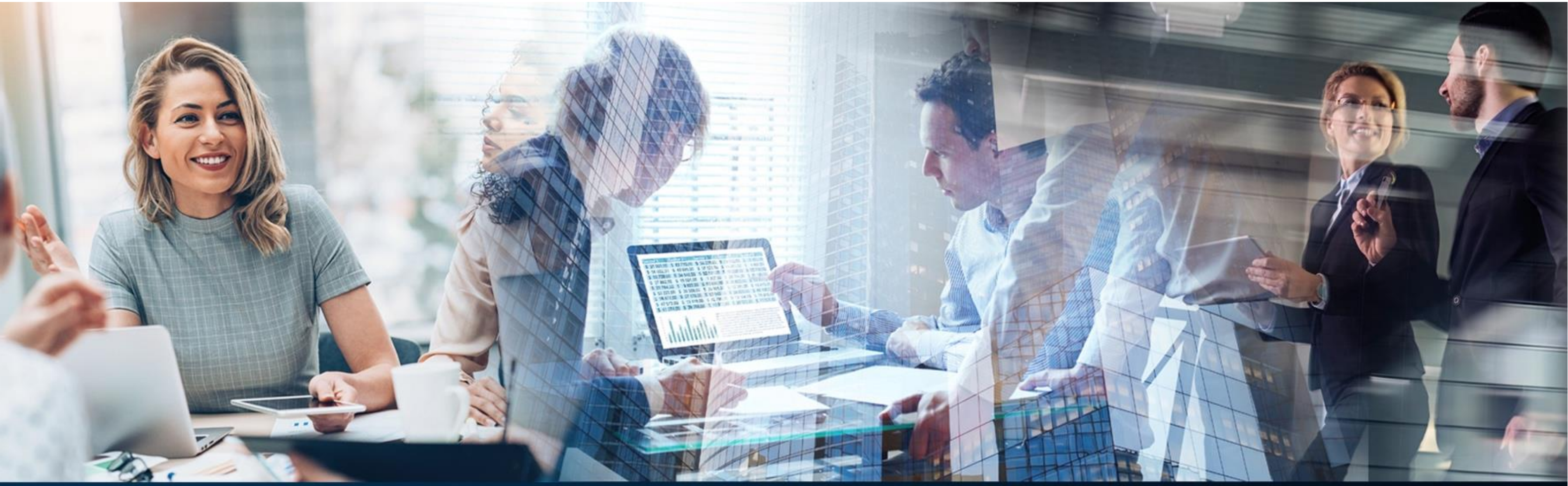

Capital Group of Bank Handlowy w Warszawie S.A. Annual Report 2022

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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.

This document is not the official version of the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended December 31, 2022. Official Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended December 31, 2022, it was prepared in accordance with the requirements of the ESEF.

SELECTED FINANCIAL DATA	PLN'000		EUR'000***	
	2022	2021	2022	2021
Interest and similar income	3,332,804	824,249	710,877	180,065
Fee and commission income	688,184	742,899	146,788	162,294
Profit before tax	1,994,688	950,936	425,461	207,741
Net profit	1,545,680	717,468	329,689	156,738
Total comprehensive income	1,291,558	(40,781)	275,485	(8,909)
Increase/decrease of net cash	(5,907,780)	2,046,917	(1,260,111)	447,169
Total assets	69,801,402	61,862,771	14,883,345	13,450,183
Amounts due to banks	4,794,671	3,383,353	1,022,340	735,607
Amounts due to customers	50,512,860	43,507,474	10,770,562	9,459,380
Shareholders' equity	7,960,245	7,383,395	1,697,317	1,605,295
Share capital	522,638	522,638	111,439	113,632
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	60.92	56.51	12.99	12.29
Total capital adequacy ratio (in %)*	17.6	20.1	17.6	20.1
Earnings per share (PLN/EUR)	11.83	5.49	2.52	1.20
Diluted net earnings per share (PLN/EUR)	11.83	5.49	2.52	1.20
Declared or paid dividends per share (PLN/EUR)**	5.47	1.20	1.17	0.26

**Additional information on TCR calculation in the supplementary note no. 3 in the section "Capital Adequacy" and "Information on capital adequacy of Bank Handlowy w Warszawie S.A. as at 31 December 2022" subject to publication on the Bank's website. Calculation of TCR as of 31.12.2022 was subject to a separate review or audit by an auditor.*

***The Ordinary General Meeting of Shareholders of the Bank Handlowy w Warszawie S.A. adopted a resolution on distribution of the net profit for 2021 and a resolution on distribution of undistributed net profit from previous years. Additional information concerning dividend payout was presented in note 34.*

****The following foreign exchange rates were applied to convert PLN into EUR: for the statement of financial position - NBP mid exchange rate as at 31 December 2022 - PLN 4,6899 (as at 31 December 2021: PLN 4.5994); for the income statement, statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in 2022 – PLN 4,6883 in 2021: PLN 4.5775).*

The Annual Financial Statements of Capital Group of Bank Handlowy w Warszawie S.A. for the Financial Year Ended 31 December 2022

CONTENTS

Consolidated income statement

For the period PLN'000	Note	2022	2021
Interest income	5	3,187,563	772,212
Similar income	5	145,241	52,037
Interest expense and similar charges	5	(591,930)	(36,188)
Net interest income	5	**2,740,874**	**788,061**
Fee and commission income	6	688,184	742,899
Fee and commission expense	6	(108,469)	(93,031)
Net fee and commission income	6	**579,715**	**649,868**
Dividend income	7	**11,089**	**10,959**
Net income on trading financial instruments and revaluation	8	**647,198**	**514,603**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	39	**(323,054)**	**414,599**
Net gain/(loss) on equity and other instruments measured at fair value through income statement		**10,886**	**53,214**
Net gain/(loss) on hedge accounting	9	**(1,814)**	**(6,421)**
Other operating income	10	**23,038**	18,878
Other operating expenses	10	(40,390)	(89,648)
Net other operating income and expense	10	**(17,352)**	**(70,770)**
General administrative expenses	11	**(1,234,843)**	**(1,090,742)**
Depreciation expense	12	**(103,016)**	**(111,833)**
Profit/loss on sale of other assets		**2,869**	**(658)**
Provision for expected credit losses on financial assets and provisions for contingent liabilities	13	**(104,840)**	**(38,784)**
Operating profit		**2,207,712**	**1,112,096**
Tax on some financial institutions		**(213,024)**	**(161,160)**
Profit before tax		**1,994,688**	**950,936**
Income tax expense	14	**(449,008)**	**(233,468)**
Net profit		**1,545,680**	**717,468**
Including:			
Net profit attributable to the Bank's shareholders		1,545,680	717,468
Weighted-average number of ordinary shares (in pcs)	15	130,659,600	130,659,600
Net earnings per share (PLN)	15	11.83	5.49
Diluted net earnings per share (PLN)	15	11.83	5.49

Explanatory notes on following pages are an integral part of the annual consolidated financial statements.

Consolidated statement of comprehensive income

For the period		2022	2021
PLN'000	Note		
Net profit		**1,545,680**	**717,468**
Other comprehensive income, that is or might be subsequently reclassified to income statement:		**(261,421)**	**(762,051)**
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	16	(523,184)	(426,210)
(Profit) or loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	16	261,674	(335,825)
Currency translation differences		89	(16)
Other comprehensive income, that cannot be subsequently reclassified to income statement		**7,299**	**3,802**
Net actuarial profits/(losses) on defined benefit program valuation	16	7,299	3,802
Other comprehensive income net of tax		**(254,122)**	**(758,249)**
Total comprehensive income		**1,291,558**	**(40,781)**

Including:		
Comprehensive income attributable to the Bank's shareholders	1,291,558	(40,781)

Explanatory notes on following pages are an integral part of the annual consolidated financial statements.

Consolidated statement of financial position

As at		**31.12.2022**	**31.12.2021**
PLN'000	Note		
ASSETS			
Cash and balances with the Central Bank	17	595,969	6,526,743
Amounts due from banks	18	1,043,968	967,677
Financial assets held-for-trading	19	7,029,163	9,956,212
Assets pledged as collateral	41	60,988	-
Hedging derivatives		623	119,290
Debt financial assets measured at fair value through other comprehensive income, including:	20	37,180,808	20,590,284
Assets pledged as collateral	41	*697,698*	*748,763*
Equity and other instruments measured at fair value through income statement	21	106,144	97,316
Amounts due from customers	22	21,620,507	21,327,600
Tangible fixed assets	23	455,418	451,671
Intangible assets	24	1,263,863	1,243,160
Current income tax receivables		-	54,721
Deferred income tax asset	26	287,368	264,313
Other assets	27	217,571	257,621
Non-current assets held-for-sale	28	-	6,163
Total assets		**69,801,402**	**61,862,771**
LIABILITIES			
Amounts due to banks	29	4,794,671	3,383,353
Financial liabilities held-for-trading	19	4,896,099	6,588,482
Hedging derivatives		6,917	-
Amounts due to customers	30	50,512,860	43,507,474
Provisions	31	112,507	142,024
Current income tax liabilities		245,937	5,974
Deferred tax provision		165	-
Other liabilities	32	1,272,001	852,069
Total liabilities		**61,841,157**	**54,479,376**
EQUITY			
Share capital	34	522,638	522,638
Supplementary capital	34	3,001,259	3,001,699
Revaluation reserve	34	(573,528)	(312,018)
Other reserves	34	2,833,345	2,814,030
Retained earnings		2,176,531	1,357,046
Total equity		**7,960,245**	**7,383,395**
Total liabilities and equity		**69,801,402**	**61,862,771**

Explanatory notes on following pages are an integral part of the annual consolidated financial statements.

Consolidated statement of changes in equity

PLN'000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Restated balance as at 1 January 2022	**522,638**	**3,001,699**	**(312,018)**	**2,814,030**	**1,357,046**	**7,383,395**
Total comprehensive income, including:	**-**	**-**	**(261,510)**	**7,388**	**1,545,680**	**1,291,558**
Net profit	-	-	-	-	1,545,680	1,545,680
Other comprehensive income	-	-	(261,510)	7,388	-	(254,122)
Currency translation differences from conversion of foreign operations	-	-	-	89	-	89
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(261,510)	-	-	(261,510)
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	7,299	-	7,299
Dividends paid	**-**	**-**	**-**	**-**	**(714,708)**	**(714,708)**
Transfer to capital	**-**	**(440)**	**-**	**11,927**	**(11,487)**	**-**
As at 31 December 2022	**522,638**	**3,001,259**	**(573,528)**	**2,833,345**	**2,176,531**	**7,960,245**

PLN'000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2021	**522,638**	**3,002,265**	**450,017**	**2,793,561**	**812,486**	**7,580,967**
Total comprehensive income, including:	**-**	**-**	**(762,035)**	**3,786**	**717,468**	**(40,781)**
Net profit	-	-	-	-	717,468	717,468
Other comprehensive income	-	-	(762,035)	3,786		(758,249)
Currency translation differences from the conversion of foreign operations	-	-	-	(16)	-	(16)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(762,035)	-	-	(762,035)
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	3,802	-	3,802
Dividends paid	**-**	**-**	**-**	**-**	**(156,791)**	**(156,791)**
Transfer to capital	**-**	**(566)**	**-**	**16,683**	**(16,117)**	**-**
As at 31 December 2021	**522,638**	**3,001,699**	**(312,018)**	**2,814,030**	**1,357,046**	**7,383,395**

Explanatory notes on following pages are an integral part of the annual consolidated financial statements.

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Consolidated cash flow statement

PLN'000	For the period	2022	2021
A. Operating activities			
I. Net profit		**1,545,680**	**717,468**
II. Adjustments:		**(9,051,333)**	**697,395**
Current and deferred income tax recognized in income statement	14	449,008	233,468
Depreciation expense	12	103,016	111,833
Net result for expected credit losses on receivables	13	93,961	52,493
Net provisions (recoveries), including provisions for contingent liabilities		29,095	54,870
Net interest income	5	(2,740,873)	(788,061)
Dividend income	7	(11,089)	(10,959)
Profit/loss on sale of fixed assets		(2,869)	658
Net unrealized exchange differences		19,807	(3,941)
Equity and other investment measured at fair value though the income statement		(10,886)	(53,214)
Other adjustments		29,295	20,539
Change in amounts due from banks	18	(37,898)	(388,544)
Change in amounts due from customers	22	(309,691)	560,023
Change in debt securities measured at fair value through other comprehensive income	20	(16,769,855)	5,599,855
Change in financial assets held-for-trading	19	2,948,243	(5,625,043)
Change in assets due to hedging derivatives	37	118,667	(119,290)
Change in other assets	27	37,861	(321)
Change in amounts due to banks	29	1,384,681	(1,736,335)
Change in amounts due to customers	30	6,943,124	114,958
Change in liabilities held-for-trading	19	(1,692,383)	2,932,060
Change in liabilities due to hedging derivatives	37	6,917	(98,025)
Change in other liabilities	32	360,536	(159,629)
Interest received		**3,071,922**	**1,015,038**
Interest paid		**(504,181)**	**(36,756)**
Income tax paid		**(111,709)**	**(145,335)**
III. Net cash flows from operating activities		**(5,049,621)**	**2,247,810**
B. Investing activities			
Inflows		**29,624**	**49,369**
Disposal of tangible fixed assets	23	7,048	4,359
Disposal of capital shares	21	2,058	34,372
Disposal of fixed assets held-for-sale		9,783	-
Received dividends		10,735	10,638
Outflows		**(142,786)**	**(85,787)**
Purchase of tangible fixed assets	23	(59,107)	(25,573)
Purchase of intangible assets	24	(83,679)	(60,214)
Net cash flows from investing activities		**(113,162)**	**(36,418)**
C. Financing activities			
Inflows			
Outflows		**(726,286)**	**(168,453)**
Paid dividends		(714,708)	(156,792)
Outflows from lease payments		(11,578)	(11,661)
Net cash flows from financing activities		**(726,286)**	**(168,453)**
D. Exchange rate differences resulting from cash and cash equivalent calculation		**(18,711)**	**3,978**
E. Net increase/(decrease) in cash and cash equivalent		**(5,907,780)**	**2,046,917**
F. Cash and cash equivalent at the beginning of reporting period		**6,566,557**	**4,519,640**
G. Cash and cash equivalent at the end of reporting period (see note 44)	44	**658,777**	**6,566,557**

Explanatory notes on following pages are an integral part of the annual consolidated financial statements.

Additional information including the description of adopted accounting principles and other explanatory information

1. General information about the Bank and the Capital Group ("the Group")

Bank Handlowy w Warszawie S.A. ("Bank" or "parent entity") has its registered office in Poland at Senatorska 16, 00-923 Warszawa. The Bank was founded on the basis of Deed of foundation of 13 April 1870 and is registered in the Register of Entrepreneurs in the National Court Register kept by the District Court for the Capital City of Warsaw, XII Commercial Department in Warsaw, under KRS number 0000001538. The Bank operates as a joint stock company. The name of entity did not change during the reporting period.

The parent entity was given REGON number: 000013037 and tax identification number NIP: 526-030-02-91.

The parent entity and the entities of the Group were set up for an unspecified period of time.

The share capital of the Bank equals PLN 522,638,400 and is divided into 130,659,600 common bearer shares with a nominal value of PLN 4.00 per share. The shares are quoted on the Warsaw Stock Exchange.

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

The Bank is a universal commercial bank that offers a range of banking services for individuals and corporate clients on domestic and foreign markets.

In December 2021, the Bank completed the procedure of obtaining an extended brokerage license at the Polish Financial Supervision Authority. This allowed to complete the process of establishing a brokerage house within the Bank's structures and finalize the transfer of brokerage activities, conducted previously by Dom Maklerski Banku Handlowego S.A. ("DMBH"), to the Bank via sale of the enterprise.

On July 29, 2022, the Bank entered into a "Business Transfer Agreement" with DMBH pursuant to which the DMBH business was transferred to the Bank on August 1, 2022. As a result, the brokerage activities have been concentrated and run at the Brokerage Department of Bank Handlowy since 1 August 2022.

As a result of the completed integration, as of May 11, 2022, the Management Board of DMBH decided to discontinue the brokerage business as of August 1, 2022 and, on September 19, 2022, applied to the Polish Financial Supervision Authority to revoke the decision on granting the brokerage license.

Following the proceedings, on December 7, 2022, the Polish Financial Supervision Authority issued a decision to revoke the decision allowing DMBH to engage in brokerage business. The decision became final after 14 days.

The acquisition of the organized part of the business from DMBH had no impact on the Group's consolidated financial statements. The settlement of the acquisition of the business in the Bank's standalone financial statements was accounted for using the book value method, whereby the difference between the consideration paid and the book value of the net assets acquired, amounting to PLN 16.83 million, was recognized in the Bank's standalone equity. Additional information on the book values of the acquired assets is presented in note 47 of the Annual Financial Statements of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2022.

These annual consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. show the data for the Bank as the parent and its subsidiaries (jointly "Group").

The Group consists of the Bank and the following subsidiaries:

Subsidiaries	Registered office	% of share capital/votes at the General Meeting	
		31.12.2022	31.12.2021
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o. *(apart from indirect shareholding via Handlowy-Inwestycje Sp. z o.o.)*	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

Compared to the end of 2021, the structure of the Bank's Capital Group has not changed.

Financial information on subsidiaries, 31.12.2022

Subsidiaries fully consolidated

Name of subordinate	Location	Activity	Capital relationship	Share in equity (%)*	Assets	Liabilities	Equity	Revenues	Profit/ Loss
HANDLOWY – LEASING Sp. z o.o.	Warszawa	Leasing	Subsidiary	97,47	21,378	690	20,688	697	292
DOM MAKLERSKI BANKU HANDLOWE(S.A.	Warszawa	Brokerage	Subsidiary	100	119,220	1,934	117,286	48,399	3,333
HANDLOWY INVESTMENTS S.A.	Luxemburg	Investment activity	Subsidiary	100	4,432	55	4,377	442	(91)
HANDLOWY – INWESTYCJE Sp. z o.o. 1/	Warszawa	Investment activity	Subsidiary	100	10,566	94	10,472	208	12

Date in thousands of PLN
**direct share*

Explanation of indirect relationships:
1/ Indirect relationship via Handlowy-Inwestycje Sp. z o.o.

Name of subordinate	Location	Activity	Capital relationship	Share in equity [%]	Book value of shares	Assets	Liabilities	Equity	Revenues	Profit/ Loss
HANDLOWY - LEASING Sp. z o.o.	Warsaw	Leasing	Subsidiary	2.53	414	21,378	690	20,688	697	292

Date in thousands of PLN

The above presented financial data of the entities available at the time of preparation of the financial statements originate from the non-audited financial statements of the entities. Financial data of Handlowy Investments S.A. originate from the financial statements prepared as at 28 February 2023, which is the entity's balance sheet date.

Financial information on subsidiaries, 31.12.2021

Subsidiaries fully consolidated

Name of subordinate	Location	Activity	Capital relationship	Share in equity [%]*	Assets	Liabilities	Equity	Revenues	Profit/ Loss
HANDLOWY – LEASING Sp. z o.o.	Warszawa	Leasing	Subsidiary	97,47	21,129	732	20,397	-	(441)
DOM MAKLERSKI BAN HANDLOWEGO S.A.	Warszawa	Brokerage	Subsidiary	100	742,894	618,481	124,413	84,841	26,857
HANDLOWY INVESTMENTS S.A.	Luxemburg	Investment activity	Subsidiary	100	4,493	111	4,382	314	(359)
HANDLOWY – INWESTYCJE Sp. z (1/	Warszawa	Investment activity	Subsidiary	100	10,519	59	10,460	-	(169)

Date in thousands of PLN
**direct share*

Explanation of indirect relationships:

1/ Indirect relationship via Handlowy-Inwestycje Sp. z o.o

Name of subordinate	Location	Activity	Capital relationship	Share in equity [%]	Book value of shares	Assets	Liabilities	Equity	Revenues	Profit/ Loss
HANDLOWY - LEASING Sp. z o.o.	Warsaw	Leasing	Subsidiary	2.53	414	21,129	732	20,397	-	(441)

The above presented financial data of the entities available at the time of preparation of the financial statements originate from the non-audited financial statements of the entities. Financial data of Handlowy Investments S.A. originate from the financial statements prepared as at 28 February

2022, which is the entity's balance sheet date.

2. Significant accounting policies

Declaration of conformity

The annual consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS EU") and in respect to matters that are not regulated by the above standards, in accordance with the requirements of the Accounting Act dated 29 September 1994 (Official Journal from 2021, item 217 and later changes) respective operating regulations and regulations relating to issuers of securities admitted or sought to be admitted to trading on the official stock exchange quotation market.

The financial statements of the Group were prepared on the assumption that the Group will continue as a going concern for at least 12 months from balance sheet day. As at the date of signing these financial statements, the Management Board of the Bank does not state any facts or circumstances that would indicate a threat to the Bank's ability to continue as a going concern for at least 12 months from the balance sheet date as a result of an intentional or forced discontinuance or material limitation of the Bank's existing business.

The annual consolidated financial statements were approved by the Management Board of the Bank for publication on 20 March 2023. The financial statements will be finally approved by the General Shareholders' Meeting of the Bank.

The annual standalone financial statements were approved by the Management Board of the Bank for publication on 20 March 2023. The financial statements will be finally approved by the General Shareholders' Meeting of the Bank.

Basis of preparation

These annual financial statements of the Group were prepared as at 31 December 2022 and the comparable financial data are presented as at 31 December 2021.

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

The financial statements have been prepared on the fair-value-basis for financial assets and financial liabilities measured at fair value through profit and loss including derivatives and capital investments (minority shareholdings) and financial assets measured at fair value through other comprehensive income. Other financial assets are presented at cost decreased by depreciation/amortization and impairment losses. Other financial liabilities are presented at amortized cost.

The preparation of consolidated annual financial statement of the Group in accordance with IFRS requires the Management to estimate and adopt assumptions that affect the amounts reported in financial statement. The most important accounting policies, estimations and assessments applied in the preparation of this annual financial statements were applied by the Group in all the presented years on a continuous basis.

Estimates and associated assumptions are made on the basis of available historical data and many other factors that have been considered as relevant in the presented period. These factors form the basis for estimates of the balance-sheet value of assets and liabilities whose value cannot be estimated on the basis of other sources. Actual results may differ from those estimates.

Estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates applied in the year ending 31 December 2022 related to:

- Provisions for expected credit losses of financial assets (Note 3);
- Fair value of derivatives (Note 19);
- Goodwill testing (Note 25);
- Reserves (including provisions for disputes, Note 40);
- Employee benefits (Note 47).

Significant accounting policies applied to prepare the financial statements are presented either in the notes to the financial statements or below:

Income statement	No of note with accounting policy description
Net interest income	5
Net fee and commission income	6
Dividend income	7
Net income on trading financial instruments and revaluation	2.1
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	2.1
Net gain/(loss) on equity and other instruments measured at fair value through income statement	2.1

Income statement	No of note with accounting policy description
Net gain/(loss) on hedge accounting	37
Provisions for expected credit losses on financial assets and provisions for off–balance-sheet commitments	3

Statement of financial position	No of note with accounting policy description
Amounts due from banks	2.1
Financial assets held-for-trading	2.1
Debt financial assets measured at fair value through other comprehensive income	2.1
Equity and other instruments at fair value through the income statement	2.1
Amounts due from customers	2.1
Tangible fixed assets	23
Intangible assets	24
Deferred income tax asset	26
Non-current assets held-for-sale	28
Amounts due to banks	2.1
Financial liabilities held-for-trading	2.1
Hedging derivatives	37
Amounts due to customers	2.1
Provisions	31
Other liabilities	32

Standards and interpretations approved but not obligatory as at 31 December 2022 that may have an impact on financial statements of the Group

The standards and interpretations approved but not obligatory as at 31 December 2022 that may have an impact on financial statements of the Group include:

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

The above-mentioned changes are applicable from 1 January 2022 and will not impact the financial statement significantly.

Other standard amendments awaiting endorsement by the European Union

- IAS 1 "Presentation of financial statements" amendment – in the area of classification of liabilities as current or non-current, clarifying criteria for classification a liability as long-term;
- IAS 16 "Leasing" amendment concerning lease liabilities in the case of sale and leaseback, issued on 22 September 2022;

will not impact the financial statement significantly.

Standards applicable from 1 January 2022

- Amendments to IFRS 3 updating reference to conceptual framework,

- Amendments to IAS 16 prohibiting from deduction from fixed assets production costs of any proceeds from selling items produced while the entity is preparing the assets for its intended use. Instead, an entity recognizes those proceeds, together with the costs of producing them, in profit and loss. Effective date - an annual period beginning on January 1, 2022 or after that date,
- Amendments to IAS 37 specifying that „costs of fulfilling" an onerous contract include „costs that relate directly to the contract". Those costs can be both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. Effective date - an annual period beginning on January 1, 2022 or after that date.
- Annual improvements (2018-2020) including changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in IFRS 1 first-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

Basis of consolidation

Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group has power over an entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Any identifiable purchased assets and assumed liabilities, including contingent liabilities, acquired in a business combination, are measured initially at fair value at the acquisition date, irrespective of the extent of any minority interest. Any excess of the cost of acquisition over the fair value of the Group's interest in the acquired identifiable net assets is recognized as goodwill. If the cost of acquisition is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement.

Intra-group transactions and balances are eliminated on consolidation. Material unrealized gains and losses on transactions between Group companies are also eliminated.

Accounting policies of subsidiaries have been standardized in the process of preparing the consolidated financial statements, where necessary, to ensure consistency in all material aspects with the accounting policies adopted by the Group.

Foreign currency

The values reported in annual consolidated financial statement are presented in PLN, which is the functional currency and currency of presentation of the Group.

The statement of financial position and contingent liabilities received and granted items 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 December 2022	31 December 2021
1	USD	4.4018	4.0600
1	CHF	4.7679	4.4484
1	EUR	4.6899	4.5994

2.1 Financial assets and liabilities – classification and measurement

Classification

The Bank classifies financial instruments into the following categories:

- financial assets measured at fair value through profit and loss,
- financial assets measured at amortized cost,
- financial assets measured at fair value through other comprehensive income,
- financial liabilities measured at fair value through profit and loss,

- financial liabilities measured at amortized cost.

Financial assets measured at fair value through profit and loss (Financial assets held-for-trading and Equity and other instruments at fair value through the income statement)

This category comprises:

1) financial assets that were classified neither as measured at amortized cost nor as measured at fair value through other comprehensive income

2) financial assets classified at initial recognition as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases

3) minority shareholdings

Assets are included in this category especially if they are held-for-trading (held-for-trading model), that is: they were purchased with the primary objective of selling or repurchasing to generate short-term profits, they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of generating short-term profits, they are derivatives.

Minority shareholdings are presented in the consolidated financial statement as "Equity and other investments at fair value through the income statement".

Financial assets measured at amortized cost (Amounts due from banks and due from clients)

A financial asset is measured at amortized cost if both conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category comprises, in the first instance, amounts due in respect of loans, guarantee funds and security deposits, purchased receivables and debt securities that are not quoted on the active market and interbank deposits and also reverse repo transactions.

Purchased or originated credit-impaired assets (POCI)

Purchased or originated credit-impaired assets on initial recognition may be identified when the Bank has originated or purchased exposures already impaired at the moment of initial recognition or the Bank has modified (significant modification) an impaired exposure and a derecognition criterion has been met. POCI assets are recognized at fair value at initial recognition and subsequently at amortized cost using the effective interest rate adjusted by expected credit losses. Expected credit losses are considered and recognized in the relation to the lifetime of those instruments.

Financial assets measured at fair value through other comprehensive income (Debt financial assets measured at fair value through other comprehensive income)

A financial asset is measured at fair value through other comprehensive income if both conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank includes in this category selected debt instruments.

In the statement of cash flows, adjustment for change in debt securities measured at fair value through other comprehensive income are recognized in cash flows from operating activities.

Business model assessment

In order to classify a financial asset, the Group assesses its business models and takes into account the specificity of entire portfolio the asset belongs to. The considered information include:

- the purpose of a given business model and generating assets
- how the performance of the portfolio is evaluated and reported to the management
- the risks of a portfolio and how they are managed
- the frequency, volume and types of sales.

Receivables from customers are managed to receive the contractual amounts and sales generally relate to impaired assets.

In case of treasury functions in relation to financial instruments there are two models:

- the model which objective is to achieve by both collecting contractual cash-flows and selling financial assets as the sale may be realized in accordance with current business needs and the instrument may also be held until maturity;
- held for trading.

Financial liabilities measured at fair value through profit and loss (Financial liabilities held-for-trading)

The category comprises derivative liabilities which are not hedging instruments and short sale liabilities.

Financial liabilities measured at amortized cost (Amounts due to banks and clients)

Customer deposits are primarily classified in this category as are commercial commitments and liabilities from repo transactions, measured at amortized cost.

Recognition, derecognition and insignificant modifications

Transactions of purchase or sale of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are recognized in the Bank's statement of financial position and derecognized at the transaction settlement date, i.e. the date on which the Bank will receive or transfer the ownership right to assets. The rights and liabilities from a concluded transaction are measured at fair value from the transaction conclusion day to the transaction settlement day.

Loans and receivables are recognized at the time of disbursement of funds for the borrower.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when and only when they are extinguished, i.e., the obligation described in the agreement was discharged, cancelled or expired.

The Bank applies the following criteria, which result in asset derecognition from the balance sheet and obligation to recognize them according to the classification rules:

- introduction to the loan agreement resulting in failure to pass the cash flow characteristics,
- a change of the debtor,
- currency conversion,
- change of legal form/type of financial instrument,
- granting additional loan amount of at least 10% of the outstanding loan principal,
- extension of the schedule loan by min. 1 year, and a mortgage min. 4 years,
- renewal/extension of a non-schedule loan by min. 1 year preceded by a credit decision.

At the moment of derecognition, the undepreciated part of the commission is recognized fully in interest income. The newly charged commission is settled in time using the effective interest rate method.

If there is a change in the cash flows of financial assets, that does not result in the financial asset being derecognized from the balance sheet and containing the repayment schedule measured at amortized cost that results from the annex to the contract, the Bank recalculates the gross balance-sheet value of financial assets and recognizes modification profit or loss in profit and loss. The gross balance-sheet value of that financial asset is calculated as present value of renegotiated or modified contract cash flows, discounted at the original effective interest rate of financial assets (or credit risk adjusted effective interest rate for credit risk for originated or purchased financial assets credit-impaired at initial recognition). All origination costs and fees in connection with the modification adjust the balance-sheet value of modified assets and are amortized until the maturity date of modified financial assets.

Derivative financial instruments value from the trade date and are derecognized from the balance on the settlement date.

Valuation

When financial assets or financial liabilities are recognized initially, they are measured at fair value plus, in the case of assets and liabilities not measured at fair value, through profit or loss, significant transactional costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

After initial recognition, the Bank measures financial assets:

- at fair value without deducting transactional costs which it may incur in connection with the sale or disposal of assets. This measurement relates to financial assets held-for-trading, debt financial assets measured at fair value through other comprehensive income and equity and other instruments at fair value through the income statement),
- at amortized cost using the effective interest rate method – for amounts due from banks and from clients. Amounts measured at amortized cost include provisions for expected credit losses.

Financial liabilities:

- financial liabilities held-for-trading are measured at fair value through the income statement,

- amounts due to banks and amounts due to clients after initial recognition are measured at amortized cost using the effective interest rate method.

Profits or losses resulting from the change of fair value of financial assets or financial liabilities, which are not part of the hedging relationship, are recognized in the following way:

- in the case of financial assets or financial liabilities measured at fair value through profit or loss, they are shown in income statement;
- profits or losses resulting from measurement of financial assets classified as measured at fair value through other comprehensive income are recognized in other comprehensive income. Impairment of financial assets measured at fair value through other comprehensive income, interest income and exchange rate differences on monetary assets and liabilities are recognized in the income statement. When financial assets are excluded from the statement of financial position, accumulated profits or losses which were previously included in equity are recognized through profit or loss.

The fair value of derivatives is established based on quotations in active markets, prices of transactions recently closed, and measurement techniques, including discounted cash flow models and option measurement models, depending on which method is appropriate for a given case. The derivatives that were not designated as hedging instruments according to hedge accounting principles are classified as trading assets or liabilities measured at fair value through profit or loss.

Embedded derivatives in host contracts that are liabilities are separated from the host and accounted for as derivatives, if their characteristics and risks are not closely related to the characteristics and risks of the host, and if the hybrid contract is not measured at fair value through profit or loss.

Impairment of financial assets

For financial assets measured at amortized cost and contingent liabilities, the Bank makes impairments for expected credit losses, according to the developed internal rules and methodologies for their calculation. They are aggregated for each of the three stages:

- Stage 1: Credit exposures that have not had a significant increase in credit risk since initial recognition
- Stage 2: Credit exposures that have experienced a significant increase in credit risk since initial recognition
- Stage 3: Credit exposures with credit loss that has already been suffered by the assets

On the balance sheet date, the Bank assesses if there is objective evidence of impairment of one financial asset or a group of financial assets. A financial asset or a group of financial assets were impaired only when there is an objective evidence of impairment resulting from one or more events taking place after the initial recognition of an asset (the loss event) and the loss event (or events) influences the future expected cash flows resulting from a financial asset or a group of financial assets which may be reliably estimated. Objective evidence of impairment of a financial asset or a group of assets includes information obtained by the Bank concerning events, which are provided in the later part of the note 3 “Risk management”. Exposures that have not been classified as impaired exposures, despite the occurrence of certain conditions require justification and documentation why there was no credit impairment.

The classification of exposures to Stage 1 and 2 depends on the occurrence of a significant increase in credit risk since the moment of initial recognition.

Assignment of the exposure to the Stage takes place, depending on the approach to management over the client (individual vs. Bank approach), taking into account the wide range of information obtained as part of standard risk management processes (including the Early Warning process) regarding both current and future events, including macroeconomic factors and the number of days past due.

The methodology and assumptions used to determine the impairment level of loans are regularly reviewed and updated, as required. Further, data are back tested (based on historical data) to compare the actual amounts with estimated credit impairment, what may have an influence on the methodology applied by the Bank.

The impairment provisions for expected credit losses are calculated using statistical parameters for the groups of assets combined in portfolios having similar credit risk characteristics. In the financial statements, the Bank corrects credit exposure with the value of expected credit losses provisions.

Non-recoverable loans (i.e., loans for which the Group does not expect any future cash flows and that may be treated as tax deductible costs under separate tax regulations or that were unconditionally written off under an agreement with the customer) are, on the basis of Bank’s decision, written down against impairment allowances. If a written-down amount is subsequently recovered, the amount of income is presented in “Provision for expected credit losses on financial assets and provisions for off–balance sheet commitments”.

If the present value of the estimated cash flows increases after an event occurring after impairment was identified, the write-off that was previously made will be reversed as appropriate through profit or loss.

