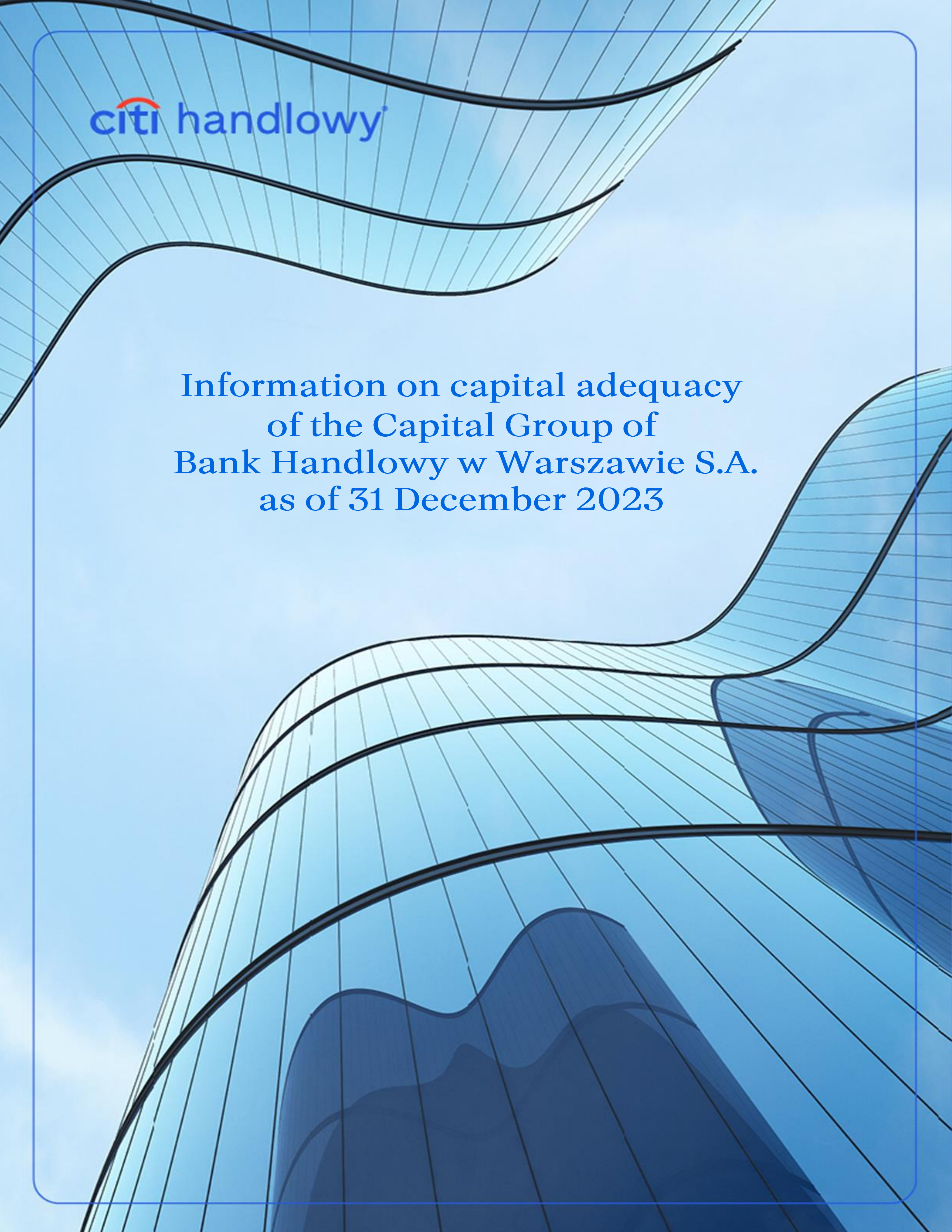

Information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. as of 31 December 2023

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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Introduction

This document has been laid down to execute The Disclosure Policy of Bank Handlowy w Warszawie S.A. on capital adequacy[1], to meet the disclosure requirements of:

- 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 with amendments (Regulation (EU) No. 575/2013),
- Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No. 575/2013 and (EU) 2019/876
- as regards certain adjustments in response to the COVID-19 pandemic,
- as well as of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC ("CRD")
- and on the basis of other EU Commission regulations imposing regulatory and implementing technical standards in the area of information disclosure.

The objective of the document is presenting to the third parties, especially customers of the Capital Group of Bank Handlowy w Warszawie S.A. (hereinafter referred to as: Group) and financial market participants, the Group's risk management strategy and processes, information on the capital structure, exposure to risk and capital adequacy, which enable thorough assessment of the Group's financial stability. This document complements information included in:

- the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A for the financial year ended 31 December 2023,
- and in the Report on Activities of Bank Handlowy w Warszawie S.A. and the Capital Group of Bank Handlowy w Warszawie S.A. in 2023 and refers to them wherever it is relevant .

In accordance with Article 13 of 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 and amending Regulation (EU) No. 648/2012, the Bank, as a large subsidiary of the EU parent institution Citibank Europe plc, publishes disclosures on capital adequacy as of 31 December 2023 at the highest national level of consolidation i.e at the level of the Capital Group of Bank Handlowy w Warszawie S.A. (the Group).

The report doesn't include the risks related to environmental protection, social policy and corporate governance indicated in art. 449a CRR, because in line with art. 6 CRR does not require to compliance with these obligation on an individual basis.

When the disclosures required by the Regulation (EU) No. 575/2013 of the European Parliament and of the Council are published in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A for the financial year ended 31 December 2023, this document refers to the number of explanatory note, which discloses required information.

The values presented in the disclosures are expressed in thousands of zlotys, except for situations in which a different unit of measurement was used, detailed in the data presented.

The published information is approved by the Bank's Management Boar and the Supervisory Board of the Bank, after recommending by the Audit Committee of the Supervisory Board

The terms used in the document shall mean the following:

Regulation No. 575/2013 / CRR - 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 with amendments:

- **Regulation (EU) 2017/2395 of the European Parliament and of the Council** of 12 December 2017 amending Regulation (EU) No. 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State;

[1] The Disclosure Policy of Bank Handlowy w Warszawie S.A. on capital adequacy laid down by the Management Board and approved by the Supervisory Board are available at the Bank's website www.citihandlowy.pl in the "Investor Relations" section.

- **Regulation (EU) 2019/630 of the European Parliament and of the Council** of 17 April 2019 amending Regulation (EU) No. 575/2013 as regards minimum loss coverage for non-performing exposures,
- **Regulation (EU) 2019/876 of the European Parliament and of the Council of** 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No. 648/2012,
- **Regulation (EU) 2020/873 of the European Parliament and of the Council** of 24 June 2020 amending Regulations (EU) No. 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic,

The law on macro-prudential oversight - The law of 5 August 2015 on macro-prudential oversight of the financial system and crisis management in the financial system (Official Journal from 2015, item 1513);

Regulation on risk management and remuneration policy - Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital in banks (D.U. 2017, item 637);

Commission Delegated Regulation (EU) No. 183/2014 of 20 December 2013 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments;

Commission Delegated Regulation (EU) No. 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) No. 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items.

Commission Implementing Regulation (EU) 2021/637 of 15 March 2022 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No. 575/2013 of the European parliament and of the Council and repealing Commission Implementing Regulation (EU) No. 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295;

Commission Implementing Regulation (EU) No. 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks.

Guidelines on uniform disclosures under Article 473a of Regulation (EU) No. 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2019/01) - 16/01/2019;

I. Risk management objectives and policies

The risk management process is consistent within the Group, including Bank Handlowy in Warsaw S.A. and its Subsidiary Handlowy Leasing Sp. z o.o., and excludes special purpose vehicles, companies in the process of liquidation or bankruptcy, as well as units not conducting current, statutory activity.

The aim of the risk management strategy of the Bank is to take a balanced risk with shared responsibility, without forsaking individual accountability. Taking a balanced risk means proper identification, measurement and risk aggregation, and the establishment of limits with full understanding of both the macroeconomic environment, the profile of the Group's activity, requirement to meet regulatory standards, as well as strategic and business objectives within available resources, capital and liquidity, maximizing return on capital employed.

The Group's risk management and control system is based on a model of three lines of defense. The purpose of this model is to ensure a stable and effective framework for risk management by defining and implementing three "levels" of risk management with different roles, responsibilities and duties related to supervision.

The lines of defense work together to ensure that the risk-taking in the Group's operations remains consistent with the business strategy and the risk management strategy (risk appetite). The lines of defense play a key role in the management and enforcement of the established risk management framework within the Group. The model of three lines of defense functioning at the Group:

- takes into account the entire organisational structure of the Group as well as the activities carried out in individual areas;
- aims to ensure that the tasks performed on various risk management "levels" are not duplicated and that there is a clear division of roles and responsibilities between those who:
    - generate risk in the Group's operations;
    - independently assess and oversee the risk within the Group;
    - ensure an independent assessment of the risk management system and the internal control system;
- provides an appropriate risk level reporting system within the Group.

The first line of defense is constituted by organisational units responsible for conducting business activity, which involves taking risks and for risk management in the Bank's operating activities.

The second line of defense are organisational units which are independent of the business units and support units in which they control the risk, located on the first level (organisational units of the Risk Management Sector, Compliance Division, Finance Management Sector, Legal Division, HR Division). These units are responsible for establishing risk management standards for identifying, measuring or assessing, mitigating, controlling, monitoring and reporting, and supervising the control mechanisms used by other organisational units of the Bank in order to mitigate the risk.

The Third Line of Defense is an internal audit unit responsible for an independent assessment of the risk management system and the internal control system

The Management Boards of the Bank entities ensure appropriate organisational structures and the implementation of procedures and processes adequate to the risk taken.

Risk management is implemented based on the strategies, policies and procedures relating to taking, monitoring and limiting the risk, standards for the identification, valuation, acceptance, control, monitoring and reporting of risk to which the Group is or may be exposed at.

Risk management strategies, policies and procedures are regularly reviewed to ensure compliance with applicable laws, regulations, supervisory institutions and regulatory recommendations, internal regulations, business and market practices and the adequacy of the scale, nature and complexity of the Group's operations.Strategies and processes of risk management, as well as the structure and organization of units managing the appropriate risks and solutions used by the Group on measurement and reporting of those risks, are presented in details in the note 3 „Risk management" to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2023.

Ensuring the adequacy of risk management arrangements of the Group and confirmation, that the risk management systems used are appropriate from the institution profile and strategy point of view, takes place within the annual capital planning process.

As per the current „Principles of prudent and stable risk management in the Capital Group of Bank Handlowy w Warszawie S.A." Risk and Capital Management Committee performs not less frequently than once a year, within the process of internal capital assessment and maintenance, an adequacy assessment of the solutions to the actual size and complexity of the Group, including its profile and strategy. The conclusions of such review are submitted to the Management Board for approval.

The Management Board has confirmed that the process of internal capital assessment and maintenance and risk management systems in the Group are appropriate to the nature, scale and complexity of its activities.

As part of the Group's annual capital planning process, a general risk profile of the Group (Risk Register) is determined, taking into account the business model, business strategy assumptions, the current and expected macroeconomic and business environment.

The Group's risk profile includes a list of risk types identified on the basis of inherent risk types, together with a description of implemented control mechanisms, enabling their assessment on a residual basis.

The process of the Group risk profile determination includes in particular:

- identification of risks in the Group's operations, based on the experience, expertise, analysis of the macroeconomic environment, regulatory and competitive position of the Group, taking into account the profile and internal procedures;
- for identified risks: determination of the risk owner, processes and controls mitigating these risks and defining of quantitative measures for these types of risks for which it is possible;
- determination of significant risks for the Group for the year by the Management Board.

The Group manages all types of risk that are identified in its activities, while some of them considering as significant.

For measurable risks, considered as significant, the Group estimates and allocates capital. The Group may decide to create capital buffers for significant, difficult to measure risks.

Within the risk profile assessment in 2022 the following risks were identified as significant:

- Credit risk - risk of potential losses arising from a client event of default or insolvency taking into account risk mitigation techniques applied to a product or individual credit;

- Counterparty Credit risk - the risk of potential losses arising from changes in market prices that occur, when the client is unable to meet its contractual obligations. This risk is part of credit risk generated on such activities as derivative transactions;

- Market risk in trading book - risk of loss resulting from potential fluctuations in the market value of the exposure as a result of the changes in underlying market risk factors. The key factors are: interest rates, FX rates, securities' prices, commodities' prices and their volatilities;

– Interest rate risk in banking book - risk of potential negative impact of the changes in market risk factors on the Group's interest income;

– Liquidity risk - risk of a Group inability to meet its obligations in due time and without incurring financial losses, which occurs due to cash flow mismatches (cash flow gap), limited asset marketability or systematic market changes;

– Operational risk - the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events;

- Compliance risk - a risk of negative effects of a failure to observe the law, supervisory regulations, internal Group's normative acts and market standards, notably:
  a) imposition of legal or regulatory sanctions, including the imposition of financial penalties by competent authorities and regulators or of recommendations requiring the Bank to comply with them, which in turn may involve financial outlays and resources dedicated to those actions;
  b) financial or reputational losses (loss of credibility in the eyes of trade partners) to which the Bank is exposed as a result of non-compliance with the laws, supervisory regulations, regulatory recommendations, the Bank's internal normative acts and market standards within the Bank's operations;
  c) potential risk of the Bank incurring additional costs arising, for instance, from imposed penalties, sustained losses and cancelled contracts;

- Technology, Cyber, Information Security and CoB risk - risk of disruption of entity's activity or financial loss due to technical solutions' implementation, utilization or development;

- Outsourcing risk/VM risk – risk of negative impact of external party on continuation, integrity and quality of entity's activity, its property or employees;

- Fraud risk - risk connected with willful act to the detriment of entity by its employees or third parties;

- Geopolitical risk - risk associated with terrorist threats, threats of war, nuclear attacks and the build-up of armed forces between states or countries that disrupt the normal, peaceful course of international affairs.

The risks identified within the Group's profile as significant are the basis for the risk appetite setting for the Group and for the individual business lines. As a result, implementing a specific strategy within the Group's business model, decisions are considered not only for the business purposes, defined in Group's Strategy but also the return on capital employed. Appropriate measures of overall risk level and sets of limits were introduced to ensure that the risk is within the tolerance level.

Additionally the Group manages inter alia the following risks:

– Money Laundering risk - risk of losses due to involvement in money laundering activity conducted by customers, intermediaries or employees;
– Tax and Accounting risk - risk of negative economic effects due to improper accountancy records, reporting, mistaken calculation of tax obligations or their delayed payments;
– Product risk - risk connected with the sale of product (service), which does not meet customers' requirements and needs, is not compliant with the law and regulations, generates additional risks (for an entity and its customers), does not have adequate support of the employees and processes;
– Legal risk - risk of losses occurring due to instability of legal regulations, changes of law and regulations, improper structure of legal relationships, quality of legal documentation, unfavourable conclusions of courts or other bodies in disputed cases, conducted with other entities;
– Staffing Risk (human capital)- risk connected with recruitment, availability and professional qualification of employees, their fluctuation, ability to adapt to changes in work environment, work culture, absenteeism, tiredness, overtime, lack of utilization of annual leave for a long time, inadequate or not adjusted to the scale and complexity organizational structures, connections of personnel whose

responsibilities is crucial from the perspective of the risk occurring in the Group and similar factors, which may lead to operational losses connected with human factor, it also includes the specificity and diversity of conditions related to the management of human resources in different areas of activity;

- Models risk - potential loss, which Group may be exposed at, following decision based on data generated by models utilized by the Group, as a result of errors in models' development, implementation or utilization. Models risk includes risk of reputation loss as a result of errors in Group's financial statement or other officially published documents by Bank due to incorrect output data from a model;
- Concentration Risk - risk arising from excessive concentration from exposures to clients, groups of connected clients, customers operating in the same economic sector, geographic region, carrying out the same economic activity or trading with similar commodities, entities belonging to Group capital's group (both cross-border and local), exposures denominated in the same currency or indexed to the same currency, used credit risk mitigation techniques as well as large indirect credit exposures such as a single issuer of the security, with the potential to generate losses large enough to imperil Group's financial condition or financial ability to maintain its core operations or lead to a significant change in the risk Group's profile;
- Conduct Risk - risk that the Bank's employees or persons who are not employees of the Bank – intentionally or through negligence – will cause damage to clients or to the integrity of financial markets, and consequently, the integrity of the Bank.

Risks identified as significant, including quantitative indicators, current trends, and the utilization of capital limits, are monitored as a part of the regular, quarterly information provided to the Risk and Capital Management Committee of the Bank's Management Board and to the Risk and Capital Committee of the Supervisory Board. In 2023, 6 meetings of the Committee at the Bank's Board of Executives and 4 meetings of the Supervisory Board Committee took place, during which the above elements were analysed.

The Group's goal is to maintain current capital structure in order to address requirements of CRR/CRD on Common Equity Tier 1 regulatory capital. Group, as it is stated in the strategy, will continue to be adequately capitalized with diversified sources of income. Considering approved level of Overall Risk Appetite, the Group will maintain a target regulatory capital adequacy ratio at the level of minimum 11,75%. In 2023 total TCR amounted to 23.59%.

The Bank's Management Board assures compliance of the Bank's activity with the laws and supervisory regulations, Bank's internal normative acts, as well as available market practices and standards, while taking into consideration the Bank's activity on the basis of the laws of another country and the Bank's ties with other entities that could impair effective management of the Bank. The Bank's Management Board – within the framework of assurance by the internal control system of compliance with laws, supervisory regulations, the Bank's internal normative acts and available market practices and standards – is responsible for:

- effective management of compliance risk at the Bank;
- developing the Compliance Policy in Bank Handlowy w Warszawie S.A ("Compliance Policy"), ensuring its observance and presenting the Audit Committee of the Supervisory Board with information on compliance, including reports on management of compliance risk;
- taking appropriate actions to eliminate irregularities, including corrective or disciplinary measures, in the case of identification of any irregularities in application of the Compliance Policy.

As part of assurance by the internal control system of compliance with the laws and supervisory regulations, Bank's internal normative acts, available market practices and ethical standards, the Supervisory Board:

oversees discharge of the duties related to management of compliance risk by the Bank's Management Board;

- oversees the observance of the Bank's internal normative acts, including in the area of the internal control system;
- approves the Compliance Policy;

- approves the Rules and Regulations of Operation of the Compliance Unit;
- assesses, at least once a year, the degree of effectiveness of management of compliance risk by the Bank.

The organizational unit that supports the Bank's Management Board, the Supervisory Board and the Bank's organizational units is the Compliance Unit, whose main objective is to ensure operations of Bank comply with the generally applicable laws and supervisory regulations applicable to the Bank's activity or to the financial services provided by the Bank, the Bank's internal normative acts and with market practices and standards as well as practices and standards developed within Citigroup.

The Compliance Unit shall implement the "Compliance Policy at Bank Handlowy w Warszawie S.A." (the Policy), containing the basic code of conduct ensuring compliance for the Bank's employees and explaining key processes identifying compliance risk and enabling management of compliance risk at all levels of the Bank's organization. The Compliance Policy shall be subject to approval by the Bank's Management Board and Supervisory Board.

The Compliance Unit prepares the annual Bank's Compliance Plan (*the Plan*). The Plan is the basis for ensuring compliance at the Bank and addresses the Bank's supervision over compliance functions performed in subsidiaries of the Bank. The Bank's Management Board and Audit Committee shall express its opinion on and the Bank's Supervisory Board shall approve the Plan.

The Compliance Unit prepares the "Report on compliance risk at Bank Handlowy w Warszawie S.A." (*the Report)* for the preceding year. The Compliance Unit Head shall submit the Report to the Bank's Management Board, to the Audit Committee of the Supervisory Board on the recommendation to the Supervisory Board for the approval and to the Bank's Supervisory Board for approval.

