



citi handlowy

*Report on activities
of the Capital Group of
Bank Handlowy w Warszawie S.A.
in the first half of 2024*

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

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I. Introduction

1. Characteristics of the Capital Group of Bank Handlowy w Warszawie S.A.

Bank Handlowy w Warszawie S.A. (further “Bank” or “Citi Handlowy”) is strategically focused on its defined target market.

In the institutional client segment, Citi Handlowy focuses on maintaining its leading position among the banks which service international corporations and the largest domestic companies. Enterprises from the SME sector (Small and Medium Enterprises) are another group of clients that are important to the Group. Acquiring new clients (including participants of the so-called “new economy” – software engineering companies) while actively expanding relations with existing clients in selected sectors as well as providing support to clients planning international expansion (the Emerging Market Champions initiative) are keys to further building the market position of Capital Group of Bank Handlowy w Warszawie S.A. (“Group”).

The goal of the Group is to be the Strategic Partner for Polish companies and to actively support their foreign expansion. This is clear from the range of products offered by the Bank in which foreign exchange transactions and products related to trade finance and guarantees occupy an important place. Additionally, the Bank strives to maintain its status as one of the safest places for institutional clients to deposit their savings, providing many useful modern solutions related to operating accounts and the day-to-day management of corporate finances.

The Bank’s stable capital position as well as its outstanding network of international contacts are also appreciated by individual consumers. The Bank uses this competitive advantage to strengthen its leading position in the affluent banking segment – Citigold and continues to develop unique offering for the most affluent clients – Citigold Private Client. In the consumer segment, the Bank focuses on investment products and its unique ways of rewarding those clients who decide to use the Bank’s online wealth management products. The Bank’s international connections enable it to expand the range of products offered to consumers by providing them with a unique global banking experience.

Moreover, Citi Handlowy is the unquestioned leader of the credit card market, since it offers products from the global Citi product range, which are accepted all over the world and offer exceptional value for the client, e.g. in the form of loyalty programs. The Bank’s objective will be also to increase the market share of unsecured loan products by meeting the credit needs of the growing number of clients with a competitive offering of cash loans or hire purchase products as well as innovative, fast processes.

Bank's competitive position

The Bank belongs to the group of 10 largest banks in Poland in terms of balance sheet total and it holds a special strong competitive position in institutional client banking and, specifically in:

- providing services to global enterprises and enterprises involved in international trade
- foreign exchange products and trade finance products
- securitization transactions
- cash management
- custody and brokerage services.

In consumer banking, the Bank retains its strong market position:

- in a complex offer for affluent clients (CPC, Citigold segments)
- services in Wealth Management
- on the credit card market

2. Major achievements in the first half of 2024:

Major achievements in the first half of 2024 include

- **in the Institutional Banking:**
 - Granting new financing to Institutional Banking clients in the total amount of PLN 2.8 billion (+68% YoY);
 - Continuation of the increase in the activity of customers from the strategic segment – Commercial Banking, increase in the loan volume by 11% YoY;
 - Bank acted as a Global Coordinator in the transaction of accelerated sale of shares in Allegro.eu S.A. worth PLN 1.9 billion;
 - Bank was active in the primary market for debt securities by inter alia organizing the bonds issues for the international financial institution totaling PLN 2.6 billion;
 - increase in the value of cashless transactions for business cards by 6% compared to the first half of 2023, increase in the number of activated cards by 7% YoY.
 - Strong increase in Express Elixir transaction volumes by 40% compared to the first half of 2023;
 - The value of the portfolio of transactions concluded under trade finance products, such as reverse factoring, trade loan and supplier financing, rose by 46% as compared to the same period in 2023.

- **in the Consumer Banking:**
 - Continuation of the increase in the number of FX transactions on the Citi Kantor platform by 11% YoY;
 - The number of clients in the strategic area - Citi Private Client - increased by 20% YoY;
 - Dynamic growth of deposits – the time deposits balance increased by 6% YoY. due to their attractive interest rates;
 - Increase in sales of unsecured loans by 46% compared to the first half of 2023 and mortgage products by 181% YoY;
 - Increase in the value of the funds under management as part of investment products purchased by Consumer Banking clients through the Bank by 15% YoY.
- **Strong equity much above the regulatory requirement resulting from CRR Regulation¹** – TCR of 23.6%. At the same time liquidity remains at a high level - LCR of 189,16%;
- **Once again the Bank demonstrated its high social responsibility** through global community day. As part of this action, Citi volunteers organized 167 projects for those in need – children, the elderly and Ukraine. The aid went to 150 facilities throughout Poland, including social welfare homes, associations, orphanages and occupational therapy workshops. Together we helped over 20,000 people in need.

3. Strategy of the Capital Group of Bank Handlowy w Warszawie S.A.

In 2021, the Bank adopted a new Strategy for 2022–2024. In the Institutional Banking segment, the Strategy assumes focus on the areas, where Bank has substantial competitive advantage, with particular emphasis on Polish companies operating internationally or planning international expansion, as well as global corporations investing in Poland. The strategy is based on the initiatives aimed at client revenue growth including among others: participation in investment banking transactions of clients, client acquisition in commercial banking segment, maintaining market leader position in global companies segment, as well as providing best solutions to Digital clients. Providing support in the area of Environmental, Social, Governance (ESG) transformation initiatives of clients is also a crucial component of the Strategy.

The key to an effective implementation of the initiatives in the above-mentioned areas is to leverage the wide experience of the Bank and the global Citi network. At the same time, the Bank is planning to continue its efforts toward automation of processes, allowing for a smoother contact between the Bank and the customer and for improving customer experience. The focus is placed on liquidity solutions in real time and dynamic investment solutions enabling management of highly volatile financial flows, which is particularly important in a fast changing macroeconomic and geopolitical environment. The greater importance of these factors also makes the Bank put even more emphasis on solutions in risk management, primarily for the clients who are actively collaborating on an international scale.

From the technical point of view, the Strategy assumes further development of ecosystems, thus enabling a comprehensive servicing of customers' diverse needs, while offering maximum adjustability of the offered solutions to the specific needs of individual customers. In line with the assumptions, promotion efforts will focus on tools that increase the scope of unassisted services while exploiting the most advanced technology achievements, which accelerate processing and also ensure compliance with regulatory requirements and the highest security standards.

In 2021, the strategic investor announced the decision to exit retail operations in 14 countries, including Poland. Until the decision on the potential sale of the Consumer Banking is made, the Strategy assumes operating of the segment in the Bank structures. The Bank is focused on tailoring Wealth Management offer to clients' needs and maintaining market leader position in credit cards as well as maintaining highest customer service quality in all channels and segments.

The effects of the implementation of the Strategy should translate into the achievement of specific results presented below.

Strategy for 2022–2024 – financial goals:

	Goal	Implementation (1st half of 2024)
Client revenue compound annual growth rate including:	+9%	+18% YoY
<i>institutional clients</i>	+8%	+12%
<i>Individual clients</i>	+12%	+27%
Return on equity (ROE in 2024)	>12%	22.8%
Maintaining cost discipline (C/I ratio)	<50%	38%
Customer assets compound annual growth rate (% in three years)	+6%	+1% YoY
Continuation of dividend payment , subject to regulatory approvals (% of net profit)	min. 75%	65% (of net profit for 2023)

The Strategy of Bank Handlowy for the years 2022–2024 also aims at boosting employee engagement and building a shared feeling of ownership for implementing the broadly defined mission of the Bank. At the same time, the Bank implements programs with the goal to create a friendly work environment that supports development, in particular by fostering diversity, inclusion and being open to change.

¹ 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 as amended ("CRR").

4. Awards and honors

In the first half of 2024, the Bank and the Leopold Kronenberg Foundation at Citi Handlowy received a number of prestigious titles and awards:

- **Citi Handlowy wins “ESG Eagles” award from “Rzeczpospolita” daily**

The jury awarded Citi Handlowy for diversity and equal participation of women and men on the Management Board and Supervisory Board. Citi Handlowy was among the first companies listed on the Warsaw Stock Exchange that achieved a parity on its most important corporate bodies. The jury also appreciated actions for equality and diversity, activities of employee networks, including the Citi Women Network, Disability Network, and Citi Pride, charitable activities and joint sports activities as part of Live Well at Citi, and many years of activities in cooperation with the Polish Paralympic Committee to support a more integrated society. It was also emphasized that the “pay gap” ratio at the Bank is 93%, and the Bank’s credit policy takes into account environmental and social factors in its lending processes.

- **WELCOME! social project wins Diversity Charter Award**

The second edition of the WELCOME! Program, which supports Polish and Ukrainian women, was recognized in the 2023 Diversity Charter Awards of the Responsible Business Forum for projects that promote diversity at work. WELCOME! is a project that supports the professional development of Polish and Ukrainian women, both in effectively searching for a stable job, raising their competences, building a mutual support network and/or developing their own business. 308 women from Poland and Ukraine took part in this edition of the program. The project was implemented by the “Work, Mom” Foundation with professional and financial support from the Citi Handlowy Foundation and the Citi Foundation.

- **Citi Olsztyn with the Diamond Laurel from the Region’s Marshal**

The Diamond Laurel was awarded to Citi Olsztyn for special contribution to promotion of the Warmia and Mazury region in Poland and abroad in 2023. “The Best of the Best” Laurels awarded by the Warmia-Mazury Marshal is a plebiscite to select the most committed ambassadors of the region.

- **Citi Group named Employer of the Year by “Gazeta Olsztyńska” daily**

Citi Group – Citi Handlowy and Citi Solutions Center – is the Employer of the Year 2023 according to *Gazeta Olsztyńska*. Citi has been developing its operations in the city of Olsztyn for nearly 25 years, including involvement in projects and activities that are important to the local community.

- **Citi Handlowy makes the Forbes ranking “Poland’s Best Employers 2024”**

Citi Handlowy was among the companies recognized in the Forbes magazine’s ranking of top employers in 2024. It was ranked 4th in the “Banks and Financial Services” category. It was the fourth edition of this ranking of the best employers in Poland. According to the jury, the awarded institutions moved swiftly from managing people in a crisis environment to operating in a market where technologies are gaining strength and employees are becoming more and more empowered. The report covered several hundred best employers from 25 industries.

- **Citi Handlowy Cash Loan in Top 3 in the Golden Banker contest**

Citi Handlowy took the third place in the Golden Banker contest. The Bank performed very well in financing cost comparisons in almost every scenario and achieved an excellent result in terms of the process and e-service.

- **Citi is once again an equality leader in Poland**

Citi businesses operating in Poland (Citi Handlowy and Citi Solutions Center) once again scored maximum points in the ranking of financial institutions that care about professional and social equality of LGBT+ people. This is another edition of the Cashless.pl portal’s ranking in which activities undertaken by Citi for LGBT+ employees, their partners and the entire community in Poland were appreciated. Each good practice is rewarded with points. To get the maximum score, it was necessary to meet all the ranking criteria.

II. Market conditions of functioning of Poland’s banking sector

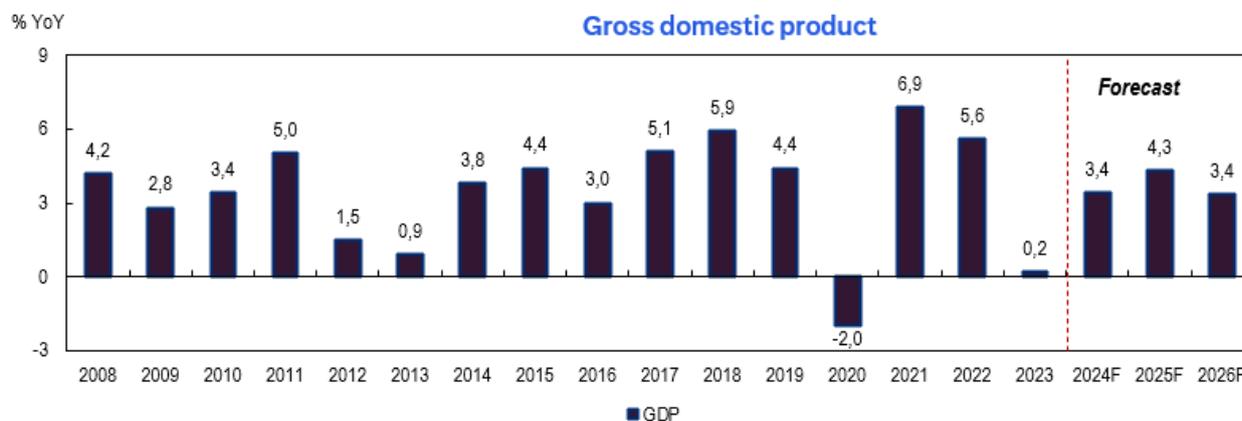
1. Macroeconomic conditions and the situation in money and foreign exchange markets

External environment

In the global economy, a slight improvement in activity in the industrial sector was observed in the first half of 2024 after stagnation in 2023. Services consistently recorded improved results due to the good situation in the labor market. Industrial production data from the German economy turned out to be a disappointment, indicating a recession in this sector. The growth rate of the Chinese economy was also below expectations, even in the face of a relatively low base from 2023. In response to inflation still remaining above target levels, central banks continued relatively restrictive monetary policies, exerting an adverse impact on global growth rates. In the face of an economic slowdown and decelerating price growth, the largest central banks start to gradually change their rhetoric, signaling that interest rate cuts are possible in the second half of the year.

Throughout 2024, global economic growth may be slightly lower compared to last year and can remain below the medium-term growth rate of 3%, with the lagged effects of restrictive monetary policy and negative trends in the industrial sector as key detractors.

Gross Domestic Product

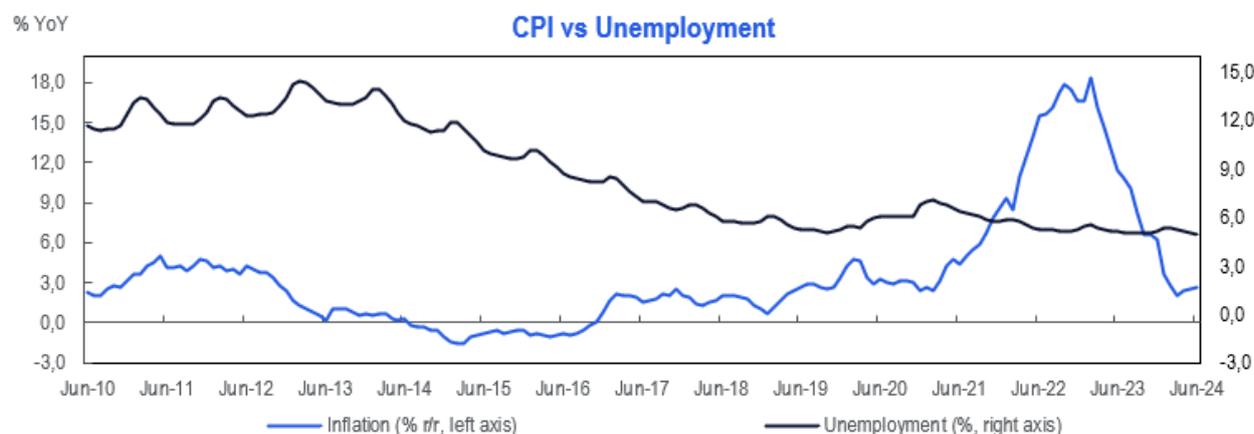


Source: Chief Statistical Office, Citi Handlowy forecasts

In the first quarter of 2024, Poland's GDP increased by 1.7% compared to the same quarter of the previous year, while the quarter-on-quarter growth was 0.5%. The main driver of Poland’s economy was private and public consumption, while investment was its weakest link. This result can be largely attributed to a smaller inflow of funds from the new European Union budget and the weakening of public investments after the period of higher expenditures related to local government elections. Net exports still had a positive impact on GDP growth, but their contribution was lower than in previous quarters.

The Group expects that throughout 2024, Poland's GDP will increase by over 3%, i.e. above the 0.2% growth achieved in 2023. Current monthly data releases indicate further improvement in private consumption, but the weakness of the industrial sector remains clearly visible.

Inflation



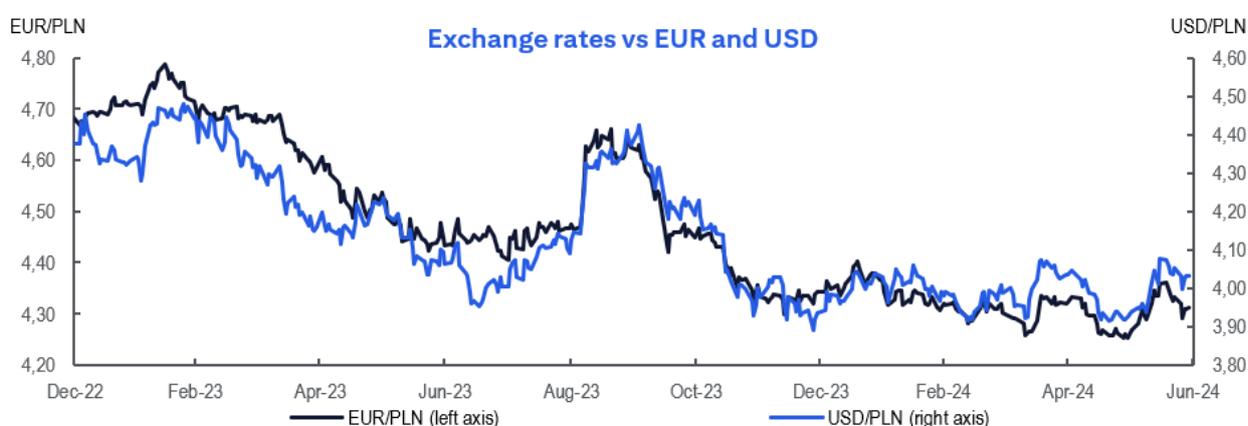
Source: NBP, Chief Statistical Office, Citi Handlowy

In the first half of 2024, the growth rate of prices of consumer goods and services decreased significantly compared to the high readings from 2023 and oscillated close to the target set by the National Bank of Poland (2.5% with permissible deviations of +/- 1 percentage point). In the first quarter of this year, the decline in CPI inflation resulted from the lower contribution of food, fuel and categories associated with the use of housing. However, the second quarter of 2024 brought a slight inflation rebound, mainly due to the restoration of the 5% VAT rate on food, compared to the previous 0% rate. In the entire first half of 2024, core inflation decreased gradually to 3.6% YoY in June, compared to 6.9% at the end of 2023. In the following months, the Group expects the total CPI to increase to approximately 5% YoY, due to partial liberalization of energy prices.

The NBP reference rate has not changed since the last interest rate cut in October 2023, and is still 5.75%. In response to the expected increase in inflation, the monetary authorities have adopted a cautious stance, signaling that the current interest rate could be maintained even until 2026. The Group's forecasts assume that the Monetary Policy Council will start interest rate cuts in the second half of 2025.

2. Money and foreign exchange markets

Exchange rates



Source: Reuters, Citi Handlowy

In the first half of 2024, the zloty strengthened against the euro by 0.7% as the ECB started interest rate cuts while Poland's central bank decided not to follow in the ECB's footsteps. The increasing difference in interest rates between Poland and the euro zone may be advantageous to the Polish zloty, but further appreciation may have an adverse impact on the competitiveness of Polish exports. Throughout the first half of 2024, the US dollar was strengthening, also affecting the Polish zloty, which weakened by 2.4% against the US currency. The EUR/PLN rate declined from 4.34 as at the end of 2023 to 4.31 as at the end of June 2024 and the USD/PLN increased from 3.94 to 4.03 in the same period.

The money market rates remained almost unchanged in the first half of 2024. The WIBOR 3M rate was 5.85% at the end of June, as compared with 5.88% at the end of 2023. During the year, the prospects of interest rate cuts by the National Bank of Poland were receding, which translated into the stabilization of rates in the money market. The Polish yield curve steepened as a result of expected monetary policy actions, increased geopolitical tensions and solid macroeconomic data from the US, which averted the risk of a global recession. In the first half of 2024, the yield on Polish 2-year bonds increased by 11 bps, to 5.17%, as at the end of June 2024 from 5.06% as at the end of 2023. The yield on 10-year bonds increased by 45 bps, to 5.70%, as at the end of June 2024 from 5.25% as at the end of 2023.

3. Capital market

The first half of 2024 saw dynamic increases in the world's stock markets. Despite the recovery of savings and reduced consumer demand, the stock market situation improved due to better economic prospects and the revolution in the semiconductor and AI segment. The risk aversion triggered by Russia's invasion of Ukraine and the raw material shock declined. The beginning of interest rate cuts allowed for a slow recovery of credit values, which led into a slight recovery in demand and investment in some countries.

Given such an environment, the indices in the domestic equity market recorded dynamic growths. WIG, the main market index, appreciated 31.7% as compared to the first half of 2023. The WIG-div index showed the highest increase of 37.1% YoY. A smaller increase was recorded by mWIG40, an index of mid-cap companies (up 34.3% YoY). The WIG-20 blue-chip index rose 24.3% YoY. The weakest increases were achieved by the sWIG80 index of small-caps (+16.5% YoY).

By sector, most indices showed an increase in the first half of 2024 compared to the same period in 2023. The highest percentage changes were recorded by WIG-Banks (+73.6% YoY), WIG-Construction (+71.9% YoY) and WIG-Clothing (+42.7% YoY). On the other hand, only two sub-indices recorded decreases: WIG-Chemistry and WIG-Games, which lost 16.2% and 13.9%, respectively, as compared to the end of the first half of 2023.

The stagnation in the debut markets was reflected in the activity in the initial public offering market. Year to date, five new entities debuted on the main floor of the WSE as a result of transfer from the New Connect market. For comparison, in the same period last year there were seven debuts on the WSE. Additionally, during the first half of 2024, eight companies were delisted. In consequence, as at the end of June 2024, the number of companies listed on the WSE reduced to 410 (including 42 foreign ones), whereas the total market value of all entities listed on the main floor amounted to PLN 1,585 billion as compared to PLN 1,322 billion in the first half of 2023.

