the end of 2023.

21 Fulfilment of 2024 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2024.

22 Information about shareholders

In the period from the publication of the 2023 annual report to the date of publication of this report for the first quarter of 2024, the ownership structure of significant blocks of the Bank's shares did not changed.

As at the date of publication of this report for the first quarter of 2024, in accordance with the information held by the Bank on shareholders holding, directly or indirectly, through subsidiaries, at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital, the following entities were:

	Number of shares	% Shares	Number of votes at GM	% votes at GM
Citibank Europe PLC, Ireland	97,994,700	75.00	97,994,700	75.00
Pension funds managed by Nationale-Nederlanden PTE S.A, including:	6,876,766	5.26	6,876,766	5.26
Nationale Nederlanden OFE	6,539,514	5.01	6,539,514	5.01
Other shareholders	25,788,134	19.74	25,788,134	19.74
	130,659,600	**100.00**	**130,659,600**	**100.00**

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

According to the best knowledge of the Bank – the dominant entity, at the end of the first quarter of 2024, as well as at the date of submission of the previous periodic report for the 2023, members of the Management Board and Supervisory Board did not hold Bank's shares.

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

24 Information on own shares' buy back process

In the first quarter of 2024, the Bank began implementing the program of buy-backs of own shares adopted under resolution no. 5/2022 of the Extraordinary General Meeting of Shareholders of the Bank of 16 December 2022 on authorizing the Bank's Management Board to purchase treasury shares by the Bank and the establishment of reserve capital for the purposes of the own shares buy-back program.

The Bank has been purchasing own shares to issue them to eligible employees of the Bank as indicated in the incentive programs referred to in the resolutions adopted by the Extraordinary General Meeting of Shareholders of the Bank on 16 December 2022.

In the first quarter of 2024, the Bank purchased a total of 48,438 own shares with the face value of one purchased share being PLN 4.00 representing 0.037071% of the Bank's share capital and authorizing to 48,438 votes at the General Meeting of Shareholders of the Bank which constitutes 0.037071% of the total number of votes at the General Meeting of Shareholders of the Bank.

Continuing the own shares buy-back program, in the period from April 2 to April 8, 2024, the Brokerage Department of Bank Handlowy purchased a total of 19,062 own shares of the Bank for the Bank's account. The purchased shares with a nominal value of PLN 4.00 each represent 0.014589% of the Bank's share capital and authorize to 0.014589% of the total number of votes at the Bank's General Meeting.

As part of the treasury shares buy-back program referred to above, until the publication day of this quarterly report, the Bank purchased a total of 67,500 treasury shares with the face value of one purchased share being PLN 4, representing 0.051661% of the Bank's share capital and authorizing to 67,500 votes at the General Meeting of Shareholders of the Bank, which constitutes 0.051661% of the total number of votes at the General Meeting of Shareholders of the Bank, provided that in the period when treasury shares are owned by the Bank, the Bank may not exercise its voting rights attached to these shares.

Accounting policy regarding incentive program being the basis of ownshares buy back is described in Note 3.

25 Information on pending court proceedings

No proceedings regarding receivables or liabilities of the Group conducted in the first quarter of 2024 in court, public administration authorities or an arbitration authority is of significant value. In Group's opinion no proceedings conducted in court, public administration authority or an arbitration authority, pose a threat to the Group's financial liquidity, individually or in total.

In the case of legal proceedings involving the risk of cash outflow as a result of meeting the Group's commitments, the appropriate provisions are created.

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

PLN '000	31.03.2024	31.12.2023
Provisions for disputes, including:	**47,645**	47,028
provisions for option cases on derivative instruments	16,088	15,880
provisions for individual cases relating, including:	24,609	23,512
provisions for cases related to CHF-indexed loans	23,827	22,625
provisions for cases related to the return of a part of the commission for granting consumer loan	782	887
Provisions for disputes	**47,645**	**47,028**

The above values do not include portfolio provision created in connection with the CJEU judgments.