Information on the recruitment policy for the selection of members of the managing body and the actual state of their knowledge, skills and expertise

In relation to the policy and practices regarding the selection of members of managing bodies and the assessment of their qualifications relevant to the functions they perform and entrusted duties in the Bank operates the "Policy of Assessing of Management Board Members and Key Function Holders at Bank Handlowy w Warszawie S.A." and the "Policy of Assessing the Qualifications of the Members of the Supervisory Board at Bank Handlowy w Warszawie S.A." as well as the established procedure for the selection of members of the Management Board and Supervisory Board, which apply in accordance with the Guidelines of the European Banking Authority and the European Securities and Markets Authority of 2 July 2021(EBA/GL/2021/06) on the assessment of suitability of members of the management body and key function holders.

Members of the management bodies meeting the requirements referred to in art. 22aa of the Banking Law Act are competent to perform the functions and duties entrusted to them, i.e. to administer the business of a supervised institution, which results from:

- adequate knowledge (arising from their education, completed training, professional titles and otherwise acquired in the course of their career),
- adequate experience (acquired when performing certain functions or occupying certain positions),
- possessing the desired characteristics, including relevant skills,
- a warranty of proper performance of duties related to this function referring in particular to:
    - reputation,
    - honesty and reliability and the ability to handle bank matters in a prudent and stable manner, including:
    - independence of judgment or being characterized by the attribute of being independent and
    - ability to devote sufficient time to perform duties.

The Supervisory Board, taking into account the initial assessment and recommendations of the Nomination and Remuneration Committee, identifies and selects qualified and experienced candidates for members of the Management Board; chosen from a suitable pool of candidates. In the assessment of candidates, above mentioned qualifications and attributes are taken into account, considering:

- the character, magnitude and complexity of the Bank's operations and
- the responsibilities relevant to the role,
- diversity in the composition of the management body.having the necessary knowledge, competence and experience by the Management Board of the Bank as a whole, necessary to manage the Bank.

When determining the composition and number of members of the Management Board, the Supervisory Board takes into account in particular:

- the size and complexity of the Bank's organizational structure,
- the specificity of the Bank's operations, including the scope of activities, specialization, legal form, sources of financing,
- the Bank's business plans,
- the position and importance of the Bank in the banking system,
- the shareholder structure.

The Bank has the "Diversity Policy concerning Members of the Management Board of Bank Handlowy w Warszawie S.a." in force. The aim of the Policy is to define the Bank's diversity management strategy to promote diversity in the selection of Board Members so as to ensure that a wide range of properties and competencies is reached in both external and internal recruitment, succession planning and to assure board members of different gender, age, educational and professional backgrounds are elected in order to acquire different perspectives and experiences and to enable independent judgment issuing and sound decision making in the performance of functions support implementation of the Bank's strategic objectives by ensuring high quality of performance of the function. The Bank strives to ensure sufficient representation of both genders in the composition of the Bank's Management Board. If in the course of the recruitment process regarding the position of a Member of the Management Board, the Nomination and Remuneration Committee of the Supervisory Board determines the possibility of not adequately represented gender in the Management Board, the Nomination and Remuneration Committee of the Supervisory Board will determine the target value of representation underrepresented gender in the Management Board.The Bank strives to ensure the Management Board Members have diverse knowledge and experience. As part of the annual assessment of composition of the Management Board, the Appointment and Remuneration Committee of the Supervisory Board documents its compliance with this Policy. Recognizing that the diversity and non-discrimination among all Employees may, i.a., facilitate the creation of an appropriately diversified pool of candidates for positions in the Management Board and support the diversity of the composition of the Management Board, the Bank promotes them in separate internal regulations.

The Bank's Management Board is composed of five to nine members, including: the President of the Management Board of the Bank, Vice Presidents of the Management Board of the Bank, with the proviso that at least half of the Members of the Management Board should be Polish citizens.

Members of the Management Board of the Bank are appointed by the Supervisory Board on an individual term of three years, upon a motion of the President of the Management Board or motion of the Member of the Supervisory Board .

The Supervisory Board is composed of five to twelve members evaluated and appointed by the General Meeting taking into account the nature, scale and complexity of the Bank's activities, initial assessment and recommendations of the Nominations and Remuneration Committee. During the selection it is requested to take into account the principles of diversity. Each Member of the Supervisory Board is appointed for a term of a three-year-old term. At least half of the Members of the Supervisory Board, including its Chairperson, should be Polish citizens.

Members of the Supervisory Board of the Bank are selected from a list of candidates presented by shareholders represented in a General Meeting.

As at December 31, 2023, the number of members of the Bank's Management Board was 7, while the Supervisory Board of the Bank was composed of 7 members.

II. Information related to the use of prudential norms

Information related to the use of prudential norms concern Capital Group of Bank Handlowy w Warszawie S.A. ("Group").

Group is composed of Bank Handlowy w Warszawie S.A. ("Bank") as the parent company, as well as the following subsidiary companies: Handlowy Financial Services Sp. z o.o. (former: Dom Maklerski Banku Handlowego S.A.), Handlowy Leasing Sp. z o.o., Handlowy Investments S.A., Handlowy-Inwestycje Sp. z o.o.
The following entities are fully consolidated:

- Handlowy Financial Services Sp. z o.o.,
- Handlowy Leasing Sp. z o.o.,
- Handlowy Investments S.A.,
- Handlowy Inwestycje Sp. z o.o.

Dom Maklerski Banku Handlowego S.A with its registered office in Warsaw, conducted operating activities (brokerage services) as a subsidiary of the Bank until August 1, 2022, on which date the acquisition of the Dom Maklerski Banku Handlowego S.A enterprise by the Bank took place, including assets necessary to conduct brokerage activities and other assets included in in the composition of the enterprise.

In December 2021, the Bank completed the procedure for obtaining an extended brokerage license from the Polish Financial Supervision Authority (PFSA). This made it possible to complete the process of establishing a brokerage house within the Bank's structures. On April 29, 2022, within the organizational structure of the Bank, the Brokerage Department of Bank Handlowy was launched, which in the first months of its operation operated to a very limited extent.
In connection with the authorization to conduct brokerage activities, clients' financial instruments and cash as well as documents related to the activity were transferred to the Bank's Brokerage Department on the basis of the Decision of the PFSA of July 14, 2022.
On July 29, 2022, the Bank concluded an "Enterprise Transfer Agreement" with Dom Maklerski Banku Handlowego S.A, on the basis of which, on August 1, 2022, the Dom Maklerski Banku Handlowego S.A enterprise was transferred to the Bank. As a result, from August 1, 2022, brokerage services are concentrated and conducted in the Brokerage Department of Bank Handlowy.
As a result of the completed integration, the Management Board of Dom Maklerski Banku Handlowego S.A decided to cease conducting brokerage activities as of August 1, 2022 and on September 19, 2022, submitted applications to the PFSA to revoke the decision on the authorization to conduct brokerage activities.
As a result of the proceedings, on December 7, 2022, the PFSA issued a decision to revoke the decision on the authorization to conduct brokerage activities by Dom Maklerski Banku Handlowego S.A. The decision became final after 14 days.

On April 7, 2023, the Registry Court entered the transformation of Dom Maklerski Banku Handlowy S.A. to the National Court Register. The transformed company was named „Handlowy Financial Services Spółka z ograniczoną odpowiedzialnością". Handlowy Financial Services Sp. z o. o. does not have a license and does not conduct brokerage activities.

Deletion of Dom Maklerski Banku Handlowy S.A. from the National Court Register took place on April 21, 2023.

The Capital Group of Bank Handlowy w Warszawie S.A. provides leasing portfolio services until April 30th, 2013 through Handlowy Leasing Sp. z o.o. After this date, Handlowy Leasing Sp. z o.o.– due to reducing its activity solely to execution of lease agreements signed before April 30th, 2013 - did not sign new contracts, continuing existing contracts service providing maintaining the quality of services and cost-efficiency of its operations. Leasing product remained in the Bank's offer and is offered in a form of so-called "open architecture", i.e. co-operation with the European Leasing Fund S.A. and CorpoFlota Sp. z o.o. In 2017. The Company's active leasing portfolio was sold to the Bank; the Company is currently servicing a non-performing portfolio (NPL).
Handlowy Investments S.A. seated in Luxembourg, belongs to special purpose investment entities, through which the Bank and the Capital Group conduct capital transactions. The entity is a wholly-owned subsidiary of the Bank and its activities are financed with refundable additional capital contributions net profits earned. Due to intention to

reduce the investment activities, Handlowy - Investments S.A. and similar holdings will be gradually sold or liquidated. As at 31 December 2023 Handlowy Investments S.A. had the portfolio composed of the following shares: Pol-Mot Holding S.A. in bankruptcy.

Detailed information on how the Group's equity investment portfolio is broken down based on purchase reasons are described in chapter IV point No. 7 „Equity investments of the Bank" of the Report on Activities of Bank Handlowy w Warszawie S.A. and of the Capital Group of Bank Handlowy w Warszawie S.A. in 2023.

Handlowy Inwestycje Sp. z o.o. is a special purpose investment entity, through which the Bank conducts capital transactions. Handlowy Inwestycje Sp. z o.o. has in its portfolio shares of Handlowy Leasing Sp. z o.o. Activities of the entity is financed by refundable capital contributions as well as retained earnings.

There are no proportionally consolidated entities within the Group.

There are no entities that are neither consolidated nor deducted. There are also no subsidiaries not included in the consolidation, for which there is a shortage of capital.

All the transactions within Group, including repayments of intercompany liabilities and transfers of funds, are concluded according to law, including Code of Commercial Law and statutory stipulations.

Within the Group, according to the best knowledge, there are no and it is expected that there will be no significant obstacles of legal or practical nature to fast fund transferring or repayment of liabilities between the parent and the subsidiaries.

The scope of Group's consolidation, defined in accordance with the prudential regulations (CRR) matches the scope of consolidation applied for financial reporting.

Table EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
				Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset clases according to the balance sheet in the published financial statements							
1	Cash and balances with the Central Bank	1,083,473	1,083,473	1,083,473	-	-	-	-
2	Amounts due from banks	15,529,803	15,529,803	15,512,283	17,520	-	-	-
3	Financial assets held-for-trading	4,880,332	4,880,332	5,483	4,076,339	-	4,880,332	-
4	Hedging derivatives	6,731	6,731	6,731	-	-	-	-
5	Debt securities available-for-sale	29,560,292	29,560,292	29,560,292	-	-	-	-
7	Equity investments available-for-sale	141,495	141,495	141,495	-	-	-	-
8	Amounts due from customers	20,054,454	20,054,454	18,919,436	132,459	1,001,966	-	592
9	Tangible fixed assets	508,403	508,403	508,403	-	-	-	-
10	Intangible assets	1,285,314	1,285,314	128,790	-	-	-	1,156,524
11	Current income tax receivables	9	9	9	-	-	-	-
12	Deferred income tax asset	115,413	115,413	112,518	-	-	-	2,895
13	Other assets	217,535	217,535	217,535	-	-	-	-
14	Non-current assets held-for-sale	9,266	9,266	9,266	-	-	-	-
15	**Total assets**	**73,392,520**	**73,392,520**	**66,205,714**	**4,226,318**	**1,001,966**	**4,880,332**	**1,160,011**
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Amounts due to banks	3 375 687	3 375 687	-	447,504	-	-	2,928,183
2	Financial liabilities held-for-trading	3 522 203	3 522 203	317,524	3,071,184	-	3,522,203	-
3	Hedging derivatives	92 869	92 869	92,869	-	-	-	-
4	Amounts due to customers	55 008 001	55 008 001	-	1,245,776	-	-	53,762,225
5	Provisions	111 689	111 689	-	-	-	-	111,689
6	Current income tax liabilities	457 871	457 871	-	-	-	-	457,871
7	Deferred tax provision							
8	Other liabilities	1 094 615	1 094 615	-	-	-	-	1,094,615
9	**Total liabilities**	**63 663 029**	**63 663 029**	**410,393**	**4,764,464**	**-**	**3,522,203**	**58,354,677**
10	**EQUITY**	**9 729 491**	**9 729 491**	-	-	-	-	-
11	**Total liabilities and equity**	**73 392 520**	**73 392 520**	-	-	-	-	-

Table EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Total	Items subject to			
			Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**73,392,520**	**66,205,714**	**4,226,318**	**1,001,966**	**4,880,332**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**63,663,029**	**410,393**	**4,764,464**	**-**	**3,522,203**
3	**Total net amount under the scope of prudential consolidation**	**9,729,491**	**65,795,321**	**(538,146)**	**1,001,966**	**1,358,129**
4	**Off-balance-sheet amounts**	**17,307,342**	**17,307,342**	-	-	
5	Differences in valuations	(25,534)	(14,313)	(11,221)	-	
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
7	Differences due to consideration of provisions	-	-	-	-	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(475,011)	(472,548)	(2,463)	-	
9	Differences due to credit conversion factors	(13,463,558)	(13,463,558)	-	-	
10	Differences due to Securitisation with risk transfer	-	-	-	-	
11	Other differences*	(10,989,445)	(14,322,929)	3,639,140	-	
12	**Exposure amounts considered for regulatory purposes**	**59,717,102**	**54,829,315**	**3,087,311**	**1,001,966**	**798,510**

* The main element of the change is the difference in total assets according to the published financial statements and the amount of total assets in the FINREP report resulting from the offsetting effect of derivatives, methodology for calculating exposure related to repurchase agreements and the methodology for calculating exposure to credit risk of the counterparty in accordance with the CRR Regulation.

Information on the consolidation method used for each entity within the scope of accounting and regulatory consolidation ranges is presented in Report on Activities of Bank Handlowy w Warszawie S.A. and the Capital Group of Bank Handlowy w Warszawie S.A. in 2023, in chapter III. " The organizational structure of the Capital Group of Bank Handlowy w Warszawie S.A ".

Table EU LI3 – EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Handlowy Financial Services Sp. z o.o.	Full consolidation	X					A special purpose vehicle - an investment vehicle
Handlowy Inwestycje Sp. z o.o.	Full consolidation	X					A special purpose vehicle - an investment vehicle
Handlowy- Leasing Sp. z o.o.	Full consolidation	X					Immaterial leasing company
Handlowy Investments S.A.	Full consolidation	X					A special purpose vehicle - an investment vehicle

III. Information regarding own funds

Information about the components of equity are presented in details in supplementary note 34 „Capital" to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2023.

The structure of the Group's own funds (Table EU CC1), reconciliation of the Group's own funds to the equity of the Group, information on own funds in the interim period (Table EU CC2) and detailed description of the capital instruments' main characteristics (Table EU CC3) are presented in the below tables.

Data are presented as at the end of December 31, 2023 in accordance with the requirements specified in Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No. 575/2013 of the European parliament and of the Council and repealing Commission Implementing Regulation (EU) No. 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.

Table EU CC1 - Composition of regulatory own funds

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	3,008,172	d, e
	of which: Instrument type 1	3,008,172	0
	of which: Instrument type 2	-	0
	of which: Instrument type 3	-	0
2	Retained earnings	630,180	h
3	Accumulated other comprehensive income (and other reserves)	3,294,592	f, g, e
EU-3a	Funds for general banking risk	540,200	g
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	800,000	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**8,273,143**	**0**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(25,534)	0
8	Intangible assets (net of related tax liability) (negative amount)	(1,156,524)	b
9	Not applicable	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(2,895)	
27a	Other regulatory adjustments	(5,117)	0
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(1,190,069)**	
29	**Common Equity Tier 1 (CET1) capital**	**7,083,074**	
Additional Tier 1 (AT1) capital: instruments			
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	
44	**Additional Tier 1 (AT1) capital**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**7,083,074**	
Tier 2 (T2) capital: instruments			
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	
Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**-**	
59	**Total capital (TC = T1 + T2)**	**7,083,074**	
60	**Total Risk exposure amount**	**30,020,075**	

Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	23,59%	
62	Tier 1 capital	23,59%	
63	Total capital	23,59%	
64	Institution CET1 overall capital requirements	2,82%	
65	of which: capital conservation buffer requirement	2,50%	
66	of which: countercyclical capital buffer requirement	0,07%	
67	of which: systemic risk buffer requirement	0,00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0,25%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0,00%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**15,59%**	
National minima (if different from Basel III)			
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	58,938	a
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
74	Not applicable	-	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	112,519	c
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	

The amount of regulatory own funds as at December 31, 2023 compared to December 31, 2022 increased by PLN 1 448 899 thousand, i.e. 25.7 %, mainly as a result of the inclusion of part of the Bank's net profit for the first half of 2023 in the amount of PLN 800 million in the Bank's Tier 1 capital in accordance with the decision of the Polish Financial Supervision Authority and an increase in revaluation reserve in the amount PLN 689 million.