Impairment allowances for amounts due from banks and customers, allowances for impairment of securities and other assets adjust the value of particular asset categories. Provisions for contingent liabilities are shown in the liabilities section “Provisions”.

On a commitment basis, the Group classifies assets measured at amortized cost into the portfolio of assets that are individually significant and the portfolio of assets that are not individually significant (portfolio basis).

The level of impairment provisions for receivables that are deemed as individually significant and for which evidence of impairment was detected is calculated as the difference between the carrying value of an asset and the present value of the future cash flows from expected repayments by the borrower, from cash settlement of collateral or the sale of receivables. The future cash flows are discounted to the present value with the effective interest rate for a given instrument.

The level of impairment allowances for receivables that are deemed as individually not significant, for which evidence of impairment was detected, is calculated on the basis of a portfolio assessment which is based on the history of losses incurred on assets with similar risk characteristics.

Forborne exposures are exposures for which concessions were granted due to economic or legal reasons (for financial conditions), resulting from financial difficulties of the Obligor that the lender would not otherwise extend.

The client's restructuring and its exposure does not always imply a loss of value (e.g., in the case of obtaining appropriate compensations). Impaired exposures are restructured exposures with forced restructuring.

In case the Group grants a concession to the debtor, if it does not change significantly the terms and expected cash flows of the financial asset, the expected cash flows from the financial asset subject to the concession are included in the measurement of the asset using the prior effective interest rate for the instrument.

If the concession granted significantly changes the important terms or expected cash flows, the financial asset is derecognized and the new one is recognized at fair value on the day of the initial recognition.

In the case of receivables resulting from activities other than the core business, the Group has adopted the approach based on creating write-offs for expected credit losses in the full amount once a certain threshold of overdue payments is exceeded.

In order to calculate the expected credit losses for assets measured at fair value through other comprehensive income, the Bank uses an internal methodology to define default probability (PD parameter), loss value at default (LGD parameter) and exposure value at the time of default (EAD parameter).

For financial assets measured at fair value through other comprehensive income, the increase or decrease in expected credit losses is recognized in the profit and loss account under the item "Provision for expected credit losses on financial assets and provisions for off-balance-sheet commitments".

2.2 Accounting estimates and judgments

Determination of the carrying values of selected assets and liabilities as well as revenue and expense requires estimating the effect of uncertain future events on these items at the balance sheet date. The estimates and assumptions are subject to continuous evaluation and are based on historical experience and other factors, including expectations of future events which seem justified in a given situation. The most crucial estimates applied in the preparation of the financial statements are presented below.

Fair value of derivatives

The fair value of financial instruments not quoted on active markets is determined using valuation techniques. If valuation techniques are used to determine the fair values, these methods 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 entity'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 for measuring particular types of derivative instruments:

- FX forwards – discounted cash flows model;
- options – option market-based valuation model;
- interest rate transactions – discounted cash flows model;
- futures – current quotations.

The Group uses a Credit Default Swap quotation for valuation of counterparty credit risk.

The Group differentiates the valuation of counterparty risk due to the availability of quotations of credit derivatives (CDS):

- Counterparty Credit Risk of companies for which there is an active CDS market: It is considered that the CDS quotes reflect the market value of the credit risk;
- Counterparty Credit Risk of companies for which there is no active CDS market: On the basis of the credit rating (external or internal, when an external rating is not available) and industry, the CDS index (for a given industry) is assigned to the company. It is considered that the industry index CDS quotes reflect the market value of the credit risk.

In the case of valuation of own credit counterparty risk (DVA), the Group is using a method defined for clients for which there is no active CDS market.

The main factors determining the change of counterparty credit risk estimations are: (i) change of fair value of derivative instruments correlated with a change of, inter alia, fx rates and interest rates, (ii) a change of CDS quotes (iii) changes in credit risk ratings.

Provisions for expected credit losses

The methodology of estimating provisions for expected credit losses has been described in section *Impairment of financial assets.*

Impairment of goodwill

The Group carries out obligatory annual impairment tests of goodwill in accordance with the model based on guidance from IAS 36. The basis of valuation of the recoverable amount of cash-generating units to which the goodwill is assigned is their value in use which is estimated by the Bank's management based on the financial plan reflecting the adopted assumptions on future economic conditions and expected Bank performance, as well as the discount rate used in cash flow forecasts and the growth rate used to extrapolate cash flow forecasts beyond the period covered by the financial plan.

Reserves

The methodology recognition of provisions has been described in note 31 and note 40.

Employee benefits

Provisions for future payments in respect of employee benefits such as retirement and pension allowances are subject to periodic actuarial estimation by an independent actuary. The amount of provisions corresponds to the current value of future long-term liabilities of the Group to its employees according to employment and salaries on reporting day and is based on a number of assumptions in the field of staff statistics. Provisions are calculated on the basis of a number of assumptions on financial discount and the probability of a given person reaching the retirement age as the Group's employee, including staff turnover, risk of death and risk of total work incapacity.

WIRON Reform

In connection with the reform of reference rates in Poland, assuming the Replacement of current WIBOR and WIBID Interest Rates with a new Reference Rate, the Polish Financial Supervision Authority established the National Working Group for Reformation Indicators ("NGR"), in the second half of 2022. In September of 2022, the Steering Committee of the National Working Group chose Wiron Benchmark as an indicator which is going to replace WIBOR and WIBID.

As part of the works, the Steering Committee (NGR) adopted a Road Map determining the schedule of activities in order to replace WIBOR and WIBID rates by the Wiron bmk. In accordance with the content of the road map, it is assumed that with the effective cooperation of all involved Teams, the WIRON reform should be implemented by the end of 2024. According to Road Map assumptions as part of the NGR, the preparing and publishing of WIBOR and WIBID rates could be stopped starting from early 2025.

According to the road map, the verification of the premise for the regulatory event should happened in accordance with Article 23, paragraph 1 of the BMR Regulation. The regulatory event will constitute the basis for designating WIBOR replacement in the ordinance of the Minister of Finance. The replacement of WIBOR will apply to contracts and financial instruments that meet the conditions indicated in the BMR Regulation. The MF regulation will also define a corrective spread and the date from which the replacement will be used. The Group has open exposure to rates which are going to be replaced by Wiron, in particular from loan, deposit, current accounts and financial instruments in the retail and corporate client segment.

Currently, the Bank is preparing the methodology in terms of calculation of the impact of replacing the WIBOR rates by the Wiron rates from a product perspective, customer valuation and the transfer pricing rates, what will allow calculation of impacts on each level WIRON implementation, according to Road Map' dates.

In 2022, Bank started preparatory work to be ready for new Wiron Rate. To meet requirements, Bank established key project in order to start intensive working to introduce new WIRON products in Bank offer, starting from 2023., in accordance with the Road Map of the National Working Group. The Steering Committee includes all management board members and working group was designated including representatives of all bank areas. Significant areas of work are related to changes in IT systems, operating processes, client documentation and risk management. The Bank actively participates in the work of the streams of the National Working Group.

In particular, a revision has been done for of all client agreements from emergency clauses perspective to determine the actions that the bank would take in the event of significant changes or stop developing a given reference indicator.

As a result of clients and regulations revision, appropriate changes were included in the agreement and product regulations together with the appropriate information process to the bank's clients.

There are also appropriate legal regulations like in the bank specifying the action plan in the event of significant changes in the bmk rates, the stopping of its development or the occurrence of a regulatory event regarding the reference rates.

3. Risk management

RISK MANAGEMENT ORGANIZATION STRUCTURE AND PROCESS

The Group performs analysis, assessment, approval and management of all kinds of risks associated with its business, arising from the applied business strategy. The risk management process is performed by all units and at all levels of the organization and covers among others: credit risk (including counterparty credit risk, residual risk limited by accepted collateral, and concentration risk), liquidity risk, market risk, and operational risk.

The foundation of the Group's risk strategy is balanced risk taking while maintaining the rules of shared responsibility. The concept of risk management, taking into account the shared responsibility, is organized at three independent levels ("three lines of defense"):

- Level 1 i.e.: organizational units responsible for business activities resulting in risk taking and for risk management in the Group's operational activity as well as risk identification and reporting to the units of second line of defense,
- Level 2 i.e.: risk management in organizational units, independently from the risk management by the first line, and compliance – organizational units or employees responsible for establishing standards for the risk management including risk identification, measurement or assessment, mitigation, control, monitoring and reporting and for overseeing the control mechanisms applied by other organizational units to mitigate the risk – organizational units in Risk Management Sector, Compliance Department, Financial Division Legal Division; Human Resources Division,
- Level 3 i.e.: Internal Audit units which ensure an independent assessment of risk management processes and internal control system.

In the risk management area, the Supervisory Board of Bank resolves upon:

- approving a strategy of the Group's activity and the Principles of prudent and stable risk management, including operational risk strategy,
- approving a general level of the Group's risk appetite ("Overall risk appetite"), within the document summarizing the process of assessing and internal capital allocation in subsequent years (ICAAP),
- approving the fundamental organizational structure of the Group, determined by the Bank's Management Board and adjusted to the size and the profile of incurred risks.

In addition, the Supervisory Board supervises the compliance of the Group's policy related to risk-taking with the Group's strategy and financial plan and performs the duties resulted from mentioned above strategies, regulations or other documents approved by the Supervisory Board.

The Management Board of the Bank, by way of a resolution, approves:

- the organizational structure of the Group, with defined roles and responsibilities adequate for the size and risk profile, ensuring that the functions of risk measurement, monitoring and control are independent from risk taking activities,
- the Group's Risk's Profile by determining significant types of risk, at the same time providing implementation of processes to manage them and/or allocation of interior equity,
- Group's strategy, the Principles of prudent and stable risk management constituting the risk management strategy, including operational risk strategy,
- the acceptable risk level ("Overall risk appetite"), within the document summarizing the process of assessing and internal capital allocation in subsequent years (ICAAP).

The Principles of prudent and stable risk management together with Risk appetite constitute risk strategy, including the operational risk strategy.

The Management Board of the Bank nominates an independent Member of the Management Board responsible for Risk Management Sector (Chief Risk Officer) reporting directly to the President of the Management Board and responsible for the management and control of credit risk, market risk, and operational risk, including:

- introducing a risk management system in the Group as well as risk identification, measurement, control and reporting methods,
- developing the risk management policy and developing risk assessment and control systems,
- making credit decisions in compliance with the principles resulting from the credit procedures as well as documents determining the Group's credit policy,
- ensuring the proper safety level of the credit portfolio,
- managing the problem loans portfolio (including collections and debt restructurings).

Additionally, CRO is responsible for:

- definition, implementation and update regulations, strategy and procedure in term of risk management, internal control and valuation of internal capital;

- review of valuation process and maintaining of internal capital and regulation of remuneration components.

Processes of managing of credit, market, operational risks are implemented in Group based upon written policies and principles of identification, valuation, monitoring and risk control. They are accepted by the Management Board, authorized persons in line with the principles for issuing internal regulations or appropriately nominated Committees.

Following committees have been established within the risk management framework:

- Assets and Liabilities Management Committee (ALCO),
- Risk and Capital Management Committee (RCMC), overseeing Model Risk Commission and Consumer Group (GCB) Risk Commission,
- New Products Committee,
- Business Risk and Control Committee (BRCC)

Member of the Management Board responsible for Risk Management Sector presents the organizational structure of the Risk Management Sector to the Management Board of the Bank, taking into account the specificity of credit, market, liquidity and operational risk management in the respective customer segments. For this purpose, organizational units have been set up within the Risk Management Sector that are responsible for:

- managing credit risk of corporate clients i.e., of the Corporate Bank and the Commercial Bank,
- managing credit risk of the Consumer Bank
- managing impaired receivables,
- managing market risk, including interest rate risk in banking book,
- managing liquidity risk,
- managing operational risk,
- managing the equity process and model risk,
- model validation,
- supporting risk management in the above areas including in control functions,
- the process of comprehensive and continuous assessment of credit risk (Fundamental Credit Risk Assessment).

The management of Risk Management Sector and of Business units are responsible for developing and implementing risk management policies and practices in their respective business units, overseeing risks in the business units, and responding to the needs and issues of the business units.

Risk management in the Group is supported by a range of IT systems in the following areas:

- obligor and exposure credit risk assessment,
- credit, market and operational risk measurement, reporting and monitoring,
- valuation, monitoring and reporting of collateral,
- calculation and reporting of expected credit losses.

Significant Risks

The Group manages all significant risks arising from the implementation of its business strategy. In the process of significant risks identification in 2022, the Management Board considered the following type of risk as significant:

- Credit Risk,
- Credit Counterparty Risk,
- Market Risk in trading book,
- Interest rate risk in banking book,
- Liquidity risk,
- Operational risk,
- Compliance risk,
- Technology Risk & Information security risk (including CoB, and cyber-Risk),
- Outsourcing risk/ supplier management
- Fraud Risk,
- Staffing (human capital risk).

The Group monitors all the above types of risk. Due to portfolio characteristics in this chapter are presented principles related to management of credit risk (including counterparty risk and concentration), operational risk, liquidity risk, market risk in the trading book and interest rate risk in banking book.

Credit risk, including also counterparty credit risk, results from credit exposure or other exposure related to concluding and clearing below listed transactions, and is defined as the potential for financial loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations.

Credit risk arises in many of the Group's business activities, hereinafter "products," including:

- Loans and advances,
- Guarantees and letters of credit,
- FX and derivatives transactions,
- Securities transactions,
- Financing and handling settlements, including trade (domestic and foreign),
- Transactions in which the Group acts as an intermediary on behalf of its clients or other third parties.

The principles described in the "Credit Risk" section of this document covers different types of exposure, as defined in relevant Credit Policies of the Group.

Additionally, within the risk management system, the Group applies credit risk mitigation rules (incl. accepting collateral) thus mitigating the inherent **residual risk** and manages **concentration risk**, taking into account material concentration risk factors.

Liquidity risk is the risk that the Group may be unable to meet a financial commitment to a customer, creditor, or investor when due. Liquidity risk is measured in accordance with the applicable law, in particular with the Banking Act, under standards set by the regulator (regulatory liquidity measures) and with internal measures which support liquidity risk management.

Market risk is the risk to profits due to changes in interest rates, foreign exchange rates, commodity prices, and their volatilities. Market risk arises in non-trading portfolios, as well as in trading portfolios. Market risk is measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate risk.

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, or technical systems, or from external events.

CREDIT RISK

The main objective in the field of credit risk management is to support the long-term plan for the stable development of the credit portfolio while maintaining its proper quality. Credit risk management is executed based on the policies and procedures that consistently and clearly define and communicate standards for risk identification, measurement, acceptance, control, monitoring and reporting. In the current reporting period, the Group continued activities related to credit risk management in perspective of the external environment situation development including, in particular, the impact of war between Russia and Ukraine, energy and commodity prices increase and supply chain disruptions. In the reporting period the Group did not observe significant impact of the above factors on the credit portfolio quality neither of Corporate Banking nor Retail Banking. In case of lending, the Bank is not active in Ukraine, Russia or Belarus, and the Bank's credit exposure to companies significantly involved in these countries is less than 0.5% of the Bank's exposure to credit risk.

In 2022 the cost of risk in Corporate Banking had increased due to worsening outlook on macroeconomic situation. Regardless of the observed in the second half of 2022 quick return of the portfolio to the quality from before the COVID-19 pandemics due to macroeconomic factors (inflation and higher interest rates), the Retail Banking cost of risk was below the previous year.

Principles of the Credit Risk Management Policy

The Risk Management unit is responsible for establishing the principles of the Credit Policy for the Corporate Bank, the Credit Policy for the Commercial Bank and credit policies for the Consumer Bank as well as for approving other policies, programs and procedures, monitoring credit risk management performance, providing ongoing assessment of the credit risk of the portfolio and approving individually significant credit risk limits.

The rules for approving risk are matched with the strategy of the Group, generally accepted risk level, credit portfolio performance and internal control results.

For corporate and commercial clients as well as investment banking activities across the organization, the credit process is based on a range of fundamental policies, including:

- joint business and independent risk management responsibility for the quality of the credit portfolio and process as well as for credit loss,
- adherence to portfolio guidelines to ensure diversification and maintain risk/capital alignment,
- credit authorities system assuming that credit authority can be given to authorized, trained and experienced staff based upon their professional experience and tested qualifications concerning the risk assessment and making credit decisions,
- a minimum of two authorized credit approvers with delegated credit authority required for all significant exposures,
- dependence of approval level from the risk taken – exposures with a higher risk (including size and risk assessment) require approval at a higher decision-making level,
- diverse risk rating standards, adequate to every obligor and exposure, including remedial actions,

- risk rating of every obligor and exposure in a consistent rating process using risk rating models and scorecards (scoring),
- periodic monitoring of customers' business results and identification of negative changes in their standing which require immediate reclassification of exposure or remedial actions,
- collateral selection, valuation, establishing legal basis and monitoring,
- exceptions to Credit Policies are approved at higher levels within the organization to ensure control over risk policy implementation by higher level managers in accordance with internal Group's normative acts and generally applicable laws and regulations issued by the appropriate regulators.

In the Consumer Bank (GCB), the Management Board of the Group has approved credit policy as well as detailed principles of its deployment for each credit product offered.

Credit risk in this area is managed by means of:

- detailed credit policies which define the credit scoring rules,
- a system for allocation of credit authority and independent supervision of the quality of credit analyst performance,
- a system of monitoring the quality of IT tools supporting credit scoring,
- a system of risk measurement and control for credit portfolios including: a detailed management information system covering the quality of the credit portfolio and debt collection, identification of impaired exposures, monitoring of delinquencies, monitoring of benchmarks, etc., internal limits of credit portfolio parameters approved by the Management Board,
- debt collection policy rules as well as a fraud prevention policy,
- credit portfolio quality reports to the GCB Risk Commission, the Risk and Capital Management Committee and the Supervisory Board's Risk and Capital Committee,
- stress testing rules,
- monitoring of the performance of scoring models and measurement and identification of impaired exposures,
- checking the behavior of Group customers in the Credit Information Bureau (BIK),
- collateral valuation policy for mortgage-secured credits offered by GCB.

Each portfolio is subjected to stress testing at least on an annual basis.

Credit risk assessment and rating

The Group maintains consistent risk ratings methodology across the corporate and commercial credit portfolio, which facilitates comparison of credit exposure across all lines of business, geographic regions and products.

Obligor Risk Rating and Obligor Limit Rating are elements of the assessment of credit risk associated with granted products. Obligor Risk Ratings reflect an estimated probability of default for an obligor within 1 year and are derived primarily through the use of statistical models, external rating agencies, or scoring models.

Obligor Limit Rating (OLR) as a measure of medium to long-term risk of the obligor is subject to assessment in terms of qualitative factors including cyclicality, of sector, management quality, client's business strategy, influence of vulnerability to regulatory environment on client, transparency and quality of control processes.

Facility Risk Ratings are assigned using the obligor risk rating and facility-level characteristics such as collateral, thus decreasing the potential loss on a facility in case of default. As a result, Facility Risk Rating reflects a potential expected loss given-default.

Credit Risk is measured at a number of levels, including:

- Aa a limit level, which may include one or more contracts, disposals or transactions,
- at an obligor level, if there are multiple facilities approved for an obligor where the risk associated with an obligor default can be assessed jointly,
- at a group level, considering the group structure of connected clients,
- at a portfolio level where Portfolio Risk Rating is calculated as the average rating of individual facility exposure ratings weighted with the size of exposure.

For ICG and CCB customers' credit exposures, the Group uses scoring models of the various level of complexity i.e., depending on the size of customer's portfolio and customer's industry.

For retail credit exposures, the Group uses scoring models developed on the basis of the history of behavior of the Group's customers. Such models analyze the behavior of customers in the Credit Information Bureau, own data as well as customer demographics. The quality of performance of scoring models is reviewed on an ongoing basis and monitored annually. As a result, modifications are made in the model or the credit policy.

Credit risk of the retail credit portfolio is measured based on dedicated scoring models and reporting techniques including an analysis of ratios for new customers and existing portfolios with and without impairment.

The effectiveness of scoring models used in risk assessment processes is monitored regularly with population stability reports, KS (Kolmogorov-Smirnov) test reports and portfolio quality reports (delinquency and loss ratios). Each scoring model is validated annually.

Credit risk monitoring

Risk management units, supported by business units responsible for the cooperation with customers, are responsible for monitoring the probability of obligor default.

Credit risk exposure is monitored and managed at two levels: (a) customer level, and (b) portfolio level.

Exposure monitoring and management at a customer level includes periodic control reports, an early warning system and periodic reviews of the customer's standing.

Monitoring of portfolio performance and identification of portfolio trends include regular management reports and control reports which also support active response to negative signals or trends.

In addition to management information reports analysis, risk managers and business representatives take part in regular round tables regarding the portfolio in order to review business pipelines and discuss the credit issues.

In GCB, monitoring covers scoring models, impairment measurements, delinquencies, the effectiveness of debt collection, internal limits, customer behavior checks with BIK, benchmarks, etc.

Risk mitigation

Credit risk mitigation within the set risk appetite is an ongoing and key element of the Group's risk management processes. It is achieved as described below:

- customers selection and credit confirmation:
  - Target market and customer selection criteria are determined;
  - Maximum credit exposure against the obligor is determined through obligor limits related to customer risk ratings and/or through risk acceptance criteria;
  - Limits are established and monitored in order to mitigate exposure concentration risk;
  - Robust credit due diligence standards are established and maintained;
  - Credit process standards are established in order to ensure a consistent approach to each segment;
  - Credit documentation standards are applied;
- collateral is used in order to minimize the risk and to manage residual risk:
  - Establishing acceptable collaterals and their classification in view of regain possibility in case of execution;
  - Setting collaterals in right law's form (documentation standards);
  - Expected collateral structure or credit value in relation to collateral value is determined;
  - The value of collateral on property and equipment is determined by dedicated specialty functions within the Group using external valuation where required;
- monitoring and early warning system:
  - Credit exposures periodic monitoring and an early warning system are used;
  - Regular inspection of portfolio ensuring identification of adverse tendencies and concentration;
  - Active portfolio management includes implementation of necessary modifications to the credit strategy based on portfolio reviews or stress testing.

Policy of collateral acceptance

Apart from general rules of credit risk mitigation, the Group has defined specific Corporate and Consumer rules of accepting, assessing, establishing and monitoring various types of collateral, including mortgages, pledge on fixed and current assets, guarantees and similar forms of support and assignment of receivables (jointly: "collateral"). The risk is limited by the requirement to insure the collateral for the time of credit exposure. These rules serve to minimize the residual risk.

As an additional element limiting the risk, in financing of companies and individuals who pursue business activity, is the rule that revenues from the customer's ongoing business are the key element of creditworthiness assessment of potential borrowers and the primary source of repayment of debt to the Group.

In order to diversify risks associated with collateral, the Group accepts various types of collateral:

- in the Consumer Bank, the most common type of collateral is residential real estate,
- in the Corporate and Commercial Bank, the following types of collateral are among other:
  - guarantees,
  - cash,
  - securities,
  - receivables,
  - inventory,

- real estate,
- equipment and machines,
- vehicles.

Detailed procedures outlining the types of collateral acceptable to the Group and the rules of their establishment and valuation as well as the creation of a special risk unit responsible for the collateral management process allow for the development of appropriate standards for this process, including:

- criteria for acceptance and valuation of collateral,
- documentation standards,
- rules and frequency of collateral value monitoring and updating (including inspections).

In addition, Corporate Banking credit regulations set such parameters as:

- the structure of collateral required for different types of credit receivables,
- the relationship of loan value to collateral value for each type of collateral,
- the desirable structure of the different types of collateral in the credit portfolio.

The Group periodically controls whether the current structure of the collateral portfolio in Corporate Banking is compatible with the objectives and whether the value of the collateral is appropriate.

Within the Corporate Bank, the expected ratio of loan value to collateral value is determined in each case in a credit decision. This ratio is also subject to periodic inspection / monitoring.

The principal type of collateral in GCB is a mortgage register for mortgage-secured loans. The Group also uses bridge insurance to mitigate the risk of the borrower's default between the time of disbursement of a loan and the time of a mortgage register. The value of collateral is measured at each time on the basis of an expert valuation of real estate commissioned by the Group. Expert valuations are reviewed by an independent valuation division according to valuation guidelines for real estate used as collateral of real estate loans for individuals who are GCB customers. The quality of the division's performance is monitored.

Concentration in credit risk

In order to prevent adverse events resulting from excessive concentration, the Group reduces the concentration risk by setting limits airing from law and concentration standards adopted internally, in order to ensure adequate diversification of risk in the portfolio. The Group establishes General and specific limits to mitigate the risk of credit concentration, adequate to the approved risk appetite in the Group as well as business strategy

In its credit risk management, the Group takes into account in particular the risk arising from:

- exposure to single entities (including taking into account the effect of exposure to a single clearing house – KDPW CCP on the level of concentration risk exposure, particularly in the event of potential inability to meet the obligations of the clearing house), or related entities capitally or economically (counterparty concentration risk),
- exposure to the same industry, economic sector, similar type of activity or trading similar goods (industry concentration risk),
- exposure to the same geographical region, as well as individual countries (risk of geographical concentration),
- exposure to the entities belonging to the Capital Group of the Bank,
- exposure to counterparties in derivative transactions,
- used credit risk mitigation techniques (exposures secured by the same type of collateral), including due to large indirect credit exposures such as a single issuer (collateral concentration risk),
- specific of Group products/portfolio and exposure tenor,
- individual products, markets or currencies.

General concentration limits are approved on the Management Board level and monitored according to relevant Policy rules, primarily by the Risk and Capital Management Committee. Credit Risk and Business managers define (where appropriate) detailed internal concentration limits, control and reporting frequency and rules of approval for excesses and corrective action plans. Exceeding of established limits is reported, depending on the specific requirements of the Policy, to the approval of appropriate persons, the Risk and Capital Management Committee and the Bank Management Board together with corrective action plans.

In hedge concentration, appropriate limits are settled and controlled, including commitments hedged with a mortgage in accordance with S Recommendation.

Obligor exposure concentration risk

The Group limits the concentration of its exposure to a single customer or a group of customers with common ownership and/or organization. As at 31 December 2022, the Group's exposure in bank portfolio transactions with groups of customers whose aggregate exposure exceeded 10% of the Group's equity (as defined below in this report) amounted to PLN 6,634,147 thousand, i.e., 128.68 % of equity (31 December 2021: 5,912,551 thousand, i.e., 108.59%). In 2022 and 2021 the Group complied with the provisions on limits of concentration of exposure.

Concentration of exposure to the top non-banking borrowers of the Group:

PLN'000	31.12.2022			31.12.2021		
	Balance sheet exposure*	Exposure due to granted financial commitments and guarantees	Total exposure	Balance sheet exposure*	Exposure due to granted financial commitments and guarantees	Total exposure
GROUP 1	893,347	291,249	1,184,596	846,057	431,727	1,277,784
CLIENT 2	1,006,608	-	1,006,608	-	-	-
GROUP 3	930,666	-	930,666	361,678	-	361,678
GROUP 4	788,636	-	788,636	482,551	-	482,551
GROUP 5	695,044	45,161	740,205	605,713	67,742	673,455
GROUP 6	8,836	729,745	738,581	40,850	494,582	535,432
GROUP 7	512,765	175,513	688,278	613,079	172,817	785,896
GROUP 8	148,963	433,050	582,013	377,853	303,947	681,800
GROUP 9	314,702	172,487	487,189	37,117	64,479	101,596
CLIENT 10	318,197	140,625	458,822	219,620	542,890	762,510
Total	**5,617,764**	**1,987,830**	**7,605,594**	**3,584,518**	**2,078,184**	**5,662,702**

**As at 31.12.2022; data from 31.12.2021 are comparative and do not illustrate concentration of exposures as at 31.12.2021.*
***Excluding investment in shares and other securities.*
****The Group is understood as a capital group consisting of entities in relation to which the Capital Group of Bank Handlowy w Warszawie S.A. has exposures.*

The limits of the Group's maximal exposure are determined in the Grouping Law Bill from 29 August 1997 and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Regulation No 575/2013). When keeping conditions determined in Regulation 575/2013, it is allowed for the Group to maintain an overdraft of liabilities level over limits determined in paragraph 71 of the Grouping Law Bill only in the case of liabilities resulting from operations rated in trade portfolio. Own funds for determining limits of exposure purposes were determined according to Regulation No 575/2013.

As at 31 December 2022, the Group did not have an exposure to one entity exceeding the statutory exposure concentration limits.

*Concentration of exposure in individual industries**

Given that there is a large diversity of customers representing individual industries, the table below shows aggregate data for the Group's exposure to the industrial sectors.

Sector of the economy according to NACE*	31.12.2022		31.12.2021	
	PLN'000	%	PLN'000	%
Financial service activities, excluding insurance and pension funds	3,561,155	12.8%	6,165,687	21.8%
Wholesale trade, except of motor vehicles	3,463,795	12.5%	3,369,364	11.9%
Financial services, insurance and pension funds supporting activities	2,143,172	7.7%	1,500,085	5.3%
Production and supply of electricity, gas, steam, hot water and air for air conditioning systems	1,745,586	6.3%	2,079,398	7.3%
Production of food products	1,533,203	5.5%	1,283,203	4.5%
Production of electrical equipment	1,375,954	4.9%	1,148,800	4.1%
Activities of head offices; consulting related to the management	1,302,270	4.7%	1,057,451	3.7%
Retail trade, except of motor vehicles	1,081,852	3.9%	1,055,636	3.7%
Manufacture of fabricated metal products, except machinery and equipment	955,612	3.4%	997,557	3.5%
Telecommunication	806,246	2.9%	590,301	2.1%
„10" industries total	**17,968,845**	**64.6%**	**19,247,482**	**67.9%**
Other industries	**9,832,140**	**35.4%**	**9,066,364**	**32.1%**
Total	**27,800,985**	**100.0%**	**28,313,846**	**100.0%**

**Balance-sheet and off-balance-sheet exposure gross to institutional customers (including Groups) as at 31.12.2022, based on NACE Revision 2 (The Statistical Classification of Economic Activities in the European Community), data from 31.12.2021 are comparative and do not illustrate concentration of exposures as at 31.12.2021.*

Gross amounts due from customers and Groups by type of business

PLN'000	**31.12.2022**	**31.12.2021**
Gross amounts due from economic entities and Groups		
Financial	4,954,065	4,416,830
Production	4,847,260	4,465,338
Services	3,657,212	3,281,543
Other	3,510,372	3,581,717
	16,968,909	**15,745,428**
Gross amounts due from individual customers	**6,553,305**	**7,440,093**
Total (see Note 18, 22)	**23,522,214**	**23,185,521**

Determination of Expected Credit Loss

The Group makes impairments for expected credit losses, according to developed internal rules and methodologies for calculating impairments for all financial assets. They are made based on aggregated level for each of the 3 Stages:

- Stage 1: Credit exposures that have not had a significant increase in credit risk since initial recognition
  - For these assets, a 12-months ECLs are recognized (representing the portion of lifetime expected credit losses that result from default events that are possible within 12 months after the reporting date),
- Stage 2: Credit exposures that have experienced a significant increase in credit risk since initial recognition, but for which the exposure is not yet defaulted
  - For these assets, a lifetime ECLs are recognized,
- Stage 3: Credit exposures with credit loss that has already been suffered on the assets
  - For these assets, ECL is established as for defaulted assets.

The assignment of the exposure to particular Stage is based on the approach to client management (individual vs. group approach), taking into account:

- the wide range of information obtained as part of standard risk management processes (including the Early Warning process) regarding both current and future events, including macroeconomic factors and
- the number of days past due (where days past due calculation, for the purpose of exposure assignment to Stages, is done in line with EBA/GL/2016/07 guidance and the regulation of Ministry of Finance, Investment and Development of October 3rd 2019 on the significance level of overdue credit exposure).

Stage 1

All exposures not classified as Stage 2 and Stage 3 are classified as Stage 1.

In the Institutional Banking, the Group applies the Low Credit Risk (LCR) criterion for high-rated credit exposures, however there are overriding criteria to Stage 2 classification such as 30 DPD. In case the low risk of loss results only from the value of collateral and the financial instrument without that collateral would not be considered low credit risk, then it is not accounted as LCR.

Stage 2

In case of credit exposures from the retail banking area, for the Stage 2 classification, except from the 30 days criterion of arrears and forborne categories, the quantitative criterion is additionally applied - analysis of the change in PD level since the exposure was created. The Group does not use the fixed threshold above which an increase in risk would automatically be considered significant. It results from the fact that the same increase of PD in absolute terms would be more significant for exposures with lower initial risk than for those with the higher initial risk. Therefore, the Group uses a dedicated model which target is to set a threshold above which an increase in risk will be considered significant. In order to determine the relative growth, the Group uses a variable being the quotient of the probability of default on the current reporting date and the contingent probability calculated for the same period at the time of initial recognition. A threshold is defined as the cut-off point, where the probability of a default event occurring when the value of an explanatory variable increases is maximised.

The overdue criterion of over 30 days (incl. materiality of overdue credit exposure) as well as of above 90 days (regardless of the materiality of overdue credit exposure) are a direct trigger for identifying a significant increase in credit risk. In addition, qualitative premises are included on the soft restructuring activities carried out and the fact that information about the probability of default is not available.

For credit exposures in the area of institutional banking, overdue by more than 30 days is taken into account when assessing the potential occurrence of a significant increase in credit risk, while these are factors supporting the assessment and have an indirect character.

In order to assess if a significant increase in credit risk took place within the internal classification process and ongoing monitoring process, the Group analyses changes in risk of default by comparing the current assessment of default with the assessment of default in the initial recognition.

Assessment of change in risk of default for given credit exposure is conducted during internal classification process and monitoring process and includes:

- qualitative indicators (including Early Warning System),
- quantitative information (including among others rating and rating change compared to initial recognition, financial data),
- expected exposure life period,
- occurrence of economic or legal reasons related to the borrower's financial difficulties and granting to the borrower a concession to financial conditions that the lender would not otherwise consider, (assuming that those changes does not imply deterioration in future payment flows).

Stage 3

The Group applies the general principle that the creditor's default occurs when one or both of the following events occur:

- delay in the debtor's repayment of any material loan obligations to the Group is 90 days or more,
- it is unlikely that the debtor fully fulfills his credit obligations towards the Group, without the institution having to undertake activities such as collateral execution.

The Group assess for each balance sheet date if there an objective prerequisite for impairment for given financial asset of group of financial assets.

A financial asset or a group of financial assets lost their value and the impairment loss was incurred only when there is objective evidence of impairment resulting from one or more events taking place after the initial recognition of the asset (event causing the loss), and the event (or events) causing a loss has an impact on the expected future cash flows resulting from a financial asset or a group of financial assets whose reliable estimation is possible.