In the first quarter of 2024, the Group did not make any significant settlement due to court ended with the final judgment.

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

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

In the Bank's opinion, the amount of claims filed by the companies is not justified. The Bank's position is confirmed by legally binding resolutions of legal actions taken by the companies against the Bank, which are beneficial for the Bank, as well as by the judgement expressed in the proceedings with reference number C-64/21 pending before the Court of Justice of the European Union in connection with preliminary ruling from the Supreme Court of October 13, 2022.

- As at March 31, 2024, the Bank was, among others, a party to 13 court proceedings associated with derivative transactions. Among these, 7 proceedings have not been terminated with a legally binding conclusion, and 6 have been terminated with a legally binding conclusion, but in 3 of these proceedings are pending in the Supreme Court cassation proceeding, and in the 2 remaining proceedings regarding the costs of trial are still ongoing. In 7 proceedings the Bank acted as a defendant and in 6 as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those derivative transactions, as well as potential claims regarding potential invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank.
- The Bank was a party to proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa and Europay payment system operators and banks - issuers of Visa cards and Europay/Eurocard/Mastercard cards. The Bank was one of the addressees of the President of UOKiK's decision in the case. The proceedings have concerned alleged practices limiting competition on the payment cards market in Poland consisting in the fixing of interchange fees for transactions made with Visa and Europay/ Eurocard/ Mastercard cards, as well as limiting access to the market for operators who do not belong to the unions of card issuers, against whom the proceedings were initiated. The President of UOKiK's decision was the subject of legal analyses in appeal proceedings. On April 22, 2010, the Appeal Court overturned the verdict of the Court of Competition and Consumer Protection (SOKiK) and referred the case back to the court of first instance. On 21 November 2013 SOKiK gave a judgment, under which a penalty imposed on the Bank was modified and set in the amount of PLN 1,775,720. On October 6, 2015, the Appeal Court modified the verdict of the Competition and Consumer Protection Court and denied all appeals from the decision of the President of the Competition and Consumer Protection Office, including the changes of amounts of the fines that were imposed upon banks. As a result, the fine in the amount of 10,228,470 PLN that was originally imposed upon the Bank has been reinstated. As the Bank submitted extraordinary appeal on the 25 October 2017 the Supreme Court has overturned the Appeal Court's verdict and the case has been returned to the Appeal Court for a second review. The appeals proceedings has begun again. In the first quarter of 2018, the Bank received the reimbursed. By the judgment of November 23, 2020, the Appeal Court set aside the judgment of November 21, 2013 and remitted the case to the court of first instance for reconsideration.
- The Bank is carefully following the changes of the legal environment arising out of the courts' case law regarding mortgage loans indexed to foreign currencies, including the judgment of the Court of Justice of the European Union (CJEU), case no. C 260/18, of 3 October 2019. The Bank has identified a number of doubts as regards interpretation of the above-mentioned judgment. Despite the still unresolved issues as at the day of these financial statements, most courts have ruled against banks on indexed loan cases. The expected resolution of the Civil Law Division of the Supreme Court to rule again on issues on which courts are still inconsistent has been postponed to an indefinite date. The Supreme Court formulated the question of the CJEU as to whether the current composition of the Civil Law Division of the Supreme Court is competent to pass a resolution, taking into account doubts as to the correctness of appointment of some of its judges. It should be noted, however, that apart from the doubts in court cases, the measures of the Polish Financial Supervision Authority set out the direction of possible settlements between banks and the Swiss franc borrowers.

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

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

As at March 31, 2024, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 31,9 million. The Bank maintains a collective provision in the amount of PLN 9.4 million. Estimation of the provision assumed the expected level of customer complaints based on the trend observed by the Bank, which is different for active loans and for loans repaid before the balance sheet date, as well as the probability of a settlement or court solution and the Bank's loss estimate in the event of a dispute in court. This value, as well as provisions for individual disputes, are included in the Bank's consolidated statement of financial position under item: Provisions.