Table EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at 31.12.2023	As at 31.12.2023	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements				
1	Cash and balances with the Central Bank	1,083,473	1,083,473	
2	Amounts due from banks	15,529,803	15,529,803	
3	Financial assets held-for-trading	4,880,332	4,880,332	
4	Debt financial assets measured at fair value through other comprehensive income, including:	6,731	6,731	
5	Assets pledged as collateral	29,560,292	29,560,292	
6	Equity and other instruments measured at fair value through income statement	141,495	141,495	a
7	Amounts due from customers	20,054,454	20,054,454	
8	Tangible fixed assets	508,403	508,403	
9	Intangible assets	1,285,314	1,285,314	b
10	Current income tax receivables	9	9	
11	Deferred income tax asset	115,413	115,413	c
12	Other assets	217,535	217,535	
13	Non-current assets held-for-sale	9,266	9,266	
14	**Total assets**	**73,392,520**	**73,392,520**	
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements				
1	Amounts due to banks	3,375,687	3,375,687	
2	Financial liabilities held-for-trading	3,522,203	3,522,203	
3	Hedging derivatives	92,869	92,869	
4	Amounts due to customers	55,008,001	55,008,001	
5	Provisions	111,689	111,689	
6	Current income tax liabilities	457,871	457,871	
7	Deferred tax provision	94	94	
8	Other liabilities	1,094,615	1,094,615	
9	**Total liabilities**	**63,663,029**	**63,663,029**	
Shareholders' Equity				
1	Share capital	522,638	522,638	d
2	Supplementary capital	3,001,260	3,001,260	e
3	Revaluation reserve	128,406	128,406	f
4	Other reserves	3,190,659	3,190,659	g
5	Retained earnings	2,886,528	2,886,528	h
6	**Total equity**	**9,729,491**	**9,729,491**	
Total liabilities and equity		**73,392,520**	**73,392,520**	

Table EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

		A	B	B	B
1	Issuer	Bank Handlowy w Warszawie S.A.	Bank Handlowy w Warszawie S.A.	Bank Handlowy w Warszawie S.A.	Bank Handlowy w Warszawie S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: PLBH00000012	ISIN: PLBH00000012	ISIN: PLBH00000012	ISIN: PLBH00000012
2a	Public or private placement	Public	Public	Public	Public
3	Governing law(s) of the instrument	Polish law	Polish law	Polish law	Polish law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Not applicable	Not applicable	Not applicable	Not applicable
	Regulatory treatment				
4	Current treatment taking into account, where applicable, transitional CRR rules	Common equity Tier 1 capital	Common equity Tier 1 capital	Common equity Tier 1 capital	Common equity Tier 1 capital
5	Post-transitional CRR rules	Common equity Tier 1 capital	Common equity Tier 1 capital	Common equity Tier 1 capital	Common equity Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo / Consolidated	Solo / Consolidated	Solo / Consolidated	Solo / Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in PLN, as of most recent reporting date)	PLN 260.000.000	PLN 4.480.000	PLN 6.230.000	PLN 8.960.000
9	Nominal amount of instrument (Currency in PLN)	PLN 4	PLN 4	PLN 4	PLN 4
EU-9a	Issue price				
EU-9b	Redemption price	-	-	-	-
10	Accounting classification	Equity	Equity	Equity	Equity
11	Original date of issuance	27.03.97	27.10.98	25.06.99	16.11.99
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	Without maturity	Without maturity	Without maturity	Without maturity
14	Issuer call subject to prior supervisory approval				
15	Optional call date, contingent call dates and redemption amount	-	-	-	-
16	Subsequent call dates, if applicable	-	-	-	-
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Floating rate	Floating rate	Floating rate	Floating rate
18	Coupon rate and any related index	-	-	-	-
19	Existence of a dividend stopper	No	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)				
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)				
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative				
23	Convertible or non-convertible	Incommutable	Incommutable	Incommutable	Incommutable
24	If convertible, conversion trigger(s)	-	-	-	-
25	If convertible, fully or partially	-	-	-	-
26	If convertible, conversion rate	-	-	-	-
27	If convertible, mandatory or optional conversion	-	-	-	-
28	If convertible, specify instrument type convertible into	-	-	-	-
29	If convertible, specify issuer of instrument it converts into	-	-	-	-
30	Write-down features	No	No	No	No
31	If write-down, write-down trigger(s)	-	-	-	-
32	If write-down, full or partial	-	-	-	-
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	-	-	-	-
34a	Type of subordination (only for eligible liabilities)	Category No. 10	Category No. 10	Category No. 10	Category No. 10
EU-34b	Ranking of the instrument in normal insolvency proceedings	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	-	-	-	-
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	-	-	-	-
37a	Link to the full term and conditions of the instrument (signposting)	Not applicable	Not applicable	Not applicable	Not applicable

		B	B	C
1	Issuer	Bank Handlowy w Warszawie S.A.	Bank Handlowy w Warszawie S.A.	Bank Handlowy w Warszawie S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: PLBH00000012	ISIN: PLBH00000012	ISIN: PLBH00000012
2a	Public or private placement	Public	Public	Public
3	Governing law(s) of the instrument	Polish law	Polish law	Polish law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Not applicable	Not applicable	Not applicable
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Common equity Tier 1 capital	Common equity Tier 1 capital	Common equity Tier 1 capital
5	Post-transitional CRR rules	Common equity Tier 1 capital	Common equity Tier 1 capital	Common equity Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo / Consolidated	Solo / Consolidated	Solo / Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Ordinary shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in PLN, as of most recent reporting date)	PLN 70.594.000	PLN 21.736.000	PLN 150.638.400
9	Nominal amount of instrument (Currency in PLN)	PLN 4	PLN 4	PLN 4
EU-9a	Issue price			
EU-9b	Redemption price	-	-	-
10	Accounting classification	Equity	Equity	Equity
11	Original date of issuance	24.05.02	16.06.03	28.02.01
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	Without maturity	Without maturity	Without maturity
14	Issuer call subject to prior supervisory approval			
15	Optional call date, contingent call dates and redemption amount	-	-	-
16	Subsequent call dates, if applicable	-	-	-
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating rate	Floating rate	Floating rate
18	Coupon rate and any related index	-	-	-
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)			
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)			
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative			
23	Convertible or non-convertible	Incommutable	Incommutable	Incommutable
24	If convertible, conversion trigger(s)	-	-	-
25	If convertible, fully or partially	-	-	-
26	If convertible, conversion rate	-	-	-
27	If convertible, mandatory or optional conversion	-	-	-
28	If convertible, specify instrument type convertible into	-	-	-
29	If convertible, specify issuer of instrument it converts into	-	-	-
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	-	-	-
32	If write-down, full or partial	-	-	-
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	-	-	-
34a	Type of subordination (only for eligible liabilities)	Category No. 10	Category No. 10	Category No. 10
EU-34b	Ranking of the instrument in normal insolvency proceedings	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	-	-	-
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	-	-	-
37a	Link to the full term and conditions of the instrument (signposting)	Not applicable	Not applicable	Not applicable

1. Adjustments and deductions from Common Equity Tier 1 items

Below is presented information on the prudential valuation adjustements (Table EU PV1) in accordance with Articles 34 and 105 of Regulation No. 575/2013.

Table EU PVI – Prudential Valuation adjustments (PVA)

	Category level AVA	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	7,240	6,399	11	-	-	-	-	13,651	4,830	8,820
2	Not applicable	-	-	-	-	-	-	-	-	-	-
3	Close-out cost	-	9,557	5	-	-	-	-	9,562	5,370	4,192
4	Concentrated positions	-	-	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-	-	-
7	Operational risk	724	1,596	2	-	-	-	-	2,321	1,020	1,301
8	Not applicable	-	-	-	-	-	-	-	-	-	-
9	Not applicable	-	-	-	-	-	-	-	-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-	-	-
11	Not applicable	-	-	-	-	-	-	-	-	-	-
12	**Total Additional Valuation Adjustments (AVAs)**	-	-	-	-	-	-	-	**25,534**	**11,221**	**14,313**

Starting from December 31, 2023, the Bank Handlowy Group used the basic method to calculate additional valuation adjustment (AVA).
The use of the basic method results from exceeding the threshold of EUR 15 billion referred to in Art. 4 of Regulation No. 101/2016, by the Bank's parent entity at the consolidated level.

2. Disclosure of own funds and eligible liabilities

In current report no 14/2023 of May 26, 2023, Bank informed that it had received a letter from the Bank Guarantee Fund (hereinafter „BFG") indicating that, in the opinion of the BFG, the Bank is a resolution entity that is part of a global systemically important institution (G-SII) in accordance with the definition contained in Art. 4 (136) CRR.

According to Art. 92a CRR, institutions identified as resolution entities and that are part of a G-SII shall at all times satisfy the following requirements for own funds and eligible liabilities:
a) 18 % of the total risk exposure amount (TREA);
b) 6,75 % of the total exposure measure (TEM).

In accordance with the CRR regulations, the amount of the required TLAC TREA plus the combined buffer requirement for the Bank is 20.8%, while the total capital ratio of the Bank at the end of December 2023 was 23.59%.

Bearing in mind the need indicated by the BFG to immediately meet the TLAC TREA requirement, the Management Board of the Bank will apply to the Polish Financial Supervision Authority (KNF) in order to obtain approval to include an appropriate part of the profits from the current period, in the amount of PLN 800 million, into Common Equity Tier 1 capital on the basis of the Bank's reviewed results for the first half of 2023. Additional information on that is presented in the Condensed interim consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A for the period of 6 months ended 31 December 2023 , in note 40 "Significant events after the balance sheet date" section.

Group presents the following tables regarding the disclosure of information on own funds and eligible liabilities, in accordance with Commission Implementing Regulation (EU) 2021/763 of April 23rd 2021 laying down implementing technical standards for the application of Regulation (EU) No. 575/2013 of the European Parliament and of the Council and the Directive 2014/59/UE of the European Parliament and of the Council with regard to the supervisory reporting and public disclosure of the minimum requirement for own funds and eligible liabilities (Regulation 2021/763).

Table EU KM2: Key metrics - MREL and, where applicable, G-SII requirement for own funds and eligible liabilities

		a	b	c	d	e	f
		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII Requirement for own funds and eligible liabilities (TLAC)				
		2023.12.31	2023.12.31	2023.09.30	2023.06.30	2023.03.31	2022.12.31
Own funds and eligible liabilities, ratios and components							
1	Own funds and eligible liabilities	7,083,074	7,083,074	6,824,753	5,927,686	5,433,171	5,240,801
EU-1a	Of which own funds and subordinated liabilities	7,083,074					
2	Total risk exposure amount of the resolution group (TREA)	30,020,075	30,020,075	29,667,006	29,228,968	30,291,621	29,710,682
3	Own funds and eligible liabilities as a percentage of TREA (%)	23.59	23.59	23.00	20.28	17.94	17.64
EU-3a	Of which own funds and subordinated liabilities (%)	23.59					
4	Total exposure measure of the resolution group	74,905,759	74,905,759	74,831,453	73,458,159	73,372,875	71,791,807
5	Own funds and eligible liabilities as percentage of the total exposure measure (%)	9.46	9.46	9.12	8.07	7.40	7.30
EU-5a	Of which own funds or subordinated liabilities (%)	9.46					
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)		no	no	no	no	no
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-struments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		-	-	-	-	-
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)		-	-	-	-	-
Minimum requirement for own funds and eligible liabilities (MREL)*							
	TLAC requirementexpressed as percentage of TREA	18.00					
	TLAC requirement expressed as percentage of TEM	6.75					
EU-7	MREL requirement expressed as percentage of the total risk exposure amount (%)	15.36					
EU-8	Of which to be met with own funds or subordinated liabilities (%)	15.36					
EU-9	MREL requirement expressed as percentage of the total exposure measure (%)	5.91					
EU-10	Of which to be met with own funds or subordinated liabilities (%)	5.91					

* without combined buffer requirement

Table EU TLAC1 – Composition – MREL and, where applicable, G-SII Requirement for own funds and eligible liabilities

		a	b	c
		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII requirement for own funds and eligible liabilities (TLAC)	Memo item: Amounts eligible for the purposes of MREL, but not TLAC
Own funds and eligible liabilities and adjustments				
1	Common Equity Tier 1 capital (CET1)	7,083,074	7,083,074	-
2	Additional Tier 1 capital (AT1)	-	-	-
6	Tier 2 capital (T2)	-	-	-
11	Own funds for the purpose of Articles 92a CRR and 45 BRRD	7,083,074	7,083,074	-
Own funds and eligible liabilities: Non-regulatory capital elements				
12	Eligible liabilities instruments-issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	-	-	-
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	-	-	-
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 (subordinated grandfathered)	-	-	-
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	-	-	-
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	-	-	-
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	-	-	-
14	Amount of non subordinated instruments eligible, where applicable after application of Article 72b (3) CRR	-	-	-
17	Eligible liabilities items before adjustments	-	-	-
EU-17a	Of which subordinated	-	-	-
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements				
18	Own funds and eligible liabilities items before adjustments	7,083,074	7,083,074	-
19	(Deduction of exposures between MPE resolution groups)		-	
20	(Deduction of investments in other eligible liabilities instruments)		-	
22	Own funds and eligible liabilities after adjustments	7,083,074	7,083,074	-
EU-22a	Of which own funds and subordinated	7,083,074		
Risk-weighted exposure amount and leverage exposure measure of the resolution group				
23	Total risk exposure amount	-	-	-
24	Total exposure measure	-	-	-
Ratio of own funds and eligible liabilities				
25	Own funds and eligible liabilities as a percentage of total risk exposure amount (%)	23.59	-	-
EU-25a	Of which own funds and subordinated (%)	23.59		
26	Own funds and eligible liabilities as a percentage of total exposure measure (%)	9.46	-	-
EU-26a	Of which own funds and subordinated (%)	9.46		
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements (%)	5.59	5.59	
28	Institution-specific combined buffer requirement (%)		2.82	
29	of which: capital conservation buffer requirement (%)		2.50	
30	of which: countercyclical buffer requirement (%)		0.07	
31	of which: systemic risk buffer requirement (%)		-	
EU-31a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (%)		0.25	
Memorandum items				
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) CRR		61,717,988	

Table EU TLAC3a: creditor ranking - resolution entity

		Insolvency ranking			Sum of 1 to n
		1 (most junior)	2	n (most senior)	
1	Description of insolvency rank (free text)	category no.10	-	-	
2	Liabilities and own funds	7,022,730	-	-	7,022,730
3	of which excluded liabilities	-	-	-	-
4	Liabilities and own funds less excluded liabilities	7,022,730	-	-	7,022,730
5	Subset of row 4 that are own funds and liabilities potentially eligible for meeting [choose as a appropriate: TLAC/ MREL]	7,022,730	-	-	7,022,730
6	of which residual maturity ≥ 1 year < 2 years	-	-	-	-
7	of which residual maturity ≥ 2 year < 5 years	-	-	-	-
8	of which residual maturity ≥ 5 years < 10 years	-	-	-	-
9	of which residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-
10	of which perpetual securities	7,022,730	-	-	7,022,730

According with Regulation 2021/763 the information included in the template EU TLAC3a are desclosed at the individual level of the Bank.

IV. Capital Adequacy

Below we present data on the Group's capital adequacy, the amount of risk-weighted assets and capital requirements for own funds, broken down by individual risk types and key capital ratios.

Table EU OV1 – Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		a		c
		31.12.2023	30.09.2023	31.12.2023
1	**Credit risk (excluding CCR)**	**20,152,809**	**20,844,705**	**1,612,225**
2	Of which the standardised approach	20,152,809	20,844,705	1,612,225
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**1,352,247**	**1,915,321**	**108,180**
7	Of which the standardised approach	1,251,803	1,806,477	100,144
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	31,284	30,215	2,503
EU 8b	Of which credit valuation adjustment - CVA	69,161	78,629	5,533
9	Of which other CCR	-	-	-
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**150,295**	**161,072**	**12,024**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	150,295	161,072	12,024
EU 19a	Of which 1250% / deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**1,313,098**	**1,771,332**	**105,048**
21	Of which the standardised approach	1,313,098	1,771,332	105,048
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**7,051,625**	**4,974,577**	**564,130**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	7,051,625	4,974,577	564,130
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	281,296	465,948	22,504
29	**Total**	**30,020,075**	**29,667,006**	**2,401,606**

Table EU KM1 - Key metrics template

		a	b	c	d	e
		31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	7,083,074	6,824,753	5,927,686	5,433,171	5,240,801
2	Tier 1 capital	7,083,074	6,824,753	5,927,686	5,433,171	5,240,801
3	Total capital	7,083,074	6,824,753	5,927,686	5,433,171	5,240,801
Risk-weighted exposure amounts						
4	Total risk exposure amount	30,020,075	29,667,006	29,228,968	30,291,621	29,710,682
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	23.59	23.00	20.28	17.94	17.64
6	Tier 1 ratio (%)	23.59	23.00	20.28	17.94	17.64
7	Total capital ratio (%)	23.59	23.00	20.28	17.94	17.64
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	-	-	-	-	-
EU 7b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	-	-	-	-	-
EU 7d	Total SREP own funds requirements (%)	8.00	8.00	8.00	8.00	8.00
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50	2.50	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.07	0.08	0.05	0.04	0.04
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	0.25	0.25	0.25	0.25	0.25
11	Combined buffer requirement (%)	2.82	2.83	2.80	2.79	2.79
EU 11a	Overall capital requirements (%)	10.79	10.83	10.80	10.79	10.79
12	CET1 available after meeting the total SREP own funds requirements (%)	15.59	15.00	12.28	9.94	9.64
Leverage ratio						
13	Total exposure measure	74,905,759	74,831,453	73,458,159	73,372,875	71,791,807
14	Leverage ratio (%)	9.46	9.12	8.07	7.40	7.30
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	
EU 14c	Total SREP leverage ratio requirements (%)	3.00	3.00	3.00	3.00	
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	
EU 14e	Overall leverage ratio requirement (%)	3.00	3.00	3.00	3.00	3.00
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	39,721,691	37,732,937	35,075,143	33,252,990	31,565,655
EU 16a	Cash outflows - Total weighted value	62,362,010	61,703,419	58,582,231	57,926,756	60,728,979
EU 16b	Cash inflows - Total weighted value	39,837,649	39,442,520	37,411,122	37,449,240	41,430,227
16	Total net cash outflows (adjusted value)	22,524,361	22,260,899	21,171,108	20,477,516	19,341,066
17	Liquidity coverage ratio (%)	176.35	169.50	165.67	162.39	163.21
Net Stable Funding Ratio						
18	Total available stable funding	42,498,485	41,604,060	40,035,730	41,400,409	38,339,768
19	Total required stable funding	18,398,626	19,025,979	20,049,040	20,344,386	21,617,855
20	NSFR ratio (%)	230.99	218.67	199.69	203.50	177.35

Key capital ratios after retrospective inclusion of profit are presented in the chapter XII.

Due to the fact that the transitional provisions regarding the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in accordance with Art. 468 of the Regulation 575/2013 expired on January 1, 2023, the Group does not apply the temporary solution in the calculation of own funds.

V. Capital Buffers

On January 1, 2016, the Act on macroprudential supervision entered into force. Pursuant to this act, as at December 31, 2023, the Group had buffers:

- The buffer level indicator, the value of which in the amount of 2.5%, results from Art. 84 of the Act on macroprudential supervision,
- Countercyclical buffer rate of 0.07%, - weighted average countercyclical treasure statue for recipients,
- Systemic risk buffer rate of 0%, due to the fact that on March 18, 2020, the Minister of Finance issues a regulation issuing a regulation on systemic security.
- Other institution's buffer rate with a systemic value of 0.25%.

On 13th December 2023 the Polish Financial Supervision Authority ("PFSA") recommended that the Bank maintain own funds to cover the additional capital charge in order to absorb potential losses resulting from stress conditions under Pillar II (P2G). The Bank's sensitivity to the possible materialization of stress scenarios was assessed as low and the P2G capital charge was set at 0.28 p.p. at the individual and consolidated level.
According to the recommendation, the P2G capital charge should be kept above the value of the total capital ratio plus the combined buffer requirement. The additional mark-up should consist entirely of Common Equity Tier 1 capital.

The Group calculates the countercyclical buffer rate specific to a given institution, taking into account the value of all credit exposures in other countries and the value of the countercyclical buffer appropriate for these countries.