In the institutional banking area, materialization of credit exposure value loss takes place if there is an objective evidence of impairment, which can be a result of, among others, events as below:

- obtaining information on significant financial difficulties of the client,
- reduction of the client credit rating by an accepted by the Bank External Credit Assessment Institution[1],
- occurrence of economic or legal reasons related to the borrower's financial difficulties and granting to the borrower a concession to financial conditions that the lender would not otherwise consider, granting permission for emergency restructuring of credit exposure, if it might result in decreasing financial requirements, reduction of financial liabilities by redeeming a significant part of the principal, interest or, where applicable, fees or deferring their repayment or payment (forborne exposure);
- high likelihood of bankruptcy, gaining information on:
    - declaration of bankruptcy,
    - commencing bankruptcy proceedings or submitting a bankruptcy petition/ petition for bankruptcy proceedings,
    - putting the debtor into bankruptcy or liquidation,
    - dismissing the bankruptcy petition because the debtor's assets are insufficient or only sufficient to cover the costs of bankruptcy proceedings,
    - dissolution or annulment of the company,
    - appointing of a guardian,
    - establishing a trustee (bancupcy administrator),
    - submitting an application for restructuring proceedings within the meaning of the Restructuring Law,

  or granting to the obligor a similar protection if it would allow him to avoid or delay repayment of credit obligations,
- Bank initiates procedure to obtain an enforcement title,
- delay in payment equal to 90 days or more (where days past due are calculated in line with EBA/GL/2016/07 guidance and the regulation of Ministry of Finance, Investment and Development of October 3rd 2019 on the significance level of overdue credit exposure),
- default contagion in line with EBA/GL/2016/07 guidance,
- status of exposure has been changed from "accrual"/ "performing" to "non-accrual"/ "non-performing",
- exposure has been classified (as per internal classification) to category: "Substandard non–performing/ non-accrual"/ "Doubtful" or "Lost",
- obligor Risk Rating (ORR) is worse than 7- which is applied for obligors that are defaulted,
- justified suspicion of extorting of a credit exposure, or identifying cases of a probable criminal act related to a credit exposure, documented by submitting a notification of suspected crime to the competent state authority
- termination of the loan agreement due to high credit risk,

[1] Below risk level corresponding to internal 7- rating (i.e., to CCC- for Standard & Poors, Caa3 Moody's)

- obtaining information on the execution of a court judgment process against the debtor in an amount which, in the opinion of the bank, may result in the loss of creditworthiness,
- lack of payment by the debtor the amount of the realized Government guarantee,
- death of the debtor (in the case of debtors running a company in the form of entrepreneurship), resulting in the inability to continue the activity,
- obtaining information about a customer's default under agreements with other Citi group entities,
- in case the Economic Loss (L) resulted from the sale of credit obligations is higher than 5%, all other remaining client exposures should be considered as defaulted,

or any other events that may have an impact on the estimated future cash flows from the financial asset that can be reliably estimated.

Objective evidence of impairment of a financial asset or a group of assets in the Retail Banking area includes the fulfillment of even one of the following conditions by any of the customer's exposures:

- occurrence of delays in repayment of principal and interest, the minimum amount to be paid, commission or exceeding the permitted limit. For the purpose of default identification, it is assumed that the delay in repayment is equal to or exceeds 90 days at the moment of calculating the write-down (where days past due are calculated in line with EBA/GL/2016/07 guidance and the regulation of Ministry of Finance, Investment and Development of October 3rd 2019 on the significance level of overdue credit exposure,
- granting modifications to the terms of the agreement (restructuring), as a result of which the current value of cash flows falls below the book value before the modification,
- termination of the contract for reasons other than a delay in the repayment of mortgage products,
- default contagion in line with EBA/GL/2016/07 guidance,
- occurrence of qualitative circumstances:
  - death,
  - bankruptcy,
  - permanent disability or serious illness,
  - fraud,
  - obtaining information about initiating bankruptcy proceedings of the client or announcing bankruptcy by the client,
  - impairment or threat of collateral impairment,
  - obtaining information about significant financial problems of the client,
  - justified suspicion of extortion of credit exposure or identifying cases of the substantiated criminal offense concerning credit exposure,
  - obtaining information about the execution of the debtor in the amount, which in the bank's opinion may result in the loss of creditworthiness,
  - the client's stay in custody or prison,
  - partial capital write-off,
  - agreement termination,
  - the Group's request to initiate enforcement proceedings against the client.
  - the client's stay in custody or prison,
  - partial capital write-off,
  - agreement termination,
  - the Group's request to initiate enforcement proceedings against the client.

In the case of clients who do not meet the restructuring criteria, and in particular, for which the legal path has been implemented (bankruptcy, enforcement, court dispute) without the prospects of returning the repayment formula from the client's core operations, the debt collection process is carried out and the receivables are written off. The main goal of this process is to maximize the amount of outstanding exposures recovered by the Group. In the debt collection process, the Group will develop a cooperation formula with the client, in the course of which the Group's activity is not limited only to legal actions, but also, if possible, ongoing cooperation. In the event that the repayment of the exposure is jeopardized due to the poor financial standing of the debtor or by the transfer of assets beyond the scope of recovery, the exposures can be sold in exceptional cases.

The Group has established and applies a quarantine period for exposures that cease to be classified as Stage 3 assets.

In the area of institutional banking, a change in status from “impairment” to “no impairment” may take place when there are no arrears to the Bank within a minimum period of 12 months and the principal amount and related additional claims under the contract are recoverable in full. The main premise for changing the status from impairment to no impairment is complete recovery of creditworthiness.

In the Retail area, the quarantine mechanism relies on maintaining the customer in the status of impairment for the next 9 months from the disappearance of all indications of impairment.

The expected credit loss, which is the basis for determining the level of the provision for impaired receivables and with a significant increase of credit risk since the initial recognition is determined throughout the lifetime of the exposure. In the case of installment exposures, this is the period to the contractual maturity date. For revolving exposures, the contractual maturity is not specified, in replacement of the so-called behavioral maturity resulting from the empirical estimation of the life of the credit product.

Provisions for expected credit losses for consumer banking portfolio are calculated on the basis of statistical models for groups of assets combined in portfolios with common credit risk features. The Group aggregates financial instruments for the purpose of measurement of expected credit losses on product level in consumer banking and on segment level for homogenous micro-entrepreneurships portfolio with minimal shareholding in the sum of gross receivables of the Group. In terms of product aggregation, the following portfolios are defined: credit cards, cash loan within credit card, credit line, cash loan and mortgages.

In the financial statements, the Group adjusts the value of credit exposures by provision for expected credit losses. In case individually significant exposure is at Stage 3, provisions are measured using individual approach. Exposures are deemed to be individually significant, if an expected credit loss for the borrower in Stage 3 exceeds 10% of average provisions related to receivables in Stage 3 in the last quarter.

In the area of Institutional Banking, the main sources of parameters included in the methodology of expected credit losses ('ECL') are the results of internal customer assessment processes and the results of loan models:

- the rate of impairment is derived from the client's rating determined based on internal rating models. The ECL methodology describes the process of applying existing migration ratings, expected in a given macroeconomic scenario, to migration schedules. In this way, in the following forecast periods, the probability of migration to a given rating range is obtained,
- the value of the LGD parameter results directly from the dedicated model for impaired clients,
- the exposure value for subsequent forecast periods is based on available repayment schedules as well as (for renewable products) on the expected change in exposure described by the value of the CCF parameter. The basis for estimating this parameter was internal data on amounts used by customers before the Group identified impairment of value,
- the assignment to the stage is based on the customer assessment process used in the Group to manage the client. This process includes both quantitative factors (e.g., customer rating) and a number of qualitative factors (e.g., Early Warning Signals),
- the maturity dates adopted by the Group result directly from agreements with customers and periods in which the Group is exposed to possible risks.

In the area of Retail Banking, the basis of parameters included in the ECL methodology are the existing internal models of the client's creditworthiness assessment in the Group, information about the stage of debt collection proceedings and information from the Group's data warehouse:

- the rate of impairment is the submission of a number of models of customer creditworthiness assessment, connected to each other by process called integration logic. The ECL methodology, based on forecasts provided by the Chief Economist, transforms the results of integration logic so that the result reflects the expected changes in the economy. The parameters thus obtained are then applied to the loss vectors during the life of the product, estimated on the basis of historically observed loss rates. Recovery value vectors are the result of the analysis of the amount of historically collected receivables for homogeneous populations. The populations were segmented against similar features such as product type, time from default, amount of exposure left for repayment or historically observed repayments,
- the value of the EAD parameter is based on installment products on the expected repayment schedules generated based on the length of the contract and the interest rate on the product. For renewable products, EAD is based on the internally estimated CCF vector.

The Group uses the macroeconomic scenarios including explanatory variables in models used to measure impairment. Scenarios are prepared by the Chief Economist of the Group min. once a quarter in a 3-year horizon divided into quarters (base scenario with 60% weight and positive and negative variation from scenario with 20% weight).

In the area of institutional banking, the Group divided the loan portfolio into industries in terms of their sensitivity to macroeconomic conditions, identified macroeconomic variables that best explained the historical changes in credit quality and analyzed the dependence on macroeconomic factors using statistical methods. Finally, the Bank Group has built a model for each of the established industry sensitivity classes allowing for the dependence of the coefficient determining the level of client migration between ratings from these factors.

In the area of Retail Banking, at the level of homogeneous product portfolios, the Group, using statistical methods, built equations making the level of annual loss rates dependent on macroeconomic factors. The models allow for dynamic shaping of the provision for impairment losses depending on the expected changes in the economy.

Macroeconomic scenarios in the area of Institutional Banking include below variables:

- annual amendment of index WIG20,
- unemployment rate,
- inflation,
- PKB,
- unemployment rate „BAEL",
- WIBOR 3M rate.

however, Retail Banking uses two variables in modeling the expected credit losses:

- unemployment rate „BAEL",

- annual change of index WIG.

Macroeconomic scenarios for the variables used to estimate expected credit losses as at December 31, is presented below.

Basic macroeconomic scenario	4q22	1q23	2q23	3q23	4q23	1q24	2q24	3q24	4q24	1q25	2q25	3q25	4q25
GDP growth YoY	2.3	-1.9	1.0	0.9	2.3	3.2	3.7	3.7	3.7	3.6	3.5	3.3	3.2
Inflation YoY (average)	17.6	19.3	14.6	11.8	9.1	6.8	6.2	5.7	5.1	3.8	3.6	3.4	3.1
Registered unemployment rate	5.3	5.8	5.7	5.8	5.9	6.5	6.3	6.4	6.5	6.8	6.3	6.2	6.1
Unemployment rate	3.0	3.4	3.2	3.3	3.4	4.0	3.8	3.9	4.0	4.3	3.8	3.7	3.6
WIBOR 3M (eop)	7.18	7.14	6.99	6.94	6.77	6.27	6.02	5.60	5.27	4.85	4.52	4.44	4.36
WIG20 (eop)	55700	53000	55000	56500	58000	59000	60500	62000	63500	65000	66000	67000	68000

Pessimistic macroeconomic scenario	4q22	1q23	2q23	3q23	4q23	1q24	2q24	3q24	4q24	1q25	2q25	3q25	4q25
GDP growth YoY	1.7	-3.1	-0.8	-1.5	0.2	1.4	2.1	2.5	2.8	3.0	3.0	3.0	2.8
Inflation YoY (average)	16.8	15.3	9.9	6.4	4.1	3.3	3.2	3.1	2.8	2.7	2.7	2.7	2.5
Registered unemployment rate	5.4	6.0	6.0	6.2	6.4	7.1	7.0	7.2	7.4	7.7	7.3	7.2	7.1
Unemployment rate	3.1	3.5	3.4	3.6	3.8	4.5	4.4	4.6	4.8	5.1	4.7	4.6	4.6
WIBOR 3M (eop)	7.19	6.87	6.32	5.69	4.77	3.94	3.52	3.27	3.02	2.60	2.44	2.44	2.44
WIG20 (eop)	54029	45050	46750	48025	49300	50150	51425	52700	53975	55250	56100	56950	57800

Optimistic macroeconomic scenario	4q22	1q23	2q23	3q23	4q23	1q24	2q24	3q24	4q24	1q25	2q25	3q25	4q25
GDP growth YoY	2.9	-0.7	2.8	3.3	4.5	5.1	5.2	4.9	4.6	4.2	4.0	3.6	3.6
Inflation YoY (average)	18.5	22.4	19.6	18.2	15.3	11.4	9.5	8.1	7.0	5.3	4.8	4.2	3.8
Registered unemployment rate	5.2	5.6	5.4	5.4	5.3	5.8	5.6	5.6	5.6	5.9	5.3	5.2	5.1
Unemployment rate	2.9	3.3	3.0	3.0	2.9	3.4	3.2	3.2	3.2	3.5	2.9	2.8	2.6
WIBOR 3M (eop)	7.27	7.80	8.40	8.69	8.52	8.27	8.02	7.52	7.19	6.52	6.27	6.19	6.02
WIG20 (eop)	57371	60950	63250	64975	66700	67850	69575	71300	73025	74750	75900	77050	78200

Scenarios and macroeconomic variables are updated on a quarterly basis.

As part of the assessment of the adequacy of the methodology used to determine impairment and provision, the Group regularly, at least annually, carries out an analysis to verify to which extent the revaluation provision was reflected in actual losses. In addition, the models used for determining reserves are subject to evaluation by an independent Model Validation Office.

The Group assesses sensitivity of expected credit losses with respect to applied methods and underlying assumptions, in particular concerning macroeconomic parameters. The table below presents change of expected credit losses for not impaired exposures that were determined as a difference between the expected credit losses estimated assuming one particular scenario and expected credit losses estimated using probability-weighted approach.

Change of expected credit losses for stage 1 and 2 assuming 100% scenario weight *as at 31.12.2022*	Optimistic scenario	Pessimistic scenario
Consumer Bank	(874)	761
Institutional Bank	79	(506)
	(795)	**255**

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Change of expected credit losses for stage 1 and 2 assuming 100% scenario weight *as at 31.12.2021*	Optimistic scenario	Pessimistic scenario
Consumer Bank	(735)	902
Institutional Bank	(2,089)	2,719
	(2,824)	**3,621**

The Group recognizes and manages counterparty credit risk in transactions in financial instruments based on internal limits for pre-settlement and settlement engagement. The exposures also include credit ratings.

In 2022, the Group introduced methodological changes to expected credit losses estimation, including those resulting from the updated Recommendation R. The changes entailed:

- for credit exposures in the area of institutional banking, assuring no bias of expected credit losses by eliminating the limit of minimum 12-month exposure maturity, introduction of consistent techniques of model parameters estimation on the level of homogenous portfolios, classification to Stage 1 or Stage 2 on exposure level (not customer), introduction of quantitative criterion of identification of significant increase of credit risk by including a change of obligor's rating since the initial recognition, introduction of thresholds for certain financial ratios to assess borrowers' financial difficulties while determining Stage 2 and Stage 3 classification, Stage 2 classification in case of no information to assess credit risk at initial recognition (exposure classified to Stage 2 due to this reason is not reclassified to Stage 1), introduction of low credit risk criterion for exposures with high ratings (however there are overring criteria such as DPD, no rating at initial recognition, internal risk classification), change of data source for LGD, review and update of behavioral tenor;
- in case of credit exposures from the retail banking, introduction of a constant quantitative significant increase of credit risk threshold for each exposure (updated only for new exposures), introduction of PD reset moment consistent with derecognition whether the latter is in accordance with improved accounting policy, introduction of consistent weighting methods when estimating parameters, introduction of new POCI criteria.

The table below presents the maximum exposure of the Group to credit risk:

PLN'000	Note	31.12.2022	31.12.2021
Gross receivables due from the Central Bank	17	33,752	6,168,909
Gross receivables due from banks	18	1,045,528	969,238
Gross receivables due from institutional customers**	22	15,923,381	14,776,190
Gross receivables due from individual customers**	22	6,553,305	7,440,093
Debt securities held-for-trading	19	2,272,515	3,781,373
Derivative instruments	19	4,730,752	6,095,549
Debt investment financial assets measured at fair value though other comprehensive income	20	37,180,808	20,590,284
Other financial assets	27	155,423	187,449
Contingent liabilities granted	40	16,320,507	18,319,947
		84,215,971	**78,329,032**

**As at December 31, 2022, the value of collateral diminishing the maximum exposure to credit risk for receivables from institutional clients amounted to PLN 3,506,019 thousand (31 December 2021: PLN 3,097,737 thousand) and for receivables from individual clients amounted to PLN 2,182,645 thousand (31 December 2021: PLN 2,404,663 thousand).*

The table below present the mortgage-backed receivables from individual customers in a given Loan-to-value (LtV) interval. The amount of exposure is measured by unpaid principal amount.

PLN'000	31.12.2022	31.12.2021
Less than 50%	949,029	893,733
51 - 80%	1,229,197	1,466,363
81 - 100%	17,526	28,828
More than 100%	-	262
	2,195,752	**2,389,185**

The collateral amount is haircut in estimation of expected credit losses estimation to reflect the expected recovery through sale. Hypothetical impact of mortgage collateral onto expected credit losses for receivables from individual customers as at 31 December 2022 amounts to PLN 13.6 million.

The collateral amount (mainly mortgage) used to estimate expected credit losses for impaired receivables from corporate customers as at 31 December 2022 equaled PLN 109 926 thousand (before reflecting time-value-of-money). For particular exposures the collateral amount was decreased to account of accommodate the expectations in collection processes, capped by exposure amount, and weighted with a probability of a collateral collection scenario.

The tables below present the portfolio grouped whether they are impaired or not. The tables also present the details of impairment provision.

According to credit management process, Group identifies classifiable portfolio (individual assessment) and based on portfolio classification (portfolio assessment).

Exposures without impairment are classified based on the internal risk ratings from 1 to 7, where risk category 1 is the best rating.

Exposures, classified based, with identified impairment have assigned internal risk ratings from 8 to 10.

The internal risk ratings are received in the complex credit assessment's process, which consists of rating models and methodologies, additional corrections resulting among others from the acquired support and the security, and all the defined processes used in order to get risk ratings.

The risk rating defines the probability of breach of contract by the debtor within the 1-year period. Ratings from 1 to 4- inclusive are treated as the equivalent of ratings at investments levels of external credit rating agencies, which implies that they indicate a low or medium level of credit risk. Ratings below 4- indicate increased credit risk, wherein the rating 7 means high credit risk and low ability to service debt obligations, even in favorable macroeconomic conditions.

The structure of the portfolio of exposures to banks and clients from the point of view of credit risk as at 31 December 2022:

PLN '000	31.12.2022			
	Receivables from institutional customers	**Receivables from individual customers**	**Receivables from banks**	**Total**
Not impaired receivables (Stage 1)				
By risk rating				
Risk rating 1-4-	11,555,463	-	774,754	12,330,217
Risk rating +5-6-	2,420,141	-	7,036	2,427,177
By delinquency				
No delinquency	8	4,973,199	-	4,973,207
1-30 days	-	77,510	-	77,510
31-90 days	-	730	-	730
Gross amount	**13,975,612**	**5,051,439**	**781,790**	**19,808,841**
Provision for expected for credit losses	(40,985)	(40,250)	(475)	(81,710)
Net amount	**13,934,627**	**5,011,189**	**781,315**	**19,727,131**
Not impaired receivables (Stage 2)				
By risk rating				
Risk rating 1-4-	64,485		228,739	293,224
Risk rating +5-6-	1,065,852		34,567	1,100,419
Risk rating +7 and greater	355,308		432	355,740
By delinquency				
No delinquency		941,276		941,276
1-30 days		107,818		107,818
31-90 days		23,317		23,317
Gross amount	**1,485,645**	**1,072,411**	**263,738**	**2,821,794**
Provision for expected for credit losses	(43,614)	(64,771)	(1,085)	(109,470)
Net amount	**1,442,031**	**1,007,640**	**262,653**	**2,712,324**
Impaired receivables (Stage 3)				
By delinquency		419,514		419,514
By risk rating				
Risk rating +7 and greater	455,117		-	455,117
Gross amount	**455,117**	**419,514**	**-**	**874,631**
Provision for expected for credit losses	(331,769)	(333,032)	-	(664,801)
Net amount	**123,348**	**86,482**	**-**	**209,830**
Purchased or originated credit-impaired receivables				
By delinquency		9,941		9,941

PLN '000	31.12.2022			
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Total
By risk rating				
Risk rating +7 and greater	7,007		-	7,007
Gross amount	**7,007**	**9,941**	**-**	**16,948**
Provision for expected for credit losses	(1,354)	(404)	-	(1,758)
Net amount	**5,653**	**9,537**	**-**	**15,190**
Total gross value	**15,923,381**	**6,553,305**	**1,045,528**	**23,522,214**
Provision for expected for credit losses	(417,722)	(438,457)	(1,560)	(857,739)
Total net value	**15,505,659**	**6,114,848**	**1,043,968**	**22,664,475**

As described above, one of the main factors influencing the management of individual customers portfolio are days of delay, while in the institutional customers segment rating is the key determinant of credit risk.

The structure of the portfolio of exposures to banks and clients from the point of view of credit risk as at 31 December 2021:

PLN '000	31.12.2022			
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Total
Not impaired receivables (Stage 1)				
By risk rating				
Risk rating 1-4-	10,402,461		731,895	11,134,356
Risk rating +5-6-	2,989,039		237,341	3,226,380
By delinquency				
No delinquency	4	6,103,029	-	6,103,033
1-30 days	-	76,022	-	76,022
31-90 days	-	622	-	622
Gross amount	**13,391,504**	**6,179,673**	**969,236**	**20,540,413**
Provision for expected for credit losses	(29,137)	(34,339)	(1,561)	(65,037)
Net amount	**13,362,367**	**6,145,334**	**967,675**	**20,475,376**
Not impaired receivables (Stage 2)				
By risk rating				
Risk rating 1-4-	14,104		2	14,106
Risk rating +5-6-	623,400		-	623,400
Risk rating +7 and greater	280,450		-	280,450
By delinquency				
No delinquency		731,626		731,626
1-30 days		81,109		81,109
31-90 days		14,004		14,004
Gross amount	**917,954**	**826,739**	**2**	**1,744,695**
Provision for expected for credit losses	(46,465)	(71,682)	-	(118,147)
Net amount	**871,489**	**755,057**	**2**	**1,626,548**
Impaired receivables (Stage 3)				
By delinquency		433,681		433,681
By risk rating				
Risk rating +7 and greater	466,732			466,732
Gross amount	**466,732**	**433,681**		**900,413**
Provision for expected for credit losses	(352,636)	(354,424)		(707,060)
Net amount	**114,096**	**79,257**		**193,353**
Total gross value	**14,776,190**	**7,440,093**	**969,238**	**23,185,521**

PLN '000	31.12.2022			
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Total
Provision for expected for credit losses	(428,238)	(460,445)	(1,561)	(890,244)
Total net value	**14,347,952**	**6,979,648**	**967,677**	**22,295,277**

As described above, one of the main factors influencing the management of individual customers portfolio are days of delay, while in the institutional customers segment rating is the key determinant of credit risk.

Structure of derivatives in terms of credit risk:

PLN '000	31.12.2022			31.12.2021		
	Transactions with institutional customers	Transactions with individual customers	Transactions with banks	Transactions with institutional customers	Transactions with individual customers	Transactions with banks
Derivatives by risk rating						
Risk rating 1-4-	3,619,909	-	914,692	4,711,971	-	803,723
Risk rating+5-6-	135,519	13,811	45,841	531,059	-	47,706
Risk rating +7 and greater	981	-	-	1,090	-	-
Total	**3,756,409**	**13,811**	**960,533**	**5,244,120**	**-**	**851,429**

The classification of exposures in the portfolio of debt securities held for trading and portfolio of debt securities measured at fair value through other comprehensive income by ratings agency Fitch is presented below:

PLN '000	31.12.2022		31.12.2021	
	Debt securities held-for-trading*	Debt securities measured at fair value though the income statement*	Debt securities held-for-trading	Debt securities available-for-sale
Issuer rating by Fitch agency				
A (including from A- to AAA)	2,272,515	37,180,808	3,781,373	20,590,284
Total	**2,272,515**	**37,180,808**	**3,781,373**	**20,590,284**

Structure of the granted contingent liabilities from the credit risk point of view as at December 31, 2022:

PLN '000	31.12.2022		
	Liabilities due to institutional customers	Liabilities due to individual customers	Liabilities due to banks
Contingent liabilities granted (Stage1)	**9,831,703**	**3,964,409**	**302,538**
by risk rating			
Risk rating 1-4-	8,586,076	-	299,172
Risk rating+5-6-	1,245,627		3,366
Contingent liabilities granted (Stage 2)	**796,619**	**1,393,325**	**-**
by risk rating			
Risk rating 1-4-	276,058	-	-
Risk rating+5-6-	379,766	-	-
Risk rating +7and greater	140,795	-	-
Contingent liabilities granted (Stage 3)	**6,722**	**6,166**	**-**
by risk rating			
Risk rating +7and greater	6,722	6,166	-
Purchased or originated credit-impaired	19,025	-	-
by risk rating			
Risk rating +7and greater	19,025	-	-
Total	**10,654,069**	**5,363,900**	**302,538**

Structure of the granted contingent liabilities from the credit risk point of view as at December 31, 2021:

PLN '000	31.12.2022		
	Liabilities due to institutional customers	Liabilities due to individual customers	Liabilities due to banks
Contingent liabilities granted (Stage1)	**9,724,315**	**4,380,684**	**2,685,525**
by risk rating	-	-	-
Risk rating 1-4-	7,755,778	-	2,681,936
Risk rating+5-6-	1,968,537	-	3,589
Contingent liabilities granted (Stage 2)	**335,218**	**1,188,240**	**148**
by risk rating			
Risk rating 1-4-	85,064	-	148
Risk rating+5-6-	110,281	-	-
Risk rating +7and greater	139,873	-	-
Contingent liabilities granted (Stage 3)	**1,649**	**4,168**	**-**
by risk rating			
Risk rating +7and greater	**1,649**		**-**
Total	**10,061,182**	**5,573,092**	**2,685,673**

"Forbearance" practices

Forborne exposures are identified in the Group within credit risk management. Bank takes into account "forborne" exposures according to the reporting requirements under the EBA Technical Standards EBA/ITS/2013/03 and under ESMA Document 2012/852. In case of impaired or restructured exposures the Group applies EBA guidelines, EBA/GL/2018/06.

The Group considers as "forborne" exposures, where the Group grants debtor experiencing financial difficulties preferential financing conditions (i.e., on non-market conditions), which would not have been considered in a different situation. Preferential financing conditions are considered situations in which for example the yield of the modified facility is lower than the contractual yield prior to the restructuring and/or the yield on the modified loan is below a market yield for the relevant tenor and credit risk.

The extent to which the financing conditions are changed is determined individually for each debtor in question. In particular, these activities include:

- receipt of assets;
- granting a new or restructured facility in partial or full satisfaction of a facility;
- modification of the terms of the existing facility, including rescheduling of future payments (e.g., extension of financing tenor), change of interest rate or methods of repayment, reduction of amount to be repaid (principal or accrued interest).

The process of assigning "forborne" status for exposures is closely related to the credit risk management process, including the impairment recognition process for exposures.

In terms of institutional clients, the Group recognizes "forborne" status for exposures with identified impairment.

In terms of retail exposure, the "forborne" status may refer to both the exposures: from the impaired portfolio as well as from the portfolio without any impairment. As "forborne" without impairment are recognized by the Group exposures, where restructuring activities were applied, but change of financing conditions has not implied any deterioration of future payment streams. In such cases the change into "forborne" status is not an evidence of exposure's impairment.

The Group assumes, that exposures will remain in" forborne" status until they are entirely paid off.

Exposures with modified conditions according to forbearance rules (forborne exposures) are subject to regulatory and internal reporting.

Exposure values in the "forborne" status:

PLN '000	31.12.2022	31.12.2021
Receivables without recognized impairment	**21,585,107**	**21,315,870**
Receivables without recognized impairment (Stage 1), including	**19,027,051**	**19,571,178**
non-financial sector entities	15,213,891	16,127,730
Institutional customers	10,162,452	9,948,056

PLN '000	**31.12.2022**	**31.12.2021**
Individual customers	5,051,439	6,179,674
Receivables without recognized impairment (Stage 2), including:	**2,558,056**	**1,744,692**
non-financial sector entities	2,557,187	1,744,690
Institutional customers	1,484,776	917,951
Individual customers	1,072,411	826,739
Receivables with recognized impairment (Stage 3), including:	**874,631**	**900,413**
non-financial sector entities	874,631	900,413
Institutional customers, including:	455,104	466,719
„forborne"	53,039	90,625
Individual customers, including:	419,527	433,694
„forborne"	30,663	26,245
Purchased or originated credit-impaired receivables	**16,948**	**-**
non-financial sector entities	16,948	-
Institutional customers, including:	7,007	-
„forborne"	7,007	-
Individual customers, including:	9,941	-
„forborne"	7,809	-
Total gross amount, including:	**22,476,686**	**22,216,283**
non-financial sector entities	18,662,657	18,772,833
Institutional customers, including:	12,109,339	11,332,726
„forborne"	60,046	90,625
Individual customers, including:	6,553,318	7,440,107
„forborne"	38,472	26,245
Provision for expected credit losses	**(856,179)**	**(888,683)**
On „forborne" receivables	(52,536)	(67,387)
Total net amounts due from customers, including:	**21,620,507**	**21,327,600**
„forborne" receivables	45,982	49,483

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Group may not be able to meet its financial commitments to customers or counterparties when due.

The objective of liquidity risk management is to ensure that the Group can meet all commitments to customers when due and to secure the liquidity necessary to clear all money market transactions when due.

Liquidity risk management is based on:

- Applicable law, in particular on the Banking Law;
- Requirements of Polish regulatory institutions and especially resolutions of the Polish Financial Supervision Authority;
- Rules of prudent and stable risk management of the Group as well as general risk levels approved by the Supervisory Board of the Bank;

taking into account the best market practice.

The ultimate responsibility for ensuring that the Group operates under approved liquidity risk limits lies within the Management Board of the Bank, and ongoing market risk management is performed by the:

- Member of the Management Board responsible for Risk Management Sector;
- Assets and Liabilities Management Committee (ALCO);
- Head of the Market Risk unit;
- Persons delegated to risk management in the Group's entities.

Liquidity management

The objective of liquidity risk management is to ensure that the Bank and Group's entities have adequate access to liquidity in order to meet its financial obligations when due, including under extreme but probable stress conditions.

The Group analyses and manages liquidity risk in several time horizons while distinguishing current, short-, mid- and long-term liquidity, to which appropriate risk measurement methods and limits apply. The adopted measures and limits aim to limit the excessive concentration in terms of the balance sheet structure and sources of financing.

Long-term liquidity management is the responsibility of ALCO and as such it is reflected in the Group's strategy. It is based on the monitoring of balance sheet structural ratios and on long-term regulatory liquidity measures and includes the analysis of liquidity gaps, the ability to acquire in the future sufficient funding sources as well as funding costs in the light of the overall business profitability.

Mid-term liquidity management, in the one-year time horizon, is the responsibility of ALCO and is based on the established on annual bases Funding and Liquidity Plan which defines the size of internal limits taking into account the business plans for changes in assets and liabilities that are being prepared by business units of the Group as part of the financial plans for the next budget year.

Short-term liquidity management, in the three-month time horizon, is the responsibility of the Financial Markets and Corporate Banking Sector and is performed based on short-term regulatory liquidity measures as well as internal limits. In addition, the Group analyses liquidity under stress scenarios, assuming the lack of liquidity gaps in all tenors up to three months as a necessary condition.

Current liquidity management is the responsibility of the Financial Markets and Corporate Banking Sector and comprises the management of the balances on the Group's nostro accounts and especially the mandatory reserve account with NBP while applying available money market products and central bank facilitates.

Liquidity management with accordance to "Risk management principals" in Group entities is a part of the entities, management board responsibilities. ALCO is the supervisor of the Group's entities liquidity supervision.

In 2022 the Group has not implemented any changes significant in liquidity risk management processes, procedures, systems and policies.

Funding and Liquidity Plan

The Head of the Financial Markets and Corporate Banking Sector is responsible for preparing an annual Group's Funding and Liquidity Plan ("Plan") for the Group and obtaining the ALCO's approval for the Plan. The Plan addresses all funding or liquidity issues resulting from business plans, especially in the customer deposits and loans area, as defined in annual budgets of particular business entities, as well as any material changes in regulatory requirements and market dynamics.

Liquidity risk management tools

The Group measures and manages liquidity risk by applying both external regulatory measures and additional internal liquidity measures.

The supervisory liquidity measures

The LCR and NSFR regulatory liquidity measures, as well as the already repealed M1-M4 ratios, which the Bank continues to monitor, were at a safe level and amounted to:

	31.12.2022	31.12.2021	Change
M1 - Short-term liquidity gap (PLN)	23,161,436	18,593,580	4,567,856
M2 - Short-term liquidity ratio	1.42	1.30	0.12
M3 - Coverage of illiquid assets with regulatory capital	5.64	4.61	1.03
M4 - Coverage of illiquid assets and assets of limited liquidity with regulatory capital and stable external funds	2.40	2.14	0.26
LCR	158%	169%	-11 p.p.
NSFR	177%	189%	-12 p.p.

Internal liquidity risk management tools

In addition to the regulatory liquidity measures, the Bank's Group applies a range of liquidity risk management tools including:

- Gap analysis –MAR/S2;
- Stress scenarios;
- Liquidity ratios;
- Market Triggers;
- Significant Funding Sources;
- Contingency Funding Plan.

Stress scenarios

Stress tests are intended to quantify the potential impact of an event on the Group's balance sheet and cumulative gap over a twelve-month period, and to ascertain what incremental funding may be required under any of the defined scenarios. The scenarios are proposed by the Bank's Financial Markets and Corporate Banking Sector and Market Risk and approved by ALCO.

The Group conducts the stress tests monthly. The scenarios assume material changes in the underlying funding parameters, i.e.:

- Concentration event;
- Highly Stressed Market Disruption ("S2") – serious disruptions of financial markets;
- Local market event.

Contingency Funding Plan

Financial Markets and Corporate Banking Sector is responsible for the preparation and annual update of the Contingency Funding Plan, which defines the Bank's action plan in case of a contingency, specifically in cases assumed in liquidity stress scenarios and described in the annual Funding and Liquidity Plan. The Contingency Funding Plan is approved by ALCO.

The Contingency Funding Plan defines:

- Circumstances / symptoms of contingency events;
- Responsibilities for executing the action plan;
- Sources of liquidity, and in particular the principles of maintenance of a liquid assets portfolio to be used in the case of a liquidity contingency;
- Rules for assets disposal and balance sheet restructuring;
- Procedures for restoring customer confidence.

The levels of the cumulative liquidity gap in stress conditions and the level of liquid assets as at 31 December 2022 and 31 December 2021.