Warsaw Stock Exchange (WSE) Equity Indices as of June 30, 2024

Index	30.06.2024 (1)	31.12.2023 (2)	Change (%) (1)/(2)	30.06.2023 (3)	Change (%) (1)/(3)
WIG	88,613.67	78,459.91	12.9%	67,283.22	31.7%
WIG-PL	92,502.56	81,539.59	13.4%	69,234.30	33.6%
WIG-div	1,826.02	1,545.59	18.1%	1,332.21	37.1%
WIG20	2,561.27	2,342.99	9.3%	2,060.38	24.3%
WIG20TR	5,248.56	4,678.55	12.2%	3,988.76	31.6%
WIG30	3,199.35	2,907.55	10.0%	2,534.38	26.2%
mWIG40	6,517.71	5,785.21	12.7%	4,852.03	34.3%
sWIG80	25,278.60	22,904.49	10.4%	21,701.30	16.5%
Sector sub-indices					
WIG-Banks	13,817.94	11,062.01	24.9%	7,961.79	73.6%
WIG-Construction	9,035.03	7,628.56	18.4%	5,257.04	71.9%
WIG-Chemicals	9,034.74	10,434.67	(13.4%)	10,777.16	(16.2%)
WIG- Energy	2,609.75	2,806.75	(7.0%)	2,328.51	12.1%
WIG-Games	16,987.98	15,669.10	8.4%	19,730.02	(13.9%)
WIG- Mining	5,028.51	4,315.32	16.5%	3,976.05	26.5%
WIG-IT	5,236.66	4,616.29	13.4%	4,573.17	14.5%
WIG-Medicines	2,937.65	2,768.40	6.1%	2,920.65	0.6%
WIG-Media	8,000.13	8,328.80	(3.9%)	7,451.67	7.4%
WIG-Motorisation	8,553.94	9,254.33	(7.6%)	8,304.87	3.0%
WIG- Developers	4,309.59	3,545.06	21.6%	3,461.44	24.5%
WIG-Clothing	10,639.96	8,962.90	18.7%	7,454.96	42.7%
WIG- Fuel	6,931.80	6,697.89	3.5%	6,075.77	14.1%
WIG- Food	2,561.13	2,202.63	16.3%	2,152.65	19.0%

Source: WSE, Brokerage Department of Bank Handlowy

Equity, bond and derivatives trading volumes on WSE in the first half of 2024

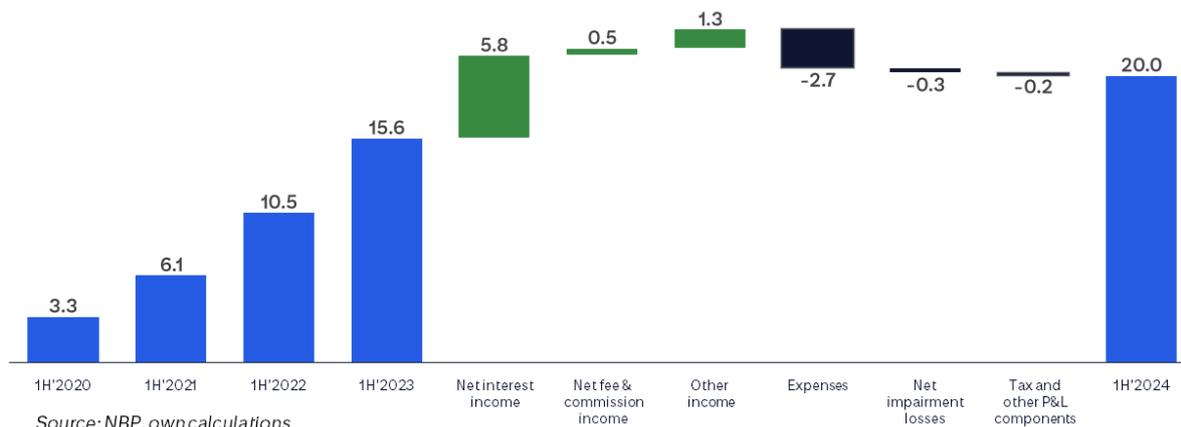
	1st half of 2024 (1)	2nd half of 2023 (2)	Change (%) (1)/(2)	1st half of 2023 (3)	Change (%) (1)/(3)
Equity (PLN million)*	350,639	285,799	22.7%	278,323	26.0%
Bonds (PLN million)	4,725	3,730	26.7%	4,341	8.8%
Futures ('000 contracts)	14,525	14,104	3.0%	14,731	(1.4%)
Options ('000 contracts)	189	208	(9.1%)	312	(39.4%)

* figures excluding calls

Source: WSE, Brokerage Department of Bank Handlowy

4. Banking sector

Net profit of the banking sector (PLN billion)

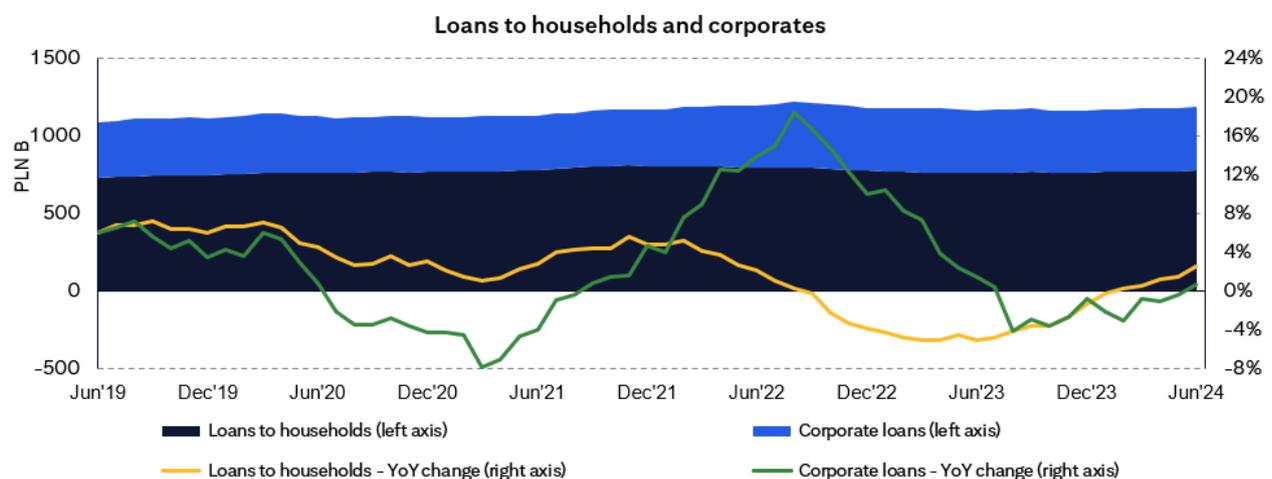


Financial results

According to available data published by the National Bank of Poland (“NBP”), the banking sector generated a net profit of PLN 20.0 billion in the first half of 2024, i.e. higher by +28% YoY, or PLN 4.4 billion, than in the prior year period. Net interest income was still the main factor influencing the improvement of banks' results (an increase by 12.8% YoY), but its structure changed – banks now generate greater savings due to a decrease in interest costs (-9.4% YoY, PLN 3.4 billion) than from higher income (+3.0% YoY, PLN 2.4 billion). As a result, net interest income reached nearly PLN 51 billion. Net commission income also saw an increase, but much lower (+5.4% YoY, PLN 496 million), to PLN 9.8 billion. And in the category of other revenues and costs, a total loss of PLN 2.1 billion was recorded. As a result, total revenues set another record for the first 6 months of the year at PLN 62.0 billion (+14% YoY, PLN 7.6 billion).

Higher revenues were followed by higher costs. The banking sector recorded an increase in general and administrative expenses by 11.3% YoY, or PLN 2.6 billion, to PLN 25.3 billion, mainly due to constantly growing employee costs (+14.5% YoY), the impact of inflation on real estate maintenance costs and other costs, as well as a higher contribution to the Bank Guarantee Fund (despite the fact that a zero contribution to the guarantee fund of banks was maintained). Depreciation and amortization expenses also recorded a marked increase (+7.5% YoY, or PLN 181 million), to PLN 2.6 billion. The efficiency of the banking sector, measured by the cost-to-income ratio, improved slightly to 45% (compared to 46% for the first half of 2023 – including the banking tax).

The negative impact of the result on modifications, write-offs and provisions on the pre-tax profit of the banking sector in the first half of 2024 was PLN 8 billion i.e. up 4.4% YoY, PLN 337 million as compared to the previous year mainly as a result of the costs of provisions related to the Swiss franc mortgage loan portfolio. On the other hand, the amount of income tax paid by banks decreased by 6.3% YoY, PLN 409 million to PLN 6.0 billion.

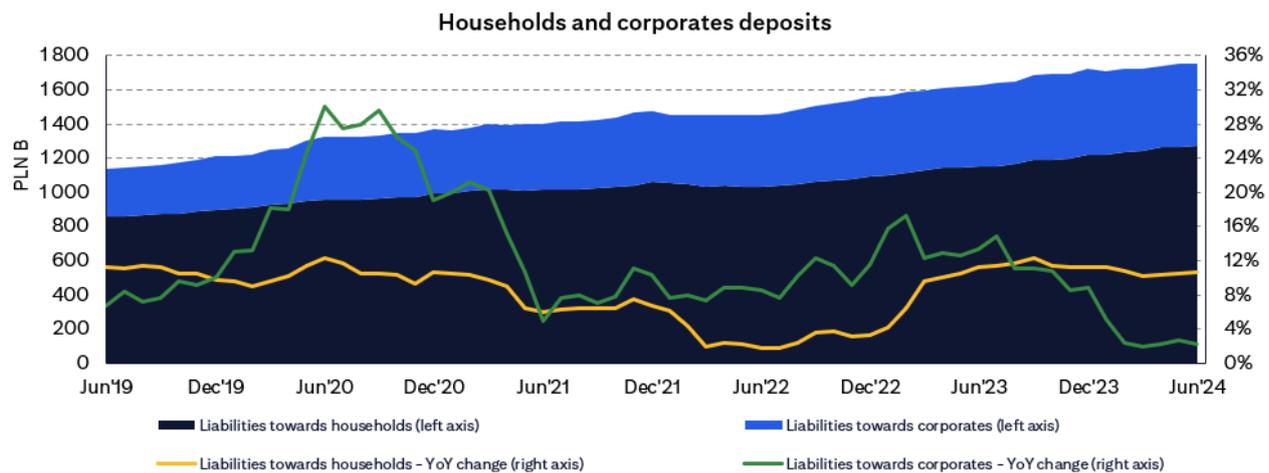


Data published by the National Bank of Poland show that the growth rate for loans granted by the banking sector to non-financial customers increased from -2.7% YoY at the end of the first half of 2023 to +1.1% YoY at the end of June 2024. As a result, the volume of loans and other receivables exceeded PLN 1,313 billion (i.e. increased by nearly PLN 15 billion YoY). The most significant impact on the above trends was exerted by the volume of credits and loans granted to households, which increased by 1.5% YoY, or PLN 11 billion, to PLN 781 billion. By type, the highest growth was recorded in the segment of current

loans to individual entrepreneurs and individual farmers (+9.1% YoY, PLN 4 billion), followed by consumer loans (+4.8% YoY, PLN 9 billion) and loans for residential real estate, which, however, dominated in terms of absolute value (+2.1% YoY, PLN 10 billion). In line with the long-term trend, the volume of foreign currency loans in the latter category decreased by as much as 25.5% YoY, or PLN 23 billion, to only 13% of the entire loan portfolio. In the meantime, the volume of PLN loans increased by 8.3% YoY, or PLN 33 billion. In line with the long-term trend, there was also a visible decline in the volume of investment loans (-14.9% YoY, or PLN 3 billion). In terms of maturity, a significant decline occurred in the segment of loans up to 1 year (including current accounts), the volume of which decreased by 5.0% YoY, or PLN 2 billion. However, loans with medium maturities (1 to 5 years, inclusive) stood out definitely positively, with a trend of almost +14% YoY, or PLN 11 billion. As a result of the already mentioned differences in the development of the portfolios of PLN and foreign currency housing loans, the trend of long-term loans (over 5 years) was only +0.4% YoY, or PLN 3 billion.

In the same period, the volume of loans granted to customers from the segment of non-financial companies increased by 0.7% YoY, or PLN 3 billion, to a level of just over PLN 408 billion, mainly due to investment loans, the volume of which increased by 3.2% YoY, or PLN 5 billion. Simultaneously, there was a decline in the volume of current loans by 0.4% YoY, or PLN 1 billion, and of mortgage loans – by 1.8% YoY, or PLN 1 billion. In terms of maturities, the deepest decline was recorded in the category of medium-term loans (1 to 5 years), the volume of which decreased by 3.3% YoY, or PLN 4 billion. The short-term loan portfolio also saw a decline (-2.1% YoY, or PLN 2 billion). Only long-term loans (over 5 years) showed a positive trend (+2.2% YoY, or PLN 4 billion).

Data related to quality of the loan portfolio as at the end of June 2024 show improvement in the ability of customers to service their debts. The share of stage 3 loans (more than 90 days past due) fell to 4.8%. A significant improvement in the portfolio quality was recorded in household loans (-0.7 p.p. YoY to 4.6%), especially in the consumer loans category, where the share of stage 3 fell by 1.2 p.p. YoY to a historically low level of 7.4%. The timeliness of repayments of the mortgage loan portfolio also improved significantly (-0.6 p.p. YoY, to 1.7%). A much smaller improvement was noted in the corporate loan portfolio (-0.1 p.p. YoY, to 6.1%), mainly due to the worrying data on loans to large enterprises, which saw an increase of 0.5 p.p. YoY, to 3.8%. Much attention should also be paid to improving the timeliness of servicing SME loans, in the case of which the share of NPL fell by as much as 1.8 p.p. YoY, setting a new minimum for this category of loans at 7.5%.



Source: NBP, own calculations

Despite the very high growth of deposits from non-financial customers of banks in the first half of 2023 (+8.2% YoY, PLN 145 billion), in the first half of 2024 a further acceleration was recorded to +9.2% YoY, or PLN 175 billion, i.e. to nearly PLN 2,086 billion. This tendency was mainly affected by the public sector deposit portfolio, the value of which showed a strongly negative trend as at the end of June 2023, while at the end of June 2024 it increased by +19.6% YoY, or PLN 40 billion. In the same period, the trend of deposits from and other liabilities to households slightly weakened to +10.6% YoY, or PLN 123 billion, but remained far above the trend recorded for the segment of non-financial companies. In terms of the liability category, there was a clear rebound in current deposits (+13.7% YoY, PLN 108 billion), while the growth trend for term deposits slowed down significantly to +4.1% YoY, or PLN 15 billion. The total liabilities of the banking sector to households reached PLN 1,275 billion.

In the corporate segment, banks recorded a much deeper decline in the annual growth rate for deposit volume, but at the end of June 2024, the positive pace was still maintained (+2.3% YoY, or PLN 11 billion). Also in this case, current deposits showed a faster growth rate (+3.3% YoY, or PLN 10 billion), while term deposits remained unchanged. The total deposits and other liabilities to non-financial companies reached nearly PLN 482 billion.

In the second half of 2024, the current level of interest rates is expected to be maintained, which should enable banks to maintain a high level of revenues. On the other hand, banks are getting closer to covering almost the entire portfolio of mortgage loans in foreign currencies with provisions, as a result of which the year 2024 may turn out to be a record year in terms of the sector's profits. More doubts arise as regards the extent to which the expected economic recovery will translate into greater lending, especially in the corporate segment. Regardless of this factor, a further increase in the banks' balance sheet total should be expected, driven by mortgage loans financed by the growing deposit portfolio.

5. Factors that will affect the Group's operations in the future

The impact of the war in Ukraine on the operational activity of the Group

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

Trends in the Polish and global economy in 2024

The global geopolitical situation remains tense in 2024. The war between Russia and Ukraine is still a significant risk factor, and the ongoing conflict in the Middle East may lead to increased tensions in the market of raw materials, especially crude oil.

In the second half of 2024, the presidential elections in the United States will be an important risk factor for financial markets. The new US president may reorient US foreign policy, indirectly influencing the geopolitical situation in Central Europe. In addition, possible changes in tariffs imposed by the United States may affect the scale and direction of trade flows.

After the rule of law procedure was ended for Poland, the inflow of funds from the European Union was unblocked, including funds from the Recovery Fund. Access to EU financing increases the chance of a clear rebound in investment at the end of 2024 or in 2025.

Legal and regulatory risks

- 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.

On 15 June 2023, the Court of Justice of the European Union (CJEU), in Case C 520/21 ruled that only the consumer can claim additional benefits following the cancellation of a franking credit agreement. The bank can only claim repayment of the principal of the loan plus statutory interest for late payment and cannot claim compensation from the customer for the non-contractual use of the principal. It was concluded that the Directive 93/13 does not directly regulate the consequences of the invalidity of a contract between a trader and a consumer after the removal of unfair terms and conditions. It is for the Member States to determine the consequence of such conclusion, whereby the provisions they lay down in this regard must comply with the EU law and, in particular, with the objectives of that Directive. It will be for the national courts to determine, in the light of all circumstances of the dispute, whether it is compliant with the principle of proportionality to grant that kind of consumer claim.

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

As at June 30, 2024, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 31.4 million. In addition to reserves for individual cases the Bank maintained a collective provision in the amount of PLN 23.9 million as at 30 June 2024 (compared to PLN 10.2 million as at 31 December 2024). Estimation of the provision assumed the expected level of 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 June 30, 2024, the number of pending cases relating to a CHF-indexed loan in which the Bank was sued is 89 cases for a total amount of approximately PLN 41.2 million. Thirty cases were legally lost, and the Bank decided to file two cassation appeals (one appeal was rejected on formal grounds, as to the second, the Supreme Court refused to accept the cassation appeal for consideration). Most of the cases are in the first instance.

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

Starting from 28 September 2020, the Bank has been reimbursing fees using the "straight-line method" to all the consumers who repaid their consumer loans before the contractual deadline, after 11 September 2019, provided that the fee was charged during the 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 June 30, 2024, the Bank was sued in 970 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 4,3 million.

Credit holidays

On May 2, 2024, the President of the Republic of Poland approved the amended Act amending the Act on supporting consumer borrowers who took out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers ("Act"). The amending Act introduces the criterion that only persons with a mortgage loan in PLN for a maximum amount of PLN 1.2 million can apply for installments suspension. Criteria also assume that the installment should exceed 30% household income, calculated as the average for the previous three months or if the borrower has at least three children to support (as of the date of submitting the application). A consumer will be able to take vacation twice in the period from 1 June to 31 August and twice in the period from 1 September to 31 December. In connection with the above, the Group's results in the second quarter of 2024 were burdened with an adjustment to the gross carrying amount of mortgage loans by PLN 14.3 million.

The above factors may affect the financial performance of the Group in the future.

III. The organizational structure of the Capital Group of Bank Handlowy w Warszawie S.A.

The Capital Group of Bank Handlowy w Warszawie S.A. ("Group") consists of a parent company and subsidiaries:

Entity	Core business	Capital relationship	% of authorized capital held	Accounting method
Bank Handlowy w Warszawie S.A.	Banking	parent	-	-
Handlowy Financial Services Sp. z o.o. (former Dom Maklerski Banku Handlowego S.A.)	Investing activity	subsidiary	100.00%	full consolidation
Handlowy - Leasing Sp. z o.o.	Leasing activities	subsidiary	100.00%*	full consolidation
Handlowy Investments S.A.	Investing activity	subsidiary	100.00%	full consolidation
Handlowy - Inwestycje Sp. z o.o.	Investing activity	subsidiary	100.00%	full consolidation

*Including indirect participations

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

IV. Selected financial data of the Capital Group of Bank Handlowy w Warszawie S.A.

1. Summary financial data of the Group

PLN million	30 Jun 2024	31 Dec 2023
Total assets	73,073.6	73,392.5
Total equity	9,214.5	9,729.5
Amounts due from customers*	21,245.6	20,054.5
Customer deposits*	48,528.1	49,404.8
Net profit**	848.1	1,215.3
Total capital ratio	23.6%	23.6%

* Amounts due from and deposits of non-banking entities of the financial sector, entities of the non-financial sector, including the public sector.

** Net profit for the first half of adequately 2024 and 2023.

2. Financial result of the Group for the first half of 2024

The following financial results are presented on the basis of the abridged semi-annual financial statement of the Group for the period of the first 6 months of the year ended June 30, 2024.

2.1 Income statement

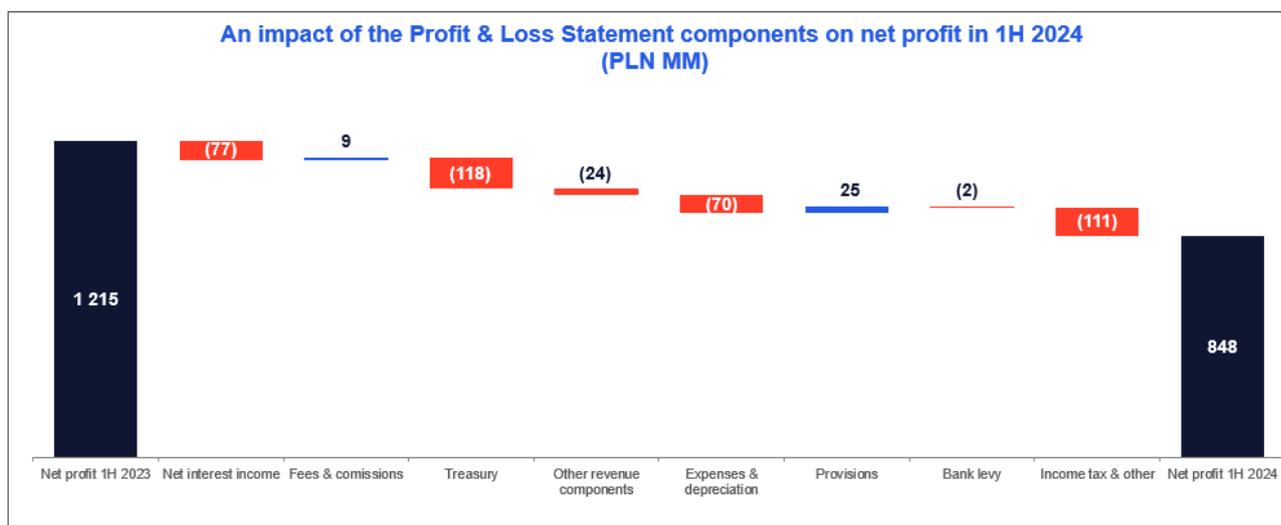
In the first half of 2024 the Group delivered a consolidated net profit of PLN 848.1 million compared to PLN 1,215.3 million in the first half of 2023 (decrease by PLN 367.1 million, i.e. 30.2% YoY), due to lower other operating income (including primarily the net income on trading financial instruments and revaluation) and a decrease in net interest income due to lower market interest rates compared to the same period of the previous year.

A significant impact on the decrease in the Group's result in the first half of 2024 compared to the same period of the previous year was also exerted by recognition of impairment loss reducing goodwill related to the Consumer Bank segment by PLN 180 million, which is described in detail in the Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the first half of 2024 in Note 18.

Selected income statement items

PLN'000	1st half of		Change	
	2024	2023	PLN'000	%
Net interest income	1,602,619	1,679,242	(76,623)	(4.6%)
Net fee and commission income	292,121	282,714	9,407	3.3%
Dividend income	10,705	9,773	932	9.5%
Net income on trading financial instruments and revaluation	279,421	415,432	(136,011)	(32.7%)
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	14,414	(3,923)	18,337	(467.4%)
Net gain/(loss) on equity and other instruments measured at fair value through income statement	(6,660)	15,474	(22,134)	(143.0%)
Net gain/loss on hedge accounting	9,560	(5,023)	14,583	(290.3%)
Net other operating income	(18,639)	(1,287)	(17,352)	1,348.3%
Total income	2,183,541	2,392,402	(208,861)	(8.7%)
General administrative expenses and depreciation:	(825,167)	(754,968)	(70,199)	9.3%
General administrative expenses	(767,014)	(700,862)	(66,152)	9.4%
Depreciation and amortization	(58,153)	(54,106)	(4,047)	7.5%
Net impairment on non-financial assets	(180,064)	-	(180,064)	-
Profit on sale of non-financial assets	1,716	(78)	1,794	(2,300%)
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	19,073	(6,150)	25,223	(410.1%)
Tax on some financial institutions	(93,671)	(91,584)	(2,087)	2.3%
Profit before tax	1,105,428	1,539,622	(434,194)	(28.2%)
Income tax expense	(257,278)	(324,332)	67,054	(20.7%)
Net profit	848,150	1,215,290	(367,140)	(30.2%)

2.1.1 Revenues



Net interest income accounted for 73% of the Group's total revenues in the first half of 2024. It amounted to PLN 1,603 million, which means a decrease by PLN 76.6 million (or 4.6%) compared to the same period of the previous year (i.e. PLN 1,679 million) due to lower market interest rates (including a decrease in the reference rate from 6.75% at the end of June 30, 2023 to 5.75% at the end of June 30, 2024).

Interest income in the first half of 2024 amounted to PLN 2,207 million (i.e. decreased by 2.8% compared to the same period of the previous year). After adjusting for the item "interest income from derivatives", comparable interest income decreased by 6.3% YoY.

The largest nominal decrease by PLN 159.2 million (i.e. 17.3%) as compared to the first half of 2023 was recorded by interest income from amounts due from customers, which amounted to PLN 762.2 million at the end of the first half of 2024. The loan margin decreased from 8.14% in the first half of 2023 to 7.31% in the first half of 2024.

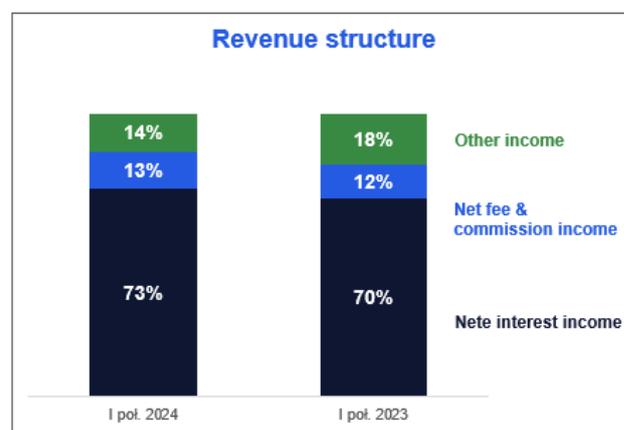
The largest share in interest income in the first half of 2024 was interest income on debt investment financial assets measured at fair value through other comprehensive income (share of 44.0%) which amounted to PLN 972.1 million (i.e. decreased by 29.9 million or 3.0% YoY).

In turn, the Group's interest expenses were slightly higher by PLN 12.9 million or 2.2% in the first half of 2024 compared to the first half of 2023 and amounted to PLN 604.4 million. However, after adjusting for the item "interest expense on derivatives in hedge accounting", comparable interest expense decreased by PLN 43.9 million, i.e. 7.8% YoY. This decrease was driven by lower interest expenses due from banks (i.e. decrease by 45.8% YoY), while interest expenses due from customers remained almost unchanged (i.e. an increase by 0.9% YoY).

Net fee and commission income in the first half of 2024 amounted to PLN 292.1 million compared to PLN 282.7 million in the corresponding period of 2023 – up by PLN 9.4 million (or 3.3%) due to higher income on capital markets activities, as a result of which the highest nominal increase was recorded in revenues from brokerage activities by 8.0 million (or 37.2% YoY) mainly due to the transaction of accelerated sale of shares of the Bank's client and in income from custody activities by PLN 5.3 million (or 9.0% YoY) due to the good sentiment prevailing on the capital markets. At the same time, Bank recorded an increase in income from payment orders by PLN 3.2 million (i.e. 5.9% YoY) due to increased activity of institutional clients in the area of transaction banking, as well as income from granted financial liabilities by PLN 2.5 million (i.e. 17.7% YoY). On the other hand, the Bank observed a decrease in income from payment and credit cards by PLN 5.2 million (i.e. 8.1% YoY) mainly due to an increase in acquisition expenses and a decrease in income from maintaining bank accounts by PLN 3.2 million (i.e. 5.4% YoY).