As at March 31, 2024, the Bank was sued in 81 cases relating to a CHF-indexed loan for a total amount of approximately PLN 36 million. 27 cases were legally lost, and the Bank decided to file two cassation appeals (one appeal was rejected on formal grounds, as to the second the Supreme Court refused to accept the cassation appeals for consideration). Most of the cases are in the first instance.

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

Starting from 28 September 2020, the Bank has been reimbursing fees using the "straight-line method" to all the consumers who repaid their consumer loans before the contractual deadline, after 11 September 2019, provided that the fee was charged during the term of the consumer loan act.

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

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

After the decision was issued, the President of the UOKiK asked the Bank to provide explanations regarding the manner in which the Bank reimburses a proportional part of the commission in the case where customer takes out another loan with the Bank in such a way that it replaces the original agreement ("Increase agreement"). The Bank decided to align its practice with the position of the UOKiK President and decided to settle the proportionate part of the commission in relation to clients who entered into the Increased agreement after 11 September 2019.

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

As of March 31, 2024, the Bank was sued in 959 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 4.3 million.

- On 23 June 2021, the President of the Office of Competition and Consumer Protection initiated explanatory proceedings to initially determine whether the Bank's actions taken after consumers reported unauthorized payment transactions may justify the initiation of proceedings regarding practices violating the collective interests of consumers or proceedings regarding to recognize the provisions of the standard contract as prohibited. On 8 February 2024, the President of the Office of Competition and Consumer Protection initiated proceedings (decision delivered on 13 February 2024) 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. As at 31 March, 2024, the Bank did not create any provision in this respect because it is not possible to reliably estimate its potential outcome.

- 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, it is not possible to reliably estimate its potential outcome.

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

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

27 Information about significant guarantee agreements

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

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

On May 2, 2024, the President of the Republic of Poland approved the amended Act amending the Act on supporting consumer borrowers who took out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers ("Act"). The amending Act introduces the criterion that only persons with a mortgage loan in PLN for a maximum amount of PLN 1.2 million can apply for installments suspension. Criteria also assume that the installment should exceed 30% household income, calculated as the average for the previous three months or if the borrower has at least three children to support (as of the date of submitting the application). A consumer will be able to take vacation twice in the period from 1 June to 31 August and twice in the period from 1 September to 31 December. In connection with the above, the Group's results will be burdened by adjusting the gross value of mortgage loans an estimated amount of approx. PLN 14 million (the final estimate will be provided in the financial statements for the first half of 2024).

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

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

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

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

As in the previous quarters, one of the threats is the possibility of inflation persisting above the inflation target assumed by the National Bank of Poland. Such a situation could result in another interest rate hike by the Monetary Policy Council. Continued high inflation would undermine real household wage growth, leading to a renewed weakening of private consumption.

A source of substantial risk is also the persisting uncertainty regarding the scale and sustainability of the economic recovery in the eurozone, which is Poland's primary trading partner. Weakening of output in Western Europe might have a negative impact on the Polish industry and undermine western demand for Polish exports.

Interim condensed standalone financial statements of the Bank for the first quarter of 2024

Condensed income statement

PLN '000	For the period	I quarter accruals period from 01.01.24 to 31.03.24	I quarter accruals period from 01.01.23 to 31.03.23
Interest income		1,035,533	1,071,450
Similar income		70,106	43,636
Interest expense and similar charges		(309,132)	(269,944)
Net interest income		**796,507**	**845,142**
Fee and commission income		172,229	168,082
Fee and commission expense		(27,927)	(27,302)
Net fee and commission income		**144,302**	**140,780**
Dividend income		**93**	**4**
Net gain/(loss) on trading financial instruments and revaluation		**135,428**	**231,843**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**(6,123)**	**24,256**
Net gain/(loss) on equity investments and other measured at fair value through income statement		**2,961**	**1,308**
Net gain/(loss) on hedge accounting		**7,753**	**(2,602)**
Other operating income		6,275	6,088
Other operating expenses		(7,978)	(6,446)
Net other operating income		**(1,703)**	**(358)**
General administrative expenses		**(440,441)**	**(388,266)**
Depreciation and amortization		**(29,527)**	**(26,306)**
Profit on sale of other assets		**1,847**	**(21)**
Provisions for expected credit losses on financial assets and provisions for contingent liabilities		**10,411**	**(11,899)**
Tax on certain financial institutions		**(45,217)**	**(47,044)**
Profit before tax		**576,291**	**766,837**
Income tax expense		**(123,211)**	**(164,410)**
Net profit		**453,080**	**602,427**
Weighted average number of ordinary shares (in pcs)		130,659,600	130,659,600
Earnings per share (in PLN)		3.47	4.61
Diluted net earnings per share (in PLN)		3.47	4.61