The cumulative liquidity gap as at 31 December 2022 in real terms:

PLN'000	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	35,231,376	442,464	761,706	-	33,365,856
Liabilities	11,478,908	5,478,447	639,297	-	52,204,750
Balance-sheet gap in the period	**23,752,468**	**(5,035,983)**	**122,409**	**-**	**(18,838,894)**
Conditional derivative transactions – inflows	40,657,353	11,757,921	30,757,011	13,616,887	22,790,452
Conditional derivative transactions – outflows	40,913,368	11,810,623	30,182,850	13,751,561	22,920,604
Off-balance-sheet gap in the period	**(256,015)**	**(52,702)**	**574,161**	**(134,674)**	**(130,152)**
Potential utilization of credit lines granted	294,357	598,717	(893,074)	-	-
Cumulative gap	**23,202,096**	**17,514,694**	**19,104,338**	**18,969,664**	**618**

The cumulative liquidity gap as at 31 December 2021 in real terms:

PLN'000	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	27,761,402	261,814	606,854	-	33,232,701
Liabilities	9,218,022	4,558,222	72,470	-	48,014,057
Balance-sheet gap in the period	**18,543,380**	**(4,296,408)**	**534,384**	**-**	**(14,781,356)**
Conditional derivative transactions – inflows	52,926,255	15,254,252	28,118,416	13,611,610	22,015,518
Conditional derivative transactions – outflows	53,000,288	15,212,828	28,076,293	13,560,191	21,874,443
Off-balance-sheet gap in the period	**(74,033)**	**41,424**	**42,123**	**51,419**	**141,075**
Potential utilization of credit lines granted	1,142,320	761,229	(1,334,857)	-	(568,693)
Cumulative gap	**17,327,027**	**12,310,814**	**14,222,178**	**14,273,597**	**202,009**

Liquid assets and the cumulative liquidity gap up to 1 year:

PLN'000	31.12.2022	31.12.2021	Change
Liquid assets, including:	**39,717,501**	**30,763,866**	**8,953,635**
nostro account in NBP and stable part of cash	264,178	6,392,209	(6,128,031)
debt securities held-for-trading	2,272,515	3,781,373	(1,508,858)
debt financial assets measured at fair value through other comprehensive income	37,180,808	20,590,284	16,590,524
Cumulative liquidity gap up to 1 year	**19,104,338**	**14,222,178**	**4,882,160**
Coverage of the gap with liquid assets	**Positive gap**	**Positive gap**	**-**

Financial liabilities of the Group, by contractual maturity, are presented below. Presented amounts do not include the impact of the effective rate on the interest payable.

As at 31 December 2022

PLN'000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Amounts due to banks	**29**	**4,794,795**	**3,870,795**	**320,000**	**604,000**	**-**	**-**
Financial liabilities held-for-trading							
Short positions in financial assets	19	234,203	234,203	-	-	-	-
Amounts due to customers, including:	30	**50,512,890**	**45,733,812**	**3,062,163**	**1,709,579**	**7,336**	**-**
Deposits from financial sector entities	30	3,635,159	3,453,417	146,445	35,297	-	-
Deposits from non-financial sector entities	30	45,160,359	40,565,579	2,914,120	1,673,324	7,336	-
Other liabilities	30	1,717,372	1,714,816	1,598	958	-	-
Financial liabilities held-for-trading							
Derivative financial instruments (settled on a net basis)	19	7,103,671	240,593	126,351	512,710	4,363,454	1,860,563
Hedging derivatives		**6,917**	**-**	**-**	**-**	**-**	**6,917**
Unused credit lines liabilities	40	**13,683,181**	**11,443,966**	**-**	**76,841**	**1,619,511**	**542,863**
Guarantee lines	40	**2,375,216**	**2,375,216**	**-**	**-**	**-**	**-**
		78,710,873	**63,898,585**	**3,508,514**	**2,903,130**	**5,990,301**	**2,410,343**
Derivatives settled on a gross basis							
Inflows		96,495,666	41,082,780	11,477,777	24,903,368	18,508,047	523,694
Outflows		96,496,343	41,292,151	11,558,258	24,479,769	18,644,376	521,789
		(677)	**(209,371)**	**(80,481)**	**423,599**	**(136,329)**	**1,905**

As at 31 December 2021

PLN'000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Amounts due to banks	29	3,383,353	3,190,239	121,000	72,005	25	84
Financial liabilities held-for-trading							
Short positions in financial assets	19	515,896	515,896	-	-	-	-
Amounts due to customers, including:	30	**43,507,472**	**42,708,996**	**546,177**	**231,732**	**20,488**	**79**
Deposits from financial sector entities	30	3,192,860	3,191,700	664	470	-	26
Deposits from non-financial sector entities	30	39,589,082	38,867,180	497,798	210,269	13,782	53
Other liabilities	30	725,530	650,116	47,715	20,993	6,706	-
Financial liabilities held-for-trading							
Derivative financial instruments (settled on a net basis)	19	7,307,117	520,057	165,833	804,835	4,217,868	1,598,524
Unused credit lines liabilities	40	13,218,765	11,243,914	30,000	817,104	1,041,281	86,466
Guarantee lines	40	2,285,773	2,285,773	-	-	-	-
		70,218,376	**60,464,875**	**863,010**	**1,925,676**	**5,279,662**	**1,685,153**
Derivatives settled on a gross basis							
Inflows		112,261,460	52,528,030	15,741,452	23,885,756	19,302,369	803,853
Outflows		112,144,199	52,585,822	15,774,064	23,737,431	19,234,285	812,597

	117,261	**(57,792)**	**(32,612)**	**148,325**	**68,084**	**(8,744)**

MARKET RISK

The processes and organization of market risk management

Market risk is the risk of negative impact on the Group's earnings and equity resulting from changes in market interest rates, foreign exchange rates, equity and commodity prices, as well as all volatilities of these rates and prices.

The objective of market risk management is to ensure that the extent of risk accepted within the Group corresponds to the level acceptable to the shareholders and banking supervision authorities and to ensure that all exposures to market risk are properly reflected in the calculated risk measures, communicated to relevant persons and bodies responsible for the management of the Group. The adopted market risk measures and limits aim to prevent excessive concentration of exposure to a single risk factor or a group of related risk factors, as well as to determine the overall maximum level of risk taken in the trading or banking book. Market risk management in the Group is based on:

- Requirements of Polish regulatory institutions and especially resolutions of the Polish Financial Supervision Authority;
- Rules of prudent and stable risk management of the Bank as well as general risk levels approved by the Supervisory Board of the Bank;

taking into account best market practice.

The ultimate responsibility for ensuring that the Group operates under approved market risk exposure limits lies within the Management Board of the Bank, and ongoing market risk management is performed by the:

- Member of the Management Board responsible for Risk Management Sector;
- Assets and Liabilities Management Committee (ALCO);
- Head of the Market Risk unit;
- Heads of risk-taking business units;
- Persons delegated to risk management in Group entities.

Market risk management

Scope of risk

Market risk management applies to all portfolios generating income exposed to the negative impact of market factors including interest rates, foreign exchange rates, equity prices, commodity prices and the parameters of their volatility. Two types of portfolios have been defined for the purpose of market risk management: trading portfolios and bank portfolios.

The trading portfolios include transactions in financial instruments (balance-sheet and off-balance-sheet instruments) expected to generate income owing to a change in market parameters over a short period. The trading portfolios include balance-sheet items such as debt securities held-for-trading, i.e., debt securities acquired to be further traded and meeting pre-defined liquidity criteria, as well as all derivative instrument positions broken down into portfolios acquired purely for trading and transactions executed in order to provide an economic hedge of bank portfolio positions. The trading portfolios are valued directly at market prices or using market pricing-based valuation models. The trading portfolio operations are performed by the Bank's Financial Markets and Corporate Banking Sector in respect of interest rate risk portfolios and FX risk portfolios. The trading portfolio also includes options, manly foreign exchange options and interest rate and optional structures being a reflection of economic nature and risk resulting from products offered to customers of the Group. In this area, the Group concludes transactions in a way which ensures concurrent (at each time and immediate) conclusion of an opposite transaction with the same parameters and, in consequence, the option portfolio does not generate open exposition of market risk. The only item related to the conclusion of option transactions which is reflected in market risk measurement, and in particular in foreign exchange risk, is the premium paid/received in a foreign currency.

The bank portfolios include all other balance-sheet and off-balance-sheet positions not assigned to any of the trading portfolios. The transactions are executed to realize a profit over the entire contracted transaction period. The Group's and Corporate Banking Sector takes over the interest rate risk positions held in the bank portfolios of all other organizational units of the Group. The mechanism of transferring the interest rate risk positions is based on the transfer price system.

Measurement of the pricing risk of the bank portfolios

The Group typically uses the following methods for measuring the risk of the bank portfolios:

- Interest rate gap analysis;
- Value-at-Close and Total Return methods;
- Interest Rate Exposure (IRE), based both on the gap and cashflow/income method over the relevant time horizon;
- Stress testing.

Interest rate gap analysis uses the schedule of maturities or revaluations of balance-sheet positions and of derivative instruments used in hedge accounting or qualified as economic hedge for the purpose of establishing the differences between positions whose maturity or interest rate revaluation fall within a given time range.

The general rule in the interest rate gap analysis is that of classifying transactions to respective bank portfolio position revaluation bands by the contracted or assumed transaction interest rate revaluation dates.

It is assumed that:

- transactions with a fixed interest rate (such as term deposits, interbank deposits, portfolio of debt securities available-for-sale with a fixed interest rate, granted loans both repaid in full at maturity and repaid in installments) are classified into appropriate revaluation bands in accordance with their maturity dates;
- transactions with a floating interest rate, updated at a regular frequency (primarily, loans granted with interest set based on a specific market/base rate such as, e.g., WIBOR 1M) are classified into appropriate revaluation bands in accordance with the nearest interest rate revaluation date;
- transactions with an administrated floating interest rate (i.e., any changes in the interest rate and its revaluation date are reserved to sole decision of the Group) or undefined maturity or interest rate revaluation date are classified into appropriate revaluation bands in accordance with historically observed or expert assessed shifts in the moment and scale of change in the interest rate of given positions in relation to change in the market interest rates (model of minimizing product margin variability). This group of transactions / balance-sheet positions includes among others: current accounts, card loans, overdraft facilities. Additionally, early loan repayments are taken into account based on analysis of actual repayments made by customers before the due date and product interest rate revaluation profiles are set on that basis. This pertains particularly to installment loans;
- transactions insensitive to changes of interest rates, including cash, fixed assets, equity, other assets/liabilities, are classified into the longest revaluation band;
- transactions executed directly by the Financial Markets and Corporate Banking Sector for the purpose of management of interest rate risk and liquidity risk (Financial Markets and Corporate Banking Sector own portfolio) are always classified into appropriate revaluation bands in accordance with the contracted dates.

The Value-at-Close method is an estimation of the economic or “fair” value of positions, equivalent to the market valuation of the trading portfolio. Total return on a portfolio is the sum total of the changes in the value of closing the interest rate gap, accrued interest and gains/losses on sale of assets or cancelling of obligations.

The Interest Rate Exposure (IRE) method is used to estimate the potential impact of a specific parallel shift in the interest rate curves on interest income from the bank portfolio before tax which can be earned in a specific period of time. This is a prospective indicator, equivalent to Factor Sensitivity of trading portfolios. An assumption is made that under standard conditions interest rate shifts are identical for every currency and stand at 100 basis points upwards. IRE measures are calculated separately for positions in each currency in the time horizon of 10 years; however, for the purpose of current monitoring and limiting of interest rate risk positions in bank portfolios, the Group normally applies IRE measures with one-year and five-year time horizons.

Additionally, the Bank measures the interest rate risk using the income method (cashflow net interest revenue NIR / IRE). This measure, like the IRE calculated using the gap method, determines the potential pre-tax impact on net interest income for banking book items due to specific changes in interest rates over a specific reporting period - generally 12 months. NIR is the difference between accrued interest income earned on assets (e.g., loans to customers) and the cost of interest paid on liabilities (e.g., customer deposits). NIR / IRE is the delta between the base NIR and NIR in the interest rate shock scenario, i.e., +/- 100 basis points for all currencies together. Similar assumptions regarding the revaluation dates as described above for the gap method are made, with the difference that items not generating interest flows and the Bank's equity are excluded from the calculation

The table below presents the IRE measures for the Group as at 31 December 2022 and 31 December 2021, separately for measures based on the gap method and interest flows. The statement is presented separately for the main currencies, i.e., PLN, USD and EUR, which jointly account for over 90% of the Group’s balance-sheet, and for all currencies in total for the interest flow method.

IRE – gap method

PLN'000	31.12.2022		31.12.2021	
	IRE 12M	IRE 5L	IRE 12M	IRE 5L
PLN	28,767	42,460	47,345	55,338
USD	28,560	44,450	24,878	35,718
EUR	(17,317)	(30,707)	15,886	29,475

IRE – cashflow method

PLN '000	31.12.2022		31.12.2021	
	IRE 12M		IRE 12M	
	+100 bp	-100 bp	+100 bp	-100 bp
Total for All currencies	105,203	(106,083)	158,340	(186,760)

Stress tests measure the potential impact of material changes in the level or directionality of interest rate curves on open interest positions in the bank portfolio.

The Group runs stress tests of predefined interest rate movement scenarios, which represent combinations of market factor movements defined as large moves and stress moves occurring both in Poland and abroad. Values of the assumed market factor movements are regularly assessed and are adjusted as appropriate to changes in the market conditions of the Group's operation. Stress tests also include changes in the value of capital as a result of movements in interest rates for individual currencies in scenarios compliant with the CRR requirements.

Activities relating to securities available-for-sale are the responsibility of the Assets and Liabilities Management Department within the Professional Markets Division. Three basic goals of activities in the portfolio of securities available-for-sale have been defined as follows:

- management of the liquidity;
- hedging against the risk transferred to the Financial Markets and Corporate Banking Sector from other organizational units of the Bank or the Group's entities;
- opening of own interest rate risk positions on the Group's books by the Financial Markets and Corporate Banking Sector.

In order to avoid excessive fluctuations in the Group's capital funds, caused by the revaluation of assets held-for-sale, the maximum limits of DV01 (Dollar Value of 1 basis point), which determines the potential change in the value of risk positions on a given interest rate curve at a specific nodal point (which brings together all the cash flows in a given time horizon), caused by a shift in the market interest rate by 1 basis point upwards, are established for this kind of portfolio. The limits also concert the open positions in derivatives (i.e., interest rate swap transactions), carried out to hedge the fair value of the portfolio.

Hedge accounting program

In addition to the general rules limiting market risk, in particular, interest rate risk, the Group has defined rules for the application of fair value hedge accounting. The main risk, which is hedged under hedge accounting, is the risk of changes in interest rates resulting from holding portfolio of securities measured at fair value through other comprehensive income with fixed interest rates. At the end of each month, when the hedging relation happened, the Group shall evaluate the effectiveness of the hedging instrument used, by analyzing the changes in the fair value of the hedged and hedging instrument in respect of the risk being hedged.

The hedged item was part of a portfolio of securities measured at fair value through other comprehensive income at a fixed interest rate, denominated in PLN and EUR. In all cases, the hedging instrument was the interest rate swap (IRS), which converts the fixed interest rate on a variable. Gains and losses arising from revaluation at fair value of the hedging instrument and changes in the fair value of the hedged items are reflected - in part resulting from the hedged risk - in profit and loss item "Net income from hedge accounting".

The table below presents the risk measured with DV01 for the portfolio of securities available-for-sale, including the economic collateral, broken down by currency:

PLN '000	31.12.2022			Total in the period 01.01.2022 – 31.12.2022		
	Total	Securities	IRS	Average	Maximum	Minimum
PLN	(1,477)	(1,829)	352	(1,622)	(841)	(2,105)
USD	(187)	(187)	0	(202)	(182)	(231)
EUR	(739)	(739)	0	(212)	(120)	(748)

PLN '000	31.12.2021			Total in the period 01.01.2021 – 31.12.2021		
	Total	Securities	IRS	Average	Maximum	Minimum
PLN	(1,638)	(2,227)	590	(2,159)	(612)	(3,976)
USD	(229)	(229)	-	(225)	(116)	(267)
EUR	(206)	(206)	-	(241)	(206)	(276)

The Group's activities involving investments in debt securities available-for-sale were also one of the main factors influencing changes in the level of the risk of mismatch in revaluation periods as expressed by the IRE measure.

Measurement of the market risk of the trading portfolios

The following methods are applicable in measurement of the risk of the trading portfolios:

- Factor Sensitivity;
- Value at Risk (VaR); and

- Stress testing.

Factor Sensitivity measures the change in the value of positions in an underlying instrument in the case of a specific change in a market risk factor (e.g., change of the interest rate by 1 basis point at a given point on the interest rate curve, change of the currency exchange rate or share price by 1%).

In the case of interest rates, the applicable sensitivity measure is DV01.

In the case of exchange rate (FX) risk, the Factor Sensitivity value is equal to the value of the FX position in a given currency.

In the case of positions held in equities, the Factor Sensitivity value is equal to the net value of the positions held in the respective instruments (shares, indices, participation units).

Value at Risk (VaR) is the integrated measure of the market risk of trading portfolios which combines the impact of positions in respective risk factors and accounts for the effect of correlation between the fluctuations of different factors. VaR is applied for the purpose of measuring the potential decrease in the value of a position or portfolio under normal market conditions, at a specific confidence level and within a specific time period. In the case of positions opened in the Group's trading portfolio, VaR is calculated at a 99% confidence level and a one-day holding period.

DV01 as well as VaR for the trading portfolio are calculated net of the economic hedge of the portfolio of securities available-for-sale, i.e., net of derivative instruments intended to hedge the fair value of the portfolio. The exposures to the risk of such transactions are mitigated through the application of relevant risk measurement methods and by the bank portfolio risk limits.

Each day, the Group runs stress tests on the assumption that the risk factors change by more than expected in the Value at Risk scenario and ignoring the historical correlations of these factors.

The Group keeps records of exposures of the bank portfolios to market risk in over twenty currencies both for currency positions and exposures to interest rates risk. These exposures are significant only for a few currencies. For a large group of currencies, the exposures are the consequence of a gap between transactions executed on the customer's orders and closing transactions with other wholesale market counterparties. Significant exposures to market risk are opened for PLN, currencies of well-developed markets (predominantly USD and EUR with a lesser focus on GBP, CHF and JPY) and Central European currencies.

The values of significant exposures to the interest rate risk of the trading portfolios risk in terms of DV01 in 2022 are presented in the table below:

PLN'000	31.12.2022	31.12.2021	In the period 1.01.2022 – 31.12.2022		
			Average	Maximum	Minimum
PLN	(45)	509	368	1 116	(611)
EUR	(214)	156	51	347	(223)
USD	(-1)	(34)	(8)	63	(175)

Average exposures to the interest rate risk in the local currency in 2022 was higher comparing to the level from the previous year and amounted to PLN 442 thousand. Average exposure to the interest rate risk in EUR was higher than in 2021 (DV01 amounted to PLN 111 thousand, compared to PLN 103 thousand in the previous year). Average exposure in USD was lower than in 2021 (DV01 amounted to PLN 23 thousand, compared to PLN 53 thousand in 2021). The maximum exposure in PLN of the biggest exposures accepted by the Treasury Division was PLN 1,116 thousand compared to PLN 1,012 thousand in 2021 and the position in EUR amounted to PLN 347 thousand compared to PLN 226 thousand in the previous year.

The Financial Markets and Corporate Banking Sector, which trades in financial instruments within the Group, continued the strategy of very active management of exposures to FX risk and interest rate risk by adjusting the volume and direction of such exposures depending on changing market conditions, which is reflected in the range of volatility of these exposures (the minimum and the maximum values in the table above).

The table below presents the levels of risk measured by VaR (net of economic hedges of the portfolio of securities available-for-sale) broken down by FX risk and interest rate risk position in 2022:

PLN'000	31.12.2022	31.12.2021	In the period 1.01.2022– 31.12.2022		
			Average	Maximum	Minimum
Currency risk	426	908	553	4,388	70
Interest rate risk	7,107	14,366	14,502	30,119	4,471
Spread risk	7,268	3,504	6,390	11,780	3,221
Total risk	**10,028**	**15,549**	**15,963**	**29,746**	**6,770**

The main risk factor was the interest rate risk, followed by the spread risk, where the credit spread risk determines the

impact on the valuation of the instrument / portfolio resulting from changes in the market perception of the credit quality of certain instruments, such as "cross currency swap", "asset swap" or a portfolio of securities denominated in a foreign currency.
The overall average level of the market risk of the trading portfolios was 144% lower in 2022 than the average level in 2021, which amounted to PLN 9,411 thousand, mainly as a result of an increase in changes in interest rates. The maximum level of price risk increased from 17,076 thousand PLN in 2021 to 29,746 thousand PLN in 2022.

Equity instruments risk

Till the end of August 2022 Dom Maklerski Banku Handlowego S.A. was the Bank's key company trading in equity instruments. Starting from August 2022, the activity of equity instruments has been transferred to the Bank's structure and is ever since performed in the same scope by Brokerage Department of the Bank (DMBH). In its core business, DMBH has been authorized to accept pricing risk of the trading portfolio of shares, or rights to shares, traded or likely to be traded on the Warsaw Stock Exchange ("WSE"), or BondSpot, WIG20 index futures and Indexed Participation Units, as well as shares of companies dual-listed on the WSE which are traded on international stock exchanges. The pricing risk of DMBH's portfolios of instruments is managed by means of volume limits applicable to specific types of financial instruments and concentration warning thresholds applicable to instruments of specific issuers. Moreover, DMBH uses warning thresholds of potential loss under stress scenarios and the cumulative realized loss on the trading portfolio.

The Group's FX exposure

The table below presents the Group's FX exposure by main currencies:

31.12.2022

PLN'000	Balance-sheet transactions		Contingent derivative transactions*		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	9,241,239	8,969,064	33,013,226	33,241,235	44,166
USD	2,438,403	7,736,025	20,182,424	14,905,002	(20,200)
GBP	24,784	568,690	626,045	82,814	(675)
CHF	75,186	397,094	500,325	178,888	(471)
Other currencies	24,378	174,051	2,521,606	2,359,349	12,584
	11,803,990	**17,844,924**	**56,843,626**	**50,767,288**	**35,404**

** at present value which is the sum of discounted future cash flows*

31.12.2021

PLN'000	Balance-sheet transactions		Contingent derivative transactions*		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	3,164,671	6,858,015	35,733,605	32,086,237	(45,976)
USD	1,941,932	6,016,198	25,896,544	21,806,724	15,554
GBP	29,714	469,003	489,401	41,972	8,140
CHF	279,906	347,283	1,531,348	1,470,755	(6,784)
Other currencies	41,849	243,625	4,155,903	3,922,410	31,717
	5,458,072	**13,934,124**	**67,806,801**	**59,328,098**	**2,651**

** at present value which is the sum of discounted future cash flows*

OPERATIONAL RISK

Strategic goals and assumptions of the operational risk management system

The objective of operational risk management is to ensure a consistent and effective approach to identification, assessment, mitigation, control, monitoring and reporting of these risks, as well as the effective reduction of the level of exposure to operational risk, and consequently reduction of the amount of operational risk events and their severity (policy of low tolerance for operational risk losses).

Operational risk management is also aimed at the full integration of this risk management processes into business decision- making processes (i.e., business strategy is supported by an operational risk assessment, and the business is assessed on the basis of pre-determined indicators of control and operational risk).

While organizing operational risk management process, the Group takes into account business strategy, Group's risk profile, macroeconomic environment, available resources of capital and liquidity and regulatory requirements (in particular Recommendation M) that constitute a framework for the preparation of operational risk control and management system in the Group.

The Management Board and subsidiary Management Boards are responsible for the development, implementation and operation of proper operational risk management system through the introduction of appropriate internal regulations, ensures consistency between operational risk management system and Group's Strategy, as well as its proper functioning within the organization through an analysis of information that allow to assess whether the system is adequate for operational risk profile. If needed, operational risk management system is reinforced through implementation of crucial improvements.

Operational risk management system in the Group is built in a way that ensures risk management at every stage, i.e.: identification, assessment/measurement, mitigation, control, monitoring and reporting.

The implementation of the strategy by the Management Board shall be assessed by the Supervisory Board, assisted by Audit Committee and Risk and Capital Management Committee based on synthetic reports submitted by the Management Board with frequency correlated with the committees' meetings, determining the scale and types of operational risk that the Bank is exposed to, methods of operational risk management, probability of risk's occurrence, assessment of potential negative impact of operational risk management methods, as well as results of operational risk profile and operational risk appetite monitoring. If necessary, after evaluation the Supervisory Board may request revision of the entire or partial internal control system.

Operational risk definition

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, or technical systems, or from external events (including technology, outsourcing, fraud, money laundering, information security, business continuity (external and internal events), tax and accounting, product, legal, model, human resources, conduct risks as well as reputational risk resulting from operational risk events, business or market practices, or other operational risks incorporated into other risk categories (credit, counterparty, liquidity, compliance)).Operational Risk does not cover strategic risks or the risk of loss resulting solely from authorized judgments made with respect to taking credit, market, liquidity or insurance risk.

The operational risk was considered significant for 2022. Additionally, the Compliance Risk, which is included in the Operational Risk for the purposes of the ICAAP process, has also been considered material risk.

Rules of operational risk identification

Each Group's Business Unit identifies all significant operational risks related to its processes. This includes identification by the Group's Management of significant risks associated with all processes, products, human factors, systems and compliance with applicable laws, regulatory administrative actions, the Group's internal regulations and the Group's strategy, also taking into consideration risk associated with dependence on other entities in the Group.

Group's organizational units and the Independent Control and Operational Risk Department use in the operational risk identification processes, regular analysis of information generated using the tools of operational risk management.

Operational Risk Profile

Operational Risk Profile – scale and structure of exposure to operational risk, defining the level of exposure to operational risk, expressed in selected structural measures (e.g., types of operational risk events, types of business lines, significant processes) and scale measures (e.g., assessed potential loss). The Group defines its operational risk profile based on operational loss data and based on information gathered through utilized operational risk management tools.

Measurement and assessment

In the process of risk estimation Group applies differentiated methods of risk measurement and assessment. Risk assessment is the determination of the probability of occurrence and scale of potential future operational losses. Group applies quantitative and quantitative methods for the purpose of risk assessment (e.g. appetite for risk, capital requirements, the target risk profile, key risk indicators, data loss and operational risk events, issues and corrective actions, the process of self-assessment, key projects, concentration risk areas and increasing the risk level, scenario analysis, stress tests, changes in processes and products, information from internal and external reviews and audits, information reported to the Commissions and Committees). Risk assessment analyses involve internal and external threats. Proper operational risk assessment enables adequate determination of risk profile and adequate risk management.

Assessed capital requirement for operational risk covers all risk categories included by the Group in operational risk definition.

Risk tolerance framework, risk control and mitigation

The Group sets tolerance levels for each operational risk category and business areas within a determined risk appetite. Excess of the established level of tolerance thresholds for particular operational risk category requires undertaking of corrective actions in line with the decision of the Risk and Capital Management Committee.

Risk and Capital Management Committee or Management Boards of subsidiaries can decide on the following treatment of the identified risks by:

- accepting (conscious avoidance of activities, aiming at mitigation of probability and results of an event, including ensuring of funds for covering of potential losses);

- mitigation (mainly by adequate definition of processes, products, systems, procedures and implementation of control mechanisms);
- transfer (movement of part or whole risk related to a particular threat to the external party, in particular by outsourcing of activity to an external services provider or by insurance);
- avoidance of activities, leading to risk exposure.

In key aspects, processes of risk identification, self-assessment, measurement, monitoring and reporting are unified and generally accepted in all organizational units of the Group. Risk mitigation processes are determined for each entity and may be different for individual units.

Control is a process designed to mitigate cause(s), reduce the probability of an event occurring and/or minimize the severity of an effect. Risk mitigation measures include also risk transfer mechanisms (outsourcing, insurance). Risk mitigation measures include internal controls as well as risk transfer mechanisms, i.e., transfer of part or whole risk related to a given threat to an external entity, in particular by outsourcing or insurance. The Group regularly assesses and monitors the proper functioning of risk transfer mechanisms.

Monitoring and reporting

The Risk and Capital Management Committee, Operational Risk, Control and Compliance Committee, New Products Committee, Remuneration Committee and commissions supporting the Committees are accountable for ongoing monitoring of operational risk. Quality and effectiveness of operational risk management processes (including the self-assessment process) in the respective organizational units of the Capital Group are subject to inspections and assessment carried out by the internal audit.

Within the consolidated oversight operational risk data of Group and subsidiaries is presented to Commissions and Committees, supporting the Management and Supervisory Board in the operational risk management process.

The Supervisory Board supervises and assesses the adequacy and effectiveness of operational risk management. The Supervisory Board is supported by Committees of Supervisory Board - Audit Committee, Risk and Capital Committee and Remuneration Committee.

Based on synthetic operational risk reports, presented periodically by the Management Board at least twice a year, prepared based on data resulting from operational risk monitoring, covering scale and types of operational risk the Group is exposed at, probability of its occurrence, dimension of its possible negative impact, operational risk management principles and the operational risk profile, and risk concentration areas, Supervisory Board, supported by the Audit Committee and Risk and Capital Committee, monitors the effectiveness of internal control and risk management and the Supervisory Board shall review the implementation by the Management of the risk management strategy (including operational risk management).

Assumptions of internal control of operational risk

Internal control system and risk management system, functioning in the Group, are organized at three, independent levels.

Within the Management Board, one of its members – Risk Management Sector Head - supervises Independent Control and Operational Risk Department and is responsible for providing the Management Board and the Supervisory Board with complex information on the risk management.

The Management Board is supported by Risk and Capital Management Committee, Operational Risk, Control and Compliance Committee, New Products Committee, GCB and ICG Investment and Insurance Commission and Ethical Commission.

Each Business Unit must establish an appropriate system of controls that are commensurate with the level of risk (incl. operational risk), including proper documentation of the control procedures and appropriate staff training. Each Business Unit must evaluate the risks that are unacceptable or outside of the Business Unit's risk appetite/tolerance and determine the appropriate actions for their mitigation or transfer.

Settings of control standards, coordination of the management, as well as monitoring of operational risk for key risk categories are supported by specialized organizational units.

Independent Control and Operational Risk Department - ICOR (internal control system second line of defense) is responsible for operational risk management supervision within the Bank, in particular for setting and enforcing standards and tools of the operational risk management (covering risk categories included in operational risk definition), self-assessment process, management of the operational risk indicators monitoring process, monitors prevents and reports operational losses, performs corrective action plans' monitoring. Additionally, the Department is responsible for maintaining operational risk management-supporting systems, calculation of regulatory and assessment of economic capital requirement for operational risk, management and regulatory reporting with regard to operational risk, operational risk market disclosures, recommending changes in the processes and operations of the Bank to adjust control functions to the acceptable risk exposure level. The Department conducts also reviews within the organizational units of the Bank regarding the increased operational risk areas, and recommends changes in the procedures, processes and banking operations in order to mitigate the operational risk level. In the scope of internal control system Independent Control and Operational Risk Department is responsible for Control Function Matrix coordination and vertical monitoring

The Audit Department (IA-Internal Audit) is responsible for independent assessment of the effectiveness of operational risk management processes and assessment of adequacy and effectiveness of operational risk management system, as well as for its regular reviews. Results of internal and external audits are considered in the management information system, the process of decision making with regard to risk management and management of the Group.

Climate risk

Due to the Bank's business profile in the area of climate risk and environmental policy the Bank focuses its activities on reducing the negative impact on the climate and consumption of natural resources in its operational activity and the products structure.

Sustainable growth is one of the key goals defined in the Bank's strategy for 2022-2024. Customers support in the transformation of their business models towards sustainable growth is one of the Bank's key priorities. The Bank also actively strives to achieve the PLN 1 billion of green assets within the period of current business strategy implementation. In response to the climate risks, the Bank also focuses on implementing green products and solutions and on reducing its own carbon footprint - the key goal in this area is to reduce own emission of greenhouse gases by 50% to 2024 compared to 2019.

Initiatives and actions taken by the Bank in this area are presented in detail in the "Non-Financial statements for 2022".

The Bank is exposed to climate change risk mainly by the impact of environmental factors on the economic environment in which the Bank's operates. Climate risk didn't have a significant direct impact on respective areas of estimates as at December 31, 2022, incl. defining the expected credit loss presented in this financial statement, or on the Bank's COB in the period of 12 months from the date of approval of this financial statement.

EQUITY MANAGEMENT

According to the Banking Act, banks in Poland are obliged to maintain equity at a level adequate for their specific business risks. The capital level presented below is considered sufficient for conducting business activity. The capital level is regularly monitored by using the capital adequacy ratio.

In 2008, the Group launched the process of estimating internal capital. The Group identified significant risks and assessed the capital required for coverage of these risks.

The Bank determines a policy of future dividend payment to the shareholders as part of the capital management process. The dividend policy depends on a number of factors including the Bank's profits, the Bank's expectations concerning future financial results, the level of capital requirements, as well as regulatory and legal issues.

Capital adequacy*

In 2022, the Group complied with the applicable prudential capital adequacy standards. The capital ratio is determined in accordance with the applicable legal regulation in this respect.

Financial data necessary to calculate the Group's capital adequacy ratio is presented in the table below:

PLN'000	**31.12.2022**	**31.12.2021**
Common Equity Tier 1 Capital	**5,240,801**	**5,517,436**
Total capital requirements, including:	**2,376,854**	**2,193,326**
credit risk capital requirements	1,728,066	1,697,499
counterparty risk capital requirements	149,289	119,529
credit valuation correction capital requirements	4,036	7,268
excess concentration and large exposures risks capital requirements	-	-
total market risk capital requirements	97,497	85,572
operational risk capital requirements	397,966	283,458
Common Equity Tier 1 Capital ratio	**17.6%**	**20.1%**

**Total capital ratio was calculated according to the rules stated in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. Data as at respective reporting dates includes profits included in own funds, taking into account the applicable EBA guidelines*

***In connection with the above, the capital ratio presented in the table takes into account the position of the European Banking Authority (EBA) regarding the inclusion of audited financial data when calculating the capital requirement for operational risk. In 2020, the EBA published, as part of the single rulebook Q&A, the position (Q&A 2018_3969), according to which the capital requirement for operational risk should be adjusted as soon as the audited data for a given year is available, if it differs on the requirement calculated on the basis of audited data for previous years or on the basis of estimated data for a given year, if they differed from the audited data.*

In 2022 there was one exceeding of the limits of concentration limits of exposures in the banking book. In 2021 there was exceeding of limits in the banking book. The exceedance was immediately reduced and KNF was notified.

4. Segment reporting

A segment is a separable component of the Group engaged in business activities, generating income and expenses (including intergroup transactions), whose operating results are regularly reviewed by the Management Board of the parent entity as 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 main business segments – the Institutional Bank and Consumer Bank. The valuation of a segment's assets and liabilities as well as calculation of financial results comply with the Group's accounting policies applied in the preparation of the financial statements, including intergroup transactions between segments.