Fee and commission expenses in the first half of 2024 amounted to PLN 55.9 million, up by PLN 3.7 million YoY (i.e. 7.1%). This increase mainly concerned the area of custody and brokerage activity.

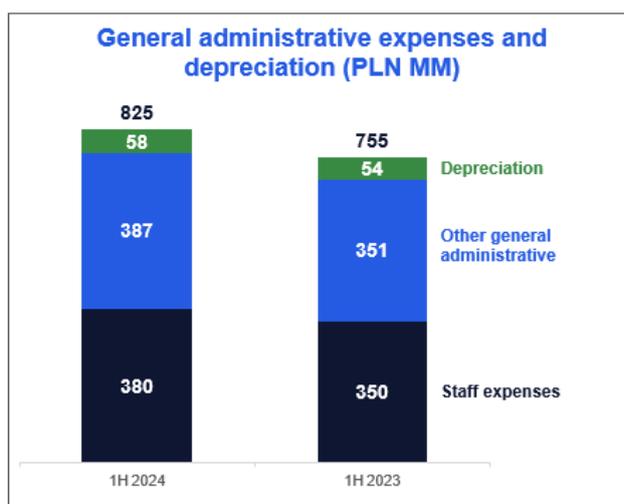
Other operating income (i.e. non-interest and non-commission income) in the amount of PLN 288.8 million compared to PLN 430.4 million in the first half of 2023 – a decrease by PLN 141.6 million (or 32.9% YoY). The decrease relates to net income on trading financial instruments and revaluation (drop by PLN 136.0 million or 32.7% YoY) mainly as a result of one-off events occurring last year, partially offset by a higher result on investment debt financial assets (an increase by PLN 18.3 million YoY) and by higher result on result on hedge accounting (increase by PLN 14.6 million YoY).



2.1.2 Expenses

In the first half of 2024 the Group's general administrative and depreciation expenses amounted to PLN 825.2 million vs. PLN 755.0 million in the corresponding period of the previous year, up by PLN 70.2 million (or 9.3% YoY).

An increase was generally due to increase in staff expenses (remuneration costs increased by PLN 23.3 million, i.e. 9.0% YoY) and an increase in the regulatory cost (higher contribution to the banking restructuring fund under the Bank Guarantee Fund of PLN 89.9 million in the first quarter of 2024 compared to PLN 73.8 million in the previous year). The Bank also recorded an increase in the costs of external services, including advisory, audit, consulting services by PLN 6.2 million (i.e. 23.3% YoY) and an increase in the building maintenance and rent costs by PLN 5.4 million (i.e. 16.3% YoY).



Employment within the Group

FTEs	1st half of 2024	1st half of 2023	Change	
			FTEs	%
Average no. of jobs in the period	2,980	2,947	33	1.1%
No. of jobs at the end of the period	2,979	2,969	10	0.3%

In the first half of 2024, average employment in the Group amounted to 2,980 FTEs, i.e. increased by 1.1% compared to the first half of 2023. As at June 30, 2024, employment in the Group amounted to 2,979 FTEs, of which 1,525 in Consumer Banking, 678 in Institutional Banking and 776 in support units. As compared with the same period last year, the number of FTEs at the end of the period increased by 10 (i.e. 0.3%).

2.1.3 Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments

Net impairment and provisions

PLN'000	1st half of		Change	
	2024	2023	PLN'000	%
Net impairment allowances for receivables, including	18,645	(20,829)	39,474	(189.5%)
Net impairment allowances for financial assets – Stage 1	25,246	24,216	1,030	4.3%
Net impairment allowances for financial assets – Stage 2	(17,575)	(18,627)	1,052	(5.6%)
Net impairment allowances for financial assets – Stage 3	9,068	(27,863)	36,931	(132.5%)
Net impairment allowances for financial assets – Purchased or originated credit-impaired loans (POCI)	1,906	1,445	461	31.9%
Net provisions for granted financial and guarantee commitments	3,942	11,584	(7,642)	(66.0%)
Net impairment allowances for debt investment financial assets measured at fair value through other comprehensive income	(3,514)	3,095	(6,609)	(213.5%)
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	19,073	(6,150)	25,223	(410.1%)

Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments amounted to PLN 19.1 million (positive impact) in the first half of 2024 compared to PLN 6.1 million (negative impact) in the first half of 2023. The highest nominal change in the amount of provision for expected credit losses was recorded in the Consumer Banking segment (improvement by PLN 60.2 million YoY) primarily due to the sale of the stage 3 debt portfolio (impact on the P&L in the amount of PLN 10.2 million). A decrease mentioned above in provisions for expected credit losses in Consumer Banking was partly offset by their increase in the Institutional Banking segment (deterioration by PLN 35.0 million YoY) mainly due to one-off changes to the IFRS 9 model.

2.1.4 Tax on certain financial institutions

The total charge to the income statement of Bank Handlowy w Warszawie S.A. Capital Group due to the tax on certain financial institutions for the first half of 2024 amounted to PLN 93.7 million compared to PLN 91.6 million in the first half of 2023, primarily due to the structure of the Bank's debt securities portfolio (lower share of treasury bonds).

2.1.5 Ratio analysis

Selected financial ratios

	1st half of 2024	1st half of 2023
Return on equity (ROE) *	22.8%	29.5%
Return on assets (ROA) **	2.6%	2.8%
Cost/Income (C/I)	38%	32%
Loans/Deposits	40%	46%
Loans/Total assets	29%	32%
Net interest income to total revenue	73%	70%
Net fee and commission income to total revenue	13%	12%

* Net profit to average equity (excluding net profit for the current year) calculated on a quarterly basis.

** Net profit to average total assets calculated on a quarterly basis.

2.2 Consolidated statement of financial position

As of June 30, 2024, total assets of the Group stood at PLN 73.1 billion and was at a comparable level as at the end of 2023 (slightly down by PLN 319.0 million or 0.4% YoY).

In terms of assets, the biggest nominal changes in the balance sheet took place in two lines: **amounts due from banks** and **debt investment financial assets**. The balance of amounts from banks decreased by PLN 11.2 billion (i.e. 72.6%) as compared to the end of 2023 mainly due to the decrease in the volume of receivables from reverse repo transactions. On the other hand, debt investment financial assets balance increased by PLN 9.7 billion (or 32.7%) compared to the end of 2023 as a result of higher volume of NBP money bills. At the same time, debt investment financial assets had the largest share in the structure of the Group's assets at the end of June 2024. Their share in total assets was 53.7%.

In turn, the second largest share in the structure of the Group's assets at the end of June 2024 was amounts due from customers, their share in total assets was 29.1%. The value of amounts due from customers at the end of June 2024 amounted to PLN 21.2 billion and was higher by PLN 1.2 billion (i.e. 5.9%) compared to the end of 2023 thanks to the higher loan volume, mainly in the Institutional Banking segment.

Consolidated statement of financial position

PLN'000	As of		Change	
	30 Jun 2024	31 Dec 2023	PLN'000	%
ASSETS				
Cash and cash equivalents	509,716	1,241,724	(732,008)	(59.0%)
Amounts due from banks	4,215,076	15,371,552	(11,156,476)	(72.6%)
Financial assets held-for-trading, including:	5,573,748	4,880,332	693,416	14.2%
<i>Assets pledged as collateral</i>	9,870	-	9,870	-
Hedging derivatives	70,983	6,731	64,252	954.6%
Debt financial assets measured at fair value through other comprehensive income, including:	39,213,829	29,560,292	9,653,537	32.7%
<i>Assets pledged as collateral</i>	1,224,697	697,771	526,926	75.5%
Equity and other investments measured at fair value through the income statement	134,835	141,495	(6,660)	(4.7%)
Amounts due from customers	21,245,636	20,054,454	1,191,182	5.9%
Tangible fixed assets	536,712	508,403	28,309	5.6%
Intangible assets	1,087,865	1,285,314	(197,449)	(15.4%)
Receivables due to current income tax	-	9	(9)	(100.0%)
Deferred tax asset	153,766	115,413	38,353	33.2%
Other assets	331,385	217,535	113,850	52.3%
Fixed assets held-for-sale	-	9,266	(9,266)	(100.0%)
Total assets	73,073,551	73,392,520	(318,969)	(0.4%)
LIABILITIES				
Amounts due to banks	3,621,453	3,375,687	245,766	7.3%
Financial liabilities held-for-trading	3,152,358	3,522,203	(369,845)	(10.5%)
Derivative hedging instruments	98,484	92,869	5,615	6.0%
Amounts due to customers	53,806,343	55,008,001	(1,201,658)	(2.2%)
Provisions	122,945	111,689	11,256	10.1%
Current income tax liabilities	134,731	457,871	(323,140)	(70.6%)
Deferred tax provision	36	94	(58)	(61.7%)
Other liabilities	2,922,705	1,094,615	1,828,090	167.0%
Total liabilities	63,859,055	63,663,029	196,026	0.3%
EQUITY				
Ordinary shares	522,638	522,638	-	-
Share premium	3,001,260	3,001,260	-	-
Own shares	(18,812)	-	(18,812)	-
Revaluation reserve	179,660	128,406	51,254	39.9%
Other reserves	4,051,006	3,190,659	860,347	27.0%
Retained earnings	1,478,744	2,886,528	(1,407,784)	(48.8%)
Total equity	9,214,496	9,729,491	(514,995)	(5.3%)
Liabilities and equity	73,073,551	73,392,520	(318,969)	(0.4%)

2.2.1 Assets

Customer net receivables

PLN '000	As of		Change	
	30 Jun 2024	31 Dec 2023	PLN '000	%
Receivables from financial sector entities	5,334,244	4,175,333	1,158,911	27.8%
Loans*	4,708,909	3,993,717	715,192	17.9%
Reverse Repo	625,335	181,616	443,719	244.3%
Receivables from non-financial sector entities, including:	15,911,392	15,879,121	32,271	0.2%
Institutional customers**	9,831,769	9,951,131	(119,362)	(1.2%)
Individual customers, including:	6,079,623	5,927,990	151,633	2.6%
Unsecured receivables	3,734,770	3,715,799	18,971	0.5%
Mortgage loans	2,344,853	2,212,191	132,662	6.0%
Total net customer receivables	21,245,636	20,054,454	1,191,182	5.9%

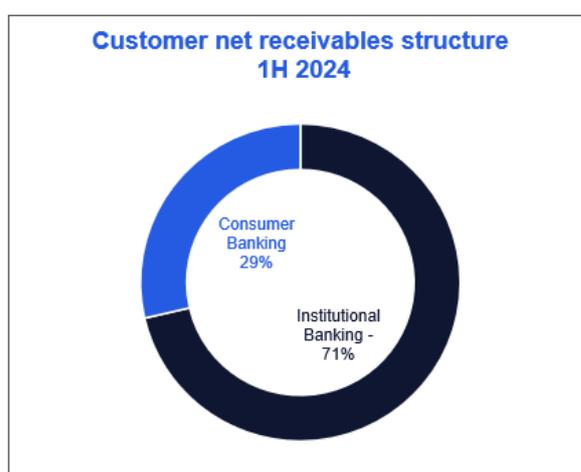
***this line includes: credits/loans, unlisted debt financial assets, guarantee funds and deposits pledged as collateral*

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

In the first half of 2024 total **net amounts due from customers** amounted to PLN 21.2 billion, up by PLN 1.2 billion (or 5.9%) compared to the end of 2023.

The net value of loans in the Institutional Banking segment, being a sum of amounts due from financial sector entities and non-financial sector entities – institutional clients, amounted to PLN 15.2 billion, up by PLN 1.0 billion (or 7.4%) compared to the end of 2023. The increase in receivables concerned mainly the financial sector clients due to the higher volume of loans and reverse repo transactions. At the same time, corporate clients of the non-financial sector also showed greater demand for credit – in the first half of 2024 the value of newly granted loans or extension of existing financing increased by 68% YoY. A detailed breakdown of assets by individual segments in management view is provided in Chapter V.

The net volume of loans made to individual customers increased compared to the end of December 2023 by PLN 151.6 million (or 2.6%) and amounted to PLN 6.1 billion. The above increase concerned primarily mortgage loans (an increase of PLN 132.7 million), which resulted, among others, from higher sales of these loans as well as cash loans (an increase of PLN 19.0 million), thanks to the return to higher consumption observed among individual customers.



Gross receivables to customers

PLN'000	As of		Change	
	30 Jun 2024	31 Dec 2023	PLN'000	%
Receivables in PLN	19,006,354	17,177,473	1,828,881	10.6%
Receivables in foreign currency	2,776,059	3,614,173	(838,114)	(23.2%)
Total	21,782,413	20,791,646	990,767	4.8%

Loans to customers by portfolio with/without recognized credit losses

PLN'000	As of		Change	
	30 Jun 2024	31 Dec 2023	PLN'000	%
Loans without recognized impairment (Stage 1), including:	18,943,755	17,683,703	1,260,052	7.1%
financial sector entities	5,336,614	4,178,181	1,158,433	27.7%
non-financial sector entities	13,607,141	13,505,522	101,619	0.8%
institutional clients*	8,637,535	8,795,125	(157,590)	(1.8%)
individual customers	4,969,606	4,710,397	259,209	5.5%
Loans without recognized impairment (Stage 2), including:	2,232,376	2,286,856	(54,480)	(2.4%)
financial sector entities	235	25	210	840.0%
non-financial sector entities	2,232,141	2,286,831	(54,690)	(2.4%)
institutional clients*	1,154,844	1,075,188	79,656	7.4%
individual customers	1,077,297	1,211,643	(134,346)	(11.1%)
Loans with recognized impairment (Stage 3), including:	585,602	793,882	(208,280)	(26.2%)
financial sector entities	-	-	-	-
non-financial sector entities	585,602	793,882	(208,280)	(26.2%)
institutional clients*	256,427	379,303	(122,876)	(32.4%)
individual customers	329,175	414,579	(85,404)	(20.6%)
Purchased or originated credit-impaired loans (POCI), including:	20,680	27,205	(6,525)	(24.0%)
financial sector entities	-	-	-	-
non-financial sector entities	20,680	27,205	(6,525)	(24.0%)
institutional clients*	1,983	8,936	(6,953)	(77.8%)
individual customers	18,697	18,269	428	2.3%
Total gross loans to customers, including:	21,782,413	20,791,646	990,767	4.8%
financial sector entities	5,336,849	4,178,206	1,158,643	27.7%
non-financial sector entities	16,445,564	16,613,440	(167,876)	(1.0%)
institutional clients*	10,050,789	10,258,552	(207,763)	(2.0%)
individual customers	6,394,775	6,354,888	39,887	0.6%
Provision for expected credit losses	(536,777)	(737,192)	200,415	(27.2%)
Total net amounts due from customers	21,245,636	20,054,454	1,191,182	5.9%
Impairment provisions coverage ratio**	66.8%	71.3%		
institutional clients*	63.7%	68.9%		
individual customers	71.0%	75.1%		
Non-performing loans ratio (NPL)**	2.8%	4.00%		

* Institutional clients include enterprises, the public sector, state-owned and private companies, co-operatives, individual enterprises, non-commercial institutions acting for the benefit of households.

** NPL ratio means the share of loans with recognized impairment, including purchased or originated credit-impaired loans in the gross loans to customers

In the first half of 2024, the non-performing loans ratio (NPL) amounted to 2.78% and was lower than at the end of 2023 (by 1.17 percentage points) due to the sale of stage 3 debt portfolio in the Consumer Banking segment.

On the other hand, the provision coverage ratio of impairment losses on impaired receivables decreased by 4.46 percentage points compared to the end of 2023 and amounted to 66.79%, mainly due to the write-off of part of the receivables, mainly in the Institutional Banking segment, and the sale of stage 3 receivables.

Debt securities portfolio

PLN '000	As at		Change	
	30.06.2024	31.12.2023	PLN '000	%
Treasury bonds, including:	7,989,756	12,518,748	(4,528,992)	(36.2%)
Bonds hedged in the fair value hedge accounting	2,234,260	-	2,234,260	-
Bonds issued by banks, including:	13,603,911	10,737,222	2,866,689	26.7%
Bonds hedged in the fair value hedge accounting	3,600,997	2,595,263	1,005,734	38.8%
Bonds issued by financial institutions	2,622,688	2,099,422	523,266	24.9%
Bonds hedged in the fair value hedge accounting	496,888	236,733	260,155	109.9%
NBP bills	17,350,104	4,996,012	12,354,092	247.3%
Debt securities portfolio, total	41,566,459	30,351,404	11,215,055	37.0%

The debt securities portfolio increased as of the end of the first half of 2024 by PLN 11.2 billion (or 37.0%), due to an increase in the volumes of money bills of NBP.

2.2.2. Liabilities

Liabilities due to customers

PLN'000	As of		Change	
	30 Jun 2024	31 Dec 2023	PLN'000	%
Deposits from financial sector entities	3,959,147	3,787,943	171,204	4.5%
Deposits of non-financial sector entities, including:	48,528,098	49,404,816	(876,718)	(1.8%)
Non-financial sector entities	24,477,021	27,320,481	(2,843,460)	(10.4%)
Non-commercial institutions	415,813	382,432	33,381	8.7%
Individual customers	19,353,150	19,169,969	183,181	1.0%
Public sector units	4,282,114	2,531,934	1,750,180	69.1%
Other liabilities	1,319,098	1,815,242	(496,144)	(27.3%)
Liabilities towards customers, total	53,806,343	55,008,001	(1,201,658)	(2.2%)
Deposits of financial and non-financial sector entities, including:				
in PLN	35,319,274	36,655,659	(1,336,385)	(3.6%)
in foreign currency	17,167,971	16,537,100	630,871	3.8%
Deposits from financial and non-financial sector entities, total	52,487,245	53,192,759	(705,514)	(1.3%)

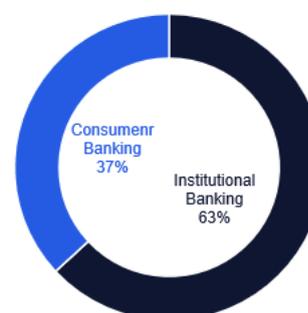
In the first half of 2024 total **amounts due to customers** amounted to PLN 63.9 billion, slightly up by PLN 196.0 million (or 0.3%) compared to the end of 2023. The largest nominal increase was recorded in other liabilities (an increase of PLN 1.8 billion compared to the end of 2023, i.e. 167.0%) mainly due to the recording of a dividend to be paid from the 2023 profit.

In the first half of 2024, **amounts due to customers - deposits** constituted the dominant source of financing of the Group's activity (73.5% of the Group's liabilities and equity). Total amounts due to customers as of the end of June 2024 amounted to PLN 53.8 billion, down by PLN 1.2 billion (or 2.2%) compared to the end of 2023 (PLN 53.8 billion is the total amount of liabilities towards customers, while the total amount of deposits is PLN 52.5 billion). The above decrease is a consequence of the falling balance of funds on current accounts of non-financial sector entities due to the seasonally higher balance observed at the end of 2023.

The deposit volumes in the Institutional Banking segment amounted to PLN 33.1 billion at the end of the first half of 2024 and decreased by PLN 888.7 million (or 2.6%) as compared to the end of 2023. This decrease concerned mainly funds in current accounts due to the seasonal increase in the volume of deposits at the end of the year. A detailed breakdown of liabilities by individual segments in management view is provided in Chapter V.

The deposit volumes in the Consumer Banking segment amounted to PLN 19.4 billion – slightly up by PLN 183.2 million (or 1.0%), compared to the end of December 2023 as a consequence of the higher balance of time deposits.

Liabilities due to customers structure 1H 2024



2.3 Contingent liabilities

As at June 30, 2024, exposure from contingent liabilities granted by the Group amounted to PLN 19.4 billion, up by PLN 2.0 billion (or 11.8%) compared to the end of 2023. Promised loan commitments represent the largest share in total contingent liabilities granted (i.e. 76.6%). Promised loan commitments consist of committed but currently unutilized credit lines and unutilized overdraft facilities and credit card limits.

Contingent off-balance sheet liabilities granted

PLN'000	As of		Change	
	30 Jun 2024	31 Dec 2023	PLN'000	%
Guarantees	3,111,269	2,999,009	112,260	3.7%
Import letters of credit issued	173,050	157,836	15,214	9.6%
Credit commitments	14,849,305	14,165,469	683,836	4.8%
Other	1,251,247	19,988	1,231,259	6,160%
Total	19,384,871	17,342,302	2,042,569	11.8%
Provisions for contingent liabilities granted	31,023	34,960	(3,937)	(11.3%)
Provisions coverage ratio	0.16%	0.20%		

2.4 Equity and total capital ratio

As compared to the end of 2023 the value of equity of the Group as of the end of the first half of 2024 decreased by PLN 515.0 million, i.e. by 5.3%.

Equity

PLN'000	As of		Change	
	30 Jun 2024	31 Dec 2023	PLN'000	%
Ordinary shares	522,638	522,638	-	-
Share premium	3,001,260	3,001,260	-	-
Own shares	(18,812)	-	(18,812)	-
Revaluation reserve	179,660	128,406	51,254	39.9%
Other reserves	4,051,006	3,190,659	860,347	27.0%
Retained earnings	1,478,744	2,886,528	(1,407,784)	(48.8%)
Total equity	9,214,496	9,729,491	(514,995)	(5.3%)

The equity level is fully sufficient to ensure the financial security of the company and the security of funds deposited in the Bank as well as it fully supports growth opportunities of the Group.

Total capital ratio

As at the end of the first half of 2024 the total capital ratio (TCR) amounted to 23.6%, compared to 23.6% as at the end of 2023. The level of the TCR in the first half of 2024 was influenced by the increase in exposure to credit risk and general interest rate risk, with a simultaneous increase in own funds. The increase in regulatory own funds resulted mainly from a decrease in fund deductions due to a write-off reducing the value of goodwill by PLN 180 million in Consumer Banking segment.

The Bank's capital ratio values take account of:

- The minimum capital adequacy requirement set out in the Capital Requirement Regulation (CRR): a total capital ratio of 8% and a Tier 1 capital ratio of 6%
- The combined buffer requirement – 2.83% on a consolidated basis, consisting of:
 - conservation capital buffer – 2.5%
 - O-SII capital buffer – 0.25%
 - systemic risk buffer – 0.00% (according to the Regulation of the Minister of Finance of March 18, 2020 on the systemic risk buffer liquidation, the obligation to maintain the systemic risk buffer has been abolished);
 - countercyclical capital buffer – 0.08%

The bank, as a resolution entity that is part of a global systemically important institution (G-SII) within the meaning of the definition in Article 4(136) of the CRR, must meet the following requirements regarding own funds and eligible liabilities in accordance with Article 92a of the CRR:

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

The TLAC TREA and TLAC TEM ratios as at the end of June 2024 meet the requirements of Article 92a of the CRR after increasing the combined buffer requirement.

Detailed information on capital adequacy of the Group in the first half of 2024 is included in the document *Information on capital adequacy of Bank Handlowy w Warszawie S.A. Group as at 30 June 2024* which is disclosed on the Bank's website.

2.5 Earnings forecast for 2024

The Bank as the parent entity did not publish earnings forecast for 2024.

V. Activities of the Capital Group of Bank Handlowy w Warszawie S.A. in the first half of 2024

1. Institutional Bank

1.1 Segment results summary

PLN'000	1st half of 2024	1st half of 2023	Change	
			PLN'000	%
Net interest income	1,055,360	1,140,562	(85,202)	(7.5%)
Net fee and commission income	217,242	201,174	16,068	8.0%
Dividend income	2,106	1,691	415	24.5%
Net income on trading financial instruments and revaluation	262,925	397,768	(134,843)	(33.9%)
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	14,414	(3,923)	18,337	(467.4%)
Net gain/(loss) on equity and other instruments measured at fair value through income statement	413	2,247	(1,834)	(81.6%)
Net gain/(loss) on hedge accounting	9,560	(5,023)	14,583	(290.3%)
Net other operating income	5,712	7,987	(2,275)	(28.5%)
Total income	1,567,732	1,742,483	(174,751)	(10.0%)
General administrative expenses and depreciation	(398,234)	(368,438)	(29,796)	8.1%
Profit on sale of other assets	1,789	(52)	1,841	(3,540.4%)
Provisions for expected credit losses on financial assets and provisions for off-balance sheet commitments	(14,208)	20,769	(34,977)	(168.4%)
Tax on some financial institutions	(63,843)	(65,268)	1,425	(2.2%)
Profit before tax	1,093,236	1,329,494	(236,258)	(17.8%)
Cost/Income	25%	21%		

The key highlights that impacted the gross profit of the Institutional Banking segment in the first half of 2024 when compared to the corresponding period of 2023 were as follows:

- **decrease in net interest income** due to lower market interest rates (including a decrease in the reference rate from 6.75% at the end of June 30, 2023 to 5.75% at the end of June 30, 2024);
- **increase in net fee and commission income** due to higher income from brokerage and custody activity and higher income on payment orders;
- **decrease in other operating income** (i.e. non-interest and non-commission income) amounting to PLN 295.1 million at the end of the first half of 2024 compared to PLN 400.7 million in the first half of 2023 mainly due to a lower result on trading financial instruments and revaluation by PLN 134.8 million, i.e. 33.9% being primarily a consequence of one-off events occurring last year, partially offset by a higher result on investment debt financial assets (an increase by PLN 18.3 million YoY) and by higher result on hedge accounting (an increase by PLN 14.6 million YoY);
- **increase in operating expenses** as a result of higher staff expenses, higher regulatory cost (higher contribution to the banking restructuring fund under the Bank Guarantee Fund, higher costs of external services, including advisory, audit, consulting services and higher building maintenance and rent costs);
- **decrease in provision for expected credit losses on financial assets and provisions for off-balance sheet commitments** due to one-off changes to the IFRS 9 model.