Table EU CCyB2 - Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount	30,020,075
2	Institution specific countercyclical capital buffer rate	0.07%
3	Institution specific countercyclical capital buffer requirement	20,324

Table EU CCyB1 presents geographic color transfers of relevant credit exposures

Table EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book		Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010 Poland	22,031,120	-	13,370	-	1,001,966	23,046,455	1,532,298	1,070	12,024	1,545,391	19,317,393	92.83	0.0000
011 Luxembourg	503,157	-	384	-	-	503,541	40,251	31	-	40,282	503,521	2.42	0.5000
012 United Kingdom	468,905	-	291	-	-	469,195	27,227	23	-	27,250	340,626	1.64	2.0000
013 Republic of Korea	141,889	-	-	-	-	141,889	11,351	-	-	11,351	141,889	0.68	0.0000
014 Malta	95,527	-	-	-	-	95,527	7,642	-	-	7,642	95,527	0.46	0.0000
015 Norway	90,031	-	-	-	-	90,031	7,202	-	-	7,202	90,031	0.43	2.5000
016 Ireland	71,951	-	-	-	-	71,951	5,661	-	-	5,661	70,766	0.34	1.0000
017 Czech Republic	56,014	-	-	-	-	56,014	4,481	-	-	4,481	56,014	0.27	2.0000
018 United States	44,891	-	7	-	-	44,898	4,862	1	-	4,863	60,784	0.29	0.0000
019 Germany	29,220	-	-	-	-	29,220	2,238	-	-	2,238	27,970	0.13	0.7500
020 Switzerland	28,551	-	-	-	-	28,551	2,284	-	-	2,284	28,551	0.14	0.0000
021 Netherlands	22,302	-	-	-	-	22,302	1,784	-	-	1,784	22,302	0.11	1.0000
022 France	19,694	-	-	-	-	19,694	1,452	-	-	1,452	18,147	0.09	0.5000
023 Hungary	19,431	-	-	-	-	19,431	1,554	-	-	1,554	19,431	0.09	0.0000
024 Belgium	8,586	-	-	-	-	8,586	687	-	-	687	8,586	0.04	0.0000
025 Sweden	7,300	-	-	-	-	7,300	584	-	-	584	7,300	0.04	2.0000
026 Other countries	696	-	126	-	-	822	52	10	-	62	771	-	0.0000
027 Total	**23,639,263**	**-**	**14,178**	**-**	**1,001,966**	**24,655,407**	**1,651,611**	**1,134**	**12,024**	**1,664,769**	**20,809,608**	**100.00**	**-**

VI. Information regarding risk

1. Credit Risk

The accounting definitions of past due and impaired exposures

The impairment occurs if there is an objective evidence of impairment which can be a result of. The objective evidence of the loss of the value of the financial asset or the group of assets, in the area of institutional banking, includes information obtained by the group regarding the following events:

- Obtaining information on significant financial difficulties of the client,
- Reduction of the client credit rating by an accepted by the Bank External Credit Assessment Institution, below risk level corresponding to internal 7- rating (i.e. to CCC- for Standard & Poors, Caa3 Moody's),
- Occurrence of economic or legal reasons related to the borrower's financial difficulties and granting to the borrower a concession to financial conditions that the lender would not otherwise consider, consider (forborne non-performing), including granting permission for emergency restructuring of credit exposure, if it might result in decreasing financial requirements, reduction of financial liabilities by redeeming a significant part of the principal, interest or, where applicable, fees or deferring their repayment or payment. The diminished financial oblication is when the measure of diminished financial obligation calculated according to the following formula DO = (NPV0 – NPV1) / NPV0, is higher than 1%. Where: DO - diminished financial obligation, NPV0 - net present value of cash flows (including unpaid interest and fees) expected under contractual obligations before the changes in terms and conditions of the contract discounted using the customer's original effective interest rate, NPV1 - net present value of the cash flows expected based on the new arrangement discounted using the customer's original effective interest rate,
- High likelihood of bankruptcy, gaining informatinon on:
  - declaration of bankruptcy;
  - commencing bankruptcy proceedings or submitting a bankruptcy petition / petition for bankruptcy proceedings
  - putting the debtor into bankruptcy or liquidation;
  - dismissing the bankruptcy petition because the debtor's assets are insufficient or only sufficient to cover the costs of bankruptcy proceedings;
  - dissolution or annulment of the company;
  - appointing a guardian;
  - establishing a trustee (bancupcy administrator);
  - submitting an application for restructuring proceedings within the meaning of the Restructuring Law;

  or granting to the obligor a similar protection if it would allow him to avoid or delay repayment of credit obligations,
- Bank initiates procedure to obtain an enforcement title,
- Default status contagion,
- Delay in payment equal to 90 days or more (calculation of delay is based on materiality thresholds),
- Status of exposure has been changed from "accrual" / "performing" to "non-accrual" / "non-performing",
- Exposure has been classified (as per internal classification) to category: "Substandard–non–performing" / "non-accrual" and "Loss",
- Obligor Risk Rating (ORR) is worse than 7- which is applied for Obligors that are defaulted,
- Justified suspicion of abuse or extorting a credit exposure, or identifying cases of a probable criminal act related to a credit exposure, documented by submitting a notification of suspected crime to the competent state authority,
- Termination of the loan agreement due to high credit risk,

- Obtaining information on the execution of a court judgment process against the debtor in an amount which, in the opinion of the bank, may result in the loss of creditworthiness,
- Lack of payment by the debtor the amount of the realized Government guarantee,
- Death, permanent disability or serious illness of the debtor (in the case of debtors running a company in the form of entrapreneurship), resulting in the inability to continue the activity,btaining information about a customer's default under agreements with other Citi group entities,
- Staying in custody or prison of the debtor (in the case of debtors running a company in the form of entrepreneurship), resulting in the inability to continue the activity;Obtaining information about a customer's default under agreements with other Citi group entities,
- In cese the Economic Loss (L) resulting form the sale of credit obligations is higher than 5%, all other remaining client exposures should be considered defaulted. Where: L=(E-P)/E, L – the economic loss related with the sale of credit obligations; E – total outstanding amount of the obligations subject to the sale, including interest and fees; P – price agreed for the sold obligations. Moment of the sale should be regarded as the moment of default.Where the price for the total portfolio was determined by specifying the discount on particular credit obligations, the materiality of credit-related economic loss should be assessed individually for each exposure within the portfolio. Where however the price was set only at the portfolio level, the materiality of credit-related economic loss may be assessed at the portfolio level.The following exceptions apply: where the reasons for the sale of credit obligations were not related to credit risk, such as where there is the need to increase the liquidity of the institution or there is a change in business strategy, on condition of the appropriate, documented justification of the treatment of the sale; or where the assets subject to the sale are publicly traded assets and measured at fair value

and other loss events could have impact on the estimated future cash flows from the financial asset that can be reliably estimated.
If Bank assesses credit exposure as a credit impaired exposure, ie. classifies it to Stage 3, such exposure needs to be considered as defaulted, non-performing.
Past due exposure is the situation when the delay in payment of principal, interest or any other payments occurs, as compared to payment date. Day past due calculation is done in line with EBA/GL/2016/07 guidance and the regulation of Ministry of Finance, Investment and Development of October 3rd 2019 on the significance level of overdue credit exposure.

A description of the approaches and methods adopted for determining value adjustments and provisions

Detailed information on the management of exposures of impaired are presented in the Annual Financial Statements of the Bank Handlowy w Warszawie SA for the year ended 31 December 2023 in explanatory note no. 3 "Risk Management" in the section "Credit risk”.

Write-offs for expected credit losses

The Group makes write-downs for expected credit losses according to internal rules and methodologies for calculation of write-downs prepared for all financial assets. They are made on an aggregate basis for each of the 3 stages:

- Step 1: credit exposures for which credit risk has not materially increased since the initial recognition

  - loss estimated over a horizon of 12 months (this is the part of credit losses expected for the entire exposure period resulting from the default within 12 months from the reporting date),

- Step 2: credit exposures for which there has been a significant increase in credit risk

  - credit losses are estimated for the entire duration of the exposure,

- Step 3: credit exposures for which there is objective evidence of impairment

  - credit losses estimated as for impaired assets.

Assignment of exposures to the Stage is based on the client's management approach (individual vs. group), taking into account a wide range of information obtained through standard risk management processes (including the Early Warning process) concerning both current and future events, including macroeconomic factors (taken into account in the macroeconomic scenarios prepared cyclically by the Chief Economist) and the number of days of arrears.

The Bank applies the general rule that the default of the creditor takes place in the event of one or both of the following events:

a) the debtor's delay in performing all material credit obligations towards the Bank is 90 days or more,

b) it is unlikely that the debtor will fully meet his credit obligations towards the Bank without the need for the institution to take measures such as the realisation of collateral.

Days past due calculation, for the purpose of exposure assignment to Stages, is done in line with EBA/GL/2016/07 guidance and the regulation of Ministry of Finance, Investment and Development of October 3rd 2019 on the significance level of overdue credit exposure.

Capital requirement in relation to Own Funds of Group is calculated according to the Regulation No. 575/2013.

The Group applies only the standard method to calculate the capital requirement for credit risk.

Credit risk information specified in Recommendation 36 to Recommendation R on the rules for classifying credit exposures, estimating and recognizing expected credit losses and credit risk management

Input parameters of IFRS 9 models used to estimate expected credit losses as at 31 December 2023 are presented broken down by customer segments in the tables below.

Information on the impact of changes in the parameters of IFRS 9 models made in 2023 on the value of expected credit losses is presented in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending December 31, 2023, in note 22 "Receivables from customers".

Table: ICG - Credit portfolio of exposures for local government units

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Stage 1	from 0.00 to <0.15%	-	93,648	93,518	0,34%	5	35,00%	4	49
	from 0.15% to <0.25%	-	11	5	0,34%	3	35,00%	1	-
	from 0.25% to <0.50%	-	4,167	4,152	0,34%	4	35,00%	4	2
	from 0.5% to <0.75%	-	-	-	-	-	-	-	-
	from 0.75% to <2.50%	-	-	-	-	-	-	-	-
	from 2.50% to <10.00%	-	-	-	-	-	-	-	-
	from 10.00% to <45.00%	-	-	-	-	-	-	-	-
	from 45.00% to <100.00%	-	-	-	-	-	-	-	-
	No PD	-	-	-	-	-	-	-	-
Stage 2	from 0.00 to <0.15%	-	-	-	-	-	-	-	-
	from 0.15% to <0.25%	-	100	50	0,89%	1	35,00%	1	-
	from 0.25% to <0.50%	-	-	-	-	-	-	-	-
	from 0.5% to <0.75%	-	-	-	-	-	-	-	-
	from 0.75% to <2.50%	-	-	-	-	-	-	-	-
	from 2.50% to <10.00%	-	-	-	-	-	-	-	-
	from 10.00% to <45.00%	-	-	-	-	-	-	-	-
	from 45.00% to <100.00%	-	-	-	-	-	-	-	-

	Time in Default	EAD after credit risk mitigation and credit conversion rate	Exposures number	Average LGD in %	Expected Credit Loss (ECL)
Stage 3	up to 12 months	-	-	-	-
	from 13 to 24 months	-	-	-	-
	from 25 to 36 months	-	-	-	-
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	-	-	-	-
	from 61 to 84 months	-	-	-	-
	over 84 months	6,337	60	35,00%	436

Table: ICG - Credit portfolio of other exposures

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Stage 1	Micro portfolio	42,248	44,841	86,923	0.00%	254	1,30%	1	1,130
	from 0.00 to <0.15%	4,370,525	2,360,945	5,921,249	0,07%	3,004	31,49%	1	66
	from 0.15% to <0.25%	3,167,727	2,200,239	4,552,473	0,15%	3,448	34,53%	1	50
	from 0.25% to <0.50%	2,814,968	3,082,078	4,667,589	0,38%	7,985	31,42%	2	31
	from 0.5% to <0.75%	-	-	-		-		-	-
	from 0.75% to <2.50%	2,949,029	2,974,808	4,827,437	1,11%	13,854	29,83%	1	52
	from 2.50% to <10.00%	388,243	181,836	499,480	2,83%	4,007	29,44%	2	22
	from 10.00% to <45.00%	9	26,517	13,481	1,74%	15	35,91%	-	6
	from 45.00% to <100.00%	-	228	114	0,34%	2	35,00%	1	-
Stage 2	Micro portfolio	1,043	-	1,050		6	57,00%	2	598
	No PD	423	2,103	1,474	0,52%	286	50,67%	1	-
	from 0.00 to <0.15%	436,400	50,836	461,818	0,95%	13	34,99%	-	367
	from 0.15% to <0.25%	55,803	207,956	168,412	3,78%	90	29,95%	1	36
	from 0.25% to <0.50%	146,396	224,877	260,668	2,98%	105	36,92%	2	141
	from 0.5% to <0.75%	-	-	-		-		-	-
	from 0.75% to <2.50%	187,051	149,796	284,055	7,62%	149	33,01%	1	189
	from 2.50% to <10.00%	63,995	173,074	152,598	5,23%	126	35,88%	1	60
	from 10.00% to <45.00%	220,627	243,385	344,472	19,32%	400	26,83%	1	511
	from 45.00% to <100.00%	-	-	-		-		-	-

* LGD and ECL parameters are not determined for the Micro portfolio, therefore the coverage ratio and the reserve are presented, respectively, i.e. EAD*coverage ratio

	Time in Default	EAD after credit risk mitigation and credit conversion rate	Exposures number	Average LGD in %	Expected Credit Loss (ECL)
Stage 3	Micro portfolio	15,846	109	79,00%	12,518
	up to 12 months	47,579	29	40,36%	1,000
	from 13 to 24 months	53,289	9	26,67%	7,028
	from 25 to 36 months	329	3	31,18%	42
	from 37 to 48 months	125	1	64,00%	125
	from 49 to 60 months	226,311	34	25,88%	27,100
	from 61 to 84 months	20,875	24	35,00%	3,363
	over 84 months	15,808	35	35,00%	1,587

Table: GCB - Housing loans portfolio

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Stage 1	from 0.00 to <0.15%	317 763	-	317 633	0,30%	898	11,15%	20	103
	from 0.15% to <0.25%	413 947	-	413 695	0,36%	1 086	12,25%	21	177
	from 0.25% to <0.50%	460 005	-	458 371	0,48%	1 281	13,19%	22	290
	from 0.5% to <0.75%	230 679	-	229 311	0,58%	664	13,78%	22	186
	from 0.75% to <2.50%	326 165	-	324 889	0,77%	987	12,94%	21	374
	from 2.50% to <10.00%	71 678	-	71 673	1,60%	226	10,77%	20	124
	from 10.00% to <45.00%	8 309	-	8 326	4,14%	36	7,04%	18	23
	from 45.00% to <100.00%	774	-	781	10,44%	2	9,57%	19	11
Stage 2	No PD	964	-	963	8,02%	3	15,88%	22	5
	from 0.00 to <0.15%	184 235	-	184 081	6,69%	512	10,69%	21	838
	from 0.15% to <0.25%	38 720	-	38 639	28,83%	116	13,97%	20	851
	from 0.25% to <0.50%	35 020	-	34 880	43,24%	95	13,85%	21	1 143
	from 0.5% to <0.75%	7 493	-	7 489	62,24%	22	14,43%	20	363
	from 0.75% to <2.50%	9 732	-	9 686	79,81%	29	17,00%	21	830
	from 2.50% to <10.00%	1 118	-	1 124	88,11%	5	5,12%	14	44
	from 10.00% to <45.00%	-	-	-	-	-	-	-	-
	from 45.00% to <100.00%	-	-	-	-	-	-	-	-

	Time in Default	EAD after credit risk mitigation and credit conversion rate	Exposures number	Average LGD in %	Expected Credit Loss (ECL)
Stage 3	up to 12 months	1 472	7	9,70%	143
	from 13 to 24 months	1 506	5	30,97%	467
	from 25 to 36 months	-	-	-	-
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	1 334	2	56,69%	756
	from 61 to 84 months	1 087	4	82,76%	899
	over 84 months	2 671	5	100,00%	2 671

Table: GCB – Consumer loans Portfolio

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Stage 1	from 0.00 to <0.15%	245 283	961 498	406 625	0,21%	56 031	51,92%	2	850
	from 0.15% to <0.25%	412 580	921 924	577 785	0,31%	60 153	53,41%	2	1 876
	from 0.25% to <0.50%	788 288	844 711	966 315	0,51%	74 619	54,70%	3	5 430
	from 0.5% to <0.75%	493 969	351 743	579 414	0,78%	40 329	55,39%	3	5 078
	from 0.75% to <2.50%	734 918	480 617	869 060	1,28%	64 406	54,69%	3	12 359
	from 2.50% to <10.00%	167 657	115 741	202 633	2,77%	19 497	52,76%	3	5 818
	from 10.00% to <45.00%	27 614	17 999	32 689	4,81%	3 157	49,68%	2	1 518
	from 45.00% to <100.00%	1 535	1 491	1 842	4,99%	172	52,39%	2	101
Stage 2	No PD	2 964	16 106	14 904	4,68%	3 474	57,54%	9	239
	from 0.00 to <0.15%	168 406	470 615	450 468	1,75%	35 913	52,13%	5	4 081
	from 0.15% to <0.25%	142 111	291 157	328 092	3,24%	26 135	53,25%	5	5 658
	from 0.25% to <0.50%	185 905	198 400	324 057	8,01%	23 180	54,07%	5	13 801
	from 0.5% to <0.75%	110 978	119 412	193 554	11,34%	14 327	54,47%	5	12 412
	from 0.75% to <2.50%	272 609	386 768	542 705	11,58%	46 221	53,58%	5	32 853
	from 2.50% to <10.00%	45 092	21 975	69 174	24,48%	6 738	53,39%	5	8 378
	from 10.00% to <45.00%	3 350	771	4 555	36,74%	438	55,27%	5	881
	from 45.00% to <100.00%	56	-	56	99,85%	3	59,34%	5	36

	Time in Default	EAD after credit risk mitigation and credit conversion rate	Exposures number	Average LGD in %	Expected Credit Loss (ECL)
Stage 3	up to 12 months	136 228	5 157	66,23%	90 424
	from 13 to 24 months	117 211	3 845	80,99%	95 581
	from 25 to 36 months	46 431	1 446	80,26%	37 930
	from 37 to 48 months	23 109	787	83,24%	19 763
	from 49 to 60 months	19 362	665	83,98%	16 824
	from 61 to 84 months	19 426	688	91,96%	18 180
	over 84 months	51 901	2 710	100,00%	51 901
POCI	up to 12 months	13 536	1 041	47,79%	(1 610)
	from 13 to 24 months	5 189	606	53,02%	(2 119)
	from 25 to 36 months	-	-	-	-
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	-	-	-	-
	from 61 to 84 months	-	-	-	-
	over 84 months	-	-	-	-

Table EU CR1-A: Maturity of exposures

	Net exposure value					
	On demand	<= 1 year	1 to 5 years	> 5 years	No stated maturity	Total
1 Loans and advances	6,483,687	20,543,492	3,978,826	3,477,775	94,020	34,577,800
2 Debt securities	-	8,096,228	18,120,646	4,345,394	-	30,562,268
3 Total	**6,483,687**	**28,639,720**	**22,099,471**	**7,823,169**	**94,020**	**65,140,068**

Table EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	16,598,993	18,663,507	17,709,068	954,438	-
2	Debt securities	30,562,822	-	-	-	
3	Total	47,161,815	18,663,507	17,709,068	954,438	-
4	Of which non-performing exposures	225,698	10,396	6,467	3,929	-
EU-5	Of which defaulted	225,698	10,396			

* In accordance with EBA guidelines amounts in table EU CR3 include deposits on demand.

Table EU CR4 – standardised approach – Credit risk exposure and CRM effects

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
	a	b	c	d	e	f
1 Central governments or central banks	17,949,002	656	28,305,138	252	437,118	1.54
2 Regional government or local authorities	-	97,780	-	48,799	9,760	20.00
3 Public sector entities	572	1,845	572	789	678	49.81
4 Multilateral development banks	2,095,223	-	2,095,223	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	12,241,525	309,545	1,885,390	116,169	219,303	10.96
7 Corporates	10,768,923	11,315,467	10,561,999	3,545,434	13,891,161	98.47
8 Retail	3,777,154	5,235,039	3,777,154	31,674	2,849,724	74.82
9 Secured by mortgages on immovable property	2,715,322	325,799	2,715,322	92,317	1,452,735	51.74
10 Exposures in default	233,685	21,213	233,685	8,349	265,392	109.65
11 Exposures associated with particularly high risk	140,405	-	140,405	-	210,608	150.00
12 Covered bonds	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14 Collective investment undertakings	-	-	-	-	-	-
15 Equity	1,090	-	1,090	-	1,090	100.00
16 Other items	1,250,447	-	1,250,447	-	815,242	65.20
17 TOTAL	**51,173,348**	**17,307,342**	**50,966,424**	**3,843,784**	**20,152,809**	**36.77**

Table EU CR5 – standardised approach

	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1 Central governments or central banks	25,516,521	-	2,371,562	0	304,784	-	4	-	-	0	-	112,519	-	-	-	28,305,390	112,519
2 Regional government or local authorities	-	-	-	-	48,799	-	-	-	-	-	-	-	-	-	-	48,799	4
3 Public sector entities	-	-	-	-	9	-	1,352	-	-	-	-	-	-	-	-	1,360	1,360
4 Multilateral development banks	2,095,223	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,095,223	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	70,601	1,110,824	-	-	711,178	-	108,211	-	-	745	-	-	-	-	-	2,001,559	189,447
7 Corporates	-	-	-	-	2,145	-	16,214	-	-	14,089,072	2	-	-	-	-	14,107,433	13,294,306
8 Retail exposures	-	-	-	-	-	-	-	-	3,808,828	-	-	-	-	-	-	3,808,828	3,808,828
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	2,044,650	-	-	-	729,669	33,321	-	-	-	-	2,807,639	2,807,639
10 Exposures in default	-	-	-	-	-	-	-	-	-	195,317	46,717	-	-	-	-	242,034	242,034
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	140,405	-	-	-	-	140,405	106,087
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity exposures	-	-	-	-	-	-	-	-	-	1,090	-	-	-	-	-	1,090	1,090
16 Other items	416,923	-	-	-	22,853	-	-	-	-	810,671	-	-	-	-	-	1,250,447	1,250,447
17 TOTAL	**28,099,268**	**1,110,824**	**2,371,562**	**0**	**1,089,768**	**2,044,650**	**125,781**	**-**	**3,808,828**	**15,826,564**	**220,445**	**112,519**	**-**	**-**	**-**	**54,810,208**	**21,813,761**

1.1. Non-performing and forborne exposures

According to Regulation 2021/637, the gross NPL ratio is the ratio of the gross carrying amount of non-performing exposures (NPL) to the total gross carrying amount of loans and advances that are subject to verification of the definition of non-performing exposures (NPEs).