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

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

Institutional Bank

Within the Institutional Bank segment, the Group offers products and renders services to business entities, local government units and the public sector. Apart from traditional banking services, including credit and deposit activities, the segment provides services in the area of cash management, trade financing, leases, brokerage, custody services in respect of securities and offers treasury products on financial and commodity markets. In addition, the segment offers investment banking services on local and international capital markets, including advisory services, obtaining and underwriting financing via public and non-public issues of financial instruments. The activities of the segment also include proprietary transactions in the equity, debt and derivative instruments markets.

Consumer Bank

Within the Consumer Bank segment, the Group provides products and financial services to individuals as well as to micro-enterprises and individual entrepreneurs within the framework of CitiBusiness offer. Apart from keeping bank accounts and providing credit and deposit offers, the Group offers cash loans, mortgage loans, credit cards, provides asset management services, and acts as an agent in the sale of investment and insurance products.

Income statement of the Group by business segment

For the period	2022			2021		
PLN'000	Institutional Bank	Consumer Bank	Total	Institutional Bank	Consumer Bank	Total
Net interest income	1,917,894	822,980	2,740,874	389,554	398,507	788,061
Internal interest income, including:	(188,764)	188,764	-	(27,066)	27,066	-
Internal income	-	188,764	188,764	-	27,066	27,066
Internal expenses	(188,764)	-	(188,764)	(27,066)	-	(27,066)
Net fee and commission income	401,530	178,185	579,715	434,292	215,576	649,868
Dividend income	3,323	7,766	11,089	3,297	7,662	10,959
Net income on financial instruments and revaluation	601,891	45,307	647,198	482,413	32,190	514,603
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	(323,054)	-	(323,054)	414,599	-	414,599
Net gain/(loss) on equity and other instruments measured at fair value through income statement	8,035	2,851	10,886	6,459	46,755	53,214
Net gain/(loss) on hedge accounting	(1,814)	-	(1,814)	(6,421)	-	(6,421)
Net other operating income	3,958	(21,310)	(17,352)	8,033	(78,803)	(70,770)
General administrative expenses	(628,752)	(606,091)	(1,234,843)	(543,363)	(547,379)	(1,090,742)
Depreciation and amortization	(24,058)	(78,958)	(103,016)	(22,485)	(89,348)	(111,833)
Profit on sale of other assets	3,097	(228)	2,869	(265)	(393)	(658)
Net impairment loss on financial assets and	(57,649)	(47,191)	(104,840)	26,296	(65,080)	(38,784)

For the period	2022			2021		
PLN'000	Institutional Bank	Consumer Bank	Total	Institutional Bank	Consumer Bank	Total
provisions for off-balance-sheet commitments						
Operating income	**1,904,401**	**303,311**	**2,207,712**	**1,192,409**	**(80,313)**	**1,112,096**
Tax on some financial institutions	**(182,949)**	**(30,075)**	**(213,024)**	(134,060)	(27,100)	(161,160)
Profit before tax	**1,721,452**	**273,236**	**1,994,688**	**1,058,349**	**(107,413)**	**950,936**
Income tax expense	-	-	(449,008)	-	-	(233,468)
Net profit			**1,545,680**			**717,468**

As at	31.12.2022			31.12.2021		
PLN'000	Institutional Bank	Consumer Bank	Total	Institutional Bank	Consumer Bank	Total
Total assets	**62,743,837**	**7,057,565**	**69,801,402**	**54,215,892**	**7,646,879**	**61,862,771**
Total liabilities and shareholder equity, including:	**49,092,954**	**20,708,448**	**69,801,402**	**42,130,400**	**19,732,371**	**61,862,771**
Liabilities	42,560,775	19,280,382	61,841,157	36,087,701	18,391,675	54,479,376

5. Net interest income

Accounting policy:

For all financial instruments, interest income and interest expense is recognized through the profit or loss account using the effective interest rate method.

The effective interest rate method calculates the amortized cost of a financial asset or a financial liability and allocates interest income or interest expense to appropriate periods. The effective interest rate is a rate that discounts the estimated futures inflows or payments in the expected period until the maturity of the financial instrument to the gross carrying value of a financial asset or the amortized cost for a financial liability. When calculating the effective interest rate, the Bank takes into account all the terms and conditions of a financial instrument agreement (e.g., prepayments, call options, etc.), but excludes potential future losses in connection with non-recoverable loans. The calculation covers all the commissions payable to and receivable from the parties to the agreement, integral components of the effective interest rate, transactional costs and any other premiums and discounts. As a result, commissions that are an integral part of the effective interest rate less direct costs of obtaining the financial instrument are recognized as components of interest income.

The effective interest rate applies for the gross carrying amount of financial asset, except for impaired financial assets.

In the case of financial assets for which impairment losses were recognized, interest income is measured using the interest rate that was used to discount the future cash flows to estimate such impairment losses.

Financial information:

PLN'000 For the period	2022	2021
Interest income from:	**3,187,563**	**772,212**
Financial assets measured at amortized cost	**1,803,001**	**580,773**
Balances with Central Bank	144,562	4,292
Amounts due from banks	175,490	5,488
Amounts due from customers, in respect of:	1,482,949	570,993
financial sector entities	167,311	32,297
non-financial sector entities, including:	1,315,638	538,696
credit cards	373,279	153,299
Financial assets measured at fair value through comprehensive income	**1,384,562**	**191,439**
Debt investment financial assets measured at fair value through comprehensive income	1,384,562	191,439
Similar income from:	**145,241**	**52,037**
Debt securities held-for-trading	**118,664**	**15,770**
Liabilities with negative interest rate	**24,126**	**35,362**
Derivatives in hedge accounting	**2,451**	**905**
	3,332,804	**824,249**

PLN'000	For the period	2022	2021
Interest expense and similar charges for:			
Financial liabilities measured at amortized cost		**(588,862)**	**(17,519)**
Balances with the Central Bank		(4)	-
Amounts due to banks		(155,428)	(5,907)
Amounts due to customers		(429,504)	(7,584)
Amounts due to financial sector entities		(137,054)	(3,166)
Amounts due to non-financial sector entities		(292,450)	(4,418)
Lease liabilities		(3,926)	(4,028)
Assets with negative interest rate		**(2,952)**	**(3,154)**
Derivatives in hedge accounting		**(116)**	**(15,515)**
		(591,930)	**(36,188)**
Net interest income		**2,740,874**	**788,061**

The impact on value of financial assets, whose cash flows resulting from the contract were modified however were not discontinued recognition, as at 31 December 2022 amounted to PLN 629 thousand and net modification gain in 2022 amounted to PLN (759) thousand (PLN 107 thousand and PLN 335 thousand as at 31 December 2021, respectively).

On July 29, 2022, the Act of July 7, 2022 on crowdfunding for business ventures and aid to borrowers (Journal of Laws 2022, item 1488) entered into force, which, inter alia, has created the possibility of suspending mortgage repayments (so-called "credit holidays"). Suspended installments of two months for both the third and fourth quarter of 2022 and one month in each of the quarters of 2023, respectively extend the loan period, and no interest is charged during the loan repayment suspension period (applicable to contracts concluded before 1 July 2022).

In accordance with IFRS 9, the Group estimated present value of cash flows including forecasted credit holidays and compared it to the gross book value of the portfolio of loans impacted by the regulation. The difference decreased the interest income from financial assets measured at amortized cost due from customers.

The Group monitors the amount and evaluates the adequacy of adjustment created in 3Q 2022. In 4Q there was no change of assumptions according to which approx. 63% of borrowers with mortgage loans denominated in PLN will opt for credit holiday. The gross value of the adjustment in interest income amounts to PLN 76.7 million in FY 2022 (before amortization). Estimation assumed suspension of all possible installments. The given share of customers opting in is equivalent to the 75% in terms of loan unpaid principal balance. If 65% of total eligible balance was assumed, the adjustment would amount to PLN 66.4 million; if 85% - the adjustment would rise to PLN 87.1 million. The actual participation as at 31 December 2022 equals to 65% (in terms of balance).

6. Net fee and commission income

Accounting policy:

Commission and fee income is generated when the Bank renders financial services to its customers. The Bank classifies its commission into the following categories:

- commissions that are an integral part of the effective interest rate,
- commissions for brokerage activities, including commissions for the execution of orders to buy or sell financial instruments, offering financial instruments, maintaining cash accounts, holding and registering cash instruments and acting as market makers,
- commissions for services rendered,
- commissions for executing significant transactions.

Commissions that are an integral part of the effective interest rate are recognized in the income statement adjusted by the calculation of the effective interest rate and are shown in interest income.

In the case of loans and borrowings with undetermined installment payment dates, e.g., overdrafts or credit cards, commissions and fees are recognized using the straight-line method until the expiry date of a credit limit. Such commissions and fees are recognized as commission income.

For other commissions, the Bank performs the principles of IFRS 15. In particular if the Group transfers control of service over time and, therefore, satisfies a performance obligation and the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs, then fees are recognized over time in proportion to the completion of the service in fee income, In other cases, the fees are recognized at a point in time when services have been completed and are presented in fee income. There are no situations of withholding services which would affect the manner of revenue recognition described above in connection with meeting the obligation to provide services. The majority of commission income is settled on a one-off basis, except situation where the commission is charged in advance for a period of service exceeding one month. Such situation arise in respect of guarantees or loans for which no repayment schedule is agreed. In the area of commission income, the remuneration received is in principle non-refundable.

The Group considers the terms of the contract to determine the transaction price. The transaction price is the amount of consideration (fixed, variable or both) to which Bank expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties.

The Bank renders intermediary services for insurance products. Income for the distribution of insurance products not directly relating to the occurrence of financial assets is recognized in the income statement when the service has been provided or renewal of the insurance policy has taken place, except for the part of remuneration for services provided after the sale, which is amortized over the life of the facility using the straight-line method.

In the case of products directly attributable to financial assets, where income is received up front for a period longer than one month, to establish the way of showing income on distributing this insurance, a model of relative fair value is used as a result of which income from the sale of an insurance product is divided into the following components:

- income on account of services provided as an insurance agent, and
- income recognized in the Income Statement as an effective interest rate component, adjusted by the estimated amounts of potential future returns in case of early termination of insurance products based on the share of the fair value of each of these parts in the total of their fair values.

The income described above takes into account the estimation of future returns on customers renouncing their insurance in given conditions.

Costs directly attributable to the acquisition of a cash loan are amortized over the life of the product as an effective interest rate component and are part of the interest income.

If the Bank incurs costs directly associated with the sale of an insurance product, such costs are accounted for in accordance with the principle of matching revenues and expenses. Costs not directly associated with the sale of insurance products are recognized when incurred.

Financial information:

PLN'000 For the period	2022		2021	
	Institutional Banking	Consumer Banking	Institutional Banking	Consumer Banking
Fee and commission income				
Credit activities (other than income covered by the calculation of the effective interest rate process)	39,175	16,338	37,648	23,880
Servicing bank accounts	96,348	28,781	109,590	29,896
Insurance and investment products distribution	(263)	45,209	(116)	67,281
Payment and credit cards	14,392	117,424	10,481	112,188
Payment services	104,242	6	95,208	-
Custody services	120,992	693	121,523	-
Brokerage operations	47,869	160	70,152	1,015
Clients' cash on account management services	20,233	-	19,432	-
Financial liabilities granted	27,371	-	24,587	-
Other	2,144	7,070	13,890	6,244
	472,503	**215,681**	**502,395**	**240,504**
Fee and commission expense				
Payment and credit cards	(1,719)	(34,035)	(1,607)	(23,310)
Brokerage operations	(15,861)	-	(13,843)	-
Fees paid to the National Depository for Securities (KDPW)	(28,546)	(17)	(29,753)	(17)
Broker's fees	(4,313)	-	(4,529)	-
Other	(20,534)	(3,444)	(18,372)	(1,600)
	(70,973)	**(37,496)**	**(68,104)**	**(24,927)**
Fee and commission income	**401,530**	**178,185**	**434,291**	**215,577**

7. Dividend income

Accounting policy:

Dividends resulting from equity investments are recognized in profit and loss when the entity's right to receive payment is established. There is a possibility that the entity will obtain economic benefits connected with the dividend and the dividend will be set credibly.

Financial information:

PLN'000	For the period	2022	2021
Equity and other instruments at fair value through the income statement		9,335	8,967
Securities held-for-trading		1,754	1,992
Total dividend income		**11,089**	**10,959**

8. Net income on trading financial instruments and revaluation

Accounting policy:

This item covers net income on trading financial instruments measured in fair value through profit or loss (as described in note 2.1 Financial assets and liabilities – classification and measurement) and net income on revaluation.

Financial information:

PLN'000	For the period	2022	2021
Net income on financial instruments measured at fair value through profit and loss from:			
Debt instruments		91,257	(2,192)
Equity instruments		(8,146)	(271)
Derivative instruments, including:		250,560	117,981
Interest rate derivatives		236,332	111,640
Equity		14,204	5,874
Commodities		24	467
		333,671	**115,518**
Net income on FX operations			
Operations on FX derivative instruments		(98,917)	605 343
FX gains and losses (revaluation)		412,444	(206 258)
		313,527	**399,085**
Net income on trading financial instruments and revaluation		**647,198**	**514,603**

The net income on trading financial instruments and revaluation for 2022 contains movement in (net) adjustment of the valuation of derivatives reflecting the counterparty credit risk and own credit risk in the amount of PLN 1,750 thousand (in 2021: PLN 12,179 thousand).

Net income from debt instruments includes the net results on trading in government securities, corporate debt securities, EBI (European Investment Bank) securities and money market instruments held-for-trading.

Net income from equity instruments includes net income from shares in other entities.

Income from derivative instruments includes net income due to transactions in interest rate swaps, options, futures and other derivatives.

Net profit on foreign exchange includes profit and losses on valuation of assets and liabilities denominated in foreign currency and foreign currency derivatives such as forward, CIRS and option contracts and also contains a margin realized on spot and forward currency transactions.

9. Net gain/(loss) on hedge accounting

Accounting policy:

Detailed information on hedge accounting applied by the Bank, including the accounting policy, are presented in note 37.

Financial information:

PLN'000	For the period	2022	2021
Fair value hedge accounting			
Net gain on hedged transaction valuation		(3,648)	(385,967)
Net gain on hedging transaction valuation		1,834	379,546
Hedge accounting income		**(1,814)**	**(6,421)**

10. Net other operating income and expense

Financial information:

Other operating income and expenses comprise income and expenses that are not directly related to banking activities. They include the proceeds from and costs of selling or disposing of tangible fixed assets and assets held for disposal, income related to services for related parties, compensation, penalties and fines.

PLN'000	**For the period**	**2022**	**2021**
Other operating income			
Income from provision of services for related parties outside the Group		9,933	6,149
Income from office rental		6,823	7,382
Other		6,282	5,347
		23,038	**18,878**
Other operating expenses			
Amicable procedure and vindication expenses		(4,571)	(4,809)
Net provision for litigation		(18,490)	(67,713)
Other**		(17,329)	(17,126)
		(40,390)	**(89,648)**
Net other operating income and expense		**(17,352)**	**(70,770)**

**The item includes the (net) costs of provisions for litigation proceedings including those related to TSUE judgements*
***The item "Other" includes i.a. operating losses and donation costs*

11. General administrative expenses

Accounting policy:

General administrative expenses are recognized in the period they apply to.

Financial information:

In the building maintenance and rent cost position, there are lease payments for short-term leases and low-value assets, variable lease payments, non-lease components and maintenance costs related to real estate owned or leased by the Group.

PLN'000	**For the period**	**2022**	**2021**
Staff expenses			
Remuneration costs, including:		(439,845)	(404,710)
Provisions for retirement allowances		(31,648)	(28,270)
Bonuses and rewards		(83,559)	(79,769)
Social insurance costs		(72,133)	(63,386)
		(595,537)	**(547,865)**
Administrative expenses			
Telecommunication fees and hardware purchases		(235,635)	(205,290)
Costs of external services, including advisory, audit, consulting services		(49,200)	(48,951)
Building maintenance and rent costs		(59,472)	(50,085)
Advertising and marketing costs		(37,707)	(34,157)
Cash management service, KIR service and other transactional costs		(36,786)	(38,475)
Costs of external services related to the distribution of banking products		(46,306)	(42,390)
Postal services, office supplies and printmaking costs		(6,325)	(6,062)
Training and education costs		(2,182)	(934)
Banking and capital supervision costs		(7,702)	(6,724)
Costs paid to Bank Guarantee Fund		(110,937)	(77,195)
Other expenses		(47,054)	(32,614)
		(639,306)	**(542,877)**
Total general administrative expenses		**(1,234,843)**	**(1,090,742)**

Staff expenses include the following employee benefits for current and former members of the Management Board – the Group's parent company:

PLN'000	For the period	2022	2021
Short-term employee benefits		14,718	18,446
Long-term employee benefits		2,125	2,496
Capital assets		8,456	8,718
		25,299	**29,661**

12. Depreciation expense

Accounting policy:

Depreciation expenses is recognized on a straight-line basis according to depreciation rates described in note 23 for tangible fixed assets and note 24 for intangible assets.

Financial information:

PLN'000	For the period	2022	2021
Depreciation of property and equipment		(42,538)	(43,335)
Amortization of intangible assets		(60,478)	(68,498)
Depreciation expense, total		**(103,016)**	**(111,833)**

13. Provisions for expected credit losses on financial assets and provisions for contingent liabilities

Accounting policy:

Provisions for expected credit losses and provisions for contingent commitments are presented in this position.
Impairment policy is described in detail in note 3 in Credit risk part.

Financial information:

PLN'000	For the period	2022	2021
Provision for expected credit losses on amounts due from banks			
Provision creation		(7,527)	(6,209)
Provision release		7,501	6,448
		(26)	**239**
Provision for expected credit losses on amounts due from customers			
Provision creation and reversals		**(105,382)**	**(57,870)**
Provision creation		(338,397)	(296,666)
Provision release		241,313	241,867
Other		(8,298)	(3,071)
Recoveries from debt sold		**15,875**	**3,082**
		(89,507)	**(54,788)**
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income			
Provision creation		(5,583)	(2,685)
Provision release		1,155	4,740
		(4,428)	**2,055**
Provision for expected credit losses on financial assets		**(93,961)**	**(52,494)**
Created provisions for granted financial and guarantee commitments		(62,861)	(42,299)

PLN'000	For the period	2022	2021
Release of provisions for granted financial and guarantee commitments		51,982	56,009
Provision for expected credit losses for contingent liabilities		**(10,879)**	**13,710**
Provision for expected credit losses on financial assets and provisions for contingent liabilities		**(104,840)**	**(38,784)**

14. Income tax expense

Accounting policy:

Income tax consists of current tax and deferred tax. Income tax is recognized in the income statement, except for taxes related to amounts that are allocated to other comprehensive income.

Financial information:

Recognized in the income statement

PLN'000	For the period	2022	2021
Current tax			
Current year CIT		(405,588)	(148,786)
Adjustments for prior years		(2,998)	3,086
		(408,586)	**(145,700)**
Deferred tax			
Origination and reversal of temporary differences		(40,422)	(87,768)
		(40,422)	**(87,768)**
Total income tax expense in income statement		**(449,008)**	**(233,468)**

Reconciliation of effective tax rate

PLN'000	For the period	2022	2021
Profit before tax		1,994,688	950,936
Income tax at the domestic corporate tax rate of 19%		(378,991)	(180,678)
Impairment provision not constituting deductible expenses		(5,082)	(9,034)
Deductible income not recognized in the income statement		(3,911)	(4,357)
Deductible expenses not recognized in the income statement		499	(331)
Non-taxable income		2,346	4,097
Tax on some financial institutions		(40,475)	(30,620)
Bank Guarantee Fund		(21,078)	(14,667)
Other permanent differences, including other non-deductible expenses		(2,316)	2,122
Total tax expenses		**(449,008)**	**(233,468)**
Effective tax rate		**22.51%**	**24.55%**

Deferred tax recognized directly in equity

Deferred tax recognized directly in equity as at 31 December 2022 is related to financial assets measured at fair value through other comprehensive income and valuation of defined benefit plan and amounted to PLN 135,101 thousand (31 December 2021: PLN 75,471 thousand).

15. Earnings per share

As at 31 December 2021, earnings per share amounted to PLN 11.83 (31 December 2021: PLN 5.49).

The calculation of earnings per share as at 31 December 2022 was based on profit attributable to shareholders of PLN thousand (31 December 2021: PLN 717,468 thousand) and the weighted-average number of ordinary shares outstanding during the year ending 31 December 2022 of 130,659,600 (31 December 2021: 130,659,600).

The Bank does not have any ordinary shares that may have a dilution impact or any other dilutive instruments.

16. Changes in other comprehensive income

Deferred income tax and reclassification included in other comprehensive income concern the valuation of financial assets measured at fair value recognized in the revaluation reserve and valuation of the defined benefit program recognized in other reserves.

PLN'000	Gross amount	Deferred income tax	Net amount
As at 1 January 2022	**(397,222)**	**75,471**	**(321,751)**
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	(645,906)	122,722	(523,184)
(Profit) or loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	323,054	(61,380)	261,674
Total comprehensive income connected with financial assets measured at fair value through other comprehensive income	**(720,074)**	**136,813**	**(583,261)**
Net actuarial profits/(losses) on defined benefit program valuation	9,011	(1,712)	7,299
As at 31 December 2022	**(711,063)**	**135,101**	**(575,962)**

PLN'000	Gross amount	Deferred income tax	Net amount
As at 1 January 2021	**538,867**	**(102,385)**	**436,482**
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	(526,184)	99,974	(426,210)
(Profit) or loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	(414,599)	78,774	(335,825)
Total comprehensive income connected with financial assets measured at fair value through other comprehensive income	**(401,916)**	**76,363**	**(325,553)**
Net actuarial profits/(losses) on defined benefit program valuation	4,694	(892)	3,802
31 December 2021	**(397,222)**	**75,471**	**(321,751)**

17. Cash and balances with the Central Bank

PLN'000	31.12.2022	31.12.2021
Cash in hand	562,217	357,834
Current balances with Central Bank	22,079	6,168,909
Other receivables	11,673	-
Cash and balances with the Central Bank, total	**595,969**	**6,526,743**

On the current account in the National Bank of Poland (NBP), the Bank maintains an obligatory reserve which may be used only under the condition that the sum of the average monthly balance on the current account in NBP is not lower than the declared balance.

The declared balance of obligatory reserve amounted as at 31 December 2022 to PLN 1,912,728 thousand (31 December 2021: PLN 1,035,332 thousand).

18. Amounts due from banks

Accounting policy:

Classification and measurement of Amounts due from banks are described in note 2.1 "Financial assets and liabilities – classification and measurement".

Financial information:

PLN'000	31.12.2022	31.12.2021
Current accounts	75,367	40,153
Deposits	35,571	40,067
Loans and advances	1	2
Receivables due to purchased securities with a repurchase agreement	265,745	748,166
Deposits pledged as collateral of derivative instruments and stock market transactions	663,059	140,850
Other receivables	5,785	-
Total gross amount	**1,045,528**	**969,238**
Impairment provision	(1,560)	(1,561)
Total net amount due from banks	**1,043,968**	**967,677**

Changes in gross amounts due from banks that contributed to movements in provision for expected credit losses amounts are as follows:

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

PLN'000	Stage 1	Stage 2	Stage 3	Total
Loss allowance - amounts due from banks				
Loss allowance as at 1 January 2021	**(1,708)**	**-**	**-**	**(1,708)**
Transfer between Stages	-	-	-	-
(Creation)/Releases in the period though the income statement	239	-	-	239
Foreign exchange and other movements	(92)	-	-	(92)
Loss allowance as at 31 December 2021	**(1,561)**	**-**	**-**	**(1,561)**

The closing balance of impairment recognized on loans and advances to customers consisted of:

PLN'000	Stage 1	Stage 2	Stage 3	Total
Gross amounts due from banks measured at amortized cost				
Gross amounts due from banks as at 1 January 2022	**969,236**	**2**	**-**	**969,238**
Transfer to Stage 1	2	(2)	-	-
Transfer to Stage 2	(9,958)	9,958	-	-
Transfer to Stage 3	-	-	-	-
Receivables increase / repayment	(198,500)	252,915	-	54,415
Other movements	21,010	865	-	21,875
Gross amounts due from banks as at 31 December 2022	**781,790**	**263,738**	**-**	**1,045,528**

PLN'000	Stage 1	Stage 2	Stage 3	Total
Gross amounts due from banks measured at amortized cost				
Gross amounts due from banks as at 1 January 2021	**571,935**	**18**	**-**	**571,953**
Transfer to Stage 1	18	(18)	-	-
Receivables increase / repayment	373,671	2	-	373,673
Other movements	23,612	-	-	23,612
Gross amounts due from banks as at 31 December 2021	**969,236**	**2**	**-**	**969,238**

19. Financial assets and liabilities held-for-trading

Accounting policy:

Classification and measurement of financial assets and liabilities held-for-trading are described in note 2.1.

Financial information:

Financial assets held-for-trading

Derivative instruments, excluding hedging instruments, and selected debt securities are classified as held-for-trading and presented in the consolidated financial statement as “Financial assets held-for-trading”.

PLN'000	31.12.2022	31.12.2021
Debt securities held-for-trading		
Bonds and notes issued by:		
Central Banks	-	3,498,300
Banks and other financial entities*	707,416	8,270
Central governments	1,565,099	274,803
	2,272,515	**3,781,373**
Including:		
Listed on active market	2,272,515	283,073
Equity instruments held-for-trading	**25,896**	**79,290**
Including:		
Listed on active market	25,896	79,290
Derivative financial instruments	**4,730,752**	**6,095,549**
Financial assets held-for-trading, total	**7,029,163**	**9,956,212**

**As at 31 December 2022, some of the securities (bonds) issued by banks in the amount of PLN 703 347 thousand are covered by Government guarantees (31 December 2021: PLN 1 thousand).*

Financial liabilities held-for-trading

PLN'000	31.12.2022	31.12.2021
Liabilities related to short sale of securities	234,203	515,896
Derivatives	4,661,896	6,072,586
Financial liabilities held-for-trading, total	**4,896,099**	**6,588,482**

As at 31 December 2022 and 31 December 2021, the Group did not hold any financial assets and liabilities designated at fair value through profit or loss at initial recognition.

Derivative financial instruments as at 31 December 2022

PLN'000	Nominal amount with remaining life of				Total	Fair value	
	less than 3 months	between 3 months and 1 year	between 1 year and 5 years	more than 5 years		Assets	Liabilities
Interest rate instruments	**21,584,957**	**43,085,758**	**89,525,503**	**25,775,955**	**179,972,173**	**2,448,292**	**2,303,596**
FRA	7,680,000	9,708,000	250,000	-	17,638,000	9,791	21,918
Interest rate swaps (IRS)	9,676,729	22,021,542	87,811,278	25,743,847	145,253,396	2,415,101	2,226,260
Interest rate options	**-**	**-**	55,946	32,108	88,054	**2,916**	2,902
Futures*	4,228,228	11,356,216	1,408,279	-	16,992,723	20,484	52,516
Currency instruments	**56,739,996**	**29,454,572**	**23,955,154**	**523,694**	**110,673,416**	**1,629,316**	**1,704,438**
FX forward	17,487,139	14,034,564	2,371,495	-	33,893,198	737,036	283,513
FX swap	31,574,860	7,932,202	2,267,265	-	41,774,327	210,967	861,331
Currency-interest rate swaps (CIRS)**	4,334,756	3,550,711	14,462,946	523,694	22,872,107	518,532	397,031
Foreign exchange options	3,343,241	3,937,095	4,853,448	-	12,133,784	162,781	162,563
Securities transactions	**236,012**	**7,748**	**-**	**-**	**243,760**	**341**	**1,080**
Futures*	19,987	7,748	**-**	**-**	**27,735**	**-**	**-**
Securities purchased/sold pending delivery	216,025	-	-	-	216,025	341	1,080
Commodity transactions	**534,386**	**114,727**	**320,419**	**-**	**969,532**	**652,803**	**652,782**
Swaps	534,386	114,727	320,419	-	969,532	652,803	652,782
Total derivative instruments	**79,095,351**	**72,662,805**	**113,801,076**	**26,299,649**	**291,858,881**	**4,730,752**	**4,661,896**

**Exchange-traded products*
*** Foreign exchange interest rate swaps with capital exchange*

Derivative financial instruments as at 31 December 2021

PLN'000	Nominal amount with remaining life of				Total	Fair value	
	less than 3 months	between 3 months and 1 year	between 1 year and 5 years	more than 5 years		Assets	Liabilities
Interest rate instruments	**31,272,413**	**43,006,679**	**152,438,278**	**34,459,349**	**261,176,719**	**3,729,904**	**3,763,843**
FRA	9,963,000	8,629,000	1,333,000	-	19,925,000	30,697	43,238
Interest rate swaps (IRS)	20,389,533	29,088,369	151,046,089	34,423,335	234,947,326	3,697,643	3,719,180
Interest rate options	**-**	**-**	59,189	36,014	95,203	1,346	1,346
Futures*	919,880	5,289,310	-	-	6,209,190	218	79
Currency instruments	**70,341,347**	**26,531,801**	**20,047,296**	**1,225,153**	**118,145,597**	**868,843**	**811,238**
FX forward	21,341,525	6,448,930	4,612,977	-	32,403,432	118,041	362,545
FX swap	42,337,213	8,406,863	1,461,492	-	52,205,568	518,298	264,833
Currency-interest rate swaps (CIRS)**	5,710,173	9,278,623	13,879,816	1,225,153	30,093,765	217,390	168,531
Foreign exchange options	952,436	2,397,385	93,011	-	3,442,832	15,114	15,329
Securities transactions	**844,352**	**10,181**	**-**	**-**	**854,533**	**1,071**	**1,855**
Futures*	73,329	10,181	**-**	**-**	83,510	-	-
Securities purchased/sold pending delivery	771,023	-	-	-	771,023	1,071	1,855
Commodity transactions	**837,364**	**2,283,609**	**859,388**	**-**	**3,980,361**	**1,495,731**	**1,495,650**
Swaps	837,364	2,283,609	859,388	-	3,980,361	1,495,731	1,495,650
Total derivative instruments	**103,295,476**	**71,832,270**	**173,344,962**	**35,684,502**	**384,157,210**	**6,095,549**	**6,072,586**

**Exchange-traded products*
*** Foreign exchange interest rate swaps with capital exchange*

20. Debt investment financial assets measured at fair value through other comprehensive income

Accounting policy:

The policy for classification and measurement of debt investment financial assets measured at fair value through other comprehensive income is described in note 2.1 “Financial assets and liabilities – classification and measurement”.

Financial information:

PLN'000	**31.12.2022**	**31.12.2021**
Bonds and notes issued by:		
Central Banks	13,951,438	3,498,300
Other banks*, including:	4,675,139	1,663,202
Covered bonds in fair value hedge accounting	485,494	848,928
Other financial sector entities	2,725,197	2,206,299
Central governments, including:	15,829,034	13,222,483
Debt securities measured at fair value through other comprehensive income, total	**37,180,808**	**20,590,284**
Including:		
Listed on active market instruments	23,229,370	17,091,984
Unlisted instruments on the active market	13,951,438	3,498,300

**As at 31 December 2022, the securities (bonds) issued by banks in the amount of PLN 4,675,139 thousand are covered by Government guarantees (31 December 2021: PLN 1,663,202 thousand).*

For debt investment financial assets measured at fair value through other comprehensive income, the cumulated value of impairment as at 31 December 2022 amounts to PLN 10 319 thousand (as at 31 December 2021 5,890 thousand).

The movement in debt investment financial assets measured at fair value through other comprehensive income is as follows:

PLN'000	**2022**	**2021**
As at 1 January	**20,590,284**	**27,323,571**
Increases (due to):		
Purchases	587,897,283	420,289,404
Foreign exchange differences	65,404	52,458
Depreciation of discount, premium and interest	1,356,534	27,778
Decreases (due to):		
Sale	(572,467,501)	(425,761,410)
Revaluation	(208,413)	(1,257,899)
Depreciation of premium	(52,783)	(83,618)
As at 31 December	**37,180,808**	**20,590,284**

21. Equity and other instruments measured at fair value through the income statement

Accounting policy:

Shares in entities other than dependent entities are classified as financial assets measured at fair value through the income statement. Their classification and measurement are described in note 2.1 “Financial assets and liabilities – classification and measurement”.

Financial information:

PLN'000	**31.12.2022**	**31.12.2021**
Stocks and shares in other entities	92,105	71,036
Impairment	14,039	26,280
Equity and other instruments measured at fair value through income statement, total	**106,144**	**97,316**
Including:		
Listed on active market instruments	17,660	1,160
Unlisted on active market instruments	88,484	96,156

The movement in equity and other instruments measured at fair value through income statement is as follows:

PLN'000	2022	2021
As at 1 January	**97,316**	**78,473**
Sale	(184)	(34,372)
Action conversion - transfer to Level I	7,417	-
Revaluation	1,595	53,215
As at 31 December	**106,144**	**97,316**

22. Amounts due from customers

Accounting policy:

Classification and measurement of amounts due from customers are described in note 2.1 "Financial assets and liabilities – classification and measurement".

Financial information:

PLN'000	31.12.2022	31.12.2021
Amounts due from financial sector entities		
Loans, placements and advances	766 786	576 097
Debt financial assets unlisted	1 227 130	1 672 126
Guarantee funds and deposits pledged as collateral	1 820 113	1 159 174
Other receivables	-	36 053
Total gross amount	**3 814 029**	**3 443 450**
Provision for expected credit losses	(3 517)	(3 346)
Total net amount	**3 810 512**	**3 440 104**
Amounts due from non-financial sector entities		
Loans and advances	16 558 928	16 753 708
Unlisted debt financial assets	-	184 247
Purchased receivables	2 038 148	1 784 738
Guarantee funds and deposits pledged as collateral	33 062	31 811
Realized guarantees	8 269	-
Other receivables	24 250	18 329
Total gross amount	**18 662 657**	**18 772 833**
Provision for expected credit losses	(852 662)	(885 337)
Total net amount	**17 809 995**	**17 887 496**
Total net amounts due from customers	**21 620 507**	**21 327 600**

In amounts due from customers presented on the line Unlisted debt financial assets are securitization assets covered by the Bank. The Group acts as investor in transactions involving senior tranches. The assets purchased by the Bank are not traded on the market. The Bank intends to maintain investments until the maturity date. The main risk of securitization transactions is credit risk. The Bank's maximum exposure to loss from involvement in these entities is equal to their carrying gross value, as at 31 December 2022 in the of amount PLN 1,227,130 thousand (31 December 2021: PLN 1,672,126 thousand). The carrying value of assets relating in Bank participation in unconsolidated structured entities as at 31 December 2022 in the amount of PLN 1,226,612 thousand (31 December 2021: PLN 1,671,406 thousand).