1.2 Institutional Bank and the Capital Markets

1.2.1 Institutional Bank

In the area of institutional banking, the Group provides comprehensive financial services to the largest Polish companies and strategic companies with a large potential of growth, and also to the largest financial institutions and to companies from the public sector.

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

At the end of the first half of 2024 there were slightly below 5,400 institutional customers (including corporate, global and corporate banking customers) i.e. maintaining the level from the first half of 2023.

In terms of client acquisition in the Commercial Bank segment the Bank attracted 177 new customers (94 new relationships) in the first half of 2024, the Bank acquired, including 15 from the Large Companies segment, 50 Small and Medium-Sized Companies, 53 International Commercial Bank Clients, 20 Digital and 39 public sector entities. Within the Corporate and Global Client segments, the Bank acquired 14 customer relationships.

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

Assets

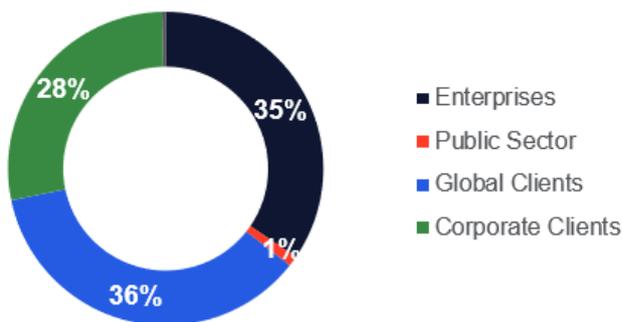
PLN million	30 Jun	31 Dec	30 Jun	Change		Change	
	2024	2023	2023	(1)/(2)		(1)/(3)	
	(1)	(2)	(3)	in PLN	%	in PLN	%
Enterprises, including:	4,388	3,984	3,965	404	10%	423	11%
SMEs	1,847	1,749	1,761	98	6%	86	5%
Large enterprises	2,541	2,235	2,204	306	14%	337	15%
Public Sector	134	1	20	133	11160%	114	561%
Global Clients	4,597	5,180	4,953	(583)	(11%)	(356)	(7%)
Corporate Clients	3,542	3,193	3,496	349	11%	46	1%
Other	47	47	46	0	0%	1	0%
Total Corporate Bank	12,707	12,405	12,480	302	2%	227	2%

Liabilities

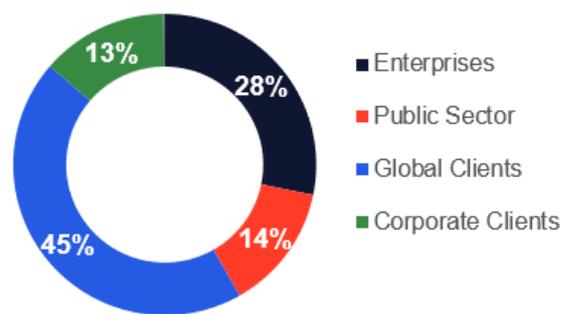
PLN million	30 Jun	31 Dec	30 Jun	Change		Change	
	2024	2023	2023	(1)/(2)		(1)/(3)	
	(1)	(2)	(3)	in PLN	%	in PLN	%
Enterprises, including:	9,067	8,815	7,470	252	3%	1,597	21%
SMEs	6,354	5,693	4,935	661	12%	1,419	29%
Large enterprises	2,713	3,122	2,535	(409)	(13%)	178	7%
Public Sector	4,355	2,765	3,570	1,590	58%	785	22%
Global Clients	14,311	16,226	14,481	(1,915)	(12%)	(170)	(1%)
Corporate Clients	4,343	5,035	4,518	(692)	(14%)	(175)	(4%)
Other*	55	46	60	9	19%	(5)	(8%)
Total Corporate Bank	32,132	32,887	30,100	(756)	(2%)	2,032	7%

* 'Other' includes, among others, clients under restructuring.

Structure of the Institutional Bank assets as of 30.06.2024



Structure of the Institutional Bank liabilities as of 30.06.2024



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

<p>Credit activity</p> 	<p><u>Granting new financing or increasing/extending existing ones in the amount of PLN 2.8 billion</u></p> <ul style="list-style-type: none"> • PLN 1.4 billion for global clients including: a leading company in the construction sector, a company supporting the financing of car purchases, a leading manufacturer of lithium-ion batteries for the automotive industry and a non-profit organization established by a company belonging to the largest Polish breweries to run the Direct Recycling Program for aluminum and glass packaging; • PLN 0.9 billion for Commercial Banking clients including: one of the biggest industrial construction groups in Poland, a network of interventional cardiology, cardiac surgery and vascular surgery departments, a client being a manufacturer of cocoa, chocolate and confectionery, and also an energy company which is the first electricity provider in Poland to offer its customers a 100% green energy mix from renewable energy sources such as the sun, wind, water and biogas; • PLN 0.5 billion for corporate clients including: a client from the fuel and energy industry and two companies from an international group operating in the pharmaceutical industry.
<p>Transactional Banking</p> 	<p><u>Increasing shares in banking services and transaction banking</u></p> <ul style="list-style-type: none"> • Winning 18 mandates for comprehensive banking services or extending the Bank's cooperation with its clients; • Signing factoring agreements, credit commitments and guarantees for the amount of PLN 320 million.

1.2.2. Activity and business achievements of the Financial Market and Corporate Banking Sector

In the first half of 2024, the Sales Division in the Financial Markets and Corporate Banking Sector continued its strategy in the corporate client segment, aimed at providing the best solutions and expertise in the period of market uncertainty, fluctuations in currency and commodity prices..

In order to meet and even anticipate customer expectations, particular emphasis was placed on:

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

Financial Markets and Corporate Banking Sector, Investor Services Department and Structured Finance Department was also active in the primary market for debt securities by organizing the following transactions:

- bonds issues for international financial institution totaling PLN 2.6 billion for general business purposes;
- issues of Eurobonds for BGK totaling EUR 500 million to be injected in Ukraine Assistance Fund.

In the first half of 2024, the Bank remained among the leaders in terms of turnover in the spot market, as one of the leaders of Treasury BondSpot.

1.2.3. Transaction services

In the first half of 2024, the Bank promoted, among its clients, its solutions and new capabilities of its platforms, which improve users' comfort of using the services (client experience). The Bank simplified documentation and processes with customer convenience in mind, and to ensure the further standardization and digitization of the services provided.

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

<p>Banking account</p> 	<p>In the area of bank accounts, the digital transformation of processes is continued, which is reflected in the number of documents signed using a qualified electronic signature. In the first half of 2024, it reached 52% of all documents. As a result, the percentage of documents signed in this way increased by 5 percentage points compared to the same period in 2023, when documents signed with a qualified electronic signature accounted for 47%.</p>
<p>Electronic Banking</p> 	<p>In the area of electronic banking, the Bank continued the development of its platforms to provide its clients with greater transparency, efficiency and control.</p> <p>The Bank continued the commercialization of the modern version of the CitiDirect 3.0 electronic banking system, as a result of which 94% of active users of the platform are already using its new version. The Bank implemented changes to maximize efficiency and improve the overall user experience.</p> <p>Taking care of security, the Bank continued the commercialization of the modern Mobile Token and shared knowledge and practical advice on cybersecurity in its monthly newsletter.</p> <p>The Bank conducted training for clients on how to increase the security and convenience of using electronic banking by appointing system administrators.</p> <p>In the first half of 2024, the Bank processed over 17.8 million transactions electronically, which means an increase of 3% compared to the same period of the previous year.</p>
<p>Payments and receivables</p> 	<p>Payment volumes continued to increase in the first half of 2024. In the area of domestic transactions, the Bank recorded a 40% increase in Express Elixir instant payment volumes compared to the prior year period. The growing popularity of Express Elixir among the clients corroborates the Bank's strategic assumption to focus its support on the need to automate processes and settlements in real time, in particular from the perspective of entities using the Bank's services in the <i>Banking as a Service</i> (BaaS) model and entities making urgent payments to their consumers.</p> <p>In the first half of 2024, the Bank further strengthened its suite of payment solutions prepared for clients in the <i>Digital Natives</i> segment, as reflected in the 15 percent increase in domestic payment volumes of "new economy" clients compared to the prior year period. Clients from the "new economy" category use the full range of the Bank's payment solutions, however their demand for domestic payments seems to be greater than for foreign payments when juxtaposed against the Bank's total number of clients, showing that the Bank plays an important role as a local partner in the context of Citi's global knowledge and geographical footprint.</p> <p>Continuing its strategy of providing flexible and intelligent transaction banking solutions, the Bank promoted Citi Payment Insights, which, among others, makes it possible to track the status of payments or generate confirmations on request from the beneficiary, and Citi Payment Outlier Detection, which, thanks to advanced analytics and algorithms, makes it possible to monitor and control the company's payments in real time, as well as identify transactions that differ significantly from previous trends.</p> <p>In the first half 2024, the Bank maintained a high share in the Direct Debit market at 36.3% (data as at the end of June 2024).</p> <p>In the first half of 2024, the Bank also continued its commitment to improving <i>client experience</i> – the Bank introduced changes in the Citi Payment Insights module as expected by its clients.</p>

<p>Corporate cards</p> 	<p>In the first half of 2024, there was an increase in the value of cashless transactions for business cards by 6% compared to the first half of 2023, with a constant number of transactions (a decrease by 1% YoY). There was also an increase in the number of activated cards by 7% (comparing the number of cards from June 2024 on a year-over-year basis).</p> <p>The Bank continued to focus on supporting selected clients in their transition to fully digitized card processes based on CitiManager (regards application for business cards and managing the card program), which were deemed standard and default processes as at the end of 2023.</p>
<p>Trade finance products</p> 	<p>In the first half of 2024, the value of letters of credit issued by the Bank increased by 4% as compared to the same period in 2023. The number of guarantees issued by the Bank since the beginning of 2024 increased by 5% YoY, which confirms the observed trend that guarantees are used as settlement security in commercial transactions, even those for small amounts. At the same time, the value of guarantees issued in electronic format remains at a high level, of approximately 70% of the total guarantees issued.</p> <p>In order to facilitate costs planning and monitoring for its clients, in the first quarter of 2024 the Bank made a calculator available on its website, which can be used to quickly calculate the commission on a guarantee issued.</p> <p>As at the end of the first half of 2024, the value of the portfolio of transactions concluded under trade finance products, such as reverse factoring, trade loan and supplier financing, rose by 46% as compared to the same period in 2023. These increases confirm the growing interest in the Bank's programs – often created using the global Citi network – whose effectiveness translates into client satisfaction. The growths have been additionally driven by the macroeconomic situation and, consequently, a higher demand for various forms of financing ongoing activities.</p>

1.2.4 Custody services

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

As at 30 June 2024, the Bank maintained in total over 16.8 thousand of securities accounts and collective accounts.

In the reporting period, the Bank was the depository for open-end pension funds: Nationale - Nederlanden OFE (Open Pension Funds), voluntary pension funds: Nationale - Nederlanden DFE, Generali DFE and Employee Pension Fund Orange Polska.

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

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

1.2.5 Brokerage activities

The Group pursues brokerage activity on the capital market via a separate organizational unit which is a brokerage house – the Brokerage Department of Bank Handlowy.

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

In the first half of 2024, DMBH was the intermediary in in-session transactions accounting for 4.28% of equity turnover in the secondary market. The value of the in-session transactions concluded via DMBH in the equity market on the WSE was PLN 14.5 billion. After the first half of 2024, DMBH was ranked tenth in terms of session turnovers on the WSE Main Market and fourth as a local WSE member.

The number of investment accounts maintained by DMBH was 14.5 thousand as at the end of the first half of 2024, and increased by 12.3% in comparison to the same period of 2023.

The increase in the number of accounts in the reporting period is attributable to the acquisition of new clients at the Brokerage Service Points located in CitiGold branches. Clients acquired for brokerage services are interested in the full offer of DMBH, i.e. investing on the domestic and foreign markets, as well as using the Investment Advisory Service.

There were almost 1,200 new accounts and registers opened in the first half of 2024, i.e. 31.7% more than in the same period of 2023.

During the first half of 2024, DMBH carried out a transaction of accelerated sale of shares in Allegro.eu S.A. worth PLN 1.9 billion – DMBH acted as Global Coordinator in that transaction (April 2024).

1.2.6 Leasing activities

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

2 Consumer Bank

2.1 Segment results summary

PLN'000	1st half of 2024	1st half of 2023	Change	
			PLN'000	%
Net interest income	547,259	538,680	8,579	1.6%
Net fee and commission income	74,879	81,540	(6,661)	(8.2%)
Dividend income	8,599	8,082	517	6.4%
Net income on trading financial instruments and revaluation	16,496	17,664	(1,168)	(6.6%)
Net gain/(loss) on equity and other instruments measured at fair value through income statement	(7,073)	13,227	(20,300)	(153.5%)
Net other operating income	(24,351)	(9,274)	(15,077)	162.6%
Total income	615,809	649,919	(34,110)	(5.2%)
General administrative expenses and depreciation	(426,933)	(386,530)	(40,403)	10.5%
Net impairment on non-financial assets	(180,064)	-	(180,064)	-
Profit on sale of other assets	(73)	(26)	(47)	180.8%
Provisions for expected credit losses on financial assets and provisions for off-balance sheet commitments	33,281	(26,919)	60,200	(223.6%)
Tax on some financial institutions	(29,828)	(26,316)	(3,512)	13.3%
Profit before tax	12,192	210,128	(197,936)	(94.2%)
Cost/Income	69%	59%		

The key highlights that impacted the gross profit of the Consumer Banking segment in the first half of 2024 compared to the corresponding period of 2023 were as follows:

- **Increase in net interest income** by 1.6% compared to the same period in 2023, resulting mainly from an increase in credit product balances by +3.5% YoY and deposit products by +4.9% YoY), despite lower interest rates (6.75% vs. 5.75%), which consequently translates into higher interest income;
- **Net fee and commission income decline** driven among others by an increase in amortized acquisition costs (as a result of higher acquisition of credit products) and lower commissions on credit products as a consequence of the continuing high interest income. The decrease is partly offset by an increase in income from the sale of investment funds;
- **Decrease of net result on trading financial instruments and revaluation** resulting from the stabilization of exchange rates (strengthening of the PLN in relation to the main currency pairs), which affects the decline in currency transactions;
- **Result on equity and other instruments measured at fair value through income statement** – change caused by a decline in share valuation;
- **Decrease in the result on other operating income and expenses** resulting mainly from the cost of adding the CHF reserve - write-off on the creation of a reserve for liabilities related to disputes;
- **Increase in operating expenses and depreciation** by 10.5% YoY mainly as a result of higher operating costs, including remuneration costs, IT costs, advisory services expenses and the annual BFG fee;
- **Increase in the result on provisions for expected credit losses on financial assets and provisions for off-balance sheet commitments** by 223.6% YoY, primarily due to revenues from the sale of GCG receivables and higher revenues from the release of provisions.

2.2 Selected business data

'000	1st half of 2024	1st half of 2023	Change	
Number of individual customers	566.2	567.4	(1.2)	(0.2%)
Number of current accounts	523.3	505.0	18.3	3.6%
Number of savings accounts	118.1	118.3	(0.2)	(0.2%)
Number of credit cards	465.2	471.0	(5.8)	(1.2%)
Number of debit cards	268.0	259.2	8.8	3.4%

Receivables from individual clients – management view*

PLN '000	30.06. 2024	31.12.2023	30.06.2023	Change YTD		Change YoY	
	(1)	(2)	(3)	PLN '000	%	PLN '000	%
Unsecured receivables, including:	3,734,770	3,715,799	3,774,285	18,971	0.5%	(39,515)	(1.0%)
Credit cards	2,038,220	2,090,838	2,147,616	(52,618)	(2.5%)	(109,396)	(5.1%)
Cash loans	1,664,820	1,584,926	1,584,838	79,894	5.0%	79,982	5.0%
Other	31,730	40,035	41,831	(8,305)	(20.7%)	(10,101)	(24.1%)
Mortgage loans	2,344,853	2,212,191	2,097,818	132,662	6.0%	247,035	11.8%
Total net individual clients' receivables	6,079,623	5,927,990	5,872,103	151,633	2.6%	207,520	3.5%

* The management view presents the breakdown of receivables from individual clients by product type in a subjective manner, based on the presentation assumptions adopted by the Bank.

2.3 Business highlights

<p>Banking accounts</p> 	<p>Current accounts</p> <p>The total balance on accounts during the first half of 2024 decreased by 3% to PLN 8.7 billion as compared to the end of the first half of 2023. At the same time the number of personal accounts at the end of June 2024 increased by 4% compared to the same period in 2023 and reached the level of 523 thousand, of which 282 thousand were accounts in PLN, and 242 thousand – accounts maintained in foreign currencies. The decrease in the balance is a consequence of the transfer of funds accumulated on current accounts to the time deposits accounts.</p>
	<p>Savings accounts and time deposits</p> <p>The number of savings accounts as at the end of the first half of 2024 was 118 thousand, their total balance amounted to PLN 2.1 billion, as compared to 118 thousand savings accounts with the total balance of PLN 2.2 billion in the prior year period. The slight decrease in balance is caused, as in the case of current accounts, by moving funds to the accounts of time deposits, whose balance increased by 10% as compared to the first half of 2023 from PLN 5.3 billion to PLN 5.8 billion.</p>
<p>Credit cards</p> 	<p>Changes to the ranges to the products offered</p> <p>In the first half of 2024, the Bank maintained its offer of term deposits and savings accounts at the level from the end of 2023. The only exception is the special offer of the 3-month “Your Deposit” product with an attractive interest rate, where the interest rate was slightly reduced compared to the previous year.</p> <p>In the first half of 2024, the Bank continued its active acquisition steps aimed at procuring new CitiKonto, Citigold and Citigold Private Client Accounts, offering attractive interest-bearing deposits or a savings account as part of special offers. The bank has launched the next round of advertising campaigns on the internet, in social media and in partnership with external web portals.</p> <p>As at the end of the first half of 2024, the number of credit cards was 465,200.</p> <p>The credit cards portfolio amounted to PLN 2.0 billion as at the end of the first half of 2024, which means that the Bank was still one of the leaders in the credit card market, in terms of the credits granted on the credit cards, with a market share of 16.2%, according to data as at the end of June 2024.</p>

	<p>A high level of activation and transactions was maintained for newly-acquired clients. In the first half of 2024, the acquisition structure of credit cards was dominated by the Citi Simplicity card, with a share in acquisition leveling at 61%.</p> <p>In the first half of 2024, the Bank maintained the acquisition of cards at the same level as in the first half of 2023.</p>
<p>Cash loans and hire purchase products associated with credit card accounts</p> 	<p>The balance of unsecured loans (cash loans and limits to credit cards) amounted to PLN 1.7 billion as at the end of the first half of 2024, i.e. it increased by 5% versus the same period in the previous year.</p> <p>The total sales of the above loans in the first half of 2024 and was higher by 46% as compared to the same period in the previous year. The increase in sales a consequence of the stabilization of interest rates and the increase in demand for cash loans on the market.</p>
<p>Mortgage products</p> 	<p>In the first half of 2024, the Bank was still selling mortgage loans via its own sales channels and credit agencies, rolling out its sales also in the online channel. The offer of mortgage loans was continuously directed primarily to selected client segments, that is, Citigold Private Client, CitiGold and Citi Priority.</p> <p>The sales of mortgage products in the first half of 2024 reached the value of PLN 313 million and increased by 181% compared do the first half of 2023. As at the end of that period, the mortgage portfolio amounted to PLN 2.3 billion, i.e. increased by 12% compared to the first half of 2023. Increase in the balance is caused by very high sales recorded in the first half of 2024 and by lower overpayments.</p>
<p>Investment and insurance products</p> 	<p>As at the end of the first half of 2024, the funds under management as part of investment products (including investment insurance products, without dual currency investments) acquired by retail clients via the Bank were 15% higher as compared to the same period in 2023.</p> <p>This increase was recorded mainly by investment funds, financial instruments purchased by the Bank's Clients through the Brokerage Department of Bank Handlowy, primarily as a result of a increase in market valuation. In the structured product segment, the Bank completed 12 subscriptions via Brokerage Department in the first half of 2024.</p> <p>The Bank introduced 7 participation units of new investment funds in PLN/USD/EUR to its offer.</p> <p>During the first half of 2024, the Bank continued the development of offering insurance products in the various sales channels. It focused its offer on the affluent clients of the Citigold and Citigold Private Client segments. The Bank has introduced changes that are beneficial to Clients in the WARTA Plan for the Future savings insurance and updated the remote sales process for Warta insurance, as a result of which Clients can buy these products at a branch or remotely.</p>

2.4 Development of distribution channels

2.4.1 Branch network

Citigold and Smart Branches

In the first half of 2024, the Bank did not make any changes to the number or location of its outlets. The current structure of the branch network and the number of outlets is optimal and ensures implementation of acquisition and operational activities. The bank branch network includes 18 outlets, including 9 Hub Gold branches, 8 Smart branches and one corporate branch.

Activities carried out in the first half of 2024 focused on ensuring the continuity of the branch network, ensuring full functionality and availability of infrastructure. In order to improve the quality of services provided in Smart branches, a monthly "Mystery Shopper" survey was introduced, aimed at assessing the quality of customer service and assessing its compliance with the standards implemented in the Bank and the customer service model.

Number of branches and other points of sale / touch points at the end of the period

	30.06.2024 (1)	31.12.2023 (2)	30.06.2023 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	18	18	18	-	-
HUB Gold	9	9	9	-	-
Smart branch	8	8	8	-	-
Corporate branch	1	1	1	-	-

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

2.4.2 Internet and mobile banking**Internet Banking**

The online platform of the Bank for retail clients is built in a responsive technology, i.e. it aligns itself with a device used by the client. Design was inspired by comments of clients and extended functionality extensive functionality means that customers increasingly choose to manage their products themselves via the Internet. One of the improvements is for credit card holders, which can manage their card limit, define transactional limits, convert transactions into installments by themselves. In addition, an investment profile can be created and updated in accordance with the MIFID II regulation.

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

The number of active users of Citibank Online, i.e. those who logged in to the online or mobile banking service via a browser or the Citi Mobile application at least once in every 90-day period, was 350,000 as at the end of the first half of 2024. The **share of active Citibank Online users** in the entire client portfolio of the Bank was **64%** as at the end of June 2024, i.e. decreased by 1 p.p. YoY.

At the same time, **digital users accounted for 89% of all transactionally active clients at the end of the first half of 2024, i.e. the same level as in the first half of 2023.**

Mobile Banking

Responsive technology gives the client access to all functionalities in Citibank Online on any device they may use. A mobile application Citi Mobile features such functions as free Push notifications, which keep the client updated on the changes on the account or card, and login activation with the use of a fingerprint or face map, which makes access to the application easier. The clients shall profit from the simplified and intuitive navigation, modern graphic design and mobile authorization service - Citi Mobile Token. The application also offers a currency exchange module, Citi Kantor, and a multi-currency service, Citibank Global Wallet, which permits automatic currency account alignment with the transaction currency without manually reassigning the card. The application also presents offers of products and services tailored to the needs of customers, and allows you to recommend products to friends. It also allows the customer contact to view and update their contact details - phone number, email addresses.

As at the end of the first half of 2024, the number of active users of mobile banking, i.e. those who used mobile banking at least once in every 90-day period via the Citi Mobile application or Citibank online in responsive technology, amounted to 257,000, i.e. decreased by 4% as compared to the end of the first half of 2023.

The share of active users of mobile banking in the retail client portfolio of the Bank was 47%, as at the end of June 2024, i.e. decreased by 2 p.p. as compared to the same period in 2023.

At the same time, at the end of the first half of 2024, **mobile users accounted for 65% of all transactional active customers, which is a decrease by 2 p.p. compared to the first half of 2023.**

One of the fastest-growing payment methods is **BLIK**. This service allows clients to make payments in online stores, stationary stores and service points, and to withdraw money from ATMs, as well as to order instant transfers by phone between customers of different banks. **The number of transactions using the BLIK code** made by the Bank's clients in the first half of 2024 **was 1.4 million**, which means **an increase by 34%** compared to the same period in 2023. And **the number of BLIK transfers by phone was 716 thousand, which is an increase by 49% compared to the first half of 2023.**

Other payment methods have also enjoyed undiminished popularity, among others: **Apple Pay** and **Google Pay**. These are virtual wallets in clients' phones that give them independence and possibility to make payments anywhere in the world. In the first half of 2024, clients made a total of over **11.2 million transactions using these payment methods, which represents a growth by 19% as compared to the same period of 2023 (including an increase by 21% YoY for Apple Pay and an increase by 16% YoY for Google Pay).**

Social media

The first half of 2024 was a continuation of the Bank's active operations in Social Media channels. In addition to its presence on Facebook, X and LinkedIn, the Bank is also increasing its activity on the constantly developing Instagram – further publishing in “stories” format and “reels” format in order to expand the points of bank-customer interactions.