As of 31st December of 2023, the Group's gross NPL ratio was 2.3%.

Non-performing and forbearance exposures are defined in Commission Implementing Regulation (EU) No. 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to supervisory reports of institutions and repealing Implementing Regulation (EU) No. 680/2014.

The Group presents the following tables regarding the disclosure of information on performing, non-performing, forbidden and foreclosed exposures, in accordance with Commission Implementing Regulation (EU) 2021/637:

- EU CR1: Performing and non-performing exposures and related provisions,
- EU CR2: Changes in the stock of non-performing loans and advances,
- EU CQ1: Credit quality of forborne exposures,
- EU CQ3: Credit quality of performing and non-performing exposures by past due days,
- EU CQ4: Quality of non-performing exposures by geography,
- EU CQ5: Credit quality of loans and advances to non-financial corporations by industry.

Group does not have collateral obtained by taking possession and execution processes.

Table EU CR1: Performing and non-performing exposures and related provisions*

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005 Cash balances at central banks and other demand deposits	**684,769**	684,768	1	-	-	-	(69)	(69)	(0)	-	-	-	-	-	-
010 Loans and advances	34,494,336	32,171,914	2,322,422	822,993	-	822,993	(152,629)	(52,290)	(100,339)	(586,899)	-	(586,899)	-	18,653,111	10,396
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	585	578	7	10,270	-	10,270	(1)	(1)	(0)	(10,249)	-	(10,249)	-	-	-
040 Credit institutions	15,512,638	15,477,073	35,565	-	-	-	(984)	(395)	(588)	-	-	-	-	14,854,242	-
050 Other financial corporations	3,189,343	3,189,318	25	-	-	-	(2,319)	(2,318)	(0)	-	-	-	-	193,478	-
060 Non-financial corporations	9,795,417	8,724,762	1,070,655	356,271	-	356,271	(46,541)	(16,974)	(29,567)	(229,597)	-	(229,597)	-	1,383,561	5,444
070 Of which SMEs	4,054,534	3,777,366	277,169	302,693	-	302,693	(18,644)	(9,344)	(9,301)	(193,685)	-	(193,685)	-	653,536	5,415
080 Households	5,996,352	4,780,182	1,216,169	456,452	-	456,452	(102,786)	(32,603)	(70,183)	(347,053)	-	(347,053)	-	2,221,831	4,951
090 Debt securities	30,562,822	30,562,822	-	-	-	-	(554)	(554)	-	-	-	-	-	-	-
100 Central banks	4,996,012	4,996,012	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	12,173,916	12,173,916	-	-	-	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	10,295,147	10,295,147	-	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	3,097,747	3,097,747	-	-	-	-	(554)	(554)	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
150 Off-balance-sheet exposures	17,316,714	14,798,877	2,517,837	25,588	-	25,588	(30,570)	(12,512)	(18,057)	(4,390)	-	(4,390)		981,465	12,796
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 General governments	100,975	100,870	105	-	-	-	(147)	(147)	(0)	-	-	-		80	-
180 Credit institutions	300,512	300,512	-	-	-	-	(121)	(121)	-	-	-	-		-	-
190 Other financial corporations	101,654	99,408	2,245	-	-	-	(73)	(62)	(11)	-	-	-		131	-
200 Non-financial corporations	11,542,826	10,496,356	1,046,470	19,594	-	19,594	(14,993)	(9,529)	(5,464)	(973)	-	(973)		978,449	12,796
210 Households	5,270,747	3,801,731	1,469,016	5,995	-	5,995	(15,236)	(2,653)	(12,583)	(3,417)	-	(3,417)		2,806	-
220 Total	**83,058,640**	**78,218,380**	**4,840,260**	**848,581**	**-**	**848,581**	**(183,822)**	**(65,426)**	**(118,396)**	**(591,289)**	**-**	**(591,289)**	**-**	**19,634,576**	**23,192**

* Debt securities include financial assets in the form of securities valued at amortized cost with a gross carrying amount of PLN 1 203 as at December 31, 2023. From the credit risk assessment perspective, these instruments do not differ from loans and advances. As of December 31, 2023, all these exposures were in the serving category

Table EU CR2: Changes in the stock of non-performing loans and advances

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**893,908**
020	Inflows to non-performing portfolios	234,541
030	Outflows from non-performing portfolios	(305,455)
040	Outflows due to write-offs	(75,326)
050	Outflow due to other situations	(230,129)
060	**Final stock of non-performing loans and advances**	**822,993**

Table EU CQ1: Credit quality of forborne exposures

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	225,662	134,011	134,011	134,011	(13,582)	(48,349)	11,623	1,502
020 Central banks	-	-	-	-	-	-	-	-
030 General governments	-	-	-	-	-	-	-	-
040 Credit institutions	-	-	-	-	-	-	-	-
050 Other financial corporations	-	-	-	-	-	-	-	-
060 Non-financial corporations	223,100	88,780	88,780	88,780	(13,442)	(33,816)	11,134	1,013
070 Households	2,562	45,231	45,231	45,231	(140)	(14,533)	490	490
080 Debt Securities	-	-	-	-	-	-	-	-
090 Loan commitments given	237,595	4,562	4,562	4,562	(2,802)	(398)	-	-
100 Total	**463,257**	**138,573**	**138,573**	**138,573**	**(16,383)**	**(48,746)**	**11,623**	**1,502**

Table EU CQ3: Credit quality of performing and non-performing exposures by past due days

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005 Cash balances at central banks and other demand deposits	684,769	684,769	-	-	-	-	-	-	-	-	-	-
010 Loans and advances	34,494,336	34,470,391	23,945	822,993	198,829	72,243	97,751	55,772	282,839	29,353	86,206	822,993
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	585	578	7	10,270	-	-	-	-	-	-	10,270	10,270
040 Credit institutions	15,512,638	15,512,638	-	-	-	-	-	-	-	-	-	-
050 Other financial corporations	3,189,343	3,189,341	2	-	-	-	-	-	-	-	-	-
060 Non-financial corporations	9,795,417	9,793,661	1,756	356,271	76,264	4,698	4,563	1,874	230,103	20,120	18,649	356,271
070 Of which SMEs	4,054,534	4,054,280	254	302,693	73,376	4,698	4,562	1,874	184,745	20,120	13,319	302,693
080 Households	5,996,352	5,974,173	22,179	456,452	122,565	67,544	93,188	53,899	52,736	9,233	57,288	456,452
090 Debt securities	30,562,822	30,562,822	-	-	-	-	-	-	-	-	-	-
100 Central banks	4,996,012	4,996,012	-	-	-	-	-	-	-	-	-	-
110 General governments	12,173,916	12,173,916	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	10,295,147	10,295,147	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	3,097,747	3,097,747	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance-sheet exposures	17,316,714			25,588								25,588
160 Central banks	-			-								-
170 General governments	100,975			-								-
180 Credit institutions	300,512			-								-
190 Other financial corporations	101,654			-								-
200 Non-financial corporations	11,542,826			19,594								19,594
210 Households	5,270,747			5,995								5,995
220 Total	**83,058,640**	**65,717,982**	**23,945**	**848,581**	**198,829**	**72,243**	**97,751**	**55,772**	**282,839**	**29,353**	**86,206**	**848,581**

Table EU CQ4: Quality of non-performing exposures by geography

	a	b	c	d	e	f	g
	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
010 On-balance-sheet exposures	65,880,151	822,993	822,993	65,880,151	(740,083)		-
011 Poland	42,786,155	822,534	822,534	42,786,155	(736,768)		-
012 Germany	7,028,750	-	-	7,028,750	(894)		-
013 United Kingdom	6,761,680	50	50	6,761,680	(207)		-
014 Ireland							
015 Luxembourg	1,989,475	-	-	1,989,475	(18)		-
016 Other countries	6,006,969	302	302	6,006,969	(2,114)		-
	-	-	-	-	-		-
080 Off-balance-sheet exposures	17,342,302	25,588	25,588			(34,960)	
081 Poland	15,733,245	25,588	25,588			(34,170)	
082 Ireland	367,487	-	-			(152)	
083 Luxembourg	278,077	-	-			(105)	
084 United Kingdom	252,391	-	-			(145)	
085 Norway	159,550					(92)	
086 Other countries	551,552	-	-			(296)	
150 Total	**83,222,453**	**848,581**	**848,581**	**65,880,151**	**(740,083)**	**(34,960)**	**-**

Table EU CQ5: Credit quality of loans and advances by industry

	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
010 Agriculture, forestry and fishing	47,671	-	-	-	(141)	-
020 Mining and quarrying	12,373	-	-	-	(14)	-
030 Manufacturing	3,883,605	229,364	229,364	229,364	(178,411)	-
040 Electricity, gas, steam and air conditioning supply	1,510,173	-	-	-	(1,498)	-
050 Water supply	7,506	210	210	210	(214)	-
060 Construction	219,167	53,424	53,424	53,424	(38,439)	-
070 Wholesale and retail trade	2,797,666	60,366	60,366	60,366	(43,727)	-
080 Transport and storage	69,516	2,316	2,316	2,316	13	-
090 Accommodation and food service activities	4,620	46	46	46	(58)	-
100 Information and communication	341,415	731	731	731	(1,398)	-
110 Financial and insurance actvities	-	-	-	-	-	-
120 Real estate activities	226,923	-	-	-	(131)	-
130 Professional, scientific and technical activities	740,733	942	942	942	(3,666)	-
140 Administrative and support service activities	133,674	-	-	-	(184)	-
150 Public administration and defense, compulsory social security	-	-	-	-	-	-
160 Education	860	-	-	-	(8)	-
170 Human health services and social work activities	191	-	-	-	(4)	-
180 Arts, entertainment and recreation	-	-	-	-	-	-
190 Other services	155,596	8,872	8,872	8,872	(8,260)	-
200 Total	**10,151,688**	**356,271**	**356,271**	**356,271**	**(276,138)**	**-**

2. Counterparty credit risk

Counterparty risk is incurred from derivative transactions and capital market transactions. For purposes of risk management the Group defines it as pre-settlement risk and settlement risk.

Pre-settlement exposure is defined by PSE measure (Pre-Settlement Exposure, „PSE"), reflecting future potential exposure of the counterparty. PSE reflects maximum expected exposure of the counterparty during the life of the transaction (or transaction portfolio) at the specified confidence level. The distribution of the market value (Mark-to-market) and PSE amount are dependent on market factors determining the values for particular transaction in the customer portfolio. In case there is No. sufficient data, to simulate the value of the transactions' portfolio more simplified method are used, same as for the purpose of capital requirement calculation.
Pre-settlement risk exposure is managed and reduced through the initial or variation margin deposits as well as conducting transactions using clearing houses.

Moreover, the exposure arising from pre-settlement risk is continuously monitored and is also limited at the aggregate level broken down by product group.

Settlement risk arises when the Group exchanges cash payments to counterparty on a value date and is unable to verify that payments have been received in exchange. The exposure in this case equals the nominal transaction value.

A description of the methodology used to assign internal capital and credit limits for counterparty credit exposures

Internal capital related to counterparty risk related is calculated as 8% of the value of total risk weighted exposures in the trading portfolio, in which internal capital for the following exposure classes: institutions, corporates, regional governments and local authorities administrative bodies and non-commercial undertakings, was estimated according to advanced approach based on internal ratings. For exposures different than mentioned above internal capital requirements were estimated according to standardized approach specified in the Regulation No. 575/2013 (SA-CCR). The Group estimates also the level of exposures resulting from counterparty risk in stress scenario.
Furthermore pre-settlement & settlement risks are managed by the Group by setting appropriate limits (pre-settlement and settlement) as an integral part of credit approval process. Pre-settlement limits for counterparty specify, among others, tenors and product families and depend on the customer creditworthiness, his financial standing as well as on the level of customer's knowledge and experience in derivative transactions, forecasted currency position/ other position which requires hedging and related product needs and on the level of derivative transactions already concluded with other banks.

The level of settlement limit which may be approved is determined by the customer's risk rating. For a vast majority of transactions the Group adopted 'delivery versus payment' (DVP) principle which mitigate settlement risk through not paying the counterparty until Group confirms receipt of the payment or delivery of an instrument by a client. The internal settlement limits are availed in specific and justified cases.

A description of policies for securing collateral and establishing credit reserves as well as a description of policies with respect to specific wrong-way risk exposures

The Group's policies for securing collateral vary according to the counterparty business segment. Most common form of collateral accepted to mitigate credit risk of counterparty, with whom the derivate transactions ("transactions") are entered, is financial securing in the form of transfer of the rights to cash or security deposit according to Art. 102 of Banking Act (cash deposit). The amount of security depends on the difference of the

current Mark to Market value of a transaction and a limit agreed. In principle, margining in the form of cash due to its nature does not expose the Group to the risk of unfavourable changes in collateral value. Generally the transactions are provided under frame agreements, which in case of breach by counterparty allow for an early termination of transaction by the other party and settlement the positive and negative values of transactions covered by given frame agreement in one net amount. The exposure resulting from counterparty risk together with other exposures is included in the periodical credit analysis of a customer.
The Group applies credit value adjustment to the market value of a derivative contract to take into account the credit risk of the counterparty. All Commercial and Corporate Banking Subsector customers are taken into account for derivatives assessment correction calculation
The Group differentiates the valuation of counterparty risk due to the availability of CDS quotations:

a) Credit Risk of Counterparties, for which there is active market of CDS. It is considered that CDS quotations reflect market valuation of credit risk.
b) Credit Risk of Counterparties, for which there isn't active market of CDS. Based on credit rating (external or internal, if external isn't available) and economic sector, in which client is operating, CDS index value, which reflects market valuation of risk, is attributed to the counterparty.

The Group applies standardized method for calculating counterparty credit risk requirement (SA-CCR).

The Group does not enter into agreements, which would require providing additional collateral in case of lowering its credit ratings.

Table EU CCR1 – Analysis of CCR exposure by approach

	a	b	c	d	e	f	g	h
	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1 EU - Original Exposure Method (for derivatives)	-	-		1.40	-	-	-	-
EU-2 EU - Simplified SA-CCR (for derivatives)	-	-		1.40	-	-	-	-
1 SA-CCR (for derivatives)	502,478	602,067		1.40	3,201,005	1,546,364	1,546,364	1,251,803
2 IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a Of which securities financing transactions netting sets			-		-	-	-	-
2b Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c Of which from contractual cross-product netting sets			-		-	-	-	-
3 Financial collateral simple method (for SFTs)					-	-	-	-
4 Financial collateral comprehensive method (for SFTs)					-	-	-	-
5 VaR for SFTs					-	-	-	-
6 Total					**3,201,005**	**1,546,364**	**1,546,364**	**1,251,803**

Table EU CCR2 – Transactions subject to own funds requirements for CVA risk

		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)	-	-
3	(ii) stressed VaR component (including the 3× multiplier)	-	-
4	Transactions subject to the Standardised method	417,320	69,161
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	Total transactions subject to own funds requirements for CVA risk	417,320	69,161

Table EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

	Exposure classes	Risk weight											
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	1,543,410	-	-	128,790	133,724	-	-	-	-	-	1,805,925
7	Corporates	-	-	-	-	-	242,594	-	-	1,038,777	-	-	1,281,371
8	Retail	-	-	-	-	-	-	-	15	-	-	-	15
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	0	-	0
11	**Total exposure value**	**-**	**1,543,410**	**-**	**-**	**128,790**	**376,318**	**-**	**15**	**1,038,777**	**0**	**-**	**3,087,311**

Table EU CCR5 – Composition of collateral for CCR exposures

Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency	-	1,422,906	-	149,979	-	-	-	-
2 Cash – other currencies	-	270,374	-	-	-	-	-	-
3 Domestic sovereign debt	-	-	-	-	-	-	-	-
4 Other sovereign debt	-	-	-	-	-	-	-	-
5 Government agency debt	-	-	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	-	-	-	-
7 Equity securities	-	-	-	-	-	-	-	-
8 Other collateral	-	-	-	-	-	-	-	-
9 Total	**-**	**1,693,280**	**-**	**149,979**	**-**	**-**	**-**	**-**

Table EU CCR8 – Exposures to CCPs

		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**31,284**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,532,240	30,645
3	(i) OTC derivatives	1,529,177	30,584
4	(ii) Exchange-traded derivatives	3,064	61
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	11,170	223
9	Prefunded default fund contributions	18,515	415
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

3. Information regarding credit risk mitigation techniques

Information regarding the policies for collateral management and main types of accepted collateral are presented in supplementary note 3„Risk Management" to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2023.

The value of collateral is calculated on the basis of estimates provided by the property valuation experts, valuations provided by industry analysts, borrowers' accounting records, deposit certificates, information from external databases, etc. The Group defines and applies appropriate loan to value ratios for different collateral types in the process of estimating collateral amounts.

The Group reviews in detail the amount of taken collateral at least annually (cash collateral semi annual) and by the renewal or change in conditions of the transaction.

Additionally the Group monitors if there are shortages in received collateral.
Collateral valuation and monitoring of:

a. real estate, machinery, equipment, vehicles, inventory and account receivables is performed by the Collateral Management Bureau, Corporate Clients Risk Division, in Risk Management Sector, supervised by Member of Management Board, supervising Risk Management Sector (unit independent of sales units),
b. financial assets and guarantees and warranties is performed by Credit Analysis Department, Financial Markets and Corporate Banking Sector, supervised by Member of Management Board, supervising that Sector (unit in sales structure)

and its frequency depends on collateral type (monthly, quarterly, semi-annually and annually),

In order to diversify risk associated with collateral, the Group accepts various types and forms of collateral:

- In the Consumer the most common type of collateral is residential real estate,
- In the Corporate and Commercial Banking primarily the following types of collateral are accepted:
  – guarantees and warranties,
  – financial collateral,
  – collateral/ physical collateral (equipment, inventory, and real estate).

Detailed regulations defining types of collateral acceptable by the Bank, rules on collateral establishment and value determination as well as creation of specialized independent unit responsible for collaterals evaluation allowed to develop adequate standards for this process, including e.g.

- Collateral acceptance and appraisal criteria,
- Rules of collateral monitoring process (including inspections)
- Standardized documentation.