Condensed statement of comprehensive income

PLN '000 For a period	I quarter accruals period from 01.01.24 to 31.03.24	I quarter accruals period from 01.01.23 to 31.03.23
Net profit	**453,080**	**602,427**
Other comprehensive income, that is or might be subsequently reclassified to income statement:	**114,776**	**223,879**
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	109,816	243,526
(Profit)/Loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	4,960	(19,647)
Total comprehensive income	**567,856**	**826,306**

Condensed statement of financial position

PLN ’000 as at	31.03.2024	31.12.2023
ASSETS		
Cash and balances with the Central Bank	1,045,744	1,241,724
Amounts due from banks	8,583,382	15,371,552
Financial assets held-for-trading, including:	5,462,744	4,880,332
Assets pledged as collateral	*25,247*	-
Hedging derivatives	54,151	6,731
Debt investment financial assets measured at fair value through other comprehensive income, including:	37,186,305	29,560,292
Assets pledged as collateral	*201,345*	*697,771*
Shares in subsidiaries	91,612	91,639
Equity investments and other measured at fair value through income statement	144,456	141,495
Amounts due from customers	20,466,180	20,054,454
Tangible fixed assets	531,614	508,403
Intangible assets	1,273,594	1,285,314
Deferred tax asset	81,085	115,401
Other assets	374,358	217,366
Non-current assets held-for-sale	-	9,266
Total assets	**75,295,225**	**73,483,969**
LIABILITIES		
Amounts due to banks	5,304,143	3,375,687
Financial liabilities held-for-trading	2,886,273	3,522,203
Hedging derivatives	78,287	92,869
Amounts due to customers	54,674,978	55,162,586
Provisions	104,991	111,011
Current income tax liabilities	493,936	457,871
Other liabilities	1,470,938	1,093,722
Total liabilities	**65,013,546**	**63,815,949**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	2,944,585	2,944,585
Own shares	(3,591)	-
Revaluation reserve	243,182	128,406
Other reserves	3,241,340	3,191,946
Retained earnings	3,333,525	2,880,445
Total equity	**10,281,679**	**9,668,020**
Total liabilities and equity	**75,295,225**	**73,483,969**

Condensed statement of changes in equity

PLN '000	Ordinary shares	Share premium	Own shares	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2024	**522,638**	**2,944,585**	**-**	**128,406**	**3,191,946**	**2,880,445**	**9,668,020**
Total comprehensive income, including:	**-**	**-**	**-**	**114,776**	**-**	**453,080**	**567,856**
Net profit	-	-	-	-	-	453,080	453,080
Other comprehensive income	-	-	-	114,776	-	-	114,776
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	-	114,776	-	-	114,776
Net actuarial gains on defined benefit plan	-	-	-	-	-	-	-
Purchase and transfer of own shares to employees	-	-	(3,591)	-	49,394	-	45,803
Balance as at 31 March 2024	**522,638**	**2,944,585**	**(3,591)**	**243,182**	**3,241,340**	**3,333,525**	**10,281,679**