Communications in Social Media are based on areas that build awareness of new products, activate client portfolios, inform clients about the Bank's ESG activities. Social Media is also a channel for acquiring new customers.

In the first half of 2024, Bank's communication on Facebook reached an average 1.2 million unique users per month, compared to 1.6 in the first half of 2023. Users of Facebook and Instagram had, an average, 2.1 contacts with the marketing materials of the Bank per month. This is the same result as in the first half of last year. In the first half of 2024, 90 posts were published on Facebook as part of ongoing communication.

The engagement rate (video views and activity for post views ratio), which shows what percentage of recipients interacted with the Bank's communication, leveled at 55.1%, as averaged for all posts published in the first half of 2024, i.e. up by 10.9 p.p. as compared to the same period in 2023.

In the first half of 2024, the Bank averaged 6,300 link clicks per month, compared to 6,200 thousand clicks in the first half of 2023.

3. Changes in information technology

In the first half of 2024, a strategic goal of the Bank in the area of IT technology was to continue increasing the competitiveness of the Bank by providing top quality products and services with the extensive use of innovative solutions, digitization and automation and concurrently with cost optimization. In accordance with prevailing market trends, the technology of the Bank is based, to a large extent, on centralized services and outsourcing. The services centralization processes enable the Bank to generate savings, improve quality, standardize processes and ensure a high level of control and information security. The Technology Division of the Bank focused its activities on the development and implementation of solutions which promote an electronic distribution the channels based on the most advanced online and mobile solutions. Projects supporting the automation and digitization of the Bank's internal processes as well as projects using AI were important.

IT processes of the Bank are executed in accordance with international standards, which was confirmed, in the first half of 2024, by the positive outcome of recertification/supervisory audits of compliance with ISO 20000 (information technology – service management), ISO22301 (continuity of business) and ISO 27001 (information security management).

The most crucial modifications and improvements implemented in the first half of 2024 included:

- **in institutional banking:**
 - implementation of reporting within the Central Electronic System of Payment Information (CESOP);
 - implementation of solutions supporting digitization and automation of back-office processes. As a result of implementing the automation of subsequent back-office processes, the Bank expects increased reliability and efficiency in the area of automated processes.
- **in consumer banking:**
 - implementation of a functionality enabling verification whether the PESEL number is blocked for the purposes of concluding loan agreements or cash withdrawals;
 - use of Open API for direct sale of banking products by third party providers (e.g. product comparison websites);
 - implementation of a new solution that strengthens client protection against social engineering attacks.
- **in the scope of adaptation of systems of the Bank to ensure their compliance with regulatory requirements:**
 - adaptation of the Bank to the changed EMIR (Emir Refit) reporting requirements to ensure compliance with regulatory requirements;
- **in the area of information and communication technology infrastructure of the Bank and information security:**
 - continued implementation of improvements to increase the security of use of the CitiBank Online platform, including the implementation of additional authentication mechanisms at the server level to secure the systems against possible attacks and manipulation of data of defined customers of the client;
 - implementation of improvements in the data leakage prevention (Data Leakage prevention systems), which have significantly mitigated the risks connected with data leaks;
 - continued implementation of further modules of the IT infrastructure management system, ServiceNow 3.0, in the cloud;

Technology units proactively develop and improve their portfolios of services to fully meet both current and future business needs of the Bank. They deliver to their business partners optimal technology solutions used to build competitive advantage. Technology units actively support initiatives which enable a broader use of information technologies that automate processes at the Bank and increase the services digitization level.

Pending and not completed initiatives and modifications of systems which will affect the operations of the Bank in the near future are presented below:

- **in institutional banking:**
 - Integration with the National e-Invoice System;
 - implementation of solutions to support incoming SWIFT payments in the new ISO 20022 format – implementation of the solution enables SWIFT payments to be supported in the new global ISO format. As a result of the implementation, the Bank expects to maintain its international transaction flows at current levels;
 - implementation of solutions for robotization and automation of operating processes of the Bank;
 - expansion of the ICT environment for financial reporting – by automating current processes, this implementation will ensure greater cost efficiency and reliability of financial and supervisory reporting processes;
 - ongoing identification and elimination of safety gaps in used systems;
 - optimization of the technology services portfolio through the elimination and consolidation of obsolete IT architecture elements.
- **in consumer banking:**
 - implementation of a new benchmark to replace WIBOR;
 - implementation of a number of solutions increasing the security of client transactions and eliminating fraud transactions;
 - implementation of solutions for robotization and automation of the Bank's operational processes;
 - continuation of automation and digitization of sales processes (straight through processing);
 - further improvement of the online and mobile banking platform (addition of new functionalities and products);
 - ongoing identification and elimination of security gaps in the systems used.
- **in the area of information and communication technology infrastructure of the Bank and information security:**
 - implementation of additional new-generation security solutions in banking systems;
 - continued modernization of the architecture of network infrastructure of the Bank's main locations using SDN technology (software defined network) including the implementation of encryption between the Bank's main locations in Poland (MACSEC);
 - implementation of the Microsoft365 office bundle to improve the efficiency of the Bank's employees (in the last phase, users are planned to be migrated to M365 in the computing cloud with the possibility of processing banking data);
 - continued migration of the IT infrastructure management system, ServiceNow 3.0, to the cloud;
 - preparation works before using AWS cloud and GCP services for data processing (in the first stage for data classified as internal);
 - implementation of the mechanisms additionally raising the accessibility and redundancy of mobile phone recordings and short messages (SMS/MMS) recording.

The Bank developed, implemented and has maintained a business continuity management system (BCMS), which is oriented to achieving results reflecting the core principles and values of the Bank in line with the Bank's strategy. The Bank designed business continuity plans and contingency plans for critical processes, which ensure continuity of processes during an emergency. The plans ensure an efficient and well-balanced continuity of critical services and products of the Bank in the required time. The plans are subject to periodic reviews and tests, and the test results are used to improve the plans and the entire BCMS. The Bank maintains the BCMS in line with the international ISO22301 standard – in the first quarter of 2023 the Bank passed the periodic audit for ISO22301 recertification.

4. Equity investments of the Group

Equity investments of the Bank are divided into the strategic investment portfolio and the portfolio of investments intended for sale. In the first half of 2024, the Bank continued to pursue its earlier equity investment policy. The Bank managed the strategic investment portfolio in order to maximize profits in the long term, increase its market share, stimulate development of the Bank's relations and expand the Bank's offering; the Bank managed the divestment portfolio in order to optimize gains on equity transactions and minimize the risk inherent in such transactions.

4.1 Strategic investment portfolio

This portfolio includes companies running a business in the financial sector which contribute to the Bank's product offering, bring prestige to the Bank's operations and strengthen its competitive position in the Polish financial services market.

Strategic holdings also include infrastructure providers operating for the benefit of the financial sector. The Bank holds minority interest in such companies but they are of strategic importance to the Bank in view of their operations as well as their cooperation with the Bank.

The Bank intends to retain its strategic holdings in infrastructure providers and play an active role in defining the strategic directions of their development by exercising its right of vote. The overall aim of the Bank when exercising corporate governance over such companies is to maintain their development without affecting their business operations, which is taken advantage of by the Bank as well as other financial market participants.

4.2 Portfolio of investments intended for sale

Divestment holdings are entities in which the Bank's investment is not strategic. They include entities held directly and indirectly by the Bank, as well as special purpose vehicles used by the Bank to execute equity transactions. Some of these holdings are restructured exposures which originate from debt-to-equity conversion performed by the Bank.

The strategic aims for the Bank with regard to such companies is to gradually reduce the Group commitment. The assumption is that individual participations will be sold whenever market conditions are most favorable. The portfolio of companies intended for sale includes equity investments without a predetermined rate of return. The Bank is not planning any new equity investments which would be sold later. The portfolio of companies intended for sale might be increased with additional exposure taken over by the Bank as part of debt for capital swaps or acquired in the course of operating activities.

4.3 Special-purpose investment vehicles

As at 30 June 2024, the Group included two investment vehicles through which the Bank runs capital transactions. The activity of the companies was financed with the partner's returnable contributions to capital and with their net profits.

As the Bank continues to pursue a strategy of restricting the activity run through special-purpose investment companies, it is expected that further investment vehicles will be gradually sold or liquidated.

VI. Key risk factors relating to the operations of the Capital Group of Bank Handlowy w Warszawie S.A.

1. Regulatory risk

In the first half of 2024, the financial and organizational situation of the Group was affected, among other things, by:

Legal acts / regulations	Effective date and summary of new requirements
<p>Announcement of the UKNF (Office of the Polish Financial Supervision Authority) of 28 February 2022 on supporting solidarity of the financial sector</p> <p>Announcement of the UKNF of 4 March 2022 on the product offer for refugees from the areas of military operations in Ukraine</p>	<ul style="list-style-type: none"> • Date: February/March 2022 • The UKNF has said it appreciates and supports the ethical and responsible approach as well as the solidarity of many institutions of the Polish financial sector in the face of the ongoing humanitarian crisis caused by the aggression of the Russian Federation against Ukraine, • The Polish watchdog expects supervised entities to display exceptional business ethics during this difficult time for everyone and to actively counteract any practices consisting in abusing and exploiting the tragedy of the Ukrainian nation to achieve non-standard benefits. • The UKNF said it expected banks to implement offers addressed to the group of refugees from Ukraine as soon as possible, in order to grant them access to the basic payment services and facilitate the distribution of the financial support among them. The Office also emphasized the need to help them easily satisfy their everyday life needs that require standard payment transactions.
<p>Announcement of the European Banking Authority (EBA) on ensuring compliance with sanctions against Russia following the invasion of Ukraine</p>	<ul style="list-style-type: none"> • Date: 11 March 2022 • The EBA has called on financial institutions to ensure compliance with sanctions against Russia following the invasion of Ukraine and emphasized that it will continue to closely monitor and assess the situation. • The EBA underscored that financial institutions are required to assess the adequacy and effectiveness of internal controls and governance to ensure compliance with restrictive measures adopted in response to the above-mentioned crisis. They should also adapt or enhance systems and processes as appropriate. • Moreover, the EBA called on them to facilitate access to basic payment accounts for refugees. • The EBA's announcement was also locally supported by the UKNF through its published stances and communiqués.
<p>Recommendations of the National Working Group for Benchmark Reform (NGR) on new agreements for PLN products</p>	<ul style="list-style-type: none"> • Date: 2023/2024 • The purpose of the recommendation is to identify best practice for financial market participants in the use of the WIRON (Warsaw Interest Rate Overnight) benchmark or the indices from the WIRON Family of Composite Indices to determine variable interest rates when entering into new contracts with customers for gold products based on the benchmark. The recommendations include recommended interest calculation guidelines, • The guidelines specified in the recommendations are not mandatory and may be applied voluntarily taking into account the specific characteristics of a financial market participant and of customers with whom agreements are made.
<p>Position of the Polish Financial Supervision Authority (KNF) concerning the application by supervised entities of the provisions and principles regarding non-interest costs of consumer credit</p>	<ul style="list-style-type: none"> • Date: 2024 • The Office of the Polish Financial Supervision Authority (UKNF) expects all supervised entities granting consumer credit to comply with the principle of proportional, rational and justified charging of borrowers with costs related to granting consumer loans. • The limits specified in Article 36a(1) of the Consumer Credit Act apply to the non-interest costs of a consumer loan that is not a payment loan, but is granted by a lending institution that also has the status of an NBPSP (non-bank payment service provider), if, in order to administer funds from this loan, such an entity, acting as an NBPSP, issues a payment instrument in the form of a card.

	<ul style="list-style-type: none"> In its position, the UKNF also provided an interpretation in relation to interpretative doubts regarding the application of the provisions regulating limits and the principles of determining non-interest costs of a payment loan being a consumer loan granted by an NBSP in connection with the issuance of a credit card.
<p>Circular of the Polish Financial Supervision Authority (KNF) concerning the obligations of supervisory boards in the event of dismissal of management board members</p>	<ul style="list-style-type: none"> Date: 2024 The KNF, in a letter addressed to banks, reminded them of the obligation imposed on a bank's supervisory board under point 5.6 of Recommendation Z issued by the KNF to notify the KNF of the inclusion in the board's agenda of an item regarding: <ul style="list-style-type: none"> dismissal of the president of the management board, dismissal of the member of the management board who oversees the management of risks that are material to the bank's business or the delegation of his/her duties to another member of the management board, together with the reasons for the proposed decision. This information should be provided immediately and in sufficient time to enable the KNF to review it and respond to it, before the supervisory board adopts appropriate resolutions.
<p>Position of the Office of the Polish Financial Supervision Authority (UKNF) concerning limiting certain effects of identity theft (PESEL blocking)</p>	<ul style="list-style-type: none"> Date: 2024 In a letter addressed to the financial market, the UKNF emphasized that on 1 June 2024 the provisions of the Act of 7 July 2023 amending certain acts in order to limit certain effects of identity theft will come into force. It was noted that this is one of the last stages of implementation of the regulation, which is a response to the increasingly common phenomenon of identity theft and the use of personal data in an unlawful manner, including to the detriment of financial market participants and their clients. The KNF expects the full implementation of the mechanisms specified in the above-mentioned Act and the proper fulfilment of the obligations imposed therein.
<p>Position of the Office of the Polish Financial Supervision Authority (UKNF) concerning the notification of a change in the share in the total number of votes in connection with an increase or decrease in the share capital of a public company</p>	<ul style="list-style-type: none"> Date: 2024 The position emphasized that the notification obligation may result from a change in the share capital of a public company. Shareholders of public companies should monitor and verify on an ongoing basis whether an increase (both ordinary and conditional) or decrease in the share capital has led to a change in their shares in the total number of votes. Shareholders are not released from the obligation to monitor their ownership status, even if a change is the result of activities in which they were not personally involved. In the event of a change (increase or decrease) in the share capital of a public company, resulting in a change in the shareholder's share in the total number of votes, leading to reaching or exceeding (up or down) statutory thresholds, such shareholder is obliged to submit a notification to the Polish Financial Supervision Authority within 4 business days from the date of change in the share in the total number of votes.
<p>The ruling of the Court of Justice of the European Union of 11 September 2019 on the interpretation of Article 16.1 of the Directive of the European Parliament and of the Council 2008/48/EC of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC, concerning the settlement of cost of borrowing in the case of an earlier repayment.</p>	<ul style="list-style-type: none"> Announcement date: 11 September 2019 The position of the UOKiK (Office of Competition and Consumer Protection) clearly shows how the conclusions from the judgment should be taken into account in activities of lenders. The expected response is a proportionate, i.e. in accordance with the so-called straight-line method, return of part of the commission on early repaid consumer loans. As revealed in an official communiqué published on the UOKiK's website, the majority of banks have promised to use practice in line with the UOKiK's expectations.
<p>Judgment of the Court of Justice of the European Union of 3 October 2019 on the interpretation of Article 1(2), Article 4, Article 6(1) and Article 7(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (OJ 1993 L 95, p. 29)</p>	<ul style="list-style-type: none"> Announcement date: 3 October 2019 According to the CJEU ruling, if Polish courts find that indexation clauses in foreign currency indexed mortgage loan agreements are abusive: <ol style="list-style-type: none"> courts may assume that the contract cannot continue to operate without such clauses because this would change the nature of the contract,

<p>concerning clauses in foreign currency indexed mortgage contracts</p>	<ul style="list-style-type: none"> b) as a rule, the consequences of contract invalidation for the consumer must be assessed as at the moment the dispute arose (not as at the time the contract was made), c) courts cannot freely supplement their terms based on equity principles (e.g. by introducing settlements based on NBP exchange rates into contracts), d) courts cannot uphold the indexation even if the contract has to be invalidated and such invalidation is disadvantageous to the client if the client does not agree to maintain the indexation. <ul style="list-style-type: none"> • As a result of this judgment, a case law unfavorable for banks has developed, affirming the ability to invalidate mortgage loan contracts indexed to a foreign currency.
<p>The mCitizen Application Act</p>	<ul style="list-style-type: none"> • Effective date – 14 July 2023, whereby obliged institutions are to apply the provisions of the Act with regard to the use of the mCitizen document as a financial security measure for customer identification and identity verification, from 1 September 2023, • The Act sets out a new legal basis for the functioning of the mCitizen application and the services made available within the application, in particular: <ul style="list-style-type: none"> a) introduction of legal changes that provide a basis for the use and recognition of electronic documents, supported by the mCitizen application, b) definition of the legal basis for the scope of data that users of the mCitizen application can use in the services made available and provided within this application, c) enabling the use of the mCitizen application as a trusted profile authentication factor, d) ensuring that payments can be made for services provided by public bodies in the mCitizen app, e) regulating the functioning of a new means of electronic identification – the so-called mCitizen profile. • According to the Act, an mCitizen document is a document stating identity and Polish citizenship in the territory of Poland.
<p>Regulation of the Minister of Finance of 6 May 2024 on the detailed rules for the organizational separation of the bank's brokerage activities and the activities that may be performed by the organizationally separated unit or other organizational units of the bank</p>	<ul style="list-style-type: none"> • Effective date: 28 May 2024 • The specification of detailed rules for the organizational separation of the bank's brokerage activities, • The specification of the scope of activities that may be performed by a brokerage house or organizational units of the bank other than a brokerage house in connection with the bank's brokerage activities and other activities of the bank, and the method of determining the conditions for performing these activities.
<p>EMIR Refit Regulation 2019/834 and the technical standards issued thereunder, approved by the European Parliament on 7 October 2022, concerning the implementation of changes to the EMIR regulatory system specified in EMIR Refit, including in particular:</p>	<ul style="list-style-type: none"> • These standards came into force at the end of April 2024. • These standards are to significantly affect the obligations of derivative market participants arising from EMIR, and in particular their reporting requirements.
<p>Commission Delegated Regulation (EU) 2022/1855 of 10 June 2022 supplementing regulation (EU) 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards specifying the minimum details of the data to be reported to trade repositories and the type of reports to be used</p>	
<p>Commission Implementing Regulation (EU) 2022/1860 of 10 June 2022 laying down implementing technical standards for the application of Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to the standards, formats, frequency and methods and arrangements for reporting</p>	

[DIRECTIVE \(EU\) 2022/2464 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 December 2022 amending Regulation \(EU\) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting \(CSRD\)](#)

[Commission Delegated Regulation \(EU\) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU as regards sustainability reporting standards \(ESRS\)](#)

[The Act of 12 April 2024 amending the Act on Support for Borrowers Who Have Taken a Housing Loan and Are in a Difficult Financial Situation and the Act on Crowdfunding for Business Ventures](#)

[The Act of 07 July 2023 on the amendment of certain acts to reduce certain effects of identity theft](#)

- The CSRD Directive makes, among other things, changes to a bank's existing non-financial reporting by introducing sustainability reporting. Pursuant to the amended regulations, a bank is obliged to present in its activity reports the information necessary for recipients to understand the bank's impact on sustainability issues, as well as to present how the presented information affects the development, results and situation of the bank. The CSRD applies to a bank for financial years beginning on or after 1 January 2024.
- The ESRS Regulation introduces standards as to the information that obliged entities should report as part of sustainability reporting.
- Effective date: 15 May 2024,
- The act envisages an amendment to the existing provisions of the Act of 9 October 2015 on Support for Borrowers Who Have Taken a Housing Loan and Are in a Difficult Financial Situation in terms of, including but not limited to, reducing, as one of the conditions for obtaining support, the size of the Installment to Income ratio, increasing the amount of income entitling to obtain support or a loan for debt repayment, extending the possible period of granting support from 36 to 40 months, increasing the value of the maximum support from the current level of PLN 2,000 to PLN 3,000,
- The draft introduces amendments to the Act of 7 July 2022 on Crowdfunding for Business Ventures and assistance to borrowers by extending the credit holiday mechanism for 2024 for loans amounting up to PLN 1,200,000.00, which provides for a criterion according to which the consumer will be entitled to suspend the repayment of the loan if the arithmetic average of the value of the Installment to Income ratio (the Installment to Income ratio within the meaning of the Act of 9 October 2015 on Support for Borrowers Who Have Taken a Housing Loan and Are in a Difficult Financial Situation), for the period of the last three months preceding the month of submitting the request exceeds 40% or the borrower has at least three dependent children referred to in Article 4(2)(3) of the Act of 5 December 2014 on the Large Family Card.
- Date: 01 June 2024,
- The Act provides for an obligation for banks to check the PESEL register before concluding and amending certain contracts with consumers and an obligation to check the register of blocked PESEL numbers before disbursing funds exceeding three times the minimum wage,
- If a contract is concluded with a consumer with a blocked PESEL number, claims arising from the contract may not be enforced or sold.

In addition, the Bank's activity in the first half of 2024 was affected by the following European Banking Authorities' Guidelines:

AML and Sanctions Risk:

- [EBA Guidelines amending Guideline EBA/2021/02 Guidelines on Money Laundering and Terrorist Financing Risk Factors](#)
- [EBA Guidelines on Principles and Controls for the Effective Management of Money Laundering and Terrorist Financing Risks when Providing Access to Financial Services](#)

Product and Customer Relationship Management:

- [ESMA Guidance on Specific Aspects of MiFID II Suitability Requirements](#)
- [EBA Guidelines on the Use of Remote Customer Onboarding Solutions](#)

Corporate Governance:

- [EBA Guidelines on Improving Resolvability for Institutions and Resolution Authorities \(EBA/GL/2022/01\)](#)
- [EBA guidelines on benchmarking of diversity practices under CRD and IFD](#)
- [ESMA guidelines on the EMIR reporting requirements](#)

The following factors, among others, will affect the financial and organizational situation of the Group of Bank Handlowy w Warszawie S.A. in the second half of 2024:

Legal acts / regulations	Effective date and summary of new requirements
<p data-bbox="180 562 662 645">Amendment to Recommendation G concerning interest rate risk management at banks (Resolution of the KNF No. 60/2024)</p>	<ul data-bbox="683 286 1431 633" style="list-style-type: none"> • Date: 31 December 2024 (deadline for adapting the activities), • The Polish Financial Supervision Authority (KNF) adopted an amendment to Recommendation G concerning interest rate risk management at banks (Resolution No. 60/2024 of 26 February 2024). The new Recommendation G replaces the Recommendation concerning interest rate risk management at banks issued in 2002. • The final shape of the new Recommendation G was influenced by both the regulations contained in national law and the recently developed package of EU regulations in the area of interest rate risk management. Recommendation G takes into account, in particular, the provisions of Guidelines on IRRBB and CSRBB, i.e. EBA Guidelines specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential <p data-bbox="719 658 1398 687">changes in interest rates and of the assessment and monitoring of</p> <p data-bbox="719 712 1430 766">credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/14).</p> <ul data-bbox="683 768 1431 927" style="list-style-type: none"> • The new Recommendation G is a set of good practices in managing interest rate risk at banks and maintaining the risk-sensitive variability of financial results and economic value measures within limits that do not threaten the bank's security. The recommendation takes into consideration current conditions for products generating interest rate risk and techniques to manage this risk.
<p data-bbox="180 1249 662 1332">Amendment to Recommendation U on good bancassurance practices (KNF's Resolution No. 243/2023)</p> <p data-bbox="180 1346 662 1429">The position of the PFSA on uniform rules for the application of point 20 of the U. Recommendation</p>	<ul data-bbox="683 965 1431 1711" style="list-style-type: none"> • Date: 1 July 2024 (deadline for adjusting activity), • The Polish Financial Supervision Authority (KNF) published an amendment to Recommendation U on good bancassurance practices that will replace the current Recommendation U of 2014. • The aim of Recommendation U is to improve the standards of bancassurance business and to set the conditions for the stable development of the bancassurance market, <p data-bbox="719 1151 1342 1205">The adopted Recommendation U introduces new provisions concerning in particular:</p> <ul data-bbox="719 1207 1431 1554" style="list-style-type: none"> a) ensuring that the insurance products offered through bancassurance, including in credit or loan repayment insurance (so-called CPI products), provide adequate value for the customer, b) the way insurance products are offered in bancassurance, c) the relationship of a bank, operating in the field of bancassurance, with an insurance financier who, on the basis of a contract concluded with the bank, is obliged to cover the costs of the bank's insurance cover, d) monitoring, as part of the bank's internal control and risk management system and by the audit committee, of the processes involved in the offering of insurance products by these entities. • The UKNF's position refers to Recommendation 20, which contains the Commission's expectation that the insurance products offered will provide adequate value for the client, and that the remuneration of the entity received for insurance intermediation will be determined taking into account the client's interest and the amount of insurance cover costs.
<p data-bbox="180 1845 662 1951">Amendment to Recommendation S on good practices for management of credit exposures secured with mortgages (KNF's Resolution No. 242/2023)</p>	<ul data-bbox="683 1749 1431 2065" style="list-style-type: none"> • Date: 1 July 2024 (deadline for adjusting activity), • The adoption of the amendment is dictated by the need to adapt Recommendation S to changing legislation and to implement the regulatory and supervisory policy of the Financial Supervision Commission, • The changes introduced in Recommendation S relate to: <ul data-bbox="719 1912 1431 2065" style="list-style-type: none"> a) the inclusion in Recommendation S of a guaranteed housing loan covered by a government program, b) the inclusion in Recommendation S of a housing loan covered by the government's interest rate subsidy program, c) a buffer against rising interest rates, which is taken into account in determining a customer's creditworthiness,