Movement in provision for expected credit losses - amounts due from customers presents as follows:

PLN '000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Loss allowance - amounts due from institutional customers					
Provision for expected credit losses as at 1 January 2022	**(29,135)**	**(46,465)**	**(352,638)**	**-**	**(428,238)**
Transfer to Stage 1	(69)	69	-	-	-

PLN '000	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit-impaired assets**	**Total**
Transfer to Stage 2	2,947	(2,947)	-	-	-
Transfer to Stage 3	57	1,446	(1,503)	-	-
Transfer to purchased or originated credit-impaired assets	-	-	1,735	(1,735)	-
(Creation)/Releases in the period though the income statement	(14,427)	4,627	(25,770)	209	(35,361)
Decrease in provisions due to write-offs	-	-	6,477	-	6,477
Decrease in write-downs in connection with the sale of receivables	-	-	28,018	-	28,018
Changes in accrued interest in Stage 3 other than written off and sale of receivables	(1)	(1)	4,837	-	4,835
Decrease in provisions due to derecognition from the balance sheet as a result of significant change	-	-	-	62	62
Foreign exchange and other movements	(357)	(342)	7,075	110	6,486
Provision for expected credit losses as at 31 December 2022	**(40,985)**	**(43,613)**	**(331,769)**	**(1,354)**	**(417,721)**

The estimated effect of the implementation of the Recommendation R (and other changes in models) on the level of provision on exposures to corporate clients was amounted to PLN 8.8 million (decrease).

PLN '000	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit-impaired assets**	**Total**
Loss allowance - amounts due from individual customers					
Provision for expected credit losses as at 1 January 2022	**(34,339)**	**(71,682)**	**(354,424)**	**-**	**(460,445)**
Transfer to Stage 1	(19,170)	16,157	3,013	-	-
Transfer to Stage 2	4,249	(8,405)	4,156	-	-
Transfer to Stage 3	2,233	22,217	(24,450)	-	-
Transfer to purchased or originated credit-impaired assets	-	-	15,538	(15,538)	-
(Creation)/Releases in the period though the income statement	4,268	(21,082)	(53,693)	734	(69,773)
Net changes due to update of estimating method (net)*	2,509	(1,967)	(790)	-	(248)
Decrease in write-downs due to write-offs	-	-	5,805	-	5,805
Decrease in write-downs in connection with the sale of receivables	-	-	99,470	-	99,470
Changes in accrued interest in Stage 3 other than written off and sale of receivables	-	(10)	(26,481)	(1,138)	(27,629)
Decrease in impairment losses due to de-balance sheet as a result of a material change	-	-	-	15,538	15,538
Foreign exchange and other movements	-	-	(1,176)	-	(1,176)
Provision for expected credit losses as at 31 December	**(40,250)**	**(64,772)**	**(333,032)**	**(404)**	**(438,458)**

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

PLN'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance - amounts due from institutional customers				
Provision for expected credit losses as at 1 January 2021	**(46,485)**	**(29,151)**	**(423,694)**	**(499,330)**
Transfer to Stage 1	(5,659)	5,659	-	-
Transfer to Stage 2	3,804	(3,804)	-	-
Transfer to Stage 3	82	683	(765)	-
Transfer to purchased or originated credit-impaired assets	20,155	(20,995)	10,259	9,419
(Creation)/Releases in the period though the income statement	-	-	60,292	60,292
Changes in accrued interest in Stage 3 other than written off and sale of receivables	1	6	(2,546)	(2,539)
Foreign exchange and other movements	(1,033)	1,137	3,816	3,920

PLN'000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses as at 31 December 2021	**(29,135)**	**(46,465)**	**(352,638)**	**(428,238)**

PLN'000	Stage 1	Stage 2	Stage 3	Total
Loss allowance - amounts due from individual customers				
Provision for expected credit losses as at 1 January 2021	**(34,352)**	**(93,466)**	**(370,521)**	**(498,339)**
Transfer to Stage 1	(26,909)	20,912	5,997	-
Transfer to Stage 2	4,164	(10,822)	6,658	-
Transfer to Stage 3	2,462	28,145	(30,607)	-
(Creation)/Releases in the period though the income statement	19,662	(29,235)	(44,211)	(53,784)
Net changes due to update of estimating method (net)*	634	12,786	(26,925)	(13,505)
Decrease in provisions due to write-offs	-	-	3,290	3,290
Decrease in write-downs in connection with the sale of receivables	-	-	113,789	113,789
Changes in accrued interest in Stage 3 other than written off and sale of receivables	-	(2)	(9,091)	(9,093)
Foreign exchange and other movements	-	-	(2,803)	(2,803)
Provision for expected credit losses as at 31 December 2021	**(34,339)**	**(71,682)**	**(354,424)**	**(460,445)**

**concerns changes resulting from the implementation of the new definition of default*

The closing balance of impairment recognized on loans and advances to customers consisted of:

PLN'000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Gross amounts due from customers measured at amortized cost					
Gross amounts due from customers as at 1 January 2022	**19,571,177**	**1,744,693**	**900,413**	**-**	**22,216,283**
Transfer to Stage 1	616,884	(606,303)	(10,581)	-	-
Transfer to Stage 2	(1,516,631)	1,524,836	(8,205)	-	-
Transfer to Stage 3	(106,232)	(98,223)	204,455	-	-
Transfer to purchased or originated credit-impaired assets	(678)	(5,690)	(29,429)	35,797	-
Receivables increase / repayment*	461,557	(27,022)	(93,224)	(3,566)	337,745
Receivables written-off	-	-	(8,789)	-	(8,789)
Disposed receivables	-	-	(122,312)	-	(122,312)
Other movements	974	25,765	42,303	(15,283)	53,759
Gross amounts due from customers as at 31 December 2022	**19,027,051**	**2,558,056**	**874,631**	**16,948**	**22,476,686**

**includes changes of gross book value resulting from credit holidays described in Note 5*

PLN'000	Stage 1	Stage 2	Stage 3	Total
Gross amounts due from customers measured at amortized cost				
Gross amounts due from customers as at 1 January 2021	**20,619,103**	**1,309,800**	**982,989**	**22,911,892**
Transfer to Stage 1	474,055	(471,880)	(2,175)	-
Transfer to Stage 2	(914,767)	918,129	(3,362)	-
Transfer to Stage 3	(74,180)	(91,983)	166,163	-
Purchased/paid receivables	(587,550)	72,389	(54,484)	(569,645)
Receivables written-off	-	-	(62,320)	(62,320)
Disposed receivables	-	-	(159,556)	(159,556)
Other movements	54,516	8,238	33,158	95,912
Gross amounts due from customers as at 31 December 2021	**19,571,177**	**1,744,693**	**900,413**	**22,216,283**

For gross amounts due from customers and provisions for expected credit losses which changed Stages during the period, transfers are presented as the change between the Stage as of 1 January 2022 or at the moment of initial recognition and as of 31 December 2022.

23. Tangible fixed assets

Accounting policy:

Tangible fixed assets are stated at historical cost minus accumulated depreciation or amortization and impairment losses. The historical cost of an item of property and equipment includes any directly attributable costs of purchasing and bringing the asset into use.

Subsequent expenditure relating to an item of property and equipment is added to the carrying amount of the asset or recognized as a separate asset (where appropriate) only when it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably. Any other expenditure, e.g., repairs and maintenance, is recognized as an expense when incurred.

Depreciation and amortization are calculated using the straight-line method over the expected useful life of an asset on the basis of rates that are approved in the depreciation and amortization plan for 2022.

Illustrative annual depreciation and amortization rates applied by the Group are presented in the table below:	
Buildings and structures	1.5%-4.5%
Motor vehicles	14.0%-34.0%
Computers	25.0%
Office equipment	20.0%
Other tangible fixed assets	7.0%-34.0%
Leasehold improvements - compliant with lease agreement period	

At each balance sheet date, the residual values of non-current assets and their useful lives are reviewed and the depreciation and amortization schedule is adjusted where appropriate.

Assets with original cost below PLN 3,500 are fully depreciated on a one-off basis when brought into use. The total cost of other tangible fixed assets depreciated on a one-off basis is not material to the financial statements.

Assets in the course of construction are stated at the total of costs directly attributable to construction, assembly or improvement in progress less impairment provision.

Tangible fixed assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an item of property and equipment is written down to its recoverable amount if the carrying amount exceeds the recoverable amount. The recoverable amount of an item of property and equipment is the higher of its fair value less costs of sale and value in use.

The carrying amounts are reviewed at each balance sheet date to determine whether there is any evidence of impairment. If so, the asset’s recoverable amount is estimated.

Revaluation impairment allowances are recognized if the book value of an asset or cash-generating unit exceeds the recoverable amount. Revaluation impairment allowances are recognized in profit or loss.

In the case of a cash-generating unit, revaluation impairment allowances first reduce the goodwill allocated to such cash-generating units (group of units) and then proportionally reduce the carrying value of other assets in the unit (group of units).

The recoverable amount in the case of assets other than financial assets is higher fair value less selling costs and value in use. For value in use calculation, the estimation of future cash flows is discounted to their present value using the discount rate before taxation, which represents present market expectations regarding money value and specific risk regarding an asset. For assets that are not generating independent cash flows, the recoverable amount is estimated for the cash-generating unit, the asset owner.

The revaluation provision for impairment is reversed if the estimations for the recoverable amount have changed.

The revaluation write-off for impairment can be reversed only to the level by which the book value of the asset does not exceed the depreciation decreased book value that would be estimated if the impairment write-off was not recognized.

Tangible fixed assets from the date of initial application of IFRS 16 include the assets of the right of use of the assets. Details are presented in note 43.

Financial information:

Movements of tangible fixed assets in 2022

PLN'000	Land and buildings	Machines and equipment	Vehicles	Other	Under construction	Total
Gross amount						
As at 1 January 2022	**715,679**	**-**	**22,624**	**217,448**	**13,344**	**969,095**
Increases:						
Purchases	-	-	21,182	16,533	**21,392**	59,107
Other increases*	8,018	-	-	468	**-**	8,486
Decreases:						
Disposals	-	-	(13,793)	(34)	**-**	(13,827)
Liquidation	(810)	-	-	(5,126)	**-**	(5,936)
Other decreases*	(22,820)	-	(38)	(4,751)	**(5,499)**	(33,108)
Transfers	4,082	-	-	4,230	(8,312)	-
As at 31 December 2022	**704,149**	**-**	**29,975**	**228,768**	**20,925**	**983,817**
Depreciation						
As at 1 January 2022	**321,569**	**-**	**6,291**	**189,564**	**-**	**517,424**
Increases:						
Amortization charge for the period	28,453	-	2,805	11,280	-	42,538
Other increases	167	-	-	24	-	191
Decreases:						
Disposals	-	-	(5,996)	(31)	-	(6,027)
Liquidation	(606)	-	-	(5,410)	-	(6,016)
Other decreases	(15,215)	-	(38)	(4,458)	-	(19,711)
As at 31 December 2022	**334,368**	**-**	**3,062**	**190,969**	**-**	**528,399**
Carrying amount						
As at 1 January 2022	394,110	-	16,333	27,884	13,344	451,671
As at 31 December 2022	**369,781**	**-**	**26,913**	**37,799**	**20,925**	**455,418**

**Other increases/ decreases include for example restoration of a liquidated asset to inventory, donations, settlements of fixed assts under construction, new and terminated lease agreements.*

Movements of tangible fixed assets in 2021

PLN'000	Land and buildings	Machines and equipment	Vehicles	Other	Under construction	Total
Gross amount						
As at 1 January 2021	**712,730**	**2**	**23,792**	**225,160**	**15,310**	**976,994**
Increases:						
Purchases	-	-	7,646	4,996	**12,931**	25,573
Other increases*	2,825	-	-	850	**-**	3,675
Decreases:						
Disposals	-	-	(8,814)	-	**-**	(8,814)
Liquidation	(2,991)	-	-	(17,650)	**-**	(20,641)
Other decreases*	(5,373)	(2)	-	(128)	**(2,189)**	(7,692)
Transfers	8,488	-	-	4,220	(12,708)	-
As at 31 December 2021	**715,679**	**-**	**22,624**	**217,448**	**13,344**	**969,095**
Depreciation						
As at 1 January 2021	**297,894**	**2**	**7,706**	**194,483**	**-**	**500,085**
Increases:						

PLN'000	Land and buildings	Machines and equipment	Vehicles	Other	Under construction	Total
Amortization charge for the period	28,961	-	2,381	11,993	-	43,335
Other increases	36	-	-	849	-	885
Decreases:						
Disposals	-	-	(3,796)	-	-	(3,796)
Liquidation	(2,984)	(2)	-	(17,640)	-	(20,626)
Other decreases	(2,338)	-	-	(121)	-	(2,459)
As at 31 December 2021	**321,569**	**-**	**6,291**	**189,564**	**-**	**517,424**
Carrying amount						
As at 1 January 2021	414,836	-	16,086	30,677	15,310	476,909
As at 31 December 2021	**394,110**	**-**	**16,333**	**27,884**	**13,344**	**451,671**

**Other increases/ decreases include for example restoration of a liquidated asset to inventory, donations, settlements of fixed assts under construction, new and terminated lease agreements.*

As at 31 December 2022, the value of material contractual obligations for future purchases of property, plant and equipment amounted to PLN 36 million.

24. Intangible assets

Accounting policy:

Intangible assets are stated at historical cost minus accumulated depreciation or amortization and impairment losses. The historical cost of an item of intangibles includes any directly attributable costs of purchasing and bringing the asset into use.

Subsequent expenditure relating to an item of intangibles is added to the carrying amount of the asset or recognized as a separate asset (where appropriate) only when it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably. Any other expenditure, e.g., repairs and maintenance, is recognized as an expense when incurred.

Depreciation and amortization are calculated using the straight-line method over the expected useful life of an asset on the basis of rates that are approved in the depreciation and amortization plan for 2022.

Illustrative annual depreciation and amortization rates applied by the Group are presented in the table below:	
Computer software and licenses (except the main operating systems, which are depreciated at the rate of 10% and 20%)	34.0%
Other intangible fixed assets	20.0%

At each balance sheet date, the residual values of non-current assets and their useful lives are reviewed and the depreciation and amortization schedule is adjusted where appropriate.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an item of property and equipment or intangible asset is written down to its recoverable amount if the carrying amount exceeds the recoverable amount. The recoverable amount of an item of intangible assets is the higher of its fair value less costs of sale and value in use.

Revaluation impairment allowances are recognized if the book value of an asset or of the cash-generating unit exceeds the recoverable amount. Revaluation impairment allowances are recognized in profit or loss.

In the case of a cash-generating unit, revaluation impairment allowances first reduce the goodwill allocated to such cash-generating units (group of units) and then proportionally reduce the carrying value of other assets in the unit (group of units).

The recoverable amount is higher fair value less selling costs and value in use. For value in use calculation, the estimation of future cash flows is discounted to their present value using the discount rate before taxation, which represents present market expectations regarding money value and specific risk regarding an asset. For assets that are not generating independent cash flows, the recoverable amount is estimated for the cash-generating unit, the asset owner.

The revaluation provision for impairment, excluding goodwill, is reversed if the estimations for the recoverable amount have changed.

The revaluation write-off for impairment for other assets can be reversed only to the level by which the book value of the asset does not exceed the depreciation decreased book value that would be estimated if the impairment write-off was not recognized.

Financial information:

Movements of intangible assets in 2022

PLN'000	Goodwill	Patents, licenses etc.	Software	Prepayments	Total
Gross amount					
As at 1 January 2022	**1,245,976**	**3,045**	**723,073**	**25,931**	**1,998,025**
Increases:					
Purchases	-	-	804	82,875	83,679
Decreases:					
Liquidation	-	-	(1,741)	-	(1,741)
Other decreases	-	-	(5,856)	(2,498)	(8,354)
Transfers	-	(3,045)	3,095	(50)	-
As at 31 December 2022	**1,245,976**	**-**	**719,375**	**106,258**	**2,071,609**
Depreciation					
As at 1 January 2022	**-**	**1,654**	**538,504**	**-**	**540,158**
Increases:					
Amortization charge for the period	-	189	60,289	-	60,478
Decreases:					
Liquidation	-	-	(1,741)	-	(1,741)
Other decreases	-	-	(5,856)	-	(5,856)
Transfers	-	(1,843)	1,843	-	-
As at 31 December 2022	**-**	**-**	**593,039**	**-**	**593,039**
Impairment write-offs					
As at 1 January 2022	214,707	-	-	-	214,707
As at 31 December 2022	**214,707**	**-**	**-**	**-**	**214,707**
Carrying amount					
As at 1 January 2022	**1,031,269**	**1,391**	**184,569**	**25,931**	**1,243,160**
As at 31 December 2022	**1,031,269**	**-**	**126,336**	**106,258**	**1,263,863**

Movements of intangible assets in 2021

PLN'000	Goodwill	Patents, licenses etc.	Software	Prepayments	Total
Gross amount					
As at 1 January 2021	**1,245,976**	**2,991**	**650,048**	**40,608**	**1,939,623**
Increases:					
Purchases	-	659	293	59,262	60,214
Decreases:					
Other decreases	-	(605)	(68)	(1,139)	(1,812)
Transfers	-	-	72,800	(72,800)	-
As at 31 December 2021	**1,245,976**	**3,045**	**723,073**	**25,931**	**1,998,025**
Depreciation					
As at 1 January 2021	**-**	**1,955**	**470,378**	**-**	**472,333**
Increases:					
Amortization charge for the period	-	304	68 194	-	68 498
Decreases:					
Other decreases	-	(605)	(68)	-	(673)

PLN'000	Goodwill	Patents, licenses etc.	Software	Prepayments	Total
As at 31 December 2021	**-**	**1,654**	**538,504**	**-**	**540,158**
Impairment write-offs					
As at 1 January 2021	214,707	-	-	-	214,707
As at 31 December 2021	**214,707**	**-**	**-**	**-**	**214,707**
Carrying amount					
As at 1 January 2021	1,031,269	1,036	179,670	40,608	1,252,583
As at 31 December 2021	**1,031,269**	**1,391**	**184,569**	**25,931**	**1,243,160**

As at 31 December 2022, as well as at 31 December 2021, the Bank had no significant contractual obligations for future purchases of intangible assets.

As at 31 December 2022, goodwill includes the amount of PLN 1,243,645 thousand arising from the merger of Bank Handlowy w Warszawie S.A. and Citibank (Poland) S.A. as at 28 February 2001 and the amount of PLN 2,331 thousand as a result of the purchase of an organized part of the enterprise of ABN AMRO Bank (Poland) S.A. as at 1 March 2005.

25. Impairment test for goodwill

In the consolidated financial statements of the Group, goodwill represents the difference between the cost of the acquisition and the fair value of the Group's interest in identifiable assets, liabilities and contingent liabilities acquired at the business combination date. Goodwill is included in intangible assets. Goodwill is stated at cost minus any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortized but is tested annually for impairment independently of objective evidence of impairment. The revaluation write-off for impairment for goodwill cannot be reversed.

For the purpose of carrying out impairment tests, goodwill has been allocated to two cash-generating units: the Institutional Bank and Consumer Bank. Assignment was made on the basis of discounted cash flows models on the basis of the strategy before the merge. After fusion, reallocation of goodwill was conducted on the basis of the assets' relative values transferred to another center comparing to the assets held in the center given.

The allocation of goodwill to cash-generating units is presented in the table below.

Book value of goodwill allocated to unit

PLN'000	31.12.2022	31.12.2021
Corporate Bank	851,206	851,206
Consumer Bank	180,063	180,063
	1,031,269	**1,031,269**

The basis of valuation of the recoverable amount for a unit is the value in use, assessed on the basis financial plan. The plan is based on rational assumptions about future facts that reflect management assessment of future economic conditions and expected results of the Bank. The plan is periodically updated and approved by the Bank's Supervisory Board. The board accepted a 3-year time period for the process of financial planning.

The valuation used different discount rates for each year of forecast (11.9-12.4%) estimated using a beta coefficient for the banking sector, a risk premium and risk-free rate.

Extrapolation of cash flows, which exceed the period covered by the financial plan, has been based on growth rates reflecting the long-term NBP inflation target that amounted to 2.5 pp as at 31 December 2022.

As a result of the performed impairment test, no impairment of goodwill was recognized as at 31 December 2022.

26. Deferred income tax asset and liabilities

Accounting policy:

A deferred tax provision and asset are calculated using the carrying value method by computing temporary differences between the carrying value of assets and liabilities in the statement of financial position and the tax base of assets and liabilities. In the statement of financial position, the Group discloses the deferred tax asset net of deferred tax provisions after compensation, when there is a legal title to set such a compensation and when the provision and asset refer to the same taxpayer.

Deferred tax assets are recognized only to the extent that it is probable that a tax benefit will be realized in the future.

Financial information:

PLN'000	**31.12.2022**	**31.12.2021**
Deferred income tax asset	1,771,333	1,747,610
Deferred income tax liability	(1,487,814)	(1,483,297)
Deferred income tax net asset	**283,519**	**264,313**

Deferred tax on acquisition of the organized part of the enterprise in the value of 3,684 PLN thousand will be settled with the liability to the Tax Office for the next 5 years.

Positive and negative taxable and deductible temporary differences are presented below:

Deferred tax asset is attributable to the following:

PLN'000	**31.12.2022**	**31.12.2021**
Interest accrued and other expense	20,603	4,937
Revaluation impairment provision	96,839	103,352
Unrealized premium from securities	26,262	19,290
Negative valuation of derivative financial instruments	1,338,351	1,389,326
Negative valuation of securities held-for-trading	3,773	2,307
Income collected in advance	22,216	28,378
Commissions	2,781	2,784
Debt and equity securities measured at fair value through other comprehensive income	160,908	108,651
Staff expenses and other costs due to pay	62,293	53,381
Leasing IFRS16	30,709	30,204
Other	6,598	5,000
Deferred tax asset	**1,771,333**	**1,747,610**

Deferred tax liability is attributable to the following:

PLN'000	**31.12.2022**	**31.12.2021**
Interest accrued (income)	56,482	21,595
Positive valuation of derivative financial instruments	1,349,764	1,402,553
Unrealized securities discount	16,209	7,242
Income to receive	4,620	5,383
Positive valuation of securities held-for-trading	1,356	612
Debt and equity securities measured at fair value through other comprehensive income	-	(12,910)
Investment relief	7,528	7,814
Valuations of shares	15,630	16,228
Leasing IFRS16	28,953	28,975
Other	7,272	5,805
Deferred tax liability	**1,487,814**	**1,483,297**
Net deferred income tax asset	**283,519**	**264,313**

Movement in temporary differences during the year 2022

The movement in temporary differences relating to deferred tax asset:

PLN'000	**As at 1 January 2022**	**Adjustments recognized in income**	**Adjustments recognized in equity**	**As at 31 December 2022**
Interest accrued and other expense	4,937	15,666	-	20,603

PLN'000	As at 1 January 2022	Adjustments recognized in income	Adjustments recognized in equity	As at 31 December 2022
Revaluation impairment provision	103,352	(6,513)	-	96,839
Unrealized premium from securities	19,290	6,972	-	26,262
Negative valuation of derivative financial instruments	1,389,326	(50,975)	-	1,338,351
Negative valuation of securities held-for-trading	2,307	1,466	-	3,773
Income collected in advance	28,378	(6,162)	-	22,216
Commissions	2,784	(3)	-	2,781
Debt and equity securities measured at fair value through other comprehensive income	108,651	(82,823)	135,080	160,908
Staff expenses and other costs due to pay	53,381	8,912	-	62,293
Leasing IFRS16	30,204	505	-	30,709
Other	5,000	1,598	-	6,598
	1,747,610	**(111,357)**	**135,080**	**1,771,333**

The movement in temporary differences relating to the deferred tax provision:

PLN'000	As at 1 January 2022	Adjustments recognized in income	Adjustments recognized in equity	As at 31 December 2022
Interest accrued (income)	21,595	34,887	-	56,482
Positive valuation of derivative financial instruments	1,402,553	(52,789)	-	1,349,764
Unrealized securities discount	7,242	8,967	-	16,209
Income to receive	5,383	(763)	-	4,620
Positive valuation of securities held-for-trading	612	744	-	1,356
Debt and equity securities measured at fair value through other comprehensive income	(12,910)	(62,542)	75,452	-
Investment relief	7,814	(286)	-	7,528
Valuations of shares	16,228	(598)	-	15,630
Leasing IFRS16	28,975	(22)	-	28,953
Other	5,805	1,467	-	7,272
	1,483,297	**(70,935)**	**75,452**	**1,487,814**
Change in net deferred income tax assets	**264,313**	**(40,422)**	**59,628**	**283,519**

Movement in temporary differences during the year 2021

The movement in temporary differences relating to deferred tax assets:

PLN'000	As at 1 January 2021	Adjustments recognized in income	Adjustments recognized in equity	As at 31 December 2021
Interest accrued and other expense	7,015	(2,078)	-	4,937
Revaluation impairment provision	109,736	(6,384)	-	103,352
Unrealized premium from securities	39,676	(20,386)	-	19,290
Negative valuation of derivative financial instruments	1,006,684	382,642	-	1,389,326
Negative valuation of securities held-for-trading	1,711	596	-	2,307
Income collected in advance	32,031	(3,653)	-	28,378
Commissions	2,249	535	-	2,784
Debt and equity securities measured at fair value through other comprehensive income	-	33,200	75,451	108,651
Staff expenses and other costs due to pay	47,271	6,137	(27)	53,381
Leasing IFRS16	30,680	(476)	-	30,204
Other	6,303	(1,303)	-	5,000
	1,283,356	**388,830**	**75,424**	**1,747,610**

The movement in temporary differences relating to the deferred tax provision:

PLN'000	As at 1 January 2021	Adjustments recognized in income	Adjustments recognized in equity	As at 31 December 2021
Interest accrued (income)	46,274	(24,679)	-	21,595
Positive valuation of derivative financial instruments	887,686	514,867	-	1,402,553
Unrealized securities discount	3,271	3,971	-	7,242
Income to receive	4,703	680	-	5,383
Positive valuation of securities held-for-trading	368	244	-	612
Debt and equity securities measured at fair value through other comprehensive income	114,662	(25,139)	(102,433)	(12,910)
Investment relief	8,580	(766)	-	7,814
Valuations of shares	6,877	9,351	-	16,228
Leasing IFRS16	29,466	(491)	-	28,975
Other	7,246	(1,441)	-	5,805
	1,109,133	**476,597**	**(102,433)**	**1,483,297**
Change in net deferred income tax assets	**174,223**	**(87,767)**	**177,857**	**264,313**

27. Other assets

PLN'000	31.12.2022	31.12.2021
Interbank settlements	14,238	11,079
Settlements related to securities trade	16	7
Settlements related to brokerage activity	55,681	48,263
Income to receive	52,430	62,446
Staff loans out of the Social Fund	14,300	11,691
Sundry debtors	71,188	116,409
Prepayments	9 718	7 726
Other assets, total	**217 571**	**257 621**
Including financial assets*	155 423	187 449

** Financial assets include all the positions "Other assets", except the positions "Income to receive" and "Prepayments".*

28. Non-current assets held-for-sale

Accounting policy:

Non-current assets held for sale are measured at the lower of book value or fair value less selling costs.

Financial information:

In the first half of 2022, the sale transaction of property previously classified as non-current assets held for sale has been finalized. Its book value amounted to PLN 6,163 thousand and the sales result amounted to PLN 3,620 thousand.

29. Amounts due to banks

Accounting policy:

Classification and measurement of amounts due to banks are described in note 2.1 "Financial assets and liabilities – classification and measurement".

Financial information:

PLN'000	31.12.2022	31.12.2021
Current accounts	2,230,930	1,752,440
Term deposits	2,419,247	620,985
Liabilities due to sold securities under repurchase agreements	61,131	503,424
Other liabilities	83,363	506,504
margin deposits	82,902	506,436
Total amounts due to banks	**4,794,671**	**3,383,353**

30. Amounts due to customers

Accounting policy:

Classification and measurement of amounts due to customers are described in note 2.1 “Financial assets and liabilities – classification and measurement”.

Financial information:

PLN'000	31.12.2022	31.12.2021
Deposits from financial sector entities		
Current accounts	1,166,947	1,105,149
Term deposits	2,468,204	2,087,711
	3,635,151	**3,192,860**
Deposits from non-financial sector entities		
Current accounts, including:	34,496,846	36,651,442
institutional customers	20,418,782	19,241,326
individual customers	12,128,146	15,508,313
public sector units	1,949,918	1,901,803
Term deposits, including:	10,663,491	2,937,640
institutional customers	4,435,409	1,602,069
individual customers	5,670,588	1,308,703
public sector units	557,494	26,868
	45,160,337	**39,589,082**
Total deposits	**48,795,488**	**42,781,942**
Other liabilities		
Other liabilities, including:	1,717,372	725,532
liabilities due to deposits	125,429	103,299
margin deposits	1,526,384	578,728
Total other liabilities	**1,717,372**	**725,532**
Total amounts due to customers	**50,512,860**	**43,507,474**

31. Provisions

Accounting policy:

A provision is recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and also if it is probable that the discharge of this obligation will result in an outflow of economic benefits, and the provision amount can be reliably estimated.

A restructuring provision is recorded when the following conditions have been met: (i) the Group has a detailed and formalized restructuring plan; (ii) the restructuring has already begun or has been publicly announced; (iii) the provision amount can be reliably estimated. The restructuring provision does not include future operating expenses.

Financial information:

PLN'000	31.12.2022	31.12.2021
Litigation	34,067	19,789
Granted financial and guarantee liabilities	44,969	33,910
Workforce restructuring	-	275
Other	33,471	88,050
Provisions, total	**112,507**	**142,024**

The movement in provisions is as follows:

PLN'000	2022	2021
As at 1 January	**142,024**	**84,775**
Provisions for:		
Litigation	19,789	3,664
Granted financial and guarantee commitments	33,910	47,354
Workforce restructuring	275	550
Other	88,050	33,207
Increases:		
Charges to provisions in the period:	81,578	128,805
Litigation	18,717	21,008
Granted financial and guarantee commitments	62,861	42,299
Other	-	65,498
Other, including	179	266
Granted financial and guarantee commitments	179	266
Decreases:		
Release of provisions in the period	(56,076)	(66,836)
Litigation	(227)	(3,834)
Granted financial and guarantee commitments	(51,981)	(56,009)
Employment restructuring	(275)	-
Other	(3,593)	(6,993)
Provisions used in the period, including:	(55,198)	(4,986)
Litigation	(4,212)	(1,049)
Workforce restructuring	-	(275)
Other	(50,986)	(3,662)
As at 31 December	**112 507**	**142 024**
Including:		
Litigation	34,067	19,789
Granted financial and guarantee commitments	44,969	33,910
Workforce restructuring	-	275
Other	33,471	88,050

**Additional information concerning provisions for granted financial and guarantee commitments are presented in note 40.*

***The „Other" item includes provisions related to TSUE judgements, which has been described in note 40.*

32. Other liabilities

Accounting policy:

The Bank records accruals and prepayments of expenses primarily in relation to the Bank's overhead expenses in reporting periods to which they relate. Accruals and prepayments are presented as 'Other liabilities' in the statement of financial position.

Within the range of liabilities to provision of providing services on time, the Bank uses a method of income on the time proportion in the time of providing services. According to the bank, this method reflects the procedure of providing services.

Within the area of methods, input data and assumptions adopted to estimate variable remuneration, the Bank uses approach most likely values in accordance the remuneration received for achievement of the objectives, whereas within the range of remuneration reimbursements in insurance mediation, statistical methods are used, and provision is presented as accrual. The Bank addresses all issues setting the level of income subject to identified variables (remuneration under specified objectives, expected reimbursements, all discounts).

For the remuneration for mediation in distribution of insurance products, in particular with the insurance connected with the Bank's credit product, the model of relative fair value is used. According to this model, using the fair value of the credit product and the sales services of the insurance product, the Bank separates remuneration being part of interest income and remuneration for provided services connected with the distribution and operation of these products.

Lease liabilities are measured in accordance with note 43.

Provisions due to employee benefits, including provision for retirement payments that are part of a defined benefit plan, are described in detail in note 47.

Financial information:

PLN'000	31.12.2022	31.12.2021
Staff benefits	25,260	28,477
Interbank settlements	448,991	58,348
Inter-branch settlements	4,863	3,409
Settlements related to securities trading	9,815	10
Settlements related to brokerage activity	62,436	80,935
Liabilities due to leasing assets	121,815	125,675
Sundry creditors	175,619	191,312
Accruals:	362,407	323,609
Provision for employee payments	135,104	109,220
Provision for employee retirement	71,911	75,401
IT services and bank operations support	67,103	54,946
Consultancy services and business support	8,459	9,092
Other	79,830	74,950
Deferred income	13,113	15,246
Settlements with Tax Office and National Insurance (ZUS)	47,682	25,048
Other liabilities, total	**1,272,001**	**852,069**
Including financial liabilities*	1,211,206	811,775

**Financial liabilities include all the positions "Other liabilities", except the positions "Settlements with Tax Office and National Insurance (ZUS)" and "Deferred income".*

33. Financial assets and liabilities by contractual maturity

As at 31 December 2022

PLN'000	Note	Total	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
Cash and balances with the Central Bank	17	**595,969**	**595,969**	**-**	**-**	**-**	**-**
Amounts due from banks (gross)	18	**1,045,528**	**1,030,528**	**-**	**15,000**	**-**	**-**
Financial assets held-for-trading							
Debt securities held-for-trading	19	2,272,515	260,262	210,862	174,197	812,682	814,512
Financial assets measured at fair value through other comprehensive income							
Debt financial assets measured at fair value through other comprehensive income	20	37,180,808	13,951,439	393,571	2,880,356	17,991,383	1,964,059
Amounts due from customers (gross)							
Amounts due from financial sector entities	22	3,814,029	1,838,164	106,865	219,000	1,650,000	-
Amounts due from non-financial sector entities	22	18,662,657	7,255,789	1,484,623	2,162,955	5,430,649	2,328,641
Amounts due to banks	29	**4,794,670**	**3,870,670**	**320,000**	**604,000**	**-**	**-**
Amounts due to customers							
Amounts due to financial sector entities	30	5,010,110	4,828,368	146,445	35,297	-	-
Amounts due to non-financial sector entities	30	45,502,750	40,905,414	2,915,718	1,674,282	7,336	-

As at 31 December 2021

PLN'000	Note	Total	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
Cash and balances with the Central Bank		**6,526,743**	**6,526,743**	**-**	**-**	**-**	**-**
Amounts due from banks (gross)	18	**969,238**	**929,238**	**40,000**	**-**	**-**	**-**
Financial assets held-for-trading							
Debt securities held-for-trading	19	3,781,373	3,498,300	-	1,174	274,386	7,513
Financial assets measured at fair value through other comprehensive income							
Debt financial assets measured at fair value through other comprehensive income	20	20,590,284	3,498,300	171,247	15,432	14,559,261	2,346,044

PLN'000	Note	Total	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
Amounts due from customers (gross)							
Amounts due from financial sector entities	22	3,443,450	1,029,432	175,979	568,039	1,670,000	-
Amounts due from non-financial sector entities	22	18,772,833	6,665,477	1,886,071	1,605,023	5,934,564	2,681,698
Amounts due to banks	29	**3,383,353**	**3,190,239**	**121,000**	**72,005**	**25**	**84**
Amounts due to customers							
Amounts due to financial sector entities	30	3,770,954	3,769,588	870	470	-	26
Amounts due to non-financial sector entities	30	39,736,520	38,939,410	545,307	231,262	20,488	53

34. Capital and reserves

Capital and reserves are accounted in nominal values except for Reserve for revaluation of financial assets measured at fair value through other comprehensive income that which include deferred taxation effect.