Commercial Bank credit procedures describe ratio of the value of the loan to collateral value for each type of security.
The Group periodically monitors if the actual structure of the collateral portfolio in Commercial Bank is compliant with the structure assumed and if the collateral amount is sufficient.
In Corporate Bank expected Loan-to-Value relations are determined each time in credit decision. These relations are also monitored on the on-going basis.
For Retail Banking Sector the basic collateral for mortgage loans is mortgage on Real Estate. Due to time gap between loans disbursement and setting legally effective mortgage the bridge collateral is used.
The valuation of collateral is performed each time based on real estate appraisal requested by the Group. Collateral appraisals are verified by Collateral Management Bureau, Corporate Clients Risk Division, in Risk Management Sector, supervised by Member of Management Board, supervising that Sector (an independent valuation team) providing services to Retail Banking (incl. clients served by Credit Verifications Unit and Risk Support Operations Office, Credit Operations Center, Operations & Technology Sector Operations Division) in accordance with the valuation guidelines of real estate being collateral for real estate loans for retail customers in Retail Banking Sector. The quality of the appraisal team's work is monitored.

In addition, in the case of real estate used as collateral for loans to Retail Banking Sectors, the value of collateral is monitored on the basis of statistical methods on an annual basis. This monitoring takes place in the Department of Credit Policy of Installment Products and Micro-enterprises in the Retail Banking Risk Division.

In the field of the funded credit protection the Group considers cash collateral and real estates in case of credit risk mitigation of retail exposures in accordance with the principles set in the Regulation No. 575/2013.
Currently only guarantees issued by the Treasury and BGK are recognized by the Group as unfunded credit risk mitigation techniques for capital adequacy calculation.
The Group enters into reverse repo transactions secured entirely by highly liquid debt securities (mainly issued by the Treasury). These transactions are characterized by low market risk level and therefore low market risk concentration due to short maturities.

4. Information regarding application of standardised approach to calculate risk-weighted exposure amounts

The Regulation No. 575/2013 on banks' capital adequacy and Bank's internal policies describe the use of the Group's external ratings and identify external credit assessment institutions whose ratings can be used for the application of the standard method. Currently there are Moody's and Standard & Poors as well as Fitch. Ratings from this three mentioned agencies are used in calculation and reporting process of Capital Requirements for Credit Risk and Counterparty Risk according to standardize method. Currently Group does not use ratings issued by Export Credit Agencies.

Exposure classes for which Bank uses external ratings granted by approved external agency:

1) exposures or contingent exposures to central governments and central banks;
2) exposures or contingent exposures to local governments and local authorities;
3) exposures or contingent exposures to public sector entities;
4) exposures or contingent exposures to multilateral development banks;
5) exposures or contingent exposures to institutions;
6) exposures or contingent exposures to corporates;
7) items representing securitisation positions.

Group applies issuer and issue credit assessment according to rules set forth in The Regulation No. 575/2013 on banks' capital adequacy. Consequently for given exposure where a credit assessment exists for a specific issuing programme or facility to which the exposure belongs, this credit assessment is used to determine the risk weight, which is then assigned to that exposure. Otherwise, Group uses a credit assessment that exists for a specific issuing programme or facility to which the exposure does not belong or a general credit assessment that exists for this issuer, provided that it produces a higher risk weight than that which would be applied to exposures without a credit assessment.

5. Information regarding exposure to securitisation positions

Securitization activities are one of the areas of business, which recently gained in importance. Group decided to invest in securities based on economic calculation, measuring return on investment against the potential risks. Securitization is now a standard and widely used product in global markets. Its importance also increases on the Polish market. The Group intends to be an active participant in this market segment.

At the end of 2023 year the total gross item constituting securitization exposures amounted PLN 1 002 520 M Securities purchased by the Group are not traded on the market. The Group intends to maintain investments until the maturity date. The expected maturity date of the securities is February 2027. The Group classifies securitization's assets as receivables from customers in accordance with IFRS 9 and value them at amortized cost.

The Group has procedures for defining the processes of approval and monitoring of securitization exposures, which include, in particular:

- Analysis of the originator including the processes of credit and debt collection, qualitative and quantitative analysis, the condition of maintaining a material net economic interest, reputation, data related to the quality of previous securitization,

- Risk analysis of the exposure underlying the securitization position i.e. the quality, concentration, delays in repayment and the level of losses, the level of recovery rates

- The terms and structure of the transaction reducing identified risks and defining the division into tranches, level of support and security, payment streams, events of default and default indicators

- Monitoring including, among others, verification of the quality of the exposures underlying the securitization position, timeliness of payments and service, compliance with the transactions conditions, the financial situation of the institutions participating in the transaction, etc.

Existing Group's commitment in securitized assets is not exposed to market risk due to the accounting treatment applied.

The Group does not use any additional collateral (other than arising from the transaction's structure) and unfunded protection of securitization positions

The Group invests in securitized assets that satisfy the requirements of simple, transparent and standardized securitization (STS), as well as those that do not satisfy the requirements. The Group has no positions in resecuritization.

The main risk of securitisation transactions is credit risk. Other important risks of the transaction are *inter alia* the risk of early repayment and the risk of partial prepayment (limited by discounting). All of the Group's securitized assets are the most senior positions.

The described risks are relevant to all securitized assets in which the Group is involved, regardless whether they satisfy the STS requirements or not.

Given the above risks, the Group's credit procedures ensure conducting quality monitoring of securitization portfolio on a quarterly basis.

For the assessment of the securitized portfolio, the Group applies internal rating methodology that is based largely on Fitch's methodology.

Risk weighted exposure for securitization portfolio is determined in accordance with the Regulation (EU) 2017/2401 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms, effective from January 1, 2019. Risk weights are calculated according to the standard method (SEC-SA) with an additional correction for STS securitization.

In relation to possessed securitization positions, the Bank acts as an investor.

Table EU-SEC1 - Securitisation exposures in the non-trading book

		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS												
			of which SRT		of which SRT		of which SRT	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
1	**Total exposures**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,001,966**	**-**	**1,001,966**
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	1,001,966	-	1,001,966
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	1,001,966	-	1,001,966
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions
1 Total exposures	1,001,966	**-**	**-**	**-**	**-**	**-**	**-**	**1,001,966**	**-**	**-**	**-**	**150,295**	**-**	**-**	**-**	**12,024**	**-**
2 Traditional securitisation	1,001,966	-	-	-	-	-	-	1,001,966	-	-	-	150,295	-	-	-	12,024	-
3 Securitisation	1,001,966	-	-	-	-	-	-	1,001,966	-	-	-	150,295	-	-	-	12,024	-
4 Retail underlying	1,001,966	-	-	-	-	-	-	1,001,966	-	-	-	150,295	-	-	-	12,024	-
5 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

6. Market Risk

The amount of capital requirements for individual types of market risk are presented below for:

- fx risk,
- general and specific equity risk,
- specific risk for debt securities,
- general interest rate risk.

Table EU MR1 – Market risk under the standardised approach

	RWEAs
Outright products	
1 Interest rate risk (general and specific)	1,293,783
2 Equity risk (general and specific)	19,315
3 Foreign exchange risk	-
4 Commodity risk	-
Options	-
5 Simplified approach	-
6 Delta-plus approach	-
7 Scenario approach	-
8 Securitisation (specific risk)	-
9 Total	**1,313,098**

The information regarding the market risk is disclosed in explanatory note 3 "Risk Management" in section "Market Risk" to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2023.

The Group defines IRRBB for the purposes of risk control and measurement as the risk of a negative impact of changes in interest rates on the financial result and the value of the Group's own funds.

Stress tests measure the potential impact of significant changes in the level or shape of interest rate curves on positions opened in the banking book.
The Group performs stress tests for predefined scenarios of interest rate movements that are combinations of market factors movements defined as large moves and stress moves occurring both domestically and abroad. The amounts of the assumed shifts of market factors are revised at least once a year and appropriately adjusted to changes in the market conditions of the Group's operations.

The longest maturity after repricing, assigned to deposits with undefined maturity is 5 years.

Presented below are the changes in the economic value of equity (EVE), calculated in accordance with the six supervisory shock scenarios, and the changes in net interest income (NII), calculated in accordance with the two supervisory shock scenarios as of December 31, 2023 and for the comparative period, i.e. June 30, 2023.

The tables present data for the Citi Handlowy Group. In calculating the sensitivities for the following scenarios, assumptions made by EBA are used. The worst of these scenarios (WCS - worst case scenario) is applied to the Capital Group's Tier 1 Capital.

The regulatory limit is 15% and it relates to the sensitivity of the EVE. For the sensitivity of EVE, the test result on December 31, 2023 is amounted to – 8.38%, which means that the regulatory limit (15%) was not exceeded, while on June 30,, 2023 it was – 11.80% and was also not exceeded.

NII sensitivity: as at December 31, 2023, in the event of a 200 b.p. increase in interest rates, the net interest income would increase by 457 million PLN, while in the case of a 200 b.p. drop in interest rates, the net interest result would decrease by 476 million PLN. As at June 30, 2023: in the event of a 200 b.p. increase in interest rates, the net interest income would increase by 322 million PLN and in the event of a 200 b.p. decrease in interest rates, the net interest result would decrease by PLN 328 million PLN. The main factors that influenced the change in net interest income sensitivity is shortening of assets portfolio duration.

Table EU IRRBB1 - Interest rate risks of non-trading book activities

		a	b	c	d
Supervisory shock scenarios		Changes of the economic value of equity		Changes of the net interest income (NII)	
		31.12.2023	30.06.2023	31.12.2023	30.06.2023
1	Parallel up	-250,803	-445,094	457,247	322,381
2	Parallel down	-538,955	-392,588	-475,742	-328,427
3	Steepener	-313,270	-279,737		
4	Flattener	-143,487	-231,664		
5	Short rates up	-217,038	-366,782		
6	Short rates down	-587,002	-478,314		
	Worst case scenario	-587,002	-478,314		
	Tier 1 - Grupa	7,008,855	5,867,027		
	Result	-8.38%	-8.15%		

Additional information on interest trade risk is presented in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the 12-month period ended December 31, 2023, in note 3 "Risk management" in the "Market risk" section.

7. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (including the following risk categories: technology, outsourcing, fraud, money laundering, information security, external events (business continuity), tax and accounting, product, legal, model, human resources, conduct, reputational associated with operational risk incidents,, as well as operational risks embedded in other risks and/or managed in separate processes (e.g. credit risk, market risk, counterparty risk, liquidity risk, compliance risk). Operational risk excludes strategic risk and the risk of loss resulting from decisions connected to taking credit, market, liquidity or insurance 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 Bank's capacity to early identifying areas of increased system risk and reduction of exposure areas regarding the risk resulting from human errors.

Operational Risk Policy introduced in the Bank, defines principles of operational risk management, distribution of duties, accountabilities and processes for managing operational risk within organizational units of Bank. The Policy is consistent with strategy of risk management, defined in Bank’s Strategy. The Policy describes also the system of operational risk management, including rules, mechanisms and tools (incl. procedures related to identification, measurement (assessment), mitigation, monitoring and reporting), referring to the operational risk.

Principles of operational risk management structures in the Bank aim to:

- provide a coherent and effective approach to identification, measurement (assessment), mitigation, control, monitoring and reporting;
- ensure effective reduction of the level of exposure to operational risks, and consequently reduction the quantities of operational risk events and the severity of their effects;
- ensure meeting capital requirements for operational risk
- ensure compliance with regulatory requirements regarding operational risk management.

Internal control system and risk management system, functioning in the Bank, are organized at three, independent levels (three lines of defence):

- Level 1 i.e.: Organizational units responsible for business activities resulting in risk taking and for risk management in the Bank’s operational activity.as well as risk identification and reporting to second line of defense,
- Level 2 i.e.: risk management in organizational units, independently from the risk management by the first Level, and compliance; organizational unit or employees responsible for establishing standards for the risk management in the scope of risk identification, measurement or estimation, mitigation, control, monitoring and reporting and for overseeing the control mechanisms applied by other organizational units to mitigate the risk – organizational units from risk, finance, compliamce, legal and human resources areas,
- Level 3 i.e.: Internal Audit that provide an independent assessment of risk management processes and internal control system.

For calculation of capital requirement for operational risk standardised methodology (STA), defined in Regulation No. 575/2013 applies. Advanced methodologies for calculation of capital requirement for operational risk are not applied.

Table EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

		a	b	c	d	e
		Relevant indicator				
	Banking activities	Year-3	Year-2	Last year	Own funds requirements	Risk exposure amount
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	1,866,685	3,923,633	4,540,645	564,130	7,051,625
3	Subject to TSA:	1,866,685	3,923,633	4,540,645		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Information regarding operational risk, as specified in the paragraph 17.3 of Recommendation M on the management of operational risk in banks

With regard to losses impacting financial results, for Retail Banking and Leasing all Events are reported and for the other areas of Group losses exceeding equivalent of PLN 5 thousand are reported.

Total Group's gross losses accounted to operational risk cost (absolute value, including gains, excluding recoveries) recorded in the year 2023, split by operational risk event types and categories (in accordance with appendix 1 to Recommendation M) are presented in the table below.

Table. Total operational risk gross losses by types of events

Events' types and categories	Amount
Clients, Products & Business Practices - Related Events	**15 040**
Product Design	14 397
Business Practices or Market Conduct	385
Suitability, Disclosure & Fiduciary	258
Execution, Delivery & Process Management - Related Events	**11 254**
Transaction Capture, Execution & Maintenance	6 818
Third Party Management - External/Internal	4 157
Trade Counterparties	138
Monitoring and Reporting	74
Customer / Client Account Management	67
External Theft and Fraud	**1 498**
Electronic Banking and Internet Fraud	874
Credit Card Fraud	465
Debit/ATM Card Fraud	159
Employment Practices and Workplace Environment - Related Events	**159**
Employee Relations	159
Systems & Technology	**44**
Other Systems & Technology	32
Disruption Of Services and Processing Capabilities	12
Internal Theft and Fraud	**1**
Account Takeover - Internal and Customer Accounts; Account Takeover - Branch	1
Total	**27 997**

Gross value of operational losses accounted in the year 2023 (by booking date) amounted to PLN 27 997 thousand. 77% (PLN 210548k) out of this amount relates to events, which occurred for first time in prior years. Relation of gross losses to Group revenues as of 2023 amounts to 0,66%. The total amount of losses consists of over 270 registered events (including homogenous events with financial effects not exceeding PLN 50k, aggregated on a monthly basis). In terms of severity, in the year 2023 Group registered 4 events >PLN 400k amounted to PLN 25 357k: PLN 12 511k - Cumulated losses related to TSUE sentence associated with credit products denominated in foreign currency (since 2007), PLN 6 440k - cumulated provisions and losses related to related to option transactions from the option crisis period in Poland 2009-2010, PLN 4 134k - legal provision for current court case related to outsourcing contract settlement, 2 271k - cumulated losses related to TSUE sentence related to refund of fees for early-repaid credit products (since 2020). In the bucket >PLN 100k and <PLN 400k Group registered 7 events amounted to PLN 1 065k. The remaining events didn't exceed PLN 100k.

Additionally during 2023, uncollectible receivables write-off, related to derivatives contract execution, which had place in 2009 in amount PLN 1 111k, was identified as operational risk event effect cost.

All operational risk events exceeding set significance thresholds are analyzed by independent control units in view of root causes and corrective actions. Corrective actions are monitored by management to avoid repetitive losses. The Group undertakes series of actions aiming at operational risk mitigation such as verification of adequacy of applied controls, enhancements to control processes in areas of identified weaknesses, enhancements of fraud detection systems, revision of limits mitigating risk exposure, strengthening of independent verifications, enhancements to maker/checker controls and staff training. Members of the Management Board approval is required for all losses exceeding established thresholds, in view of analyses of causes of the losses and adequacy of corrective actions. Risk appetite limit set for the year 2023 was not exceeded.

The information regarding the operational risk is disclosed in explanatory note 3 “Risk Management” to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2023.

VII. Information related to the liquidity

Liquidity risk management

Liquidity risk is the risk that the Group may be unable to meet on time its financial obligations towards a client, lender or an investor as a result of the mismatches in cash flows due to the balance and off-balance sheet positions that the Group has at a given date.

The liquidity risk management policy in the Group primarily aims to ensure and maintain the ability to meet both: current and future financial obligations (also in the event of extremely stressed conditions), while minimizing the cost of obtaining liquidity. This is possible due to the proper identification of the liquidity risk, its constant monitoring as well as the establishment of limits with full understanding of: the macroeconomic environment, the Group's business profile, regulatory requirements as well as, strategic and business objectives within available liquidity resources.

The liquidity risk strategy, including the acceptable risk level, assumed balance sheet structure and financing plan is approved by the Bank's Management Board and then accepted by the Bank's Supervisory Board. The management of the Group's balance sheet structure is managed by the Asset and Liability Management Committee (ALCO). The organization of the liquidity risk management process that exists in the Group, is aimed to ensure the separation of functions between entities that conduct transactions (affecting the liquidity risk), monitor and control the risk. The management of intraday, current and short-term liquidity is a task of the Financial Markets and Corporate Banking Sector, while the management of medium and long-term liquidity lies on ALCO responsibilities. Reporting functions are performed by the Risk Strategy and Capital Department, while the monitoring and control of the level of liquidity risk is performed by the Market Risk Department. Activities of companies from the Group of the Bank in the area of liquidity risk management are supervised by the Bank by way of delegating its employees to supervisory bodies (supervisory boards) of such affiliates. Supervision over liquidity of companies from the Group of the Bank is exercised by ALCO.

The source data and models used to generate liquidity reports come from independent management systems or other independent record systems. The reports and stress tests are generated on a daily bases by the Risk Strategy and Capital Department - a unit independent from the Financial Markets and Corporate Banking Sector – and sent to the Group's units responsible for the liquidity risk management and to the Market Risk Department, who is responsible for the substantive content of those reports, including recognition of all elements that affect the liquidity risk. On monthly bases, the Market Risk Department prepares the analysis of the Group's liquidity position and liquidity risk level for the Assets and Liabilities Management Committee and the Risk and Capital Management Committee. Daily reports are sent to those who are directly involved in the intraday, current and short-term liquidity management processes. Monthly and quarterly reports are prepared on the basis of daily data and are submitted to the members of the Bank's Committees that deal with medium- and long-term liquidity risk and structural liquidity risk (the Assets and Liabilities Management Committee and the Risk and Capital Management Committee). Such organization ensures:

- current and forward looking information;
- gives a picture of the liquidity risk for the total balance and off-balance sheet and for the relevant for the Bank currencies (PLN, USD, EUR);
- the diversity of prepared reports allows to assess the level of intraday, current and structural liquidity risk,
- obtaining stress test results with a sufficient frequency (daily for the S2 and monthly for the remaining ones);

- comprehensiveness of the approach in the preparation of the liquidity reports covering both balance and off-balance sheet items.

As a part of the liquidity risk management, the Group pursues the following goals:

- providing Group's entities (at any time) with an access to the liquid funds in order to meet all their financial obligations in a timely manner, also in extreme but probable crisis situations;
- maintaining an adequate level of high-quality liquid assets in the event of a sudden deterioration of the Group's liquidity position;
- defining the scale of the liquidity risk undertaken by the Group by establishing, at an appropriate and safe level, internal measures and limits aimed at limiting excessive concentration in the scope of the adopted balance sheet structure or sources of financing;
- constant monitoring of the Group's liquidity situation with respect to the occurrence of an emergency situation in order to launch the Contingency Funding Plan;
- ensuring compliance of the processes operating at the Bank with the Polish and European regulatory requirements regarding liquidity risk management.

As part of liquidity risk management, the Group also applies a number of control mechanisms ensuring compliance with the liquidity risk management principles. They include in particular:

- separation of the function of measuring, monitoring and controlling risks from operating activities, including separation of functions in areas of potential conflicts of interest and areas of increased risk level;
- reviews of processes, performed by persons performing management functions or managerial functions or delegated by these persons;
- control activities integrated into the operations of the Bank's organizational units and adapted to the profile, scale and specificity of the operations of the Bank's organizational units;
- checking that the exposure limits are met and tracking cases when they are breached;
- monitoring the reports with excesses;
- monitoring of risk indicators;
- self-evaluation process;
- monitoring and testing of contingency funding plans and continuity of business plans.