	<ul style="list-style-type: none"> d) the introduction of new expectations regarding the inclusion of models estimating the risk of early repayment of loans (prepayment models), e) the introduction of new expectations regarding the information on mortgage risks that should be provided to customers.
<p>Draft Recommendation of the Polish Financial Supervision Authority (KNF) concerning the Long-Term Financing (LTF) Ratio</p>	<ul style="list-style-type: none"> • Date: work on the recommendation is in progress • The Recommendation describes the definition of the Long-Term Financing Ratio and refers to the application and level of the LTF requirement and the reporting of the LTF Ratio.
<p>KNF CSIRT good practices concerning preventing and responding to ransomware attacks</p>	<ul style="list-style-type: none"> • Date: not specified • The good practices published by the KNF are intended to help protect organizations against ransomware attacks. These good practices include proposals for responding to the possible occurrence of such an incident in the organization. • The document is intended as help both when preparing for such attacks and in the event of a ransomware incident. However, it should be noted that the scope of activities and the shape of internal procedures should be prepared in accordance with the specific nature of the organization's operations. • In the announcement regarding the publication of the above-mentioned Good Practices, the KNF emphasizes that each organization should conduct a risk analysis in the area of ransomware attacks on its ICT infrastructure and, based on its results, prepare appropriate processes and procedures and select appropriate tools and technical solutions so that the risk of a ransomware incident is minimized.
<p>Recommendations of the National Working Group for Benchmark Reform (NGR) on new agreements for PLN products</p>	<ul style="list-style-type: none"> • Date: end of 2027 • These recommendations are to present to financial market entities the best practices relating to the use of the WIRON interest rate benchmark (Warsaw Interest Rate Overnight) or rates from the WIRON composite index family for determination of variable interest rates when concluding new agreements with customers for benchmark-based PLN products. The recommendations include recommended interest calculation guidelines. • The guidelines specified in the recommendations are not mandatory and may be applied voluntarily taking into account the specific characteristics of a financial market participant and of customers with whom agreements are made.
<p>REGULATION (EU) 2024/1623 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor</p>	<ul style="list-style-type: none"> • Effective date: 09 July 2024 • Most changes will apply from 1 January 2025. • The Regulation will have a significant impact on the bank's operations, including in the area of calculation of capital requirements, credit, operational and market risk, ESG reporting. The obligation to include in the calculation of capital requirements contracts that have been offered by the institution but have not yet been accepted by the client.
<p>The ruling of the Court of Justice of the European Union of 11 September 2019 on the interpretation of Article 16.1 of the Directive of the European Parliament and of the Council 2008/48/EC of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC, concerning the settlement of cost of borrowing in the case of an earlier repayment.</p>	<ul style="list-style-type: none"> • Announcement date: 11 September 2019 • The position of the UOKiK (Office of Competition and Consumer Protection) clearly shows how the conclusions from the judgment should be taken into account in activities of lenders. • The expected response is a proportionate, i.e. in accordance with the so-called straight-line method, return of part of the commission on early repaid consumer loans. • As revealed in an official communiqué published on the UOKiK's website, the majority of banks have promised to use practice in line with the UOKiK's expectations.
<p>Judgment of the Court of Justice of the European Union of 3 October 2019 on the interpretation of Article 1(2), Article 4, Article 6(1) and Article 7(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (OJ 1993 L 95, p. 29)</p>	<ul style="list-style-type: none"> • Announcement date: 3 October 2019 • According to the CJEU ruling, if Polish courts find that indexation clauses in foreign currency indexed mortgage loan agreements are abusive: <ul style="list-style-type: none"> a) courts may assume that the contract cannot continue to operate without such clauses because this would change the nature of the contract,

<p>concerning clauses in foreign currency indexed mortgage contracts</p>	<ul style="list-style-type: none"> b) as a rule, the consequences of contract invalidation for the consumer must be assessed as at the moment the dispute arose (not as at the time the contract was made), c) courts cannot freely supplement their terms based on equity principles (e.g. by introducing settlements based on NBP exchange rates into contracts), d) courts cannot uphold the indexation even if the contract has to be invalidated and such invalidation is disadvantageous to the client if the client does not agree to maintain the indexation. <ul style="list-style-type: none"> • As a result of this judgment, a case law unfavorable for banks may develop, affirming the ability to invalidate mortgage loan contracts indexed to a foreign currency.
<p>EU Cybersecurity Package</p> <p>1. Directive on the resilience of critical entities (“DRCE”),</p> <p>2. Directive on measures for high common level of cybersecurity across the Union (“NIS 2”),</p> <p>3. draft Regulation on operational resilience to digital threats (“DORA” – Digital Operational Resilience Act).</p>	<ul style="list-style-type: none"> • DRCE extends the scope of existing EU legislation on critical infrastructure from two to ten sectors: energy, transport, banking, financial market infrastructure, health, drinking water, waste water, digital infrastructure, public administration and space technologies. The directive also introduces new solutions to strengthen the resilience of critical entities. • NIS2 Directive extends the scope of the first NIS Directive, tightens security and reporting requirements for enterprises, introduces stricter supervision measures for national authorities and stricter enforcement requirements, and improves information exchange and cooperation between national authorities of member states. The deadline for the implementation of the NIS 2 directive in the national order is October 17, 2024, • DORA – The regulation will apply to entities such as: investment funds, payment and credit institutions, ASI managers, insurance companies, audit companies, ICT service providers (Information and communication technologies), crypto-asset service providers, securities depositories. The DORA Regulation aims at harmonizing the provisions regarding the digital resilience of the financial sector in the EU and at boosting the digital and operational resilience of the financial sector organizations. The regulation entered into force on January 16, 2023, and will enter into force on January 17, 2025.
<p>Bill amending the Act on crisis management and certain other acts</p>	<ul style="list-style-type: none"> • Implementation of solutions included in the CER directive, • The Bill assumes not only that the current level of protection of critical infrastructure will be maintained, but also that protection will be extended to include the protection of “critical infrastructure under construction” and the protection of critical infrastructure that is of key importance for local communities, • The designed solutions are aimed at strengthening the mechanisms for protecting critical infrastructure, taking into account that it is the core for providing services to the state and citizens. They also result from the analysis of the course of the war in Ukraine and the emerging sabotage and hybrid activities, • New criteria are planned to enable the identification of facilities, installations and devices as critical infrastructure, and thus the selection of critical infrastructure operators (the owner or holder of such infrastructure). Simultaneously to the criteria, the ministers in charge of government administration departments will be indicated who will be responsible for critical infrastructure in particular sectors, • A division will be made into critical infrastructure, the destruction or disruption of which will have an adverse impact, • In order to ensure an appropriate level of critical infrastructure protection, it is planned to introduce minimum standards in the areas of physical, technical, personal, ICT and legal security, as well as business continuity and recovery plans.
<p>DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (CSRD)</p> <p>Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing</p>	<ul style="list-style-type: none"> • The CSRD Directive makes, among other things, changes to a bank’s existing non-financial reporting by introducing sustainability reporting. Pursuant to the amended regulations, a bank is obliged to present in its activity reports the information necessary for recipients to understand the bank’s impact on sustainability issues, as well as to present how the presented information affects the development, results and situation of the bank. The CSRD applies to a bank for financial years beginning on or after 1 January 2024. • The ESRS Regulation introduces standards as to the information that obliged entities should report as part of sustainability reporting.

<p>Directive 2013/34/EU as regards sustainability reporting standards (ESRS)</p>	
<p>The Act of 24 June 2024 on the protection of whistleblowers</p>	<ul style="list-style-type: none"> • Effective date: 25 September 2024, subject to the external reporting regulations, which are scheduled to enter into force on 25 December 2024. • The Act specifies, among other things: <ol style="list-style-type: none"> a) the scope and definition of reportable breaches of law, b) the conditions required to provide protection for the reporting persons and protection measures, c) rules for establishing an internal procedure for reporting violations of law and taking follow-up actions, including the obligation to consult the procedure with trade unions, d) the rules of public disclosures of violations of law.
<p>The draft act on debt collection activities and the debt collector profession</p>	<ul style="list-style-type: none"> • Effective date: 2023, provided that the Act lays down a 1-year transition period, • The draft implements regulations concerning the functioning of debt collection companies and activities of debt collectors. It introduces, among other things, a requirement to keep debt recovery records and the list of conducted collections. The draft will affect the activities of debt enforcement companies as it regulates the rules they must adhere to in the course of their activities, • The Act may affect the prices of disposed receivables.
<p>Regulation on Artificial Intelligence (AI Act)</p>	<ul style="list-style-type: none"> • The regulation is to ensure that AI systems introduced in the EU market and used in the EU are safe and in compliance with the law in the area of fundamental rights and EU values. The regulation introduces comprehensive requirements for the so-called high-risk Artificial Intelligence systems, which include creditworthiness assessment systems for individuals, but also other systems that may be used in the banking system. The regulation defines prohibited AI practices – the AI systems using such practices will be prohibited, • The regulation was published in the Official Journal of the EU. The regulation comes into force 20 days after publication in the Official Journal and will become generally applicable 24 months after its entry into force, with the following exceptions: <ol style="list-style-type: none"> a) Chapter I – General Provisions and Chapter II – Prohibited AI Practices will enter into force 6 months after the effective date of the regulation, b) Section 4 of Chapter III on supervisory authorities, Chapter V on general purpose AI models, Chapter VII on governance at Union level and Chapter XII on penalties for infringements of the regulation (except Article 101) and Article 78 regarding confidentiality will come into force 12 months after the effective date of the regulation, c) Article 6(1) regarding high-risk systems and the corresponding obligations described in the regulation will enter into force 36 months after the effective date of the regulation.
<p>Road Map for the process to replace WIBOR and WIBID benchmarks</p>	<ul style="list-style-type: none"> • The Road Map approved by the Steering Committee of the National Working Group for Benchmark Reform (NGR) established by the UKNF presents the key assumptions and work schedule for the benchmark reform pending in Poland. According to the Road Map, it is assumed that, with the effective cooperation of all parties involved, the reform of the indices will be implemented in its entirety by the end of 2024. The assumptions of the Road Map developed as part of the NGR's work indicate a readiness to stop developing and publishing the WIBOR and WIBID reference indices from the beginning of 2025. The NGR Steering Committee has chosen the WIRON rate as the recommended replacement for WIBOR and WIBID rates. • On 25/10/2023, the Steering Committee of the National Working Group issued a communication on changes to the expected Reference Rate Reform Roadmap regarding the decision to change the maximum deadlines for the implementation of the Roadmap, which assumes a bottom-up withdrawal by the financial sector from the use of WIBOR in favor of newly concluded agreements and financial instruments using a fixed interest rate or new RFR benchmarks. To that effect, the Committee indicated the final moment of conversion at the end of 2027.

<p>Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 concerning measures to mitigate excessive exposures to third country central counterparties and improve the efficiency of Union clearing markets</p>	<ul style="list-style-type: none"> As part of the revision of EU Regulation 648/2012, further legislative action was identified as necessary to limit excessive exposures to third-country central counterparties and to improve the efficiency of EU clearing markets (CCPs). In view of the above, the European Commission has proposed amendments to EU regulations, i.e. Regulations 648/2012, 575/2013 and 2017/1131, regarding, inter alia, the recognition of exemptions from central clearing for intragroup transactions, the need to maintain a so-called active account with an EU CCP, the authorization of CCPs, supervisory competence in this respect. The proposed amendments will apply to Bank Handlowy w Warszawie S.A. inter alia, with regard to the bank's OTC derivative transactions that are subject to central clearing and relationships with central counterparties.
<p>The Act of 14 April 2023 amending the Act on Goods and Services Tax and certain other acts</p>	<ul style="list-style-type: none"> Its effective date is on 1 January 2024. individual payment service providers involved in cross-border transactions are required to report certain cross-border transactions to the Head of the National Tax Administration. Data collected at the national level are transferred to the central electronic payment information system (CESOP), Payment service providers are required to keep quarterly records of payment recipients and cross-border payments, in electronic form, for the payment services provided. The obligation will arise when the number of services provided by the provider amounts to more than 25 cross-border payments to the same recipient in a quarter.
<p>The Act of 16 June 2023 Amending the Goods and Services Tax Act and Certain Other Acts (implementing the National System of e-Invoices, the so-called KSeF)</p>	<ul style="list-style-type: none"> Pursuant to the Act of 9 May 2024 amending the Act amending the Goods and Services Tax Act and certain other acts, the effective date was postponed to 1 February 2026, The National System of e-Invoices (KSeF) is a system that enables the generation and sharing of structured invoices. The aim of KSeF is to centralize the process of registering invoices in business transactions by directing them to one central facility,
<p>Bill of 25 April 2024 on top-up taxation of component units of international and domestic groups</p>	<ul style="list-style-type: none"> The Bill is an implementation of the EU Directive which introduces the concept of the so-called global minimum tax (Pillar 2), Pillar 2 is, in simple terms, a set of rules that impose an obligation on large multinational enterprise groups to pay a top-up tax so that the group's effective tax rate in a given country is not lower than 15%, The Act is to enter into force on 1 January 2025, with the possibility of using the so-called safe harbor until the end of 2026, which, when certain conditions are met, excludes the requirement to pay the top-up tax.
<p>The Act of 12 April 2024 Amending the Accounting Act and Certain Other Acts</p>	<ul style="list-style-type: none"> The Act implements the EU Directive and obliges large multinational companies to publicly disclose reports related to income tax paid in the countries in which they operate, If the parent company in a group is based outside the EEA and certain thresholds are exceeded, the reporting obligation falls on its subsidiaries based in the EEA, If the parent company publishes a report and meets certain requirements, subsidiaries will be exempt from this obligation, The first report for 2025 will have to be published by the end of 2026.
<p>Regulation (EU) 2023/1113 of the European Parliament and of the Council of 31 May 2023 on information accompanying transfers of funds and certain crypto-assets and amending Directive (EU) 2015/849</p>	<ul style="list-style-type: none"> The Regulation takes effect on 30 December 2024 and Regulation (EU) 847/2015 of the European Parliament and of the Council will cease to apply on the above effective date. The draft introduces: <ol style="list-style-type: none"> amendments to the obligations of payment service providers to provide information on payers and payees accompanying transfers of funds, obligations of crypto-asset service providers involved in the transfer of crypto-assets to provide information on the originators and beneficiaries accompanying transfers of crypto-assets; obligations to implement internal policies, procedures and controls to ensure that restrictive measures are applied.

<p>Draft Act on Credit Servicers and Credit Purchasers</p>	<ul style="list-style-type: none"> On 12 January 2024, the information about the draft was displayed in the list of legislative works of the Government – the planned date of adoption by the Council of Ministers is the second quarter of 2024. The deadline for implementation under EU law has already lapsed, so it is expected that the act will be enacted and enter into force in 2024. Regulation of credit servicing activities (supervision, register, authorizations, capital requirements, policy and internal procedure requirements), The Directive lays down the rules of national supervision over the above-mentioned entities (including but not limited to, supervision of individual categories of entities and establishment of a procedure for granting authorization to credit servicers), including in terms of cross-border trade in receivables, Amendment to the Consumer Credit and Mortgage Credit Act with respect to mandatory elements of the agreement, and information provided before the agreement is amended.
<p>Directive of the European Parliament and of the Council on credit agreements for consumers and repealing Directive 2008/48/EC (CCD2)</p>	<ul style="list-style-type: none"> Deadlines - entry into force on 19 November 2023, the deadline for transposition: by 20 November 2025, the deadline for application: beginning from 20 November 2026, The requirements contained in the directive are by and large reflected in the current Consumer Credit Act, the "Anti-Usury Act" and other provisions. However, the Directive contains a number of new provisions, therefore it will be necessary to review and amend the current provisions. wider scope of application – loans up to EUR 100 000, new reporting obligations, new advertising policies, upper limits of fees, interest rates, APR.
<p>Act of 12 April 2024 amending the Act on Support for Borrowers Who Have Taken a Housing Loan and Are in a Difficult Financial Situation and the Act on Crowdfunding for Business Ventures</p>	<ul style="list-style-type: none"> Effective date: 15 May 2024. The draft envisages an amendment to the existing provisions of the Act of 9 October 2015 on Support for Borrowers Who Have Taken a Housing Loan and Are in a Difficult Financial Situation in terms of, including but not limited to, reducing, as one of the conditions for obtaining support, the size of the Installment to Income ratio, increasing the amount of income entitling to obtain support or a loan for debt repayment, extending the possible period of granting support from 36 to 40 months, increasing the value of the maximum support from the current level of PLN 2,000 to PLN 3,000, The draft introduces amendments to the Act of 7 July 2022 on Crowdfunding for Business Ventures and assistance to borrowers by extending the credit holiday mechanism for 2024 for loans not exceeding PLN 1,200,000.00, which provides for a criterion according to which the consumer will be entitled to suspend the repayment of the loan if the arithmetic average of the value of the Installment to Income ratio (the Installment to Income ratio in the meaning of the Act of 9 October 2015 on Support for Borrowers Who Have Taken a Housing Loan and Are in a Difficult Financial Situation), for the period of the last three months preceding the month of submitting the request exceeds 35% or the borrower is supported by at least three children referred to in art. 4 sec. 2 item 3 of the Act of 5 December 2014 on the Large Family Card..
<p>Financial data access and payments package (PSR/PSD3/FIDA) REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on payment services in the internal market (PSR) DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on payment services and electronic money services in the internal market (PSD3) Regulation of the European Parliament and of the Council on a Framework for Financial Data Access (FIDA)</p>	<ul style="list-style-type: none"> Date of entry into force of the PSR: the Regulation enters into force on the twentieth day following its publication in the Official Journal of the European Union. It applies 18 months after the date of entry into force of the Regulation, Date of entry into force of PSD3: the Directive enters into force on the twentieth day following its publication in the Official Journal of the European Union and needs to be transposed into national law. FIDA effective date: The Regulation is to enter into force on the twentieth day following its publication in the Official Journal, and is to be applied after twenty four months following the date of entry into force, with the proviso that data holders and data users must become members of financial data sharing schemes within eighteen months following the entry into force of the Regulation,

	<ul style="list-style-type: none"> • PSR – the establishment of uniform requirements for the provision of payment services and electronic money services in relation to the following matters: <ul style="list-style-type: none"> (a) transparency of the reporting conditions and requirements for payment services and electronic money services; (b) the rights and obligations of users of payment services and electronic money services and of payment service and electronic money service providers with regard to the provision of payment services and electronic money services. • PSD3 – the establishment of the provisions concerning: <ul style="list-style-type: none"> (a) the admission of payment institutions to an activity consisting of the provision of payment services and electronic money services within the Union; (b) supervisory powers and tools for the supervision of payment institutions. • FIDA – the extension of the "open banking" principle by allowing access to data to which access has not been granted yet under the PSD2 directive. This includes access to data on mortgage loans, loans, savings, non-payment accounts, and even access to data that constitute the basis for assessing a customer's creditworthiness, which is collected as part of a loan application or credit rating.
<p>Draft regulation of the Minister of Finance on the procedure and conditions of conduct of investment companies, state-owned banks running brokerage activity, banks referred to in Article 70 (2) of the Act on trading in financial instruments, and on custodian banks.</p>	<ul style="list-style-type: none"> • Planned effective date: 14 days after being announced, • The new Regulation will replace the current Regulation of the Minister of Finance of 30 May 2018 on the procedure and conditions of conduct for investment firms, banks referred to in Article 70(2) of the Act on Trading in Financial Instruments and custodian banks, • It specifies the procedure and conditions of conduct in the field of brokerage, custody and banking activities pursuant to Article 70(2) of the Act on Trading in Financial Instruments,
<p>The draft regulation of the Minister of Finance on the detailed technical and organizational rules for investment firms, state-owned banks running brokerage activity, banks referred to in Article 70(2) of the Act on trading in financial instruments and custodian banks.</p>	<ul style="list-style-type: none"> • Planned effective date: 14 days after being announced. • The new Regulation will replace the current Regulation of the Minister of Finance of 29 May 2018 on the detailed technical and organizational rules for investment firms, banks mentioned in Article 70(2) of the Act on trading in financial instruments and custodian banks, • It specifies the technical and organizational conditions for conducting brokerage, custody and banking activities pursuant to Article 70(2) of the Act on Trading in Financial Instruments.
<p>The draft Regulation of the Minister of Finance on the submission of information to the Polish Financial Supervision Authority regarding the conduct of brokerage activities</p>	<ul style="list-style-type: none"> • Planned effective date: 14 days after being announced, • The new Regulation will replace the current regulation of the Minister of Finance of 22 February 2019 on the scope, procedure, form and deadlines for submitting information to the Polish Financial Supervision Authority by investment firms and banks referred to in Article 70(2) of the Act on Trading in Financial Instruments, and custodian banks, • It specifies the scope, mode and form as well as the deadlines and manner of submitting information to the Polish Financial Supervision Authority by investment firms and banks referred to in Article 70(2) of the Act on Trading in Financial Instruments, and custodian banks.
<p>Bill amending certain acts in order to deregulate economic and administrative law and improve the principles of developing economic law</p>	<ul style="list-style-type: none"> • The planned effective date of the Act: 1 January 2025 (currently the Bill is at the opinioning stage), • The Bill aims to deregulate economic and administrative law, • The Bill provides for an amendment to the banking law by introducing the possibility of opening joint bank accounts for at least two investment funds managed by one investment fund company, • The Bill provides for changes to the Bill of Exchange Law which will introduce the possibility of issuing a bill of exchange in electronic form.
<p>Amendments to MIFID Directive and MIFIR Regulation Directive (EU) 2024/790 of the European Parliament and of the Council of 28 February 2024 amending Directive 2014/65/EU on markets in financial instruments</p>	<ul style="list-style-type: none"> • Local regulations implementing changes to the MIFID Directive have not been prepared yet. • The initiative is part of the Capital Markets Union package of measures which also includes: <ul style="list-style-type: none"> a) legislative proposal to establish a European Single Access Point (ESAP),

<p>Regulation of the European Parliament and of the Council amending Regulation (EU) No 600/2014 as regards increasing data transparency, removing obstacles to the establishment of systems for the publication of consolidated information, optimizing trading obligations and prohibiting the receipt of payments for order flow</p>	<ul style="list-style-type: none"> b) legislative proposal for the review of the European Long-Term Investment Fund (ELTIF) Regulation, c) legislative proposal for the review of the Alternative Investment Fund Managers Directive. • The proposal aims to improve the quality of market data and consolidate market data by amending the market data rules included in MiFIR.
<p>Regulation of the Minister of Finance on information regarding activities of banks related to structured deposits.</p>	<ul style="list-style-type: none"> • Date: Effective date: 2 August 2024, • The purpose of the Regulation is to ensure that the KNF, as the competent institution within the meaning of Article 39(3) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (OJ EU L 173/84 of 12/06/2014), can effectively monitor the market of structured deposits that are recommended or offered or for which it is possible to conclude an agreement in the territory of the Republic of Poland by a bank (also in the case where such activities are performed by the bank in the territory of another country) and exercise appropriate supervision in this area.
<p>Draft Delegated Regulation amending the MiFIR Regulation (600/2014)</p>	<ul style="list-style-type: none"> • The draft will be subject to public consultations until 10 July 2024, • This initiative will define a unique identifier and additional reference identification data to be used for the purposes of transparency requirements for OTC derivatives as set out in the Markets in Financial Instruments Regulation, • This Delegated Regulation specifies the identification reference data to be used for OTC interest rate swaps and OTC credit default swaps for the purposes of the transparency requirements set out in Articles 8a(2), 10 and 21 MiFIR.
<p>Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets</p>	<ul style="list-style-type: none"> • The proposed changes provide, among other things, that financial or non-financial counterparties that are subject to the clearing obligation under Regulation (EU) No 648/2012 must settle at least part of the contracts (e.g. interest rate derivatives denominated in PLN and EUR) through accounts maintained by a CCP based in the EU.
<p>Act on ensuring compliance with the requirements of accessibility of certain products and services by business entities</p>	<ul style="list-style-type: none"> • The Act is in the draft and inter-ministerial consultation phase, and is planned to come into force on 28 June 2025, • It introduces a requirement for the accessibility of retail banking products and services to persons with technical difficulties or disabilities, as well as the comprehensibility and provision of information about them at the B2 language level.
<p>Regulation of the European Parliament and of the Council amending Regulation (EU) No 910/2014 as regards establishing a framework for a European Digital Identity (eIDAS 2.0)</p>	<ul style="list-style-type: none"> • Development of digital identity for citizens throughout the European Union, in particular through the introduction of the European Digital Identity Wallet (EUDI – EU Digital Identity Wallet) and new trust services. EUDI is intended to allow for the secure storage of various digital identity data, such as driving licenses, permits, health cards, diplomas, etc. In addition to identity management, the EUDI wallet is intended to offer a payment solution.