Share capital

Series/ issue	Type of shares	Type of preference	Type of limitation	Number of shares	Par value of series/issue [PLN'000]	Method of issue payment	Date of registration	Eligibility for dividends (from date)
A	bearer	none	-	65,000,000	260,000	paid in	27.03.97	01.01.97
B	bearer	none	-	1,120,000	4,480	paid in	27.10.98	01.01.97
B	bearer	none	-	1,557,500	6,230	paid in	25.06.99	01.01.97
B	bearer	none	-	2,240,000	8,960	paid in	16.11.99	01.01.97
B	bearer	none	-	17,648,500	70,594	paid in	24.05.02	01.01.97
B	bearer	none	-	5,434,000	21,736	paid in	16.06.03	01.01.97
C	bearer	none	-	37,659,600	150,638	transfer of Citibank (Poland) assets to the Bank	28.02.01	01.01.00
				130,659,600	**522,638**			

The par value of 1 share amounts to PLN 4.00

As at 31 December 2022, the Parent entity's share capital amounted to PLN 522,638,400 divided into 130,659,600 common bearer shares with a nominal value of PLN 4 each, which has not changed since 31 December 2021.

The Parent entity has not issued preferred shares.

Both in 2022 and 2021, there was no increase in the share capital by shares issuance.

Principal shareholders

The following table presents the shareholders who, as at 31 December 2022 and 31 December 2021, held at least 5% of the total number of votes at the General Meeting or at least 5% of the Parent entity's share capital:

	Value of shares (PLN'000)	Number of shares	% shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	391,979	97,994,700	75.0	97,994,700	75.0
Other shareholders	130,659	32,664,900	25.0	32,664,900	25.0
	522,638	**130,659,600**	**100.0**	**130,659,600**	**100.0**

During 2022 and the period from the publication of the previous interim quarterly report for Q3 2022 until the day of the publication of this annual consolidated financial statement for 2022, the structure of major shareholdings of the Bank has not changed.

Supplementary capital

As at 31 December 2022, supplementary capital was PLN 3,001,259 thousand (31 December 2021: PLN 3,001,699 thousand). Supplementary capital is designated for offsetting financial losses or for other purposes including payment of dividends to the shareholders. The General Shareholders' Meeting of the Bank decides on the utilization of supplementary capital, but a portion of its balance amounting to one third of the total share capital may be used exclusively for offsetting losses shown in the financial statements.

The supplementary capital includes the amount of PLN 2,485,534 thousand constituting the excess of the fair value of the issued shares over their nominal value in connection with the business combination of the Bank and Citibank (Poland) S.A., which took place on 28 February 2001.

Revaluation reserve

PLN'000	31.12.2022	31.12.2021
Revaluation of financial assets measured at fair value through other comprehensive income	(573,528)	(312,018)

The revaluation reserve is not distributed. As at the day of derecognition of all or part of the financial assets measured at fair value through other comprehensive income from the statement of financial position, retained earnings that were previously presented in the other comprehensive and accumulated income in “Revaluation reserve” are reclassified to the income statement.

Other reserves

PLN'000	31.12.2022	31.12.2021
Reserve capital	2,290,643	2,278,716
General risk reserve	540,200	540,200
Net actuarial losses on defined benefit program valuation	(2,435)	(9,734)
Foreign currency translation adjustment	4,937	4,848
Other reserves, total	**2,833,345**	**2,814,030**

In connection with the decision of the Extraordinary General Meeting of Shareholders of the Bank of 16 December 2022 on the implementation of incentive programs based on shares in the Bank's share capital in order to finance the acquisition of own shares, the amount of PLN 50 million was transferred from the reserve capital created out of profits (distributable as dividends) to reserve capital created for the purposes of implementing the of the Treasury Shares Buy-Back Program (capital for share buyback). This capital is presented among the Reserve capital in the financial statements. Additional information can be found in Note 47 "Employee benefits".

Information regarding the distribution of the net income for 2021 is presented below in the “Dividends paid (declared) section.

Reserve capital

Reserve capital is created from the annual distribution of profits or from other sources, independently of the supplementary capital.

Reserve capital is designated for offsetting financial position losses or for other purposes, including payment of dividends to shareholders. The General Shareholders' Meeting of the Bank makes decisions on utilization of reserve capital.

General risk reserve

The general risk reserve is recorded out of net profit against unidentified risk arising from banking activities. The General Shareholders' Meeting of the Bank makes decisions on utilization of the general risk reserve subject to applicable regulations.

Dividends

Dividends are recognized as liabilities on the date at which the General Meeting of the Bank has approved the appropriation of earnings.

Dividends paid (or declared)

On June 23, 2022, the Annual General Meeting of the Bank adopted a resolution on distribution of net profit for 2021. Pursuant to the resolution the net profit for 2021 in the amount of PLN 715 972 070.88 was distributed as follows:

- Dividend: PLN 714,708,012.00, i.e., PLN 5.47/per share,
- Reserve capital: PLN 1,264,058.88.

Dividend day was set for July 1, 2022, and the dividend payment date for July 11, 2022 on that day the dividend was paid. The number of shares covered by dividend was 130 659 600.

The dividend accounted for 99.82% of the net profit for 2021, and the payment of funds in this amount was in line with the individual recommendation of the Polish Financial Supervision Authority regarding fulfilling by the Bank of requirements for payment of 100% dividend from net profit generated in 2021.

35. Repurchase and reverse repurchase agreements

The Group enters into purchase and sale transactions under agreements to resell and repurchase the same financial assets, so-called sell-buy-back and buy-sell-back respectively, as well as repo and reverse repo transactions in securities. Securities sold under repurchase agreements continue to be shown as the Group's assets. If the acquirer has the right to sell or pledge the assets, such assets are presented in a separate in the statement of financial positions line. At the same time liabilities arising from the repurchase promise are recognized. In the case of securities purchased under agreements to resell, securities are presented in the statement of financial position as loans and advances. Any differences between sale/purchase prices and repurchase/resale prices are recognized respectively as interest income and expense using the effective interest rate method. In the case of sale of the securities previously purchased in the reverse repo transaction, the Group recognizes liabilities due to the short sale of securities. These liabilities are evaluated at fair value.

Repurchase agreements

Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates.

As at 31 December 2022, assets purchased subject to agreements to resell were as follows:

PLN'000	Fair value of underlying assets	Carrying amount of corresponding liabilities*	Repurchase dates	Repurchase price
Instruments held for trading	60,988	61,131	up to a week	61,176

**Including interest*

As at 31 December 2021, assets purchased subject to agreements to resell were as follows:

PLN'000	Fair value of underlying assets	Carrying amount of corresponding liabilities*	Repurchase dates	Repurchase price
Debt securities measured at fair value through other comprehensive income	500,380	503,424	up to a week	503,521

In repo transactions, all gains and losses on the assets held are on the Group's side.

As at 31 December 2022 and as of 31 December 2021 assets sold under repo transactions could not be traded by the Group further.

In 2022, the total interest expense on repurchase agreements was PLN 77,249 thousand (in 2021: PLN 3,439 thousand).

Reverse repurchase agreements

Reverse repurchase agreements are entered into as a facility to provide funding to customers.

As at 31 December 2022, assets purchased subject to agreements to resell were as follows:

PLN'000	Carrying amount of receivable*	Fair value of assets held as collateral	Resale date	Resale price
Amounts due from banks	254,031	253,625	Up to 1 week	254,137
	11,714	11,714	Up to 1 mouth	11,730
	265,745	**265,339**		**265,867**

**Including interest*

As at 31 December 2021, assets purchased subject to agreements to resell were as follows:

PLN'000	Carrying amount of receivable*	Fair value of assets held as collateral	Resale date	Resale price
Amounts due from banks	525,911	519,896	Up to 1 week	525,982
	221,090	231,631	Up to 3 months	222,420
	747,001	**751,527**		**748,402**

As at 31 December 2022 and 31 December 2021, the Group held the option to pledge or sell the assets acquired through reverse repo.

In 2022, the total interest income on reverse repurchase agreements was PLN 97,219 thousand (in 2021: PLN 1,872 thousand). As at 31 December 2022, the liabilities due to short sale of securities purchased in reverse repo transactions amounted to PLN 234,203 thousand (as at 31 December 2021: PLN 514,346 thousand).

36. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and presented in the consolidated statement of financial position on a net basis when there is a legally enforceable right to offset, and their settlement is intended to take place on a net basis or to realize the asset and settle the liability simultaneously.

In the consolidated statement of financial position, the Group offsets financial assets and financial liabilities resulting from derivative contracts, settled by a central counterparty (CCP) - KDPW_CCP S.A.

The disclosure below additionally presents financial assets and financial liabilities resulting from forward and derivative transactions under master agreements, which constitute market standards developed under the International Swaps and Derivatives Association (ISDA), the Polish Bank Association and other master agreements, , under which, in certain breaches of the contracts' provisions, the contract may be legally terminated and settled in the net amount of receivables and liabilities.

The table below presents the fair values of derivatives (from the trading portfolio and designated as hedging instruments) as well as executable collateral for framework deals enabling lawful compensation in defined situations.

PLN'000	31.12.2022		31.12.2021	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Fair value of derivatives	8,655,320	8,592,756	8,215,242	8,072,989
The effect of offsetting	(3,923,944)	(3,923,944)	(2,000,403)	(2,000,403)
Valuation of derivatives (net) presented in the statement of financial position	**4,731,376**	**4,668,812**	**6,214,839**	**6,072,586**
Value of collateral received/placed	(1,586,736)	(2,011,396)	(1,038,334)	(819,129)
Assets and liabilities subject to offsetting under the master agreement	**3,144,640**	**2,657,416**	**5,176,505**	**5,253,457**
Maximum amount of potential offset	(2,275,677)	(2,275,677)	(4,709,871)	(4,709,871)
Assets and liabilities subject to offsetting under the master agreement considering the maximum amount of potential offset	**868,963**	**381,739**	**466,634**	**543,586**

37. Hedge accounting

Accounting policy:

The Group hedges against the risk of change in the fair value of fixed interest rate debt securities measured at fair value through other comprehensive income. The hedged risk results from changes in interest rates. In respect of hedge accounting the Group applies IAS 39.

IRS, denominated in the same currency as the hedged items, is the hedging instrument swapping the fixed interest rate for a variable interest rate.

The gain or loss on the hedged item attributable to the hedged risk is recognized in the result on hedge accounting in the income statement. The remainder of the change in the fair value valuation of debt securities available for sale is recognized in other comprehensive income. Interest income on debt securities is recognized in net interest income.

Changes in the fair value of derivative instruments designated and qualifying as fair value hedges are recognized in the result on hedge accounting in the income statement. Interest income and interest expenses related to the interest measurement component of derivatives concluded as hedging instruments under fair value hedges are presented in the interest result in the position interest income/expense on derivatives in hedge accounting.

Financial information:

As at 31 December 2022 and as at 31 December 2021, the Group had an active hedging relationship. Details are presented below.

As at 31 December 2022:

PLN'000	Notional value	Balance value		Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
		Assets	Liabilities		
Hedge accounting of fair value					
Interest rate risk					

PLN'000	Notional value	Balance value		Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
		Assets	Liabilities		
IRS Transactions	683,000	623	6,917	Hedging derivatives	1,834

Details of the hedged items are presented in the table below.

PLN'000	Balance value		Cumulative amount of hedging fair value in balance value of hedged item corrections	Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
	Assets	Liabilities			
Hedge accounting of fair value					
Interest rate risk					
Bank bonds	485,494	-	6,954	Debt investment securities measured at fair value through other comprehensive income	(3,648)

Cumulated amounts of adjustments related to fair value hedges included in the statement of financial position for all hedged items, with respect for which adjustments for gains and losses on fair value hedging have ceased, amounted to PLN 6,954 thousand as at 31 December 2022.

Information regarding hedge effectiveness is presented below.

	Hedge ineffectiveness recognized in income statement	Listing in the statement of financial position
Hedge accounting of fair value		
Interest rate risk	(1,814)	Hedge accounting result

As at 31 December 2021:

PLN'000	Notional value	Balance value		Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
		Assets	Liabilities		
Hedge accounting of fair value					
Interest rate risk					
IRS Transactions	989,000	119,290	-	Hedging derivatives	379,547

Details of the hedged items are presented in the table below.

PLN'000	Balance value		Cumulative amount of hedging fair value in balance value of hedged item corrections	Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
	Assets	Liabilities			
Hedge accounting of fair value					
Interest rate risk					
Treasury bonds	848,928	-	(127,272)	Debt investment securities measured at fair value through other comprehensive income	(385,968)

Cumulated amounts of adjustments related to fair value hedges included in the statement of financial position for all hedged items, with respect for which adjustments for gains and losses on fair value hedging have ceased, amounted to PLN (127,272) thousand as at 31 December 2021.

Information regarding hedge effectiveness is presented below.

	Hedge ineffectiveness recognized in income statement	Listing in the statement of financial position
Hedge accounting of fair value		
Interest rate risk	(6,421)	Hedge accounting result

38. Fair value information

Fair value of financial assets and liabilities

Fair value is a price that would be received for selling an asset or paid for transferring the liability in a transaction carried out in the conditions between market participants at the measurement date.

The summary below provides a statement of financial position (by category) and fair value information for each category of financial assets and liabilities.

As at 31 December 2022

PLN'000	Note	Held-for-trading	Loans, advances and other receivables	Available-for-sale	Other financial assets/liabilities	Total carrying value	Fair value*	Fair value disclosure**
Financial assets		-	-	-	-	-	-	-
Amounts due from banks measured at amortized cost	18	-	1,043,968	-	-	1,043,968	n/a	1,043,991
Financial assets held-for-trading measured at fair value	19	7,029,163	-	-	-	7,029,163	7,029,163	n/a
Debt investment financial assets measured at fair value through other comprehensive income	20	-	-	37,180,808	-	37,180,808	37,180,808	n/a
Equity and other instruments measured at fair value through income statement	21	-	-	-	106,144	106,144	106,144	n/a
Amounts due from customers measured at amortized cost	22	-	21,620,507	-	-	21,620,507	n/a	21,643,547
Amounts due from institutional customers		-	15,505,659	-	-	15,505,659	n/a	15,566,995
Amounts due from individual customers		-	6 114 848	-	-	6 114 848	n/a	6 076 552
		7,029,163	**22,664,475**	**37,180,808**	**106,144**	**66,980,590**	**44,316,115**	**22,687,538**
Financial liabilities								
Amounts due to banks	29	-	-	-	4,794,671	4,794,671	n/a	4,793,332
Financial liabilities held-for-trading	19	4,896,099	-	-	-	4,896,099	4,896,099	n/a
Amounts due to customers	30	-	-	-	50,512,860	50,512,860	n/a	50,492,881
		4,896,099	**-**	**-**	**55,307,531**	**60,203,630**	**4,896,099**	**55,286,213**

**Fair value of assets and liabilities that are recognized and measured in the statement of financial position at fair value.*
***Fair value of assets and liabilities that are not recognized and measured in the statement of financial position at fair value, but for which fair value is additionally disclosed in accordance with the requirements of IFRS 13.*

As at 31 December 2021

PLN'000	Note	Held-for-trading	Loans, advances and other receivables	Available-for-sale	Other financial assets/liabilities	Total carrying value	Fair value*	Fair value disclosure**
Financial assets								
Amounts due from banks measured at amortized cost	18	-	967,677	-	-	967,677	n/a	967,660
Financial assets held-for-trading measured at fair value	19	9,956,212	-	-	-	9,956,212	9,956,212	n/a

PLN'000	Note	Held-for-trading	Loans, advances and other receivables	Available-for-sale	Other financial assets/liabilities	Total carrying value	Fair value*	Fair value disclosure**
Debt investment financial assets measured at fair value through other comprehensive income	20	-	-	20,590,284	-	20,590,284	20,590,284	n/a
Equity and other instruments measured at fair value through income statement	21	-	-	-	97,316	97,316	97,316	n/a
Amounts due from customers measured at amortized cost	22	-	21,327,600	-	-	21,327,600	n/a	21 198 601
Amounts due from institutional customers		-	14,347,952	-	-	14,347,952	n/a	14 293 764
Amounts due from individual customers		-	6,979,648	-	-	6,979,648	n/a	6,904,837
		9,956,212	**22,295,277**	**20,590,284**	**97,316**	**52,939,089**	**30,643,812**	**22,166,261**
Financial liabilities								
Amounts due to banks	29	-	-	-	3,383,353	3,383,353	n/a	3,383,964
Financial liabilities held-for-trading	19	6,588,482	-	-	-	6,588,482	6,588,482	n/a
Amounts due to customers	30	-	-	-	43,507,474	43,507,474	n/a	43,507,600
		6,588,482	**-**	**-**	**46,890,827**	**53,479,309**	**6,588,482**	**46,891,564**

**Fair value of assets and liabilities that are recognized and measured in the statement of financial position at fair value. **Fair value of assets and liabilities that are not recognized and measured in the statement of financial position at fair value, but for which fair value is additionally disclosed in accordance with the requirements of IFRS 13.*

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 systems as pricing services, such as Reuters and Bloomberg, which represent the actual market transactions concluded on market conditions. Level I mainly includes securities held-for-trading or available-for-sale.
- Level II: financial assets/liabilities valued on the basis of models based on input data from the active market and 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 parameters not market based.

The tables below present carrying amounts of financial instruments presented in the consolidated statement of financial position measured at fair value, arranged according to the above categories:

As at 31 December 2022

PLN'000	Note	Level I	Level II	Level III	Total
Financial assets					
Financial assets held-for-trading	19	2,318,895	4,710,268	-	7,029,163
derivatives		20,484	4,710,268	-	4,730,752
debt securities		2,272,515	-	-	2,272,515
equity instruments		25,896	-	-	25,896
Hedging derivatives	37	-	623	-	623
Debt investment financial assets measured at fair value through other comprehensive income	20	23,229,370	13,951,438	-	37,180,808
Equity and other instruments measured at fair value through income statement	21	17,660	-	88,484	106,144
Financial liabilities		-	-	-	-
Financial liabilities held-for-trading	18	286,719	4,609,380	-	4,896,099
short sale of securities		234,203	-	-	234,203

PLN'000	Note	Level I	Level II	Level III	Total
derivatives		52,516	4,609,380	-	4,661,896
Hedging derivatives		-	6,917	-	6,917

As at 31 December 2021

PLN'000	Note	Level I	Level II	Level III	Total
Financial assets					
Financial assets held-for-trading	19	362,580	9,593,632	-	9,956,212
derivatives		218	6,095,331	-	6,095,549
debt securities		283,072	3,498,301	-	3,781,373
equity instruments		79,290	-	-	79,290
Debt investment financial assets measured at fair value through other comprehensive income	20	15 428 782	5 161 502	-	20 590 284
Equity and other instruments measured at fair value through income statement	21	1 160	-	96 156	97 316
Financial liabilities					
Financial liabilities held-for-trading	19	515 975	6 072 507	-	6 588 482
short sale of securities		515 896	-	-	515 896
derivatives		79	6 072 507	-	6 072 586

As at December, 2022, the structure of Visa Inc shares held by the Bank changed compared to December 31, 2022. As an outcome of the conversion the Bank acquired 182 privileged Visa Inc series A shares worth PLN 17,884 thousand; simultaneously the conversion ratio of C series to A series change as well, which resulted in a reduction in the valuation of series C shares by PLN 10,467 thousand. The result on operation amounted to PLN 7,417 thousand and was in the Net gain/(loss) on equity investments and other at fair value through income statement.

At the same time, in 2022, the Bank sold all shares in the Odlewnie Polskie S.A. with a profit of PLN 1,796 thousand.

As at December 31, 2022, the amount of financial assets classified to level III includes the value of the share in Visa Inc. in the amount of PLN 14 039 thousand (privileged series C) and also the value of other minority shareholding in the amount of PLN 74 445 thousand. As at December 31, 2021, the amount of financial assets classified to level III includes the value of the share in Visa Inc. in the amount of PLN 25,082 thousand (privileged series C) and the value of other minority interests in the amount of PLN 71,074 thousand.

The sensitivity analysis for equity instruments classified to Level III is presented in the table below:

PLN'000	Fair value	Scenario	Fair value in the positive scenario	Fair value in the negative scenario
Capital instruments compulsorily measured at fair value through profit or loss	88,484	Change of the key parameter (cost of capital by - 10% / + 10% or conversion rate by + 10% / - 10%)	96,797	82,249

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 that are not market-based are presented below:

PLN'000	01.01.-31.12.2022	01.01.-31.12.2021
	Equity and other investments measured at fair value through income statement	
As at 1 January 2022	**96,156**	**44,859**
Conversion of shares - transfer to Level I	(10,466)	-
Sale	(184)	-
Revaluation	2,978	51,297
As at 31 December 2022	**88,484**	**96,156**

Revaluation is recognized in the Net gain/(loss) on equity and other instruments measured at fair value through income statement.

In 2022 the Group has made no transfers between levels of instruments fair value due to changes in method of estimating fair value.

In 2022 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.

Fair value measurement

In the case of short-term financial assets and liabilities, it is assumed that their carrying amount is practically equal to their fair value. In the case of other instruments, the following methods and assumptions have been adopted.

Amounts due from customers and banks

The carrying amount of loans is presented at amortized cost less impairment. The fair value of loans and advances is calculated as the discounted value of expected future principal payments and takes into account fluctuations in market interest rates as well as changes in margins during the financial period. Changes in margins on loans are based on concluded transactions. It is assumed that loans and advances will be paid on the contractual date. In the case of loans for which repayment dates are not fixed (e.g., overdrafts), the fair value is the repayment that would be required if the amount were due on the balance sheet date.

The methods of valuation mentioned above are classifies to the third level of the fair value financial hierarchy: assets valued on the basis of valuation techniques using relevant parameters not market based.

Amounts due to banks and customers

In the case of on-demand deposits, as well as deposits without a pre-determined maturity date, the fair value is the amount that would be paid out if demanded on the balance date. The fair value of fixed maturity deposits is estimated on the basis of cash flows discounted with current interest rates taking into account current margins in a similar way as adopted for the valuation of loans.

For overnight placements, the fair value is equal to their carrying amount. For fixed interest rate placements, the fair value is assessed on the basis of discounted cash flows using current money market interest rates for receivables with similar credit risk, time to maturity, and currency.

As described above, the models used to determine the fair value of assets and liabilities to banks and customers, recognized in the consolidated statement of financial position at amortized cost, involve valuation techniques based on non-market parameters. Therefore, the Group classifies the valuation of financial instruments for the purpose of disclosure to the third level of the fair value hierarchy. For all other financial instruments not at fair value, the Group believes that the fair value generally approximates the carrying value

39. Derecognition of financial assets

The net gain/(loss) on derecognition of financial assets in Group relates to the gain on debt investment financial assets measured at fair value through other comprehensive income and amounted to (323,054) thousand PLN in 2022 (in 2021: PLN 414,599 thousand).

PLN '000	**01.01.-31.12.2022**	**01.01.-31.12.2021**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		
Polish treasury bonds	(237,968)	381,086
NBP bills	-	409
EBI securities	(52,632)	10,812
Others	(32,454)	22,292
	(323,054)	**414,599**

Due to specific activity of the Group, changes in debt investment financial assets measured at fair value through other comprehensive income are presented in operating activities in the statement of cash-flows.

40. Contingent liabilities and litigation proceedings

Information on pending proceedings

No proceedings regarding receivables or liabilities of the Group conducted in 2022 in court, public administration authorities or an arbitration authority is of significant value. In Group's opinion no proceedings conducted before in court, public administration authority or an arbitration authority, pose a threat to the Group's financial liquidity, individually or in total.

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

In the case of legal proceedings involving the risk of cash outflow as a result of meeting the Group's commitments, the appropriate provisions are created. The value of provisions for disputes as at 31 December 2022 is PLN 34.1 million, of which the provisions for option cases on derivative instruments is PLN 12,9 million and provisions for individual cases relating to the judgments of the CJEU is PLN 19.0.5 million, including PLN 17.1.3 million for cases related to CHF-indexed loans and PLN 1.9.2 million for cases related to the return of a part of the commission for granting consumer loan. As at December 31, 2021: PLN 19.8 million, of which the provisions for option cases on derivative instruments is PLN 1.7 million and provisions for individual cases relating to the judgments of the CJEU is PLN 17.5 million, including PLN 14.3 million for cases related to CHF-indexed loans and PLN 3.2 million for cases related to the return of a part of the commission for granting consumer loan.

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

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

- As at December 31, 2022, the Bank was among others a party to 18 court proceedings associated with derivative transactions. Among these, 11 proceedings have not been terminated with a legally binding conclusion, and 7 have been terminated with a legally binding conclusion, whereby as to 5 proceedings are pending in the Supreme Court cassation proceeding, and in the case of two the deadline for lodging a cassation appeal has not expired. In 11 proceedings the Bank acted as a defendant and in 7 as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those derivative transactions, as well as potential claims regarding potential invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank.

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

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

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

  As at December 31, 2022, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 44.5 million. The Bank maintains a portfolio provision for this in the amount of PLN 11.3 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 December 31, 2022, the Bank was sued in 68 cases relating to a CHF-indexed loan for a total amount of approximately PLN 24.0 million. Nine cases were legally lost, and the Bank decided to file two cassation appeals (one appeal was rejected on formal grounds). Most of the cases are in the first instance.

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

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

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

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

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

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

As of December 31, 2022, the Bank was sued in 915 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 4,1 million.

Commitments due to granted and received financial and guarantee liabilities

The amount of financial and guarantee commitments granted and received, by product category, is as follows:

PLN '000	State as at	
	31.12.2022	**31.12.2021**
Contingent liabilities and guarantees granted		
Letters of credit	262,110	450,109
Guarantees granted	2,352,867	2,246,001
Credit lines granted	13,683,181	13,218,765
Other financial liabilities	-	2,365,300
Underwriting other issuers' securities issues	22,349	39,772
	16,320,507	**18,319,947**

PLN '000	**31.12.2022**	**31.12.2021**
Letters of credit		
Import letters of credit issued	262,110	450,109
	262,110	**450,109**

Guarantees issued include credit principal repayment guarantees, other repayment guarantees, advance repayment guarantees, performance guarantees, tender guarantees, and bill of exchange guarantees.

The provisions for expected credit losses for contingent liabilities and guarantees granted by the Group are established. As at 31 December 2022 the amount of provisions of granted contingent liabilities and guarantees was PLN 44,969 thousand (31 December 2021: 33,910 thousand).

Movement in provision for expected credit losses – contingent liabilities and guarantees granted presented as follows:

PLN '000	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit-impaired assets**	**Total**
Provision for expected credit losses - contingent liabilities and guarantees granted					
Provision for expected credit losses as at 1 January 2022	**14,634**	**16,342**	**2,934**	**-**	**33,910**
Transfer to Stage 1	2,606	(2,163)	(443)	-	-
Transfer to Stage 2	(1,029)	1,360	(331)	-	-
Transfer to Stage 3	(35)	(1,312)	1,347	-	-
Transfer to purchased or originated credit-impaired assets	-	(428)	(279)	707	-
(Creation) / Releases in the period though the income statement	10,013	(340)	957	249	10,879
Foreign exchange and other movements	124	63	4	(11)	180
Provision for expected credit losses as at 31 December 2022	**26,313**	**13,522**	**4,189**	**945**	**44,969**

PLN '000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Provision for expected credit losses - contingent liabilities and guarantees granted				
Loss allowance as at 31 December 2021	**21,287**	**18,901**	**7,166**	**47,354**
Transfer to Stage 1	4,197	(3,446)	(751)	-
Transfer to Stage 2	(541)	1,034	(493)	-
Transfer to Stage 3	(33)	(1,095)	1,128	-

PLN '000	Stage 1	Stage 2	Stage 3	Total
(Creation) / Releases in the period though the income statement	(9,910)	317	(4,117)	(13,710)
Foreign exchange and other movements	(366)	631	1	266
Provision for expected credit losses as at 31 December 2021	**14,634**	**16,342**	**2,934**	**33,910**

Movements in contingent liabilities granted that contribute to movements in provision for expected credit losses presented as follows:

PLN'000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Provision for expected credit losses – contingent liabilities and guarantees granted					
Provision for expected credit losses as at 1 January 2022	**16,790,524**	**1,523,606**	**5,817**	**-**	**18,319,947**
Transfer to Stage 1	85,978	(85,958)	(20)	-	-
Transfer to Stage 2	(795,892)	797,988	(2,096)	-	-
Transfer to Stage 3	(1,131)	(17,750)	18,881	-	-
Transfer to purchased or originated credit-impaired assets	(13,799)	(2,436)	(181)	16,416	-
(Creation)/Releases in the period though the income statement	(2,102,094)	(33,668)	(9,664)	2 133	(2,143,293)
Foreign exchange and other movements	135,064	8,162	151	477	143,853
Provision for expected credit losses as at 31 December 2022	**14,098,650**	**2,189,944**	**12,888**	**19,025**	**16,320,507**

PLN'000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses – contingent liabilities and guarantees granted				
Provision for expected credit losses as at 1 January 2021	**14,777,585**	**1,686,605**	**38,193**	**16,502,383**
Transfer to Stage 1	116,253	(116,238)	(15)	-
Transfer to Stage 2	(278,017)	281,097	(3,080)	-
Transfer to Stage 3	(11)	(715)	726	-
(Creation)/Releases in the period though the income statement	2,106,417	(332,889)	(30,020)	1,743,508
Foreign exchange and other movements	68,297	5,746	13	74,056
Provision for expected credit losses as at 31 December 2021	**16,790,524**	**1,523,606**	**5,817**	**18,319,947**

PLN'000	31.12.2022	31.12.2021
Financial and guarantees liabilities received		
Guarantees	28,600,496	18,439,821
	28,600,496	**18,439,821**

41. Assets pledged as collateral

Details of the carrying amounts of assets pledged as collateral are as follows:

PLN'000	31.12.2022	31.12.2021
Assets pledged		
Debt securities held-for-trading	60,988	-
Debt investment financial assets measured at fair value through other comprehensive income, including:	842,221	907,728
Assets pledged as collateral	*697,698*	*748,763*
Amounts due from banks		
Settlements related to operations in derivative instruments and stock market trading	663,059	140,850
Amounts due from customers		

PLN'000	**31.12.2022**	**31.12.2021**
Stock market trading guarantee funds and settlements	1,828,381	1,159,174
	3,394,649	**2,207,752**

As at 31 December 2022, the debt securities measured at fair value through other comprehensive income presented in the table constituted a reserve against the funds guaranteed to the Bank Guarantee Fund in the amount of PLN 144,523 thousand and debt securities that serve as collateral for the settlement of derivative instruments in the Euroclear clearing house in the amount of PLN 697 698 thousand (31 December 2021 accordingly: PLN 158,965 thousand, PLN 248,383 thousand as well as PLN 500 380 thousand as collateral in repo transaction).

In the statement of financial positions, the Bank presents separately non-cash assets pledged as collateral for liabilities, where the acquirer has the right to sell or pledged the collateral.

Other assets disclosed above secure settlement of derivatives transactions and stock market transactions. The terms and conditions of the transactions executed to date are standard and typical for such dealings.

Restricted assets, apart from the instruments presented in this note, also include the value of the obligatory reserve that the Group is required to maintain in its current account with the NBP. More information on the required reserve is provided in Note 17 Cash and balances with the Central Bank.

Assets are pledged as collateral of the following liabilities:

PLN'000	**31.12.2022**	**31.12.2021**
Collateral liabilities		
Amounts due to banks		
securities sale and repurchase agreements	61,131	503,424
	61,131	**503,424**

42. Custodian activities

The Bank offers both custodian services connected with securities accounts for foreign institutional investors and custodian services for Polish financial institutions, including pension, investment and equity insurance funds. As at 31 December 2022, the Bank maintained approx. 17 thousand securities accounts.

43. Leases

Accounting policy:

At the commencement date, the Group as a lessee measures the lease liability at the present value (discounted) of the lease payments that are not paid at that date. A right-of-use assets are measured at cost.

Right of use of assets due to perpetual usufruct of land are presented as tangible fixed assets in the statement of financial position, while lease liabilities are presented in other liabilities.

In the profit and loss account, the depreciation of the right to use assets is included in the depreciation tangible fixed and intangible assets, interest costs on lease liabilities - in interest costs, and the costs of short-term contracts, leasing low-value assets and leasing variables - in general administrative expenses.

In the statement of cash flows, interest flows are recognized in cash flows from operating activities, while the equity component is included in cash flows from financing activities.

Leases where the Group is the lessee

Financial information:

The Group leases office space and has the right of perpetual usufruct of land:

	2022			2021		
PLN'000	**Rights to perpetual usufruct**	**Real estate and other**	**Total**	**Rights to perpetual usufruct**	**Real estate and other**	**Total**
ROU - Opening	78,875	40,400	119,275	79,979	52,123	132,102
ROU - Added	3,313	29,796	33,109	2,209	18,188	20,397
ROU - Amortization	(4,417)	(35,395)	(39,812)	(3,313)	(29,983)	(33,296)
Other changes				-	72	72
ROU - Closing	**77,771**	**34,801**	**112,572**	**78,875**	**40,400**	**119,275**
Liability Balance as at reporting date	**81,517**	**40,298**	**121,815**	**78,875**	**40,400**	**119,275**

	2022			2021		
PLN'000	**Rights to perpetual usufruct**	**Real estate and other**	**Total**	**Rights to perpetual usufruct**	**Real estate and other**	**Total**
Lease Cost	4,518	11,835	16,353	4,526	12,045	16,571
- Depreciation of right-of-use Assets	*1,104*	*11,323*	*12,427*	*1,104*	*11,438*	*12,542*
- Interest on Lease Liabilities	*3,414*	*512*	*3,926*	*3,421*	*607*	*4,028*
Reporting Exceptions Cost Short-term Leases	-	515	515	-	526	526
Reporting Exceptions Cost Low-value Leases	-	1,800	1,800	-	1,501	1,501
Variable Lease Cost	-	4,241	4,241	-	5,328	5,328
Result on lease modification	-	326	326	-	584	584
Total Lease Cost	**4,518**	**18,717**	**23,235**	**4,526**	**19,984**	**24,510**

	2022			2021		
PLN'000	**Rights to perpetual usufruct**	**Real estate and other**	**Total**	**Rights to perpetual usufruct**	**Real estate and other**	**Total**
Cash Flows - Total	3,595	11,914	15,509	3,595	12,099	15,694
Cash Flows - Interest	3,414	512	3,926	*3,421*	*607*	*4,028*
Cash Flows - Principle Repayment	181	11,402	11,583	*173*	*11,493*	*11,666*
Weighted-average Remaining Lease Term (in years)	70.7	5.30	61.4	71.7	5.90	61.7
Weighted-average Incremental Borrowing Rate	4,3%	1,6%	4,0%	**4,3%**	**1,2%**	**4,0%**
Total Lease Cost	**3,595**	**11,914**	**15,509**	**3,595**	**12,099**	**15,694**

Bank as lessor

Irrevocable lease payments

in PLN thousand	**31.12.2022**	**31.12.2021**
Under 1 year	602	4
1 – 5 years	744	1,622
	1,346	**1,626**
Total annual amounts for agreements for undefined term	**6,724**	**6,252**

44. Additional information to the statement of cash flows

Cash is cash in hand, nostro current account in Central Bank and receivables on current balances in banks.