The main source of funding the Group's activity, including liquid assets portfolio, is deposit base, where at end of December 2023 deposits constituted 80% of total liabilities. The Group maintains buffer of unencumbered high quality assets at high level, investing in sovereign bonds and liquid bonds issued by highly rated corporations. Every year the Group performs analysis if held bond portfolio is possible to liquid at the market condition, in order to set amount of bonds possible to liquidate within timeframe compliant with local regulatory liquidity measure calculation as well as LCR calculation.

The Group constantly monitors funding concentration. To realize that target, the structure of funds is well diversified in each segment of deposits – retail, small enterprises, corporations and public finance sector. The concentration is monitored in break down for client categories and currencies and it is compared to an early warning triggers approved by ALCO. In addition to that there is an early warning trigger for net funding on wholesale market applied.

The Group is one of the biggest market participants on Polish derivative market, however net flows on that instruments in 30 days are irrelevant for LCR. Simultaneously the Group's methodology of evaluating potential outflows of margin deposits from the Group to other entities or potential decrease of margin deposits kept by Bank's customers bases on maximal outflows within last 24 months and it secures Bank from underestimation of outflows within 30 days.

In accordance with the Regulation No. 575/2013 the Group monitors and maintains an adequate level of Liquidity Coverage Ratio (LCR). As of December 31, 2023 LCR was 191% and was 16 percentage points higher than as of September 30, 2023. The change in the ratio is primarily influenced by changes in the level of liquid assets and the level of deposits from non-financial enterprises.

The Group recognizes that the depth of the FX swap market allows the assumption that the existing mismatch (the excess of FX liabilities over assets) can be easily eliminated by means of current FX swaps. Additionally, the Group does not identify other significant components of the net outflow coverage ratio than those included in the net coverage coverage disclosure formula.

Detailed data on the volume of regulatory measures for 2023, as well as the applied internal measures in the area of the liquidity risk management, are included in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A for the financial year ended 31 Dec 2023 in explanatory note no. 3 "Risk Management".

As the result of the assessment of the level of liquidity risk and current and structural liquidity ratios (ILAAP), documented during the review of the Risk Management System (Risk and Capital Management Committee held in March 2023) and resulting from the delegations held by the Assets and Liabilities Management Committee, in the process of adopting the annual "Financing and Liquidity Plan" (the last one plan for 2022 reviewed and approved in December 2023), did not recommend any changes to the existing liquidity risk limits, considering that they are appropriate to the profile and scale of the Bank's operations.

Table EU LIQ1 – Quantitative information of LCR

Scope of consolidation: consolidated		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2023	30.09.2023	30.06.2023	31.03.2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					39,721,691	37,732,937	35,075,143	33,252,990
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	20,123,219	19,908,890	19,672,977	19,439,002	1,719,264	1,693,390	1,657,968	1,617,793
3	Stable deposits	10,016,121	9,993,032	10,070,030	10,165,259	500,806	499,652	503,502	508,263
4	Less stable deposits	10,107,098	9,915,858	9,602,947	9,273,743	1,218,458	1,193,739	1,154,466	1,109,530
5	Unsecured wholesale funding	34,009,873	33,883,449	32,594,663	31,447,084	13,299,858	13,638,005	13,418,800	13,278,181
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	21,628,205	21,185,878	20,031,126	18,996,919	5,407,051	5,296,470	5,007,782	4,749,230
7	Non-operational deposits (all counterparties)	12,381,669	12,697,571	12,563,537	12,450,166	7,892,807	8,341,535	8,411,019	8,528,951
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	56,576,226	55,589,558	52,416,480	51,764,486	45,380,012	44,740,789	41,934,585	41,557,925
11	Outflows related to derivative exposures and other collateral requirements	44,335,717	43,737,100	40,975,600	40,632,982	44,335,717	43,737,100	40,975,600	40,632,982
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	12,240,508	11,852,458	11,440,880	11,131,504	1,044,295	1,003,689	958,984	924,944
14	Other contractual funding obligations	1,542,642	1,247,235	1,215,983	1,145,408	1,542,642	1,247,235	1,215,983	1,145,408
15	Other contingent funding obligations	4,202,334	3,839,996	3,548,949	3,274,494	420,233	384,000	354,895	327,449
16	TOTAL CASH OUTFLOWS					62,362,010	61,703,419	58,582,231	57,926,756
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	8,886,652	5,626,782	2,684,322	904,971	-	-	-	-
18	Inflows from fully performing exposures	1,798,478	1,894,163	2,481,415	2,687,030	1,601,012	1,696,716	2,247,105	2,436,437
19	Other cash inflows	38,236,637	37,745,804	35,164,018	35,012,803	38,236,637	37,745,804	35,164,018	35,012,803
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	48,921,767	45,266,749	40,329,755	38,604,805	39,837,649	39,442,520	37,411,122	37,449,240
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	48,921,767	45,266,749	40,329,755	38,604,805	39,837,649	39,442,520	37,411,122	37,449,240
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					39,721,691	37,732,937	35,075,143	33,252,990
22	TOTAL NET CASH OUTFLOWS					22,524,361	22,260,899	21,171,108	20,477,516
23	LIQUIDITY COVERAGE RATIO					176.35	169.50	165.67	162.39

Table EU LIQ2: Net Stable Funding Ratio

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**7,473,143**	**-**	**-**	**-**	**7,473,143**
2	*Own funds*	7,473,143	-	-	-	7,473,143
3	*Other capital instruments*		-	-	-	-
4	**Retail deposits**		**20,626,330**	**120,891**	**4,433**	**19,179,776**
5	*Stable deposits*		10,056,898	-	-	9,554,053
6	*Less stable deposits*		10,569,432	120,891	4,433	9,625,723
7	**Wholesale funding:**		**35,873,118**	**87,477**	**504**	**15,845,402**
8	*Operational deposits*		24,219,455	-	-	12,109,728
9	*Other wholesale funding*		11,653,663	87,477	504	3,735,675
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**-**	**1,857,915**	**327**	**-**	**164**
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		1,857,915	327	-	164
14	**Total available stable funding (ASF)**					**42,498,485**

		a	b	c	d	e
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**-**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		-	-	-	-
16	**Deposits held at other financial institutions for operational purposes**		**20,461,837**	**1,514,307**	**12,760,363**	**13,383,936**
17	**Performing loans and securities:**		**15,056,723**	**-**	**-**	**-**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		617,551	520,312	1,669,739	1,991,650
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		2,427,431	993,995	9,926,302	10,148,069
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		-	-	-	-
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
22	*Performing residential mortgages, of which:*		-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		2,360,132	-	1,164,323	1,244,217
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		-	-	-	-
25	**Interdependent assets**		-	-	-	-
26	**Other assets:**		**2,430,770**	**574**	**2,371,673**	**2,844,398**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				157,007	133,456
29	*NSFR derivative assets*		218,225			218,225
30	*NSFR derivative liabilities before deduction of variation margin posted*		2,016,616			100,831
31	*All other assets not included in the above categories*		38,922	574	2,371,673	2,391,886
32	**Off-balance sheet items**		**-**	**-**	**17,385,022**	**1,026,547**
33	**Total RSF**					**18,398,626**
34	**Net Stable Funding Ratio (%)**					**230,99**

VIII. Internal Capital Adequacy Assessment

The Group identifies and manages all types of risks in its activity while some of them considering as significant. For all measurable risks that are considered as significant in the Group's activity, the Group estimates and allocates capital. For this purpose the Group implemented process of estimation and allocation of the internal capital covering significant risk in which assessment of capital adequacy is performed (process ICAAP). The Group annually sets Overall Risk Appetite approved by the Management Board and Supervisory Board. Adopted Overall Risk Appetite clearly and consistently communicate the types and levels of risk the Bank is willing to take, within the context of the Bank's articulated business strategies.

The result of the ICAAP is to determine the capital plan which is consistent with approved by the Board and the Supervisory Board financial plan and risk appetite. It specifies the Group's capital needs and goals. Internal Capital is estimated for significant types of risk. The Group allocates internal capital to the particular business units. Risk and Capital Management Committee is responsible for the annual capital planning and ongoing monitoring of capital usage according to established limits.

Overall Risk Appetite is defined as the aggregated level of expected and unexpected losses, that Group is willing to assume to achieve its strategic objectives while maintaining target regulatory capital adequacy ratio Management Board on the basis of risk appetite decides on the level of aggregated limits on particular business units and sub-limits on measurable risks treated as significant.

Below we present the specific, measurable risks identified as significant in the Group in 2023:

- credit risk,
- counterparty credit risk,
- market risk in the trading book,
- interest rate risk in the banking book,
- liquidity risk,
- operational risk,
- compliance risk,
- technology, Cyber, Information Security and CoB risk,
- outsourcing/VM risk,
- fraud risk,
- geopolitical risk.

The Group assesses the internal capital for a base case and a downside scenario, which is a basis for the stress tests' analysis.
Scenarios are defined on the basis of the set of assumptions common to all risks analyzed. In addition, the Group analyzes a one in ten year's scenario (1/10), which forms a basis for additional risk / return measure.

The internal capital requirements for credit and counterparty risk were estimated according to advanced approach based on internal ratings for the following exposure classes: exposures to institutions, corporates, regional governments and local authorities and public sector entities. For exposures different than mentioned above internal capital requirements were calculated according to standardized approach specified in the Regulation No. 575/2013.
Capital requirement for operational risk has been calculated using standardized methodology approach specified in the Regulation No. 575/2013. Calculated capital requirement, according with the accepted methodology, was increased by add-on, as stress tests showed necessity to increase internal capital for operational risk.

Internal capital for market risk in trading book is based on an integrated measure, which takes into account both the value at risk (VaR), and the size of losses in stress scenarios, estimating unexpected loss on the trading portfolio with the probability of 99.9% in 1Y time horizon. In the case of banking book (accrual) portfolios quantification of internal capital, is based on a combination of potential maximum decrease in net interest income of the bank in the perspective of one year in conjunction with the maximum negative impact of changes in interest rates on the economic value of the bank's capital, determined in stress scenarios with the probability of 99.9% in 1Y time horizon.
In the case of liquidity risk, the amount of internal capital allocation is based on current and projected elements of supervisory measures, taking into account the stress scenarios within the next 12 months.
The Group does not use diversification effect while aggregating estimated internal capital for significant risks.

The Group adopted proper methods for capital allocation to the business units.

The organisational units engaged in the process of assessment of internal capital are required to ensure adequate level of internal control in the capital calculation process for significant risks. Audit Department conducts independent review of the process of capital assessment and maintenance.

The Banks's capital adequacy assessment process in the form of "Internal Capital Adequacy Assessment Process (Capital Group of Bank Handlowy w Warszawie S.A.)" document is approved by the Management Board.

Risk and Capital Management Committee is responsible for ongoing capital adequacy assessment. The Committee supervises the compliance with Overall Risk Appetite established by the Supervisory Board and monitors capital adequacy taking into account the quantitative ratios and capital limits utilization.

Risk and Capital Committee of the Supervisory Board receives periodically report on assessment and utilizations of internal and regulatory capital.

If determined within the Overall Risk Appetite level of capital adequacy ratio falls below approved threshold or the Group does not have enough capital to cover internal capital allocation for significant risks, the contingency capital plan will be activated.

IX. Unencumbered assets

For the purposes of these disclosures assets are encumbered, when they are pledged or used as collateral or as enhancement of transaction's credit quality and their transferability is restricted.

As at 31 December 2023 the Group had encumbered assets due to negative valuation of derivative transactions and securities and received credit collateral.

Table EU AE1 - Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	3,242,450	1,050,405			71,683,039	30,349,454		
030	Equity instruments	-	-	-	-	158,097	-	158,097	-
040	Debt securities	1,050,405	1,050,405	1,050,405	1,050,405	30,785,585	29,676,650	30,785,585	29,676,650
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: securitisations	-	-	-	-	1,108,935	-	1,108,935	-
070	of which: issued by general governments	1,050,405	1,050,405	1,050,405	1,050,405	13,053,481	13,053,481	13,053,481	13,053,481
080	of which: issued by financial corporations	-	-	-	-	11,666,344	10,557,409	11,666,344	10,557,409
090	of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120	Other assets	2,192,045	-			40,739,357	672,804		

Table EU AE2 - Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the disclosing institution**	**-**	**-**	**14,326,368**	**11,889,036**
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	11,889,036	11,889,036
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	11,832,170	11,832,170
200	of which: issued by financial corporations	-	-	56,866	56,866
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	81,827	-
230	Other collateral received	-	-	2,355,505	-
240	**Own debt securities issued other than own covered bonds or securitisations**	**-**	**-**	**-**	**-**
241	**Own covered bonds and securitisations issued and not yet pledged**	**-**	**-**	**-**	**-**
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**3,242,450**	**1,050,405**	**-**	**-**

Table AE3 - Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**5,708,284**	**2,122,464**

Debt instruments measured at fair value through other comprehensive income include encumbered assets that constitute a reserve against the funds guaranteed to the Bank Guarantee Fund, debt securities being as collateral for the settlement of derivative instruments in the Euroclear clearing house.

Other assets disclosed above secure settlement of derivatives transactions, stock market transactions and collateral in repo transactins. The terms and conditions of the transactions executed to date are standard and typical for such dealings.
EHQLA and HQLA are: instrument recognized by NBP as collateral in repo transactions, balance in central banks decreased by obligatory reserve and cash. Debt instruments measured at fair value through other comprehensive income include encumbered assets that constitute a reserve against the funds guaranteed to the Bank Guarantee Fund, debt instruments being a collateral in repo transaction, assets that serve as collateral for the settlement of derivative instruments in the Euroclear clearing house Other assets disclosed above secure settlement of derivatives transactions and stock market transactions. The terms and conditions of the transactions executed to date are standard and typical for such dealings. EHQLA and HQLA are: instrument recognized by NBP as collateral in repo transactions, balance in central banks decreased by obligatory reserve and cash.
Encumbered assets in form of debt instrument blocked by clearing houses or margin deposits result from derivatives transactions concluded by the Bank. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. Reverse repurchase agreements on the other hand are entered into as a facility to provide funding to customers.

X. Leverage Ratio

Information on the leverage ratio as of December 31, 2023, summary reconciliation of accounting assets and leverage ratio exposures, leverage ratio common disclosure, split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) are presented in the following tables in accordance with Commission Implementing Regulation (EU) 2021/637:

Table EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		a
		Applicable amount
1	Total assets as per published financial statements*	75,631,200
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	-2,884,138
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	4,553,982
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	-2,395,284
13	**Total exposure measure**	**74,905,759**

* The amount of assets has been presented in accordance with the EBA guidelines and is equal to the total assets in the FINREP statements and not the total assets presented in the financial statements. The difference between these values is due to the offsetting effect of derivatives. In the consolidated statement of financial position, all liabilities and assets of the Group resulting from forward and derivative transactions settled by the central counterparty of KDPW_CCP S.A. are reported as netted (offsetting liabilities and assets).

Table EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		31.12.2023	30.06.2023
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	53,586,329	55,189,882
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(484,152)	(1,155,816)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(1,159,419)	(1,168,452)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**51,942,758**	**52,865,614**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	1,645,785	2,385,099
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1,783,637	1,870,457
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivatives exposures	3,429,422	4,255,556
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	15,056,723	11,939,249
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	15,056,723	11,939,249
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	17,342,302	16,866,863
20	(Adjustments for conversion to credit equivalent amounts)	(12,865,445)	(12,469,123)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	4,476,857	4,397,740

		CRR leverage ratio exposures	
		31.12.2023	30.06.2023
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	**Tier 1 capital**	**7,083,074**	**5,927,686**
24	**Total exposure measure**	**74,905,759**	**73,458,159**
Leverage ratio			
25	Leverage ratio (%)	9.46	8.07
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	9.46	8.07
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	9.46	8.07
26	Regulatory minimum leverage ratio requirement (%)	3.00	3.00
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.00	3.00
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	18,470,975	8,359,615
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	15,056,723	11,939,249
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	78,320,012	69,878,525
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	78,320,012	69,878,525
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.04	8.48
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.04	8.48

Table EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**68,158,899**
EU-2	Trading book exposures	124,514
EU-3	Banking book exposures, of which:	68,034,386
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	30,342,267
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	572
EU-7	Institutions	16,627,923
EU-8	Secured by mortgages of immovable properties	2,715,322
EU-9	Retail exposures	3,777,154
EU-10	Corporates	10,787,032
EU-11	Exposures in default	233,685
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,550,432

The main factor impacting the leverage ratio was increase of Tier 1 capital, mostly as a result of including part of the profit for the first half of 2023.

The principles of managing the risk of excessive leverage at the Bank are regulated by the "Principles of calculating leverage and managing the risk of excessive leverage at Bank Handlowy w Warszawie S.A.".

The objective of managing the risk of excessive leverage is to ensure an appropriate level of capital in relation to the sum of the Group's on-balance sheet assets and off-balance sheet liabilities.

The level of leverage ratio is monitored periodically. Information about the current ratio is reported to the Asset and Liability Management Committee on a monthly basis and to the Risk and Capital Management Committee of the Bank's Management Board and to the Risk and Capital Committee of the Supervisory Board on a quarterly basis.

The Group manages the risk of excessive leverage, among others, by establishing the risk appetite levels and tolerance thresholds for leverage ratio, taking into account the results of the annual stress tests carried out as part of the ICAAP process. Risk appetite, tolerance thresholds for leverage ratio and the escalation process in case of breach of thresholds set up in process ICAAP are approved by the Management Board in the form of "Internal Capital Adequacy Assessment Process (Capital Group of Bank Handlowy w Warszawie S.A.)" document.

XI. Information regarding the remuneration policy

Following policies are binding in Bank Handlowy w Warszawie S.A. (Bank)" the "Remuneration policy for Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A." adopted by way of resolution of the General Shareholders Meeting dated 4 June 2020 and the "Remuneration policy for employees of Bank Handlowy w Warszawie S.A." (dated 22 December 2017 with subsequent amendments), hereinafter referred to as the Remuneration Policy.

The Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A. sets out the principles for remunerating Members of the Management Board and Members of the Supervisory Board of Bank, contributes to implementation of the strategy of the Bank, effective risk management, it's long-term interest and stability. The Policy implements provisions regarding shaping of the rules of remuneration set forth in the provisions of Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and on public companies with further amendments.

The Remunaration Policy sets out principles adopted by Bank for all other employees including in particular Key Persons and aimed among others to align compensation practices, structures and decisions with shareholder interest and effective manage risk by encouraging prudent decision-making. This Policy implements requirements of the provisions of law, Rules of Corporate Governance for Supervised Institutions adopted by the Polish Financial Supervision Authority and the Code of Best Practice for WSE Listed Companies 2016, recommendations of the Polish Financial Supervision Authority covering banking sector and takes into account Guidelines of the European Banking Authority on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No. 575/2013, Guidelines of the European Banking Authority on remuneration policies and practices related to the sale and provision of retail banking products and services, Guidelines of European Securities and Markets Authority on remuneration policies and practices (MiFID).

Principles for remuneration of employees that have a material impact on the risk profile in the Bank are described in details in the "Remuneration policy for persons whose professional activities have a material impact on the risk profile of Bank Handlowy w Warszawie S.A." which was adopted by the Management Board and approved by the Supervisory Board of the Bank on December 22, 2017 (hereinafter referred to as "Remuneration Policy for Identified Staff"). The above-mentioned policy with subsequent amendments, that has replaced "Variable remuneration components policy for managerial staff at Bank Handlowy w Warszawie S.A." binding from September 26, 2012.