In addition, the Bank's activities in the second half of 2024 may be affected by the following EBA Guidelines:

Ryzyko AML i Sankcji

- [EBA Guidelines on information requirements in relation to transfers of funds and certain crypto-assets transfers under Regulation \(EU\) 2023/1113](#)

Corporate Governance:

- [EBA Guidelines on Improving Resolvability for Institutions and Resolution Authorities \(EBA/GL/2022/01\)](#)
- [EBA Guidelines amending Guideline EBA/GL/2022/01 on Improving Resolvability for Institutions and Resolution Authorities to Introduce a New Section on Resolvability Testing](#)

- [EBA Guidelines on Transferability in the Context of the Resolvability Assessment for the Purposes of the Transfer Strategy](#)
- [EBA Guidelines on General Resolvability in Recovery and Resolution Planning](#)
- [EBA Guidelines on resubmission of historical data under the EBA reporting framework](#)
- [EBA Guidelines on arrears and foreclosure \(amending Guidelines EBA/GL/2015/12\)](#)
- [Draft EBA Guidelines on the management of ESG risks](#)

2. Risk management principles

The Group carries out risk management by implementing cohesive rules, controls and tools through the Group, taking into account supervisory requirements and best market practices.

The risk management system used in the Group, which is based on the shared responsibility concept, is arranged on three independent levels (“three lines of defense”):

- Level 1, i.e. organizational units responsible for the activity which results in taking risks and responsible for risk management in the Bank’s operational activity, as well as for risk identification and reporting to the second-line units,
- Level 2, i.e. risk management at organizational units, regardless of the first-line risk management, and the activity of the compliance unit – units or persons responsible for setting risk management standards in identifying, measuring or assessing, limiting, controlling, monitoring and reporting and for supervising control mechanisms applied by other organizational units of the Bank to mitigate risk – organizational units of the Risk Management Sector, Compliance Department, Finance Management Sector, Legal Division, Human Resources Division;
- Level 3, i.e. Audit Department which ensures independent assessment of both risk management processes and internal control system.

When organizing its risk management processes, the Group takes into account its risk profile, strategic and business objectives, available capital and liquidity resources, macroeconomic environment and regulatory requirements – these factors make up the framework of the risk control and management system.

Risk management processes are implemented on the basis of documented policies and rules relating to identification, measurement, mitigation, control, monitoring and reporting of risks to which the Group is exposed, approved by the Management Board, authorized persons in accordance with the rules of issuance of legislative acts at the Bank or duly established Committees, including:

- Asset and Liability Committee (ALCO);
- Risk and Capital Management Committee, supervising the Risk Models Commission, the Consumer Bank Risk Commission and Sustainable Products Commission;
- New Products Committee;
- Operational Risk, Control and Compliance Committee.

The risks connected with activities of the Group are mitigated by a system of limits arising from risk appetite and the management information system used by the Bank enables it to monitor risk levels by providing management with portfolio information on a regular basis.

The Group carries out the management of all significant risk families arising from the execution of its business strategy. As part of the process initiated in 2024 to identify key risk families, the Management Board of the Bank concluded that the following risk families were significant for the purposes of risk management and the internal capital estimation and maintenance process:

- Credit risk (consumer and corporate);
- Counterparty credit risk;
- Market risk for the trading portfolio;
- Market risk for non-trading portfolio
- Liquidity risk;
- Operational risk;
- Compliance risk;
- Capital risk;
- Environmental and climate risks for strategic, credit and compliance risks.

Credit risk (consumer and corporate) and counterparty risk

Definition	<ul style="list-style-type: none"> • Credit risk is a potential loss resulting from the breach of a contract by the client or their insolvency, taking into account loss reduction methods used for a product or given funding. • Counterparty credit risk is the risk of loss resulting from deterioration of credit quality (downgrade) or a breach of contract by the counterparty.
Risk management strategy	<ul style="list-style-type: none"> • The primary objective of credit risk management is to support the long-term plan of stable growth of the credit portfolio, while maintaining appropriate quality. The credit process is based on a number of fundamental principles, such as: <ul style="list-style-type: none"> – Business and independent risk management units share responsibility for quality of the credit portfolio and credit process and for any credit losses; – Conduct must be in compliance with the guidelines on the portfolio structure to ensure its diversification and to keep balance between risk and capital; – A system of credit-related authorizations must be implemented which assumes that authorization to make credit decisions may only be granted to properly trained and experienced employees of Risk Management Sector and Operation Division, taking into account their track record and risk assessment skills and abilities; – Acceptance level must depend on assumed risk – higher-risk exposures (defined taking into account both amount and level of risk) require higher-level approval; – Diversified and adequate risk assessment standards must be used for each borrower and each commitment, including as part of corrective actions; – A consistent rating process is required, which is based, <i>inter alia</i>, on results produced by rating or scoring models; – Periodic, regular monitoring of results of a client’s activities and identification of adverse changes in their situation which require immediate activities to classify receivable or corrective actions are necessary; – External environment must be monitored to ensure early detection of economic threats which may adversely affect particular portfolios; – The credit policy rules must be complied with and, in special cases, approval of exceptions to the Credit Policy is required at higher organizational levels in order to ensure control of implementation of its principles in compliance with internal regulations applicable at the Bank, generally applicable laws and regulations and regulations issued by competent regulators.
Risk measurement	<ul style="list-style-type: none"> • Risk measurement is carried out using: rating models, scoring models and scorecards at the level of a client and provision models for portfolio risk assessment and an integrated ICAAP process, both at aggregate level and by business line.
Monitoring	<ul style="list-style-type: none"> • Credit risk exposures are monitored and managed at two levels: client level and portfolio level. Tools used to monitor the current creditworthiness of a borrower include: <ul style="list-style-type: none"> – annual comprehensive review of limits, exposures, financial situation of and cooperation with borrowers, – reports generated in the Early Warning process, – periodic financial reviews of borrowers, – periodic reviews of negatively classified credit exposures, – periodic visits to clients, – reports on ongoing contacts of employees of business units/bankers with clients, – analysis and assessment of external information (rating reports, analytical reports, press, sector sources, etc.), – internal classification system. • Portfolio-level monitoring <ul style="list-style-type: none"> – monitoring of utilization of risk concentration limits in the credit portfolio on the basis of appropriate reports, – regular periodic reviews of the credit portfolio, – “ad hoc” portfolio reviews due to sudden important external information, – monitoring of indicators determined for the retail exposure portfolio. • The monitoring of portfolio performance and the identification of trends in the portfolio are carried out using regular management information and control reports taking into account, <i>inter alia</i>, analysis of pace of changes in value and segmentation (sectors) of the credit portfolio, client risk (rating), quality of credit exposure collateral and exposures affected by non-performance, departures from applicable risk acceptance rules and limit utilization level.

- The package of control reports for each portfolio is prepared on a regular basis and delivered to unit heads responsible for the client segment in question, the Risk and Capital Management Committee and the Management Board of the Bank.

Market risk for the trading portfolio

<p>Definition</p>	<ul style="list-style-type: none"> • The market risk of a trading portfolio is defined as the risk of loss resulting from a potential change in the market value of the exposure due to changes in market factors such as interest rates, stock and commodity prices or currency or credit spreads. Market (trading portfolio) risk is based on mark-to-market risk indicators rather than the AOCI, EVE and NIR indicators associated with non-trading portfolios.
<p>Risk management strategy</p>	<ul style="list-style-type: none"> • Market risk management is to ensure that the amount of risk accepted in the Group is consistent with the level acceptable for the shareholders and banking supervision authorities and to ensure that all market risk exposures are adequately reflected in calculated risk measures notified to relevant managers and governing bodies. • Adopted market risk measures and limits should prevent excessive concentrations of exposures to a single risk factor or a group of related risk factors and should enable determination of the maximum level of the risk accepted in the trading book or the banking book. • Market risk management at the Bank is based on: <ul style="list-style-type: none"> – applicable Polish laws and regulations, in particular the Banking Act, – applicable EU regulations, in particular the 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 (CRR), – requirements of Polish and EU regulatory institutions and especially resolutions of the Polish Financial Supervision Authority (KNF), – principles of prudent and stable risk management at the Group and the general risk level accepted by the Supervisory Board of the Bank, taking into account best practices applied in the market. • Market risk management covers all portfolios that generate incomes which are exposed to an adverse impact of market factors, such as interest rates, currency rates, stock prices, commodity prices and parameters of volatility of those factors. • Trading portfolio includes transactions in financial instruments (on- and off-balance sheet ones) the purpose of which is to earn income connected with a change of market parameters in a short period. Trading portfolios cover on-balance sheet items, such as debt securities, categorized as held for trading, i.e. purchased for trading purposes and meeting specified liquidity criteria, and any positions in derivative instruments, provided that in this case portfolios are divided into those acquired for purely trading purposes and those created as hedging against the risk of positions included in a banking portfolio (so-called economic hedge). Valuation of trading portfolios is carried out either directly on the basis of market prices or by using valuation models that make use of price parameters quoted in the market. Activities on trading portfolios are carried out by the Interbank Transaction Division in the Financial Markets and Corporate Banking Sector for those portfolios which cover interest rate risk and currency risk. Trading portfolios also include options, including currency option transactions, interest rate options and option structures, which reflect the economic nature and risk arising from products offered to clients of the Bank. The operations of the Bank in that area are carried out so that they ensure the simultaneous (each time and immediate) conclusion of a counter transaction having the same parameters, as a result of which the option transaction portfolio generates no open market risk exposure. The only factor connected with the conclusion of option transactions which is taken into account in measurement of market risk, and specifically currency risk, is the amount of the premium paid/received in the foreign currency.
<p>Risk measurement</p>	<ul style="list-style-type: none"> • The following risk measurement methods are applied to trading portfolios: factor sensitivity (DV01) method, value at risk (VaR) method and stress tests. • Sensitivity factors measure the change in the value of the position in a given underlying instrument in the case of a specified change of the market risk factor (for example a change of the interest rate in a given point on the interest rate curve by 1 basis point or a change of the currency rate or stock price by 1%). <ul style="list-style-type: none"> – For interest rates, the sensitivity measure is DV01; – For currency risk the sensitivity factor is equal in value to the position in a given currency; – For positions in equity securities, the sensitivity factor is equal in value to the net position in a given instrument (stocks, index, participation unit).

	<ul style="list-style-type: none"> • The integrated measure of market risk for trading portfolio, which combines the impact of the positions in particular risk factors and takes into account the correlation effect between volatilities of individual factors, is value at risk (VaR). VaR is used to estimate the potential decline in value of a position or portfolio in normal market conditions, for a fixed confidence level and in a specified period. For positions opened in a trading portfolio of the Bank, VaR is calculated using the 99% confidence level and one-day holding period. • Both DVO1 and VaR for a trading portfolio are calculated as net amounts without any economic hedging of the portfolio of securities available for sale, i.e. excluding any derivative instruments which are to secure the fair value of the portfolio. The risk exposure of such transaction is controlled by using appropriate risk measurement methods and mitigated with risk limits adopted for banking portfolios. • On a daily basis, the analysis of stress test scenarios is carried out, while assuming risk factor changes higher than those adopted for VaR measurement and ignoring any observed historical correlations between those factors. • The Bank has market risk exposures of trading portfolios in more than twenty currencies, both for currency positions and exposures to interest rate risk, but only exposures to a few currencies are significant. For a large group of currencies, exposures arise from the imperfect match of the transactions concluded upon the client's order and the counter transactions with other counterparties from wholesale markets. Significant exposures to market risk are opened for PLN, developed market currencies (mainly USD and EUR and less frequently GBP, CHF or JPY) and even currencies from Central European countries.
<p>Monitoring</p>	<ul style="list-style-type: none"> • The Market Risk Department by the dedicated IT system provides the relevant executives and managers, on a regular basis, with reports on portfolio sensitivity, value at risk (VAR), securities positions, stress test results for market risk, allocation of capital requirements relating to market risk and utilization of Trading MAT and Trading Stop Loss limits (warning thresholds). • In addition, market risk analyses are presented systematically to the following committees: the Asset and Liability Committee, the Risk and Capital Management Committee and the Risk and Capital Committee of the Supervisory Board.

Market risk for non-trading portfolios

<p>Definition</p>	<ul style="list-style-type: none"> • Market risk associated with non-trading portfolios (banking book portfolios) is the risk of the potential negative impact of changes in market factors such as interest rates, exchange rates, credit spreads and stock prices on net interest income (NIR), economic value of equity (EVE) or accumulated other comprehensive income (AOCI). Changes in the value of other comprehensive income are generally influenced by available-for-sale (AFS) securities investment portfolios and related hedges used under a hedge accounting program. • Interest rate risk for the banking book is the risk of an adverse impact of interest rate changes on the interest income and capital of the Group. • Interest rate risk may occur if assets and liabilities (including capital and derivative instruments that meet the requirements of hedge accounting) have different maturity dates or if their interest rates change on different dates or their interest rates are connected with different interest rate curves (basis risk), or if they include options.
<p>Risk management strategy</p>	<ul style="list-style-type: none"> • The purpose of managing market risk related to non-trading portfolios is primarily to minimize the risk connected with the possibility of occurrence of adverse changes in market interest rates and with a negative impact of those changes on the net interest rate and, subsequently, financial result of the Group. • Market risk management at the Bank is based on: the requirements of Polish and European regulatory institutions, and especially resolutions of the Polish Financial Supervision Authority (KNF) and the EBA; and the principles of prudent and stable risk management at the Group and the general risk level accepted by the Supervisory Board of the Bank, taking into account best practices applied in the market. • Management of market risk related to non-trading portfolios is carried out both at strategic and operational level. Division into particular risk management levels depends on the nature and type of decisions made by particular decision-making fora at the Bank which affect the profile and level of interest rate risk. <ul style="list-style-type: none"> – The strategic risk management perspective is covered by the decision-making powers of the Asset and Liability Committee (ALCO) of the Bank, which carries out interest rate management by setting risk limits for banking portfolios and

	<p>by conducting monthly reviews of exposures and results of management of those portfolios.</p> <ul style="list-style-type: none"> - The operational management of market risk related to non-trading portfolios is carried out by the Asset and Liability Management Department, which is authorized to open risk positions within the framework of adopted limits.
Risk measurement	<ul style="list-style-type: none"> • The following risk measurement methods apply to non-trading portfolios (bank book portfolios): interest rate gap analysis, method based on costs of closure of open interest positions (Value-at-Close) / total return on portfolio (Total Return), method based on interest income exposed to risk (Interest Rate Exposure, IRE) and stress tests. • The interest rate gap analysis uses the schedule of maturity or revaluation of on-balance sheet positions and derivatives recognized using hedge accounting or categorized as economic hedge in order to determine differences between positions whose maturity date or interest rate update date is in the subject time interval. • As a general rule applied in the interest rate gap analysis, transactions are allocated to particular bands of revaluation of positions in banking portfolios on the basis of contractual or assumed dates of change of transaction interest rates. • The Value-at-Close method determines the economic or “fair” value of positions, corresponding to market valuation of a trading portfolio. Total return on a portfolio is the sum of changes of value-at-close, accrued interest and gains/losses on sale of assets or cancellation of liabilities. • The Interest Rate Exposure (IRE) method, based on the revaluation gap method, is used for measurement of the potential impact of a pre-determined parallel shift of interest rate yields on pre-tax interest income on the banking book which may be earned in a specified time interval. This is a prospective measure. In addition, it is assumed that in standard conditions interest rate moves are identical for each currency and equal to 100 basis points up. The IRE measure is calculated separately for the position in each currency over a 10-year time horizon, provided, however, that 1-year and 5-year IRE measures are mainly used for the purposes of day-to-day monitoring and limitation of interest rate risk positions for banking portfolios. Additionally, the Bank measures the interest rate risk using the income method (cash flow 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 Baseline NIR and NIR in the interest rate shock scenario (e.g. + 100 bp, + 200 bp, - 100 bp, -200 bp) • Stress tests measure a potential impact of significant changes in the level or shape of interest rate yields on the positions opened in a banking portfolio. • The Bank carries out stress tests for pre-defined scenarios of movements of interest rates, which are combinations of moves of market factors, both defined as significant changes (large move) and crisis changes (stress move), which occur both in Poland and abroad. The extent of assumed shifts of market factors are reviewed at least annually and adjusted as appropriate to changes in the market conditions in which the Bank operates. • Bank calculates also the change to capital value as the result of fluctuations of interest rates for the individual currencies, under scenarios consistent with requirements of the EBA. • The Asset and Liability Management Department in the Interbank Transaction Division carries out activities relating to securities available for sale. Three key objectives have been adopted for activities relating to the portfolio of securities available for sale: <ul style="list-style-type: none"> - carrying out financial liquidity management, - hedging against the risk taken over by the Interbank Transaction Division from other organizational units of the Bank - opening own interest rate risk positions in portfolios of the Bank by the Interbank Transaction Division. • In order to avoid excessive fluctuations of capital funds of the Bank, caused by revaluation of assets held for sale, maximum limits are set for the DV01 (Dollar Value of 1 basis point) position, which determines the potential change in the value of risk position for a given interest rate curve on a specified nodal point (to which all cash flows in a given period are brought) caused by a shift of the market interest rate by 1 basis point up for such portfolios. Limits also cover open derivative instrument positions (for example interest rate swaps) established to hedge the fair value of a portfolio.

<p>Monitoring</p>	<ul style="list-style-type: none"> • The Market Risk Department and a dedicated reporting unit in the Risk Management Sector provide the relevant executives and managers with reports on portfolio sensitivity, securities positions, stress test results for interest rate risk of the banking book. • In addition, market risk analyses are presented systematically to the following committees: the Asset and Liability Committee and the Risk and Capital Committee of the Supervisory Board.
<p>Liquidity risk</p>	
<p>Definition</p>	<ul style="list-style-type: none"> • Liquidity risk is the risk of the Bank's inability to meet its obligations in a timely manner and without incurring financial losses if such inability results from a mismatch of cash flows (flow gap), limited marketability of assets or market changes.
<p>Risk management strategy</p>	<ul style="list-style-type: none"> • The overriding goal of liquidity risk management is to ensure that the Bank and other companies from the Group have access to liquid funds sufficient to meet their financial liabilities when due (also in the event of probable extreme crisis situations). • Liquidity risk management is based on: <ul style="list-style-type: none"> – applicable Polish laws and regulations, in particular the Banking Act; – applicable provisions of EU law, in particular 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 (CRR), – requirements of Polish regulatory institutions and especially resolutions of the Polish Financial Supervision Authority (KNF); – principles of prudent and stable risk management at the Group and the general risk level accepted by the Supervisory Board of the Bank; – taking into account best practices applied in the market. • The Group analyses and manages liquidity risk in different time horizons and, to this end, distinguishes between current, short term, medium term and long term liquidity and applies adequate risk measurement and limitation methods. The adopted measures and limits are to limit excessive concentrations with respect to the assumed structure of the balance sheet or sources of funding. • The management of long-term liquidity is a task of Assets & Liabilities Committee (ALCO) and is covered by the strategy of the Bank. It is carried out on the basis of monitoring of structural relations of the balance sheet and on the basis of regulatory long-term liquidity measures, and covers the liquidity gap analysis and the possibilities of obtaining sufficient financing sources in the future, as well as the analysis of funding costs in the context of the impact on the profitability of business operations. • The management of medium-term liquidity, within the 1-year time horizon, is a task of Assets & Liabilities Committee and is carried out on the basis of annual financing plans, which determine the levels of internal limits, plans prepared by business units of the Bank concerning changes in assets and liabilities, elaborated within the framework of financial plans for the next budget year. • The management of short-term liquidity, within the 3-month time horizon, is a task of the Financial Markets Sector and Corporate Banking Sector, and is carried out on the basis of both regulatory measures of short-term liquidity and internal limits. The Bank also analyses the liquidity level in emergency situations, assuming, as a must, that there will be no negative gap in all time brackets in a 12-month time horizon. • Current liquidity management is a task of the Financial Markets and Corporate Banking Sector and is carried out on the basis of nostro accounts of the Bank, including in particular the mandatory reserve account with the National Bank of Poland, using available products offered by the money market and the central bank.
<p>Risk measurement</p>	<ul style="list-style-type: none"> • Liquidity risk measurement is carried out by using external supervisory measures (M3-M4, LCR/NSFR and additional liquidity monitoring indicators – ALMM) and additional measures and tools developed internally: <ul style="list-style-type: none"> – gap analysis – MAR/S2 – crisis/stress scenarios, – structural liquidity ratios, – market warning signals, – significant sources of financing, – emergency financing plan, – intra-day liquidity management process,

	<ul style="list-style-type: none"> - short-term liquidity gap – M1, - short-term liquidity ratio – M2, - illiquid assets with own funds coverage ratio - M3, - illiquid assets and assets of limited liquidity with own funds and stable external funds coverage ratio - M4.
<p>Monitoring</p>	<ul style="list-style-type: none"> • Liquidity risk monitoring and management are carried out using: supervisory liquidity risk limits determined by the Office of the Polish Financial Supervision Authority and internal prudential limits and thresholds determined for liquidity risk by the Asset and Liability Committee (ALCO): <ul style="list-style-type: none"> - limits for the S2 Report – for pre-determined currencies and time ranges; - warning thresholds for structural liquidity ratios; - warning threshold for tests of stress scenarios. • On a regular basis, the Market Risk Department and a dedicated reporting unit in the Risk Management Sector provide the relevant executives and managers with reports on the liquidity position, stress test results for liquidity risk and allocation of capital requirements relating to liquidity risk. • In addition, liquidity risk analyses are presented systematically to the following committees: the Asset and Liability Committee, and the Risk and Capital Committee of the Supervisory Board.

Operational risk

<p>Definition</p>	<ul style="list-style-type: none"> • Operational risk should be understood as a possibility of loss as a result of application of inappropriate or defective internal processes, human, systems or external events. The definition of operational risk also includes legal risk, i.e. the risk of loss (including litigation costs, settlements and penalties imposed by the regulator) resulting from non-compliance with the law, prudent ethical standards and contractual obligations in every aspect of the Bank’s business, excluding strategic and reputational risk. The Bank recognises the impact of operational risk on the possibility of loss of reputation associated with its business activities; • For the purposes of the ICAAP process, the compliance risk is also included in the operational risk (i.e. the risk of negative effects of non-compliance with legal provisions, supervisory regulations, internal normative acts of the bank and the practices and standards available on the market).
<p>Risk management strategy</p>	<ul style="list-style-type: none"> • In terms of operational risk, the strategic goal of operational risk management is to ensure a permanent and effective approach to identification, measurement/assessment, limitation, control, monitoring and reporting of risk, as well as effective reduction of the level of exposure to operational risk, and as a consequence limiting the number and scale of events of an operational risk (policy of low level of tolerance to operational losses). • The main assumptions of the operational risk strategy focus on increasing the Group’s capacity to early identifying areas of increased system risk and reduction of exposure areas resulting from the risk resulting from human errors. • When organizing the operational risk management process the Group takes into account the business strategy, risk profile of the Group, macroeconomic environment, available capital and liquidity resources and regulatory requirements, which make up the framework of preparation of the system used to control and manage operational risk at the Group. • The Group's operational risk management system is built to ensure proper risk management at every stage, i.e. identification, assessment/measurement, mitigation, monitoring and reporting.
<p>Risk measurement</p>	<ul style="list-style-type: none"> • In the risk assessment process, the Group uses combinations of various risk measurement or estimation methods. <ul style="list-style-type: none"> - Risk assessment is to determine the probability of occurrence and the amount of future losses attributable to operational risk. To this end both quantitative and qualitative indicators are used (such as risk appetite, capital requirements, KRIs, data about losses and operational risk events, control issues and corrective actions, self-assessment process, risk concentration areas and rising-risk areas, scenario analysis, stress tests, changes in processes and products, information from internal and external reviews and audits and information reported to Commissions and Committees).

	<ul style="list-style-type: none"> - Such assessment also includes an analysis of both internal and external threats. A correct assessment of operational risk enables the Group to properly determine and manage the risk profile.
<p>Monitoring</p>	<ul style="list-style-type: none"> • As part of consolidated supervision, operational risk data relating to the Bank and subsidiaries are presented to Commissions and Committees that support the Management Board and Supervisory Board of the Bank in the operational risk management process. • The ongoing monitoring of operational risk is the responsibility of the Operational Risk Committee, the Control and Compliance System, the Risk and Capital Management Committee, the New Products Committee and the various Commissions supporting the Committees. • Quality of the operational risk management process (including the self-assessment process) in particular units of the Group is checked and assessed by the Internal Audit function. • The Supervisory Board oversees the operational risk management system and assesses its adequacy and effectiveness. The Supervisory Board is supported by its committees: Audit Committee, Risk and Capital Committee and Remuneration Committee. • On the basis of synthetic reports which present the scale and types of operational risk to which the Group is exposed, risk concentration areas, operational risk management methods, probability of occurrence of operational risk events, assessment of potential adverse impact of the operational risk management methods, results of operational risk profile monitoring and operational risk appetite, submitted by the Management Board at least semiannually, the Supervisory Board, supported by the Audit Committee and the Risk and Capital Committee, assesses the implementation of the assumptions of the strategy by the Management Board (including with respect to the operational risk management principles) and may order a review of the strategy if it deems it necessary.