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

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2023	522,638	2,944,585	(573,528)	2,811,344	2,194,565	7,899,604
Total comprehensive income, including:	-	-	701,934	(12,771)	2,255,190	2,944,353
Net profit	-	-	-	-	2,255,190	2,255,190
Other comprehensive income	-	-	701,934	(12,771)	-	689,163
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	701,934	-	-	701,934
Net actuarial profits/(losses) on specific services program valuation	-	-	-	(12,771)	-	(12,771)
Dividends paid	-	-	-	-	(1,175,937)	(1,175,937)
Transfer to capital	-	-	-	393,373	(393,373)	-
Balance as at 31 December 2023	522,638	2,944,585	128,406	3,191,946	2,880,445	9,668,020

Condensed summary statement of cash flows

PLN '000 For a period	I quarter accruals period from 01.01.24 to 31.03.24	I quarter accruals period from 01.01.23 to 31.03.23
Cash at the beginning of the reporting period	**1,241,874**	**671,336**
Cash flows from operating activities	(167,359)	1,944,974
Cash flows from investing activities	(21,699)	(23,054)
Cash flows from financing activities	(7,031)	(3,144)
Cash at the end of the reporting period	**1,045,785**	**2,590,112**
Increase/(decrease) in net cash	**(196,089)**	**1,918,776**

Comparative data for the first quarter of 2023 have been restated due to the Bank's adjustment of the presentation of cash and cash equivalents to the position of the IFRS Interpretation Committee and the requirements of IAS 7 "Statement of Cash Flows", additional information can be found in the Annual Standalone Financial Statements of the Bank Handlowy w Warszawie S.A. for the financial year ending December 31, 2023.

Condensed additional information

1. Declaration of conformity

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

These interim condensed standalone financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the standalone financial statements of the Bank for the financial year ended 31 December 2023 and interim condensed consolidated financial statements of the Group for the first quarter of 2024.

In accordance with Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, item 757, as amended) ("Decree") the Bank is obliged to publish its financial results for the 3-month period ended 31 March 2024 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

Interim condensed standalone financial statements of the Bank for the first quarter of 2024 have been prepared in accordance with the Decree by virtue of which the issuer, being a parent entity, is not obliged to provide interim separate financial statements, on condition that it includes in the interim consolidated financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and condensed supplementary notes, comprising of information and data significant for the assessment of the issuer's financial standing and its profit or loss, but not presented in the interim consolidated financial statement. In addition, it's required to prepare the interim condensed financial statements in accordance with accounting principles adopted in the preparation process of the annual financial statements including changes described in condensed consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie SA for the first quarter of 2024.

Principles adopted in the preparation process of these interim condensed standalone financial statements are consistent with the principles, described in the annual standalone financial statements of the Bank for the financial year ended 31 December 2023 taking into account the changes described in the interim condensed consolidated financial statements of the Group for the first quarter of 2024.

Other information and explanations presented in interim condensed consolidated financial statements for the first quarter of 2024 also contain all information and explanatory data essential for these interim condensed standalone financial statements.

The summary of Bank's financial results for the first quarter of 2024 is presented below.

Bank's financial results

In the first quarter of 2024, the Bank generated a profit before tax of PLN 576.3 million, compared to PLN 766.8 million in the corresponding period of 2023 (i.e. decrease by PLN 190.5 million YoY, 24.8%).

Net profit earned in the period from January to March 2024 amounted to PLN 453.1 million compared to PLN 602.4 million of net profit in the corresponding period of 2023.

The net profit of the Bank in the first quarter of 2024 was driven mainly by lower results generated in the area of trading activities due to lower result on exchange rate differences resulting from the revaluation of currency positions, a decline in interest income and higher operating costs related due to increase in regulatory expenses.

The interim condensed consolidated financial statements for the first quarter of 2024 will be available on the website of Bank Handlowy w Warszawie SA. **www.citihandlowy.pl.**

Urszula Lewińska Director of Financial Reporting, Control and Tax Department	Patrycjusz Wójcik Vice-President of Management Board
08.05.2024	08.05.2024
(signed in Polish version)	*(signed in Polish version)*