In the work on preparation and implementation of the policy mentioned above was involved:

- the members of the Bank's Nomination and Remuneration Committee,
- the Bank's Management Board,
- the head of the Banks's Legal Department,
- the head of the Banks's Human Resources Department,
- the Bank's manager of the Compensation & Benefits Department,
- and, for the fist version of the policy - as an external consultant, the law firm "Clifford Chance Janicka, Krużewski, Namiotkiewicz i wspólnicy spółka komandytowa".

Variable remuneration for Bank's Management Board Members is granted by the Supervisory Board and for other employees covered by the "Remuneration Policy for Identified Staff" by the Management Board. It should be noted that the Nomination and Remuneration Committee of the Supervisory Board was established in the Bank. It provides recommendations and opinions on the levels and conditions of variable remuneration of employees covered by the Remuneration Policy for Identified Staff and acknowledges information on the current List of employees whose professional activities have a material impact on the Bank's risk profile.

Additionally, each time, in case of the change of the Remuneration Policy for Identified Staff, the BHW Nomination and Remuneration Committee gives its opinion on the changes, including the amounts and components of remuneration, taking into account a cautious and stable risk, capital and liquidity management, and paying special attention to long-term interests of the Bank, the interest of the Bank's shareholders and investors.

In 2023 there were six meetings of the BHW Nomination and Remuneration Committee.

As at December 31, 2023 the BHW Nomination and Remuneration Committee was composed of:

1. Anna Rulkiewicz – Chairman of the Committee,
2. Helen Hale – Vice Chairman of the Committee,
3. Marek Kapuściński – Member of the Committee,
4. Sławomir S. Sikora – Member of the Committee,
5. Barbara Smalska – Member of the Committee.

In 2023, the Bank analyzed the roles and responsibilities of their employees in the context of the main risks manageable at the Bank as well as the quantitative and qualitative criteria described in the Commission Delegated Regulation (EU) 2021/923 of March 25, 2022 supplementing the Directive of the European Parliament and the European Council 2013/36/EU with regard to regulatory technical standards specifying criteria for determining management responsibilities, control functions, significant business units and significant impact on the risk profile of a significant business unit, and specifying criteria for determining employees or categories of employees whose professional activities affect on the risk profile of these institutions in a manner comparable to that of the employees or categories of employees referred to in Art. 92 sec. 3 of this directive. On this basis, the established a list of persons who have a significant impact on the Bank's risk profile and therefore should be subject to the provisions of the Eligible Persons Remuneration Policy. Once a year, by December 31, the current list is submitted to the Management Board and Supervisory Board of the Bank. The list of employees covered by the Eligible Persons Remuneration Policy includes:

- President, Vice-Presidents and the Members of the Management Board of the Bank,
- persons holding key functions,
- the members of the Risk and Capital Management Committee,
- the members of the Asset-Liability Committee,
- the heads of business lines,
- management staff responsible for control functions in the Bank, i.e. the head of internal audit, the head of compliance division and the heads of risk management, human resources and legal departments,
- other supervisors, whose actions significantly impact assets and liabilities of the Group and which directly influence entering into or changing the contracts and their conditions by the Group,
- other employees who met at least one criterion described in Commission Delegated Regulation.

The philosophy of awarding the persons under the Remuneration Policy for Identified Staff, adopted by the Group, implies the compensation differentiation of particular employees based on the financial and non-financial criteria, such as attitude to take risk and assurance of compliance to reflect their current and future contribution and to supplement mechanisms of efficient risk control by limiting the motivation for taking unreasonable risk impacting the Group and its activities and by rewarding the proper balance between risk and rate of return. According to this philosophy, the payment of variable remuneration to staff under the Remuneration Policy for Identified Staff depends on both the short-term and long-term evaluation of the individual performance and the financial results of the Bank or specific organizational unit, whereby the persons responsible for control functions are not assessed for the financial results within business areas they control. The assessment of the Bank's results is based on the data from three financial years, which takes into account the business cycle of the Bank and risk of its economic activities. In case of staff employed less for than 3 years when evaluating the Bank's results the data includes the span of time from the establishing working relationship. The variable remuneration for 2023, granted January 11, 2024 and February 15, 2024, was divided into non-deferred and deferred portions. The deferred portion is subject to deferral over 4 or 5 years and will be paid out respectively in years 2025-2028 or in years 2025-2030, subject to conditions provided for in the Remuneration Policy for Identified Staff. Information on adopted solutions binding in 2023 was given in Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2023 in the explanatory note 47 "Employee benefits".

Each time, vesting of particular tranches of deferred variable remuneration requires approval of the Supervisory Board in relation to remuneration of the Management Board Members and the Management Board in the relation to remuneration of other employees.
The portion being deferred depends on the amount of the variable remuneration awarded, as follows:

- less than PLN equivalent of EUR 50,000, and at the same time below 1/3 of total compensation (conditions to be met jointly)– No deferral,
- between PLN equivalent of EUR 50,000 and equivalent of EUR 500 thousand – deferral over 4 or 5 years of 40% of the variable remuneration and 6 or 12 months retention period for each tranche of the award,
- above the equivalent of EUR 500 thousand– deferral over 4 or 5 years of 60% of the variable remuneration and 6 or 12 months retention period for each tranche of the award.

The variable remuneration for adopted Remuneration Policy's and Remuneration Policy for Identified Staff's purposes is understood as – in case of the members of the Management Board – discretionary bonus granted by the individual decision of the Supervisory Board, and in case of other Identified Staff – the annual bonus.

For 2023 52 individuals with Identified Staff status as of December 31, 2023 were granted variable remuneration below PLN equivalent of EUR 50,000 and below 1/3 of total compensation. Therefore, for this population no deferral applied. Their total remuneration amounted to PLN 31 958 k with PLN 26 113 k – fixed and PLN 5 846 k – variable.

At least 50% of the variable remuneration should be awarded in the form of non-cash instruments value of which depends on the financial results of the Bank. This condition is fulfilled by the Bank's shares and the phantom shares, value of which in case of Bank Handlowy fluctuates depending on the market value of the Bank's shares. Till 2022 Bank used to grant part of the variable remuneration is a deferred cash award, whereby the interests for the period from grant to payment will be accrued to the given tranche of the deferred variable remuneration.

Starting from the annual award of 2022 all deferred variable remuneration is granted conditionally in financial instruments with the intention to deliver them in Bank's shares.

Remuneration Policy and Remuneration Policy of Identified Staff were amended by introducing a possibility to payout financial instrument in form of existing shares in the capital of the Bank to employees indicated in above-mentioned policies. In November, 7 2022 the Management Board by way of resolution amended remuneration policies, and in November, 14 2022 Supervisory Board adopted them. In December, 16 2022 the Extraordinary General Assembly of Shareholders decided to implement motivation programs that are based on the existing shares in capital of the Bank. In case Bank will not be able to deliver to employees required number of real shares, adopted changes to policies enable Bank to payout a part of remuneration as phantom share award or in case of the decision of the Bank, in form of phantom or real shares of the Bank. Remuneration policies allow for 1:1 conversion of phantom shares granted before the adoption of amendments, provided that an appropriate agreements is signed with employees concerned. On December 29, 2923 the Polish Financial Supervision Authority granted the Bank its permission to buy-back Bank's shares referred to in Article 77 and Article 78 section 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012. The buy-back of Bank's shares started in January 2024.

During the retention period, employees who are rewarded in Bank's financial instruments are entitled to dividend equivalent payments in respect of any dividends that are declared and paid to ordinary holders of BHW stock.

Starting from the day of adoption of the relevant resolution by the General Shareholders Meeting on June 21, 2016 the maximum ratio of variable remuneration to fixed remuneration of the Indetified Staff was approved at 1:2.

Max ratio of average total gross remuneration of Management Board Members to average total gross remuneration of other Bank's employees was set up at the level of 38:1 at the annual basis.

Guaranteed variable remuneration is exceptional, may only occur when hiring new staff, and is limited to the first year of employment of performing a function.
Payment related to termination of employment (incuding retirement payment or disability retirement benefit and severance pay in connection with the termination of the employment relationship for reasons not attributable to employees) are considered variable pay. However such payments in the part not-excessing the amounts provided in the Collective Labour Agreement and the other collective agreements and regulations defining the rights and obligations of the employment relationship will not be subject to requirements for variable remuneration, in particular they will not be subject to deferral, payout in financial instrument, maximum ratio of variable to fixed remuneration components, nor to opinions nor approvals from Management Board, Supervisory Board or its committees.

Regardless of changes of the deferred variable remuneration's value associated with the fluctuation of the Bank's share price or accrued interest, the amount of deferred portion of the award to be paid out may be decreased or completely reduced based on decision of Supervisory Board or accordingly of the Management Board in of the following situations:

- standards concerning the guarantee of safe and prudent Bank management i which is verified by determination if:
  - Identified Staff engaged in gross misconduct in connection with his/her employment duties, in particular participated in or was responsible for conduct which resulted in significant losses to the Bank; or
  - Identified Staff knowingly engaged in providing materially inaccurate information to the financial statements of the Bank; or
  - The Bank suffers a material failure of risk management; or
  - The Identified Staff materially violate any risk limits established or revised by senior management and/or risk management.
- In a situation set forth in Art. 142 sec. 1 of the Banking Law in case of Bank's employees or
- In case Identified Staff received the Variable Remuneration based on materially inaccurate financial statements, or
- In case the Bank has suffered a material downturn in its financial performance; or
- In case of balance sheet loss, threat of insolvency of loss of liquidity by the Bank.

The acquisition of the right to each tranche of deferred variable remuneration will depend on the Bank's results accordingly in the calendar year directly preceding the date of awarding of the right to given tranche ("Year Concerning the Results").

If the Bank suffers a loss calculated as a loss before tax for the Year Concerning the Results, then the Long-term Bonus in Financial Instrument, to which the right may be earned during the calendar year following the end of the Year Concerning the Results, will be reduced (but not below zero) by a percentage defined as:

(i) the absolute value of the loss before tax suffered by the Bank in the given Year Concerning the Results, divided by

(ii) the absolute value of the highest profit before tax made by the Bank in the period covering 4-5 calendar years before the proper Year Concerning the Results, Irrespective of the above, if the Bank suffers any loss calculated as the loss before tax for the Year Concerning the Results, the minimum percentage reduction of 20% will be applied.

The amount of profit (or loss) before tax for each adequate Year Concerning the Results will be the total value of profit (loss) before income tax for the current operations of the Bank. The results for the calendar year will be defined on a basis of the local IFRS statements, which will be covering the audited results for the first three quarters (in accordance with the report to WSE and adequate public authorities), and the last quarter of the year will consist of the actual results for the first two months of this quarter and the estimates for the last month. The estimates will be defined by the Financial Department of the Bank and they will be final and binding regardless of the actual final results.

If the value of the loss before tax suffered by the Bank for the Year Concerning the Results equals or exceeds the total value of the highest profit before tax in the Group's calendar year in the Measurement Period, then the Authorized Persons will not earn the rights to the given tranche.

Based on the above information and based on own judgment as well as after review by the Nomination and Remuneration Committee when applicable, the Supervisory Board in relation to the members of the Management Board or the Management Board in relation to other Identified Staff takes final relevant decisions on the acquiring of right to a given tranche of Deferred Variable Remuneration.

In 2023 Supervisory Board after obtaining Nomination and Remuneration Committee opinion positively assessed funcioning of remuneration policy in the Bank. Outcome of this assessment was covered in Report on the activity of the Supervisory Board of the Bank.

Due to information provided by Citigroup on April 15, 2021 on planned stategic changes in consumer banking segment ("GCB"), Management Board of the Bank adopted policy that would allow a grant of an award for recognizing former input of employees whose support will be crucial to deliver strategic changes for part of Bank Handlowy w Warszawie S.A. (consumer banking segment) - Transaction Award Policy. For Participants of Transation Award who are Identified Staff all provisions of Remuneration Policy for Identified Staff and provisions of Regulation of the Minister of Finance, Funds and Regional Policy of June 8, 2021 on the Risk Management System and the System of Internal Control and Remuneration Policy apply, unless they are less strict than the ones provided in Transaction Award Policy.

Please see below for quantitative information

Table 1. EU REM1 - Remuneration awarded for the financial year*

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	7	7		81
2		**Total fixed remuneration**	**1,279**	**12,134**		**49,729**
3		Of which: cash-based	1,279	10,855		44,766
4		(Not applicable in the EU)	-	-		-
EU-4a		Of which: shares or equivalent ownership interests	-	-		-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-		-
EU-5x		Of which: other instruments	-	-		-
6		(Not applicable in the EU)	-	-		-
7		Of which: other forms	-	1,278		4,963
8		(Not applicable in the EU)	-	-		-
9	Variable remuneration	Number of identified staff	-	7		81
10		**Total variable remuneration**	**-**	**11,974**		**24,623**
11		Of which: cash-based	-	2,783		10,784
12		Of which: deferred	-	-		-
EU-13a		Of which: shares or equivalent ownership interests	-	9,191		13,839
EU-14a		Of which: deferred	-	6,407		8,942
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-		-
EU-14b		Of which: deferred	-	-		-
EU-14x		Of which: other instruments	-	-		-
EU-14y		Of which: deferred	-	-		-
15		Of which: other forms	-	-		-
16		Of which: deferred	-	-		-
17	**Total remuneration (2 + 10)**		**1,279**	**24,108**		**74,352**

* The Management Board & Supervisory Board are defined as Senior Management

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Table 2. EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) - The Group has No. cases to be reported.

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	1
7	Severance payments awarded during the financial year - Total amount	-	-	-	104
8	Of which paid during the financial year	-	-	-	104
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	104

Table 3. EU REM3 - Deferred remuneration*

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	5,351	2,029	3,322	416	751	1,166	1,657	1,342
2	Cash-based	1,626	687	938	10	18	27	687	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	instruments	3,725	1,342	2,383	406	733	1,139	970	1,342
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	11,253	3,463	7,790	812	1,819	2,631	2,891	572
8	Cash-based	3,132	1,093	2,039	9	34	42	1,093	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	instruments	8,121	2,369	5,751	803	1,786	2,589	1,797	572
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	-	-	-	-	-	-	-	-
14	Cash-based	-	-	-	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	22,261	6,771	15,491	1,645	3,862	5,507	6,771	-
20	Cash-based	5,304	2,082	3,222	15	46	61	2,082	-
21	Shares or equivalent ownership interests	861	22	839	3	270	273	22	-
22	instruments	16,096	4,667	11,429	1,626	3,547	5,173	4,667	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	38,865	12,263	26,602	2,872	6,432	9,304	11,319	1,914

* The Awards granted by the Bank in Citi shares before the employee was recognized as Identified Staff include dividend equivalent and fractional shares.

Table 4. EU REM4 - Remuneration of 1 million EUR or more per year

	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1,000,000 to below 1,500,000	1
2	1,500,000 to below 2,000,000	2
3	2,000,000 to below 2,500,000	-
4	2,500,000 to below 3,000,000	-
5	3,000,000 to below 3,500,000	-
6	3,500,000 to below 4,000,000	-
7	4,000,000 to below 4,500,000	-
8	4,500,000 to below 5,000,000	-
9	5,000,000 to below 6,000,000	-
10	6,000,000 to below 7,000,000	-
11	7,000,000 to below 8,000,000	-
x	To be extended as appropriate, if further payment bands are needed.	-

Table 5. EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Bank Management body remuneration			Bank Business areas						Group
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All others	Total
1	**Total number of identified staff**										**95**
2	Of which: members of the MB	7	7	14							
3	Of which: other senior management				-	-	-	-	-	-	
4	Of which: other identified staff				39	9	-	14	19	-	
5	Total remuneration of identified staff	1,279	24,108	25,387	47,085	5,892	-	9,198	12,176	-	
6	Of which: variable remuneration	-	11,974	11,974	19,627	1,021	-	1,649	2,326	-	
7	Of which: fixed remuneration	1,279	12,134	13,413	27,458	4,871	-	7,549	9,850	-	

*Members of the Bank's Management Board and Supervisory Board were identified as Senior Management.

XII. Key capital metrics after the retrospective profit incorporation

The table below shows (in accordance with the EBA's position expressed in in the uniform set of questions and answers in Q&A 2018_4085 and 2018_3822) the main capital metrics with consideration of retrospective profit incorporation into common Tier 1 capital.

The data for March 31st 2023 and December 31st 2022 have been recalculated taking into account the profit for 2022 after its approval by the General Meeting of Shareholders. The data for June 30th 2023 have been recalculated taking into account the retrospective recognition of part of the profit for the first half of 2023 after obtaining the Polish Financial Supervision Authority approval referred to in Article 26(2) of Regulation 575/2013.

Table - EU KM1 - Key metrics template

		a	b	c	d	e
		31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	7,083,074	6,824,753	6,728,039	5,826,544	5,634,175
2	Tier 1 capital	7,083,074	6,824,753	6,728,039	5,826,544	5,634,175
3	Total capital	7,083,074	6,824,753	6,728,039	5,826,544	5,634,175
Risk-weighted exposure amounts						
4	Total risk exposure amount	30,020,075	29,667,006	29,228,968	30,291,621	29,710,682
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	23.59	23.00	23.02	19.23	18.96
6	Tier 1 ratio (%)	23.59	23.00	23.02	19.23	18.96
7	Total capital ratio (%)	23.59	23.00	23.02	19.23	18.96
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	-	-	-	-	-
EU 7b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	-	-	-	-	-
EU 7d	Total SREP own funds requirements (%)	8.00	8.00	8.00	8.00	8.00
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50	2.50	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.07	0.08	0.05	0.04	0.04
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	0.25	0.25	0.25	0.25	0.25
11	Combined buffer requirement (%)	2.82	2.83	2.80	2.79	2.79
EU 11a	Overall capital requirements (%)	10.79	10.83	10.80	10.79	10.79
12	CET1 available after meeting the total SREP own funds requirements (%)	15.59	15.00	15.02	11.23	10.96
Leverage ratio						
13	Total exposure measure	74,905,759	74,831,453	73,458,159	73,372,875	71,791,807
14	Leverage ratio (%)	9.46	9.12	9.16	7.94	7.85
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	
EU 14c	Total SREP leverage ratio requirements (%)	3.00	3.00	3.00	3.00	
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	
EU 14e	Overall leverage ratio requirement (%)	3.00	3.00	3.00	3.00	3.00
Liquidity Coverage Ratio						

XIII. Declaration of the Management Board of Bank

The Management Board of Bank Handlowy w Warszawie S.A hereby:

- declares that, to the best of its knowledge, the information disclosed in the document "Information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. as at December 31, 2023" in accordance with part eight of Regulation No. 575/2013, are adequate to the actual state; the adequacy of risk management arrangements at the Bank ensures that the applied risk management systems are appropriate from the point of view of the risk profile and strategy of the Bank and the entire Group.
- approves this document "Information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. as at December 31, 2023", which includes information on risk, discusses the overall risk profile of the Bank and the Group related to the business strategy, and includes key indicators and figures that provide external stakeholders with a comprehensive view of the Group's risk management, including the interaction between the Bank's risk profile and the risk appetite, defined by the Management Board and approved by the Supervisory Board.

Members of Management Board

Date	Name	Position/Function
19.03.2022	Elżbieta Światopełk-Czetwertyńska	The President of Management Board
19.03.2022	Maciej Kropidłowski	Vice-president of Management Board
19.03.2022	Katarzyna Majewska	Vice-president of Management Board
19.03.2022	Barbara Sobala	Vice-president of Management Board
19.03.2022	Andrzej Wilk	Vice-president of Management Board
19.03.2022	Patrycjusz Wójcik	Vice-president of Management
19.03.2022	Ivan Vrhel	Member of Management Board