Capital risk

Definition

- Risk resulting from the failure to ensure an appropriate level and structure of capital, as well as the inability to achieve a level of capital adequate to the risk incurred by the Bank's business, necessary to cover unexpected losses and meet supervisory requirements in order to enable the Bank to independently continue its operation.

Management strategy

- Capital management covers ensuring the level of capital that is adequate to the risk of the business, as well as the strategy in terms of planning, structure and sources of capital acquisition, and the risk of its improper implementation (including failure to achieve an appropriate financial result).
- The formal framework of the capital risk management process supports the Risk and Capital Management Committee (RCMC) and the Bank's Management Board in the allocation, measurement, management, monitoring and control of the Bank's capital position.
- The level of own funds and qualifiable liabilities should provide coverage for risks identified as significant in the Bank's operations, while meeting supervisory standards in terms of total capital ratio (TCR) and the requirement for own funds and qualifiable liabilities (TLAC).
- The bank mitigates capital risk by implementing a process for assessing internal capital adequacy, which combines elements of internal capital estimation, capital planning and capital management, and constitutes an integral part of BHW's management process. The Group has a number of capital planning tools, applied depending on the adopted scenario.
- Capital risk management also includes the management of the risk of excessive financial leverage. The Group manages the risk of excessive financial leverage as part of a coherent risk management policy, which also covers capital risk management, including the risk of excessive financial leverage.
- The key elements of capital management and the directional definition of capital needs are specified in the Bank's Strategy. Information on capital goals and the expected capital structure is also included in the ICAAP document.

Risk measurement

- TCR, LR, MREL TEM, MREL TREA and TLAC TEM, and TLAC TREA are regulatory measures of capital. The TLAC TREA requirement was designated as a strategic limit due to its most severe impact and as it is, in the Bank's opinion, the first requirement that can adversely affect the strategic assumptions of the Bank.
- Capital risk is measured using, among other things, processes such as assessment of internal capital adequacy, stress tests and reverse stress tests in BHW's capital planning activities.

Monitoring

- The Bank's capital ratios are monitored at least monthly and reported quarterly by the Financial Reporting, Control and Tax Department to the Risk and Capital Strategy Department.
- In addition, the results of capital risk monitoring are presented systematically to the following committees: the Assets and Liabilities Committee, the Risk and Capital Committee and the Risk and Capital Management Committee.
- All results of stress tests, reverse stress tests and capital adequacy assessment are presented to dedicated committees.

Climate and Environmental (C&E) Risks

<p>Definition</p>	<ul style="list-style-type: none"> • Climate and environmental (C&E) risk is a type of ESG risk (environmental, social and governance risk). • Climate and environmental risk should be understood as the risk of adverse financial effects resulting from climate change and environment degradation on clients, contractors or assets of the Bank. There are two main risk factors: <ul style="list-style-type: none"> – <i>Physical risk</i> – the consequences of a changing climate, including the increased occurrence of extreme weather conditions, gradual climate change and environment degradation (i.e. air, water and soil pollution, drinking water shortages and deforestation). – <i>Transition risk</i> – losses resulting from the process of adapting to a low-emission and more environment friendly economy. • C&E risk is considered a cross-cutting risk that may manifest itself within traditional risk categories (i.e. credit risk, market risk, strategic risk, etc.). As part of the process of assessing the materiality of risks in 2024, in the short term (1-3 years), materiality was indicated for three types of risks – strategic risk, credit risk and compliance risk.
<p>Management strategy</p>	<ul style="list-style-type: none"> • The main objective of climate and environmental risk management is to effectively integrate these risk factors into existing risk management processes to ensure the effectiveness of the Group's risk profile in the short, medium and long term. • Due to the cross-cutting nature of ESG risks and the dynamic development of regulatory expectations and good practices, the Group has developed the document "Principles of ESG Risk Management", which is one of the documents describing the risk management strategy of the Group. This document: <ul style="list-style-type: none"> – describes the key elements of the organizational structure and processes used by the Bank to identify, measure, monitor, control and report ESG risk; – clarifies the roles and responsibilities in the area of ESG risk management at the levels of the Bank's Management Board and each of the three Lines of Defense. • ESG risk management is consistently developed within the framework of policies and procedures that govern the management of particular risk categories.
<p>Risk measurement</p>	<ul style="list-style-type: none"> • In the risk assessment process, the Group applies a combination of various methods of risk measuring or estimating using a number of measures adapted to the risk category for which ESG risk is measured, including: <ul style="list-style-type: none"> – determining KRI indicators as part of the risk appetite covering priority portfolios, as well as types of risks having a significant impact of ESG factors, – monitoring credit exposure to transactions with increased environmental and social risk, – using an industry climate risk map at the portfolio and client level to identify and measure these risks, – conducting stress tests for credit exposures (sensitivity analysis) and compliance risk (analysis of operational risk scenarios).
<p>Monitoring</p>	<ul style="list-style-type: none"> • Monitoring the correctness and ensuring the effectiveness of ESG risk management, and ensuring appropriate consideration of ESG risks in the Bank's risk profile and risk appetite are the tasks of the Risk and Capital Management Committee of the Bank's Management Board. • A package of ESG risk analysis reports is prepared periodically and submitted to the Bank's Management Board, including the Risk and Capital Management Committee, and the Supervisory Board, including the Risk and Capital Committee.

VII. Investor information

1. The Bank's shareholding structure and performance of its shares on the WSE

1.1 Shareholders

The Bank's share capital amounts to PLN 522,638,400 and is divided into 130,659,600 bearer shares with a nominal value of PLN 4 each.

The majority and strategic shareholder of Citi Handlowy is Citibank Europe Plc based in Dublin, Ireland – a company in the Citi group that brings together foreign investments. In addition, the total share of funds managed by Nationale Nederlanden PTE S.A. is above the threshold of 5% of shares in the capital and votes at the Bank's General Meeting.

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

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

Citibank Europe Plc is a part of the Citi Group - the largest global financial institution in the world, which has a physical presence in 95 countries and territories and supports its clients in nearly 160 countries and jurisdictions. Citi group of companies provides services to individual, corporate, public sector and institutional clients while providing them with a broad range of financial products and services in the retail, corporate and investment banking segments, brokerage services, Treasury and Trade Solutions and wealth management.

The parent company in the Citi Group is the American financial institution Citigroup Inc. More information about the Citi Group can be found on its website www.citigroup.com

1.2 Performance of the Bank's shares on the WSE

The Bank's share price was PLN 97.80 at the end of the first half of 2024, an increase of 13% within the last 12 months (i.e. compared to the closing price of PLN 86.40 as at 30 June 2023). During the same time, the mWIG 40 index recorded a year-on-year increase by 34%, while the WIG-Banks index grew by 74% YoY.

The Bank's share price and trading volume vs. selected indices brought to comparability (28/06/2024 = PLN 97.80)



The Bank's highest share price since the end of the first half of 2023 was reached on April 8, 2024 and amounted to PLN 117.80 while the lowest level was achieved on September 28, 2023 and amounted to PLN 79.00. The average share price of the Bank in the last 12 months was PLN 97.69 and the average daily turnover in the Bank's shares was approximately 2,974,000 shares.

As at the end of June 2024, the Bank's capitalization was PLN 12.8 billion (compared to PLN 13.2 billion as at 31 December 2023 and PLN 11.3 billion as at end of the first half of 2023). As at the end of June 2024, stock exchange ratios were as follows: P/E (price/earnings) – 7.5 (compared to 5.9 as at 31 December 2023 and 4.6 as at the end of the first half of the previous year), P/B (price/book) – 1.4 (compared to 1.4 as at 31 December 2023 and 1.4 as at the end of June 2023).

The current consensus on the expected results of the Group is available on the Citi Handlowy's website at: <http://www.citibank.pl/poland/homepage/english/consensus.htm>

2. Dividend

On June 19, 2024, the Annual General Meeting of the Bank adopted a resolution on distribution of net profit for 2023. Pursuant to the resolution the net profit for 2023 in the amount of PLN 2,255,190,345.46 was distributed as follows:

- Dividend: PLN 1,454,930,607.50, i.e. PLN 11.15 per share,
- Reserve capital: PLN 800,259,737.96

Dividend day was set for June 27, 2024, and the dividend payment date for July 4, 2024. The number of shares covered by dividend was 130,487,050.

The dividend accounted for 65% of the net profit for 2023, and the payment of funds in this amount was in line with the individual recommendation of the Polish Financial Supervision Authority regarding fulfilling by the Bank of requirements for dividend payment from net profit generated in 2023.

The table below presents the history of dividend payments since 1997 when the Bank was floated on the Warsaw Stock Exchange.

Financial year	Dividend (PLN)	Earnings per share (PLN)	Dividend per share (PLN)	Dividend payout ratio
1997	130,000,000	6.21	1.40	22.5%
1998	93,000,000	3.24	1.00	30.8%
1999	186,000,000	5.08	2.00	39.4%
2000	130,659,600	1.57	1.00	63.8%
2001	163,324,500	1.25	1.25	99.8%
2002	241,720,260	1.86	1.85	99.6%
2003	241,720,260	1.86	1.85	99.7%
2004	1,563,995,412	3.17	11.97	*)
2005	470,374,560	4.51	3.60	79.8%
2006	535,704,360	4.75	4.10	86.4%
2007	620,633,100	6.19	4.75	76.8%
2008**	-	4.94	-	-
2009	492,586,692	4.02	3.77	94.0%
2010	747,372,912	5.72	5.72	99.9%
2011	360,620,496	5.52	2.76	50.0%
2012	756,519,084	7.72	5.79	75.0%
2013	934,216,140	7.15	7.15	99.9%
2014	970,800,828	7.43	7.43	99.9%
2015	611,486,928	4.75	4.68	98.6%
2016	591,887,988	4.62	4.53	98.0%
2017	537,010,956	4.11	4.11	100.0%
2018	488,666,904	5.00	3.74	74.8%
2019***	-	3.66	-	-
2020	156,791,520	1.21	1.20	99.2%
2021	714,708,012	5.48	5.47	99.8%
2022	1,175,936,400	12.01	9.00	74.9%
2023	1,454,930,607	17.28	11.15	64.5%

* Dividend-payout ratio for 2004 - 100% plus prior year profits.

** On June 18, 2009, the Bank's Ordinary General Meeting decided to pay no dividend for 2008 following the recommendation of the Polish Financial Supervision Authority (KNF) for the whole banking sector.

*** On June 4, 2020, the Bank's Ordinary General Meeting decided to pay no dividend for 2019 following the recommendation of the Polish Financial Supervision Authority (KNF) for the whole banking sector.

3. Information on own shares' buy back process

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

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

In the first half of 2024 and on the date of disclosure of this report, the Bank purchased a total of 172,500 own shares with the face value of one purchased share being PLN 4.00 representing 0.1320607% of the Bank's share capital and authorizing to 172,500 votes at the General Meeting of Shareholders of the Bank which constitutes 0.1320607% of the total number of votes at the General Meeting of Shareholders of the Bank. In the period when own shares are owned by the Bank, the Bank may not exercise its voting rights attached to these shares.

On 22 July 2024 the Bank initiated the transfer to the Bank's eligible employees, free of charge, of 116,994 own shares previously bought back by the Bank and completed the process of transferring own shares in 2024.

4. Rating

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

On 17 July 2024, after the annual rating review, Fitch maintained the viability rating ("VR") of the Bank on the rating watch negative. Simultaneously, Fitch affirmed the other ratings of the Bank as follows:

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

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

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

In the justification for the rating, the rating agency stated that the Bank's VR balances a low-risk business model, solid capital and liquidity buffers and the Bank's moderate risk appetite. The fact that VR is kept on the watch list reflects the risks to the Bank's business and financial profile resulting from the planned exit from the retail business. A lower share of retail activities could impact the assessment of the Bank's financing and liquidity, as well as its business model. VR can be kept on the watch list longer than six months. The Bank's VR may be removed from the watch list if Fitch believes that the retail banking divestment will have only a moderate adverse impact on the Bank's business and financial profile or if the transaction is cancelled.

Fitch believes that the operating environment for banks in Poland balances a relatively resilient, sizeable and diversified European Union-based economy with increased legal and governmental risks in the banking sector. Revenue levels are adequate, while a gradually improving overall economic backdrop should support banks' ability to generate good quality new business. However, intervention and legal risks make it difficult for banks to strategically plan and achieve their goals.

For the full announcement published by Fitch please visit:

[Fitch Affirms Bank Handlowy's IDR at 'A-'; Maintains VR on RWN \(fitchratings.com\)](https://www.fitchratings.com/news/fitch-affirms-bank-handlowy-s-idr-at-a-;maintains-vr-on-rwn)

5. Investor relations

Investor relations, which ensure information to existing and prospective investors, capital market analysts and rating agencies, are an integral element of the Bank's information policy, the purpose of which is to cater for information needs of all persons and institutions interested in corporate information. In terms of investor relations, the main information policy tools are:

- regular contacts with investors and analysts in the form of conference calls and meetings, also at the Bank's premises, attended by members of the Bank's Management Board;
- support of the Press Office during quarterly press conferences for the media held after the publication of interim reports;
- publishing on the website current information on the Bank and its projects, and all current and interim reports. The website also enables contacts with the Investor Relations Office which has a broad knowledge of the Bank and its Group of Companies.

In the first half of 2024, the Bank organized meetings regarding the publication of financial results after each quarter with capital market analysts and representatives of investors.

VIII. Corporate governance rules in the Group

1. Best practice at the Bank

Corporate Governance Principles applied in the Group of the Bank are described in the Report of the Management Board on the activities in 2023.

2. Governing bodies of the Bank

2.1 Changes in the composition of the Management Board and Supervisory Board during the first half of 2024

2.1.1 Changes in the composition of the Management Board during the first half of 2024

In the first half of 2024, the Bank's Management Board consisted of:

Elżbieta Światopełk-Czetwertyńska	President of the Bank's Management Board
Natalia Bożek	Vice-President of the Bank's Management Board to January 31, 2024
Patrycjusz Wójcik	Vice-President of the Bank's Management Board from February 1, 2024
Andrzej Wilk	Vice-President of the Bank's Management Board
Maciej Kropidłowski	Vice-President of the Bank's Management Board
Barbara Sobala	Vice-President of the Bank's Management Board
Katarzyna Majewska	Vice-President of the Bank's Management Board
Ivan Vrhel	Member of the Bank's Management Board

In the first half of 2024, there was a change in the composition of the Bank's Management Board in the position of Vice-President of the Management Board responsible for finance.

2.1.2 Changes in the composition of the Supervisory Board during the first half of 2024

On 19 June 2024, the Annual General Meeting of Bank Handlowy w Warszawie S.A. (hereinafter: the "AGM") decided to appoint the following members to the Supervisory Board of the Bank:

- 1) for the current joint term of office of the Bank's Supervisory Board – Natalia Monika Bożek, Ignacio Gutierrez-Orrantia, and Fabio Lisanti,
- 2) for the next joint term of office of the Bank's Supervisory Board starting on 1 January 2025 – Natalia Monika Bożek, Ignacio Gutierrez-Orrantia, Marek Kapuściński, Andras Reiniger, Anna Ewa Rulkiewicz, Sławomir Stefan Sikora, and Barbara Karolina Smalska.

Composition of the Supervisory Board before changes made by the AGM:

Sławomir S. Sikora	Chair of the Supervisory Board
Silvia Carpitella	Member of the Supervisory Board
Helen Hale	Member of the Supervisory Board
Marek Kapuściński	Member of the Supervisory Board
Andras Reiniger	Member of the Supervisory Board
Anna Rulkiewicz	Member of the Supervisory Board
Barbara Smalska	Member of the Supervisory Board

Composition of the Supervisory Board after changes made by the AGM:

Sławomir S. Sikora	Chairman of the Supervisory Board
Ignacio Gutierrez – Orrantia	Vice Chairman of the Supervisory Board
Fabio Lisanti	Member of the Supervisory Board
Natalia Bożek	Member of the Supervisory Board
Marek Kapuściński	Member of the Supervisory Board
Andras Reiniger	Member of the Supervisory Board
Anna Rulkiewicz	Member of the Supervisory Board
Barbara Smalska	Member of the Supervisory Board

2.2 Rules of appointing and dismissing members of the Management Board

The Management Board consists of five to nine members. Each member of the Bank's Management Board is appointed by the Supervisory Board for three years. At least half of the members of the Management Board should be of Polish nationality. The term of appointment of a Management Board member expires:

- on the day of the General Meeting of Shareholders approving the Management Report on the activities of the Bank and financial report for the full past year of the term of office of the Management Board member;
- upon death of the Management Board member;
- upon dismissal of the Management Board member;
- upon resignation of the Management Board member, submitted in writing to the Chair of the Supervisory Board.

The powers of the Supervisory Board also include the dismissal of members of the Management Board, which takes place by secret ballot. When dismissing a member of the Management Board, the Supervisory Board takes into account the assessment of compliance with the requirements referred to in Article 22aa of the Banking Law. The Supervisory Board immediately informs the Polish Financial Supervision Authority about including an item on the board's agenda concerning:

- 1) dismissal of the President of the Management Board,
- 2) dismissal of the member of the management board who oversees the management of risks that are material to the bank's business or the delegation of his/her duties to another member of the management board.

On 19 June 2024, the Annual General Meeting adopted amendments to the Articles of Association of Bank Handlowy w Warszawie S.A., including organizational changes regarding members of the Management Board related to the rules for calculating the term of office of members of the Management Board. This change consists in extending the term of office from three to four years and specifying that the term of office is calculated in financial years, with the first financial year of the term of office being each time the financial year in which the function was taken up, even if it did not take place at the beginning of that financial year.

The AGM decided that the change regarding the method of calculating the term of office of the Management Board will apply to terms of office lasting on the date of entry in the register of entrepreneurs of the National Court Register of the changes to the Articles of Association covered by the resolution in question and that will begin after that date.

These changes will become effective when they are entered in the register of entrepreneurs of the National Court Register.

2.3 Rights of the Management Board

The Management Board makes decisions in matters concerning the Bank by way of resolutions, provided that decisions in such matters are not reserved for other governing bodies of the Bank by law or the Articles of Association.

By way of resolutions, the Management Board in particular:

- 1) defines the Bank's strategy;
- 2) establishes and abolishes the committees supporting the work of the Bank and defines their mandates;
- 3) decides the Management Board's bylaws and submits them to the Supervisory Board for approval;
- 4) decides the rules of handling special purpose funds created from net profit and submits them to the Supervisory Board for approval;
- 5) decides on the date of payment of dividend within the time limits defined by the General Meeting of Shareholders;
- 6) appoints holders of general commercial power of attorney, attorneys and attorneys with powers of substitution;
- 7) decides in matters defined in Management Board bylaws;
- 8) makes decisions on matters brought by the President, Vice-President or Member of the Management Board;
- 9) passes a resolution on the Bank's annual financial plan, accepts investment plans and reports of implementation of such plans;
- 10) accepts reports on the Bank's operations and financial reports;
- 11) formulates decisions regarding distribution of profit or coverage of losses;
- 12) approves the Bank's human resources policy, credit policy and legal principles of its operations;
- 13) approves the rules of the Bank's equity management;
- 14) approves the employment structure;
- 15) establishes the basic structure of the Bank's organization, appoints and dismisses Heads of Sectors, appoints and dismisses Heads of Divisions, and makes decisions on their competences;
- 16) establishes the audit plan at the Bank and accepts audit reports;
- 17) resolves other issues which, according to the Articles of Association, are submitted to the Supervisory Board or the General Meeting of Shareholders;
- 18) makes decisions on contracting liabilities or disposing of assets, when the total value of such liabilities or assets in relation to a single entity exceeds 5% of the Bank's own funds, or appoints authorized persons to make such decisions; however, in matters within the powers of Committees appointed by the Bank the decisions are made after consulting the relevant Committee.

The acquisition and transfer of ownership or the right of perpetual usufruct of a real estate property or a share in those rights by the Bank shall not require a resolution by the General Meeting. Decisions in these matters shall be taken independently by the Management Board of the Bank by way of resolution. However, in matters including acquisition and transfer of ownership or the right of perpetual usufruct of a real estate property or a share in those rights by the Bank, if the value of those rights in the individual case does not exceed PLN 500,000.00 and the acquisition or transfer is connected with the Bank's seeking collection of debts resulting from banking operations, such acquisition or transfer can be made also without the resolution of the Management Board.

The Bank's Management Board designs, implements, and ensures the operation of, the Bank's management system as well as designs, implements and updates written strategies and procedures, and undertakes actions relating to the system of risk management, internal controls and internal capital assessment as well as reviews of the internal capital assessment and maintenance processes.

3. Other principles

3.1 Information on owners of securities with special control rights towards the Bank

All shares issued by the Bank are common bearer shares and have no special control rights related to them.

3.2 Limitations regarding transfer of ownership of the Bank's shares or exercising the voting rights relating to the Bank's shares

The Bank's Articles of Association do not provide for restrictions on the transfer of ownership of the Bank's shares and restrictions on the exercise of voting rights attached to the Bank's shares. Restrictions related to the acquisition of significant blocks of shares in banks and public companies are specified in Art. 25 of the Act of August 29, 1997, the Banking Law and Art. 69 et seq. of the Act of 29 July 2005 on Public Offering and Conditions for Introducing Financial Instruments to Organized Trading and on Public Companies.

IX. Other information on the Bank's governing bodies and management principles

1. Information on the total number of the shares of the Bank held by Management Board or Supervisory Board members

According to the best knowledge of the Bank – the parent company, at the end of the first half of 2024, as well as at the date of submission of the previous periodic report for the first quarter of 2024 none of the members of the Management Board and Supervisory Board declared holding the Bank's shares.

Information on the total number and nominal value of the Bank's shares held by members of the Management Board and Supervisory Board as at the date of submission of this periodic report is presented in the table below:

	Shares of Bank Handlowy w Warszawie S.A.	
	Number of shares (units)	Nominal value (PLN)
Management Board Members		
Elżbieta Światopełk-Czetwertyńska	-	-
Maciej Kropidłowski	7,517	30,068
Andrzej Wilk	4,283	17,132
Patrycjusz Wójcik	1,670	6,680
Barbara Sobala	-	-
Ivan Vrhel	-	-
Katarzyna Majewska	-	-
Supervisory Board Members		
Sławomir Sikora	11,199	44,796
Ignacio Gutierrez-Orrantia	-	-
Natalia Bożek	-	-
Fabio Lisanti	-	-
Marek Kapuściński	-	-
Andras Reiniger	-	-
Anna Rulkiewicz	-	-
Barbara Smalska	-	-

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

2. Information on any agreements between the Bank and the Management Board members that provide for compensation in case of resignation or dismissal of such members without a valid reason, or when such dismissal is a result of a merger or acquisition of the Bank

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.

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

On July 22, 2024 the Bank issued (i.e. initiated the transfer) to eligible Bank employees a total of 116,994 treasury shares previously acquired by the Bank and completed the issuance of treasury shares in 2024.

After the balance sheet date, there were no other material events that should be additionally included in this Report on activities of the Capital Group.

XI. Statement of the Bank's Management Board

Accuracy and fairness of the statements presented

To the best knowledge of the Management Board of the Bank, composed as at the date of preparation of the financial statements of: Ms. Elżbieta Światopełk - Czetwertyńska – President of the Management Board, Mr. Patrycjusz Wójcik – Vice-President, Mr. Maciej Kropidłowski – Vice-President, Mr. Andrzej Wilk – Vice-President, Ms. Barbara Sobala – Vice-President and Mrs. Katarzyna Majewska – Vice-President, Ivan Vrhel – Member, the semi-annual financial data and comparative data presented in the “Interim Condensed Stand-alone Financial Statements of Bank Handlowy w Warszawie S.A. for the six-month period ended 30 June 2024” and the “Interim Condensed Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the six-month period ended 30 June 2024” were prepared in accordance with the applicable accounting principles and give a true, fair and clear picture of the assets and the financial standing of the Bank and the Group as well as the financial result of the Bank and the Group. The “Report on activities of the Capital Group of Bank Handlowy w Warszawie S.A. in the first half of 2024”, contained in the semi-annual consolidated report, gives a true picture of developments, achievements and situation (and describes major risk) of the Group in the first half of 2024.

Other information required by the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and on the conditions under which such information may be recognized as equivalent to information required by the law of a non-Member State (Journal of Laws [Dz. U.] of 2018 item 757, as amended) was provided in the Condensed Interim Consolidated Financial Statements of Capital Group of the Bank.

29 August 2024 Date	Elżbieta Światopełk - Czetwertyńska Name	President of Management Board Position/Function
29 August 2024 Date	Patrycjusz Wójcik Name	Vice-President of Management Board Position/Function
29 August 2024 Date	Maciej Kropidłowski Name	Vice-President of Management Board Position/Function
29 August 2024 Date	Andrzej Wilk Name	Vice-President of Management Board Position/Function
29 August 2024 Date	Barbara Sobala Name	Vice-President of Management Board Position/Function
29 August 2024 Date	Katarzyna Majewska Name	Vice-President of Management Board Position/Function
29 August 2024 Date	Ivan Vrhel Name	Member of Management Board Position/Function