PLN'000	**Note**	**31.12.2022**	**31.12.2021**
Cash related items:			
Cash in hand	17	562,217	357,834

PLN'000	Note	31.12.2022	31.12.2021
Nostro current account in Central Bank	17	22,079	6,168,909
Current accounts in other banks (nostro, overdrafts on loro accounts)	18	74,481	39,814
		658,777	**6,566,557**

45. Transactions with key management personnel

PLN'000	31.12.2022		31.12.2021	
	Members of the Management Board	Members of the Supervisory Board	Members of the Management Board	Members of the Supervisory Board
Loans granted	**87**	**72**	**99**	**3**
Deposits				
Current accounts	6,914	14,030	6,235	29,629
Term deposits	1,261	29,788	-	21,044
	8,175	**43,818**	**6,235**	**50,673**

As at 31 December 2022 and 31 December 2021, no loans or guarantees were granted to members of the Management Board or the Supervisory Board

All transactions of the Group with members of the Management Board and the Supervisory Board are at arm's length.

Staff expenses for current and former members of the Management Board are presented in note 11.

In 2022 there were changes in the composition of the Bank's Management Board and the Bank's Supervisory Board, as listed below.

Changes in the composition of the Bank's Management Board

On April 4, 2022, Mr. Dennis Hussey resigned from the function of a member of the Bank's Management Board with the effect from June 30, 2022.

On May 11, 2022, Supervisory Board of the Bank decided to appoint Mr. Andrzej Wilk with the position of Vice-President of Management Board of Bank Handlowy w Warszawie S.A. for a three-year term of office. The term of office begins on July 1, 2022.

On September 2022, Supervisory Board of the Bank decided to appoint Mr. Ivan Vrhel with the position of Vice-President of Management Board of Bank Handlowy w Warszawie S.A. for a three-year term of office. The term of office begins on September 29, 2022.

Changes in the composition of the Bank's Supervisory Board

On March 9, 2022, Mr. Frank Mannion resigned from the function of a member of the Supervisory Board with the effect from June 30, 2022.

On April 20, 2022, the Bank received information, that Ms. Jenny Grey resigned from the function of a member of the Supervisory Board with the effect from June 23, 2022.

On June 20, 2022, the Bank received information, that Mr. Gonzalo Luchetti resigned from the function of a member of the Supervisory Board with the effect from June 23, 2022.

On June 23, 2022, the Ordinary General Meeting of Bank Handlowy w Warszawie S.A. appointed as of June 24, 2022, as members of the Supervisory Board for a joint, currently lasting term of office: Ms. Silvia Carpitella, Ms. Helen Hale and Mr. Andras Reiniger.

Among all employment contracts between the Bank and the members of the Management Board of the Bank, there is no contract that provides for financial compensation in the case of termination with prior notice or for reasons specified in Article 53 of the Labour Code.

Each member of the Management Board of the Bank has signed a separate non-competition agreement with the Bank. In accordance with this agreement, if the employment relationship with the Bank is terminated, the member of the Management Board is obliged to refrain from undertaking any competitive activities in a period of 12 months (or 6 months in the case of one of the Management Board members). On account of this restriction, the Bank will be obliged to pay compensation to a terminated member of the Management Board.

46. Related parties

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

In the normal course of business activities, Group entities enter into transactions with related parties, in particular with entities of Citigroup Inc.

Transactions with related parties resulting from the current Group's activities mainly include loans, deposits, guarantees and derivatives transactions.

Apart from the transactions described in this section, in the presented period neither the Bank nor the Bank's subsidiaries conducted any transactions with related entities, which would be individually or jointly significant. No transaction with related entities was concluded on terms other than market terms.

Transactions with Citigroup Inc. entities

The receivables and liabilities toward Citigroup Inc. entities are as follows:

PLN'000	**31.12.2022**	**31.12.2021**
Receivables, including:	**718,063**	**276,533**
Placements	-	-
Liabilities, including:	**2,449,657**	**1,881,669**
Deposits*	559,617	788,983
Balance-sheet valuation of derivative transactions:		
Assets held-for-trading	963,376	1,237,897
Liabilities held-for-trading	1,589,866	1,213,295
Contingent liabilities granted	**283,686**	**299,511**
Contingent liabilities received	**201,873**	**174,208**
Contingent transactions in derivative instruments (nominal value), including:	**76,227,497**	**72,965,539**
Interest rate instruments	17,824,346	7,496,622
Interest rate swaps (IRS)	787,596	1,239,830
Interest rate options	44,027	47,602
Futures contracts	16,992,723	6,209,190
Currency instruments	57,877,530	63,220,592
FX forward/spot	6,065,739	4,423,917
Currency – interest rate swaps (CIRS)	18,067,445	24,415,723
FX swap	27,276,250	32,683,483
Foreign exchange options	6,468,096	1,697,469
Securities transactions	40,855	258,144
Securities purchased pending delivery	21,614	93,938
Securities sold pending delivery	19,241	164,206
Commodity transactions	484,766	1,990,181
Swaps	484,766	1,990,191

**Including deposits from parent company in the amount of PLN 12 thousand (31 December 2021: PLN 12 thousand)*

PLN'000	**2022**	**2021**
Interest and commission income*	53,168	40,747
Interest and commission expense*	26,834	4,525
General administrative expenses	203,184	179,640
Other operating income	9,933	6,149

**Including interest and commission income in amount of PLN 1 194 thousand (2021: PLN 887 thousand) and interest and commission expense in amount of PLN 0 thousand (2021: PLN 0 thousand) refer to the parent company*

The Group incurs costs and receives income on derivative transactions with Citigroup Inc. entities to hedge the Bank's position in market risk. These derivative transactions are opposite (back-to-back) to derivative transactions with other Group clients or close the proprietary position of the Group. The net carrying amount of financial derivative transactions with related entities as at 31 December 2022 amounted to PLN (626 490) thousand (as at 31 December 2021: PLN 24,602 thousand).

Furthermore, the Group incurs costs and receives income from agreements concluded between Citigroup Inc. entities and the Group for the mutual provision of services.

The costs arising and accrued (including VAT, reflected in the Group's costs) under concluded agreements in 2022 and 2021 mainly related to the cost of services provided to the Group for the maintenance of the banking IT systems and advisory support and are included in general administrative expenses; income was mainly related to the provision of data processing services by the Group to such entities and is presented in other operating income.

In 2022, there was no capitalization of investments regarding functionality modification of Retail Banking IT systems took place (in 2021: PLN 30,862 thousand).
Information on transactions with key management personnel is presented in note 45.

47. Employee benefits

Employee benefits are divided into the following categories:

- short-term benefits, which include salaries, awards, social insurance contributions, paid leave and benefits in kind (such as medical care, company cars and other free or subsidized benefits).

  Depending on their individual grade, employees may receive an award from the incentive fund, a discretionary annual bonus under the internal employee compensation regulations. From 1 July 2021 there are no longer any incentive schemes in the Bank. The costs of short-term benefits are expensed in the income statement in the period to which they relate. At the end of a given reporting period, if there is a balance payable which equals the expected undiscounted value of short-term benefits for that period, the Group will record it as an accrued expense.

- Long-term employee benefits

  Under its compensation scheme, the Group guarantees its employees retirement and pension allowances, constituting defined benefit plans. Their amount depends on years worked in the Bank, falling directly before gaining rights to payment. For the future payments of retirement and pension allowances there is a reserve made, shown in "Liabilities" in "Other liabilities" and in "Activities costs and general and administrative expenses" of the profit and loss account in part resulting from costs of current employment and time. Part of the provision resulting from a change of actuarial assumptions (economics and demographic) taken to valuation is shown in other total income.
- Employee Pension Plan

  The Group conducts for its employees the Employee Pension Plan ("PPE", "Plan"), registered by the Supervisory Authority under numbers ZM RPPE 178/02/12/19 and 993/02/12/19. Collective agreement is based on records of payment of employee contributions to the investment fund by the employer. The Plan is conducted and managed by NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A who replaced Esaliens TFI S.A. (previously Legg Mason TFI S.A.).

  The Group's pension plan is a defined contribution program in accordance with IAS 19. The Group pays contributions for its staff to a separate organization and, after they are paid, has no other payment liabilities. Premiums are shown as employee benefit expenses in the period they concern.

  The basic contribution paid by the employer is defined as a percentage of salary of the Plan member. The basic contribution rate amounts to 7%. The additional contribution – voluntary, is paid by the employee – the Plan participant. The basic contribution is the income of the Program participant, from whom he is obliged to pay personal income tax (articles 12 and 13 of the Act on the income tax from individuals of 26 July 1991, Official Journal from 2019, item 1387 with amendments).

  Payments from the Plan are paid after the participant's or entitled person's motion and under conditions specified in the program.

  The Plan participant may quit the Plan. The employer stops charging and paying basic and additional contributions for the Plan participant, and the funds that have accumulated on the Plan participant's registers are left there till the time of payment, transfer payment, transfer or refund. In connection with the operation of the PPE in the Bank, the Bank has not implemented the Employee Capital Plan (PPK)

- other long-term employee benefits – jubilee and other long service awards and deferred cash awards granted to the Management Board and people, whose professional operating has a significant impact on the Bank's risk profile.

From 1 January 2015, employees with long-term work-experience (10, 20, 30 years, etc.) are entitled to rewards in kind. Bank has implemented changes to the structure of deferred compensation of variable remuneration. Starting from 2022 deferred part of the remuneration is granted only as conditional financial instrument.

- employee equity benefits – in the form of existing shares in the capital of Bank Handlowy w Warszawie S.A. or phantom shares (including under the Transaction Reward) and also in the form of common stock under deferred stock award programs based on shares of Citigroup (capital accumulation plan – CAP). In 2022, one person was granted the award under program based on Citigroup shares. In accordance with IFRS 2 "Share-based payment", all the programs functioning in the Group are deemed to be cash-settled programs. A provision is created for future payments is shown in the "consolidated statement of financial position" and "General administrative expenses" in the income statement. The costs of the program are determined on the basis of the Bank's shares price or Citigroup share price. According to IFRS, the fair value is measured at grant date and, subsequently, at each reporting date until the final settlement. Total expenses recorded in a given period are based on the fair value deferred shares at the reporting date times the part of the rights that were deemed acquired in that period. Detailed information concerning the employee equity benefits are presented further in this note.

Provisions/accruals for the above employee benefits are as follows:

PLN'000	**31.12.2022**	**31.12.2021**
Provision for remuneration	83,968	68,498
Previsions for unused leave	13,810	14,311
Provision for employee retirement and pension benefits	71,911	75,401
Provision for employee equity compensation	37,325	26,412
Provision for workforce restructuring	-	275
	207,014	**184,897**

The provision for retirement and pension benefits is created individually on the basis of an actuarial valuation performed periodically by an external independent actuary. The valuation of the employee benefit provisions is performed using actuarial techniques and assumptions. The calculation of the provision includes all retirement and pension benefits expected to be paid in the future. The Group performed a reassessment of its estimates as at 31 December 2022, on the basis of calculation conducted by an independent external actuary. The provisions calculated equate to discounted future payments, taking into account staff turnover, and relate to the period ending on the balance sheet date. The discount rate was set at 7% and wage growth rate at 10% in 2023 and 6 in next years. In 2022, the Bank acquired the organized part of the enterprise of Dom Maklerski Banku Handlowy S.A. and, as a result, its employees became employees of the Bank, therefore the provision for retirement and disability benefits was recognized for them in the Bank. Employees were and are covered by the same retirement severance pay.

Change in provisions/accruals for employee retirement allowances and jubilee payments:

PLN'000	**2022**	**2021**
As at 1 January	**75,401**	**75,880**
Increases (due to):	(1,741)	831
Actuarial profit/loss on revaluation	(9,010)	(4,693)
Including those resulting from:		
Change of economic assumptions	(6,286)	(2,312)
Change of demographic assumptions	(6,170)	(5,350)
Experience adjustment	3,446	2,969
Remuneration cost	4,855	948
Interest cost	2,414	4,576
Decreases (due to):	(1,749)	(1,310)
Provisions utilization	(1,749)	(1,310)
As at 31 December	**71,911**	**75,401**

Analysis of sensitivity for significant actuarial assumptions

PLN'000	**2022**	**2021**
Central value	71,911	75,401
Decrease of growth salary to 1 p.p.	64,504	67,546
Increase of growth salary to 1 p.p.	80,402	84,451
Decrease of rotation by 10%	74,403	78,709

PLN'000	2022	2021
Increase of rotation by 10%	69,589	72,360
Decrease of discount rate by 0.5 p.p., including:	73,769	59,539
Falling to benefits paid within 1 year	5,969	2,175
Increase of discount rate by 0.5 p.p., including:	70,185	73,768
Falling to benefits paid within 1 year	5,969	2,171

More information about defined benefit programs in the Bank's financial report can be found in note 2.

In 2022, the Group's expenses in respect of premiums for the Employee Pension Plan amounted to PLN 5,839 thousand (in 2021: PLN 24,712 thousand).

Employment in the Group:

FTEs	2022	2021
Average employment during the year	2,907	2,940
Employment at the end of the year	2,910	2,903

Description and principles of employee stock benefit schemes

Under the employee stock benefit program, the phantom shares of Bank Handlowy w Warszawie S.A. and awards in the form of Citigroup stock (the so-called Capital Accumulation Program, or CAP) are offered to selected employees. Bank has amended remuneration policies by introducing a possibility to payout financial instrument in form of existing shares in the capital of the Bank to employees indicated in above-mentioned policies. In November, 7 2022 the Management Board by way of resolution amended remuneration policies, and in November, 14 2022 Supervisory Board adopted them. In December, 16 2022 the Extraordinary General Assembly of Shareholders decided to implement motivation programs that are based on the existing shares in capital of the Bank. The buy-back process will be possible once Bank will be provided with the positive decision of the Komisja Nadzoru Finansowego. In case Bank will not be able to deliver to employees required number of real shares, adopted changes to policies enable Bank to payout a part of remuneration as phantom share award or in case of the decision of the Bank, in form of phantom or real shares of the Bank. Awards for 2022 are granted based on new rules in 2023. Amended remuneration policies allow for 1:1 conversion of phantom shares granted before the adoption of amendments, provided that an appropriate agreement is signed with employees concerned.

Within the framework of the CAP, eligible employees receive so-called "deferred shares" of Citigroup. "Deferred shares" within the framework of the CAP are granted at the NYSE average closing price as at the 5 days prior to the grant date. "Deferred shares" give the right to equivalents of dividends, but without voting rights, and must not be sold prior to their conversion into stocks. "Deferred shares" are converted into stocks after the end of a period that is determined in the Program Rules. As a general rule, the employee has a right to options revoked at the moment of employment termination in the Citigroup, provided the termination of separate contract for granted options. Deferred shares granted in previous years will be transferred partially in 25% every year for the next four years, starting from the first anniversary of the option to acquire.

In 2022, under this Program the award was granted to one employee.

The employee share program is subject to internal controls in the Compensation and Benefits Unit. As of 22 December 2017, the Bank implemented the employee remuneration Policy of Bank Handlowy w Warszawie S.A., replacing the prior policy for the remuneration of key persons in Bank Handlowy w Warszawie S.A.

According to the above-mentioned policy, the Management Board of the Bank and other managerial staff having a significant influence on the Bank's risk profile receive variable remuneration in relation to individual performance and the Bank's financial results.

A portion of the Variable Remuneration awarded conditionally in 2022 for persons covered by the Policy will be paid in tranches during in the next 4.5 or 6 years for the Members of the Management Board.

Variable Remuneration in form of financial instruments – Phantom shares and/or real shares of the Bank	
Transaction as per IFRS	Transactions share-based payments settled in cash in accordance with IFRS 2
Financial instruments grant date	15 of January 2018 14 of January 2019 14 of January 2020 11 of January 2021 13 of January 2022 (in case employees excluding the members of the Management Board) 10 of February 2022 (in case of the members of the Management Board)

Variable Remuneration in form of financial instruments – Phantom shares and/or real shares of the Bank

Number of Phantom Shares granted	The number of shares was set on grant date
Date of maturity	• Financial instruments for the President of the Management Board financial instruments granted in 2018-2021 - at least 12, 24, 36, 48, 60, 72 months after grant date • Financial instruments granted in 2019-2021 for other employees – at least 6, 18, 30, 42 months after grant date • Financial instruments for the Members of the Management Board financial instruments granted in 2022 - at least 12, 24, 36, 48, 60, 72 months after grant date • Financial instruments granted in 2022 for other employees – at least 6, 18, 30, 42, 54 months after grant date

Vesting date	• Financial instruments for the President of the Management Board
	  o in 2018-2019 - at least 12, 24, 36, 48, 60 months after grant date
	  o in 2020 –2022 – for short-term financial instruments at grant date, for long-term financial instruments at least 12, 24, 36, 48, 60 months after grant
	• Financial instruments for the members of the Management Board excluding the President of the Management Board
	  o in 2019 –2021 – for short-term financial instruments at grant date, for long-term financial instruments at least 12, 24, 36 months after grant
	  o in 2022 - for short-term financial instruments at grant date, for long-term financial instruments at least 12, 24, 36, 48, 60 months after grant
	• Financial instruments granted in 2018-2020 for other employees
	  o in 2019-2021 - at least 6, 12, 24 and 36 months after grant date
	  o in 2022– for short-term financial instruments at grant date, for long-term financial instruments at least 12, 24, 36, 48 months after grant date

Terms and conditions for acquiring rights to the award	Satisfying the conditions on the Bank's results, individual performance of the employee and employment in the Bank in
	• 2018:
	  o For the President of the Management Board in relation to the award from 2018-2023
	• 2019:
	  o For the President of the Management Board in relation to the award from 2019-2024
	  o For other employee in relation to the award from 2019-2022
	• 2020:
	  o For the President of the Management Board in relation to the award from 2020-2025
	  o For other employee in relation to the award from 2020-2023
	• 2021:
	  o For the President of the Management Board in relation to the award from 2021-2026
	  o For other employee in relation to the award from 2021-2024
	• 2022:
	  o For the members of the Management Board (including the President of the Management Board) in relation to the award from 2022-2027
	  o For other employee in relation to the award from 2022-2026

Program settlement	At the settlement date the participants will get an amount of cash being the product held by a participant phantom shares and the arithmetic mean of the lowest and highest prices of shares of the Bank notified on WSE at the maturity date. Acquisition of rights to every tranche will be confirmed by a decision of the Supervisory Board of the Bank in relation to the member of the Management Board and by a decision of the Management Board in relation to other employees covered by the Policy. According to a decision of the above-mentioned Bank Management the amount of payment may be partially or fully reduced according to conditions given in the Policy. These terms and conditions relate to Bank's results, individual performance and employment status and will relate to the vesting period of each tranche.

Another component of Variable Remuneration granted until 2022 under the Policy is the Deferred Cash Award.

Variable Remuneration – Deferred Cash Award

Transaction as per IFRS	Other long-term employee benefits in accordance with IAS 19
Grant date of the Deferred Cash Award	15 of January 2018 15 of January 2019 14 of January 2020 11 of January 2021 13 of January 2022 (in case employees excluding the Members of the Management Board) 10 of February 2022 (in case of the members of the Management Board)
Granted amount	The amount was settled on the Deferred Cash Award grant date
Date of maturity	• Deferred Cash Award for the President of the Management Board in 2018-2021 - at least 18, 30, 42, 54, 66 months after grant date • Deferred Cash Award granted in 2018-2021 for other employees – at least 18, 30, 42 months after grant date • Deferred Cash Award for the members of the Management Board (including the President of the Management Board) in 2022 - at least 12, 24, 36, 48, 60 months after grant date • Deferred Cash Award granted in 2022 for other employees – at least 12, 24, 36, 48 months after grant date
Vesting date	• Deferred Cash Award for the President of the Management Board in 2018-2021 - at least 12, 24, 36, 48, 60 months after grant date • Deferred Cash Award granted in 2018-2021 for other employees – at least 12, 24 and 36 months after grant date • Deferred Cash Award for the members of the Management Board (including the President of the Management Board) in 2022 - at least 12, 24, 36, 48, 60 months after grant date • Deferred Cash Award granted in 2018-2021 for other employees – at least 12, 24, 36,48 months after grant date •

Terms and conditions for acquiring rights to the award	Satisfying the conditions on the Bank's results, individual performance of the employee and employment in the Group
	• 2018:
	  o For the President of the Management Board in relation to the award from 2018-2023
	• 2019:
	  o For the President of the Management Board in relation to the award from 2019-2024
	  o For other employee in relation to the award from 2019-2022
	• 2020:
	  o For the President of the Management Board in relation to the award from 2020-2025
	  o For other employee in relation to the award from 2020-2023
	• 2021:
	  o For the President of the Management Board in relation to the award from 2021-2026
	  o For other employee in relation to the award from 2021-2024
	• 2022:
	  o For the members of the Management Board (including the President of the Management Board) in relation to the award from 2022-2027
	  o For other employee in relation to the award from 2022-2026

Program settlement	At the settlement date the participants will get an amount of Deferred Cash Award increased by the amount of interest for the period of deferral and retention until the date of the pay-out. The amount of the interest was set up in January 2018, 2019, 2020, 2021 and 2022 by the resolution of the Supervisory Board of the Bank in relation to the member of the Management Board and by a decision of the Management Board in relation to other employees covered by the Policy. Acquisition of rights to every tranche will be confirmed by a decision of the Supervisory Board of the Bank in relation to the member of the Management Board and by a decision of the Management Board in relation to

Variable Remuneration – Deferred Cash Award	
	other employees covered by the Policy. According to a decision of the above-mentioned Bank Management the amount of payment may be partially or fully reduced according to conditions given in the Policy. These terms and conditions relate to Bank's results, individual performance and employment status and will relate to the vesting period of each tranche.

Due to information shared by Citigroup on April, 15 2021 concerning amendment to strategy towards Consumer Bank ("GCB"), the Management Board of the Bank adopted the policy enabling to grant the award in order to recognize the effort of employees, whose support in strategy implementation towards the part of the Bank Handlowy w Warszawie S.A. (consumer banking segment) is crucial – Transaction Award Policy.

In 2022 the Supervisory of the Bank Handlowy w Warszawie S.A. made a decision to amend the Transaction Award Policy by e.g., moving away from deferred cash award and introducing existing shares in capital of the Bank as new form of pay-out of the financial instruments. Awards for 2022 are granted based on new rules in 2023. Amended remuneration policies allow for 1:1 conversion of phantom shares granted before the adoption of amendments, provided that appropriate agreements are signed with employees concerned.

In regard to termination of the employment contract by Vice-President of Management Board - Mr. Dennis Hussey, on September, 29 2022 the Supervisory Board of the Bank adopted a resolution of lapse of the rights to Transaction Award granted conditionally in 2021.

Variable Remuneration – Phantom shares granted in years 2021-2022 under Transaction Award	
Transaction as per IFRS	Transactions share-based payments settled in cash in accordance with IFRS 2
Phantom Shares grant date	July, 1 2021 and December, 3 2021 July, 1 2022 and November, 1 2022
Number of Phantom Shares granted	The number of shares was set on grant date
Date of maturity	• For awards granted to Vice-President of Management Board – depending on the type of the award not sooner June, 30 2025 or the completion of Transaction if earlier and not sooner than 24, 36, 48, 60, 72 months after grant date– however, due to termination of the agreement by Mr. Dennis Hussey, the right to his award is forfeited. • For awards granted to other employees, who have material impact on risk profile of the Bank – depending on the type of the award, (June, 30 2025 or after completion of Transaction if earlier and not sooner than 18, 30, 42, 54 months after grant
Vesting date	• For awards granted to the Vice-President of the Management Board – depending on the type of the award, and at least 12, 24, 36, 48, 60 months after grant • For awards granted to other employees, who have material impact on risk profile of the Bank – depending on the award, immediately after satisfying criteria (including these related to Transaction) and not sooner than 12, 24, 36, 48 months after grant
Terms and conditions for acquiring rights to the award	The completion of Transaction until defined date and fulfillment of the criteria related to Bank's financial results, individual employees' performance and employment in the Group: For 2021 o For the Vice-President of the Management Board in relation to the award from 2021-2026 – however, due to termination of the agreement by Mr. Dennis Hussey, the right to his award is forfeited. o For other employee in relation to the award from 2021-2025 For 2022 o For the Vice-President of the Management Board – Mr. Andrzej Wilk, in relation to the award from 2022-2027 o For other employee in relation to the award from 2022-2026
Program settlement	In September, 29 2022 the Supervisory Board adopted the resolution of lapse of the right to Phantom Share Award for Mr. Dennis Hussey due to termination of his employment contract. At the settlement date the participants will get an amount of cash being the product held by a participant phantom shares and the arithmetic mean of the lowest and highest prices of shares of the Bank notified on WSE at the maturity date. Acquisition of rights to every tranche will be confirmed by a decision of the Supervisory Board of the Bank in relation to the Vice-President of the Management Board – Mr. Andrzej Wilk and by a decision of the Management Board in relation to other employees covered by the Transaction Award Policy. According to a decision of the above-mentioned Bank Management the amount of payment may be partially or fully reduced according to conditions given in the Policy. These terms and conditions relate to Bank's results, individual performance and employment status and will relate to the vesting period of each tranche.

Another component of Variable Remuneration granted according to the Transaction Award Policy is the Deferred Cash

Award granted in 2021.

Variable Remuneration – Deferred Cash Award	
Transaction as per IFRS	Other long-term employee benefits in accordance with IAS 19
Grant date of the Deferred Cash Award	July, 1 2021 and December, 3 2021
Granted amount	The amount was settled on the Deferred Cash Award grant date
Date of maturity	• For awards granted to Vice-President of Management Board – depending on the type of the award, not sooner than 6 months after the completion of Transaction and not sooner than 18, 30, 42, 54, 66 months after grant date, however, due to termination of the agreement by Mr. Dennis Hussey, the right to his award is forfeited. • For awards granted to other employees, who have material impact on risk profile of the Bank – depending on the type of the award, immediately after criteria fulfillment (including these related to Transaction) or not sooner than 6 months after completion of Transaction and not sooner than 18, 30, 42, 54 months after grant date • For awards granted to other employees – not sooner than 6 months after completion date
Vesting date	• For awards granted to the Vice-President of the Management Board – depending on the type of the award, not sooner than 6 months after completion of the Transaction and at least 12, 24, 36, 48, 60 months after grant date, however, due to termination of the agreement by Mr. Dennis Hussey, the right to his award is forfeited. • For awards granted to other employees, who have material impact on risk profile of the Bank – depending on the award, immediately after satisfying the criteria (including these related to Transaction) or not sooner than 6 months after completion of Transaction and not sooner than 12, 24, 36, 48 months after grant date • For awards granted to other employees – not sooner than 6 months after completion date
Terms and conditions for acquiring rights to the award	The completion of Transaction until defined date and fulfillment of the criteria related to Bank's financial results, individual employees' performance and employment in the Group: o For the Vice-President of the Management Board in relation to the award from 2021-2026, however, due to termination of the agreement by Mr. Dennis Hussey, the right to his award is forfeited. o For other employee in relation to the award from 2021-2025
Program settlement	In September, 29 2022 the Supervisory Board adopted the resolution of lapse of the right to Phantom Share Award for Mr. Dennis Hussey due to termination of the employment contract. At the settlement date the participants will get an amount of Deferred Cash Award. Acquisition of rights to every tranche will be confirmed by a decision of the Management Board in relation to other employees covered by the Transaction Award Policy. According to a decision of the above-mentioned Bank Management the amount of payment may be partially or fully reduced according to conditions given in the Policy. These terms and conditions relate to Bank's results, individual performance and employment status and will relate to the vesting period of each tranche.

Assumptions of valuation of the employee equity benefit schemes

The fair value of particular awards and the assumptions used in their measurement is shown below:

CAP Program	Grant date	Exercise price/stock price at grant date [USD]	Number of eligible employees	Number of options/shares
1	13.02.2020	78.91	1	193
2	10.02.2022	66.53	1	374

Phantom Shares Program	Grant Date	Exercise price/stock price at grant date [PLN]	Number of eligible employees	Number of options/shares
1	15.01.2018	83.02	1	4 563.
2	14.01.2019	69.10	1	5 792.
3	14.01.2020	52.56	39	32 374.
4	11.01.2021	35.14	46	112 978
5	13.01.2022	61.69	19	33 367
6	10.02.2022	65.86	7	71 701

	CAP Program	Phantom Shares Program
Period to acquire the title (in years)	25% after each of the following years	In 2018 – 2019: 40% after 0.5 of a year and 20% after 3 subsequent years, 40% after a year and 12% after 5

		subsequent years or 60% after 0.5 of a year and 13.33% after 3 subsequent years, 60% after a year and 8% after 5 subsequent years From 2020: 40% on the grant date and 20% after 3 following years, 40% on the grant date and 12% after 5 following years or 60% on the grant date and 13.33 % after 3 following years, 60% on the grant date, and 8% after 5 following years From 2022: 40% on the grant date and 20% after 4 following years, 40% on the grant date and 12% after 5 following years or 60% on the grant date and 8 % after 5 following years
Expected average life cycle of the instrument	At the time of rights acquisition	At the time of rights acquisition
Probability of premature termination of employment (annual staff turnover for awarded employees)	0,00%	13.46%
Fair value of one instrument* (in USD)	43.81 (USD)	75.80 (PLN)

**Varies depending on the date of exercise*

The number and weighted-average price of shares (CAP Program) are presented below:

	31.12.2022		31.12.2021	
	Number	Weighted-average share price [USD]	Number	Weighted-average share price [USD]
At the beginning of the period	290	78,91	387	78,91
Allocated in the period	374	66,53	-	-
Executed/redeemed /expired in the period	97	64,24	97	63,69
At the end of the period	567	70,71	290	78,91

The number and weighted-average price of Phantom Shares are presented below:

	31.12.2022		31.12.2021	
	Number	Weighted-average share price [PLN]	Number	Weighted-average share price [PLN]
At the beginning of the period	260,816	43.22	149,902	61.49
Allocated in the period	157,371	63.74	339,658	35.14
Executed in the period	156,500	57.60	228,744	44.69
Redeemed/expired in the period	912	-	-	-
At the end of the period	260,775	50.77	260,816	43.22

On 31 December 2022, the book value of liabilities from the phantom share and CAP programs amounted to PLN 36,480 thousand (31 December 2021: PLN 26,052 thousand). The costs recognized in this respect in 2022 amounted to PLN 13,096 thousand (in 2021: PLN 26,052 thousand including the costs of CAP programs).

48. The impact of the war in Ukraine

On February 24, 2022, an unprecedented event took place – the invasion of the independent state of Ukraine by Russian troops. The outbreak of war in a country neighboring Poland has a significant impact on the economic and operational environment in which the Bank operates. The description of the impact of the war on the economic situation in Poland is presented in Note 4 "Macroeconomic conditions and the situation in money, foreign exchange and capital markets".

The operating activity of the Bank

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

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

Supporting the Bank's customers and corporate social responsibility

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

- Cancel the fees for individual and corporate transfers to Ukraine
- Launch of special www site with important information for clients from Ukraine
- Fast track to open a personal account in Poland for Ukrainian citizens

- Cash disbursement ability for corporate clients to support their staff (mainly refugees)
- Opening of banking accounts for 8 international NGOs within few days

In addition, the Bank Foundation Leopold Kronenberg undertook and coordinated activities in the field of aid for refugees. Approx. 800 Citi volunteers in Poland are involved in helping refugees in over 60 projects concerned, among others:

- Support the evacuation of children suffering from cancer from Ukraine to Poland
- Help in finding a safe shelter in Poland for orphaned children and children from foster families
- Organization of several dozen material collections
- Support for organizations working at the border.

49. Subsequent events

Until December 31st 2022, in accordance with Art. 500a sec. 1 of CRR, the Group applied a 0% risk weight to exposures to central governments and central banks of Member States, where these exposures are denominated and funded in the domestic currency of another Member State. Due to the cessation of the possibility of applying a 0% risk weight to the above-mentioned exposures, since January 1, 2023 the Group has exceeded the concentration limit regarding foreighn currency denominated exposures in form of bonds issued by the State Treasury and Bank Gospodarstwa Krajowego SA guaranteed by the State Treasury. The Group applied to the Polish Financial Supervision Authority for permission to accept exposures in these instruments up to the limits specified in section 2 of Art. 500a CRR. Potential calculation of the financial consequences for the Group, if any, will be possible after the completion of procedure initiated by the Group, and will depend on its outcome, and, in particular, the time horizon of possible adjustment to the limits.

In the opinion of February 16, 2022 issued in case C-520/21, the Advocate General of the Court of Justice of the European Union (ECJ), interpreting the provisions of Council Directive 93/13/EEC of April 5, 1993 on unfair terms in consumer contracts, stated that If a mortgage contract is declared invalid due to unfair terms, consumers may pursue claims against banks that go beyond the reimbursement of cash benefits. The assessment whether consumers have the right to pursue such claims and the possible decision on their legitimacy lies within the cognition of national courts acting on the basis of national law. With regard to the possibility of banks pursuing claims of a similar nature against consumers, the Advocate General expressed a different view and proposed that the Court should rule that the bank may not pursue claims against the consumer that go beyond the return of the loan principal and the payment of statutory interest for delay from the time of requesting payments. The opinion of the Advocate General is not binding for the ECJ, which may share the position expressed therein, but may also issue a different judgment interpreting Directive 93/13 in a different way.

The Bank believes that the above opinion does not affect the assumptions of the model adopted for the purposes of preparing, as at the balance sheet date, an estimate of the impact of legal risk related to court cases regarding indexation clauses in mortgage and housing loans in CHF.

After 31 December 2022 there were no other major events undisclosed in these financial statements that could have a significant influence on the net result of the Group.

Signatures of Management Board Members

Date	Name	Position/function
20.03.2023	Elżbieta Światopełk-Czetwertyńska	President of the Management Board
20.03.2023	Natalia Bożek	Vice-President of the Management Board
20.03.2023	Maciej Kropidłowski	Vice-President of the Management Board
20.03.2023	Barbara Sobala	Vice-President of the Management Board
20.03.2023	Andrzej Wilk	Vice-President of the Management Board
20.03.2023	Katarzyna Majewska	Vice-President of the Management Board
20.03.2023	Ivan Vrhel	Member of the Management Board